ANNUAL REPORT 2016

POWERING. RELIABLE. FUTURE.

RWE

WE REPRESENT SECURE ENERGY SUPPLY

AS THE BACKBONE FOR SECURITY OF SUPPLY IN OUR CORE REGIONS...

...we provide grid stability and security of supply based on the largest flexible power station fleet in Germany and highly efficient power stations in the UK and the Netherlands, making us a partner for Europe's energy transition.

AS A RELIABLE, FLEXIBLE PROVIDER OF AFFORDABLE AND SECURE ENERGY SUPPLY...

...we operate a broad power station portfolio which includes gas, hard coal, lignite, nuclear, hydro and biomass, making us resilient to the market risks of single energy sources.

AS A LEADING ENERGY TRADER IN THE MAJOR EUROPEAN AND INTERNATIONAL MARKETS...

...we are active in global trading markets for energy and associated commodities such as power, gas, coal and oil. Liquid markets guarantee efficient security of supply for the European economy.

AS A PARTNER FOR OUR CUSTOMERS, PROVIDING TAILOR-MADE SOLUTIONS FOR THEIR ENERGY SUPPLY...

...we provide security and predictability for industrial customers as well as for trading partners and municipalities, along with innovative, customised solutions to meet their energy needs.

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2016 KEY FIGURES AT A GLANCE

RWE Group		2016	2015	+/– %
Power generation	billion kWh	216.1	213.0	1.5
External electricity sales volume	billion kWh	264.6	261.5	1.2
External gas sales volume	billion kWh	265.1	273.0	–2.9
External revenue	€ million	45,833	48,090	–4.7
Adjusted EBITDA[1]	€ million	5,403	7,017	–23.0
Adjusted EBIT[2]	€ million	3,082	3,837	–19.7
Income from continuing operations before tax	€ million	–5,807	–637	–811.6
Net income/RWE AG shareholders' share in income	€ million	–5,710	–170	–
Adjusted net income	€ million	777	1,125	–30.9
Cash flows from operating activities of continuing operations	€ million	2,352	3,339	–29.6
Capital expenditure	€ million	2,382	3,303	–27.9
Property, plant and equipment and intangible assets	€ million	2,027	2,898	–30.1
Financial assets	€ million	355	405	–12.3
Free cash flow	€ million	325	441	–26.3
Number of shares outstanding (average)	thousands	614,745	614,745	–
Earnings per share	€	–9.29	–0.28	–
Adjusted net income per share	€	1.26	1.83	–
Dividend per common share	€	–	–	–
Dividend per preferred share	€	0.13[3]	0.13	–
		31 Dec 2016	31 Dec 2015	
Net debt	€ million	22,709	25,463	–10.8
Workforce[4]		58,652	59,762	–1.9

1 Changed term, formerly 'EBITDA'; see explanation on page 41.
2 Changed term, formerly 'operating result'; see explanation on page 41.
3 Dividend proposal for RWE AG's 2016 fiscal year, subject to the passing of a resolution by the 27 April 2017 Annual General Meeting.
4 Converted to full-time positions.

"WE HAVE TO MAINTAIN A HIGH LEVEL OF MOTIVATION."

Dr. Rolf Martin Schmitz discusses fiscal 2016, the challenges facing RWE and his new role as Chief Executive Officer.

Mr. Schmitz, since the IPO of innogy in October, there are now two different worlds within the RWE Group: the green company innogy with its focus on renewables, grids and retail, and RWE AG with the power plants and energy trading. Since October, you've been in charge of RWE AG. Do you think you're in the right world?
I can't really say that there's a right or a wrong to it. Both of these two worlds are needed to successfully transform the energy sector. But if you're asking me whether I am comfortable in my new role, then the answer is yes. Very comfortable indeed. Of course, there are great challenges, but I am very pleased to be working for the 'new' RWE. We have a highly motivated team, and we're agile and flexible. There's a real feeling that a bright new day is dawning.

Does it bother you that your very first annual financial statements feature a net loss of €5.7 billion?
I could have imagined things getting off to a better start, but maybe it's better to look at this loss as starting with a clean slate. At any rate, the causes were beyond our control. For example, the large impairment we recognised for our German power stations: these kinds of corrections are made so that the book values of the plants reflect their ability to generate income going forward. This in turn depends on wholesale electricity prices, and we've had to lower our expectations about these. I hope that we won't experience anymore nasty surprises like we did back in early 2016...

...when prices for a megawatt hour dipped to just over €20 on the forward market...
...which was far too low to cover the costs of our power plants. If those kinds of price levels had persisted, no one in Germany would have been able to produce electricity using conventional power plants anymore. That was a tough time, which was quite distressing for me.

Since then, however, wholesale prices have bounced back somewhat. Forward prices for 2018 are currently ranging near the €30 mark. Viewed in this light, the impairments seem surprisingly high.
Today's electricity prices are a snapshot; they don't take into account the big picture. The recovery we have seen since February 2016 can mainly be traced back to the rise in the price of hard coal, resulting in higher generation costs. Coal prices, however, have been on the rise due to state-ordered production cuts in China. In the meantime, Beijing has eased the restrictions a bit. So, you can see how fragile things are. Of course, there are numerous other factors which influence the price of electricity, and many of them are hard to predict. We now take a more conservative view of the future.

Net income was also impacted by the new allocation of responsibilities in relation to nuclear waste disposal. The Federal government is taking over intermediate and final storage, and the utilities will be transferring funds equivalent to their provisions to a state fund, plus a 35% surcharge, which releases them from cost risks. Is this an acceptable solution?
The new distribution of responsibility is appropriate. The Federal government has always had operational responsibility for the final storage of radioactive waste. As a result, the costs are influenced to a great degree by politics. We can deal with having to immediately transfer the funds for intermediate and final storage to the state. But we take a critical view of the risk surcharge, which is a massive burden for us. Ultimately, this means that we have to pay €6.8 billion into the new nuclear energy fund, instead of 'just' €5 billion. This requires an enormous effort from us, in terms of finances.

RWE will be paying the total sum of €6.8 billion in one fell swoop on 1 July 2017. Why didn't you opt to pay in instalments?
Because we'd be charged 4.6% interest and we can afford it since we have the proceeds from the successful IPO of innogy along with a large part of the proceeds from the sale of our upstream subsidiary Dea in early 2015. All of this helps us to raise the necessary funds.

But there's not enough money left over for a dividend, at least not for holders of common shares. Holders of preferred shares will be paid 13 cents. Do you think that shareholders have much sympathy for this?
Most shareholders understand that we can't pay dividends independently of our financial situation. I have also found that most of our municipal shareholders appreciate this. In the past, we've frequently heard that shareholders wanted more predictability in the dividend payments. We are trying to oblige with our dividend outlook for 2017 and the following years.

You have announced your intention to pay a dividend of 50 cents for fiscal 2017. The goal is to maintain at least this level in the years thereafter. Why are you optimistic that you can keep this promise?
We believe our announcement is realistic. First and foremost, we are taking into account what we can earn in the conventional power generation business and in trading, along with the dividend which innogy will pay us. At the same time, we must pay attention to sustainability. We do not think it's a good idea to pay out dividends by going into debt or by selling off shares in innogy.

But the decline in margins in conventional power generation will definitely continue until at least 2018, due to the forward purchases made earlier. And the development of earnings in trading can be quite volatile.
I am still confident when it comes to the development of our earnings. Take a look at last year, for example. Even though we suffered losses in energy trading, our adjusted EBITDA came in at €5.4 billion, at the upper end of what we were expecting. This was driven by efficiency measures in conventional power generation, which have progressed far more quickly than we had planned. The great thing about these measures is that we profit from them over the long run. Since 2012 we have already leveraged €1.3 billion in additional earnings potential in the conventional power generation business. Our EBITDA would be this much lower today, if we hadn't done this. I don't need to explain what kind of shape we would be in if this were the case.

For 2017, you project adjusted EBITDA somewhere in the range of €5.4 billion to €5.7 billion. This would mark the first time since 2012 that RWE has been able to post an operating gain compared to the previous year. Is this the start of a turnaround?
Caution is called for, because conditions remain difficult. This makes it even more important for us to do our homework. First and foremost, this means that we have to become even more efficient, and not only in the conventional power business. As for 2017, I hope that performance in the trading business returns to a normal level once again. This alone would improve our results by more than €300 million compared to 2016. And our financial investment, innogy, which is fully included in the Group's EBITDA, should also perform somewhat better. Along with other factors, this should overcompensate for the decline in power plant margins.

Looking further ahead, what do you view as the biggest challenges facing RWE?
There are internal and external challenges. Within the company, we need to maintain the high level of motivation which I see in our employees everyday. Listing innogy on the stock market has given us some financial freedom, but we have to use it carefully. It shouldn't tempt us to sit back and relax. We need to continue pressing on towards the goal of a stronger, more efficient RWE.

And the external challenges?

The main challenges in this regard are political in nature. Discussions continue about the 'right' conditions for the energy industry. At the European level, the emissions trading system is about to be reformed. The EU Commission's 'Winter Package' on the development of the electricity market and the design of capacity markets is something we will be looking at closely. The question in German politics will be whether and to what extent transportation and heating can be switched over to green power. There is a growing consensus that the electricity, heating and transportation sectors have to be coupled, if we are to reach the goals of transforming the energy sector. Additionally, climate protection will continue to be a dominant topic, especially during the 2017 election year. One need merely think of the 'Climate Action Plan 2050'. We will have to engage in the political dialogue on all of these topics and clearly represent our positions.

You mentioned the Climate Action Plan 2050, in which the Federal government formulates the goal of reducing greenhouse gas emissions in the energy sector by more than 60% in 2030, compared to 1990 levels. Do you think this is feasible?

With regulations, you can achieve almost anything you want. The question, however, is whether it's economically sensible and healthy for Germany's industry. This is why the Federal government said that its goals for reducing emissions for the individual sectors were subject to revision. This means that the effects of these goals will be investigated very, very carefully. And that's a good thing, especially if we want to avoid structural upheaval and social disruption, for example in the lignite mining regions. Furthermore, it is important that climate protection measures do not undermine security of supply.

Do you feel that this aspect – security of supply – is adequately represented in the current discussions on energy policy?

My impression is that this subject is gaining more and more attention, in public discourse and in politics. Of course, this is also driven by recent supply shortfalls, as we saw during the 'dark doldrums' during January. There were days when wind and solar contributed less than 5% to electricity production – even though there is already enough wind and solar capacity in Germany to theoretically cover the country's entire electricity demand. In the critical phases, more than 90% of the electricity came from gas, coal and nuclear plants. Expanding renewables is important, and it's the right thing to do. But doing so increases the potential for fluctuations in the amount of green electricity being fed into the network. We have to have a solution for handling this volatility.

Do you see this as RWE's future business model?

RWE already ensures a reliable supply of electricity. However, this function will become increasingly important. In the future, our focus will be on making generation capacity available when it is needed, rather than just producing kilowatt hours. Our new motto is 'Powering. Reliable. Future.' I am optimistic that sooner or later we will receive adequate compensation for the security of supply that we provide. Several studies have found that back-up capacities of 60 gigawatts and more will be necessary, even in 2050. We want to cover part of this generation capacity, first and foremost with our flexible power plants, and perhaps also rely more on storage technologies such as large-scale batteries. We are open to new ideas. Basically, continuity applies to the job we do, and not so much to how we do it.

Does the new RWE with its new motto stand for new values? How do you distinguish yourselves from innogy?

Even before reorganising the Group, we defined what values we represent: reliability, passion and performance. There's no need to change these. I actually think that many values are timeless and universal. I learned these kinds of values from my parents, and I do my best to live by them. It's important for me to treat other people with respect, regardless of the situation. I have always had very positive experiences with this approach. People feel comfortable in an atmosphere of respect, regardless of whether it is at work or at home.

Looking to the future: after your term as CEO is finished, what would you like to read about your achievements?

I hope I won't have to think about this for quite some time. After all, my contract runs until 2021. And like I said, I feel very comfortable in my new role. But when that day comes, I'd just like to read: 'He did a good job.'

THE EXECUTIVE BOARD OF RWE AG

Uwe Tigges **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 2009 to 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.

Group-level responsibilities
- Internal Audit & Compliance
- Corporate Development & Board Office
- Group Communications & Public Affairs
- Legal

Dr. Markus Krebber
Chief Financial Officer

Born in 1973 in Kleve; trained as a 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 2012 to 2015; Chief Executive Officer of RWE Supply & Trading GmbH since March 2015, simultaneously Chief Financial Officer of RWE AG since October 2016.

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

Uwe Tigges
Chief HR Officer and Labour Director

Born in 1960 in Bochum; trained as a telecommunications technician and master electrical engineer, studied business administration; various posts in the IT Departments of VEW AG and VEW Energie AG from 1984 to 1994; Independent Works Council Representative (last assignment at RWE Vertrieb AG) and Chairman of the European Works Council of RWE from 1994 to 2012; Chairman of the Group Works Council of RWE from 2010 to 2012; Chief HR Officer and Labour Director of RWE AG from 2013 to the end of April 2017; since April 2016 simultaneously Chief HR Officer and Labour Director of innogy SE.

Group-level responsibilities
- Human Resources

SUPERVISORY BOARD REPORT

"Thanks to its reorganisation, RWE has the opportunity to chart a new strategic course. This is a great challenge – for the Supervisory Board as well."

Dear Shareholders,
Ladies and Gentlemen

2016 was undoubtedly one of the most important years in the almost 120-year history of RWE. In the autumn, we successfully listed our new subsidiary innogy SE on the stock market. Prior to this, the business areas renewables, networks and supply were bundled together in innogy, whereas conventional power generation and the trading business remained under the direct control of RWE AG. We discussed the motivating factors behind this reorganisation in the 2015 Annual Report. The Supervisory Board was closely involved in the establishment of the new company and its IPO. RWE is now represented on the energy market through two strong corporate groups. With its mix of renewable energy, smart grids and innovative retail offerings, innogy has extremely bright prospects as well as the resources to be a driving force in ensuring the success of the transformation of the energy system. As a listed company, it also has direct access to the capital market, opening up the entire range of options in terms of external financing for growth projects. RWE AG itself also profits from the new Group structure: as the majority shareholder of innogy, it will benefit directly from increases in its value. Moreover, it has gained additional financial flexibility thanks to the sale of own shares in innogy during the IPO. It can now use this flexibility to meet its obligations under the new legal framework for nuclear waste disposal. Thanks to its reorganisation, RWE has the opportunity to chart a new strategic course. This is a great challenge – for the Supervisory Board as well. Against this backdrop, we formed a new Supervisory Board committee last year, focusing on the future strategy of the company.

And now, let me present some general information on the work done by the Supervisory Board during the past year. In 2016, we fulfilled all of the duties imposed on us by German law and the company's Articles of Incorporation. We advised the Executive Board on running the company and monitored its activities. At the same time, we were consulted on all fundamental decisions. The Executive Board informed us of material aspects of business developments both verbally and in writing. This was done regularly, extensively and in a timely fashion. We were also kept abreast of the earnings situation, risks and risk management in an equally thorough manner. During the last year, the Supervisory Board of RWE AG met a total of six times: four ordinary meetings, one extraordinary meeting and one inaugural meeting. The table on the following page provides an overview of attendance.

Attendance at meetings in fiscal 2016[1] by Supervisory Board member	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Nomination Committee	Strategy Committee	NewCo IPO Committee
Dr. Werner Brandt, Chairman	6/6	1/1	1/1	3/3	4/4	1/1	2/2
Dr. Manfred Schneider, former Chairman (until 20 April)	2/2	1/1		1/1			
Frank Bsirske, Deputy Chairman	5/6	2/2		3/4		1/1	2/2
Reiner Böhle	6/6	1/1		4/4			
Sandra Bossemeyer (since 20 April)	4/4	1/1					2/2
Dieter Faust (until 20 April)	2/2		1/1	1/1			
Roger Graef (until 20 April)	2/2						
Arno Hahn	6/6		5/5			1/1	
Andreas Henrich (since 20 April)	4/4						
Maria van der Hoeven (20 April to 14 October)	3/3						
Manfred Holz (until 20 April)	2/2	1/1					
Prof. Dr. Hans-Peter Keitel	5/6	0/1		1/1	4/4	1/1	2/2
Dr. h. c. Monika Kircher (since 15 October)	1/1						
Martina Koederitz (since 20 April)	3/4						
Monika Krebber (since 20 April)	4/4	1/1					2/2
Frithjof Kühn (until 20 April)	2/2			1/1			
Hans Peter Lafos (until 20 April)	2/2						
Harald Louis (since 20 April)	4/4			3/3			
Christine Merkamp (until 20 April)	2/2						
Dagmar Mühlenfeld	6/6	2/2					1/2
Peter Ottmann (since 20 April)	4/4			3/3	4/4		
Günther Schartz (since 20 April)	4/4					1/1	
Dr. Erhard Schipporeit (since 20 April)	4/4		4/4				2/2
Dagmar Schmeer (until 20 April)	1/2						
Prof. Dr.-Ing. Ekkehard D. Schulz (until 20 April)	1/2	0/1	0/1				
Dr. Wolfgang Schüssel	6/6	2/2	4/4	3/3			2/2
Ullrich Sierau	6/6		4/5				
Ralf Sikorski	6/6		4/5			1/1	
Marion Weckes (since 20 April)	4/4		4/4				
Dr. Dieter Zetsche (until 20 April)	2/2						
Leonhard Zubrowski	6/6	2/2					2/2

1 Attendance is indicated by the number of meetings attended by the Supervisory Board member to the total number of meetings during the member's term as a member of the Board in question.

Decisions were taken on the basis of comprehensive reports and draft resolutions submitted by the Executive Board. The Supervisory Board had ample opportunity to concern itself with the Executive Board's reports and draft resolutions in its plenary sessions and in the Supervisory Board 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 also did so by circular resolution. As the Chairman of the Supervisory Board, I was in continuous contact with the Chairman of the Executive Board, as was my predecessor in this office. We were therefore able to discuss events of material significance to the Group's situation and development without any delay.

Main points of debate. In the past fiscal year, the reorganisation of the RWE Group, the initial public listing of innogy SE, the formulation of the legal relationship between RWE AG and its new subsidiary and the future strategic direction of RWE AG following the IPO of innogy were the main topics of our discussions. We were informed about these issues at each meeting of the Supervisory Board and passed the necessary resolutions. Some decisions which had to be made quickly were delegated to the NewCo IPO Committee, which we formed in 2015 for this purpose. The crisis in conventional power generation was also the subject of intensive discussions at our meetings. We also addressed energy policy issues, in particular the landmark decisions in relation to the disposal of nuclear waste. We carefully followed the work of the Commission to Review the Financing for the Phase-out of Nuclear Energy and the implementation of their proposals for the law on the restructuring of responsibilities for nuclear waste disposal, and supported the Executive Board in an advisory role.

We also focused intensively on measures intended to strengthen the earnings and financial power of RWE. Among other things, we concentrated on the question of how the company's competitiveness can be further improved. We repeatedly discussed the future strategic orientation of the company with the Executive Board, in particular at the Strategy Meeting of the Supervisory Board on 14 December 2016. Other subjects discussed during the year included the difficult conditions in the UK retail business, innovation projects, and personnel and social issues. The Executive Board regularly reported to us on the Group's financial situation and ongoing legal cases. Furthermore, it informed us about the economic environment on the energy market, focusing in particular on developments in wholesale electricity prices and generation margins. At our session on 15 December 2016, we concerned ourselves in depth with the Executive Board's planning for fiscal 2017 and the forecasts for the two following years, and subsequently approved them. The agenda for this meeting also included the resolution on adjusting the system of compensation for the Executive Board, with a particular focus on the long-term compensation components.

Conflicts of interest. The members of the Supervisory Board are obliged to immediately disclose any conflicts of interest. No such notifications were made in 2016.

Corporate governance. During the last year, the Supervisory Board also discussed implementation of the recommendations of the German Corporate Governance Code. These remained unchanged in 2016. The Executive and Supervisory Boards prepared a corporate governance report, which was published on the internet at **www.rwe.com/corporate-governance**. The statement of compliance issued on 15 December 2016 is available at the same address. RWE fully complies with the recommendations of the version of the Code dated 5 May 2015.

Committees. In 2016, the Supervisory Board had six standing committees and the project-related NewCo IPO committee, which was created at the end of 2015 and accompanied the public listing of innogy SE. 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 chairs regularly informed the Supervisory Board of their work. Individual attendance at the meetings of the committees can be seen in the table on page 9.

The **Executive Committee** held two meetings last year. Among other things, it did preparatory work for the Supervisory Board debates regarding the planning for the 2016 and 2017 financial years and forecasts through to 2019.

The **Audit Committee** convened five times. It monitored the quality of the audit. It focused intensively on 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 with the Executive Board before they were published. The independent auditor participated in the debates at all of the committee meetings and reported on his audit and/or his audit-like review. In addition, the Audit Committee submitted a recommendation for the proposal made by the Supervisory Board to the Annual General Meeting regarding the election of the independent auditors for fiscal 2016 and prepared the grant of the audit award to the independent auditor including the details of the fee agreement. It also set the priorities of the audit. Special attention was paid to the Group's risk management and accounting-related internal control system, as well as the new internal controlling system in the retail business. Furthermore, the committee dealt with compliance issues and with the schedule and results of the internal audit. During the year under review, the Committee's agenda included numerous other topics such as the risk situation of the RWE Group in the wake of the Corporate Control and Transparency Act (KonTraG), the new law reforming audit activities and the ensuing requirements, further development of the internal controlling system at RWE Supply & Trading, data protection, cyber security and the financial position of the RWE pension fund, as well as tax and legal issues. Individual topics were discussed with the responsible management personnel present.

The **Personnel Affairs Committee** held four meetings. It prepared the personnel decisions of the Supervisory Board. In 2016, one of this Committee's focal points was the adjustment and simplification of the Executive Board compensation system. It was supported in this work by an independent compensation expert.

The **Nomination Committee** also convened on four occasions in the year under review, discussing the replacement of members of the Supervisory Board.

The **Mediation Committee**, pursuant to Sec. 27, Para. 3 of the German Co-Determination Act, did not meet in the period under review.

The **Strategy Committee** was established in April 2016. Its task is to explore issues of strategic significance for RWE. The main focus was on the company's long-term perspectives, direction and development. This Committee met once in 2016, concentrating on the process of renewing RWE AG's strategy and preparing for the Strategy Meeting of the Supervisory Board in December 2016.

The **NewCo IPO Committee** met twice, to discuss the details of the public listing of innogy SE and pass the resolutions for which it was responsible. These included decisions on the number, allocation and placement price of the shares issued.

Financial statements for fiscal 2016. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (formerly PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft) scrutinised and issued an unqualified auditor's opinion on the 2016 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 International Financial Reporting Standards (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 20 April 2016 and commissioned by the Supervisory Board to audit the financial statements of RWE AG and the Group.

Documents supporting the annual financial statements, the annual report and the audit reports were submitted to the members of the Supervisory Board in good time. Furthermore, the Executive Board commented on the documents at the Supervisory Board's balance sheet meeting of 8 March 2017. 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 7 March 2017, with the auditors present. It had 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 8 March 2017, 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. 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 consolidated financial statements, and adopted both. The 2016 annual financial statements are thus adopted. The Supervisory Board concurs with the Executive Board's proposal regarding the appropriation of profits, which envisages paying a dividend of €0.13 per preferred share. No dividend will be paid on common shares.

Personnel changes in the Supervisory Board and Executive Board. Upon completion of the Annual General Meeting on 20 April 2016, the terms of the members of the Supervisory Board came to an end. Dr. Werner Brandt, Prof. Dr. Hans-Peter Keitel, Dagmar Mühlenfeld, Dr. Wolfgang Schüssel and Ullrich Sierau were once again elected to the Supervisory Board as shareholder representatives. Roger Graef, Frithjof Kühn, Dr. Manfred Schneider, Prof. Dr. Ekkehard Schulz and Dr. Dieter Zetsche left the Board. Maria van der Hoeven, Martina Koederitz, Peter Ottmann, Günther Schartz and Dr. Erhard Schipporeit were elected as their successors. However, Ms. van der Hoeven resigned from the Board on 14 October 2016, after accepting a mandate on the Supervisory Board of innogy. The Essen District Court appointed Mag. Dr. h. c. Monika Kircher to the Supervisory Board as her replacement. On the same grounds, Ms. Koederitz will also resign prior to the next Annual General Meeting at the latest and thus leave the Supervisory Board early. Reiner Böhle, Frank Bsirske, Arno Hahn, Ralf Sikorski and Leonhard Zubrowski were once again elected as employee representatives. Dieter Faust, Manfred Holz, Hans Peter Lafos, Christine Merkamp and Dagmar Schmeer left the Board. They were replaced by Sandra Bossemeyer, Andreas Henrich, Monika Krebber, Harald Louis and Marion Weckes. At its inaugural meeting on 20 April 2016, the Supervisory Board elected myself as the Chairman and Frank Bsirske as the Deputy Chairman. New members were also appointed to the committees. Pursuant to the Stock Corporation Act, Dr. Erhard Schipporeit was appointed as the independent finance expert of the Supervisory Board and the Audit Committee.

On behalf of the Supervisory Board, I would like to thank all of the former members for their dedication in steering the company.

At its meeting on 3 March 2016, the Supervisory Board made an important personnel decision in relation to the future management of RWE AG by appointing Dr. Rolf Martin Schmitz as a member of the Executive Board until the end of June 2021. Peter Terium and Dr. Bernhard Günther, who were still the Chairman of the Board and Chief Financial Officer of the company at that time, left the Executive Board of RWE AG shortly after the public listing of innogy. They left the Executive Board effective from 14 October 2016, to dedicate themselves fully to their work at innogy. Uwe Tigges, who is currently still the Chief HR Officer, will remain with RWE AG until 30 April 2017, after which he will also only be active for innogy. At the meeting of 16 September 2016, the Supervisory Board appointed Dr. Markus Krebber as member of the Executive Board of RWE AG, effective from 1 October 2016. As of 15 October 2016, Rolf Martin Schmitz became Chairman of the Executive Board of RWE AG and Markus Krebber took over the post of Chief Financial Officer.

Thanks to our employees. 2016 was truly a milestone year for RWE. By bundling renewable energy, grids and retail in the new company innogy SE and successfully listing this company on the stock market, the Group is now well positioned to master the challenges stemming from the transformation of the energy system. At this juncture, I would like to express my gratitude to all who have participated in this. I would also like to thank all of the employees, whose motivation and competence drive the success of RWE every day, creating a foundation for the company to thrive, despite the difficult conditions we face.

On behalf of the Supervisory Board

Werner Brandt

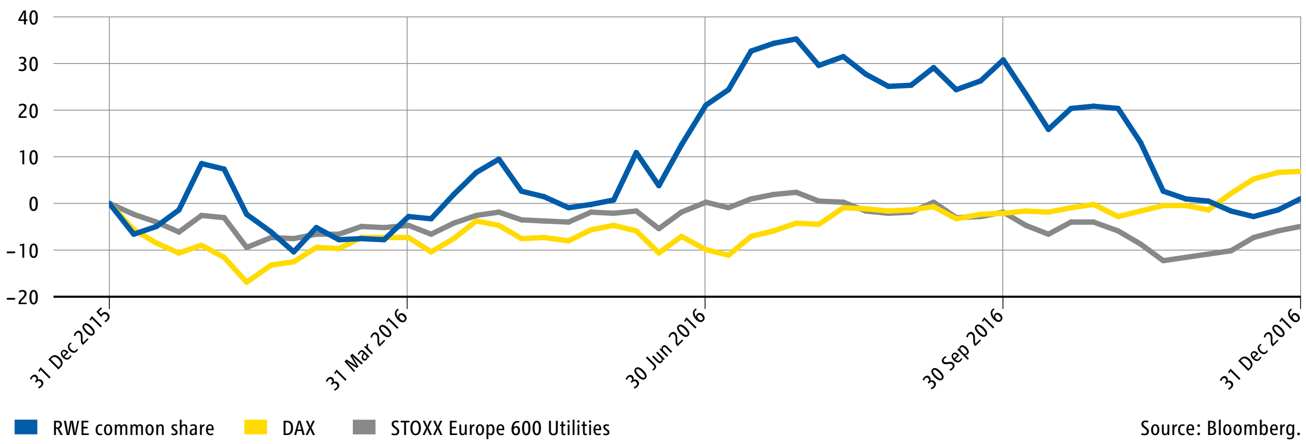
Dr. Werner Brandt
Chairman

Essen, 8 March 2017

RWE ON THE CAPITAL MARKET

'All's well that ends well' would be an apt phrase to describe the development of the DAX last year. Despite the Brexit vote and some worries about the Chinese economy, the German stock market index ultimately managed a gain of 7 %. This performance was supported by the extremely loose monetary policy of the European Central Bank and, following Donald Trump's election victory, mounting optimism about the US economy at the end of the year. Although the RWE common share only registered a very modest gain, it still managed to outperform the sector index. Its performance continues to be impacted by the persistently difficult conditions in conventional power generation. The share price benefited from the successful reorganisation of the RWE Group, which culminated in October with the IPO of the new subsidiary, innogy SE. The bond market continued to be characterised by unusually favourable refinancing conditions. The cost of hedging RWE credit risk declined sharply in 2016 and was only slightly higher than the market average at the end of the year.

Performance of the RWE common share compared with the DAX and STOXX Europe 600 Utilities
% (average weekly figures)



Source: Bloomberg.

Conditions on the stock market remain positive. The upward trend on the German stock market observed since 2012 continued last year. The DAX gained 7 % to reach 11,481 points, despite the year getting off to a very bumpy start, as worries about a hard landing for the Chinese economy sent stock markets around the world reeling. The DAX dropped by almost one fifth, before rebounding somewhat, bolstered by the expansive monetary policy of the leading central banks. The Brexit vote only undermined the upward trend for a short time. Sentiment on the stock market was optimistic towards the end of the year in particular. Increasing numbers of investors expected that economic conditions in the USA would continue to improve under President Trump. This had a benign effect on the DAX as well, pushing the index well into positive territory by the end of the year.

RWE shares outperform the sector index. Compared to the DAX, the RWE share posted below-average performance (return from the change in price and the dividend), but it was able to beat the sector index STOXX Europe 600 Utilities (–5 %). For the year, our common shares gained 1 % to €11.82. As no dividend was paid, the total return is equal to the increase in the share price. Taking into account the preferred dividend of €0.13, RWE's preferred share posted a performance of –1 %. The development of RWE's shares reflects the continuing difficult economic and political conditions for conventional power generation. The successful reorganisation of the RWE Group was welcomed by the capital market, as this move reinforces our financial position and opens up new growth opportunities (see page 18). Another positive factor was that forward prices in German wholesale electricity trading bounced back again somewhat from the lows seen in February 2016. As a result, earnings prospects for conventional power generation improved slightly, but remain weak.

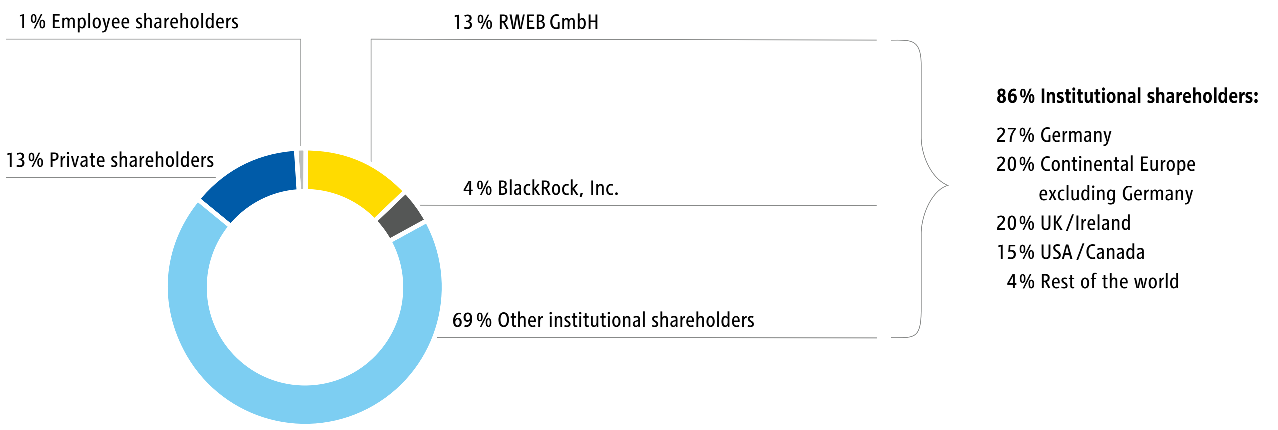
Dividend proposal for fiscal 2016. The Supervisory and Executive Boards of RWE AG will propose to the Annual General Meeting on 27 April 2017 that no dividend will be paid for common shares for the 2016 fiscal year. The dividend for preferred shares will amount to the minimum of €0.13 per share stipulated by the Articles of Incorporation. The dividend proposal reflects the significant financial burdens resulting from the transfer to the new nuclear fund in mid-2017 (see page 34). We do, however, intend to once again begin paying dividends to holders of common shares next year.

RWE share indicators		2016	2015	2014	2013	2012
Earnings per share[1]	€	−9.29	−0.28	2.77	−4.49	2.13
Adjusted net income per share[1]	€	1.26	1.83	2.09	3.76	4.00
Cash flows from operating activities of continuing operations per share[1]	€	3.83	5.43	9.04	7.81	7.15
Dividend per common share	€	–	–	1.00	1.00	2.00
Dividend per preferred share	€	0.13[2]	0.13	1.00	1.00	2.00
Dividend payment	€ million	5[2]	5	615	615	1,229
Dividend yield on common shares[3]	%	–	–	3.9	3.8	6.4
Dividend yield on preferred shares[3]	%	1.5	1.5	5.3	4.3	7.0
Common share price						
End of fiscal year	€	11.82	11.71	25.65	26.61	31.24
High	€	15.95	25.68	32.83	31.90	36.90
Low	€	10.17	9.20	24.95	20.74	26.29
Preferred share price						
End of fiscal year	€	8.72	8.94	18.89	23.25	28.53
High	€	11.61	19.62	25.61	29.59	34.25
Low	€	7.95	7.33	18.89	20.53	24.80
Number of shares outstanding (annual average)	thousands	614,745	614,745	614,745	614,745	614,480
Market capitalisation at the end of the year	€ billion	7.1	7.1	15.5	16.2	19.1

1 Based on the annual average number of shares outstanding.
2 Dividend proposal for RWE AG's 2016 fiscal year, subject to the passing of a resolution by the 27 April 2017 Annual General Meeting.
3 Ratio of the dividend per share to the share price at the end of the fiscal year.

Broad international shareholder base. According to estimates, at the end of 2016 approximately 86% of the 614.7 million RWE shares (including 39 million non-voting preferred shares) were held by institutional investors, while the remaining shares were held by employee shareholders (1%) and other private investors (13%). Institutional investors in Germany held 27% of the capital stock (previous year: 28%), with those in Continental Europe owning 20% (previous year: 24%) and investors from North America, the United Kingdom and Ireland holding 35% (previous year: 32%). RWEB GmbH, in which many of the shares owned by municipalities are pooled, is still RWE's single largest shareholder. Its share, however, declined from 15% to 13%, as announced by RWEB in October 2016. Our second largest individual shareholder is BlackRock: in November, notification was received from the US asset manager that it held 4% in RWE. The free float of RWE common shares considered by Deutsche Börse in terms of index weighting was 86% at year-end.

Shareholder structure of RWE AG[1]

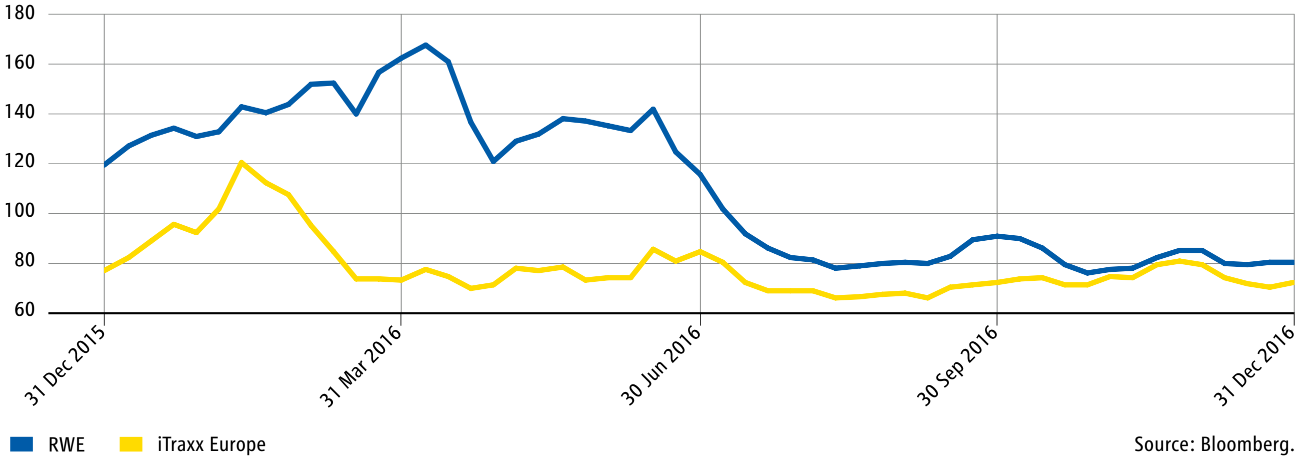


1 As of end-2016; percentages reflect shares in the subscribed capital.
Sources: RWE data and notifications of shareholders in accordance with the German Securities Trading Act (WpHG).

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 the electronic platform Xetra. They are also available on some European stock markets. In the USA, instead of our shares being traded, RWE is represented via American Depositary Receipts (ADRs) in what is known as 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	–

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



Source: Bloomberg.

Low interest rates and credit risk hedging prices. The development of interest rates was mainly determined by the expansive monetary policy of the European Central Bank (ECB). In mid-March, the ECB lowered the key rate to 0% and raised the punitive interest rate which commercial banks pay on their deposits with the ECB from 0.3% to 0.4%. In addition to this, it strongly expanded its ongoing bond purchase programme. All of this was reflected in the development of the average yield on 10-year German government bonds, which fell from 0.64% at the end of 2015 to –0.18% in mid-2016. Towards the end of the year, yields then entered positive territory again. Factors behind this were improving optimism about the economy, upward trends in inflation and a rate increase by the US central bank, which was preceded by speculation. The cost of hedging credit risk via credit default swaps (CDS) remained at moderate levels in 2016. At the end of the period, the iTraxx Europe Index, which consists of the prices of the CDS of 125 major European companies, was at 72 basis points for five-year maturities, which was slightly lower than twelve months before. Until early April, the five-year CDS for RWE rose to levels around 170 basis points, but subsequently declined by more than one half. It ended the year at 81 basis points, which was far lower than the level at the end of 2015. Reasons for this included the mild recovery in German wholesale electricity prices and the improvement in our financial position due to the IPO of innogy. Our mid-year announcement that we intended to transfer the bulk of capital market debt from RWE to innogy also contributed to the decline in the CDS.

1 COMBINED REVIEW OF OPERATIONS

1.1 BUSINESS MODEL AND STRATEGY

Since the founding and initial public offering of our subsidiary innogy SE, operational responsibility in the RWE Group is divided into two main areas: innogy is responsible for our renewables, networks and retail businesses, while RWE AG remains in charge of conventional power generation and energy trading. The two companies decide independently on their long-term strategic direction. In 2016 and early 2017, RWE AG worked intensively to further develop its strategy. This process had not yet been completed when the review of operations was finalised. One thing is certain: with our flexible power plants and expertise in energy trading, we will continue to be a competent partner for a secure supply of energy in the future.

What we do. RWE is one of the leading suppliers of electricity and gas in Europe. Our Group companies cover all stages of the energy value chain, starting with the production of lignite and electricity generation from gas, coal, nuclear and renewables, to energy trading and distribution, and the supply of electricity, gas and innovative solutions. In fiscal 2016, we recorded revenue of €45.8 billion. Our major markets are Germany, the United Kingdom, the Netherlands, Belgium and Eastern Europe. The RWE Group is also involved in the production of electricity from renewables outside of these regions, for example in Spain and Italy. Further information on our business activities is presented on the next two pages.

New challenges facing energy utilities. The traditional business model of fully integrated energy utility companies is coming under increasing pressure. With the steady 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 back-up capacities which can smooth out the fluctuations in solar and wind feed-ins. As a result of this, revenue streams for power plants are moving towards market-oriented capacity premiums 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, the political decision-makers have decided not to introduce a capacity market for the time being. The main challenge in network operation is how to integrate the rising volume of decentralised power feed-ins from renewables. Solving this requires the more intensive use of complex technologies. In the retail business, one of the main trends is that there are more and more customers who want to use energy more efficiently and also take advantage of the opportunities opened up by the digital revolution. Furthermore, households and businesses are producing more of their own electricity and sometimes taking on the role of energy managers.

One Group – two future-oriented companies. We realised that we could best meet the challenges presented by the transformation of the energy sector by reflecting these different challenges in our organisational structure. The main questions were how we can adopt a more aggressive position in the various areas of the energy sector, what fields do we believe offer long-term business potential, and at the same time how can we grow stronger in the areas which are challenging due to the difficult environment. At the end of 2015, we made the decision to pool the Renewables, Grid and Supply Divisions in a new subsidiary and to list this new company on the stock market. This decision was carried out in 2016. On 1 April 2016, the new company commenced its operations, initially as 'RWE International SE'. It received its final name, 'innogy SE' in September. In early October, the company was listed on the stock market: 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 this report.

With its mix of renewables, intelligent networks and innovative retail solutions, innogy has excellent business potential and the tools to act as a driving force in transforming the energy sector. As a listed company, it 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. The divisions Conventional Power Generation and Trading/Gas Midstream, which remain in the sole ownership of RWE AG, also profit from this reorganisation, because we have gained additional financial flexibility to reinforce and develop these businesses. RWE AG will use the proceeds of €2.6 billion from the sale of holdings of innogy shares to finance the new nuclear energy fund (see page 34).

Three main pillars of RWE. With the aforementioned reorganisation, RWE has become an energy utility with three main pillars: the divisions Conventional Power Generation, Trading / Gas Midstream and the investment in innogy. The first two areas of activity represent our operational core business. By contrast, innogy has the status of a financial investment. A comprehensive agreement guarantees the new Group company 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. innogy also decides independently on its own strategy. The following section presents the core business areas of RWE AG and innogy.

(1) Conventional Power Generation: a reliable partner for the renewables business. The sharp declines in wholesale electricity prices and difficult political environment present significant challenges for us in conventional power generation, especially in Germany. Many power stations are only running at low levels of capacity utilisation and are not able to cover their costs. We are working to improve the profitability of our plants, by lowering the ongoing expenses and boosting their commercial availability. If necessary, based on economic considerations, we are mothballing or decommissioning power stations. Many experts expect that the situation in conventional power generation will stabilise as overcapacities are reduced, and that over the long run coal and gas will remain crucial parts of Germany's electricity generation mix. Most of our gas-fired power plants are very modern facilities and very well suited to working with renewables, since they can adjust very rapidly to changes in load fluctuations in the network. Due to their relatively low emissions, they enjoy widespread acceptance by the public. Consequently, the importance of these plants in our generation portfolio is expected to increase over the long term. Coal also continues to be an important fuel for us, but its significance will wane, mostly due to the long-term national and European climate protection targets. Our strategy is oriented with regard to these. Our operations in the lignite business will make an important contribution to reducing emissions. For example, as part of Germany's 'Climate Action Programme 2020', five lignite-fired units of the 300 MW class will be taken off the market (see page 34), reducing the CO_2 emissions of the Rhenish lignite mining region by around 15 % compared to current levels. Over the coming decade, we intend to increase this reduction to 40 % – 50 %, with measures such as decommissioning the Weisweiler power plant after completing coal extraction from the opencast mine in Inden. Thereafter, falling capacity utilisation levels and closures of additional lignite-fired units will lead to further declines in CO_2 emissions, before the most modern lignite-fired power plants are taken offline around the middle of the century, when opencast mining comes to an end in Hambach and Garzweiler.

(2) Trading / Gas Midstream: commercial centre for the RWE Group. Energy trading forms the economic link between the elements of our value chain, the regional markets and the various energy commodities. Our subsidiary RWE Supply & Trading concentrates on trading in electricity, natural gas, coal, oil, emission allowances and biomass. It plans on expanding these activities primarily in North America and Asia and has already opened offices in New York, Singapore and Mumbai. The company is also responsible for sourcing the commodities needed for the production of electricity and heat and marketing the electricity generated by our power plants. The objective is to exploit earnings potential and limit risks. In addition, this division generates added value by optimising the commercial operation of our facilities. 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 strategies and is targeting further growth in this field of business. Above and beyond this, it is increasingly active in short to medium-term investments in energy facilities and energy companies which, once restructured and sold on, can deliver attractive returns. One example of this kind of investment project was the hard coal-fired Lynemouth power plant in the north of England: following the acquisition by RWE Supply & Trading in 2012, we paved the way for this facility to be transformed into a biomass plant using state subsidies. In early 2016, it was sold to an investor.

(3) innogy: a driving force in the transformation of the energy sector. We hope that our financial investment innogy will deliver stable, high dividends. For these expectations to be fulfilled, a strategy is needed to secure the long-term operating success of the company amidst dramatically changing conditions. The energy sector is currently dominated by three trends: decarbonisation, decentralisation and digitisation, which set the strategic framework for innogy's three divisions.

- **Renewables:** innogy designs, builds and operates facilities for the generation of electricity from renewable sources. Its objective is to quickly expand renewables in Europe. The company is currently strongly represented in Germany and the United Kingdom, followed by Spain, the Netherlands and Poland. In terms of production technologies, the focus is on onshore and offshore wind, as well as hydroelectric power. With the acquisition of Belectric Solar & Battery Holding, innogy has laid the foundations to establish itself as an international supplier of ground-mounted solar power plants and battery storage facilities (see page 40).

- **Grid & Infrastructure:** Networks are the backbone for the transformation of the energy sector, and operators can generally earn steady returns. innogy manages distribution networks in five European countries: Germany (electricity/gas), the Czech Republic (gas), Hungary, Poland and Slovakia (all electricity). In Germany, it is the number one distributor of electricity. Conditions in Germany pose the greatest challenge for our subsidiary: rising volumes of electricity feed-ins from renewables, which are dependent on weather and time of day, and an increasing number of small, decentralised generation facilities are making network operation an increasingly complex technical feat. However, these developments are also opening up new 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 also developing new control technologies and testing them in field trials so that networks can be used more effectively and flexibly.

- **Retail:** innogy supplies approximately 16 million customers with electricity and around 7 million with gas in eleven European markets, reliably and at fair prices. The company is one of the three largest suppliers of electricity and gas in Germany, the Netherlands and the United Kingdom. It also has a leading position in at least one of these products in several other European markets. As already discussed, more and more customers are interested in using energy more efficiently and profiting from the opportunities of digitisation. Households and businesses are increasingly evolving from pure consumers into 'prosumers', which produce their own electricity and can even store it sometimes as well. To defend its position in this changing market, innogy is extending its scope of activities beyond the traditional supply of electricity and gas. It is developing new business models for all end-customer segments by pooling its expertise in the fields of energy supply and information technology. The result is innovative products and solutions tailored to suit customers' specific needs, which set innogy apart from other utilities. Our subsidiary also pursues quantitative growth: in its new supply markets such as Croatia, Slovenia and Romania, the company plans to increase the volume of business and establish itself among the large local utilities over the medium to long term.

Further development of the RWE strategy. Our new Group structure with two independent companies means that there is no longer a strategic, group-wide mission statement. RWE's previous mission statement was presented on pages 20 to 22 of the 2015 Annual Report. Decisions on the further development of the business at RWE AG now pertain exclusively to the Conventional Power Generation and Trading/Gas Midstream Divisions, whereas innogy formulates its strategy for its business in renewables, grids and retail operations. In 2016 and early 2017, we worked intensively to further develop RWE AG's strategy. The results will be presented at the end of March 2017.

RWE AG's management system. Ensuring sustainable growth in shareholder value is at the heart of our business policy. In the interests of managing the Group companies with an eye to value, RWE AG deploys a groupwide planning and controlling system, which ensures that resources are used efficiently and provides timely, detailed information on the current and prospective development of the assets, financial position and earnings situation. 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 present the prospective development of the key financial indicators. This plan contains the budget figures for the next fiscal year and planned figures for the following years. After preparation, 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. In each 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 initiated 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, cash flow from continuing operations and net debt. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation. In order to improve its explanatory power in relation to operating developments, we remove non-operating or aperiodic effects, which are shown in the non-operating result. Among other things, capital gains or losses, temporary effects from the fair valuation of derivatives, restructuring costs and impairments are filtered out. Subtracting operating depreciation and amortisation from adjusted EBITDA yields the adjusted EBIT (previously referred to as 'operating result'; see page 41). The development of adjusted EBIT has a decisive 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 use this indicator as a factor for the share-based payment of our senior management. We primarily use the internal rate of return as a yield indicator for determining the attractiveness of investment projects.

The Group's financial position is analysed using the figures for cash flows from operating activities, among others. Deducting capital expenditure and dividends from this, results in the budget surplus or budget deficit. We aim to fully finance our capital expenditure and dividend payments with cash flows from operating activities in order to achieve a budget that is at least balanced, although fluctuations in cash flows can mean that we are not able to achieve this every year. Net debt is another indicator of RWE's financial situation. Essentially, it consists of net financial debt together with provisions for pensions, for nuclear waste management, for mining damage and for the dismantling of wind farms. One half of the liabilities from hybrid bonds are recognised in net debt.

Sustainability – a standard we hold ourselves to. As a company, we can only succeed over the long term if we ensure society's acceptance by embracing our responsibility as a company (Corporate Responsibility, or CR for short). In order to focus on the various aspects of this responsibility, in the past we defined fields of action which we believed addressed the most important challenges in this area. Our CR strategy encompassed ten topical areas, which were defined in dialogue with our stakeholder groups, such as shareholders, employees, customers, politicians and non-governmental organisations. Following the reorganisation of the RWE Group, some of the fields of action now fall partially or completely under the purview of innogy. Consequently, RWE AG has defined new priorities in the field of CR in relation to its remaining business areas. In our view, our main responsibility is to act as a partner for the transformation of the energy sector in Europe. Using our flexible power plants, we intend to make a significant contribution to ensuring a secure supply of electricity as the volumes of feed-ins from wind and solar power continue to rise. We also give great importance to environmental management and occupational safety. We have already achieved very high levels in these areas and we intend on maintaining 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.

As Europe's largest emitter of carbon dioxide (CO_2), we face particular challenges in relation to climate protection, especially since high emissions also involve high business risks. By expanding our activities in renewables, the RWE Group has already made an important contribution to lowering emissions. 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. Our measures to lower CO_2 emissions are increasingly determined by political requirements, which are derived from European and national goals for the reduction of emissions. One example of this is the early decommissioning of lignite-fired power plants as part of the Climate Action Programme 2020. As our scope of action in conventional power generation has grown increasingly narrow and we have transferred responsibility for the expansion of renewables to innogy, we no longer issue any specific targets for the Group's reduction of emissions. Up to now, we had envisaged lowering our CO_2 emissions per megawatt hour of electricity generated (emissions factor) to 0.62 metric tons by 2020. Last year, the emissions factor was 0.69 metric tons. How high it is in the future will depend on the political framework. The development of margins for the individual generation technologies also plays a role. For instance, in recent years our gas-fired power plants, which emit far less CO_2 than coal-fired plants, were not able to contribute to improving our CO_2 balance as much as we wanted them to, owing to the unfavourable market conditions. However, the margins have rebounded somewhat recently. If the positive trend continues, this may be reflected in a significantly lower emissions factor.

Further information on our strategy and our measures in the field of CR can be found in our report 'Our responsibility', the next issue of which will be published in April 2017 and can be accessed on the internet at **www.rwe.com/cr-report**.

1.2 INNOVATION

Only the innovative can prevail in today's markets. Last year alone, RWE was involved in 240 research and development projects, which not only help us to become more competitive, but also provide building blocks for a modern, sustainable energy system. These activities lead to more flexible power plants with lower emissions, more intelligent networks and more efficient uses of energy. Our innovative spirit also extends to the development of new business models. In doing so, we want to ensure that we are always ready to provide good solutions to meet customers' emerging needs. In our day-to-day business, we benefit from the inventiveness and entrepreneurial spirit of our employees. Once again they had thousands of good ideas in 2016, allowing us to achieve savings and, in some cases, even open up new business opportunities.

With around 390 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 in a dramatically changing environment as well as to be an important force behind this transformation. With a groupwide tally of around 1,100 patents and patent registrations, based on roughly 390 inventions, we rank among Europe's leading utilities. In the previous year, we worked on approximately 240 R&D projects and filed patent applications for more than 60 new 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, the financial volume of our projects is generally far larger than our own share alone. The RWE Group's operating R&D spending amounted to €165 million in 2016 (previous year: €101 million). A total of 380 of our employees were solely or partially dedicated to R&D activities.

RWE AG: solutions for more flexible power plants, more efficient opencast mining and new uses for lignite. Since the IPO of innogy in October 2016, the operational business of RWE AG is concentrated on lignite production, electricity generation with conventional power plants and energy trading. This is also reflected in the major areas of focus in our R&D activities. RWE AG's R&D projects concentrate on making fossil-fuelled power plants more flexible and reducing their emissions, operating opencast mines more efficiently and using the lignite from these mines for innovative purposes, going far beyond electricity generation. We present a small selection of RWE AG's main R&D projects below.

Big data makes it possible: boosting power plant efficiency and reliability. The expansion of renewables means that our power plants need to meet increasing requirements: they have to generate electricity flexibly in accordance with demand and, at the same time, be reliable. Flexibility, however, comes at a price. When power stations are frequently ramped up and down, certain components are subjected to intense stresses. This makes it even more important for us to constantly know which components are approaching the end of their useful lifespan, because only then can we replace them in good time and prevent damages that may occur when they fail. As part of our project 'rLife', we have further developed an IT tool which is available on the market, allowing us to centrally monitor all of our power plants online for the purposes of tracking the wear-and-tear on components. By doing so, we use a 'big data' application, in which large amounts of information can be captured, processed, analysed and utilised. In this specific case, we have to collect this data anyway. We have been using this IT tool since the end of 2016, and profit from its application in two ways: on the one hand, we are able to prevent damage more effectively, and on the other hand we achieve cost savings, as we do not have to carry out as many on-site inspections.

Bundling knowledge: a new procedure for reducing the mercury emissions of coal-fired power plants. We aim to operate all of our power stations in the most environmentally compatible manner possible. The legislator already imposes strict requirements on us in this regard, for example in relation to mercury emissions. The EU is pushing for even lower threshold limits for these emissions. Mercury is already almost completely removed from the flue gas, using the techniques which are currently applied for flue gas cleaning. Consequently, the emissions from our facilities are far lower than the relevant threshold values. Nevertheless, for several years we have been intensely researching how we can remove even more mercury. The main focus is on processes which we have developed specifically for use in our lignite-fired power plants. One approach is to use rotary hearth furnace coke which RWE produces itself. In a long-term test, we will deploy and optimise this new process on a large scale and plan on starting this test in the second half of 2017. Due to the complex chemical interactions, R&D measures to reduce mercury emissions are generally very time consuming. This is why numerous power plant operators, including RWE, and the technical association for the generation and storage of power and heat, VGB PowerTech, have bundled their activities: as part of a joint initiative, they are combining their knowledge and expertise in an intensive dialogue with the scientific community and legislators in the interests of finding effective solutions to further reduce mercury emissions as quickly as possible.

Making new out of old: innovative new uses for lignite. Lignite is a resource we will have available for many years to come. Our project 'Fabiene' aims to show that it is much more than just a source of energy. The fundamental idea is that lignite can be used as a base material for the chemicals industry to produce high quality fuels, which can help lower traffic-related emissions, as well as create precursors for plastics, adhesives and colourants. Using lignite as a material becomes technically possible by bringing it to a gaseous state and transforming the resulting synthesis gas, which mainly consists of hydrogen and carbon monoxide, into the desired products. RWE has years of experience in the production, processing and utilisation of synthesis gas obtained from lignite. The goal of this research project is to develop this process and make it commercially viable. In spring 2016, our innovation centre in Niederaussem began testing the production of naphtha, waxes and fuels such as diesel and kerosene. By mid-2017 we plan to provide the products created in our laboratories to potential customers, e.g. refinery operators, for further testing and analysis. The Fabiene project is supported by the Federal Ministry for Economic Affairs and Energy. Our project partners are the Technical University of Darmstadt and thyssenkrupp Industrial Solutions.

More robust heavy equipment in opencast mining operations – lower costs. In RWE's opencast mines, 20 bucket wheel excavators and 19 spreaders are hard at work every day: these giant excavators scoop up massive amounts of coal and overburden (earth and stone layers which cannot be used) and load it onto conveyor belts, which transport the coal to bunkers and the excavated earth to the spreader, which dumps it out. Both of these pieces of heavy equipment weigh enormous amounts and their track systems are therefore subjected to massive stresses when they have to change location in the opencast mine. This results in significant wear-and-tear and high maintenance costs. To reduce these costs, our 'Opencast Mine Engineering Centre' has developed a 'multi-body simulation model' in co-operation with RWTH Aachen. This model can be used to calculate and simulate movements of bodies, in particular the forces and tensions occurring in joints. Using the model, we have been able to make adjustments to the suspension components of our heavy equipment and are now testing the benefits in the field. The initial results are very positive.

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 renewables, intelligent networks and new retail products. The RWE Group is also pushing forward with innovation in the fields of renewables, distribution networks and supply. R&D activities in these areas are the responsibility of innogy SE, which we manage as a financial investment. innogy is involved in a wide range of innovative activities, which are presented in more detail on its website: **www.innogy.com/innovation**. Just to take an example, one of innogy's projects is called 'Designetz'. In this project, a research consortium headed by our subsidiary is developing an overarching strategy for the integration of renewables into the German supply networks. The Federal Ministry for Economic Affairs and Energy ascribes such importance to Designetz that it has provided financial support in the tens of millions of euros. Another one of innogy's important R&D projects focuses on the testing of mobile battery storage units. These units are used to store wind and solar power which is not immediately needed and to feed this electricity into the network later. As they are about as big as a shipping container, they can also be transported by lorry to different locations. Storage units of this kind can be deployed in rural areas in lieu of expanding the network or used to provide a temporary stopgap solution until the network can be expanded. This R&D project is also currently developing possible operator models.

Innovation Hub at innogy: a platform for the development of new business models. For us, innovation involves much more than just technically focused R&D activities. We are also creative when it comes to developing new business models. These efforts are organised and driven by the 'Innovation Hub' which was created in 2014. This platform for innovation is now part of innogy and is staffed by a 130-member team. Companies that want to survive over the long term in a market undergoing dynamic change must ensure today that they have compelling offerings to satisfy the customer needs of the future. The Innovation Hub brings together the people who can contribute to making this happen. They are given the opportunity to explore business ideas without any taboos and to try out promising innovations directly on the market. The main focus of this work is on the development of digital business models. The goal is to create market-ready products and services which allow customers to use energy more efficiently and to improve their quality of life. A good example of this is 'shine', which has already grown to become a startup company with a product called the 'shine energy manager'. This product makes it possible for customers operating a solar energy system to optimise their electricity generation and energy consumption. Another example is the project 'eCarSharing': this special service is tailored for business and municipal customers which want to downsize or completely get rid of their vehicle fleets, but at the same time maintain their mobility. In exchange for a monthly fee, they are able to book time quotas for modern electric vehicles, which are charged using green energy from innogy charging stations.

Savings and new business ideas: thanks to the experience and know-how of employees. Day-to-day operations are a fertile breeding ground for good ideas. Many of our employees harness their experience from operations to help move the company forward with innovation. Last year, Group employees submitted around 2,800 suggestions for improvements to the responsible idea managers at their respective companies. We estimate the economic benefit of their suggestions amounts to €13 million in the first year of implementation. Some of these ideas go far beyond improvements in processes and relate to possible new areas of business for RWE. For example, an employee of RWE Power AG proposed producing and marketing fertiliser made out of liquid manure and lignite. The livestock farmers mix the liquid manure in a container with lignite. Key nutrients such as nitrogen, phosphorus and potassium contained in the liquid manure are deposited in the lignite. The solid part of the mixture is then composted, resulting in a fertiliser similar in consistency to potting compost, which is put into bags and sold on the market. Gardening companies could use it as a base soil, and it can also be used to promote humus development for agriculture. This new organic fertiliser is highly effective, environmentally friendly and cheap. Since the nutrients are bonded to the lignite, they remain easily available to the plants in the soil. This is a major advantage compared to the widespread excessive use of liquid manure, because the nitrates contained in that form of fertiliser are not fully absorbed by the plants and some of it is flushed into the groundwater. This causes additional expenses for water treatment. According to a report by the Federal Ministry of Environment from January 2017, during the period from 2012 to 2014 the maximum permissible threshold level for nitrates was exceeded at almost one third of the measuring points. The Ministry now intends to take measures against this by tightening the Fertiliser Ordinance. In light of this, the new process appears to be even more attractive. Field testing has been underway at a pig farm on the Lower Rhine since September 2016. This substrate may be useful at the global level and contribute to balancing out the distribution of nutrients between different regions in an environmentally-sound manner. Furthermore, exports of this fertiliser would create new jobs. For RWE, the sale of lignite for this kind of application would be a new business area with significant potential.

1.3 ECONOMIC ENVIRONMENT

Despite robust economic conditions, the environment remains difficult for RWE. Prices for energy commodities and electricity continue to be far lower than they were just a few years ago. In 2016, a megawatt hour of base-load power purchased on the German wholesale market for the following calendar year cost an average of just €27 per MWh, the lowest price in more than ten years. During the year, however, a small upward trend was seen. One factor behind this was a recovery in hard coal prices. 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. On the whole, the margins we earned on these forward contracts for 2016 were considerably lower than in the previous year.

Economic output of the Eurozone expands by 1.7%. According to initial estimates, in 2016 the global economy grew at a rate of around 2.5% compared to the previous year. Growth in the Eurozone is estimated at 1.7%. In Germany, the currency area's largest economy, gross domestic product (GDP) probably rose by around 2%. Robust consumer spending and higher government expenditure were drivers of the German economy. The rate of growth in the Netherlands was similar to that registered in Germany, whereas growth in Belgium lagged slightly behind. Based on current data, the United Kingdom, our biggest market outside the Eurozone, also posted a gain of 2%, a large portion of which is attributable to the expanding service sector. After the Brexit vote, however, the UK's economy suffered a slight setback. The positive development posted in the previous year appears to have continued in our most important markets in Central Eastern Europe. Available data indicate that GDP rose by 2.5% in both the Czech Republic and Poland, and by 2% in Hungary. Growth in Slovakia may have even reached 3.5%.

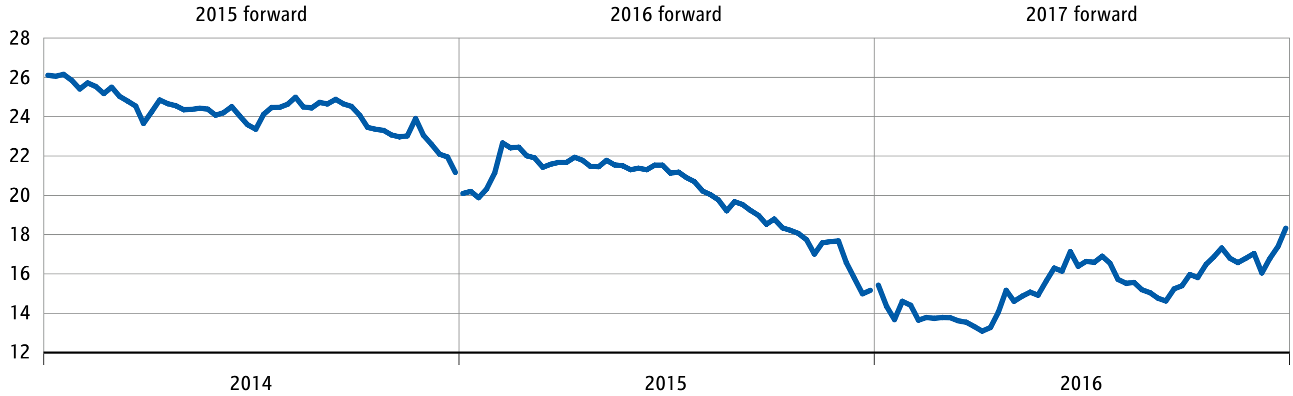
Weather slightly colder than in 2015. Whereas the economic trend primarily affects energy needs for industrial enterprises, residential energy consumption is influenced more by weather conditions. The lower the outside temperature, the more energy is needed for heating purposes. Meteorological data for 2016 shows that weather conditions were relatively mild throughout almost all of Europe. In our core markets, average temperatures were slightly higher than the relevant 10-year averages. Compared to 2015, however, they were generally lower. The fourth quarter in particular was relatively cool.

In addition to energy consumption, the generation of electricity is also subject to weather-related influences, in particular generation from renewables. For example, the capacity utilisation of wind farms depends on how high wind levels are. Last year, wind levels at most of innogy's generation sites were weaker compared to 2015. This mainly applied to the United Kingdom, Germany and the Netherlands. Weather-related factors also have an impact on innogy's hydroelectric power plants, most of which are located in Germany. Their power production depends on precipitation and melt water volumes. In contrast to the wind farms, capacity utilisation at German run-of-river power plants was on the whole better than in 2015.

Higher energy consumption in RWE's core markets. The economic growth and the colder weather compared to 2015 stimulated energy consumption in our core markets, whereas the trend towards energy savings had a counteracting effect. In comparing the volumes to the previous year, it must also be noted that 2016 had one more day because it was a leap year. Based on preliminary calculations by the German Association of Energy and Water Industries (BDEW), German demand for electricity remained unchanged in comparison to 2015. By contrast, expert estimates indicate a rise in consumption in the Netherlands and the United Kingdom. In the Eastern European markets of Poland, Slovakia and Hungary, the amount of electricity consumption was probably equal to or higher than the 2015 figures.

Demand for gas developed relatively dynamically. The higher demand for heating due to weather conditions was a factor behind this. Moreover, gas prices declined and as a result more gas was used for power generation. Based on BDEW surveys, German gas consumption in 2016 was up roughly 9% on the previous year's level. According to available data, there was an increase of as much as 14% in the United Kingdom. A rise of 5% has been estimated for both the Netherlands and the Czech Republic.

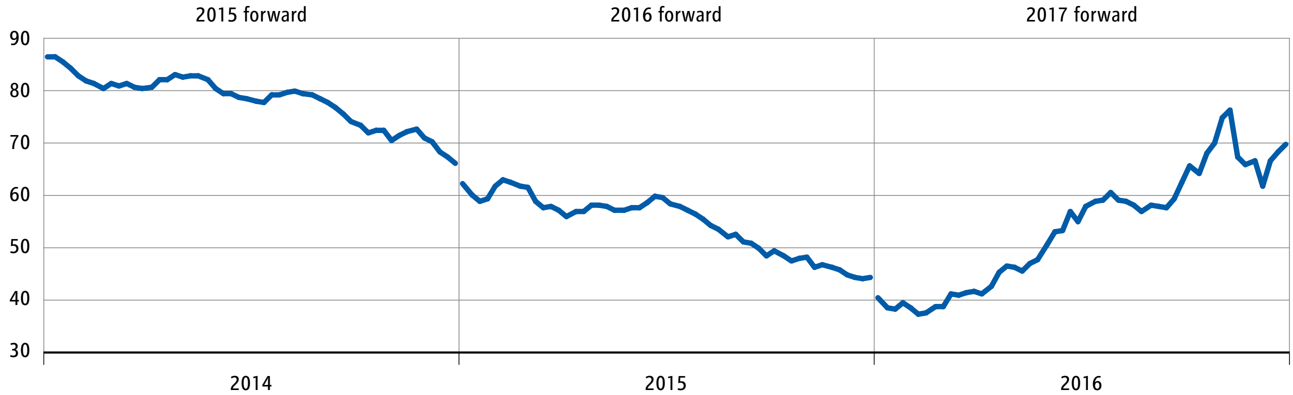
One-year forward prices of gas on the TTF wholesale market
€/MWh (average weekly figures)



Source: RWE Supply & Trading.

Lower wholesale and retail gas prices. In Europe, gas traded at much lower prices in 2016 than it did a year before. Averaged for the year, spot prices at the Dutch Title Transfer Facility (TTF), the reference market for Continental Europe, amounted to €14 per MWh, €6 less than in 2015. In TTF forward trading, contracts for delivery in the following calendar year (2017 forward) were settled for an average of €15 per MWh. In comparison, in 2015 the price paid for the 2016 forward was €20. The slump on the gas market was reflected in prices for households. Residential tariffs, however, typically react to developments on the wholesale market with a sizeable time lag. According to the latest data, gas was 3 % cheaper for households and 15 % cheaper for industrial enterprises in Germany. The situation was similar in the United Kingdom and the Czech Republic where residential tariffs fell by an estimated 6 % and 2 %, respectively, and tariffs for industrial companies fell by 16 % and 15 %, respectively. Going against the trend on the wholesale market, in the Netherlands households and industrial enterprises had to pay marginally more than in 2015. This was a result of taxes and other fees.

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

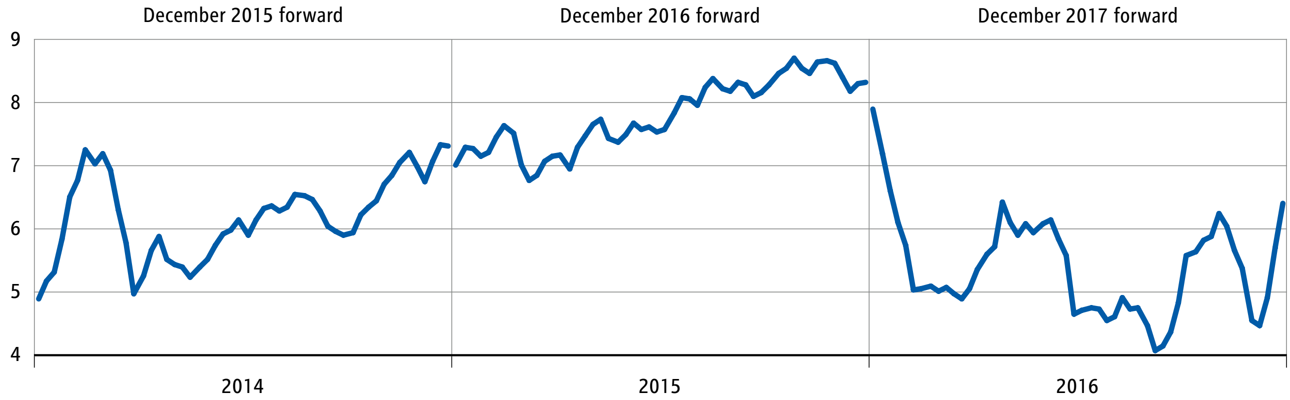


Source: RWE Supply & Trading.

Hard coal prices: mild rebound after record low early in the year. At the start of 2016, prices in international hard coal trading slipped to a new record low, but then embarked on a clear upward trend. Coal deliveries including freight and insurance to the ARA ports (Amsterdam/Rotterdam/Antwerp) were quoted at an average of US$60 (€54) per metric ton in spot trading, up US$3 compared to 2015. The 2017 forward (API 2 Index) traded at US$54 per metric ton, just marginally lower than the comparable figure for the previous year. Prices of hard coal have fallen sharply in recent years, because many countries increased their production capacities and demand has not kept up with this. However, government-imposed restrictions in Chinese coal production resulted in prices recovering somewhat in 2016.

Freight rates, i.e. overseas shipping costs, are an important price component in international hard coal trading. These rates are currently also far below the levels from past years. Once again, the reason for this is that significant overcapacities were built up in the shipping industry. In addition, fuel prices declined. In 2016, the standard route from South Africa to Rotterdam cost an average of US$4 per metric ton, compared to US$5 in the previous year. Similar to hard coal prices, freight rates bottomed out at the beginning of the year and then recovered somewhat. Rates rose in response to more expensive fuel prices, and economic developments as demand for transport services picked up. Additionally, increasing numbers of unprofitable ships have been scrapped.

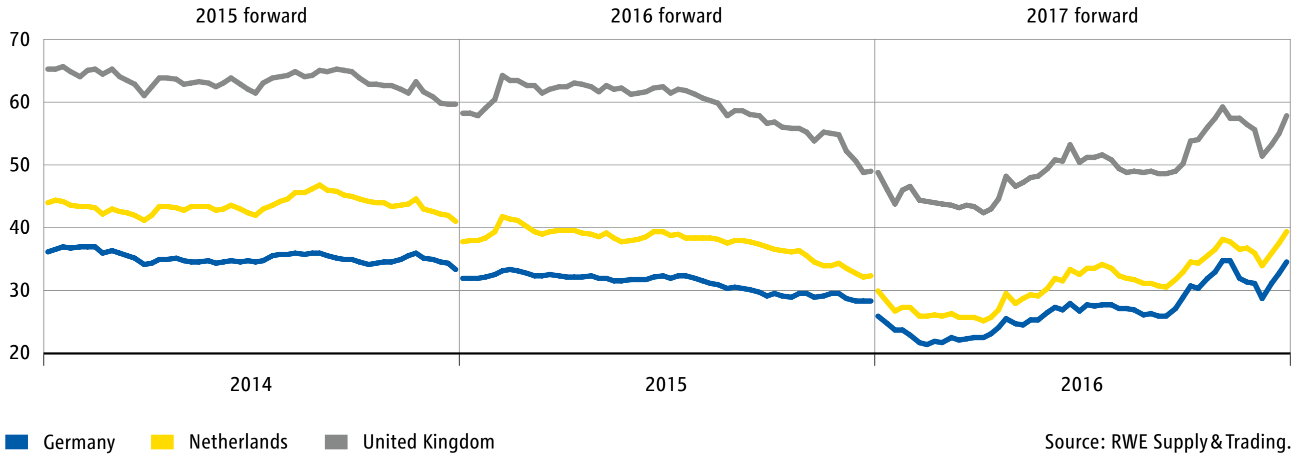
Forward prices of CO_2 emission allowances (EU Allowances)
€/metric ton of CO_2 (average weekly figures)



Source: RWE Supply & Trading.

CO_2 emission allowance prices slump again. The price at which CO_2 emission allowances trade in Europe fell again, after a long period of increases. The EU Allowance (EUA), which confers the right to emit one metric ton of carbon dioxide, cost an average of €5 in 2016. This figure is for forward contracts due in December 2017. By comparison, in 2015, the EUA in contracts for December 2016 cost an average of €8. Experts link the decline in prices in emissions trading to the development of electricity prices, which hit new lows early in the year. The assumption is that many utilities scaled back their forward purchases of electricity as a result of this and that there was consequently less demand for CO_2 emission allowances. Another factor was that market conditions for gas-fired power plants improved, increasing the share of this relatively low-emission generation technology in electricity generation and subsequently reducing demand for EUAs. Additionally, the Brexit vote caused uncertainty: if the United Kingdom exits Europe’s Emissions Trading System, companies domiciled there would place a large amount of superfluous emission allowances onto the market, generating additional downward pressure on prices.

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



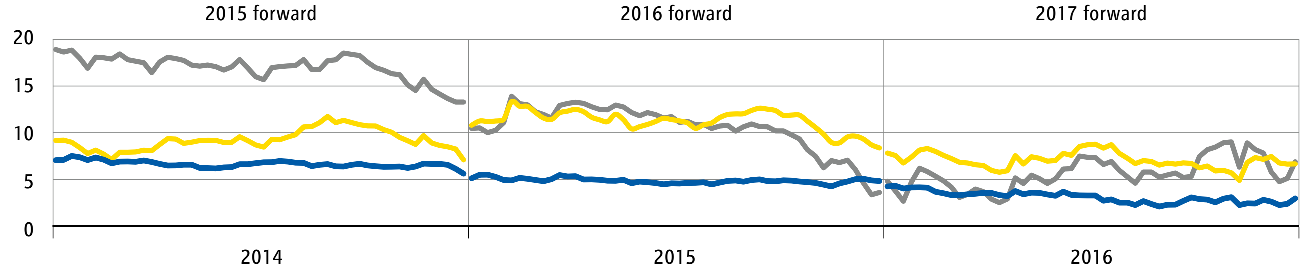
Source: RWE Supply & Trading.

Wholesale electricity prices remain low. In Germany, the development of wholesale electricity prices is strongly affected by the rising feed-ins of electricity under the Renewable Energy Act. These feed-in volumes are crowding out conventional generation facilities and reducing the prices on the market. Furthermore, hard-coal fired power plants, which traditionally have a strong influence on the formation of electricity prices are able to generate at low marginal costs, owing to low fuel prices. Due to these factors, current quotations on the German wholesale electricity market are far lower than they were a few years ago. Prices also continued to fall compared to 2015, albeit only moderately. Last year, the average spot price for base-load power was €29 per MWh, down by €3 compared to the previous year's level. In forward trading, prices fell to new lows at the start of the year, before rising again somewhat due to developments on the hard coal markets. The 2017 forward for base-load power was quoted at €27 per MWh on average during the year. By comparison, the 2016 forward was still trading at €31 in 2015.

In the United Kingdom, our second most important generation market, gas-fired power stations account for a much larger share of electricity production than in Germany and therefore have a stronger influence on electricity prices. For this reason, and due to the introduction of a tax on carbon dioxide in April 2013, quotations are relatively high in the UK market. In the previous year, base-load power cost an average of £40 (€49) per MWh, exactly the same price as in 2015. The 2017 base-load forward traded at £41 (€50) per MWh, which was £2 lower than the comparable figure for the previous year. Due to the depreciation of sterling, the decline in prices expressed in euros was larger (see the graph above).

In the Netherlands, where we have our third-largest generation position, gas-fired power plants also play an important role in the formation of wholesale electricity prices. At the same time, German electricity exports weigh on prices. Base-load power on the Dutch spot market was quoted at an average of €32 per MWh. This represents an €8 drop compared to 2015. The forward for 2017 traded for €31 per MWh, €7 down on the price paid for the 2016 forward in the previous year.

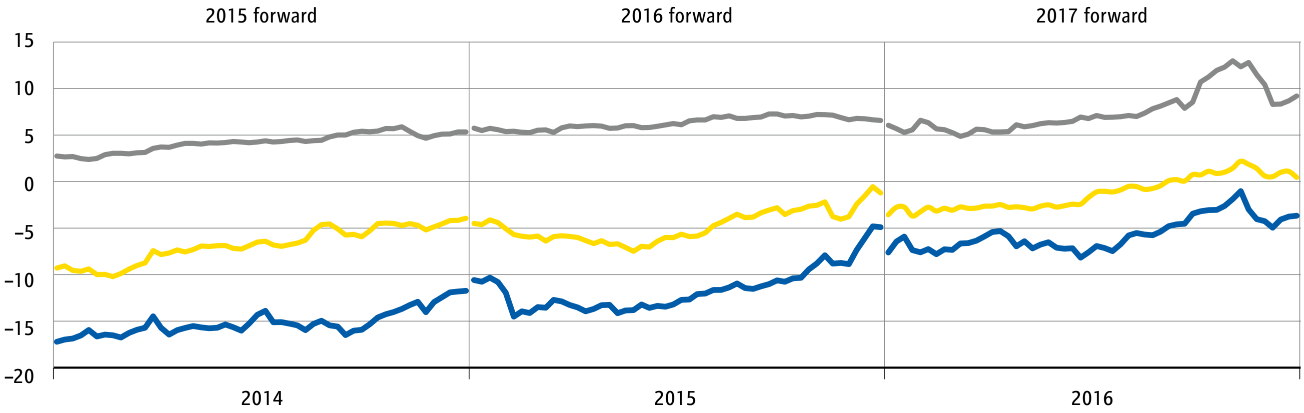
Clean dark spreads[1] forward trading
€/MWh (average weekly figures)



Germany Netherlands United Kingdom 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 coal tax in the Netherlands, which was abolished as of 1 January 2016, and CO_2 tax in the UK.

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



Germany Netherlands United Kingdom 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. We operate hard coal and gas-fired power plants primarily in Germany, the United Kingdom and the Netherlands. Their margins are referred to as clean dark spreads (hard coal) and clean spark spreads (gas).

The two graphs above illustrate the development of margins in our main generation markets since 2014, based on the respective year-forward transactions. Taking the annual average figures as a basis, clean dark spreads in 2016 for the following year were lower than in 2015. In particular, significant declines were seen in the United Kingdom and the Netherlands. By contrast, margins of gas-fired power stations continued to recover in 2016, mainly picking up pace in the second half of the year. In the United Kingdom, clean spark spreads exceeded the margins for hard coal-fired stations; in Germany and the Netherlands, however, they are still considerably lower than the clean dark spreads.

The cost of the fuel used to produce electricity from nuclear and lignite is generally more stable. We cover our uranium consumption via long-term contracts at firm conditions. Moreover, nuclear fuel purchases generally only account for a very small share of the total generation costs. We produce lignite from our own opencast mines. There are no reliable market prices for it due to its limited tradability. Owing to their relatively stable fuel costs, the margins of nuclear and lignite-fired power plants generally develop in line with wholesale electricity prices, and have therefore dropped substantially in recent years.

RWE electricity from lignite and nuclear sold for an average of €35 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, which we had concluded up to three years in advance. Overall, our 2016 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 €35 per MWh (previous year: €41 per MWh). As a result, revenues from these stations were significantly lower than in 2015. Due to the lower power prices, our hard coal-fired and our gas-fired plants recorded declining revenues, but this development was counteracted by lower fuel prices, for gas-fired stations in particular.

Retail electricity business: varying price developments in innogy's retail markets. The development of retail electricity prices is influenced by wholesale trading prices, as well as by network fees, taxes and levies, especially for residential customers. In Germany, where the share of these price components is constantly increasing, electricity prices for retail and industrial customers rose slightly during 2016. Prices remained stable for UK households, and increased moderately for UK industrial customers. In the Netherlands, tax cuts meant that households had to pay around 15% less and industrial enterprises roughly 11% less. The following developments were seen in our Eastern European electricity markets: in Poland and Hungary, residential tariffs declined somewhat, whereas a small increase was recorded in Slovakia. Industrial enterprises paid less for electricity in all three of these countries, with estimated price declines of 3% in Slovakia, 5% in Poland and 13% in Hungary.

1.4 POLITICAL ENVIRONMENT

Climate protection was once again at the top of the energy policy agenda in 2016. In November, the Paris Agreement on climate change entered into force, after having been ratified by the largest industrialised countries. At the EU level, policymakers focused on the question of how to strengthen the emissions trading system, while the German government released its Climate Action Plan 2050, which specifies the measures needed to achieve the national goals for the reduction of greenhouse gas emissions. In Germany, nuclear power was also a dominant topic. In December, the Upper and Lower Houses of Parliament passed a law which reorganises the responsibility for waste disposal: in the future, the Federal government will take responsibility for handling and financing the intermediate and final storage of radioactive waste. It will receive the resources for this from a fund financed by the power plant operators. While this represents an effective solution, it results in a massive financial burden for RWE.

Paris climate protection agreement clears final hurdles. On 4 November 2016, almost one year after the Paris conference on climate change, the resulting international agreement on combating global warming entered into force. The prerequisite for this was that the agreement had to be ratified by at least 55 countries which are responsible for at least 55% of global emissions of greenhouse gases. In September, this global climate agreement was ratified by the USA and China, the two largest emitters. Germany followed suit in October. The agreement, which is binding in international law, is the successor to the 1997 Kyoto Protocol that expires in 2020. It aims to hold the increase in the global average temperature to well below two degrees Celsius (if possible 1.5 degrees Celsius) compared to pre-industrial levels. Furthermore, in the second half of the century the international community intends to reach a balance between emissions of greenhouse gases and their absorption, for example by oceans and forests or by the geological sequestration of CO_2. In such a scenario, the use of fossil fuels would only be possible if the emissions could be neutralised. In order to achieve these goals, the parties to the agreement have made commitments to reduce their national emissions. These commitments will be reviewed every five years and, if possible, adjusted towards more ambitious targets. The agreement ensures financial support for poor countries, which will receive aid for climate protection measures and for adjusting to global warming.

European Parliament supports strengthening the emissions trading system. Climate protection after 2020 was also one of the central topics in energy policy at the EU level. The future design of the European Emissions Trading System (ETS) played an important role in the discussions. As early as mid-2015, the EU Commission presented a draft directive intended to align the ETS with the European targets for reducing greenhouse gas emissions by 2030. Last year, the European Parliament's Committee on Industry and its Committee on the Environment focused intensively on this subject and presented their proposals. Based on the Commission's draft and the recommendations of the committees, the Parliament adopted its plans for the reform of the ETS in February 2017. In some regards, these are considerably more ambitious than the Commission's draft. For instance, the Parliament wants to reduce the existing glut of allowances on the market more quickly. This will be done by annually transferring twice as many allowances as previously planned into the 'market stability reserve'. This reserve was created by the EU in 2015 and will be used from 2019 to allow for more flexible management of the supply of emission allowances (see 2015 Annual Report, page 33). Furthermore, the Parliament has proposed that a total of 800 million allowances be cancelled from the reserve in the fourth emissions trading period from 2021 to 2030. As already proposed by the Commission, during the fourth trading period, the total amount of CO_2 certificates issued will be lowered annually by 2.2%, instead of the current rate of 1.74%. In relation to the allotment of free emissions certificates to energy-intensive enterprises, the Parliament wishes to take a more generous approach than the Commission, in order to limit cost disadvantages for industrial companies versus competitors from non-EU countries.

The Parliament's decision does not mark the end of the legislative process. The reform of the emissions trading system will only become effective after the Council of Environment Ministers and the Parliament agree on a common position.

EU presents a set of reforms for energy efficiency and the improved market integration of green power. At the end of November 2016, the EU Commission presented a comprehensive catalogue on reorganising energy law in the coming decade. Among other things, the so-called 'Winter Package' contains proposals for reforms of the directives on the promotion of renewables and on energy efficiency, along with a draft of the new regulation on the electricity market. With this package, the Commission wishes to reinforce the internal energy market and ensure the achievement of the climate and energy targets for 2030 set by the European Council in 2014. The Commission goes one step further in relation to energy efficiency, which is to be improved by 30% instead of the previous 27%, compared to development without any additional measures. Among other things, this should be achieved by intensifying efforts in building renovation. The Commission confirmed the goal of covering 27% of EU energy needs from renewables by 2030. At the same time, it wants to create more leeway for market forces, as well as to restrict the priority feed-in for green energy. The Commission also supports stronger cross-border co-operation between network operators, so that national power grids can be linked more closely and fluctuations in power supply can be mitigated more effectively. Increased competition on the electricity market should help to keep costs in check for consumers, despite investments ranging in the billions of euros.

Furthermore, the Winter Package contains guidelines which EU countries will have to follow if they wish to introduce capacity markets. Capacity markets are intended to ensure that an adequate supply of electricity is always available to meet demand, despite the expansion of renewables which are dependent on the weather and time of day. In such a market, in addition to the revenues from generation, the power plant operators also receive payments for having their capacities available, as this contributes to ensuring security of supply. The Commission has proposed that only power plants with maximum emissions of 550 grams of CO_2 per kilowatt hour may participate in capacity markets. Initially, this threshold will only apply to new plants, but will then later be extended to all plants after 2025. As a result, coal-fired power stations would be excluded from the capacity markets in the EU. We view this as a step backwards compared to the EU's earlier position that capacity markets should be open to all generation technologies, non-discriminatory and market-based. In our opinion, these market features are required in order to ensure that capacity needs can be met at the lowest possible costs.

The EU Commission's package is merely a proposal. The next step will be negotiations with the EU Parliament and the Member States. The reform measures will probably only take effect from 2020.

Federal Cabinet lays the cornerstones of Germany's climate protection policy. After difficult negotiations between the ministries, the German government finally approved the 'Climate Action Plan 2050' in mid-November 2016. This Plan specifies the measures and strategies that will be used to achieve Germany's climate protection goals. For 2030, these include a reduction in emissions of greenhouse gases by at least 55% compared to the 1990 level, and a reduction of 80% to 95% by 2050. The Plan specifies the climate protection targets for individual sectors. According to the Plan, by 2030 the energy sector must lower its emissions by more than 60% compared to the level of 1990. Its emissions of greenhouse gases would then only amount to around 180 million metric tons. Industry will have to cut its emissions by one half and agriculture by one third. For buildings, the Plan targets a reduction by two thirds and a decline of around 40% for the transport sector. It should be noted, however, that these targets are still subject to a comprehensive impact assessment and may be modified. According to the Climate Action Plan 2050, in the future renewables and energy efficiency will be the 'standards' for investment, while the share of coal in the energy mix will be gradually lowered. It is the Federal government's intention to create a commission, which by the end of 2018 will create a catalogue of instruments supporting structural changes in the sectors and regions affected by the process of transformation. In addition to ecological aspects, this body will also take into consideration economic and social concerns.

The climate protection plan will be regularly updated to incorporate technological progress and unforeseeable economic developments. In terms of further developing the Plan, the government wants to engage in a broad dialogue with the affected companies, labour representatives, associations and NGOs. Based on this dialogue, the catalogue of measures will be reviewed and adjusted, if necessary.

Germany establishes a legal framework to prepare the electricity market for transformation of the energy sector. At the end of June 2016, the German Parliament passed the 'Act on Further Development of the Electricity Market' (Electricity Market Act), a set of reforms intended to ensure that security of supply is maintained over the long term, as increasing amounts of wind and solar power are being fed into the system. The Upper House approved the legislation in early July. The Act is the result of a long consultation process on designing the electricity market, which focused on whether Germany should follow the example of the United Kingdom and France and introduce a capacity market. The government decided not to do this, opting instead to merely improve the functionality of the existing market model. In line with this, the Electricity Market Act abolishes limitations on price formation in wholesale power trading, strengthens the balancing zone and balancing power system, opens up the balancing energy market for additional providers, creates incentives for more flexibility by consumers and improves market transparency.

In order to secure the supply of electricity, the Act extends the existing network reserve ('winter reserve') after 2017 and also introduces a capacity reserve. The latter will initially amount to 2 gigawatts. This will be used for managing bottlenecks, when supply and demand on the electricity market are not in balance.

The Electricity Market Act also provides a legal foundation for the so-called 'stand-by operation' of lignite-fired power plants. In 2015, the government decided that eight lignite-fired units would be gradually taken off the market in the period 2016 to 2019 and be used as the last resort for electricity supply for a period of four years each, after which they will be shut down. Operators of these stations will receive compensation oriented to the amount of revenues which the units would have generated through normal operation, less short-term, variable generation costs. The EU Commission approved this measure in relation to state aid in May 2016. The Federal government intends for it to improve the annual emissions balance by 12.5 million tons of CO_2. RWE will put five units of the 300-megawatt class on stand-by, starting with blocks P and Q at Frimmersdorf from 1 October 2017, followed by units E and F at Niederaussem 12 months later, and then block C at Neurath a year later.

Parliament adopts law on the restructuring of responsibilities for nuclear waste disposal. On 15 December 2016, the German Parliament passed a law which reallocates the responsibility for nuclear waste disposal activities between the Federal government and the plant operators. The Upper House gave its approval the next day. The law broadly corresponds to the recommendations presented in late April 2016 by the 'Commission to Review the Financing for the Phase-out of Nuclear Energy' which was formed by the Federal government. In the future, the government will assume responsibility 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 shall remain with the companies. The responsibilities transferred to the Federal government will be financed from a fund, which is paid into by the plant operators. According to the law, the companies must provide a base amount totalling €17.4 billion. In return for the payment of a risk surcharge of 35.47 % (€6.2 billion), they can be released from liability for any possible future cost increases. This results in a sum total of €23.6 billion. The payments pertain to 1 January 2017. Pursuant to the Act, the base amount must be paid by 1 July 2017. Until that date, interest will accrue at an annual rate of 4.58 % starting from 1 January 2017. However, the costs of disposal incurred by companies in the meantime can be offset. The deadline for payment of the risk surcharge is the end of 2022; interest also accrues on the outstanding balances at an annual rate of 4.58 % starting from mid-2017. RWE has decided to pay the entire risk surcharge together with the base amount on 1 July 2017. In total, some €6.8 billion is due.

The Act will enter into force as soon as the EU approves it in relation to state aid. This is expected to occur in the spring of 2017. Above and beyond this, based on the Act, a public law contract should be concluded between the Federal government and the nuclear power plant operators, which will provide them with legal security. The talks on this had not yet been completed when this report was finalised.

State government establishes framework for lignite mining at Garzweiler II. In early July 2016, the administration of the State of North Rhine-Westphalia announced its landmark decision on future lignite mining in the Garzweiler II opencast mine. In making this decision, it underlined the long-term importance of domestic lignite production in providing a secure, affordable energy supply. It concluded that opencast mining in Garzweiler will still be necessary for the energy sector after 2030. This conclusion is a fundamental requirement for maintaining the production of lignite over the long term. However, it has been decided that certain communities, including Holzweiler, which has roughly 1,500 inhabitants, will not be resettled. It is also envisaged that a greater distance than usual will be maintained between the mining area and Holzweiler. As a consequence, the size of the production area will be reduced. The coal reserves of Garzweiler II, which have received zoning clearance and been estimated at 1.2 billion metric tons so far, will therefore be about one third lower. No such limitations are envisaged for the Hambach and Inden opencast mines: the state government classifies these mines as necessary for the energy sector and confirmed the previously approved mining borders. With the announcement of this landmark decision, a protracted process involving numerous interest groups, experts, community groups and RWE came to an end. For RWE Power and many thousands of employees in the Rhenish lignite mining region, this decision makes it possible to plan for the future. It has to be implemented in a procedure for amending the lignite mining plan, which will extend over several years.

Germany supports competition-oriented reform of the subsidisation of renewables. On 8 July, the German Parliament passed a fundamental reform of the Renewable Energy Act, which aims to improve the efficiency of incentives and align the expansion of generation capacities more closely with the existing network infrastructure. The new Renewable Energy Act entered into force on 1 January 2017, after EU approval in relation to state aid. In most cases, operators of new generation facilities will only receive incentives if they qualify for such in a public tendering process. In the past, a fixed feed-in tariff was guaranteed for electricity generated from renewables. This right will only remain in place for smaller facilities. In the future, the state will determine a targeted amount of capacity expansion and call for tenders for this amount. Potential investors then bid a certain incentive amount, at which they are able to provide portions of the targeted generation volume. The lowest offers are awarded contracts, until the desired capacity expansion is achieved. Initially, this will be restricted to 2,800 MW for onshore wind and then to 2,900 MW per year from 2020. These figures are stated in gross terms, i.e. the replacement of existing plants with higher performance facilities is included. For offshore facilities, the government is targeting average annual expansion of 730 MW. The targeted annual capacity is limited to 600 MW for photovoltaic generation, and 150 to 200 MW for biomass generation. Plant operators which have successfully tendered for support receive an amount equal to their auction bid. Depending on the location, a premium or discount can be applied for onshore wind farms. If the price received for the electricity by the operator on the wholesale market is lower than the approved incentive rate, the operator receives a market premium equal to the difference. The new system meets the EU Commission's requirement that Member States design the subsidisation of renewables more in line with market forces and rely more strongly on competitive mechanisms such as tendering procedures.

Germany alters subsidy conditions for new combined heat and power plants. In addition to the Renewable Energy Act, in 2016 the German Act on Combined Heat and Power Plants (KWKG) was also overhauled to meet the EU requirements for competitive, market-conform subsidisation. The amendments entered into force on 1 January 2017. New CHP plants with a nominal electric capacity between 1 MW and 50 MW must now also qualify for subsidies in a tendering process. Furthermore, for all new plants with a capacity of more than 100 kW operators must market the electricity and heat generation themselves and generally receive no payment for their own consumption of electricity. From now on, CHP subsidies are completely precluded for plants that use solid fuels, such as coal.

Government improves conditions for grid investments. In early August, the German government passed an amendment to the Incentive Regulation Ordinance, which is intended to improve investment conditions for grid operators. The Upper House had approved the changes in July. The central element of the reform is that the costs for financing investments will be applied without any delay to the revenue caps and therefore also in network fees. This was not the case in the past: the fixed assets and capital costs of network operators were generally only determined when the next five-year regulatory period was about to begin. As the determination of costs occurred with a two-year lead-in period, it could take up to seven years for investments to be reflected in network revenues. However, it should be noted that reductions in capital costs due to depreciation were also only taken into consideration with a delay (the 'base effect'). The reform will become effective for the upcoming five-year regulatory period, which starts on 1 January 2018 for gas networks and 1 January 2019 for electricity networks. Network operators profit from the new regulation if their capital expenditure is higher than their depreciation. If this is not the case, revenues can decline. The reform may also have a negative effect for companies which have suffered the disadvantage of the delayed adjustment of revenues in relation to investments they have already made and were relying on the benefits stemming from the base effect. Consequently, the government decided that the base effect for investments in the period 2007 to 2016 will only be cancelled after the end of the upcoming regulatory period. Along with the immediate adjustment of capital costs, the new Incentive Regulation Ordinance also ensures better transparency by stipulating additional publication requirements for regulatory authorities.

Reduction of the return on equity for network investments in Germany. In mid-October, the Federal Network Agency announced the rates of return on equity which will apply for German grid operators during the next five-year regulatory periods, starting from 2018 (gas) and 2019 (electricity). In the future, the rate will be 6.91% (before corporate tax) for network facilities capitalised after 2005, and 5.12% for older facilities. At present, the allowed rates are 9.05% and 7.14%, respectively. In setting these rates, the Federal Network Agency also took into account the recent sharp decline in interest rates on the capital markets.

British anti-trust authority wants to boost competition in supplying retail customers. In mid-2016, the Competition and Markets Authority (CMA) published the results of its two year investigation of the competitive environment in the British energy sector, which the regulatory authority Ofgem (Office of Gas and Electricity Markets) had requested. In its final report, the CMA deemed the national wholesale markets to be functional. There were also no indications that major energy utilities enjoyed competitive advantages through vertical integration. By contrast, the CMA did find indications of inadequate competition in the retail supply of households and small businesses. In particular, this applied to customers who were not seeking cheaper contracts by switching suppliers. According to CMA calculations, the annual price advantage which customers of the six large energy firms in the UK could achieve by switching supplier doubled from £164 in 2012 to £330 in 2015. The CMA wants firms to notify Ofgem of customers which have been supplied with electricity or gas for more than three years on the same standard tariff. Ofgem will then provide this data to all competitors, so that the firms can make these households alternative offers. At present, the implementation of this measure is in preparation, but there is opposition from data protection proponents. Another requirement of the CMA is a cap on the tariffs for customers with pre-payment meters. Normally, these customers had been charged slightly higher tariffs, which the utilities had justified by citing higher expenses. This price cap will come into effect from 1 April 2017 and has a duration of three years. The CMA now grants the utilities greater leeway in terms of the number of tariffs they offer. In the past, companies were only allowed to offer a maximum of four different electricity tariffs and four different gas tariffs. This limitation was removed in November 2016.

New incentive system for renewables in Poland. In addition to Germany, Poland also carried out a fundamental overhaul of its system for supporting renewables. In mid-2016, a new law came into force which replaced the previous system of subsidisation using 'green certificates' with an auction-based process. The new support system is similar to the British one. The state and the operators of new plants conclude 'contracts for differences' (CfD), which guarantee fixed compensation for a period of 15 years. If the price received by the operator on the wholesale market is lower than this amount, the difference is paid to the operator; if the price is higher, subsequent compensation payments are reduced accordingly. Which producers are supported and which are not is decided in auctions. These are carried out separately for different categories of projects, with the generation technology as a key distinguishing factor. The Polish government sets annual support budgets for each project category. This occurred in November 2016 for the 2017 auctions. For onshore wind farms of more than 1 MW, the available funds only allow for about 100 MW of generation capacity to be financed. A special regulation encompassing all technologies was created for small generation units of up to 40 kW: these plants receive subsidies for the electricity fed into the network which are dependent on the sales prices, without having to qualify through auctions. Operators of existing plants have the option of continuing to use the old support system with green certificates or switching over to the new CfD scheme by participating in auctions.

1.5 MAJOR EVENTS

The reorganisation of the RWE Group was the most important event in the past year. A milestone was reached in April with the start of operations by our new subsidiary innogy, in which we have bundled our renewables, grids and supply activities. innogy was listed on the stock exchange in October, in a highly successful IPO which resulted in proceeds of €4.6 billion from the issue of new shares and the sale of existing shares. innogy was the largest IPO in Germany since the end of 2000. But we achieved important success in other areas as well: in the United Kingdom, almost all of RWE's power plants qualified for contracts in the UK capacity market auctions, and in the Netherlands we were awarded a subsidy for co-firing with biomass in our coal-fired power stations. In the following, we present the major events which occurred in 2016 and early 2017, focusing on developments which are not discussed in detail elsewhere in the review of operations.

Events in the fiscal year

RWE lists its business in renewables, grids and supply on the stock exchange. In 2016, the RWE Group underwent a fundamental restructuring process, preparing itself organisationally and financially for the challenges currently facing the energy industry. As part of this restructuring, the renewables, grids and retail businesses were bundled into a new subsidiary, which was then listed on the stock market. RWE's Executive Board had announced these plans at the end of 2015. The Supervisory Board gave its approval at its meeting on 11 December. On 1 April 2016, innogy commenced its operations, initially under the name 'RWE International SE'. A few months later, the company was listed on the stock market: shares in innogy began trading on the Frankfurt Stock Exchange on 7 October. The opening price of €37.30 was higher than the placement price, which had been set at €36, at the top end of the price range. Despite this, the offer was oversubscribed several times. Including the shares placed on the market by exercising the over-allotment option (greenshoe), a total of 128,930,315 innogy shares were placed with a wide range of investors. Of this amount, 73,375,315 shares were from RWE AG's holding and 55,555,000 shares were from a capital increase carried out by innogy. RWE registered proceeds of €2.6 billion from the sale of own shares, while innogy booked proceeds of €2.0 billion from the capital increase. RWE's interest in innogy dropped from 100% to 76.8%. Based on the placement price of €36 and the total number of 555,555,000 shares, innogy had a market capitalisation of €20 billion at the time of its listing. Shares in the company are traded under the securities identification numbers DE000A2AADD2 (ISIN) and A2AADD (German Securities Identification Number) on the regulated market ('Prime Standard') of the Frankfurt Stock Exchange.

The new Group company innogy has its headquarters in Essen, as does RWE AG. In the past fiscal year, its almost 41,000 employees generated revenue of more than €40 billion. By bundling the renewables, grid and supply activities in one company, innogy brings together the business activities which have new opportunities thanks to the transformation of the energy sector. Direct access to the capital market allows the company to tap into additional resources for investment. The proceeds from the capital increase will mostly be used for growth projects. For RWE AG, the new Group structure offers the advantage of greater financial flexibility, which it can use to reinforce and develop its remaining businesses Conventional Power Generation and Trading/Gas Midstream.

innogy is headed by a six-member Executive team led by Peter Terium, who was Chairman of the Executive Board of RWE AG from July 2012 to October 2016. He resigned from this position after the IPO to dedicate himself to the management of innogy. Bernhard Günther is the CFO, having held the same position at RWE AG until October 2016. Uwe Tigges, the Labour Director at innogy, is also from RWE AG's Executive Board. He will only be leaving RWE AG at the end of April 2017 and is responsible for managing the transfer of employees between the two companies up until then. Hans Bünting, Hildegard Müller and Martin Herrmann are also members of innogy's Executive Board. They are responsible for Renewables (Bünting), Networks (Müller) and Retail (Herrmann). Hans Bünting was previously CEO at our former green power subsidiary RWE Innogy, Hildegard Müller was Chair of the Management Board of the German Association of Energy and Water Industries (BDEW) and Martin Herrmann was CEO at RWE East.

RWE AG manages innogy as a financial investment and will only exercise its control via the legally mandated bodies of the Supervisory Board and the Annual General Meeting. This arrangement is based on an agreement on basic principles between the two companies, which replaced the control contract that was terminated on 30 September 2016. The agreement governs the future relationship of the companies and their dealings with each other. It stipulates that innogy can operate independently and autonomously to a great degree. We view this as an important prerequisite for an optimal valuation of the company by the capital market. Until the end of 2019, RWE AG undertakes to avoid competing with innogy in its current core fields of business, both directly or via any company which it controls. Transactions between the two parties will be conducted at arm's length conditions. In line with the agreement, innogy has taken over the majority of RWE's capital market debt (see page 52 et seq.).

Rolf Martin Schmitz appointed as CEO of RWE AG – Markus Krebber takes over as CFO. In parallel with the IPO of innogy, the Executive Board of RWE AG was restructured. Effective from 15 October 2016, the Supervisory Board appointed Rolf Martin Schmitz as the successor to Peter Terium in the position of CEO, and Markus Krebber was appointed as CFO, replacing Bernhard Günther. Rolf Martin Schmitz has been a member of the Executive Board since 2009. He was appointed Deputy Chairman in 2012. Markus Krebber joined the Executive Board on 1 October 2016. For the time being, he will continue in his role as CEO of RWE Supply & Trading. Uwe Tigges is the third member of RWE AG's management team: he has been a member of the Executive Board since 2013 and is responsible for human resources. As noted, he will be leaving RWE AG at the end of April 2017, after which he will only be active for innogy, like Peter Terium and Bernhard Günther.

Nuclear phase-out: constitutional court upholds RWE's claims for compensation. In early December, Germany's Federal Constitutional Court announced that some aspects of the 2011 decision to shorten the operational lifespans of German nuclear power plants were unconstitutional. The judges thus upheld the claim filed by RWE, E.ON and Vattenfall. In their view, the legislator was allowed to accelerate the phase-out of nuclear power in the wake of the reactor accident in Fukushima, Japan, without necessarily violating the protected ownership rights of the plant operators. In this specific case, however, the companies were entitled to compensation for damages. On the one hand, this claim applies in relation to a generation quota, which was determined as part of the first agreement from 2000 on phasing out nuclear power and could no longer be used due to the shutdown deadlines introduced in 2011, and on the other hand for the loss in value of investments which the plant operator had made on the basis of the extension of operating periods set out by law in 2010. The legislator was given until mid-2018 to formulate suitable regulations for this compensation. We estimate that our claim for compensation will be in the hundreds of millions of euros.

The decision of the Constitutional Court came against the backdrop of several changes in the political position on nuclear power. In 2000, the Federal government headed by the SPD and Greens agreed on a reduction of the nuclear lifetimes with the utilities and granted them residual generation amounts. RWE was granted additional quotas as compensation for the Mülheim-Kärlich nuclear power plant having to go offline after just two and a half years of operation, due to errors in the permitting process. The residual quotas were stated in the 2002 Nuclear Energy Act. In 2010, the Federal government headed by the CDU/CSU and the FDP approved an increase in these quotas, but then reversed this move following the nuclear accident in Fukushima. The 13th amendment of the Nuclear Energy Act passed in 2011 set fixed deadlines for shutting down the individual plants. Due to these deadlines, part of our electricity quota for Mülheim-Kärlich will expire without being used. The Court found that this was an unconstitutional violation of our ownership rights.

United Kingdom: RWE successful at capacity auction. Following the auctions in 2014 and 2015, the third auction for the UK capacity market was held in December 2016, and almost all of the participating RWE power plants qualified for payments. Together they account for a secured capacity of 8.0 GW and include the gas-fired stations Pembroke, Staythorpe, Little Barford, Didcot B and Great Yarmouth, and the hard coal-fired plant Aberthaw. Only a few of RWE's smaller stations were unsuccessful. Total generation capacity of 69.8 GW was represented at the auction. Plants with capacity of 52.4 GW qualified. During the period from 1 October 2020 to 30 September 2021, their operators will receive a capacity payment of £22.50 per kilowatt for having their plants available to ensure a secure supply of electricity. For new stations, this period is extended for up to 15 years, with the premium paid anew each year. This applies to generation units with a total capacity of 2.6 GW, including one small plant operated by RWE. As the premium amount determined at the auction pertains to the price level for the period October 2015 to April 2016 and will be linked to the UK consumer price index, the actual amount of the payments will likely be higher than £22.50.

Since 2014, a capacity auction takes place once a year in the UK. At this auction, a predetermined volume of secured generation capacity is auctioned off. All successful providers receive the same price, which is the price at which the tendered capacity corresponds to the requested capacity. Participation at the auction is voluntary and open to all technologies. Stations which are subsidised in a different manner are not eligible to participate. The first capacity auction in December 2014 pertained to the period October 2018 to September 2019. As market conditions for UK hard coal-fired power plants have deteriorated and the government wishes to avoid supply shortfalls due to the early decommissioning of plants, it decided to bring the start of the capacity market forward by one year. Accordingly, a fourth capacity auction was held in early 2017, which related to the period October 2017 to September 2018 (see page 40).

Netherlands: RWE qualifies for subsidy for biomass co-firing. In the Netherlands, RWE successfully applied for state subsidy for co-firing biomass in the two hard coal-fired power plants Amer 9 and Eemshaven. At two tenders, we were awarded a total of €2.6 billion in 2016. We will receive these funds for a period of eight years. They are allocated so that Amer 9 can achieve a biomass ratio of 80% and Eemshaven a ratio of around 15%. The subsidy covers the additional expenses for procuring fuel and will also be used to finance measures for retrofitting the plants. We plan on sourcing the necessary biomass in Europe and North America and ensuring that the production of this biomass is sustainable. In doing so, we are complying with the ethical requirements which Dutch NGO's demand for the use of biomass in electricity generation.

Settlement for damages in relation to the new hard coal-fired power station at Hamm completed. In early July, we were able to reach a mutual agreement with the insurers on the settlement of damages at Unit D of our new hard coal-fired power plant in Hamm (Westphalia). The insurers subsequently provided us with final compensation for the damages. Originally, the station was to have two units (D/E), of which only Unit E went online. Significant damages occurred at Unit D during the construction phase, which undermined its profitability. In view of this, in December 2015 we decided not to finish construction of the unit (see page 40 of the 2015 Annual Report).

Agreement on gas procurement with Gazprom. At the end of May, RWE Supply & Trading, which is responsible for gas procurement, reached an agreement with Gazprom to adjust the conditions of its long-term supply contract with the Russian gas group. This ensures that the contract will not expose us to earnings risks over the coming years. The parties agreed to keep the details confidential. This mutual agreement was reached prior to a price revision, which was scheduled for mid-2016 and hence became unnecessary.

Qatargas to supply RWE with gas. In June, RWE Supply & Trading concluded a flexible contract on the delivery of liquefied natural gas (LNG) with Qatargas, one of the world's largest suppliers of LNG. The agreement calls for Qatargas, which is headquartered in the Arab emirate, to deliver up to 1.1 million tons of liquefied gas to Northwestern Europe annually until the end of 2023. We view this contract as a good addition to our gas sourcing portfolio.

Stake in UK wind farm portfolio Zephyr sold. At the end of July, innogy sold its 33.3 % interest in UK-based Zephyr Investments Limited along with several shareholder loans to a financial investor. Zephyr was established in 2003 and owns and operates a portfolio of 17 wind farms, of which 16 are on mainland UK, and one is off the coast of Wales (North Hoyle). These generation assets have a total net installed capacity of 391 MW. Proceeds from the sale will be used to finance other renewables projects.

RWE exits Luxembourg utility Enovos. In early March, we sold our 18.4 % stake in the Luxembourg-based energy utility Enovos. It was acquired by a consortium led by the Grand Duchy of Luxembourg and the investment firm Ardian. One of the reasons for this divestment was that we only had limited influence on the management of the company.

innogy expands Hungarian gas supply operations. In Hungary, as of 1 April innogy's subsidiary MÁSZ acquired the industrial and commercial customers of the gas utility TIGÁZ, which is part of the Italian ENI Group. With this, innogy's share of the unregulated Hungarian gas market climbed to about 10 %. Since 2015, the RWE Group has once again been active in gas supply in Hungary, having sold its minority interest in the Budapest gas utility FÖGÁZ to the state-owned Hungarian energy group MVM one year earlier. This sale was motivated by the unfavourable framework conditions in the regulated market for retail customers.

Events after the close of the fiscal year

innogy acquires the German solar power and battery specialist Belectric Solar & Battery. Our subsidiary innogy has moved yet another step closer to its goal of establishing itself as an international supplier of utility-scale photovoltaic power plants and battery storage solutions. In January 2017, it acquired Belectric Solar & Battery Holding GmbH from Belectric Holding. The purchase price was in the high double-digit million euro range. Belectric Solar & Battery develops, builds and operates ground-mounted photovoltaic plants. Along with Europe, the geographical focal points are the Middle East, North Africa, India, South America and the USA. Since its inception in 2001, the company has built more than 280 ground-mounted and roof-mounted solar plants with a total net installed capacity of over 1.5 GW. It is also responsible for the operation and maintenance of solar plants with a total capacity of more than 1.0 GW. Belectric also specialises in the development of turn-key, large-scale battery storage solutions.

Fourth capacity auction in the United Kingdom: all RWE plants qualified. At the fourth auction for the UK capacity market held from 31 January to 3 February 2017, all of the participating RWE plants with a secured capacity of 7.9 GW qualified. However, at £6.95 per kilowatt the amount of the payment is much lower than the level achieved at the three previous auctions. The payments will be granted for the period from 1 October 2017 to 30 September 2018. Suppliers with a total generation capacity of 59.3 GW participated in the auction. Plants with capacity of 54.4 GW qualified for the payment.

RWE calls hybrid bond with a volume of CHF 250 million. In mid-February 2017, we announced that we will be calling our CHF 250 million hybrid bond as of 4 April 2017. It was issued in November 2011 with a coupon of 5.25 % and has a theoretical tenor of just over 60 years. RWE is calling the hybrid bond on the first possible call date. By doing so, we are taking advantage of the additional financial flexibility provided to us by the successful IPO of innogy. Shortly after our announcement, the rating agency Standard & Poor's notified us that it would be completely withdrawing the so-called equity credit for all seven outstanding hybrid bonds, i.e. they will no longer recognise one half of the liabilities from these bonds as equity. Although this means that – in Standard & Poor's view – we have a higher debt level, the agency did not make any changes to our rating (BBB-) and left the rating outlook at 'stable', citing among other things the positive effect of the innogy IPO on our financial position.

1.6 NOTES ON REPORTING

New reporting structure with three segments. As presented on page 37 et seq., we bundled large parts of our business in the new Group company innogy, which was listed on the stock market in early October 2016. Since then we hold an interest of 76.8% in innogy and manage the company as a financial investment. This has an effect on the structure of our financial reporting. In the 2016 Annual Report we distinguish between the following three segments (divisions): Conventional Power Generation, Trading/Gas Midstream and innogy. The last segment is new and covers the former business areas Renewables, Grids/Participations/Other and Supply and which were reported on separately in the interim reports published last year. Prior to 2016, RWE's reporting was based on seven divisions (see 2015 Annual Report, page 42 et seq.). To ensure the comparability of the 2016 figures to those of the previous year, we have restated the latter in the new structure.

The three segments in these consolidated financial statements cover the following activities:

- Conventional Power Generation: Our conventional electricity generation operations are subsumed under this segment. It also includes the lignite mining business of RWE Power in the Rhineland and RWE Technology International, which specialises in project management and engineering services. Since 2016, our controlling interest in the Hungarian company Mátra, which is engaged in lignite production and the generation of electricity from lignite (part of the Central Eastern and South Eastern Europe Division in 2015), and the Scottish biomass-fired power station Markinch (part of the Renewables Division in 2015), have also been assigned to Conventional Power Generation. Prior-year figures have been adjusted accordingly. All of these activities are overseen by RWE Generation.

- Trading/Gas Midstream: This segment covers the activities of RWE Supply & Trading, which is responsible for trading energy commodities, marketing and hedging the RWE Group's electricity position, as well as running the gas midstream business. It also supplies some major industrial and corporate customers in Germany and neighbouring countries with electricity and gas.

- innogy: This new Group company is responsible for business activities in renewables, grids and retail. innogy plans, builds and operates facilities for the generation of electricity from renewable sources, mainly wind and hydroelectric power. The regional focus is on Germany, the United Kingdom, Spain, the Netherlands and Poland. The second main area of innogy's business is the operation of distribution networks in Germany (electricity and gas), the Czech Republic (gas), and in Slovakia, Hungary and Poland (all three electricity). The supply of electricity, gas and energy solutions forms the third pillar of innogy's business. The sales markets are Germany, the Netherlands, Belgium, the United Kingdom, the Czech Republic, Slovakia, Hungary, Poland and a few other Central Eastern European countries. Some fully consolidated German regional utilities, and non-controlling interests in utilities, such as German municipal utilities and the Austrian company KELAG, are also assigned to innogy.

We present certain groupwide activities outside the divisions in the segment Other, consolidation. This applies to the Group holding company RWE AG as well as our in-house service providers, RWE Group Business Services and RWE Service. This segment also includes our 25.1% interest in the German electricity transmission system operator Amprion.

Net recognition of trading transactions. Further changes to our reporting relate to the manner in which sales volumes and revenue from trading transactions are recognised. We are making increased use of the net disclosure method for more kinds of transactions than in the past. This mainly applies to gas trading, but also to electricity trading to a limited degree. When stating net figures, purchases and sales are netted against each other. Therefore, in contrast to gross recognition, pure trading transactions do not impact sales volume. Only the trading margins are recognised in revenue. This leads to commensurate reductions in sales volume and revenue in the Trading/Gas Midstream Division but does not affect earnings. The figures for 2015 have been adjusted accordingly.

Terminological changes with EBITDA and operating result. In July 2016, the guidelines of the European Securities and Markets Authority (ESMA) on the application of alternative performance measures came into force. One goal of these guidelines is to ensure that the basic principles of transparency and comparability are followed when indicators which are not defined in binding terms in accounting standards are used. Among other things, they call for the use of unambiguous terms. Against this backdrop, we have changed the term for EBITDA to 'adjusted EBITDA' and the term for operating result to 'adjusted EBIT'. By doing so, we highlight that important special items have been removed from these indicators and are reported in the non-operating result. There is no change in content associated with the use of the new terms.

1.7 BUSINESS PERFORMANCE

The persistently difficult conditions in the conventional power generation business had a severe impact on the Group's financial statements. Large impairments on our German power plant portfolio and burdens stemming from the legal reorganisation of nuclear waste disposal caused the net income of the RWE Group to fall to –€5.7 billion. Nevertheless, we were able to achieve our earnings targets for 2016. The Group's adjusted EBITDA of €5.4 billion and adjusted EBIT of €3.1 billion were both near the higher end of the range we had forecast. This was largely due to efficiency enhancing measures in the Conventional Power Generation Division, which we were able to implement more quickly than scheduled.

Business performance in 2016: What we forecast and what we accomplished

Outlook vs. actual	2015 actual € million	Outlook for fiscal 2016[1]	2016 actual € million	Forecast fulfilled?
Adjusted EBITDA[2]	7,017	€5.2 billion to €5.5 billion	5,403	Yes
Adjusted EBIT[3]	3,837	€2.8 billion to €3.1 billion	3,082	Yes
Conventional Power Generation	596	Significantly below previous year	627	Actual > Outlook
Trading/Gas Midstream	156	Significantly above previous year	−145	Actual < Outlook
innogy	3,050	Moderately below previous year	2,735	Yes
Adjusted net income	1,125	€0.5 billion to €0.7 billion	777	Actual > Outlook

1 See page 89 of the 2015 Annual Report; for innogy's outlook, see our interim statement on the first three quarters of 2016, page 14. Qualifiers such as 'moderately' or 'significantly' indicate percentage deviations from the previous year's figures.
2 Changed term, formerly 'EBITDA'; see explanation on the previous page.
3 Changed term, formerly 'operating result'; see explanation on the previous page.

Electricity production up modestly compared to previous year. In the financial year that just came to a close, the RWE Group produced 216.1 billion kWh of electricity. In 2016, 34% of our electricity generation was from lignite, 25% from gas, 20% from hard coal, and 14% from nuclear. The share of renewable energy amounted to 5%. Power production increased modestly compared to 2015. The main reason for this was that market conditions for our gas-fired power stations improved, leading to higher utilisation of these plants, especially in the United Kingdom. However, there were declines in production from other generation technologies which are important to us. Generation from lignite was impacted by scheduled maintenance and plant outages due to damages. While the availability of our hard coal-fired plants improved, there were counteracting effects from unfavourable market conditions in the United Kingdom. Additionally, our Dutch hard coal-fired station Amer 8 was shutdown from 1 January 2016, to comply with energy policy requirements. The sale of our UK hard coal-fired plant in Lynemouth also resulted in volume losses. After RWE Supply & Trading had acquired the plant in 2012, it paved the way for the station to be transformed into a biomass plant using state subsidies; the station was subsequently sold to an investor at the beginning of 2016. Electricity production from renewables was slightly down compared to 2015, partly due to the lower wind levels throughout much of Europe. Furthermore, the sale of our 33.3% stake in Zephyr Investments Limited had an impact: based on contractually agreed electricity purchases, prior to completion of the transaction in mid-2016 our reporting had included a portion of the generation and capacity of Zephyr's UK wind farm portfolio. By contrast, the two newly constructed offshore wind farms, Gwynt y Môr off the coast of Wales and Nordsee Ost near Heligoland, had a positive effect on volumes, as both were online at full capacity throughout the year for the first time.

In addition to our own generation, we also procure electricity from external suppliers: in 2016, this totalled 65.3 billion kWh (previous year: 64.7 billion kWh). In-house generation and power purchases combined for 281.4 billion kWh (previous year: 277.7 billion kWh).

Power generation	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		Total	
Billion kWh	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Conventional Power Generation	74.3	77.8	44.2	44.7	52.6	42.0	30.1	31.7	1.1	1.1	3.0	3.0	205.3	200.3
of which:														
Germany[1]	68.9	72.5	22.4	21.7	6.3	3.5	29.0	30.6	0.7	0.8	3.0	3.0	130.3	132.1
Netherlands/Belgium	–	–	15.1	15.4	6.9	5.8	1.1	1.1	–	–	–	–	23.1	22.3
United Kingdom	–	–	6.7	7.6	36.2	29.3	–	–	0.4	0.3	–	–	43.3	37.2
Hungary/Turkey	5.4	5.3	–	–	3.2	3.4	–	–	–	–	–	–	8.6	8.7
innogy[2]	–	–	0.1	0.2	0.7	0.6	–	–	10.0	10.3	–	–	10.8	11.1
RWE Group[2]	**74.3**	**77.8**	**44.3**	**46.5[3]**	**53.3**	**42.6**	**30.1**	**31.7**	**11.1**	**11.4**	**3.0**	**3.0**	**216.1**	**213.0[3]**

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 2016, this amounted to 11.0 billion kWh (previous year: 11.1 billion kWh) in the Conventional Power Generation Division, of which 7.8 billion kWh (previous year: 7.7 billion kWh) was generated by hard coal-fired power plants.
2 Prior to the sale of our stake in Zephyr Investments Limited in mid-2016, electricity purchases from Zephyr's wind farms are included: these amounted to 0.3 billion kWh in 2016 (previous year: 0.8 billion kWh).
3 Including the production of the hard coal-fired power plant Lynemouth in the Trading/Gas Midstream Division, which was sold in early 2016.

One of Europe's biggest power producers with 46.4 GW in generation capacity. At the end of 2016, the RWE Group had an installed capacity of 46.4 GW, giving us a leading market position in Europe. This figure includes mothballed stations, which are not currently operated for economic reasons. Our generation capacity fell by 1.6 GW last year, with most of this decline accounted for by hard coal. In particular, capacity dropped due to the decommissioning of Amer 8, which had a net capacity of 611 MW, and the sale of Lynemouth with a capacity of 395 MW. Additionally, at the end of March 2016 we took the 284 MW hard coal-fired power station Westphalia C in Hamm offline, due to unfavourable market conditions. At innogy, the sale of Zephyr Investments Limited resulted in a decline in capacity. To some extent, our subsidiary was able to offset this by commissioning additional onshore wind farms, especially in the Netherlands.

In relation to our generation capacity, gas is our main source of energy. At the end of 2016, it accounted for 33%, followed by lignite with a share of 24% and hard coal with 20%. Renewables and nuclear power have a share of 9% each. The regional focus of our generation business is Germany, where 62% of our installed capacity is located. The United Kingdom and the Netherlands follow, accounting for shares of 21% and 12%, respectively.

Power generation capacity As of 31 Dec 2016, in MW	Gas	Lignite	Hard coal	Renewables	Nuclear	Pumped storage, oil, other	Total	Total 31 Dec 2015
Conventional Power Generation	14,964	11,059	8,688	284	4,054	2,831	41,880	42,977
of which:								
Germany[1]	4,411	10,296	5,071	55	3,908	2,549	26,290	26,496
Netherlands/Belgium	3,057	–	2,057	158	146	–	5,418	6,228
United Kingdom	6,649	–	1,560	55	–	282	8,546	8,627
Hungary/Turkey	847	763	–	16	–	–	1,626	1,626
innogy	243	17	399	3,735	–	137	4,531	4,680[2]
RWE Group	**15,207**	**11,076**	**9,087**	**4,019**	**4,054**	**2,968**	**46,411**	**48,052[3]**

1 Including generation capacity not owned by RWE that we can deploy at our discretion on the basis of long-term contracts. As of end-2016, this amounted to 4,373 MW (previous year: 4,629 MW) in the Conventional Power Generation Division, including hard coal-fired power stations with a combined capacity of 2,173 MW (unchanged).
2 This figure includes a portion of the generation capacity of Zephyr Investments Limited.
3 Including the hard coal-fired power plant Lynemouth in the Trading/Gas Midstream Division, which was sold in early 2016.

Modest decline in CO_2 emissions. Last year, our power stations emitted 148.3 million metric tons of carbon dioxide. Our own plants accounted for 141.2 million metric tons, and the remaining 7.1 million metric tons came from contractually secured capacity. Compared to 2015, our CO_2 emissions declined by 2.5 million metric tons or 2%. As forecast, specific emissions, i.e. carbon dioxide emissions per megawatt hour of electricity generated, also declined moderately, dropping from 0.708 to 0.686 metric tons. This was mainly because last year we produced less electricity using coal and more using natural gas.

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 147.1 million metric tons of carbon dioxide that we emitted in EU countries in 2016, we were only able to cover 4.5 million metric tons with such state allocations. We purchased emission allowances on the market for the remaining 142.6 million metric tons.

Emissions balance by division	CO_2 emissions		Free allocation of CO_2 certificates		Shortage of CO_2 certificates	
Million metric tons of CO_2	2016	2015	2016	2015	2016	2015
Conventional Power Generation	147.6	148.9	4.2	5.2	142.2	142.4
of which:						
Germany[1]	106.8	109.1	4.2	5.1	102.6	104.0
Netherlands/Belgium	14.0	14.8	–	0.1	14.0	14.7
United Kingdom	19.1	17.4	–	–	19.1	17.4
Hungary/Turkey[2]	7.7	7.6	–	–	6.5	6.3
innogy	0.7	0.7	0.3	0.4	0.4	0.3
RWE Group	**148.3**	**150.8[3]**	**4.5**	**5.6**	**142.6**	**143.9[3]**

1 Includes generation capacities not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In 2016, they produced 7.1 million metric tons of CO_2 (previous year: 6.9 million metric tons).
2 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.
3 Including the emissions of the hard coal-fired power plant Lynemouth in the Trading/Gas Midstream Division, which was sold in early 2016.

Lignite production totals 90.5 million metric tons. The fuels used by our power stations are sourced by our generation companies either directly on the market or via RWE Supply & Trading. However, we source lignite from proprietary opencast mines. In our main mining region, which is west of Cologne, we produced 90.5 million metric tons of lignite last year (previous year: 95.2 million metric tons), of which 78.9 million metric tons were used to generate electricity in our power plants. The remainder was used to manufacture refined products (e.g. briquettes) and, to a limited extent, to generate process steam and district heat.

External electricity sales volume[1]	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2016	2015	2016	2015	2016	2015	2016	2015
Conventional Power Generation	0.2	0.2	2.4	2.4	17.5	19.2	20.1	21.8
Trading/Gas Midstream	–	–	30.3	31.2	–	–	39.3[2]	34.6[2]
innogy	52.3	53.7	73.5	76.9	79.3	74.4	205.1	205.0
RWE Group[3]	**52.6**	**54.0**	**106.2**	**110.5**	**96.8**	**93.6**	**264.6**	**261.5**

1 Methodological changes in the recognition of trading transactions resulted in the adjustment of prior-year figures; see explanation on page 41.
2 Including volume effects of the sale of self-generated electricity on the wholesale market. If these sales volumes exceed the purchases made for supply purposes, the positive balance is recognised in the sales volume. In 2016, the balance was 9.0 billion kWh compared to 3.4 billion kWh in the preceding year.
3 Including volumes subsumed under 'Other, consolidation'.

Marginal rise in electricity sales volume. In the year under review, RWE sold 264.6 billion kWh of electricity to external customers. This was slightly more than in the previous year, as, among other things, RWE Supply & Trading sold higher amounts of electricity from RWE power plants on the wholesale market. innogy's Retail Division accounted for the bulk of electricity sales. One positive factor was that in business with German distributors, our subsidiary was able to add new customers and intensify its supply activities with existing customers. Another reason for the increase in sales volume was that, based on contractual arrangements, we obtained sole control over the Slovak energy utility VSE in August 2015 and have since fully consolidated the company, which is now owned by innogy. As a result, 2016 was the first year that VSE contributed to electricity sales for the entire period. This was reflected in the residential and commercial enterprises, and industrial and corporate customers segments. Despite this, the volume of sales in these two segments decreased. One of the reasons for this was the loss of customers in the United Kingdom and the Netherlands due to competition, which could not be offset by gains in Eastern Europe. Additionally, the trend towards saving energy had an effect.

External gas sales volume[1]	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2016	2015	2016	2015	2016	2015	2016	2015
Trading/Gas Midstream	–	–	24.7	25.5	0.3	3.7	25.0	29.2
innogy	102.9	102.6	83.1	81.1	54.1	60.1	240.1	243.8
RWE Group	**102.9**	**102.6**	**107.8**	**106.6**	**54.4**	**63.8**	**265.1**	**273.0**

1 Methodological changes in the recognition of trading transactions resulted in the adjustment of prior-year figures; see explanation on page 41.

Gas supply volume down 3% on previous year. Our gas sales dropped by 3% to 265.1 billion kWh. The main reason for this was that some German distributors which were previously supplied by innogy purchased more or all of their gas from other suppliers. By contrast, as of 1 April 2016 innogy's subsidiary MÁSZ acquired the industrial and corporate customers of the Hungarian gas utility TIGÁZ (see page 40). In the residential and commercial segment, the cooler weather conditions had a tangible effect. This was contrasted by negative effects from customer losses and more efficient energy use. In the Trading/Gas Midstream Division, gas sales to distributors were strongly affected by the methodological changes to the recognition of volumes.

External revenue[1] € million	2016	2015	+/– %
Conventional Power Generation	1,967	2,224	–11.6
Trading/Gas Midstream	3,646	3,318	9.9
innogy	40,149	42,482	–5.5
Other, consolidation	71	66	7.6
RWE Group	**45,833**	**48,090**	**–4.7**
Natural gas tax/electricity tax	2,243	2,242	–
RWE Group (excluding natural gas tax/electricity tax)	**43,590**	**45,848**	**–4.9**

1 Methodological changes in the recognition of trading transactions resulted in the adjustment of prior-year figures; see explanation on page 41.

External revenue reflects declining sales to customers and the weak exchange rate of sterling. In 2016, the RWE Group generated €45,833 million in external revenue. This figure includes the natural gas and electricity tax. Compared to the previous year, our revenue declined by 5%. Revenues from sales of electricity fell by 4% to €32,534 million, largely due to the decline in sales to residential, commercial and industrial customers; this decline in revenues could not be offset by increased sales to German distributors. One positive effect was that in 2016 the Slovak energy utility VSE contributed to Group revenue for a full year for the first time. Revenues from gas sales dropped by 11% to €10,330 million, in part due to lower supply volumes. In addition, some of our supply companies lowered their prices. The RWE Group's sales were also affected by developments in exchange rates: sterling cost an average of €1.22, as opposed to €1.38 a year earlier, which lowered the revenues generated in the UK after converting into euros. Net of the one-off effects from VSE and currency exchange rates, our external revenue fell by 3%.

Adjusted EBITDA[1] € million	2016	2015	+/– %
Conventional Power Generation	1,456	2,285	–36.3
Trading/Gas Midstream	–139	164	–184.8
innogy	4,203	4,521	–7.0
Other, consolidation	–117	47	–348.9
RWE Group	**5,403**	**7,017**	**–23.0**

1 Changed term, formerly 'EBITDA'; see explanation on page 41.

Adjusted EBIT[1] € million	2016	2015	+/– %
Conventional Power Generation[2]	627	596	5.2
Trading/Gas Midstream	–145	156	–192.9
innogy	2,735	3,050	–10.3
Other, consolidation	–135	35	–485.7
RWE Group	**3,082**	**3,837**	**–19.7**

1 Changed term, formerly 'operating result'; see explanation on page 41.
2 Of which United Kingdom: €97 million (2016) and –€71 million (2015).

Operating earnings near the upper end of the forecast. In the financial year that just ended, we achieved earnings before interest, taxes, depreciation and amortisation (EBITDA) of €5,403 million. As we do not take into account material non-operating and aperiodic effects in determining this indicator, from now on we will use the term 'adjusted EBITDA' in the interests of clarity. The operating result – which for the same reason is now referred to as 'adjusted EBIT' – amounted to €3,082 million. Both these indicators are near the upper end of the forecast range. Our outlook published in March 2016 had projected adjusted EBITDA in a range of €5.2 billion to €5.5 billion and adjusted EBIT of €2.8 billion to €3.1 billion (see 2015 Annual Report, page 89).

Compared to the previous year, our earnings deteriorated significantly. We recorded a 23% decline in adjusted EBITDA and a 20% drop in adjusted EBIT. The main reasons for this were declining margins in conventional electricity generation, a negative performance in the trading business and the absence of one-off earnings from the previous year at innogy. These were contrasted by positive effects from improved efficiency in conventional power generation.

The following is a breakdown of the development of the adjusted EBIT by division:

- Conventional Power Generation: Adjusted EBIT increased by 5% to €627 million in this Division. In March 2016, we had projected a sharp decline. The better than expected result was achieved because we were able to implement efficiency enhancing measures more quickly. Unplanned one-off income also played a role: among others, this included the settlement for damages we reached with the insurers in early July in relation to the new hard coal-fired power station at Hamm (Westphalia) and from the sale of property in the United Kingdom. Depreciation and amortisation were lower than the previous year, as expected. This was due to the lower book values resulting from impairments recognised for power plants in the 2015 consolidated financial statements. Expenses for the nuclear fuel tax and for restructuring measures also declined. Above and beyond this, one-off burdens from the previous year ceased to have an effect; these burdens had been a consequence of our decision not to complete the construction of Unit D at the new hard coal-fired power plant in Hamm (see page 39). One negative impact on earnings was that our electricity generation was sold at lower wholesale prices than in 2015. This mainly impacted our lignite and nuclear power plants, while the margins of our hard coal and gas-fired power stations were more stable on the whole and actually improved in some cases, due to lower fuel prices. In addition, we formed provisions for impending losses on electricity purchasing agreements during the year under review.

- Trading/Gas Midstream: This Division closed with adjusted EBIT of –€145 million, after posting a positive figure of €156 million in the previous year. Therefore, the expected improvement in income compared to 2015 failed to materialise. The reason for this was that we experienced a particularly weak performance in energy trading during the second quarter, which resulted in substantial losses. Losses were also registered in the fourth quarter, but to a much lesser extent. The performance of the gas midstream business was better. One positive factor was that at the end of May we reached an out-of-court settlement with Gazprom regarding our gas procurement contract, which ensures that the contract will not expose us to earnings risks for the foreseeable future (see page 39).

- innogy: At €2,735 million, the adjusted EBIT of our subsidiary was in line with expectations. This indicator decreased by 10% compared to 2015. One of the reasons for this was that the previous year's result included one-off income of €185 million from the revaluation of the investment in the Slovakian energy utility VSE. Of this amount, €143 million was allocated to the grid business and €42 million to the retail business. The revaluation was carried out as a part of the first-time consolidation of VSE.

  This effect was one of the main reasons why innogy's result in the Grid & Infrastructure Division was significantly lower than in the previous year. Increased expenses for grid maintenance and the formation of provisions for old-age part-time employment measures in Germany were additional negative factors.

  Earnings from the renewables business also fell sharply. The main reasons for this include lower production as a result of the low wind levels in the second half of the year and lower prices in wholesale electricity trading. The depreciation of sterling versus the euro also had a negative impact. Moreover, last year's result still included extraordinary income from the sale of the network infrastructure of Gwynt y Môr, our Welsh offshore wind farm, and shares in the Galloper offshore wind project. One positive factor was that the new wind farms Nordsee Ost and Gwynt y Môr were both online at full capacity for an entire year for the first time.

In the Retail Division, the third pillar of innogy's business, a modest gain was recorded, despite the aforementioned effects from the revaluation of VSE. One positive factor was that in 2016 the Slovak utility contributed to the Division's revenue for a full year for the first time. innogy also profited from efficiency enhancing measures.

Moreover, innogy's supply companies were often able to purchase electricity and gas at lower prices. In Germany, however, there was a rise in up-front costs (network fees, taxes and levies) which outstripped the advantages from lower purchase prices. In the UK retail business, the restructuring programme launched in early 2016 started to bear fruit, after the 2015 operating result was curtailed by process and system-related billing problems. However, earnings were undermined by a loss of commercial customers. Furthermore, depreciation increased in the wake of significant investments in IT. In the Czech gas business, innogy profited from the positive weather effects on demand.

Non-operating result € million	2016	2015	+/– € million
Capital gains/losses	94	31	63
Impact of derivatives on earnings	–799	296	–1,095
Restructuring, other	–5,956	–3,212	–2,744
Non-operating result	**–6,661**	**–2,885**	**–3,776**

Reconciliation to net income: significant burdens due to impairments and the nuclear energy act. Reconciliation of the adjusted EBIT to net income was impacted by high one-off burdens in the field of conventional power generation. These were the main factors which caused the non-operating result to deteriorate from –€2,885 million (2015) to –€6,661 million. The individual items developed as follows:

- We realised a book gain of €94 million on the sale of stakes and assets, compared to €31 million in the previous year. The most important individual transaction was the sale of our 33.3 % stake in Zephyr Investments Limited, which resulted in a book gain of €76 million.

- Changes in the value of certain derivatives which we use to hedge against price fluctuations resulted in a net loss of €799 million, which is mostly allocated to innogy. By contrast, a gain of €296 million had been recorded for the previous year. Pursuant to IFRS, derivatives in off-balance-sheet hedging relationships are accounted for at fair value at the corresponding balance sheet date, whereas the underlying transactions (which display the opposite development) 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.

- Due to significant one-off burdens, a loss of €5,956 million was recorded for the 'Restructuring, other' item, which was higher than in the previous year (€3,212 million). As in 2015, this item includes impairments on property, plant and equipment: they amounted to €4.3 billion (previous year: €2.5 billion). Impairments of €3.7 billion related to our German power plants which were carried out because of the persistently difficult conditions in conventional power generation. Some other small impairments were recognised: these related to German gas storage facilities and Polish wind farms of innogy, our gas-fired power station in the Turkish city of Denizli, our biomass-fired plant in Markinch, Scotland, and the Dutch nuclear power plant Borssele, in which we own a 30 % stake. A large one-off burden stemmed from the law on the restructuring of responsibilities for nuclear waste disposal. In relation to the new nuclear energy fund, in addition to the base amount, we must also pay a 35 % risk surcharge which releases us from any potential future obligations in the event of cost increases, as noted on page 34. This surcharge amounts to €1.8 billion and has an earnings-reducing effect.

Financial result € million	2016	2015	+/– € million
Interest income	271	265	6
Interest expenses	–914	–1,069	155
Net interest	**–643**	**–804**	**161**
Interest accretion to non-current provisions	–1,288	–821	–467
Other financial result	–297	36	–333
Financial result	**–2,228**	**–1,589**	**–639**

The financial result for the RWE Group declined by €639 million to –€2,228 million. Its components changed as follows:

- Net interest improved by €161 million to –€643 million, mainly due to the decline in interest expenses. The redemption of a senior bond with a carrying amount of €850 million and a coupon of 6.25% p.a. in April 2016 played a role here. Moreover, our short-term refinancing activities with commercial paper benefited from the sharp fall in market interest rate levels.

- Interest accretion to non-current provisions rose by €467 million to €1,288 million, because we now apply a lower real discount rate in determining the net present value of the portion of the nuclear waste management obligations which remain with RWE pursuant to the legal restructuring of responsibilities for nuclear waste disposal. This results in an increase in the provisions for nuclear waste management, which is taken into consideration in the interest accretion. More information on this subject can be found in the Notes on page 134 et seq.

- The other financial result declined by €333 million to –€297 million, mainly due to losses on sales of securities; in the previous year, we recorded high gains on such transactions.

Income from continuing operations before tax amounted to –€5,807 million (previous year: –€637 million). The tax income was €323 million, representing a tax rate of 6%. This unusually low figure stems from the fact that we did not capitalise any deferred taxes in RWE AG's tax group, because we do not expect to be able to use them. Deferred tax assets constitute the right to future tax reductions resulting from differences in the statement and/or valuation of assets and debt between the tax and IFRS balance sheets. The prerequisite for capitalising deferred taxes is that tax gains are made in subsequent fiscal years, which allow the use of the tax reduction. This is currently not foreseeable for the tax group of RWE AG, due in part to the poor earnings outlook in the conventional generation business. The reason that tax income is reported in the consolidated financial statements at all is mainly due to the fact that innogy SE capitalised deferred taxes for its tax group. This in turn was caused by the discovery of tax-relevant hidden reserves during the reorganisation of the RWE Group.

After taxes, our continuing operations generated a loss of €5,484 million (previous year: €1,240 million). During the reporting period, there was no income from discontinued operations; in the previous year, we had stated a figure of €1,524 million for this item, mainly due to the book gain on the sale of RWE Dea in March 2015.

Non-controlling interests declined by €189 million to €167 million, in part because some fully consolidated German regional utilities, in which third parties hold stakes, reported lower net income compared to 2015. Another factor was the impairment recognised on the gas-fired power plant in Denizli, in which the Turkish energy firm Turcas has a 30% stake. Furthermore, in RWE's consolidated financial statements for the fourth quarter we recognised negative net income for innogy, in which external shareholders have held a 23.2% stake since October of last year. This was mainly due to the aforementioned temporary effects from the fair valuation of derivatives.

The portion of our earnings attributable to hybrid capital investors amounted to €59 million (previous year: €98 million). Only one of our seven hybrid bonds, namely the one with a volume of £750 million, is taken into account here, as according to IFRS this bond is classified as equity, due to its theoretically perpetual tenor. A second bond that met this criterion was redeemed on 28 September 2015.

Compared to 2015, the developments presented above resulted in a significant deterioration in net income, which amounted to −€5,710 million (previous year: −€170 million). Based on the 614.7 million in RWE shares outstanding, this corresponds to earnings per share of −€9.29 (previous year: −€0.28).

Adjusted net income slightly better than projected, at €777 million. Our adjusted net income amounted to €777 million. Adjusted net income differs from net income in that the non-operating result (including applicable taxes), which is affected by special items, is deducted from it. If other material one-off effects occur, these are also eliminated. In 2016, this included the effects of the interest rate adjustment for nuclear provisions. Compared to 2015, adjusted net income fell by 31 %, mainly due to the weaker operating earnings. Nevertheless, it marginally exceeded the projected range of €0.5 billion to €0.7 billion, among other things due to positive tax effects.

Reconciliation to net income		2016	2015	+/− %
Adjusted EBITDA[1]	€ million	**5,403**	**7,017**	**−23.0**
Operating depreciation, amortisation and impairment losses	€ million	−2,321	−3,180	27.0
Adjusted EBIT[2]	€ million	**3,082**	**3,837**	**−19.7**
Non-operating result	€ million	−6,661	−2,885	−130.9
Financial result	€ million	−2,228	−1,589	−40.2
Income from continuing operations before tax	€ million	**−5,807**	**−637**	**−811.6**
Taxes on income	€ million	323	−603	153.6
Income from continuing operations	€ million	**−5,484**	**−1,240**	**−342.3**
Income from discontinued operations	€ million	–	1,524	–
Income	€ million	**−5,484**	**284**	**–**
of which:				
Non-controlling interest	€ million	167	356	−53.1
RWE AG hybrid capital investors' interest	€ million	59	98	−39.8
Net income/income attributable to RWE AG shareholders	€ million	**−5,710**	**−170**	**–**
Adjusted net income	€ million	**777**	**1,125**	**−30.9**
Earnings per share	€	−9.29	−0.28	–
Adjusted net income per share	€	1.26	1.83	–
Number of shares outstanding (annual average)	millions	614.7	614.7	–
Effective tax rate	%	6	–	–

1 Changed term, formerly 'EBITDA'; see explanation on page 41.
2 Changed term, formerly 'operating result'; see explanation on page 41.

Efficiency improvements reach approximately €300 million. During the past year, we took wide-ranging measures to reduce costs and increase revenue. This largely occurred as part of the efficiency-enhancement programme started in 2012, which focused on the improvement of operational processes and savings in administration and IT. In the past year, this had a positive effect on the result of around €300 million, which was more than expected. As noted above, we made faster-than-scheduled progress in implementing the programme in the Conventional Power Generation Division.

The efficiency-enhancement programme was originally designed to end in 2018 and tap into a total of €2.5 billion in additional earnings potential. As a result of the measures taken since 2012, by the end of last year we had already achieved €1.9 billion, with €1.3 billion of this registered in the Conventional Power Generation Division. We will continue to press forward with our efforts to improve the cost and revenue situation. In the future, however, RWE AG and innogy will be pursuing their efficiency-enhancement programmes separately and not as part of a groupwide programme. This stems from the operating independence of our subsidiary.

Capital expenditure € million	2016	2015	+/– € million
Capital expenditure on property, plant and equipment and on intangible assets	2,027	2,898	–871
of which:			
Conventional Power Generation	333	855	–522
Trading/Gas Midstream	4	10	–6
innogy	1,679	2,024	–345
Other, consolidation	11	9	2
Capital expenditure on financial assets	355	405	–50
Total capital expenditure	**2,382**	**3,303**	**–921**

As expected, capital expenditure was significantly lower than in the previous year. During the past fiscal year, our capital expenditure amounted to €2,382 million, down 28% on 2015. This was in line with expectations, as we had forecast capital expenditure of €2.0 billion to €2.5 billion. The majority of our expenditure was on property, plant and equipment and intangible assets, in the amount of €2,027 million (previous year: €2,898 million). Spending on financial assets was less significant, at €355 million (previous year: €405 million). For the most part, this occurred at innogy and stemmed from the need to provide newly founded or existing subsidiaries with capital among others.

Our expenditure on property, plant and equipment in the Conventional Power Generation Division was focused on maintaining and modernising the power plants and opencast mining operations. This expenditure was considerably lower than the level recorded in the previous year, which was dominated by high spending at the new hard coal-fired power station in Hamm and the Dutch plant in Eemshaven. Furthermore, in 2015 we also made major investments in modernising the UK gas-fired plants Pembroke and Staythorpe. The capital expenditure of innogy concentrates on the maintenance and expansion of the distribution grids, the construction of new electricity generation capacities using renewables and the development of new retail products. Our subsidiary's expenditure on property, plant and equipment also fell sharply, among other things because two large-scale projects, the offshore wind farms Nordsee Ost and Gwynt y Môr, were completed in 2015. Furthermore, during the year under review less was spent on German network infrastructure and on IT projects in the UK retail business.

Workforce[1]	31 Dec 2016	31 Dec 2015	+/– %
Conventional Power Generation	15,652	16,262	–3.8
Trading/Gas Midstream	1,086	1,270	–14.5
innogy	40,636	40,160	1.2
Other[2]	1,278	2,070	–38.3
RWE Group	**58,652**	**59,762**	**–1.9**

1 Converted to full-time positions.
2 At the end of 2016, this included 922 employees at RWE Group Business Services (end of 2015: 1,483), 243 at RWE Service (end of 2015: 320) and 101 at the holding company RWE AG (end of 2015: 267).

Headcount reduced by around 1,100. As of 31 December 2016, the RWE Group had 58,652 people on its payroll, of which 34,835 worked at sites in Germany and 23,817 at sites in other countries. Part-time positions were considered in these figures on a pro-rata basis. During the past year, a total of 1,110 employees left the company. Of these, 735 were employed in Germany and 375 at facilities abroad. Streamlining measures played a central role, particularly in the Conventional Power Generation Division. In the Trading/Gas Midstream Division, the sale of the UK power plant Lynemouth was a factor. The workforce at innogy increased slightly, mainly due to employees of RWE AG and RWE Group Business Services GmbH transferring to our subsidiary as part of the Group's reorganisation. The staff figures do not include young adults in professional training programmes. At the end of 2016, 2,258 young people were learning a profession at RWE, roughly as many as in the previous year.

1.8 FINANCIAL POSITION AND NET WORTH

The financial position of the RWE Group improved strongly as a result of the listing of innogy. Our net financial debt declined to €1.7 billion in 2016, primarily due to the proceeds from the IPO. This is less than one quarter of the level from the previous year. Our net debt, which contains a large portion of non-current provisions, fell by €2.8 billion to €22.7 billion, despite the negative impact of the new law on nuclear waste disposal. With the organisational restructuring of RWE, we have also optimised the financial structure within the Group by transferring the bulk of our capital market debt to our subsidiary innogy.

Financing of the RWE Group. The reorganisation of the RWE Group resulted in the restructuring of financial responsibility: our subsidiary innogy is responsible for financing the business transferred to it, while RWE AG bears responsibility for financing the activities which remain under its operational control. 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. We largely meet our financing needs with cash flows from operating activities. For short-term refinancing, RWE AG has a commercial paper programme, which allows it to raise the equivalent of up to US$5 billion on the money market. This programme was used extensively in 2016, with up to €3.5 billion in outstanding paper at times. As a liquidity reserve, we also have access to a €4 billion syndicated credit line, of which €1.5 billion has been transferred to innogy on an intra-group basis. This line of credit was granted to us by an international consortium of banks. It expires at the end of March 2021. We have not drawn on it so far.

In the past, we raised long-term debt capital through a debt issuance programme, which allowed us to issue senior bonds with a total volume of up to €30 billion. This programme has been suspended since April 2016. In the current year, however, we wish to re-establish it to issue new bonds if necessary. At the end of 2016, there was a nominal volume of €10.8 billion in senior bonds outstanding, which had been issued as part of the debt issuance programme. As explained below, innogy has assumed the role of debtor and guarantor for these instruments.

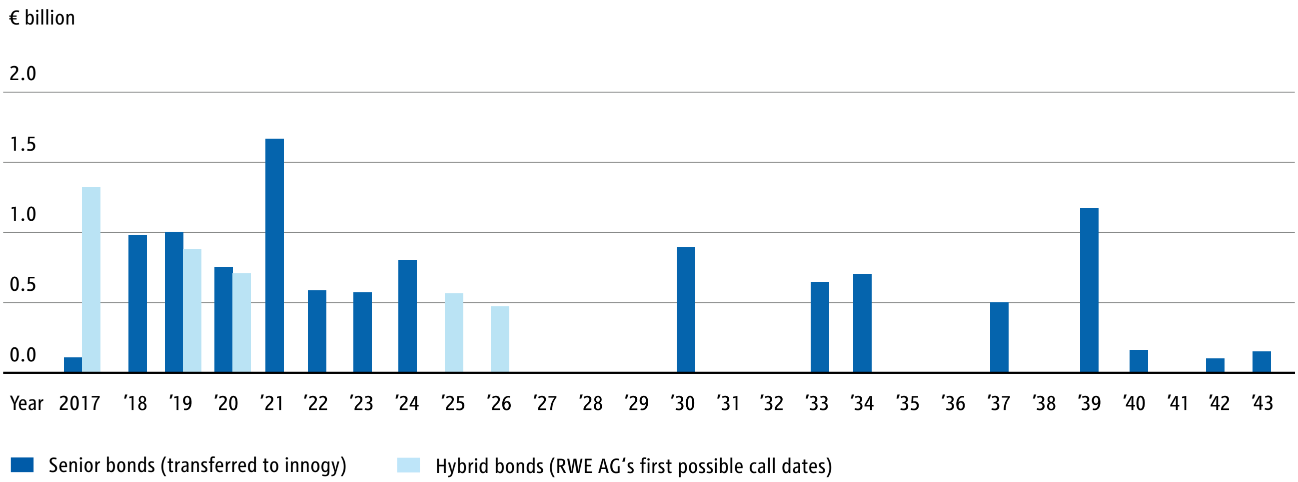
When using the aforementioned financing instruments we do not have to comply with any specific limits in terms of leverage, capital structure or ratings which could trigger actions, such as the acceleration of repayment, provision of additional collateral, or higher interest payments.

innogy takes over the bulk of RWE's capital market debt. Along with the profitable, stable business activities, innogy also assumed responsibility for the bulk of RWE AG's capital market debt. In relation to the publicly-traded senior bonds issued by our former Dutch subsidiary RWE Finance B.V., this was done by selling the issuer to a predecessor of innogy SE at the end of 2015. 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, which the European Investment Bank (EIB) had granted us, 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 additional steps to legally transfer the capital market debt. 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 Act on Debt Securities. 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. With completion of the change in the debtor, the corresponding intra-group loans were cancelled or reduced.

We are also working to achieve a change in debtor in relation to the EIB loans. In December 2016, we began discussions with EIB and these talks were still ongoing when this report was finalised. We are confident that the Bank will give its approval for the change in debtor during 2017.

RWE bonds: maturities / first possible call dates (as of 31 Dec 2016)



Bond volume drops to €14.7 billion. At the end of 2016, RWE AG and innogy SE had outstanding bonds with a nominal volume equivalent to €14.7 billion. Of this total amount, senior bonds account for €10.8 billion and hybrid bonds for €3.9 billion. The outstanding volume of bonds declined by €1.7 billion compared to 2015, in part because we redeemed a bond with a volume of €850 million in April 2016. Furthermore, the value of the bonds issued in sterling declined in euro terms, due to exchange rate developments. Our bonds are denominated in euros, sterling, Swiss francs, US dollars and yen. We concluded hedges to manage our currency exposure. Taking such transactions into account, at the balance-sheet date, our debt broke down into 63% in euros and 37% in sterling. At the end of 2016, our senior bonds outstanding had an average remaining maturity of ten years.

Significantly lower borrowing costs. In 2016, cost of debt for the RWE Group was 4.2%, compared to 4.8% in the previous year. This was calculated for the average liabilities for the year from bonds, commercial paper and bank loans. Of the hybrid bonds, we only take into account those classified as debt pursuant to IFRS. The decline in the cost of capital was principally due to the aforementioned redemption of an €850 million bond, which had a relatively high coupon of 6.25%. Furthermore, in 2016 we made more intensive use of our commercial paper programme to refinance on the money market at favourable conditions.

Credit rating (as of 31 Dec 2016)	Moody's	Standard & Poor's	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	Negative[1]	Stable	Negative

1 In relation to hybrid bonds and bonds to be issued in the future by RWE AG; the outlook is stable for the outstanding senior bonds transferred to innogy.

Standard & Poor's and Moody's downgrade RWE's long-term credit rating. The factors determining cost of debt also include the assessment of our credit rating by independent rating agencies. The three leading agencies, Moody's, Standard & Poor's and Fitch, are commissioned by RWE to evaluate our creditworthiness. In view of the difficult conditions in the conventional power generation business, Moody's and Standard & Poor's both downgraded the rating of our senior bonds by one level last year. In May, Moody's lowered our rating from Baa2 to Baa3. One month later, Standard & Poor's changed it from BBB to BBB-. We are rated BBB by the credit agency Fitch, which was commissioned to issue us a rating for the first time in 2016. As a result, all three of the agencies still rate our creditworthiness in the investment-grade category. The rating outlook issued by Standard & Poor's is stable, whereas Moody's and Fitch have a negative outlook. In terms of assessing innogy's credit rating, the agencies generally use RWE AG's rating as a guideline. In deviation from this, however, Fitch rates the senior bonds of our subsidiary at A-. More information on this subject can be found in innogy's 2016 Annual Report.

Cash flow statement € million	2016	2015	+/– € million
Funds from operations	3,013	3,058	–45
Change in working capital	–661	281	–942
Cash flows from operating activities of continuing operations	**2,352**	**3,339**	**–987**
Cash flows from investing activities of continuing operations	**–4,570**	**–1,795**	**–2,775**
Cash flows from financing activities of continuing operations	**4,282**	**–2,303**	**6,585**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–24	14	–38
Total net changes in cash and cash equivalents[1]	**2,040**	**–745**	**2,785**
Cash flows from operating activities of continuing operations	2,352	3,339	–987
Minus capital expenditure on property, plant and equipment and on intangible assets[2]	–2,027	–2,898	871
Free cash flow	**325**	**441**	**–116**
Minus investments in financial assets[2]	–281	–275	–6
Minus dividend payments	–407	–1,070	663
Budget surplus/budget deficit	**–363**	**–904**	**541**

1 Excluding 'assets held for sale', the change in cash and cash equivalents during the reporting period amounted to €2,054 million (previous year: –€649 million).
2 This item solely includes capital expenditure with an effect on cash.

Operating cash flows 30% down year on year. Cash flows generated from the operating activities of continuing operations fell by 30% to €2,352 million. In this regard, certain issues relating to working capital came to bear, which is generally exposed to larger fluctuations, particularly in the Trading/Gas Midstream Division and in innogy's grid and supply businesses. A number of issues had an impact on the comparison to the previous year. Among other things, in 2015, measures to optimise working capital had a positive effect on the cash flow; some of these measures were scaled back again in 2016 due to economic considerations.

Investment activities of continuing operations resulted in a total cash outflow of €4,570 million. In addition to our expenditure on property, plant and equipment and financial assets, one factor behind this was purchases of securities, which were carried out using proceeds from the IPO of innogy. In addition, we increased the funding of our pension commitments by transferring €0.4 billion in funds to trustees and company pension institutions. The outflows presented above were contrasted by proceeds from divestments in the amount of €0.8 billion.

Financing activities of continuing operations led to revenues of €4,282 million. This figure includes the entire proceeds from the IPO of innogy, which amounted to €4.6 billion. Moreover, we raised €0.5 billion under our commercial paper programme and also increased our liabilities to banks. As noted above, a counteracting effect was felt from the redemption of a senior bond with a volume of €850 million. In previous years, we had already bought back a nominal volume of €43 million of this bond. Additional outflows resulted from dividends paid to co-owners of fully consolidated RWE companies, hybrid capital investors and holders of preferred shares.

On balance, the presented cash flows from operating, investing and financing activities caused our holdings of cash and cash equivalents to rise by €2,040 million.

Free cash flow, which is determined by deducting capital expenditure on property, plant and equipment and intangible assets from the cash flows from operating activities, amounted to €325 million (previous year: €441 million). Deducting the capital expenditure on financial assets and the dividend payments from free cash flow results in a 'budget deficit' of €363 million (previous year: €904 million). We aim to fully finance our capital expenditure and dividend payments with cash flows from operating activities in order to achieve a budget that is at least balanced. However, this is not feasible every financial year. This is mainly because changes in working capital can cause operating cash flows to fluctuate substantially.

Net debt[1] € million	31 Dec 2016	31 Dec 2015	+/– € million
Cash and cash equivalents	4,576	2,522	2,054
Marketable securities	10,065	7,676	2,389
Other financial assets	1,621	1,337	284
Financial assets	**16,262**	**11,535**	**4,727**
Bonds, other notes payable, bank debt, commercial paper	15,921	16,981	–1,060
Hedge transactions related to bonds	–263	–192	–71
Other financial liabilities	2,263	2,099	164
Financial liabilities	**17,921**	**18,888**	**–967**
Net financial debt	**1,659**	**7,353**	**–5,694**
Provisions for pensions and similar obligations	6,761	5,842	919
Surplus of plan assets over benefit obligations	–29	–15	–14
Provisions for nuclear waste management	12,699	10,454	2,245
Mining provisions	2,363	2,527	–164
Provisions for dismantling wind farms[1]	334	337	–3
Adjustment for hybrid capital (portion of relevance to the rating)	–1,078	–1,035	–43
Plus 50% of the hybrid capital stated as equity	471	475	–4
Minus 50% of the hybrid capital stated as debt	–1,549	–1,510	–39
Net debt	**22,709**	**25,463**	**–2,754**

1 Since the 2016 half-year interim financial statements, we have recognised provisions for dismantling wind farms under net debt; the figures for 2015 were adjusted accordingly.

Net debt declined due to higher proceeds from the successful public listing of innogy. As of 31 December 2016, our net debt amounted to €22.7 billion, which was €2.8 billion lower compared to 2015. We had forecast a stable level. The decline in net debt stemmed mainly from the amount of proceeds from the IPO of innogy, which was not foreseeable at the time the forecast was made in March 2016. Furthermore, divestments also strengthened our financial position. Moreover, the depreciation of sterling caused the volume of our bonds issued in this currency to be lower in euro terms. Due to these factors, our net financial debt amounted to €1.7 billion, less than one quarter of the amount from the previous year. This was contrasted by an increase of €2.2 billion in provisions for nuclear waste management, which stemmed from the adoption of the law on the restructuring of responsibilities for nuclear waste disposal. In the provisions, we took into account the risk surcharge of €1.8 billion, which we will pay into the nuclear energy fund in addition to the base amount. Furthermore, we now apply a lower discount rate to the nuclear waste management obligations which remain with us after the transfer to the fund. As a result of this, the net present value of these obligations is higher (see explanation in the Notes on page 134 et seq.). Pension provisions also increased, rising by €0.9 billion. The development of market interest rates was the main factor in this regard. The discount rates used in the 2016 financial statements are 1.8% in Germany and 2.5% in the United Kingdom, compared to 2.4% and 3.6% in 2015, respectively. In addition to the rise in provisions, the budget deficit discussed above also weakened our financial position.

Lower off-balance-sheet obligations from long-term procurement contracts. Net debt does not include our off-balance-sheet obligations, which mostly result from long-term contracts for the supply of fuel and electricity. As of the balance-sheet date, payment obligations from material procurement contracts amounted to €26 billion for fuel (previous year: €42 billion) and €7.4 billion for electricity (previous year: €7.9 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 147 et seq. in the Notes.

Group balance sheet structure	31 Dec 2016		31 Dec 2015	
	€ million	%	€ million	%
Assets				
Non-current assets	45,911	60.1	51,453	64.9
of which:				
Intangible assets	12,749	16.7	13,215	16.7
Property, plant and equipment	24,455	32.0	29,357	37.0
Current assets	30,491	39.9	27,881	35.1
of which:				
Receivables and other assets[1]	14,122	18.5	15,922	20.1
Assets held for sale	–	–	41	0.1
Total	**76,402**	**100.0**	**79,334**	**100.0**
Equity and liabilities				
Equity	7,990	10.5	8,894	11.2
Non-current liabilities	39,646	51.9	45,315	57.1
of which:				
Provisions	20,686	27.1	24,623	31.0
Financial liabilities	16,041	21.0	16,718	21.1
Current liabilities	28,766	37.6	25,125	31.7
of which:				
Provisions	12,175	15.9	5,186	6.5
Other liabilities[2]	14,449	18.9	17,558	22.1
Liabilities held for sale	–	–	19	–
Total	**76,402**	**100.0**	**79,334**	**100.0**

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

Balance sheet structure: impairments reduce the equity ratio of the RWE Group. As of 31 December 2016, our balance sheet total was €76.4 billion, slightly lower compared to the figure for the previous year (€79.3 billion). In part this was due to the decline of €4.9 billion in property, plant and equipment, which mainly stemmed from the high impairments on our German power plants. The value of our derivatives also fell, with a decline of €2.1 billion on the assets side and €2.3 billion on the liabilities side. This occurred because numerous derivative transactions expired. By contrast, the Group's holdings of securities, and cash and cash equivalents increased by €2.4 billion and €2.1 billion, respectively, mainly due to the proceeds from the IPO of innogy. On the equity and liabilities side, these proceeds added €4.6 billion to equity, of which €2.0 billion is attributable to non-controlling interests. Despite this effect, the equity of the RWE Group still fell by €0.9 billion to €8.0 billion. Its share in the balance sheet total (equity ratio) dropped from 11.2% to 10.5%. In addition to impairments, another factor behind this was the €3.1 billion increase in provisions for nuclear waste management and pensions. Non-current provisions were lower on the whole than in 2015 because the amount that will be transferred to the new nuclear energy fund is included in current provisions.

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

As in the previous year, the financial statements of RWE AG were characterised by the difficult situation in conventional electricity generation. We recorded a net loss of €1.0 billion for 2016. This was mainly due to the substantial impairments recognised for our German power stations, which were only partly offset by the positive effects of the reorganisation of the RWE Group.

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. They can be ordered directly from RWE and are also available on the internet at **www.rwe.com/ir**.

Balance sheet of RWE AG (abridged) € million	31 Dec 2016	31 Dec 2015
Non-current assets		
Financial assets	32,115	36,482
Current assets		
Accounts receivable from affiliated companies	8,218	4,397
Other accounts receivable and other assets	753	711
Marketable securities and cash and cash equivalents	4,887	1,822
Deferred tax assets	–	451
Total assets	**45,973**	**43,863**
Equity	4,697	5,703
Provisions	2,419	3,002
Accounts payable to affiliated companies	32,136	28,386
Other liabilities	6,721	6,772
Total equity and liabilities	**45,973**	**43,863**

Income statement of RWE AG (abridged) € million	2016	2015
Income from financial assets	–1,240	–74
Net interest	–368	–1,038
Other income and expenses	1,176	–432
Taxes on income	–569	–1,706
Net loss	**–1,001**	**–3,250**
Retained earnings	–	–
Withdrawal from other retained earnings	1,006	3,255
Distributable profit	**5**	**5**

Assets. RWE AG had €46.0 billion in total assets as of 31 December 2016. This represents an increase of €2.1 billion over the previous year. The IPO of innogy played a major role. Due to the proceeds from the sale of innogy shares, marketable securities and cash and cash equivalents clearly exceeded the previous year's level. Accounts receivable from affiliated companies also rose, due to RWE AG's rights to the dividend payments of RWE Downstream Beteiligungs GmbH, in which RWE's shares in innogy are pooled. Analogous to the receivables, accounts payable to affiliated companies also increased. This is because RWE Power AG and RWE Generation SE incurred substantial losses under commercial law due to power plant impairments. Pursuant to profit- and loss-pooling agreements, the parent company, RWE AG, is obligated to offset the losses in the following year. By contrast, we recorded a decline in financial assets, as shares in affiliated companies were sold and the volume of loans to subsidiaries declined. The equity ratio fell from 13.0% to 10.2%.

Financial position. As explained earlier, RWE AG is now only responsible for financing the activities over which it retained control after the IPO of innogy SE. A detailed presentation of the financial position and financing activity in the year under review has been made on page 52 et seqq.

Earnings position. In addition to the balance sheet, the income statement of RWE AG was also characterised by the reorganisation of the RWE Group and the difficult situation in conventional electricity generation.

Income from financial assets posted by RWE AG deteriorated by €1,166 million to –€1,240 million. This was primarily due to the significant losses of RWE Power AG and RWE Generation SE, which were only partially offset by the rights to the dividend payments of RWE Downstream Beteiligungs GmbH. Furthermore, RWE AG and certain subsidiaries recognised impairments for stakes in domestic and foreign Group companies. However, following impairments in earlier years, write-ups were performed in certain cases.

Net interest was also in the red, amounting to –€368 million. However, it improved by €670 million compared to 2015. This is because innogy assumed a large portion of the capital market debt of RWE AG (see page 52 et seq.).

The net amount from other income and expenses improved by €1,608 million to €1,176 million. Hidden reserves from investments revealed during the reorganisation of the RWE Group played an important role. Furthermore, we abolished the tax apportionments with effect from the year under review. In 2015, this item was negative and was included in other income and expenses. The removal of the apportionments caused the corresponding tax effects to be reflected in income from financial assets.

RWE AG's tax expense amounted to €569 million (previous year: €1,706 million), which was primarily caused by the valuation allowances recognised for deferred tax assets.

Due to the developments set out above, RWE AG closed the year with a net loss. However, at €1,001 million, it was much lower than in 2015 (€3,250 million).

Dividend proposal for fiscal 2016. The Supervisory and Executive Boards of RWE AG will propose to the Annual General Meeting on 27 April 2017 that no dividend will be paid for common shares for fiscal 2016. The dividend proposed for holders of preferred shares is €0.13 per share, which corresponds to the preferred share of profits stipulated by the Articles of Incorporation. The dividend proposal reflects the substantial financial burden that we will bear in the middle of 2017 from endowing the new nuclear energy fund (see page 34).

Corporate governance declaration in accordance with Sec. 289a and Sec. 315, Paragraph 5 of the German Commercial Code. On 15 February 2017, the Executive Board of RWE AG issued a corporate governance statement in accordance with Section 289a and Section 315, Paragraph 5 of the German Commercial Code and published it on the internet at **www.rwe.com/corporate-governance-declaration**.

1.10 DISCLOSURE RELATING TO GERMAN TAKEOVER LAW

The following disclosure is in accordance with Section 315, Paragraph 4 and Section 289, Paragraph 4 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 issues that may play a role at RWE in the event of a change of control of the company and pertains to executive board authorisations to change a company's capital structure. These regulations 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 consistent 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 2016, only one holding in RWE AG exceeded 10% of the voting rights. It was held by RWEB GmbH, which is headquartered in Dortmund, Germany. On 1 October 2016, the company fell below a reportable threshold in accordance with Sec. 21, Para. 1 of the German Securities Trading Act, upon which it informed us that it held 14.18% of RWE AG's voting stock as of that date.

Appointment and dismissal of Executive Board members/ amendments to the Articles of Incorporation. Executive Board members are appointed and dismissed in accordance with Sec. 84 et seq. of the German Stock Corporation Act in connection with Sec. 31 of the German Co-Determination Act. Amendments to the Articles of Incorporation are made pursuant to Sec. 179 et seqq. of the German Stock Corporation Act in connection with Art. 16, Para. 6 of the Articles of Incorporation of RWE AG. According to Article 16, Paragraph 6 of 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. The legal right to determine a majority of the capital required to amend the Articles of Incorporation that differs from the majority required by law was thus exercised. Pursuant to Art. 10, Para. 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 following this procedure 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 excluded. 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 exclude subscription rights in the following cases: subscription rights may be excluded in order to prevent the number of shares allocated from the subscription resulting in fractional amounts (fractions of shares). Subscription rights may also be excluded 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 excluded 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 excluded, does not exceed 10% in total. Furthermore, subscription rights may be excluded 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 excluding 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. This also applies to our bonds. The following rule applies to non-subordinated paper: 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. If such a case occurs with innogy, the same applies to the bonds for which innogy SE replaced RWE AG as the issuer or guarantor. In the event of a change of control, 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 €4 billion syndicated credit line 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. Similar provisions apply to the loans of €645 million and £350 million which the European Investment Bank (EIB) granted us in October 2011 and February 2015. Both of these contracts stipulate that the continuation of the loans be negotiated within a 30-day time limit. If the talks fail, the EIB has the right to cancel the loans.

Effects of a change of control on Executive Board and executive compensation. Members of the Executive Board of RWE AG have the 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 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 67 et. seq., it is stipulated for the Executive Board and management of RWE AG and subordinated associated companies that in the case 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 performance shares were determined. 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 transparent reporting of supervisory and management board compensation is a key element of good corporate governance. In this chapter, we have provided information on the principles of RWE AG's remuneration system as well as its structure and benefits. The 2016 compensation report adheres to all statutory regulations and is fully compliant with the recommendations of the German Corporate Governance Code.

Structure of Supervisory Board compensation

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

The members of the Audit Committee receive an 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 hold several offices in this corporate body concurrently only receive compensation for the highest-paid position. Compensation for functions performed by Supervisory Board members for only part of a fiscal year is prorated.

In addition to the remuneration paid, out-of-pocket expenses are reimbursed. Certain 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. In the past year, all of the members of the Supervisory Board who do not relinquish their compensation and remained members of the body after the elections to the Supervisory Board in April 2016 met this self-imposed obligation in relation to their compensation for the 2015 financial year. For the new members elected to the Board in April 2016, this self-imposed obligation will apply to the compensation for fiscal 2016, which was paid out at the start of fiscal 2017. Consequently, we will only be able to report on fulfilment of the self-imposed obligation by the new and re-elected members in the 2017 compensation report.

Level of Supervisory Board compensation

In total, the emoluments of the Supervisory Board (including compensation for committee mandates) amounted to €2,746,000 in fiscal 2016 (previous year: €2,720,000). Of this sum, €442,000 (previous year: €420,000) was remuneration paid for mandates on committees of the Supervisory Board. In addition to this, there was compensation from subsidiaries for the exercise of mandates in the amount of €482,000 (previous year; €265,000). Total compensation amounted to €3,228,000 (excluding expenses, previous year: €2,985,000).

The total remuneration of all who have served on the Supervisory Board in 2015 and 2016 and the compensation included for mandates exercised on Supervisory Board committees is shown in the following table.

Supervisory Board compensation[1]	Fixed compensation		Compensation for committee offices		Total compensation[2]		Compensation for mandates at subsidiaries	
€ '000	2016	2015	2016	2015	2016	2015	2016	2015
Dr. Werner Brandt, Chairman	240	100	24	80	264	180	130	–
Dr. Manfred Schneider, Chairman (until 20 April 2016)	91	300	–	–	91	300	–	–
Frank Bsirske, Deputy Chairman	200	200	–	–	200	200	86	–
Reiner Böhle	100	100	20	20	120	120	48	30
Sandra Bossemeyer (since 20 April 2016)	70	–	14		84	–	–	–
Dieter Faust (until 20 April 2016)	30	100	12	40	42	140	12	40
Roger Graef (until 20 April 2016)	30	100	–	–	30	100	–	–
Arno Hahn	100	100	40	40	140	140	54	30
Andreas Henrich (since 20 April 2016)	70	–	–	–	70	–	–	–
Maria van der Hoeven (20 April to 14 October 2016)	49	–	–	–	49	–	12	–
Manfred Holz (until 20 April 2016)	30	100	6	20	36	120	6	20
Prof. Dr. Hans-Peter Keitel	100	100	20	20	120	120	–	–
Dr. h. c. Monika Kircher (since 15 October 2016)	21	–	–	–	21	–	–	–
Martina Koederitz (since 20 April 2016)	70	–	–	–	70	–	33	–
Monika Krebber (since 20 April 2016)	70	–	14	–	84	–	–	–
Frithjof Kühn (until 20 April 2016)	30	100	6	20	36	120	–	–
Hans Peter Lafos (until 20 April 2016)	30	100	–	–	30	100	12	53
Harald Louis (since 20 April 2016)	70	–	14	–	84	–	–	–
Christine Merkamp (until 20 April 2016)	30	100	–	–	30	100	–	–
Dagmar Mühlenfeld	100	100	20	20	120	120	–	–
Peter Ottmann (since 20 April 2016)	70	–	14	–	84	–	8	–
Günther Schartz (since 20 April 2016)	70	–	14	–	84	–	2	–
Dr. Erhard Schipporeit (since 20 April 2016)	70	–	56	–	126	–	–	–
Dagmar Schmeer (until 20 April 2016)	30	100	–	–	30	100	–	12
Prof. Dr.-Ing. Ekkehard D. Schulz (until 20 April 2016)	30	100	12	40	42	140	–	–
Dr. Wolfgang Schüssel	100	100	34	20	134	120	–	–
Ullrich Sierau	100	100	40	40	140	140	–	–
Ralf Sikorski	100	100	40	40	140	140	50	50
Marion Weckes (since 20 April 2016)	70	–	28	–	98	–	–	–
Dr. Dieter Zetsche (until 20 April 2016)	30	100	–	–	30	100	–	–
Leonhard Zubrowski	100	100	20	20	120	120	30	30
Total	**2,303**	**2,300**	**442**	**428**	**2,746**	**2,729**	**482**	**265**

1 Supervisory Board members who joined or retired from the corporate body during the year receive prorated compensation.
2 The commercial rounding of certain figures representing the fixed and committee compensation can result in the sum of the rounded figures deviating from the rounded total emoluments.

Structure of Executive Board compensation

Overhaul of the compensation system. The structure and level of Executive Board member compensation 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. In the year under review, the Supervisory Board initiated a fundamental restructuring of the existing compensation system.

The new system was effective from 1 October 2016. It builds on proven elements of the old system, but is less complex and has been adapted to the Group's changed structure. It is described in more detail in the following. Additionally, we have presented the old compensation system, which was in place until 30 September 2016.

Transition year. Fiscal 2016 was a transition year for RWE, marked by the organisational restructuring of the Group and the commencement of operations and public listing of innogy SE. This resulted in changes to the composition of the Executive Board. When innogy started operating on 1 April 2016, Peter Terium, Bernhard Günther and Uwe Tigges were appointed members of the Executive Board of the new company in addition to the offices they already held on the Executive Board of RWE AG. After the successful IPO of innogy SE, Peter Terium and Bernhard Günther resigned from the Executive Board of RWE AG with effect from the end of the day on 14 October 2016 in order to work solely for innogy. Uwe Tigges will resign from his office on the Executive Board of RWE AG on 30 April 2017; until then, he will be responsible for human resources for both companies.

The compensation granted for the period during which Peter Terium, Bernhard Günther and Uwe Tigges were appointed to the Executive Board of both innogy SE and RWE AG was mutually offset pro-rata.

Rolf Martin Schmitz has been the Chairman of the Executive Board of RWE AG since 15 October 2016. Markus Krebber is a new member of this Board. He was appointed as a member of the Executive Board of RWE AG on 1 October 2016 and as CFO of the company starting from 15 October 2016.

Effective from 1 October 2016, all members of the Executive Board received new employment contracts based on the new compensation system. In relation to fiscal 2016, rules on transition and phasing-out the old system were agreed upon to transfer compensation components from the old system into the new compensation system. Peter Terium, Bernhard Günther and Uwe Tigges concluded new employment contracts with innogy SE with effect from 1 October 2016. Their employment contracts with RWE AG were cancelled early by mutual agreement with effect from 30 September 2016.

Principles of the old and new compensation systems. The remuneration of the Executive Board is made up of non-performance and performance-based components. In both the previous and new system, the former consisted of the fixed salary, the pension instalment and non-cash remuneration and other emoluments. There were fundamental changes in the performance-based components. Up until 30 September 2016, these components included the annual bonus, the bonus retention and share-based payment according to the Long-Term Incentive Plan Beat 2010 and the Mid-Term Incentive Plan introduced in 2014 to reduce the debt level. Since 1 October 2016 there are only two performance-based components: the annual bonus and, as a long-term compensation component, a share-based payment according to the new Strategic Performance Plan.

Non-performance-based compensation

Fixed compensation and pension instalments. All Executive Board members receive an annual salary, which is paid in twelve monthly instalments. As a second fixed compensation component, since 1 January 2011 all members of the Executive Board are entitled to a pension instalment, with the exception of Rolf Martin Schmitz, who had already been granted a pension commitment. Up until 30 September 2016, the pension instalment was equivalent to 15% of the target cash compensation, i.e. the sum of their base salary and the baseline bonus amount, which is described later on.

Since 1 October 2016, an individually defined amount is set for the members of the Executive Board. They can choose whether the sum 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 60, or – for new commitments since 1 January 2012 – before the member turns 62. The Executive Board members can choose between a one-time payment and a maximum of nine instalments. Executive Board members and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities remain unaffected by this. The corresponding pension commitments of Peter Terium, Bernhard Günther and Uwe Tigges were transferred to innogy SE.

Non-cash and other remuneration. Non-performance-based compensation components also include non-cash and other remuneration, consisting primarily of the use of company cars and accident insurance premiums.

Performance-based 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 goals individually. The starting point for calculating the bonus is what is referred to as the company bonus. Up until 30 September 2016, this was based on the degree to which the target for adjusted EBIT set at the beginning of the corresponding financial year was achieved. Looking forward, this bonus will also be oriented to adjusted EBIT, but it will be measured against a target figure set by the Supervisory Board independently of the planned target. If the actual figure is identical to the planned or target figure after a year, the target achievement is 100%. In this case, the bonus paid equals the agreed baseline bonus. Depending on the level of adjusted EBIT, the company bonus paid can equal between 0% and 150% of the baseline bonus amount.

The performance of individual Executive Board members is considered by multiplying the company bonus by a performance factor. This can range between 0.8 and 1.2. Under the system in place up until 30 September 2016, depending on the degree to which the Executive Board member achieves his or her individual goals, which are established by the Supervisory Board at the beginning of the year, the Supervisory Board assesses the degree to which the Executive Board member has achieved the individual goals and determines the performance factor accordingly. The performance factor was expanded on 1 October 2016. In addition to the individual targets, it is one-third based on each of the following: collective performance of the Executive Board, performance in the fields of corporate responsibility and employee motivation.

The corporate responsibility criterion reflects the company's environmental and social work, and is derived from the sustainability reporting. Employee motivation is determined based on the motivation index, which measures employee commitment and satisfaction based on anonymous surveys. At the end of the fiscal year, the Supervisory Board assesses the performance of the Executive Board members relative to these criteria and determines the performance factor.

As 2016 was a transitional year, it was not possible to simply calculate the company bonus using the formula on the basis of the original planned figures. Consequently, for this transition year, the company bonus was determined based on an assessment by the Supervisory Board.

In the new compensation system, payment of the entire bonus occurs after the end of the fiscal year and after the determination of the company bonus and the performance factor. The previous retention of 25% of the bonus (bonus retention), which is described in the following, is no longer applied since 1 October 2016. At the same time, the bonus budget has been reduced by 25%, in favour of reinforcing the share-based payment component. Furthermore, as described above, aspects such as corporate responsibility and employee motivation are now taken into consideration directly as part of the bonus.

Bonus retention (old). For the bonuses up to and including fiscal 2015, RWE only paid out 75% of the amounts to the members of the Executive Board immediately. The remaining 25% was retained for three years (bonus retention). At the end of the three-year period, a review based on what is termed a 'bonus-malus factor' was conducted by the

Supervisory Board, in order to determine whether the Executive Board had managed the company sustainably. The retained bonus was only paid out if this was the case. A 45% share of the bonus-malus factor was based on the company's economic success, which was measured according to the development of adjusted EBIT. Another 45% of the bonus-malus factor was determined based on the company-specific index for corporate responsibility. The remaining 10% of the bonus-malus factor resulted from the level of the motivation factor. Before the three-year period, the Supervisory Board established binding target figures for adjusted EBIT, the CR Index, and the Motivation Index. These were then compared to the actual figures at the end of the period. The better the actual figures were, the higher the bonus-malus factor was. It could range between 0% and 150%.

With the IPO of innogy SE and the ensuing changes, the planned targets for adjusted EBIT, the CR index and the Motivation Index are no longer relevant. As a result, in the past fiscal year the Supervisory Board decided on the early payment of the outstanding bonus amounts retained from fiscal 2013, 2014 and 2015. The individual payment amounts were determined on the basis of the historical bonus-malus factors which the individual members of the Executive Board had achieved on average. Bonus retention was not applied for fiscal 2016, with this element being transitioned into the share-based payment as a long-term compensation component.

Share-based payment according to the Long-Term Incentive Plan Beat 2010 (old). Up until the end of 2015, the performance-based compensation components included the 'performance shares' which were allocated as part of the Long-Term Incentive Plan Beat 2010 (known as 'Beat'). The Beat programme aims to reward the Executive Board and the executives for the sustainability of the contribution they make to the company's success. Performance shares grant their holders the conditional right to receive a payout in cash following a vesting period of four (optionally up to five) years. However, a payout only takes place if the total return on the RWE common share – consisting of the return on the share price, dividend and subscription right – is better than the total return of at least 25% of the peer group companies included in the STOXX Europe 600 Utilities at the end of the vesting period. When performance is measured, the peer group companies are given the same weighting as they had in the reference index at the inception of the corresponding Beat tranche.

If RWE outperformed 25% of the index weighting, 7.5% of the performance shares were paid out. The proportion of performance shares that matured increased by 1.5 percentage points for every further percentage point by which the index weighting was exceeded. Payment was based on the payout factor as determined above, on the average RWE share price during the last 60 trading days prior to the expiry of the programme, and on the number of allocated performance shares. Payment for Executive Board members was limited to one-and-a-half times the value of the performance shares at grant. Executive Board members were able to participate in Beat on condition that they made a personal investment in RWE common shares. The required investment was equal to one third of the value of the grant after taxes. The shares had to be held for the respective Beat tranche's entire vesting period.

With the introduction of the new compensation system, the Strategic Performance Plan, which is described below, took the place of Beat in fiscal 2016. In order to be eligible to participate in the new plan, the members of the Executive Board voluntarily renounced all outstanding Beat tranches (2013, 2014 and 2015 tranches). The performance shares allocated from these tranches lapsed, and the Executive Board members did not receive any compensatory payments for such shares.

Mid-Term Incentive Plan (old). In the old compensation system, the other performance-based component was the Mid-Term Incentive Plan (MTIP), which was introduced in 2014 and lasted for the three-year period until the end of 2016. The key performance indicator on which the MTIP was based is RWE's leverage factor, which is the ratio of net debt to adjusted EBITDA. The plan was designed to assist management in bringing all suitable measures and efforts in the Group in line with the objective of re-establishing a healthy and sustainable ratio of indebtedness to earning power.

The MTIP supplemented the Beat 2010 long-term incentive plan, the budget of which was cut in half for the duration of the MTIP. The other half was covered by the MTIP grant budget. The goal of this plan was to reduce the leverage factor to 3.0 by the end of 2016. If this requirement was satisfied precisely, the members of the Executive Board were paid 100% of the budgeted allocation. Any additional reduction of the leverage factor would have increased the payment in a linear fashion up to a maximum of 150% of the budgeted allocation. This upper limit would have corresponded to a factor of 2.7. Conversely, the payment would have been reduced if the factor had exceeded the 3.0 target. At a leverage factor of 3.3, the members of the Executive Board receive 50 % of the budgeted allocation. If it was higher than that, no payment was made.

At the end of fiscal 2016, the one-off MTIP programme was settled. As the leverage factor was higher than 3.3, no payment was made from the MTIP.

Share-based payment according to the Strategic Performance Plan (new). In the new compensation system, the Strategic Performance Plan (SPP) replaces the previous programme 'Beat' as the share-based payment component, as well as the MTIP and bonus retention. The SPP reflects the organisational restructuring of the RWE Group and rewards the achievement of long-term goals. For this reason, separate Strategic Performance Plans were introduced for RWE AG and innogy SE. In terms of the implementation and timing, the plans of both companies are very similar. There are differences: for example, each plan uses the shares and indicators of the respective company, RWE AG or innogy SE, as the yardsticks for measuring performance.

As the SPP is oriented to the achievement of long-term, future goals, Peter Terium, Bernhard Günther and Uwe Tigges all received their full allocation from the SPP of innogy SE for the 2016 transition year. From the perspective of the RWE Group, this compensation component for the above three members of the Executive Board is treated as share-based payment and is reported as such in the compensation report. However, in the individual financial statements of RWE AG, the compensation for Peter Terium, Bernhard Günther and Uwe Tigges attributable to innogy SE's SPP is classified as non-share-based payment. The reason for this is that the amount of the payment does not depend on the performance of RWE AG shares, but rather on the performance of innogy SE shares.

The conditions of the SPPs for RWE AG and innogy SE envisage a tranche in the transition year 2016 and three further tranches, which will begin in fiscal 2017, 2018 and 2019. Allocation of the performance shares described below occurs retrospectively to 1 January of the fiscal year in question. Executive Board members receive a personalised grant letter specifying the gross grant value (in euros) set by the Supervisory Board and the number of performance shares conditionally granted.

As in Beat, the SPP is also based on conditionally allocated performance shares. Initially, for each tranche the number of conditionally allocated performance shares is calculated for each Executive Board member. This is done by dividing the individual allocation value by the average closing quotation of the RWE share or the innogy share on the last 30 days of trading on Xetra before the grant. The conditionally granted performance shares have a vesting period of four years. Deviating from this procedure, in the transition year 2016, the calculation of the number of performance shares allocated conditionally for fiscal 2016 was made from the date of the IPO of innogy SE and is thus based on the average closing quotation of the RWE share or innogy share on the first ten days of trading on Xetra starting on 7 October 2016.

The final number of performance shares of the tranche is determined after the end of the first year. It depends on the adjusted net income (ANI) achieved by the company in relation to a target figure set by the Supervisory Board and can range between 0 % and 150 % of the conditionally allocated performance shares. If the target ANI figure established for the year is achieved exactly, 100 % of the conditionally allocated performance shares of the tranche is fully vested. The ANI targets for fiscal 2017, 2018 and 2019 were established by the Supervisory Board in fiscal 2016 and, as a rule, cannot be changed.

The number of performance shares that become fully vested in this manner is fully paid out in cash after a holding period of another three years. The level of the payment is calculated by multiplying the fully vested performance shares by the average closing quotation of the RWE or innogy share on the last 30 days of trading on Xetra before the end of the vesting period and adding to this the dividend which is paid during the holding period. The payment calculated by this method is limited to 200 % of the individual allocation value.

For fiscal 2016, the share-based payment will be fully granted based on the SPP. The ANI performance measurement for this tranche will be done concurrently to the performance measurement of the 2017 SPP tranche, based on ANI for 2017. The determination of the fully vested performance shares will be followed by a holding period of two years for the 2016 tranche. The vesting period for the 2016 tranche thus expires at the end of fiscal 2019.

As previously in the Beat programme, the members of the Executive Board are obliged to make a personal investment in the company. For this purpose, 25% of the sum paid after the end of the holding period, minus applicable tax, must be invested in RWE and innogy shares, which must then be held for another three years.

In anticipation of the amendments to the German Corporate Governance Code (GCGC) expected in 2017, the SPP contains a demerit provision. For instance, it empowers the Supervisory Board of RWE AG or innogy SE to punish 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 their 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 members of the Executive Board fully achieve their performance targets for the fiscal year, the compensation structure roughly breaks down as follows: the non-performance-based components, i.e. the fixed salary, pension instalment, non-cash remuneration and other emoluments, make up about 30% of total compensation. Approximately 23% was allocable to short-term variable remuneration, i.e. bonuses paid directly. In fiscal 2016, the long-term compensation components – formerly consisting of the bonus retention and Beat, but will consist of SPP going forward – were affected by the early payment of the outstanding bonus retention amounts for the years 2013, 2014 and 2015, and consequently amounted to 47% of the total compensation.

End of tenure benefits. Under certain conditions, Executive Board members also receive benefits from RWE when they retire from the Executive Board. These benefits are described below.

Pension scheme. Before the introduction of the pension instalment as of 1 January 2011, a pension commitment was made to the members of the Executive Board. Of the current members of the Executive Board, this only applies to Rolf Martin Schmitz; his pension commitment remains unchanged. It is an entitlement to life-long retirement benefits granted to beneficiaries in the event of retirement upon reaching the company age limit, of permanent disability, or of early termination or non-extension of the employment contract by the company. In the event of death, surviving dependants are entitled to benefits. The amount of qualifying income and the level of benefits determined by the duration of service are taken as a basis for the pension and surviving dependants' benefits.

Change in corporate control/merger. Members of the Executive Board have the right to terminate their employment contract in the event that shareholders or third parties obtain control over the companies and this would be linked to significant disadvantages for the Executive Board member in question. In such a case, they may resign from their position within six months of the change of control and request the termination of their employment contract and receive a one-off payment.

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.

Upon termination of their employment contracts, Executive Board members receive a one-off payment equalling the compensation due until the end of the duration of their contract. This amount shall 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 performance shares under the SPP that have become fully vested and have not been paid out are paid out early. All performance shares conditionally granted under the SPP lapse on the date of the change of control.

Early termination and severance cap. If an Executive Board mandate is otherwise terminated early without due cause, a severance payment of no more than two total annual compensations and no more than the remuneration due until the end of the employment contract is made.

Level of Executive Board compensation

On a Group basis, the Executive Board remuneration presented below was calculated in compliance with the rules set out in the German Commercial Code. It considers the compensation granted to the members of the Executive Board during their tenure in fiscal 2016. Accordingly, for Peter Terium and Bernhard Günther the period until 14 October 2016 is taken into account, and for Markus Krebber the period starting from 1 October 2016 is taken into account. From a Group perspective, for Uwe Tigges, we also report the compensation which was granted to him by innogy SE after completion of the new employment contract up until 31 December 2016.

Total compensation for fiscal 2016. Calculated in accordance with the German Commercial Code, the Executive Board of RWE AG received a total of €15,486,000 in compensation for fiscal 2016. The compensation of Peter Terium, Bernhard Günther and Uwe Tigges also considers the prorated emoluments they were paid in fiscal 2016 for the period during which they were appointed to the Executive Board of RWE AG, but which were borne or paid by innogy SE. The corresponding prior-year figure was €11,373,000.

Level of the individual compensation components. In 2016, non-performance-based components amounted to €4,471,000 (previous year: €4,943,000). Pursuant to the disclosure regulations of the German Commercial Code, the annual service cost of pension commitments is not recognised as compensation, but rather as part of the pension payment. The latter amounted to €360,000 (previous year: €480,000 for the full year) for Peter Terium, €191,000 (previous year: €255,000 for the full year) for Bernhard Günther and €255,000 (for the full year) for Uwe Tigges. In 2016, Markus Krebber received a prorated pension instalment of €64,000. Bernhard Günther turned his instalment into a pension commitment of equal value through a gross compensation conversion.

Performance-based components amounted to a total of €11,015,000 (previous year: €6,430,000) of which €4,115,000 (previous year: €3,925,000) was attributable to the bonus for fiscal 2016 paid directly and €2,987,000 (previous year: €1,750,000) to the allocation from the Strategic Performance Plan. With the conclusion of the new contracts, the bonuses retained for fiscal 2013, 2014 and 2015 were released early, based on individualised, historical target achievement and are contained in the stated performance-based compensation components in the amount of €3,913,000.

The prorated bonus retention for fiscal 2016 (for the period up to 30 September) was not retained; during the transition year, it was transferred on this one occasion to the Strategic Performance Plan and is thus reported as a part of the long-term compensation components.

The MTIP programme ended on 31 December 2016 without any payment to members of the Executive Board.

The following table summarises the short-term remuneration paid in accordance with the German Commercial Code for the 2016 financial year.

Short-term Executive Board compensation[1]	Peter Terium		Dr. Rolf Martin Schmitz		Dr. Bernhard Günther		Uwe Tigges		Dr. Markus Krebber		Total	
	until 14 Oct 2016				until 14 Oct 2016				since 1 Oct 2016			
€ '000	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Non-performance-based compensation												
Fixed compensation	1,050	1,400	960	960	563	750	750	750	188	–	3,511	3,860
Fringe benefits (company car, accident insurance)	23	36	19	13	24	23	20	21	4	–	90	93
Other payments (pension instalments)	360	480	-	-	191	255	255	255	64	–	870	990
Total	**1,433**	**1,916**	**979**	**973**	**778**	**1,028**	**1,025**	**1,026**	**256**	**–**	**4,471**	**4,943**
Performance-based compensation												
Direct bonus payment	1,224	1,395	962	811	635	701	861	721	133	–	3,815	3,628
Remuneration for mandate[2]	27	47	150	150	25	60	20	40	78	–	300	297
Bonus	**1,251**	**1,442**	**1,112**	**961**	**660**	**761**	**881**	**761**	**211**	**–**	**4,115**	**3,925**
Total	**2,684**	**3,358**	**2,091**	**1,934**	**1,438**	**1,789**	**1,906**	**1,787**	**467**	**–**	**8,586**	**8,868**

1 In deviation from the table, from the perspective of the individual companies of RWE AG, non-performance-based compensation amounted to €955,000 for Peter Terium, €519,000 for Dr. Bernhard Günther and €641,000 for Uwe Tigges; the performance-based compensation amounted to €834,000 for Peter Terium, €440,000 for Bernhard Günther and €550,000 for Uwe Tigges.
2 In 2016, income from exercising intragroup supervisory board offices was fully set off against the prorated bonus paid by RWE AG.

Payment of the bonuses retained for 2013 to 2015. The following overview shows the amounts of the bonuses retained for 2013 to 2015 that were paid out early. Of the members of the Executive Board, this involved Peter Terium, Rolf Martin Schmitz, Bernhard Günther and Uwe Tigges. Their retained bonuses for fiscal 2016 (prorated to 30 September) were transferred into the new Strategic Performance Plan.

Bonus retention		Early release of retained bonuses in fiscal 2016						
€ '000	Note: Transfer to SPP 2016 tranche					Historical average target achievement	Payment in September 2016	Previous year
Retention for the fiscal year	2016	2015	2014	2013	2013 – 2015	2013 – 2015	2013 – 2015	2012
Peter Terium	338	481	515	444	1,440	101.6%	1,462	366
Dr. Rolf Martin Schmitz	225	320	343	296	959	98.7%	947	293
Dr. Bernhard Günther	178	254	272	234	760	102.8%	781	96
Uwe Tigges	178	254	272	177	703	102.8%	723	–
Total	**919**	**1,309**	**1,402**	**1,151**	**3,862**	**101.5%**	**3,913**	**755**

Long-Term Incentive Plan Beat 2010. As explained on page 66, the members of the Executive Board renounced the ongoing Beat tranches to be able to participate in SPP. Consequently, there were no payments from the Beat programme for 2016.

Strategic Performance Plan. In fiscal 2016, the allocation for Rolf Martin Schmitz and Markus Krebber was made from the SPP of RWE AG. The allocation for Peter Terium, Bernhard Günther and Uwe Tigges was made completely from the SPP of innogy SE, with a view to their new positions. As noted previously, in fiscal 2016, due to the termination of the old compensation system the bonuses retained for the period up to 30 September were also transferred to the allocation to the members of the Executive Board from the SPP.

The following overview shows the total amounts of performance shares allocated to the members of the Executive Board in 2016 and the amount in which these allocations are attributable to RWE AG.

Long-term incentive payment[1]	Strategic Performance Plan 2016 tranche		Prorated allocation RWE AG	
	Plan	Average share price €	Performance shares	Allocation value at grant € '000
Dr. Rolf Martin Schmitz	RWE AG	13.78	55,787	769
Dr. Markus Krebber	RWE AG	13.78	17,915	247
Total			**73,702**	**1,016**
Peter Terium	innogy SE	37.13	21,714	806
Dr. Bernhard Günther	innogy SE	37.13	12,372	459
Uwe Tigges	innogy SE	37.13	19,021	706
Total			**53,107**	**1,971**

1 From a Group perspective, the compensation of Terium, Günther and Tigges are considered to be share-based payment. However, in the compensation information in the individual financial statements of RWE AG this compensation is not considered to be share-based payment, pursuant to HGB. The reason for this is that the amount of the payment does not depend on the price performance of RWE AG shares, but rather on the price performance of innogy SE shares. Pursuant to HGB, in relation to the individual financial statements these allocations are only added to the total emoluments upon fulfilment of the relevant pay-out conditions.

The table below shows the amount of provisions for obligations from the 2013–2015 Beat tranches which were released and the amounts of provisions transferred to the SPP for the obligation from the 2016 tranche.

Addition (+) or release (-) of provisions for long-term share-based incentive payments (Beat tranches 2013 to 2015)	2016 € '000	2015 € '000
Peter Terium	143	–770
Dr. Rolf Martin Schmitz	141	–463
Dr. Bernhard Günther	82	–221
Dr. Markus Krebber	46	–
Uwe Tigges	134	–144
Total	**546**	**–1,598**

Obligations under the former pension scheme. The service cost of pension obligations to Rolf Martin Schmitz that is not considered part of compensation pursuant to German commercial law (see table below) amounted to €229,000 in 2016 (previous year: €581,000). As of year-end, the net present value of the defined benefit obligation determined in accordance with International Financial Reporting Standards (IFRS) amounted to €13,923,000 (previous year: €11,900,000). The value of the pension determined according to the German Commercial Code totalled €9,894,000 (previous year: €9,459,000). The pension's funding was increased by €435,000 for 2016 (previous year: €1,404,000).

Based on the emoluments qualifying for a pension as of 31 December 2015, the projected annual pension of Rolf Martin Schmitz on his reaching the company age limit amounts to €484,000 as in the previous year. This includes vested pension benefits due from former employers.

Recommendations of the German Corporate Governance Code

According to the version of the German Corporate Governance Code published on 5 May 2015, the total remuneration of management board members comprises the monetary compensation elements, pension commitments, other awards, fringe benefits of all kinds and benefits by third parties which were granted or paid in the financial year with regard to management board work. Unlike under German commercial law, the annual service cost of pension commitments is also part of total compensation.

Item 4.2.5, Paragraph 3 of the Code lists the compensation components that should be disclosed for every management board member. The recommended presentation is illustrated by sample tables that have been used below. The overviews show the benefits granted to the members of the Executive Board of RWE AG for 2016 and the preceding year. As some of these benefits have not yet resulted in payments, the tables also show the level of funds paid to the Executive Board members (see the table 'Payments').

Benefits granted	Dr. Rolf Martin Schmitz Chief Executive Officer since 15 Oct 2016				Dr. Markus Krebber since 1 Oct 2016 Chief Financial Officer since 15 Oct 2016		
€ '000	2015	2016	2016 (Min)	2016 (Max)	2016	2016 (Min)	2016 (Max)
Fixed compensation	960	960	960	960	188	188	188
Pension payments	–	–	–	–	64	64	64
Fringe benefits	13	19	19	19	4	4	4
Total fixed compensation	**973**	**979**	**979**	**979**	**256**	**256**	**256**
One-year variable remuneration	**900**	**900**	**0**	**1,620**	**178**	**0**	**320**
Bonus	900	900	0	1,620	178	0	320
Multi-year variable remuneration	**675**	**769**	**0**	**1,538**	**247**	**0**	**494**
Bonus retention 2015 (term: 2016–2018)	300	–	–	–	–	–	–
Bonus retention 2016[1]	–	–	–	–	–	–	–
LTIP Beat 2015 tranche (term: 2016–2018)	375	–	–	–	–	–	–
LTIP SPP 2016 tranche[2] (vesting period: 2016–2019)	–	769	0	1,538	247	0	494
MTIP (vesting period: 2014–2016)	–	–	–	–	–	–	–
Total variable remuneration	**1,575**	**1,669**	**0**	**3,158**	**425**	**0**	**814**
Total	**2,548**	**2,648**	**979**	**4,137**	**681**	**256**	**1,070**
Service cost	581	229	229	229	–	–	–
Total compensation	**3,129**	**2,877**	**1,208**	**4,366**	**681**	**256**	**1,070**

1 In the 2016 transition year, the contractual bonus retention for the period up to 30 September 2016 was not retained and was transferred to the 2016 tranche of the SPP on this one occasion.
2 The allocation contains the bonus retention for the period up to 30 September 2016.

Benefits granted	Uwe Tigges Chief HR Officer/Labour Director			
€ ‘000	2015	2016	2016 (Min)	2016 (Max)
Fixed compensation	750	750	750	750
Pension payments	255	255	255	255
Fringe benefits	21	20	20	20
Total fixed compensation	**1,026**	**1,025**	**1,025**	**1,025**
One-year variable remuneration	**713**	**713**	**0**	**1,283**
Bonus	713	713	0	1,283
Multi-year variable remuneration	**612**	**706**	**0**	**1,412**
Bonus retention 2015 (term: 2016–2018)	237	–	–	–
Bonus retention 2016[1]	–	–	–	–
LTIP Beat 2015 tranche (term: 2016–2018)	375	–	–	–
LTIP SPP 2016 tranche[2] (vesting period: 2016–2019)	–	706	0	1,412
MTIP (vesting period: 2014–2016)	–	–	–	–
Total variable remuneration	**1,325**	**1,419**	**0**	**2,695**
Total	**2,351**	**2,444**	**1,025**	**3,720**
Service cost	–	–	–	–
Total compensation	**2,351**	**2,444**	**1,025**	**3,720**

1 Instead of the contractual bonus retention for the period up to 30 September 2016, 25% of the bonus budget was transferred to the 2016 tranche of the SPP.
2 The allocation contains the bonus retention for the period up to 30 September 2016.

Benefits granted	Peter Terium Chief Executive Officer until 14 Oct 2016				Dr. Bernhard Günther Chief Financial Officer until 14 Oct 2016			
€ '000	2015	2016	2016 (Min)	2016 (Max)	2015	2016	2016 (Min)	2016 (Max)
Fixed compensation	1,400	1,050	1,050	1,050	750	563	563	563
Pension payments	480	360	360	360	255	191	191	191
Fringe benefits	36	23	23	23	23	24	24	24
Total fixed compensation	**1,916**	**1,433**	**1,433**	**1,433**	**1,028**	**778**	**778**	**778**
One-year variable remuneration	**1,350**	**1,013**	**0**	**1,823**	**713**	**534**	**0**	**961**
Bonus	1,350	1,013	0	1,823	713	534	0	961
Multi-year variable remuneration	**1,075**	**806**	**0**	**1,612**	**612**	**459**	**0**	**918**
Bonus retention 2015 (term: 2016–2018)	450	–	–	–	237	–	–	–
Bonus retention 2016[1]	–	–	–	–	–	–	–	–
LTIP Beat 2015 tranche (term: 2016–2018)	625	–	–	–	375	–	–	–
LTIP SPP 2016 tranche[2] (vesting period: 2016–2019)	–	806	0	1,612	–	459	0	918
MTIP (vesting period: 2014–2016)	–	–	–	–	–	–	–	–
Total variable remuneration	**2,425**	**1,819**	**0**	**3,435**	**1,325**	**993**	**0**	**1,879**
Total	**4,341**	**3,252**	**1,433**	**4,868**	**2,353**	**1,771**	**778**	**2,657**
Service cost	–	–	–	–	–	–	–	–
Total compensation	**4,341**	**3,252**	**1,433**	**4,868**	**2,353**	**1,771**	**778**	**2,657**

1 Instead of the contractual bonus retention for the period up to 30 September 2016, 25% of the bonus budget was transferred to the 2016 tranche of the SPP.
2 The allocation contains the bonus retention for the period up to 30 September 2016.

Payments	Dr. Rolf Martin Schmitz 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	
€ '000	2016	2015	2016	2016	2015
Fixed compensation	960	960	188	750	750
Pension payments	–	–	64	255	255
Fringe benefits	19	13	4	20	21
Total fixed compensation	**979**	**973**	**256**	**1,025**	**1,026**
One-year variable compensation	**1,112**	**961**	**211**	**881**	**761**
Bonus[1]	1,112	961	211	881	761
Multi-year variable compensation	**947**	**293**	**0**	**723**	**0**
Bonus retention 2012 (term: 2013–2015)	–	293	–	–	–
Bonus retention 2013–2015 (released)	947	–	–	723	–
LTIP Beat 2012 tranche (term: 2012–2015)	–	0	–	–	0
LTIP Beat 2013–2015 tranches (renounced without replacement)	0	–	0	0	–
MTIP (vesting period: 2014–2016)	0	–	0	0	–
Other	–	–	–	–	–
Total variable remuneration	**2,059**	**1,254**	**211**	**1,604**	**761**
Total	**3,038**	**2,227**	**467**	**2,629**	**1,787**
Service cost	229	581	–	–	–
Total compensation	**3,267**	**2,808**	**467**	**2,629**	**1,787**

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

Payments	Peter Terium Chief Executive Officer until 14 Oct 2016		Dr. Bernhard Günther Chief Financial Officer until 14 Oct 2016	
€ '000	2016	2015	2016	2015
Fixed compensation	1,050	1,400	563	750
Pension payments	360	480	191	255
Fringe benefits	23	36	24	23
Total fixed compensation	**1,433**	**1,916**	**778**	**1,028**
One-year variable compensation	**1,251**	**1,442**	**660**	**761**
Bonus[1]	1,251	1,442	660	761
Multi-year variable compensation	**1,462**	**366**	**781**	**96**
Bonus retention 2012 (term: 2013–2015)	–	366	–	96
Bonus retention 2013–2015 (released)	1,462	–	781	–
LTIP Beat 2012 tranche (term: 2012–2015)	–	0	0	0
LTIP Beat 2013–2015 tranches (renounced without replacement)	0	–	0	–
MTIP (vesting period: 2014–2016)	0	–	–	–
Other	–	–	–	–
Total variable remuneration	**2,713**	**1,808**	**1,441**	**857**
Total	**4,146**	**3,724**	**2,219**	**1,885**
Service cost	–	–	–	–
Total compensation	**4,146**	**3,724**	**2,219**	**1,885**

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

1.12 DEVELOPMENT OF RISKS AND OPPORTUNITIES

Energy supply requires a business model designed for the long run. Power plants and grids are not planned for periods of years, but rather decades. Recent years have shown how quickly the political and economic environment can change in the energy sector. This risk remains, particularly in conventional power generation. For example, it is unclear what regulatory measures will result from the German Climate Action Plan 2050. It is also not possible to forecast the development of market prices for electricity and fuel, which the margins of power stations depend on. Professional risk management is therefore absolutely necessary for utilities such as RWE. In this sense 'professional' means that risks are systematically identified, assessed and managed. But it also means that we can recognise – and exploit – opportunities.

New distribution of responsibility for risk management in the RWE Group. During the last fiscal year, we reorganised both the RWE Group itself and our risk management framework. With its public listing in October, innogy SE took over sole responsibility for managing and monitoring the risks of its subsidiaries, while RWE AG remained responsible for the risks of the other Group companies. In many key areas, the risk management systems of the two companies are identical, for example in terms of the classification of risks into risk classes. In this section, we explain the risk management system of RWE AG and point out the corresponding explanations for innogy in its Annual Report 2016. The risks of our subsidiary are included in the presentation of the material risks of the RWE Group.

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 checks the identified risks for plausibility and completeness, summarises them, and sets limits for the risks of the operating units. It receives support from the Risk Management Committee, which is composed of the heads of the following five RWE AG departments, which are accountable for the entire Group: Controlling & Risk Management (Chair), Accounting, Finance & Credit Risk, Group Development & Board Office, 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 central 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 85 et seq.

- 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 generation, trading and gas midstream businesses, risks from changes in commodity prices are monitored by RWE Supply & Trading.

- Strategies to limit market risks from generation and the gas midstream business are approved by the Commodity Management Committee. This is an expert body which currently consists of the members of the management of RWE Supply & Trading and the head of the Controlling & Risk Management Department.

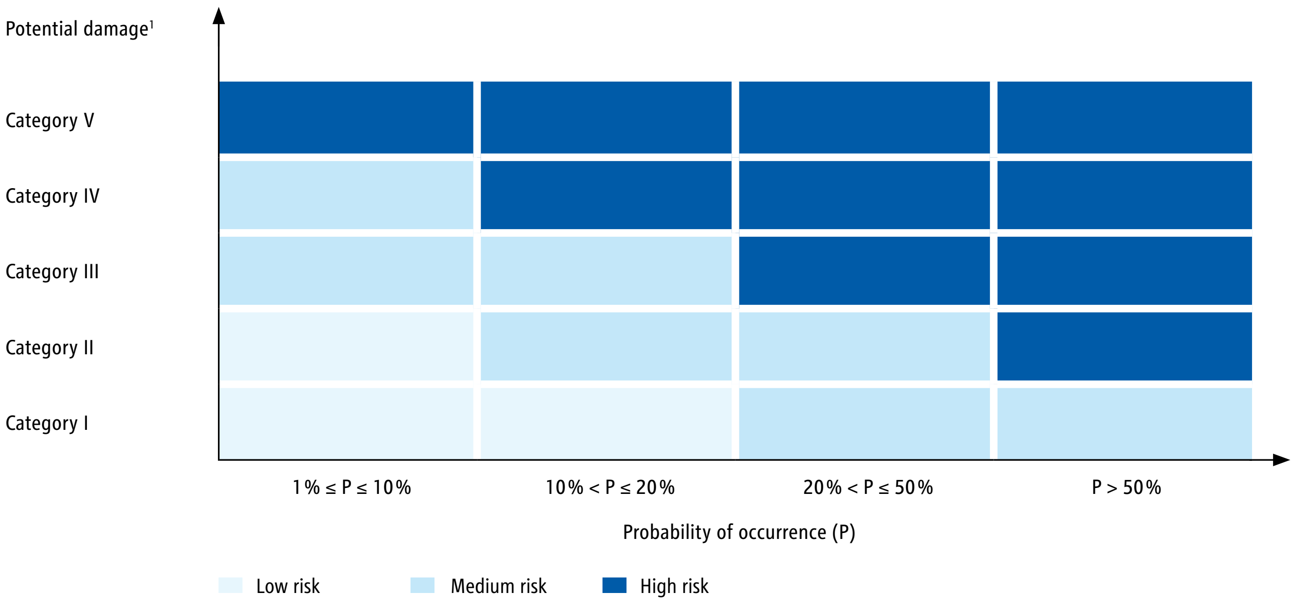
- The strategic guidelines for the management of financial assets, including the funds of RWE Pensionstreuhand e.V., are determined by the Asset Management Committee. This body also currently attends to these tasks for the financial investments of innogy SE. Its members include the CFO of RWE AG, the 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, Controlling & Risk and Accounting & Tax departments are also members.

- There is also a committee at RWE which supports the accounting teams in preventing incorrect financial reporting (see page 85).

Under the expert management of the aforementioned organisational units and in adherence with our general guidelines, our Group companies are responsible for identifying risks early, assessing them correctly and reporting and managing them in compliance with the Group's standards. Internal auditing regularly assesses the quality and functionality of our risk management system.

RWE risk matrix



Damage category	**Earnings risks** Potential impact on net income – compared to adjusted EBIT and equity[2]	**Indebtedness/liquidity risks** Potential impact on free cash flow and/or net debt
Category V	≥ 50% of equity	≥ €8 billion
Category IV	≥ 50% of adjusted EBIT and < 50% of equity	≥ €4 billion and < €8 billion
Category III	≥ 20% and < 50% of adjusted EBIT	≥ €2 billion and < €4 billion
Category II	≥ 10% and < 20% of adjusted EBIT	≥ €1 billion and < €2 billion
Category I	< 10% of adjusted EBIT	< €1 billion

1 In relation to the year in which the maximum damage may occur.
2 For adjusted EBIT (the new term for 'operating result', see page 41), the average figure derived from the medium-term planning for 2017 to 2019 was taken as a basis, while the basis for equity was the figure from the 2016 half-year report, less non-controlling interests (€6,188 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 within the scope of quarterly reporting.

Our analysis normally covers the three-year horizon of our medium-term planning, 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 free cash flow and net debt 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 one position. 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 insurance policies and provisions. 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.

Main risks of the RWE Group[1]	Classification of the highest single risk	
	31 Dec 2016	31 Dec 2015
Market risks	Medium	Medium
Regulatory and political risks	High	High
Legal risks	Medium	Medium
Operational risks	Low	Low
Financial risks	Medium	Medium
Creditworthiness of business partners	Medium	Medium
Other risks	Medium	Medium

1 As of 31 December 2016. Based on the Group approach, the risks of innogy are taken into account.

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. At present, we see the highest potential for damage in relation to regulatory and political risks. 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.** The RWE Group is exposed to a wide range of market risks. In most of the countries in which we are active the energy sector is characterised by the free formation of prices on wholesale markets and a high level of competition in retail. In such an environment, signs of weakness on the market can quickly lead to customer losses and declines in earnings. Market risks resulting from the development of commodity prices can be particularly severe. For instance, declines in electricity prices reduce the profitability of our power plants and certain electricity purchase contracts concluded at fixed prices. It is possible that we may have to recognise impairments or form provisions in such a case. In the gas storage business, impairments may also have to be recognised, for example if the seasonal differences in the price of gas decline, reducing the realisable margins. Although we have already had to recognise substantial impairments in the past, there is still a risk of further write-downs. However, we also see opportunities: if the wholesale prices for electricity and gas develop favourably for RWE, this could have a very beneficial effect on our earnings position.

  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. Commodity price risks faced by the generation and supply companies within the Group are managed through hedging rules. 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 allowances needed for its generation. Our goal is to limit the consequences of negative developments, smooth out the effects of short-term price movements and tap into additional earnings potential. We also use forward markets in the gas midstream business. Several years ago, we mitigated the risks arising from long-term gas purchase agreements linked to the price of oil by renegotiating with our gas suppliers, which allowed us to convert the contracts to wholesale gas price indexation or terminate them early. The only exception to this was a contract with Gazprom, where we have not yet found a conclusive solution. In May 2016, however, we were able to adjust the conditions of this contract, ensuring that it will not expose us to earnings risks for the foreseeable future (see page 39).

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 generation and purchases the necessary fuels and CO_2 certificates needed to produce electricity. Its role 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.

In this context, 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 central risk controlling parameter for commodity positions is the VaR relating to the trading business of RWE Supply & Trading, which may not exceed €40 million. In fiscal 2016, it averaged €17 million (previous year: €16 million), and the daily maximum was €34 million (previous year: €31 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 Group's adjusted EBIT. 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 2017, only minor market price risks remain for this year. Additionally, we see short-term opportunities for earnings, because we are able to deploy our power plants 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 144 et seqq.

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

- **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. Investments in power stations are made for periods extending over decades. Stricter thresholds for emissions can result in massive declines in earnings, if the transition periods are too short and existing plants have to be closed down early. This kind of risk emanates from the Climate Action Plan 2050, which the Federal government presented in November (see page 33). 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. This currently represents the largest individual risk for RWE. While the theoretical negative impact from this is significant, we believe it is rather unlikely that this risk will materialise. The emissions reduction goals for the sectors are not final and are still subject to a comprehensive impact assessment. In a dialogue with policymakers, unions, employees and other groups, we wish to underline the possible negative effects of an overly ambitious path of emissions reductions, in particular with regard to security of supply.

  In recent years, abrupt changes in the regulatory framework were mostly seen in the nuclear power industry. One example is the sudden change of course of German energy policymakers following the reactor catastrophe at Fukushima in March 2011. The 13th amendment to the German Nuclear Energy Act, which became effective at the beginning of August 2011, nullified the lifetime extension for German nuclear power plants, which had been introduced in 2010, and mandated the immediate shutdown of eight of Germany's 17 reactors. Staggered decommissioning dates were established for the remaining units (see page 43 of the 2011 Annual Report). Therefore, in February and August 2012, we filed constitutional complaints, in part because operators of the plants did not receive any compensation. In December 2016, the Constitutional Court partially upheld our claim for compensation and called on the legislator to formulate suitable regulations for this compensation by mid-2018.

  In 2016, the issue of the future distribution of responsibility for nuclear waste disposal between the German power plant operators and the state was resolved. This occurred in December 2016, when the Upper and Lower Houses of the German Parliament passed a new law (see page 34), which stipulates that the Federal government will be responsible for handling and financing the intermediate and final storage of radioactive waste. These responsibilities will be financed from a fund, which is paid into by the plant operators. RWE will pay around €6.8 billion. This includes a risk surcharge of €1.8 billion, which releases us from possible future obligations. Consequently, the payments are larger than the provisions which we had formed for the waste disposal obligations assumed by the Federal government. At the same time, however, there is a smaller risk that state-induced cost increases, for example in connection with the search for a final storage site, might curtail RWE's financial and earnings power even further.

  A matter pending clarification is whether the nuclear fuel tax complies with the German constitution. This tax was levied in the period 2011 to 2016. As we believe that the levy was not legal, we filed a suit with the competent fiscal courts. In January 2013, the Hamburg Fiscal Court referred the point of the constitutionality of the nuclear fuel tax to the German Constitutional Court for a ruling. In December 2013 the Hamburg Fiscal Court also decided to refer the matter in parallel proceedings to the European Court of Justice. In June 2015, the European Court of Justice found that the nuclear fuel tax complies with European law; the judgement of the German Constitutional Court, however, is still pending. It is expected to be issued in 2017. Should the judges find the tax to be illegal, there is a possibility that we will be fully refunded the amounts paid.

  Conventional electricity generation is also exposed to regulatory risks outside of Germany. For example, it cannot be ruled out that a coal tax will have to be paid in the Netherlands again. In both the Netherlands and the United Kingdom, political forces have been lobbying strongly for an early phase-out of coal. It remains to be seen whether they succeed and what the details of potential lifetime reductions may be.

In the regulated network business operated by innogy in Germany and Eastern Europe, there are risks stemming from the regular adjustments to framework conditions. In 2016, policymakers in Germany amended the Incentive Regulation Ordinance, so that investments by distribution network operators can be taken into account in tariffs without any delay in the future (see page 35). The reform will become effective for the upcoming five-year regulatory period for gas (starting from 2018) and electricity (starting from 2019). For companies involved in significant investments related to the transformation of the energy sector, this may have great advantages. The return on equity allowed for the network operators in the upcoming regulatory period was also set. In the future, these rates will be substantially lower than they currently are (see page 35). However, other important decisions for the upcoming regulatory periods have not yet been reached. For instance, the regulator still has to set the maximum permissible revenues of the individual companies. Furthermore, it must still assess the network operators in terms of their efficiency. If deficits are found in this regard, the companies are required to remedy these by way of cost cutting by the end of the regulatory period. Regardless of whether they are actually able to do so, the regulator lowers the revenue cap for the affected companies in a step-by-step manner. On the whole, there is therefore a risk that the network companies of innogy will be granted revenue caps which are too low and that these may be further reduced over the regulatory period due to ostensible inefficiencies. Nevertheless, there is also the possibility that the regulator may set favourable parameters for network operators.

Regulatory intervention to the detriment of energy utilities is also a threat in the supply business. This is demonstrated by the findings of the UK anti-trust authority CMA presented on page 36. One requirement of the CMA is that the tariffs for customers with pre-payment meters should be capped for three years, starting from 1 April 2017. Furthermore, firms will be required to reveal which customers have been supplied with electricity or gas for more than three years on the basis of the same standard tariff, so that competitors can make alternative offers to these customers. The UK government is currently considering which additional measures could be used to increase customers' willingness to switch suppliers. We see a risk that the requirements of the CMA and possible additional state intervention may exacerbate the already difficult situation in the British retail market.

In the present political environment, the RWE Group is exposed to risks associated with approvals when building and operating production facilities. In particular, this affects our opencast mines, power plants and wind farms. Interruption of their operation can result in significant production and earnings shortfalls. Furthermore, there is a danger of new-build projects either receiving late or no approval, or of granted approvals being withdrawn. Depending on the progress of construction work and the contractual obligations to suppliers, this can have significant negative financial impacts. 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.

With regard to regulatory and political risks, we currently ascribe the highest importance to the Climate Action Plan 2050 and its possible consequences. The related risk is the only one which we currently classify as 'high'. In the previous year, we had discussed a different high risk here: this related to the uncertainty about how the responsibility for nuclear waste disposal was to be divided between the Federal government and the utilities, and how much the companies might have to pay into the nuclear energy fund. The legislator has since clarified these issues.

- **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 may also be filed against 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.

Our legal risks are classified in the category 'medium' at most. There was no change in this regard compared to the previous year.

- **Operational risks.** RWE operates technologically complex, interconnected production facilities. During their construction, 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 income 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. RWE has specific accountability provisions and approval processes in place to prepare and implement investment decisions. Closely monitoring both our markets and competitors helps us record and assess strategic risks and opportunities early on.

  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.

  As in the previous year, we currently classify our operating risks as low.

- **Financial risks.** The volatility of market interest rates and foreign exchange rates as well as share prices can have a significant effect on our earnings. Due to our international presence, we attach high importance to exchange rate risk. Furthermore, energy commodities such as coal and oil are traded in US dollars. Companies which are operationally managed by RWE AG must have their currency risks managed by the parent company, and innogy SE carries out this function for its subsidiaries.

  For their respective companies, RWE AG and innogy SE determine the net financial position for each currency and hedges if necessary. The VaR concept is used to measure and limit risks. In 2016, the annual average VaR for RWE AG's foreign currency position was less than €1 million. The same holds true for the foreign currency positions of innogy. The value for the previous year, which still pertained to the entire RWE Group, was also lower than this figure.

  We differentiate between several categories of interest rate risks. 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 €9 million on average at RWE AG and €4 million on average at innogy. The prior-year figure for the RWE Group was €12 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. In contrast to VaR, we are unable to determine an annual average CFaR value due to the reorganisation of the Group. As of the balance-sheet date, the CFaR amounted to €1 million at both RWE AG and innogy. The comparable prior-year figure for the RWE Group was €1 million.

  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. On page 133 et seqq. in the Notes, we have provided commentary on how sensitively the net present values of pension, nuclear and mining obligations react to rises and falls in discount rates.

  RWE AG and innogy also both have equities in their holdings of securities. The annual average VaR for the risk associated with changes in the prices of these instruments was €8 million at RWE AG and €7 million at innogy. The prior-year figure for the RWE Group was €8 million.

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 and innogy. This enables us to balance risks across individual companies. As noted, RWE AG performs securities management as a service for innogy.

The conditions at which we can finance our business on the debt capital market is also largely dependent on the credit ratings we receive from international rating agencies. As set out on page 54, Standard & Poor's and Moody's lowered the long-term rating of our senior bonds to BBB- and Baa3, respectively. Fitch gives us a slightly better credit rating (BBB), but the outlook is negative. There is a possibility of further rating downgrades. This could result in additional costs when raising capital and hedging trading transactions.

One current threat to our rating is that other rating agencies may follow Standard & Poor's and withdraw the so-called equity credit for our hybrid bonds. At present, Moody's and Fitch recognise half of the liabilities from these bonds as equity. Since we announced in February 2017 that we would call a hybrid bond with a volume of CHF 250 million on 4 April 2017 without refinancing it with a new hybrid bond, Standard & Poor's fully recognises all seven of RWE's hybrid bonds as debt capital. Moody's and Fitch may now also consider reducing or cancelling the equity credit. Key rating indicators such as the debt level would then be less favourable.

As in the previous year, our major financial risks are classified as '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 transaction 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. innogy identifies credit risks in the retail business through regular analyses of its customers' creditworthiness and takes appropriate countermeasures, if necessary. Furthermore, it takes out insurance policies to cover payment defaults.

  As a rule, over-the-counter energy trading transactions are concluded through framework agreements, e.g. those prescribed by the European Federation of Energy Traders (EFET). In addition, we agree on collateral. 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. As in the previous year, we currently classify our other risks as medium at most.

Overall assessment of the risk and opportunity situation by executive management. As discussed in this chapter, RWE's risk exposure is mainly determined by the economic and regulatory environment. Currently, our most significant risk exposure stems from the German Climate Action Plan 2050. We believe that the reduction in emissions of greenhouse gases targeted for 2030 is very ambitious and see a risk that the use of coal for electricity production will be phased out too quickly. In the United Kingdom and the Netherlands, it is also possible that coal-fired power plants will be shut down due to excessively rigid climate protection requirements. By contrast, the risk exposure in the nuclear business has declined. There is now an act governing how the responsibility for nuclear waste disposal will be divided between the Federal government and the plant operators. That said, from the perspective of the companies a public contract with the Federal government is still needed to provide them with legal security.

In addition to the regulatory framework, commodity prices also have a significant impact on our earnings. Due to the strongly subsidised expansion of renewables and the low prices for hard coal, current quotations on the German wholesale electricity market are much lower than they were a few years ago. We consequently recognised several impairments on our power plants as a result of this. If wholesale electricity prices once again come under pressure following the modest recovery seen in 2016, it may lead to additional declines in earnings and further impairments, as well as the possibility of a downgrade of our credit rating and rising costs for hedging trading transactions. However, prices may trend back upwards and the crisis in the conventional electricity generation sector may ease.

We are responding to the adverse conditions in the energy sector with comprehensive efficiency-enhancing measures and strict investment discipline. In organisational and financial terms, we have also aligned ourselves to be more resistant to crises by founding and listing innogy SE. By analysing the liquidity effects of risks and pursuing a conservative financing strategy, we ensure that we always have enough cash and cash equivalents 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. 315, Para. 2, No. 5 and Sec. 289, Para. 5 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 and neutralise potential sources of error. While we are able to mitigate the risk of material misrepresentations in the financial reporting, we cannot eliminate this risk entirely.

The foundations of the ICS are our basic principles, which are set out in RWE's Code of Conduct and include our ambition to provide complete, objective, correct, intelligible 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.

During the third quarter of 2016, accounting units which had previously been part of RWE AG, along with the group-wide Center of Expertise under the aegis of RWE Group Business Services, were transferred to innogy SE. The Shared Service Center in Krakow, which was also part of RWE Group Business Services, was also assigned to innogy SE, but continues to provide services for other Group companies as well. Professional management of the Group's accounting is still the responsibility of the Accounting Department of RWE AG, which also prepares the consolidated financial statements of RWE.

RWE AG is also responsible for the design and monitoring of the ICS. This task is performed by Accounting. Additionally, there is a group-wide set of rules for designing and monitoring the ICS. We also created the ICS Committee in 2015. 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 responsible parties 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. innogy SE is also represented in this Committee.

A comprehensive review of the ICS is conducted 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, the effectiveness of the controls is tested. This task has been entrusted to employees in the accounting and group audit departments as well as independent auditing companies. They use an IT system that was specifically introduced for this purpose. The officers 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 results of the review are documented in a report to the Executive Board of RWE AG. The reviews conducted in 2016 once again demonstrated that the ICS is an effective system. The processes in accounting and the aforementioned functions with strong relevance to accounting were analysed.

The ICS review described here pertained to the Group without innogy. A separate review occurs for innogy SE and its subsidiaries, and the results of this are integrated into the ICS report for RWE AG.

Within the scope of external reporting, the members of the Executive Board of RWE AG took an external 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 assets, financial position and results of operations. 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 to the committee a report on the effectiveness of the ICS.

The internal control systems of RWE AG and innogy SE were again developed and refined in fiscal 2016. RWE AG concentrated on controls at RWE Supply & Trading. At innogy, discussions on the further development of the ICS centred on settlement procedures in the retail business. This is expected to continue in 2017.

1.13 OUTLOOK

Despite the ongoing declines in margins in the conventional power generation business, there is a good chance that the RWE Group's adjusted EBITDA will improve slightly. From the current vantage point, it may reach a level of €5.4 billion to €5.7 billion in 2017, after having come in at the lower end of this range in the previous year. Adjusted net income is expected to increase to €1.0 billion to €1.3 billion. We are optimistic that the trading business will improve significantly, following the negative performance in the previous year. We also anticipate further advances in efficiency in conventional power generation. Our subsidiary innogy will probably also contribute to a positive development of earnings.

Economic output in the Eurozone to remain modest. According to initial forecasts for 2017, global economic output is expected to rise by around 3 %, with the Eurozone experiencing growth of roughly 1.5 %. The Council of Economic Experts forecasts growth of 1.3 % for Germany. The Dutch economy may grow slightly more than the Eurozone, while growth in Belgium is expected to be roughly comparable. Due to the Brexit vote, growth in the United Kingdom will likely expand at a rate of just 1 %. The growth forecasts for our Central Eastern European markets are relatively favourable. Experts expect that Poland and Slovakia will achieve growth of 3 %, while the rates in the Czech Republic and Hungary will be modestly lower, at 2.5 % for both countries.

Energy consumption expected to be higher than in 2016. Our forecast for this year's energy consumption is based on the projected economic development. In addition, we assume that temperatures this year will be normal and therefore lower overall than in 2016. If these conditions materialise, we believe that demand for electricity will be stable or rise marginally in Germany, the Netherlands and the United Kingdom. Stimulus from economic growth and potentially colder weather will be contrasted by the dampening effects of continuing increases in energy efficiency. For innogy's key Eastern European electricity markets – Poland, Slovakia and Hungary – increases of 1 % to 2 % are expected.

With regard to gas, we forecast rising consumption in all of innogy's sales regions. This results from the assumption of normal temperatures, which would be reflected in higher demand for heating. Furthermore, the expected economic expansion should stimulate demand for gas. There may also be positive momentum from the electricity generation segment, provided that the market conditions for gas-fired power stations continue to improve. We expect counteracting influences from the trend for saving energy.

Almost all electricity generation for 2017 already sold. Wholesale prices for electricity and key energy commodities rebounded somewhat during the course of the past year. Their development depends on multiple economic and political factors which are hard 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 2017 and secured the prices of the required fuel and emission allowances. The 2017 price we achieved for electricity generated by our German lignite-fired and nuclear power stations is significantly lower than the previous year's average of €35 per MWh. Consequently, our earnings in conventional power generation will probably be lower than in 2016.

Adjusted EBITDA for 2017 expected to range from €5.4 billion to €5.7 billion. Starting from the current fiscal year, we use adjusted EBITDA instead of adjusted EBIT as the key indicator to describe the operational development of earnings in the Group and in the individual segments. As adjusted EBITDA contains no write-downs, it is closer to the operational cash flows, which are of great importance, in particular for the management of our power plant portfolio. In subsequent earnings forecasts we only focus on adjusted EBITDA and adjusted net income.

For the current fiscal year, we expect adjusted EBITDA to range between €5.4 billion and €5.7 billion. Accordingly, there may be a slight increase compared to 2016, despite declines in power plant margins. We expect that performance in the trading business will improve strongly and that innogy will incur lower expenses for maintaining distribution networks. Adjusted net income should be in a corridor of €1.0 billion to €1.3 billion and therefore come in considerably higher than in 2016. In addition to the factors discussed above, operating depreciation on our power plants will also decline, which has an effect on adjusted net income. This follows from the high impairments which were recognised last year. Furthermore, we anticipate a significant improvement in the financial result. If the highest German court finds that the nuclear fuel tax is against the law and the amounts paid in are refunded to us, we would recognise these sums in the non-operating result. Consequently, adjusted EBITDA and adjusted net income would remain unaffected.

Earnings forecast for 2017	2016 actual € million	Outlook 2017[1]
Adjusted EBITDA[2]	5,403	€5.4 billion to €5.7 billion
Conventional Power Generation	1,456	Significantly below previous year
Trading/Gas Midstream	−139	Significantly above previous year
innogy	4,203	Moderately above previous year
Adjusted net income	777	€1.0 billion to €1.3 billion

1 Qualifiers such as 'moderately' or 'significantly' indicate percentage deviations from the previous year's figures.
2 Changed term, formerly 'EBITDA'; see explanation on page 41.

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

- Conventional Power Generation: In this division, adjusted EBITDA will probably decline significantly. As noted already, most of this year's electricity production has already been placed on the market. On the whole, the margins realised for 2017 are much smaller than for 2016. One positive factor is that the German nuclear fuel tax came to an end in 2016. Furthermore, we are optimistic that we can profit from additional efficiency-enhancing measures in 2017.

- Trading/Gas Midstream: We anticipate a substantial improvement in earnings in this division. This is based on the assumption that the trading business will be considerably more profitable this year, after the negative performance in 2016. Earnings in the gas midstream business are likely to remain stable.

- innogy: Our subsidiary will most likely close the year with a modestly better result than in the previous year, in part due to declining expenses for the operation and maintenance of the distribution networks. In the retail and renewables businesses, the results are expected to be on par with last year's.

Dividend for 2017. In the future, the dividend policy of RWE AG will continue to follow the principle of economic sustainability. For fiscal 2017, the Executive Board is targeting a dividend of €0.50 per common and preferred share. The goal is to maintain at least this level in the business years thereafter. The dividend proposal is determined by the operating cash flows, which RWE has at its disposal on a sustainable level.

Modest increase in headcount. Although restructuring measures are leading to further staff reductions in conventional power generation, the number of employees in the Group will probably increase modestly. The main reason for this is additions to the workforce at innogy. In this regard, the acquisition of Belectric Solar & Battery in early 2017 plays a role, since our subsidiary added around 600 employees as a result.

€2.5 billion to €3.0 billion earmarked for capital expenditure in 2017. Our capital expenditure this year is anticipated to total between €2.5 billion and €3.0 billion. This includes spending on financial assets. innogy is responsible for roughly four-fifths of the investment budget, including in particular the maintenance and expansion of distribution networks. Moreover, innogy intends to further expand its renewables capacity. We have budgeted about €0.4 billion for our power stations and opencast mines, mostly for the maintenance and modernisation of these facilities.

Net debt probably on a par year on year. By the end of 2017, net debt is expected to be in the order of last year's level (€22.7 billion). As explained on page 34, we will transfer the base amount and the 35% risk surcharge – in total roughly €6.8 billion – to the newly created public fund for nuclear energy on 1 July 2017. This will have a negative impact on our net financial position. However, since this upcoming payment is already recognised in the provisions in the consolidated financial statements for 2016, it is not likely to have any further impact on the development of net debt. No positive effects from a possible refund of the nuclear fuel tax have been taken into account in the forecasts. Furthermore, we assume the interest level will remain stable, which would also result in stable discount rates for provisions.

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, 27 February 2017

The Executive Board

Schmitz Krebber Tigges

3 CONSOLIDATED FINANCIAL STATEMENTS

3.1 INCOME STATEMENT

€ million	Note	2016	2015[1]
Revenue (including natural gas tax/electricity tax)	(1)	**45,833**	**48,090**
Natural gas tax/electricity tax	(1)	2,243	2,242
Revenue	(1)	**43,590**	**45,848**
Other operating income	(2)	1,435	2,420
Cost of materials	(3)	33,397	33,867
Staff costs	(4)	4,777	4,803
Depreciation, amortisation and impairment losses	(5), (10)	6,647	5,522
Other operating expenses	(6)	4,323	3,608
Income from investments accounted for using the equity method	(7), (13)	387	238
Other income from investments	(7)	153	246
Financial income	(8)	1,883	1,865
Finance costs	(8)	4,111	3,454
Income from continuing operations before tax		**–5,807**	**–637**
Taxes on income	(9)	–323	603
Income from continuing operations		**–5,484**	**–1,240**
Income from discontinued operations			1,524
Income		**–5,484**	**284**
of which: non-controlling interests		167	356
of which: RWE AG hybrid capital investors' interest		59	98
of which: net income/income attributable to RWE AG shareholders		**–5,710**	**–170**
Basic and diluted earnings per common and preferred share in €	(28)	**–9.29**	**–0.28**
of which: from continuing operations in €		–9.29	–2.76
of which: from discontinued operations in €			2.48

1 Prior-year figures adjusted.

3.2 STATEMENT OF COMPREHENSIVE INCOME

€ million[1]	Note	2016	2015
Income		**−5,484**	**284**
Actuarial gains and losses of defined benefit pension plans and similar obligations		−629	−683
Income and expenses of investments accounted for using the equity method (pro rata)	(13)	37	−67
Income and expenses recognised in equity, not to be reclassified through profit or loss		**−592**	**−750**
Currency translation adjustment	(22)	−59	249
Fair valuation of financial instruments available for sale	(29)	78	−251
Fair valuation of financial instruments used for hedging purposes	(29)	976	−139
Income and expenses of investments accounted for using the equity method (pro rata)	(13), (22)	−17	4
Income and expenses recognised in equity, to be reclassified through profit or loss in the future		**978**	**−137**
Other comprehensive income		**386**	**−887**
Total comprehensive income		**−5,098**	**−603**
of which: attributable to RWE AG shareholders		−5,284	−1,006
of which: attributable to RWE AG hybrid capital investors		59	98
of which: attributable to non-controlling interests		127	305

1 Figures stated after taxes.

3.3 BALANCE SHEET

Assets € million	Note	31 Dec 2016	31 Dec 2015
Non-current assets			
Intangible assets	(10)	12,749	13,215
Property, plant and equipment	(11)	24,455	29,357
Investment property	(12)	63	72
Investments accounted for using the equity method	(13)	2,908	2,952
Other non-current financial assets	(14)	1,055	885
Financial receivables	(15)	403	501
Other receivables and other assets	(16)	1,175	1,810
Income tax assets		219	195
Deferred taxes	(17)	2,884	2,466
		45,911	**51,453**
Current assets			
Inventories	(18)	1,968	1,959
Financial receivables	(15)	1,471	1,074
Trade accounts receivable	(19)	4,999	5,601
Other receivables and other assets	(16)	7,418	9,088
Income tax assets		234	159
Marketable securities	(20)	9,825	7,437
Cash and cash equivalents	(21)	4,576	2,522
Assets held for sale			41
		30,491	**27,881**
		76,402	**79,334**

Equity and liabilities € million	Note	31 Dec 2016	31 Dec 2015
Equity	(22)		
RWE AG shareholders' interest		2,754	5,847
RWE AG hybrid capital investors' interest		942	950
Non-controlling interests		4,294	2,097
		7,990	**8,894**
Non-current liabilities			
Provisions	(24)	20,686	24,623
Financial liabilities	(25)	16,041	16,718
Other liabilities	(27)	2,196	2,741
Deferred taxes	(17)	723	1,233
		39,646	**45,315**
Current liabilities			
Provisions	(24)	12,175	5,186
Financial liabilities	(25)	2,142	2,362
Trade accounts payable	(26)	5,431	6,122
Income tax liabilities		131	50
Other liabilities	(27)	8,887	11,386
Liabilities held for sale			19
		28,766	**25,125**
		76,402	**79,334**

3.4 CASH FLOW STATEMENT

€ million	Note (32)	2016	2015
Income from continuing operations		−5,484	−1,240
Depreciation, amortisation, impairment losses/write-backs		6,670	5,628
Changes in provisions		2,043	−616
Changes in deferred taxes		−1,136	59
Income from disposal of non-current assets and marketable securities		−227	−580
Other non-cash income/expenses		1,147	−193
Changes in working capital		−661	281
Cash flows from operating activities of continuing operations		**2,352**	**3,339**
Cash flows from operating activities of discontinued operations			−125
Cash flows from operating activities		**2,352**	**3,214**
Intangible assets/property, plant and equipment/investment property			
Capital expenditure		−2,027	−2,898
Proceeds from disposal of assets		238	734
Acquisitions, investments			
Capital expenditure		−281	−275
Proceeds from disposal of assets/divestitures		527	4,436
Changes in marketable securities and cash investments		−2,587	−2,487
Cash flows from investing activities (before initial/subsequent transfer to plan assets)		**−4,130**	**−490**
Initial/subsequent transfer to plan assets		−440	−1,305
Cash flows from investing activities of continuing operations (after initial/subsequent transfer to plan assets)		**−4,570**	**−1,795**
Cash flows from investing activities of discontinued operations			−111
Cash flows from investing activities (after initial/subsequent transfer to plan assets)		**−4,570**	**−1,906**
Net change in equity (incl. non-controlling interests)		4,514	−1,523
Dividends paid to RWE AG shareholders and non-controlling interests		−407	−1,070
Issuance of financial debt		5,732	5,451
Repayment of financial debt		−5,557	−5,161
Cash flows from financing activities of continuing operations		**4,282**	**−2,303**
Cash flows from financing activities of discontinued operations			260
Cash flows from financing activities		**4,282**	**−2,043**
Net cash change in cash and cash equivalents		2,064	−735
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		−24	14
Net change in cash and cash equivalents		**2,040**	**−721**
Cash and cash equivalents at beginning of the reporting period		2,536	3,257
of which: reported as 'Assets held for sale'		−14	−86
Cash and cash equivalents at beginning of the reporting period as per the consolidated balance sheet		2,522	3,171
Cash and cash equivalents at the end of the reporting period		4,576	2,536
of which: reported as 'Assets held for sale'			−14
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet		**4,576**	**2,522**

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					
					Available for sale	Used for hedging purposes				
Note (22)										
Balance at 1 Jan 2015	**1,574**	**2,385**	**5,008**	**−201**	**234**	**−1,612**	**7,388**	**2,705**	**1,679**	**11,772**
Capital paid out/paid in								−1,750	58	−1,692
Dividends paid[1]			−615				−615	−153	−245	−1,013
Income			−170				−170	98	356	284
Other comprehensive income			−691	206	−212	−139	−836		−51	−887
Total comprehensive income			−861	206	−212	−139	−1,006	98	305	−603
Other changes			80				80	50	300	430
Balance at 31 Dec 2015	**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**

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

3.6 NOTES

Basis of presentation

RWE AG, headquartered at Opernplatz 1, 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 2016 were approved for publication on 27 February 2017 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. 315a, 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 2016.

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 155 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 2016	**146**	**177**	**323**
First-time consolidation	7	16	23
Deconsolidation	–1	–6	–7
Mergers	–17	–7	–24
31 Dec 2016	**135**	**180**	**315**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
1 Jan 2016	**70**	**21**	**91**
Acquisitions			
Disposals		–2	–2
Other changes		–2	–2
31 Dec 2016	**70**	**17**	**87**

Furthermore, six companies are presented as joint operations (previous year: five). Of these, Greater Gabbard Offshore Winds Ltd., 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) for sale within the group. 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.

Disposals

Lynemouth
In January 2016, RWE Supply & Trading GmbH sold Lynemouth Power Ltd., the operator of a 420 MW coal-fired power plant in Lynemouth, to EP UK Investment Ltd., a subsidiary of Energetický a prumyslový holding (EPH). This investment was part of the segment Trading/Gas Midstream. The gain on the deconsolidation amounted to €33 million and has been recognised as part of 'Other operating income' on the income statement. As of 31 December 2015, Lynemouth Power Ltd. was reported in the balance sheet with carrying amounts of €41 million as assets held for sale and of €19 million as liabilities held for sale.

Enovos
In March 2016, RWE sold its 18.4% stake in the Luxembourg-based energy utility Enovos International S.A. to a consortium led by the Grand Duchy of Luxembourg and the investment firm Ardian. The investment was part of the segment Other/Consolidation.

Zephyr
In June 2016, the Executive Boards of RWE AG and innogy SE (previously: RWE International SE) approved the sale of 33.3% of the shares in the associate Zephyr Investments Limited (Zephyr) and the related shareholder loans. The associate was assigned to the segment innogy. The transaction was completed at the end of July 2016.

innogy

On 7 October 2016, our subsidiary innogy issued shares from a capital increase on the Frankfurt Stock Exchange. As part of this initial public offering, RWE sold 13.2% of its interest in innogy at a price of €36 per share. The proceeds of €2.6 billion from the sale of 73,375,315 shares resulted in an increase of €1.4 billion in the equity of RWE AG's shareholders and an increase of €1.2 billion in non-controlling interests. With the capital increase and sale of shares from RWE's own holdings, RWE's interest in innogy declined to 76.8%.

In total, sales of shares which led to a change of control resulted in sales proceeds from disposals amounting to €62 million, which were reported in 'Other operating income', 'Other operating expenses' and 'Other income from investments' (previous year: €64 million). Of this, €8 million (previous year: €23 million) pertained to revaluation 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 €55 million (previous year: €45 million) and sales prices amounted to €84 million (previous year: €4,325 million); all payments were made in cash. In relation to this, cash and cash equivalents (excluding 'Assets held for sale') were acquired in the amount of €0 million (previous year: €2 million) and were disposed of in the amount of €1 million (previous year: €126 million).

Changes in the scope of consolidation increased non-current assets (including deferred taxes) by €55 million (previous year: €863 million) and decreased current assets (excluding cash and cash equivalents) by €54 million (previous year: €5,453 million); non-current and current liabilities declined by €15 million (previous year: €2,596 million). On balance, cash and cash equivalents (excluding 'Assets held for sale') increased by €2 million (previous year: decline of €49 million).

Effects of changes in the scope of consolidation have been stated in the Notes insofar as they are of particular importance.

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. One subsidiary has a different balance-sheet date of 31 March (previous year: four). Different fiscal years compared to the calendar year stem from business or 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 under other operating income or expenses.

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 €	2016	2015	31 Dec 2016	31 Dec 2015
1 US dollar	0.91	0.91	0.95	0.92
1 pound sterling	1.22	1.38	1.17	1.36
100 Czech korunas	3.70	3.67	3.70	3.70
100 Hungarian forints	0.32	0.32	0.32	0.32
1 Polish zloty	0.23	0.24	0.23	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' for which a considerable period of time is required to prepare the asset 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	10 – 75
Technical plants	
Thermal power plants	10 – 60
Wind turbines	up to 23
Electricity grids	20 – 45
Water main networks	11 – 80
Gas and water storage facilities	11 – 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 groupwide 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 (for Germany, in particular the 'Richttafeln 2005 G' by Klaus Heubeck, and the Standard SAPS Table S2PA 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 recognised based on the increase in the obligation, e.g. in line with lignite production. Such provisions are measured at full expected cost or according to estimated compensation payments.

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. During the reporting period, RWE's capital structure mainly changed due to the sale of shares in innogy SE. Revenues from the sale resulted in an increase in financial assets and thus contributed to a significant reduction in net financial debt to €1.7 billion (previous year: €7.4 billion). Consequently, most of RWE's net debt consists of provisions amounting to €22.1 billion (previous year: €19.1 billion); on average, these 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 55 of the review of operations.

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

Among other things, RWE managed its capital structure on the basis of financial indicators in fiscal 2016. 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; furthermore, hybrid capital is corrected, with the result that one half of this is included in net debt. The debt factor is the ratio of net debt to adjusted EBITDA. During the reporting period, it was 4.2 (previous year: 3.6). Following the IPO of innogy, RWE AG is reviewing its financial management indicators. The financial indicators which will be relevant in the future are currently being defined.

Our 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, Fitch and Standard & Poor's, classify part of hybrid capital as equity.

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

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 2016:

- Amendments to IAS 1 Disclosure Initiative (2014)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (2014)
- Amendments to IAS 16 and IAS 41 – Bearer Plants (2014)
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (2013)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (2014)
- Annual Improvements to IFRSs 2012-2014 Cycle (2014)
- Annual Improvements to IFRSs 2010-2012 Cycle (2013)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (2014)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (2014)

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 2016. 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.

In relation to the classification and measurement of financial assets, RWE does not currently expect any material impacts on the accounting treatment of debt instruments. Shares in mutual funds will mostly be recognised at fair value through profit or loss. At this point, it is not possible to estimate the extent to which the effects from the fair value measurement of equity instruments will be material. Furthermore, no decision has yet been reached on exercising the option to recognise fair value changes in other comprehensive income for equity instruments. Hardly any changes are anticipated in relation to the classification and measurement of financial liabilities.

The recognition of expected losses pursuant to the new impairment model is anticipated to result in the earlier recognition of impairments, and in lower equity and higher volatility in the income statement at the time of transition.

RWE currently expects that the previous hedge accounting can be continued. The extent to which additional hedge accounting relationships can be designated on the basis of IFRS 9 is currently being reviewed. The exercise of the fair value option for own-use contracts is still under review. The possibility of excluding the fair value component for options in hedge accounting will probably not be 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.

System-related and reporting adjustments are necessary to ensure the presentation of the new information in the notes, in particular with regard to hedge accounting, credit risks and expected losses.

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. 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. This is the case 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. First-time application can occur fully retrospectively or based on a retrospective application without adjustment of the comparative period (modified retrospective application). RWE is currently examining the results of the analysis of the impact of IFRS 15 on contracts. A preliminary assessment identified the following areas of possible change in accounting for revenue under IFRS 15.

Supply of energy to households
Customers can receive a free gift as an incentive for closing a contract such as a thermostat, a voucher or a household appliance. Under IFRS 15, revenue will have to be recognised for these free gifts if certain conditions are met. If these gifts are identified as separate performance obligations, the corresponding revenue will be recognised upon transfer of control over the good. In addition to that, goods offered at a reduced price are subject to a different allocation of the transaction price compared to IAS 18. Both will result in an earlier revenue recognition for the transaction price allocated to the free gifts and reduced goods, respectively.

If a contract includes a warranty, a distinction needs to be made between an assurance-type warranty, which provides a customer with assurance that the related product will function as intended, and a service-type warranty, that provides additional services to the customer. Assurance-type warranties do not represent additional services to the customer and thus do not comprise separate performance obligations. Service-type warranties represent a separate performance obligation to which a portion of revenue will be allocated. Recognition of the related revenue will have to take place depending on the terms and conditions in the warranty clause in the contract. This is likely to cause a change in the pattern of revenue recognition.

Supply of energy to businesses
Contracts with businesses often contain a band-width clause, allowing customers to deviate their actual consumption from the contracted volume. At the same time, a penalty clause will be applicable for the situation that actual take off will be out of band-width. When this penalty would be considered significant and the consumption is not metered on a monthly basis, the accounting of advances received may require a change.

Principal-Agent relations
IFRS 15 includes additional guidance to determine an entity's role as either principal or agent. In the future, the Standard focuses on control over the good or service, and no longer on the distribution of risks and rewards. Consequently, it can occur that in some cases companies no longer qualify as a principal and do not report revenue, but rather that they generate commission revenue from their agent activities.

Further effects and first-time application
The presentation and disclosure requirements under IFRS 15 are more detailed in comparison to the current guidance according to IAS 18. RWE is currently reviewing the new disclosure notes and modifying its systems and processes in order to comply with the new requirements. RWE will probably use the modified retrospective application as the transition method for first-time application. RWE does not intend to adopt IFRS 15 early. Furthermore, RWE is already considering the Clarifications to IFRS 15 issued by the IASB in April 2016, even though these are not yet endorsed, and will monitor any further developments.

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 does not expect to apply IFRS 16 early starting from 2018 in conjunction with IFRS 15. The effects of IFRS 16 (2016) on the consolidated financial statements are currently being reviewed.

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 7 Disclosure Initiative (2016)
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (2016)
- Amendments to IAS 40 Transfers of Investment Property (2016)
- Annual Improvements to IFRS Standards 2014-2016 Cycle (2016). This collective standard contains amendments and clarifications to IFRS 1, IFRS 12 and IAS 28.
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (2016)
- 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.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (2016)

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. Reporting in net figures is used for the gas trading business in particular starting from fiscal 2016. The previous year's figures were adjusted by €509 million. By contrast, we report electricity, gas, coal and oil transactions that are subject to physical settlement on a gross basis. Energy trading revenue is generated by the segment Trading/Gas Midstream. In fiscal 2016, gross revenue (including energy trading) totalled €87,208 million (previous year: €103,169 million).

A breakdown of revenue by division and geographical region is contained in the segment reporting on page 148 et seq. Revenue increased by a net total of €423 million as a result of first-time consolidations and deconsolidations.

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	2016	2015
Income from own work capitalised	252	291
Income from changes in finished goods and work in progress	11	77
Release of provisions	208	265
Cost allocations/refunds	68	76
Disposal and write-back of current assets (excluding marketable securities)	77	57
Disposal and write-back of non-current assets including income from deconsolidation	273	286
Income from derivative financial instruments	37	211
Compensation and insurance benefits	128	575
Rent and lease	18	20
Remeasurement gain in step acquisitions		159
Miscellaneous	363	403
	1,435	**2,420**

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.

Changes in the scope of consolidation reduced other operating income by €7 million.

(3) Cost of materials

Cost of materials € million	2016	2015
Cost of raw materials and of goods for resale	20,977	21,926
Cost of purchased services	12,420	11,941
	33,397	**33,867**

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 €41,375 million in energy trading revenue (previous year: €55,079 million) was netted out against cost of materials. Due to the net reporting of gas trading transactions starting from fiscal 2016, the figures for the previous year were adjusted by €509 million. Changes in the scope of consolidation resulted in an increase of €302 million in the cost of materials.

(4) Staff costs

Staff costs € million	2016	2015
Wages and salaries	3,840	3,728
Cost of social security, pensions and other benefits	937	1,075
	4,777	**4,803**

Number of employees	2016	2015
Employees covered by collective agreements and other employees	46,543	46,707
Employees not covered by collective agreements	12,530	12,643
	59,073	**59,350**

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, 2,070 trainees were employed (previous year: 2,140). Trainees are not included in the personnel headcount.

An increase of €43 million in staff costs is attributable to changes in the scope of consolidation.

(5) Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses € million	2016	2015
Intangible assets	254	472
Property, plant and equipment	6,388	5,045
Investment property	5	5
	6,647	**5,522**

In respect of amortisation on intangible assets, €26 million (previous year: €24 million) pertained to customer bases of acquired enterprises.

Changes in the scope of consolidation increased depreciation, amortisation and impairments losses by €36 million.

Impairments € million	2016	2015
Intangible assets	25	236
Property, plant and equipment	4,354	2,874
Investment property	1	
	4,380	**3,110**

An impairment loss of €3,695 million (previous year: €1,510 million) was recognised for the German power plant portfolio in the segment Conventional Power Generation, mainly due to the current assessment of the short, medium and long-term development of electricity prices, the regulatory environment and the lower utilisation of the power plant portfolio (recoverable amount: €1.3 billion; previous year: €6.1 billion).

In the previous year, an impairment loss of €654 million was recognised for a power plant unit in Germany in the segment Conventional Power Generation, as this unit was shut down.

An impairment loss of €168 million was recognised for a Turkish power plant in the segment Conventional Power Generation, due to changes in the market situation, mainly based on the current assessment of the short, medium and long-term electricity price developments (recoverable amount: €0.2 billion).

An impairment loss of €106 million was recognised for the Scottish biomass-fired power plant Markinch, which is reported in the segment Conventional Power Generation, mainly as a result of changes in assumptions about the subsidisation of renewables and lower availability (recoverable amount: €0.2 billion).

In the previous year, an impairment loss of €568 million was recognised for British power plants in the segment Conventional Power Generation, due to changes in the market situation as a result of the capacity market auctions (recoverable amount: €1.9 billion).

Due to changes in price expectations, an impairment loss of €58 million (previous year: €101 million) was recognised for the property, plant and equipment of the joint operation N.V. Elektriciteits-Produktiemaatschappij Zuid-Nederland EPZ, Borssele/Netherlands, which is part of the segment Conventional Power Generation (recoverable amount: €0 billion, previous year: €0.1 billion).

An impairment loss of €97 million was recognised for onshore wind farms in Poland in the segment innogy (of which: €90 million on property, plant and equipment and €7 million on operating rights reported as intangible assets), mainly due to a deterioration in regulatory conditions in Poland (recoverable amount: €0.2 billion).

Above and beyond this, in the segment innogy an impairment loss of €204 million was recognised for gas storage facilities (of which: €186 million on property, plant and equipment and €18 million on intangible assets), primarily due to changes in price expectations (recoverable amount: €0.1 billion).

In relation to intangible assets, an impairment loss of €173 million was recognised in the previous year for IT systems in the segment innogy, due to impairment of these assets (recoverable amount: €0.2 billion).

Other impairments on 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 of the German power plant portfolio was based on a discount rate of 4.25% (previous year: 4.75%); the other valuation models used discount rates ranging from 4.00% to 9.75% (previous year: 1.25% to 5.50%). 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	2016	2015
Maintenance and renewal obligations	320	537
Additions to provisions	1,787	286
Concessions, licenses and other contractual obligations	443	436
Structural and adaptation measures	–108	166
Legal and other consulting and data processing services	267	303
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	239	327
Disposal of non-current assets including expenses from deconsolidation	36	58
Insurance, commissions, freight and similar distribution costs	178	182
General administration	128	142
Advertising	268	203
Expenses from derivative financial instruments	46	47
Lease payments for plant and grids as well as rents	130	140
Postage and monetary transactions	61	72
Fees and membership dues	136	134
Exchange rate losses	17	57
Other taxes (primarily on property)	78	98
Miscellaneous	297	420
	4,323	**3,608**

Expenses for structural and adaptation measures include income of €79 million from the release of provisions for restructuring measures.

Changes in the scope of consolidation reduced other operating expenses by €28 million.

(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	2016	2015
Income from investments accounted for using the equity method	**387**	**238**
of which: amortisation / impairment losses / write-backs on investments accounted for using the equity method		−107
Income from non-consolidated subsidiaries	−9	
of which: amortisation / impairment losses on non-consolidated subsidiaries	−17	−7
Income from other investments	28	32
of which: impairment of shares in other investments	−18	−10
Income from the disposal of investments	130	231
Expenses from the disposal of investments	10	34
Income from loans to investments	22	35
Expenses from loans to investments	8	18
Other income from investments	**153**	**246**
	540	**484**

Expenses from loans to investments relate exclusively to impairment losses.

Of the impairment on investments accounted for using the equity method, in the previous year €102 million pertained to an investment in the segment innogy, due to ongoing sales negotiations (recoverable amount: €0.2 billion). The recoverable amount was determined based on fair value less costs to sell and is classified under Level 1 of the fair value hierarchy.

(8) Financial result

Financial result € million	2016	2015
Interest and similar income	271	265
Other financial income	1,612	1,600
Financial income	**1,883**	**1,865**
Interest and similar expenses	914	1,069
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	134	153
Provisions for nuclear waste management as well as to mining provisions	876	571
Other provisions	277	97
Other finance costs	1,910	1,564
Finance costs	**4,111**	**3,454**
	−2,228	**−1,589**

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 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, €7 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (previous year: €5 million). The underlying capitalisation rate ranged from 4.4% to 5.0% (previous year: from 5.0% to 5.1%).

Net interest € million	2016	2015
Interest and similar income	271	265
Interest and similar expenses	914	1,069
	–643	**–804**

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

Interest result by category € million	2016	2015
Loans and receivables	173	181
Financial assets available for sale	98	84
Financial liabilities carried at (amortised) cost	–914	–1,069
	–643	**–804**

Other financial income includes €199 million in gains realised from the disposal of marketable securities (previous year: €297 million). Of the other finance costs, €318 million (previous year: €129 million) stem from realised losses on the disposal of marketable securities.

(9) Taxes on income

Taxes on income € million	2016	2015
Current taxes on income	819	544
Deferred taxes	–1,142	59
	–323	**603**

Of the deferred taxes, –€1,521 million is related to temporary differences (previous year: €637 million). In the year under review, changes in valuation allowances for deferred tax assets amounted to €1,460 million (previous year: €777 million).

Current taxes on income contain –€92 million in net tax expenses (previous year: income of €75 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €4 million (previous year: €7 million). Expenses from deferred taxes declined by €121 million (previous year: €100 million), due to reassessments of and previously unrecognised tax carryforwards.

Changes in the scope of consolidation increased income taxes by €24 million.

Income taxes recognised in other comprehensive income € million	2016	2015
Fair valuation of financial instruments available for sale	5	25
Fair valuation of financial instruments used for hedging purposes	–579	26
Actuarial gains and losses of defined benefit pension plans and similar obligations[1]	430	–1,595
	–144	**–1,544**

1 Including valuation allowances.

Taxes in the amount of €6 million (previous year: €38 million) were offset directly against equity.

Tax reconciliation € million	2016	2015
Income from continuing operations before tax	**–5,807**	**–637**
Theoretical tax expense	**–1,852**	**–200**
Differences to foreign tax rates	–62	58
Tax effects on		
Tax-free domestic dividends	–55	–84
Tax-free foreign dividends	–5	–10
Other tax-free income	–3	–15
Expenses not deductible for tax purposes	42	44
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	–46	19
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	1,247	–60
Income on the disposal of investments	64	–97
Changes in foreign tax rates	–6	
Other allowances for deferred taxes in the RWE AG tax group	752	871
Other changes in deferred taxes from Group restructuring	–560	
Other	161	77
Effective tax expense	**–323**	**603**
Effective tax rate in %	5.6	–94.7

The theoretical tax expense is calculated using the tax rate for the RWE Group of 31.9% (previous year: 31.4%). 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 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

Cost						
Balance at 1 Jan 2015	1,015	2,733	3,074	11,507	1	18,330
Additions/disposals due to changes in the scope of consolidation	−1	15	83	271		368
Additions	206	55		10	5	276
Transfers	3	9				12
Currency translation adjustments	53	20	162	191	1	427
Disposals	139	42				181
Balance at 31 Dec 2015	1,137	2,790	3,319	11,979	7	19,232
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2015	542	2,137	2,854			5,533
Additions/disposals due to changes in the scope of consolidation	−1	−6				−7
Amortisation/impairment losses in the reporting period	236	211	24		1	472
Transfers						
Currency translation adjustments	24	8	162			194
Disposals	137	38				175
Balance at 31 Dec 2015	664	2,312	3,040		1	6,017
Carrying amounts						
Balance at 31 Dec 2015	473	478	279	11,979	6	13,215

In the reporting period, the RWE Group's total expenditures on research and development amounted to €165 million (previous year: €268 million). Development costs of €115 million were capitalised (previous year: €209 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2016	31 Dec 2015
Grid & Infrastructure Germany	2,768	2,696
Grid & Infrastructure Eastern Europe	1,107	1,107
Retail Netherlands/Belgium	2,670	2,695
Retail Germany	928	898
Retail United Kingdom	2,070	2,414
Retail Eastern Europe	409	409
Renewables	705	754
Trading/Gas Midstream	1,006	1,006
	11,663	**11,979**

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 segment innogy, new cash-generating units were formed as of 1 January 2016. In doing so, goodwill was transferred from the former cash-generating unit Supply/Distribution Networks Germany: €2,696 million was transferred to the new cash-generating unit Grid & Infrastructure Germany and €898 million was transferred to the new cash-generating unit Retail Germany. Goodwill of €1,107 million and €409 million was transferred from the former cash-generating unit Central-eastern/Southeastern Europe to the new cash-generating units Grid & Infrastructure Eastern Europe and Retail Eastern Europe, respectively.

The impairment test carried out in relation to the formation of new cash-generating units did not result in any impairments.

In the year under review, goodwill decreased by €0 million (previous year: €22 million) as a result of deconsolidations. In the cash-generating units Retail Germany and Grid & Infrastructure Germany, changes in current redemption liabilities from put options resulted in an increase in goodwill without an effect on income; these are included in additions in the amount of €92 million (previous year: increase of €197 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 4.0 % to 5.75 % after tax (previous year: 4.5 % to 6.0 %).

For the extrapolation of future cash flows going beyond the detailed planning horizon, we use constant growth rates of 0.0 % to 1.0 % (previous year: 0.0 % to 1.0 %). These figures are derived from experience and future expectations for the individual divisions and do not exceed the long-term average growth rates in the markets in which the Group companies are active. In calculating cash flow growth rates, the capital expenditures required to achieve the assumed cash flow growth are subtracted.

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 the operating result after taxes in terminal value.

The cash-generating unit Grid & Infrastructure Eastern Europe exhibits the smallest surplus of recoverable amount over the carrying amounts. The recoverable amount was €1.5 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 1.6 percentage points to above 6.6 %, a growth rate decreased by more than 1.9 percentage points to below –1.9 %, or an after-tax operating result reduced by more than €83 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 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
Cost					
Balance at 1 Jan 2015	7,047	66,760	1,960	7,211	82,978
Additions/disposals due to changes in the scope of consolidation	20	412	160	–183	409
Additions	116	1,886	132	646	2,780
Transfers	394	5,545	103	–6,054	–12
Currency translation adjustments	32	395	15	121	563
Disposals	120	1,031	124	31	1,306
Balance at 31 Dec 2015	7,489	73,967	2,246	1,710	85,412
Accumulated depreciation/impairment losses					
Balance at 1 Jan 2015	3,732	44,286	1,484	2,417	51,919
Additions/disposals due to changes in the scope of consolidation	–8	–114	5		–117
Amortisation/impairment losses in the reporting period	307	3,952	153	634	5,046
Transfers	206	1,890	32	–2,129	–1
Currency translation adjustments	10	150	12		172
Disposals	27	806	117		950
Additions	14				14
Balance at 31 Dec 2015	4,206	49,358	1,569	922	56,055
Carrying amounts					
Balance at 31 Dec 2015	3,283	24,609	677	788	29,357

In the previous year, disposals due to changes in the scope of consolidation included technical plants and machinery with a book value of €10 million, which were classified as 'Held for sale'.

With effect from 1 January 2016, the useful life of opencast mine developments was brought in line with current economic circumstances as part of the annual review. In fiscal 2016, this caused depreciation and amortisation to decline by €54 million. Property, plant and equipment in the amount of €87 million (previous year: €13 million) were subject to restrictions from land charges, chattel mortgages or other restrictions. Of the total carrying amount of property, plant and equipment, €250 million (previous year: €282 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 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

Investment Property € million	
Cost	
Balance at 1 Jan 2015	264
Additions	1
Transfers	2
Disposals	49
Balance at 31 Dec 2015	218
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2015	181
Depreciation/impairment losses in the reporting period	5
Transfers	1
Disposals	41
Write-backs	
Balance at 31 Dec 2015	146
Carrying amounts	
Balance at 31 Dec 2015	72

As of 31 December 2016, the fair value of investment property amounted to €127 million (previous year: €150 million), of which €23 million is assigned to Level 2 (previous year: €27 million) and €104 million is assigned to Level 3 (previous year: €123 million) of the fair value hierarchy. Of the fair value, €48 million (previous year: €57 million) is based on valuations by independent appraisers. Of the carrying amount of investment property, €4 million (previous year: €5 million) is attributable to assets leased under finance leases. Rental income in the reporting period amounted to €12 million (previous year: €12 million). Direct operating expenses totalled €8 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		RheinEnergie AG, Cologne	
€ million	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Balance sheet[1]						
Non-current assets	3,062	2,642	1,607	1,595	1,589	1,557
Current assets	2,092	2,289	318	261	732	944
Non-current liabilities	648	674	837	809	751	813
Current liabilities	2,627	2,429	261	262	573	696
Share of equity[2]	472	459	341	339	203	183
Consolidation measures			198	198		
Carrying amounts	472	459	540	537	203	183
Statement of comprehensive income[1]						
Revenue	12,210	11,449	1,383	1,441	2,281	2,291
Income	142	111	90	83	147	103
Other comprehensive income	−8	15	−6	−18	−35	−51
Total comprehensive income	134	126	84	66	111	53
Dividends	21	24	30	15	28	25
RWE shareholding	25%	25%	49%	49%	20%	20%

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. The consolidation measures reported above are primarily related to goodwill recognised upon acquisition.

RheinEnergie AG, headquartered in Cologne, supplies residential customers and businesses in Cologne and the Rhineland with electricity, natural gas, water and heat. Via innogy SE, RWE has a stake of 20% in RheinEnergie AG.

Non-material investments accounted for using the equity method	Associates		Joint ventures	
€ million	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Income (pro-rata)	203	36	115	134
Other comprehensive income	10	−36	14	−24
Total comprehensive income	213		129	110
Carrying amounts	1,403	1,520	494	435

The RWE Group holds shares with a book value of €98 million (previous year: €92 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 2016	31 Dec 2015
Non-consolidated subsidiaries	280	147
Other investments	535	499
Non-current securities	240	239
	1,055	**885**

Non-current securities primarily consist of fixed-interest marketable securities and shares of listed companies. Long-term securities amounting to €102 million and €15 million (previous year: €116 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 2016		31 Dec 2015	
€ million	Non-current	Current	Non-current	Current
Loans to non-consolidated subsidiaries and investments	249	5	233	5
Collateral for trading activities		719		568
Other financial receivables				
Accrued interest		86		111
Miscellaneous other financial receivables	154	661	268	390
	403	**1,471**	**501**	**1,074**

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 €87 million related to the financing of the pension commitments of two RWE Group companies.

(16) Other receivables and other assets

Other receivables and other assets	31 Dec 2016		31 Dec 2015	
€ million	Non-current	Current	Non-current	Current
Derivatives	1,080	5,414	1,726	6,881
Capitalised surplus of plan assets over benefit obligations	29		15	
Prepayments for items other than inventories		305		59
CO_2 emission allowances		208		323
Miscellaneous other assets	66	1,491	69	1,825
	1,175	**7,418**	**1,810**	**9,088**
of which: financial assets	1,120	5,699	1,756	7,402
of which: non-financial assets	55	1,719	54	1,686

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.

Changes in the scope of consolidation increased other receivables and other assets by €3 million.

(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 2016, no deferred tax liabilities were recognised for the difference between net assets and the carrying value of the subsidiaries and associates for tax purposes (so-called 'outside basis differences') in the amount of €463 million (previous year: €245 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. €3,018 million and €2,764 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €1,715 million and €1,231 million).

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

Deferred taxes € million	31 Dec 2016 Assets	31 Dec 2016 Liabilities	31 Dec 2015 Assets	31 Dec 2015 Liabilities
Non-current assets	1,302	1,340	840	1,701
Current assets	1,262	2,075	204	1,137
Exceptional tax items	1	874	10	254
Non-current liabilities				
Provisions for pensions	1,786	161	341	32
Other non-current provisions	1,030	183	1,274	462
Current liabilities	1,756	689	1,511	94
	7,137	**5,322**	**4,180**	**3,680**
Tax loss carryforwards				
Corporate income tax (or comparable foreign income tax)	334		480	
Trade tax	12		253	
Gross total	**7,483**	**5,322**	**4,913**	**3,680**
Netting	−4,599	−4,599	−2,447	−2,447
Net total	**2,884**	**723**	**2,466**	**1,233**

As of 31 December 2016, RWE reported deferred tax claims which exceeded the deferred tax liabilities by €370 million (previous year: €1,325 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 €7,935 million and €3,139 million, respectively (previous year: €2,975 million and €423 million). Of these income tax loss carryforwards, €4,016 million will apply to the following nine years. The other loss carryforwards can essentially be used for an unlimited period.

As of 31 December 2016, temporary differences for which no deferred tax assets were recognised amounted to €9,748 million (previous year: €9,836 million).

In the year under review, a deferred tax expense of −€38 million arising from the currency translation of foreign financial statements was offset against equity (previous year: −€1 million).

(18) Inventories

Inventories € million	31 Dec 2016	31 Dec 2015
Raw materials, incl. nuclear fuel assemblies and earth excavated for lignite mining	1,144	1,342
Work in progress – goods/services	196	222
Finished goods and goods for resale	627	393
Prepayments	1	2
	1,968	**1,959**

In the previous year, inventories in the amount of €143 million were sold to a non-consolidated, structured entity at arms' length conditions. This generated revenues of €154 million.

The carrying amount of inventories acquired for resale purposes was €69 million (previous year: €37 million). Of this, €45 million related to gas inventories (previous year: €6 million), €18 million related to coal inventories (previous year: €5 million) and €6 million related to biomass inventories (previous year: €26 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.

Changes in the scope of consolidation increased inventories by €3 million.

(19) Trade accounts receivable

Trade accounts receivable declined by €25 million due to changes in the scope of consolidation.

(20) Marketable securities

Of the current marketable securities, €9,171 million were fixed-interest marketable securities (previous year: €5,630 million) with a maturity of more than three months from the date of acquisition, and €654 million were stocks and profit-participation certificates (previous year: €1,807 million). Marketable securities are stated at fair value. Securities in the amount of €185 million (previous year: €708 million) were deposited with clearing banks as collateral. 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.

(21) Cash and cash equivalents

Cash and cash equivalents € million	31 Dec 2016	31 Dec 2015
Cash and demand deposits	4,535	2,521
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	41	1
	4,576	**2,522**

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 2016.

(22) Equity

A breakdown of fully paid-up equity is shown on page 96.
The subscribed capital of RWE AG is structured as follows:

Subscribed capital	31 Dec 2016 Number of shares		31 Dec 2015 Number of shares		31 Dec 2016 Carrying amount	31 Dec 2015 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 2016.

In fiscal 2016, RWE AG or its indirect majority-owned subsidiary innogy SE purchased a total of 10,880 RWE common shares for a purchase price of €149,339.26 on the capital market. This is equivalent to €27,852.80 of the capital stock (0.00177% of subscribed capital). These common shares were passed on to employees of the subsidiaries for service anniversaries. This generated total proceeds of €149,339.26, which corresponds to the purchase price.

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.

innogy SE, a subsidiary of RWE AG, was listed on the stock exchange on 7 October 2016. In total, 128,930,315 shares were placed with private and institutional investors, at a price of €36 per share. Of these shares, 55,555,000 came from a capital increase by innogy and 73,375,315 million were from the holdings of RWE AG. Due to the capital increase, equity rose by €2 billion, of which €1.1 billion is attributable to the shareholders of RWE AG. Transaction expenses of €25 million after taxes were offset against retained earnings.

The difference between the €2.6 billion received as compensation for the shares of RWE AG which were sold and the carrying value of the shares sold amounted to €1.2 billion and was recognised in retained earnings, after taking into account transaction costs and deferred taxes. The transaction results in an increase of €1.4 billion in the equity attributable to RWE shareholders, and consequently the equity capital share of RWE shareholders increased by €2.6 billion. Transaction costs of €50 million after taxes were offset against retained earnings.

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 €1,425 million (previous year: €98 million) and the share of equity attributable to other shareholders changed by a total of €1,162 million (previous year: €71 million).

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 2016, the share of accumulated other comprehensive income attributable to investments accounted for using the equity method amounted to €26 million (previous year: €43 million).

During the reporting year, –€1 million in differences from currency translation which had originally been recognised without an effect on income were realised as income (previous year: expense of €33 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 €2 million as an expense (previous year: €0 million) during the year under review.

Dividend proposal

We propose to the Annual General Meeting that RWE AG's distributable profit for fiscal 2016 be appropriated as follows:

Distribution of a dividend of €0.13 per individual dividend-bearing preferred share. There is no distribution for common shares.

Dividend	€5,070,000.00
Profit carryforward	€24,771.07
Distributable profit	€5,094,771.07

Based on a resolution of RWE AG's Annual General Meeting on 20 April 2016, the dividend for fiscal 2015 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	2016	2015
Actuarial gains and losses of defined benefit pension plans and similar obligations	182	–59
Pro-rata income and expenses of investments accounted for using the equity method	–29	
Income and expenses recognised directly in equity, not to be reclassified through profit or loss	**153**	**–59**
Currency translation adjustment	–219	43
Fair valuation of financial instruments available for sale	18	–35
Fair valuation of financial instruments used for hedging purposes	2	
Pro-rata income and expenses of investments accounted for using the equity method	6	
Income and expenses recognised directly in equity, to be reclassified through profit or loss in the future	**–193**	**8**
	–40	**–51**

Material non-controlling interests of the innogy Group:

Subsidiaries with material non-controlling interests € million	innogy Group	
	31 Dec 2016	31 Dec 2015
Balance sheet		
Non-current assets	36,239	38,235
Current assets	10,651	19,737
Non-current liabilities	24,442	23,700
Current liabilities	11,781	15,812
Statement of comprehensive income		
Revenue	41,549	43,456
Other comprehensive income	−457	285
Total comprehensive income	1,329	2,223
Cash flows from operating activities	2,674	2,755
Non-controlling interests	3,997	1,811
Dividends paid to non-controlling interests	231	227
Income of non-controlling interests	219	320
Shareholdings of non-controlling interests	23.2 %	

Additionally, there are non-controlling interests in subsidiaries of innogy SE.

(23) Share-based payment

For the executives of RWE AG and subordinate affiliates, there is a groupwide share-based payment system known as Beat 2010. The expenses associated with these are borne by the Group companies which employ the persons holding notional stocks.

	Beat 2010			
	2012 tranche Waiting period: 4 years	2013 tranche Waiting period: 4 years	2014 tranche Waiting period: 4 years	2015 tranche Waiting period: 4 years
Grant date	1 Jan 2012	1 Jan 2013	1 Jan 2014	1 Jan 2015
Number of conditionally granted performance shares	6,942,033	5,355,398	2,787,806	3,643,361
Term	5 years	5 years	5 years	5 years
Pay-out conditions	Possible pay-out on three exercise dates (valuation dates: Dec 31 of the fourth year, June 30 and Dec 31 of the fifth year) if – as of the valuation date – an outperformance compared to at least 25% of the peer group of the STOXX Europe 600 Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return, which takes into account both the development of the share price together with reinvested dividends. Automatic pay-out occurs on the third valuation date; the number of performance shares available for pay-out can be freely chosen on the first and second valuation date.			
Determination of payment	1. Determination of the index weighting of the peer group companies which exhibit a lower Total Shareholder Return than RWE at the valuation date. 2. The total number of performance shares which can be paid out is determined on the basis of a linear payment curve. If the index weighting of 25% is outperformed, 7.5% of the conditionally-granted performance shares can be paid out. Another 1.5% of the performance shares granted can be paid out for each further percentage point above and beyond the index weighting of 25%. 3. Payment corresponds to the number of payable performance shares valued at the average RWE share price during the last 60 exchange trading days prior to the valuation date. The payment for each performance share is limited to twice the value of each performance share as of the grant date.			
Change in corporate control/merger	▪ If during the waiting period there is a change in corporate control, a compensatory payment is made. This is calculated by multiplying the price paid in the acquisition of the RWE shares by the final number of performance shares which have not been used. The latter shall be determined as per the plan conditions with regard to the time when the bid for corporate control is submitted. ▪ In the event of merger of RWE AG with another company, the performance shares shall expire and a compensatory payment shall be made. First, the fair value of the performance shares as of the time of merger shall be calculated. This fair value is then multiplied by the number of performance shares granted, reduced pro-rata. The reduction factor is calculated as the ratio of the time from the beginning of the total waiting period until the merger takes place to the entire waiting period of the programme, multiplied by the ratio of the performance shares not yet used as of the time of the merger to the total number of performance shares granted at the beginning of the programme.			
Personal investment	As a prerequisite for participation, plan participants must demonstrably invest one sixth of the gross grant value of the performance shares before taxes in RWE common shares and hold such investment until expiration of the waiting period of the tranche in question.			
Form of settlement	Cash settlement			

The fair values of the performance shares conditionally granted in the Beat programme as of the grant date are shown in the following table:

Performance shares from Beat 2010 in €	2012 tranche	2013 tranche	2014 tranche	2015 tranche
Fair value per share	6.66	8.09	7.44	5.05

These fair values were calculated externally using a stochastic, multivariate Black-Scholes standard model via Monte Carlo simulations on the basis of one million scenarios each. In the calculations, due consideration was taken of the maximum payment stipulated in the programme's conditions for each conditionally granted performance share, the discount rates for the remaining term, the volatilities and the expected dividends of RWE AG and of peer companies.

In the year under review, the number of performance shares developed as follows:

Performance Shares from Beat 2010	2012 tranche	2013 tranche	2014 tranche	2015 tranche
Outstanding at the start of the fiscal year	6,065,468	4,478,884	2,297,914	3,135,131
Granted				
Change (granted/expired)	120,801	123,037	67,460	86,574
Paid out				
Outstanding at the end of the fiscal year	5,944,667	4,355,847	2,230,454	3,048,557
Payable at the end of the fiscal year				

The remaining contractual term amounts to three years for the 2015 tranche, two years for the 2014 tranche, and one year for the 2013 tranche. The contractual duration for the 2012 tranche expired at the end of the reporting year. As the pay-out conditions were not fulfilled, there was no pay-out. No new tranche was issued in 2016.

Instead, for both RWE AG and innogy SE a new long-term incentive programme (LTIP) for executives has been launched with the title 'Strategy Performance Plan' (SPP). This new LTIP uses an internal performance target (adjusted net income) derived from the medium-range planning and takes into account the development of share prices of RWE AG and innogy SE. Executives are granted a number of virtual shares. The final number of virtual shares in a tranche is determined based on the achievement of the adjusted net income target. This is followed by a three-year holding period, before payment is possible.

	SPP RWE AG
	2016 tranche
Start of term	1 Jan 2016
Number of conditionally granted performance shares	486,436
Term	4 years
Performance target	Adjusted net income
Cap/number of performance shares	150%
Cap/payment amount	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 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 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 definitively established 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 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
Payment date	2020

	SPP innogy SE
	2016 tranche
Start of term	1 Jan 2016
Number of conditionally granted performance shares	352,834
Term	4 years
Performance target	Adjusted net income
Cap/number of performance shares	150%
Cap/payment amount	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 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 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 definitively established 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 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
Payment date	2020

During the period under review, expenses for the groupwide share-based payment system totalled €5 million (previous year: €1 million). The claims were settled in cash only. As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €6 million (previous year: €1 million).

(24) Provisions

Provisions	31 Dec 2016			31 Dec 2015		
€ million	Non-current	Current	Total[1]	Non-current	Current	Total
Provisions for pensions and similar obligations	6,761		6,761	5,842		5,842
Provisions for nuclear waste management	5,404	7,295	12,699	10,120	334	10,454
Provisions for mining damage	2,288	75	2,363	2,448	79	2,527
	14,453	**7,370**	**21,823**	**18,410**	**413**	**18,823**
Other provisions						
Staff-related obligations (excluding restructuring)	430	633	1,063	510	727	1,237
Restructuring obligations	914	220	1,134	1,287	241	1,528
Provisions for taxes	1,643	312	1,955	1,534	249	1,783
Purchase and sales obligations	1,219	289	1,508	1,059	284	1,343
Provisions for the dismantling of wind farms	334		334	337		337
Other dismantling obligations	465	34	499	334	31	365
Environmental protection obligations	123	19	142	134	21	155
Interest payment obligations	391	41	432	386	34	420
Obligations to deliver CO_2 emission allowances/certificates for renewable energies		1,627	1,627		1,612	1,612
Miscellaneous other provisions	714	1,630	2,344	632	1,574	2,206
	6,233	**4,805**	**11,038**	**6,213**	**4,773**	**10,986**
	20,686	**12,175**	**32,861**	**24,623**	**5,186**	**29,809**

1 Of which: changes in the scope of consolidation of –€13 million.

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 commitments based on final salary.

In the reporting period, €44 million (previous year: €48 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 commitments, 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 http://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 transfer obligations. Approximately €16 million in employer contributions will be paid to the ABP pension fund in fiscal 2017 (previous year: €22 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 2016, there were around 2,100 active participants in the plan (previous year: approximately 2,400).

RWE transferred assets to RWE Pensionstreuhand e.V. within the framework of a contractual trust arrangement (CTA). There is no obligation to provide further assets. 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 bodies 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, corporate defined benefit plans provided with adequate and suitable assets to cover pension provisions are legally mandated. The corporate pension system in the United Kingdom is managed by the sector-wide Electricity Supply Pension Scheme (ESPS), in which RWE has its own dedicated section. As part of the preparations for the IPO of innogy on 7 October 2016, this section was split into two new sections which are independent of each other, effective from 31 July 2016. The new sections are responsible for the obligations and plan assets for the subsidiaries of the innogy Group and the RWE Group. Pension provisions are measured on the basis of conservative assumptions, taking into consideration specific demographic aspects for the members of the plan and assumptions for the market returns on the plan assets.

Taking into account the Group's reorganisation, the last valuation of ESPS was carried out on 31 March 2016 and showed a 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 valuation. ESPS is managed by nine trustees. These are responsible for management of the plan, including investments, pension payments and financing plans.

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 2016		31 Dec 2015	
in %	Germany	Foreign[1]	Germany	Foreign[1]
Discount factor	1.80	2.50	2.40	3.60
Compensation increase	2.35	3.30	2.35	2.10 and 3.50
Pension increase	1.00, 1.60 and 1.75	2.20 and 3.10	1.00, 1.60 and 1.75	1.90 and 2.80

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

Composition of plan assets (fair value)	31 Dec 2016				31 Dec 2015			
€ million	Germany[1]	Of which: active market	Foreign[2]	Of which: active market	Germany[1]	Of which: active market	Foreign[2]	Of which: active market
Equity instruments, exchange-traded funds	3,225	3,145	761	761	3,256	3,237	877	877
Interest-bearing instruments	6,603		4,653	2,458	5,888	124	4,597	2,544
Real estate	50				64		8	
Mixed funds[3]	1,427	800			1,367	721		
Alternative investments	1,345	936	988		1,425	689	1,047	124
Other[4]	381	100	169	7	463	89	−15	6
	13,031	**4,981**	**6,571**	**3,227**	**12,463**	**4,860**	**6,514**	**3,551**

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 dividend securities and interest-bearing instruments.
4 Includes claims from corporate tax credits transferred to RWE Pensionstreuhand e.V., reinsurance claims against insurance companies and other fund assets of provident funds.

The investment policy 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. In order to achieve additional returns which are consistently as high as possible, there is also investment in products which offer relatively regular positive returns over time. This involves products which fluctuate similar to bond investments, but which achieve an additional return over the medium term, such as so-called absolute return products (including funds of hedge funds).

As a part of its investment strategy, the British ESPS uses asset liability management and invests in liability matching investments, interest rate swaps and inflation swaps. As of 30 September 2016, the interest rate risk was 64% hedged (previous year: 63%) and the inflation risk was 65% hedged (previous year: 63%).

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 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 assumption	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/transfers	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 flow 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 2015	**25,500**	**17,629**		**7,871**
Current service cost	358			358
Interest cost/income	635	482		153
Return on fund assets less interest components		−187		187
Gain/loss on change in financial assumptions	−972			−972
Experience-based gains/losses	−130			−130
Currency translation adjustments	430	381		49
Employee contributions to funded plans	18	18		
Employer contributions to funded plans[1]		1,640		−1,640
Benefits paid by funded plans[2]	−1,070	−979		−91
Changes in the scope of consolidation	17			17
Past service cost	18			18
General administration expenses		−7		7
Change in capitalised surplus of plan assets			15	15
Balance at 31 Dec 2015	**24,804**	**18,977**	**15**	**5,842**
of which: domestic	17,610	12,463	15	5,162
of which: foreign	7,194	6,514		680

1 Of which: €1,305 million from initial and subsequent transfers to plan assets and €335 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 2016		31 Dec 2015	
Change in the discount rate by +50/−50 basis points				
- In Germany	−1,418	1,602	−1,260	1,617
- Outside Germany	−522	596	−461	520
Change in the wage trend by −50/+50 basis points				
- In Germany	−151	159	−238	253
- Outside Germany	−65	76	−53	61
Change in the pension trend by −50/+50 basis points				
- In Germany	−991	1,087	−900	1,007
- Outside Germany	−380	416	−327	365
Increase of one year in life expectancy				
- In Germany		779		708
- Outside Germany		260		226

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, and vice-versa.

The recognised amount of pension provisions totals €4,883 million for funded pension plans (previous year: €4,199 million) and €1,878 million for unfunded pension plans (previous year: €1,643 million).

In fiscal 2016, past service costs predominantly consisted of effects related to restructuring measures in Germany. In the previous year, the past service costs primarily contained an increase in benefit commitments, relating to commitments in the United Kingdom.

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

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 is 16 years in Germany (previous year: 17 years) and 16 years outside of Germany (previous year: 15 years). The duration in Germany is significantly influenced by the effects of restructuring measures.

In fiscal 2017, payments for defined benefit plans are expected to amount to €500 million (previous-year target: €615 million), as direct benefits and payments into plan assets.

Provisions for nuclear energy and mining € million	Balance at 1 January 2016	Additions	Unused amounts released	Interest accretion	Changes in the scope of consolidation, currency adjustments, transfers	Amounts used	Balance at 31 Dec 2016
Provisions for nuclear waste management	10,454	1,851	−460	1,303		−449	12,699
Provisions for mining damage	2,527	154	−203	99	−137	−77	2,363
	12,981	**2,005**	**−663**	**1,402**	**−137**	**−526**	**15,062**

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 Disposal Fund Act (EntsorgFondsG) passed by Germany's legislators on 15-16 December 2016 is used for the measurement of provisions for the disposal of nuclear waste. The Disposal Fund Act is a part of the omnibus law on the restructuring of responsibilities for nuclear waste disposal. According to the law, the Federal government will assume responsibility 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 shall remain with the companies. The responsibilities transferred to the Federal government will be financed from a fund, which is paid into by the plant operators. According to the law, they must pay in a so-called base amount and can be released from potential future obligations in exchange for the payment of a surcharge of 35.47%.

According to the Disposal Fund Act, the base amount for RWE is €4.9 billion on 1 January 2017, with interest accruing at a rate of 4.58% on this amount until payment into the public fund on 1 July 2017. As a result, the base amount increases by €0.1 billion to €5.0 billion. Costs of disposal incurred in the meantime can be offset against the above amount. For RWE, the risk surcharge amounts to €1.8 billion. RWE has decided to transfer the total sum of €6.8 billion to the fund on 1 July 2017. The obligation reported in the balance sheet is somewhat higher, at €7.0 billion, because it includes obligations resulting from E.ON's minority share in the Emsland power plant, which are attributable to E.ON in an economic sense. The amount of the sum to be transferred is also subject to a comparison of the use of provisions planned in the 2014 consolidated financial statements for the years 2015 and 2016 to the actual use of such provisions in these two years.

RWE's remaining obligations for decommissioning and dismantling of the plants and for the proper packaging of the radioactive waste 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. Prior to application of the Disposal Fund Act, it was assumed that these provisions would be used until the end of this century. As no market interest rates are available for such a long time frame, in the past we had to estimate both the discount interest rate and the corresponding rates of increase in prices and costs (escalation rate) on the basis of past data. Consequently, up to now the discount rate was 4.5% and the escalation rate was 3.6%. As it is now the case that RWE's remaining obligations have significantly shorter remaining terms and there are market interest rates available for these time frames, a discount rate of 0.4% is now used for measurement. In using this rate, we took the current level of market interest rates as orientation. The escalation rate is now estimated at 1.3%, which is considerably lower than it was in the previous year (3.6%). On the one hand, inflation expectations are lower due to the shorter remaining terms compared to the previous year, and on the other hand, RWE's remaining obligations for the dismantling of nuclear power plants and the packaging of radioactive do not include the risks related to the intermediate and final disposal of radioactive waste. The escalation rates are based on expectations with regard to general increases in wages and prices, and productivity growth, and only apply to RWE's remaining obligations. 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 €1,851 million (previous year: €62 million). This includes the risk surcharge, which RWE will pay upon transfer to the nuclear energy fund. There are also quantity-related increases in the provisions which are measured at their present value. Releases of provisions amounted to €460 million (previous year: €185 million); this was mainly due to the fact that the current estimates resulted in a decline in the anticipated nuclear waste management costs. The interest accretion in the additions to provisions for nuclear waste management amounted to €1,303 million (previous year: €461 million). This includes both the periodic interest accretion in the amount of €446 million and the one-off effect from the above reduction in the real discount rate, which amounts to €857 million. Of the changes in provisions, €349 million (previous year: €21 million) were capitalised under the corresponding costs of nuclear power plants and fuel elements still in operation. Prepayments for services in the amount of €166 million were deducted from these provisions; the figure the for previous year was €865 million, due to high prepayments to the German Federal Office for Radiation Protection (BfS). In the reporting period, we also used provisions of €135 million for the decommissioning of nuclear power plants (previous year: €130 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). According to this, provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2016	31 Dec 2015
Decommissioning of nuclear power plants	5,419	4,887
Disposal of nuclear fuel assemblies	6,259	4,588
Disposal of radioactive operational waste	1,021	979
	12,699	**10,454**

Commissioned by the plant operator, the internationally renowned company NIS Ingenieurgesellschaft mbH (NIS), Alzenau, assesses the prospective decommissioning 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 technology, regulatory requirements and previous practical experience from ongoing and completed decommissioning projects. Additionally, current developments are also incorporated into the cost calculations. Decommissioning consists of 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. These includes the costs for conditioning and packaging of the radioactive waste generated during dismantling operations and the transportation of such waste to third parties commissioned by the Federal government for intermediate storage. A portion of the transfer amount for the nuclear energy fund earmarked for the decommissioning of nuclear power plant facilities is also taken into account.

Provisions for the disposal of nuclear fuel assemblies cover the corresponding part of the transfer amount and RWE's remaining disposal responsibilities. The latter essentially consist of the return of the radioactive waste generated during reprocessing and the proper packaging of spent fuel assemblies, i.e. the acquisition and loading of transport and intermediate storage containers. The cost estimates 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.

The item 'Disposal of radioactive operational waste' essentially contains the costs for processing radioactive operational waste. 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 parts of the fund transfer amounts for the disposal of radioactive operational waste.

In terms of their contractual definition, provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2016	31 Dec 2015
Provisions for nuclear obligations, not yet contractually defined	4,046	7,734
Provisions for nuclear obligations, contractually defined	8,653	2,720
	12,699	**10,454**

Provisions for obligations which are not yet contractually defined cover the costs of the remaining operational phase of the operating plants and dismantling. The decline compared to the previous year occurred because parts of the fund transfer amount are now reported under provisions for contractually defined nuclear obligations.

Provisions for contractually defined nuclear obligations relate to all obligations the value of which is specified in contracts under civil law and the transfer amount for the nuclear waste disposal fund. The obligations include the anticipated residual costs of reprocessing and returning the resulting radioactive waste, as well as the additional costs of the utilisation of uranium and plutonium from reprocessing activities. 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 conditioning of radioactive operational waste as well as the residual operating costs of plants which are permanently decommissioned.

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.

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 4.5% to 4.4% in 2016. 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 3.2% to 3.1%.
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 €60 million.

Excluding the interest accretion, additions to provisions for mining damage amounted to €154 million (previous year: €116 million) in the reporting period. The reason for this was quantity-induced increases in the obligatory volume, of which €108 million (previous year: €50 million) was capitalised under 'Property, plant and equipment'. Releases of provisions in the amount of €203 million (previous year: €2 million) mainly resulted 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 €99 million (previous year: €109 million).

Other provisions € million	Balance at 1 January 2016	Additions	Unused amounts released	Interest accretion	Changes in the scope of consoli-dation, currency adjust-ments, transfers	Amounts used	Balance at 31 Dec 2016
Staff-related obligations (excluding restructuring)	1,237	630	−57	23	−91	−679	1,063
Restructuring obligations	1,528	258	−248	43	−260	−187	1,134
Provisions for taxes	1,783	406	−19		−2	−213	1,955
Purchase and sales obligations	1,343	355	−80	63		−173	1,508
Provisions for dismantling wind farms	337	9	−5	26	−32	−1	334
Other provisions for dismantling	365	10	−5	40	95	−6	499
Environmental protection obligations	155	2	−6	1	−6	−4	142
Interest payment obligations	420	17	−1	1		−5	432
Obligations to deliver CO2 emission allowances/ certificates for renewable energies	1,612	1,838			−104	−1,719	1,627
Miscellaneous other provisions	2,206	1,016	−366	128	−29	−611	2,344
	10,986	**4,541**	**−787**	**325**	**−429**	**−3,598**	**11,038**

Provisions for taxes primarily consist of income taxes.

Provisions for staff-related obligations mainly consist of provisions for pre-retirement part-time work arrangements, outstanding vacation and service jubilees and performance-based pay components. Based on current estimates, we expect most of these to be used in the years 2017-2025.

Provisions for restructuring obligations pertain mainly to measures for socially acceptable payroll downsizing. We currently expect most of these to be used in the years 2017-2025.

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 in the years 2020 to 2037, and the majority of **uncertain obligations from other dismantling obligations** are expected to be used in the period 2017 to 2060.

(25) Financial liabilities

Financial liabilities	31 Dec 2016		31 Dec 2015	
€ million	Non-current	Current	Non-current	Current
Bonds payable[1]	13,619	100	14,423	807
Commercial paper		532		75
Bank debt	1,434	236	1,348	328
Other financial liabilities				
Collateral for trading activities		569		378
Miscellaneous other financial liabilities	988	705	947	774
	16,041	**2,142**	**16,718**	**2,362**

1 Including hybrid bonds classified as debt as per IFRS.

€14,859 million of the non-current financial liabilities were interest-bearing liabilities (previous year: €15,346 million).

The outstanding bonds payable were primarily issued by RWE AG, innogy Finance B.V. or innogy Finance II B.V.

A 15-year bond with a carrying amount of €807 million and a coupon of 6.25% fell due in April 2016.

The following overview shows the key data on the major bonds of the RWE Group as of 31 December 2016:

Bonds payable Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
RWE AG	€100 million	100	variable[1]	November 2017
innogy Finance B.V.	€980 million	1,006	5.125	July 2018
innogy Finance B.V.	€1,000 million	997	6.625	January 2019
innogy Finance B.V.	€750 million	747	1.875	January 2020
innogy Finance B.V.	£570 million	667	6.5	April 2021
innogy Finance B.V.	€1,000 million	998	6.5	August 2021
innogy Finance B.V.	£500 million	581	5.5	July 2022
innogy Finance B.V.	£488 million	568	5.625	December 2023
innogy Finance B.V.	€800 million	800	3.0	January 2024
innogy Finance B.V.	£760 million	889	6.25	June 2030
innogy Finance II B.V.	€600 million	596	5.75	February 2033
RWE AG	US$50 million	47	3.8	April 2033
innogy Finance B.V.	£600 million	697	4.75	January 2034
RWE AG/innogy SE	€500 million	490[2]	3.5	October 2037
innogy Finance B.V.	£1,000 million	1,151	6.125	July 2039
innogy SE	JPY20 billion	109	4.76[3]	February 2040
RWE AG	€100 million	98	3.5	December 2042
RWE AG	€150 million	146	3.55	February 2043
RWE AG	CHF250 million[4]	233	5.25	April 2072
RWE AG	CHF150 million[4]	140	5.0	July 2072
RWE AG	US$1,000 million[4]	941	7.0	October 2072
RWE AG	€700 million[4]	695	2.75	April 2075
RWE AG	€550 million[4]	548	3.5	April 2075
RWE AG	US$500 million[4]	475	6.625	July 2075
Other	Various		Various	Various
Bonds payable[5]		**13,719**		

1 Interest payment dates: 15 May/15 Nov.
2 Of which, €32 million is allocated to RWE AG and €458 million to innogy SE.
3 After swap into euro.
4 Hybrid bonds classified as debt as per IFRS.
5 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 2016			31 Dec 2015		
€ million	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in the following year	15		15	17		17
Due after 1 to 5 years	37	1	36	63	1	62
Due after 5 years	201		201	206		206
	253	**1**	**252**	**286**	**1**	**285**

€96 million (previous year: €56 million) of the financial liabilities are secured by mortgages, and €0 million (previous year: €8 million) by similar rights.

(26) Trade accounts payable

Changes in the scope of consolidation resulted in a decline of €1 million in trade accounts payable.

(27) Other liabilities

Other liabilities	31 Dec 2016		31 Dec 2015	
€ million	Non-current	Current	Non-current	Current
Tax liabilities		829		1,041
Social security liabilities	7	65	9	81
Restructuring liabilities				3
Derivatives	765	4,938	1,187	6,828
Advances and contributions in aid of construction and building connection	1,187	159	1,198	169
Miscellaneous other liabilities	237	2,896	347	3,264
	2,196	**8,887**	**2,741**	**11,386**
of which: financial debt	816	7,143	1,259	8,806
of which: non-financial debt	1,380	1,744	1,482	2,580

The principal component of social security liabilities are the amounts payable to social security institutions.

Changes in the scope of consolidation resulted in an increase of €4 million in other liabilities. Of the miscellaneous other liabilities, €1,488 million (previous year: €1,395 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

(28) 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		2016	2015
Net income for RWE AG shareholders	€ million	−5,710	−170
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	−9.29	−0.28
Dividend per common share	€	–	–
Dividend per preferred share	€	0.13[1]	0.13

1 Proposal for fiscal 2016.

(29) 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 2016	Level 1	Level 2	Level 3	Total 2015	Level 1	Level 2	Level 3
Other financial assets	1,055	64	202	789	885	69	208	608
Derivatives (assets)	6,494	2	6,455	37	8,607	1	8,549	57
of which: used for hedging purposes	2,175		2,175		1,360		1,360	
Securities	9,825	6,776	3,049		7,437	6,290	1,147	
Derivatives (liabilities)	5,703	8	5,685	10	8,015		7,994	21
of which: used for hedging purposes	1,240		1,240		2,356		2,356	

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

Level 3 financial instruments: Development in 2016 € million	Balance at 1 Jan 2016	Changes in the scope of consolidation, currency adjustments and other	Changes: Recognised in profit or loss	Changes: With a cash effect	Balance at 31 Dec 2016
Other financial assets	608	74	7	100	789
Derivatives (assets)	57		13	−33	37
Derivatives (liabilities)	21	2	28	−41	10

Level 3 financial instruments: Development in 2015 € million	Balance at 1 Jan 2015	Changes in the scope of consolidation, currency adjustments and other	Changes: Recognised in profit or loss	Changes: With a cash effect	Balance at 31 Dec 2015
Other financial assets	555	−47	7	93	608
Derivatives (assets)	69		30	−42	57
Derivatives (liabilities)	4		21	−4	21

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 2016	Of which: attributable to financial instruments held at the balance-sheet date	Total 2015	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	13	13	38	38
Cost of materials	−28	−28	−29	−29
Other operating income/expenses	20	20	15	8
Income from investments	−13	−10	−1	−2
Income from discontinued operations			−7	
	−8	**−5**	**16**	**15**

Level 3 derivative financial instruments essentially consist of energy purchase agreements, which relate to trading periods for which there are no active markets yet. The valuation of such depends on the development of gas prices in particular. All other things being equal, rising gas prices cause the fair values to increase and vice-versa. A change in pricing by +/−10% would cause the market value to rise by €4 million or decline by €4 million.

The following 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 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**

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 2015	**123**	**324**	**528**	**13**	**988**
Additions	13	16	101		130
Transfers	9	–29	133	–1	112
Currency translation adjustments			14		14
Disposals	12	32	149	1	194
Balance at 31 Dec 2015	**133**	**279**	**627**	**11**	**1,050**

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 and not impaired	Gross amount as of 31 Dec 2016	Receiv-ables, past due, impaired	Receivables not impaired, past due by:				
€ million			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**

Receivables, past due and not impaired	Gross amount as of 31 Dec 2015	Receiv-ables, past due, impaired	Receivables not impaired, past due by:				
€ million			less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	1,854	15					
Trade accounts receivable	6,228	645	353	63	37	26	183
Other receivables and other assets	9,154	9					1
	17,236	**669**	**353**	**63**	**37**	**26**	**184**

Financial assets and liabilities can be broken down into categories with the following carrying amounts:

Carrying amounts by category € million	31 Dec 2016	31 Dec 2015
Financial assets recognised at fair value through profit or loss	4,319	7,247
of which: held for trading	4,319	7,247
Financial assets available for sale	10,880	8,322
Loans and receivables	11,738	10,194
Financial liabilities recognised at fair value through profit or loss	4,463	5,659
of which: held for trading	4,463	5,659
Financial liabilities carried at (amortised) cost	22,448	23,446

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 €18,183 million (previous year: €19,079 million), while the fair value amounts to €20,541 million (previous year: €20,161 million). Of this, €15,251 million (previous year: €15,609 million) is related to Level 1 and €5,290 million (previous year: €4,552 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	2016	2015
Financial assets and liabilities recognised at fair value through profit or loss	–1,742	–100
of which: held for trading	–1,742	–100
Financial assets available for sale	127	481
Loans and receivables	192	–34
Financial liabilities carried at (amortised) cost	–1,084	–1,333

The net result as per IFRS 7 essentially includes interest, dividends and results from the measurement of financial instruments at fair value.

In fiscal 2016, changes of €20 million (previous year: –€47 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, €58 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 an expense (previous year: income of €204 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 2016	Gross amounts recognised	Amounts set off	Net amounts recognised	Related amounts not set off		Net total
€ million				Financial instruments	Cash collateral received/ pledged	
Derivatives (assets)	8,359	–7,221	1,138		–520	618
Derivatives (liabilities)	8,441	–7,695	746	–185	–181	380

Netting of financial assets and financial liabilities as of 31 Dec 2015 € 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)	7,994	−6,586	1,408		−346	1,062
Derivatives (liabilities)	8,284	−7,307	977	−213	−513	251

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

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 will manage innogy as a financial investment and exercise its control exclusively via the legal bodies of the Supervisory Board and Annual General Meeting. One of the results of this is that RWE and innogy each have their own independent management of interest rate, currency 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, exchange rate management is a key issue. Sterling and US dollar are two important currencies for the RWE Group. Fuels are traded in these two currencies, and RWE also 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. As part of the reorganisation of RWE, various financial liabilities and interest-bearing assets were transferred to innogy SE and 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.

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 and innogy 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.

Using the VaR method, we 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 distinguishes 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. On the other hand, financing costs also increase along with the level of interest rates. A VaR is determined to quantify securities price risk. As of 31 December 2016, the VaR for securities price risk amounted to €13.4 million for RWE and €5.0 million for innogy (previous year: €17 million in total). The sensitivity of interest expenses to increases in market interest rates is measured with CFaR. As of 31 December 2016 this amounted to €0.7 million for RWE and €1.0 million for innogy (previous year: €0.5 million in total).

As of 31 December 2016, the VaR for foreign currency positions was less than €1 million for RWE and €1.1 million for innogy (previous year: less than €1 million in total). This corresponds to the figure used internally, which also includes the underlying transactions for cash flow hedges.

As of 31 December 2016, the VaR for risks related to the RWE share portfolio amounted to €1.4 million for RWE and €4.0 million for innogy (previous year: €7.1 million in total).

As of 31 December 2016, VaR for the commodity positions of the trading business of RWE Supply & Trading amounted to €9.4 million (previous year: €19.2 million). This corresponds to the figure used for management purposes.

Additionally, stress tests are carried out on a monthly basis in relation to the trading operations 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 are transferred on the basis of available market liquidity – in accordance with Group guidelines – at market prices to the segment Trading/Gas Midstream, 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, Group companies are not allowed to maintain significant risk positions, according to a Group guideline.

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 22 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 proprietary 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 €27 million (previous year: €42 million).

In the year under review, a gain of €15 million (previous year: €13 million) was recognised from adjustment of the carrying amounts of the underlying transactions with hedged risk, while a loss of €15 million (previous year: €12 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 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 €622 million (previous year: −€1,223 million).

The future sales and purchase transactions hedged with cash flow hedges are expected to be realised in the following three years and recognised in profit or loss.

In the year under review, changes of €504 million after taxes in the fair values of instruments used for cash flow hedges (previous year: −€1,075 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 €11 million was recognised with an effect on income in relation to the ineffective portions of cash flow hedges (previous year: €3 million).

Above and beyond this, during the reporting period changes of €504 million after taxes in the value of cash flow hedges which had originally been recognised without an effect on income were realised as expenses (previous year: €912 million).

The cost of non-financial assets increased by €204 million (previous year: €137 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 €1,546 million (previous year: €1,984 million) and the fair value of the swaps amounted to €287million (previous year: €208 million).

During the year under review, income of €21 million (previous year: expense of €27 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, we primarily have credit relationships with banks and other trading partners. The resulting counterparty risks are reviewed upon conclusion of the contract and constantly monitored. We limit such risks by defining limits for trading with contractual partners and, if necessary, by requiring additional collateral. Credit risks in commodities and financial operations are monitored on a daily basis.

We are exposed to credit risks in our retail business, because it is possible that customers will fail to meet their financial obligations. We identify such risks in regular analyses of the creditworthiness of our major customers and take appropriate countermeasures, if necessary.

We also employ credit insurance, cash collateral, financial guarantees, bank guarantees and other forms of security to protect against credit risks in our financial and trading activities, and our retail business.

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 2016, these obligations amounted to €164 million (previous year: €127 million). As of 31 December 2016, default risks were balanced against credit collateral, financial guarantees, bank guarantees and other collaterals amounting to €2.0 billion (previous year: €2.0 billion). Of this, €0 billion relates to financial receivables (previous year: €0.1 billion), €0.5 billion to trade receivables (previous year: €0.5 billion), €0.5 billion to derivatives used for hedging purposes (previous year: €0.3 billion) and €1.0 billion to other derivatives (previous year: €1.1 billion). There were no material defaults in fiscal 2016 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 2017, capital market debt (less portions of the bonds bought back) with a nominal volume of approximately €1.4 billion (previous year: €0.8 billion) and bank debt of €0.1 billion (previous year: €0.3 billion) is due. Short-term debt must additionally be repaid.

As of 31 December 2016, holdings of cash and cash equivalents and current marketable securities amounted to €14,401 million (previous year: €9,959 million). Additionally, as of the balance-sheet date, RWE AG and innogy had a fully committed, unused syndicated credit line of €4 billion (previous year: €4 billion) at its disposal. As of the balance-sheet date, US$0.5 billion (previous year: US$0.1 billion) of RWE AG's US$5 billion commercial paper programme (previous year: US$5 billion) was used. As of 31 December 2016, 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, we can finance ourselves using our €30 billion debt issuance programme; as of the balance-sheet date, outstanding bonds from this programme amounted to €10.7 billion (previous year: €12.4 billion). 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 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.

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2015	Redemption payments			Interest payments		
		2016	2017 to 2020	From 2021	2016	2017 to 2020	From 2021
Bonds payable[1]	15,230	850	5,090	10,445	869	2,362	4,918
Bank debt	1,676	329	795	552	36	135	95
Liabilities arising from finance lease agreements	285	17	63	206			
Other financial liabilities	1,436	752	54	647	13	37	455
Derivative financial liabilities	8,015	6,999	576	441	54	150	329
Collateral for trading activities	378	378					
Redemption liabilities from put options	1,395	1,395					
Miscellaneous other financial liabilities	6,636	6,626	38	40			

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 2016, there were financial guarantees for external creditors in the amount of €102 million (previous year: €100 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 €62 million (previous year: €27 million), which is callable in 2017.

Detailed information on the risks of the RWE Group and on the objectives and procedures of the risk management is presented on page 77 et seqq. in the review of operations.

(30) Contingent liabilities and financial commitments

As of 31 December 2016, the amount of capital commitments totalled €384 million (previous year: €379 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 €26 million (previous year: €125 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 2016	31 Dec 2015
Due within 1 year	243	255
Due after 1 to 5 years	665	733
Due after 5 years	1,142	1,142
	2,050	**2,130**

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 €26.0 billion as of 31 December 2016 (previous year: €42.0 billion), of which €1.7 billion is due within one year (previous year: €2.2 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 2016, the minimum payment obligations stemming from the major purchase contracts totalled €7.4 billion (previous year: €7.9 billion), of which €0.4 billion is due within one year (previous year: €0.5 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. RWE AG has a 25.851% 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.

(31) Segment reporting

As a result of the IPO of innogy SE on 7 October 2016, the segment structure of the RWE Group was adjusted in 2016. In order to ensure the comparability of the figures for fiscal 2016 with those of the previous years, we have adjusted the latter to reflect the new structure.

The RWE Group is divided into three segments, which are separated from each other based on functional criteria.

The segment Conventional Power Generation essentially bundles the German, British, Dutch and Turkish power generation business, the German opencast lignite mining business, and the project management and engineering specialist RWE Technology International. Starting from the current fiscal year, this also includes the majority shareholding in the Hungarian firm Mátra, which specialises in the production of lignite (previously in the segment Central-Eastern/Southeastern Europe), and the Scottish biomass power plant Markinch (previously in the segment Renewables). The previous-year figures were adjusted accordingly.

The segment Trading/Gas Midstream covers 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 segment innogy essentially covers RWE's 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 segment innogy also include consolidation effects, holding activities and internal service providers of innogy SE.

'Other, consolidation' covers consolidation effects, RWE AG and the activities of other business areas which are not presented separately. These activities include the internal group services provided by RWE Group Business Services and RWE Service, as well as our minority interest in the German transmission grid operator Amprion.

Segment reporting Divisions 2016 € million	Conventional Power Generation	Trading/Gas Mid-stream	innogy	Other, consolidation	RWE Group
External revenue (incl. natural gas tax/electricity tax)	**1,967**	**3,646**	**40,149**	**71**	**45,833**
Intra-group revenue	8,199	15,734	1,811	–25,744[1]	
Total revenue	10,166[2]	19,380	41,960	–25,673	45,833
Adjusted EBIT	**627**	**–145**	**2,735**	**–135**	**3,082**
Operating income from investments	80	–22	368	38	464
Operating income from investments accounted for using the equity method	74		276	37	387
Operating depreciation, amortisation and impairment losses	829	6	1,468	18	2,321
Total impairment losses	4,068	17	327	3	4,415
Adjusted EBITDA	1,456	–139	4,203	–117	5,403
Cash flows from operating activities of continuing operations	**1,344**	**–388**	**2,526**	**–1,130**	**2,352**
Carrying amount of investments accounted for using the equity method	190	3	2,256	459	2,908
Capital expenditure on intangible assets, property, plant and equipment and investment property	333	4	1,679	11	2,027

1 Of which: consolidation of intra-group revenue –€27,960 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	EU			Rest of Europe	Other	RWE Group
€ million	Germany	United Kingdom	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.

Segment reporting Divisions 2015 € million	Conventional Power Generation	Trading/Gas Mid-stream	innogy	Other, consolidation	RWE Group
External revenue (incl. natural gas tax/electricity tax)	**2,224**	**3,318**	**42,482**	**66**	**48,090**
Intra-group revenue	9,005	19,081	1,986	–30,072[1]	
Total revenue	11,229[2]	22,399	44,468	–30,006	48,090
Adjusted EBIT	**596**	**156**	**3,050**	**35**	**3,837**
Operating income from investments	102	3	414	42	561
Operating income from investments accounted for using the equity method	92		228	41	361
Operating depreciation, amortisation and impairment losses	1,689	8	1,471	13	3,181
Total impairment losses	2,841	8	275	110	3,234
Adjusted EBITDA	2,285	164	4,521	48	7,018
Cash flows from operating activities of continuing operations	**2,139**	**–894**	**2,816**	**–722**	**3,339**
Carrying amount of investments accounted for using the equity method	179	3	2,137	633	2,952
Capital expenditure on intangible assets, property, plant and equipment and investment property	855	10	2,024	9	2,898

1 Of which: consolidation of intra-group revenue –€32,851 million and intra-group revenue of other companies €2,779 million.
2 Of which: total revenue from power generation in the United Kingdom of €3,192 million.

Regions 2015 € million	EU Germany	 United Kingdom	 Other EU	Rest of Europe	Other	RWE Group
External revenue[1,2]	25,945	9,812	9,662	121	308	45,848
Intangible assets, property, plant and equipment and investment property	21,157	9,109	11,844		534	42,644

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Products € million	RWE Group 2016	 2015
External revenue[1]	43,590	45,848
of which: electricity	31,420	32,560
of which: gas	9,208	10,657

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 EBIT is used for internal management. The following table presents the reconciliation of adjusted EBITDA to adjusted EBIT and income from continuing operations before tax:

Reconciliation of income items € million	2016	2015
Adjusted EBITDA	**5,403**	**7,017**
– Operating depreciation and amortisation	−2,321	−3,180
Adjusted EBIT	**3,082**	**3,837**
+ Non-operating result	−6,661	−2,885
+ Financial result	−2,228	−1,589
Income from continuing operations before tax	**−5,807**	**−637**

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	2016	2015
Capital gains/losses	94	31
Impact of derivatives on earnings	−799	296
Restructuring, other	−5,956	−3,212
Non-operating result	**−6,661**	**−2,885**

More detailed information is presented on page 48.

(32) 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 €295 million (previous year: €281 million) and cash flows used for interest expenses of €904 million (previous year: €1,036 million)
- €627 million (previous year: €727 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 €333 million (previous year: €353 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: €615 million) which was distributed to RWE shareholders, €335 million (previous year: €302 million) which was distributed to non-controlling shareholders, and €67 million (previous year: €153 million) which was distributed to hybrid capital investors. Furthermore, cash flows from financing activities include purchases of €2 million (previous year: €0 million) and sales in the amount of €2,591 million (previous year: €170 million) of shares in subsidiaries and other business units which did not lead to a change of control.

Restrictions on the disposal of cash and cash equivalents amounted to €19 million (previous year: €22 million).

(33) 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 provisions 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.

(34) 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	Associated companies		Joint ventures	
€ million	2016	2015	2016	2015
Income	3,661	3,552	86	82
Expenses	3,001	2,583	148	114
Receivables	329	285	182	192
Liabilities	147	136	3	15

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 €4 million (previous year: €4 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €177 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. €371 million of the receivables (previous year: €352 million) and €107 million of the liabilities (previous year: €107 million) fall due within one year. Other obligations from executory contracts amounted to €1,203 million (previous year: €1,293 million).

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

With regard to fiscal 2016, 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 information on the previous year, however, only pertains the key management personnel of RWE AG, as innogy SE did not exist as an independent group in the previous year. The following information pertains to total compensation pursuant to IAS 24:

Key management personnel (Executive and Supervisory Board members) received €13,832,000 in short-term compensation components for fiscal 2016 (previous year: €11,588,000). Additionally, share-based compensation within the framework of LTIP SPP amounted to €1,131,000 (previous year for the Beat tranches: –€1,598,000) and their pension service costs amounted to €229,000 (previous year: €581,000). Provisions totalling €23,775,000 (previous year: €23,886,000) 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 €15,486,000 (previous year: €11,373,000). The Executive Board received short-term compensation components amounting to €8,586,000 for fiscal 2016 (previous year: €8,868,000). In addition to this, long-term compensation components were paid out in the amount of €3,913,000 (previous year: €755,000), and share-based compensation amounting to €2,987,000) was granted within the framework of the LTIP SPP (previous year for the 2015 Beat tranche: €1,750,000).

The Supervisory Board received total compensation of €2,746,000 (previous year: €2,720,000) in fiscal 2016. Supervisory Board members also received a total of €449,000 in compensation from subsidiaries for the exercise of mandates (previous year: €265,000). 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 dependents received €11,653,000 (previous year: €11,634,000), of which €1,305,000 came from subsidiaries (previous year: €1,229,000). As of the balance-sheet date, €159,950,000 (previous year: €153,100,000) had been accrued for defined benefit obligations to former members of the Executive Board and their surviving dependents. Of this, €14,808,000 was set aside at subsidiaries (previous year: €13,978,000).

Information on the members of the Executive and Supervisory Boards is presented on page 182 et seqq. of the Notes.

(35) Auditor's fees

RWE recognised the following fees as expenses for the services rendered by the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) and companies belonging to PwC's international network:

Auditor's fees € million	2016 Total	2016 Of which: Germany	2015[1] Total	2015[1] Of which: Germany
Audit services	19.5	12.4	17.4	10.5
Other assurance services	5.0	4.6	5.1	4.6
Tax services	0.4	0.3	0.9	0.6
Other services	2.6	2.6	1.7	0.5
	27.5	**19.9**	**25.1**	**16.2**

1 Prior-year figures adjusted.

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 for the first time during the reporting period. 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. The increase in fees is mainly related to the IPO of innogy SE. An expense of €5 million was recognised for this.

(36) Application of Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code

In fiscal 2016, 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
- GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen
- Kernkraftwerk Lingen Gesellschaft mit beschränkter Haftung, Lingen (Ems)
- Rheinbraun Brennstoff GmbH, Cologne
- Rheinische Baustoffwerke GmbH, Bergheim
- RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne
- RWE Downstream Beteiligungs GmbH, Essen
- RWE Group Business Services GmbH, Essen
- RWE Rheinhessen Beteiligungs GmbH, Essen
- RWE Technology International GmbH, Essen
- RWE Trading Services GmbH, Essen

(37) Events after the balance-sheet date

In the period from 1 January 2017 until the completion of the consolidated financial statements on 27 February 2017, the following significant events occurred:

Belectric

On 3 January 2017, the acquisition of 100% of the shares in Belectric Solar & Battery Holding GmbH (Belectric), Kolitzheim, which was agreed with its parent company Belectric Holding GmbH, Kolitzheim, at the end of August 2016, was completed. Belectric is engaged in the design, installation and operation of ground-mounted photovoltaic plants. In addition to Europe, its main business regions are the Middle East, North Africa, India, South America and the USA. The preliminary purchase price was €77 million and includes a conditional payment obligation of €7 million. Additionally, the purchase price may still be subject to changes based on the company's net worth according to the financial statements for 2016 which are being finalised. As the activities bundled in Belectric were previously part of a broader range, the preparation of a balance sheet as of the acquisition date requires a separation of the assets and liabilities allocated to these activities ('carve out'). The final balance sheet of the Belectric Group was not yet available when the consolidated financial statements were finished. Consequently, it is not possible for the RWE Group's consolidated financial statements to present the information on the fair values of the assets transferred – including receivables – and debts, or the information on the factors which may comprise goodwill, or any necessary information on acquisition at a price below market value.

Acquisition of a majority stake in a Croatian gas utility

On 7 February 2017, innogy concluded contracts on the acquisition of a 75% stake in the gas utility of the city of Koprivnica (Croatia) for a purchase price of €7 million. The remaining 25% continues to be held by the municipal utility company Komunalec. This transaction is subject to the approval of the Croatian anti-trust office and is to be completed by the start of the second quarter of 2017.

Hybrid bond called

On 13 February 2017, a hybrid bond with a volume of CHF250 million was called effective as of 4 April 2017, without this instrument being refinanced with a new hybrid bond.

(38) 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, 27 February 2017

The Executive Board

Schmitz Krebber Tigges

1 http://www.rwe.com/web/cms/mediablob/en/3345130/data/11102/4/rwe/investor-relations/corporate-governance/statement-of-compliance/statement-of-compliance-December-15-2016.pdf
2 https://iam.innogy.com/en/about-innogy/investor-relations/corporate-governance/statement-of-compliance

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 a I) of HGB as of 31 Dec 2016

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	212,021	26,174
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	22,218	712
Andromeda Wind S.r.l., Bolzano/Italy		51	14,152	1,595
Artelis S.A., Luxembourg/Luxembourg		53	39,074	2,663
A/V/E GmbH, Halle (Saale)		76	2,069	522
Bayerische Bergbahnen-Beteiligungs-Gesellschaft mbH, Gundremmingen		100	25,431	1,307
Bayerische Elektrizitätswerke GmbH, Augsburg		100	24,728	[1]
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Gundremmingen		62	54,665	266
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	100	100	4,317,964	[1]
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	3,101	231
Bristol Channel Zone Limited, Swindon/United Kingdom		100	–2,059	–101
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin, Berlin		100	19,783	[1]
Budapesti Elektromos Muvek Nyrt., Budapest/Hungary		55	637,797	15,555
Carl Scholl GmbH, Cologne		100	609	–41
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	–3,484	–3,625
Cegecom S.A., Luxembourg/Luxembourg		100	11,125	1,225
Channel Energy Limited, Swindon/United Kingdom		100	–17,024	–800
CR-Immobilien-Vermietungsgesellschaft mbH & Co. KG Cottbus, Cottbus		[8]	–1,284	426
EGG Holding B.V. – Group – (pre-consolidated)			22,188	2,030[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		
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	25	[1]
Electra Insurance Limited, Hamilton/Bermuda		100	29,060	1,157
Elektrizitätswerk Landsberg GmbH, Landsberg am Lech		100	1,015	426
ELMU DSO Holding Korlátolt Felelosségu Társaság, Budapest/Hungary		100	716,450	–6
ELMU Halozati Eloszto Kft., Budapest/Hungary		100	785,797	27,088
ELMU-ÉMÁSZ Energiakereskedo Kft., Budapest/Hungary		100	6,856	6,350
ELMU-ÉMÁSZ Energiaszolgáltató Zrt., Budapest/Hungary		100	6,010	–13,710
ELMU-ÉMÁSZ Halozati Szolgáltató Kft., Budapest/Hungary		100	–220	122
ELMU-ÉMÁSZ Ügyfélszolgálati Kft., Budapest/Hungary		100	1,440	1,422
ÉMÁSZ DSO Holding Korlátolt Felelosségu Társaság, Miskolc/Hungary		100	272,945	–6
ÉMÁSZ Halozati Kft., Miskolc/Hungary		100	277,250	4,278
Emscher Lippe Energie GmbH, Gelsenkirchen		50	46,325	29,718
Energiedirect B.V., Waalre/Netherlands		100	–51,980	4,800

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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
Energienetze Berlin GmbH, Berlin		100	25	[1]
Energies France S.A.S. – Group – (pre-consolidated)			33,083	–338[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)			36,435	2,741[2]
EGD-Energiewacht Facilities B.V., Assen/Netherlands		100		
Energiewacht N.V., Veendam/Netherlands		100		
Energiewacht West Nederland B.V., Assen/Netherlands		100		
Mercurius Klimaatbeheersing B.V., Assen/Netherlands		100		
energis GmbH, Saarbrücken		72	138,514	24,454
energis-Netzgesellschaft mbH, Saarbrücken		100	25,851	[1]
Energy Resources B.V., 's-Hertogenbosch/Netherlands		100	140,154	2,529
Energy Resources Holding B.V., 's-Hertogenbosch/Netherlands		100	109,482	–20,227
Energy Resources Ventures B.V., 's-Hertogenbosch/Netherlands		100	24,185	1,606
envia Mitteldeutsche Energie AG, Chemnitz		59	1,667,226	149,286
envia SERVICE GmbH, Cottbus		100	3,415	2,415
envia TEL GmbH, Markkleeberg		100	15,994	3,476
envia THERM GmbH, Bitterfeld-Wolfen		100	63,463	[1]
enviaM Beteiligungsgesellschaft Chemnitz GmbH, Chemnitz		100	56,366	[1]
enviaM Beteiligungsgesellschaft mbH, Essen		100	187,419	43,403
eprimo GmbH, Neu-Isenburg		100	4,600	[1]
Essent Belgium N.V., Antwerp/Belgium		100	88,047	11,109
Essent CNG Cleandrive B.V., 's-Hertogenbosch/Netherlands		100	0	0
Essent Energie Verkoop Nederland B.V., 's-Hertogenbosch/Netherlands		100	128,220	–1,680
Essent Energy Group B.V., Arnhem/Netherlands		100	–428	–6
Essent IT B.V., Arnhem/Netherlands		100	–263,425	–3,500
Essent Nederland B.V., Arnhem/Netherlands		100	2,897,900	12,000
Essent N.V., 's-Hertogenbosch/Netherlands		100	10,858,000	133,500
Essent Personeel Service B.V., Arnhem/Netherlands		100	4,937	1,026
Essent Power B.V., Arnhem/Netherlands		100	18	21,710
Essent Retail Energie B.V., 's-Hertogenbosch/Netherlands		100	456,520	137,300
Essent Sales Portfolio Management B.V., 's-Hertogenbosch/Netherlands		100	–427,556	–285,204
Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH, Helgoland		100	256	[1]
Eszak-magyarorszagi Aramszolgáltató Nyrt., Miskolc/Hungary		54	298,596	14,004
EuroSkyPark GmbH, Saarbrücken		51	473	245
EVIP GmbH, Bitterfeld-Wolfen		100	11,347	[1]
EWV Energie- und Wasser-Versorgung GmbH, Stolberg		54	41,090	12,736

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FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken		100	4,180	797
Fri-El Anzi Holding S.r.l., Bolzano/Italy		51	7,340	1,581
Fri-El Anzi S.r.l., Bolzano/Italy		100	5,159	1,108
Fri-El Guardionara Holding S.r.l., Bolzano/Italy		51	22,018	1,309
Fri-El Guardionara S.r.l., Bolzano/Italy		100	26,931	1,502
GasNet, s.r.o., Ústí nad Labem/Czech Republic		100	831,580	116,767
GBV Dreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	25	[1]
GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	2,945,975	[1]
GBV Siebenundzwanzigste Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	6,883	[1]
Geas Energiewacht B.V., Enschede/Netherlands		100	13,889	1,633
Gemeinschaftskraftwerk Bergkamen A beschränkt haftende OHG, Bergkamen		51	7,016	697
Georgia Biomass Holding LLC, Savannah/USA		100	66,512	1,145
Georgia Biomass LLC, Savannah/USA		100	25,736	8,690
GfP Gesellschaft für Pensionsverwaltung mbH, Essen		100	25	[1]
GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund		100	7,296	−43,235
Great Yarmouth Power Limited, Swindon/United Kingdom		100	0	0
Green Gecco GmbH & Co. KG, Essen		51	102,913	4,587
GridServices, s.r.o., Brno/Czech Republic		100	34,562	29,813
GWG Grevenbroich GmbH, Grevenbroich		60	21,523	4,802
Immobilien-Vermietungsgesellschaft Schumacher GmbH & Co. Objekt Kundenzentren KG, Düsseldorf		[8]	−473	891
Inhome Energy Care N.V., Houthalen-Helchteren/Belgium		100	−310	−68
innogy Aqua GmbH, Mülheim an der Ruhr		100	233,106	[1]
innogy Benelux Holding B.V., 's-Hertogenbosch/Netherlands		100	721,100	43,300
innogy Bergheim Windparkbetriebsgesellschaft mbH, Hanover		100	25	[1]
innogy Brise Windparkbetriebsgesellschaft mbH, Hanover		100	226	[1]
innogy Business Services Benelux B.V., Arnhem/Netherlands		100	−5,942	−176
innogy Business Services CZ, s.r.o., Prague/Czech Republic		100	15,245	2,188
Innogy Business Services Limited, Swindon/United Kingdom		100	34,678	−12,477
innogy Business Services Polska Sp. z o.o., Krakow/Poland		100	3,463	−960
innogy Česká republika a.s., Prague/Czech Republic		100	1,932,961	124,479
innogy Energetyka Trzemeszno Sp. z o.o., Wrocław/Poland		100	1,756	225
innogy Energie, s.r.o., Prague/Czech Republic		100	167,401	102,423
innogy Energo, s.r.o., Prague/Czech Republic		100	18,413	235
innogy Finance B.V., 's-Hertogenbosch/Netherlands		100	10,761	1,806
innogy Finance II B.V., 's-Hertogenbosch/Netherlands		100	2,699	−9
innogy Gas Storage NWE GmbH, Dortmund		100	350,087	[1]
innogy Gas Storage, s.r.o., Prague/Czech Republic		100	511,978	14,156
innogy Gastronomie GmbH, Essen		100	275	[1]
innogy Grid Holding, a.s., Prague/Czech Republic		50[4]	1,117,764	123,912
Innogy Gym 2 Limited, Swindon/United Kingdom		100	−5,241	−2,760
Innogy Gym 3 Limited, Swindon/United Kingdom		100	−5,240	−2,745
Innogy Gym 4 Limited, Swindon/United Kingdom		100	−15,712	−8,248

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	Direct	Total	€ '000	€ '000
innogy Hörup Windparkbetriebsgesellschaft mbH, Hanover		100	26	1
innogy Hungária Tanácsadó Kft., Budapest/Hungary		100	520	–181
innogy International Participations N.V., 's-Hertogenbosch/Netherlands		100	6,050,116	205,758
innogy IT Magyarország Kft., Budapest/Hungary		100	1,090	37
innogy Italia S.p.A., Mailand/Italy		100	5,428	1,238
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 Offshore Wind Netherlands B.V., 's-Hertogenbosch/Netherlands		100	–2,911	–2,931
innogy Polska Contracting Sp. z o.o., Wrocław/Poland		100	5,419	0
innogy Polska S.A., Warsaw/Poland		100	416,942	90,193
innogy Renewables Benelux B.V., 's-Hertogenbosch/Netherlands		100	–14,682	–3,628
innogy Renewables Beteiligungs GmbH, Essen		100	7,350	1
innogy Renewables Polska Sp. z o.o., Warsaw/Poland		100	277,049	–69,119
Innogy Renewables UK Holdings Limited, Swindon/United Kingdom		100	1,688,264	9,462
Innogy Renewables UK Limited, Swindon/United Kingdom		100	1,996,707	140,160
innogy SE, Essen		77	8,908,422	1,578,710
innogy Seabreeze II GmbH & Co. KG, Essen		100	33,232	697
innogy Slovensko s.r.o., Bratislava/Slovakia		100	4,494	4,143
innogy Solutions s.r.o., Banská Bystrica/Slovakia		100	1,103	60
innogy Sommerland Windparkbetriebsgesellschaft mbH, Hanover		100	26	1
innogy South East Europe s.r.o., Bratislava/Slovakia		100	720	–390
innogy Spain S.A.U. – Group – (pre-consolidated)			259,919	–99,823[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	–8,451	–182
innogy Stoen Operator Sp. z o.o., Warsaw/Poland		100	650,485	54,845
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	4,997
innogy Windpower Netherlands B.V., 's-Hertogenbosch/Netherlands		100	–36,316	–4,582
innogy Zákaznické služby, s.r.o., Ostrava/Czech Republic		100	1,445	1,037
INVESTERG – Investimentos em Energias, SGPS, Lda. – Group – (pre-consolidated)			12,516	3,084[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		

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	Direct	Total	€ '000	€ '000
iSWITCH GmbH, Essen		100	25	1
Kernkraftwerk Gundremmingen GmbH, Gundremmingen		75	84,184	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	8,788	1,422
Kraftwerksbeteiligungs-OHG der RWE Power AG und der PreussenElektra GmbH, Lingen (Ems)		88	144,433	–4,082
Krzecin Sp. z o.o., Warsaw/Poland		100	17,011	519
Lechwerke AG, Augsburg		90	491,819	111,520
Leitungspartner GmbH, Düren		100	100	1
LEW Anlagenverwaltung GmbH, Gundremmingen		100	282,071	8,854
LEW Beteiligungsgesellschaft mbH, Gundremmingen		100	456,307	1,540
LEW Netzservice GmbH, Augsburg		100	87	1
LEW Service & Consulting GmbH, Augsburg		100	1,250	1
LEW TelNet GmbH, Neusäß		100	13,342	12,118
LEW Verteilnetz GmbH, Augsburg		100	139,816	1
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		59	50,366	7,836
Mátrai Erömü Zártkörüen Müködö Részvénytársaság, Visonta/Hungary		51	351,434	33,370
MI-FONDS 178, Frankfurt am Main		100	722,490	12,145
MI-FONDS F55, Frankfurt am Main		100	596,754	5,417
MI-FONDS G55, Frankfurt am Main		100	273,968	1,756
MI-FONDS J55, Frankfurt am Main		100	14,996	390
MI-FONDS K55, Frankfurt am Main		100	274,191	910
MI-FONDS G50, Frankfurt am Main	100	100	4,916,606	–83,395
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)		75	120,341	28,385
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	90,166	8,597
NEW AG, Mönchengladbach		40[4]	175,895	69,137
NEW Netz GmbH, Geilenkirchen		100	95,769	20,167
NEW Niederrhein Energie und Wasser GmbH, Mönchengladbach		100	15,857	40,627
NEW NiederrheinWasser GmbH, Viersen		100	46,613	9,870
NEW Service GmbH, Mönchengladbach		97	825	1,512
NEW Tönisvorst GmbH, Tönisvorst		98	13,961	3,103
NEW Viersen GmbH, Viersen		100	13,714	2,699
Nordsee Windpark Beteiligungs GmbH, Essen		100	8,087	1
Npower Business and Social Housing Limited, Swindon/United Kingdom		100	4,112	–718
Npower Commercial Gas Limited, Swindon/United Kingdom		100	–1,851	2,990
Npower Direct Limited, Swindon/United Kingdom		100	246,141	–26,506
Npower Financial Services Limited, Swindon/United Kingdom		100	–194	28
Npower Gas Limited, Swindon/United Kingdom		100	–226,879	6,294
Npower Group plc, Swindon/United Kingdom		100	127,310	27,957

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Npower Limited, Swindon/United Kingdom		100	108,622	–47,405
Npower Northern Limited, Swindon/United Kingdom		100	–1,074,542	–216,363
Npower Yorkshire Limited, Swindon/United Kingdom		100	–722,161	–34,599
Npower Yorkshire Supply Limited, Swindon/United Kingdom		100	0	0
NRW Pellets GmbH, Erndtebrück		100	312	[1]
Octopus Electrical Limited, Swindon/United Kingdom		100	2,529	0
OIE Aktiengesellschaft, Idar-Oberstein		100	11,426	[1]
Park Wiatrowy Nowy Staw Sp. z o.o., Warsaw/Poland		100	64,183	3,140
Park Wiatrowy Opalenica Sp. z o.o., Warsaw/Poland		100	22,291	157
Park Wiatrowy Suwałki Sp. z o.o., Warsaw/Poland		100	56,620	3,521
Park Wiatrowy Tychowo Sp. z o.o., Warsaw/Poland		100	41,120	–6,200
Piecki Sp. z o.o., Warsaw/Poland		51	34,451	–44
Plus Shipping Services Limited, Swindon/United Kingdom		100	29,125	88
Powerhouse B.V., Almere/Netherlands		100	42,918	11,000
PS Energy UK Limited, Swindon/United Kingdom		100		[3]
Regenesys Holdings Limited, Swindon/United Kingdom		100	0	0
Regenesys Technologies, Swindon/United Kingdom		100	732	7
regionetz GmbH, Eschweiler		100	37	[1]
Rheinbraun Brennstoff GmbH, Cologne		100	82,619	[1]
Rheinische Baustoffwerke GmbH, Bergheim		100	9,236	[1]
Rheinkraftwerk Albbruck-Dogern Aktiengesellschaft, Waldshut-Tiengen		77	31,080	1,757
Rhein-Sieg Netz GmbH, Siegburg		100	20,774	[1]
rhenag Rheinische Energie Aktiengesellschaft, Cologne		67	152,182	38,059
Rhenas Insurance Limited, Sliema/Malta	100	100	57,736	22
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		50[4]	188,010	12,295
RL Besitzgesellschaft mbH, Gundremmingen		100	114,033	13,629
RL Beteiligungsverwaltung beschr. haft. OHG, Gundremmingen		100	353,300	24,713
RUMM Limited, Ystrad Mynach/United Kingdom		100	360	47
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne		100	36,694	[1]
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey		70	265,164	–18,289
RWE Aktiengesellschaft, Essen			4,696,888	–1,001,451
RWE Cogen UK (Hythe) Limited, Swindon/United Kingdom		100	9,989	–827
RWE Cogen UK Limited, Swindon/United Kingdom		100	167,988	231
RWE Cogen UK Trading Limited, Swindon/United Kingdom		100	0	0
RWE Corner Participations B.V., 's-Hertogenbosch/Netherlands		100	49,222	5,153
RWE Downstream Beteiligungs GmbH, Essen	100	100	18,117,855	8,252,629
RWE East, s.r.o., Prague/Czech Republic		100	204	167
RWE Eemshaven Holding B.V., 's-Hertogenbosch/Netherlands		100	20	–14,751
RWE Eemshaven Holding II B.V., Geertruidenberg/Netherlands		100	–54,276	–68,017
RWE Energie S.R.L., Bucharest/Romania		100	556	–379
RWE Energija d.o.o., Zagreb/Croatia		100	695	–1,052
RWE Enerji Toptan Satis A.S., Istanbul/Turkey		100	5,858	–2,518
RWE Generation Belgium N.V., Antwerp/Belgium		100	163,387	5,559

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RWE Generation NL B.V., Arnhem/Netherlands		100	133,728	88,139
RWE Generation NL Participations B.V., Arnhem/Netherlands		100	380,771	–1,764
RWE Generation SE, Essen	100	100	264,622	1
RWE Generation UK Holdings plc, Swindon/United Kingdom		100	1,006,799	–31,604
RWE Generation UK plc, Swindon/United Kingdom		100	1,037,166	–557,924
RWE Group Business Services GmbH, Essen		100	25	1
RWE Hrvatska d.o.o., Zagreb/Croatia		100	9,402	–2,677
RWE IT GmbH, Essen		100	22,724	1
RWE Ljubljana d.o.o., Ljubljana/Slovenia		100	399	–1,702
RWE Markinch Limited, Swindon/United Kingdom		100	–94,401	–21,923
RWE Plin d.o.o., Zagreb/Croatia		100	178	–324
RWE Power Aktiengesellschaft, Cologne and Essen	100	100	2,037,209	1
RWE Rheinhessen Beteiligungs GmbH, Essen		100	57,840	1
RWE Service GmbH, Dortmund	100	100	3,476	1
RWE Solutions Ireland Limited, Dublin/Ireland		100	3,948	756
RWE Supply & Trading Asia-Pacific PTE. LTD., Singapore/Singapore		100	3,261	0
RWE Supply & Trading CZ, a.s., Prague/Czech Republic		100	912,439	–171,409
RWE Supply & Trading CZ GmbH, Essen		100	100,333	343
RWE Supply & Trading GmbH, Essen	100	100	446,778	1
RWE Supply & Trading (India) Private Limited, Mumbai/India		100	411	–1,373
RWE Supply & Trading Participations Limited, London/United Kingdom		100	53,913	–1,478
RWE Supply & Trading Switzerland S.A., Geneva/Switzerland		100	8,880	1,867
RWE Technology International GmbH, Essen		100	12,463	1
RWE Technology Tasarim ve Mühendislik Danismanlik Ticaret Limited Sirketi, Istanbul/Turkey		100	965	115
RWE Technology UK Limited, Swindon/United Kingdom		100	1,145	12
RWE Trading Americas Inc., New York City/USA		100	22,097	8,835
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	76,872	13,446
SARIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Würzburg KG, Würzburg		8	–10,498	292
SRS EcoTherm GmbH, Salzbergen		90	15,164	1,883
Stadtwärme Kamp-Lintfort GmbH, Kamp-Lintfort		100	2,970	1
STADTWERKE DÜREN GMBH, Düren		50	27,457	5,993
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort		51	14,868	3,678
Südwestsächsische Netz GmbH, Crimmitschau		100	1,070	–20
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	24,416	620
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	676	–59

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7 Significant influence by virtue of company contract.
8 Structured entity pursuant to IFRS 10 and 12.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Transpower Limited, Dublin/Ireland		100	4,713	366
Überlandwerk Krumbach GmbH, Krumbach		75	5,793	1,366
Verteilnetz Plauen GmbH, Plauen		100	22	[1]
VKB-GmbH, Neunkirchen		50	43,114	3,389
Volta Limburg B.V., Schinnen/Netherlands		100	30,894	6,327
Volta Service B.V., Schinnen/Netherlands		100	102	0
VSE Aktiengesellschaft, Saarbrücken		50	200,917	22,861
VSE Net GmbH, Saarbrücken		100	14,150	2,064
VSE Verteilnetz GmbH, Saarbrücken		100	3,109	[1]
VWS Verbundwerke Südwestsachsen GmbH, Lichtenstein		98	26,813	2,170
Východoslovenská distribucná, a.s., Košice/Slovakia		100	615,265	16,905
Východoslovenská energetika a.s., Košice/Slovakia		100	70,917	6,188
Východoslovenská energetika Holding a.s., Košice/Slovakia		49[4]	617,430	42,207
Wendelsteinbahn GmbH, Brannenburg		100	3,612	834
Wendelsteinbahn Verteilnetz GmbH, Brannenburg		100	38	[1]
Westerwald-Netz GmbH, Betzdorf-Alsdorf		100	9,875	[1]
Westnetz GmbH, Dortmund		100	240,308	[1]
Windpark Kattenberg B.V., Zwolle/Netherlands		100	–37	–52
Windpark Zuidwester B.V., 's-Hertogenbosch/Netherlands		100	11,144	–212
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover		100	898	16
WTTP B.V., Arnhem/Netherlands		100	11,654	200
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt MEAG Halle KG, Düsseldorf		[8]	–877	421

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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
Agenzia Carboni S.R.L., Genoa/Italy		100	279	19
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen	50	100	5,113	0
Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund		100	–70,051	–2,572
AQUAVENT Gesellschaft für Umwelttechnik und regenerierbare Energien mbH, Lützen		100	1,592	773
AVB GmbH, Lützen		100	14	–10
Balve Netz Verwaltung GmbH, Balve		100		3
Beteiligungsgesellschaft Werl mbH, Essen		51	326	496
bildungszentrum energie GmbH, Halle (Saale)		100	1,082	607
Bioenergie Bad Wimpfen GmbH & Co. KG, Bad Wimpfen		51	2,192	88
Bioenergie Bad Wimpfen Verwaltungs-GmbH, Bad Wimpfen		100	30	1
Bioenergie Kirchspiel Anhausen GmbH & Co. KG, Anhausen		51	137	60
Bioenergie Kirchspiel Anhausen Verwaltungs-GmbH, Anhausen		100	30	1
Biogas Schwalmtal GmbH & Co. KG, Schwalmtal		66	807	0
Biogasanlage Schwalmtal GmbH, Schwalmtal		99	40	4
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Causeymire Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
COMCO MCS S.A., Luxembourg/Luxembourg		95	385	204
Doggerbank Project 1A Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 1B Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 2A Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 2B Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3A Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3B Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 4A Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 4B Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 5A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 5B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 6A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 6B RWE Limited, Swindon/United Kingdom		100	0	0
E & Z Industrie-Lösungen GmbH, Essen		100	17,364	–614
easyOptimize GmbH, Essen		100	24	–1
easyOptimize Service B.V., Almelo/Netherlands		100		3
EDON Group Costa Rica S.A., San José/Costa Rica		100	837	–133
Energetyka Wschód Sp. z o.o., Wrocław/Poland		100	74	19
Energiegesellschaft Leimen GmbH & Co. KG, Leimen		75	198	14
Energiegesellschaft Leimen Verwaltungsgesellschaft mbH, Leimen		75	27	1
energienatur Gesellschaft für Erneuerbare Energien mbH, Siegburg		64	108	4
Energieversorgung Timmendorfer Strand GmbH & Co. KG, Timmendorfer Strand		51	3,177	140
enervolution GmbH, Bochum		100	48	51
enviaM Erneuerbare Energien Verwaltungsgesellschaft mbH, Markkleeberg		100	32	2
enviaM Neue Energie Management GmbH, Halle (Saale)		100	25	0
Eólica de Sarnago, S.A., Soria/Spain		73	1,576	–42
Erste WEA Vetschau GmbH & Co. KG, Breklum		100	–1,184	–1,143

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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
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	11,491	553
FUCATUS Vermietungsgesellschaft mbH & Co. Objekt Recklinghausen KG, Düsseldorf		94	0	0
Fundacja innogy w Polsce, Warsaw/Poland		100	46	–125
GBV Dreiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	1
GBV Einunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	30	1
GBV Neunundzwanzigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	1
GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	100	1
GBV Zweiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	1
GKB Gesellschaft für Kraftwerksbeteiligungen mbH, Cottbus		100	292	–20
Green Gecco Verwaltungs GmbH, Essen		51	37	1
GWE-energis Netzgesellschaft mbH & Co. KG, Eppelborn		100	147	173
GWE-energis-Geschäftsführungs-GmbH, Eppelborn		100	34	1
GWG Kommunal GmbH, Grevenbroich		100	100	–468
GWS Netz GmbH, Schwalbach		100	50	–2
Harryburn Wind Farm Limited, Swindon/United Kingdom		100		3
Hospitec Facility Management im Krankenhaus GmbH, Saarbrücken		100	–101	–31
Infraestructuras de Aldehuelas, S.A., Barcelona/Spain		100	428	0
Infrastrukturgesellschaft Netz Lübz mbH, Hanover		100	12	–19
innogy Consulting GmbH, Essen		100	1,555	1
innogy Corporate Ventures GmbH, Essen		100		3
innogy Dritte Vermögensverwaltungs GmbH, Essen		100		3
innogy Energetyka Zachód Sp. z o.o., Wrocław/Poland		100	117	13
innogy Erste Vermögensverwaltungs GmbH, Essen		100		3
INNOGY INNOVATION CENTER LTD, Tel Aviv/Israel		100		3
innogy Middle East & North Africa Ltd., Dubai/UAE		100	1,602	–1,488
innogy New Ventures LLC, Menlo Park/USA		100	24,295	–3,935
innogy Offshore Wind Netherlands Participations I B.V., 's-Hertogenbosch/Netherlands		100		3
innogy Offshore Wind Netherlands Participations II B.V., 's-Hertogenbosch/Netherlands		100		3
innogy Offshore Wind Netherlands Participations III B.V., 's-Hertogenbosch/Netherlands		100		3
innogy Offshore Wind Netherlands Participations IV B.V., 's-Hertogenbosch/Netherlands		100		3
innogy Polska Solutions Sp. z o.o., Warsaw/Poland		100	146	–5
Innogy Renewables Ireland Limited, Dublin/Ireland		100		3
Innogy Renewables US LLC, Delaware/USA		100	58,022	–649
innogy Seabreeze II Verwaltungs GmbH, Essen		100	45	6
innogy solutions Kft., Budapest/Hungary		100	10	0
innogy Stiftung für Energie und Gesellschaft gGmbH, Essen		100	58,072	0

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	Direct	Total	€ ’000	€ ’000
innogy Turkey Energi Anonim Sirketi, Istanbul/Turkey		100		3
Innogy US Renewable Projects LLC, Delaware/USA		100	0	0
innogy Windpark Bedburg Verwaltungs GmbH, Bedburg		51	40	1
innogy Windpark Eschweiler GmbH & Co. KG, Essen		100	9,800	–89
innogy Windpark Eschweiler Verwaltungs GmbH, Essen		100	35	–3
innogy Windpark Jüchen A44n GmbH & Co. KG, Essen		100		3
Innogy Windpark Jüchen A44n Verwaltungs GmbH, Essen		100		3
innogy Zweite Vermögensverwaltungs GmbH, Essen		100		3
Kieswerk Kaarst GmbH & Co. KG, Bergheim		51	607	176
Kieswerk Kaarst Verwaltungs GmbH, Bergheim		51	29	0
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
KWS Kommunal-Wasserversorgung Saar GmbH, Saarbrücken		100	134	16
Lech Energie Gersthofen GmbH & Co. KG, Gersthofen		100		3
Lech Energie Verwaltung GmbH, Augsburg		100		3
Lemonbeat GmbH, Dortmund		100	21	–4
Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lößnitz Netz GmbH & Co. KG, Lößnitz		100	12	–3
Lößnitz Netz Verwaltungs GmbH, Lößnitz		100	27	0
Mátrai Erömü Központi Karbantartó KFT, Visonta/Hungary		100	3,277	50
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	22	–1
Netzgesellschaft Hüllhorst Verwaltung GmbH, Hüllhorst		100		3
Netzwerke Saarwellingen GmbH, Saarwellingen		100	50	1
NEW b_gas Eicken GmbH, Schwalmtal		100	–890	38
NEW Re GmbH, Mönchengladbach		95	414	–29
NEW Schwalm-Nette Netz GmbH, Viersen		100	25	0
NEW Windenergie Verwaltung GmbH, Mönchengladbach		100		3
NEW Windpark Linnich 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	164	32
Oschatz Netz GmbH & Co. KG, Oschatz		75	1,880	536
Oschatz Netz Verwaltungs GmbH, Oschatz		100	26	0
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	1,046	–67
Park Wiatrowy Ełk Sp. z o.o., Warsaw/Poland		100	6	–756
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	2,783	–45
Park Wiatrowy Mściwojów Sp. z o.o., Warsaw/Poland		100	1,909	–45
Park Wiatrowy Prudziszki Sp. z o.o., Warsaw/Poland		100	–233	–243
Park Wiatrowy Śmigiel I Sp. z o.o., Warsaw/Poland		100	2,521	–38
Park Wiatrowy Żnin Sp. z o.o., Warsaw/Poland		100	2,224	–46
PI E & P Holding Limited, George Town/Cayman Islands		100	5,177	0
PI E & P US Holding LLC, New York City/USA		100	5,164	–12
Powerhouse Energy Solutions S.L., Madrid/Spain		100	–1	0

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	Direct	Total	€ '000	€ '000
Projecta 5 – Entwicklungsgesellschaft für kommunale Dienstleistungen mbH, Saarbrücken		100	8	–4
PT Rheincoal Supply & Trading Indonesia, PT, Jakarta/Indonesia		100	267	–12
RD Hanau GmbH, Hanau		100	0	0
REV LNG SSL BC LLC, Ulysses/USA		85	4,132	–68
Rheinland Westfalen Energiepartner GmbH, Essen		100	5,369	1
rhenagbau GmbH, Cologne		100	1,258	1
ROTARY-MATRA Kútfúró és Karbantartó KFT, Visonta/Hungary		100	804	1
Rowantree Wind Farm Ltd., Swindon/United Kingdom		100	0	0
RWE & Turcas Dogalgaz Ithalat ve Ihracat A.S., Istanbul/Turkey		100	1,141	84
RWE Australia Pty. Ltd., Brisbane/Australia		100	100	137
RWE Innogy Galloper 1 Limited, Swindon/United Kingdom		100	–1,041	–885
RWE Innogy Galloper 2 Limited, Swindon/United Kingdom		100	–1,041	–885
RWE Innogy Serbia d.o.o., Belgrade/Serbia		100	0	–1
RWE NSW PTY LTD, Sydney/Australia		100		3
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	2,201	29
RWE Power Climate Protection GmbH, Essen		100	23	1
RWE Power Climate Protection Southeast Asia Co., Ltd., Bangkok/Thailand		100	55	9
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	613	–35
RWE Teplárna Náchod, s.r.o., Náchod/Czech Republic		100	7	0
RWE Trading Services Ltd., Swindon/United Kingdom		100	1,176	77
RWE-EnBW Magyarország Energiaszolgáltató Korlátolt Felelösségü Társaság, Budapest/Hungary		70	372	12
RWEST PI FRE Holding LLC, New York City/USA		100	11,046	–5,540
RWEST PI LNG HOLDING LLC, New York City/USA		100	6,364	0
RWEST PI LNG 1 LLC, New York City/USA		100	1,514	0
RWEST PI LNG 2 LLC, New York City/USA		100	5,334	0
RWEST PI WALDEN HOLDING LLC, New York City/USA		100	7,188	–31
RWEST PI WALDEN 1 LLC, New York City/USA		100	7,190	0
Scarcroft Investments Limited, Swindon/United Kingdom		100	0	0
Scharbeutzer Energie- und Netzgesellschaft mbH & Co. KG, Scharbeutz		51	4,380	213
SchlauTherm GmbH, Saarbrücken		75	239	72
SEG Solarenergie Guben GmbH & Co. KG, Guben		100		3
SSE RENEWABLES (GALLOPER) NO. 1 LIMITED, Swindon/United Kingdom		100	–3,357	–3,527
SSE RENEWABLES (GALLOPER) NO. 2 LIMITED, Swindon/United Kingdom		100	–3,357	–3,527
Stadtwerke Korschenbroich GmbH, Mönchengladbach		100	51	–6
Stadtwerke Siegburg GmbH & Co. KG, Siegburg		100	100	0
Stadtwerke Siegburg Verwaltungs GmbH, Siegburg		100	25	0
Stadtwerke Verl Netz Verwaltungs GmbH, Verl		100		3
Stromnetz Gersthofen GmbH & Co. KG, Gersthofen		100	5	–5

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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 Gersthofen Verwaltung GmbH, Gersthofen		100	22	–3
Süwag Vertrieb Management GmbH, Frankfurt am Main		100	26	0
Thermolux S.a.r.l., Luxembourg/Luxembourg		100	98	–484
Thyssengas-Unterstützungskasse GmbH, Dortmund		100	53	–26
TWS Technische Werke der Gemeinde Saarwellingen GmbH, Saarwellingen		51	3,621	1,040
Versuchsatomkraftwerk Kahl GmbH, Karlstein am Main		80	542	31
Verwaltungsgesellschaft Energieversorgung Timmendorfer Strand mbH, Timmendorfer Strand		51	26	1
Verwaltungsgesellschaft Scharbeutzer Energie- und Netzgesellschaft mbH, Scharbeutz		51	26	1
VKN Saar Geschäftsführungsgesellschaft mbH, Ensdorf		51	51	1
VKN Saar Gesellschaft für Verwertung von Kraftwerksnebenprodukten und Ersatzbrennstoffen mbH & Co. KG, Ensdorf		51	–94	–111
Volta Solar B.V., Heerlen/Netherlands		95		[3]
VSE – Windpark Merchingen GmbH & Co. KG, Saarbrücken		100	2,800	40
VSE – Windpark Merchingen VerwaltungsGmbH, Saarbrücken		100	62	1
VSE Agentur GmbH, Saarbrücken		100	15	–1
VSE Call centrum, s.r.o., Košice/Slovakia		100	72	17
VSE Ekoenergia, s.r.o., Košice/Slovakia		100	92	–39
VSE-Stiftung gGmbH, Saarbrücken		100	2,578	–17
Wadersloh Netz Verwaltungs GmbH, Wadersloh		100		[3]
Wärmeversorgung Schwaben GmbH, Augsburg		100	31	–179
WIJA GmbH, Bad Neuenahr-Ahrweiler		100	454	–66
Windkraft Hochheim GmbH & Co. KG, Hochheim		100	2,750	263
Windpark Eschweiler Beteiligungs GmbH, Stolberg		59		[3]
Windpark Verwaltungsgesellschaft mbH, Lützen		100	31	1
YE Gas Limited, Swindon/United Kingdom		100	0	0
Zweite WEA Vetschau GmbH & Co. KG, Breklum		100	–51	–48
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Naumburg KG, Düsseldorf		[8]	–788	0

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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	29,873	1,739
Gas-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49	4,149	1,118
Greater Gabbard Offshore Winds Limited, Reading/United Kingdom		50	1,278,354	105,750
Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim		49	3,682	1,193
Netzgesellschaft Südwestfalen mbH & Co. KG, Netphen		49	12,264	0
N.V. Elektriciteits-Produktiemaatschappij Zuid-Nederland EPZ, Borssele/Netherlands		30	48,262	6,674

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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	26	1

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3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 No control by virtue of company contract.
6 Significant influence via indirect investments.
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8 Structured entity pursuant to IFRS 10 and 12.

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]	37,092	37
AVU Aktiengesellschaft für Versorgungs-Unternehmen, Gevelsberg		50	101,713	14,400
BEW Netze GmbH, Wipperfürth		61[5]	6,534	392
Budapesti Disz- es Közvilagitasi Korlatolt Felelössegü Tarsasag, Budapest/Hungary		50	29,988	765
C-Power N.V., Oostende/Belgium		27	200,443	19,860
Energie Nordeifel GmbH & Co. KG, Kall		33	6,232	3,285
FSO GmbH & Co. KG, Oberhausen		50	33,588	12,572
Galloper Wind Farm Holdco Limited, Swindon/United Kingdom		25	–33,673	3,370
Gwynt Y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		50	–1,005	–1,686
Innogy Venture Capital GmbH, Dortmund		75[5]	397	80
Konsortium Energieversorgung Opel beschränkt haftende oHG, Karlstein		67[5]	36,308	5,308
PRENU Projektgesellschaft für Rationelle Energienutzung in Neuss mbH, Neuss		50	180	–18
Rain Biomasse Wärmegesellschaft mbH, Rain		75[5]	5,752	538
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia		50	430	11
Société Electrique de l'Our S.A., Luxembourg/Luxembourg		40	–1,982	2,697[2]
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG, Dülmen		50	26,401	3,641
Stadtwerke Lingen GmbH, Lingen (Ems)		40	13,471	0
Stromnetz Günzburg GmbH & Co. KG, Günzburg		49	2,999	150
SVS-Versorgungsbetriebe GmbH, Stadtlohn		30	19,430	2,992
TCP Petcoke Corporation, Dover/USA		50	17,807	7,374[2]
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom		50	13,067	–6,183
URANIT GmbH, Jülich		50	71,343	111,310
Zagrebacke otpadne vode d.o.o., Zagreb/Croatia		48	187,134	23,348

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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	1,576,100	171,300
ATBERG – Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	3,689	316
Dortmunder Energie- und Wasserversorgung GmbH (DEW 21), Dortmund		40	157,589	39,115
EnergieServicePlus GmbH, Düsseldorf		49	704	4
Energieversorgung Guben GmbH, Guben		45	16,272	617
Energieversorgung Hürth GmbH, Hürth		25	4,961	0
Energieversorgung Oberhausen AG, Oberhausen		10[6]	4,331	11,192
ENNI Energie & Umwelt Niederrhein GmbH, Moers		20	32,915	0
e-regio GmbH & Co. KG, Euskirchen		43	82,712	28,693
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	12,767
Freiberger Stromversorgung GmbH (FSG), Freiberg		30	9,655	1,360
Gas- und Wasserwerke Bous-Schwalbach GmbH, Bous		49	13,693	2,734
GNS Gesellschaft für Nuklear-Service mbH, Essen		28	31,612	26,621[2]
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim		40	114,141	6,647
HIDROERG – Projectos Energéticos, Lda., Lisbon/Portugal		32	11,209	1,125
Innogy Renewables Technology Fund I GmbH & Co. KG, Essen		78[5]	21,782	–11,072
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	827,429	89,971[2]
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13[6]	773,142	89,889
Kemkens B.V., Oss/Netherlands		49	32,234	8,192
KEW Kommunale Energie- und Wasserversorgung AG, Neunkirchen		29	72,983	9,769
MAINGAU Energie GmbH, Obertshausen		47	29,650	9,174
medl GmbH, Mülheim an der Ruhr		49	21,829	0
Mingas-Power GmbH, Essen		40	6,979	6,310
Nebelhornbahn-Aktiengesellschaft, Oberstdorf		27	5,145	398
PEARL PETROLEUM COMPANY LIMITED, Road Town/British Virgin Islands		10[7]	2,732	0
Pfalzwerke Aktiengesellschaft, Ludwigshafen		27	203,148	12,864
Projecta 14 GmbH, Saarbrücken		50	38,138	1,913
Propan Rheingas GmbH & Co KG, Brühl		30	6,838	685
Recklinghausen Netzgesellschaft mbH & Co. KG, Recklinghausen		50	16,854	1,136
RheinEnergie AG, Cologne		20	886,918	154,626
Rhein-Main-Donau AG, Munich		22	110,169	0
Schluchseewerk Aktiengesellschaft, Laufenburg Baden		50	59,339	2,809
Siegener Versorgungsbetriebe GmbH, Siegen		25	24,436	4,436
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus		33	32,797	4,225
SSW Stadtwerke St. Wendel GmbH & Co. KG, St. Wendel		50	20,215	2,100
Stadtwerke Aschersleben GmbH, Aschersleben		35	16,990	3,044
Stadtwerke Bernburg GmbH, Bernburg (Saale)		45	31,859	5,315
Stadtwerke Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen		40	19,939	1,654
Stadtwerke Duisburg Aktiengesellschaft, Duisburg		20	184,636	0
Stadtwerke Emmerich GmbH, Emmerich am Rhein		25	12,115	0
Stadtwerke Essen Aktiengesellschaft, Essen		29	124,866	24,920

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8 Structured entity pursuant to IFRS 10 and 12.

VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Stadtwerke Geldern GmbH, Geldern		49	11,304	2,324
Stadtwerke GmbH Bad Kreuznach, Bad Kreuznach		25	39,925	0
Stadtwerke Kirn GmbH, Kirn		49	2,134	248
Stadtwerke Meerane GmbH, Meerane		24	13,903	1,934
Stadtwerke Merseburg GmbH, Merseburg		40	21,392	4,520
Stadtwerke Merzig GmbH, Merzig		50	15,906	3,118
Stadtwerke Neuss Energie und Wasser GmbH, Neuss		25	88,344	9,687
Stadtwerke Radevormwald GmbH, Radevormwald		50	5,324	2,201
Stadtwerke Ratingen GmbH, Ratingen		25	51,982	4,471
Stadtwerke Reichenbach/Vogtland GmbH, Reichenbach im Vogtland		24	13,339	1,689
Stadtwerke Saarlouis GmbH, Saarlouis		49	36,022	4,535
Stadtwerke Velbert GmbH, Velbert		50	82,005	0
Stadtwerke Weißenfels GmbH, Weißenfels		24	23,333	3,489
Stadtwerke Willich GmbH, Willich		25	13,981	0
Stadtwerke Zeitz GmbH, Zeitz		24	20,734	2,950
SWTE Netz GmbH & Co. KG, Ibbenbüren		33	23,836	–231
Vliegasunie B.V., De Bilt/Netherlands		60[5]	11,392	–856
Wasser- und Energieversorgung Kreis St. Wendel GmbH, St. Wendel		28	22,093	1,606
wbm Wirtschaftsbetriebe Meerbusch GmbH, Meerbusch		40	24,417	5,713
Zagrebacke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia		31	2,047	3,378
Zwickauer Energieversorgung GmbH, Zwickau		27	42,360	7,339

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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	446	216
Ascent Energy LLC, Wilmington/USA		46		3
Awotec Gebäude Servicegesellschaft mbH, Saarbrücken		48	84	–1
Bäderbetriebsgesellschaft St. Ingbert GmbH, St. Ingbert		49	80	1
Bayerische Ray Energietechnik GmbH, Garching		49	427	154
Biogas Wassenberg GmbH & Co. KG, Wassenberg		32	1,179	123
Biogas Wassenberg Verwaltungs GmbH, Wassenberg		32	37	1
Breer Gebäudedienste Heidelberg GmbH, Heidelberg		45	280	89
Breitband-Infrastrukturgesellschaft Cochem-Zell mbH, Cochem		21	–638	–220
Brüggen.E-Netz GmbH & Co. KG, Brüggen		25	1,000	0
Brüggen.E-Netz Verwaltungs-GmbH, Brüggen		25	27	2
CARBON CDM Korea Ltd. (i.L.), Seoul/South Korea		49	–2,171	–100
CARBON Climate Protection GmbH, Langenlois/Austria		50	2,056	1,395
CARBON Egypt Ltd., Cairo/Egypt		49	–355	–1,716
CECEP Ningxia New Energy Resources Joint Stock Co., Ltd., Yinchuan/China		25	20,152	392
DES Dezentrale Energien Schmalkalden GmbH, Schmalkalden		33	252	15
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, Gorleben		31	555	44
Dii GmbH, Munich		20	875	–872
Doggerbank Project 1 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 2 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 3 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 4 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 5 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 6 Bizco Limited, Reading/United Kingdom		25	0	0
Dorsten Netz GmbH & Co. KG, Dorsten		49	5,828	856
EfD Energie-für-Dich GmbH, Potsdam		49	28	3
ELE-GEW Photovoltaikgesellschaft mbH, Gelsenkirchen		49	69	44
ELE-RAG Montan Immobilien Erneuerbare Energien GmbH, Bottrop		50	54	19
ELE-Scholven-Wind GmbH, Gelsenkirchen		30	801	276
Elsta B.V., Middelburg/Netherlands		25	91,306	3,775
Elsta B.V. & CO C.V., Middelburg/Netherlands		25	91,938	37,837
Energie BOL GmbH, Ottersweier		50	32	3
Energie Mechernich GmbH & Co. KG, Mechernich		49	3,743	350
Energie Mechernich Verwaltungs-GmbH, Mechernich		49	29	2
Energie Nordeifel Beteiligungs-GmbH, Kall		33	26	1
Energie Rur-Erft GmbH & Co. KG, Essen		21	25	1,020
Energie Rur-Erft Verwaltungs-GmbH, Essen		21	28	1
Energie Schmallenberg GmbH, Schmallenberg		44	28	2
Energiepartner Dörth GmbH, Dörth		49	29	4
Energiepartner Elsdorf GmbH, Elsdorf		40	49	12
Energiepartner Hermeskeil GmbH, Hermeskeil		20	38	20
Energiepartner Kerpen GmbH, Kerpen		49	26	0
Energiepartner Projekt GmbH, Essen		49	25	0

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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 % Direct	Total	Equity € '000	Net income/loss € '000
Energiepartner Solar Kreuztal GmbH, Kreuztal		40	25	1
Energiepartner Wesseling GmbH, Wesseling		30	27	2
Energie-Service-Saar GmbH, Völklingen		50	–1,790	–24
Energieversorgung Bad Bentheim GmbH & Co. KG, Bad Bentheim		25	2,911	558
Energieversorgung Bad Bentheim Verwaltungs-GmbH, Bad Bentheim		25	29	2
Energieversorgung Beckum GmbH & Co. KG, Beckum		34	5,207	2,171
Energieversorgung Beckum Verwaltungs-GmbH, Beckum		34	56	2
Energieversorgung Horstmar/Laer GmbH & Co. KG, Horstmar		49	2,556	340
Energieversorgung Kranenburg Netze GmbH & Co. KG, Kranenburg		25	1,206	206
Energieversorgung Kranenburg Netze Verwaltungs GmbH, Kranenburg		25	27	2
Energieversorgung Marienberg GmbH, Marienberg		49	3,007	969
Energieversorgung Niederkassel GmbH & Co. KG, Niederkassel		49	2,745	192
Energieversorgung Oelde GmbH, Oelde		25	7,388	1,813
Energotel, a.s., Bratislava/Slovakia		20	9,422	1,562
ENERVENTIS GmbH & Co. KG, Saarbrücken		33	1,090	162
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig		50	430	–5
Erdgasversorgung Schwalmtal GmbH & Co. KG, Viersen		50	3,109	1,515
Erdgasversorgung Schwalmtal Verwaltungs-GmbH, Viersen		50	36	1
Esta V.O.F., Ridderkerk/Netherlands		50		[3]
evm Windpark Höhn GmbH & Co. KG, Höhn		33	0	–77
EWV Baesweiler GmbH & Co. KG, Baesweiler		45	2,047	799
EWV Baesweiler Verwaltungs GmbH, Baesweiler		45	29	1
FAMOS – Facility Management Osnabrück GmbH, Osnabrück		49	97	–9
Fassi Coal Pty. Ltd., Newcastle – Rutherford/Australia		40	–8,042	0
Fernwärmeversorgung Zwönitz GmbH, Zwönitz		50	3,115	246
First River Energy LLC, Denver/USA		26	1,821	–52,648[2]
Forewind Limited, Swindon/United Kingdom		25	205	–631
Foton Technik Sp. z o.o., Warsaw/Poland		50	132	–69
FSO Verwaltungs-GmbH, Oberhausen		50	34	0
Gasgesellschaft Kerken Wachtendonk mbH, Kerken		49	4,988	745
Gas-Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		49		[3]
Gas-Netzgesellschaft Kolpingstadt Kerpen Verwaltungs-GmbH, Kerpen		49	29	2
Gasnetzgesellschaft Wörrstadt mbH & Co. KG, Saulheim		49	2,228	869
Gasnetzgesellschaft Wörrstadt Verwaltung mbH, Wörrstadt		49	30	2
Geiger Netzbau GmbH, Mindelheim		49		[3]
Gemeindewerke Bad Sassendorf Netze GmbH & Co. KG, Bad Sassendorf		25	2,142	315
Gemeindewerke Bad Sassendorf Netze Verwaltung GmbH, Bad Sassendorf		25	27	2
Gemeindewerke Bissendorf Netz GmbH & Co. KG, Bissendorf		49	511	0
Gemeindewerke Bissendorf Netz Verwaltungs-GmbH, Bissendorf		49	26	0
Gemeindewerke Everswinkel GmbH, Everswinkel		45	6,764	52
Gemeindewerke Namborn GmbH, Namborn		49	800	101
Gemeinschaftswerk Hattingen Gesellschaft mit beschränkter Haftung, Essen		52	2,045	–1,293
GfB, Gesellschaft für Baudenkmalpflege mbH, Idar-Oberstein		20	76	8
GfS Gesellschaft für Simulatorschulung mbH, Essen		31	54	3

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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 % Direct	Shareholding in % Total	Equity € '000	Net income/loss € '000
Gichtgaskraftwerk Dillingen GmbH & Co. KG, Saarbrücken		25	29,544	4,159
GISA GmbH, Halle (Saale)		24	8,049	2,449
GkD Gesellschaft für kommunale Dienstleistungen mbH, Cologne		50	51	–3
G & L Gastro-Service GmbH, Augsburg		35		3
GNEE Gesellschaft zur Nutzung erneuerbarer Energien mbH Freisen, Freisen		49	13	–5
GREEN GECCO Beteiligungsgesellschaft mbH & Co. KG, Troisdorf		21	57,027	2,630
GREEN GECCO Beteiligungsgesellschaft-Verwaltungs GmbH, Troisdorf		21	37	1
GREEN Gesellschaft für regionale und erneuerbare Energie mbH, Stolberg		49	662	35
Green Solar Herzogenrath GmbH, Herzogenrath		45	3,822	404
Greenergetic GmbH, Bielefeld		27	–191	–1,750
Greenplug GmbH, Hamburg		49	613	–10
HaseNetz GmbH & Co. KG, Gehrde		25	25	0
HCL Netze GmbH & Co. KG, Herzebrock-Clarholz		25	2,813	–3
Heizkraftwerk Zwickau Süd GmbH & Co. KG, Zwickau		40	1,814	502
Hochsauerland Netze GmbH & Co. KG, Meschede		25	5,363	1,233
Hochsauerland Netze Verwaltung GmbH, Meschede		25	26	1
Homepower Retail Limited, Swindon/United Kingdom		50	–26,127	0
Humada Holdings Inc., Palo Alto/USA		40		3
IWW Rheinisch-Westfälisches Institut für Wasserforschung gemeinnützige GmbH, Mülheim an der Ruhr		30	890	10
Kavernengesellschaft Staßfurt mbH, Staßfurt		50	678	80
KAWAG AG & Co. KG, Pleidelsheim		49	10,542	536
KAWAG Netze GmbH & Co. KG, Abstatt		49	2,328	142
KAWAG Netze Verwaltungsgesellschaft mbH, Abstatt		49	28	1
KDT Kommunale Dienste Tholey GmbH, Tholey		49	1,224	83
KEN Geschäftsführungsgesellschaft mbH, Neunkirchen		50	51	0
KEN GmbH & Co. KG, Neunkirchen		46	2,786	–143
KEVAG Telekom GmbH, Koblenz		50	2,286	570
Kiwigrid GmbH, Dresden		20	–4,222	–2,320
KlickEnergie GmbH & Co. KG, Neuss		65	–1,146	–1,636
KlickEnergie Verwaltungs-GmbH, Neuss		65	22	–1
K-net GmbH, Kaiserslautern		25	1,242	108
KnGrid, Inc., Laguna Hills/USA		42		3
Kommunale Dienste Marpingen GmbH, Marpingen		49	2,681	–148
Kommunale Netzgesellschaft Steinheim a. d. Murr GmbH & Co. KG, Steinheim a. d. Murr		49	4,951	331
Kommunalwerk Rudersberg GmbH & Co. KG, Rudersberg		50	161	8
Kommunalwerk Rudersberg Verwaltungs-GmbH, Rudersberg		50	24	1
Kraftwerk Buer GbR, Gelsenkirchen		50	5,113	0
Kraftwerk Voerde beschränkt haftende OHG, Voerde		25	4,320	356
Kraftwerk Wehrden GmbH, Völklingen		33	30	0
KSG Kraftwerks-Simulator-Gesellschaft mbH, Essen		31	538	26
KSP Kommunaler Service Püttlingen GmbH, Püttlingen		40	150	73
KÜCKHOVENER Deponiebetrieb GmbH & Co. Kommanditgesellschaft, Bergheim		50	56	–4
KÜCKHOVENER Deponiebetrieb Verwaltungs-GmbH, Bergheim		50	39	0

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	Direct	Total	€ '000	€ '000
KVK Kompetenzzentrum Verteilnetze und Konzessionen GmbH, Cologne		75	54	28
LDO Coal Pty. Ltd., Ruthersford/Australia		40	–1,649	–74
Mainzer Wärme PLUS GmbH, Mainz		45	2,190	420
Metering Süd GmbH & Co. KG, Augsburg		42		3
MNG Stromnetze GmbH & Co. KG, Lüdinghausen		25	19,534	1,935
MNG Stromnetze Verwaltungs GmbH, Lüdinghausen		25	27	2
Moravske Hidroelektrane d.o.o., Belgrade/Serbia		51	3,515	–15
Murrhardt Netz AG & Co. KG, Murrhardt		49	2,790	3
Naturstrom Betriebsgesellschaft Oberhonnefeld mbH, Koblenz		25	160	–1
Netzanbindung Tewel OHG, Cuxhaven		25	710	–13
Netzgesellschaft Bühlertal GmbH & Co. KG, Bühlertal		50	2,296	159
Netzgesellschaft Elsdorf Verwaltungs-GmbH, Elsdorf		49	25	2
Netzgesellschaft Grimma GmbH & Co. KG, Grimma		49	7,670	569
Netzgesellschaft Korb GmbH & Co. KG, Korb		50	1,417	99
Netzgesellschaft Korb Verwaltungs-GmbH, Korb		50	27	1
Netzgesellschaft Kreisstadt Bergheim Verwaltungs-GmbH, Bergheim		49	28	2
Netzgesellschaft Lauf GmbH & Co. KG, Lauf		50	758	53
Netzgesellschaft Leutenbach GmbH & Co. KG, Leutenbach		50	1,531	108
Netzgesellschaft Leutenbach Verwaltungs-GmbH, Leutenbach		50	26	1
Netzgesellschaft Maifeld GmbH & Co. KG, Polch		49	6,176	0
Netzgesellschaft Maifeld Verwaltungs GmbH, Polch		49	26	0
Netzgesellschaft Ottersweier GmbH & Co. KG, Ottersweier		50	2,027	145
Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49	3,261	469
Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49	27	0
NiersEnergieNetze GmbH & Co. KG, Kevelaer		51	6,211	551
NiersEnergieNetze Verwaltungs-GmbH, Kevelaer		51	27	2
Novenerg limited liability company for energy activities, Zagreb/Croatia		50	100	–1
Offshore Trassenplanungs-GmbH OTP i.L., Hanover		50	168	0
Peißenberger Wärmegesellschaft mbH, Peißenberg		50	1,438	–99
prego services GmbH, Saarbrücken		50	–7,722	567
Propan Rheingas GmbH, Brühl		28	49	2
Qualitas-AMS GmbH, Siegen		38		3
Recklinghausen Netz-Verwaltungsgesellschaft mbH, Recklinghausen		49	26	1
Renergie Stadt Wittlich GmbH, Wittlich		30	23	2
RIWA GmbH Gesellschaft für Geoinformationen, Kempten		33	1,273	405
RurEnergie GmbH, Düren		30	5,846	–83
Rusheen – RWE Commercialisation Partners Limited, Swindon/United Kingdom		33		3
RWE Power International Middle East LLC, Dubai/UAE		49	–1,838	–939
Sandersdorf-Brehna Netz GmbH & Co. KG, Sandersdorf-Brehna		49	4,826	170
Selm Netz GmbH & Co. KG, Selm		25	3,225	0
SHS Ventures GmbH & Co. KGaA, Völklingen		50		3
SolarProjekt Mainaschaff GmbH, Mainaschaff		50	47	1
SolarProjekt Rheingau-Taunus GmbH, Bad Schwalbach		50	431	–18
SPX, s.r.o., Žilina/Slovakia		33	131	10

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7 Significant influence by virtue of company contract.
8 Structured entity pursuant to IFRS 10 and 12.

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 % Direct	Total	Equity € '000	Net income/loss € '000
SSW Stadtwerke St. Wendel Geschäftsführungsgesellschaft mbH, St. Wendel		50	120	4
Stadtentwässerung Schwerte GmbH, Schwerte		48	51	0
Städtische Werke Borna GmbH, Borna		37	5,152	1,102
Städtisches Wasserwerk Eschweiler GmbH, Eschweiler		25	1,526	–1,311
Stadtwerke – Strom Plauen GmbH & Co. KG, Plauen		49	5,358	1,151
Stadtwerke Ahaus GmbH, Ahaus		36	11,086	0
Stadtwerke Aue GmbH, Aue		24	12,415	1,394
Stadtwerke Dillingen/Saar GmbH, Dillingen		49	6,411	1,756
Stadtwerke Dülmen Verwaltungs-GmbH, Dülmen		50	29	0
Stadtwerke Gescher GmbH, Gescher		25	3,167	546
Stadtwerke Geseke Netze GmbH & Co. KG, Geseke		25	2,377	0
Stadtwerke Geseke Netze Verwaltung GmbH, Geseke		25	25	0
Stadtwerke Goch Netze GmbH & Co. KG, Goch		25	1,319	319
Stadtwerke Goch Netze Verwaltungsgesellschaft mbH, Goch		25	27	2
Stadtwerke Haan GmbH, Haan		25	20,725	1,875
Stadtwerke Langenfeld GmbH, Langenfeld		20	8,051	300
Stadtwerke Oberkirch GmbH, Oberkirch		33	6,792	1,295
Stadtwerke Roßlau Fernwärme GmbH, Dessau-Roßlau		49	1,543	362
Stadtwerke Schwarzenberg GmbH, Schwarzenberg/Erzgeb.		28	14,325	1,263
Stadtwerke Steinfurt GmbH, Steinfurt		33	10,695	300
Stadtwerke Unna GmbH, Unna		24	14,382	3,146
Stadtwerke Vlotho GmbH, Vlotho		25	4,989	101
Stadtwerke Wadern GmbH, Wadern		49	4,103	671
Stadtwerke Waltrop Netz GmbH & Co. KG, Waltrop		25	2,543	–1
Stadtwerke Weilburg GmbH, Weilburg		20	7,902	618
Stadtwerke Werl GmbH, Werl		25	6,735	0
STEAG – Kraftwerksbetriebsgesellschaft mit beschränkter Haftung, Essen		21	324	0
STEAG Windpark Ullersdorf GmbH & Co. KG, Jamlitz		21	20,160	2,410
Stromnetz Diez GmbH & Co. KG, Diez		25	1,383	95
Stromnetz Diez Verwaltungsgesellschaft mbH, Diez		25	29	1
Stromnetz Euskirchen GmbH & Co. KG, Euskirchen		25	3,796	5
Stromnetz Günzburg Verwaltungs GmbH, Günzburg		49	28	1
Stromnetz Hofheim GmbH & Co. KG, Hofheim		49	3,455	255
Stromnetz Hofheim Verwaltungs GmbH, Hofheim		49	26	1
Stromnetz Verbandsgemeinde Katzenelnbogen GmbH & Co. KG, Katzenelnbogen		49	2,275	174
Stromnetz Verbandsgemeinde Katzenelnbogen Verwaltungsgesellschaft mbH, Katzenelnbogen		49	27	1
Stromnetz VG Diez GmbH & Co. KG, Altendiez		49	2,403	176
Stromnetz VG Diez Verwaltungsgesellschaft mbH, Altendiez		49	28	1
Strom-Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		49	3,611	418
Stromnetzgesellschaft Gescher GmbH & Co. KG, Gescher		25		[3]
Strom-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49	4,803	693
Strom-Netzgesellschaft Kolpingstadt Kerpen Verwaltungs-GmbH, Kerpen		49	28	2
Stromnetzgesellschaft Neuenhaus mbH & Co. KG, Neuenhaus		49	1,000	345

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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 % Direct	Shareholding in % Total	Equity € '000	Net income/loss € '000
Stromnetzgesellschaft Neuenhaus Verwaltungs-GmbH, Neuenhaus		49	25	0
Stromnetzgesellschaft Neunkirchen-Seelscheid mbH & Co. KG, Neunkirchen-Seelscheid		49	2,625	313
Stromnetzgesellschaft Schwalmtal mbH & Co. KG, Schwalmtal		51	3,578	582
Stromverwaltung Schwalmtal GmbH, Schwalmtal		51	28	2
Südwestfalen Netz-Verwaltungsgesellschaft mbH, Netphen		49	25	0
SWL-energis Netzgesellschaft mbH & Co. KG, Lebach		50	3,703	279
SWL-energis-Geschäftsführungs-GmbH, Lebach		50	34	1
SWT trilan GmbH, Trier		26	1,203	478
SWTE Netz Verwaltungsgesellschaft mbH, Ibbenbüren		33	24	0
Technische Werke Naumburg GmbH, Naumburg (Saale)		47	11,477	2,531
TEPLO Votice s.r.o., Votice/Czech Republic		20	91	14[2]
The Bristol Bulk Company Limited, London/United Kingdom		25	1	0
TNA Talsperren- und Grundwasser-Aufbereitungs- und Vertriebsgesellschaft mbH, Saarbrücken		23	969	127
Toledo PV A.E.I.E., Madrid/Spain		33	2,339	630
TRANSELEKTRO, s.r.o., Košice/Slovakia		26	627	−51
TWE Technische Werke der Gemeinde Ensdorf GmbH, Ensdorf		49	2,004	69
TWL Technische Werke der Gemeinde Losheim GmbH, Losheim		50	6,283	1,009
TWM Technische Werke der Gemeinde Merchweiler GmbH, Merchweiler		49	2,027	135
TWN Trinkwasserverbund Niederrhein GmbH, Grevenbroich		33	148	−5
TWRS Technische Werke der Gemeinde Rehlingen-Siersburg GmbH, Rehlingen		35	4,802	136
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main		25	0	−200
Untere Iller Aktiengesellschaft, Landshut		40	1,134	41
Untermain EnergieProjekt AG & Co. KG, Kelsterbach		49	1,958	146
Untermain Erneuerbare Energien Verwaltungs-GmbH, Raunheim		25	31	2
VEM Neue Energie Muldental GmbH & Co. KG, Markkleeberg		50	6	−4
Verteilnetze Energie Weißenhorn GmbH & Co. KG, Weißenhorn		35	906	509
Verwaltungsgesellschaft Dorsten Netz mbH, Dorsten		49	27	2
Verwaltungsgesellschaft Energie Weißenhorn GmbH, Weißenhorn		35	25	0
Verwaltungsgesellschaft GKW Dillingen mbH, Saarbrücken		25	174	7
Voltaris GmbH, Maxdorf		50	933	150
WALDEN GREEN ENERGY LLC, New York City/USA		61	5,396	−818[2]
Wärmeversorgung Limburg GmbH, Limburg an der Lahn		50		[3]
Wärmeversorgung Mücheln GmbH, Mücheln		49	916	96
Wärmeversorgung Wachau GmbH, Markkleeberg OT Wachau		49	91	−1
Wärmeversorgung Würselen GmbH, Würselen		49	1,449	61
Wasserverbund Niederrhein Gesellschaft mit beschränkter Haftung, Krefeld		42	10,805	538
Wasserversorgung Main-Taunus GmbH, Frankfurt am Main		49	134	6
Wasserzweckverband der Gemeinde Nalbach, Nalbach		49	1,736	47
WEV Warendorfer Energieversorgung GmbH, Warendorf		25	12,243	0
Windenergie Briesensee GmbH, Neu Zauche		50	1,434	1,181
Windenergie Frehne GmbH & Co. KG, Marienfließ		41	6,264	202
Windenergie Merzig GmbH, Merzig		20	3,515	276

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	Direct	Total	€ '000	€ '000
Windenergiepark Heidenrod GmbH, Heidenrod		51	11,871	865
Windkraft Jerichow – Mangelsdorf I GmbH & Co. KG, Jerichow		25	4,163	652
Windpark Borssele I & II B.V., Amsterdam/Netherlands		50		[3]
Windpark Borssele I & II C.V., Amsterdam/Netherlands		50		[3]
Windpark Jüchen GmbH & Co. KG, Essen		21	2,385	276
Windpark Losheim-Britten GmbH, Losheim am See		50	1,991	22
Windpark Nohfelden-Eisen GmbH, Nohfelden		50	3,468	–57
Windpark Oberthal GmbH, Oberthal		35	4,673	281
Windpark Perl GmbH, Perl		42	8,229	478
WINDTEST Grevenbroich GmbH, Grevenbroich		38	898	248
WLN Wasserlabor Niederrhein GmbH, Mönchengladbach		45	520	20
Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier Gesellschaft mit beschränkter Haftung, Cologne		50	52,558	2,654
WVG-Warsteiner Verbundgesellschaft mbH, Warstein		25	8,295	1,673
WVL Wasserversorgung Losheim GmbH, Losheim		50	5,083	405
WWS Wasserwerk Saarwellingen GmbH, Saarwellingen		49	3,486	236
WWW Wasserwerk Wadern GmbH, Wadern		49	3,516	166

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VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
APEP Dachfonds GmbH & Co. KG, Munich	36	36	445,421	105,247
Aurica AG, Aarau/Switzerland		8	107	0
BEW Bergische Energie- und Wasser-GmbH, Wipperfürth		19	28,847	5,892
BFG-Bernburger Freizeit GmbH, Bernburg (Saale)		1	9,675	–1,201
BIDGELY Inc., Sunnyvale/USA		5	10,512	–5,235
Blackhawk Mining LLC, Lexington/USA		6	–47,746	–190,829[2]
Bürgerenergie Untermain e.G., Kelsterbach		4	59	14
CELP II Chrysalix Energy II US Limited Partnership, Vancouver/Canada		6	14,483	–421
CELP III Chrysalix Energy III US Limited Partnership, Vancouver/Canada		11	121,838	28,587
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern		4	15,473	1,127
Die BürgerEnergie eG, Dortmund		0	1,750	85
Dry Bulk Partners 2013 LP, Grand Cayman/Cayman Islands		25	5,485	–4,961
eins energie in sachsen GmbH & Co. KG, Chemnitz		9	461,046	77,029
Energías Renovables de Ávila, S.A., Madrid/Spain		17	595	0
Energieagentur Region Trier GmbH, Trier		14	17	6
Energiegenossenschaft Chemnitz-Zwickau eG, Chemnitz		7	553	25
Energiehandel Saar GmbH & Co. KG, Neunkirchen		1	400	–5
Energiehandel Saar Verwaltungs-GmbH, Neunkirchen		2	25	0
Energieversorgung Limburg GmbH, Limburg an der Lahn		10	27,079	4,844
Entwicklungsgesellschaft Neu-Oberhausen mbH-ENO, Oberhausen		2	627	–1,010
ESV-ED GmbH & Co. KG, Buchloe		4	332	63
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen		10	64	1
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungs-unternehmen mbH & Co. KG, Straelen		10	41,000	44,282
Gemeinschafts-Lehrwerkstatt Arnsberg GmbH, Arnsberg		7	130	73
Gesellschaft für Wirtschaftsförderung Duisburg mbH, Duisburg		1	698	–120
GSG Wohnungsbau Braunkohle GmbH, Cologne		15	45,277	1,072
Heliatek GmbH, Dresden		14	8,414	–7,701
High-Tech Gründerfonds II GmbH & Co. KG, Bonn		1	65,314	0
HOCHTEMPERATUR-KERNKRAFTWERK Gesellschaft mit beschränkter Haftung (HKG). Gemeinsames Europäisches Unternehmen, Hamm		31	0	0
Hubject GmbH, Berlin		17	338	–2,145
INDI Energie B.V., 's-Hertogenbosch/Netherlands		30		[3]
Intertrust Technologies Corporation, Sunnyvale/USA		10	121	–16
IZES gGmbH, Saarbrücken		8	624	2
KEV Energie GmbH, Kall		2	457	0
Kreis-Energie-Versorgung Schleiden GmbH, Kall		2	12,098	4,500
LEW Bürgerenergie e.G., Augsburg		0	1,724	45
Move24 Group GmbH, Berlin		5	7,964	–1,628
Neckar-Aktiengesellschaft, Stuttgart		12	10,179	0
Neue Energie Ostelbien eG, Arzberg		29		[3]
Neustromland GmbH & Co. KG, Saarbrücken		5	2,757	128
Nordsee One GmbH, Hamburg		15	46,436	–13,148

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VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
Nordsee Three GmbH, Hamburg		15	20	5
Nordsee Two GmbH, Hamburg		15	20	5
Ökostrom Saar Biogas Losheim KG, Merzig		10	–206	61
OPPENHEIM PRIVATE EQUITY Institutionelle Anleger GmbH & Co. KG, Cologne	29	29	676	1,862
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	53	0
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	499	–1
Parque Eólico Leo, S.L., Oviedo/Spain		10	134	0
Parque Eólico Sagitario, S.L., Oviedo/Spain		10	124	0
PEAG Holding GmbH, Dortmund	12	12	15,736	1,427
People Power Company, Redwood City/USA		5	934	–2,405
Planet OS Inc., Sunnyvale/USA		9	–2,264	–2,091[2]
pro regionale energie eG, Diez		2	1,383	49
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	65	0
PSI AG für Produkte und Systeme der Informationstechnologie, Berlin		18	82,733	5,244
REV LNG LLC, Ulysses/USA		5	3,239	135[2]
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf		100	2,610	426
SALUS Grundstücks-Vermietungsges. mbH & Co. Objekt Leipzig KG, Düsseldorf		100	5	15
Sdružení k vytvoření a využívání digitální technické mapy města Pardubic, Pardubice/Czech Republic		12	1	0
SE SAUBER ENERGIE GmbH & Co. KG, Cologne		17	1,326	209
SE SAUBER ENERGIE Verwaltungs-GmbH, Cologne		17	127	7
SET Fund II C.V., Amsterdam/Netherlands		13	13,448	–1,499
SET Sustainable Energy Technology Fund C.V., Amsterdam/Netherlands		50	18,115	1,179
Solarpark Freisen "Auf der Schwann" GmbH, Nohfelden		15	380	68
Solarpark St. Wendel GmbH, St. Wendel		15	1,133	170
SolarRegion RengsdorferLAND eG, Rengsdorf		2	318	17
Stadtmarketing-Gesellschaft Gelsenkirchen mbH, Gelsenkirchen		2	50	7
Stadtwerke Delitzsch GmbH, Delitzsch		18	14,937	2,467
Stadtwerke Detmold GmbH, Detmold		12	31,495	0
Stadtwerke ETO GmbH & Co. KG, Telgte		3	32,121	4,639
Stadtwerke Porta Westfalica GmbH, Porta Westfalica		12	15,566	810
Stadtwerke Sulzbach GmbH, Sulzbach		15	11,431	2,106
Stadtwerke Tecklenburger Land Energie GmbH, Ibbenbüren		15	–1,913	–1,197
Stadtwerke Tecklenburger Land GmbH & Co. KG, Ibbenbüren		1	131	–106
Stadtwerke Völklingen Netz GmbH, Völklingen		18	16,387	1,674
Stadtwerke Völklingen Vertrieb GmbH, Völklingen		18	7,301	3,452
Stem Inc., Milbrae/USA		12	611	–1,825
Store-X storage capacity exchange GmbH, Leipzig		12	468	168[2]
SWT Stadtwerke Trier Versorgungs-GmbH, Trier		19	36,256	0
SWTE Verwaltungsgesellschaft mbH, Ibbenbüren		1	24	0
Technologiezentrum Jülich GmbH, Jülich		5	1,269	198
Telecom Plus plc, London/United Kingdom		1	231,588	38,622[2]
TGZ Halle TECHNOLOGIE- UND GRÜNDERZENTRUM HALLE GmbH, Halle (Saale)		15	14,498	51

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VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
Transport- und Frischbeton-Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Aachen, Aachen		17	390	149
Trianel Erneuerbare Energien GmbH & Co. KG, Aachen		2		[3]
Trianel GmbH, Aachen		3	88,077	124
Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf	43	43	2,037	892
Umspannwerk Lübz GbR, Lübz		18	32	12
Union Group, a.s., Ostrava/Czech Republic		2	85,123	0
Untermain ErneuerbareEnergien GmbH & Co. KG, Raunheim		17	22	–16
WASSERWERKE PADERBORN GmbH, Paderborn		10	24,105	0
WiN Emscher-Lippe Gesellschaft zur Strukturverbesserung mbH, Herten		2	129	–320
Windenergie Schermbeck-Rüste GmbH & Co. KG, Schermbeck		14		[3]
Windenergie Schermbeck-Rüste Verwaltungsgesellschaft mbH, Schermbeck		14		[3]
Windpark Mengerskirchen GmbH, Mengerskirchen		15	3,013	327
Windpark Saar GmbH & Co. Repower KG, Freisen		10	9,566	1,139
Windpark Saar 2016 GmbH & Co. KG, Freisen		15		[3]

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Changes in shareholding with change of control	Shareholding in % 31 Dec 2016	Shareholding in % 31 Dec 2015	Change
Additions to affiliated companies which are included in the consolidated financial statements			
Bakker CV Installatietechniek B.V., Zwaagdijk/Netherlands	100		100
EGD-Energiewacht Facilities B.V., Assen/Netherlands	100		100
Energiewacht Facilities B.V., Zwolle/Netherlands	100		100
Energiewacht Steenwijk B.V., Zwolle/Netherlands	100		100
Energiewacht VKI B.V., Dalfsen/Netherlands	100		100
Energiewacht West Nederland B.V., Assen/Netherlands	100		100
Energiewacht-A.G.A.S.-Deventer B.V., Deventer/Netherlands	100		100
Energiewacht-Gazo B.V., Zwolle/Netherlands	100		100
GasWacht Friesland B.V., Gorredijk/Netherlands	100		100
GasWacht Friesland Facilities B.V., Leeuwarden/Netherlands	100		100
GBV Dreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100		100
Mercurius Klimaatbeheersing B.V., Assen/Netherlands	100		100
N.V. Energiewacht-Groep, Zwolle/Netherlands	100		100
RWE Eemshaven Holding II B.V., Geertruidenberg/Netherlands	100		100
RWE Generation NL B.V., Arnhem/Netherlands	100		100
Sebukro B.V., Amersfoort/Netherlands	100		100
Transfers of joint ventures accounted for using the equity method to affiliated companies which are included in the consolidated financial statements			
EGG Holding B.V., Meppel/Netherlands	100	50	50
Disposals of affiliated companies which are included in the consolidated financial statements			
LYNEMOUTH POWER LIMITED, Northumberland/United Kingdom		100	−100
RWE Energy Beteiligungsverwaltung Luxemburg S.A.R.L., Luxembourg/Luxembourg		100	−100
Batsworthy Cross Wind Farm Limited, Swindon/United Kingdom		100	−100
Oval (2205) Limited, Swindon/United Kingdom		100	−100
Disposals of associates accounted for using the equity method			
Enovos International S. A., Luxembourg/Luxembourg		18	−18
Zephyr Investments Limited, Swindon/United Kingdom		33	−33

Changes in shareholding without change of control	Shareholding in % 31 Dec 2016	Shareholding in % 31 Dec 2015	Change
Affiliated companies which are included in the consolidated financial statements			
FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken	100	63	37
innogy SE, Essen	77	100	−23
Joint ventures accounted for using the equity method			
Société Electrique de l'Our S.A., Luxembourg/Luxembourg	40	40	0
Associates accounted for using the equity method			
SWTE Netz GmbH & Co. KG, Ibbenbüren	33	98	−65
Vliegasunie B.V., De Bilt/Netherlands	60	43	17

3.8 BOARDS (PART OF THE NOTES)

As of: 28 February 2017

Supervisory Board

Dr. Werner Brandt
Bad Homburg
Chairman since: 20 April 2016
Corporate consultant
Year of birth: 1954
Member since: 18 April 2013

Other appointments:
- ▪ Deutsche Lufthansa AG
- ▪ innogy SE (Chairman)
- ▪ OSRAM Licht AG
- ▪ ProSiebenSat.1 Media SE (Chairman)

Dr. Manfred Schneider[2]
Cologne
Chairman until: 20 April 2016
Year of birth: 1938
Member until: 20 April 2016

Other appointments:
- ▪ Linde AG (Chairman)

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
- ▪ IBM Central Holding GmbH
- ▪ innogy SE
- - KfW Bankengruppe

Reiner Böhle[1]
Witten
Chairman of the General Works Council of Westnetz GmbH,
Chairman of the Group Works Council of innogy SE
Year of birth: 1960
Member since: 1 January 2013

Other appointments:
- ▪ innogy SE

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

Dieter Faust[1,2]
Eschweiler
Chairman of the General Works Council of RWE Power AG
Year of birth: 1958
Member until: 20 April 2016

Other appointments:
- ▪ RWE Generation SE
- ▪ RWE Power AG

Roger Graef[2]
Bollendorf
Managing Director of Verband der kommunalen
RWE-Aktionäre GmbH
Year of birth: 1943
Member until: 20 April 2016

Arno Hahn[1]
Waldalgesheim
Chairman of the Group Works Council of RWE AG
Chairman of the General Works Council of innogy SE
Year of birth: 1962
Member since: 1 July 2012

Other appointments:
- ▪ innogy SE

Andreas Henrich[1]
Mülheim an der Ruhr
Head of Human Resources at RWE AG
Year of birth: 1956
Member since: 20 April 2016

Maria van der Hoeven[2]
Maastricht
Former Executive Director of the International Energy Agency
Year of birth: 1949
Member from 20 April 2016 to 14 October 2016

Other appointments:
- - Total S.A.

Manfred Holz[1,2]
Grevenbroich
Deputy Chairman of the General Works Council of RWE Power AG
Year of birth: 1954
Member until: 20 April 2016

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.
2 Information valid as of the date of retirement.

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 (Chairman)
- - Airbus Group SE

Mag. Dr. h.c. Monika Kircher
Pörtschach (Austria)
Senior Director Industrial Affairs at Infineon Technologies Austria AG
Year of birth: 1957
Member since: 15 October 2016

Other appointments:
- - Austrian Airlines AG
- - Siemens AG Österreich
- - Andritz AG
- - Kärntner Energieholding Beteiligungs GmbH (Chairwoman)
- - KELAG-Kärntner Elektrizitäts AG

Martina Koederitz
Stuttgart
Chairwoman of the Management of IBM Central Holding GmbH, IBM Deutschland GmbH and IBM Deutschland Management & Business Support GmbH and Managing Director of IBM Munich Center GmbH
Year of birth: 1964
Member since: 20 April 2016

Other appointments:
- ▪ IBM Deutschland Research & Development GmbH
- ▪ innogy SE

Monika Krebber[1]
Mülheim an der Ruhr
Deputy Chair of the General Works Council of innogy SE
Year of birth: 1962
Member since: 20 April 2016

Frithjof Kühn[2]
Sankt Augustin
Former Chief Administrative Officer
Year of birth: 1943
Member until: 20 April 2016

Hans Peter Lafos[1,2]
Bergheim
Regional District Sector Head, Utilities and Disposal (Sector 2), ver.di Vereinte Dienstleistungsgewerkschaft, District of NRW
Year of birth: 1954
Member until: 20 April 2016

Other appointments:
- ▪ GEW Köln AG
- ▪ RWE Generation SE
- ▪ RWE Power AG
- ▪ RheinEnergie AG

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 Generation SE
- ▪ RWE Power AG

Christine Merkamp[1,2]
Cologne
Project Director at NWoW Engine of innogy SE
Year of birth: 1967
Member until: 20 April 2016

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

▪ 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.

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 Trier-Saarburg
Year of birth: 1962
Member since: 20 April 2016

Other appointments:
- ▪ RW Holding AG (Chairman)
- \- A.R.T. Abfallberatungs- und Verwertungsgesellschaft mbH (Deputy Chairman)
- \- Kreiskrankenhaus St. Franziskus Saarburg GmbH (Chairman)
- \- Sparkasse Trier (Chairman)
- \- Sparkassenverband Rheinland-Pfalz
- \- Trierer Hafengesellschaft mbH
- \- Zweckverband Abfallwirtschaft Region Trier (Deputy Chairman)

Dr. Erhard Schipporeit
Hanover
Independent corporate consultant
Year of birth: 1949
Member since: 20 April 2016

Other appointments:
- ▪ BDO AG
- ▪ Deutsche Börse AG
- ▪ Fuchs Petrolub SE
- ▪ Hannover Rück SE
- ▪ HDI V. a. G.
- ▪ SAP SE
- ▪ Talanx AG

Dagmar Schmeer[1,2]
Saarbrücken
Technical Officer Grid Services at VSE Verteilernetz GmbH
Year of birth: 1967
Member until: 20 April 2016

Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h. c. Ekkehard D. Schulz[2]
Krefeld
Former Chairman of the Executive Board of ThyssenKrupp AG
Year of birth: 1941
Member until: 20 April 2016

Other appointments:
- ▪ MAN SE
- ▪ MAN Truck & Bus AG

Dr. Wolfgang Schüssel
Vienna
Former Federal Chancellor of the Republic of Austria
Year of birth: 1945
Member since: 1 March 2010

Other appointments:
- \- Bertelsmann Stiftung
- \- 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)
- \- Klinikum Dortmund gGmbH (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:
- ▪ KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG
- ▪ KSBG Kommunale Verwaltungsgesellschaft GmbH
- ▪ Lanxess AG
- ▪ Lanxess Deutschland GmbH
- ▪ RAG AG
- ▪ RAG Deutsche Steinkohle AG
- ▪ RWE Generation SE
- ▪ RWE Power 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.

Marion Weckes[1]
Dormagen
Head of Unit, Dept. Mitbestimmungsförderung der Hans-Böckler-Stiftung
Year of birth: 1975
Member since: 20 April 2016

Other appointments:
- Stadtwerke Düsseldorf AG

Dr. Dieter Zetsche[2]
Stuttgart
Chairman of the Executive Board of Daimler AG
Year of birth: 1953
Member until: 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

Supervisory Board Committees

Executive Committee of the Supervisory Board
Dr. Werner Brandt (Chairman) – since 20 April 2016 –
Dr. Manfred Schneider (Chairman) – until 20 April 2016 –
Reiner Böhle – until 20 April 2016 –
Frank Bsirske
Sandra Bossemeyer – since 20 April 2016 –
Manfred Holz – until 20 April 2016 –
Prof. Dr. Hans-Peter Keitel – since 20 April 2016 –
Monika Krebber – since 20 April 2016 –
Dagmar Mühlenfeld
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h. c. Ekkehard D. Schulz – until 20 April 2016 –
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) – since 20 April 2016 –
Dr. Manfred Schneider (Chairman) – until 20 April 2016 –
Frank Bsirske
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h. c. Ekkehard D. Schulz – until 20 April 2016 –
Dr. Wolfgang Schüssel – since 20 April 2016 –
Ralf Sikorski

Personnel Affairs Committee
Dr. Werner Brandt (Chairman) – since 20 April 2016 –
Dr. Manfred Schneider (Chairman) – until 20 April 2016 –
Reiner Böhle
Frank Bsirske
Dieter Faust – until 20 April 2016 –
Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel – until 20 April 2016 –
Frithjof Kühn – until 20 April 2016 –
Harald Louis – since 20 April 2016 –
Peter Ottmann – since 20 April 2016 –
Dr. Wolfgang Schüssel – since 20 April 2016 –

Audit Committee
Dr. Erhard Schipporeit (Chairman) – since 20 April 2016 –
Dr. Werner Brandt (Chairman) – until 20 April 2016 –
Dieter Faust – until 20 April 2016 –
Arno Hahn
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h. c. Ekkehard D. Schulz – until 20 April 2016 –
Dr. Wolfgang Schüssel – since 20 April 2016 –
Ullrich Sierau
Ralf Sikorski
Marion Weckes – since 20 April 2016 –

Nomination Committee
Dr. Werner Brandt (Chairman) – since 20 April 2016 –
Dr. Manfred Schneider (Chairman) – until 20 April 2016 –
Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel
Frithjof Kühn – until 20 April 2016 –
Peter Ottmann – since 20 April 2016 –

Strategy Committee
Dr. Werner Brandt (Chairman)
Frank Bsirske
Arno Hahn
Prof. Dr. Hans-Peter Keitel
Günther Schartz
Ralf Sikorski

NewCo IPO Committee
Dr. Werner Brandt (Chairman) – since 20 April 2016 –
Dr. Manfred Schneider (Chairman) – until 20 April 2016 –
Reiner Böhle – until 20 April 2016 –
Frank Bsirske
Sandra Bossemeyer – since 20 April 2016 –
Prof. Dr. Hans-Peter Keitel – since 20 April 2016 –
Monika Krebber – since 20 April 2016 –
Manfred Holz – until 20 April 2016 –
Dagmar Mühlenfeld
Dr. Erhardt Schipporeit – since 20 April 2016 –
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h. c. Ekkehard D. Schulz – until 20 April 2016 –
Dr. Wolfgang Schüssel
Leonhard Zubrowski

- Member of other mandatory supervisory boards.

1 Employee representative.
2 Information valid as of the date of retirement.

The Executive Board

Dr. Rolf Martin Schmitz (Chief Executive Officer)
Chairman of the Executive Board of RWE AG since 15 October 2016
Deputy Chairman of the Executive Board of RWE AG
from 1 July 2012 until 14 October 2016
Member of the Executive Board of RWE AG since 1 May 2009,
appointed until 30 June 2021

Other appointments:
- ▪ RWE Generation SE (Chairman)
- ▪ RWE Power AG (Chairman)
- ▪ RWE Supply & Trading GmbH (Chairman)
- ▪ TÜV Rheinland AG
- \- 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
Chief Executive Officer of RWE Supply & Trading GmbH
since 1 March 2015
Member of the Board of RWE Supply & Trading GmbH
since 1 November 2012, without a stipulated term

Other appointments:
- ▪ innogy SE
- ▪ RWE Generation SE
- ▪ RWE Power AG

Uwe Tigges (Chief HR Officer and Labour Director)
Member of the Executive Board of RWE AG since 1 January 2013,
appointed until 30 April 2017
Member of the Executive Board of innogy SE since 1 April 2016,
appointed until 31 March 2021

Other appointments:
- ▪ Amprion GmbH
- ▪ RWE Pensionsfonds AG (Chairman)
- \- VfL Bochum 1848 Fußballgemeinschaft e. V.

Exiting members of the Executive Board

Peter Terium (former Chief Executive Officer)[1]
Chairman of the Executive Board of RWE AG until 14 October 2016

Dr. Bernhard Günther (former Chief Financial Officer)[1]
Member of the Executive Board of RWE AG until 14 October 2016

Other appointments:
- ▪ RWE Generation SE
- ▪ RWE IT GmbH (Chairman)

▪ 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

Audit Opinion on the Consolidated Financial Statements
We have audited the consolidated financial statements of RWE Aktiengesellschaft, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

According to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 zweiter Halbsatz (second half sentence) HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply, in all material respects, with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2016, as well as the results of operations for the financial year from 1 January to 31 December 2016, in accordance with these requirements.

According to § 322 Abs. 3 Satz 1 erster Halbsatz HGB, we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements.

Basis for Audit Opinion on the Consolidated Financial Statements
We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally considered the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards, as well as supplementary standards, are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group entities in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters
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 2016. 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, and we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

❶ IPO of innogy SE
❷ Recoverability of goodwill
❸ Impairment of power plants of the "Conventional Power Generation" segment
❹ Provisions for nuclear waste management

Our presentation of these key audit matters has been structured as follows:
① Matter and issue
② Audit approach and findings
③ Reference to further information

❶ **IPO of innogy SE**
① The shares of innogy SE, which is included in RWE Aktiengesellschaft's consolidated financial statements, have been listed on the regulated market of the Frankfurt Stock Exchange since October 2016. In connection with preparations for this IPO, a considerable number of legal and organisational conditions within the RWE Group were adjusted. For the purposes of the IPO, a total of 128,930,315 shares were placed with new investors, of which 73,375,315 stemmed from the holdings of a subsidiary of RWE Aktiengesellschaft and 55,555,000 from a capital increase at innogy SE. A total of EUR 4.6 billion in cash and cash equivalents was generated and RWE Aktiengesellschaft's interest in innogy SE decreased from 100% to 76.8% due to the IPO.

The balance sheet line item "Non-controlling interests" in the consolidated financial statements of RWE Aktiengesellschaft now amounts to EUR 4.3 billion, corresponding to 53.7% of Group equity. The "Cash flows from financing activities" line item of the cash flow statement and the corresponding change in the balance sheet line item "Cash and cash equivalents" were also primarily attributable to innogy SE's IPO and the issue proceeds. Given the scale of this transaction and the complexity of measuring non-controlling interests as well as due to the effects of the restructurings planned or made to the legal and organisational conditions on the internal control system at the RWE Group, this matter was of particular importance during our audit.

② We took into consideration those legal and organisational restructurings connected with the IPO of innogy SE that were of significance for our audit of the financial statements. This includes in particular the organisational measures intended to ensure that the information needed to prepare the consolidated financial statements is complete, accurate and provided in due time. As part of our audit of Group equity, cash and cash equivalents and the cash flow statement, we, among other things, obtained evidence about the amount of the issue proceeds and the effects on Group equity. We evaluated the method for measuring non-controlling interests and assessed the calculation of their amounts. In assessing the results of the accounting treatment and measurements, we primarily relied on bank statements and commercial register excerpts as well as the resolutions adopted by the supervisory board and the executive board of RWE Aktiengesellschaft and the executive bodies of innogy SE. We also satisfied ourselves that the costs of the IPO had properly been taken into account. In our opinion, the accounting and measurement policies used by management are on the whole appropriate and therefore properly reflect the effects of innogy SE's IPO in the consolidated financial statements.

③ The Company's disclosures relating to the effects of innogy SE's IPO are contained in section "Disposals" as well as in section "Notes to the Balance Sheet" in sub-item "(22) Equity" of the notes to the consolidated financial statements.

❷ Recoverability of goodwill

① In the consolidated financial statements of RWE Aktiengesellschaft, goodwill amounting to EUR 11.7 billion (15% of consolidated total assets) is reported under the line item "Intangible assets" of the balance sheet. Goodwill is tested for impairment ("impairment test") on an annual basis or if there are indications that goodwill may be impaired. The impairment tests are performed at the level of the cash-generating units to which the respective goodwill is allocated. The measurements to ascertain the fair value less costs of disposal for the purpose of the impairment tests are based on the present value of the future cash flows derived from the budget projections for the coming three years (medium-term planning) prepared by management and duly noted by the supervisory board. Thereby expectations relating to future market developments and country-specific assumptions concerning macroeconomic factors are also taken into account. The present values are calculated using discounted cash flow models. The discount rate is determined using the weighted average cost of capital for the relevant cash-generating unit. The results of these measurements depend to a large extent on management's assessment of future cash inflows and the discount rates used. The measurement is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the measurement, this matter was of particular importance during our audit.

② As part of our audit, we, among other things, reviewed the method used for performing impairment tests and examined the calculation of the weighted average cost of capital. In addition, we satisfied ourselves that, overall, the future cash inflows underlying the measurements, in connection with the weighted cost of capital used, constitute an appropriate basis for the impairment test. We based our assessment of the impairment test as at 31 December, among other things, on a comparison with general and sector-specific market expectations as well as management's detailed explanations concerning the key planning value drivers underlying the expected cash inflows. We also examined that the costs for Group functions were properly included in the respective cash-generating unit. With the knowledge that even relatively small changes in the discount rate applied can in some cases have material effects on the goodwill calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we additionally assessed the sensitivity analyses performed by the Company in order to assess any impairment risk (higher carrying amount versus present value) relating to any potential change in a material assumption underlying the measurement. Taking into consideration the information available, we believe that the measurement parameters and assumptions used by management are appropriate for goodwill impairment tests.

③ The Company's goodwill disclosures are contained in section "Notes to the Balance Sheet" in sub-item "(10) Intangible assets" of the notes to the consolidated financial statements.

❸ Impairment of power plants of the "Conventional Power Generation" segment

① The consolidated financial statements of RWE Aktiengesellschaft include EUR 4.0 billion in impairment losses on power plants of the "Conventional Power Generation" segment due to negative market developments. The power plants were tested for impairment using their fair values less costs of disposal that exceed their values in use. The Company measures the fair values of the respective power plants in each case as the present value of the future cash inflows using discounted cash flow models. The budget projections for the coming three years (medium-term planning) prepared by management and duly noted by the supervisory board are used as a basis and extrapolated on the basis of long-term assumptions with regard to electricity, coal, natural gas and CO_2 certificate prices as well as the planned service lives of power plants. The result of these measurements depends to a large extent on management's planning assumptions and estimates of future cash inflows as well as the respective discount rates used for the measurement models. The measurements are therefore subject to considerable uncertainties, meaning that this matter was of particular importance during our audit.

② We satisfied ourselves as to the appropriateness of the future cash inflows used in the measurement by, inter alia, comparing this data with the current budgets in the medium-term planning prepared by management, and general and sector-specific market expectations regarding electricity, coal, natural gas and CO_2 certificate prices and the planned service lives of the power plants. Furthermore, on the basis of the medium-term planning, we evaluated the impairment tests of the power plants using the evidence provided to us. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the fair values calculated in this way, we also focused our assessment on the parameters used to determine the discount rate used, and evaluated the measurement model. Taking into consideration the information available, we believe that, overall, the measurement parameters and assumptions used by management are appropriate in order to assess the recoverability of the power plants.

③ The Company’s disclosures pertaining to impairment losses on power plants are contained in section “Notes to the Income Statement” in sub-item “(5) Depreciation, amortisation and impairment losses” of the notes to the consolidated financial statements.

❹ Provisions for nuclear waste management

① Provisions for nuclear waste management totalling EUR 12.7 billion (17 % of consolidated total assets) are recognised in the consolidated financial statements of RWE Aktiengesellschaft for the purpose of satisfying the Company’s obligations as a nuclear power plant operator to decommission and dismantle its nuclear power plants and to dispose of radioactive waste. The German Act on Reorganising Responsibility for Nuclear Waste Management (“Gesetz zur Neuordnung der Verantwortung in der kerntechnischen Entsorgung”) was passed in the reporting period. Under the act, the responsibility for managing and financing the operation, decommissioning and dismantling of nuclear power plants and for packaging the nuclear waste will continue to lie entirely with the RWE Group, while from 2017 onwards a public fund will be responsible for managing and financing interim and final storage. Accordingly, these two parts of the provision for nuclear waste management are presented separately. The provision for decommissioning and dismantling as well as for packaging nuclear waste is a long-term provision that is recognised at its discounted settlement amount (EUR 5.7 billion of the provisions for nuclear waste management) as of the balance sheet date. To calculate the settlement amount, the expected payments are initially compounded at the prices as of the balance sheet date and then discounted using a risk-free interest rate.

The provision for the payments to the waste management fund (EUR 7.0 billion of the provisions for nuclear waste management) comprises a basic contribution per power plant in operation (as stipulated in the act) as well as the statutory interest until the payment on 1 July 2017, plus the so-called “risk surcharge”. The risk surcharge must be paid to cover any future cost increases or interest-related risks. This is a short-term provision and it is not discounted.

The provisions for nuclear waste management are the result of the aforementioned assumptions and measurements. The matter was of particular importance during our audit since the amount of these provisions depend to a large extent on management’s assumptions and estimates regarding the dismantling scenario as well as on the escalation and discounting, and is therefore subject to material uncertainties.

② With the knowledge that estimated values bear an increased risk of accounting misstatements and that management’s measurement decisions have an effect on consolidated profit, we assessed the reliability of the information used as well as the appropriateness of the assumptions underlying the measurement of the provisions for nuclear waste management. For the provision for payments to the waste management fund, we reconciled the statutory contributions, including the risk surcharge, against the recognised amounts and assessed the interest. In addition, as part of our audit we, among other things, assessed the qualifications of the external appraiser engaged by the Company as well as the expectations regarding inflation and interest rates. Furthermore, we familiarised ourselves with the appraiser’s assumptions made and methods applied and satisfied ourselves that these assumptions and methods were in line with standard industry practices. We evaluated measurement model for the provisions using the applicable measurement parameters (including discounting) and scrutinised the planned timetable for utilising the provisions. We were able to satisfy ourselves that the assumptions made were sufficiently substantiated to justify the recognition and measurement of the provisions. We consider the measurement parameters and assumptions used by management to be reproducible.

③ The Company’s disclosures pertaining to provisions for nuclear waste management are contained in section ”Notes to the Balance Sheet“ in sub-item ”(24) Provisions“ of the notes to the consolidated financial statements.

Other Information
Management is responsible for the other information. The other information comprises

- the Corporate Governance Report according to section 3.10 of the German Corporate Governance Code,
- the Corporate Governance Statement pursuant to § 289a HGB and § 315 Abs. 5 HGB, as well as
- other parts of the annual report of RWE Aktiengesellschaft, Essen, for the financial year ended on 31 December 2016, which were not subject of our audit.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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 Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation of the consolidated financial statements, which comply with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, management is responsible for such internal control as management determines is 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objective is 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 to issue an auditor's report that includes our audit opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, 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 economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, 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, 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 opinion. 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 our auditor's report to the related disclosures in the consolidated financial statements or the group management report or, if such disclosures are inadequate, to modify our audit opinion. 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 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 represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Group Management Report

Audit Opinion on the Group Management Report
We have audited the group management report of RWE Aktiengesellschaft, Essen, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2016.

In our opinion, based on the findings of our audit, the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with legal requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the group management report.

Basis for Audit Opinion on the Group Management Report
We conducted our audit of the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Group Management Report
Management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a group management report in accordance with the German legal requirements applicable under § 315 Abs. 1 HGB and to provide sufficient and 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 group management report.

Auditor's Responsibilities for the Audit of the Group Management Report
Our objective is to obtain reasonable assurance about whether the group management report as a whole provides a suitable view of the Group's position as well as, in all material respects, is consistent with the consolidated financial statements as well as the findings of our audit, complies with legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the group management report.

As part of an audit, we examine the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection, we draw attention to the following:

- The audit of the group management report is integrated into the audit of the consolidated financial statements.

- We obtain an understanding of the policies and procedures (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 policies and procedures (systems).

- We perform audit procedures on the prospective information presented by management in the group management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

- We are also not issuing a separate audit opinion on individual disclosures in the group management report; our audit opinion covers the group management report as a whole.

Responsible auditor

The auditor responsible for the audit is Ralph Welter.

Essen, 28 February 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

3.10 INFORMATION ON THE AUDITOR

The consolidated financial statements of RWE AG and its subsidiaries for the 2016 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 Aktiengesellschaft (PricewaterhouseCoopers GmbH since 1 March 2017).

The auditor at PricewaterhouseCoopers GmbH responsible for RWE is Mr Ralph Welter. Mr Welter has performed this function in three previous audits of RWE.

FIVE-YEAR OVERVIEW

Five-year overview RWE Group		2016	2015	2014	2013	2012
External revenue	€ million	45,833	48,090	48,468	52,425	53,227
Income						
Adjusted EBITDA[1]	€ million	5,403	7,017	7,131	7,904	9,314
Adjusted EBIT[2]	€ million	3,082	3,837	4,017	5,369	6,416
Income before tax	€ million	−5,807	−637	2,246	−2,016	2,230
Net income/RWE AG shareholders' share in income	€ million	−5,710	−170	1,704	−2,757	1,306
Earnings per share	€	−9.29	−0.28	2.77	−4.49	2.13
Adjusted net income	€ million	777	1,125	1,282	2,314	2,457
Adjusted net income per share	€	1.26	1.83	2.09	3.76	4.00
Cash flow/capital expenditure/depreciation and amortisation						
Cash flows from operating activities of continuing operations	€ million	2,352	3,339	5,556	4,803	4,395
Capital expenditure including acquisitions	€ million	2,382	3,303	3,440	3,978	5,544
of which: property, plant and equipment and intangible assets	€ million	2,027	2,898	3,245	3,848	5,081
Free cash flow	€ million	325	441	2,311	960	−686
Free cash flow per share	€	0.53	0.72	3.76	1.56	−1.12
Depreciation, amortisation, impairment losses and asset disposals	€ million	6,857	5,838	3,369	8,121	5,343
Degree of asset depreciation	%	71.4	65.6	62.6	61.6	59.0
Asset/capital structure						
Non-current assets	€ million	45,911	51,453	54,224	56,905	63,338
Current assets	€ million	30,491	27,881	32,092	24,476	24,840
Balance sheet equity	€ million	7,990	8,894	11,772	12,137	16,489
Non-current liabilities	€ million	39,646	45,315	46,324	47,383	47,445
Current liabilities	€ million	28,766	25,125	28,220	21,861	24,244
Balance sheet total	€ million	76,402	79,334	86,316	81,381	88,178
Equity ratio	%	10.5	11.2	13.6	14.9	18.7
Net financial debt	€ million	1,659	7,353	8,481	10,320	12,335
Net debt	€ million	22,709	25,463	30,972	30,727	33,015
Leverage factor		4.2	3.6	3.8[3]	3.5[3]	3.5
Workforce						
Workforce at year-end[4]		58,652	59,762	59,784	64,896	70,208
Research & development						
Operating R&D costs	€ million	165	101	110	151	150
R&D employees		380	400	390	430	450
Emissions balance						
CO_2 emissions	million metric tons	148.3	150.8	155.2	163.9	179.8
Free allocation of CO_2 certificates	million metric tons	4.5	5.6	5.8	7.4	121.4
Shortage of CO_2 certificates[5]	million metric tons	142.6	143.9	148.3	156.5	58.4
Specific CO_2 emissions	metric tons/MWh	0.686	0.708	0.745	0.751	0.792

1 Changed term, formerly 'EBITDA'; see explanation on page 41.
2 Changed term, formerly 'operating result'; see explanation on page 41.
3 Adjusted figure; see page 64 of the 2014 Annual Report.
4 Converted to full-time positions.
5 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**.

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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 performance can deviate from the performance 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 to which we refer 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 315, Paragraph 5 of the German Commercial Code is an exception.

FINANCIAL CALENDAR 2017/2018

27 April 2017	Annual General Meeting
3 May 2017	Dividend payment
15 May 2017	Interim statement on the first quarter of 2017
14 August 2017	Interim report on the first half of 2017
14 November 2017	Interim statement on the first three quarters of 2017
13 March 2018	Annual report for fiscal 2017
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

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.

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