ANNUAL REPORT 2014

RWE
The energy to lead

2014 KEY FIGURES AT A GLANCE

- Operating result: €4.0 billion
- Net income: €1.7 billion
- Recurrent net income: €1.3 billion
- Dividend proposal: €1 per share
- Cash flows from operating activities: €5.6 billion

RWE Group[1]		2014	2013	+/– %
Electricity production	billion kWh	208.3	218.2	–4.5
External electricity sales volume	billion kWh	258.3	270.9	–4.7
External gas sales volume	billion kWh	281.3	320.7	–12.3
External revenue	€ million	48,468	52,425	–7.5
EBITDA	€ million	7,131	7,904	–9.8
Operating result	€ million	4,017	5,369	–25.2
Income from continuing operations before tax	€ million	2,246	–2,016	–
Net income/RWE AG shareholders' share in income	€ million	1,704	–2,757	–
Recurrent net income	€ million	1,282	2,314	–44.6
Return on capital employed (ROCE)	%	8.4	10.6	–
Weighted average cost of capital (WACC) before tax	%	9.0	9.0	–
Value added	€ million	–277	811	–
Capital employed	€ million	47,711	50,646	–5.8
Cash flows from operating activities of continuing operations	€ million	5,556	4,803	15.7
Capital expenditure	€ million	3,440	3,978	–13.5
Property, plant and equipment and intangible assets	€ million	3,245	3,848	–15.7
Financial assets	€ million	195	130	50.0
Free cash flow	€ million	2,311	960	140.7
Number of shares outstanding (average)	thousands	614,745	614,745	–
Earnings per share	€	2.77	–4.49	–
Recurrent net income per share	€	2.09	3.76	–44.4
Dividend per share	€	1.00[2]	1.00	–
		31 Dec 2014	31 Dec 2013	
Net debt of the RWE Group	€ million	31,010	30,727	0.9
Workforce[3]		59,784	64,896	–7.9

1 See notes on reporting on page 41.
2 Dividend proposal for RWE AG's 2014 fiscal year, subject to the passing of a resolution by the 23 April 2015 Annual General Meeting.
3 Converted to full-time positions.

WHAT WE DO

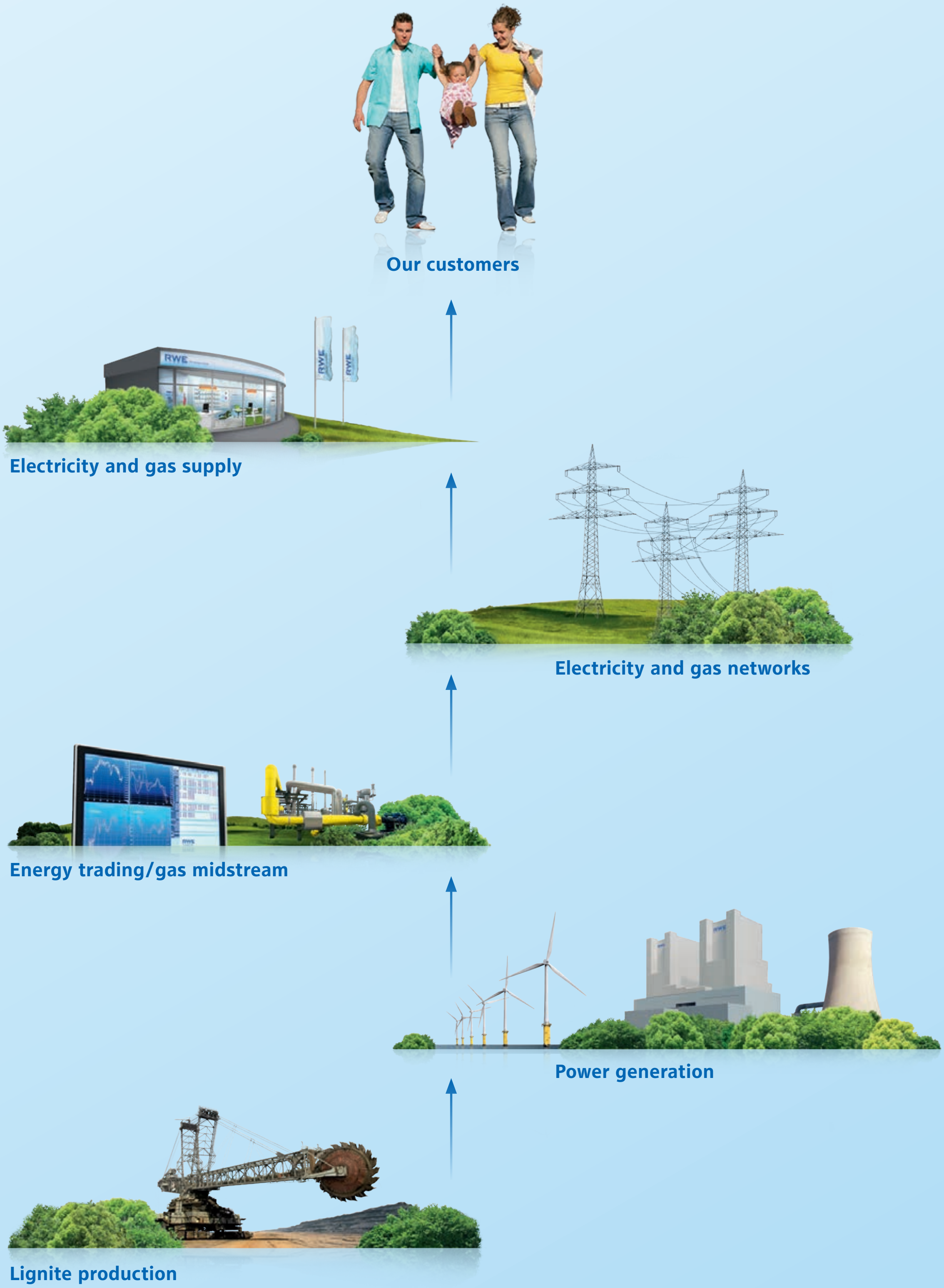
RWE is one of Europe's five leading electricity and gas companies. Through our expertise in lignite production, in electricity generation from gas, coal, nuclear and renewables, and in energy trading as well as electricity and gas distribution and supply, we are active at all stages of the energy value chain. Around 60,000 employees supply over 16 million electricity customers and 7 million gas customers with energy, both reliably and at fair prices. In fiscal 2014, we recorded approximately €48 billion in revenue.

Europe is our market: in terms of sales, we are No. 3 in electricity and No. 5 in gas. In Germany, the Netherlands and the United Kingdom, we are among the largest suppliers of both fuels. In the Czech Republic, we are No. 1 in the gas business. We also have leading positions in other markets in Central Eastern and South Eastern Europe.

The European energy sector is undergoing fundamental change. Political intervention is making our business challenging. In addition, the subsidised expansion of renewable energy in Germany is causing the margins and utilisation of conventional power stations to decline. All of this is having a significant effect on our earnings. To succeed in this environment, we launched the 'RWE 2015' programme. It includes comprehensive measures to reduce costs and increase revenue. By decreasing investment and reducing debt, we want to improve our financial flexibility. Moreover, we are striving for a corporate culture which encourages each individual to be creative and courageous enough to use change as a basis for making progress.

Despite difficult framework conditions, we want to play our part in the continued development of the European energy system, proving that we are trustworthy and high performing.
We are investing in the expansion of renewable energy and the modernisation of network infrastructure. In addition, we take advantage of opportunities in the market which arise due to new customer demands by offering a wide range of innovative energy products and services.

ELECTRICITY AND GAS: RWE OFFERS EVERYTHING FROM A SINGLE SOURCE



RWE
The energy to lead

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LETTER FROM THE CEO

Dear Shareholders, Customers and Friends of the Company,

We can look back on an eventful fiscal year – a year with quite a remarkable outcome. We achieved our earnings targets for 2014. Earnings before interest, taxes, depreciation and amortisation – EBITDA for short – amounted to €7.1 billion, which was actually much better than planned. The operating result of €4.0 billion and the recurrent net income of €1.3 billion were 'merely' in the forecasted range. We will propose to the Annual General Meeting on 23 April a dividend of €1 per share.

The reason why we did not match the operating result of 2013 is that the figure for that year benefitted from the one-off effect of the gas price revision with Gazprom. Furthermore, the erosion of electricity generation margins continued last year. In addition, the extremely mild winter curtailed earnings in the gas supply business. Conversely, earnings were buoyed by our efficiency-enhancement programme, which we implemented faster than expected: it had a net effect on the operating result of €1.4 billion, exceeding our target for 2014. We will therefore achieve our overall goal of €1.5 billion in 2015, two years ahead of the original schedule. We expanded the programme by €500 million and are now aiming for a recurrent impact on the operating result of €2 billion from 2017. We also achieved our goal of having a balanced budget early, enabling us to fund our capital expenditure and the dividend with our own cash flows as early as 2014. On top of that, we achieved a surplus of €1.1 billion. However, one-off effects played a role, some of which will be reversed in 2015. Nevertheless, by the end of 2015 our net debt should be clearly below the current level. This is mainly due to the sale of RWE Dea, which we completed successfully at the beginning of March. Despite the slump on oil and gas markets, we realised a very good price of about €5.1 billion.

RWE's necessary restructuring is also at a very advanced stage. The best example of this is RWE Generation. Within two years, we have built a European power producer from three formerly independent generation businesses, which can undoubtedly be considered a model in efficiency. To make RWE even more competitive, we pooled our supply expertise in RWE Retail, which was founded as of 1 January 2014. Now we can launch products and services faster than before – throughout Europe.

I am very proud of what we have accomplished so far. This demonstrates that we are capable of implementing our plans even under difficult conditions and can sometimes do this faster than expected. However, we have absolutely no time to rest on our laurels. This is because framework conditions in conventional electricity generation are deteriorating faster than we can take countermeasures. For instance, when I took office in the summer of 2012, a megawatt hour of electricity traded for

€49 on the German forward market. Since then, the price has dropped to just €32. If electricity forwards remain at this level, sooner or later, RWE Generation will end up with an operating loss, despite the great number of efficiency improvements. Therefore, together with policymakers, we must look for solutions to enable the profitable operation of conventional power stations in order to ensure security of supply. Even if renewable energy continues to be expanded, these stations will remain indispensable. Without them, there would regularly be interruptions in supply, because electricity from wind turbines and solar panels is not available at the push of a button. I am of the opinion that, as in the UK, the introduction of a technology-neutral capacity market is a good solution. However, we will not wait for politicians to make decisions. We will take matters into our own hands.

In the medium term, we want to put RWE back on course for growth, without losing sight of our strict financial discipline. In view of our financial situation, we must be careful in deciding what we use our limited financial resources for. We are focusing on three growth areas: renewable energy, networks and supply. We will continue to invest in expanding renewable energy, particularly in wind farms. These investments are paying off increasingly. By the middle of this year, our two large-scale offshore wind farms, Gwynt y Môr off the coast of Wales and Nordsee Ost near Heligoland, will begin producing electricity at full capacity and contributing strong and stable earnings. The power grid also plays a key role in the transformation of the energy system. More than 300,000 renewable energy plants are currently connected to our network and more are added every year. It is therefore all the more important that we invest in the maintenance and expansion of our network infrastructure. Stable returns are guaranteed because the regulatory framework will remain in place for several years. In the supply business, we want to grow by expanding our scope of activity beyond the traditional supply of electricity and gas. We offer our more than 23 million electricity and gas customers innovative products and services with which they can make more efficient use of energy and improve their quality of life. Rather than major investments, this requires creativity and the freedom to think outside of the box. Therefore, I have placed innovation on my personal agenda. We are developing new business models for all end-customer segments by pooling our know-how in the fields of energy supply and information technology. I am firmly convinced that innovations will help us to distinguish ourselves when competing with other energy companies. Today, in Germany alone, we already generate €500 million in revenue from our services relating to energy – every year! This is outstanding, but only the beginning.

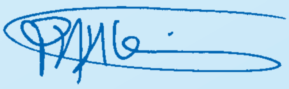
However, despite the buzz surrounding new ideas, we must not forget that the crisis in conventional electricity generation will continue to have a significant impact on RWE's earnings. Through our efforts to strengthen earnings and our efficiency-enhancement programme we can limit the effects of the crisis, but we cannot offset them completely. Therefore, we will probably not succeed in keeping the operating result at the level recorded in 2014. It is expected to amount between €3.6 billion and €3.9 billion in the current year. We anticipate that EBITDA will total €6.1 billion to €6.4 billion and that recurrent net income will be between €1.1 billion and €1.3 billion. Applying sound commercial judgement, we have not considered in the forecast the possibility of the nuclear fuel tax being deemed illegal by a high court ruling in 2015. If this happens, EBITDA and the operating result would be up to €1.6 billion higher.

We are facing a huge challenge, which we can only overcome with strict financial discipline and a good eye for growth opportunities. We will continue to be a reliable partner in the transformation of the European energy system by helping to shape and enable change. I am grateful for the trust you place in us in this regard and would be pleased if RWE could continue counting on your support.

Sincerely yours,

Peter Terium
CEO of RWE AG
Essen, March 2015

THE EXECUTIVE BOARD OF RWE AG



Peter Terium
Chairman of the Executive Board
and Chief Executive Officer

Born in 1963 in Nederweert, Netherlands, trained as a chartered accountant at Nederlands Institut voor Registeraccountants; Audit Supervisor at KPMG from 1985 to 1990; various positions at Schmalbach-Lubeca AG from 1990 to 2002; joined RWE AG as Head of Group Controlling in 2003; Chief Executive Officer of RWE Supply & Trading GmbH from 2005 to 2009; Chief Executive Officer of Essent N.V. from 2009 to 2011; member and Deputy Chairman of the Executive Board of RWE AG from September 2011 to June 2012; Chairman of the Executive Board and Chief Executive Officer of RWE AG since July 2012.

Group-level responsibilities
- Group Corporate Affairs
- Group Legal & Compliance
- Group Mergers & Acquisitions
- Group Strategy & Corporate Development

Dr. Rolf Martin Schmitz
Deputy Chairman of the Executive Board
and Chief Operating 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; Executive Vice President of rhenag Rheinische Energie AG from 1998 to 2001; Member of the Board of Management of Thüga AG from 2001 to 2004; Chairman of the Board of Directors of E.ON Kraftwerke GmbH from 2004 to 2005; Chairman of the Executive Board of RheinEnergie AG and Managing Director of Stadtwerke Köln from 2006 to 2009; Chief Operating Officer National of RWE AG from May 2009 to September 2010; Chief Operating Officer of RWE AG since October 2010 and concurrently Deputy Chairman of the Executive Board of RWE AG since July 2012.

Group-level responsibilities
- Participation Management
- Local Authorities
- Group Research & Development
- Group Co-ordination Generation/Networks/Retail

Dr. Bernhard Günther
Chief Financial Officer

Born in 1967 in Leverkusen; doctorate in economics; worked at McKinsey & Company from 1993 to 1998; joined RWE AG in 1999 as department head in the Corporate Controlling Division; Head of Budgeting and Controlling of RWE Power AG from 2001 to 2005; Head of Corporate Controlling at RWE AG from 2005 to 2006; Managing Director and Chief Financial Officer of RWE Gas Midstream GmbH and Managing Director and Chief Financial Officer of RWE Trading GmbH from 2007 to 2008; Managing Director and Chief Financial Officer of RWE Supply & Trading GmbH from 2008 to 2012; member of the Executive Board of RWE AG since July 2012 and Chief Financial Officer of RWE AG since January 2013.

Group-level responsibilities
- Group Accounting & Tax
- Group Controlling
- Group Finance
- Investor Relations
- Information Technology
- Group Risk
- Group Audit

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 of RWE AG since January 2013 and Labour Director of RWE AG since April 2013.

Group-level responsibilities
- Group Security
- Group Procurement
- Group HR & Executive Management
- Group Trade Union/Works Council Relations

2014 IN BRIEF

01 2014

JANUARY

RWE Vertrieb again recognised for outstanding quality of service

The company is ranked first in a market survey conducted by the renowned consulting firm imug. This is a seamless continuation of our series of past successes such as the 2013 German Service Award. Polls by imug focus on customer contact. Among the points tested are availability, friendliness and the quality of enquiry and complaint processing. Of the 21 companies surveyed, RWE Vertrieb is the only one to be assigned to the category 'TOP PERFORMER.'

02 2014

FEBRUARY

Agreement in price revision with gas supplier Gazprom

We ensure that our loss-making gas purchase agreement with the Russian gas group stops being detrimental to our earnings until the next price revision, which is scheduled for the middle of 2016. Our goal is to reach a solution that maintains the status quo over the long term. To this end, we will enter into new negotiations with Gazprom in the middle of 2015.

03 2014

MARCH

Agreement reached on sale of RWE Dea

The buyer of our subsidiary specialising in oil and gas exploration and production is the Luxembourg-based investment company LetterOne. The sale is completed in early March 2015. The transaction has a volume of about five billion euros. We decided to divest RWE Dea for strategic reasons. Since liquid European gas markets were established, access to in-house gas sources has become less important to us. In addition, without RWE Dea we will save funds for capital expenditures which would have been necessary in order to tap our former subsidiary's potential for growth.

06 2014

JUNE

Nationwide electricity supply operations launched in Romania

Our subsidiary RWE Energie S.R.L. will manage supply from the country's capital, Bucharest. Our initial focus is on industrial and corporate customers. We have been active in Romania since 2011, albeit only regionally and on a small scale. As the local market continues to be liberalised, over the next ten years we intend to become one of the leading electricity suppliers in the country.

07 2014

JULY

First unit of new hard coal-fired power station in Hamm takes up commercial operation

The new hard coal block has a net installed capacity of 764 megawatts. The commissioning of the second, identical, unit has not yet been scheduled. In addition to the majority owner, RWE, 23 municipal utilities hold stakes in the power plant. Once completed, it will be able to supply electricity to 3 million households. Thanks to the facility's extremely high efficiency, it will enable savings of about 2.5 million metric tons of carbon dioxide compared to old hard coal-fired power stations – per year!

08 2014

AUGUST

RWE Generation announces decommissioning of additional generation capacity

This affects lignite and hard coal-fired power stations with a total capacity of about 1,000 megawatts. They are scheduled to be closed in 2015 and in the two following years. Due to the significant drop in wholesale electricity prices in Continental Europe, many gas-fired power plants and old hard coal-fired stations are no longer profitable. Since August 2013, we have therefore made several decisions to take generation capacity in Germany and the Netherlands off the system either temporarily or permanently. This relates to gas and coal-fired power plants with a combined installed capacity of some 4,700 and 1,600 megawatts, respectively.

03 2014

MARCH

RWE Innogy reduces stake in new offshore wind farm Gwynt y Môr

An agreement is reached with Green Investment Bank for its acquisition of a ten percent interest in Gwynt y Môr. The transaction is scheduled to close by the middle of 2015, once the wind farm off the coast of Wales has begun operating commercially at its full capacity of 576 megawatts. Our shareholding in Gwynt y Môr will then drop from 60 to 50 percent. We intend to invest the proceeds from the sale in other renewable energy projects.

04 2014

APRIL

Debut in Essen: RWE starts test run of world's longest superconductive cable

The cable is one kilometre long and connects two transformer stations in the city centre. It can transmit five times more electricity than conventional cables – nearly loss-free. In addition to being efficient, this saves space, which is an extremely valuable asset in inner cities. 'AmpaCity,' as the project is called, is subsidised by the German government, which sees this as an excellent contribution to meeting the technological challenges of the transformation of the energy system.

05 2014

MAY

RWE Innogy starts installing turbines for Nordsee Ost offshore wind farm

Located 35 kilometres north of Heligoland, the wind farm consists of 48 turbines with a total installed capacity of 295 megawatts. Now that they have been completed, they are gradually being connected to the grid. They are all scheduled to begin operating commercially by the middle of 2015. Nordsee Ost will then be able to supply some 300,000 households with electricity.

10 2014

OCTOBER

RWE recognised for climate protection work

RWE is included in the Climate Performance Leadership Index of the Carbon Disclosure Project (CDP) for the first time ever. Of the more than 2,000 companies polled, RWE and another 186 receive the top mark 'A' for their climate protection performance, which qualifies them for the Index. CDP is a non-government organisation which collects data on the greenhouse gas emissions and climate protection activities of private and public companies once a year.

12 2014

DECEMBER

Executive Board decides to widen criteria for dividend policy

Starting with the payment for fiscal 2015, the dividend proposal will no longer be based solely on recurrent net income. Instead, it will take greater account of the company's overall economic situation. It will be oriented towards RWE's cash flows from operating activities, debt and earnings position. Any opportunities to make growth investments as well as the previous year's dividend payment will also be considered. No guaranteed dividend is envisaged. The Executive Board's decision is backed by the Supervisory Board.

12 2014

DECEMBER

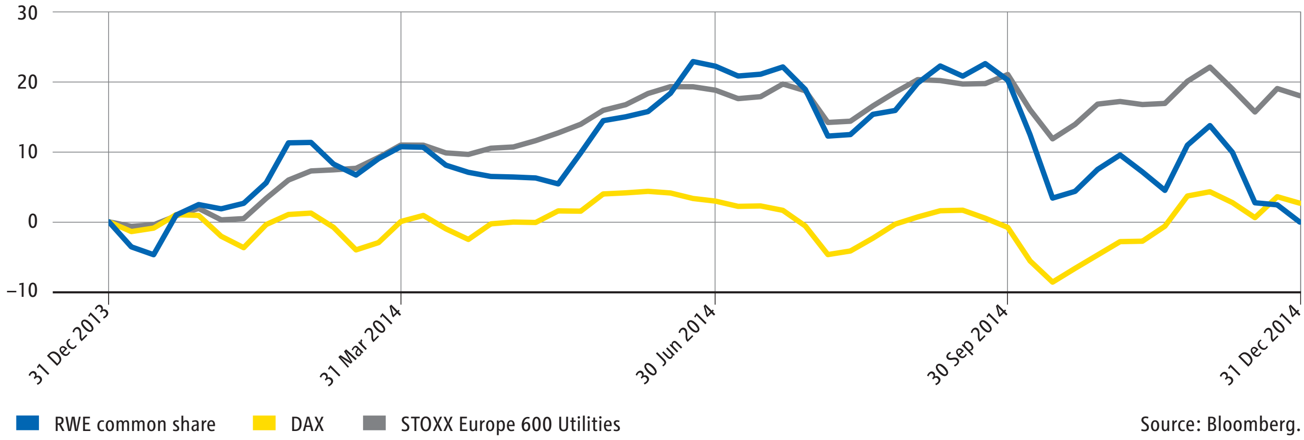
RWE power stations successful in auctions for UK capacity market

The UK capacity market will open on 1 October 2018. Operators of generation assets with a total installed capacity of 49.3 gigawatts have qualified to participate via an auction, including RWE power plants with a combined installed capacity of 8.0 gigawatts. In addition to revenue from the electricity they produce, they will receive a payment for making their capacity available and therefore contributing to safeguarding the supply of electricity. For most stations, participation is limited to twelve months, but this can be extended by a year at a time in later auctions.

RWE ON THE CAPITAL MARKET

Buoyed by an extremely loose monetary policy, the DAX surpassed the 10,000-point mark for the first time ever last year. However, some factors clouded sentiment on the stock market, such as the Ukraine crisis and Germany's waning economy. Therefore, the DAX only advanced by 3% in 2014. RWE common shares fared even worse. Their price trend reflected the fact that earnings prospects in conventional electricity generation worsened further. In addition, new risks concerning energy policy arose, primarily in Germany. The bond market continued to be characterised by unusually favourable refinancing conditions. Credit hedging costs for RWE dropped to the lowest level since 2010.

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



Source: Bloomberg.

Lean year for the German stock market. Following the very good share trading in 2013, investors on the German stock market had to settle for a much more moderate development in 2014. The DAX rose by nearly 3% to 9,806 points. The extremely loose monetary policy pursued by leading central banks, in particular the European Central Bank and the US Federal Reserve, was the main driver of share prices. This policy was instrumental in Germany's lead index exceeding the 10,000-point mark for the first time ever in June 2014. However, the DAX suffered several setbacks over the course of the year, caused in part by the tension in Ukraine and IS terrorist activity in the Middle East. Sentiment was also clouded by the weakening of the German economy during the year. By the end of the year, uncertainty surrounding Greece's future economic policy caused fears of a destabilisation of the European Currency Union to flare up again. Russia's economic distress and the persistent decline in the price of oil exacerbated investor uncertainty.

Holders of RWE stock also saw a scant performance for the year. RWE common shares ended trading in the month of December at €25.65. Compared to the closing quotation in 2013, this represents a decrease of €0.96, which was offset by the dividend of €1 paid in April 2014. Combined, the change in our share price and the dividend payment resulted in a total return of 0%. At –15%, the total return experienced by our preferred stockholders was much worse. Our shares were outperformed by both the DAX as well as the sector index STOXX Europe 600 Utilities, which posted a gain of 18%. This happened despite the stock trading year seeming to be positive for RWE until the autumn. Our common shares occasionally posted a total return of over 20%. Following the weak development of the share price in the preceding year, investors apparently recognised its potential to close the gap. A factor that gave rise to hope was the introduction of a capacity market in the United Kingdom, because this has improved the prospects of conventional electricity generation, which has been in crisis. However, RWE stocks began a significant downward trend starting in October. Among other things, the materialising weakness of the economy came to bear. Obstacles in the way of the sale of our oil and gas producer RWE Dea, the collapse of the price of oil, as well as the continued slump on the German electricity wholesale market also weighed on RWE shares. The difficult regulatory environment also had a negative impact. The most recent measure having such an effect was the ’Climate Protection Action Plan 2020’ adopted by the German government, which aims for additional emission reductions in the electricity sector (see page 32).

Performance of RWE shares and major indices through to the end of 2014 % p.a.	1 year	5 years	10 years
RWE common share	0.0	–12.6	0.6
RWE preferred share	–14.9	–15.9	–0.1
DAX	2.7	10.5	8.7
EURO STOXX 50	4.0	4.5	3.8
STOXX Europe 50	6.2	6.6	4.2
STOXX Europe 600	7.2	9.3	6.2
STOXX Europe 600 Utilities	18.1	3.2	5.8
REXP[1]	7.1	4.7	4.5

1 Index for government securities on the German bond market.

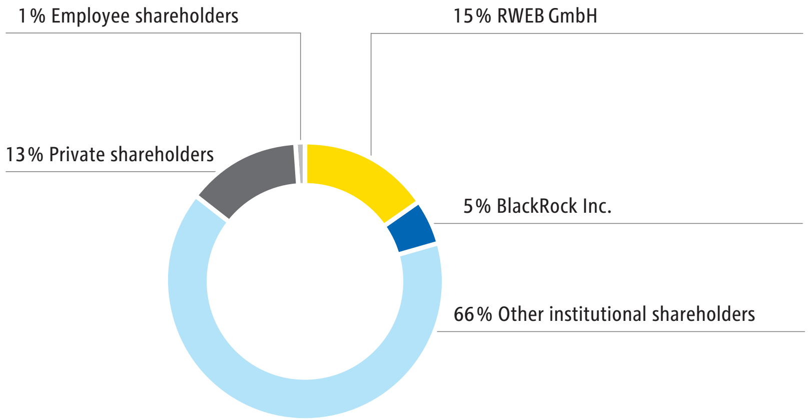
Ten-year return on common shares of 0.6 % p.a. Due to their weak performance in the last two years, RWE shares also lagged behind the relevant market indices when comparing returns over the long term. An investor who purchased RWE common shares worth €10,000 at the end of 2004 and reinvested the dividends had €10,632 ten years later. The value of the same investment in our preferred shares would have been €9,884. The investor would have had annual average returns of 0.6 % and –0.1 %, respectively. Over the ten-year period, the same initial sum would have grown to €17,558 if invested in the STOXX Europe 600 Utilities index and to €23,039 if invested in the DAX. The investors would have earned annual returns of 5.8 % and 8.7 %, respectively.

Dividend of €1 proposed for fiscal 2014. The Supervisory Board and the Executive Board of RWE AG will propose a dividend of €1 per share for fiscal 2014 to the Annual General Meeting on 23 April 2015. If the proposal is accepted, we will pay 48 % of recurrent net income to our shareholders. Based on the year-end closing prices of our common and preferred shares, the dividend yields stood at 3.9 % and 5.3 %, respectively. This exceeds the average of other DAX companies. Whereas our dividend proposal for fiscal 2014 is oriented solely towards a target range of 40 % to 50 % of recurrent net income, we will widen the criteria for our dividend policy for future years. Starting with the 2015 financial year, in addition to earnings, we will consider operating cash flows, indebtedness and opportunities for growth investments. Further information can be found on page 35.

RWE share indicators		2014	2013	2012	2011	2010
Earnings per share[1]	€	2.77	–4.49	2.13	3.35	6.20
Recurrent net income per share[1]	€	2.09	3.76	4.00	4.60	7.03
Cash flows from operating activities of continuing operations per share[1]	€	9.04	7.81	7.15	10.22	10.31
Dividend per share	€	1.00[2]	1.00	2.00	2.00	3.50
Dividend payment	€ million	615[2]	615	1,229	1,229	1,867
Payout ratio[3]	%	48	27	50	50	50
Dividend yield on common shares[4]	%	3.9	3.8	6.4	7.4	7.0
Dividend yield on preferred shares[4]	%	5.3	4.3	7.0	7.9	7.3
Common share price						
End of fiscal year	€	25.65	26.61	31.24	27.15	49.89
High	€	32.83	31.90	36.90	55.26	68.96
Low	€	24.95	20.74	26.29	21.77	47.96
Preferred share price						
End of fiscal year	€	18.89	23.25	28.53	25.44	47.99
High	€	25.61	29.59	34.25	52.19	62.52
Low	€	18.89	20.53	24.80	20.40	44.51
Number of shares outstanding (average)	thousands	614,745	614,745	614,480	538,971	533,559
Market capitalisation at the end of the year	€ billion	15.5	16.2	19.1	16.6	28.0

1 Based on the annual average number of shares outstanding.
2 Dividend proposal for RWE AG's 2014 fiscal year, subject to the passing of a resolution by the 23 April 2015 Annual General Meeting.
3 Ratio of the dividend payment to recurrent net income.
4 Ratio of the dividend per share to the share price at the end of the fiscal year.

Shareholder structure of RWE AG[1]



86% Institutional shareholders:
30% Germany
19% Continental Europe excluding Germany
19% UK/Ireland
16% USA/Canada
2% Rest of the world

1 Percentages reflect shares in the subscribed capital.
Sources: Own calculations and notifications of shareholders in accordance with the German Securities Trading Act (WpHG), as of January 2015.

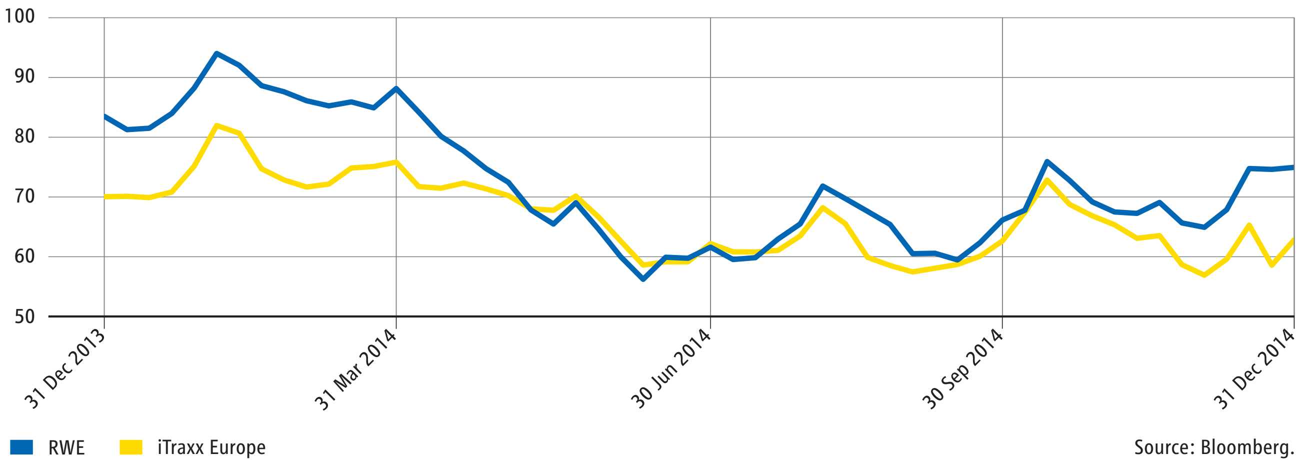
Broad international shareholder base. RWE AG's capital stock is divided into 614,745,499 shares, of which 39,000,000 are non-voting preferred shares. As in the previous year, at the end of 2014 about 86 % of our shares were owned by institutional investors, while 14 % were held by private investors (including employee shareholders). At the end of the year, institutional investors in Germany held 30 % of the capital stock (prior year: 32 %), with those in North America, the United Kingdom and Ireland accounting for a combined 35 % (32 %) and those in Continental Europe, excluding Germany, owning 19 % (previous year: 19 %). RWEB GmbH, in which most of the shares owned by municipalities are pooled, is RWE's single largest shareholder, owning 15 %. Based on available information, the asset management company BlackRock (USA) holds the largest RWE position outside Germany, amounting to 5 %. The free float of RWE common shares considered by Deutsche Börse in terms of index weighting was 84 % at the end of the year.

Some 1 % of RWE shares are owned by our employees. Last year, 24,349 people, or 58 % of those entitled to subscribe, participated in our employee stock ownership plan, subscribing a total of 364,300 shares. By offering this programme, we enable employees in our German companies to buy RWE shares at favourable conditions. We spent €3.3 million on this in the year being reviewed.

Ticker symbols of RWE shares	Common shares	Preferred shares
Reuters: Xetra	RWEG.DE	RWEG_p.DE
Reuters: Frankfurt	RWEG.F	RWEG_p.F
Bloomberg: Xetra	RWE GY	RWE3 GY
Bloomberg: Frankfurt	RWE GR	RWE3 GR
German Securities Identification Number	703712	703714
International Securities Identification Number (ISIN)	DE 0007037129	DE 0007037145
American Depository Receipt CUSIP Number	74975E303	–

RWE is traded on stock markets in Germany and the USA. In Germany, RWE shares are traded on the Frankfurt am Main and Düsseldorf Stock Exchanges as well as via the electronic platform Xetra. They can also be obtained over the counter in Berlin, Bremen, Hamburg, Hanover, Munich and Stuttgart. In the USA, instead of our shares being traded, RWE is represented via American Depository 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.

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 expansionary monetary policy pursued by leading central banks also clearly left its mark on the bond market. Interest rates in 2014 were at a historic low. At the end of the year, ten-year German government bonds had an average return of just 0.5 % p.a. The cost of hedging credit risk via credit default swaps (CDSs) was also unusually low. In 2014, the quotation for five-year CDSs on the iTraxx Europe Index, which consists of the prices of the CDSs of 125 major European companies, averaged 67 basis points. This was the lowest average for a year since 2007, before the subprime crisis started escalating. The price of the five-year CDS for RWE was slightly higher, but it was also below the levels witnessed in earlier years. At 72 basis points, the average figure was the lowest since 2010.

1 COMBINED REVIEW OF OPERATIONS

1.1 STRATEGY

The energy market is undergoing fundamental change. In the past, electricity was generated almost only by large-scale power plants, whereas the role of the customer was limited to that of a buyer. Today, more and more households and businesses produce electricity themselves. In addition, ambitious goals regarding climate protection, the expansion of renewable energy and energy efficiency shape the regulatory framework of the energy sector. We rise to these challenges by helping to shape and enable the change. We do this by investing in renewable energy and modern network infrastructure. We offer our customers innovative products and services that help them make more efficient use of energy and improve their quality of life. We too, continue to develop, through a corporate culture characterised by customer orientation, motivation and the courage to embrace what is new.

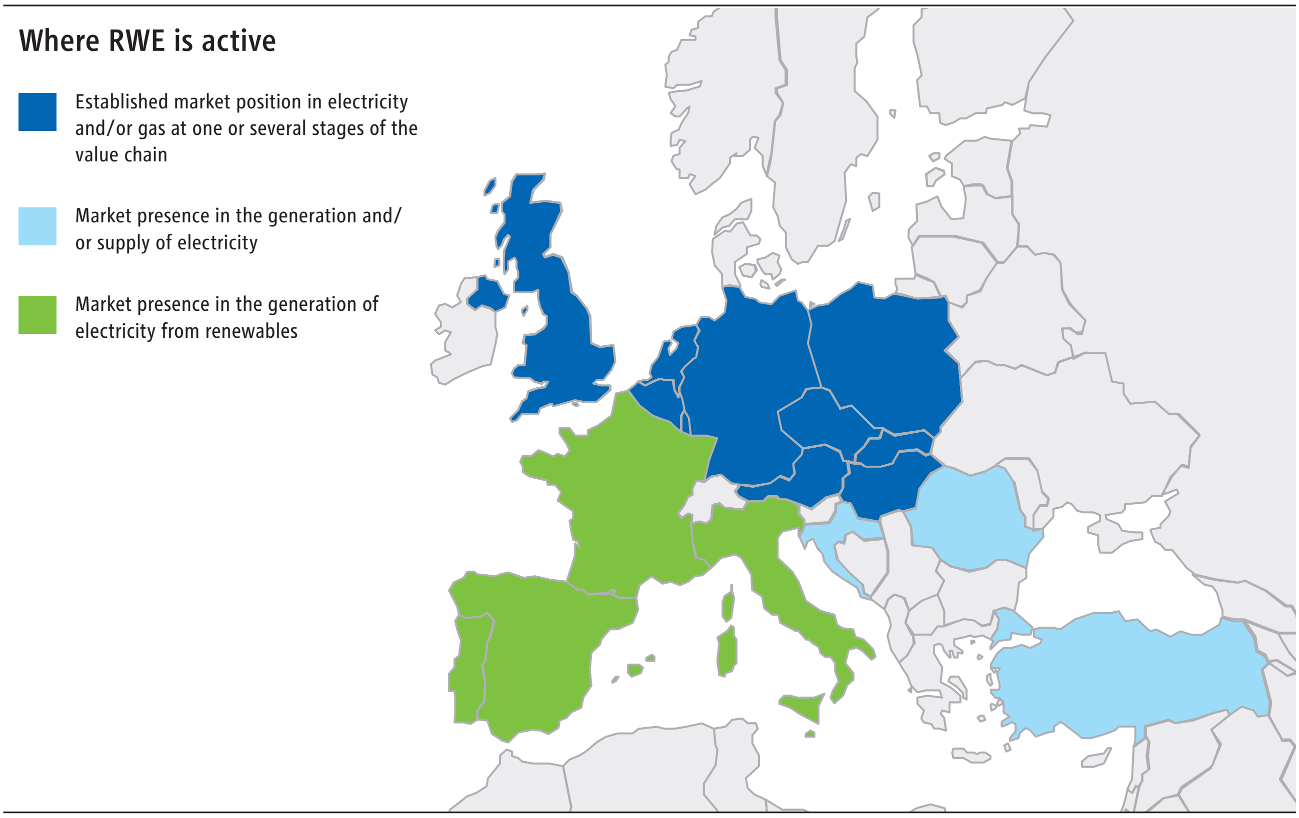
Leading positions along the entire energy value chain. RWE ranks among the five largest electricity and gas providers in Europe, covering the entire energy value chain: we mine lignite, produce electricity from coal, gas, nuclear fuel and renewable sources, operate electricity and gas distribution networks, store gas and sell energy products and services to both distributors and end customers. Our major markets are Germany, the Benelux region, the United Kingdom as well as Central Eastern and South Eastern Europe. In the field of electricity generation from renewables, we are also active outside of these regions, for example in Spain and Italy. A geographical overview of our business activities can be found on the next page.

We face huge entrepreneurial challenges, primarily in Germany, the Benelux region and the United Kingdom. The rapid expansion of renewable energy in these regions has shaken the foundation of these markets. This holds true particularly for our home market, Germany, where rising green energy feed-ins have put wholesale electricity prices under pressure and have made some of our conventional power stations unprofitable. At the same time, we are witnessing a trend towards decentralisation: in the old energy world, electricity was produced almost only by large power stations and the role played by homes was limited to that of consumer. Nowadays, an increasing number of people generate their own electricity and feed surplus amounts into the public grid. This requires greater co-ordination by network operators, in particular at the medium and low-voltage levels. Pressure on utilities has also risen in the supply business. Customers have become more price-sensitive and are increasingly willing to switch providers. At the same time, we are observing a growing need for innovative products and solutions tailored to individual needs, enabling the more intelligent and sparing use of electricity and gas. State programmes for improving energy efficiency provide the main stimulus in these areas.

We are bringing our business model in line with the challenges resulting from the fundamental shifts within the energy sector, as outlined above. How we are doing this specifically and the mission we have committed to in this regard are explained on pages 18 et seqq. We have identified growth opportunities in our core business fields of onshore and offshore wind, electricity distribution, the sale of innovative supply products and decentralised energy solutions. Furthermore, in some countries, we intend to seize the opportunity to set up supply operations in order to establish ourselves as one of the large local utilities over the medium or long term. Examples of such countries are Romania and Croatia. In the Czech Republic, where we are the No. 1 player in the gas business, we are using the existing supply infrastructure as a platform for becoming a leading provider of electricity. In Turkey, we have also launched supply activities and are entering into energy trading. In the future, we intend to keep our activities outside Europe on a very limited scale. In this context, we have identified options for growth, e.g. in the trading business. From our office in Dubai (United Arab Emirates), we have been offering countries of the Arabian Peninsula consulting services covering the entire energy value chain since 2014. Drawing on the experience gained from this activity, we will explore further growth options in this region.

Market positions of the RWE Group in terms of sales	Electricity	Gas
Germany	No. 1	No. 3
Netherlands	No. 1	No. 2
United Kingdom	No. 3	No. 4
Central Eastern and South Eastern Europe	No. 2 in Hungary No. 3 in Slovakia No. 5 in Poland No. 5 in the Czech Republic Presence in Croatia Presence in Turkey Presence in Romania	No. 1 in the Czech Republic No. 2 in Slovakia
Total Europe	**No. 3**	**No. 5**

Where RWE is active



RWE's mission statement. Our strategy is oriented towards a mission statement that takes into account the ambitious political goals regarding climate protection, the expansion of renewable energy and the improvement of energy efficiency as well as the huge challenges we are confronted with in terms of competitiveness, capacity for innovation and financial strength. This is our mission statement: "We are the most trusted and high-performing partner for the sustainable transformation of the European energy system." To fulfil this promise, we have set ourselves the following strategic goals: we want to (1) increase our financial strength, (2) make RWE more efficient and competitive and (3) successfully contribute to the sustainable transformation of the European energy system. More detailed information on these goals and on how we intend to achieve them follows below.

Our mission statement: We are the most trusted and high-performing partner for the sustainable transformation of the European energy system.	
Our strategic goals:	
Increasing financial strength	▪ Safeguarding our unlimited access to the capital market
Improving performance and competitiveness	▪ Establishing a performance-orientated corporate culture ▪ Strengthening competitiveness through more efficient processes and a more effective organisation
Contributing to the sustainable transformation of the European energy system	▪ Securing electricity supply through flexible and efficient power plants ▪ Expanding renewable energy ▪ Stepping up the trading business ▪ Further developing distribution network infrastructure ▪ Strengthening our retail position through innovative products and services

(1) Increasing financial strength. We currently have a high level of debt due to our extensive capital expenditure in recent years and the disappointing returns on investment due to the market environment. Our top priority is to ensure that we can raise capital on the market at acceptable conditions at all times, even in times of crisis on financial markets. Therefore, we aim to maintain a solid investment grade rating. In addition, we are starting to earmark specific assets (e.g. funds or stakes in companies) for provisions. Furthermore, we want to fully finance our capital expenditure and dividend payments from cash flows from operating activities, although fluctuations in cash flows may keep us from accomplishing this every year. We no longer set an upper limit for the ratio of net debt to EBITDA (the leverage factor). The adjusted leverage factor in 2014 is 3.8 (see page 64). We intend to lower it and are documenting this with the Mid Term Incentive Plan (see page 101). However, achieving this has become more ambitious. One reason for this is the significant decline in market interest rates, which required us to make a corresponding increase in provisions for pensions. However, this drop gives us the advantage of being able to refinance our business at more favourable conditions.

We are still taking the following steps to increase our financial strength:

- **Efficiency improvements.** In 2012, we launched an ambitious efficiency-enhancement programme, which included an extensive set of measures to reduce costs and increase revenue. The programme is designed to improve operational processes considerably and achieve savings in administration and IT. We had originally aimed to make a lasting contribution to the operating result of €1 billion through the programme by 2014. The set of measures was expanded substantially thereafter. The planned effect on earnings is commensurately bigger: it now amounts to a total of €2 billion and should be fully realised in 2017.

- **Asset disposals.** Another lever for improving financial strength is the sale of assets. In the last three years, proceeds from divestments have totalled €5.3 billion. The proceeds from the sale of RWE Dea will add to this in 2015. We have reported on this transaction in detail on pages 35 and 39. Our non-controlling interest in Urenco, the company specialising in the enrichment of uranium, is also for sale. We do not currently have plans for further major disposals.

- **Reducing capital expenditure.** Since 2011 (€6.4 billion) we have reduced our capital spending significantly, and we intend to continue doing so. We plan to spend between €2.5 billion and €3.0 billion in capital in 2015 and anticipate about €2 billion in capital expenditure from 2016 onwards. From this point forward, we will focus on projects and investments required to sustain our business activities, in particular the operation of our networks and power stations. In addition, we intend to continue expanding renewable energy, focusing on wind farms. One way in which we will finance new projects is by reducing our stakes in existing facilities, without relinquishing the majority or the operational lead. The advantage is that this will enable us to initiate a larger number of undertakings, making our renewables portfolio both broader and less risky.

(2) Improving performance and competitiveness. To survive in the face of competition, energy utilities can no longer limit their role to that of a reliable provider of electricity or gas. Their products must also be offered at attractive prices and cater to individual customer needs. To be competitive in terms of price and quality, companies must have efficient production operations, an effective organisation and a corporate culture optimised for performance and innovation. RWE has already taken a host of measures in order to satisfy these requirements.

At the beginning of 2012, we launched the 'RWE 2015' programme, which encompasses a wide range of initiatives for more efficient processes and organisational structures, new business models and the further development of our corporate culture. The implementation of most of these initiatives has already progressed quite far. For instance, we pooled groupwide back-office functions such as accounting, purchasing and HR management under RWE Group Business Services GmbH, creating substantial synergies. We are increasingly running our functional business units like profit centres. We are pooling standardised processes in shared service centres and specialised know-how in centres of expertise. Remarkable results have also been delivered by the 'Neo' programme, through which we intend to strengthen cash flows from operating activities in the Conventional Power Generation Division over the long term.

Building on the initial success of 'RWE 2015,' we have launched further projects scheduled for completion by the end of 2017. These include programmes to reduce IT costs, staff costs and expenses incurred for outsourcing, the creation of leaner organisational structures, the development of new supply products and much more. Most of the projects are already being rolled out, as exemplified by the pooling of our supply competence in RWE Retail, which was established as of 1 January 2014. Among other things, this new management unit is in charge of our groupwide supply strategy. Furthermore, it co-ordinates and pools regional activities if this leads to synergies and accelerates product innovations. The RWE Retail management team consists of six members of the management boards of RWE supply companies, who are fulfilling their new tasks in addition to their regular ones.

Another focal point of 'RWE 2015' is the further development of our corporate culture. We need employees who can draw on their creativity and initiative to improve products and processes, who help the company progress with their ideas, and who do not wait for instructions from management to act. After all, a rapidly changing market environment can only be handled by companies that are fast and willing to change themselves. The 'New Way of Working' project is designed to take us a major step forward in this respect. Our aim is to strengthen the customer and performance orientation of our employees, involve them more in decision-making processes and make their co-operation even more efficient and productive. In this regard, we will receive support from the 'We are RWE' information campaign launched in 2014, through which we want to enable our executives to spearhead the necessary changes. 'We are RWE' is designed to strengthen the team spirit of our approximately 60,000 staff members and to motivate them to be supportive of the continued development of our corporate culture, leaning towards more openness and willingness to voice and accept criticism, thinking less hierarchically, greater involvement in decision-making and bringing everyone and their organisational units more in line with the goals of the Group. The pillars of our corporate culture are trust, performance and passion. These are the values to which we strive to orient our actions and co-operation.

(3) Contributing to the sustainable transformation of the European energy system. The fundamental structural change of the energy sector requires our business model to be adapted. This will affect all of the stages of the energy value chain, from generation to trading and from distribution to supply. Therefore, we are not just reacting to change. Rather, we are playing an active role in the sustainable transformation of the European energy system.

- **Securing electricity supplies through flexible and efficient power plants.** Conventional power stations are indispensable, despite the further expansion of renewable energy. Their absence would result in regular outages as wind and solar power is not available at the push of a button. It depends on the weather, time of day and season. We believe that our conventional power stations make us a partner to renewable energy, covering our society's basic need for security of supply. To fulfil this, in the last few years, we have increasingly invested in the flexibility of our power stations, in order to enable them to react better to fluctuations in feed-ins of green energy. Gas-fired power plants, which can typically switch loads rapidly, account for 32%, or the single largest portion, of our generation portfolio. However, it is these very stations that are forced off the market by renewable energy, as their fuel costs are relatively high. In Germany and the Netherlands, many of our gas-fired power stations and several coal-fired power plants cannot even cover their operating costs. We are working on making these facilities more profitable, but cannot avoid shutting them down temporarily or permanently in certain cases (see page 37). As forcing conventional power plants off the market can jeopardise security of supply especially in Germany, we are maintaining a dialogue with policymakers with a view to introducing a general, non-discriminatory capacity market. As a result, in addition to the revenue from electricity production, operators of conventional power stations would receive compensation for ensuring sufficient supply of electricity at all times through their generation capacity. This could ensure the long-term economic attractiveness of building new generation assets and continuing to operate existing plant necessary for security of supply. The United Kingdom and France have already decided to introduce a capacity market. In Germany, policymakers intend to reach a decision on whether to adopt this approach in 2015.

- **Expanding renewable energy.** The expansion of electricity produced from renewable sources remains a cornerstone of our strategy. We intend to spend a total of up to €1 billion in this area from 2015 to 2017. We will undertake large-scale projects together with other investors. We also aim to forge partnerships for small undertakings. An example of this is Green GECCO, a joint venture between RWE Innogy and 29 municipal utilities, which was established in April 2010 and already has five wind farms with a total net installed capacity of 83 megawatts (MW).

  With regard to generation, we are focusing on onshore and offshore wind farms. The regional focus of our onshore projects is on Germany, the United Kingdom, the Netherlands and Poland. In the offshore sector, we are currently concentrating on the completion of the two wind farms Gwynt y Môr off the coast of Wales (576 MW) and Nordsee Ost near Heligoland (295 MW). In addition, we are developing the Nordsee One, Nordsee 2 and Nordsee 3 projects, in which we hold a 15% interest, and are considering building further offshore wind farms in the UK North Sea. We do not plan to construct new biomass-fired power stations, because this type of electricity generation is no longer a focal point of our strategy. At the end of September, we sold our 80% stake in the biomass-fired power station Enna in Sicily to the Italian partner company FRI-EL Green Power.

- **Stepping up the trading business.** Energy trading is the commercial link between the elements of our value chain, the regional markets and commodities. Our trading subsidiary, RWE Supply & Trading, is making increasing use of its expertise outside Europe and has already opened trading offices in New York, Singapore, Mumbai and Jakarta. To a limited extent, the company makes direct investments in energy companies and assets which, once restructured and sold on, can deliver attractive returns within a period of three to five years.

- **Further developing the distribution network infrastructure.** The network business will remain a fixture in our portfolio. Since the sale of the majority interest in the German electricity transmission system operator Amprion in 2012 and of the Czech long-distance network operator NET4GAS in 2013, we have been solely active in the distribution system business, in particular in Germany (electricity and gas), the Czech Republic (gas), Hungary (electricity) and Poland (electricity). Since the regulatory framework in this area usually remains in effect for several years, the returns from these activities hardly fluctuate. Therefore, the network business makes a valuable contribution to stabilising the earnings of the RWE Group.

  Anyone seeking to run a network business in Germany needs a license agreement to do so. In such contracts, the municipality gives the network company the right to use the public transportation routes in its region to lay and operate power lines and gas pipes. At the end of 2014, we had approximately 3,000 electricity and some 800 gas network licenses, which generally have terms of 15 to 20 years. We try to renew licenses that expire. However, we increasingly have to compete for them. Moreover, municipalities want to become more involved in the distribution network business. We react to this with attractive partnership models tailored to interested towns and communities. The advantage for us is that we remain the network operator while strengthening our partnerships with the municipalities.

  The power grid plays a key role in the transformation of the German energy system. The steady increase in electricity from renewable energy sources that depend on the weather and time of day and the rising number of small decentralised generation units present us with huge challenges, but also offer us opportunities for growth. Over 300,000 electricity generation units running on renewables are currently connected to our network, and their number rises year after year. In order to ensure a reliable supply of electricity under these conditions, we must invest in the maintenance and expansion of our German network infrastructure. We estimate that this will require about €2.5 billion in funds in the period from 2015 to 2017. To enable networks to be used more effectively and flexibly, we are developing new control technologies and subjecting them to field trials. One example is our involvement in 'Grid4EU,' the large-scale project subsidised by the EU on which we report on pages 72 et seq.

- **Strengthening our supply position through innovative products and services.** By the end of 2014, we were supplying 16.0 million households and companies in Europe with electricity and 7.2 million with gas. Our customers expect fair prices and offerings that satisfy their needs. The role played by our customers, in particular households, has changed as they have evolved from consumers to 'prosumers,' who can produce their own electricity and in some cases are even able to store it. To defend our position in this market environment, we are extending our field of activity beyond the traditional supply of electricity and gas. We are developing new business models for all end-customer segments by pooling our know-how in the fields of energy supply and information technology. The result is innovative products and solutions tailored to suit personal needs, which sets us apart from other utilities.

  In view of rising energy costs, more and more households want to lower their consumption, albeit without sacrificing quality of life. We have the right products for this, such as smart meters and a system for automatically managing domestic consumption ('RWE SmartHome'). In the United Kingdom, we have been selling intelligent thermostats manufactured by our partner Nest since April 2014. Since September, we have also been doing this on an exclusive basis in the Netherlands and in Belgium since December. We also market our energy efficiency expertise to commercial and medium-sized industrial enterprises.

Using state-of-the-art measuring techniques and RWE's energy controlling system, our experts analyse energy consumption and develop tailored optimisation measures.

We also have a good position in the field of distributed energy supply. In Germany, we currently operate some 1,300 plants that produce either heat or both heat and power with a total thermal capacity of about 3,000 MW. In many cases, we do this in partnership with municipalities or industrial enterprises. Furthermore, we serve the growing market for decentralised energy production by households and commercial operations. In Germany, the Netherlands and Belgium, we offer customers with combined heat and power plants the opportunity to actively trade energy using our IT platforms called 'RWE WebMarket' and 'Powerhouse.' This enables them to optimise their production and consumption behaviour. RWE's offering also includes photovoltaic panels. Our customers can combine them with other RWE products such as 'RWE SmartHome' or battery storage units to create a system for optimising the use of their self-generated solar power. We already launched a suitable product in 2013: 'RWE HomePower Storage,' an innovative system for the decentralised storage of solar power, maximising the usage of this energy to cover the customer's own needs. The advantage is two-fold: our customers save money and, as fluctuating solar feed-ins drop, the grid becomes more stable.

At the beginning of 2014, we established a management unit called the 'Innovation Hub,' in order to explore entirely new business models in the field of energy supply and spur their development (see pages 73 et seq.). Work in the Innovation Hub involves anticipating changes in customer expectations of their energy providers until the end of this decade. For example, we believe that business with households and small commercial enterprises will see entirely new types of customer relationships develop. These relationships will be based on holistic support in all energy-related matters, from consulting to financing to the installation and maintenance of decentralised generation assets and from electricity storage facilities to the unification of several small power producers to form a virtual power plant. This will make RWE a manager of a decentralised energy system.

Sustainable development, our aspiration. Our contribution to a sustainable energy system also involves us adhering to the principles of sustainable business development ourselves. Energy supply requires a long-term business model. It is therefore all the more important that our actions be in line with the expectations and goals of society in the long run. Our decisions must be economically, environmentally and socially sustainable. Therefore, we have defined ten fields of action which we believe address the most important challenges in the field of corporate responsibility (CR): climate protection, energy efficiency, biodiversity/environmental protection, community engagement, market/customer, employees, supply chain, occupational safety/healthcare management, security of supply and innovation. We have set ourselves goals for each of these action fields and established key performance indicators with which we measure the degree to which we hit these targets and communicate this to the public.

Of these ten fields of action, climate protection is accorded particular importance. As Europe's single-largest emitter of carbon dioxide (CO_2), we shoulder a special responsibility, and on top of that, high emissions go hand in hand with economic risks. We intend to reduce our CO_2 emissions per megawatt hour (MWh) of electricity generated, which amounted to 0.745 metric tons in 2014, to 0.62 metric tons by 2020. Expanding renewable energy plays a major role in this. Furthermore, now that our new-build power plant programme has almost been completed, we have established the basis for our cutting-edge generation capacity to replace old, emission-intensive assets.

1.2 ECONOMIC ENVIRONMENT

The price erosion on the German wholesale electricity market continued. A megawatt hour of base-load power purchased in 2014 for the following calendar year cost an average of just €35, the lowest point in the last ten years. One of the main reasons was the sustained slump on international hard coal markets. Mounting feed-ins of subsidised electricity from wind turbines and solar panels are also putting prices under pressure. In addition to declining electricity and fuel quotations, the unusually mild weather also characterised framework conditions last year. In particular, it affected gas consumption, which experienced a double-digit percent decrease in nearly all RWE markets.

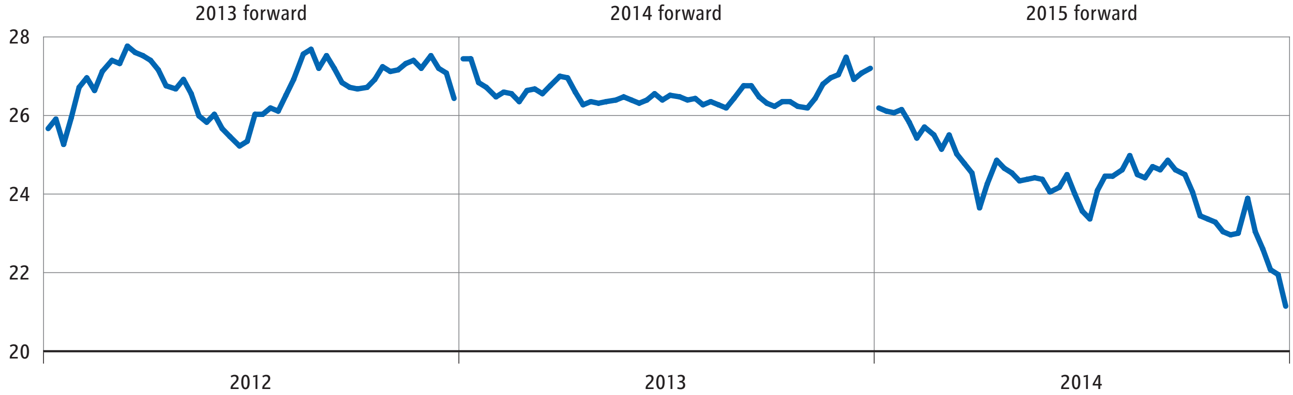
Eurozone economy remains weak. According to expert estimates, global economic output was up 2.5% in the year that just ended. Economic developments in the European Currency Union were much more moderate. Cumulatively, the gross domestic product (GDP) of euro countries probably rose by nearly 1%. In Germany, the currency area's largest economy, based on the preliminary figures of the German Federal Statistical Office, GDP was 1.6% higher year on year, driven in part by consumer spending. Compared to the Eurozone, the Dutch economy is likely to have merely posted average growth. By contrast, the United Kingdom, our largest market outside of the currency union, can look back on a strong economic year. The flourishing service sector was one of the key factors for the country's estimated 2.6% GDP growth. Our Central Eastern European markets also recorded an economic performance that exceeded that of the Eurozone: growth in both Poland and Hungary was an estimated 3.5%, with the Czech Republic and Slovakia each recording a gain of 2.5%.

Extremely mild weather in Europe. Whereas the economic trend primarily impacts on demand for energy among industrial enterprises, residential energy consumption is influenced more by weather conditions. The higher the outside temperatures, the less energy is needed for heating purposes. In 2014, it was much warmer throughout Europe compared to the ten-year average and to the previous year. Unusually high temperatures were measured especially in the first and fourth quarters, whereas the first quarter of 2013 had been unusually cold.

In addition to energy consumption, the generation of electricity is also subject to weather-related influences, with wind levels playing a major role. In nearly all of the countries in which we produce electricity from wind, it was a little less windy than in 2013. Only in Poland did wind levels rise marginally. Precipitation and melt water also affect electricity generation. In Germany, where most of our run-of-river power plants are located, precipitation and melt water were slightly up on the long-term average, but fell short of the very high level recorded in the previous year. Due to the considerable rise in German photovoltaic capacity in accordance with the German Renewable Energy Act, sunshine has also come to have a significant impact on the supply of electricity. Based on figures published by the German National Meteorological Service, Germany had an average of 1,621 hours of sunshine in 2014, 113 more than a year earlier.

Weather-induced collapse in demand for gas. Economic growth in our key markets stimulated energy consumption. In contrast, the mild weather had a dampening effect. Moreover, for a long time we have seen a trend towards saving energy. According to the pro-forma figures of the German Association of Energy and Water Industries (BDEW), electricity consumption in Germany in 2014 was about 4% lower than in the prior year. Based on estimates, demand for electricity also declined in the United Kingdom and the Netherlands, whereas in Hungary and Poland, it was slightly higher than in 2013. Gas consumption was strongly affected by the mild weather. Based on available data from BDEW, demand for gas in Germany declined by 13%. Network operators in the Netherlands and the United Kingdom calculated drops of 15% and 8%, respectively. Gas usage in the Czech Republic fell by an estimated 12% compared to the previous year.

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

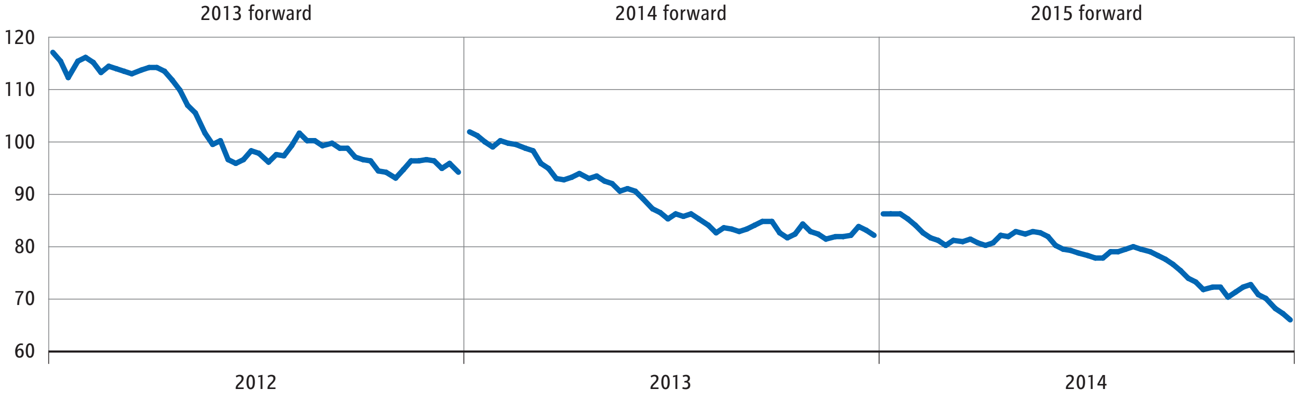


Source: RWE Supply & Trading.

Mild weather and collapse in oil prices characterise development of gas trading. In 2014, the prices at which gas traded were on a downward trend. The weather-induced decline in demand played an important role. Furthermore, oil prices dropped considerably over the course of the year. This also exerted pressure on gas quotations, as gas imports to Continental Europe are partially based on long-term contracts indexed to the price of oil, which are concluded between energy utilities and production companies. The Title Transfer Facility (TTF), the Dutch trading hub, is the reference market for Continental Europe. Averaged for the year, TTF spot prices for 2014 amounted to €21 per megawatt hour (MWh), €6 less than in 2013. In TTF forward trading, contracts for delivery in the following calendar year (2015 forward) were settled for €24 per MWh on average. This is €3 less than the price paid for the 2014 forward in 2013.

The retail customer business developed as follows: based on available data, in Germany gas became slightly more expensive for households and 4% cheaper for industrial customers. This is because residential tariffs typically react to developments in wholesale gas trading with a moderate time lag. Prices also displayed disparate developments in the United Kingdom, where they were 4% higher for households and 10% lower for industrial enterprises. In the Netherlands, tariffs were marginally down for residential customers and 2% lower in the industrial sector. Data collected for the Czech Republic indicates a decline of 3% for both customer groups.

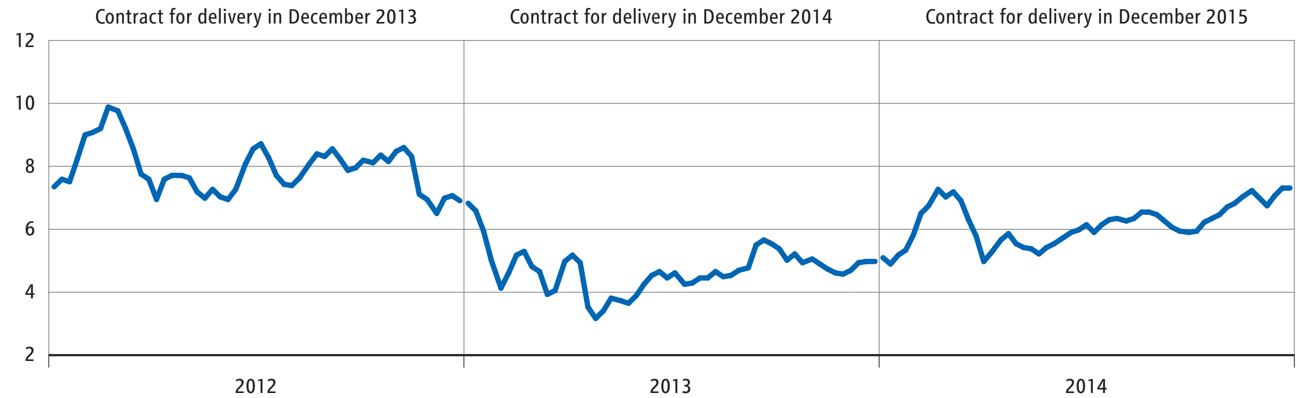
One-year forward prices for coal deliveries to Amsterdam/Rotterdam/Antwerp
US$/metric ton of coal (average weekly figures)



Source: RWE Supply & Trading.

Slump on hard coal market persists. The downward trend of hard coal prices witnessed since 2011 continued last year. Coal deliveries including freight and insurance to Amsterdam/Rotterdam/Antwerp (known as the ARA ports) were quoted at an average of US$75 (€57) per metric ton in spot trading, as opposed to US$82 in the previous year. The 2015 forward (API 2 Index) traded at an average of US$78 (€59) per metric ton, US$11 less than the price level of the 2014 forward in 2013. The global coal market tends to be oversupplied, in part because many countries increased their production capacities in the past. China, the world's biggest coal importer, put world market prices under even more pressure by introducing a coal import duty. Furthermore, China's decelerated growth was reflected in the country's demand for energy. Freight rates, i.e. overseas shipping costs, are a major factor influencing quotations in international hard coal trading. They were also low: as in the previous year, in 2014 the standard route from South Africa to Rotterdam cost an average of US$9 per metric ton.

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



Source: RWE Supply & Trading.

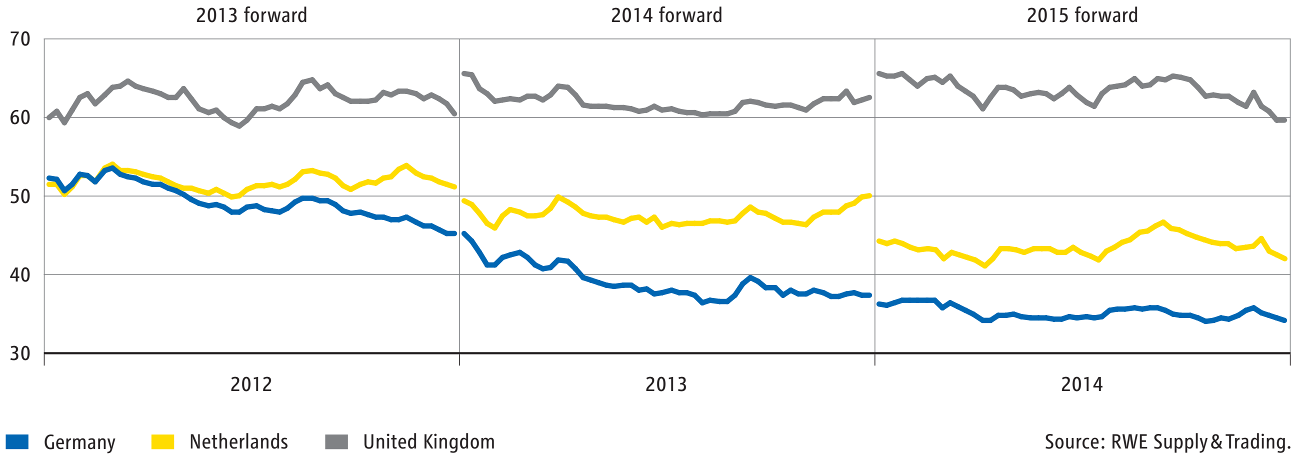
Emission allowance prices recover slightly. The prices at which CO_2 emission allowances trade in Europe are also low, because if the regulatory framework does not change, the allowances available for the third trading period, which ends in 2020, will clearly exceed the amount actually required by the companies to cover their emissions. This is in part due to the euro crisis and its curtailment of industrial activity. Last year, however, prices went back on a slight upward trend. The standard certificate (EU Allowance, or EUA) for 2015, which confers the right to emit a metric ton of carbon dioxide, cost an average of €6.20 in 2014. The comparable figure for 2013 was €4.70. Prices were buoyed by the fact that in March 2014 the EU began to reduce the surplus of certificates by temporarily withholding emission allowances (referred to as backloading). Positive stimulus was also provided by the EU Commission initiative to introduce a 'market stability reserve,' which would enable more flexible management of the number of emission allowances available on the market. More detailed information on this issue can be found on page 30.

Decline in wholesale electricity prices. For years, the development of wholesale electricity prices in Germany has been affected by rising feed-ins of electricity subsidised under the German Renewable Energy Act. This forces conventional generation plant off the market, primarily gas-fired power stations, which have fairly high fuel costs. Their influence on the formation of electricity prices has thus decreased, whereas that of hard coal-fired power plants, which have relatively low production costs due to declining prices on hard coal markets, has risen. These two factors, i.e. the crowding-out of gas-fired power stations and the drop in the price of hard coal, are the major reasons why quotations on the German wholesale electricity market have been declining since the middle of 2011. They dropped significantly in 2014. The year's average spot price for base load power was €33 per MWh, down €5 on the 2013 level. The 2015 forward was quoted at €35 per MWh. By comparison, the 2014 forward traded for €39 in 2013.

In the United Kingdom, our second-largest generation market, gas-fired power stations account for a much larger share of electricity production than in Germany and therefore have a stronger influence on electricity prices. For this reason, and due to the introduction of a tax on carbon dioxide in April 2013, UK wholesale electricity quotations are relatively high. However, the decline in gas prices also had a commensurately stronger impact, primarily on the electricity spot market, where base load power cost an average of £42 (€52) per MWh last year, £8 less than in 2013. In contrast, the 2015 base load forward traded at £51 (€63) per MWh, which was only marginally below the comparable figure for the previous year. In fact, in euro terms, the forward became slightly more expensive due to the appreciation of the British pound.

In the Netherlands, where we have our third-largest generation position, gas-fired power plants also play an important role in the formation of electricity prices. At the same time, German exports of electricity generated under the Renewable Energy Act weigh on prices. Base-load power on the Dutch spot market was quoted at €41 per MWh, €11 less than the figure recorded in 2013. The price curve in forward trading also trended downward. Base-load contracts for the following calendar year were settled for an average of €43 per MWh, as opposed to €47 in the prior year.

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



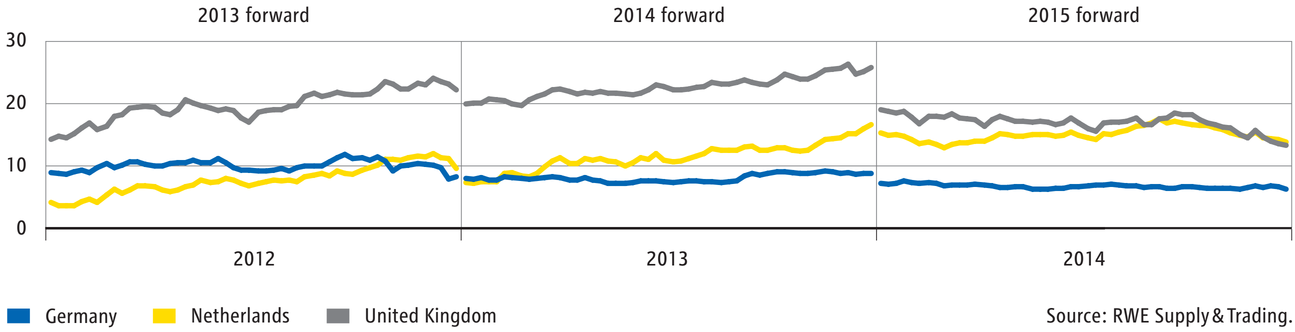
Source: RWE Supply & Trading.

Sustained pressure on electricity generation margins. The earnings of our power plants are largely determined by the level of wholesale electricity prices as well as the cost of fuel and emission allowances required to produce electricity. 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 from one year to the next. 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) and are the result of deducting the costs (including taxes) of the required fuel and CO_2 certificates from the unit price of electricity.

The graphs on the following page illustrate the development of clean dark spreads and clean spark spreads since 2012 based on one-year forward transactions. In Germany, the average clean dark spread realisable for 2015 in 2014 was slightly lower than the comparable figure for the previous year. In the United Kingdom, it was much lower. This is mainly because UK electricity generators will have to pay a much higher carbon tax from 1 April 2015 onwards. Conversely, clean dark spreads in the Netherlands were higher than in 2013.

A slight recovery was witnessed in the generation margins of gas-fired power stations over the course of last year. Based on annual averages, clean spark spreads were only up year on year in the United Kingdom, whereas they did not change notably in Germany or the Netherlands. Drawing a comparison to clean dark spreads shows that the market conditions for gas-fired power plants continue to be less favourable than for hard coal-fired power stations.

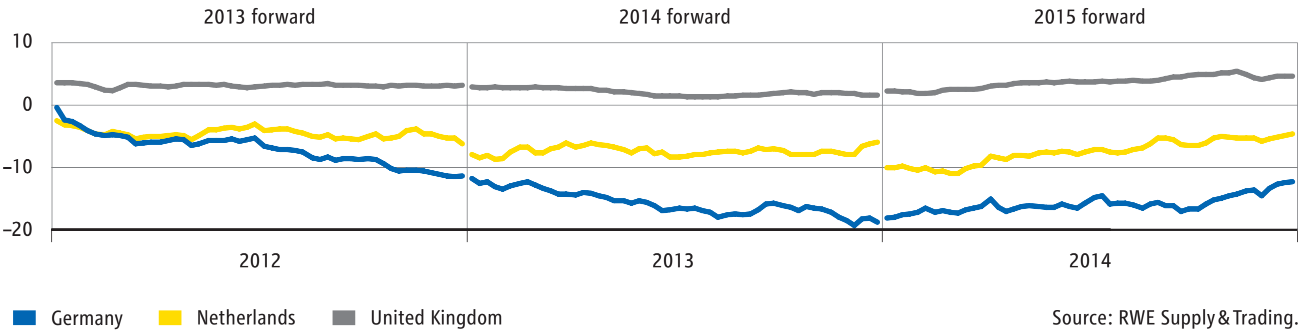
Clean dark spreads[1] forward trading
€/MWh (average weekly figures)



Source: RWE Supply & Trading.

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

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



Source: RWE Supply & Trading.

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

We cover the uranium consumption of our nuclear power plants via long-term contracts at stable conditions. The fuel costs of our lignite-fired power stations also hardly fluctuate. This is because we produce lignite in-house and there are no reliable market prices for it due to its limited tradability. As fuel costs are fairly stable, the margins of our nuclear and lignite-fired power plants usually trend in the same direction as wholesale electricity prices. Since the latter declined, earnings contributed by these stations also decreased.

RWE: electricity price realised for 2014 down year on year. We sell forward most of the output of our power stations and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the income we earned from our power plants in the year under review depended on these types of forward contracts for delivery in 2014, which we had concluded up to three years in advance. Overall, the average price that we realised for our 2014 in-house production was lower than the comparable figure for 2013. Therefore, we achieved lower margins with our German lignite and nuclear power stations, the generation of which we sold for an average of €48 per MWh, compared to €51 in the prior year. The earnings of our German and Dutch gas-fired power plants also worsened. We therefore took some of these stations off the market either temporarily or indefinitely. Earnings achieved by our UK gas-fired power plants also decreased. In hard coal-based electricity generation, we benefitted from lower fuel costs, which caused margins to improve slightly in the United Kingdom and in the Netherlands. Conversely, in Germany they did not manage to offset the negative impact of electricity prices.

Retail business: higher German and UK residential tariffs. Unlike on the German wholesale market, average electricity prices in the German retail business rose, albeit only marginally. They were up by about 1% for households and some 2% for industrial enterprises. This was largely due to the state surcharges included in electricity bills, which now account for half of the total price paid by households. A main contributing factor is the levy according to the Renewable Energy Act, which has been increased significantly in recent years.

In the United Kingdom, average electricity tariffs were up year on year by roughly 5% for households and approximately 4% for industrial enterprises. One of the reasons is the passing-on of network fees, which have increased significantly.

The Dutch customer business displayed the opposite development: households and industrial enterprises paid 1% and 6% less, respectively. Lower quotations on the wholesale market played an important role.

Decreasing wholesale prices also characterised developments in our supply markets in Central Eastern Europe. In Hungary, this was exacerbated by regulatory intervention: electricity tariffs were about 15% and 8% cheaper for households and industrial enterprises, respectively. A decline in the order of 5% was recorded in Slovakia for both customer groups. Compared to 2013, tariffs in Poland decreased by approximately 6% for industry, but increased by nearly 2% in the residential segment.

1.3 POLITICAL ENVIRONMENT

Energy and climate protection were once again at the very top of the political agenda in 2014. Last October, the EU heads of state and government agreed to reduce greenhouse gas emissions by at least 40% by 2030 compared to 1990. In order to accomplish this, they want renewable energy to be expanded, energy efficiency to be improved and the Emissions Trading System to be reformed. In Germany and the United Kingdom, our main markets for generation, policymakers explored how to ensure the availability of a sufficient level of conventional generation capacity in the future. Whereas the United Kingdom has already found a solution by introducing a technology-neutral capacity market, it remains to be seen which course Germany will chart.

EU Summit adopts new goals regarding climate protection, renewable energy and energy savings. EU member states intend to emit at least 40% less greenhouse gases in 2030 than in 1990. This is the target on which the heads of state and government agreed at the summit in October 2014 in Brussels. In order to accomplish this, the sectors involved in CO_2 emissions trading such as electricity production must reduce carbon dioxide emissions by 43% compared to 2005. In other sectors such as transport, households and agriculture, savings of 30% are envisaged in order to achieve the climate protection goal. For these sectors, the EU will impose national reduction targets depending on gross domestic product, ranging from 0% to 40%. The climate protection goal is flanked by the requirement for at least 27% of the demand for energy to be covered by renewable sources by 2030. Furthermore, the country representatives have issued a non-binding statement of intent that energy consumption in the EU will then be at least 27% lower than could be expected under the current framework conditions. These two goals will not be broken down into national requirements.

EU wants to strengthen Emissions Trading System through introduction of market stability reserve. To achieve its ambitious climate protection goal, the EU intends to strengthen the European Emissions Trading System by making the supply of CO_2 certificates more flexible. The intention is to introduce what is termed a 'market stability reserve' in which emission allowances are 'deposited' by EU member states when the market has a substantial surplus of certificates, as is currently the case. The surplus would be calculated once a year and corresponds to the difference between the certificates issued and used since 2008. According to the concept, if the established cap is exceeded, the number of certificates auctioned in the following years is reduced accordingly and the emission allowances withheld are added to the reserve. Vice versa, if the established floor is not reached, a corresponding number of certificates is taken from the reserve and put on the market. So far, the introduction of the market stability reserve has been scheduled for the beginning of the fourth emission trading period, which starts in 2021. Some countries, such as Germany and the United Kingdom, are in favour of bringing the introduction forward to 2017. The legislative procedure in the European Parliament and in the Council of the European Union is underway and will most probably be concluded this year.

EU Commission establishes legal framework for European green energy subsidies. In April 2014, the European Commission adopted new regulations governing state aid in the fields of environmental protection and energy. In so doing, it established a binding framework within which the member states' national subsidies comply with EU competition law and can therefore be approved. The new regulations replace guidelines which expired in 2014. The EU Commission's intention is to bring the subsidisation of renewable energy more in line with the market. Over the long term, fixed feed-in tariffs should be replaced by competition-promoting mechanisms such as tender procedures for the allocation of state subsidies. It is also envisaged that green energy be increasingly marketed directly by the producers. In the Commission's opinion, the rebates on the levy to fund the subsidisation of renewable energy, which is granted to companies in Germany, may not distort competition within Europe. Therefore, the guidelines stipulate that such relief be granted only to a limited number of energy-intensive sectors within the EU.

In its guidelines, the EU Commission also embraces the plans of some countries to create a capacity mechanism. This type of mechanism makes a major contribution to security of supply as power producers are compensated for providing secured power plant capacity in addition to receiving income from the sale of electricity. This is becoming increasingly important due to the rising feed-ins of fluctuating amounts of wind and solar power. So far, the EU Commission has been of the opinion that capacity mechanisms should only be created if concerns about insufficient generation capacity cannot be put to rest by taking other measures, for example by expanding networks or making the demand for electricity more flexible. A capacity mechanism introduced by one country should be accessible to the energy utilities of other EU member states.

The EU Commission under Jean-Claude Juncker, which was restaffed in November 2014, accords high importance to energy policy and intends to explore the prospects of harmonising the design of the electricity market across Europe. There is a chance of this resulting in a real European framework for capacity mechanisms.

Germany reforms green energy subsidies. At the end of June 2014, the German Lower House passed the "Act for the fundamental reform of the German Renewable Energy Act (REA) and for amendments to further provisions of German energy law." The objective is to gain better control over green energy expansion and to rein in the associated costs. The act took effect on 1 August after the German Upper House approved it in the middle of July. It envisages that 2.5 gigawatts (GW) in net installed capacity from both solar panels and onshore wind turbines be added every year. If this threshold is exceeded or not reached, a reduced or increased feed-in tariff is paid for the additional generation units. The replacement of existing wind turbines by more powerful ones has not been factored into the cap. The capacity target of offshore wind power through to the end of 2020 is 6.5 GW. Operators of new plant with a system size of 500 kilowatts or more are now obliged to market green energy directly. This requirement will gradually be imposed on smaller generation units.

The act further envisages new plant being subsidised via auctions from no later than 2017 onwards. The amendment to the REA thus conforms with the new EU guidelines for state aid in the fields of energy and environmental protection. However, there was dissent on several points between the German government and the EU Commission. One such issue is the determination of the sectors qualifying for rebates on the REA apportionment. The Commission made a concession to the German government on this point. According to the new law, 68 energy-intensive sectors will be obliged to pay no more than 15 % of the apportionment. This share can drop to as little as 0.5 % for very big power consumers, such as aluminium and steel foundries. Another point of contention between Brussels and Berlin was the degree to which electricity produced for self-consumption, which was generally exempt from the REA apportionment in the past, should also contribute to financing renewable energy going forward. The act envisages this only for new plant, whereas small self-consumers and companies that already use self-generated electricity are still being spared this burden. This provision will be reviewed by 2017 at the insistence of the EU Commission. As a result, RWE may face new burdens relating to self-consumption of electricity in our Rhenish opencast lignite mines.

German government presents Green Book on future design of electricity market. At the end of October, the German government published a discussion paper ('Green Book') on the future design of the German electricity market. It primarily addresses how the reliability of electricity supply can be secured over the long term. As set out on pages 26 et seqq., generation margins in Germany have dropped considerably. Barring changes to framework conditions, more and more power plants may have to be closed as they become unprofitable. However, a large portion of this capacity is still needed to compensate for the fluctuating availability of solar and wind power. This problem is exacerbated by the fact that the nuclear phase-out and the advanced age of stations will lead to further closures. The Green Book presents options for ensuring sufficient generation capacity around the clock in the future. The German government intends to introduce a capacity reserve that would act as a safety net for a transitional period.

The reserve would be procured by the transmission system operators competitively and used by them exclusively. According to the government's plans, the stations contributing to the capacity reserve will generate electricity only if supply and demand fail to balance. The Green Book also envisages measures to improve the efficiency of the electricity market. It remains to be seen whether a capacity market is introduced or whether the existing market model (which is based on the power plants on the market only receiving payment for the electricity they sell) will merely be refined. The second approach is based on the expectation that when there is a shortage of electricity, huge price spikes will ensure that the operation of the required power stations is profitable. Many experts feel that this is too unpredictable. Nevertheless, the German government indicates in the Green Book that it favours relying on price spikes. The Green Book forms the basis for a public consultation after which the German government intends to present a 'White Book' in 2015, including a specific proposal for the future market model.

German government adopts 'Climate Protection Action Plan 2020.' In December, the German government adopted the 'Climate Protection Action Plan 2020' with which it wants to ensure that Germany achieves its emission reduction target for 2020. The goal is to reduce greenhouse gas emissions by at least 40% compared to 1990. Based on estimates, given the current framework conditions, Germany will not be able to lower emissions by more than 35%. To close the gap, the German government designed the action plan in order to achieve an additional 62 million to 78 million metric tons in carbon savings per year. A main element of the package is a multi-billion euro tax subsidy for the insulation of residential buildings and the purchase of modern heating systems. It also aims to reduce annual carbon emissions from electricity generated until 2020 by an additional 22 million metric tons on top of the originally expected emission reduction. The action plan is scheduled to be translated into law in 2015.

Go-ahead for lignite production in third Garzweiler II resettlement segment. At the end of April 2014, the government of the State of North Rhine-Westphalia formally declared that it finds the use of lignite until 2030 essential to the energy industry and energy policy. This allows the planning procedure for the third resettlement segment of the Garzweiler II opencast mine to be continued. The state government also issued a statement regarding the longer-term prospects of Garzweiler II. At a press conference at the end of March 2014, it announced the political will to keep the communities in the fourth resettlement segment (primarily Holzweiler, which has a population of 1,400) at their current location, contrary to the original plan. The state administration also declared that it would announce a new landmark decision on lignite policy by the middle of 2015. It plans to hold talks with RWE, regional representatives and other stakeholders to this end.

United Kingdom reforms subsidisation of climate-friendly electricity generation. The UK made rapid progress in implementing the electricity market reform passed by parliament at the end of 2013 after the EU Commission also gave its go-ahead in late July. The key points of the reform include the introduction of a new system for promoting climate-friendly electricity generated from renewable sources, nuclear energy and fossil fuel in combination with carbon capture and storage. Green electricity producers currently receive Renewables Obligation Certificates (ROCs). A mechanism referred to as a Contract for Difference (CfD) will be introduced in the future. The idea is to guarantee that electricity generators receive a contractually agreed fee for the electricity they feed into the system. If the price realised on the wholesale market is below the fee, they are paid the difference. If it exceeds the fee, they will be obliged to make payments. The subsidy will be financed by electricity supply companies in line with the amounts of electricity which they purchase on the market. In September and October of last year, the Department of Energy & Climate Change (DECC) determined the subsidy budgets and the maximum fee for each generation technology. The CfDs have a term of 15 years and will enter into force from 2017 onwards. The selection of subsidised projects is conducted using the following method. If the subsidy budget for a specific technology is big enough, all applicants receive a CfD at the maximum rate of compensation. If the budget is not sufficient, an auction is held to determine the winning bids. In this case, the rate of compensation is lower. The results of the first auction had not yet been published when this report went to print. The next round of CfD awards is scheduled for the coming year.

UK capacity market opens. One of the key elements of the UK electricity market reform is the introduction of a technology-neutral capacity market. This undertaking has also been largely implemented. The UK model envisages annual capacity auctions of predetermined volumes of secured capacity. All successful bidders receive the same payment, which is determined by supply and demand. Participation in the auctions is voluntary and technology-neutral. Generation units which will be receiving payments under other subsidy schemes (e.g. via CfDs) are not admitted. The first capacity auction took place at the end of 2014 and related to the provision of generation capacity between 1 October 2018 and 30 September 2019. The capacity payment for new plant will be guaranteed for 15 years. Old generation units that are modernised extensively receive the payment for three years. Power plants with a capacity classified as 'secured,' accounting for a total of 65.0 GW, qualified for the first auction. Of this amount, winning bids were placed for 49.3 GW, including RWE stations accounting for 8.0 GW (see page 37). Each year a new auction is scheduled to take place in relation to the next twelve-month period. A second auction may be held a year in advance in order to cover any additional needs.

Election campaign in UK gives rise to uncertainty in energy sector. Despite the aforementioned reforms, there has recently been substantial uncertainty surrounding the UK's future energy policy. In the run-up to the parliamentary elections in May 2015, the parties have conducted heated debates on the issue. Whereas the Conservative-Liberal government is in favour of the new regulatory framework for the electricity generation sector, the opposing Labour Party has announced that it is aiming for additional fundamental reforms designed, for example, to reduce the emissions of coal-based electricity generation even further. The pivotal issues are mounting energy costs and the resulting public resentment. Ed Miliband, the Leader of the Labour Party, announced in September 2013 that, in the event of a Labour victory, residential electricity and gas tariffs would be frozen for 20 months. This put the government under pressure. It reacted by announcing a catalogue of measures to reduce energy costs in order to lower the average residential electricity and gas bill by a total of £50 (about €60). One of the measures the government has taken to this end was to scale back the Energy Companies Obligation (ECO), a programme launched by the state. ECO obliges the major power providers to finance measures to improve energy efficiency in homes. Since the associated cost has been included in electricity tariffs, ECO has played a major role in increasing them in the past. Residential customers received further relief as the regulator managed to delay the adjustment of network fees. In addition, the government made a one-off payment to energy companies, which they had to pass on to their customers. RWE npower lowered its tariffs with effect from 28 February 2014, taking all these factors into account. As a result of the aforementioned measures, the energy bills of customers who purchased both electricity and gas from us were reduced by the targeted average of £50.

Doubts concerning fair competition in the energy sector have surfaced repeatedly during the debate on energy costs. Although switching supplier is much more common in the UK than in most other European markets, the government wants to incentivise this further. One of the factors it is relying on to achieve this is an increased transparency of price comparisons. Since 1 January 2014, energy companies have been allowed to offer no more than four residential tariffs and from 1 April 2014, they have been obliged to indicate on bills which of their tariffs is most affordable for their customers. In addition, in the middle of 2014, the UK regulator Ofgem (Office of Gas and Electricity Markets) referred the energy market to the Competition and Markets Authority (CMA) to conduct an analysis of the competitive environment. The CMA is investigating the supply business in the residential and commercial customer segments. The study will also examine whether the price-formation mechanism on the wholesale electricity market works, whether electricity generators can exercise market power, and whether energy companies gain competitive advantages through vertical integration. The final results of the investigations are expected to be published by the end of the year.

Spain makes drastic cuts in renewable energy subsidies – RWE Innogy calls on arbitration court. The Spanish government has made drastic cuts to the subsidies granted to producers of green energy. This has been established by a law which entered into force at the end of December 2013 and specified by an ordinance (Royal Decree 413/2014) as well as a ministerial decree in the middle of 2014. The fixed feed-in tariffs paid so far were replaced retrospectively to July 2013 by a new compensation system. The system ensures that the generation facilities achieve a pre-tax return on capital equivalent to the ten-year average of Spanish government bonds plus 300 basis points. At present, this is 7.4%. Based on previous legislation, green energy producers received a fixed tariff, which could be as high as €460 per megawatt hour for old plant, and was set for 25 years or the plant's lifetime. The retrospective subsidy cut reduces RWE Innogy's earnings considerably. We believe that this contravenes the International Energy Charter Treaty, which was ratified by Spain, and one of its aims is to guarantee legal security to foreign investors. Therefore, RWE Innogy filed a suit with the International Centre for Settlement of Investment Disputes (ICSID) in December 2014. The ICSID is an international arbitration body headquartered in Washington, D.C., which belongs to the World Bank Group. Arbitral rulings handed down by the ICSID are legally binding and must be obeyed by the country in question.

1.4 MAJOR EVENTS

We made substantial progress with major projects in fiscal 2014. The sale of RWE Dea took centre stage: we have nearly finalised the process. Furthermore, we divested assets worth €1 billion, which contributed to increasing our financial strength. We found a solution for our gas purchase agreement with Gazprom that will prevent us from incurring any further losses from the contract for the time being. The power plant new build programme launched in 2006 is nearing completion. Among the major events that occurred last year is our decision to broaden the basis of our dividend policy. This enables us to orient the dividend proposal towards RWE's overall economic situation, taking account of issues such as sustainability and continuity more than before.

Events in the fiscal year

RWE places dividend policy on broader basis. In the middle of December, the Executive Board of RWE AG decided to realign its dividend policy, a resolution endorsed by the Supervisory Board. The previous yardstick for the payout ratio, 40% to 50% of recurrent net income, shall become obsolete as of fiscal 2015. From then on, the dividend proposal by the Executive and Supervisory Boards shall be brought more in line with RWE's general economic situation and in particular orient itself towards the company's earnings, operating cash flow and debt position. Opportunities to invest in growth projects will also be considered. The Executive Board and the Supervisory Board will continue to accord high importance to the dividend. Sustainability, continuity and reasonable judgement are major criteria for determining it. One way of doing justice to these criteria is to take into account the previous year's dividend payment when deciding on the dividend proposal. However, this will not go hand in hand with the determination of a minimum dividend.

Successful gas price revision with Gazprom. At the end of February, we reached an agreement in the most recent price revision regarding our loss-making gas procurement contract with Gazprom. As a result, the contract will not have a negative effect on our earnings until the next revision, which is scheduled for early June 2016. The details of the agreement are confidential. We will start a new round of negotiations with Gazprom in the middle of 2015. We aim to find a long-term solution which ensures that the contract no longer weighs on our earnings even after the current arrangement expires.

RWE sets stage for sale of RWE Dea. At the end of March 2014, we agreed with the Luxembourg-based investment company LetterOne that it would acquire our subsidiary RWE Dea with retroactive commercial effect to 1 January 2014. The transaction had not closed when this review of operations was finalised. Details can be found on page 39. RWE Dea specialises in oil and gas exploration and production. We decided to divest these assets because access to in-house gas sources is no longer of strategic significance to us due to the creation of liquid trading markets. Furthermore, the sale will enable us to save a substantial amount of capital which we would have had to spend to tap RWE Dea's potential for growth.

€1 billion in divestments made. We sold a number of activities last year, mostly for strategic reasons. Proceeds from the transactions concluded in 2014 amounted to €1.0 billion. Among the operations and assets we divested are (month of closing in brackets):

- Duisburg-Huckingen gas-fired power station (February): it was acquired by Hüttenwerke Krupp Mannesmann GmbH (HKM) for €99 million. The power plant, which has a net installed capacity of about 600 megawatts (MW), has been operating since the mid-1970s and generates electricity and steam for the HKM foundry at the same location. RWE will retain operational management until at least 2024.

- Our Dutch district heating business (March): the buyers are the pension fund PGGM and the energy service provider Dalkia. The two companies also acquired three gas-fired combined heat and power plants from us. Until the sale, these facilities in Helmond, Eindhoven and Enschede had been operated by RWE Generation.

- Our 49.8% stake in Budapest-based gas utility FÖGÁZ (April): we sold it to the Hungarian state-owned energy group MVM for 41 billion forints (€133 million). FÖGÁZ operates a gas network with a length of 5,800 kilometres and serves over 800,000 customers. The remaining 50.2% is owned by the City of Budapest. The reason for the sale is the significant increase in regulatory pressure in the Hungarian gas business.

- Shares accounting for a total of 51% in the IT service provider GISA, based in Halle an der Saale, Germany (May): the shares were acquired by itelligence AG. As a result, GISA now has a majority shareholder whose core competency is also IT. The sellers of the shares were our subsidiaries enviaM (41%) and MITGAS (10%). We retain an interest of 23.9% in GISA via enviaM.

- Our 19.06% share of ENERVIE Südwestfalen Energie und Wasser (September): the new owner is Remondis Wasser und Energie GmbH, which paid us €60 million for the stake. One reason for the sale was that we only had a limited influence on ENERVIE's business policy.

- Our 80% interest in the Enna biomass-fired power plant in Sicily (September): we sold it for €36 million to our partner company FRI-EL Green Power, domiciled in Bolzano, which previously held a 20% stake in the station and is now its sole owner. The Enna power plant has a net installed capacity of 18.7 MW and can supply electricity to about 30,000 households. As we no longer consider electricity generation from biomass one of our core activities, we withdrew from the project.

- An 85% share in the offshore wind projects Nordsee One, Nordsee 2 and Nordsee 3 (September): the buyer is the Canadian utility Northland Power. The remaining 15% of the projects is still owned by RWE Innogy. Through these types of transactions we spread the substantial costs of growth projects in the field of renewables more widely via partnerships. This enables us to develop large-scale projects even when funds are scarce. The development of the Nordsee One wind farm, which could go online with a net installed capacity of 332 MW as early as 2017, is at an advanced stage, whereas the Nordsee 2 and 3 projects, with a combined capacity of 670 MW, are in their early planning phases. The wind farms are located in an area 40 kilometres north of the Isle of Juist.

- RWE corporate headquarters and neighbouring buildings (October): the buildings housing the Group's head office were sold to the US real estate fund American Realty Capital Global Trust and leased back over the long term. The office complex at Opernplatz in Essen remains the company's headquarters. By conducting the sale and leaseback, we took advantage of the demand of capital investors for high-value properties, which has recently been strong.

- A 7.1% interest in Dortmund-based energy utility DEW21 (December): we sold it to the Dortmund municipal utility for €70 million. This caused our stake in DEW21 to drop to 39.9%. It had previously been set to expire at the end of 2014. The result of the partial divestment was the removal of the time limit.

Sale of 10% stake in Gwynt y Môr offshore wind farm initiated. At the end of March 2014, we agreed with Green Investment Bank that it would buy 10% of the new wind farm Gwynt y Môr off the northern coast of Wales. The transaction is scheduled to close by the middle of 2015, once the wind farm, which will have a total installed capacity of 576 MW, has been completed. Our shareholding in Gwynt y Môr will then drop from 60% to 50%. The other interests are held by the Munich municipal utility (30%) and Siemens (10%). We intend to use the proceeds from the sale to finance other renewables projects.

Continued expansion of renewable energy. Despite the aforementioned divestments, we increased our renewable energy capacity even further. In 2014, facilities with a total net installed capacity of about 320 MW began operating commercially. A large share of this was accounted for by the Welsh offshore wind farm Gwynt y Môr: the capacity allocable to us from this installation rose by 169 MW. Onshore wind farms combining for more than 100 MW went online in Germany and the United Kingdom. Another new addition to our generation portfolio is the biomass-fired thermal power station near the Scottish town of Markinch. It has a nominal electric capacity of 46 MW and was commissioned in March 2014.

New hard coal-fired power plants in Hamm and Eemshaven begin producing electricity. We also made progress in implementing our new-build power plant programme, which was initiated in 2006 and is now nearing completion. Work is still ongoing on two dual-block hard coal-fired power plants, one at Hamm (1,528 MW) and another virtually identical one near the Dutch town of Eemshaven (1,554 MW). The first of the two units of the station at Hamm began generating electricity commercially at the beginning of July 2014. The commissioning of the second unit has not yet been scheduled. It experienced major delays caused in part by a defective steam generator. In addition to the majority owner, RWE, 23 municipal utilities hold stakes in the power plant. Both of the units of the Eemshaven power station, of which we are the sole owner, are currently undergoing a test run. They are scheduled to take up commercial operation in May 2015. Once completed, the hard coal-fired power plants at Hamm and Eemshaven together will be able to supply some 6 million households with electricity. Thanks to their high efficiency, approximately 5 million metric tons of carbon dioxide emissions can be avoided every year compared to old hard coal stations.

RWE takes unprofitable generation capacity off the market. In view of the significant deterioration in conditions underlying the conventional electricity generation market, in 2014 we took several gas-fired power stations offline temporarily or indefinitely. On 1 April, the 355 MW unit G of the Gersteinwerk gas-fired plant in Werne, Germany, ceased production indefinitely, followed on 1 July by the 1,304 MW Claus C power station near the Dutch town of Maasbracht. However, both of these stations have only been mothballed, enabling them to be recommissioned if market conditions improve. Furthermore, at our Lingen site, we shut down the Emsland B and C power plants (360 MW each) from 1 April to 30 September and Emsland D (876 MW) from 1 May to 31 August. In the spring and summer, gas-fired power stations are hardly used due to the amount of electricity being put onto the system from photovoltaic units. We also decided to take further generation capacity offline in 2015 and subsequent years. This affects the 428 MW Dutch Moerdijk gas-fired power station, which will interrupt operation for an indefinite period of time starting on 1 March 2015. A net installed capacity of 110 MW of the Goldenberg lignite-fired power plant in Hürth near Cologne will be shut down permanently (middle of 2015), as will a 285 MW hard coal unit at Hamm (early 2016). If market conditions do not improve fundamentally, a 608 MW hard-coal block at the Gersteinwerk station in Werne will be shut down in 2017. The reason is that downtime for a technical inspection is scheduled for that year, and the associated expenses would no longer be worthwhile.

RWE successful in capacity auctions in the UK. With the exception of one small station, all participating RWE power plants qualified in the first auction for the new UK capacity market. Together, they account for 8.0 gigawatts (GW) of secured capacity. They include the Pembroke, Staythorpe, Little Barford, Didcot B and Great Yarmouth gas-fired power stations as well as the Aberthaw hard coal-fired power plant. All in all, 65.0 GW in generation capacity were represented in the auction, which took place from 16 to 18 December 2014. Of this capacity, 49.3 GW will receive a payment of £19.40 per kilowatt during the first delivery year, which runs from 1 October 2018 to 30 September 2019. The payments will be extended to three years for 3.1 GW and to 15 years for 2.4 GW as these volumes relate to modernised or new plant. The payment period for RWE power stations is limited to one year. Since the £19.40 payment set during the auction is based on 2012 price levels and develops in line with the UK consumer price index, the capacity payments actually paid out will probably be slightly higher.

Nuclear fuel tax: Federal Fiscal Court refuses suspension of enforcement. At the end of November, the Federal Fiscal Court (FFC) ruled that the German nuclear fuel tax must continue to be paid despite doubts about its legality. It thus overturned the judgements of the Hamburg and Munich Fiscal Courts, which had ruled in favour of a suspension of the enforcement of the tax payment. Due to the FFC ruling, we paid withheld taxes to the German tax authorities for the Emsland (Lingen) nuclear power station at the end of 2014. No backpayments had to be made for the Gundremmingen B and C blocks. The rationale provided by the FFC for its ruling was that effectively, a cancellation of the tax enforcement would be the same as a suspension of the Nuclear Fuel Act. It stated that, according to the jurisdiction of the Federal Constitutional Court, this can only be done under very specific conditions, which do not apply to the case in point. One question that has been expressly left unanswered is whether the tax violates fundamental German or European law. This is up to the jurisdiction of the Federal Constitutional Court and the European Court of Justice (ECJ). In his closing remarks, the ECJ Advocate General declared in early February 2015 that the nuclear fuel tax complies with European law. Whether the ECJ shares this opinion will be revealed this year. As yet, no date has been set for the ruling of the Federal Constitutional Court.

Nationwide electricity supply operations launched in Romania. RWE has started supplying electricity throughout Romania. The activities are overseen by the newly established RWE Energie S.R.L., headquartered in Bucharest. We celebrated the opening of our representative office in the country's capital with an official ceremony at the end of June. RWE has been active in Romania since 2011, albeit on a small scale, in the region neighbouring our established operations in Hungary. Our focus is on industrial and corporate customers. As the local market continues to be liberalised, in the next ten years we intend to become one of the leading electricity suppliers in the country.

Suit for damages in connection with nuclear moratorium filed. At the end of August, we brought a suit against the State of Hesse and the Federal Republic of Germany before the competent court, the Essen Regional Court, in order to assert our right to compensation for damages caused by the nuclear moratorium. After the reactor incident at Fukushima in March 2011, the German government had ordered that a total of seven German nuclear power plants be shut down for a period of three months. The federal states in which the reactors are located then ordered their closure. The moratorium affected our Biblis A and B reactors in the south of Hesse. In the meantime, the competent administrative courts have handed down a legally enforceable ruling, finding that the injunctions under the moratorium against Biblis were illegal.

RWE commissions judicial review of additional costs for interim storage of radioactive waste. In October, RWE filed a suit against a new statutory regulation governing the return of radioactive waste from foreign countries. The German Site Selection Act, which was passed in 2013 and regulates the search for a final storage facility for highly radioactive waste, stipulates that recyclable waste from La Hague (France) and Sellafield (United Kingdom) no longer be stored centrally in Gorleben (Germany) and instead be placed in interim storage near power plant premises. This will impose additional costs on the operators of stations which have already financed the interim storage facility in Gorleben. The German government declined to assume these additional costs. It is yet to present the overall concept for foreign waste returns and the selection of storage sites it had announced earlier.

Events after the close of the fiscal year

RWE and LetterOne finalise conditions for sale of RWE Dea. In January 2015, we reached an agreement with the investment company LetterOne to sell RWE Dea to LetterOne by the beginning of March 2015 at the latest. Modifications were made to the sale agreement signed in March 2014, reflecting the political uncertainty and operating developments since then. Based on the exchange rates valid in January, the agreed enterprise value totals some €5 billion. According to the sale contract, LetterOne will keep Dea's UK business legally independent and separate from the rest of the activities for several years. In the improbable event that the EU or the US imposes sanctions against LetterOne or its Russian majority owners, in the first twelve months from closing, RWE is obliged to buy back Dea's UK operations based on a pre-determined price formula for resale to an independent third party. When the review of operations was finalised, the transaction was only subject to the condition that no material adverse change occur at RWE Dea before closing in March. Such clauses are common when selling companies of this size.

RWE Innogy sells wind farm jack-up vessel. At the beginning of January, we sold one of our two vessels used to jack up offshore wind farms to the Dutch company MPI Offshore. The price for 'Victoria Mathias' was €69 million. We decided to sell the installation ship because our offshore wind project volume has declined considerably. Victoria Mathias was, until recently, used in the construction of our Nordsee Ost offshore wind farm. Our second jack-up vessel, 'Friedrich Ernestine,' will remain under our ownership for the time being. We will lease it to the Chinese company ZPMC Profundo Wind Energy for a period of five years starting in the middle of March 2015.

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

RWE and Statkraft agree partnership for Triton Knoll offshore wind farm. In the middle of February, RWE and the Norwegian energy utility Statkraft signed a contract for the joint development of the Triton Knoll wind farm off the east coast of England. The agreement envisages Statkraft acquiring a 50% interest in the project. On completion, Triton Knoll could have an installed capacity of up to 900 MW, covering the energy requirements of some 800,000 households. The estimated capex volume is between £3 billion and £4 billion. The final decision on the construction is scheduled to be taken in 2017.

RWE reduces stake in Czech gas distribution network business. In February, we agreed with a group of funds managed by Macquarie that it would increase its shareholding in our subsidiary RWE Grid Holding (RGH) by 15% to 49.96%. Our Czech gas distribution network operations are pooled at RGH. The transaction is scheduled to close in March. This will strengthen our financial clout as well as the partnership with Macquarie in the Czech Republic.

1.5 NOTES ON REPORTING

RWE Group

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

RWE Dea (discontinued operation)

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

As of 31 December 2014.

Group structure with seven divisions. As set out on pages 35 and 39, we contractually agreed with the investment company LetterOne that it will acquire our subsidiary RWE Dea (Upstream Gas & Oil Segment) with retroactive effect to 1 January 2014. In the reporting on the financial year that just came to a close, we therefore divided the RWE Group into seven instead of eight segments (divisions), which are based on geographic and functional criteria as follows:

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

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

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

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

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

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

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

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

Change in disclosure of RWE Dea. In accordance with International Financial Reporting Standards (IFRS) we now present RWE Dea as a 'discontinued operation.' The details of the change in accounting treatment are as follows:

- We now recognise RWE Dea in the income statement only in condensed form under 'income from discontinued operations.' Prior-year figures have been adjusted accordingly. The consequence for the presentation in the review of operations is that Group figures for the 2014 and 2013 sales volume, revenue, EBITDA, operating result, non-operating result, financial result and income taxes now only relate to our continuing operations. Deliveries from RWE companies to RWE Dea are now presented in the external sales volume and external revenue. In line with the approach taken in respect of personnel costs, we are also limiting employee figures to continuing operations. Conversely, the RWE Group's net income continues to take RWE Dea into account. RWE Dea is considered in recurrent net income only by including the prorated interest on the price that LetterOne has contractually undertaken to pay us for the period from 1 January 2014 onwards. Recurrent net income disclosed for 2013 remains unchanged and therefore continues to include the operating activities of RWE Dea.

- On the consolidated balance sheet, for 2014 the upstream business is summarised under 'assets held for sale' and 'liabilities held for sale.' In accordance with IFRS, we will maintain the presentation of the previous year's balance sheet figures.

- In the cash flow statement in the financial statements for the fiscal year (page 121), we recognise the cash flows from discontinued operations for 2014 and 2013 separately. However, the cash flow statement in the review of operations (page 62) solely relates to continuing operations for both years. The latter also applies to the presentation of capital expenditure.

Effects of the new accounting standard IFRS 11 Joint Arrangements (2011). Further deviations from figures published previously result from the fact that we began applying the new accounting standard IFRS 11 Joint Arrangements (2011) in fiscal 2014. Accordingly, certain investments which have so far been accounted for using the equity method are now reported as joint operations (see commentary in the notes on page 136). The new procedure also applies retrospectively to the prior year's figures, which have been adjusted accordingly.

1.6 BUSINESS PERFORMANCE

The RWE Group achieved its earnings goals for 2014. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to €7.1 billion, which was much more than planned. The main success factor was our efficiency-enhancement programme, the implementation of which went much faster than expected. Nevertheless, at €4.0 billion, the operating result was 'merely' in the forecasted range. Impairments recognised for power stations were the main reason. The erosion of power plant margins continued in 2014. It was one of the reasons why we failed to match the operating result of the preceding year.

Business performance in 2014: what we forecasted and what we accomplished

Actual vs. outlook 2014[1]	2013 actual € million	Outlook for fiscal 2014[2]	2014 actual € million	Expectations fulfilled?
External revenue	52,425	In the order of €51 billion	48,468	Actual < Outlook
EBITDA	7,904	€6.4 billion to €6.8 billion	7,131	Actual > Outlook
Operating result	5,369	€3.9 billion to €4.3 billion	4,017	Yes
Conventional Power Generation	1,384	Significantly below previous year	979	Yes
Supply/Distribution Networks Germany	1,626	Moderately above previous year	1,871	Actual > Outlook
Supply Netherlands/Belgium	278	Significantly below previous year	146	Yes
Supply United Kingdom	290	Moderately below previous year	227	Actual < Outlook
Central Eastern and South Eastern Europe	1,032	Significantly below previous year	690	Yes
Renewables	203	Moderately above previous year	186	Actual < Outlook
Trading/Gas Midstream	831	Significantly below previous year	274	Yes
Recurrent net income	2,314	€1.2 billion to €1.4 billion	1,282	Yes
Capital expenditure on property, plant and equipment and on intangible assets	3,848	In the order of €3.5 billion	3,245	Actual < Outlook

1 This overview reflects the forecast which was published on pages 25 et seqq. of the report on the first quarter of 2014. Deviating from the outlook on pages 100 et seqq. of the 2013 Annual Report, RWE Dea has been stated as a 'discontinued operation' for 2014 and 2013. Furthermore, the first-time application of IFRS 11 caused adjustments to be made to the figures for 2013. Detailed commentary on this can be found on page 41.
2 Qualifiers such as 'moderately' and 'significantly' indicate percentage deviations from the previous year's figures.

Electricity generation down 5%. In the financial year that just came to a close, the RWE Group produced 208.3 billion kilowatt hours (kWh) of electricity. During 2014, 37% of electricity generation was from lignite, 23% from hard coal, 18% from gas, and 15% from nuclear. The share of renewable energy amounted to 5%. Power production was down 5% on 2013.

The biggest drop was recorded for lignite. This is because some of our stations had to be taken offline for unscheduled inspections.

Production from hard coal also declined. One of the reasons was that we had to shut down the UK power plant Didcot A, which had a net installed capacity of 1,958 megawatts (MW), at the end of March 2013. The station's lifetime was limited to satisfy EU requirements relating to pollutant emissions of large combustion plants. In Germany, decreases in margins were the main reason why we generated less electricity from hard coal. In addition, contracts for the use of stations owned by third parties expired. A positive effect was felt from the fact that the first unit of the hard coal-fired power station at Hamm began operating. In the Netherlands, we benefitted from the increased usage of the two units of the Amer power plant following outages for inspections in the previous year and from the initial test runs of our new station at Eemshaven.

Electricity production by division[1]	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		Total	
Billion kWh	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Conventional Power Generation	71.8	75.8	44.6	48.3	37.4	36.1	31.7	31.3	1.2	4.8	2.7	2.9	189.4	199.2
of which:														
Germany[2]	71.8	75.8	26.3	29.4	3.1	6.4	30.5	30.5	0.7	0.9	2.7	2.9	135.1	145.9
Netherlands/Belgium	–	–	11.5	7.2	4.0	5.8	1.2	0.8	0.5	1.0	–	–	17.2	14.8
United Kingdom	–	–	6.8	11.7	26.7	22.3	–	–	–	2.9	–	–	33.5	36.9
Turkey	–	–	–	–	3.6	1.6	–	–	–	–	–	–	3.6	1.6
Central Eastern and South Eastern Europe	5.4	5.4	–	0.1	0.1	0.1	–	–	–	–	–	–	5.5	5.6
Renewables[2]	–	–	–	–	–	0.2	–	–	8.1	8.0	–	–	8.1	8.2
RWE Group[3]	**77.2**	**81.2**	**48.3**	**52.0**	**38.3**	**37.0**	**31.7**	**31.3**	**10.1**	**13.8**	**2.7**	**2.9**	**208.3**	**218.2**

1 Prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.
2 Including electricity from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In 2014, it amounted to 15.9 billion kWh in the Conventional Power Generation Division (previous year: 21.8 billion kWh), of which 12.9 billion kWh were generated by hard coal-fired power plants (previous year: 18.5 billion kWh), and to 0.7 billion kWh in the Renewables Division (previous year: 0.9 billion kWh).
3 Including small generation volumes of other divisions.

Power generation from renewables was also down year on year. This was because we had to close Tilbury power station in the UK in the summer of 2013. The plant had a net installed capacity of 742 MW and ran on hard coal before being converted to biomass combustion in 2011. Despite the conversion, it was subjected to a lifetime limitation in compliance with emission laws.

By contrast, production from our gas-fired power stations rose slightly. In the United Kingdom, improved market conditions came to bear. Furthermore, the availability of the plants at Staythorpe and Pembroke increased after they had been offline temporarily for retrofits in the preceding year. In Turkey, the new gas-fired power station near the town of Denizli, which was commissioned commercially in the middle of 2013, contributed its first full year of electricity generation. Conversely, our German and Dutch gas-fired power plants were used less due to low margins. In order to limit losses, we took certain stations off the market either temporarily or indefinitely (see page 37).

In addition to our in-house generation, we procure electricity from external suppliers: in 2014, this totalled 64.8 billion kWh (previous year: 69.1 billion kWh). In-house generation and power purchases combined for 273.1 billion kWh in total electricity production (previous year: 287.3 billion kWh).

Generation capacity of 49.1 gigawatts marginally down year on year. At the end of the 2014 financial year, the RWE Group had an installed capacity of 49.1 gigawatts (GW). This includes mothballed stations, which currently cannot be operated for economic reasons. Since 2013 (49.3 GW), our power plant capacity has dropped somewhat. One of the reasons is that we sold our Duisburg-Huckingen 600 MW gas-fired power station in February 2014. Furthermore, we saw a reduction in the generation capacity at our disposal based on long-term agreements. This affected hard coal-fired power stations with a total net installed capacity of 2.1 GW and was caused by the expiry of the underlying contracts. However, we enlarged our generation portfolio by three new hard coal units: one at the 'Westphalia' location in Hamm (746 MW) and two near the Dutch seaport of Eemshaven (777 MW each). In addition, we commissioned new wind farms and a biomass-fired power station. Detailed commentary on this can be found on page 37.

At the end of 2014, gas accounted for the biggest share, or 32 %, of the RWE Group's installed electricity generation capacity (previous year: 34 %), followed by lignite at an unchanged 23 % and hard coal at 21 % (previous year: 20 %). As in the prior year, nuclear and renewable energy accounted for 8 % and 7 %, respectively. The regional point of focus of our electricity production is Germany, where 58 % of our installed capacity is located. The United Kingdom and the Netherlands follow, accounting for shares of 23 % and 13 %, respectively.

Power plant capacity by division[1] as of 31 Dec 2014, in MW	Gas	Lignite	Hard coal	Nuclear	Renewables	Pumped storage, oil, other	Total	Total 31 Dec 2013
Conventional Power Generation	15,217	10,291	9,661	4,054	238	4,050	43,511	43,990
of which:								
Germany[2]	4,411	10,291	5,318	3,908	55	2,537	26,520	28,257
Netherlands/Belgium	3,256	–	2,789	146	183	–	6,374	4,970
United Kingdom	6,763	–	1,554	–	–	1,513	9,830	9,976
Turkey	787	–	–	–	–	–	787	787
Central Eastern and South Eastern Europe	151	780	–	–	3	–	934	934
Renewables	–	–	–	–	3,107	–	3,107	2,908
RWE Group[3]	**15,610**	**11,071**	**10,455**	**4,054**	**3,677**	**4,197**	**49,064**	**49,310**

1 Prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.
2 Including capacities of power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. As of 31 December 2014, these generation capacities amounted to 4,351 MW (previous year: 6,424 MW), of which 2,151 MW were based on hard coal (previous year: 4,259 MW).
3 Including capacities of other divisions.

CO_2 emissions 5 % down on prior year. In fiscal 2014, our power stations emitted 155.2 million metric tons of carbon dioxide (CO_2). Our own plants accounted for 140.4 million metric tons, and the remaining 14.8 million metric tons came from contractually secured capacity. Our emissions were 8.7 million metric tons, or 5 %, lower than a year earlier because we produced less electricity from lignite and hard coal. As expected, the emission factor of our power stations, reflecting the CO_2 emissions per megawatt hour (MWh) of electricity produced, only changed marginally. It dropped from 0.751 to 0.745 metric tons. This is because generation from coal declined not just in absolute terms, but also in terms of its share in RWE's electricity production. The highly efficient gas-fired power stations we commissioned as part of our new-build power plant programme were unable to make the desired contribution to improving our CO_2 balance due to the unfavourable market conditions for these plants.

Emissions balance by division[1]	CO_2 emissions		Free allocation of CO_2 certificates		Shortage of CO_2 certificates	
million metric tons of CO_2	2014	2013	2014	2013	2014	2013
Conventional Power Generation	145.2	153.5	5.4	6.7	138.7	146.8
of which:						
Germany[2]	116.1	125.7	5.3	6.3	110.8	119.4
Netherlands/Belgium	12.3	8.9	–	0.3	12.3	8.6
United Kingdom	15.7	18.9	0.1	0.1	15.6	18.8
Turkey[3]	1.1	–	–	–	–	–
Central Eastern and South Eastern Europe	6.5	6.5	0.1	0.2	6.4	6.3
RWE Group[4]	**155.2**	**163.9**	**5.8**	**7.4**	**148.3**	**156.5**

1 Prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.
2 Includes power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the year under review, they produced 14.8 million metric tons of CO_2 (previous year: 19.5 million metric tons).
3 As Turkey does not participate in the European Emissions Trading System, we do not need emission allowances for our CO_2 emissions in that country.
4 Including small volumes of other divisions.

Free emission allowances cover 4% of CO_2 emissions. Since the beginning of the third emissions trading period, which began on 1 January 2013, the countries of Western Europe have only allocated energy utilities emission allowances for free in exceptional cases. Of the 154.1 million metric tons of carbon dioxide that we emitted in EU countries in 2014, we were only able to cover 5.8 million metric tons with such state allocations. This represents a shortage of 148.3 million metric tons, which we made up for by buying emission allowances, mostly in early 2015.

We cover a small amount of our CO_2 emissions by submitting certificates obtained through emission reductions within the scope of Kyoto Clean Development Mechanism (CDM) and Joint Implementation (JI) projects. In the past decade, RWE has participated in a large number of projects to acquire certificates of this kind. However, their market price has dropped so much that projects are hardly worthwhile. In addition, regulatory restrictions leave little room for new projects. So far, through our CDM and JI activities, we have obtained emission allowances for a total of 47.0 million metric tons of carbon dioxide. All of these certificates have already been submitted to the appropriate national emissions trading points or sold on the exchange.

Fuel purchases: more hard coal, less gas. Raw materials are sourced by our generation companies either directly on the market, or via RWE Supply & Trading. In 2014, the amount of hard coal procured to generate electricity totalled 16.2 million metric tons of hard coal unit, compared to 15.1 million metric tons in the previous year. These figures include purchases for plants to which we have usage rights. Sourced volumes rose despite the decline in electricity generation from hard coal partly because we have begun purchasing fuel for the new stations at Hamm and Eemshaven. Moreover, the inventories at the Aberthaw site in the UK were increased. We procure hard coal primarily from Colombia, the USA and Russia. In Germany and the United Kingdom, we buy limited amounts of domestically produced hard coal. The biomass used to co-fire the Dutch hard coal-fired power station Amer largely stems from North America.

We source lignite from proprietary opencast mines. In the Rhineland, our main mining region, we produced 93.6 million metric tons of lignite in the year under review (previous year: 98.3 million metric tons). Our power plants used 80.4 million metric tons to generate electricity, and we used 13.2 million metric tons to manufacture refined products (e.g. lignite briquettes).

Our gas purchases for 2014 amounted to 35 billion cubic metres, which was less than the previous year's level (37 billion cubic metres). This reflects the fact that the gas sales volumes of our supply companies dropped considerably due to the unusually mild weather (see page 47). We source a large portion of the gas we use through purchases on European wholesale markets. In addition, we have long-term take-or-pay agreements with producers in Norway, Russia, the Netherlands and Germany.

External electricity sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2014	2013	2014	2013	2014	2013	2014	2013
Conventional Power Generation	0.3	0.3	2.2	0.8	11.3	11.1	13.8	12.2
Supply/Distribution Networks Germany	20.7	23.1	30.2	30.0	74.4	78.0	125.3	131.1
Supply Netherlands/Belgium	11.1	11.3	9.0	10.2	–	1.6	20.1	23.1
Supply United Kingdom	14.0	17.1	29.7	30.6	2.0	0.2	45.7	47.9
Central Eastern and South Eastern Europe	8.8	8.3	9.2	9.2	7.0	6.0	25.0	23.5
Renewables	–	0.1	–	–	1.9	2.0	1.9	2.1
Trading/Gas Midstream	–	–	25.0	20.7	–	–	26.5[1]	30.9[1]
RWE Group[2]	**54.9**	**60.3**	**105.3**	**101.5**	**96.6**	**98.9**	**258.3**	**270.9**

1 Including volume effects of the sale of self-generated electricity on the wholesale market. If these sales volumes exceed the purchases made for supply purposes, the positive balance is recognised in the sales volume. In 2014, the balance was +1.5 billion kWh compared to +10.2 billion kWh in the preceding year.
2 Including small amounts recognised under 'other, consolidation.'

Electricity sales volume 5% down year on year. In the year under review, RWE sold 258.3 billion kWh of electricity to external customers, 5% less than in 2013. This mirrors the decline in our generation volumes, which resulted in RWE Supply & Trading selling less electricity produced by our power stations on the wholesale market (see footnote 1 under the above table). In the residential and commercial customer segment, an effect was felt from the fact that the 2013/2014 winter was extremely mild, whereas the preceding winter was unusually harsh. In consequence, households with electric heating needed less electricity than in 2013. Moreover, we suffered moderate customer losses and, for some time, we have seen a trend towards saving energy. Another reason for the drop in sales volume in the residential customer business is that we sold our UK supply subsidiary Electricity Plus Supply at the end of 2013 (see page 51 of the 2013 Annual Report). Instead of being supplied by us directly, its customers now obtain electricity from us indirectly via a supply agreement with the new owner Telecom Plus. This shifted sales volume to the distributor segment, where we recorded a drop in volume despite the aforementioned effect. The main reason was that some of our existing German customers increased their purchases from other energy suppliers or switched providers. Furthermore, we lost a key account in the Netherlands. In contrast, we stepped up sales to industrial and corporate customers. This is mainly attributable to the Trading/Gas Midstream Division, which won new customers and covered the increased demand of several major existing customers.

Electricity customers by region	Total		Of which: residential and commercial customers	
Thousands	2014	2013	2014	2013
Germany	6,693	6,696	6,636	6,644
Netherlands	2,176	2,171	2,172	2,167
Belgium	328	332	328	330
United Kingdom	3,387	3,583	3,183	3,396
Hungary	2,116	2,123	2,114	2,121
Poland	895	908	893	907
Czech Republic	265	238	264	236
Croatia	98	28	97	28
RWE Group	**15,958**	**16,079**	**15,687**	**15,829**

As of 31 December 2014, the RWE Group's fully consolidated companies supplied electricity to 15,958,000 customers, of which 6,693,000 were in Germany. Compared to 2013, customer figures decreased by 121,000, or 1%. In the residential and small commercial enterprises segment, they declined by 142,000 to 15,687,000. The drop is primarily attributable to our supply business in the United Kingdom, where competition is very fierce. Furthermore, major UK power utilities such as RWE npower are obliged to finance measures to increase the energy efficiency of households under the state programme 'ECO' and are therefore at a cost disadvantage compared to smaller providers, which do not have obligations under ECO. In comparison, our electricity customer bases in Germany, the Netherlands, Belgium, Hungary and Poland were stable. In the Czech Republic, where we intend to become a leading electricity supplier, we posted substantial growth in customer figures. Our retail customer business in Croatia, which we only established in 2013, displayed especially dynamic development: by the end of 2014, we were already serving 97,000 households and commercial operations, 69,000 more than a year earlier.

External gas sales volume[1]	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2014	2013	2014	2013	2014	2013	2014	2013
Supply/Distribution Networks Germany	22.0	29.2	18.8	22.3	49.4	38.4	90.2	89.9
Supply Netherlands/Belgium	31.8	41.7	28.8	41.5	–	–	60.6	83.2
Supply United Kingdom	30.8	43.1	2.5	2.1	5.7	0.8	39.0	46.0
Central Eastern and South Eastern Europe	14.2	18.3	26.5	31.2	1.8	1.7	42.5	51.2
Trading/Gas Midstream	–	–	23.3	20.4	25.7	29.9	49.0	50.3
RWE Group	**98.8**	**132.3**	**99.9**	**117.6**[2]	**82.6**	**70.8**	**281.3**	**320.7**[2]

1 Excluding discontinued operations (RWE Dea). See page 41.
2 Including small volumes in the Conventional Power Generation Division.

Mild weather drives down gas sales volume. Our gas sales declined by 12% to 281.3 billion kWh. The very mild weather clearly left its mark, above all in the residential and commercial customer segment, where we experienced substantial declines in sales volumes. Customer losses and the aforementioned trend towards saving energy played a minor role. Furthermore, the sale of the UK supply subsidiary Gas Plus Supply to Telecom Plus, which was completed at the end of 2013, caused sales volume to be shifted from the residential and commercial customer group to the distributor segment, as did the divestment of Electricity Plus Supply mentioned earlier. This is also one of the reasons why we posted a significant rise in sales to distributors. The largest contribution was made by supply companies belonging to RWE Deutschland, which won new customers and stepped up their supply activities with existing ones. However, the impact of the weather was also notable in business with distributors. In addition, an agreement with a key account of RWE Supply & Trading expired. In the industrial and corporate customer segment, we felt mounting competitive pressure, particularly in the Netherlands.

Gas customers by region	Total		Of which: residential and commercial customers	
Thousands	2014	2013	2014	2013
Germany	1,290	1,305	1,279	1,291
Netherlands	1,969	1,967	1,964	1,962
Belgium	211	209	211	208
United Kingdom	2,169	2,322	2,159	2,315
Czech Republic	1,397	1,451	1,391	1,445
Slovakia	119	97	119	96
RWE Group	**7,155**	**7,351**	**7,123**	**7,317**

As of the balance sheet date, our fully consolidated companies had a total of 7,155,000 gas customers, most of which were in the United Kingdom, followed by the Netherlands, the Czech Republic and Germany. Compared to the end of 2013, our gas customer base shrank by 196,000 accounts, or 3%. In the residential and small commercial enterprises segment, it declined by 194,000 to 7,123,000. As in the electricity business, we recorded the biggest drop in the UK residential segment. This was predominantly due to huge competitive pressure. Our position in the Czech Republic also worsened. However, the decrease of our customer base, which we have experienced since the market was liberalised in 2007, has since slowed considerably. We accomplished this by offering attractive long-term agreements and being successful in winning back customers, among other things. In Germany, the number of households and commercial enterprises we served only declined marginally, whereas in the Netherlands and Belgium, it was essentially unchanged. Our Slovak supply subsidiary RWE Gas Slovensko is still expanding. By the end of 2014, 119,000 residential and commercial customers were buying gas from it, 23,000 more than in the preceding year.

External revenue by product[1] € million	2014	2013	+/– %
Electricity revenue	33,663	34,896	–3.5
of which:			
Supply/Distribution Networks Germany	20,204	20,643	–2.1
Supply Netherlands/Belgium	1,710	2,278	–24.9
Supply United Kingdom	6,364	6,168	3.2
Central Eastern and South Eastern Europe	2,199	2,310	–4.8
Trading/Gas Midstream	2,157	2,701	–20.1
Gas revenue	11,905	14,274	–16.6
of which:			
Supply/Distribution Networks Germany	4,122	4,128	–0.1
Supply Netherlands/Belgium	2,664	3,850	–30.8
Supply United Kingdom	2,144	2,312	–7.3
Central Eastern and South Eastern Europe	1,746	2,421	–27.9
Trading/Gas Midstream	1,228	1,561	–21.3
Other revenue	2,900	3,255	–10.9
RWE Group (including natural gas tax/electricity tax)	**48,468**	**52,425**	**–7.5**

1 Excluding discontinued operations (RWE Dea). Furthermore, prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.

External revenue[1] € million	2014	2013	+/– %
Conventional Power Generation	1,888	1,570	20.3
Supply/Distribution Networks Germany	25,310	25,718	−1.6
Supply Netherlands/Belgium	4,443	6,308	−29.6
Supply United Kingdom	8,992	8,982	0.1
Central Eastern and South Eastern Europe	4,059	4,852	−16.3
Renewables	277	402	−31.1
Trading/Gas Midstream	3,409	4,499	−24.2
Other, consolidation	90	94	−4.3
RWE Group (including natural gas tax/electricity tax)	**48,468**	**52,425**	**−7.5**
Natural gas tax/electricity tax	2,319	2,676	−13.3
RWE Group (excluding natural gas tax/electricity tax)	**46,149**	**49,749**	**−7.2**

1 Excluding discontinued operations (RWE Dea). Furthermore, prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.

External revenue 8% down year on year. RWE generated €48,468 million in external revenue (including natural gas and electricity taxes). This was 8% less than the level recorded in 2013. We had forecasted a figure in the order of €51 billion (excluding RWE Dea). The fact that it was not achieved was in part due to weather-induced sales shortfalls. The mild weather primarily had an impact on gas revenue, which declined by 17% year on year to €11,905 million. Electricity revenue was down 4% to €33,663 million, also reflecting the drop in sales volume. On balance, asset disposals and acquisitions only had a minor effect on revenue. The same holds true for changes in currency exchange rates. Whereas the average price of the British pound rose from €1.18 to €1.25, other currencies of importance to us such as the Czech crown and the Hungarian forint depreciated slightly vis-à-vis the euro.

EBITDA[1] € million	2014	2013	+/– %
Conventional Power Generation	2,522	2,455	2.7
of which:			
Continental Western Europe	2,412	2,274	6.1
United Kingdom	90	165	−45.5
Supply/Distribution Networks Germany	2,650	2,316	14.4
Supply Netherlands/Belgium	203	368	−44.8
Supply United Kingdom	294	366	−19.7
Central Eastern and South Eastern Europe	913	1,281	−28.7
Renewables	547	454	20.5
Trading/Gas Midstream	286	841	−66.0
Other, consolidation	−284	−177	−60.5
RWE Group	**7,131**	**7,904**	**−9.8**

1 Excluding discontinued operations (RWE Dea). Furthermore, prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.

Operating result[1] € million	2014	2013	+/– %
Conventional Power Generation	979	1,384	–29.3
of which:			
Continental Western Europe	1,362	1,451	–6.1
United Kingdom	–384	–76	–
Supply/Distribution Networks Germany	1,871	1,626	15.1
Supply Netherlands/Belgium	146	278	–47.5
Supply United Kingdom	227	290	–21.7
Central Eastern and South Eastern Europe	690	1,032	–33.1
Renewables	186	203	–8.4
Trading/Gas Midstream	274	831	–67.0
Other, consolidation	–356	–275	–29.5
RWE Group	**4,017**	**5,369**	**–25.2**

1 Excluding discontinued operations (RWE Dea). Furthermore, prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.

Operating result of €4,017 million in line with expectations. In the financial year that just ended, the RWE Group achieved earnings before interest, taxes, depreciation and amortisation (EBITDA) of €7,131 million, exceeding the forecasted range of €6.4 billion to €6.8 billion. This was in part because we made more progress in the implementation of our efficiency-enhancement programme than expected, particularly in the Conventional Power Generation Division. Strong earnings from the sale of electricity networks and a very good energy trading performance also played a role. Despite these additional earnings, the operating result was merely in the forecasted range of €3.9 billion to €4.3 billion, totalling €4,017 million. The main reason was that we recognised impairments for power stations in Germany and the United Kingdom. Since 2014, we have been stating such impairments in the operating result instead of in the non-operating result.

Our operating earnings deteriorated considerably compared to the prior year. EBITDA and the operating result were 10% and 25% lower than in 2013, respectively. This was partly due to the figures for the previous year containing substantial one-off income from compensatory payments awarded to us by an arbitration court in the price revision proceedings with our gas supplier Gazprom. Lower generation margins and weather-induced earnings shortfalls in the gas supply business also came to bear. Furthermore, NET4GAS, the Czech long-distance gas network operator sold in August 2013, no longer contributed to earnings. Disregarding major consolidation and currency effects, EBITDA and the operating result declined by 7% and 22%, respectively.

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

- Conventional Power Generation: In line with our forecast, this division's operating result declined substantially, dropping by 29% to €979 million. As set out on page 28, we sold our electricity generation at lower wholesale prices than in 2013. Price-driven relief in fuel purchasing only offset this to a small extent. In addition, we had to recognise impairments of about €0.6 billion for power plants in Germany and the United Kingdom (see page 139). Impairment losses were also booked in the prior year, but they were stated in the non-operating result. Earnings were further curtailed by the closure of the Didcot A and Tilbury power stations in the UK. In contrast, we benefitted significantly from our efficiency-enhancement programme. Moreover, depreciation and amortisation decreased due to the changed assumptions regarding the useful lives of our power plants (see page 129) and the decline in carrying amounts caused by the valuation allowances performed in 2013. Furthermore, the previous year's figure was burdened by a one-off charge resulting from an increase to a provision for impending losses relating to a loss-making electricity purchase agreement.

- Supply/Distribution Networks Germany: The operating result recorded by this division improved by 15% to €1,871 million despite weather-induced earnings shortfalls in the gas business. This exceeded the forecast, which had envisaged a moderate rise. One reason is that we achieved relatively high proceeds from the sale of networks. Most of these divestments followed the loss of the network license. Progress made in implementing our efficiency-enhancement programme also contributed to the positive operating result recorded by our distribution network activities. This enabled us to compensate for the framework conditions in the German electricity network business, which have become tighter due to the start of the new regulatory period, which runs from 2014 to 2018. We also benefitted from improvements in efficiency in the supply business.

- Supply Netherlands/Belgium: At €146 million, as expected, the operating result achieved by this division clearly lagged behind the €278 million recorded in the previous year, which was characterised by the positive effects of the release of provisions. The extremely mild weather and competition-induced drop in margins weighed on our gas supply business. We recorded additional income from the successful marketing of new supply offerings.

- Supply United Kingdom: This division's operating result dropped by 22% to €227 million. Net of currency effects, the decline was 26%. The moderate decline in earnings we had forecasted did not materialise. One reason is that we had to take restructuring measures in customer service, the costs of which were unexpectedly high. The milder weather also left its mark. RWE npower had to bear further burdens, most of which had been considered in the forecast. For example, the aforementioned sale of the supply subsidiaries Electricity Plus Supply and Gas Plus Supply reduced earnings, because we now only serve their 770,000 customers indirectly via their new owner Telecom Plus, causing us to realise lower margins. In addition, there was a rise in expenses associated with network usage. Customer losses and the trend towards energy savings also weighed on the result. RWE npower raised its residential tariffs at the beginning of December 2013 and took extensive measures to improve efficiency. However, the aforementioned burdens were only partially mitigated.

- Central Eastern and South Eastern Europe: Here, as expected the operating result decreased considerably. It fell by 33% to €690 million, in particular due to the divestment of NET4GAS as of 2 August 2013. In 2013, the Czech long-distance gas network operator contributed earnings of €171 million until it was deconsolidated. Net of the effects of the sale of NET4GAS and currency translation, the Central Eastern and South Eastern Europe Division closed the reporting period down 17% year on year. In the Czech gas business, we experienced earnings shortfalls because the mild weather reduced sales volume and storage margins shrank. Furthermore, we now recognise certain transactions concluded to hedge currency risks, which had a positive impact on the operating result in 2013, in the non-operating result.

- Renewables: The operating result recorded by RWE Innogy was down 8% to €186 million. The moderate earnings growth we had forecasted did not materialise. The main reason was the impairment we recognised for our new biomass-fired power station near the Scottish town of Markinch due to cost increases. Another impairment related to 'Victoria Mathias,' the jack-up vessel that we sold at the beginning of 2015. However, we benefitted from the exceptional income from compensation which we received for delays to the completion of the Nordsee Ost wind farm caused by third parties. The expansion of our wind power capacity had the expected positive impact on earnings. Furthermore, the operating result achieved in the preceding year reflected one-off charges due to substantial impairment losses. A counteracting effect was felt from the drastic reduction of subsidies paid to existing renewable energy producers by the Spanish government and the transfer of nearly all of the German biomass activities of RWE Innogy to the Supply/Distribution Networks Germany Division as of 1 January 2014.

- Trading/Gas Midstream: This division posted an operating result of €274 million. The performance of the energy trading business was very good and much better than in 2013. Moreover, we benefitted from the settlement reached in the most recent price revision with Gazprom at the end of February 2014. As a result, our gas procurement agreement with the Russian gas group will not curtail our earnings until the next regular price revision, which is scheduled for June 2016 (see page 35). A negative effect was felt from the fact that the management and marketing of gas storage and transmission capacity contracted over the long term did not cover their costs. Overall, as expected the operating result recorded by the division fell markedly short of the figure achieved a year earlier, which was unusually high because we were granted compensatory payments in the middle of 2013 by an arbitration court for losses incurred from our gas procurement contract with Gazprom.

Key figures for value management[1]	Operating result 2014	Capital employed 2014[2]	ROCE 2014	Capital costs before taxes 2014	Absolute value added 2014	Absolute value added 2013
	€ million	€ million	%	%	€ million	€ million
Conventional Power Generation	979	18,988	5.2	9.5	–825	–566
Supply/Distribution Networks Germany	1,871	16,601	11.3	8.25	502	278
Supply Netherlands/Belgium	146	2,299	6.4	8.5	–49	85
Supply United Kingdom	227	2,394	9.5	8.5	24	89
Central Eastern and South Eastern Europe	690	4,453	15.5	8.0	333	532
Renewables	186	4,861	3.8	8.75	–240	–228
Trading/Gas Midstream	274	628	43.6	10.0	211	639
Other, consolidation	–356	–2,513	–	9.0	–233	–18
RWE Group	**4,017**	**47,711**	**8.4**	**9.0**	**–277**	**811**

1 Excluding discontinued operations (RWE Dea). Furthermore, prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.
2 Average of 2013 and 2014 year-end figures.

RWE achieves a return on capital employed of 8.4%. In 2014, the return on capital employed (ROCE) that we calculate based on our value management concept was 8.4%. It was lower than a year earlier (10.6%) and also below the Group's cost of capital before taxes (9.0%). ROCE minus the cost of capital, multiplied by capital employed, equals absolute value added, which amounted to –€277 million, after having been positive in the prior year (€811 million). This was predominantly due to the deterioration in operating earnings. Measures to optimise working capital had a slightly positive impact. Together with the divestments and valuation allowances, they contributed to the significant drop in capital employed. Detailed information on our value management concept can be found on the two following pages.

The RWE Group's value management

Return-oriented control of the company. We determine our operational success based not just on earnings but also on whether we create value with our activities. This is measured using our value management concept. The prerequisite for adding value is for the return on capital employed (ROCE) to exceed the cost of capital. ROCE is the ratio of the operating result to capital employed.

The table on the following page shows the parameters used to calculate the cost of capital. We calculate it as a weighted average cost of equity and debt. The cost of equity corresponds to the expectation of company-specific returns on the capital market when investing in an RWE share. The cost of debt is linked to long-term financing conditions for the RWE Group. The figures we used as a basis for determining the cost of capital for 2014 are the same as those of the previous year. However, we will base the calculation for 2015 on new figures, which are also shown in the table and reflect the decline in market interest rates, among other things.

We calculate the cost of equity as follows: we determine the interest rate for a long-term risk-free investment. For 2014, we set it at 3.8%. Then we determine the risk charges specific to the Group and the divisions, which are also referred to as 'market premiums,' and multiply them with what is termed the 'beta factor.' The latter is based on the Capital Asset Pricing Model developed in the 1960s. It is the key figure for the systematic risk exposure associated with an investment or financing measure, which is also referred to as the 'market risk.' Taking account of the capital structure, we applied a beta factor of 1.03. The market premium was set at 5.0%. To calculate the cost of equity, we multiply the market premium with the beta factor and add the result to the risk-free interest rate. Based on the underlying parameters, this resulted in a cost of equity of 8.9% in 2014. As the cost of capital is not tax-deductible, this figure is the same both before and after taxes.

The cost of debt we apply is 5.0% before tax. The imputed tax rate is 27.4%. Multiplying these two figures results in what is termed the 'tax shield,' which is the amount by which the cost of debt is reduced because it is classified as tax deductible. The calculated tax shield of 1.4 percentage points results in a cost of debt of 3.6% after taxes.

The ratio of equity to debt is 50:50. We do not derive this parameter from the amounts carried on the balance sheet, but, among other things, from the marked-to-market valuation of equity and assumptions concerning the long-term development of our net financial position and provisions.

In sum, for 2014 this results in a cost of capital of 6.3% after tax and 9.0% before tax.

When determining capital employed, depreciable non-current assets are not stated at carrying amounts. Instead, we recognise half of their historic costs over their entire useful life. The advantage of this procedure is that the determination of ROCE is not influenced by the depreciation. This reduces the fluctuation in value added caused by the investment cycle. In contrast, goodwill from acquisitions is fully recognised; amortisation is recognised with a value-reducing effect in the subsequent year.

ROCE minus the cost of capital equals relative value added. Multiplying this figure by the capital employed results in the absolute value added. The higher the value added, the more attractive a particular activity is for our portfolio. Absolute value added is an important parameter for evaluating investment projects and for determining the performance-linked compensation of RWE Group executives.

RWE Group – capital costs		2015	2014	2013
Risk-free interest rate	%	2.50	3.78	3.78
Market premium	%	6.5	5.0	5.0
Beta factor		1.07	1.03	1.03
Cost of equity after tax	%	9.46	8.94	8.94
Cost of debt before tax	%	3.75	5.00	5.00
Tax rate for debt	%	30.00	27.38	27.38
Tax shield	%	–1.12	–1.37	–1.37
Cost of debt after tax	%	2.63	3.63	3.63
Proportion of equity	%	50.0	50.0	50.0
Proportion of debt	%	50.0	50.0	50.0
Capital costs after tax	%	**6.00**	**6.25**	**6.25**
Tax rate for blanket conversion	%	30.00	31.23	31.23
Weighted average cost of capital (WACC) before tax	%	**8.75**	**9.00**	**9.00**

RWE Group – determining capital employed		31 Dec 2014	31 Dec 2013
Intangible assets/property, plant and equipment[1]	€ million	54,408	57,078
+ Investments including loans[2]	€ million	4,114	5,018
+ Inventories	€ million	2,232	2,360
+ Trade accounts receivable	€ million	6,510	7,950
+ Other accounts receivable and other assets[3]	€ million	8,855	6,875
- Non-interest-bearing provisions[4]	€ million	10,831	12,650
- Non-interest-bearing liabilities[5]	€ million	17,307	13,768
- Adjustments[6]	€ million	721	847
Capital employed	€ million	**47,260**	**52,016**

RWE Group – determining value added		2014
Capital employed before adjustments (averaged for the year)	€ million	49,638
+ Adjustments[7]	€ million	–1,927
Capital employed after adjustments (averaged for the year)	€ million	**47,711**
Operating result	€ million	**4,017**
ROCE	%	**8.4**
Relative value added	%	**–0.6**
Absolute value added	€ million	**–277**

1 Intangible assets and property, plant and equipment were stated at half of their cost (see the statement of changes in assets on pages 144 et seqq.). Goodwill and the customer base were recognised at carrying amounts. For 2013 and 2014, €808 million in non-productive assets was deducted.
2 Investments accounted for using the equity method and other financial assets (excluding non-current securities).
3 Including tax refund claims; excluding derivative financial instruments in the amount of €1,230 million (previous year: €740 million) and the net present value of defined contribution pension benefit obligations.
4 Tax provisions and other provisions; excluding non-current provisions in the amount of €1,574 million (previous year: €1,429 million).
5 Trade accounts payable, income tax liabilities and other liabilities; excluding derivative financial instruments in the amount of €926 million (previous year: €620 million) and purchase price liabilities of €1,200 million (previous year: €1,187 million) from put options.
6 Assets essentially capitalised in accordance with IAS 16.15 in the amount of €370 million (previous year: €498 million) are not taken into account since they do not employ capital.
7 Corrections to reflect timing differences, which are primarily made to eliminate the distorting effects of the recognition of RWE Dea as a ‘discontinued operation.’

Non-operating result[1] € million	2014	2013	+/– € million
Capital gains/losses	154	471	–317
Impact of derivatives on earnings	–29	72	–101
Goodwill impairment losses	–	–1,404	1,404
Restructuring, other	–48	–4,619	4,571
Non-operating result	**77**	**–5,480**	**5,557**

1 Excluding discontinued operations (RWE Dea). See page 41.

Reconciliation to net income affected by absence of one-off burdens. The reconciliation of the operating result to net income was significantly influenced by the absence of one-off burdens seen in the previous year. This primarily related to the non-operating result, which improved from –€5,480 million to €77 million. Its components developed as follows:

- On balance, we realised a book gain on sales of stakes and assets totalling €154 million. This was €317 million less than the comparable figure in 2013 that was characterised by the divestment of the Czech long-distance gas network operator NET4GAS. Book gains recorded in the year under review stemmed from the sale of the Duisburg-Huckingen gas-fired power station and a non-controlling interest in the Hungarian gas utility FÖGÁZ, among others. In contrast, we incurred a book loss from the divestment of the 85% stake in the Nordsee One, Nordsee 2 and Nordsee 3 offshore wind projects. However, if the project stays on schedule, the buyer will make payments to us in later years, which will offset this. More detailed information on the aforementioned transactions can be found on pages 35 et seq.

- The accounting treatment of certain derivatives with which we hedge price fluctuations resulted in a net loss of €29 million as opposed to the gain of €72 million in the preceding year. Pursuant to IFRS, the derivatives 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.

- We did not have to write down any goodwill in 2014. Conversely, the financial statements of the prior year included an impairment of €1,404 million relating to the Conventional Power Generation Segment.

- The result in the 'restructuring, other' item improved from –€4,619 million to –€48 million. This was mainly due to the absence of the significant impairment losses booked a year earlier, a large portion of which related to the electricity generation business (see page 70 of the 2013 Annual Report). As set out earlier, we also recognised impairments in 2014, but they are stated as part of the operating result. The loss disclosed under 'restructuring, other' is largely owed to the fact that we accrued provisions for restructuring measures and old-age part-time arrangements.

Financial result[1] € million	2014	2013	+/– € million
Interest income	218	316	–98
Interest expenses	–1,080	–1,103	23
Net interest	**–862**	**–787**	**–75**
Interest accretion to non-current provisions	–1,114	–953	–161
Other financial result	128	–165	293
Financial result	**–1,848**	**–1,905**	**57**

1 Excluding discontinued operations (RWE Dea). Furthermore, prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.

The RWE Group's financial result improved by €57 million to –€1,848 million. Its components changed as follows:

- Net interest dropped by €75 million to –€862 million. In the prior year, this figure benefitted from the fact that the compensation which we were granted in the middle of 2013 for earlier losses on our gas procurement contract with Gazprom included interest. Therefore, our interest income was down, as were our borrowing expenses, not least due to the low level of market interest rates.

- The interest accretion to non-current provisions grew by €161 million to €1,114 million. It reflected the one-off impact of the rise in 'other non-current provisions' resulting from a reduction in discount rates.

- The 'other financial result' increased by €293 million to €128 million. One contributing factor was that we realised income on the measurement of financial transactions as opposed to the expenses incurred in the prior year. Furthermore, we generated higher book gains from the sale of securities.

Income from continuing operations before tax amounted to €2,246 million. It improved considerably compared to the negative year-earlier figure (–€2,016 million), which was characterised by the aforementioned impairments. At 25%, the effective tax rate was unusually low. The main reason was tax income not relating to the reporting period resulting from a tax audit that was completed in 2014. After taxes, our continuing operations generated income of €1,693 million (previous year: –€2,755 million).

Income from discontinued operations (RWE Dea) amounted to €364 million, which was €52 million up on the comparable figure in 2013. A major reason for this was that we stopped recognising write-downs for discontinued operations in the year under review. RWE Dea's operating earnings were characterised by declines in realised gas and oil prices, whereas higher production volumes had a positive impact.

The income from non-controlling interests totalled €245 million (previous year: €210 million). The portion of our earnings attributable to hybrid capital investors amounted to €108 million (previous year: €104 million). This sum corresponds to the finance costs after tax. Of our five hybrid bonds, only two are considered here, namely those with a theoretically perpetual tenor, which are attributable to equity pursuant to IFRS. These are the issuances of €1,750 million in September 2010 and of £750 million in March 2012.

The developments presented above are the reason for the increase in net income by €4,461 million to €1,704 million. Based on the 614.7 million in RWE shares outstanding, this corresponds to earnings per share of €2.77 (previous year: –€4.49).

Recurrent net income down 45% year on year. Recurrent net income amounted to €1,282 million, which was within the forecasted range of €1.2 billion to €1.4 billion. When calculating this figure, the non-operating result and the tax on it as well as major non-recurrent effects in the financial result and income taxes are not taken into account. Recurrent net income decreased by €1,032 million, or 45%, compared to 2013. This was predominantly due to the deterioration in operating earnings.

Reconciliation to net income[1]		2014	2013	+/– %
EBITDA	€ million	**7,131**	**7,904**	**–9.8**
Operating depreciation, amortisation and impairment losses	€ million	–3,114	–2,535	–22.8
Operating result	€ million	**4,017**	**5,369**	**–25.2**
Non-operating result	€ million	77	–5,480	–
Financial result	€ million	–1,848	–1,905	3.0
Income from continuing operations before tax	€ million	**2,246**	**–2,016**	**–**
Taxes on income	€ million	–553	–739	25.2
Income from continuing operations	€ million	**1,693**	**–2,755**	**–**
Income from discontinued operations	€ million	364	312	16.7
Income	€ million	**2,057**	**–2,443**	**–**
of which:				
Non-controlling interests	€ million	245	210	16.7
RWE AG hybrid capital investors' interest	€ million	108	104	3.8
Net income/income attributable to RWE AG shareholders	€ million	**1,704**	**–2,757**	**–**
Recurrent net income	€ million	**1,282**	**2,314**	**–44.6**
Earnings per share	€	2.77	–4.49	–
Recurrent net income per share	€	2.09	3.76	–44.4
Number of shares outstanding (average)	millions	614.7	614.7	–
Effective tax rate	%	25	–	–

1 See page 41.

Efficiency-enhancement programme: target for 2014 exceeded. We made good progress in implementing our current efficiency-enhancement programme, which was launched in 2012. It encompasses numerous measures to reduce costs and increase revenue, through which we intend to tap into more and more earnings potential every year. The programme is designed to improve operational processes considerably and achieve savings in administration and IT. Our original goal was to achieve a recurrent effect on the operating result of €1 billion through the programme by the end of 2014. Since its inception, we have supplemented the programme with further measures, a large number of which will take effect after 2014. Including the additional improvements in efficiency, we now aim to achieve an impact of €2 billion on the operating result, which should be fully felt from 2017. By the end of 2013, we had already realised an effect of €1 billion. In the financial year that just ended, about €400 million was added. We therefore exceeded our planning for 2014 by €250 million.

Capital expenditure on property, plant and equipment and on intangible assets[1] € million	2014	2013	+/– € million
Conventional Power Generation	1,086	1,374	−288
Supply/Distribution Networks Germany	900	871	29
Supply Netherlands/Belgium	9	28	−19
Supply United Kingdom	148	106	42
Central Eastern and South Eastern Europe	309	320	−11
Renewables	723	1,077	−354
Trading/Gas Midstream	11	14	−3
Other, consolidation	59	58	1
RWE Group	**3,245**	**3,848**	**−603**

1 Excluding discontinued operations (RWE Dea). Furthermore, prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.

Capital expenditure on financial assets[1] € million	2014	2013	+/– € million
Conventional Power Generation	4	3	1
Supply/Distribution Networks Germany	146	101	45
Supply Netherlands/Belgium	10	–	10
Supply United Kingdom	–	–	–
Central Eastern and South Eastern Europe	2	12	−10
Renewables	15	9	6
Trading/Gas Midstream	18	1	17
Other, consolidation	–	4	−4
RWE Group	**195**	**130**	**65**

1 Excluding discontinued operations (RWE Dea). Furthermore, prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.

Capital expenditure down 14%. Last year, we spent €3,440 million in capital (excluding RWE Dea), 14% less than in 2013. Capital spending on property, plant and equipment and intangible assets totalled €3,245 million. This was 16% less than in the preceding year and below the approximately €3.5 billion that had been forecasted. Capital expenditure on financial assets amounted to €195 million and was again of minor significance (previous year: €130 million).

The Conventional Power Generation Division focused its capital expenditure on the dual-block hard coal power plants at Hamm (1,528 MW) and Eemshaven (1,554 MW), the last two stations under our new-build power plant programme, which we launched in 2006 (see page 37). However, delays caused our investments to be lower than planned. In the Renewables Division, the lion's share of the funds was spent on building onshore and offshore wind farms. Our largest projects are two offshore wind farms: Gwynt y Môr (576 MW) off the north coast of Wales and Nordsee Ost (295 MW) near Heligoland, which are scheduled to start commercial production from all their turbines by no later than the middle of 2015. Funds in the Supply/Distribution Networks Germany and Central Eastern and South Eastern Europe Divisions were primarily used to improve electricity and gas network infrastructure. In Germany, besides maintenance, the focus was on the connection of distributed generation units and network expansion required by the transformation of the German energy sector. The Supply Netherlands/Belgium Division concentrated on IT projects. In the UK retail business, the focus was on measures to develop and introduce smart meters.

Workforce[1]	31 Dec 2014	31 Dec 2013	+/– %
Conventional Power Generation	14,776	16,311	–9.4
Supply/Distribution Networks Germany	18,412	19,127	–3.7
Supply Netherlands/Belgium	2,688	3,115	–13.7
Supply United Kingdom	6,985	8,730	–20.0
Central Eastern and South Eastern Europe	9,978	10,062	–0.8
Renewables	989	1,482	–33.3
Trading/Gas Midstream	1,338	1,524	–12.2
Other[2]	4,618	4,545	1.6
RWE Group	**59,784**	**64,896**	**–7.9**
of which:			
In Germany	36,411	38,197	–4.7
Outside of Germany	23,373	26,699	–12.5

1 Converted to full-time positions; as of 31 December 2014, RWE Dea, which is no longer included in the table, employed 1,442 people (previous year: 1,445).
2 At the end of 2014, 1,837 were accounted for by RWE IT (previous year: 2,239), 1,681 by RWE Group Business Services (previous year: 96), 703 by RWE Service (previous year: 1,650) and 299 by the holding company RWE AG (previous year: 456).

Personnel down 8% since 2013. As of 31 December 2014, RWE had 59,784 people on its payroll, 8% fewer than a year before. Part-time positions were considered in these figures on a pro-rata basis. RWE Dea is no longer included in the figures for 2014 and 2013. Last year, 5,112 employees left the Group, of which 1,786 worked at our German sites and 3,326 were active at our foreign locations. We recorded declines in all divisions. This was mostly due to streamlining measures, particularly in the UK supply business and in conventional power generation. In addition, on balance company sales and acquisitions reduced the Group's workforce by 1,045. The single-largest effect (-620) was the deconsolidation of the IT service provider GISA, which is domiciled in Halle an der Saale, Germany. As in previous years, we trained far more people than required to cover our own needs. By the end of 2014, some 2,473 young adults were in a professional training programme at RWE. Staff figures do not include trainees.

1.7 FINANCIAL POSITION AND NET WORTH

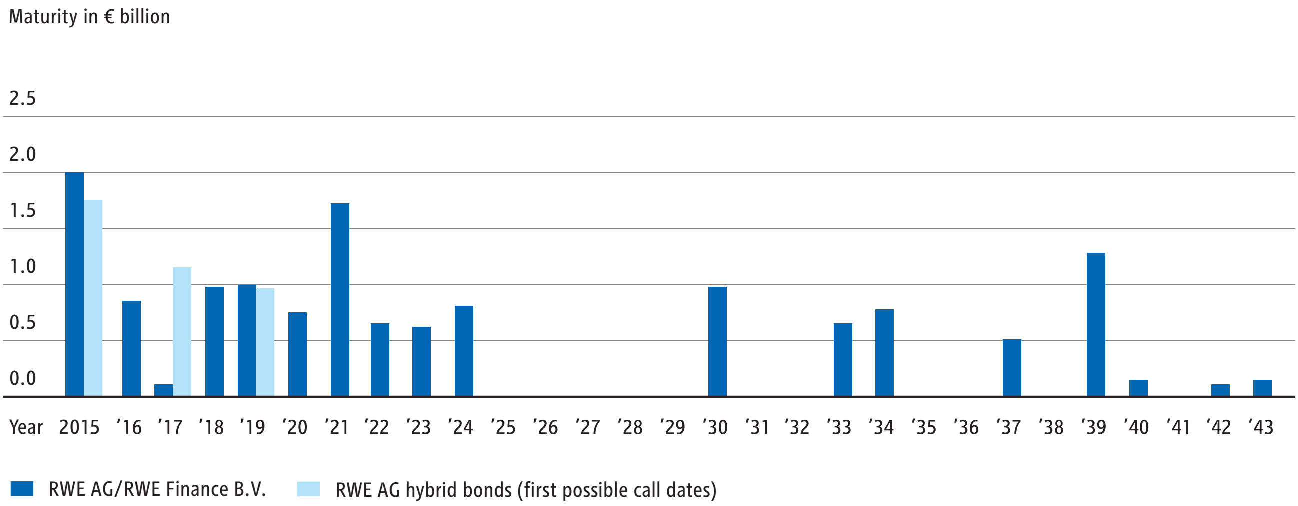
In fiscal 2014, for the first time since 2008 we completely funded our capital expenditure and dividend payment with cash flows from operating activities. However, we benefitted from one-off cash flow effects which will be partially reversed in 2015. We reduced our net financial debt by €1.8 billion. By contrast, net debt was essentially unchanged as declining market interest rates required us to increase provisions for pensions significantly. The ratio of net debt to EBITDA (including RWE Dea) rose to 3.8. We aim to reduce it. However, our main objective is to be able to refinance our business at acceptable conditions on the debt capital market at all times, even in the event of a crisis on the financial market.

Central financing. The RWE Group's financing is the responsibility of RWE AG, which obtains funds from banks or on the money and capital markets. When issuing bonds, it mostly turns to its Dutch subsidiary RWE Finance B.V., which issues bonds guaranteed by RWE AG. Only in specific cases do other subsidiaries raise debt capital directly, especially if it is more advantageous economically to make use of local credit and capital markets. Furthermore, RWE AG acts as co-ordinator when Group companies assume a liability: the holding company decides on the scope of warranties issued and letters of comfort signed. Pooling these activities enables us to manage and monitor financial risks centrally. 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 our operating activities. In addition, we have access to a number of flexible financing instruments. We raise long-term debt capital primarily within the scope of our Debt Issuance Programme. The programme enables us to issue a total of €30 billion in bonds. Furthermore, a commercial paper programme gives us a maximum of US$5 billion in headroom for short-term financing on the money market. However, we did not make use of it in the financial year that just came to a close. The same applies to a €4 billion syndicated credit line granted to us by an international consortium of banks, which serves as an additional liquidity reserve. At the end of March 2014, we replaced the existing credit line with an agreement for the same amount at conditions that are more favourable to us. The new credit line will be available to us until the end of March 2019 and can be extended twice by one year. Neither the aforementioned financing instruments nor the current credit facilities contain specific financial covenants such as interest coverage, leverage or capitalisation ratios that could trigger actions, like the acceleration of repayment, provision of additional collateral, or higher interest payments. Likewise, they do not contain rating triggers.

RWE tops up two bonds by a total of €361 million and redeems €530 million bond. We took advantage of the unusually favourable financing conditions on the debt market to top up two RWE bonds in February 2014. We increased the volume of a bond issued in October 2013 by €300 million to a total of €800 million; the papers have a coupon of 3.0% and mature in January 2024. We also increased a private placement made in October 2012, which we had already topped up twice in 2013, by a further €61 million to €500 million. It has a tenor until October 2037. The two issuances were contrasted by a paper that came due in 2014: a ten-year bond with a volume of €530 million and a coupon of 4.625%, which we redeemed in July. In addition, a six-year €2 billion bond with a coupon of 5% matured in February 2015. Of this paper, we had already bought back nearly €200 million in nominal value on the market in 2014.

Maturity profile of RWE bonds (as of 31 Dec 2014)



Bond volume marginally up year on year due to foreign exchange rates. Over the course of 2014, the volume of all RWE bonds outstanding (including hybrid bonds) rose by €0.3 billion to €17.9 billion, although our redemption in July (€530 million) was higher than the two issuances in February (€361 million in total). The main reason for this development was that our pound-denominated bonds became more expensive in euro terms due to the appreciation of UK currency. 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 66 % in euros and 34 % in sterling. This means that we did not have any currency exposure from capital market debt in US dollars, Swiss francs or yen.

Our bonds’ initial tenors range from seven to 30 years (as of the end of February 2015). Their weighted average remaining term to maturity as of 31 December 2014 was 9.4 years. Hybrid bonds are not included in this figure. Our maturities in 2015 are limited to a bond with a nominal volume of €2 billion, which was redeemed in February. Furthermore in September 2015, for the first time we will have the right to call the €1.75 billion hybrid bond which we issued in 2010. It has a coupon of 4.625 %.

RWE Group’s capital market debt as of 31 Dec 2014 by maturity[1]		2015–2019	2020–2023	2024–2028	From 2029
Nominal volume	€ billion	4.7	3.7	0.8	5.7
Share of total volume of capital market debt (€14.9 billion)	%	32	25	5	38

1 Excluding the €1,750 million and £750 million hybrid bonds with a theoretically perpetual tenor. The other hybrid bonds are considered based on the end of their tenors.

Cash flow statement[1] € million	2014	2013	+/– € million
Funds from operations	3,696	6,134	–2,438
Change in working capital	1,860	–1,331	3,191
Cash flows from operating activities of continuing operations	**5,556**	**4,803**	**753**
Cash flows from investing activities of continuing operations	**–4,194**	**–1,699**	**–2,495**
Cash flows from financing activities of continuing operations	**–2,138**	**–1,857**	**–281**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	8	–18	26
Total net changes in cash and cash equivalents[2]	**–768**	**1,229**	**–1,997**
Cash flows from operating activities of continuing operations	5,556	4,803	753
Minus capital expenditure on property, plant and equipment and on intangible assets[3]	–3,245	–3,843	598
Free cash flow	**2,311**	**960**	**1,351**
Minus investments in financial assets[3]	–105	–83	–22
Minus dividend payments	–1,061	–1,611	550
Budget surplus/budget deficit	**1,145**	**–734**	**1,879**

1 Excluding discontinued operations (RWE Dea). Furthermore, prior-year figures adjusted due to the first-time application of IFRS 11. See page 41.
2 Including discontinued operations, cash and cash equivalents decreased by €693 million in 2014, whereas in 2013, they rose by €1,226 million.
3 The item solely includes capital expenditure with an effect on cash.

Cash flows from operating activities up 16%. In 2014, the operating activities of our continued operations generated €5,556 million in cash flows. This was 16% more year on year, despite the deterioration in operating earnings. The result developed differently than cash flows in part because we have paid for most of the CO_2 emission allowances required for 2014 in 2015, whereas we covered our need in 2013 before the end of that year. In addition in the supply business, due to the mild weather we paid less to procure gas than we received in advance payments from our customers. These differences are being settled via the final annual bills, but in some cases this will not happen until 2015. Both of the effects were reflected in the change in working capital. They did not impact on earnings.

Cash outflows for investing activities in the period being reviewed amounted to €4,194 million, most of which went into non-current assets. Furthermore, due to our high liquidity reserves, we purchased current marketable securities. Pursuant to IFRS, such transactions are also disclosed in cash flows from investing activities.

Cash outflows from financing activities totalled €2,138 million, of which €615 million was attributable to our dividend payment in April. Moreover, we paid dividends to minority shareholders, redeemed bonds and pledged collateral for forward transactions.

On balance, the aforementioned cash flows reduced our cash and cash equivalents by €768 million.

€1,145 million budget surplus. We decided to fully fund our capital expenditure and dividend payments using cash flows from operating activities by no later than 2015. We achieved this goal a year early, in 2014. Our free cash flow (cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets) amounted to €2,311 million, clearly up on the year-earlier figure (€960 million). Deducting the capital expenditure on financial assets and the dividend payments results in a 'budget surplus' of €1,145 million. In the five preceding years, RWE has always ended up with a deficit, which amounted to €734 million in 2013.

Net debt[1] € million	31 Dec 2014	31 Dec 2013	+/– %
Cash and cash equivalents	3,171	3,950	−19.7
Marketable securities	4,777	3,262	46.4
Other financial assets	2,099	1,156	81.6
Financial assets	**10,047**	**8,368**	**20.1**
Bonds, other notes payable, bank debt, commercial paper	16,155	16,224	−0.4
Other financial liabilities	2,411	2,464	−2.2
Financial liabilities	**18,566**	**18,688**	**−0.7**
Net financial debt	**8,519**	**10,320**	**−17.5**
Provisions for pensions and similar obligations	7,871	6,227	26.4
Provisions for nuclear waste management	10,367	10,411	−0.4
Mining provisions	2,401	2,952	−18.7
Adjustment for hybrid capital (portion of relevance to the rating)	766	817	−6.2
Plus 50% of the hybrid capital stated as equity	1,353	1,351	0.1
Minus 50% of the hybrid capital stated as debt	−587	−534	−9.9
Net debt of continuing operations	**29,924**	**30,727**	**−2.6**
Net debt of discontinued operations	**1,086**	**–**	**–**
Net debt of the RWE Group	**31,010**	**30,727**	**0.9**

1 For 2014, RWE Dea has been stated separately under 'net debt of discontinued operations' whereas in 2013, the company was included in the individual line items. Furthermore, prior-year figures were adjusted due to the first-time application of IFRS 11. See page 41.

Improved net financial position, higher provisions for pensions due to interest rates. As of 31 December 2014, our net debt amounted to €31.0 billion, of which 1.1 billion is attributable to RWE Dea. In the above table, this amount is stated separately as 'net debt of discontinued operations.' Prior-year figures are still based on the old presentation, which means that RWE Dea is included in the individual line items of continued operations. Compared to 2013 (€30.7 billion), as expected, our net debt hardly changed. Our net financial debt declined considerably. This was mainly due to the high level of cash flows from operating activities (€5.6 billion) and proceeds from the sale of non-current assets (€1.0 billion), whereas our dividend payments (€1.1 billion) and changes in foreign exchange rates (€0.5 billion) had a debt-increasing effect.

However, the improvement in our net financial position was contrasted by a significant rise in provisions for pensions. This was predominantly because, owing to the decline in market interest rates, we lowered the discount rates for pension commitments from 3.5% to 2.1% in Germany and from 4.3% to 3.4% in the United Kingdom. Conversely, the decrease in mining provisions that we disclosed for 2014 hardly affected the debt level as this change is essentially due to the fact that the portion of the provisions allocable to RWE Dea was reclassified to 'net debt of discontinued operations.'

Reduction in payment obligations from long-term purchase agreements. Net debt does not include our off-balance-sheet obligations, which principally result from contracts or statutory regulations. They declined considerably compared to 2013. In particular, our payment obligations arising from long-term electricity and gas purchase agreements declined. This was mainly due to the development of prices on commodity markets. Further information on our off-balance-sheet obligations can be found on page 175.

Credit rating	Moody's	Standard & Poor's
Non-current financial liabilities		
Senior debt	Baa1	BBB+
Subordinated debt (hybrid bond)	Baa3	BBB–
Current financial liabilities	P–2	A–2
Outlook	Stable	Stable

RWE's long-term rating confirmed. Assessments of creditworthiness made by independent rating agencies have a substantial influence on a company's options to raise debt capital. Generally, the better the rating, the easier it is to gain access to international capital markets and the better the conditions for debt financing. Therefore, we benefit from leading rating agencies such as Standard & Poor's and Moody's confirming our high creditworthiness. Their long-term ratings for RWE of BBB+ and Baa1 are investment grade, which encompasses bonds with fairly low risk. In the financial year that just ended, both rating agencies confirmed their RWE ratings. They also continued to classify the outlook as 'stable.'

Adjusted leverage factor up to 3.8. We manage our debt based on performance indicators, among other things. One of the key figures is the ratio of net debt to EBITDA, which is referred to as the 'leverage factor.' This key performance indicator is of more informational value than total liabilities as it reflects the company's earnings power and, in turn, its ability to service the debt. Our leverage factor in 2014 reflected the drop in operating earnings. In addition, a one-off effect from the sale of RWE Dea came to bear. Since we accounted for the company as a 'discontinued operation,' it stopped contributing to EBITDA. In contrast, we were not yet able to take account of the debt-reducing effect of the divestment because the transaction had not been finalised by the time the review of operations was finalised. Taking account of this distorting effect, the leverage factor was 4.3 (previous year: 3.9). However, if the RWE Group's EBITDA (€7,131 million) is increased by the sum attributable to RWE Dea (€1,008 million), the adjusted ratio is 3.8 (previous year: 3.5), which is line with our expectations.

Lowering the leverage factor has become more ambitious. One reason is the substantial decline in market interest rates, which required us to increase provisions for pensions accordingly. However, the rate drop also offers the advantage of being able to refinance our business at favourable conditions despite the rise in the leverage factor.

Cost of debt on a par year on year. In 2014, our cost of debt was 5.0%, unchanged from 2013. It was calculated for average debt outstanding such as bonds, commercial paper and bank loans. The cost of debt considers interest-rate swaps concluded with banks, through which we convert fixed interest obligations into flexible ones. In contrast, the €1.75 billion and £0.75 billion hybrid bonds classified as equity pursuant to IFRS were not taken into account. The development of the cost of capital was determined in part by the fact that on average, the bonds which we issued recently have lower coupons than those which have matured. A counteracting effect was felt because we were able to redeem all short-term (and therefore low-interest) refinancing via commercial paper in the third quarter of 2013 due to our high level of liquidity and we did not issue further paper of this kind in 2014.

Balance sheet structure: equity ratio of 13.6%. As of 31 December 2014, the balance sheet total was €86.3 billion as opposed to €81.4 billion the year before. For 2014, we stated RWE Dea as part of 'assets held for sale' and 'liabilities held for sale.' In compliance with IFRS, no corresponding adjustments were made to prior-year figures. The change in the accounting treatment of RWE Dea is irrelevant to the balance sheet total, but not to the development of certain items on the balance sheet. On the assets side, accounts receivable and other assets rose by €2.0 billion and securities were up by €1.6 billion, whereas property, plant and equipment and intangible assets were down €3.2 billion and €0.6 billion, respectively. On the liabilities side, accounts payable increased by €3.8 billion, whereas provisions dropped by €0.7 billion. The RWE Group's equity was down €0.4 billion. Its share of the balance sheet total (equity ratio) decreased by 1.3 percentage points to 13.6%.

Balance sheet structure[1]	31 Dec 2014		31 Dec 2013	
	€ million	%	€ million	%
Assets				
Non-current assets	54,224	62.8	56,905	69.9
of which:				
Intangible assets	12,797	14.8	13,409	16.5
Property, plant and equipment	31,059	36.0	34,217	42.0
Current assets	32,092	37.2	24,476	30.1
of which:				
Receivables and other assets[2]	16,739	19.4	15,326	18.8
Assets held for sale	5,540	6.4	–	–
Total	**86,316**	**100.0**	**81,381**	**100.0**
Equity and liabilities				
Equity	11,772	13.6	12,137	14.9
Non-current liabilities	46,324	53.7	47,383	58.2
of which:				
Provisions	27,540	31.9	27,351	33.6
Financial liabilities	15,224	17.6	16,539	20.3
Current liabilities	28,220	32.7	21,861	26.9
of which:				
Other liabilities[3]	16,739	19.4	13,323	16.4
Liabilities held for sale	2,635	3.1	–	–
Total	**86,316**	**100.0**	**81,381**	**100.0**

1 Including RWE Dea. For 2014, the company is disclosed as 'held for sale.' Furthermore, prior-year figures were adjusted due to the first-time application of IFRS 11. See page 41.
2 Including financial accounts receivable, trade accounts receivable and income tax refund claims.
3 Including trade accounts payable and income tax liabilities.

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

As the management holding company of the RWE Group, RWE AG handles central management tasks and obtains the funds for the subsidiaries' business operations. Its assets and income largely depend on the economic success of the Group companies. As in the previous year, valuation allowances performed at subsidiaries affected the financial statements of RWE AG. The profit from ordinary activities amounted to €796 million, roughly on a par with 2013.

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 Verlagsgesellschaft mbH, 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 2014	31 Dec 2013
Non-current assets		
Financial assets	39,264	39,837
Current assets		
Accounts receivable from affiliated companies	5,206	4,869
Other accounts receivable and other assets	866	863
Marketable securities and cash and cash equivalents	3,933	3,014
Deferred tax assets	2,091	2,204
Total assets	**51,360**	**50,787**
Equity	9,568	9,533
Provisions	3,697	4,280
Accounts payable to affiliated companies	31,272	30,194
Other liabilities	6,823	6,780
Total equity and liabilities	**51,360**	**50,787**

Income statement of RWE AG (abridged) € million	2014	2013
Net income from financial assets	1,533	1,570
Net interest	−852	−1,218
Other income and expenses	115	450
Profit from ordinary activities	**796**	**802**
Taxes on income	−146	−98
Net profit	**650**	**704**
Retained earnings	–	–
Allocation to retained earnings	−35	−89
Distributable profit	**615**	**615**

Assets. In its financial statements as of 31 December 2014, RWE AG reports total equity and liabilities of €51.4 billion. Compared to the preceding year, this represents an increase of €0.6 billion, which is in part due to a rise in marketable securities and cash and cash equivalents. At the same time, accounts payable to affiliated companies also rose. At 18.6 %, the equity ratio was slightly lower than in 2013 (18.8 %).

Financial position. The Group's financing is a corporate task handled by RWE AG, which obtains funds from banks or on the money or capital markets. When issuing bonds, it mostly uses the services of its subsidiary RWE Finance B.V., which conducts issuances backed by RWE AG. A detailed presentation of the financial position and financing activity in the year under review has been made on pages 60 et seqq.

Earnings position. RWE AG achieved a profit from ordinary activities of €796 million, roughly matching the year-earlier figure (€802 million).

Income from financial assets dropped marginally, to €1,533 million. This reflected the dissolution of the profit and loss-pooling agreement with RWE Dea with effect from 1 January 2014. Furthermore, subsidiaries of RWE AG recognised impairments. However, the valuation allowances performed in 2013 did not recur. The prior year's financial statements were also negatively affected by the fact that subsidiaries had to accrue provisions for restructuring and impending losses.

RWE AG's net interest improved by €366 million to –€852 million. One of the reasons for this was the rise in income from marketable securities held to finance pension obligations.

The balance of other income and expenses decreased by €335 million to €115 million. In the previous year, this item included substantial one-off income from the release of provisions.

Given the tax expense of €146 million (previous year: €98 million), the aforementioned developments caused the net profit to drop by €54 million to €650 million.

Appropriation of distributable profit. The Supervisory Board and the Executive Board of RWE AG will propose to the Annual General Meeting on 23 April 2015 that a dividend of €1 per share be paid for fiscal 2014.

Corporate Governance Declaration in accordance with Sec. 289a of the German Commercial Code.
On 13 February 2015, the Executive Board of RWE AG issued a corporate governance statement in accordance with Sec. 289a of the German Commercial Code and published it on the internet at **www.rwe.com/corporate-governance-declaration-sec-289a-HGB**.

1.9 DISCLOSURE RELATING TO GERMAN TAKEOVER LAW

The following disclosure is in accordance with Sec. 315, Para. 4 and Sec. 289, Para. 4 of the German Commercial Code as well as with Sec. 176, Para. 1, Sentence 1 of the German Stock Corporation Act. The information relates to issues that may play a role in the event of a change of control of the company and pertains to executive board authorisations to change a company's capital structure. All of these rules meet the standards generally accepted by 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 93.66% and 6.34% 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 2014, 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 25 September 2013, the company exceeded a reportable threshold in accordance with Sec. 21, Para. 1 of the German Securities Trading Act, upon which it informed us that it held 16.15% 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 Art. 16, Para. 6 of the Articles of Incorporation, unless otherwise required by law or the Articles of Incorporation, the Annual General Meeting shall adopt all resolutions with a simple majority of the votes cast; if a majority of the capital stock represented is required, the simple majority of the capital shall suffice. 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, the company 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 by making a purchase offer 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 authorisations for issuing 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. RWE has the right to cancel its subordinated hybrid bonds within the defined change of control period. If the hybrid bonds are not redeemed and RWE's credit rating falls below investment-grade status within the change of control period, the annual compensation payable on the hybrid bonds increases by 500 basis points.

RWE AG's €4 billion syndicated credit line also has a change of control clause including the following main provision: 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. Loans of €645 million and £350 million to which the European Investment Bank (EIB) committed in October 2011 and September 2013, respectively, have a similar provision. Both of the contracts with the EIB 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 of a change of control. On exercise of this right, they receive a one-off payment covering the contract's agreed term, which shall correspond to at least twice and no more than three times their annual contractual compensation. This is in line with the recommendations of the version of the German Corporate Governance Code which has been in force since 2008.

Furthermore, in the event of a change of control, retained Executive Board bonuses are prematurely valued and possibly paid. This is done on the basis of the average bonus malus factor (see page 100) of the three preceding years. This is what determines whether retained bonuses are paid out and the amount of the payout.

The RWE 2010 performance share plan (Beat 2010) for the Executive Board and executives of RWE AG and of subordinated affiliated companies includes a provision for a change of control. In such an event, all holders of performance shares receive a compensatory payment. It is determined by multiplying the price paid for RWE shares as part of the takeover by the number of performance shares as of the date of the takeover offer, in line with the corresponding plan conditions.

In the event of a change of control, the Mid-Term Incentive Plan (MTIP) for the Executive Board and executives of RWE AG and of subordinated affiliated companies, which envisages compensation in line with the leverage factor achieved by 31 December 2016 (see page 101), can lead to a compensation payment to its participants before the end of its term. This payment is based on the leverage factor forecast for 31 December 2016 at the time of the change of control. The payment determined following this procedure is made on a prorated basis for the period until the change of control.

Detailed information on Executive Board and executive compensation can be found on pages 98 et seqq. of this report.

1.10 INNOVATION

RWE is innovative in various ways. We have approximately 200 projects in the field of research and development making a valuable contribution to ensuring that the transformation of the energy system is a success. They help us to make power stations less emission-intensive, networks smarter and energy usage more efficient. We are also innovative in the development of new business models. Our objective here is to ensure that the products and services we offer today satisfy the customer needs of tomorrow. Furthermore, we benefit from the ingenuity and entrepreneurial mindset of our employees in our daily business. Last year, they once again submitted thousands of good ideas, which will help us save several million euros.

Technological innovations for a reliable and environmentally compatible supply of energy. Our research and development (R&D) work primarily aims to engineer solutions for an environmentally friendly, reliable and affordable supply of energy, in order to safeguard our competitiveness over the long term. To this end, we cover all stages of the value chain in the energy sector, from the extraction of fuel, electricity generation, network operation and storage through to energy use. Most of our R&D activities involve co-operating with external partners in the plant engineering sector, in the chemical industry or with research institutions. This is why the financial resources needed to implement our projects clearly exceed our own R&D costs, which totalled €110 million in 2014, compared to €151 million a year earlier. A total of 390 of our employees (prior year: 430) were solely or partially dedicated to R&D activities. Some 200 R&D projects with an average duration of four years were on our agenda in 2014. Presenting all of them would exceed the scope of this report. Therefore, we have limited ourselves to a selection of major projects. For further information, please refer to **www.rwe.com/innovation**.

More flexible use of conventional power stations in parallel with renewable energy. Our R&D projects in the field of conventional electricity generation are largely designed to make power plants more efficient or reduce their emissions. The transformation of the energy system and the rapid increase in the number of installed solar panels and wind turbines has given rise to another focal point of R&D: exploring ways to use our generation assets more flexibly. This is because electricity production by wind turbines and solar panels depends on the weather and time of day. In Germany, this generation can cover more than a third of demand at one moment, and amount to virtually nothing the next. These extremes can occur within just a few hours of each other. To compensate for these fluctuations, conventional power plants must be able to ramp their loads up and down both quickly and frequently. We intend to conduct several research projects in order to make them more flexible. A key task in this context is to find a way to limit the resulting increase in wear and tear. Therefore, as part of the 'HWT II' project, we examined how well various metals and alloys used in the pipes installed in power stations react to fluctuations in temperature resulting from load changes. 'HWT' is the German acronym for 'high-temperature material test section.' We set up and operated the HWT in a power station in Mannheim, and demonstrated under real-life conditions that certain nickel-based alloys are particularly good at withstanding frequent and fast load changes. Renowned partners from the power plant industry are involved in the project, which is subsidised by the German Federal Ministry for Economic Affairs and Energy.

When controlling a power plant's capacity, it can be advantageous if the station does not have to be ramped down completely. Once the components have cooled, it takes both time and energy to return them to operating temperature so that the station can resume feeding electricity into the grid. Furthermore, constant ramp-ups and ramp-downs strain the material and accelerate component wear. The smaller the minimum load at which a power plant can operate, the more flexibly its output can be adapted to demand. Within the scope of the 'TcET' (Thermochemical Energy Storage for Thermal Power Stations) project, which we launched in January 2014, we are exploring the extent to which heat storage facilities can contribute to reducing electric output even further after the boiler has reached its minimum load. To this end, part of the heat generated in the boiler is put in interim storage in granules, after which it is released when the load is ramped back up later. We are using thermochemical storage because this technology has especially low losses.

RWE reduces sulphur emissions of lignite-fired power plants. Since the 1980s, flue gas desulphurisation (FGD) units have been used in our German coal-fired power stations to limit sulphur dioxide (SO_2) emissions to a bare minimum. The worldwide standard in such units is a scrubbing method with which sulphur dioxide is washed out using a limestone solution. In August 2014, we started using a new FGD technique called 'REAplus' in one of the units of our Niederaussem lignite-fired power station. Improvements in process engineering have resulted in the sulphur dioxide being filtered out of the flue gas much more efficiently than in the past. We have been developing the technology in collaboration with the Austria-based company Andritz since 2008. We first employed it in a pilot plant in the Niederaussem Coal Innovation Centre, and are now testing it commercially. The objective is to ensure that the process delivers satisfactory results in continuous operation. A welcome side-effect is that, in addition to being more effective than conventional units, REAplus also consumes less power.

Environmentally friendly method for anchoring wind turbines to the seabed. A focal point of our R&D activities in the field of renewable energy is the construction of offshore wind farms. In July 2010, we joined the Offshore Wind Accelerator (OWA) initiative, where the UK Carbon Trust has pooled the expertise of nine leading energy companies. One of the projects in which we are involved is VIBRO. It aims to anchor wind turbines to the seabed with reduced effort and noise. The use of foundations made of tubular steel (monopile design) is widespread. These are usually driven into the seabed using heavy pile driving equipment. In a test rig in Cuxhaven, Germany, we are comparing the traditional pile driving procedure to an alternative method, which supports the process through vibrations. The tubular steel is made to vibrate using a big oscillator. This softens the seabed, enabling the piles to be driven in very quickly. The results of the comparative test may have a positive effect on the entire sector. The new method's potential benefits are not purely economic. Since noise is reduced at the source, the technique reduces underwater noise, which can significantly impact the sensitive hearing of dolphins and harbour porpoises.

Resource-friendly electricity and heat generation through combined heat and power generation on a small scale. Combined heat and power (CHP) plants produce electricity from various energy sources for industrial sites and residential areas. The resulting waste heat is used for production processes or for heating. These types of units can now also be used in households. In these applications, they are no bigger than a washing machine. These mini and micro-CHP units are mainly used in households whenever heat is required to operate radiators or to heat water. Therefore, this is done independently of demand for electricity. Last year, RWE Effizienz developed an intelligent control technique called 'RWE easyOptimize,' which enables the operation of generation assets to be brought more in line with peak power consumption by households without trade-offs in heat supply. Another advantage of RWE easyOptimize is that households can use more of the electricity which they generate themselves. This is more economical than feeding it into the grid, given the steady decline in feed-in tariffs. Moreover, RWE easyOptimize makes it possible to pool several micro-CHP units: clustering a number of small generators creates a virtual power station with a much bigger capacity. In October 2014, RWE Effizienz and RWE Vertrieb formed a pool initially consisting of 22 micro-CHP units with a total installed electric capacity of 100 kilowatts. This enabled the operators to offer the self-generated electricity on the market. In fact, RWE handles this for them: we sell the electricity on the balancing energy market, control plant operation and see to it that the operators are remunerated. The intelligent networking of several small CHP units represents an important step – not just for us and our customers: interconnected units can also make a valuable contribution to security of supply and grid stability.

Forward-looking solutions for smart grids in Europe. Whereas in the past, electricity was almost exclusively generated by large-scale power plants, today, this task is increasingly handled by power consumers themselves. More and more households are equipped with solar panels, putting their surplus energy onto the system. This requires greater co-ordination, in particular by operators of medium and low-voltage networks. 'Intelligent' equalisation mechanisms have to be created using new technologies, in order to prevent the grid from becoming imbalanced. Leading distribution system operators from six European countries are currently working on concepts and technologies within the scope of the'Grid4EU' large-scale project subsidised by the European Union, seeking to make local grids more flexible and capable. RWE is among the participants in the initiative. We have joined forces with ABB and Dortmund Technical University to conduct tests in the Westphalian municipality of Reken to determine how existing medium-voltage networks can be optimised so that they react more dynamically and flexibly to fluctuations in feed-ins of electricity from renewables. For this purpose, local grid stations were fitted with new equipment capable of measuring the grid's current load and adapting electricity flows automatically. If necessary, the existing ring mains are switched in order to connect consumers to power producers directly. As a result, more of the electricity generated in Reken is used right there. This lowers the burden on the grids in the surrounding areas. The added control features make the grid more reliable: in the event of a fault, the grid control station, located at a distance of 120 kilometres in Arnsberg, identifies the necessary repairs immediately. The Reken model is intended to be a trailblazer, both within and outside Germany. The objective is to have a standardised product that can also be introduced into the grids of other European energy distributors despite its high level of complexity.

New subterranean cable based on modern superconductor technology in operation. Another intelligent solution relating to the electricity distribution network is the 'AmpaCity' project. In Essen, where RWE AG has its headquarters, we integrated the world's longest underground cable based on modern superconductor technology into the power grid at the end of April 2014. It uses materials that are capable of transmitting electricity over long distances at very low temperatures of about –200 degrees Celsius nearly loss-free. One advantage is that fewer transformer stations are needed: valuable plots of inner city land that would otherwise be needed to operate networks can be used for other purposes. The new cable section is 1 kilometre long, 15 centimetres thick and does not radiate heat or magnetic fields. This enables it to be laid in existing cable ducts. At the end of October, after 180 days of permanent operation, we and our partners, the cable manufacturer Nexans and the Karlsruhe Institute of Technology (KIT), reached a major milestone: the 10,000 volt superconductive cable met all expectations. 'AmpaCity' is a pioneer for the future energy supply of major cities. The project, which is subsidised by the German Federal Ministry for Economic Affairs and Energy, therefore has met with keen interest: delegations from around the world have visited the site to find out more about this technology.

A glimpse of future living. The amount of energy needed by three quarters of all residential buildings in Germany to heat rooms and water could be reduced substantially by optimising them for energy efficiency. With the 'RWE Energy House of the Future,' a converted detached house built in the 1960s in Bottrop, Germany, we went a step further: by using new technologies, we demonstrated that it can cover nearly its entire need for energy by itself. For this purpose, we installed a brine-water heat pump for the floor and ceiling heating systems and a photovoltaic unit to supply the house with electricity. The smart control of these systems is handled by 'RWE SmartHome,' our product for user-friendly home automation. The RWE Energy House of the Future is part of the 'InnovationCity Ruhr – Model City Bottrop' initiative. Through a number of projects, this initiative aims to demonstrate how urban development can strike the right balance between resource conservation, climate protection and safeguarding an industrial site. We are now using the house to test the practical feasibility of the solutions implemented in it, among other things.

'Innovation Hub' – the laboratory for new business models. Our quest for innovation goes far above and beyond technically oriented R&D work. We are also creative when developing new business models. 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 tomorrow and beyond. At RWE and in the company's environment, there are many bright minds who can help us achieve this. We bring them together and give them the opportunity to explore business concepts with an open mind and to test promising innovations on the market directly. This innovation process is organised and driven by the 'Innovation Hub,' which we created in early 2014 and is currently staffed by a team of eleven. The Innovation Hub has already identified areas that harbour good prospects for new business models. These include progressive digitisation, new forms of energy management and the use of huge amounts of data by the company. The innovation team has also tasked itself with co-ordinating and refining the variety of ongoing RWE activities in the field of home automation. International teams of experts have already been formed for each of these areas. One milestone was the establishment of the 'German Tech Entrepreneurship Centre' (GTEC) initiative at the beginning of 2015, which we launched in conjunction with the European School for Management and Technology (ESMT) and industrial partners. The initiative's objective is to broker contacts between young, innovative companies and established multinationals and research institutions in order to assist in the commercial breakthrough of business models. We hope that this partnership will also help us to improve the success rate of our own ideas.

Some of these ideas have already been tested for marketability. Among the successful initiatives was a measure to reduce service costs for new customers. By analysing the data at our disposal, we found that many of our new customers contact us after receiving their first bill. To be proactive, we sent them a video explaining the major elements of their bill based on their consumption data before they receive their first bill. The tests we have conducted with about 1,400 households in Belgium and the Netherlands have demonstrated that customers who are informed up front make fewer enquiries and are also more satisfied with us. Therefore, we plan to use videos on a larger scale – both within and outside of the test regions – in order to explore the opportunities offered by this medium for our entire supply business.

Employee suggestions for improvement deliver huge commercial advantages. We also benefit from the ingenuity and entrepreneurial mindset of our staff in our daily operations. In 2014 alone, about 6,200 suggestions for improvement were received as part of our groupwide idea management initiative. We expect them to translate into a commercial benefit of about €44 million in their first year of implementation. For example, RWE employees at the Niederaussem lignite site near Cologne found a solution to the problem of doing outdoor work on the ash discharge hopper with a bottom lock, as the boiler unit continues to operate above the hopper while it is being filled with red-hot ash. Their idea was to first fill the hopper with sand in order to create a heat buffer between the ash and the hopper. As this enables uninterrupted operation, the solution will increase our annual revenue by some €650,000 per year. Since this measure can also be implemented in other power plants, this sum will probably increase substantially.

1.11 DEVELOPMENT OF RISKS AND OPPORTUNITIES

The last few years have shown how quickly the framework conditions in the energy sector can change. Political intervention makes it difficult to establish business models and plan investments. Changes in wholesale electricity and fuel prices can also significantly affect our earnings. Therefore, professional risk management is indispensable for utilities like RWE. 'Professional' means that we record, assess and control risks systematically. But it also means that we identify opportunities – and seize them.

Organisation of risk management in the RWE Group. Overall responsibility for the groupwide risk management system sits with the Executive Board of RWE AG. It establishes the rules and minimum standards and determines how much risk the company is willing to take. To this end, the Executive Board defines the caps for the aggregated market risks. It also takes decisions on individual transactions that can result in substantial risks.

Our Risk Management Committee is in charge of monitoring and refining the risk management system. It is composed of the heads of the following RWE AG departments, which are accountable for the entire Group: Controlling, Risk (until the end of 2014), Finance, Human and Executive Resource Management, Accounting & Tax, Legal & Compliance, Audit, Security as well as Strategy & Corporate Development. The Committee is chaired by the Head of the Group Controlling Department, which is assigned to the finance mandate.

The Group Controlling Department bears responsibility for the control, steering and co-ordination of the risk management system. This department regularly reports on the Group's risk situation to both the Risk Management Committee and the Executive Board of RWE AG.

A number of additional organisational units have been entrusted with central risk management tasks: commodity hedging strategies deviating from general standards are approved by the Commodity Management Committee. The framework for this is determined by the Executive Board. The Committee consists of the Board of Directors of RWE Supply & Trading and, since 2015, the Head of Group Controlling; in 2014, it still included the Head of Group Risk.

The CFO of RWE AG monitors commodity risks. In fulfilling this task, he is assisted by the CFOs and managing directors in charge of finance at the major Group companies.

Limits for the commodity risks of the operating companies are set by the Group Risk Control Unit and are based on the upper limits established by the Executive Board. This unit is also responsible for setting groupwide performance targets for measuring risks, tracking commodity risks and reporting on this to the Executive Board of RWE AG. In 2014, the organisational unit was assigned to Group Risk, which has since been dissolved. It now belongs to Group Controlling.

Within RWE Supply & Trading, the Risk Control Organisational Unit is in charge of monitoring commodity risks. The Credit Risk Unit controls the RWE Group's credit risks and the Insurance Unit controls insurable risks. These two units are centres of expertise, which belong to our service subsidiary RWE Group Business Services. Financial risks at RWE AG are monitored by the Financial Controlling Unit. The tasks of this unit, which belongs to the Group Finance Department, include reporting on currency, interest and liquidity risks.

The strategic guidelines for the management of our financial assets (including the funds of RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG) are determined by RWE AG's Asset Management Committee. It weighs the earnings prospects and risks against each other, selects suitable asset classes (bonds, stocks, etc.) and decides on the allocation of the company's funds to them. The members of the Asset Management Committee are the CFO of RWE AG, the Head of Group Finance and the CFOs of several major Group companies.

The monitoring of risks associated with financial reporting is handled by RWE Group AG's Accounting & Tax Department. It reports directly to the CFO and uses an accounting-related internal control system, which is described on pages 85 et seq.

The Compliance Organisational Unit, which is assigned to the Group Legal & Compliance Department, monitors compliance with RWE's Code of Conduct, paying special attention to the avoidance of 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 Audit Committee.

Under the expert management of the aforementioned departments, our Group companies ensure that the risk management guidelines are implemented throughout the Group.

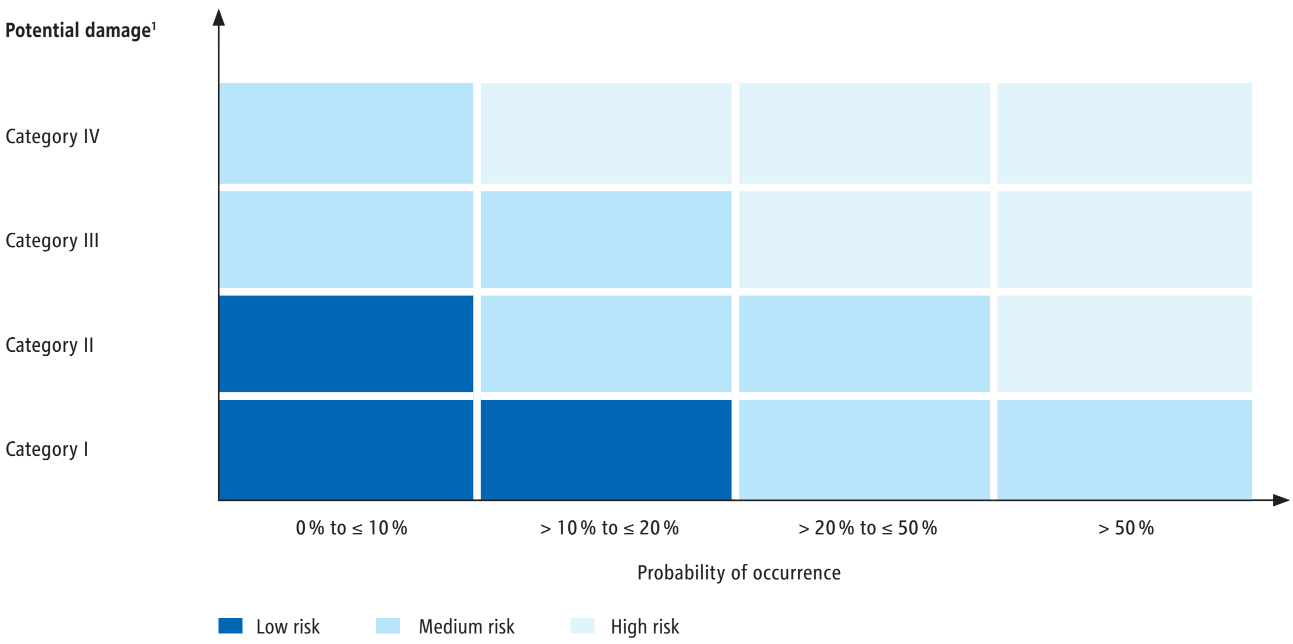
Risk management as a continuous process. Risk management is an integral and continuous part of our operating workflow. Risks and opportunities, defined as negative or positive deviations from target figures, are identified and classified early on. We evaluate risks according to their probability of occurrence and damage potential and aggregate them at the Group level. Our analysis covers the three-year horizon of our medium-term planning and may extend beyond that for material strategic risks. 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 (see the figure on the following page). We can derive from this whether there is a need for action and the scope of such action. We assess risks based on how they affect our operating result (earnings risks) and/or how they impact on our net debt and free cash flow (indebtedness/liquidity risks). Depending on their probability of occurrence and potential damage, we distinguish between low, medium and high risks. If we aggregate individual risks, e.g. the interest risk, to a risk class such as 'financial risks,' the highest individual risk determines the risk class. We monitor our risks constantly. Medium and high risks are mitigated by initiating measures.

We gain an overview of our risks and opportunities once every six months by performing a bottom-up analysis. The executive and supervisory bodies are updated on the risk exposure within the scope of quarterly reporting. Our reporting obligations for companies accounted for using the equity method are limited. We record their risks at least once a year as part of our medium-term planning. The Executive Board of RWE AG is immediately informed of unforeseen material changes to the risk situation.

Our Group Audit Department conducts regular appraisals of the quality and functionality of our risk management system. In functional respects, it reports to the Executive Board and for disciplinary matters, it is assigned to the CFO. Our Group Audit Department is certified to the Quality Management in Internal Auditing Standard recommended by the German Internal Audit Association.

RWE risk matrix



Damage category	Earnings risks Potential effect on earnings % of planned operating result[2]	Indebtedness/liquidity risks Potential effect on net debt/free cash flow € million
IV	≥ 50 %	≥ 4,000
III	≥ 20 % and < 50 %	≥ 2,000 and < 4,000
II	≥ 10 % and < 20 %	≥ 1,000 and < 2,000
I	< 10 %	< 1,000

1 In relation to the year in which the maximum damage may occur.
2 Average figure derived from the medium-term planning for 2015 to 2017.

Overall assessment of the risk and opportunity situation by executive management. As set out on page 26, the subsidised expansion of renewable energy and the decline of hard coal prices is putting wholesale electricity prices under pressure, particularly in Germany. This has already caused us to recognise substantial impairments in the Conventional Power Generation Division. Should the slump on commodity markets continue, power plant margins may deteriorate further. However, prices may trend back upwards and the crisis in the conventional electricity generation sector may ease.

In addition to the development of commodity prices, future major decisions in the area of energy policy will have a strong influence on our earnings. Future modifications made by the German government to the design of the German electricity market in order to ensure security of supply in light of the economic difficulties faced by conventional power stations will be of major importance. These modifications will probably be detailed in 2015. We believe that appropriate reform measures may ease the crisis in conventional electricity generation. However, these measures may also be too limited or perhaps even counterproductive. In addition, there is a risk that political initiatives such as the German 'Climate Protection Action Plan 2020' may cause earnings prospects in conventional electricity generation to deteriorate even more. We are also of the opinion that the UK energy supply sector is exposed to significant regulatory risks. A Labour Party victory in the parliamentary elections in May 2015 will probably result in direct political intervention in the formation of prices in the residential customer business.

Despite the developments described above and other imponderables, there are no identifiable risks that jeopardise the continued operation of RWE AG or the RWE Group.
To counter the effects of the significant deterioration in framework conditions in the energy sector, we are taking extensive measures to strengthen RWE's earnings and financial clout. Many of these measures affect our electricity generation business. The objective of the groupwide efficiency-enhancement programme that we started in 2012 is to strengthen earnings permanently by €2.0 billion, which should be fully accomplished from 2017 onwards. We had already achieved €1.4 billion of the desired effect by the end of 2014. In addition to improved efficiency, we also aim to generate a certain amount of organic growth, primarily in the fields of renewable energy and supply. Divestments such as the sale of RWE Dea and capital expenditure cuts will also help us to strengthen RWE's financial clout.

RWE's earnings risks	Classification of the highest individual risk	
	2014	2013
Market risks		
Risks arising from the volatility of commodity prices	Medium	Medium
Framework risks		
Regulatory and political risks	Medium	Medium
CO_2 emissions	Medium	Low
Other legal and arbitration risks	Medium	Low
Operational risks		
Continuity of business activities/risks associated with corporate strategy	Medium	Medium
Information technology	Medium	Low
Financial market and credit risks		
Financial risks	Low	Low
Creditworthiness of business partners	Low	Low
Other risks	Low	Low

As of 31 December 2014.

RWE's earnings risks. As illustrated in the overview on page 78, our material earnings-related risks can be divided into five categories. We currently accord the highest importance to market, framework and operational risks. Below, we comment on the aforementioned risks as well as on the associated opportunities. In addition, we explain the measures we take to limit the danger of negative developments.

Market risks:

- **Risks and opportunities arising from the volatility of commodity prices.** The development of prices on commodity markets greatly influences our earnings, especially in the field of electricity generation. For example, further decreases in electricity prices may reduce the value of our power plants and of certain electricity purchase contracts concluded at firm prices. Although we have already had to recognise substantial impairments in the past, there is still a risk of further impairments. However, wholesale electricity prices and generation margins may develop in RWE's favour again. 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 established by RWE AG. We limit the exposure of our power stations to such risks by selling forward most of their electricity up to three years in advance and hedging the price of the required fuel and CO_2 emission allowances at the same time. We also make use of forward markets to limit price risks in RWE Supply & Trading's gas midstream business. Furthermore, we reduced the risks arising from our long-term gas procurement agreements by conducting successful price revisions with our gas suppliers. Only with Gazprom does a final solution remain to be found. However, following our most recent price revision with Gazprom, which concluded in February 2014, the contract for the period until the middle of 2016 will not curtail our earnings and the associated risk is therefore reduced significantly.

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 pages 172 et seqq.

RWE Supply & Trading plays a central role when it comes to managing commodity price risks. This is the company in which we pool our commodity transaction expertise as well as the associated risks. RWE Supply & Trading is the RWE Group's interface to the world's wholesale markets for electricity and energy commodities. The company markets large portions of the Group's generation position and purchases the fossil fuels and CO_2 certificates needed to produce electricity. Its role as internal transaction partner makes it easier for us to limit the earnings risks for the generation and supply businesses stemming from price swings on energy markets. RWE Supply & Trading also uses commodity derivatives to minimise risk in the procurement and supply businesses. However, the company's trading transactions are not exclusively orientated towards reducing risks. To a strictly limited extent, trades are also concluded in order to take advantage of changes in prices on energy markets.

The RWE Group's risk management system for energy trading is firmly aligned with best practice as applied to the trading transactions of banks. Accordingly, transactions are concluded with third parties only if credit risks are within approved limits. Groupwide guidelines provide structures and processes for the treatment of commodity price risks and associated credit risks. The commodity positions in our subsidiaries are constantly monitored, and findings are reported to the responsible bodies. Risks associated with trades conducted by RWE Supply & Trading for its own account are monitored daily. Furthermore, the Executive Board of RWE AG receives detailed updates on the Group's commodity risk positions on a quarterly basis. To this end, our subsidiaries communicate their positions to Group Risk Control, which consolidates them.

The upper risk limits in the energy trading business are set by the Executive Board of RWE AG. In this context, the Value at Risk (VaR) is of central significance. It quantifies the potential loss resulting from a risk position that will not be exceeded with a predetermined probability and within a predetermined time period. The VaR figures within the RWE Group are generally based on a confidence interval of 95%. The assumed holding period for a position is one day. This means that, with a probability of 95%, the maximum daily loss will not exceed the VaR. The central risk controlling parameter for commodity positions is the Global VaR that relates to the trading business of RWE Supply & Trading and may not exceed €40 million. In fiscal 2014, it averaged €11 million (previous year: €8 million), and the daily maximum was €18 million (previous year: €14 million). In addition, we have set limits for each trading desk. Furthermore, we develop extreme scenarios and factor them into stress tests, determine the influence they can have on earnings, and take countermeasures whenever the risks are too high.

We also apply the VaR concept to measure the extent to which commodity price risks to which we are exposed outside the trading business can affect the Group's operating result. To this end, we calculate the overall risk for the Group on the basis of the commodity risk positions of the individual companies. The overall risk mainly stems from electricity generation activities. With a confidence level of 95%, changes in commodity prices will have a maximum positive or negative effect on our operating result in 2015 of no more than €40 million. The cut-off date for determining this figure was 31 December 2014.

Framework risks:

- **Regulatory and political risks and opportunities.** As a utility, we plan our capital expenditure for periods extending over decades, making us especially affected by changes in political framework conditions in the energy industry, both at the national and European level. Comprehensive reforms of the energy sector are currently on the agendas of numerous European countries and the European Union. One of the issues being debated is how to ensure security of supply in view of the increasing volume of fluctuating green energy feed-ins and the significant decline in the profitability of conventional power plants observed recently. The United Kingdom and France have opted for the introduction of a technology-neutral capacity market. It remains to be seen which path Germany will take. Should the German government also decide to introduce a capacity market, we believe that, if the market is designed appropriately, the conventional power stations needed to ensure the supply of electricity can be operated profitably. However, the reforms may fail to achieve their full desired effect or give preferential treatment to specific energy sources. In such an event, our earnings in conventional electricity generation may worsen further.

  The framework conditions for our German nuclear power stations have become more difficult since the reactor accident 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. We believe the 13th amendment to the German Nuclear Energy Act is unconstitutional because the decommissioning dates were established without sound justification and it would result in the operators of the reactors affected not being compensated. Therefore, in February and August 2012, we filed constitutional complaints. It appears as if the German Constitutional Court will reach a judgement on the matter this year.

Before the enforcement of the 13th amendment to the German Nuclear Energy Act, the federal and state administrations had ordered a three-month shutdown for seven German nuclear power plants. The moratorium affected our Biblis A and B reactors. In 2013, the competent administrative courts handed down a legally enforceable ruling, finding that the moratorium orders for Biblis were illegal. At the end of August 2014, we filed a suit for damages against the State of Hesse and the Federal Republic of Germany with the Essen District Court, which has jurisdiction in this matter.

The nuclear fuel tax, which has been levied since 2011, also imposes substantial burdens on our earnings. We filed a suit with the competent fiscal courts as we believe that the levy is not legal. 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. Moreover, in December 2013 the Hamburg Fiscal Court decided to refer the same matter in parallel proceedings to the European Court of Justice (ECJ). Our motions for a stay of the enforcement of the nuclear fuel tax were denied by the court of highest jurisdiction, the German Federal Fiscal Court, in November 2014. In early February 2015, the Advocate General at the ECJ declared in his closing remarks that the nuclear fuel tax complies with European law. The ECJ is expected to announce whether it endorses this ruling this year. It remains to be seen when the German Constitutional Court will reach a decision. We still believe it is conceivable that we will be fully refunded the nuclear fuel tax which we have paid since 2011 if the court of highest instance rules in our favour. However, we cannot rule out the possibility of the levy being considered legal and thus remaining in force.

We are also exposed to earnings risks by the search for a site for a final storage facility for highly radioactive waste. The German Site Selection Act, which entered into force at the end of July 2013, will make the process much more expensive. The costs of the selection process will be borne by the nuclear power plant operators. We have accrued provisions for the expected additional burdens. However, it cannot be ruled out that political resistance renders the selection of a location difficult, causing further delays and burdens.

Energy markets outside of Germany have also been increasingly subject to regulatory intervention. The difficult budgetary situation numerous European countries are facing plays a role. For example, the Spanish government made drastic retrospective cuts to the subsidies for renewable energy plants. In the dialogue we maintain with policymakers, we stress that reliable framework conditions are the basic precondition for companies to invest in energy infrastructure. Moreover, in the Spanish matter, we filed a suit with the International Centre for Settlement of Investment Disputes (ICSID) and hope that the outcome will limit the effects of the subsidy cut on our earnings.

Regulatory intervention to the detriment of energy utilities can be observed not only in the electricity generation sector, but also in the supply business. One example of this is the drastic cuts to electricity and gas tariffs ordered by the Hungarian government. We are currently exposed to risks elsewhere, primarily in the United Kingdom. Ed Miliband, the Leader of the Labour Party, announced that in the event of a Labour victory in the general elections in May 2015, residential electricity and gas tariffs would be frozen for 20 months. As in Germany, there is a widespread lack of public knowledge in the UK about the real reasons for the development of prices on the energy market. Politicians and journalists complaining about a lack of competition and making the energy companies' quest for profits responsible for rising energy costs can therefore expect the public's approval. We maintain constant dialogue with policymakers, the media and consumer associations and explain to them that the rise in electricity bills is largely due to the development of costs.

In the present political environment, we are exposed to risks associated with approvals when building and operating production facilities. This particularly affects our opencast mines, power stations and wind farms. If their operation is interrupted or curtailed, this 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 a very negative financial impact. For example, the hard coal-fired power station at Eemshaven in the Netherlands, which is scheduled to begin commercial production this year, is exposed to this type of risk. 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.

In parts of our energy business we are also exposed to risks in relation to competition law. In March 2013, the German Federal Cartel Office instigated proceedings against several district heat suppliers, including an RWE company. The authority suspects abusive pricing, but we believe our tariffs are appropriate.

Further risks arise from the regulation of energy trading transactions, which has been tightened significantly by two EU directives. The Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) entered into force in December 2011, with the aim of preventing insider trading and market manipulation in electricity and gas trading. Market participants are obliged to publish insider information. Furthermore, they must register themselves and, starting in October 2015, also register their wholesale transactions. In addition to REMIT, the European Market Infrastructure Regulation (EMIR), an EU directive which entered into force in August 2012, also has a substantial effect on the trading business. Companies which conclude a considerable number of speculative trades have to settle certain derivative transactions via clearing points, pledging more financial collateral than previously. Moreover, the companies have to enter all their transactions into a register. We are affected by REMIT and EMIR, but currently believe that we do not have the clearing and collateral obligations set out in EMIR. We expect a significant increase in reporting and transaction costs in energy trading. Another risk lies in the fact that companies such as RWE Supply & Trading, which trade commodity derivatives, will require a permit for the provision of financial services under the German Banking Act starting in 2017. The additional regulatory requirements resulting from this may lead to substantial additional costs.

The incentive-based regulation of electricity and gas networks in Germany also harbours earnings risks. The second five-year regulatory period for electricity network operators began on 1 January 2014. We have not yet been notified of the revenue caps imposed on our grid companies by the regulatory authorities. There is a risk of the upper limits being too low, failing to reflect the actual development of costs. However, this also opens up the opportunity for our future network earnings to exceed expectations if the revenue caps are appropriate and our efficiency measures are successful. Signals from the regulatory authorities indicate that the requirements will be in line with our expectations.

The German government has tasked itself with reviewing the incentive-based regulation system. This is scheduled to be done this year. In an evaluation report published at the beginning of 2015, the German Federal Network Agency presented various alternatives and made recommendations for the future regulation of German electricity and gas networks. Based on this report, we assume that the current system will remain in place. However, this does not rule out adjustments, which may increase or decrease revenue compared to the levels possible under current regulations.

- **CO_2 emissions.** Lignite and hard coal power plants account for a large proportion of our electricity generation portfolio. Our specific carbon dioxide emissions are therefore above the sector average. By 2020, we aim to reduce our CO_2 emissions to 0.62 metric tons per megawatt hour of electricity generated compared to 0.745 metric tons in 2014, partly through the expansion of renewable energy and the use of modern conventional power plants. By taking technical and financial measures, we have reduced our CO_2 risk for the third emissions trading period, which ends in 2020, to such a degree that an increase in the price of emission allowances would probably not have a material effect on our earnings. However, there is a danger that individual EU countries may find the European Emissions Trading System insufficient and impose additional burdens on companies through domestic regulations. An example of this is the German 'Climate Protection Action Plan 2020' which is scheduled to be enshrined in law in 2015 (see page 32). There is a risk of utilities being obliged to achieve further emission reductions, which are only possible by closing coal-fired power stations prematurely. This may cause the situation in conventional electricity generation to deteriorate even further. Against this backdrop, we reclassified the risks associated with our CO_2 emissions from 'low' to 'medium.'

- **Other legal and arbitration procedures.** Individual RWE Group companies are involved in litigation and arbitration proceedings due to their operations or the acquisition of companies. Out-of-court claims have been filed against some of them. Furthermore, Group companies are directly involved in various procedures with public authorities or are at least affected by their results. We have accrued provisions for potential losses resulting from pending proceedings before ordinary courts and arbitration courts. However, the claims asserted against us exceed the provisions considerably in some cases. Taking account of the legal assessments we have obtained, we believe that such claims are unfounded, but we cannot be absolutely sure that we will prevail.

  Compared to 2013, there were no material changes to the risks arising from other legal and arbitration proceedings. Nevertheless, we supplemented our analysis with conservative, improbable scenarios. In consequence, this risk was reclassified from 'low' to 'medium.'

Operational risks:

- **Continuity of business activities/risks and opportunities associated with corporate strategy.** We operate technologically complex and interconnected production plants in all parts of our value chain. Uninsured damage can be incurred by our lignite mining equipment, production facilities, power plant components and networks. In addition, the construction of new plants can be delayed due to accidents, faulty materials, late deliveries or lengthy approval procedures. As far as possible, we mitigate these risks through diligent plant and project management. Our network business is exposed to the risk of facilities being damaged by force majeure such as severe weather conditions. We limit these risks through high safety standards as well as regular inspection, maintenance and servicing work. If economically viable, we take out insurance policies.

  Capital expenditure on property, plant and equipment, acquisitions and divestments may give rise to major risks as it has a long-term effect on our portfolio. Income achieved from projects involving capital expenditure on property, plant and equipment and intangible assets may fall short of expectations. Furthermore, prices paid for acquisitions may prove to be too high in hindsight. Valuation allowances may have to be recognised for such cases. However, investments in property, plant, equipment and intangible assets or acquisitions may turn out to be more economically favourable than originally assumed. Planned asset disposals are at risk of not being implemented if offers do not meet our price expectations. In addition, they are exposed to indemnity and warranty risks. RWE has specific accountability provisions and approval processes in place to prepare and implement decisions concerning capital expenditure on property, plant and equipment as well as acquisitions and divestments. Closely monitoring both our markets and competitors helps us record and assess strategic risks and opportunities early on.

As set out on pages 35 and 39, we agreed with the Luxembourg-based investment firm LetterOne that it would acquire our subsidiary RWE Dea. In the unlikely event that the EU or the USA imposes sanctions on LetterOne or its Russian majority owners, RWE shall be obliged to repurchase Dea's UK business for resale to an independent third party within the first twelve months from the completion of the transaction. This may cause the conditions to be less favourable to us.

The significant structural change in the energy sector is forcing many RWE companies to make redundancies. However, the energy sector also has areas for growth, for which we need highly qualified personnel. To compete successfully for such skilled labour, we emphasise the attractiveness of RWE as an employer within the scope of our recruiting activities. In addition, we do our best to retain talent from within our own ranks over the long term. We limit staff fluctuation risks through replacement arrangements and early succession planning. However, in general, we do not believe that the availability of qualified staff is at risk and have therefore not identified any material business risks in the 'personnel' category.

- **Information technology.** Our business processes are supported by secure and effective data processing systems. Nevertheless, we cannot fully rule out a lack of availability of IT infrastructure or a breach in the security of our data. We mitigate these risks by applying high security standards as well as raising user awareness and limiting access privileges. In addition, we regularly invest in hardware and software upgrades. Our IT is largely based on common market standards. Its operations are run in modern data centres. We manage risks associated with the development of IT solutions through quality assurance and risk reporting processes. We currently classify our IT risk as 'medium' (previous year 'low'). The reason for this is that we are making large investments in the IT infrastructure of subsidiaries and the associated costs may be higher than anticipated.

Financial market and credit risks:

- **Financial risks and opportunities.** The volatility of market interest and foreign exchange rates as well as share prices can also have a significant effect on our earnings. Due to our international presence, we attach high importance to currency risk management. Furthermore, energy commodities such as coal and oil are traded in US dollars. Group companies are generally obliged to limit their currency risks via RWE AG. The parent company determines the net financial position for each currency and hedges it if necessary. The VaR concept is one of the tools used to measure and limit risk. In 2014, the average VaR for RWE AG's foreign currency position was less than €1 million, as in the preceding years.

  We differentiate between two categories of interest rate risks. On the one hand, rises in interest rates can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for the securities price risk of our capital investments in 2014 averaged €4 million (previous year: €5 million). We measure the sensitivity of the interest expense with respect to rises in market interest rates using the Cash Flow at Risk. We apply a confidence level of 95% and a holding period of one year. In 2014, the average Cash Flow at Risk was €9 million (previous year: €8 million).

  The securities we hold in our portfolio include shares. The VaR for the risk associated with changes in share prices averaged €5 million for the year (previous year: €7 million).

  Risks and opportunities from changes in the price of securities are controlled by a professional fund management system. The Group's financial transactions are recorded centrally using special software and are monitored by RWE AG. This enables us to balance risks across individual companies. Range of action, responsibilities and controls are set out in internal guidelines to which our Group companies are obliged to adhere when concluding financial transactions.

- **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 ratings, both before and during the business relationship. Groupwide standards are applied when measuring and managing credit risks. Sales transactions with suppliers, customers and financial institutions 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. If necessary, we request cash collateral or bank guarantees. We also take out insurance policies to cover payment defaults in the supply business. Credit risks and the exhaustion of the limits in the trading business are measured daily.

  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 or the master agreement of the International Swaps and Derivatives Association (ISDA).

Other earnings risks. This includes reputation risks and risks associated with non-compliance and criminal offences committed by employees of the Group. However, based on our assessment, relative to the aforementioned risks, these earnings risks are low.

Indebtedness/liquidity risk. In addition to effects on earnings, we determine the impact that risks may have on our indebtedness and liquidity. The risks are classified based on certain threshold values which, for indebtedness risks, relate to the level of net debt and, for liquidity risks, relate to free cash flow.

Indebtedness risks arise, for example, if cash inflows and outflows fail to meet our expectations. This may apply to our cash flows from operating activities, capital expenditure and proceeds from divestments. Moreover, transactions that do not have a direct effect on cash may influence our indebtedness. For example, changes in discount rates in line with the market interest rate level can affect the net present value of provisions (discount rate risk). We classify our indebtedness risk as ‘medium.’

By analysing the effects of risks on liquidity, we want to ensure that we always have enough cash and cash equivalents to meet our financial obligations in a timely manner. Such obligations result above all from our financial liabilities, which we must service. In certain cases, we have to pledge collateral, for example when concluding trading contracts. Because we regard some of the risks associated with this as medium, we place great importance on a conservative financing strategy. We have strong cash flows from operating activities, substantial cash and cash equivalents and unused credit lines as well as further financial latitude thanks to our Commercial Paper and Debt Issuance Programmes. We plan our liquidity prospectively based on the short, medium and long-term funding requirements of our Group companies. We therefore regard our risk of having insufficient cash and cash equivalents to meet our financial commitments in a timely manner as low.

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-based Internal Control System (ICS) aims to detect potential sources of error and limit the resulting risks. It covers the financial reporting of the entire RWE Group. This enables us to ensure with sufficient certainty that the parent company and consolidated financial statements are prepared in compliance with statutory regulations.

The design of the accounting-related ICS mirrors the organisation of our accounting and financial reporting process. One of the main features of this process is the control over the Group and its operating units. The basis is provided by the target parameters determined by the Executive Board of RWE AG. Building on them and our expectations concerning the operating business trend, we develop our medium-term plan once a year. It includes the figures budgeted for the following fiscal year as well as the figures planned for subsequent years. We prepare forecasts in line with the budget for financial years underway. The Executive Board of RWE AG and the management boards of its major subsidiaries convene regularly in order to evaluate the interim and annual financial statements and update the forecasts.

Last year, we combined major parts of our accounting activities in centres of expertise within RWE Group Business Services. The newly established Shared Service Centre of RWE Group Business Services based in Cracow (Poland) is now responsible for transactional accounting activities. Expert management is handled by the Group Accounting & Tax Department of RWE AG, which is also responsible for the consolidated financial statements of RWE and ensures that the accounting standards comply with statutory regulations.

The CEOs and CFOs or the managing directors of major subsidiaries as well as certain RWE AG department heads must take an internal balance-sheet oath for external half and full-year reporting. In addition, the members of the Executive Board of RWE AG take an external half and full-year balance-sheet oath and sign the responsibility statement. Thereby, they confirm 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.

We prepare our financial statements using a groupwide reporting system that we also use to prepare the budgets and forecasts. All fully consolidated subsidiaries use this system. It forms the basis for a standardised data reporting process within the Group. The financial accounting systems are largely maintained by RWE IT GmbH.

We identify risks in financial reporting at the divisional level on the basis of quantitative, qualitative and process-related criteria. The foundations of the ICS are our generally binding guidelines and ethical principles, which are also set out in RWE's Code of Conduct. Building on this, the minimum requirements for the major processing steps ensure the integrity of data collection and management. The risks of individual balance-sheet items resulting from subjective discretion or complex transactions are recorded in a groupwide risk and control matrix. Once a year, we prove that the necessary controls have actually been implemented and carried out properly. This is done by external auditors, or the management in charge of performing the controls.

When in session, the Audit Committee of the Supervisory Board regularly concerns itself with the effectiveness of the accounting-related ICS. Once a year, representatives of RWE AG's finance function present to the Committee on the risks of financial reporting. They also explain which control measures were taken and how the proper implementation of the controls was verified.

The ICS proved effective once again in connection with the assessments and audits conducted in 2014. However, this merely reduces the risk of gross misrepresentations in accounting, as this cannot be eliminated completely.

1.12 OUTLOOK

The crisis in conventional electricity generation continues to influence RWE's earnings significantly. With our ambitious efficiency-enhancement programme we limit its impact on the Group's earnings. Furthermore, our investments in renewable energy are increasingly paying off. Nevertheless, we are unlikely to keep our operating result at its 2014 level (€4.0 billion): we anticipate a figure of between €3.6 billion and €3.9 billion for 2015. Recurrent net income is expected to be within the range of €1.1 billion to €1.3 billion. Conversely, our net financial position will improve considerably. The basis for this is the successful sale of RWE Dea.

Experts predict slight economic upturn. Based on initial forecasts, global economic output will increase by about 3% in 2015, expanding slightly more than in 2014. By contrast, the Eurozone is expected to post continued moderate growth of approximately 1%. The prospects for Germany's economy seem to be a little brighter: the ifo Economic Research Institute forecasts a gain of 1.5%. Stimulus is expected to come primarily from the robust employment level and an increase in disposable income. In the Netherlands and Belgium, gross domestic product (GDP) will also probably rise by more than 1%. The United Kingdom may well post growth of over 2%. Estimates for our Central Eastern European markets have GDP advancing by some 3% in Poland, with Slovakia, the Czech Republic and Hungary lagging slightly behind, recording an increase of 2.5%.

Energy consumption probably higher than in 2014. Our forecast for this year's energy consumption is based on the aforementioned assumptions concerning economic developments. In addition, we assume that temperatures in 2015 will be normal and therefore lower overall than in 2014, which was characterised by very mild weather. If these conditions materialise, we expect that demand for electricity will be stable or rise marginally in Germany, the Netherlands and the United Kingdom. However, the increase in consumption driven by the expanding economy and possibly colder weather will probably be contrasted by the adverse effects on demand caused by the mounting trend towards energy savings. Electricity usage in Central Eastern Europe is likely to advance. Growth of 2% has been predicted for both Poland and Hungary.

Consumption of gas is anticipated to rise across all RWE markets, largely driven by an increased need for heating caused by the weather. The forecasted economic growth could also stimulate demand for gas, whereas energy-saving measures will have a counteracting effect. We do not expect the electricity generation sector to provide any notable stimulus as the market conditions for gas-fired power stations remain unfavourable, especially in Germany.

Commodity prices remain low. There is still no end in sight to the slump on commodity markets. This is evidenced by the development of the 2015 forward prices of hard coal, gas, electricity and CO_2 emission allowances, which we have set out on pages 24 et seqq. However, the development of commodity prices after 2014 will have less of an impact on our earnings in the current fiscal year as we have sold forward almost all of our electricity generation for 2015 and secured the prices of the required fuel and emission allowances. The average price we realised for electricity produced by our German lignite-fired and nuclear power stations is lower than the €48 per megawatt hour (MWh) recorded in the previous year.

Bleak earning prospects in conventional electricity generation. In view of the price trend on electricity and fuel forward markets, there is little hope of an easing of the crisis in conventional electricity production in the years ahead. Although numerous unprofitable power plants are being closed in Germany, removing excess capacity, the consolidation process may persist until the price of electricity starts showing signs of a potential shortage. In addition, the effects of the reforms to the design of the electricity market announced by the German government will be visible in the medium term at best. Moreover, the details of the reforms are entirely uncertain. We are therefore preparing ourselves for continued pressure on the margins of our conventional power stations. However, we benefit from the fact that we sell most of our electricity generation up to three years in advance. We sold this year's production and some of our 2016 generation when prices were well above the current market level. However, this advantage will be reduced year after year.

Efficiency-enhancement programme: effect of €2 billion on earnings by 2017 envisaged. In light of the decline in earnings in conventional electricity generation, we have taken extensive measures throughout the Group to reduce costs and increase revenue. Our efficiency-enhancement programme, which we launched in 2012, is designed to have a recurrent impact of €2 billion on the operating result, which should be fully felt from 2017 onwards. By the end of 2014, we had already realised an effect of €1.4 billion. This figure is expected to increase by €100 million in 2015.

Organic growth in renewable energy and supply. In addition to improvements in efficiency, we aim to achieve a certain amount of organic growth, primarily in our renewables and supply businesses. The two large-scale wind farms Gwynt y Môr off the coast of Wales (576 megawatts) and Nordsee Ost near Heligoland (295 megawatts) will soon start producing electricity commercially at full capacity, contributing strong and stable earnings. Furthermore, following a series of impairments recognised in the last few years, we expect that earnings in the renewables business will suffer much less from one-off effects in the future. We intend to grow our supply operations by expanding our activities beyond the traditional sale of electricity and gas. We are developing new business models for all end-customer segments by pooling our know-how in the areas of energy supply and information technology. This results in innovative products and solutions tailored to suit individual needs, distinguishing us from other utilities. In addition, we are establishing supply activities in new markets such as Croatia, Romania and Turkey. In the Czech Republic, we are leveraging our strong position on the gas market in order to become a leading supplier of electricity as well.

2015 operating result: range of €3.6 billion to €3.9 billion expected. Efficiency improvements and the effects of growth measures are unlikely to be able to keep the operating result stable in 2015. We anticipate that EBITDA for the 2015 fiscal year will be between €6.1 billion and €6.4 billion. The operating result is expected to range from €3.6 billion to €3.9 billion. Recurrent net income should total between €1.1 billion and €1.3 billion. As set out earlier, the margins of the conventional electricity generation business will continue to shrink. However, earnings in 2014 were curtailed by impairment losses. Furthermore, we anticipate that our current efficiency-enhancement programme will have positive effects. Assuming normal weather conditions, earnings in the gas business should improve over last year, which was characterised by very mild weather. This forecast does not take into account the possibility that the nuclear fuel tax may be deemed illegal by a high court ruling in 2015. In such an event, EBITDA and the operating result may well be up to €1.6 billion higher.

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

1 Qualifiers such as ‘moderately,’ and ‘significantly’ indicate percentage deviations from the previous year’s figures.

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

- Conventional Power Generation: This division's operating result will decline significantly. Most of our electricity generation for this year has already been placed on the market. Overall, the margins we realised were much smaller than in 2014. Moreover, we expect changes in provisions to have an earnings-reducing effect. However, the burdens experienced last year, in particular the impairments of RWE power stations in Germany and the United Kingdom, will not recur. In addition, efficiency-enhancing measures will have a positive impact.

- Supply/Distribution Networks Germany: Here, we expect to end the year with an operating result which is moderately lower than in 2014. We do not expect to match last year's level in the distribution network business. The figure for 2014 was marked by significant income from the sale of networks. Furthermore, we will have to spend more to maintain our networks in 2015. Should temperatures return to normal levels, we will benefit from volume growth in the gas business. This applies above all to our supply operations, the earnings of which may therefore be slightly up year on year.

- Supply Netherlands/Belgium: This division may well close 2015 significantly above 2014. This is based on the assumption that gas sales volume will increase due to the weather. In addition, we expect to see positive effects from our ongoing efficiency-enhancement programme.

- Supply United Kingdom: Fierce competition and a much tighter regulatory environment continue to present a huge challenge to our UK supply business. It has become much more difficult to make a forecast for this division, in particular due to the uncertainty surrounding the impending parliamentary elections and the probe launched by the Competition and Markets Authority (see page 33). We currently expect to see a moderate improvement in earnings in 2015, in part owing to additional cost-cutting measures. Expenditure caused by restructuring customer services will be lower than in 2014. Furthermore, we anticipate price-induced relief in gas procurement. However, this already caused us to lower the standard gas tariff by 5.1% in February 2015. Network usage fees are likely to increase further. In addition, we expect measures to improve IT infrastructure to result in additional costs.

- Central Eastern and South Eastern Europe: We expect this division to experience a moderate decline in its operating result. In the Czech gas business, we will probably see a price-induced drop in storage and supply margins, but this may be contrasted by positive weather-related effects. The latter would also affect our local gas distribution network business, which would then increase earnings over 2014. In Hungary, the earnings contributed by the Mátra lignite-fired power plant may well decline, as the station will produce much less electricity due to scheduled maintenance.

- Renewables: Thanks to new generation capacity, RWE Innogy will significantly improve its earnings. We expect high contributions to Group earnings from the Gwynt y Môr and Nordsee Ost offshore wind farms, which will start commercial production at full capacity by no later than the middle of 2015. Moreover, the negative effect of the impairments recognised in 2014 will not recur. However, the same applies to the compensation we received in 2014 for delays to the completion of the Nordsee Ost wind farm caused by third parties.

- Trading/Gas Midstream: The division will probably close this fiscal year moderately down on the last one as we do not expect to be able to repeat the very good trading performance of 2014. However, earnings in the gas midstream business should be stable. We anticipate further burdens arising from gas storage capacities contracted over the long term, which cannot be managed or marketed profitably.

Dividend for 2015. As set out on page 35, the Executive Board of RWE AG has decided to broaden the basis of assessment of the dividend policy in line with the principles of sustainability and continuity. The dividend proposal for the 2015 financial year will be oriented towards RWE's earnings, operating cash flows and indebtedness. If opportunities to make growth investments arise, these will also be considered.

Continued headcount reduction. Our workforce will most probably further decrease in 2015, largely driven by efficiency-enhancing measures, which we are taking primarily in the Conventional Power Generation Division.

€2.5 to €3.0 billion earmarked for capital expenditure on property, plant and equipment in 2015. We expect our capital expenditure on property, plant and equipment and intangible assets from 2015 to 2017 to total about €6.5 to €7.0 billion. Approximately half of this sum has been set aside for the maintenance and enlargement of our electricity and gas networks. A maximum of €1 billion in capital expenditure has been earmarked for the expansion of renewable energy, focusing on wind farms. In addition, we want to complete the new-build power plant programme which we started in 2006. In 2015, capital spending on property, plant and equipment and intangible assets is expected to total between €2.5 and €3.0 billion.

Special items dampen operating cash flows. We achieved our goal of fully funding capital expenditure and the dividend payments with operating cash flows, resulting in a budget surplus in 2014. However, we benefitted from special items relating to working capital, some of which will be reversed in 2015. The mild weather observed last year, which initially had a positive impact, will have a counteracting effect in the year underway. Since in the supply business, the mild weather caused us to spend less on purchasing gas than we received in advance payments from our customers, we expect cash flows from the 2014 year-end bills to be much lower in 2015. Therefore, we do not believe that we will achieve a budget surplus in the current year. Potential cash flows from a refund of the nuclear fuel tax have not been considered in this forecast. In principle, we continue to strive for a balanced or positive budget, although we may not be able to accomplish this every year due to the aforementioned changes in working capital.

Reduction of debt due to sale of RWE Dea. By the end of 2015, our net debt should be far below the €31.0 billion recorded in 2014, largely due to the divestment of RWE Dea. However, the leverage factor, i.e. the ratio of net debt to EBITDA, will probably be higher than 3.8, the adjusted figure for 2014. This will be a result of the expected deterioration in earnings.

Unfavourable market for gas-fired power stations slows reduction in carbon emissions. We intend to lower the carbon dioxide emissions of our power plants to 0.62 metric tons per MWh of electricity by 2020. To this end, we place significant emphasis on the expansion of renewable energy. Furthermore, the average efficiency of our power stations will increase, reducing the emission factor. We paved the way for this with our new-build power plant programme. Six of the nine stations it includes are state-of-the-art gas-fired power plants. However, the unfavourable market conditions for this generation technology, which has relatively low emissions, prevent the programme from making the desired contribution to reducing emissions for the time being. This will probably not change in 2015. However, the number of old contractually secured hard coal-fired power stations was recently reduced because the associated agreements expired. Furthermore, we will commission a large number of new wind turbines in 2015. Due to the aforementioned factors, this year our emission factor will probably be slightly lower than in 2014, when it was 0.745 metric tons of carbon dioxide per MWh.

2 OUR RESPONSIBILITY

2.1 SUPERVISORY BOARD REPORT

Dear Shareholders,

In fiscal 2014, the Supervisory Board of RWE AG fulfilled all of the duties imposed on it by German law and the company's Articles of Incorporation. We regularly 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 kept abreast of the earnings situation, risks and risk management in an equally thorough manner.

The Supervisory Board convened four times in the year under review. All 20 of the members of this corporate body attended two of the meetings. The other two were attended by 18 and 17 members. Decisions were taken on the basis of detailed reports and draft resolutions submitted by the Executive Board. 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 Chairman of the Supervisory Board, I was constantly in touch with the Chairman of the Executive Board in order to discuss events of material importance to the Group's situation and development without delay.

Main points of debate. When in session, the Supervisory Board concentrated its deliberations on the continuing crisis in the conventional electricity generation sector and its effects on RWE as well as on measures required to increase the company's earning and financial power, including efficiency enhancements and capital expenditure cuts. Further main points of debate were the sale of RWE Dea, Essent's district heating business and the 49.8% stake in the Hungarian gas utility FÖGAZ, as well as the reduction of our shareholding in the Gwynt y Môr offshore wind farm and the adjustment of the dividend policy set out on page 35. The Executive Board regularly informed us of the Group's financial situation, ongoing legal proceedings, the agreement reached with Gazprom in February 2014 (see page 35), measures to improve the company's performance and competitiveness, the 'RWE 2015' programme, new build projects, the latest developments on energy markets and changes in political framework conditions. At our session on 12 December 2014, we concerned ourselves in depth with the Executive Board's planning for fiscal 2015 and the forecasts for the two following years. The planning was adopted in the Supervisory Board meeting on 4 March 2015. We received detailed commentary from the Executive Board on deviations from plans and goals established previously.

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

Committees. The Supervisory Board has five committees. Their members are listed on page 215. These committees are charged with preparing the Supervisory Board meetings, including drafting resolutions. In certain cases, they exercise decision-making powers conferred on them by the Supervisory Board. The committee chairmen regularly informed the Supervisory Board of their work.

Dr. Manfred Schneider
Chairman of the Supervisory Board of RWE AG

The **Executive Committee** held one meeting in the 2014 financial year. Among other things, it did preparatory work for the Supervisory Board debates regarding the planning for fiscal 2015 and forecasts for 2016 and 2017.

The **Audit Committee** convened five times. It discussed at length the quarterly financial reports, the half-year financial statements and the parent company and Group financial statements for the full year as well as the combined review of operations of RWE AG. 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 auditor for fiscal 2014 and prepared the grant of the audit award to the independent auditor. It also set the priorities of the audit and determined the details of the fee agreement. Special attention was paid to the Group's risk management and accounting-related internal control system. Furthermore, the committee dealt with compliance issues and with the schedule and results of the internal audit. A number of additional topics were on the committee's agenda in the year under review, including the RWE Group's exposure to risk as defined by the German Corporate Control and Transparency Act, the continued development of RWE Supply & Trading's internal control system, the nuclear and mining provisions, the establishment of shared service centres within the scope of the 'RWE 2015' project, new EU regulations regarding the audit of financial statements, measures to combat crime and safeguard the security of information and the RWE Group's fiscal and legal position.

The **Personnel Affairs Committee** held two meetings in 2014. Debates primarily addressed the level of Executive Board remuneration.

The **Nomination Committee** did not convene last year.

In the 2014 financial year, there was again no reason to convene the **Mediation Committee** which complies with Sec. 27, Para. 3 of the German Co-Determination Act.

Financial statements for fiscal 2014. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft scrutinised and issued an unqualified auditor's opinion on the 2014 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 Sec. 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 16 April 2014 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 in the Supervisory Board's balance sheet meeting of 4 March 2015. 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 3 March 2015, 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 4 March 2015, 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 both financial statements and adopted the annual financial statements of RWE AG and the Group. The 2014 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 €1 per share.

Changes in personnel on the Supervisory Board. There were two changes in personnel relating to the employee representatives on the Supervisory Board of RWE AG: Ralf Sikorski and Leonhard Zubrowski were appointed members of this corporate committee by the Essen District Court as of 1 July 2014. They succeeded Werner Bischoff and Manfred Weber, who retired from the Supervisory Board with effect from 30 June 2014. On behalf of the Supervisory Board, I thank Messrs. Bischoff and Weber for their work on our Board and for their commitment to the company.

Gratitude for commitment and loyalty. Fiscal 2014 was another difficult year for RWE. The significant deterioration of the framework conditions in the energy sector presents great difficulties and challenges. RWE is undergoing a change that places huge demands on everyone, in particular the company's employees. They are especially deserving of thanks for the fact that the company is on the right path. I would like to take this opportunity to express my sincere gratitude to our employees for this on behalf of the entire Supervisory Board.

On behalf of the Supervisory Board

Manfred Schneider

Dr. Manfred Schneider
Chairman

Essen, 4 March 2015

2.2 CORPORATE GOVERNANCE

Responsible business management and monitoring are the cornerstones of long-term success. Our guiding principle is the most recent version of the German Corporate Governance Code, which was introduced in 2002. We fully comply with the recommendations of the Code, helping to strengthen the trust that investors, customers, employees and the public have in us.

The German Corporate Governance Code. Corporate governance is the term used to designate the framework of rules applied to manage and monitor companies. It is generally understood that the Code sets out a framework within which executive and supervisory boards can ensure a company's subsistence and long-term value creation in line with the principles of the social market economy. Recommendations and suggestions for achieving this goal in managing and monitoring companies are included in the German Corporate Governance Code (GCGC). The object of the Code, which we observe, is to strengthen the trust of investors, customers, employees and the public in German listed companies. It is prepared by the Government Commission of the German Corporate Governance Code, which published the first version of the Code in February 2002. Since then, the Commission has reviewed the Code every year against the backdrop of national and international developments, adapting it where necessary. Last year, the Commission did not change the substance of the Code, merely introducing a few clarifications. The current version of the Code was published in the electronic version of the German Federal Gazette on 30 September 2014.

Compensation report. Item 4.2.5, Para. 3 of the GCGC recommends that from the financial year that just ended onwards, and for each Executive Board member, the compensation report present:

- the benefits granted for the year under review including fringe benefits, and including the maximum and minimum achievable compensation for variable compensation components;
- the allocation of fixed compensation, short-term variable compensation and long-term variable compensation in/for the year under review, broken down into the relevant reference years;
- for pension provisions and other retirement benefits, the service cost in/for the year under review.

The model tables provided in the appendix to the Code should be used to present this information. The supplements to the Code made in 2014 specify which compensation-related information is recommended for the tables, how it should be interpreted and how it should be presented. RWE already followed the recommendation pursuant to Item 4.2.5, Para. 3 of the GCGC in the compensation report for fiscal 2013 and has also followed it in the report for 2014 (see pages 98 et seqq.).

Achieving the diversity goals. According to Item 5.4.1 of the GCGC, supervisory boards must not only define specific objectives regarding their composition, but also provide in the corporate governance report information on the goals and the degree to which they have been achieved. In December 2011, RWE AG approved a list of requirements that have to be met by the members of the Supervisory Board and in particular established social diversity goals (see pages 106 et seq. of the 2011 Annual Report). For example, it was determined that the proportion of women on the Supervisory Board should rise to 20% over the medium term. It is currently at 15%. In 2014, two seats of the employee representatives on the Supervisory Board were restaffed, which did not affect the degree to which our diversity goals had been achieved as reported previously.

In November 2014, the governing coalition agreed in Berlin that, from 2016 onwards, the new supervisory board elections of companies listed on the stock exchange and of companies fully subject to co-determination regulations should result in a quota of at least 30% of the less represented gender. A corresponding bill was passed by the German Cabinet on 11 December 2014. In view of the anticipated new statutory regulations, the Supervisory Board of RWE AG passed a resolution in its meeting on 4 March 2015 to raise the target quota for women on the Supervisory Board to 30%.

Directors' dealings and potential conflicts of interest. Transparency is a core element of good corporate governance. It is indispensable, especially in cases where transactions concluded by the Executive Board may lead to conflicts of interest. None of the members of the Executive or Supervisory Board notified us of such conflicts of interest. Furthermore, no Supervisory Board members concluded a contract with RWE AG.

Executive and Supervisory Board members are obliged to inform us if they buy or sell RWE shares. In 2014, we were only notified of purchases. As set out on page 111 of the 2013 Annual Report, the members of the Supervisory Board imposed on themselves the obligation to spend 25% of the fixed compensation promised (unless it is relinquished) to buy RWE shares and to hold these shares for the duration of their membership of the Supervisory Board. This explains why the share purchases by these individuals have risen significantly.

All of the share transactions concluded by Executive and Supervisory Board members that were reported to us were announced in notifications pursuant to Section 15a of the German Securities Trading Act. We published information on them throughout Europe. The RWE shares and related financial instruments directly or indirectly held by members of the Executive and Supervisory Boards account for less than 1% of the share capital.

Further information. We publish further information on our corporate governance practices on the internet at **www.rwe.com/ir**. This web page also provides access to our Articles of Incorporation, the bylaws of the Supervisory Board and the Executive Board, RWE's Code of Conduct, all the corporate governance reports and statements of compliance as well as the corporate governance declaration in accordance with Sec. 289a of the German Commercial Code.

Our listed Group company Lechwerke AG is also putting the GCGC into practice. The specifics of membership in the Group must be taken into account in this context. Lechwerke AG has included information on the deviations from the Code's recommendations in its statement of compliance.

Statement of compliance in accordance with Sec. 161 of the German Stock Corporation Act. After an orderly audit, the Executive Board and the Supervisory Board of RWE Aktiengesellschaft issued the following declaration of compliance:

Since the last statement of compliance, which was made on 25 February 2014, RWE Aktiengesellschaft has fully complied with the recommendations of the Government Commission of the German Corporate Governance Code in the 10 June 2013 and 24 June 2014 versions of the Code published by the German Federal Ministry of Justice in the official section of the German Federal Gazette.

RWE Aktiengesellschaft

On behalf of the Supervisory Board

Dr. Manfred Schneider

On behalf of the Executive Board

Peter Terium

Dr. Rolf Martin Schmitz

Essen, 4 March 2015

2.3 COMPENSATION REPORT

The transparent reporting of supervisory and management board compensation is a key element of good corporate governance. In this chapter, we have provided some information on the principles of RWE AG's remuneration system as well as its structure and benefits. The 2014 compensation report adheres to all statutory regulations and is fully compliant with the recommendations of the German Corporate Governance Code. It is part of the combined review of operations.

Structure of Supervisory Board compensation

The remuneration of the Supervisory Board is governed by the provisions of the Articles of Incorporation of RWE AG, which were amended per a resolution passed by the Annual General Meeting on 18 April 2013. Since then, the Articles of Incorporation have stated that compensation be purely fixed. We provided information on the compensation system valid until then and on the reasons for the switch to the new system on page 114 of the 2013 Annual Report.

The Chairman and the Deputy Chairman of the Supervisory Board receive **fixed compensation** of €300,000 and €200,000 per fiscal year, respectively. The remuneration of the other members of the Supervisory Board consists of fixed compensation of €100,000 per fiscal year and an additional **remuneration for committee mandates** according to the following rules.

The members of the Audit Committee receive an additional remuneration of €40,000. This supplementary 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.

When the new compensation system was adopted in fiscal 2013, the members of the Supervisory Board imposed on themselves the obligation, subject to any obligations to relinquish any portion of 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. All of the members of the Supervisory Board met this self-imposed obligation in the 2014 financial year.

Level of Supervisory Board compensation

In total, the emoluments of the Supervisory Board (including compensation for committee mandates) amounted to €2,729,000 in fiscal 2014 (previous year: €2,466,000). Of this sum, €428,000 (previous year: €434,000) was remuneration paid for mandates on committees of the Supervisory Board. Added to this is the remuneration for mandates at subsidiaries of €217,000 (previous year: €167,000) and the €120,000 (previous year: €71,000) paid to reimburse out-of-pocket expenses (including value-added tax). Total compensation amounted to €3,066,000 (prior year: €2,704,000).

The total remuneration of all who have served on the Supervisory Board in 2013 and 2014 and the compensation included for mandates exercised on Supervisory Board committees is shown in the following table.

Total Supervisory Board compensation[1]	Fixed compensation		Compensation for committee offices		Total compensation[5]	
€ '000	2014	2013[6]	2014	2013[6]	2014	2013[6]
Dr. Manfred Schneider, Chairman	300	265	–	–	300	265
Frank Bsirske, Deputy Chairman	200	177	–	–	200	177
Dr. Paul Achleitner (until 18 Apr 2013)	–	18	–	9	–	27
Werner Bischoff (until 30 Jun 2014)	50	89	20	37	69	126
Carl-Ludwig von Boehm-Bezing (until 18 Apr 2013)	–	18	–	18	–	36
Reiner Böhle	100	88	20	23	120	111
Dr. Werner Brandt (since 18 Apr 2013)	100	71	80	56	180	127
Dieter Faust	100	89	40	37	140	126
Roger Graef	100	88	–	–	100	88
Arno Hahn	100	89	40	37	140	126
Manfred Holz	100	88	20	23	120	111
Prof. Dr. Hans-Peter Keitel (since 18 Apr 2013)	100	70	20	14	120	84
Frithjof Kühn	100	88	20	23	120	111
Hans Peter Lafos	100	88	–	–	100	88
Christine Merkamp	100	88	–	–	100	88
Dagmar Mühlenfeld	100	88	20	23	120	111
Dagmar Schmeer[2]	100	88	14	23	114	111
Prof. Dr.-Ing. Ekkehard D. Schulz	100	89	40	37	140	126
Dr. Wolfgang Schüssel	100	88	20	14	120	102
Ullrich Sierau	100	89	40	37	140	126
Ralf Sikorski (since 1 Jul 2014)[3]	50	–	16	–	67	–
Manfred Weber (until 30 Jun 2014)	50	88	10	23	60	111
Dr. Dieter Zetsche	100	88	–	–	100	88
Leonhard Zubrowski (since 1 Jul 2014)[4]	50	–	8	–	59	–
Total[5]	**2,300**	**2,032**	**428**	**434**	**2,729**	**2,466**

1 Supervisory Board members who joined or retired from the corporate body during the year receive prorated compensation.
2 Member of the Executive Committee of the Supervisory Board until 9 September 2014.
3 Member of the Audit Committee since 6 August 2014.
4 Member of the Executive Committee since 6 August 2014.
5 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.
6 Compensation was in part based on the old compensation system including fixed and variable components (see pages 114 et seqq. of the 2013 Annual Report).

Structure of Executive Board compensation

Compensation system in line with the market. The structure and level of Executive Board member remuneration are determined by the Supervisory Board of RWE AG and reviewed on a regular basis. The existing compensation system, which was approved with a large majority vote by the Annual General Meeting, ensures that the structure and level of Executive Board member compensation is in line with common practice within the Group and on the market. It takes into account not only personal performance, but also RWE's business situation and prospects for the future.

Non-performance and performance-based components. The remuneration of the Executive Board is made up of non-performance and performance-based components. The former consist of the fixed salary and pension instalments as well as compensation in kind and other emoluments. The latter relate to the bonus, share-based payments in accordance with the Long-Term Incentive Plan Beat 2010 and the new Mid-Term Incentive Plan to reduce the leverage factor. The aforementioned components are described in more detail below.

Non-performance-based compensation:

- **Fixed compensation and pension instalments.** All Executive Board members are paid a fixed salary. Peter Terium, Dr. Bernhard Günther and Uwe Tigges receive a pension instalment for every year of service as a second fixed remuneration component. The pension instalment is 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. 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. A reinsurance policy is concluded to finance the pension commitment. The amassed capital may be drawn upon on retirement in the form of a one-off payment or in a maximum of nine instalments, but not before the Executive Board member turns 60. The three aforementioned Executive Board members and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities remain unaffected by this.
- **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 development of RWE and the degree to which they achieve their goals individually. Since 2013, the bonus has been calculated applying the method described below. The starting point is what is referred to as the company bonus. Its level is determined based on the degree to which the target for the consolidated operating result is achieved. This target is set at the beginning of every fiscal year and was €3,879 million for 2014. If the actual and target figure are a perfect match, the degree of achievement is 100%. In this case, the bonus paid equals the budgeted sum (baseline bonus amount). Depending on the level of the operating result, the 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. The performance factor may be between 0.8 and 1.2, 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. At the end of the fiscal year, the Supervisory Board assesses the degree to which the Executive Board member has achieved his or her individual goals and determines the performance factor accordingly.
- **Bonus retention.** RWE pays only 75% of the bonus directly to the members of the Executive Board. The remaining 25% is withheld for a period of three years (bonus retention). A review based on what is termed a 'bonus malus factor' is conducted by the Supervisory Board at the end of the three-year period, in order to determine whether the Executive Board has managed the company sustainably. Only if this applies is the retained bonus paid.

  A 45% share of the bonus malus factor is based on the company's economic success, which is measured based on the development of the Group's operating result. A further

45% of the bonus malus factor is determined on the basis of a company-specific Corporate Responsibility (CR) Index, which builds on the sustainability reporting that has been a fixture at RWE for many years and reflects the company's environmental and social activity. The remaining 10% is determined by a Group-specific Motivation Index, which measures employee commitment and satisfaction based on anonymous surveys.

Before the three-year period, the Supervisory Board establishes binding target figures for the operating result, the CR Index, and the Motivation Index. At the end of the period, these target figures are compared to the figures actually achieved. The better the latter, the higher the bonus malus factor, which may vary between 0% and 150%.

- **Share-based payment.** Apart from the bonus retention, the second performance-based compensation component with a long-term incentive is 'performance shares' as part of the Beat 2010 long-term incentive plan ('Beat' for short). Beat aims to reward 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 waiting 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 waiting period. When performance is measured, the peer group companies are given the same weighting as they had at the inception of the corresponding Beat tranche. If RWE outperforms 25% of the index weighting, 7.5% of the performance shares mature. The proportion of performance shares that mature increases by 1.5% for every further percentage point by which the index weighting is exceeded.

  Payment is 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 is limited to one-and-a-half times the value of the performance shares at grant. Executive Board members may participate in Beat on condition that they invest in RWE common shares a sum which is equal to one-third of the value of the grant after taxes. The shares must be held for the respective Beat tranche's entire waiting period.

- **Mid-Term Incentive Plan.** At its meeting on 25 February 2014, the Supervisory Board decided to introduce a Mid-Term Incentive Plan (MTIP) for the period from 2014 to 2016. The key performance indicator on which the MTIP is based is RWE's leverage factor, which is the ratio of net debt to EBITDA. The plan is 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 flanks the Long-Term Incentive Plan Beat 2010, the budget of which has been cut in half for the years affected. The other half is covered by the MTIP grant budget. The goal of this plan is to reduce the leverage factor from 3.5 at the end of 2013 to 3.0 at the end of 2016. If this requirement is fully satisfied, the members of the Executive Board are paid 100% of the budgeted allocation. If the leverage factor is reduced even further, the payout rises linearly to a maximum of 150% of the budgeted allocation. This upper limit corresponds to a factor of 2.7. The payment is reduced if the factor exceeds the 3.0 target. If the leverage factor is 3.3, the members of the Executive Board receive 50% of the budgeted allocation. If it is higher, no payment is made.

Compensation for exercising mandates. Members of the RWE AG Executive Board are paid for exercising supervisory board mandates at affiliates. This income is deducted from the bonus and therefore does not increase the total remuneration.

Shares of total compensation accounted for by the individual components. Assuming that both the company and the members of the Executive Board fully achieve their performance targets for the current fiscal year, the compensation structure roughly breaks down as follows: the non-performance-based components, i.e. the base salary, pension instalment, non-cash remuneration and other emoluments, make up about 29% of total compensation. Approximately 22% is allocable to short-term variable remuneration, i.e. the bonus paid directly. Together, the medium and long-term components, i.e. the bonus retention, Beat and MTIP, account for 49% of total compensation.

Employment termination benefits. Under certain conditions, Executive Board members also receive benefits from RWE when they retire from the Board. For Executive Board members appointed before 1 January 2011 and who are therefore not entitled to the pension instalment, these benefits may serve as a pension. Alternatively, these benefits may be triggered by a change of control.

Former 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. Dr. Rolf Martin Schmitz is the corporate body's only current member to whom such a commitment has been made. This commitment will remain unchanged and 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, their surviving dependants are entitled to the benefits. The amount of qualifying income and the level of benefits determined by the duration of service are taken as a basis for each member's individual pension and surviving dependants' benefits.

Change of control. Executive Board members have a special right of termination in the event that shareholders or third parties take control of the company. In such cases, they have the right to retire from the Executive Board and to request that their employment contract be terminated in combination with a one-off payment within six months from the day on which the change of control becomes known. To the extent necessary to ensure the company's wellbeing, however, the Supervisory Board can demand that the Executive Board member remain in office until the end of the six-month period. 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.

On termination of their employment contracts due to a change of control, Executive Board members receive a one-off payment equalling the compensation due until their contract expires: this amount shall not be more than three times their total contractual annual compensation and shall not be less than twice their total contractual annual compensation. Furthermore, in the event of a change of control, all performance shares lapse. A compensatory payment is made instead. Its level is based on the price paid for RWE shares to acquire the company, multiplied by the number of performance shares held when the change of control takes place.

Performance shares shall also expire in the event of a merger with another company. In this case, the compensatory payment shall be calculated based on the expected value of the performance shares at the time of the merger. This expected value shall be multiplied by the number of performance shares granted, prorated up to the date of the merger.

In the event of a change of control, the Executive Board's retained bonuses are valued early and, if applicable, paid out. The amount shall be in line with the average bonus malus factor for the three preceding years.

Severance cap. If an Executive Board mandate is otherwise terminated early without due cause, Executive Board members shall receive 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.

Level of Executive Board compensation

Total compensation for fiscal 2014. Calculated in accordance with German commercial law, the Executive Board of RWE AG received a total of €10,837,000 in compensation for fiscal 2014. In the prior year, this figure stood at €13,338,000, including the remuneration paid and the compensatory payments made to Dr. Leonhard Birnbaum and Alwin Fitting, who stepped down from the Executive Board in 2013. As regards the emoluments of the individuals mentioned above, we refer to the statements made on pages 120 et seqq. of the 2013 Annual Report.

Level of the individual compensation components. Non-performance-based components amounted to €4,946,000 (previous year: €5,096,000). This included pension instalments of €480,000 for Peter Terium (previous year: €480,000), of €255,000 for Dr. Bernhard Günther (previous year: €255,000) and of €255,000 for Uwe Tigges (previous year: €195,000). Dr. Bernhard Günther turned his instalment into a pension commitment of equal value through a gross compensation conversion.

Performance-based components totalled €5,891,000 (previous year: €8,242,000), of which €3,892,000 was attributable to the bonus for fiscal 2014 paid directly.

In addition, the Executive Board was granted performance shares with a value at issue of €1,750,000 (50% of the previous year's grant) under Beat (2014 tranche).

Voluntary renouncement. The Executive Board of RWE AG renounced a portion of its compensation for the 2014 financial year. In so doing, the members of the Executive Board are making a personal contribution to RWE's ongoing cost-cutting measures. The four Executive Board members renounced a total one-off sum of €500,000. The amount will be deducted pro-rata from the bonus of the Executive Board members for fiscal 2014.

Bonus retention. The following is an overview of the payment of the bonus retained for 2011, broken down by individual. Peter Terium and Dr. Rolf Martin Schmitz were the only current Executive Board members affected by the retention for 2011. The overview also shows the bonuses retained for the 2012 to 2014 fiscal years.

Bonus retention				Bonus malus factor		Payment in fiscal
€ '000	2014	2013	2012	2011		2015
Peter Terium	515	444	368	82	76.5%	62
Dr. Rolf Martin Schmitz	343	296	295	245	76.5%	187
Dr. Bernhard Günther	272	234	97	–	–	–
Uwe Tigges	272	177	–	–	–	–
Dr. Leonhard Birnbaum (until 22 Mar 2013)	–	61	268	245	76.5%	187
Alwin Fitting (until 31 Mar 2013)	–	61	269	259	76.5%	198
Total	**1,402**	**1,273**	**1,297**	**831**	**–**	**634**

No payments were made based on the Beat programme in the year being reviewed. The waiting period for the 2011 tranche for Executive Board members ended on 31 December 2014. The tranche was not payable by then and therefore lapsed.

The following is an overview of the value of the performance shares allocated to members of the Executive Board in fiscal 2014 and the level of the grant to them under the Mid-Term Incentive Plan for the period from 2014 to 2016. Unlike the Beat share-based payments, pursuant to German commercial law, bonus retentions and MTIP grants are included in total compensation only once the respective payment conditions are met.

Long-term incentive payment	Beat 2010 2013 tranche	Beat 2010 2014 tranche		MTIP 2014 to 2016
	Allocation value at grant in € '000	Number of performance shares	Allocation value[1] at grant in € '000	Accumulated allocation[2] for a 3-year grant value in € '000
Peter Terium	1,250	84,005	625	1,875
Dr. Rolf Martin Schmitz	750	50,403	375	1,125
Dr. Bernhard Günther	750	50,403	375	1,125
Uwe Tigges	750	50,403	375	1,125
Total	**3,500**	**235,214**	**1,750**	**5,250**

1 Allocation for 2014 at a reduced level of 50% of the individual allocation in 2013; allocation also reduced in 2015 and 2016.
2 One-time allocation in 2014 for a period of three years.

The following table shows the provisions covering obligations from the ongoing Beat tranches which have been accrued or reversed.

Addition to provisions for long-term incentive share-based payments 2011/2012/2013/2014 tranches	2014 € '000	2013 € '000
Peter Terium	–75	311
Dr. Rolf Martin Schmitz	–105	25
Dr. Bernhard Günther	13	98
Uwe Tigges	49	108
Dr. Leonhard Birnbaum (until 22 Mar 2013)	–	–59
Alwin Fitting (until 31 Mar 2013)	–	–56
Total	**–118**	**427**

The service cost of pension commitments to Dr. Rolf Martin Schmitz which was not classified as compensation according to German commercial law totalled €475,000 in 2014, as opposed to €472,000 in the previous year (see the section entitled 'Former pension scheme' on page 102). At the end of the year, the present value of the defined benefit obligation was €11,900,000 (previous year: €9,200,000). The value of pensions according to the German Commercial Code amounted to €8,055,000 (previous year: €7,320,000). The corresponding addition totalled €735,000 (previous year: €681,000).

Based on compensation qualifying for pensions as of 31 December 2014, Dr. Rolf Martin Schmitz's projected pension on reaching the company's age limit amounts to €484,000 (previous year: €484,000). This includes pensions due from former employers.

Emoluments of former Executive Board members. In 2014, the emoluments of former members of the Executive Board and their surviving dependants amounted to €12,493,000 (previous year: €12,200,000). As of 31 December 2014, €171,481,000 (previous year: €154,472,000) had been set aside for the vested pension benefits of this group of people.

Recommendations of the German Corporate Governance Code

According to the version of the German Corporate Governance Code published on 30 September 2014, the total remuneration of management board members comprises the monetary compensation elements, pension awards, other awards (especially in the event of termination of activity), fringe benefits of all kinds and benefits by third parties which were promised or granted 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. The Code's sample tables were already used in the 2013 Annual Report. The commentary on the sample tables was supplemented and specified in detail in the version of the Code that was published on 30 September 2014.

These recommendations, especially those regarding the presentation of deferrals of one-year compensation elements, were followed. The following tables, which have been taken from the 30 September 2014 version of the Code, therefore deviate slightly in structure and content from the tables published for the prior year, in order to comply with the current requirements of the Code.

The following tables show the benefits granted to the members of the Executive Board of RWE AG for 2014 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.

Benefits granted	Peter Terium Chief Executive Officer				Dr. Rolf Martin Schmitz Deputy Chairman of the Executive Board			
€ '000	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
Fixed compensation	1,400	1,400	1,400	1,400	960	960	960	960
Pension payments	480	480	480	480	–	–	–	–
Fringe benefits	24	45	45	45	11	11	11	11
Total	**1,904**	**1,925**	**1,925**	**1,925**	**971**	**971**	**971**	**971**
One-year variable remuneration								
Bonus	1,350	1,350	0	2,430	900	900	0	1,620
Multi-year variable compensation								
Provision for the bonus in 2014 (term: 2015–2017)	–	450	0	675	–	300	0	450
Provision for the bonus in 2013 (term: 2014–2016)	450	–	–	–	300	–	–	–
LTIP Beat 2014 tranche (term: 2014–2017)	–	625	0	938	–	375	0	563
LTIP Beat 2013 tranche (term: 2013–2016)	1,250	–	–	–	750	–	–	–
MTIP (term: 2014–2016)	–	1,875	0	2,813	–	1,125	0	1,688
Total	**3,050**	**4,300**	**0**	**6,856**	**1,950**	**2,700**	**0**	**4,321**
Service cost	–	–	–	–	472	475	–	–
Total compensation	**4,954**	**6,225**	**1,925**	**8,781**	**3,393**	**4,146**	**971**	**5,292**

Benefits granted	Dr. Bernhard Günther Chief Financial Officer				Uwe Tigges Chief HR Officer/Labour Director			
€ '000	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
Fixed compensation	750	750	750	750	580	750	750	750
Pension payments	255	255	255	255	195	255	255	255
Fringe benefits	23	23	23	23	17	17	17	17
Total	**1,028**	**1,028**	**1,028**	**1,028**	**792**	**1,022**	**1,022**	**1,022**
One-year variable remuneration								
Bonus	713	713	0	1,283	540	713	0	1,283
Multi-year variable compensation								
Provision for the bonus in 2014 (term: 2015–2017)	–	237	0	356	–	237	0	356
Provision for the bonus in 2013 (term: 2014–2016)	237	–	–	–	180	–	–	–
LTIP Beat 2014 tranche (term: 2014–2017)	–	375	0	563	–	375	0	563
LTIP Beat 2013 tranche (term: 2013–2016)	750	–	–	–	750	–	–	–
MTIP (term: 2014–2016)	–	1,125	0	1,688	–	1,125	0	1,688
Total	**1,700**	**2,450**	**0**	**3,890**	**1,470**	**2,450**	**0**	**3,890**
Service cost	–	–	–	–	–	–	–	–
Total compensation	**2,728**	**3,478**	**1,028**	**4,918**	**2,262**	**3,472**	**1,022**	**4,912**

Allocation	Peter Terium Chief Executive Officer		Dr. Rolf Martin Schmitz Deputy Chairman of the Executive Board		Dr. Bernhard Günther Chief Financial Officer		Uwe Tigges Chief HR Officer/ Labour Director	
€ '000	2013	2014	2013	2014	2013	2014	2013	2014
Fixed compensation	1,400	1,400	960	960	750	750	580	750
Pension payments	480	480	–	–	255	255	195	255
Fringe benefits	24	45	11	11	23	23	17	17
Total	**1,904**	**1,925**	**971**	**971**	**1,028**	**1,028**	**792**	**1,022**
One-year variable compensation								
Bonus	1,331	1,465	887	860	702	772	532	795
Voluntary sum relinquished	–	–180	–	–120	–	–100	–	–100
Multi-year variable compensation								
Provision for the bonus in 2011 (term: 2012–2014)	–	62	–	187	–	–	–	–
Provision for the bonus in 2010 (term: 2011–2013)	–	–	291	–	–	–	–	–
LTIP Beat 2011 tranche (term: 2011–2014)	–	0	–	0	–	0	–	0
LTIP Beat 2010 tranche (term: 2010–2013)	0	–	0	–	0	–	0	–
MTIP	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total	**1,331**	**1,347**	**1,178**	**927**	**702**	**672**	**532**	**695**
Service cost	–	–	472	475	–	–	–	–
Total compensation	**3,235**	**3,272**	**2,621**	**2,373**	**1,730**	**1,700**	**1,324**	**1,717**

2.4 WORKFORCE

The energy sector is changing fundamentally, and so is RWE. This applies not only to our business model, but also to our corporate culture, which we want to be characterised by flexibility and courage as well as the willingness to embrace the new. With our groupwide information and motivation campaign 'We are RWE,' we intend to kindle the enthusiasm of our 60,000 employees for this new culture. The organisation of our personnel work has also been adapted to the new challenges. As a result of the bundling of tasks and the improved co-ordination of our personnel planning, we will become more flexible and leverage substantial synergies.

Cultural change at RWE. The structural change in the energy sector is calling traditional business models into question. More than ever, utilities are being assessed based on how flexible and innovative they are. This does not mean that we must discard everything that made us strong in the past, but we must go down new roads. This holds true primarily for the strategic orientation of the company: we are transforming ourselves from a pure generation, distribution and supply company to a 'system organiser' which co-ordinates the new energy world on the basis of renewable, decentralised energy and connects it to elements of conventional energy supply. This also affects RWE's corporate culture. We need employees who can draw on their creativity and initiative to improve products and processes, who help the company progress with their ideas, and who do not wait for signals from management to act. This requires our employees to be flexible, open-minded and courageous, to be familiar with the strategic goals pursued by RWE and to know how they can contribute to achieving them. But how can 60,000 employees throughout the whole of Europe be inspired to make such changes? An answer to this question can be found in our information campaign 'We are RWE,' which will cascade throughout the Group to all of the levels in the company. The idea is a brainchild of the Executive Board, which determined the main contents and initiatives of the change process together with a small team of top managers. In the summer, this was followed by an in-depth exchange of ideas with executives from all divisions. The kick-off event for 'We are RWE' took place in the autumn with a two-day workshop in which 1,700 of our executives participated. They were given a clear task: spearhead the change and pass on their knowledge of the targeted goals, values and behaviour to the entire staff, be it people working for example in Germany, the United Kingdom or Poland, in the power stations, grid control or the customer service centres. It is now up to the managers to engage in dialogue with their teams and lead them along the course that has been charted, unleashing new strengths along the way.

Managing employees more effectively. Whereas energy supply is becoming increasingly decentralised, the operational and organisational structure of our company could be made much more efficient by centralising it. This also applies to our HR management. Our Group companies used to manage their personnel affairs independently. While this has its advantages, it is not always the best solution, for example when various IT systems are used for payroll accounting or when there are various sets of rules for one and the same subject matter. Human resources planning is also more efficient when it takes into account the entire Group. Should it for instance emerge that a subsidiary has a need for more engineers and another require fewer, costs otherwise incurred if we have to lay off staff and hire external candidates can be avoided through co-ordination. We began reorganising our personnel activities in 2013 by reducing the administrative workload of RWE companies that is not necessary to run their core business. We are singling out similar administrative tasks such as contract and payroll management and pooling them in a Shared Service Centre assigned to RWE Group Business Services, our new company for internal services. It has become the new home of our employment lawyers, personnel developers and other highly qualified HR professionals. Specialists remaining in the Group companies are those who advise management and employees, plan manpower requirements, fill vacancies and implement groupwide policies (e.g. regarding compensation or staff development). We have always established the strategic priorities and guidelines for RWE's personnel work centrally, but going forward we will orient ourselves even more towards the current and future business of our companies.

Internal job market with personalised consulting. Due to the dramatic structural change of the energy sector, in the future many RWE companies will have to make do with much less manpower, above all in conventional electricity generation. However, the energy sector also has areas in which growth is possible, for which we need specially qualified personnel. To match supply and demand within the Group more quickly and effectively, we created the internal job market 'SWITCH' in 2014. SWITCH caters not just to employees whose positions become redundant as the Group realigns itself, but also to anyone seeking to diversify or advance their career, as well as young adults who have just finished their apprenticeship or trainee programme at RWE. Personnel advisers assist them in their professional orientation. Together with the people they advise, they explore employment possibilities and their need for training, organise job application training sessions and help them to settle into their new position. However, SWITCH is more than that. For example, the SWITCH Force is an internal temp pool from which we can recruit skilled professionals throughout the company for interim assignments and projects. This gives our employees multi-faceted employment prospects while increasing our entrepreneurial flexibility.

Recruiting young professionals. One of the main aspects of our HR activity is to attract young talent to RWE. We recruit most of our budding professionals by offering them apprenticeships. In addition to the standard subject matter included in the apprenticeships, they can benefit from a number of ways to obtain additional qualifications, for example by participating in ambitious projects. We also enable and support the combination of an apprenticeship and a course of study in various subjects. Some 2,500 young adults are currently learning one of more than 30 professions at RWE. We thus offer more apprenticeships than we need to cover our own needs. Our apprentices are also recruited through our entry qualification programme called 'I can do it!,' which celebrated its tenth anniversary in 2014. Via this initiative, we assist young adults who have difficulties in finding an apprenticeship. Every year, we make about 100 participants fit for the labour market through technical and craftsman projects as well as job application training classes. The promotion scheme lasts a maximum of one year, and it has been a success: over 80% of the more than 1,000 participants so far have found an apprenticeship on completion of the programme.

Diversity makes us strong. A careful look around the RWE organisation reveals how diverse its employees are in terms of gender, age, origin, religion and much more. Studies prove that companies which do a good job of handling this diversity can turn it into a commercial advantage, as they are more creative, benefit from an improved image and have a higher level of employee satisfaction. We, too, want to seize the opportunities offered by diversity, through our groupwide diversity management. Among the issues that are especially important to us is the promotion of women. By the end of 2014, women accounted for 26.6% of our workforce. In the last five years, their share of executive positions has risen from 9.0% to 14.3%. We intend to increase this quota further. Moreover, we advocate a greater representation of women on the supervisory boards of our Group companies. At the end of 2013, we launched a programme designed specifically for this purpose, which is flanked by 'FidAR,' the non-profit initiative for putting women on supervisory boards. Training sessions were held during a pilot phase to prepare eleven female employees to become supervisory board members. They completed the advanced training programme in the middle of 2014. Their positive feedback encouraged us to offer a second training programme in the same year, with another 13 female employees. By the end of last year, nine of the 24 participants had already taken on positions as supervisory board members at RWE Group companies. In addition to the advancement of women, we provide support in a number of other areas such as the promotion of cultural awareness, the integration of people with disabilities, and mobility across countries. Since 2014, we have been receiving the support of a group of RWE employees who are diversity ambassadors and advise our Group companies with respect to diversity measures.

2.5 SUSTAINABILITY

To be successful in the long run, we need society's acceptance – from policymakers, associations and employees to environmental organisations. Our dialogue with these stakeholder groups has enabled us to define ten action fields of central importance to RWE in terms of sustainability. We are pursuing concrete, measurable goals in each of these action fields. In addition, part of our Executive Board's compensation depends on whether and to what degree these goals are achieved.

Ten fields of sustainable action. Our goals and measures in the field of corporate responsibility (CR) are derived from the expectations that the public has of us. To better assess these expectations, we are in constant dialogue with our stakeholder groups. These are primarily representatives of shareholders, employees, politicians and associations as well as non-governmental organisations and resident groups. Based on this dialogue, we defined ten fields of action in 2007, in which we believe the major challenges for RWE lie. Since then, we have regularly reviewed the selection and scope of the action fields and adapted them to changes in our organisation and in our social environment. Such adjustments were also made in 2014. We expanded the scope of the 'customer trust' action field and renamed it 'market/customer.' This was done in light of the fact that our stakeholders expect us to develop new business models and products, which improve the prospects of success of the transformation of the energy system in both economic and technical terms. We have established goals for each of the ten action fields, the achievement of which we measure based on key performance indicators. This gives our sustainability strategy a binding character. Moreover, this makes our performance and progress both transparent and measurable. One way in which this is achieved is by linking the degree to which our CR goals are achieved directly to the compensation of the Executive Board of RWE AG (see pages 100 et seq.).

In the following passages, we will present our goals and measures in the ten CR action fields and demonstrate the key performance indicators we use to gauge our success. Further information can be found in the 'Our Responsibility' report, which can be accessed on the internet at **www.rwe.com/cr-report**. The new report will be released in April 2015.

(1) Climate protection. Society expects us to provide solutions for protecting the climate. In past years, we have invested billions of euros in new cutting-edge gas and coal-fired power plants, which emit less carbon dioxide than old stations and replace some of them. As set out on page 37, we commissioned three state-of-the-art hard coal units under our new-build power plant programme last year. Their efficiency of 46% ranks them among the stations of their type with the highest efficiency and lowest emissions.
The second pillar of our climate protection strategy is the expansion of renewable energy. In the past year alone, we enlarged our generation portfolio by adding plants with a total of approximately 320 MW of installed capacity. By shifting our electricity production to modern power stations and renewable energy sources, we want to reduce our carbon emissions considerably. Our goal is to lower them to 0.62 metric tons per megawatt hour (MWh) of electricity by 2020. By comparison, we emitted 0.745 metric tons per MWh in 2014.

(2) Energy efficiency. By modernising our power plants, we are not only protecting the climate, but also conserving finite resources such as coal and gas, as our new stations have a higher degree of energy utilisation (the amount of electricity and useful heat generated per unit of primary energy). In 2014, the average degree of energy utilisation of our fossil fuel-fired power stations was 40.4%, compared to 40.5% in the preceding year. The slight decline is due to the fact that our German power plants have to adjust their loads to fluctuating amounts of wind and solar power being put on the system more frequently now, which has made their operation less efficient. Our objective for 2017 is to keep the degree of energy utilisation from falling below 40.1%. Energy efficiency is also one of our top priorities when it comes to operating electricity and gas networks. In addition, for many years we have been working to reduce the energy consumption of our vehicle fleet and buildings. Moreover, we help households to make more efficient use of electricity and gas. We also offer our expertise in the field of energy efficiency to commercial and industrial enterprises.

For example, we can plan, build and operate new combined heat and power (CHP) systems for those needing significant amounts of electricity and heat. We even handle the financing if they wish. This enables our customers to benefit from the advantages of combined electricity and heat supply without having to deal with the technology themselves.

(3) Biodiversity/environmental protection. Our opencast lignite mines, power stations and networks all affect nature and landscapes. Therefore, protecting and restoring ecosystems is an integral component of our business. We can look back on decades of experience in these areas. Many of our environmental protection measures are mandated by law or operating permits. Our environmental management system, which covers 99.5% of RWE's activities, helps us to satisfy environmental requirements. Many subsidiaries have been certified to the globally accepted ISO 14001 standard. Relative to the number of sites, at the end of 2014 about 56% of the Group's activities were certified.

At the end of 2013, we began co-operating with the International Union for Conservation of Nature (IUCN). Together with the IUCN, we are exploring how we can do more to protect biodiversity within the scope of our operating activities. Last year, we launched a pilot project in our Rhenish lignite mining region, with a view to exploring ways to improve the recultivation of opencast mine premises. We would like to present our approach to protecting biodiversity in a guideline and maintain dialogue with our stakeholders to develop further goals and tools for the protection of ecosystems.

Last year, we incurred €1,444 million in costs to protect the environment. Added to this were €936 million in capital expenditure, which served the same purpose. Costs and capital spending totalled €2,380 million. Most of it was dedicated to climate protection (62%), followed by waste disposal (14%) and clean air (10%). Resources used to protect the climate primarily consisted of investments in the modernisation of our power plant portfolio and the expansion of renewable energy. Expenditure in the field of waste disposal related, for example, to the dismantling of the Biblis nuclear power station. Costs to keep air clean are mainly incurred due to the operation of flue gas desulphurisation units. Most of the spending on water protection was dedicated to the purification of wastewater.

Environmental cost and capital expenditure	Cost		Capital expenditure		Total	
€ million	2014	2013	2014	2013	2014	2013
Clean air	225	222	24	51	249	273
Nature and landscape protection	62	62	32	10	94	72
Water protection	177	171	42	49	219	220
Waste disposal	324	351	3	2	327	353
Noise abatement	10	9	4	5	14	14
Brownfield sites, soil contamination	4	8	–	–	4	8
Climate protection	642	519	831	1,181	1,473	1,700
Total	**1,444**	**1,342**	**936**	**1,298**	**2,380**	**2,640**

(4) Community engagement. Energy utilities have very firm roots in the regions in which they operate. For decades, RWE has had such ties to many regions, where we are a reliable employer and principal, partner to communities, taxpayer and infrastructure provider. Our regional roots are also reflected by the charitable work done by RWE and its employees. The RWE Foundation, which we established in 1998, plays an important role in this. So far, it has primarily promoted the education, culture and social integration of children and teenagers. In light of the huge social challenges brought about by the transformation of the energy system, in the future we want to place a better understanding of energy at the centre of its activities. We will promote projects that improve the acceptance of measures taken to transform the energy system. The realignment of the Foundation's mission went hand in hand with a new approach to funding. Since July 2014, the RWE Foundation has been operating as an endowment foundation. It now finances its work using both capital gains as well as its endowment capital, which we have increased by €4 million to €60 million. Last year, the Foundation spent some €1 million to promote numerous projects. Further information can be found on the internet at **www.rwestiftung.com**.

Furthermore, we support the strong effort put in by RWE employees for social causes through the 'RWE Companius' initiative. This kind of commitment also benefits RWE, as it improves our acceptance. Once a year, we commission a market research company to conduct an opinion survey to identify how RWE is perceived by the German public when compared to major competitors. The most recent poll conducted last year confirmed that we had the second-best reputation in our peer group. In the prior year, we ranked first, a position we want to reclaim.

(5) Market/customer. In many of our supply markets, competition and customer willingness to switch providers are stronger than ever before. In addition, energy costs are making headlines, and in many countries, such as the United Kingdom, they top the political agenda. Against this backdrop, we attach great importance to our customers perceiving us as a fair and reliable energy company. We also want to convince them that we are an excellent provider of innovative products and services. One example is RWE SmartHome, our solution for a high-quality, user-friendly, secure and easy-to-operate home control system. Users can control their heating, blinds, lights and household appliances using a computer or mobile device, even when they are not at home. Besides making life more convenient, this also enables energy costs to be reduced by up to 40%. In addition to costs and ease of use, data security is key to the success of smart home solutions. Last year, the German Electrical Engineering Association (VDE) recognised RWE's home control system with the seal of quality for IT security. Another one of RWE SmartHome's standout features is its ability to be used to control distributed energy systems such as electricity storage facilities or photovoltaic plants, which we also offer our customers. This is how we help them transform their home energy system.

In Germany, we measure customer satisfaction based not only on churn, but also on a loyalty index. It builds on representative surveys of residential and commercial customers by the independent market research institute Ipsos. The index moves on a scale of 0 to 100 points. A score below 70 designates low satisfaction, with values from 70 to 79 indicating average satisfaction and 80 points or more representing high satisfaction. In the year under review, we achieved a score of 76 points. We aim to score at least 75 points in 2015.

(6) Employees. We can only succeed in contributing to the transformation of the energy system and competing for customers with qualified and motivated staff. We already take advantage of many ways to attract young talent to our company and create a working environment that meets their expectations. In addition, we do our best to retain top performers from within our own ranks. Motivation and dedication are the indicators used to measure employee satisfaction. We assess these using an employee motivation index, which is based on regular staff surveys. In the financial year under review, we achieved a score of 70.7 points after 71.1 points in the prior year. We intend to return the motivation index above 72 points by 2017.

We project our staff requirements over the long term, taking account of the effects of demographic change on various professions. One of the tools we use in this analysis is a demographic index, which measures the RWE Group's age structure. The higher the index score, the more evenly the age groups are represented in our Group companies. The best possible ranking is 100. In the financial year under review, we achieved a score of 82.8 points. The average score targeted for the period from 2015 to 2017 is 84 points.

(7) Supply chain. The situation in hard coal mines in Colombia and South Africa has repeatedly made headlines. To gain better insight into the situation, we created the 'Bettercoal' initiative with seven other European energy utilities at the beginning of 2012. Worldwide audits commissioned by Bettercoal have been conducted since 2014. Independent auditors determine the extent to which the conditions in the mines comply with the standards established in the Bettercoal Code, which was published in 2013. The Code draws from international regulations such as the requirements of the ILO and the OECD guidelines for multinational companies. The first audit was performed on a Colombian mine in 2014. Based on the results, a process to eliminate shortcomings was initiated, with clearly defined goals and deadlines. The process and progress made are supervised and monitored by Bettercoal. Bettercoal gives its member companies access to audit findings and self-assessments of mine operators via a central database. We can use this information to conduct risk audits of our business partners' activities.

Such risk assessments are standard practice when we purchase energy commodities. We also expect our suppliers of staple goods and services to comply with certain environmental and labour standards. The requirements set out in our Code of Conduct are usually integrated into the contracts we enter into with our suppliers. We aim to accomplish this for at least 98% of our purchasing volume. We have already achieved this in the last few years and intend to do so again in 2015.

(8) Occupational health and safety management. We want our employees to return home as healthy as when they arrive at work. Doing the best possible justice to this ambition is the goal of our occupational health management system. In 2012, we developed a programme at RWE Power, which contains a large number of measures, including the consideration of health matters when agreeing targets for our executives. We are currently assessing the success of the programme, so that we can decide whether to implement it in other RWE companies. Above and beyond that, in 2014 we conducted several health campaigns at our German sites. They were dedicated to the early detection of diabetes and prostate cancer and expand our stress management offerings.

The safety of work processes is also very important to RWE. We continuously refine the occupational safety systems at our sites with special programmes, resulting in a drop in accidents. This is an area in which we involve the employees of partner companies who work at RWE construction sites and plants. Our most recent focus was on raising awareness of the dangers of routine processes. An example of accident prevention in practice is the 'Safe Shift Start' process introduced in the Mátra power station at RWE East. Before each shift, workers and managers get together to make a note of the potential dangers in their working environment. This strengthens their awareness of the dangers inherent in routine tasks. In 2014, at RWE there were 2.3 accidents for every million hours worked leading to an absence of at least one day, just as in the prior year. By 2017, we intend to achieve a figure below 1.85.

(9) Security of supply. Energy – be it electricity or heat – must be available whenever it is needed. Our customers rely on us to ensure this – both today and tomorrow. The current debate on security of supply is focusing on the stability of electricity networks. We aim to keep the average annual downtime of our distribution networks in Germany below 30 minutes per customer. Based on the latest available statistics, at about 16 minutes, it was clearly below this mark in 2013. Nevertheless, we believe this goal is ambitious, because the requirements placed on the capabilities and operation of networks are rising due to the expansion of weather-dependent renewable energy and the increasing use of decentralised power generation units. By the end of 2014, more than 300,000 green energy plants (e.g. solar panels, wind turbines and biomass power stations) with a total net installed capacity of about 19.3 gigawatts (GW) were feeding electricity into our German distribution network. About 132,000 of them, accounting for a total installed capacity of some 7.3 GW, were added in the last four years alone, resulting in a substantial need for investment to safeguard security of supply. We plan to spend approximately €3.3 billion in capital to maintain and expand our electricity and gas networks from 2015 to 2017. In addition, we are involved in research ventures working on intelligent distribution networks capable of managing the fluctuating amounts of green energy feed-ins without requiring costly expansions and modifications. The goal is to adapt the distribution network so that it can react to changes and control electricity flows autonomously.
The potential for interruptions in the supply of gas is much smaller, because the network acts as a buffer. Interruptions in 2013 averaged less than one minute per customer.

(10) Innovation. Secure, affordable and environmentally friendly energy supplies are unattainable without technological progress. We are conducting around 200 research and development (R&D) projects, making our contribution to opening the door to the energy world of tomorrow. They run along RWE's entire value chain (see pages 71 et seqq.). Our measures are managed groupwide. We start by identifying the R&D areas which are strategically important to RWE. We do this at the beginning of every year. We measure our success by the degree to which we have taken specific measures in these areas and informed the public about our activities. Last year, we addressed all of the major R&D areas. Our quest for innovation relates not just to technologically-oriented R&D activity, but also to the development of new business models. To be even more successful in this area, we created the 'Innovation Hub' described in more detail on pages 73 et seq. in 2014.

RWE honoured for sustainable management. Our performance in the field of sustainable management is widely recognised. This is also the case in the capital market. In September 2014, we qualified for inclusion in the group of Dow Jones Sustainability Indexes (DJSI World) for another 12 months for the 16th straight time. RWE will therefore be included in the DJSI World and DJSI Europe Indexes for another year. Selections are made based on economic, environmental and social criteria. We are one of the few German companies to have belonged to the index family without interruption since its inception in 1999. The Dow Jones Sustainability Indexes are compiled and published by RobecoSAM in co-operation with Dow Jones Indexes.

In October 2014, this was followed by another honour. RWE was included in the Climate Performance Leadership Index of the Carbon Disclosure Project (CDP) for the first time ever. This was the result of the evaluation of the data of over 2,000 companies. RWE was one of the 187 companies to receive the top grade 'A' for excellence in climate protection, which secured them a spot in the index. CDP is a non-government organisation founded in London in 2000, which collects data on the greenhouse gas emissions and climate protection activities of private and public companies using standardised questionnaires. The survey is supported by nearly 800 institutional investors which together manage more than a third of all capital invested worldwide.

Important sustainability indicators[1]		2014	2013	2012	2011	2010
Environment						
RWE power plant portfolio						
NO_x emissions	g/kWh	0.60	0.68	0.69	0.60	0.58
SO_2 emissions	g/kWh	0.33	0.37	0.40	0.31	0.29
Particulate emissions	g/kWh	0.020	0.022	0.025	0.021	0.019
Ash	thousand mt	8,115	8,308	8,710	7,843	7,740
Gypsum	thousand mt	2,200	2,192	2,200	2,148	2,053
Primary energy consumption	billion kWh	393.4	409.6	435.7	390.6	403.0
Water consumption[2]	m^3/MWh	1.46	1.45	1.56	1.62	1.41
Scope 1 CO_2 emissions[3]	million mt	141.8	146.3	160.6	143.4	144.9
Specific CO_2 emissions	mt/MWh	0.732	0.739	0.792	0.778	0.715
Total power plant portfolio						
Scope 1 CO_2 emissions[4]	million mt	156.6	165.8	181.7	163.8	167.1
Scope 2 CO_2 emissions[5]	million mt	1.4	1.5	1.9	2.4	3.1
Scope 3 CO_2 emissions[6]	million mt	90.8	105.0	105.2	121.0	135.7
Specific CO_2 emissions	mt/MWh	0.745	0.751	0.792	0.787	0.732
Capital expenditure of the renewables division	€ million	738	1,086	1,093	891	709
Share of the Group's electricity generation accounted for by renewables	%	4.8[7]	6.3	5.5	4.3	4.0
R&D costs	€ million	110	151	150	146	149
Society						
Employees[8]		59,784	64,896	70,208	72,068	70,856
Fluctuation rate	%	14.2	11.5	10.8	10.1	8.3
Training days per employee (Germany)		3.9	4.2	4.5	4.6	4.7
Health ratio	%	95.4	95.4	95.5	95.8	95.6
Lost-time incident frequency	LTIF[9]	2.3	2.3	2.8	2.8	3.5
Fatal work-related accidents[10]		5	1	4	3	3
Corporate governance						
Share of women in the company	%	26.6	27.7	27.5	27.1	26.2
Share of women in executive positions[11]	%	14.3	13.9	12.3	11.3	10.8
Share of the RWE Group's revenue earned in countries with a high or very high risk of corruption[12]	%	10.0	13.0	13.7	12.4	12.0

1 Figures for 2013 adjusted due to the first-time application of IFRS 11. See page 41.
2 Difference between power plant water withdrawals and returns to rivers and other surface water; excluding power plants with sea water cooling.
3 Scope 1: direct CO_2 emissions from in-house sources (oil and gas production, gas transmission & electricity generation).
4 Including power stations not under RWE ownership, but that we can deploy at our discretion on the basis of long-term agreements.
5 Scope 2: indirect CO_2 emissions from the transmission and distribution of electricity purchased from third parties.
6 Scope 3: indirect CO_2 emissions that do not fall under scope 1 or 2, produced through the generation of electricity procured from third parties, the transmission and distribution of electricity in third-party networks, the production and transmission of used fuel, as well as the consumption of gas sold to customers.
7 Electricity generation based on wind (5.7 TWh), hydro (3.4 TWh) and biomass (1.0 TWh).
8 Converted to full-time positions.
9 Sum of all accidents resulting in at least one day of absence for every million hours worked. Figures for 2012 include employees of third-party companies.
10 Including employees of partner companies.
11 Encompasses the top four management levels.
12 Countries rated lower than 60 on a scale of 0 to 100 in the Corruption Perceptions Index by the anti-corruption organisation Transparency International (TI), with 100 corresponding to the lowest risk of corruption.

3 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, 20 February 2015

The Executive Board

Terium Schmitz Günther Tigges

4 CONSOLIDATED FINANCIAL STATEMENTS

4.1 INCOME STATEMENT[1]

€ million	Note	2014	2013
Revenue (including natural gas tax/electricity tax)	(1)	**48,468**	**52,425**
Natural gas tax/electricity tax	(1)	2,319	2,676
Revenue	(1)	**46,149**	**49,749**
Other operating income	(2)	2,335	2,238
Cost of materials	(3)	33,687	35,523
Staff costs	(4)	4,850	5,124
Depreciation, amortisation and impairment losses	(5), (10)	3,115	7,276
Other operating expenses	(6)	3,282	4,381
Income from investments accounted for using the equity method	(7), (13)	364	326
Other income from investments	(7)	180	–120
Financial income	(8)	917	827
Finance costs	(8)	2,765	2,732
Income from continuing operations before tax		**2,246**	**–2,016**
Taxes on income	(9)	553	739
Income from continuing operations		**1,693**	**–2,755**
Income from discontinued operations		364	312
Income		**2,057**	**–2,443**
of which: non-controlling interests		245	210
of which: RWE AG hybrid capital investors' interest		108	104
of which: net income/income attributable to RWE AG shareholders		**1,704**	**–2,757**
Basic and diluted earnings per common and preferred share in €	(28)	**2.77**	**–4.49**
of which: from continuing operations in €		2.18	–4.99
of which: from discontinued operations in €		0.59	0.50

1 Prior-year figures adjusted.

4.2 STATEMENT OF COMPREHENSIVE INCOME[1,2]

€ million	Note	2014	2013
Income		**2,057**	**–2,443**
Actuarial gains and losses of defined benefit pension plans and similar obligations		–1,253	451
Income and expenses of investments accounted for using the equity method (pro rata)	(13)	–23	–71
Income and expenses recognised in equity, not to be reclassified through profit or loss		**–1,276**	**380**
Currency translation adjustment	(22)	–23	–711
Fair valuation of financial instruments available for sale	(29)	78	37
Fair valuation of financial instruments used for hedging purposes	(29)	–410	–220
Income and expenses of investments accounted for using the equity method (pro rata)	(13), (22)	53	55
Income and expenses recognised in equity, to be reclassified through profit or loss in the future		**–302**	**–839**
Other comprehensive income		**–1,578**	**–459**
Total comprehensive income		**479**	**–2,902**
of which: attributable to RWE AG shareholders		(251)	(–3,214)
of which: attributable to RWE AG hybrid capital investors		(108)	(104)
of which: attributable to non-controlling interests		(120)	(208)

1 Figures stated after taxes.
2 Prior-year figures adjusted.

4.3 BALANCE SHEET[1]

Assets € million	Note	31 Dec 2014	31 Dec 2013	1 Jan 2013
Non-current assets				
Intangible assets	(10)	12,797	13,409	16,247
Property, plant and equipment	(11)	31,059	34,217	37,108
Investment property	(12)	83	96	111
Investments accounted for using the equity method	(13)	3,198	3,253	3,321
Other non-current financial assets	(14)	958	917	988
Financial receivables	(15)	592	506	515
Other receivables and other assets	(16)	1,374	1,072	1,519
Income tax assets		327	171	60
Deferred taxes	(17)	3,836	3,264	3,586
		54,224	**56,905**	**63,455**
Current assets				
Inventories	(18)	2,232	2,387	3,155
Financial receivables	(15)	1,843	988	1,737
Trade accounts receivable	(19)	6,512	7,964	8,045
Other receivables and other assets	(16)	8,182	6,162	6,517
Income tax assets		202	212	165
Marketable securities	(20)	4,410	2,813	2,633
Cash and cash equivalents	(21)	3,171	3,950	2,724
Assets held for sale		5,540		
		32,092	**24,476**	**24,976**
		86,316	**81,381**	**88,431**

Equity and liabilities € million	Note	31 Dec 2014	31 Dec 2013	1 Jan 2013
Equity	(22)			
RWE AG shareholders' interest		7,388	7,738	12,171
RWE AG hybrid capital investors' interest		2,705	2,701	2,702
Non-controlling interests		1,679	1,698	1,616
		11,772	**12,137**	**16,489**
Non-current liabilities				
Provisions	(24)	27,540	27,351	28,179
Financial liabilities	(25)	15,224	16,539	15,417
Other liabilities	(27)	2,695	2,234	2,715
Deferred taxes	(17)	865	1,259	1,358
		46,324	**47,383**	**47,669**
Current liabilities				
Provisions	(24)	5,504	6,389	4,811
Financial liabilities	(25)	3,342	2,149	4,529
Trade accounts payable	(26)	6,309	6,440	7,336
Income tax liabilities		69	232	136
Other liabilities	(27)	10,361	6,651	7,461
Liabilities held for sale		2,635		
		28,220	**21,861**	**24,273**
		86,316	**81,381**	**88,431**

1 Prior-year figures adjusted.

4.4 CASH FLOW STATEMENT[1]

€ million	Note (32)	2014	2013
Income from continuing operations		1,693	–2,755
Depreciation, amortisation, impairment losses/write-backs		3,083	7,311
Changes in provisions		–1,077	2,130
Changes in deferred taxes		45	121
Income from disposal of non-current assets and marketable securities		–472	–400
Other non-cash income/expenses		424	–273
Changes in working capital		1,860	–1,331
Cash flows from operating activities of continuing operations		**5,556**	**4,803**
Cash flows from operating activities of discontinued operations		812	773
Cash flows from operating activities		**6,368**	**5,576**
Intangible assets/property, plant and equipment/investment property			
Capital expenditure		–3,245	–3,843
Proceeds from disposal of assets		542	373
Acquisitions, investments			
Capital expenditure		–105	–83
Proceeds from disposal of assets/divestitures		469	1,658
Changes in marketable securities and cash investments		–1,406	210
Cash flows from investing activities (before transfer to contractual trust arrangements)		**–3,745**	**–1,685**
Transfer to contractual trust arrangements		–449	–14
Cash flows from investing activities of continuing operations (after transfer to contractual trust arrangements)		**–4,194**	**–1,699**
Cash flows from investing activities of discontinued operations		–675	–639
Cash flows from investing activities (after transfer to contractual trust arrangements)		**–4,869**	**–2,338**
Net change in equity (incl. non-controlling interests)		122	163
Dividends paid to RWE AG shareholders and non-controlling interests		–1,061	–1,611
Issuance of financial debt		643	7,454
Repayment of financial debt		–1,842	–7,863
Cash flows from financing activities of continuing operations		**–2,138**	**–1,857**
Cash flows from financing activities of discontinued operations		–62	–137
Cash flows from financing activities		**–2,200**	**–1,994**
Net cash change in cash and cash equivalents		–701	1,244
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		8	–18
Net change in cash and cash equivalents		**–693**	**1,226**
Cash and cash equivalents at beginning of the reporting period as per the consolidated balance sheet		3,950	2,724
Cash and cash equivalents at the end of the reporting period		3,257	3,950
of which: reported as "Assets held for sale"		–86	
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet		**3,171**	**3,950**

1 Prior-year figures adjusted.

4.5 STATEMENT OF CHANGES IN EQUITY[1]

Statement of changes in equity € million	Subscribed capital of RWE AG	Additional-paid-in capital of RWE AG	Retained earnings and distributable profit	Accumulated other comprehensive income			**RWE AG shareholders' interest**	RWE AG hybrid capital investors' interest	Non-controlling interests	**Total**
				Currency translation adjustments	Fair value measurement of financial instruments					
Note (22)					Available for sale	Used for hedging purposes				
Balance at 1 Jan 2013	**1,574**	**2,385**	**8,713**	**448**	**33**	**−982**	**12,171**	**2,702**	**1,616**	**16,489**
Capital repayment									−156	−156
Dividends paid[1]			−1,229				−1,229	−145	−176	−1,550
Income			−2,757				−2,757	104	210	−2,443
Other comprehensive income			325	−645	83	−220	−457		−2	−459
Total comprehensive income			−2,432	−645	83	−220	−3,214	104	208	−2,902
Other changes			10				10	40	206	256
Balance at 31 Dec 2013	**1,574**	**2,385**	**5,062**	**−197**	**116**	**−1,202**	**7,738**	**2,701**	**1,698**	**12,137**
Capital paid in									110	110
Dividends paid[1]			−615				−615	−144	−256	−1,015
Income			1,704				1,704	108	245	2,057
Other comprehensive income			−1,157	−4	118	−410	−1,453		−125	−1,578
Total comprehensive income			547	−4	118	−410	251	108	120	479
Other changes			14				14	40	7	61
Balance at 31 Dec 2014	**1,574**	**2,385**	**5,008**	**−201**	**234**	**−1,612**	**7,388**	**2,705**	**1,679**	**11,772**

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

4.6 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 2014 were approved for publication on 20 February 2015 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 2014.

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 92 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.

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 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 184 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 2014	160	197	357
First-time consolidation	6	8	14
Deconsolidation	−6	−9	−15
Mergers	−6	−9	−15
31 Dec 2014	154	187	341

Number of investments and joint ventures accounted for using the equity method[1]	Germany	Abroad	Total
1 Jan 2014	73	29	102
Acquisitions			
Disposals	−3	−2	−5
Other changes		−3	−3
31 Dec 2014	70	24	94

1 Prior-year figures adjusted.

Furthermore, five companies are presented as joint operations.

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

Disposals

Duisburg-Huckingen gas-fired power station
In February 2014, RWE sold the gas-fired power station Duisburg-Huckingen to Hüttenwerke Krupp Mannesmann GmbH (HKM) for €99 million. The gas-fired power station was assigned to the Conventional Power Generation Segment.

Dutch district heating activities
The sale of the district heating activities of Essent Local Energy Solutions (ELES) to the Dutch mutual pension fund PGGM and energy service provider Dalkia was completed in March 2014. The district heating activities were assigned to the Supply Netherlands/Belgium Segment. In addition and among other things, PGGM and Dalkia also acquired the combined-cycle gas turbine power plants connected to the district heat network, which were part of the Conventional Power Generation Segment. The gain on deconsolidation amounted to €13 million and is reported in the income statement under “Other operating income”.

FÖGÁZ
In April 2014, RWE transferred its stake of 49.83 % in Budapest's gas utility FÖGÁZ to the Hungarian energy utility MVM. The transaction had a volume of HUF41 billion (€133 million). The company was part of the Central Eastern and South Eastern Europe Segment.

GISA
In May 2014, enviaM AG sold a stake of 41 % and MITGAS GmbH sold a stake of 10 % in the IT service provider GISA, Halle, and its subsidiary ICS to itelligence AG. RWE retains a 23.9 % stake in the company, which is part of the Supply / Distribution Networks Germany Segment. The gain on deconsolidation amounted to €19 million and is reported in the income statement under "Other operating income". This sum includes income from the revaluation of the remaining shares in the amount of €9 million.

ENERVIE
In September 2014, RWE sold its 19.06 % stake in ENERVIE Südwestfalen Energie und Wasser AG, a company accounted for using the equity method, to Remondis Wasser und Energie GmbH for a sales price of €60 million. The company was assigned to the Supply / Distribution Networks Germany Segment.

Enna
In September 2014, RWE Innogy sold its 80 % stake in Italy-based SPER S.p.A. (including its shares in Biomasse Sicilia S.p.A.), which operates the Enna biomass-fired power station, to FRI-EL Green Power S.p.A., Bolzano, for €36 million. The loss on the deconsolidation amounted to €10 million; this is reported in the income statement under "Other operating expenses". The company belonged to the Renewables Segment.

Nordsee One, 2 und 3
In September 2014, Canada-based Northland Power Inc. acquired an 85 % stake in the offshore wind projects Nordsee One, 2 and 3. RWE retains a 15 % stake in these wind projects, which are part of the Renewables Segment. The loss on the deconsolidation amounted to €101 million and is reported in the income statement in the amount of €63 million under "Other operating expenses" and in the amount of €38 million under "Income from investments". However, this will be contrasted by about €86 million in expected future income as the sales price will be paid by the buyer in the coming years as certain prerequisites are met.

RWE corporate headquarters and neighbouring buildings
In October 2014, RWE and the US-based real estate fund American Realty Capital Global Trust, Inc. (ARC) signed contracts on the sale and lease-back of the buildings used by RWE corporate headquarters in Essen. The contracts envisage ARC acquiring the building complex "RWE Tower" including its four neighbouring buildings and RWE leasing the properties back from ARC. The leasing relationship takes the form of operating leasing. The assets sold were assigned to "Other, consolidation".

DEW21
In December 2014, RWE sold a 7.1 % stake in Dortmunder Energie-und Wasserversorgung GmbH (DEW21), a company accounted for using the equity method, to Dortmunder Stadtwerke AG for a sales price of €70 million. RWE retains a 39.9% stake in the company, which is part of the Supply / Distribution Networks Germany Segment.

In total, sales of shares which led to a change of control resulted in sales proceeds from disposals amounting to –€41 million, which were reported in "Other operating income", "Other operating expenses" and "Other income from investments" (previous year: €423 million). Of this, €45 million (previous year: €0 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, sales prices amounted to €72 million (previous year: €1,236 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: €4 million) and were disposed of in the amount of €2 million (previous year: €100 million).

Changes in the scope of consolidation decreased non-current assets (including deferred taxes) by €3,863 million (previous year: €1,345 million) and increased current assets (excluding cash and cash equivalents) by €3,699 million (previous year: €290 million); non-current and current liabilities declined by €147 million (previous year: €71 million). On balance, cash and cash equivalents (excluding "Assets held for sale") declined by –€2 million (previous year: €87 million).

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

Assets held for sale, disposal groups and discontinued operations

Assets held for sale and disposal groups

Offshore installation vessel "Victoria Mathias"
In December 2014, RWE Innogy and the Dutch company MPI Offshore concluded a contract on the sale of the offshore installation ship "Victoria Mathias". The ship, which was part of the Renewables Segment, was sold in early January 2015. As of 31 December 2014, the book value of €69 million was reported in the balance sheet under Assets held for sale.

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

Discontinued operations

RWE Dea
In March 2014, RWE AG and the Luxembourg-based investment company LetterOne signed a contract for the sale of RWE Dea AG (Upstream Gas & Oil Segment), in which the RWE Group's gas and oil production activities are pooled. The Supervisory Board of RWE AG approved the sale in April 2014. In January 2015, the parties to the contract agreed to complete the sale at the beginning of March 2015 at the latest. At the exchange rate prevailing in January 2015, the agreed enterprise value amounted to approximately €5 billion. RWE Dea is accounted for as a discontinued operation. In accordance with IFRS 5, the previous year's figures in the income statement and the cash flow statement have been adjusted. By contrast, however, RWE Dea is included in the previous year's figures in the balance sheet and the statements of changes in balance-sheet positions for the previous year.

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

Key figures for discontinued operations € million	31 Dec 2014
Non-current assets	4,418
Current assets	812
Non-current liabilities	1,490
Current liabilities	1,145

Key figures for discontinued operations € million	2014	2013
Revenue (including natural gas tax)	2,031	2,100
Expenses/income	−1,215	−1,561
Income from discontinued operations before tax	816	539
Taxes on income	−452	−227
Income from discontinued operations	364	312

Income and expenses directly recognised in equity cumulatively (accumulated other comprehensive income) of discontinued operations amounted to –€40 million (previous year: –€94 million).

Of the share of RWE AG shareholders in the sum of recognised income and expenses (total comprehensive income), –€130 million (previous year: –€3,464 million) was allocable to continuing operations and €381 million (previous year: €250 million) was allocable to discontinued operations.

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. Four (previous year: four) subsidiaries have different balance-sheet dates of 31 October, 30 November and 31 March. 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.

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 in 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 €	2014	2013	31 Dec 2014	31 Dec 2013
1 US dollar	0.76	0.75	0.82	0.73
1 pound sterling	1.25	1.18	1.28	1.20
100 Czech korunas	3.63	3.84	3.61	3.65
100 Hungarian forints	0.32	0.34	0.32	0.34
1 Polish zloty	0.24	0.24	0.23	0.24

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.

Exploratory wells are accounted for at cost, according to the successful efforts method, meaning that expenses for exploration activities are only capitalised for successful projects, for example when wells specifically led to the discovery of crude oil or natural gas. Seismology and geology expenditures are recognised as expenses. Within the framework of the unit-of-production method, we do not depreciate or amortise capitalised exploration expenses in the exploration phase, but rather after production begins. Exploration assets are tested for impairment as soon as facts and information indicate that the carrying value exceeds the recoverable amount.

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	12 – 75
Technical plants	
Thermal power plants	10 – 57
Wind turbines	up to 20
Electricity grids	20 – 45
Water main networks	15 – 80
Gas and water storage facilities	15 – 60
Gas distribution facilities	10 – 40
Mining facilities	3 – 25
Mining developments	33 – 35
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 in 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 or 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. The tax rate used to calculate deferred taxes in Germany is 31.4% (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. 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 in 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 benefit/years-of-service 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 Standard Table A92 and S1PA for the United Kingdom). 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 on restrictions stipulated in operating licenses. These provisions are measured using estimates, which are based on and defined in contracts, on information from internal and external specialists and expert opinions, as well as on data from the German Federal Office for Radiation Protection (BfS).

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.

Furthermore, provisions are made owing to obligations under public law to dismantle production facilities and fill wells. The amount of these provisions is determined on the basis of total cost estimates, which reflect past experience and the comparative rates determined by the Association of German Oil and Gas Producers. An analogous approach is taken for foreign subsidiaries.

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 **income tax liabilities, financial liabilities, trade accounts payable** 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.

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 in 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 in 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 in 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 in 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. RWE's capital management is determined by the Group's strategic objectives and focuses on increasing the value of the business over the long term. To achieve this goal, the RWE Group endeavours to constantly optimise its existing operations, to safeguard its market position by offering competitive products and services and, if necessary, to optimise its portfolio via value-creating acquisitions and divestitures.

Among other things, RWE manages its capital structure on the basis of financial indicators. One key indicator is the "debt factor", which is calculated using net debt. Net debt is calculated by adding material non-current provisions to net financial debt, and subtracting the surplus of plan assets over benefit obligations; 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 EBITDA. In the reporting period, this factor was 4.3 (previous year: 3.9), taking into account the EBITDA of Dea, the factor was 3.8 (previous year: 3.5).

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. The hybrid bonds totalling €1.75 billion, US$1.0 billion, £0.75 billion and CHF0.4 billion issued since 2010 support our rating. The two leading rating agencies, Moody's and Standard & Poor's, classify one half of hybrid capital as equity. As a result, the debt indicators relevant to the rating are better than they would be if we had only issued traditional bonds.

The non-subordinated bonds issued by RWE are currently rated Baa1 by Moody's and BBB+ by Standard & Poor's, both with stable outlooks. Our rating thus remains in the investment-grade range. The credit ratings are P-2 and A-2, respectively, for short-term RWE bonds.

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved amendments of existing International Financial Reporting Standards (IFRSs) and issued new IFRSs and a new interpretation, which became effective for the RWE Group as of fiscal 2014:

IFRS 10 Consolidated Financial Statements (2011) replaces the previous regulations of IAS 27 and of SIC-12 for consolidation. According to IFRS 10 (2011), control only exists when the following three criteria are cumulatively fulfilled: power over the relevant activities, a right to variable returns from the investee, and the ability to use power over the investee to affect the amount of the variable returns. First-time application of the Standard will not result in any changes to the scope of consolidation of RWE AG.

IFRS 11 Joint Arrangements (2011) replaces the previous regulations of IAS 31 and of SIC-13 for the accounting treatment of joint ventures. IFRS 11 (2011) regulates the accounting treatment of cases in which a company is managed jointly or an activity is carried out jointly. A further amendment is that in the future proportionate consolidation will no longer be allowed. RWE had not exercised this option in the past anyway. As a result of first-time application of the new Standard, starting from fiscal 2014 certain investments which have so far been accounted for using the equity method will be reported as joint operations. In the future, reporting will no longer cover the investments and related balance-sheet items, but rather the assets and liabilities of the companies which are attributable to RWE.

The retrospective application of these rules for the first time has the following effects on the consolidated balance sheet as of 31 December 2013 and as of 1 January 2013:

€ million	31 Dec 2013	1 Jan 2013
Intangible assets	211	230
Property, plant and equipment	912	1,102
Investments accounted for using the equity method	−1,001	−304
Receivables and other assets	2	−930
Other assets	138	155
Provisions	232	188
Other liabilities	30	65

There were no changes in income.

IFRS 12 Disclosure of Interests in Other Entities (2011) encompasses the disclosure obligations resulting from the application of IFRS 10, IFRS 11 and IAS 28. These disclosure obligations should enable users of financial statements to evaluate the risks and financial implications resulting from subsidiaries, joint ventures and joint operations, associated companies and unconsolidated structured entities. RWE AG's consolidated financial statements for the period ending 31 December 2014 contain the additional information for the first time.

The following amendments to standards, which become effective from fiscal 2014 onwards for the RWE Group, do not have any material effects on the RWE Group's consolidated financial statements:

- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (2012)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interest in Other Entities: Transition Guidance (2012)
- Amendments to IAS 32 – Financial Instruments: Presentation (2011)
- IAS 27 – Separate Financial Statements (2011)
- IAS 28 – Investments in Associates and Joint Ventures (2011)

New accounting policies

The IASB has adopted further standards and amendments to standards, which were not yet mandatory in the European Union (EU) in fiscal 2014. 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. It 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 the recognition of 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 (2014) 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. The effects of IFRS 9 (2014) on the RWE Group's consolidated financial statements are being reviewed.

IFRS 15 Revenue from Contracts with Customers (2014) will replace the contents of IAS 18 Revenue and IAS 11 Construction Contracts. The new standard does not distinguish between different types of orders and performance; instead it establishes uniform criteria as to when revenue is realised for a performance obligation at a point in time or over time. Revenue is realised when the customer obtains control over the agreed goods and services and can obtain the benefits from such. The new Standard becomes effective for fiscal years starting on or after 1 January 2017. The effects of IFRS 15 (2014) on the RWE Group's consolidated financial statements are being reviewed.

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

- IFRS 14 Regulatory Deferral Accounts (2014)
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (2014)
- 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 27 – Equity-Method in Separate Financial Statements (2014)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (2014)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (2014)
- Amendments to IAS 1 – Presentation of Financial Statements (2014)
- Annual Improvements to IFRSs 2012-2014 Cycle (2014)
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (2013)
- Annual Improvements to IFRSs Cycle 2011-2013 (2013)
- Annual Improvements to IFRSs Cycle 2010-2012 (2013)
- IFRIC Interpretation 21 – Levies (2013)

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. 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 2014, gross revenue (including energy trading) totalled €101,503 million (previous year: €108,824 million).

A breakdown of revenue by division and geographical region is contained in the segment reporting on page 177 et seq. Revenue decreased by a net total of €721 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	2014	2013
Income from own work capitalised	231	163
Income from changes in finished goods and work in progress	49	77
Release of provisions	635	379
Cost allocations/refunds	90	60
Disposal and write-back of current assets (excluding marketable securities)	45	36
Disposal and write-back of non-current assets including income from deconsolidation	447	616
Income from derivative financial instruments	241	313
Compensation for damage/insurance benefits	149	70
Rent and lease	24	25
Miscellaneous	424	499
	2,335	**2,238**

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

(3) Cost of materials

Cost of materials € million	2014	2013
Cost of raw materials and of goods for resale	22,581	24,299
Cost of purchased services	11,106	11,224
	33,687	**35,523**

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 €53,035 million in energy trading revenue (previous year: €56,399 million) was netted out against cost of materials. Changes in the scope of consolidation resulted in a decline of €440 million in the cost of materials.

(4) Staff costs

Staff costs € million	2014	2013
Wages and salaries	3,815	4,047
Cost of social security, pensions and other benefits	1,035	1,077
	4,850	**5,124**

Number of employees	2014	2013
Employees covered by collective agreements and other employees	48,796	51,031
Employees not covered by collective agreements	12,919	15,445
	61,715	**66,476**

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, 2,297 trainees were employed (previous year: 2,465). Trainees are not included in the personnel headcount.

A decrease of €48 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	2014	2013
Intangible assets	222	2,211
Property, plant and equipment	2,887	5,057
Investment property	6	8
	3,115	**7,276**

In respect of amortisation on intangible assets, €30 million (previous year: €58 million) pertained to customer bases of acquired enterprises.

Due to changes in market conditions and the associated changes in power plant deployment, the economic useful life of conventional power plants was adjusted with effect from 1 January 2014. In 2014, this led to a €139 million decline in depreciation. In fiscal 2015, the adjustment will prospectively lead to a decline in a similar order of magnitude.

Changes in the scope of consolidation reduced depreciation, amortisation and impairments losses by €13 million.

Impairments € million	2014	2013
Intangible assets	14	1,939
Property, plant and equipment	828	2,828
Investment property	1	3
	843	**4,770**

An impairment loss of €387 million was recognised for a power plant unit in Germany in the Conventional Power Generation Segment, as this unit is currently not available for power generation (recoverable amount: €0.7 billion).

An impairment loss of €183 million was recognised for British power plants in the Conventional Power Generation Segment, due to changes in the market situation as a result of the capacity market auction (recoverable amount: €1.9 billion).

An impairment loss of €72 million was recognised for the Scottish biomass-fired power station Markinch in the Renewables Segment, largely due to cost increases (recoverable amount: €0.4 billion).

An impairment loss of €77 million (of which €63 million pertained to property, plant and equipment and €14 million to intangible assets) was recognised for gas storage facilities in the Supply/Distribution Networks Germany Segment, largely due to changes in price expectations (recoverable amount: €0.1 billion).

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

In the previous year, of the impairment losses on intangible assets, €1,404 million pertained to the goodwill of the Conventional Power Generation Segment and €92 million to operating rights in the Renewables Segment. In relation to operating rights, the impairments mainly resulted from the future loss of feed-in compensation for onshore wind farms in the Netherlands (recoverable amount: €0.2 billion).

In the previous year, impairment losses relating to the Dutch power plant portfolio in the Conventional Power Generation Segment amounted to €2,311 million (of which €2,307 million pertained to property, plant and equipment and €4 million to intangible assets); this was mainly due to the current assessment of the medium to long-term development of electricity prices, the regulatory environment, and the lower utilisation of parts of the fossil-fuelled power plant portfolio (recoverable amount: €1.3 billion). For the same reason, a long-term electricity purchase contract in the Conventional Power Generation Segment was almost completely impaired in the amount of €76 million.

In the previous year, impairment losses of €216 million (of which €172 million pertained to property, plant and equipment and €44 million to intangible assets) were recorded on gas storage facilities in the Supply/Distribution Networks Germany Segment (recoverable amount: €0.2 billion), mainly due to changes in price expectations.

In the previous year, an impairment of €260 million was recognised on a German offshore wind farm in the Renewables Segment (of which €185 million pertained to property, plant and equipment and €75 million to operating rights reported under intangible assets), mainly due to delays in network connection and increased investment costs (recoverable amount: €0.5 billion).

In the previous year, an impairment of €270 million was recognised on Spanish onshore wind farms in the Renewables Segment (of which €48 million pertained to property, plant and equipment and €222 million to operating rights reported under intangible assets), mainly due to the deterioration of the regulatory environment in Spain (recoverable amount: €0.2 billion).

Recoverable amounts are determined on the basis of fair values less costs to sell using valuation models based on planned cash flows. Valuation of the German power plant unit was based on a discount rate of 5%, with discount rates ranging from 4.25% to 5.75% (previous year: 4.5% to 7.5%) used for the other valuation models. In the previous year, a discount rate of 5.25% was used for the valuation of the Dutch power plant portfolio. 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	2014	2013
Maintenance and renewal obligations	684	849
Additions to provisions	11	81
Concessions, licenses and other contractual obligations	447	489
Structural and adaptation measures	41	708
Legal and other consulting and data processing services	244	295
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	298	302
Disposal of non-current assets including expenses from deconsolidation	148	71
Insurance, commissions, freight and similar distribution costs	175	262
General administration	151	165
Advertising	223	174
Expenses from derivative financial instruments	226	210
Lease payments for plant and grids as well as rents	143	164
Postage and monetary transactions	67	71
Fees and membership dues	112	104
Exchange rate losses	12	6
Other taxes (primarily on property)	130	110
Miscellaneous	170	320
	3,282	**4,381**

Changes in the scope of consolidation decreased other operating expenses by €60 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	2014	2013
Income from investments accounted for using the equity method	**364**	**326**
of which: amortisation / impairment losses / write-backs on investments accounted for using the equity method	(−18)	(−48)
Income from non-consolidated subsidiaries	5	2
of which: amortisation / impairment losses on non-consolidated subsidiaries	(−2)	(−6)
Income from other investments	35	25
of which: impairment of shares in other investments	(−8)	(−11)
Income from the disposal of investments	173	35
Expenses from the disposal of investments	8	181
Income from loans to investments	27	24
Expenses from loans to investments	52	25
Other income from investments	**180**	**−120**
	544	**206**

Expenses from loans to investments relate exclusively to impairment losses.

Of the impairments on investments accounted for using the equity method, in the previous year €50 million pertained to a foreign investment in the segment Supply/Distribution Networks Germany, due to deterioration in business results.

(8) Financial result

Financial result € million	2014	2013
Interest and similar income	218	316
Other financial income	699	511
Financial income	**917**	**827**
Interest and similar expenses	1,080	1,103
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	218	229
Provisions for nuclear waste management as well as to mining provisions	560	620
Other provisions	336	104
Other finance costs	571	676
Finance costs	**2,765**	**2,732**
	−1,848	**−1,905**

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 projected 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, €6 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (previous year: €37 million). The underlying capitalisation rate ranged from 4.90% to 5.25% (previous year: from 5.00% to 5.25%).

Net interest € million	2014	2013
Interest and similar income	218	316
Interest and similar expenses	1,080	1,103
	–862	**–787**

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

Interest result by category € million	2014	2013
Loans and receivables	159	250
Financial assets available for sale	59	66
Financial liabilities carried at (amortised) cost	–1,080	–1,103
	–862	**–787**

Other financial income includes €68 million in gains realised from the disposal of marketable securities (previous year: €44 million). Of the other finance costs, €12 million (previous year: €5 million) from realised losses on the disposal of marketable securities.

(9) Taxes on income

Taxes on income € million	2014	2013
Current taxes on income	508	618
Deferred taxes	45	121
	553	**739**

Of the deferred taxes, €14 million is related to temporary differences (previous year: €5 million). In the year under review, deferred tax assets were written down by €237 million (previous year: €978 million).

Current taxes on income contain €165 million in net tax income (previous year: expenses of –€51 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €2 million (previous year: €9 million). Expenses from deferred taxes declined by €3 million (previous year: €24 million), due to reassessments of and previously unrecognised tax carryforwards.

Changes in the scope of consolidation decreased income taxes by €57 million.

Income taxes recognised in other comprehensive income € million	2014	2013
Fair valuation of financial instruments available for sale	–18	5
Fair valuation of financial instruments used for hedging purposes	–7	56
Actuarial gains and losses of defined benefit pension plans and similar obligations	591	–221
	566	**–160**

Taxes in the amount of €40 million (previous year: €40 million) were offset directly against equity in relation to hybrid capital reported as equity.

Tax reconciliation € million	2014	2013
Income from continuing operations before tax	**2,246**	**–2,016**
Theoretical tax expense	**705**	**–633**
Differences to foreign tax rates	–66	–267
Tax effects on		
Tax-free domestic dividends	–78	–75
Tax-free foreign dividends	–23	–21
Other tax-free income	–12	–14
Expenses not deductible for tax purposes	76	94
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	–8	10
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	110	410
Income on the disposal of investments	6	–13
Changes in foreign tax rates	–6	–36
Write-downs/impairments of deferred taxes in the Conventional Power Generation Segment which had no effect on taxes in the previous year		1,181
Other	–151	103
Effective tax expense	**553**	**739**
Effective tax rate in %	24.6	–36.7

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 2014	827	3,729	2,938	11,374	11	18,879
Additions/disposals due to changes in the scope of consolidation	−6	−1,041	−38	−25	−9	−1,119
Additions	143	44			1	188
Transfers	10	7			−3	14
Currency translation adjustments	52	9	174	158	1	394
Disposals	11	15				26
Balance at 31 Dec 2014	1,015	2,733	3,074	11,507	1	18,330
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2014	451	2,331	2,688			5,470
Additions/disposals due to changes in the scope of consolidation	−5	−299	−38			−342
Amortisation/impairment losses in the reporting period	73	119	30			222
Transfers	8					8
Currency translation adjustments	26	−1	174			199
Disposals	11	13				24
Additions						
Balance at 31 Dec 2014	542	2,137	2,854			5,533
Carrying amounts						
Balance at 31 Dec 2014	473	596	220	11,507	1	12,797

Cost						
Balance at 1 Jan 2013	733	3,954	2,990	13,777	1	21,455
Additions/disposals due to changes in the scope of consolidation	−7	−52	1	−557		−615
Additions	112	142			11	265
Transfers	1	1			−1	1
Currency translation adjustments	−12	−24	−53	−209		−298
Disposals		292		1,637		1,929
Balance at 31 Dec 2013	827	3,729	2,938	11,374	11	18,879
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2013	368	2,001	2,684	155		5,208
Additions/disposals due to changes in the scope of consolidation	−7	−45				−52
Amortisation/impairment losses in the reporting period	95	652	58	1,482		2,287
Transfers		1				1
Currency translation adjustments	−5	−9	−54			−68
Disposals		266		1,637		1,903
Balance at 31 Dec 2013		3				3
Carrying amounts	451	2,331	2,688			5,470
Balance at 31 Dec 2013						
	376	1,398	250	11,374	11	13,409

Disposals due to changes in the scope of consolidation include concessions with a book value of €700 million and goodwill with a book value of €25 million, which were classified as "Held for sale".

In the reporting period, the RWE Group's total expenditures on research and development amounted to €110 million (previous year: €151 million). Development costs of €145 million were capitalised (previous year: €113 million).

In the previous year, the book value of intangible assets from exploration activities was €300 million.

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2014	31 Dec 2013
Supply/Distribution Networks Germany	3,387	3,356
Supply Netherlands/Belgium	2,682	2,682
Supply United Kingdom	2,269	2,120
Central Eastern and South Eastern Europe	1,408	1,422
Renewables	755	763
Upstream Gas & Oil		25
Trading/Gas Midstream	1,006	1,006
	11,507	**11,374**

In the year under review, goodwill decreased by €14 million (previous year: €557 million). In the segment Supply/Distribution Networks 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 €12 million (previous year: decline of €132 million).

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 this test, goodwill is allocated to the cash-generating units at the segment level. 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 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 up to five 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 7.3% to 9.1% before tax (previous year: 7.5% to 16.6%) and from 5.5% to 7.3% after tax (previous year: 5.25% to 8.75%).

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 segments were higher than the carrying amounts of the cash-generating units. These surpluses react especially sensitively to changes in the discount rate, the growth rate and the operating result after taxes in terminal value.

Of all of the segments, Renewables and Supply Netherlands/Belgium exhibit the smallest surpluses of recoverable amount over the carrying amounts.

At €1.6 billion, the recoverable amount of the Renewables Segment was higher than the carrying amount. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 1.3 percentage points to above 6.8 %, a growth rate decreased by more than 2.4 percentage points to below –1.4 %, or an after-tax operating result reduced by more than €123 million in terminal value.

At €1.4 billion, the recoverable amount of the Supply Netherlands/Belgium Segment was higher than the carrying amount. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 2.8 percentage points to above 8.5 %, a growth rate decreased by more than 3.9 percentage points to below –2.9 %, or an after-tax operating result reduced by more than €85 million in terminal value.

Due to the current assessment of the medium to long-term development of electricity prices, the regulatory environment, and the lower utilisation of parts of the fossil-fuelled power plant portfolio, it was necessary to carry out an impairment test on the goodwill of the Conventional Power Generation Segment in the previous year. Based on the fair value less costs to sell, the recoverable amount of the Segment was determined to be €3.8 billion, leading to an impairment of €1,404 million on the Segment’s goodwill. The calculations were based on a discount rate of 7.5 % before taxes and 5.25 % after taxes.

(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 2014	7,399	70,436	1,976	9,187	88,998
Additions/disposals due to changes in the scope of consolidation	–399	–5,981	–43	–1,342	–7,765
Additions	106	1,462	98	1,673	3,339
Transfers	73	2,285	19	–2,411	–34
Currency translation adjustments	–3	272	8	120	397
Disposals	129	1,714	98	16	1,957
Balance at 31 Dec 2014	7,047	66,760	1,960	7,211	82,978
Accumulated depreciation/impairment losses					
Balance at 1 Jan 2014	3,867	47,274	1,456	2,184	54,781
Additions/disposals due to changes in the scope of consolidation	–234	–3,766	–29	–56	–4,085
Depreciation/impairment losses in the reporting period	249	2,205	149	284	2,887
Transfers	4	–24	–7	5	–22
Currency translation adjustments	–7	67	7		67
Disposals	96	1,468	92		1,656
Write-backs	51	2			53
Balance at 31 Dec 2014	3,732	44,286	1,484	2,417	51,919
Carrying amounts					
Balance at 31 Dec 2014	3,315	22,474	476	4,794	31,059
Cost					
Balance at 1 Jan 2013	7,434	71,067	1,993	8,624	89,118
Additions/disposals due to changes in the scope of consolidation	–77	–2,439	–35	–8	–2,559
Additions	113	1,650	126	2,644	4,533
Transfers	39	1,813	40	–1,900	–8
Currency translation adjustments	–46	–796	–15	–119	–976
Disposals	64	859	133	54	1,110
Balance at 31 Dec 2013	7,399	70,436	1,976	9,187	88,998
Accumulated depreciation/impairment losses					
Balance at 1 Jan 2013	3,740	46,067	1,447	756	52,010
Additions/disposals due to changes in the scope of consolidation	–37	–1,446	–32		–1,515
Depreciation/impairment losses in the reporting period	242	3,521	167	1,481	5,411
Transfers	–9	55	3	–54	–5
Currency translation adjustments	–16	–365	–10		–391
Disposals	28	558	119	–1	704
Write-backs	25				25
Balance at 31 Dec 2013	3,867	47,274	1,456	2,184	54,781
Carrying amounts					
Balance at 31 Dec 2013	3,532	23,162	520	7,003	34,217

Disposals due to changes in the scope of consolidation include properties with a book value of €37 million and technical plants and machinery with a book value of €1,342 million, which were classified as "Held for sale".

In the previous year, the book value of tangible assets from exploration activities was €262 million.

Property, plant and equipment in the amount of €75 million (previous year: €94 million) were subject to restrictions from land charges or chattel mortgages. Of the total carrying amount of property, plant and equipment, €267 million (previous year: €257 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 2014	293
Additions/disposals due to changes in scope of consolidation	−33
Additions	
Transfers	18
Disposals	14
Balance at 31 Dec 2014	264
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2014	197
Additions/disposals due to changes in scope of consolidation	−26
Depreciation/impairment losses in the reporting period	6
Transfers	14
Disposals	10
Balance at 31 Dec 2014	181
Carrying amounts	
Balance at 31 Dec 2014	83

Investment property € million	
Cost	
Balance at 1 Jan 2013	306
Additions/disposals due to changes in scope of consolidation	
Additions	1
Transfers	8
Disposals	22
Balance at 31 Dec 2013	293
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2013	195
Additions/disposals due to changes in scope of consolidation	
Depreciation/impairment losses in the reporting period	9
Transfers	5
Disposals	12
Balance at 31 Dec 2013	197
Carrying amounts	
Balance at 31 Dec 2013	96

Disposals due to changes in the scope of consolidation include investment property with a book value of €11 million, which was classified as "Held for sale".

As of 31 December 2014, the fair value of investment property amounted to €152 million (previous year: €184 million), of which €126 million is assigned to Level 2 (previous year: €137 million) and €26 million is assigned to Level 3 (previous year: €47 million) of the fair value hierarchy. Of the fair value, €49 million (previous year: €53 million) is based on valuations by independent appraisers. Of the carrying amount of investment property, €6 million (previous year: €7 million) is attributable to assets leased under finance leases. Rental income in the reporting period amounted to €14 million (previous year: €17 million). Direct operating expenses totalled €7 million (previous year: €10 million).

(13) Investments accounted for using the equity method

The following summary shows the aggregate key figures of investments in associates and joint ventures accounted for using the equity method.

Investments accounted for using the equity method	Associates		Joint ventures	
€ million	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Income (pro-rata)	235	226	129	100
Other comprehensive income (pro-rata)	14	14	16	–30
Total comprehensive income (pro-rata)	249	240	145	70
Carrying amounts	2,602	2,664	596	589

The RWE Group holds shares with a book value of €104 million (previous year: €149 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 2014	31 Dec 2013
Non-consolidated subsidiaries	113	126
Other investments	478	342
Non-current securities	367	449
	958	**917**

Non-current securities primarily consist of fixed-interest marketable securities and shares of listed companies. Long-term securities amounting to €271 million and €16 million (previous year: €299 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 2014		31 Dec 2013	
€ million	Non-current	Current	Non-current	Current
Loans to non-consolidated subsidiaries and investments	330	6	269	69
Collateral for trading activities		959		591
Other financial receivables				
Accrued interest		94		85
Miscellaneous other financial receivables	262	784	237	243
	592	**1,843**	**506**	**988**

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.

(16) Other receivables and other assets

Other receivables and other assets	31 Dec 2014		31 Dec 2013	
€ million	Non-current	Current	Non-current	Current
Derivatives	1,266	6,225	857	2,755
Prepayments for items other than inventories		86		234
CO_2 emission allowances		244		1,448
Miscellaneous other assets	108	1,627	215	1,725
	1,374	**8,182**	**1,072**	**6,162**
of which: financial assets	(1,299)	(6,732)	(887)	(3,261)
of which: non-financial assets	(75)	(1,450)	(185)	(2,901)

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 decreased other receivables and other assets by €262 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. €2,657 million and €2,346 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €1,960 million and €1,658 million).

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

Deferred taxes € million	31 Dec 2014 Assets	 Liabilities	31 Dec 2013 Assets	 Liabilities
Non-current assets	685	1,846	586	2,729
Current assets	484	1,676	280	1,317
Exceptional tax items		271		372
Non-current liabilities				
Provisions for pensions	2,182	2	1,556	2
Other non-current provisions	1,851	64	2,200	21
Current liabilities	2,173	670	1,680	341
	7,375	**4,529**	**6,302**	**4,782**
Tax loss carryforwards				
Corporate income tax (or comparable foreign income tax)	79		429	
Trade tax	46		56	
Gross total	**7,500**	**4,529**	**6,787**	**4,782**
Netting	−3,664	−3,664	−3,523	−3,523
Net total	**3,836**	**865**	**3,264**	**1,259**

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 €3,203 million and €524 million, respectively (previous year: €2,855 million and €189 million). Of these income tax loss carryforwards, €1,838 million will apply to the following nine years.

The other loss carryforwards can essentially be used for an unlimited period.

In the year under review, deferred tax income of –€4 million arising from the currency translation of foreign financial statements was offset against equity (previous year: –€43 million).

(18) Inventories

Inventories € million	31 Dec 2014	31 Dec 2013
Raw materials, incl. nuclear fuel assemblies and earth excavated for lignite mining	1,427	1,626
Work in progress – goods/services	244	205
Finished goods and goods for resale	546	490
Prepayments	15	66
	2,232	**2,387**

Inventories of €0 million (previous year: €3 million) were subject to restrictions on disposal; there were no further obligations.

The carrying amount of inventories acquired for resale purposes was €52 million (previous year: €91 million). The valuations are based on prices which can be observed directly or indirectly (Level 2 of the fair value hierarchy).

Inventories of €19 million were related to exploration activities in the previous year.

(19) Trade accounts receivable
Trade accounts receivable declined by €475 million due to changes in the scope of consolidation.

(20) Marketable securities
Of the current marketable securities, €3,813 million were fixed-interest marketable securities (previous year: €2,199 million) with a maturity of more than three months from the date of acquisition, and €597 million were stocks and profit-participation certificates (previous year: €614 million). Marketable securities are stated at fair value. As of 31 December 2014, the average return on fixed-interest securities was 0.4% (previous year: 1.2%). Securities in the amount of €585 million (previous year: €540 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 2014	31 Dec 2013
Cash and demand deposits	2,971	3,717
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	200	233
	3,171	**3,950**

RWE keeps demand deposits exclusively for short-term cash positions. For cash investments, banks are selected on the basis of various creditworthiness criteria. Examples of 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 2014.

(22) Equity
A breakdown of equity is shown on page 122. The subscribed capital of RWE AG is structured as follows:

Subscribed capital	31 Dec 2014 Number of shares		31 Dec 2013 Number of shares		31 Dec 2014 Carrying amount	31 Dec 2013 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 of any kind 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 2014.

In fiscal 2014, RWE AG purchased 372,640 RWE common shares for a purchase price of €10,788,731.54 on the capital market. This is equivalent to €953,958.40 of the capital stock (0.06% of subscribed capital). Within the framework of the employee share scheme for capital formation, employees of RWE AG and its subsidiaries received a total of 364,300 shares and 8,340 shares for service anniversaries. This generated total proceeds of €10,774,012.95. The differences compared to the purchase price were offset against available retained earnings.

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

Hybrid bonds Issuer	Nominal value	First call date	Coupon in % p.a.[1]
RWE AG	€1,750 million	2015	4.625
RWE AG	£750 million	2019	7.0

1 Until the first call date.

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

As a result of equity capital transactions with subsidiary companies which did not lead to a change of control, the share of equity attributable to RWE AG's shareholders changed by €12 million (previous year: –€20 million) and the share of equity attributable to other shareholders changed by €7 million (previous year: €245 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 2014, the share of accumulated other comprehensive income attributable to investments accounted for using the equity method amounted to €39 million (previous year: –€13 million).

During the reporting year, €9 million in differences from currency translation (previous year: income of €111 million) which had originally been recognised without an effect on income were realised as expenses. 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 €6 million as income (previous year: expenses of €33 million) during the year under review.

Dividend proposal
We propose to the Annual General Meeting that RWE AG's distributable profit for fiscal 2014 be appropriated as follows:

Distribution of a dividend of €1.00 per individual dividend-bearing share:

Dividend	614,745,499.00 €
Profit carryforward	46,915.60 €
Distributable profit	614,792,414.60 €

Based on a resolution of RWE AG's Annual General Meeting on 16 April 2014, the dividend for fiscal 2013 amounted to €1.00 per dividend-bearing common and preferred share. The dividend payment to shareholders of RWE AG amounted to €615 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	2014	2013
Actuarial gains and losses of defined benefit pension plans and similar obligations	–119	55
Income and expenses recognised directly in equity, not to be reclassified through profit or loss	**–119**	**55**
Currency translation adjustment	–19	–66
Fair valuation of financial instruments available for sale	13	9
Income and expenses recognised directly in equity, to be reclassified through profit or loss in the future	**–6**	**–57**
	–125	**–2**

(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				
	2010 tranche Waiting period: 4 years	2011 tranche Waiting period: 4 years	2012 tranche Waiting period: 4 years	2013 tranche Waiting period: 4 years	2014 tranche Waiting period: 4 years
Grant date	1 Jan 2010	1 Jan 2011	1 Jan 2012	1 Jan 2013	1 Jan 2014
Number of conditionally granted performance shares	1,059,467	2,621,542	6,942,033	5,355,398	2,787,806
Term	Five years	Five years	Five years	Five years	Five 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 €	2010 tranche	2011 tranche	2012 tranche	2013 tranche	2014 tranche
Fair value per share	25.96	17.01	6.66	8.09	7.44

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	2010 tranche	2011 tranche	2012 tranche	2013 tranche	2014 tranche
Outstanding at the start of the fiscal year	1,003,092	2,501,173	6,550,662	4,861,144	
Granted					2,787,806
Change (granted/expired)	12,166	56,414	116,371	83,321	333,441
Paid out					
Outstanding at the end of the fiscal year	990,926	2,444,759	6,434,291	4,777,823	2,454,365
Payable at the end of the fiscal year					

The remaining contractual term amounts to four years for the 2014 tranche, three years for the 2013 tranche, two years for the 2012 tranche, and one year for the 2011 tranche. The contractual duration for the 2010 tranche expired at the end of the reporting year. As the pay-out conditions were not fulfilled, there was no pay-out.

During the period under review, expenses for the groupwide share-based payment system totalled €3 million (previous year: €4 million). The claims were settled in cash only. As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €36 million (previous year: €33 million).

(24) Provisions

Provisions	31 Dec 2014			31 Dec 2013		
€ million	Non-current	Current	Total	Non-current	Current	Total
Provisions for pensions and similar obligations	7,871		7,871	6,227		6,227
Provisions for taxes	1,916	248	2,164	2,217	318	2,535
Provisions for nuclear waste management	9,951	416	10,367	10,035	375	10,410
Provisions for mining damage	2,305	96	2,401	2,845	107	2,952
	22,043	**760**	**22,803**	**21,324**	**800**	**22,124**
Other provisions						
Staff-related obligations (excluding restructuring)	662	763	1,425	976	865	1,841
Restructuring obligations	1,318	256	1,574	1,387	350	1,737
Purchase and sales obligations	1,369	390	1,759	1,443	733	2,176
Uncertain obligations in the electricity business	836	80	916	689	82	771
Environmental protection obligations	132	25	157	134	41	175
Interest payment obligations	571	47	618	721	42	763
Obligations to deliver CO_2 emission allowances/ certificates for renewable energies		1,490	1,490		1,804	1,804
Miscellaneous other provisions	609	1,693	2,302	677	1,672	2,349
	5,497	**4,744**	**10,241**	**6,027**	**5,589**	**11,616**
	27,540	**5,504**	**33,044**	**27,351**	**6,389**	**33,740**

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, €74 million (previous year: €74 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 RWE's 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 (cf. 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 €28 million will be paid to the ABP pension fund in fiscal 2015. 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 2014, there were around 2,500 active participants in the plan.

RWE transferred assets to RWE Pensionstreuhand e.V. within the framework of contractual trust arrangements (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.

The corporate pension system in the United Kingdom is managed by Electricity Supply Pension Scheme (ESPS). In the United Kingdom, corporate defined benefit plans provided with adequate and suitable assets to cover pension provisions are legally mandated. 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 return on the plan assets.

The last valuation of ESPS was carried out on 31 March 2013 and showed a deficit of £563 million. RWE and the trustees then prepared a plan for annual payments to rectify this deficit. These payments were calculated for the period from 2014 to 2017. The amounts determined were as follows: £93 million for 2014, £186 million for 2015, £156 million for 2016 and £151 million for 2017. The next valuation has to occur by 31 March 2016. 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 defined benefit costs of ESPS are charged to the participating companies on the basis of a contractual agreement. This agreement stipulates that, with the exception of RWE npower companies, all companies participating in ESPS make predefined, regular payments. Consequently, the RWE npower companies must make up the difference which arises between the defined benefit costs of the plan and the regular payments of the companies.

In 2014, roughly €140 million was transferred to RWE Pensionstreuhand e.V. for the external financing of the company's pension plans, within the framework of CTAs. As the transferred assets are qualified as plan assets in the sense of IAS 19, pensions for provisions and similar obligations were netted against the transferred funds as of 31 December 2014. Provisions declined by a corresponding amount.

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

Calculation assumptions	31 Dec 2014		31 Dec 2013	
in %	Germany	Foreign[1]	Germany	Foreign[1]
Discount factor	2.10	3.40	3.50	4.30
Compensation increase	2.35	2.10 and 3.50	2.75	2.40 and 3.80
Pension increase	1.00, 1.60 and 1.75	2.80	1.00 and 1.75	3.00

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

Composition of plan assets (fair value)	31 Dec 2014				31 Dec 2013			
€ 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	2,908	2,900	777	777	2,703	2,665	842	197
Interest-bearing instruments	5,458	2,228	4,500	2,439	5,022	2,273	3,207	1,617
Real estate	122		89		113		180	5
Mixed funds[3]	1,232	1,137			1,097	1,027		
Alternative investments	1,077	7	765	349	1,044	262	641	13
Other[4]	632	188	69	9	625	114	137	12
	11,429	**6,460**	**6,200**	**3,574**	**10,604**	**6,341**	**5,007**	**1,844**

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 a UK pension fund 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.

Composition of plan assets (targeted investment structure)	31 Dec 2014		31 Dec 2013	
in %	Germany[1]	Foreign[2]	Germany[1]	Foreign[2]
Equity instruments, exchange-traded funds	22.2	12.5	23.4	16.8
Interest-bearing instruments	57.8	72.6	54.5	64.1
Real estate	2.3	1.4	2.3	3.6
Mixed funds[3]	10.0		10.0	
Alternative investments	7.7	13.5	9.8	15.5
	100.0	**100.0**	**100.0**	**100.0**

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 a UK pension fund for covering benefit commitments to employees of the RWE Group in the UK.
3 Includes dividend securities and interest-bearing instruments.

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 2014, 66% of the interest rate risk and 79% of the inflation risk was hedged.

Pension provisions for pension commitments changed as follows:

Changes in pension provisions € million	Present value of pension commitments	Fair value of plan assets	Total
Balance at 1 Jan 2014	**21,838**	**15,611**	**6,227**
Current service cost	277		277
Interest cost/income	784	566	218
Return on fund assets less interest components		1,877	–1,877
Gain/loss on change in financial assumptions	3,837		3,837
Experience-based gains/losses	–171		–171
Currency translation adjustments	432	378	54
Employee contributions to funded plans	15	15	
Employer contributions to funded plans		526	–526
Benefits paid by funded plans	–1,046	–937	–109
Changes in the scope of consolidation	–510	–401	–109
Past service cost	44		44
General administration expenses		–6	6
Balance at 31 Dec 2014	**25,500**	**17,629**	**7,871**
of which: domestic	(18,525)	(11,429)	(7,096)
of which: foreign	(6,975)	(6,200)	(775)

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 2013	**22,331**	**15,511**	**36**	**6,856**
Current service cost	327			327
Interest cost/income	789	557		232
Return on fund assets less interest components		205		–205
Gain/loss on changes in demographic assumptions	–35			–35
Gain/loss on change in financial assumptions	–129			–129
Experience-based gains/losses	–303			–303
Currency translation adjustments	–138	–111		–27
Employee contributions to funded plans	17	17		
Employer contributions to funded plans		377		–377
Benefits paid by funded plans	–1,049	–942		–107
Changes in the scope of consolidation	1	2		–1
Past service cost	27			27
General administration expenses		–5		5
Change in capitalised surplus of plan assets			–36	–36
Balance at 31 Dec 2013	**21,838**	**15,611**		**6,227**
of which: domestic	(15,988)	(10,604)		(5,384)
of which: foreign	(5,850)	(5,007)		(843)

The recognised amount of pension provisions totals €5,342 million for funded pension plans (previous year: €3,918 million) and €2,529 million for unfunded pension plans (previous year: 2,309 million).

As in the previous year, in fiscal 2014, past service costs primarily contained an increase in benefit commitments, relating to commitments in the United Kingdom.

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

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 18 years in Germany (previous year: 16 years) and 15 years in the United Kingdom (previous year: 14 years).

In Germany, an increase or decrease of one percentage point in the discount factor would result in a reduction of €1,175 million (previous year: €1,067 million) or an increase of €1,518 million (previous year: €1,226 million), respectively, in the present value of the obligations of the corporate pension plans. The same variation in rates of compensation or pension increase by one half of a percentage point would increase the present value of the commitments by €283 million or €1,061 million (previous year: €220 million or €913 million) or reduce this value by €266 million or €948 million (previous year: €207 million or €816 million). For the Group companies in the United Kingdom, such changes in the discount factor would reduce or increase pension obligations by €458 million (previous year: €380 million) or €519 million (previous year: €429 million), respectively. The same variation in rates of compensation or pension increase would increase the present value of the commitments by €64 million or €367 million (previous year: €53 million or €325 million) or reduce this value by €55 million or €327 million (previous year: €50 million or €292 million). An increase in life expectancy of one year would increase the present value of commitments by €773 million (previous year: €608 million) in Germany and by €209 million (previous year: €169 million) in the United Kingdom.

The sensitivity analyses are based on a change in one assumption, 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.

Payments for defined benefit plans are expected to amount to €570 million in fiscal 2015.

Roll-forward of provisions € million	Balance at 1 Jan 2014	Additions	Unused amounts released	Interest accretion	Changes in the scope of consolidation, currency adjustments, transfers	Amounts used	Balance at 31 Dec 2014
Provisions for pensions	6,227	322	–2	218	1,593[1]	–487	7,871
Provisions for taxes	2,535	327	–70		–221	–407	2,164
Provisions for nuclear waste management	10,410	50	–323	458		–228	10,367
Provisions for mining damage	2,952	68	–132	102	–507	–82	2,401
	22,124	**767**	**–527**	**778**	**865**	**–1,204**	**22,803**
Other provisions							
Staff-related obligations (excluding restructuring)	1,841	658	–58	29	–322	–723	1,425
Restructuring obligations	1,737	150	–178	112	8	–255	1,574
Purchase and sales obligations	2,176	166	–326	110	–96	–271	1,759
Uncertain obligations in the electricity business	771	135	–46	57	36	–37	916
Environmental protection obligations	175	5	–11	4	–13	–3	157
Interest payment obligations	763	62	–2		–178	–27	618
Obligations to deliver CO_2 emission allowances/certificates for renewable energies	1,804	1,601	–19		37	–1,933	1,490
Miscellaneous other provisions	2,349	650	–305	45	18	–455	2,302
	11,616	**3,427**	**–945**	**357**	**–510**	**–3,704**	**10,241**
Provisions	**33,740**	**4,194**	**–1,472**	**1,135**	**355**	**–4,908**	**33,044**
of which: changes in the scope of consolidation							(–793)

1 Including treatment of actuarial gains and losses as per IAS 19.127.

Provisions for taxes primarily consist of income taxes.

Provisions for nuclear waste management are almost exclusively reported as non-current provisions, and their settlement amount is discounted to the balance-sheet date. From the current perspective, the majority of utilisation is anticipated to occur in the years 2020 to 2050. The rest is distributed over another 50 years, as a result of German Site Selection Act for a final repository for high-level radioactive waste, which entered into effect in 2013. The discount rate was 4.6% (previous year: 4.6%). Volume-based increases in the provisions are measured at their present value. In the reporting period, they amounted to €50 million (previous year: €53 million). Releases of provisions amounted to €323 million (previous year: €240 million) and stemmed from the fact that on balance current estimates resulted in a decline in the anticipated nuclear waste management costs. Additions to provisions for nuclear waste management primarily consist of annual interest accretion of €458 million (previous year: €493 million). €820 million in prepayments, primarily to the German Federal Office for Radiation Protection (BfS) for the construction of final storage facilities, were deducted from these provisions (previous year: €790 million). In fiscal 2014, as part of nuclear waste management in the nuclear power segment provisions of €138 million were used for the decommissioning of nuclear power plants (previous year: €150 million). The corresponding decommissioning and dismantling costs for the power plants in question were capitalised in cost.

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

Provisions for nuclear waste management € million	31 Dec 2014	31 Dec 2013
Provisions for nuclear obligations, not yet contractually defined	7,529	7,470
Provisions for nuclear obligations, contractually defined	2,838	2,940
	10,367	**10,410**

In respect of the disposal of spent nuclear fuel assemblies, in addition to the costs for the later conditioning of radioactive waste from reprocessing for final storage, the provisions for obligations which are not yet contractually defined primarily cover the estimated long-term costs of direct final storage of fuel assemblies, which is currently the only possible disposal method in Germany. These essentially consist of costs for transport from centralised storage facilities and the plants' intermediate storage facilities to reprocessing plants and final storage as well as conditioning for final storage and containers. These estimates are mainly based on studies by internal and external experts, in particular by GNS Gesellschaft für Nuklear-Service mbH in Essen, Germany. With regard to the decommissioning of nuclear power plants, the costs for the remaining operational phase of the operating plants and dismantling are taken into consideration, on the basis of data from external expert opinions prepared by NIS Ingenieurgesellschaft mbH, Alzenau, Germany, which are generally accepted throughout the industry and are updated continuously. Finally, this item also covers all of the costs of final storage for all radioactive waste, based on data provided by BfS.

Provisions for contractually defined nuclear obligations are related to all nuclear obligations for the disposal of fuel assemblies and the radioactive waste as well as for the decommissioning of nuclear power plants, insofar as the value of said obligations is specified in contracts under civil law. They include the anticipated residual costs of reprocessing, return (transport, containers) and intermediate storage of the resulting radioactive waste, as well as the additional costs of the utilisation of uranium and plutonium from reprocessing activities. These costs are based on existing contracts with foreign reprocessing companies and with GNS. Moreover, these provisions also take into account the costs for transport and intermediate storage of spent fuel assemblies within the framework of final direct storage. The power plants' intermediate storage facilities are licensed for an operational period of 40 years. These facilities commenced operations between 2002 and 2006. Furthermore, the amounts are also stated for the conditioning and intermediate storage of radioactive operational waste, which is primarily performed by GNS. In respect of decommissioning, this includes the residual operating costs of the plants which are permanently decommissioned.

With due consideration of the German Atomic Energy Act (AtG), in particular to Sec. 9a of AtG, the provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2014	31 Dec 2013
Decommissioning of nuclear facilities	4,830	4,847
Disposal of nuclear fuel assemblies	4,661	4,760
Disposal of radioactive operational waste	876	803
	10,367	**10,410**

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. The discount rate was 4.6% (previous year: 4.6%). In the reporting period, additions to provisions for mining damage for quantity-induced increases in the obligatory volume amounted to €68 million (previous year: €109 million). Of this, an increase of €19 million (previous year: €76 million) was capitalised under property, plant and equipment. The interest accretion increased provisions for mining damage by €102 million (previous year: €171 million), of which €0 million was capitalised (previous year: €23 million).

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.

Provisions for restructuring pertain mainly to measures for socially acceptable payroll downsizing.

Provisions for purchase and sales obligations primarily relate to contingent losses from pending transactions.

(25) Financial liabilities

Financial liabilities € million	31 Dec 2014		31 Dec 2013	
	Non-current	Current	Non-current	Current
Bonds payable[1]	13,132	1,801	14,370	530
Bank debt	840	382	869	455
Other financial liabilities				
Collateral for trading activities		347		374
Miscellaneous other financial liabilities	1,252	812	1,300	790
	15,224	**3,342**	**16,539**	**2,149**

1 Including hybrid bonds classified as debt as per IFRS.

€14,594 million of the non-current financial liabilities were interest-bearing liabilities (previous year: €15,688 million).

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

In February 2014, a €500 million bond issued by RWE Finance B.V. in October 2013 with a coupon of 3.0% p.a. and a tenor ending in January 2024 was topped up by €300 million and a €439 million bond issued by RWE AG in October 2012 with a coupon of 3.5% p.a. and a tenor ending in October 2037 was topped up by €61 million.

The following overview shows the key data on the major bonds as of 31 December 2014:

Bonds payable Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
RWE Finance B.V.	€1,801 million[1]	1,801[1]	5.0	February 2015
RWE Finance B.V.	€831 million[1]	832[1]	6.25	April 2016
RWE AG	€100 million	100	variable[2]	November 2017
RWE Finance B.V.	€980 million	979	5.125	July 2018
RWE Finance B.V.	€1,000 million	995	6.625	January 2019
RWE Finance B.V.	€750 million	745	1.875	January 2020
RWE Finance B.V.	£570 million	734	6.5	April 2021
RWE Finance B.V.	€1,000 million	998	6.5	August 2021
RWE Finance B.V.	£500 million	637	5.5	July 2022
RWE Finance B.V.	£488 million	624	5.625	December 2023
RWE Finance B.V.	€800 million	800	3.0	January 2024
RWE Finance B.V.	£760 million	977	6.25	June 2030
RWE AG	€600 million	595	5.75	February 2033
RWE AG	US$50 million	38	3.8	April 2033
RWE Finance B.V.	£600 million	766	4.75	January 2034
RWE AG	€500 million	489	3.5	October 2037
RWE Finance B.V.	£1,000 million	1,264	6.125	July 2039
RWE AG	€159 million[3]	160	4.76[3]	February 2040
RWE AG	€100 million	97	3.5	December 2042
RWE AG	€150 million	146	3.55	February 2043
RWE AG	CHF250 million[4]	207	5.25	April 2072
RWE AG	CHF150 million[4]	124	5.0	July 2072
RWE AG	US$1,000 million[4]	822	7.0	October 2072
Other	Various	3	Various	Various
Bonds payable[5]		**14,933**		

1 Less portions of the bonds bought back.
2 Interest payment dates: 15 May/15 Nov.
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 2014			31 Dec 2013		
€ million	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in the following year	9		9	14		14
Due after 1 to 5 years	66	1	65	110	1	109
Due after 5 years	198	1	197	142	1	141
	273	**2**	**271**	**266**	**2**	**264**

€41 million (previous year: €43 million) of the financial liabilities are secured by mortgages, and €45 million (previous year: €57 million) by similar rights.

(26) Trade accounts payable

In the previous year, exploration activities accounted for liabilities of €63 million.

Changes in the scope of consolidation resulted in a decline of €404 million in trade accounts payable.

(27) Other liabilities

Other liabilities	31 Dec 2014		31 Dec 2013	
€ million	Non-current	Current	Non-current	Current
Tax liabilities		807		879
Social security liabilities	12	57	14	50
Restructuring liabilities	3	20	22	30
Derivatives	1,010	6,398	432	2,353
Advances and contributions in aid of construction and building connection	1,254	147	1,348	180
Miscellaneous other liabilities	416	2,932	418	3,159
	2,695	**10,361**	**2,234**	**6,651**
of which: financial debt	(1,112)	(8,203)	(552)	(4,149)
of which: non-financial debt	(1,583)	(2,158)	(1,682)	(2,502)

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

Changes in the scope of consolidation resulted in a decline of €116 million in other liabilities. Of the miscellaneous other liabilities, €1,200 million (previous year: €1,186 million) related 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		2014	2013
Net income for RWE AG shareholders	€ million	1,704	–2,757
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	2.77	–4.49
Dividend per share	€	1.00[1]	1.00

1 Proposal for fiscal 2014.

(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. 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 monitored by an independent team in RWE AG's Group Strategy Department, with the involvement of both in-house and external experts. The assumptions are coordinated and agreed upon with the operating subsidiaries in a steering committee within the Group and approved as binding budgeting data by the Executive Board.

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 2014	Level 1	Level 2	Level 3	Total 2013	Level 1	Level 2	Level 3
Other financial assets	958	39	364	555	917	100	423	394
Derivatives (assets)	7,491		7,422	69	3,612		3,511	101
of which: used for hedging purposes	(1,459)		(1,459)		(1,447)		(1,447)	
Securities	4,410	1,967	2,443		2,813	1,755	1,058	
Asset held for sale	142		142					
Derivatives (liabilities)	7,408		7,404	4	2,785		2,779	6
of which: used for hedging purposes	(2,369)		(2,369)		(1,574)		(1,574)	
Liabilities held for sale	93		93					

Due to increasing price quotations on active markets, financial assets with a fair value of €49 million were reclassified from Level 2 to Level 1 in the previous year at the beginning of the reporting period. Furthermore, in the previous year, due to the absence of input factors for measurement which are based on non-observable market data, €8 million in derivatives (assets) and €50 million in derivatives (liabilities) were reclassified from Level 3 to Level 2 as of the beginning of the reporting period.

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

Level 3 financial instruments: Development in 2014 € million	Balance at 1 Jan 2014	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 31 Dec 2014
			Recognised in profit or loss	With a cash effect	
Other financial assets	394	163	18	–20	555
Derivatives (assets)	101		21	–53	69
Derivatives (liabilities)	6			–2	4

Level 3 financial instruments: Development in 2013 € million	Balance at 1 Jan 2013	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 31 Dec 2013
			Recognised in profit or loss	With a cash effect	
Other financial assets	442	–31	–3	–14	394
Derivatives (assets)	237	–8	–21	–107	101
of which: used for hedging purposes	(55)			(–55)	
Derivatives (liabilities)	175	–49	–35	–85	6
of which: used for hedging purposes	(35)			(–35)	

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total 2014	Of which: attributable to financial instruments held at the balance-sheet date	Total 2013	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	30	2	23	8
Cost of materials	–9	–18	–10	2
Other operating income/expenses	23	15	8	8
Income from investments	–5	1	–10	–11
	39		**11**	**7**

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 €3 million or decline by €3 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 2014	126	321	552	13	1,012
Additions	5	55	110		170
Transfers	23	–35	–11		–23
Currency translation adjustments	–1		2		1
Disposals	30	17	125		172
Balance at 31 Dec 2014	**123**	**324**	**528**	**13**	**988**

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 2013	165	275	548	12	1,000
Additions	13	48	62	2	125
Transfers	–7	21	2		16
Currency translation adjustments	–1		–9		–10
Disposals	44	23	51	1	119
Balance at 31 Dec 2013	**126**	**321**	**552**	**13**	**1,012**

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 € million	Gross amount as of 31 Dec 2014	Receivables, past due, impaired	Receivables not impaired, past due by:				
			less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	2,759	99					
Trade accounts receivable	7,039	902	387	68	31	30	133
Other receivables and other assets	8,042	10	1				2
	17,840	**1,011**	**388**	**68**	**31**	**30**	**135**

Receivables, past due and not impaired € million	Gross amount as of 31 Dec 2013	Receivables, past due, impaired	Receivables not impaired, past due by:				
			less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	1,815	77					
Trade accounts receivable	8,516	1,242	379	95	66	47	128
Other receivables and other assets	4,161	12					1
	14,492	**1,331**	**379**	**95**	**66**	**47**	**129**

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

Carrying amounts by category € million	31 Dec 2014	31 Dec 2013
Financial assets recognised at fair value through profit or loss	6,032	2,187
of which: held for trading	(6,032)	(2,187)
Financial assets available for sale	5,367	3,709
Loans and receivables	12,656	13,941
Financial liabilities recognised at fair value through profit or loss	5,039	1,210
of which: held for trading	(5,039)	(1,210)
Financial liabilities carried at (amortised) cost	23,617	23,922

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, bank debt and other financial liabilities. The carrying amount of these was €18,566 million, while the fair value amounted to €21,183 million. Of this, €16,629 million was related to Level 1 and €4,554 million to Level 2 of the fair value hierarchy.

The following net results from financial instruments as per IFRS 7 were recognised in the income statement, depending on the category:

Net gain/loss by category € million	2014	2013
Financial assets and liabilities recognised at fair value through profit or loss	–89	548
of which: held for trading	(–89)	(548)
Financial assets available for sale	320	–14
Loans and receivables	–113	–57
Financial liabilities carried at (amortised) cost	–812	–1,048

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

In fiscal 2014, changes of €129 million (previous year: €60 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, €51 million in changes in the value of financial instruments available for sale which had originally been recognised without an effect on income were realised as income (previous year: €23 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 2014	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)	8,452	–7,081	1,371		–323	1,048
Derivatives (liabilities)	8,210	–6,921	1,289	–188	–918	183

Netting of financial assets and financial liabilities as of 31 Dec 2013	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)	3,364	–2,533	831		–347	484
Derivatives (liabilities)	3,322	–2,742	580	–97	–403	80

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.

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. Only RWE AG itself may maintain open foreign currency positions, subject to predefined limits.

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.

Opportunities and risks from changes in the values of securities are controlled by a professional fund management system. The Group's financial transactions are recorded using centralised risk management software and monitored by RWE AG. This enables the balancing of risks across the individual companies.

For commodity operations, risk management directives have been established by the department Group Risk Control, which is part of Group Risk. 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 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 RWE's holdings. 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 2014, the VaR for securities price risk amounted to €3.3 million (previous year: €5.3 million). The sensitivity of interest expenses to increases in market interest rates is measured with CFaR. As of 31 December 2014 this amounted to €6.4 million (previous year: €7.2 million).

As of 31 December 2014, the VaR for foreign currency positions was less than €1 million (previous year: less than €1 million). This corresponds to the figure used internally, which also includes the underlying transactions for cash flow hedges.

As of 31 December 2014, the VaR for risks related to the RWE share portfolio amounted to €6.4 million (previous year: €6.3 million).

As of 31 December 2014, VaR for the commodity positions of the trading business of RWE Supply & Trading amounted to €8.2 million (previous year: €8.4 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 27 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 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 –€11 million (previous year: €10 million).

In the year under review, a gain of €27 million (previous year: €30 million) was recognised from adjustment of the carrying amounts of the underlying transactions, while a loss of €21 million (previous year: €23 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, options, 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. 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 in the income statement. As of the reporting date, the recognised fair value of instruments used as cash flow hedges amounted to –€1,140 million (previous year: –€377 million).

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

In the year under review, changes of –€587 million after taxes in the fair values of instruments used for cash flow hedges (previous year: –€481 million) were disclosed under accumulated other comprehensive income without an effect on income. These changes in value reflect the effective portion of the hedges.

An expense of €4 million was recognised with an effect on income in relation to the ineffective portions of cash flow hedges (previous year: €8 million).

Above and beyond this, during the reporting period changes of €209 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: expense of €48 million).

In the period under review, the cost of non-financial assets was increased by €0 million (previous year: €108 million) by 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 and interest rate currency swaps 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 €1,515 million (previous year: €1,415 million) and the fair value of the swaps amounted to €241 million (previous year: €248 million).

During the year under review, income of €36 million (previous year: expense of €67 million) was recognised in the income statement in relation to the ineffective portions of hedges of net investment in foreign operations.

Above and beyond this, after taxes €0 million in changes in the value from hedges of a net investment in foreign operations which had originally been recognised without an effect on income were realised as an expense during the year under review (previous year: €30 million).

Credit risks. In the fields of finance and commodities, we primarily have credit relationships with banks and other trading partners with good creditworthiness. 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, such as cash 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, 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 2014, these obligations amounted to €154 million (previous year: €104 million). As of 31 December 2014, default risks were balanced against credit collateral, financial guarantees, bank guarantees and other collaterals amounting to €1.9 billion (previous year: €1.2 billion). Of this, €0.1 billion relates to financial receivables (previous year: €0.1 billion), €0.5 billion to trade receivables (previous year: €0.4 billion), €0.3 billion to derivatives used for hedging purposes (previous year: €0.3 billion) and €1.0 billion to other derivatives (previous year: €0.4 billion). There were no material defaults in fiscal 2014 or the previous year.

Liquidity risks. As a rule, RWE Group companies centrally refinance with RWE AG. In this regard, there is a risk that liquidity reserves will prove to be insufficient to meet financial obligations in a timely manner. In 2015, capital market debt (less portions of the bonds bought back) with a nominal volume of approximately €1.8 billion (previous year: €0.5 billion) and bank debt of €0.4 billion (previous year: €0.5 billion) is due. Additionally, short-term debt must also be repaid.

As of 31 December 2014, holdings of cash and cash equivalents and current marketable securities amounted to €7,581 million (previous year: €6,763 million). Additionally, as of the balance-sheet date, RWE AG had a fully committed, unused syndicated credit line of €4 billion (previous year: €4 billion) at its disposal. As of the balance-sheet date, the US$5 billion commercial paper programme (previous year: US$5 billion) had not 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 €14.0 billion (previous year: €13.9 billion). Accordingly, the medium-term liquidity risk can be classified as low.

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 2014	Redemption payments			Interest payments		
		2015	2016 to 2019	From 2020	2015	2016 to 2019	From 2020
Bonds payable[1]	14,933	1,827	4,068	9,077	954	2,752	4,549
Bank debt	1,222	378	119	726	26	96	26
Liabilities arising from finance lease agreements	271	9	66	198			
Other financial liabilities	1,793	928	141	741	37	122	110
Derivative financial liabilities	7,408	6,313	584	20	31	84	
Collateral for trading activities	347	347					
Redemption liabilities from put options	1,200	1,200					
Miscellaneous other financial liabilities	6,837	6,791	35	66			

1 Including hybrid bonds classified as debt as per IFRS.

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2013	Redemption payments			Interest payments		
		2014	2015 to 2018	From 2019	2014	2015 to 2018	From 2019
Bonds payable[1]	14,900	530	5,006	9,418	926	2,954	4,806
Bank debt	1,324	454	134	736	27	98	50
Liabilities arising from finance lease agreements	264	14	110	142			
Other financial liabilities	1,826	785	318	743	41	122	556
Derivative financial liabilities	2,785	2,170	324	41	44	120	273
Collateral for trading activities	374	374					
Redemption liabilities from put options	1,187	1,186	1				
Miscellaneous other financial liabilities	6,914	6,800	61	90			

1 Including hybrid bonds classified as debt as per IFRS.

Above and beyond this, as of 31 December 2014, there were financial guarantees for external creditors in the amount of €88 million (previous year: €78 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 €66 million (previous year: €26 million), which is callable in 2015.

Detailed information on the risks of the RWE Group and on the objectives and procedures of the risk management is presented on page 75 et seqq. in the chapter "Development of risks and opportunities" in the review of operations.

(30) Contingent liabilities and financial commitments
As of 31 December 2014, the amount of capital commitments totalled €914 million (previous year: €1,505 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 2014	31 Dec 2013
Due within 1 year	247	234
Due after 1 to 5 years	636	523
Due after 5 years	977	486
	1,860	**1,243**

We have made long-term contractual purchase commitments for supplies of fuels, including natural gas and hard coal in particular. Payment obligations stemming from the major long-term purchase contracts amounted to €38.5 billion as of 31 December 2014 (previous year: €46.5 billion), of which €2.3 billion is due within one year (previous year: €2.7 billion).

Gas purchases by the RWE Group are mostly 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 2014, the minimum payment obligations stemming from the major purchase contracts totalled €9.1 billion (previous year: €10.3 billion), of which €0.4 billion is due within one year (previous year: €0.6 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

The RWE Group is now divided into seven segments which are clearly delineated on the basis of regional and 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.

The segment "Supply/Distribution Networks Germany" essentially consists of the supply and distribution networks business in Germany.

In the segment "Supply Netherlands/Belgium" we report on the Group's business with end customers for electricity and gas in this region.

Analogously to this, the segment "Supply United Kingdom" covers the supply business in electricity and gas in the United Kingdom.

Central Eastern and South Eastern European supply and distribution activities are included in the segment "Central Eastern and South Eastern Europe", along with power generation in Hungary.

Activities for the generation of electricity from renewable energy sources are bundled in RWE Innogy and presented in the segment "Renewables".

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.

"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, RWE Service, RWE IT, and RWE Consulting.

The former segment "Upstream Gas & Oil", which covered the Group's gas and oil production activities, is reported as a discontinued operation; as of 31 December 2014 it is no longer a segment.

Segment reporting Divisions 2014 € million	Conventional Power Generation	Supply/Distribution Networks Germany	Supply Netherlands/Belgium	Supply United Kingdom	Central Eastern and South Eastern Europe	Renewables	Trading/Gas Midstream	Other, consolidation	RWE Group
External revenue (incl. natural gas tax/electricity tax)	**1,888**	**25,310**	**4,443**	**8,992**	**4,059**	**277**	**3,409**	**90**	**48,468**
Intra-group revenue	7,603	1,208	44	328	180	614	24,441	−34,418[1]	
Total revenue	9,491[2]	26,518	4,487	9,320	4,239	891	27,850	−34,328	48,468
Operating result	**979**	**1,871**	**146**	**227**	**690**	**186**	**274**	**−356**	**4,017**
Operating income from investments	98	285	8		50	−3	−8	17	447
Operating income from investments accounted for using the equity method	87	193	8		45	−4	−8	43	364
Operating depreciation and amortisation	1,543	779	57	67	223	361	12	73	3,115
Total impairment losses	653	112				101	6	2	874
Cash flows from operating activities of continuing operations	**2,281**	**1,865**	**16**	**334**	**842**	**148**	**1,087**	**−1,017**	**5,556**
Carrying amount of investments accounted for using the equity method	205	2,242	56		282	99		314	3,198
Capital expenditure on intangible assets, property, plant and equipment and investment property	1,086	900	9	148	309	723	11	59	3,245

1 Of which: consolidation of intra-group revenue −€37,870 million and intra-group revenue of other companies €3,452 million.
2 Of which: total revenue from power generation in the United Kingdom of €814 million.

Regions 2014	EU			Rest of Europe	Other	RWE Group
€ million	Germany	UK	Other EU			
External revenue[1,2]	26,229	9,533	9,963	117	307	46,149
Intangible assets, property, plant and equipment and investment property	23,195	9,662	10,488	3	591	43,939

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

Segment reporting Divisions 2013 € million	Conventional Power Generation	Supply/ Distribution Networks Germany	Supply Netherlands/ Belgium	Supply United Kingdom	Central Eastern and South Eastern Europe	Renewables	Trading/ Gas Midstream	Other, consolidation	RWE Group
External revenue (incl. natural gas tax/ electricity tax)	**1,570**	**25,718**	**6,308**	**8,982**	**4,852**	**402**	**4,499**	**94**	**52,425**
Intra-group revenue	9,096	1,244	186	277	292	534	23,627	−35,256[1]	
Total revenue	10,666[2]	26,962	6,494	9,259	5,144	936	28,126	−35,162	52,425
Operating result	**1,384**	**1,626**	**278**	**290**	**1,032**	**203**	**831**	**–275**	**5,369**
Operating income from investments	84	295	8		42	−44	−2	32	415
Operating income from investments accounted for using the equity method	84	213	7		47	−42	−2	65	372
Operating depreciation and amortisation	1,071	690	90	76	249	251	10	96	2,534
Total impairment losses	3,864	267	77		3	624		4	4,839
Cash flows from operating activities of continuing operations	**1,131**	**1,621**	**286**	**119**	**1,166**	**413**	**1,293**	**–1,226**	**4,803**
Carrying amount of investments accounted for using the equity method	249	2,199	52		357	105	8	283	3,253
Capital expenditure on intangible assets, property, plant and equipment and investment property	1,374	871	28	106	320	1,077	14	58	3,848

1 Of which: consolidation of intra-group revenue –€38,501 million and intra-group revenue of other companies €3,245 million.
2 Of which: total revenue from power generation in the United Kingdom of €903 million.

Regions 2013	EU			Rest of Europe	Other	RWE Group
€ million	Germany	UK	Other EU			
External revenue[1,2]	27,452	9,696	12,161	212	228	49,749
Intangible assets, property, plant and equipment and investment property	24,877	10,425	10,416	946	1,058	47,722

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

Products € million	RWE Group 2014	RWE Group 2013
External revenue[1]	46,149	49,749
of which: electricity	(32,313)	(33,453)
of which: gas	(10,945)	(13,033)
of which: crude oil		(114)

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. The operating result is used for internal management.

The following table presents the reconciliation of the operating result to income from continuing operations before tax:

Reconciliation of income items € million	2014	2013
Operating result	**4,017**	**5,369**
+ Non-operating result	77	−5,480
+ Financial result	−1,848	−1,905
Income from continuing operations before tax	**2,246**	**−2,016**

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 sales proceeds from the disposal of investments or non-current assets not required for operations, impairment of the goodwill of fully consolidated companies, effects of the fair valuation of certain derivatives and restructuring expenses.

More detailed information is presented on page 55 in the review of operations.

(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 €210 million (previous year: €328 million) and cash flows used for interest expenses of €1,080 million (previous year: €1,105 million)
- €951 million (previous year: €1,216 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 €383 million (previous year: €383 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 €615 million (previous year: €1,229 million) which was distributed to RWE shareholders, €302 million (previous year: €237 million) which was distributed to non-controlling shareholders, and €144 million (previous year: €145 million) which was distributed to hybrid capital investors. Furthermore, cash flows from financing activities include purchases of €58 million (previous year: €0 million) and sales in the amount of €29 million (previous year: €279 million) of shares in subsidiaries and other business units which did not lead to a change of control.

In the previous year, exploration activities reduced cash flows from operating activities by €86 million and cash flows from investing activities by €93 million.

Restrictions on the disposal of cash and cash equivalents amounted to €28 million (previous year: €33 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	2014	2013	2014	2013
Income	3,778	3,716	34	47
Expenses	2,784	2,830	95	14
Receivables	432	164	168	
Liabilities	260	109	32	1

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: €45 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €156 million of the receivables from joint ventures (previous year: €0 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. €304 million of the receivables (previous year: €164 million) and €135 million of the liabilities (previous year: €103 million) fall due within one year. In respect of the receivables, there was collateral amounting to €0 million (previous year: €1 million). Other obligations from executory contracts amounted to €1,212 million (previous year: €1,942 million).

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

The compensation model and compensation of the Executive and Supervisory Boards is presented in the compensation report, which is included in the review of operations.

In total, the compensation of the Executive Board amounted to €10,837,000 (previous year: €13,338,000), plus pension service costs of €475,000 (previous year: €590,000). The Executive Board received short-term compensation components amounting to €9,087,000 for fiscal 2014 (previous year: €9,479,000). In addition to this, long-term compensation components of the Beat programme (2014 tranche) in the amount of €1,750,000 were allocated (€3,859,000 from the 2013 Beat tranche in the previous year).

The Executive Board opted to forgo €500,000 of its total remuneration in relation to fiscal 2014.

The Supervisory Board received total compensation of €2,729,000 (previous year: €2,466,000) in fiscal 2014. Supervisory Board members also received a total of €217,000 in compensation from subsidiaries for the exercise of mandates (previous year: €167,000). 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. One employee representative has an outstanding loan from the period before his membership of the Board.

Former members of the Executive Board and their surviving dependents received €12,494,000 (previous year: €12,200,000), of which €2,016,000 came from subsidiaries (previous year: €1,987,000). As of the balance-sheet date, €171,481,000 (previous year: €154,472,000) had been accrued for defined benefit obligations to former members of the Executive Board and their surviving dependents. Of this, €22,663,000 was set aside at subsidiaries (previous year: €21,270,000).

Information on the members of the Executive and Supervisory Boards is presented on page 212 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	2014		2013	
€ million	Total	Of which: Germany	Total	Of which: Germany
Audit services	15.2	(8.9)	15.2	(8.7)
Other assurance services	7.0	(6.7)	6.9	(6.6)
Tax services	0.8	(0.8)	0.6	(0.5)
Other services	2.3	(0.6)	1.4	(0.5)
	25.3	**(17.0)**	**24.1**	**(16.3)**

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. Other assurance services include fees for the review of interim reports, review of the internal controlling system, in particular the IT systems, due diligence audits, 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.

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

In fiscal 2014, 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 Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen
- RE GmbH, Cologne
- Rheinbraun Brennstoff GmbH, Cologne
- Rheinische Baustoffwerke GmbH, Bergheim
- rhenag Beteiligungs GmbH, Cologne
- RSB LOGISTIC GMBH, Cologne
- RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne
- RWE Aqua GmbH, Mülheim an der Ruhr
- RWE Beteiligungsgesellschaft mbH, Essen
- RWE Beteiligungsverwaltung Ausland GmbH, Essen
- RWE Consulting GmbH, Essen
- RWE FiberNet GmbH, Essen
- RWE Group Business Services GmbH, Essen
- RWE IT GmbH, Essen
- RWE Offshore Logistics Company GmbH, Hamburg
- RWE Rheinhessen Beteiligungs GmbH, Essen
- RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen
- RWE Seabreeze I GmbH & Co. KG, Bremerhaven
- RWE Seabreeze II GmbH & Co. KG, Bremerhaven
- RWE Technology GmbH, Essen
- RWE Trading Services GmbH, Essen

(37) Events after the balance-sheet date

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

(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 its publicly traded German subsidiaries and have been made permanently and publicly available to shareholders on the Internet pages of RWE AG and its publicly traded German subsidiaries.

Essen, 20 February 2015

The Executive Board

Terium Schmitz Günther Tigges

4.7 LIST OF SHAREHOLDINGS (PART OF THE NOTES)

List of shareholdings as per Sec. 285 No. 11 and No. 11 a and Sec. 313 Para. 2 (in relation to Sec. 315 a I) of HGB as of 31 Dec 2014

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	115,015	28,095
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	23,211	1,110
Andromeda Wind S.r.l., Bolzano/Italy		51	11,022	1,449
Artelis S.A., Luxembourg/Luxembourg		53	38,209	2,749
A/V/E GmbH, Halle (Saale)		76	1,552	4
Bayerische Bergbahnen-Beteiligungs-Gesellschaft mbH, Gundremmingen		100	23,638	759
Bayerische Elektrizitätswerke GmbH, Augsburg		100	34,008	[1]
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Gundremmingen		62	63,572	9,198
BC-Therm Energiatermelõ és Szolgáltató Kft., Budapest/Hungary		100	3,717	404
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	100	100	4,317,964	[1]
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	2,923	621
BPR Energie Geschäftsbesorgung GmbH, Essen		100	17,356	27
Bristol Channel Zone Limited, Swindon/United Kingdom		100	–2,055	–1,336
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin, Berlin		100	18,094	[1]
Budapesti Elektromos Muvek Nyrt., Budapest/Hungary		55	649,509	12,285
Carl Scholl GmbH, Cologne		100	512	111
Cegecom S.A., Luxembourg/Luxembourg		100	12,209	2,309
Channel Energy Limited, Swindon/United Kingdom		100	–16,792	–15,475
DEA UK Upstream Limited, London/United Kingdom		100	8	0
ELE Verteilnetz GmbH, Gelsenkirchen		100	25	[1]
Electra Insurance Limited, Hamilton/Bermudas		100	29,370	–3,831
Elektrizitätswerk Landsberg GmbH, Landsberg am Lech		100	303	–354
ELMU Halozati Eloszto Kft., Budapest/Hungary		100	723,184	20,414
ELMU-EMASZ Halozati Szolgáltató Kft., Budapest/Hungary		100	84	76
ELMU-EMASZ Ugyfelszolgalati Kft., Budapest/Hungary		100	1,146	1,158
EMASZ Halozati Kft., Miskolc/Hungary		100	273,448	5,679
Emscher Lippe Energie GmbH, Gelsenkirchen		50[4]	39,977	27,906
ENB Energienetze Berlin GmbH, Berlin		100	25	[1]
Energie Direct B.V., Waalre/Netherlands		100	–63,908	–9,790
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 2 S.A.S., Paris/France		100		
Energies VAR 3 S.A.S., Paris/France		100		

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	Direct	Total	€ '000	€ '000
RWE Innogy Développement France S.A.S., Paris/France		100		
SAS Île de France S.A.S., Paris/France		100		
Energis GmbH, Saarbrücken		72	142,070	28,031
energis-Netzgesellschaft mbH, Saarbrücken		100	25	1
Energy Resources B.V., 's-Hertogenbosch/Netherlands		100	131,058	–9,267
Energy Resources Holding B.V., 's-Hertogenbosch/Netherlands		100	307,214	796
Energy Resources Ventures B.V., 's-Hertogenbosch/Netherlands		100	22,326	–1,165
Enerservice Maastricht B.V., Maastricht/Netherlands		100	–92,654	–2,423
envia Mitteldeutsche Energie AG, Chemnitz		59	1,605,457	346,029
envia SERVICE GmbH, Cottbus		100	2,641	1,719
envia TEL GmbH, Markkleeberg		100	12,122	2,441
envia THERM GmbH, Bitterfeld-Wolfen		100	63,463	1
enviaM Beteiligungsgesellschaft Chemnitz GmbH, Chemnitz		100	56,366	1
enviaM Beteiligungsgesellschaft mbH, Essen		100	175,741	31,725
eprimo GmbH, Neu-Isenburg		100	4,600	1
Essent Belgium N.V., Antwerp/Belgium		100	69,555	63,946
Essent Corner Participations B.V., 's-Hertogenbosch/Netherlands		100	17,344	6,268
Essent Energie Belgie N.V., Antwerp/Belgium		100	151,476	9,716
Essent Energie Verkoop Nederland B.V., 's-Hertogenbosch/Netherlands		100	129,520	8,200
Essent Energy Gas Storage B.V., 's-Hertogenbosch/Netherlands		100	1,883	334
Essent Energy Group B.V., Arnhem/Netherlands		100	–394	–345
Essent Energy Systems Noord B.V., Zwolle/Netherlands		100	3,361	1,021
Essent IT B.V., Arnhem/Netherlands		100	–246,515	0
Essent Meetdatabedrijf B.V., 's-Hertogenbosch/Netherlands		100	–10,498	–1,746
Essent Nederland B.V., Arnhem/Netherlands		100	2,930,400	149,700
Essent New Energy B.V., 's-Hertogenbosch/Netherlands		100	–26,627	–4,397
Essent N.V., 's-Hertogenbosch/Netherlands		100	10,510,400	227,600
Essent Participations Holding B.V., Arnhem/Netherlands		100	308,671	0
Essent Personeel Service B.V., Arnhem/Netherlands		100	3,061	2,553
Essent Power B.V., Arnhem/Netherlands		100	–1,295,359	–1,161,389
Essent Productie Geleen B.V., 's-Hertogenbosch/Netherlands		100	–1,525	4,252
Essent Projects B.V., 's-Hertogenbosch/Netherlands		100	–42,263	–7,343
Essent Retail Bedrijven B.V., Arnhem/Netherlands		100	289,920	177,100
Essent Retail Energie B.V., 's-Hertogenbosch/Netherlands		100	211,920	68,000
Essent Retail Participations B.V., 's-Hertogenbosch/Netherlands		100	104,520	13,200
Essent Sales Portfolio Management B.V., 's-Hertogenbosch/Netherlands		100	210,845	94,167
Essent Service B.V., Arnhem/Netherlands		100	–61,133	0
Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH, Helgoland		100	256	1
Essent Zuid B.V., Waalre/Netherlands		100	88,687	2,770

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	Direct	Total	€ ’000	€ ’000
Eszak-magyarorszagi Aramszolgáltató Nyrt., Miskolc/Hungary		54	282,738	16,992
EuroSkyPark GmbH, Saarbrücken		51	61	–225
EVIP GmbH, Bitterfeld-Wolfen		100	11,347	[1]
EWV Energie- und Wasser-Versorgung GmbH, Stolberg		54	39,942	12,096
EZN Swentibold B.V., Geleen/Netherlands		100	6,064	2,035
FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken		63	5,259	–4,561
Fri-El Anzi Holding S.r.l., Bolzano/Italy		51	8,449	1,752
Fri-El Anzi S.r.l., Bolzano/Italy		100	25,572	1,256
Fri-El Guardionara Holding S.r.l., Bolzano/Italy		51	18,897	6,225
Fri-El Guardionara S.r.l., Bolzano/Italy		100	35,040	2,211
GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	4,202,487	[1]
Gemeinschaftskraftwerk Bergkamen A beschränkt haftende OHG, Bergkamen		51	12,312	1,171
Gemeinschaftskraftwerk Steinkohle Hamm GmbH & Co. KG, Essen		78	53,000	–127,073
Georgia Biomass Holding LLC, Savannah/USA		100	54,466	2,460
Georgia Biomass LLC, Savannah/USA		100	15,445	–20,811
GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund		100	70,420	–4,176
Great Yarmouth Power Limited, Swindon/United Kingdom		100	3,852	0
Green Gecco GmbH & Co. KG, Essen		51	87,059	2,834
GWG Grevenbroich GmbH, Grevenbroich		60	19,902	3,910
Industriepark LH Verteilnetz GmbH, Chemnitz		100	100	[1]
Inhome Energy Care N.V., Houthalen-Helchteren/Belgium		100	–121	–183
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		
KA Contracting SK s.r.o., Banská Bystrica/Slovakia		100	1,289	279
Kazinc-Therm Fûtõerõmû Kft., Kazincbarcika/Hungary		100	–442	–776
Kernkraftwerk Gundremmingen GmbH, Gundremmingen		75	84,184	8,343
Kernkraftwerk Lingen GmbH, Lingen (Ems)		100	20,034	[1]
Kernkraftwerke Lippe-Ems GmbH, Lingen (Ems)		99	432,269	[1]
KMG Kernbrennstoff-Management Gesellschaft mbH, Essen		100	696,225	[1]
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	7,120	1,414
Kraftwerksbeteiligungs-OHG der RWE Power AG und der E.ON Kernkraft GmbH, Lingen (Ems)		88	144,433	–1,666
Krzecin Sp. z o.o., Warsaw/Poland		100	20,373	1,018
KW Eemsmond B.V., Zwolle/Netherlands		100	8,815	0
Lechwerke AG, Augsburg		90	399,625	85,208
Leitungspartner GmbH, Düren		100	100	[1]
LEW Anlagenverwaltung GmbH, Gundremmingen		100	258,757	22,129

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	Direct	Total	€ '000	€ '000
LEW Beteiligungsgesellschaft mbH, Gundremmingen		100	419,818	12,183
LEW Netzservice GmbH, Augsburg		100	87	[1]
LEW Service & Consulting GmbH, Augsburg		100	1,250	[1]
LEW TelNet GmbH, Neusäß		100	6,812	5,594
LEW Verteilnetz GmbH, Augsburg		100	13,926	[1]
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		59	66,701	7,330
LYNEMOUTH POWER LIMITED, Northumberland/United Kingdom		100	20,918	35,481
Magyar Áramszolgáltató Kft., Budapest/Hungary		100	5,166	3,810
Mátrai Erömü Zártkörüen Müködö Részvénytársaság, Visonta/Hungary		51	308,825	28,806
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)		75	135,648	43,692
Mitteldeutsche Netzgesellschaft Gas mbH, Kabelsketal		100	25	[1]
Mitteldeutsche Netzgesellschaft Strom mbH, Halle (Saale)		100	4,071	[1]
ML Wind LLP, Swindon/United Kingdom		51	103,304	2,937
NEW AG, Mönchengladbach		40[4]	174,541	50,926
NEW Netz GmbH, Geilenkirchen		100	47,403	8,696
NEW Niederrhein Energie und Wasser GmbH, Mönchengladbach		100	1,000	4,626
NEW NiederrheinWasser GmbH, Viersen		100	11,493	1,493
NEW Service GmbH, Mönchengladbach		100	100	1,143
NEW Tönisvorst GmbH, Tönisvorst		95	5,961	1,706
NEW Viersen GmbH, Viersen		100	38,783	10,675
Npower Business and Social Housing Limited, Swindon/United Kingdom		100	6,041	8,115
Npower Cogen (Hythe) Limited, Swindon/United Kingdom		100	11,474	−7,012
Npower Cogen Limited, Swindon/United Kingdom		100	182,273	−1,911
Npower Cogen Trading Limited, Swindon/United Kingdom		100	10	10
Npower Commercial Gas Limited, Swindon/United Kingdom		100	−4,308	5,147
Npower Direct Limited, Swindon/United Kingdom		100	279,222	52,120
Npower Financial Services Limited, Swindon/United Kingdom		100	−264	35
Npower Gas Limited, Swindon/United Kingdom		100	−248,668	14,139
Npower Limited, Swindon/United Kingdom		100	198,752	397,966
Npower Northern Limited, Swindon/United Kingdom		100	−790,090	−165,186
Npower Yorkshire Limited, Swindon/United Kingdom		100	−690,692	−25,774
Npower Yorkshire Supply Limited, Swindon/United Kingdom		100	0	0
NRW Pellets GmbH, Erndtebrück		100	2,492	−447
Octopus Electrical Limited, Swindon/United Kingdom		100	2,642	86
OIE Aktiengesellschaft, Idar-Oberstein		100	11,449	[1]
Oval (2205) Limited, Swindon/United Kingdom		100	−6,694	−516
Ózdi Erõmû Távhõtermelõ és Szolgáltató Kft., Kazincbarcika/Hungary		100	497	−537
Park Wiatrowy Nowy Staw Sp. z o.o., Warsaw/Poland		100	65,958	3,754
Park Wiatrowy Suwalki Sp. z o.o., Warsaw/Poland		100	66,060	3,394

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	Direct	Total	€ '000	€ '000
Park Wiatrowy Tychowo Sp. z o.o., Warsaw/Poland		100	54,852	209
Piecki Sp. z o.o., Warsaw/Poland		51	39,389	940
Plus Shipping Services Limited, Swindon/United Kingdom		100	29,706	4,725
Powerhouse B.V., Almere/Netherlands		100	20,300	6,400
RE GmbH, Cologne		100	12,463	[1]
Regenesys Holdings Limited, Swindon/United Kingdom		100	–12	0
Regenesys Technologies Limited, Swindon/United Kingdom		100	790	7
regionetz GmbH, Eschweiler		100	37	[1]
Rheinbraun Brennstoff GmbH, Cologne		100	63,316	[1]
Rheinische Baustoffwerke GmbH, Bergheim		100	9,236	[1]
Rheinkraftwerk Albbruck-Dogern Aktiengesellschaft, Waldshut-Tiengen		77	30,904	1,757
rhenag Beteiligungs GmbH, Cologne		100	25	[1]
rhenag Rheinische Energie Aktiengesellschaft, Cologne		67	143,196	28,977
Rhenas Insurance Limited, Sliema/Malta	100	100	49,158	792
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		50[4]	245,422	11,829
RL Besitzgesellschaft mbH, Gundremmingen		100	110,893	10,490
RL Beteiligungsverwaltung beschr. haft. OHG, Gundremmingen[5]	51	100	354,679	26,092
RSB LOGISTIC GMBH, Cologne		100	19,304	[1]
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne		100	36,694	[1]
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey		69	173,229	9,869
RWE Aktiengesellschaft, Essen			9,567,784	649,702
RWE Aqua GmbH, Mülheim an der Ruhr		100	233,106	[1]
RWE Benelux Holding B.V., 's-Hertogenbosch/Netherlands		100	695,000	–2,050,100
RWE Beteiligungsgesellschaft mbH, Essen	100	100	8,058,440	[1]
RWE Beteiligungsverwaltung Ausland GmbH, Essen	100	100	740,420	[1]
RWE Ceská republika a.s., Prague/Czech Republic		100	2,588,882	151,868
RWE Consulting GmbH, Essen		100	1,555	[1]
RWE Dea AG, Hamburg		100	1,382,488	58,583
RWE Dea Cyrenaica GmbH, Hamburg		100	26	[1]
RWE Dea E & P GmbH, Hamburg		100	32,930	[1]
RWE Dea Global Limited, London/United Kingdom		100	7	–26
RWE Dea Guyana GmbH, Hamburg		100	25	[1]
RWE Dea Idku GmbH, Hamburg		100	13,772	[1]
RWE Dea International GmbH, Hamburg		100	290,741	[1]
RWE Dea Nile GmbH, Hamburg		100	130,581	[1]
RWE Dea Norge AS, Oslo/Norway		100	337,425	83,955
RWE Dea North Africa/Middle East GmbH, Hamburg		100	130,025	[1]
RWE Dea Polska Sp. z o.o., Warsaw/Poland		100	55	–6
RWE Dea Speicher GmbH, Hamburg		100	25	[1]

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	Direct	Total	€ '000	€ '000
RWE Dea Suez GmbH, Hamburg		100	87,226	[1]
RWE Dea Suriname GmbH, Hamburg		100	25	[1]
RWE Dea Trinidad & Tobago GmbH, Hamburg		100	25	[1]
RWE Dea UK Holdings Limited, Aberdeen/United Kingdom		100	297,142	2,204
RWE Dea UK SNS Limited, London/United Kingdom		100	179,959	12,633
RWE Deutschland Aktiengesellschaft, Essen	12	100	500,899	[1]
RWE Distribucní služby, s.r.o., Brno/Czech Republic		100	29,397	23,143
RWE East, s.r.o., Prague/Czech Republic	2	100	360	312
RWE Eemshaven Holding B.V., 's-Hertogenbosch/Netherlands		100	–2,186,450	–1,560,895
RWE Effizienz GmbH, Dortmund		100	25	[1]
RWE Energetyka Trzemeszno Sp. z o.o., Wroclaw/Poland		100	1,814	243
RWE Energie, s.r.o., Prague/Czech Republic		100	154,192	91,738
RWE Energiedienstleistungen GmbH, Dortmund		100	49,223	[1]
RWE Energija d.o.o., Zagreb/Croatia		100	528	–1,303
RWE Energo, s.r.o., Prague/Czech Republic		100	18,882	–1,206
RWE Energy Beteiligungsverwaltung Luxembourg S.A.R.L., Luxembourg/Luxembourg		100	85,997	9,099
RWE Enerji Toptan Satis A.S., Istanbul/Turkey		100	1,535	–2,197
RWE FiberNet GmbH, Essen		100	25	[1]
RWE Finance B.V., 's-Hertogenbosch/Netherlands	100	100	10,606	2,180
RWE Gas International N.V., 's-Hertogenbosch/Netherlands	100	100	5,643,571	–709,685
RWE Gas Slovensko, s.r.o., Košice/Slovakia		100	4,222	1,659
RWE Gas Storage, s.r.o., Prague/Czech Republic		100	539,694	31,715
RWE GasNet, s.r.o., Ústí nad Labem/Czech Republic		100	795,262	61,364
RWE Gasspeicher GmbH, Dortmund	100	100	350,087	[1]
RWE Gastronomie GmbH, Essen		100	275	[1]
RWE GBS UK Limited, Swindon/United Kingdom		100	34,012	–29,796
RWE Generation SE, Essen	100	100	264,622	[1]
RWE Generation UK plc, Swindon/United Kingdom		100	2,023,363	–134,478
RWE Grid Holding, a.s., Prague/Czech Republic		65	1,012,295	94,121
RWE Group Business Services Benelux B.V., Arnhem/Netherlands		100	–5,767	–9,888
RWE Group Business Services CZ, s.r.o., Prague/Czech Republic		100	762	372
RWE Group Business Services GmbH, Essen		100	25	[1]
RWE Group Business Services Polska Sp. z o.o., Krakow/Poland		100	3,575	–1,001
RWE Hrvatska d.o.o., Zagreb/Croatia		100	1,039	–250
RWE Hungaria Tanacsado Kft., Budapest/Hungary		100	742	–255
RWE Innogy AERSA 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		

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	Direct	Total	€ ’000	€ ’000
General de Mantenimiento 21, S.L.U., Barcelona/Spain		100		
Hidroeléctrica del Trasvase, S.A., Barcelona/Spain		60		
RWE Innogy AERSA, S.A.U., Barcelona/Spain		100		
RWE Innogy Benelux B.V., ’s-Hertogenbosch/Netherlands		100	145	–1,254
RWE Innogy Brise Windparkbetriebsgesellschaft mbH, Hanover		100	226	[1]
RWE Innogy Cogen Beteiligungs GmbH, Dortmund		100	7,350	[1]
RWE Innogy Galloper 1 Limited, Swindon/United Kingdom		100	–210	–104
RWE Innogy Galloper 2 Limited, Swindon/United Kingdom		100	–209	–103
RWE Innogy GmbH, Essen	100	100	653,471	[1]
RWE Innogy GYM 1 Limited, Swindon/United Kingdom		100	–815	–795
RWE Innogy GYM 2 Limited, Swindon/United Kingdom		100	–625	–609
RWE Innogy GYM 3 Limited, Swindon/United Kingdom		100	–627	–611
RWE Innogy GYM 4 Limited, Swindon/United Kingdom		100	–2,041	–1,992
RWE Innogy Italia S.p.A., Bolzano/Italy		100	15,917	–16,155
RWE Innogy Kaskasi GmbH, Hamburg		100	99	[1]
RWE Innogy Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	[1]
RWE Innogy Markinch Limited, Swindon/United Kingdom		100	–72,258	–54,700
RWE Innogy Mistral Windparkbetriebsgesellschaft mbH, Hanover		100	578	[1]
RWE Innogy Sandbostel Windparkbetriebsgesellschaft mbH, Sandbostel		100	25	[1]
RWE Innogy Stallingborough Limited, Swindon/United Kingdom		100	–8,919	–40
RWE Innogy UK Holdings Limited, Swindon/United Kingdom		100	1,849,303	–12,472
RWE Innogy UK Limited, Swindon/United Kingdom		100	1,893,769	437,830
RWE Innogy Windpark Bedburg GmbH & Co. KG, Bedburg		51	2,936	–64
RWE Innogy Windpark GmbH, Essen		100	1,273	[1]
RWE Innogy Windpower Hanover GmbH, Hanover		100	77,373	[1]
RWE Innogy Windpower Netherlands B.V., ’s-Hertogenbosch/Netherlands		100	–23,335	–2,837
RWE IT Czech s.r.o., Prague/Czech Republic	1	100	12,380	2,638
RWE IT GmbH, Essen	100	100	22,724	[1]
RWE IT MAGYARORSZÁG Kft., Budapest/Hungary		100	742	29
RWE IT Poland Sp. z o.o., Warsaw/Poland		100	–46	–365
RWE Metering GmbH, Mülheim an der Ruhr		100	25	[1]
RWE Netzservice GmbH, Siegen		100	50	[1]
RWE Npower Group plc, Swindon/United Kingdom		100	82,537	41,880
RWE Npower Holdings plc, Swindon/United Kingdom		100	1,538,920	1,176
RWE Offshore Logistics Company GmbH, Hamburg		100	30	[1]
RWE Offshore Wind Nederland B.V., ’s Hertogenbosch/Netherlands		100	551	331
RWE Plin d.o.o., Zagreb/Croatia		100	54	–80
RWE Polska Contracting Sp. z o.o., Wroclaw/Poland		100	4,946	872
RWE Polska S.A., Warsaw/Poland		100	454,116	94,979

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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
RWE Power Aktiengesellschaft, Cologne and Essen	100	100	3,399,197	[1]
RWE Renewables Polska Sp. z o.o., Warsaw/Poland		100	327,874	29,594
RWE Rheinhessen Beteiligungs GmbH, Essen		100	57,840	[1]
RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen		100	286,356	[1]
RWE Seabreeze I GmbH & Co. KG, Bremerhaven		100	48,352	17,252
RWE Seabreeze II GmbH & Co. KG, Bremerhaven		100	27,268	6,830
RWE Service GmbH, Dortmund	100	100	248,451	[1]
RWE Slovensko s.r.o., Bratislava/Slovakia	1	100	1,739	–442
RWE Solutions Ireland Limited, Dublin/Ireland		100	6,507	2,853
RWE Stoen Operator Sp. z o.o., Warsaw/Poland		100	667,101	52,856
RWE Supply & Trading Asia-Pacific PTE. LTD., Singapore/Singapore		100	4,514	6,935
RWE Supply & Trading CZ, a.s., Prague/Czech Republic		100	1,119,037	63,301
RWE Supply & Trading CZ GmbH, Essen		100	99,985	–15
RWE Supply & Trading GmbH, Essen	100	100	446,778	[1]
RWE Supply & Trading (India) Private Limited, Mumbai/India		100	–278	–866
RWE Supply & Trading Netherlands B.V., 's-Hertogenbosch/Netherlands		100	531,460	3,000
RWE Supply & Trading Participations Limited, London/United Kingdom		100	47,243	13,958
RWE Supply & Trading Switzerland S.A., Geneva/Switzerland		100	59,536	–26,212
RWE Technology GmbH, Essen		100	25	[1]
RWE Technology Tasarim ve Mühendislik Danismanlik Ticaret Limited Sirketi, Istanbul/Turkey		100	852	–270
RWE Technology UK Limited, Swindon/United Kingdom		100	1,251	–1,014
RWE Trading Americas Inc., New York/USA		100	31,536	–9,949
RWE Trading Services GmbH, Essen		100	5,735	[1]
RWE Vertrieb Aktiengesellschaft, Dortmund		100	27,303	[1]
RWE Zákaznické služby, s.r.o., Ostrava/Czech Republic		100	1,964	1,578
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr		80	74,410	8,240
Saarwasserkraftwerke GmbH, Essen		100	14,368	[1]
Scarcroft Investments Limited, Swindon/United Kingdom		100	0	0
Schwäbische Entsorgungsgesellschaft mbH, Gundremmingen		100	20,659	646
Sinergy Energiakereskedõ Kft., Budapest/Hungary		100	10	0
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft., Budapest/Hungary		100	28,508	–1,416
Speicher Breitbrunn/Eggstätt RWE Dea & Storengy, Hamburg		80	0	18,733
SRS EcoTherm GmbH, Salzbergen		90	14,648	2,348
Stadtwärme Kamp-Lintfort GmbH, Kamp-Lintfort		100	2,970	[1]
STADTWERKE DÜREN GMBH, Düren		50[4]	23,360	2,596
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort		51	13,504	3,514
Südwestsächsische Netz GmbH, Crimmitschau		100	598	–320
Süwag Beteiligungs GmbH, Frankfurt am Main		100	4,425	[1]

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Süwag Energie AG, Frankfurt am Main		78	489,955	114,080
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	32,912	1,911
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	769	197
Tisza BioTerm Kft., Budapest/Hungary		60	219	0
Tisza-Therm Fûtõerõmû Kft., Tiszaújváros/Hungary		100	–698	–1,005
Tisza-WTP Vízelõkészítõ és Szolgáltató Kft., Tiszaújváros/Hungary		100	1,649	283
Transpower Limited, Dublin/Ireland		100	4,642	425
Triton Knoll Offshore Wind Farm Ltd., Swindon/United Kingdom		100	–8,633	–322
Überlandwerk Krumbach GmbH, Krumbach		75	4,444	193
Verteilnetz Plauen GmbH, Plauen		100	22	[1]
VKB-GmbH, Saarbrücken		50[4]	42,129	3,879
Volta Limburg B.V., Schinnen/Netherlands		100	24,361	7,464
VSE Aktiengesellschaft, Saarbrücken		50[4]	170,390	21,864
VSE Net GmbH, Saarbrücken		100	13,893	1,801
VSE Verteilnetz GmbH, Saarbrücken		100	25	[1]
VWS Verbundwerke Südwestsachsen GmbH, Lichtenstein		98	26,740	2,098
Wendelsteinbahn GmbH, Brannenburg		100	2,969	284
Wendelsteinbahn Verteilnetz GmbH, Brannenburg		100	38	[1]
Westnetz GmbH, Dortmund		100	11,920	[1]
Windpark Bentrup Betriebsgesellschaft mbH, Barntrup		100	25	[1]
Windpark Westereems B.V., Zwolle/Netherlands		100	7,862	22
Windpark Zuidwester B.V., ’s-Hertogenbosch/Netherlands		100	12,284	0
WINKRA Hörup Windparkbetriebsgesellschaft mbH, Hörup		100	26	487
WINKRA Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	[1]
WINKRA Sommerland Windparkbetriebsgesellschaft mbH, Sommerland		100	26	[1]
WINKRA Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	106	[1]
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover		100	425	245
WTTP B.V., Arnhem/Netherlands		100	60,254	58,300
YE Gas Limited, Swindon/United Kingdom		100	0	0

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	Direct	Total	€ '000	€ '000
Agenzia Carboni S.R.L., Genoa/Italy		100	447	39
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen		100	5,113	0
Allt Dearg Wind Farm Limited, Swindon/United Kingdom		100	0	0
Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund		100	–68,587	44
Ardoch Over Enoch Windfarm Limited, Glasgow/United Kingdom		100	0	0
Balassagyarmati Biogáz Erõmû Kft, Budapest/Hungary		100	2	0
Ballindalloch Muir Wind Farm Limited, Swindon/United Kingdom		100	0	0
Beteiligungsgesellschaft Werl mbH, Essen		100		3
b_gas Eicken GmbH, Schwalmtal		100	–1,000	–24
bildungszentrum energie GmbH, Halle (Saale)		100	805	330
Bioenergie Bad Wimpfen GmbH & Co. KG, Bad Wimpfen		51	1,948	177
Bioenergie Bad Wimpfen Verwaltungs-GmbH, Bad Wimpfen		100	28	1
Bioenergie Kirchspiel Anhausen GmbH & Co. KG, Anhausen		51	748	–250
Bioenergie Kirchspiel Anhausen Verwaltungs-GmbH, Anhausen		100	28	1
Biogas Schwalmtal GmbH & Co. KG, Schwalmtal		66	1,564	0
Biogasanlage Schwalmtal GmbH, Schwalmtal		99	31	1
Brims Ness Tidal Power Limited, Swindon/United Kingdom		100	0	0
Brüggen.E-Netz Verwaltungs-GmbH, Brüggen		100		3
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	0	0
Carr Mor Windfarm Limited, Glasgow/United Kingdom		100	0	0
Carsphairn Windfarm Limited, Glasgow/United Kingdom		100	2	0
Causeymire Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Comco MCS S.A., Luxembourg/Luxembourg		95	494	296
Craigenlee Wind Farm Limited, Swindon/United Kingdom		100	0	0
Culbin Farm Wind Farm Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 1A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 1B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 2A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 2B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 4A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 4B RWE 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, Gundremmingen		100	6,699	–1,892

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	Direct	Total	€ '000	€ '000
ECS – Elektrárna Cechy-Stred, a.s., v likvidaci, Prague/Czech Republic		51	218	–1,409
EDON Group Costa Rica S.A., San Jose/Costa Rica		100	837	–133
Energetyka Wschod Sp. z o.o., Wroclaw/Poland		100	49	13
Energetyka Zachod Sp. z o.o., Wroclaw/Poland		100	92	22
Energiegesellschaft Leimen GmbH & Co. KG, Leimen		75	198	18
Energiegesellschaft Leimen Verwaltungsgesellschaft mbH, Leimen		75	24	1
energienatur Gesellschaft für Erneuerbare Energien mbH, Siegburg		100	103	7
Energieversorgung Kranenburg Netze Verwaltungs-GmbH, Kranenburg		100		[3]
Energieversorgung Timmendorfer Strand GmbH & Co. KG, Timmendorfer Strand		51		[3]
enviaM Erneuerbare Energien Verwaltungsgesellschaft mbH, Markkleeberg		100	29	1
Eólica de Sarnago, S.A., Soria/Spain		73	44	–34
ESK GmbH, Dortmund		100	128	[1]
favis GmbH, Essen		100	2,202	1,012
Fernwärme Saarlouis-Steinrausch Investitionsgesellschaft mbH, Saarlouis		95	7,567	[1]
,Finelectra' Finanzgesellschaft für Elektrizitäts-Beteiligungen AG, Hausen/Switzerland		100	12,338	2,052
GBV Achtundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	[1]
GBV Einundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	[1]
GBV Neunundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	[1]
GBV Siebenundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	[1]
GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	100	[1]
GBV Zweiundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	[1]
Gemeindewerke Bad Sassendorf Netze Verwaltung GmbH, Bad Sassendorf		100		[3]
Gemeindewerke Schwalbach GmbH, Schwalbach		100	550	211
Gemeindewerke Schwalbach Netz GmbH, Schwalbach		100	50	–135
GKB Gesellschaft für Kraftwerksbeteiligungen mbH, Cottbus		100	110	–29
GkD Gesellschaft für kommunale Dienstleistungen mbH, Siegburg		100	63	1
Green Gecco Verwaltungs GmbH, Essen		51	31	2
GWG Kommunal GmbH, Grevenbroich		100	100	0
Hochsauerland Netze Verwaltung GmbH, Meschede		100		[3]
Hospitec Facility Management GmbH, Saarbrücken		100	–1,015	–70
Infraestructuras de Aldehuelas, S.A., Soria/Spain		100	428	0
Infrastrukturgesellschaft Netz Lübz mbH, Hanover		100	32	–12
Kazinc-BioEnergy Kft., Budapest/Hungary		100	2	0
Kencot Hill Solar Farm Limited, Lechlade/United Kingdom		100		[3]
Kieswerk Kaarst GmbH & Co. KG, Bergheim		51	503	–166
Kieswerk Kaarst Verwaltungs GmbH, Bergheim		51	28	0
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
KWS Kommunal-Wasserversorgung Saar GmbH, Saarbrücken		100	64	34

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Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lößnitz Netz GmbH & Co. KG, Lößnitz		100	18	–3
Lößnitz Netz Verwaltungs GmbH, Lößnitz		100	26	0
Mátrai Erömü Központi Karbantartó KFT, Visonta/Hungary		100	3,158	320
Meterplus Limited, Swindon/United Kingdom		100	0	0
Middlemoor Wind Farm Limited, Swindon/United Kingdom		100	0	0
MIROS Mineralische Rohstoffe, GmbH i.L., Bergheim		100	0	0
Mitteldeutsche Netzgesellschaft Gas HD mbH, Halle (Saale)		100		[3]
Mitteldeutsche Netzgesellschaft mbH, Chemnitz		100	23	0
MNG Stromnetze GmbH & Co. KG, Lüdinghausen		100		[3]
MNG Stromnetze Verwaltungs GmbH, Lüdinghausen		100		[3]
Netzgesellschaft Maifeld Verwaltungs GmbH, Polch		100		[3]
Netzwerke Saarwellingen GmbH, Saarwellingen		100	50	[1]
NEW Impuls GmbH, Grefrath		67	405	185
NEW Re GmbH, Mönchengladbach		75	490	–100
NEW Schwalm-Nette GmbH, Viersen		100	5,997	124
NEW Schwalm-Nette Netz GmbH, Viersen		100	25	0
North Kintyre Wind Farm Limited, Swindon/United Kingdom		100	0	0
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	154	22
Oschatz Netz GmbH & Co. KG, Oschatz		100	1,400	562
Oschatz Netz Verwaltungs GmbH, Oschatz		100	26	0
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	1,222	–76
Park Wiatrowy Elk Sp. z o.o., Warsaw/Poland		100	829	–45
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	2,957	–53
Park Wiatrowy Msciwojów Sp. z o.o., Warsaw/Poland		100	2,054	–35
Park Wiatrowy Opalenica Sp. z o.o., Warsaw/Poland		100		[3]
Park Wiatrowy Prudziszki Sp. z o.o., Warsaw/Poland		100	57	–50
Park Wiatrowy Smigiel I Sp. z o.o., Warsaw/Poland		100	2,663	–24
Park Wiatrowy Znin Sp. z o.o., Warsaw/Poland		100	2,384	–40
Projecta 15 GmbH, Saarbrücken		100	17	2
Projecta 5 – Entwicklungsgesellschaft für kommunale Dienstleistungen mbH, Saarbrücken		100	15	–2
PT Rheincoal Supply & Trading Indonesia, PT, Jakarta/Indonesia		100	553	–178
RD Hanau GmbH, Hanau		100	0	0
Rebyl Limited, Swindon/United Kingdom		100	0	0
Rheinland Westfalen Energiepartner GmbH, Essen		100	5,369	[1]
Rhein-Sieg Netz GmbH, Siegburg		100		[3]

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	Direct	Total	€ '000	€ '000
rhenagbau GmbH, Cologne		100	1,258	1
ROTARY-MATRA Kútfúró és Karbantartó KFT, Visonta/Hungary		100	794	20
Rowantree Wind Farm Ltd., Swindon/United Kingdom		100		3
RWE & Turcas Dogalgaz Ithalat ve Ihracat A.S., Istanbul/Turkey		100	497	–4
RWE Australia Pty. Ltd., Brisbane/Australia		100		3
RWE Dea Petróleo e Gás do Brasil Ltda., Rio de Janeiro/Brazil		100	48	0
RWE DEA Ukraine LLC, Kiev/Ukraine		100	91	–186
RWE Energie S.R.L., Bucharest/Romania		100	907	–8
RWE Eurotest GmbH, Dortmund		100	51	1
RWE Innogy d.o.o. za koristenje obnovljivih izvora energije, Sarajevo/Bosnia and Herzegovina		100	–3	–40
RWE Innogy Serbia d.o.o., Belgrade/Serbia		100	–7	–8
RWE Innogy Windpark Bedburg Verwaltungs GmbH, Bedburg		51	33	6
RWE New Energy Ltd., Dubai/UAE		100		3
RWE Pensionsfonds AG, Essen	100	100	3,729	–10
RWE POLSKA Generation Sp. z o.o., Warsaw/Poland		100	166	–5
RWE Power Beteiligungsverwaltung GmbH & Co. KG, Grevenbroich		100	0	0
RWE Power Climate Protection China GmbH, Essen		100	25	1
RWE Power Climate Protection Clean Energy Technology (Beijing) Co., Ltd., Beijing/China		100	1,988	–6
RWE Power Climate Protection GmbH, Essen		100	23	1
RWE Power Climate Protection Southeast Asia Co., Ltd., Bangkok/Thailand		100	34	9
RWE Power International Ukraine LLC, Kiev/Ukraine		100		3
RWE Power Zweite Gesellschaft für Beteiligungsverwaltung mbH, Grevenbroich		100	25	1
RWE Rhein Oel Ltd., London/United Kingdom		100	–1	0
RWE Seabreeze I Verwaltungs GmbH, Bremerhaven		100	35	–1
RWE Seabreeze II Verwaltungs GmbH, Bremerhaven		100	35	–2
RWE Stiftung gemeinnützige GmbH, Essen	100	100	60,183	563
RWE SUPPLY TRADING TURKEY ENERJI ANONIM SIRKETI, Istanbul/Turkey		100		3
RWE Trading Services Ltd., Swindon/United Kingdom		100	1,062	72
RWE Wärme Berlin GmbH, Berlin		100	1,770	81
RWE-EnBW Magyarország Energiaszolgáltató Korlátolt Felelösségü Társaság, Budapest/Hungary		70	352	62
RWEST PI LNG HOLDING, LLC, New York/USA		100		3
RWEST PI LNG 1, LLC, New York/USA		100		3
Scharbeutzer Energie- und Netzgesellschaft mbH & Co. KG, Scharbeutz		51		3
SchlauTherm GmbH, Saarbrücken		75	194	63
Securum AG, Zug/Switzerland		100	3,577	573
Snowgoat Glen Wind Farm Limited, Swindon/United Kingdom		100	0	0
Stadtwerke Goch Netze Verwaltungsgesellschaft mbH, Goch		100		3

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Stadtwerke Korschenbroich GmbH, Mönchengladbach		100	12	–8
Steinkohlendoppelblock Verwaltungs GmbH, Essen		100	283	28
Stroupster Wind Farm Limited, Swindon/United Kingdom		100	0	0
Süwag Vertrieb Management GmbH, Frankfurt am Main		100	25	1
Tarskavaig Wind Farm Limited, Swindon/United Kingdom		100	0	0
T.B.E. TECHNISCHE BERATUNG ENERGIE für wirtschaftliche Energieanwendung GmbH, Duisburg		100	337	[1]
TEPLO Rumburk s.r.o., Rumburk/Czech Republic		100	153	0
Thermolux S.a.r.l., Luxembourg/Luxembourg		100	98	–484
Thyssengas-Unterstützungskasse GmbH, Dortmund		100	109	68
Tisza-BioEnergy Kft, Budapest/Hungary		100	2	0
TWS Technische Werke der Gemeinde Saarwellingen GmbH, Saarwellingen		51	3,051	625
Versuchsatomkraftwerk Kahl GmbH, Karlstein am Main		80	542	31
Verwaltungsgesellschaft Energieversorgung Timmendorfer Strand mbH, Timmendorfer Strand		51		[3]
Verwaltungsgesellschaft Scharbeutzer Energie- und Netzgesellschaft mbH, Scharbeutz		51		[3]
VKN Saar Geschäftsführungsgesellschaft mbH, Ensdorf		51	48	2
VKN Saar Gesellschaft für Verwertung von Kraftwerksnebenprodukten und Ersatzbrennstoffen mbH & Co. KG, Ensdorf		51	50	314
VSE – Windpark Merchingen GmbH & Co. KG, Saarbrücken		100	2,511	–289
VSE – Windpark Merchingen Verwaltungs GmbH, Saarbrücken		100	59	2
VSE Stiftung gGmbH, Saarbrücken		100	2,585	7
Wärmeversorgung Schwaben GmbH, Augsburg		100	11	–53
Westerwald-Netz GmbH, Betzdorf-Alsdorf		100		[3]
Windenergie Briesensee GmbH, Neu Zauche		100		[3]
Windpark Kattenberg B.V., Zwolle/Netherlands		100		[3]

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III. Joint operations	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
EnergieRegion Taunus – Goldener Grund – GmbH & Co. KG, Bad Camberg		49		[3]
Gas-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49		[3]
Greater Gabbard Offshore Winds Ltd, Reading/United Kingdom		50	1,638,534	140,043
Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim		49		[3]
N.V. Elektriciteits-Produktiemaatschappij Zuid-Nederland EPZ, Borssele/Netherlands		30	51,061	13,986

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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		[3]

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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[6]	0	33
AVU Aktiengesellschaft für Versorgungs-Unternehmen, Gevelsberg		50	101,813	14,400
BEW Netze GmbH, Wipperfürth		61[6]	6,534	1,823
Budapesti Disz- es Közvilagitasi Korlatolt Felelössegü Tarsasag, Budapest/Hungary		50	29,788	1,108
C-Power N.V., Oostende/Belgium		27	180,799	16,357
EGG Holding B.V., 's-Hertogenbosch/Netherlands		50	12,203	1,943
Energie Nordeifel GmbH & Co. KG, Kall		50	11,891	3,461[2]
FSO GmbH & Co. KG, Oberhausen		50	39,462	11,917[2]
Geas Energiewacht B.V., Enschede/Netherlands		50	12,471	2,090
Gwynt Y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		60[6]	–3,581	37
Innogy Venture Capital GmbH, Essen		75[6]	272	74
Konsortium Energieversorgung Opel oHG der RWE Innogy GmbH und der Kraftwerke Mainz-Wiesbaden AG, Karlstein		67[6]	41,223	15,017
PRENU Projektgesellschaft für Rationelle Energienutzung in Neuss mbH, Neuss		50	215	–17
Rain Biomasse Wärmegesellschaft mbH, Rain		75[6]	6,498	600
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia		50	1,005	85
Société Electrique de l'Our S.A., Luxembourg/Luxembourg		40	857	–176[2]
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG, Dülmen		50	26,320	3,560
Stadtwerke Lingen GmbH, Lingen (Ems)		40	13,471	0
Stromnetz Günzburg GmbH & Co. KG, Günzburg		49	2,867	–106
SVS-Versorgungsbetriebe GmbH, Stadtlohn		30	21,783	2,945
TCP Petcoke Corporation, Dover/USA		50	24,234	11,983[2]
TE Plomin d.o.o., Plomin/Croatia		50	27,681	785
URANIT GmbH, Jülich		50	74,168	89,635
Východoslovenská energetika Holding a.s., Košice/Slovakia		49	200,548	46,822[2]
Zagrebacke otpadne vode d.o.o., Zagreb/Croatia		48	166,484	21,380

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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	997,400	204,400
ATBERG – Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	2,910	784
AVA Abfallverwertung Augsburg Gesellschaft mit beschränkter Haftung, Augsburg		25	26,357	3,743
Blackhawk Mining LLC, Lexington/USA		25	85,242	–11,576[2]
Dortmunder Energie- und Wasserversorgung GmbH (DEW 21), Dortmund		40	189,489	13,142
EdeA VOF, Geleen/Netherlands		50	36,300	5,500
Electrorisk Verzekeringsmaatschappij N.V., Arnhem/Netherlands		25	12,934	1,664
Energieversorgung Guben GmbH, Guben		45	16,203	788
Energieversorgung Hürth GmbH, Hürth		25	4,961	0
Energieversorgung Oberhausen AG, Oberhausen		10[7]	30,305	11,425
Energiewacht N.V., Veendam/Netherlands		50	24,580	3,635
ENNI Energie & Umwelt Niederrhein GmbH, Moers		20	39,775	9,706
Enovos International S. A., Luxembourg/Luxembourg		18[8]	718,680	43,678
EWR Aktiengesellschaft, Worms		2[7]	74,307	10,583
EWR Dienstleistungen GmbH & Co. KG, Worms		50	137,888	10,620
EWR GmbH – Energie und Wasser für Remscheid, Remscheid		20	83,816	11,615
Freiberger Stromversorgung GmbH (FSG), Freiberg		30	8,878	1,361
Gas- und Wasserwerke Bous-Schwalbach GmbH, Bous		49	14,019	2,341
GNS Gesellschaft für Nuklear-Service mbH, Essen		28	21,649	18,496[2]
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim		40	114,142	6,647
HIDROERG – Projectos Energéticos, Lda., Lisbon/Portugal		32	10,896	2,108
Innogy Renewables Technology Fund I GmbH & Co. KG, Essen		78[6]	20,151	–27,680
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	372,152	21,111
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13[7]	695,830	96,417
Kemkens B.V., Oss/Netherlands		49	19,043	7,420
KEW Kommunale Energie- und Wasserversorgung AG, Neunkirchen		29	75,296	12,082
MAINGAU Energie GmbH, Obertshausen		47	21,964	6,207
medl GmbH, Mülheim an der Ruhr		49	21,829	0
Mingas-Power GmbH, Essen		40	6,317	5,648
Nebelhornbahn-Aktiengesellschaft, Oberstdorf		27	4,937	319
Pfalzwerke Aktiengesellschaft, Ludwigshafen		27	211,235	24,393[2]
Projecta 14 GmbH, Saarbrücken		50	37,127	902
Propan Rheingas GmbH & Co KG, Brühl		30	16,238	700
Regionalgas Euskirchen GmbH & Co. KG, Euskirchen		43	64,047	13,295
RheinEnergie AG, Cologne		20	824,418	156,704
Rhein-Main-Donau AG, Munich		22	110,169	0
Schluchseewerk Aktiengesellschaft, Laufenburg (Baden)		50	59,339	2,809
Siegener Versorgungsbetriebe GmbH, Siegen		25	23,156	4,020
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus		33	38,459	9,896

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	Direct	Total	€ '000	€ '000
SSW Stadtwerke St. Wendel GmbH & Co. KG, St. Wendel		50	20,215	2,095
Stadtwerke Aschersleben GmbH, Aschersleben		35	15,976	2,645
Stadtwerke Bernburg GmbH, Bernburg (Saale)		45	31,859	5,940
Stadtwerke Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen		40	19,489	2,287
Stadtwerke Bühl GmbH, Bühl		30	22,367	260
Stadtwerke Duisburg Aktiengesellschaft, Duisburg		20	181,473	17,396
Stadtwerke Emmerich GmbH, Emmerich am Rhein		25	12,115	1,979
Stadtwerke Essen Aktiengesellschaft, Essen		29	119,507	23,909
Stadtwerke Geldern GmbH, Geldern		49	9,662	1,681
Stadtwerke GmbH Bad Kreuznach, Bad Kreuznach		25	39,925	0
Stadtwerke Kirn GmbH, Kirn		49	2,151	314
Stadtwerke Meerane GmbH, Meerane		24	12,993	1,814
Stadtwerke Merseburg GmbH, Merseburg		40	20,392	5,588
Stadtwerke Merzig GmbH, Merzig		50	15,906	3,031
Stadtwerke Neuss Energie und Wasser GmbH, Neuss		25	88,344	11,503
Stadtwerke Radevormwald GmbH, Radevormwald		50	4,818	1,345
Stadtwerke Ratingen GmbH, Ratingen		25	45,598	3,177
Stadtwerke Reichenbach/Vogtland GmbH, Reichenbach im Vogtland		24	12,637	1,558
Stadtwerke Saarlouis GmbH, Saarlouis		49	34,022	6,083
Stadtwerke Velbert GmbH, Velbert		50	82,005	0
Stadtwerke Weißenfels GmbH, Weißenfels		24	23,399	3,555
Stadtwerke Willich GmbH, Willich		25	12,581	0
Stadtwerke Zeitz GmbH, Zeitz		24	20,884	2,950
Vliegasunie B.V., De Bilt/Netherlands		43	12,863	–4,145
Wasser- und Energieversorgung Kreis St. Wendel GmbH, St. Wendel		28	20,697	1,423
wbm Wirtschaftsbetriebe Meerbusch GmbH, Meerbusch		40	21,794	4,670
WestEnergie und Verkehr GmbH, Geilenkirchen		99[6]	41,088	11,133
Zagrebacke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia		31	2,550	3,883
Zephyr Investments Limited, Swindon/United Kingdom		33	–57,040	–12,300[2]
Zwickauer Energieversorgung GmbH, Zwickau		27	41,360	7,229

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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, GmbH, Hürth		33	422	192
Awotec Gebäude Servicegesellschaft mbH, Saarbrücken		48	94	0
Bäderbetriebsgesellschaft St. Ingbert GmbH, St. Ingbert		49	73	3
BIG Breitband-Infrastrukturges. Cochem Zell mbH, Cochem-Zell		21	–51	–181
Breer Gebäudedienste Heidelberg GmbH, Heidelberg		45	258	66
CARBON CDM Korea Ltd. (i.L.), Seoul/South Korea		49	745	661
CARBON Climate Protection GmbH, Langenlois/Austria		50	200	308
CARBON Egypt Ltd., Cairo/Egypt		49	1,522	1,344
CZT Valašské Mezirící s.r.o., Valašské Mezirící/Czech Republic		20	196	34
Delesto B.V., Delfzijl/Netherlands		50	63,129	3,388
DES Dezentrale Energien Schmalkalden GmbH, Schmalkalden		33	126	94
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, Gorleben		31	1,580	1,071
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		[3]
ELE-GEW Photovoltaikgesellschaft mbH, Gelsenkirchen		49	51	26
ELE-RAG Montan Immobilien Erneuerbare Energien GmbH, Bottrop		50	51	16
ELE-Scholven-Wind GmbH, Gelsenkirchen		30	624	99
Elsta B.V., Middelburg/Netherlands		25	222	204
Elsta B.V. & CO C.V., Middelburg/Netherlands		25	21,201	23,785
Enercraft Energiemanagement OHG haftungsbeschränkt, Frankfurt am Main		50	1,646	13
Energie BOL GmbH, Ottersweier		50	26	0
Energie Mechernich GmbH & Co. KG, Mechernich		49		[3]
Energie Mechernich Verwaltungs-GmbH, Mechernich		49	25	0
Energie Nordeifel Beteiligungs-GmbH, Kall		50	27	2
Energie Rur-Erft Verwaltungs GmbH, Essen		50		[3]
Energie Schmallenberg GmbH, Schmallenberg		44	23	–3
Energie Service Saar GmbH, Völklingen		50	–1,760	–228
Energiepartner Dörth GmbH, Dörth		49	30	3
Energiepartner Elsdorf GmbH, Elsdorf		40	28	6
Energiepartner Hermeskeil GmbH, Hermeskeil		20	23	–2
Energiepartner Kerpen GmbH, Kerpen		49	25	27
Energiepartner Projekt GmbH, Essen		49	32	7
Energiepartner Solar Kreuztal GmbH, Kreuztal		40	24	0
Energiepartner Wesseling GmbH, Wesseling		30	25	4
Energieversorgung Bad Bentheim GmbH & Co. KG, Bad Bentheim		25		[3]

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Energieversorgung Bad Bentheim Verwaltungs-GmbH, Bad Bentheim		25	25	0
Energieversorgung Beckum GmbH & Co. KG, Beckum		34	5,790	3,682
Energieversorgung Beckum Verwaltungs-GmbH, Beckum		34	52	2
Energieversorgung Marienberg GmbH, Marienberg		49	2,576	1,029
Energieversorgung Niederkassel GmbH & Co. KG, Niederkassel		49	6	–4
Energieversorgung Oelde GmbH, Oelde		25	7,166	1,591
Enerventis GmbH & Co. KG, Saarbrücken		33	1,090	123
Ensys AG, Frankfurt am Main		25	1,278	263
Eólica de la Mata, S.A., Soria/Spain		26	603	–4
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig		50	447	12
EWC Windpark Cuxhaven GmbH, Munich		50	1,074	164
EWV Baesweiler GmbH & Co. KG, Baesweiler		45	1,585	421
EWV Baesweiler Verwaltungs GmbH, Baesweiler		45	27	0
FAMOS – Facility Management Osnabrück GmbH, Osnabrück		49	109	0
Fernwärmeversorgung Zwönitz GmbH, Zwönitz		50	2,948	257
Forewind Limited, Swindon/United Kingdom		25	–3	–3
FSO Verwaltungs-GmbH, Oberhausen		50	33	1
Galloper Wind Farm Limited, Reading/United Kingdom		50	–3	–1
Gasgesellschaft Kerken Wachtendonk mbH, Kerken		49	3,179	424
Gas-Netzgesellschaft Kolpingstadt Kerpen Verwaltungs-GmbH, Kerpen		49		[3]
Gasnetzgesellschaft Wörrstadt mbH & Co. KG, Saulheim		49	1,557	–222
Gasnetzgesellschaft Wörrstadt Verwaltungs-mbH, Wörrstadt		49	27	2
Gemeindewerke Everswinkel GmbH, Everswinkel		45	4,361	–113
Gemeindewerke Namborn GmbH, Namborn		49	690	128
Gemeinschaftswerk Hattingen GmbH, Essen		52	2,045	0
Gesellschaft zur Nutzung erneuerbarer Energien mbH Freisen, Freisen		49		[3]
GfB, Gesellschaft für Baudenkmalpflege mbH, Idar-Oberstein		20	58	–7
GfS Gesellschaft für Simulatorschulung mbH, Essen		31	54	3
GISA GmbH, Halle (Saale)		24	9,007	3,407
GKW Dillingen GmbH & Co. KG, Saarbrücken		25	22,400	2,749
GREEN GECCO Beteiligungsgesellschaft mbH & Co. KG, Troisdorf		21	45,158	1,149
GREEN GECCO Beteiligungsgesellschaft-Verwaltungs GmbH, Troisdorf		21	34	1
GREEN Gesellschaft für regionale und erneuerbare Energie mbH, Stolberg		49	9	–2
Green Solar Herzogenrath GmbH, Herzogenrath		45	3,154	344
Greenplug GmbH, Hamburg		49	767	0
GWE-energis Netzgesellschaft mbH & Co. KG, Eppelborn		50	–49	124
GWE-energis-Geschäftsführungs-GmbH, Eppelborn		50	31	1
Hochsauerland Netze GmbH & Co. KG, Meschede		25		[3]
HOCHTEMPERATUR-KERNKRAFTWERK GmbH (HKG). Gemeinsames Europäisches Unternehmen, Hamm		31	0	0

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Homepower Retail Limited, Swindon/United Kingdom		50	–26,830	0
IWW Rheinisch-Westfälisches Institut für Wasserforschung gemeinnützige GmbH, Mülheim an der Ruhr		30	1,001	5
Kavernengesellschaft Staßfurt mbH, Staßfurt		50	698	173
KAWAG AG & Co. KG, Pleidelsheim		49	1,619	50
KAWAG Netze GmbH & Co. KG, Frankfurt am Main		49	743	79
KAWAG Netze Verwaltungsgesellschaft mbH, Frankfurt am Main		49	26	1
KEVAG Telekom GmbH, Koblenz		50	2,542	906
Klärschlammentsorgung Hesselberg Service GmbH, Unterschwaningen		49	21	–1
KlickEnergie GmbH & Co. KG, Neuss		65	–207	–307
KlickEnergie Verwaltungs-GmbH, Neuss		65	23	–2
K-net GmbH, Kaiserslautern		25	1,044	85
Kommunale Dienste Marpingen GmbH, Marpingen		49	2,835	195
Kommunale Dienste Tholey GmbH, Tholey		49	1,049	82
Kommunale Entsorgung Neunkirchen Geschäftsführungsgesellschaft mbH, Neunkirchen		50	52	1
Kommunale Entsorgung Neunkirchen (KEN) GmbH & Co. KG, Neunkirchen		46	2,834	104
Kommunale Netzgesellschaft Steinheim a. d. Murr GmbH & Co. KG, Steinheim a. d. Murr		49		3
Kommunalwerk Rudersberg GmbH & Co. KG, Rudersberg		50	–14	–8
Kommunalwerk Rudersberg Verwaltungs-GmbH, Rudersberg		50	21	–1
Kraftwerk Buer GbR, Gelsenkirchen		50	5,113	0
Kraftwerk Voerde beschränkt haftende OHG, Voerde		25	4,620	386
Kraftwerk Wehrden GmbH, Völklingen		33	10,627	0
KSG Kraftwerks-Simulator-Gesellschaft mbH, Essen		31	538	26
KSP Kommunaler Service Püttlingen GmbH, Püttlingen		40	108	62
KÜCKHOVENER Deponiebetrieb GmbH & Co. KG, Bergheim		50	18	–20
KÜCKHOVENER Deponiebetrieb Verwaltungs-GmbH, Bergheim		50	38	2
KVK Kompetenzzentrum Verteilnetze und Konzessionen GmbH, Cologne		75		3
MBS Ligna Therm GmbH i. L., Hofheim am Taunus		33	–108	–12
Moravske Hidroelektrane d.o.o., Belgrade/Serbia		51	3,517	–220
Naturstrom Betriebsgesellschaft Oberhonnefeld mbH, Koblenz		25	160	14
Netzanbindung Tewel OHG, Cuxhaven		25	1,174	–4
Netzgesellschaft Bissendorf GmbH & Co. KG, Bissendorf		49		3
Netzgesellschaft Bissendorf Verwaltungs-GmbH, Bissendorf		49		3
Netzgesellschaft Bühlertal GmbH & Co. KG, Bühlertal		50	1,279	69
Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		49		3
Netzgesellschaft Elsdorf Verwaltungs-GmbH, Elsdorf		49		3
Netzgesellschaft Grimma GmbH & Co. KG, Grimma		49	24	–1
Netzgesellschaft Korb GmbH & Co. KG, Korb		50	1,411	98

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	Direct	Total	€ '000	€ '000
Netzgesellschaft Korb Verwaltungs-GmbH, Korb		50	25	1
Netzgesellschaft Kreisstadt Bergheim Verwaltungs-GmbH, Bergheim		49		[3]
Netzgesellschaft Lauf GmbH & Co. KG, Lauf		50	682	35
Netzgesellschaft Leutenbach GmbH & Co. KG, Leutenbach		50	–1	–11
Netzgesellschaft Leutenbach Verwaltungs-GmbH, Leutenbach		50	24	1
Netzgesellschaft Ottersweier GmbH & Co. KG, Ottersweier		50	1,954	84
Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49	2,030	10
Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49	27	2
NiersEnergieNetze GmbH & Co. KG, Kevelaer		51	5,804	144
NiersEnergieNetze Verwaltungs-GmbH, Kevelaer		51	27	2
Ningxia Antai New Energy Resources Joint Stock Co., Ltd., Yinchuan/China		25	20,803	1,764
Objektverwaltungsgesellschaft Dampfkraftwerk Bernburg mbH, Hanover		58	568	56
Offshore Trassenplanungs-GmbH OTP i.L., Hanover		50	168	0
Peißenberger Wärmegesellschaft mbH, Peißenberg		50	1,443	197
prego services mbH, Saarbrücken		50	1,087	–1,416
Propan Rheingas GmbH, Brühl		28	46	2
Recklinghausen Netzgesellschaft mbH & Co. KG, Recklinghausen		50	50	0
Recklinghausen Netz-Verwaltungsgesellschaft mbH, Recklinghausen		49	25	0
Renergie Stadt Wittlich GmbH, Wittlich		30	20	0
rhenag – Thüga Rechenzentrum GbR, Cologne		50	194	187
RIWA GmbH Gesellschaft für Geoinformationen, Kempten		33	1,150	315
RurEnergie GmbH, Düren		30	1,223	–196
RWE Power International Middle East LLC, Dubai/UAE		49	–762	–763
Sandersdorf-Brehna Netz GmbH & Co. KG, Sandersdorf-Brehna		49	13,226	159
SolarProjekt Mainaschaff GmbH, Mainaschaff		50	43	–2
SolarProjekt Rheingau-Taunus GmbH, Bad Schwalbach		50	354	85
SSW Stadtwerke St. Wendel Geschäftsführungsgesellschaft mbH, St. Wendel		50	112	5
Stadtentwässerung Schwerte GmbH, Schwerte		48	51	0
Städtische Werke Borna GmbH, Borna		37	4,219	1,152
Städtisches Wasserwerk Eschweiler GmbH, Eschweiler		25	4,027	823
Stadtwerke – Strom Plauen GmbH & Co. KG, Plauen		49	4,744	587
Stadtwerke Ahaus GmbH, Ahaus		36	11,086	2,771
Stadtwerke Aue GmbH, Aue		24	12,561	1,560
Stadtwerke Dillingen/Saar Gesellschaft mbH, Dillingen		49	5,643	1,216
Stadtwerke Dülmen Verwaltungs-GmbH, Dülmen		50	29	0
Stadtwerke Gescher GmbH, Gescher		42	3,147	665
Stadtwerke Haan GmbH, Haan		25	11,788	1,278
Stadtwerke Langenfeld GmbH, Langenfeld		20	7,751	2,451
Stadtwerke Oberkirch GmbH, Oberkirch		33	6,392	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 %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Stadtwerke Roßlau Fernwärme GmbH, Dessau-Roßlau		49	1,601	421
Stadtwerke Schwarzenberg GmbH, Schwarzenberg/Erzgeb.		28	14,562	1,657
Stadtwerke Steinfurt GmbH, Steinfurt		38	5,674	1,458
Stadtwerke Unna GmbH, Unna		24	12,612	2,816
Stadtwerke Vlotho GmbH, Vlotho		25	4,992	433
Stadtwerke Wadern GmbH, Wadern		49	3,624	408
Stadtwerke Weilburg GmbH, Weilburg		20	7,815	479
STEAG – Kraftwerksbetriebsgesellschaft mbH, Essen		21	324	0
Stromnetz Diez GmbH & Co. KG, Diez		25	1,247	85
Stromnetz Diez Verwaltungsgesellschaft mbH, Diez		25	27	1
Stromnetz Günzburg Verwaltungs GmbH, Günzburg		49	23	–2
Stromnetz Hofheim GmbH & Co. KG, Hofheim		49		[3]
Stromnetz Hofheim Verwaltungs GmbH, Hofheim		49		[3]
Stromnetz Verbandsgemeinde Katzenelnbogen GmbH & Co. KG, Katzenelnbogen		49	–15	–16
Stromnetz Verbandsgemeinde Katzenelnbogen Verwaltungsgesellschaft mbH, Katzenelnbogen		49	25	0
Stromnetz VG Diez GmbH & Co. KG, Altendiez		49	2,220	–8
Stromnetz VG Diez Verwaltungsgesellschaft mbH, Altendiez		49	26	1
Strom-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49		[3]
Strom-Netzgesellschaft Kolpingstadt Kerpen Verwaltungs-GmbH, Kerpen		49		[3]
Stromnetzgesellschaft Neuenhaus Verwaltungs-mbH, Neuenhaus		49		[3]
Stromnetzgesellschaft Neunkirchen-Seelscheid mbH & Co.KG, Neunkirchen-Seelscheid		49	2,191	25
Stromnetzgesellschaft Schwalmtal mbH & Co. KG, Schwalmtal		51		[3]
Stromverwaltung Schwalmtal GmbH, Schwalmtal		51	25	0
SWL-energis Netzgesellschaft mbH & Co. KG, Lebach		50	3,684	659
SWL-energis-Geschäftsführungs-GmbH, Lebach		50	32	2
SWTE Netz GmbH & Co. KG, Ibbenbüren		33		[3]
SWTE Netz Verwaltungsgesellschaft mbH, Ibbenbüren		33		[3]
Talsperre Nonnweiler Aufbereitungsgesellschaft mbH, Saarbrücken		23	755	195
Technische Werke Naumburg GmbH, Naumburg (Saale)		47	8,036	642
Teplarna Kyjov, a.s., Kyjov/Czech Republic		32	19,401	571
TEPLO Votice s.r.o., Votice/Czech Republic		20	68	–5
The Bristol Bulk Company Limited, London/United Kingdom		25	1	0
Thermago Berliner Siedlung GmbH, Mainz		51		[3]
Toledo PV A.E.I.E., Madrid/Spain		33	989	272
trilan GmbH, Trier		26	919	419
TVK Eromu Termelo es Szolgáltató Korlatolt Felelossegu Tarsasag, Tiszaujvaros/Hungary		74	18,426	5,271
TWE Technische Werke Ensdorf GmbH, Ensdorf		49	1,975	41

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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
TWL Technische Werke der Gemeinde Losheim GmbH, Losheim		50	5,868	595
TWM Technische Werke der Gemeinde Merchweiler GmbH, Merchweiler		49	1,891	76
TWN Trinkwasserverbund Niederrhein GmbH, Grevenbroich		33	158	–4
TWRS Technische Werke der Gemeinde Rehlingen – Siersburg GmbH, Rehlingen		35	4,666	141
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main		25	0	–196
Untere Iller Aktiengesellschaft, Landshut		40	1,134	41
Untermain EnergieProjekt AG & Co. KG, Kelsterbach		49	1,961	69
Untermain Erneuerbare Energien Verwaltungs-GmbH, Raunheim		25	27	2
Verteilnetze Energie Weißenhorn GmbH & Co. KG, Weißenhorn		35	843	359
Verwaltungsgesellschaft Dorsten Netz mbH, Dorsten		49	25	0
Verwaltungsgesellschaft Energie Weißenhorn GmbH, Weißenhorn		35	26	1
Verwaltungsgesellschaft GKW Dillingen mbH, Saarbrücken		25	162	7
Voltaris GmbH, Maxdorf		50	2,802	1,315
Wärmeversorgung Mücheln GmbH, Mücheln		49	875	69
Wärmeversorgung Wachau GmbH, Markkleeberg OT Wachau		49	125	–15
Wärmeversorgung Würselen GmbH, Würselen		49	1,340	25
Wasserver- und Abwasserentsorgungsgesellschaft 'Thüringer Holzland' mbH, Hermsdorf		49	4,539	477
Wasserverbund Niederrhein Gesellschaft mit beschränkter Haftung, Krefeld		42	10,111	741
Wasserversorgung Main-Taunus GmbH, Frankfurt am Main		49	107	1
Wasserwerk Wadern GmbH, Wadern		49	3,461	136
WEV Warendorfer Energieversorgung GmbH, Warendorf		25	4,123	1,599
Windenergie Frehne GmbH & Co. KG, Marienfließ		41	7,044	258
Windenergie Merzig GmbH, Merzig		20		3
Windenergiepark Heidenrod GmbH, Heidenrod		51	2,809	–12
Windpark Jüchen GmbH & Co. KG, Essen		21	2,117	8
Windpark Losheim-Britten GmbH, Saarbrücken		50	1,800	–275
Windpark Mengerskirchen GmbH, Mengerskirchen		25		3
Windpark Oberthal GmbH, Saarbrücken		35	4,038	–287
Windpark Perl GmbH, Saarbrücken		54	7,292	–433
WINDTEST Grevenbroich GmbH, Grevenbroich		38	450	178
WLN Wasserlabor Niederrhein GmbH, Mönchengladbach		45	567	67
Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier GmbH, Cologne		50	48,723	1,498
WVG-Warsteiner Verbundgesellschaft mbH, Warstein		25	1,163	413
WVL Wasserversorgung Losheim GmbH, Losheim		50	4,956	312
WWS Wasserwerk Saarwellingen GmbH, Saarwellingen		49	3,268	141
Zugló-Therm Kft., Budapest/Hungary		49	2,309	–1,261
Zweckverband Wasser Nalbach, Nalbach		49	1,722	25

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VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Aarewerke AG, Klingnau/Switzerland		30	20,520	1,303
APEP Dachfonds GmbH & Co. KG, Munich	36	36	614,466	66,271
AURICA AG, Aarau/Switzerland		8	95	1
BEW Bergische Energie- und Wasser-GmbH, Wipperfürth		19	25,865	4,387
BFG-Bernburger Freizeit GmbH, Bernburg (Saale)		1	8,860	–1,630
Bürgerenergie Untermain e.G., Kelsterbach		4	53	–5
Deutsches Forschungszentrum für künstliche Intelligenz GmbH, Kaiserslautern		4	13,395	922
Die BürgerEnergie eG, Dortmund		0	740	3
DII GmbH, Munich	8	8	1,747	–857
Dry Bulk Partners 2013 LP, Grand Cayman/Cayman Islands		25		[3]
eins energie in sachsen GmbH & Co. KG, Chemnitz		9	457,557	78,146
Energías Renovables de Ávila, S.A., Madrid/Spain		17	595	0
Energieagentur Region Trier GmbH, Trier		14	18	–7
Energiegenossenschaft Chemnitz-Zwickau e.G., Chemnitz		7	161	8
Energiehandel Saar GmbH & Co. KG, Neunkirchen		1	409	–5
Energiehandel Saar Verwaltungs-GmbH, Neunkirchen		2	25	0
Energieversorgung Limburg GmbH, Limburg an der Lahn		10	25,438	3,552
Entwicklungsgesellschaft Neu-Oberhausen mbH-ENO, Oberhausen		2	679	–1,055
Erdgas Münster GmbH, Münster		5	5,894	10,827[2]
Erdgas Westthüringen Beteiligungsgesellschaft mbH, Bad Salzungen		10	27,223	5,042
ESV-ED GmbH & Co. KG, Buchloe		4	176	52
European Energy Exchange AG, Leipzig		4	119,701	13,683[2]
Fernkälte Geschäftsstadt Nord GbR, Hamburg		10	0	0
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen		10	61	3
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungs-unternehmen mbH & Co. KG, Straelen		10	41,000	39,464
Gemeinschafts-Lehrwerkstatt Neheim-Hüsten GmbH, Arnsberg		7	1,249	107
Gesellschaft für Wirtschaftsförderung Duisburg mbH, Duisburg		1	804	–1,855
GSG Wohnungsbau Braunkohle GmbH, Cologne		15	43,738	1,327
High-Tech Gründerfonds II GmbH & Co. KG, Bonn		1	33,265	0
Hubject GmbH, Berlin		17	2,602	–2,652
IZES gGmbH, Saarbrücken		9	634	5
KEV Energie GmbH, Kall		2	457	0
Kreis-Energie-Versorgung Schleiden GmbH, Kall		2	7,598	0
LEW Bürgerenergie e.G., Augsburg		0	381	–43
Neckar-Aktiengesellschaft, Stuttgart		12	10,179	0
Neustromland GmbH & Co. KG, Saarbrücken		5		[3]
Nordsee One GmbH, Hamburg		15	11,300	–1,279
Ökostrom Saar Biogas Losheim KG, Merzig		10	–437	–102
Oppenheim Private Equity Institutionelle Anleger GmbH & Co. KG, Cologne	29	29	5,218	2,393
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	54	0
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	535	–3

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VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Parque Eólico Leo, S.L., Oviedo/Spain		10	138	0
Parque Eólico Sagitario, S.L., Oviedo/Spain		10	125	–2
PEAG Holding GmbH, Dortmund	12	12	14,723	1,064
pro regionale energie eG, Diez		2	1,407	29
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	65	0
PSI AG für Produkte und Systeme der Informationstechnologie, Berlin		18	78,919	639
REV LNG, LLC, Ulysses/USA		5		3
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf		100	1,333	426
SALUS Grundstücks-Vermietungsges. mbH & Co. Objekt Leipzig KG, Düsseldorf		100	–21	14
Sdruzení k vytvorení a vyzívání digitální technické mapy mesta Pardubic, Pardubice/Czech Republic		12	5	–1
SE SAUBER ENERGIE GmbH & Co. KG, Cologne		17	961	108
SE SAUBER ENERGIE Verwaltungs-GmbH, Cologne		17	112	7
Solarpark Freisen „Auf der Schwann" GmbH, Nohfelden		15		3
Solarpark St. Wendel GmbH, St. Wendel		15	1,046	93
SolarRegion RengsdorferLAND eG, Rengsdorf		2	320	18
Stadtmarketing-Gesellschaft Gelsenkirchen mbH, Gelsenkirchen		2	34	50
Stadtwerke Detmold GmbH, Detmold		12	31,495	0
Stadtwerke ETO GmbH & Co. KG, Telgte		3	31,190	4,338
Stadtwerke Porta Westfalica GmbH, Porta Westfalica		12	9,067	61
Stadtwerke Sulzbach GmbH, Sulzbach		15	11,431	1,697
Stadtwerke Tecklenburger Land Energie GmbH, Ibbenbüren		15		3
Stadtwerke Tecklenburger Land GmbH & Co. KG, Ibbenbüren		1		3
Stadtwerke Völklingen Netz GmbH, Völklingen		18	16,387	1,726
Stadtwerke Völklingen Vertrieb GmbH, Völklingen		18	7,301	2,563
Store-X storage capacity exchange GmbH, Leipzig		12	817	261
SWT Stadtwerke Trier Versorgungs-GmbH, Trier		19	51,901	4,469
SWTE Verwaltungsgesellschaft mbH, Ibbenbüren		1		3
Technische Werke Delitzsch GmbH, Delitzsch		18		3
Technologiezentrum Jülich GmbH, Jülich		5	932	118
TGZ Halle TECHNOLOGIE- UND GRÜNDERZENTRUM HALLE GmbH, Halle (Saale)		15	14,405	116
Transport- und Frischbeton-GmbH & Co. KG Aachen, Aachen		17	390	134
Trianel GmbH, Aachen		3	86,463	2,103
Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf	43	43	7,752	2,461
Umspannwerk Lübz GbR, Lübz		18	14	4
Union Group, a.s., Ostrava/Czech Republic		2	91,448	0
Untermain ErneuerbareEnergien GmbH & Co. KG, Raunheim		17	62	–38
URSUS, Warsaw/Poland		1	–114,463	–1,192
WASSERWERKE PADERBORN GmbH, Paderborn		10	24,105	0
WiN Emscher-Lippe Gesellschaft zur Strukturverbesserung mbH, Herten		2	139	–334
Windpark Saar GmbH & Co. Repower KG, Freisen		10	8.863	567

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Changes in shareholding without change of control	Shareholding in % 31 Dec 2014	Shareholding in % 31 Dec 2013	Change
Affiliated companies which are included in the consolidated financial statements			
Energis GmbH, Saarbrücken	72	64	8
NEW AG, Mönchengladbach	40	44	–4
NRW Pellets GmbH, Erndtebrück	100	90	10
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey	69	69	0
STADTWERKE DÜREN GMBH, Düren	50	75	–25
Volta Limburg B.V., Schinnen/Netherlands	100	89	11
RWE Innogy Windpark Bedburg GmbH & Co. KG, Bedburg	51	100	–49
Joint ventures accounted for using the equity method			
SVS-Versorgungsbetriebe GmbH, Stadtlohn	30	38	–8
Associates accounted for using the equity method			
Dortmunder Energie- und Wasserversorgung GmbH (DEW 21), Dortmund	40	47	–7
WestEnergie und Verkehr GmbH, Dortmund	99	50	49
Zagrebacke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia	31	33	–2

Changes in shareholding with change of control	Shareholding in % 31 Dec 2014	Shareholding in % 31 Dec 2013	Change
Additions to affiliated companies which are included in the consolidated financial statements			
DEA UK Upstream Limited, London/United Kingdom	100		100
Essent Newco B.V., 's-Hertogenbosch/Netherlands	100		100
Inhome Energy Care N.V., Houthalen-Helchteren/Belgium	100		100
RWE Group Business Services Benelux B.V., Arnhem/Netherlands	100		100
RWE Plin d.o.o., Zagreb/Croatia	100		100
RWE Supply & Trading CZ GmbH, Essen	100		100
Additions to joint operations			
EnergieRegion Taunus – Goldener Grund – GmbH & Co. KG, Bad Camberg	49		49
Gas-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen	49		49
Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Kerpen	49		49
Transfers of affiliated companies which are included in the consolidated financial statements to 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			
GISA GmbH, Halle (Saale)	24	75	–51

Changes in shareholding with change of control	Shareholding in % 31 Dec 2014	Shareholding in % 31 Dec 2013	Change
Transfers of affiliated companies which are included in the consolidated financial statements to other investments			
Nordsee One GmbH, Hamburg	15	100	–85
Disposals of affiliated companies which are included in the consolidated financial statements			
Biomasse Sicilia S.p.A., Enna/Italy		100	–100
Delta Gasservice B.V., Middelburg/Netherlands		100	–100
Dorcogen B.V., 's-Hertogenbosch/Netherlands		100	–100
Energy Direct Limited, Swindon/United Kingdom		100	–100
Energy Direct Supply Limited, Swindon/United Kingdom		100	–100
envia AQUA GmbH, Chemnitz		100	–100
Essent Energie Productie B.V., 's-Hertogenbosch/Netherlands		100	–100
Essent Newco B.V., 's-Hertogenbosch/Netherlands		100	–100
EWK Nederland B.V., Groningen/Netherlands		100	–100
GBV Dreizehnte Gesellschaft für Beteiligungsverwaltung mbH & Co. KG, Gundremmingen		94	–94
ICS adminservice GmbH, Leuna		100	–100
Jihomoravská plynárenská, a.s., Brno/Czech Republic		100	–100
JMP DS, s.r.o, Brno/Czech Republic		100	–100
MEWO Wohnungswirtschaft GmbH & Co. KG, Halle (Saale)		100	–100
Restabwicklung SNR 300 GmbH, Essen		100	–100
RWE Innogy Grebbin Windparkbetriebsgesellschaft mbH, Obere Warnow (OT Grebbin)		100	–100
RWE Interní služby, s.r.o., Pragueue/Czech Republic		100	–100
RWE IT Slovakia s.r.o., Košice/Slovakia		100	–100
RWE Key Account CZ, s.r.o., Prague/Czech Republic		100	–100
RWE Kundenservice GmbH, Bochum		100	–100
RWE Turkey Holding A.S., Istanbul/Turkey		100	–100
Severomoravská plynárenská, a.s., Ostrava/Czech Republic		100	–100
SPER S.p.A., Enna/Italy		70	–70
Süwag Wasser GmbH, Frankfurt am Main		100	–100
Východoceská plynárenská, a.s., Prague/Czech Republic		100	–100
Yorkshire Energy Limited, Bristol/United Kingdom		100	–100
Disposals of joint ventures accounted for using the equity method			
Przedsiêbiorstwo Wodociagów i Kanalizacji Sp. z o.o., Dabrowa Górnica/Poland		34	–34
Disposals of associates accounted for using the equity method			
Fovarosi Gazmuvek Zrt., Budapest/Hungary		50	–50
Sampi Anlagen-Vermietungs GmbH & Co. Objekt Meerbusch KG, Mainz		100	–100
Stadtwerke Meinerzhagen GmbH, Meinerzhagen		27	–27
Südwestfalen Energie und Wasser AG, Hagen		19	–19

4.8 BOARDS (PART OF THE NOTES)

As of 20 February 2015

Supervisory Board

Dr. Manfred Schneider
Cologne
Chairman
Year of birth: 1938
Member since: 10 December 1992

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
- KfW Bankengruppe

Werner Bischoff[1,2]
Monheim am Rhein
Former member of the Main Executive Board of IG Bergbau, Chemie, Energie
Year of birth: 1947
– until 30 June 2014 –

Other appointments:
▪ RWE Dea AG

Reiner Böhle[1]
Witten
Chairman of the General Works Council of RWE Deutschland AG
Year of birth: 1960
Member since: 1 January 2013

Other appointments:
▪ RWE Deutschland AG

Dr. Werner Brandt
Bad Homburg
Corporate consultant,
former Member of the Executive Board of SAP SE
Year of birth: 1954
Member since: 18 April 2013

Other appointments:
▪ Deutsche Lufthansa AG
▪ OSRAM Licht AG
▪ ProSiebenSat.1 Media AG (Chairman)
- Qiagen N.V. (Chairman)

Dieter Faust[1]
Eschweiler
Chairman of the Group Works Council of RWE Power AG
Year of birth: 1958
Member since: 1 August 2005

Other appointments:
▪ RWE Generation SE
▪ RWE Power AG

Roger Graef
Bollendorf
Managing Director of Verband der kommunalen RWE-Aktionäre GmbH
Year of birth: 1943
Member since: 20 April 2011

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

Other appointments:
▪ RWE Vertrieb 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.

Manfred Holz[1]
Grevenbroich
Deputy Chairman of the General Works Council of RWE Power AG
Year of birth: 1954
Member since: 20 April 2011

Other appointments:
- ▪ RWE Generation SE

Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
Essen
Vice-President of the Federation of German Industries
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 N.V.

Frithjof Kühn
Sankt Augustin
Chief Administrative Officer, ret.
Year of birth: 1943
Member since: 1 February 2010

Hans Peter Lafos[1]
Bergheim
Regional District Sector Head, Utilities and Disposal (Sector 2), ver.di Vereinte Dienstleistungsgewerkschaft, District of NRW
Year of birth: 1954
Member since: 28 October 2009

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

Christine Merkamp[1]
Cologne
Member of the Group Speaker Committee
Year of birth: 1967
Member since: 20 April 2011

Dagmar Mühlenfeld
Mülheim an der Ruhr
Mayor of the City of Mülheim an der Ruhr
Year of birth: 1951
Member since: 4 January 2005

Other appointments:
- ▪ RW Holding AG (Chairwoman)
- \- Beteiligungsholding Mülheim an der Ruhr GmbH
- \- Flughafen Essen/Mülheim GmbH (Chairwoman)
- \- medl GmbH (Chairwoman)
- \- Mülheim & Business GmbH (Chairwoman)
- \- Sparkasse Mülheim an der Ruhr AöR

Dagmar Schmeer[1]
Saarbrücken
Technical Officer Grid Services at VSE Verteilernetz GmbH
Year of birth: 1967
Member since: 9 August 2006

Other appointments:
- ▪ VSE AG

Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Krefeld
Former Chairman of the Executive Board of ThyssenKrupp AG
Year of birth: 1941
Member since: 13 April 2006

Other appointments:
- ▪ MAN SE

▪ Member of other mandatory supervisory boards.
\- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.

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

Other appointments:
- Bertelsmann Stiftung

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 (DEW 21) (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
▪ RAG AG
▪ RAG Deutsche Steinkohle AG
▪ RWE Generation SE
▪ RWE Power AG

Manfred Weber[1,2]
Wietze
Chairman of the General Works Council of RWE Dea AG
Year of birth: 1947
– until 30 June 2014 –

Other appointments:
▪ RWE Dea AG

Dr. Dieter Zetsche
Stuttgart
Chairman of the Executive Board of Daimler AG
Year of birth: 1953
Member since: 16 July 2009

Leonhard Zubrowski[1]
Lippetal
Chairman of the General Works Council of RWE Generation
Year of birth: 1961
Member since: 1 July 2014

Other appointments:
▪ RWE Generation SE

▪ Member of other mandatory supervisory boards.
– Member of comparable domestic and foreign supervisory boards of commercial enterprises.

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

Supervisory Board Committees

Executive Committee of the Supervisory Board
Dr. Manfred Schneider (Chairman)
Reiner Böhle – since 19 September 2014 –
Frank Bsirske
Manfred Holz
Dagmar Mühlenfeld
Dagmar Schmeer – until 9 September 2014 –
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Dr. Wolfgang Schüssel
Manfred Weber – until 30 June 2014 –
Leonhard Zubrowski – since 6 August 2014 –

Mediation Committee in accordance with Sec. 27, Para. 3 of the German Co-Determination Act (MitbestG)
Dr. Manfred Schneider (Chairman)
Werner Bischoff – until 30 June 2014 –
Frank Bsirske
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Ralf Sikorski – since 6 August 2014 –

Personnel Affairs Committee
Dr. Manfred Schneider (Chairman)
Rainer Böhle
Frank Bsirske
Dieter Faust
Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel
Frithjof Kühn

Audit Committee
Dr. Werner Brandt (Chairman)
Werner Bischoff – until 30 June 2014 –
Dieter Faust
Arno Hahn
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Ullrich Sierau
Ralf Sikorski – since 6 August 2014 –

Nomination Committee
Dr. Manfred Schneider (Chairman)
Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel
Frithjof Kühn

Executive Board

Peter Terium (Chief Executive Officer)
Chairman of the Executive Board of RWE AG since 1 July 2012, appointed until 31 August 2016

Other appointments:
▪ RWE Dea AG (Chairman)
▪ RWE IT GmbH (Chairman)
▪ RWE Supply & Trading GmbH (Chairman)

Dr. Rolf Martin Schmitz (Deputy Chairman and Chief Operating Officer)
Deputy Chairman of the Executive Board of RWE AG since 1 July 2012
Member of the Executive Board of RWE AG since 1 May 2009, appointed until 31 January 2019

Other appointments:
▪ RheinEnergie AG
▪ RWE Deutschland AG (Chairman)
▪ RWE Generation SE (Chairman)
▪ RWE Power AG (Chairman)
▪ Süwag Energie AG (Chairman)
▪ TÜV Rheinland AG
- Essent N. V.
- Kärntner Energieholding Beteiligungs GmbH
- KELAG-Kärntner Elektrizitäts-AG

Dr. Bernhard Günther (Chief Financial Officer)
Member of the Executive Board of RWE AG since 1 July 2012, appointed until 30 June 2017

Other appointments:
▪ RWE Deutschland AG
▪ RWE Generation SE
▪ RWE Pensionsfonds AG (Chairman)
▪ 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 31 December 2015

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

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

4.9 INDEPENDENT AUDITORS' REPORT

To RWE Aktiengesellschaft, Essen

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RWE Aktiengesellschaft, Essen, and its subsidiaries, which comprise the income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and the notes to the financial statements for the business year from 1 January to 31 December 2014.

Executive Board's Responsibility for the Consolidated Financial Statements

The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Executive Board is also responsible for the internal controls as the Executive Board determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, 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 2014 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of RWE Aktiengesellschaft, for the business year from 1 January to 31 December 2014. The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, 21 February 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Reuther	Ralph Welter
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FIVE-YEAR OVERVIEW

Five-year overview RWE Group[1]		2014	2013	2012	2011	2010
External revenue	€ million	48,468	52,425	53,227	51,686	53,320
Income						
EBITDA	€ million	7,131	7,904	9,314	8,460	10,256
Operating result	€ million	4,017	5,369	6,416	5,814	7,681
Income before tax	€ million	2,246	−2,016	2,230	3,024	4,978
Net income/income attributable to RWE AG shareholders	€ million	1,704	−2,757	1,306	1,806	3,308
Earnings per share	€	2.77	−4.49	2.13	3.35	6.20
Recurrent net income	€ million	1,282	2,314	2,457	2,479	3,752
Recurrent net income per share	€	2.09	3.76	4.00	4.60	7.03
Return on equity	%	17.2	−17.1	10.2	12.6	23.1
Return on revenue	%	7.2	−1.8	6.9	8.3	12.3
Value management						
Return on capital employed (ROCE)	%	8.4	10.6	12.0	10.9	14.4
Value added	€ million	−277	811	1,589	1,286	2,876
Capital employed	€ million	47,711	50,646	53,637	53,279	53,386
Cash flow/capital expenditure/depreciation and amortisation						
Cash flows from operating activities of continuing operations	€ million	5,556	4,803	4,395	5,510	5,500
Free cash flow	€ million	2,311	960	−686	−843	−879
Capital expenditure including acquisitions	€ million	3,440	3,978	5,544	7,072	6,643
of which: Property, plant and equipment and intangible assets	€ million	3,245	3,848	5,081	6,353	6,379
Depreciation, amortisation, impairment losses and asset disposals	€ million	3,369	8,121	5,343	3,632	3,410
Degree of asset depreciation	%	62.6	61.6	59.0	58.5	61.8
Free cash flow per share	€	3.76	1.56	−1.12	−1.56	−1.65
Asset/capital structure						
Non-current assets	€ million	54,224	56,905	63,338	63,539	60,465
Current assets	€ million	32,092	24,476	24,840	29,117	32,612
Balance sheet equity	€ million	11,772	12,137	16,489	17,082	17,417
Non-current liabilities	€ million	46,324	47,383	47,445	44,391	45,162
Current liabilities	€ million	28,220	21,861	24,244	31,183	30,498
Balance sheet total	€ million	86,316	81,381	88,178	92,656	93,077
Fixed asset intensity of investments	%	50.9	58.6	59.1	56.0	53.4
Current asset intensity of investments	%	37.2	30.1	28.2	31.4	35.0
Asset coverage	%	107.1	104.6	100.9	96.7	103.5
Equity ratio	%	13.6	14.9	18.7	18.4	18.7
Net financial debt	€ million	8,519	10,320	12,335	12,239	11,904
Net debt	€ million	31,010	30,727	33,015	29,948	28,964
Leverage factor		3.8[2]	3.5[2]	3.5	3.5	2.8

1 See the commentary on reporting on page 41.
2 Adjusted figure; see page 64.

Five-year overview RWE Group[1]		2014	2013	2012	2011	2010
Workforce						
Workforce at end of the year[2]		59,784	64,896	70,208	72,068	70,856
Research & development						
R&D costs	€ million	110	151	150	146	149
R&D employees		390	430	450	410	360
Emissions balance						
CO_2 emissions	million metric tons	155.2	163.9	179.8	161.9	164.9
Free allocation of CO_2 certificates	million metric tons	5.8	7.4	121.4	116.6	115.1
Shortage of CO_2 certificates	million metric tons	148.3[3]	156.5	58.4	45.3	49.8
Specific CO_2 emissions	metric tons/MWh	0.745	0.751	0.792	0.787	0.732

Five-year overview RWE Aktiengesellschaft		2014	2013	2012	2011	2010
Dividend/dividend payment						
Dividend payment	€ million	615[4]	615	1,229	1,229	1,867
Dividend per share	€	1.00[4]	1.00	2.00	2.00	3.50
Market capitalisation						
Market capitalisation at the end of the year	€ billion	15.5	16.2	19.1	16.6	28.0
Long-term credit rating						
Moody's		Baa1	Baa1	A3	A3	A2
Outlook		Stable	Stable	Negative	Negative	Negative
Standard & Poor's		BBB+	BBB+	BBB+	A-	A
Outlook		Stable	Stable	Stable	Negative	Negative

1 See the commentary on reporting on page 41.
2 Converted to full-time positions.
3 As Turkey does not participate in European emissions trading, our emissions in that country, which amounted to 1.1 million metric tons, were not considered in calculating the shortage.
4 Dividend proposed for RWE AG's 2014 fiscal year, subject to approval by the 23 April 2015 Annual General Meeting.

IMPRINT

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For annual reports, interim reports 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 of the German Commercial Code is an exception.

FINANCIAL CALENDAR

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

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

RWE Aktiengesellschaft

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