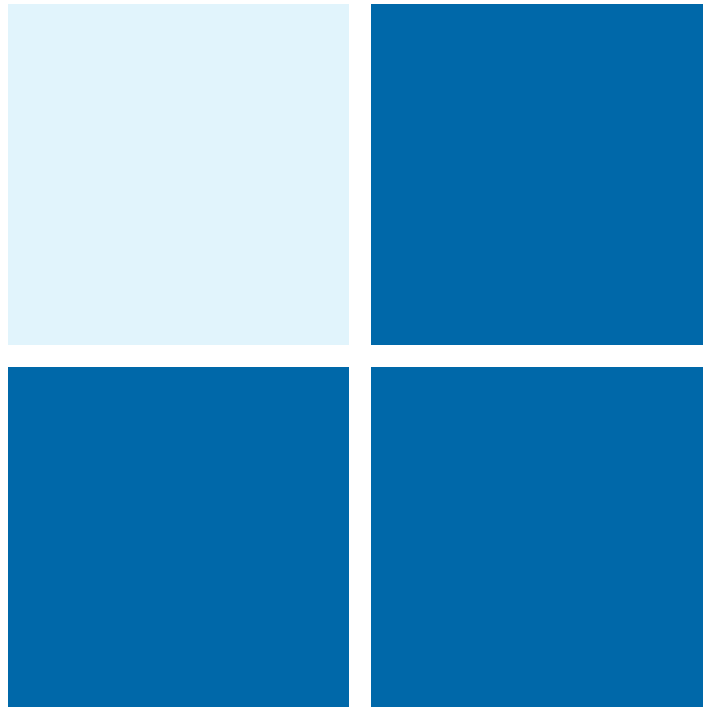


REPORT ON THE FIRST THREE QUARTERS OF 2015

- RWE confirms earnings forecast for 2015
- Nine-month operating result 9% lower year on year
- Net debt down to €25.8 billion
- Go-ahead given for Galloper offshore wind project
- RWE power stations qualify for second UK capacity market auction



AT A GLANCE

RWE Group – key figures		Jan – Sep 2015	Jan – Sep 2014	+/- %	Jan – Dec 2014
Electricity production	billion kWh	154.9	151.2	2.4	208.3
External electricity sales volume	billion kWh	191.8	191.7	0.1	258.3
External gas sales volume	billion kWh	207.2	184.6	12.2	281.3
External revenue	€ million	35,409	35,288	0.3	48,468
EBITDA	€ million	4,403	4,700	-6.3	7,131
Operating result	€ million	2,648	2,908	-8.9	4,017
Income from continuing operations before tax	€ million	1,354	1,470	-7.9	2,246
Net income	€ million	1,935	994	94.7	1,704
Adjusted net income ¹	€ million	545	763	-28.6	1,282
Earnings per share	€	3.15	1.62	94.4	2.77
Adjusted net income ¹ per share	€	0.89	1.24	-28.2	2.09
Cash flows from operating activities of continuing operations	€ million	2,177	4,759	-54.3	5,556
Capital expenditure	€ million	1,896	2,284	-17.0	3,440
Property, plant and equipment and intangible assets	€ million	1,669	2,197	-24.0	3,245
Financial assets	€ million	227	87	160.9	195
Free cash flow	€ million	508	2,562	-80.2	2,311
		30 Sep 2015	31 Dec 2014		
Net debt	€ million	25,833	30,972 ²	-16.6	
Workforce ³		59,777	59,784	-	

1 Formerly 'recurrent net income'; see commentary on page 19.

2 Figure adjusted; see footnote 1 to the 'net debt' table on page 22.

3 Converted to full-time positions.

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Dear Shareholders, Customers and Friends of the Company,

The development of our share price has been anything but pleasing in 2015. RWE common shares lost about half of their value in the first ten months, while the DAX posted a marginal gain. There are various reasons for this, which are not at all limited to the low wholesale electricity prices. The capital market was unpleasantly surprised by the negative developments experienced in our UK supply business. Substantial customer losses and billing problems are not good for RWE's reputation, but we are working hard to deal with these difficulties and find a solution.

RWE's share suffered even more from political uncertainty, primarily in the nuclear energy business. The German government is currently debating how to secure the financing for the decommissioning of nuclear power stations and the disposal of radioactive waste in the long run. A commission created for this purpose will submit proposals to this end. One of the options being considered is to establish a trust financed by the energy utilities. Many investors fear that this may open the door to policymakers imposing additional burdens on the companies. The situation came to a head in the middle of September when it was rumoured that a stress test commissioned by the German Federal Ministry for Economic Affairs and Energy had revealed that the nuclear provisions of the German utilities were too low. The rumour proved to be unfounded: in October, the German Ministry for Economic Affairs and Energy certified that the companies passed the stress test. We also welcome the government's pledge to preserve the economic viability of the energy utilities if the financing of nuclear energy is subjected to new regulations. I hope that a good solution can be found that significantly reduces the risk to which the RWE share is exposed.

When it comes to our lignite mining operations in the Rhine region, this year was not for the faint hearted. However, the situation has calmed in this area, too. Fortunately, the plans to impose a climate tax on power plants, which would have made most of our lignite-fired stations unprofitable overnight, have been abandoned. The emission reduction envisaged for electricity produced from lignite shall now be achieved by taking assets with a total capacity of 2.7 gigawatts off the market prematurely. However, these stations, including five RWE units of the 300-megawatt class, will be put on stand-by for four years before being shut down. For operating in this mode, these assets will receive compensation, the level of which we agreed with the Federal Ministry for Economic Affairs and Energy. The next step is the legislative process. I am confident that this will allow us to plan our business with more certainty.

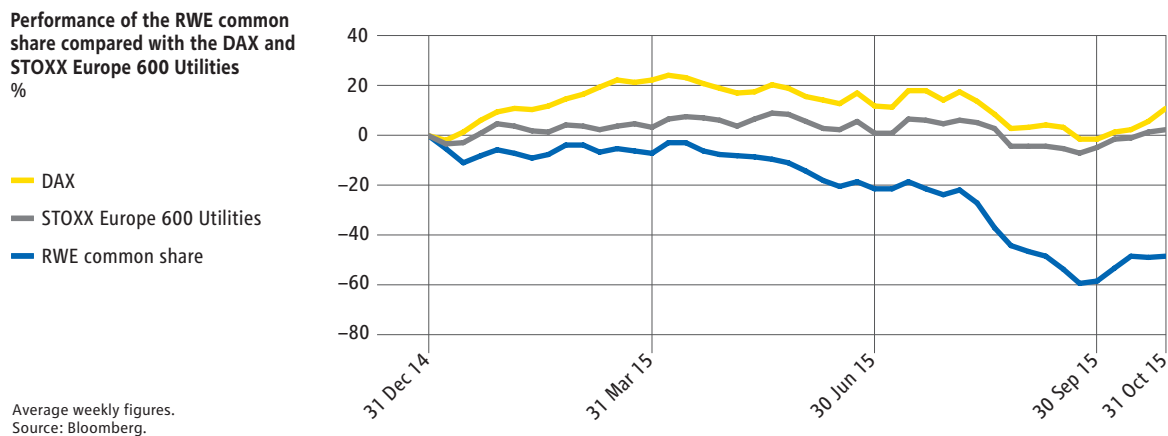
In closing, I would like to say a few words about the business trend. Despite the unexpected burdens faced by our UK energy supply operations and the significant drop in trading income, we are on track to meet our forecast relative to this year's consolidated earnings. Our cost cutting and the exceptional effect of the initial consolidation of the Slovak utility VSE are among the factors that will help us in this regard. We therefore maintain our forecast of an operating result between €3.6 and €3.9 billion. We also expect our adjusted net income to end up in the forecast range, i.e. between €1.1 and €1.3 billion, even if only just.

Sincerely yours,

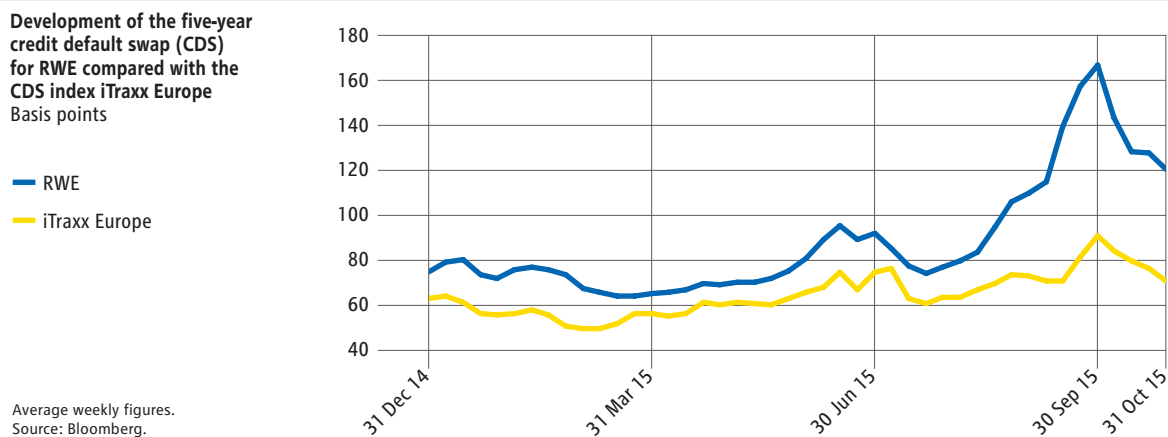


Peter Terium
CEO of RWE AG
Essen, November 2015

RWE ON THE CAPITAL MARKET



The German Stock Index, DAX, lost all of the gains it recorded in the first quarter of 2015 in the two subsequent ones. It closed September at 9,660 points, falling 1% below the level achieved by the end of last year. In the spring, the positive effect of the expansionary monetary policy of the European Central Bank (ECB) was overshadowed by the resurgence of the Greek crisis. In the summer, the slowing growth of the Chinese economy clouded sentiment on the financial markets. For RWE shareholders, this year has been very disappointing so far. Our common and preferred shares ended the month of September trading at €10.15 and €8.00, respectively. The total returns, which reflect the dividend and changes in the share price, were a negative 59% and 55%, respectively. The reasons for this are set out on page 1.



The ECB's expansionary monetary policy and the faltering of China's economy also characterised the development of interest rates. In the first three quarters of the year, the average yield of ten-year German government bonds remained within a historically low range of 0.1% to 1.0%. At the end of September, it was 0.6%. The cost of hedging credit risk via credit default swaps (CDSs) dropped initially before rising again. The iTraxx Europe Index, which consists of the prices of the CDSs of 125 major European companies, was quoted at 91 basis points for five-year maturities on 30 September 2015. This is 28 more than at the end of 2014. The five-year CDS for RWE became much more expensive, advancing from 92 to 167 basis points, above all in August and September. This was partially due to the uncertainty surrounding nuclear provisions caused by the stress test (see pages 1 and 8). The CDS quotation for RWE dropped considerably once the situation calmed in October.

ECONOMIC ENVIRONMENT

Continued economic upturn

Based on initial estimates, the global gross domestic product (GDP) in the first three quarters of 2015 was more than 2% higher than a year earlier. The increase estimated for the Eurozone is just over 1%. Once again, the German economy was among the front-runners in the currency area. It is estimated to have grown by approximately 1.5%. Consumer spending in particular had a stimulating effect. In the Netherlands, GDP probably rose slightly more than in the Eurozone, whereas in Belgium it grew by roughly the same extent. Based on available information, the United Kingdom posted a gain of approximately 2.5%, due in great part to the expanding service sector. Developments in our major Central Eastern European markets appear to have been even more dynamic. When this report went to print, only first-half data was available for these countries. Based on these figures, GDP increased by 4% in the Czech Republic, 3.5% in Poland, 3% in Hungary, and 3% in Slovakia.

Weather colder in the first half of 2015 – hot summer in Continental Europe

Whereas the economic trend primarily impacts on demand for energy among industrial enterprises, residential energy consumption is significantly affected by weather conditions. The lower the outside temperatures, the more energy is needed for heating purposes. This leads to seasonal fluctuations in sales volume and earnings. Weather-related effects can also be of significance when comparing various fiscal years to one another. In the winter and spring of 2015, temperatures in Germany, the Benelux region, the United Kingdom and our Central Eastern European markets were generally lower than in the same period last year, which was unusually mild. In the United Kingdom, the summer was also cooler, whereas on the European Continent, it was much hotter than in 2014.

In addition to energy consumption, the generation of electricity is also subject to weather-related influences, with wind levels playing a major role. In the nine-month reporting period, the utilisation of our wind turbines in Germany, the United Kingdom, Spain and Poland was generally higher than in 2014, whereas it was essentially unchanged in the Netherlands and lower in Italy. Electricity produced by our run-of-river power plants is affected by precipitation levels, which in Germany were roughly on a par with the level witnessed in the same period last year. Sunshine also has a significant impact on the supply of electricity, not least due to the considerable rise in German photovoltaic capacity in accordance with the Renewable Energy Act. Based on figures published by Germany's National Meteorological Service, the country had an average of 1,479 hours of sunshine in the first nine months, compared to 1,438 a year earlier.

Higher energy consumption in core RWE markets

Economic growth and the generally colder weather stimulated electricity and gas consumption in our key markets, whereas the trend towards energy savings had a dampening effect. According to preliminary calculations by the German Association of Energy and Water Industries (BDEW), demand for electricity in Germany from January to September 2015 was about 1% up on the same period last year. Based on available data, demand for electricity was also up compared to 2014 in the Netherlands, the United Kingdom, Poland, Slovakia and Hungary. The need for gas, which depends far more on the weather, was stimulated as temperatures in the heating months were lower than in 2014. Based on BDEW surveys, gas consumption grew by 10% year on year in Germany. In the Netherlands and United Kingdom, network operators calculated increases of 2% and 4%, respectively. A gain of 5% has been estimated for the Czech Republic.

Lower forward and retail gas prices

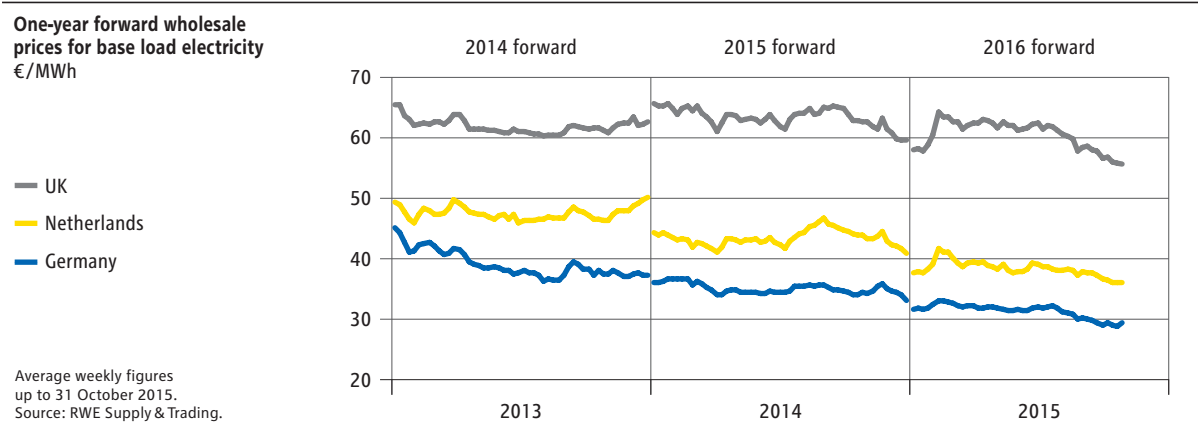
Averaged for the first nine months, spot prices at the Dutch Title Transfer Facility (TTF), the reference market for Continental Europe, amounted to €21 per megawatt hour (MWh), €1 more than the comparable figure for 2014. In TTF forward trading, contracts for delivery in the coming calendar year (2016 forward) were also settled for €21 per MWh. This is €4 less than the price paid for the 2015 forward in the same period last year. The significant decrease in gas forward prices, which was also observed in the United Kingdom, influenced the development in the retail business. Based on available data in Germany, on average, gas became 1% and 6% cheaper for households and industrial enterprises, respectively. In the United Kingdom, gas prices for the aforementioned customer groups were down about 4% and 8% year on year, while in the Netherlands, they declined by approximately 4% and 3%, respectively. Data collected for the Czech Republic indicates that gas became 6% cheaper for industry, but 2% more expensive for households.

Persistent slump on hard coal market

Hard coal prices have experienced a steep decline in 2015. Coal deliveries including freight and insurance to Amsterdam/Rotterdam/Antwerp (known as the ARA ports) were quoted at an average of US\$59 (€52) per metric ton in spot trading in the first three quarters. This represents a decline of US\$17 compared to 2014. The 2016 forward (API 2 Index) traded at US\$57 per metric ton, US\$24 less than last year's comparable figure. The global coal market tends to be oversupplied, in part because many countries increased their production capacities in the past and demand failed to keep up. The overseas freight costs included in the price of coal also decreased because excess shipping capacity was built up and fuel prices dropped. From January to September 2015, only US\$5 was charged per metric ton for the standard route from South Africa to Rotterdam, US\$4 less than in the same period last year.

Rising price of CO₂ emission allowances

Prices in CO₂ emissions trading have recently displayed an upward trend. The standard certificate (EU Allowance, or EUA) for 2015, which confers the right to emit a metric ton of carbon dioxide, traded for an average of €7.50 in the first nine months of this year. The comparable figure for 2014 was €5.80. As before, far more emission allowances are available on the market for the third emissions trading period, which ends in 2020, than are actually needed. However, the EU has already reduced the surplus of certificates by temporarily withholding emission allowances (referred to as backloading). It is envisaged that backloading will continue until the end of 2016 and that it will affect certificates covering a total of 900 million metric tons of carbon dioxide. The steps taken in 2015 to introduce a 'market stability reserve' (MSR) also had a price-increasing effect. The MSR is scheduled to be used from 2019 and will act as a pool in which emission allowances are 'deposited' in the event of a substantial surplus. It was further determined that backloaded certificates will be transferred directly to the reserve instead of being placed back on the market in 2019 and 2020, which was the original plan.



German 2016 base load forward only €32 per MWh

The development of wholesale electricity prices in Germany is significantly affected by rising feed-ins of electricity subsidised under the German Renewable Energy Act. This forces conventional generation assets 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 has risen. The latter have relatively low production costs due to the decline in prices on hard coal markets. These two factors, 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 for years. The downward trend has continued in 2015, albeit at a reduced pace. In the first three quarters, the average spot price for base load power was €31 per MWh, €1 down on the level recorded in last year's corresponding period. The 2016 forward was settled for €32 per MWh of base load power. By comparison, the 2015 forward traded for €35 in the same period last year.

In the United Kingdom, our second-largest generation market, gas-fired power stations account for a much larger share of electricity production than in Germany and therefore have a stronger influence on prices. For this reason, and due to the introduction of a tax on carbon dioxide in April 2013, UK wholesale electricity quotations are relatively high. Base load power cost an average of £41 (€57) per MWh on the UK spot market in the first three quarters of the year, the same as in 2014. By contrast, the 2016 base load forward traded at £44 (€61) per MWh, £8 below the comparable figure for last year.

In the Netherlands, where we have our third-largest generation position, gas-fired power plants also play an important role in the formation of electricity prices. At the same time, German exports of electricity generated under the Renewable Energy Act weigh on prices. Base load power on the Dutch spot market was quoted at €41 per MWh, €1 more year on year. However, forward contracts became cheaper. The 2016 forward was settled for an average of €39 per MWh of base load power. This is €5 less than the price paid for the 2015 forward in the same period last year.

Power plant margins down year on year

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

Lower retail electricity bills

Electricity prices trended downwards in the retail sector, largely driven by declining quotations on the wholesale market. In Germany, households paid slightly less than in the first three quarters of 2014, whereas industrial enterprises saw prices decrease by about 3%. Tariffs in the two aforementioned customer groups also fell marginally in the United Kingdom. Prices dropped by an estimated 1% (households) and 7% (industry) in the Netherlands, 6% and 4% in Hungary and 6% and 3% in Slovakia. Conversely, electricity became 2% and 3% more expensive in these segments in Poland.

MAJOR EVENTS

In the period under review

RWE power stations qualify for second UK capacity market auction

The power plants that will participate in the next auction for the UK capacity market were announced in early September. All RWE stations that submitted an application qualified, accounting for a total of 8.0 gigawatts (GW) in secured capacity. Throughout the UK, 59.2 GW will be represented in the bidding process in December 2015. The invitation to tender covers 44.7 GW, i.e. stations with this combined capacity will receive a payment for making secured generation capacity available to the market from October 2019 to September 2020. The capacity payment actually paid out will be determined at the auction. The upcoming bidding procedure is the second of its kind. The first took place in December 2014 and related to the period from October 2018 to September 2019. At the time, all participating RWE stations, with the exception of one small plant, qualified for a capacity payment of £19.40 per kilowatt.

State government presents draft resolution on the future of Rhenish lignite

At the end of September, the administration of the State of North Rhine-Westphalia adopted the draft of a resolution on lignite mining in the Garzweiler II opencast mine. In the paper, the government confirms that lignite mining will remain necessary there after 2030 in order to ensure the supply of electricity. Such a declaration is the fundamental prerequisite for continuing to operate the opencast mine over the long term. However, in line with an earlier announcement, the state administration intends to reduce the size of the mining area. This would involve not resettling three localities, including the village of Holzweiler, which has a population of about 1,400. In addition, RWE will have to maintain a greater distance than usual between its mining operations and Holzweiler. The coal reserves of Garzweiler II, which have received zoning clearance and been estimated at 1.2 billion metric tons so far, would thus drop by about one third. Conversely, the mining borders for the Hambach and Inden opencast mines have been confirmed. A consultation process for the draft is currently underway and scheduled to last until December 2015. In the spring of 2016, the state government intends to reach a final decision, which will have to be considered in the plans going forward.

Emirate of Dubai and RWE strengthen co-operation

In late September, we signed a memorandum of understanding with the Dubai Supreme Council of Energy, Dubai's governing body for matters of energy policy. The declaration lays the foundation for closer co-operation in management services and technical consulting. RWE already undertakes advisory activities in the Emirate. For example, we support Dubai in developing its Integrated Energy Strategy 2030, we are working on technical aspects of energy supply, and we are proposing ways to reduce energy consumption. These will be the focal points for future consulting work in the region.

After the period under review

German utilities pass nuclear provision stress test

On 10 October, the German Ministry for Economic Affairs and Energy (BMWi) published the result of a stress test to which the provisions of Germany's nuclear power plant operators were subjected. The expert opinion from the Düsseldorf-based auditors Warth & Klein Grant Thornton commissioned by the BMWi reaches the conclusion that the energy utilities investigated carry sufficient net assets on their balance sheets to meet their obligations to dismantle generation assets and dispose of radioactive waste. The appraiser certifies that the utilities have taken full account of the disposal tasks that can be foreseen at present and have calculated their provisions correctly. Warth & Klein Grant Thornton presented a number of scenarios that resulted in a wide range of estimated liabilities. The total of €38.3 billion in provisions accrued by the companies (as of the end of 2014) is within this range. In this context, the BMWi declared that it finds the scenarios with the highest amount of liabilities to be improbable. In the Ministry's opinion, the appraisal does not result in the need for any further action.

German government appoints commission to review nuclear exit financing

On 14 October, the German government created a 'Commission for the Review of Nuclear Exit Financing', which has been tasked with evaluating the debated concepts for securing the financing of the dismantling and disposal obligations and to come up with proposals. Conceivable financing models include the full or partial transfer of the obligations to a fund or trust. The government wants to ensure that the utilities can fulfil their nuclear obligations over the long term in economic terms. The Commission is composed of 19 members and excludes nuclear power plant operators. Chairmanship is held by the former Lord Mayor of the City of Hamburg Ole von Beust (Christian Democrats), the former Prime Minister of Brandenburg Matthias Platzeck (Social Democrats) and Germany's former Environmental Minister Jürgen Trittin (Green Party). It is envisaged that the Commission will submit a list of recommendations at the end of February 2016.

German government presents draft law on the stand-by operation of lignite power plants

At the beginning of November, the German Federal Cabinet agreed a draft law on the limited stand-by operation and subsequent shut-down of lignite-fired power stations that had been resolved in July. Shortly before, the German Federal Ministry for Economic Affairs and Energy had reached an agreement on the details with the energy companies MIBRAG, RWE and Vattenfall. Starting in 2016, power plants with a total of 2.7 GW in generation capacity will be gradually taken off the market and used as the last resort of electricity supply for a period of four years each, after which they will be shut down. Operators of these stations will be compensated for keeping them on stand-by. The BMWi estimates that associated costs will total some €1.6 billion. The German government had obligated the country's lignite industry to reduce its annual carbon emissions by an additional 12.5 million metric tons under the Climate Action Programme 2020. RWE will put five units of the 300-megawatt class on stand-by: blocks P and Q at Frimmersdorf (1 October 2017), units E and F at Niederaussem (1 October 2018) and block C at Neurath (1 October 2019). The BMWi has thoroughly discussed the concept of the stand-by operation with the European Commission. The Ministry is confident that the EU will not classify the measure as unallowed state aid.

Go-ahead for UK Galloper offshore wind energy project

At the end of October, we announced that RWE Innogy will implement the Galloper offshore wind power project. One of the preconditions for making the decision to invest was to win three partners: Siemens Financial Services, Macquarie Capital and UK Green Investment Bank will each take a 25% stake in the project. The remaining 25% will be retained by RWE Innogy, which will be responsible for the construction and operation of the 336 MW wind farm as consortium manager. The financing of the approximately €2 billion in project costs has also been secured, mostly coming from loans granted by a consortium of twelve commercial banks and the European Investment Bank. The remaining sum will be covered by the project partners. Located off the coast of Suffolk, the wind farm is scheduled to be fully operational in March 2018. Building work has already commenced. The project agreements envisage Siemens supplying and maintaining the total of 56 turbines, each with a capacity of 6 MW. Galloper was developed by RWE and, initially, Scottish and Southern Energy (SSE). Its future became uncertain when SSE withdrew from the project.

RWE reduces shareholding in Gwynt y Môr wind farm off the coast of Wales

At the end of October 2015, we sold a 10% stake in the new Gwynt y Môr offshore wind farm to UK Green Investment Bank. The price amounted to £224 million (about €312 million). The transaction had been agreed as early as March 2014. Our interest in Gwynt y Môr therefore dropped to 50%. Further shares are held by Stadtwerke München (30%) and Siemens (10%). We intend to use the sale proceeds to finance other renewable projects. Gwynt y Môr is located off the coast of North Wales, has a total net installed capacity of 576 MW and was officially inaugurated in June 2015.

NOTES ON REPORTING

RWE Group						
Conventional Power Generation	Supply/Distribution Networks Germany	Supply Netherlands/Belgium	Supply United Kingdom	Central Eastern and South Eastern Europe	Renewables	Trading/Gas Midstream
RWE Generation	RWE Deutschland	Essent	RWE npower	RWE East	RWE Innogy	RWE Supply & Trading
Internal Service Providers RWE Consulting RWE Group Business Services RWE IT RWE Service						

As of 30 September 2015.

Group structure with seven divisions

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

- **Conventional Power Generation:** Our conventional electricity generation activities in Germany, the United Kingdom, the Netherlands and Turkey are subsumed under this division. It also includes RWE Power's opencast lignite mining in the Rhineland and RWE Technology International, 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 KELAG (Austria) and Enovos (Luxembourg), both of which are energy utilities, are also assigned to this division.
- **Supply Netherlands/Belgium:** This is where we report on our Dutch and Belgian electricity and gas supply 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 a wide range of international activities, which are controlled by Prague-based RWE East. In the Czech Republic, we are the market leader in the storage, distribution and supply of gas. Our local operations also include the sale of electricity. In Hungary, Poland and Slovakia, we have established positions in the electricity business (distribution networks and supply), which in Hungary includes the generation of electricity from lignite. We also sell gas in the aforementioned countries, albeit to date still on a small scale in Hungary and Poland. In Croatia, we have an established wastewater management company in the capital Zagreb. In addition, we have become active in the local energy supply business. The latter also applies to Slovenia, Romania and Turkey.

- **Renewables:** This is where we present the figures of RWE Innogy, which develops, builds and operates plant for generating electricity from renewable energy sources, focusing on wind and hydroelectric power. 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, as well as running the entire gas midstream business. Furthermore, it supplies some major German and Dutch industrial and corporate customers with electricity and gas.

The 'other, consolidation' item

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

RWE Dea disclosed as a discontinued operation

In accordance with International Financial Reporting Standards (IFRS), we now recognise RWE Dea in the income statement in condensed form under income from discontinued operations. The same applies to last year. For the 2015 financial year so far and for fiscal 2014, RWE Dea is considered in adjusted (formerly "recurrent") net income only by including the prorated interest on the price that LetterOne paid us for the period from 1 January 2014 until the completion of the transaction on 2 March 2015. In contrast, RWE Dea is not considered at all in adjusted net income for the first three quarters of 2014. The upstream business was presented on the consolidated balance sheet for the period ended 31 December 2014 for the last time, where it was recognised in assets held for sale and liabilities held for sale. In the cash flow statement on page 31, we state the cash flows from discontinued operations for 2015 and 2014 separately. In the review of operations, the presentation of cash flows solely relates to our continuing operations. The same applies to capital expenditure and employees.

First-time full consolidation of Slovakia-based VSE and WestEnergie on the Lower Rhine

In the third quarter, we changed the accounting treatment of two investments. This relates to Slovakia-based Východoslovenská energetika Holding a.s. (VSE) and its energy supply subsidiaries and the German distribution network company WestEnergie GmbH. VSE and WestEnergie were fully consolidated at the end of August and the beginning of July, respectively, after having previously been accounted for using the equity method. Headquartered in Košice, VSE is No. 3 and No. 2 in the Slovak electricity and gas sectors, respectively. We own a minority stake of 49% in the company, but now have sole control due to a contractual arrangement. WestEnergie is the successor to WestEnergie und Verkehr GmbH and is part of the NEW Group, one of the leading utilities in the Lower Rhine region. Pursuant to a shareholders' agreement, we did not have a voting majority although we owned 99% of the capital. We gained control of the company on 30 June, when this arrangement expired. Further commentary on the change in accounting can be found on page 34.

BUSINESS PERFORMANCE

Electricity production January – September	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Billion kWh														
Conventional Power Generation	53.5	52.5	33.4	32.0	29.2	27.5	22.8	22.7	0.6	0.9	2.3	1.9	141.8	137.5
of which:														
Germany ¹	53.5	52.5	15.8	19.4	2.2	2.1	22.0	21.9	0.5	0.5	2.3	1.9	96.3	98.3
Netherlands/Belgium	-	-	11.5	8.1	4.1	3.0	0.8	0.8	0.1	0.4	-	-	16.5	12.3
United Kingdom	-	-	6.1	4.5	20.6	19.6	-	-	-	-	-	-	26.7	24.1
Turkey	-	-	-	-	2.3	2.8	-	-	-	-	-	-	2.3	2.8
Central Eastern and South Eastern Europe	3.9	4.0	-	-	-	-	-	-	-	-	-	-	3.9	4.0
Renewables ¹	-	-	-	-	-	-	-	-	6.8	5.6	-	-	6.8	5.6
RWE Group²	57.4	56.5	34.7	34.8	29.6	28.1	22.8	22.7	8.1	7.2	2.3	1.9	154.9	151.2

1 Including electricity from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the first three quarters of 2015, it amounted to 8.0 billion kWh in the Conventional Power Generation Division (first three quarters of 2014: 11.8 billion kWh), of which 5.4 billion kWh were generated by hard coal-fired power plants (first three quarters of 2014: 9.7 billion kWh), and 0.5 billion kWh in the Renewables Division (first three quarters of 2014: 0.5 billion kWh).

2 Including small generation volumes of other divisions.

Electricity generation up 2%

In the first three quarters of 2015, the RWE Group produced 154.9 billion kWh of electricity, 2% more than in the same period in 2014. One of the contributors was our new 1,554 MW hard coal-fired power plant near the Dutch port of Eemshaven. Its two units only underwent test runs in 2014 and started commercial operation on 1 May and 1 July 2015, respectively. We also benefited from the increased use of our UK hard coal-fired power station Aberthaw and several of our gas-fired power plants following damage and outages last year. The availability of our German lignite-fired power plants also improved. Furthermore, the expansion of our wind power capacity and high wind levels came to bear. A counteracting effect was felt from the fact that we no longer use some third-party German hard coal-fired power stations, because the underlying contracts expired and we did not extend them. Furthermore, our gas-fired power plant at Denizli in the west of Turkey was underutilised because substantial amounts of low-cost hydroelectric power were generated due to the unusually high levels of precipitation in the region.

In addition to our in-house generation, we procure electricity from external suppliers. In the period under review, these purchases amounted to 49.1 billion kWh (first three quarters of 2014: 50.4 billion kWh). In-house generation and purchases from third parties added up to 204.0 billion kWh (first three quarters of 2014: 201.6 billion kWh).

Electricity sales volume on a par year on year

The volume of electricity supplied to external customers totalled 191.8 billion kWh, nearly exactly as much as in the same period last year. We achieved gains in sales in the industrial and corporate segment, partly because we won new customers. By contrast, we experienced a decline in deliveries to German distributors. This was in part because some of them increased their purchases from other energy suppliers or began buying all their electricity from them. In addition, sales to transmission system operators (TSOs) were down. We resell electricity that is generated under the German Renewable Energy Act (REA) and fed directly into our

distribution network to the TSOs. The decline was due to the fact that operators of plant covered by the REA increasingly market their electricity directly or use it themselves. Sales to households and small commercial enterprises also dropped, reflecting the trend towards saving energy. In the United Kingdom, this was exacerbated by customer losses, which were overcompensated for by gains elsewhere, particularly Central Eastern Europe and Germany.

External electricity sales volume January – September	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Billion kWh								
Conventional Power Generation	0.1	0.2	1.8	1.7	9.3	8.4	11.2	10.3
Supply/Distribution Networks Germany	15.0	15.1	21.4	22.7	52.2	56.8	88.6	94.6
Supply Netherlands/Belgium	7.7	8.2	6.0	7.0	–	–	13.7	15.2
Supply United Kingdom	9.4	10.1	22.8	21.9	1.5	1.5	33.7	33.5
Central Eastern and South Eastern Europe	6.6	6.4	7.4	6.9	5.2	5.1	19.2	18.4
Renewables	–	–	–	–	1.3	1.4	1.3	1.4
Trading/Gas Midstream	–	–	23.0	18.2	–	–	24.1 ¹	18.2
RWE Group²	38.8	40.1	82.4	78.4	69.5	73.2	191.8	191.7

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. This occurred in the first three quarters of 2015 (+1.1 billion kWh), whereas it did not in the same period last year.

2 Including small volumes subsumed under 'other, consolidation'.

Gas supply volume up 12%

Our gas sales volume rose by 12% to 207.2 billion kWh. The fact that the winter and spring were colder than in 2014 in all key RWE markets came to bear here. More gas was used for heating purposes by our residential and commercial customers in particular. In business with distributors, companies belonging to RWE Deutschland won new customers and intensified their supply relationships with existing ones. Another driver of our growth in gas sales volume was the successful acquisition of industrial and corporate customers. In the residential and small commercial enterprise segment, the positive effect of the weather was weakened by thrifty consumer behaviour. Furthermore, our share of the UK residential market declined. Customer acquisitions in Germany and the Benelux region were unable to compensate for this.

External gas sales volume January – September	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Billion kWh								
Supply/Distribution Networks Germany	16.3	14.4	13.0	13.7	37.5	29.3	66.8	57.4
Supply Netherlands/Belgium	23.0	20.3	20.3	20.0	–	–	43.3	40.3
Supply United Kingdom	21.6	20.8	2.5	1.6	4.6	3.9	28.7	26.3
Central Eastern and South Eastern Europe	9.8	9.3	22.1	18.4	0.4	1.2	32.3	28.9
Trading/Gas Midstream	–	–	18.8	15.7	17.3	16.0	36.1	31.7
RWE Group	70.7	64.8	76.7	69.4	59.8	50.4	207.2	184.6

External revenue € million	Jan – Sep 2015	Jan – Sep 2014	+/- %	Jan – Dec 2014
Conventional Power Generation	1,408	1,388	1.4	1,888
Supply/Distribution Networks Germany	18,215	18,657	-2.4	25,310
Supply Netherlands/Belgium	2,957	3,280	-9.8	4,443
Supply United Kingdom	6,879	6,434	6.9	8,992
Central Eastern and South Eastern Europe	3,063	2,890	6.0	4,059
Renewables	258	212	21.7	277
Trading/Gas Midstream	2,571	2,364	8.8	3,409
Other, consolidation	58	63	-7.9	90
RWE Group	35,409	35,288	0.3	48,468
Natural gas tax/electricity tax	1,603	1,643	-2.4	2,319
RWE Group (excluding natural gas tax/electricity tax)	33,806	33,645	0.5	46,149

External revenue by product € million	Jan – Sep 2015	Jan – Sep 2014	+/- %	Jan – Dec 2014
Electricity revenue	24,860	25,191	-1.3	33,663
of which:				
Supply/Distribution Networks Germany	14,566	15,311	-4.9	20,204
Supply Netherlands/Belgium	1,099	1,423	-22.8	1,710
Supply United Kingdom	5,147	4,620	11.4	6,364
Central Eastern and South Eastern Europe	1,684	1,618	4.1	2,199
Trading/Gas Midstream	1,567	1,452	7.9	2,157
Gas revenue	8,464	7,907	7.0	11,905
of which:				
Supply/Distribution Networks Germany	2,918	2,607	11.9	4,122
Supply Netherlands/Belgium	1,803	1,805	-0.1	2,664
Supply United Kingdom	1,548	1,453	6.5	2,144
Central Eastern and South Eastern Europe	1,321	1,194	10.6	1,746
Trading/Gas Midstream	874	847	3.2	1,228
Other, consolidation	2,085	2,190	-4.8	2,900
RWE Group	35,409	35,288	0.3	48,468

External revenue slightly higher year on year

Our external revenue (including natural gas and electricity tax) posted a marginal increase, rising to €35,409 million. Gas revenue was up 7% to €8,464 million, even though some of our supply companies lowered their tariffs. The main reason was the positive volume trend. Our electricity revenue amounted to €24,860 million, slightly less than in the same period last year. Price reductions came to bear here as well. First-time consolidations and deconsolidations of Group companies did not have a notable influence on revenue, in contrast to the appreciation of the British pound, which cost an average of €1.38 in the period under review (first three quarters of 2014: €1.23). The US dollar also gained on the euro, whereas there were only marginal changes in the other currencies of importance to us. Net of the foreign exchange impact, our revenue decreased by 2%.

Internal revenue € million	Jan – Sep 2015	Jan – Sep 2014	+/- %	Jan – Dec 2014
Conventional Power Generation	6,489	5,525	17.4	7,603
Supply/Distribution Networks Germany	933	851	9.6	1,208
Supply Netherlands/Belgium	21	20	5.0	44
Supply United Kingdom	74	209	-64.6	328
Central Eastern and South Eastern Europe	68	127	-46.5	180
Renewables	570	403	41.4	614
Trading/Gas Midstream	13,748	16,902	-18.7	24,441

EBITDA € million	Jan – Sep 2015	Jan – Sep 2014	+/- %	Jan – Dec 2014
Conventional Power Generation	1,099	1,461	-24.8	2,522
of which:				
Continental Western Europe	1,008	1,464	-31.1	2,412
United Kingdom	87	-16	-	90
Supply/Distribution Networks Germany	1,795	1,932	-7.1	2,650
Supply Netherlands/Belgium	194	137	41.6	203
Supply United Kingdom	-20	143	-	294
Central Eastern and South Eastern Europe	879	694	26.7	913
Renewables	505	291	73.5	547
Trading/Gas Midstream	138	231	-40.3	286
Other, consolidation	-187	-189	1.1	-284
RWE Group	4,403	4,700	-6.3	7,131

Operating result € million	Jan – Sep 2015	Jan – Sep 2014	+/- %	Jan – Dec 2014
Conventional Power Generation	376	782	-51.9	979
of which:				
Continental Western Europe	473	974	-51.4	1,362
United Kingdom	-87	-190	54.2	-384
Supply/Distribution Networks Germany	1,284	1,408	-8.8	1,871
Supply Netherlands/Belgium	165	96	71.9	146
Supply United Kingdom	-66	90	-	227
Central Eastern and South Eastern Europe	710	528	34.5	690
Renewables	280	29	865.5	186
Trading/Gas Midstream	126	222	-43.2	274
Other, consolidation	-227	-247	8.1	-356
RWE Group	2,648	2,908	-8.9	4,017

Downward trend in wholesale electricity prices and problems in UK supply reflected in earnings

In the first nine months of 2015, the RWE Group achieved EBITDA of €4,403 million and an operating result of €2,648 million. These figures were 6% and 9% down respectively on those recorded in the same period last year. The main reason for this was the price-induced shrinkage of margins in conventional electricity generation. In the energy supply business, which contributed €594 million to the operating result throughout Europe (first three quarters of 2014: €605 million), we benefited from the absence of the negative effect which the weather had in last year's corresponding period. However, we suffered from substantial burdens imposed by operational and technical problems encountered by RWE npower. Our full consolidation at the end of August of the Slovak energy utility VSE, which we previously accounted for using the equity method (see page 11), had a positive impact on the Group's earnings. Prior to the change in accounting treatment, a revaluation of the investment revealed a hidden reserve of €185 million. Disregarding this effect and the influence of currency exchange rates, EBITDA and the operating result declined by 11% and 15%, respectively.

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

- **Conventional Power Generation:** Here, the operating result amounted to €376 million, just under half the figure achieved in the same period last year. The main reason for this is that we realised lower wholesale prices for our German and Dutch electricity generation than in 2014. This was only somewhat mitigated by price-driven relief in the purchase of fuel (especially hard coal) and CO₂ emission allowances. Continued cost-cutting measures enabled us to limit the decline in earnings.
- **Supply/Distribution Networks Germany:** The division posted an operating result of €1,284 million, 9% down compared to 2014. Proceeds from the sale of networks declined considerably. These disposals generally take place only whenever we do not place the winning bid when our network licenses are retendered. However, we quite often forge partnerships with cities or communities. Although we do not remain the networks' sole owner in such events, in most cases, we can continue to operate them. Earnings achieved by our German supply business improved. A year before, they were characterised by weather-induced drops in gas sales volume.
- **Supply Netherlands/Belgium:** The operating result of our Dutch supply activities rose by 72% to €165 million. The weather played an important role here as well. In addition, we were successful in marketing new supply offerings.
- **Supply United Kingdom:** The operating result achieved by RWE npower deteriorated by €156 million to –€66 million. One reason for this is process and system-related problems in customer billing. Further earnings shortfalls stemmed from the loss of residential and commercial customers. We were often only able to retain such customers with expired contracts by offering them new ones with more favourable conditions. The increasing trend towards saving energy and the rise in network fees also had an earnings-reducing effect. By contrast, we spent less on implementing the Energy Companies Obligation (ECO) government programme. ECO requires the major electricity providers to finance measures to improve energy efficiency in homes. Due to the aforementioned burdens, RWE npower is also expected to close the year with an operating loss.

- **Central Eastern and South Eastern Europe:** Here, the operating result increased by 34% to €710 million, primarily due to the one-off income from the full consolidation and revaluation of VSE. In the Czech gas business, we benefited from the fact that the cooler weather invigorated sales and the regulatory framework for distribution system operators improved, but we experienced declines in storage margins. In Hungary, lower prices on the electricity market and expenses for power plant inspections led to earnings shortfalls at Mátra, which produces electricity from lignite. We now anticipate that the Central Eastern and South Eastern Europe Division will close 2015 clearly up year on year, as opposed to the moderate decline in earnings that was expected previously. This is primarily due to the change in the accounting treatment of VSE. However, we are also faring better than planned in operational terms: without the effect of VSE, we would probably achieve an operating result that matches that of 2014.
- **Renewables:** The operating result earned by RWE Innogy rose by €251 million to €280 million. This was due to the commissioning of new wind farms, especially Gwynt y Môr off the coast of North Wales and Nordsee Ost near Heligoland. In addition, higher wind levels led to an increase in the utilisation of our existing capacity. The sale of Gwynt y Môr's grid connection, which was mandated by the UK regulator (see page 8 of the report on the first quarter of 2015), the appreciation of the British pound, and the absence of the exceptional burdens experienced last year had a positive effect on the development of earnings.
- **Trading/Gas Midstream:** The operating result recorded by this division declined by 43% to €126 million. We were unable to match last year's very good energy trading performance. Moreover, we are still confronted with burdens in the gas midstream business because the cost of managing and marketing gas storage capacity contracted over the long term cannot be recovered. Due in part to these factors, we now expect that the operating result of the Trading/Gas Midstream Division will be much lower for the full year than in 2014. Previously, we had only forecast a moderate decline.

The non-operating result, in which we recognise certain one-off effects which are not related to operations or to the period being reviewed, deteriorated by €123 million to –€170 million. The fact that we formed provisions to cover legal risks associated with pending lawsuits and realised lower capital gains than in 2014 contributed to this. By contrast, the accounting treatment of certain derivatives, which we use to hedge price fluctuations, led to substantial income, whereas it resulted in a loss a year earlier.

Financial result € million	Jan – Sep 2015	Jan – Sep 2014	+/- € million	Jan – Dec 2014
Interest income	185	152	33	218
Interest expenses	-797	-803	6	-1,080
Net interest	-612	-651	39	-862
Interest accretion to non-current provisions	-637	-755	118	-1,114
Other financial result	125	15	110	128
Financial result	-1,124	-1,391	267	-1,848

Our financial result improved by €267 million to –€1,124 million, principally because we recognised substantial income from the sale of securities in the other financial result. In addition, the interest accretion to non-current provisions declined, mainly due to exceptional effects of adjustments to the discount rates used to calculate provisions. Furthermore, net interest has improved slightly in 2015.

Reconciliation to net income		Jan – Sep 2015	Jan – Sep 2014	+/- %	Jan – Dec 2014
EBITDA	€ million	4,403	4,700	-6.3	7,131
Operating depreciation and amortisation	€ million	-1,755	-1,792	2.1	-3,114
Operating result	€ million	2,648	2,908	-8.9	4,017
Non-operating result	€ million	-170	-47	-261.7	77
Financial result	€ million	-1,124	-1,391	19.2	-1,848
Income from continuing operations before tax	€ million	1,354	1,470	-7.9	2,246
Taxes on income	€ million	-570	-458	-24.5	-553
Income from continuing operations	€ million	784	1,012	-22.5	1,693
Income from discontinued operations	€ million	1,524	235	548.5	364
Income	€ million	2,308	1,247	85.1	2,057
of which:					
Non-controlling interests	€ million	256	173	48.0	245
RWE AG hybrid capital investors' interest	€ million	117	80	46.3	108
Net income/income attributable to RWE AG shareholders	€ million	1,935	994	94.7	1,704
Adjusted net income¹	€ million	545	763	-28.6	1,282
Earnings per share	€	3.15	1.62	94.4	2.77
Adjusted net income ¹ per share	€	0.89	1.24	-28.2	2.09
Number of shares outstanding (average)	millions	614.7	614.7	-	614.7
Effective tax rate	%	42	31	-	25

1 Formerly 'recurrent net income'; see commentary on page 19.

Income from continuing operations before tax decreased by 8% to €1,354 million. Although we sold a large volume of securities tax-free in the period under review, our effective tax rate rose by eleven percentage points to 42%. The backdrop to this is that we will probably recognise a tax loss in the RWE AG tax group in the 2015 financial statements and did not capitalise an appropriate amount of deferred taxes. Capitalising this amount of deferred taxes would only be possible if the tax loss could be offset by gains in RWE AG's tax group in the coming years. However, this is not foreseeable based on the current planning. We expect that the effective tax rate for fiscal 2015 will be far below the current level.

After taxes, our continuing operations generated income of €784 million. This corresponds to a 23% decline compared to 2014.

Discontinued operations contributed €1,524 million to net income (first three quarters of 2014: €235 million). Most of this sum (€1,453 million) is attributable to the book gain on the sale of RWE Dea.

Non-controlling interests rose by 48% to €256 million as some fully consolidated companies in which third parties hold stakes closed the period higher year on year. This relates primarily to our German regional utilities and is in part due to the aforementioned exceptional income from the sale of securities.

The portion of our earnings attributable to hybrid capital investors amounted to €117 million (first three quarters of 2014: €80 million). However, only the hybrid bonds classified as equity pursuant to IFRS are considered here: the €1,750 million and £750 million bonds, the first of which was redeemed as of 28 September 2015. These shares in earnings correspond to the finance costs after tax. Their increase compared to 2014 resulted from the fact that hybrid financing costs no longer have a tax-reducing effect, because RWE AG's tax group does not have any gains this year against which they could be offset.

The developments presented above are the reason why net income nearly doubled to €1,935 million compared to 2014. Based on the 614.7 million in RWE shares outstanding, this corresponds to earnings per share of €3.15 (first three quarters of 2014: €1.62).

Adjusted net income clearly down year on year

Our adjusted net income amounted to €545 million. As set out on page 11, it does not include the full income of discontinued operations. Instead, it only contains the portion of the interest on the sale price of RWE Dea allocable to 2015. When calculating adjusted net income, we generally exclude one-off effects (e.g. the entire non-operating result) as well as the associated income taxes. Despite this, adjusted net income may include special items, for example resulting from asset impairments or restructuring expenses, which we have regularly recognised in the operating result since 2014. We therefore now refer to 'adjusted net income', which was previously called 'recurrent net income'. Compared to the first three quarters of last year, adjusted net income was down by 29%. In addition to the significant deterioration in operating earnings, the increased effective tax rate came to bear.

Capital expenditure € million	Jan – Sep 2015	Jan – Sep 2014	+/- € million	Jan – Dec 2014
Capital expenditure on property, plant and equipment and on intangible assets	1,669	2,197	-528	3,245
of which:				
Conventional Power Generation	508	831	-323	1,086
Supply/Distribution Networks Germany	491	373	118	900
Supply Netherlands/Belgium	17	6	11	9
Supply United Kingdom	119	106	13	148
Central Eastern and South Eastern Europe	219	176	43	309
Renewables	282	650	-368	723
Trading/Gas Midstream	8	9	-1	11
Other, consolidation	25	46	-21	59
Capital expenditure on financial assets	227	87	140	195
Total capital expenditure	1,896	2,284	-388	3,440

Capital expenditure down substantially

At €1,896 million, our capital expenditure was 17% lower than the figure recorded in the equivalent period last year. We spent €1,669 million on property, plant and equipment and intangible assets, 24% less than in 2014. Capital expenditure on financial assets rose, but at €227 million it was of minor significance. There was a substantial decrease in spending in conventional electricity generation, which last year focused on two new hard coal power stations, one at Hamm in Germany and the other at Eemshaven in the Netherlands. Eemshaven is now producing electricity commercially. At Hamm, this only holds true for one unit, as the other one has experienced substantial delays. Capital expenditure in the Renewables Division also declined significantly. It was mainly dedicated to the new offshore wind farms Nordsee Ost near Heligoland and Gwynt y Môr off the coast of North Wales, which were inaugurated in May and June 2015, respectively. In the first three quarters of 2014, they were still under construction. We recorded a substantial increase in capital expenditure in the Supply/Distribution Networks Germany Division, which stepped up its measures to improve electricity and gas network infrastructure.

Cash flow statement € million	Jan – Sep 2015	Jan – Sep 2014	+/- € million	Jan – Dec 2014
Funds from operations	1,993	2,443	-450	3,696
Change in working capital	184	2,316	-2,132	1,860
Cash flows from operating activities of continuing operations	2,177	4,759	-2,582	5,556
Cash flows from investing activities of continuing operations	-507	-3,170	2,663	-4,194
Cash flows from financing activities of continuing operations	-2,318	-1,805	-513	-2,138
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	14	16	-2	8
Total net changes in cash and cash equivalents¹	-634	-200	-434	-768
Cash flows from operating activities of continuing operations	2,177	4,759	-2,582	5,556
Minus capital expenditure on property, plant and equipment and on intangible assets	-1,669	-2,197	528	-3,245
Free cash flow	508	2,562	-2,054	2,311

¹ Including discontinued operations, cash and cash equivalents decreased by €610 million in the first three quarters of 2015 and by €205 million in the same period last year.

Operating cash flows down considerably year on year due to one-off effects

The cash flows from operating activities which we achieved from our continuing operations declined by €2,582 million to €2,177 million. This is largely due to payment flows which are reflected in changes in working capital. One example is the development of our receivables in the gas supply business. They typically rise in the winter and decline in the spring and summer months, because consumption fluctuates seasonally, whereas the advance payments from our customers are spread evenly over the year. On balance, receivables are usually down after the first three quarters. However, the decrease was much more substantial in 2014 than in 2015 due to the weather. Another reason for the drop in cash flows from operating activities is that we deferred the majority of our payments for the CO₂ emission allowances required for 2014 to 2015. This also had an impact on working capital.

Investing activities of continued operations resulted in a net cash outflow of €507 million, €2,663 million less than in the same period last year. This can be traced back to the high proceeds from the sale of business activities, in particular of RWE Dea. However, we reinvested some of the funds in securities and other cash investments. Furthermore, we increased the funding of our pension commitments by transferring €1.3 billion in cash and cash equivalents to trusts and company pension institutions.

Financing activities of continuing operations led to a cash outflow of €2,318 million (first three quarters of 2014: €1,805 million). The main reason for this was that we redeemed a €2 billion bond in February and a €1,750 million hybrid bond in September, after having bought back paper associated with the first of these bonds with a nominal value of nearly €200 million in 2014. Dividends paid to RWE shareholders, co-owners of fully consolidated RWE companies and hybrid capital investors also reduced cash flows. A counteracting effect was felt from the fact that we issued three new hybrid bonds: two in April with volumes of €700 million and €550 million and one in July with a volume of US\$500 million. Furthermore, we increased our liabilities vis-à-vis banks and pledged less collateral in connection with forward transactions.

On balance, the presented cash flows from operating, investing and financing activities caused our cash and cash equivalents to drop by €634 million.

Deducting capital expenditure on property, plant and equipment and intangible assets from cash flows from the operating activities of continuing operations results in free cash flow. At €508 million, the latter was positive, but was clearly below last year's corresponding figure (€2,562 million).

Net debt¹ € million	30 Sep 2015	31 Dec 2014	+/- %
Cash and cash equivalents	2,594	3,171	-18.2
Marketable securities	7,271	4,777	52.2
Other financial assets	1,630	2,099	-22.3
Financial assets	11,495	10,047	14.4
Bonds, other notes payable, bank debt, commercial paper	16,918	16,155	4.7
Hedge transactions related to bonds ¹	-155	-38	-307.9
Other financial liabilities	2,373	2,411	-1.6
Financial liabilities	19,136	18,528	3.3
Net financial debt	7,641	8,481	-9.9
Provisions for pensions and similar obligations	6,267	7,871	-20.4
Provisions for nuclear waste management	10,527	10,367	1.5
Mining provisions	2,430	2,401	1.2
Adjustment for hybrid capital (portion of relevance to the rating)	-1,032	766	-
Plus 50% of the hybrid capital stated as equity	466	1,353	-65.6
Minus 50% of the hybrid capital stated as debt	-1,498	-587	-155.2
Net debt of continuing operations	25,833	29,886	-13.6
Net debt of discontinued operations	-	1,086	-
Total net debt	25,833	30,972	-16.6

¹ In 2015, we started recognising the effects of the limitation of currency risks to which our foreign-currency bonds are exposed in net debt. Figures for 2014 have been adjusted accordingly.

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

With effect from 30 September 2015, our net debt amounted to €25.8 billion, which was much less than as of 31 December 2014 (€31.0 billion). The main reason for this was the disposal of RWE Dea, which had an impact of €5.3 billion, including the interest on the sale price. Further disposals had a total debt-reducing effect of €1.0 billion, such as the divestment of the grid connection of our Welsh offshore wind farm Gwynt y Môr and the reduction of our stake in our Czech subsidiary RWE Grid Holding. We provided information on these transactions on pages 8 et seq. of the report on the first quarter of 2015. The positive free cash flow also contributed to the decline in net debt. The slight increase in the discount rates used to calculate provisions for pensions compared to those used in the 2014 financial statements was another contributing factor. The new rates are currently 2.3% in Germany and 3.8% in the United Kingdom (end of 2014: 2.1% and 3.4%, respectively). They reflect the most recent developments of market interest rates. Provisions for pensions were lower due to the interest rate adjustments. Another reason for their €1.6 billion decline was the €1.3 billion rise in the funding of our pension commitments. However, since this went hand in hand with corresponding cash outflows, it did not have an impact on net debt. The dividend payments and the appreciation of the British pound had a debt-increasing effect.

Balance sheet structure	30 Sep 2015		31 Dec 2014	
	€ million	%	€ million	%
Assets				
Non-current assets	54,846	67.7	54,224	62.8
of which:				
Intangible assets	13,167	16.3	12,797	14.8
Property, plant and equipment	31,633	39.1	31,059	36.0
Current assets	26,149	32.3	32,092	37.2
of which:				
Receivables and other assets ¹	13,865	17.1	16,739	19.4
Assets held for sale	334	0.4	5,540	6.4
Total	80,995	100.0	86,316	100.0
Equity and liabilities				
Equity	12,159	15.0	11,772	13.6
Non-current liabilities	46,389	57.3	46,324	53.7
of which:				
Provisions	25,295	31.2	27,540	31.9
Financial liabilities	17,047	21.0	15,224	17.6
Current liabilities	22,447	27.7	28,220	32.7
of which:				
Other liabilities ²	14,481	17.9	16,739	19.4
Liabilities held for sale	353	0.4	2,635	3.1
Total	80,995	100.0	86,316	100.0

1 Including financial accounts receivable, trade accounts receivable and tax refund claims.

2 Including financial accounts payable and income tax liabilities.

Balance sheet structure: slightly improved equity ratio

As of 30 September 2015, we had a balance sheet total of €81.0 billion as opposed to €86.3 billion at the end of last year. The sale of RWE Dea removed €5.2 billion in assets held for sale and €2.6 billion in liabilities held for sale from the balance sheet. For 2015, we recognised a 10% stake in the Gwynt y Môr offshore wind farm, which we sold to UK Green Investment Bank at the end of October (see page 9), in assets and liabilities held for sale. Therefore, our shareholding in Gwynt y Môr dropped from 60% to 50%. Further major changes occurred as derivative financial instruments dropped by €1.1 billion on the assets side and by €1.3 billion on the equity and liabilities side of the balance sheet. Moreover for seasonal reasons, receivables and trade accounts payable were each down by €1.1 billion. In addition, provisions for pensions declined by €1.6 billion, as mentioned earlier. Conversely, marketable securities rose by €2.6 billion. The RWE Group's equity grew by €0.4 billion compared to last year. Its share of the balance sheet total (equity ratio) was 15.0%, which was 1.4 percentage points more than at the end of 2014.

Workforce¹	30 Sep 2015	31 Dec 2014	+/- %
Conventional Power Generation	14,010	14,776	-5.2
Supply/Distribution Networks Germany	18,409	18,412	0.0
Supply Netherlands/Belgium	2,274	2,688	-15.4
Supply United Kingdom	6,782	6,985	-2.9
Central Eastern and South Eastern Europe	11,368	9,978	13.9
Renewables	889	989	-10.1
Trading/Gas Midstream	1,282	1,338	-4.2
Other ²	4,763	4,618	3.1
RWE Group	59,777	59,784	-
of which:			
In Germany	35,464	36,411	-2.6
Outside of Germany	24,313	23,373	4.0

1 Converted to full-time positions.

2 As of 30 September 2015, 2,031 thereof were accounted for by RWE Group Business Services (end of 2014: 1,681), 1,712 by RWE IT (end of 2014: 1,837), 649 by RWE Service (end of 2014: 703) and 272 by the holding company RWE AG (end of 2014: 299).

Impact of first-time consolidation of VSE: headcount unchanged despite streamlining

RWE had 59,777 people on its payroll as of 30 September 2015, roughly as many as at the end of 2014. Part-time positions were considered in these figures on a pro-rata basis. On balance, operating changes caused 1,468 employees to leave the Group, with streamlining measures playing a central role, especially in the Conventional Power Generation Division. In contrast, first-time consolidations and deconsolidations of companies had a positive net effect, contributing 1,461 staff members. The full consolidation of VSE alone added 1,565 employees. Conversely, the completion of the sale of RWE Dea in March has not had an effect on personnel in 2015, as we stopped reporting the employees of that company at the Group level in the middle of 2014. The number of people working at our German sites dropped by 947 to 35,464, whereas in other countries it rose by 940 to a total of 24,313.

OUTLOOK

Outlook for the Group unchanged

We confirm the 2015 forecast for the RWE Group as a whole, which we published on pages 87 et seqq. of the 2014 Annual Report. As before, for the 2015 fiscal year we anticipate EBITDA of €6.1 billion to €6.4 billion, an operating result of €3.6 billion to €3.9 billion, and adjusted net income of €1.1 billion to €1.3 billion. We made three adjustments to the March forecast at the divisional level. They relate to Supply United Kingdom, Central Eastern and South Eastern Europe and Trading/Gas Midstream and have been presented on pages 16 et seq. We also published information on the gloomy prospects for UK energy supply in August.

Outlook for fiscal 2015	2014 actual € million	Forecast (Mar 2015)	Adjusted forecast (Aug 2015)	Adjusted forecast (Nov 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	Significantly below previous year	-
Central Eastern and South Eastern Europe	690	Moderately below previous year	-	Significantly above previous year
Renewables	186	Significantly above previous year	-	-
Trading/Gas Midstream	274	Moderately below previous year	-	Significantly below previous year
Adjusted net income ¹	1,282	€1.1 billion to €1.3 billion	-	-

¹ Formerly 'recurrent net income'; see commentary on page 19.

We expect our capital expenditure on property, plant and equipment and intangible assets for fiscal 2015 to total €2.5 billion to €3.0 billion. Our net debt, which has already decreased substantially due to the sale of RWE Dea, will also probably be far below the 2014 level (€31.0 billion) at the end of the year. However, the leverage factor, i.e. the ratio of net debt to EBITDA, is expected to be higher than last year (3.8). Furthermore, we anticipate that we will dedicate more funds to capital expenditure and dividend payments in 2015 than we will receive from operating activities, which will prevent us from achieving a budget surplus. One reason is negative special items relating to operating cash flows.

Despite ongoing efficiency-enhancing measures, which we are taking primarily in the Conventional Power Generation Division, we hardly expect headcount to change compared to its level at the end of 2014 (59,784). The main reason for this is the increase in personnel due to the full consolidation of the Slovak energy utility VSE. We had previously forecast a drop in staff because the effect of including VSE employees was not considered in our planning.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

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

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

We have reported on the organisation and processes of our risk management, the organisational units entrusted with it, the major risks and opportunities, and measures taken to control and monitor risks in detail on pages 75 et seqq. of our 2014 Annual Report. We are updating this as follows:

- The risks associated with the German Climate Action Programme 2020 have been defined. As set out on page 8, it is envisaged that part of the additional emission reduction targeted by the Programme for electricity generation will be achieved by gradually putting lignite-fired power plants with a total net installed capacity of 2.7 gigawatts on stand-by and shutting them down four years later. In October, the German Federal Ministry for Economic Affairs and Energy reached an agreement with the energy companies MIBRAG, RWE and Vattenfall on the details of the stand-by operation and the compensation that would be paid for it. Now the regulation has to go through the legislative process and be reviewed by the EU in relation to state aid. The agreement may change to the detriment of the utilities or be abandoned entirely. However, we classify this risk as low.
- The Conservative victory in the UK general election of 7 May 2015 is having a substantial impact on the country's energy sector. The defeated Labour Party had campaigned for a 20-month freeze of residential electricity and gas tariffs. The implementation of its plans could have curtailed earnings substantially. However, there is also a risk of state intervention to the detriment of energy utilities under the Conservative government. For instance, the antitrust authority CMA has made a proposal to introduce price caps to protect disengaged residential and commercial customers who are unwilling to switch providers. If it is implemented, the situation in the UK supply business, which is already difficult, may deteriorate further. Moreover, the UK government intends to cut green energy subsidies and has already abolished the exemption from the climate change levy (see page 9 of the report on the first half of 2015). This may result in planned renewables projects no longer being profitable, which would cause them to be abandoned.
- The claims asserted against us in pending actions before ordinary courts and courts of arbitration have in one case been significantly increased. Taking account of the existing legal appraisals, we consider those additionally asserted claims as unrealistic and leave the risk assessment unchanged ('medium').

Current key risk figures

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

The central risk controlling parameter for commodity positions is the global VaR, which is related to the trading business of RWE Supply & Trading and may not exceed €40 million. It averaged €16 million in the first three quarters of 2015 compared to €11 million in the same period last year. Its maximum daily value was €31 million (first three quarters of 2014: €18 million).

As regards interest risks, we differentiate between two categories. On the one hand, interest rate increases can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for our securities price risk associated with our capital investments in the first three quarters of 2015 averaged €11 million (first three quarters of 2014: €4 million). We measure the sensitivity of the interest expense with respect to rises in market interest rates using the cash flow at risk. We apply a confidence level of 95% and a holding period of one year. The cash flow at risk averaged €4 million (first three quarters of 2014: €9 million).

The securities we hold in our portfolio include shares. The VaR for the risk associated with changes in share prices averaged €8 million (first three quarters of 2014: €5 million). The VaR for our foreign currency position remained below €1 million.

Forward-looking statements

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement

€ million	Jul – Sep 2015	Jul – Sep 2014	Jan – Sep 2015	Jan – Sep 2014
Revenue (including natural gas tax/electricity tax)	10,271	10,201	35,409	35,288
Natural gas tax/electricity tax	-395	-403	-1,603	-1,643
Revenue	9,876	9,798	33,806	33,645
Cost of materials	-7,185	-7,287	-25,135	-24,802
Staff costs	-1,175	-1,201	-3,545	-3,643
Depreciation, amortisation, and impairment losses	-599	-637	-1,755	-1,792
Other operating result	-158	-332	-1,321	-945
Income from investments accounted for using the equity method	84	98	276	302
Other income from investments	52	13	152	96
Financial income	433	261	1,590	579
Finance costs	-922	-745	-2,714	-1,970
Income from continuing operations before tax	406	-32	1,354	1,470
Taxes on income	-116	-46	-570	-458
Income from continuing operations	290	-78	784	1,012
Income from discontinued operations		111	1,524	235
Income	290	33	2,308	1,247
of which: non-controlling interests	60	35	256	173
of which: RWE AG hybrid capital investors' interest	37	28	117	80
of which: net income/income attributable to RWE AG shareholders	193	-30	1,935	994
Basic and diluted earnings per common and preferred share in €	0.32	-0.05	3.15	1.62
of which: from continuing operations in €	0.32	-0.23	0.67	1.24
of which: from discontinued operations in €		0.18	2.48	0.38

Statement of comprehensive income¹

€ million	Jul – Sep 2015	Jul – Sep 2014	Jan – Sep 2015	Jan – Sep 2014
Income	290	33	2,308	1,247
Actuarial gains and losses of defined benefit pension plans and similar obligations	-105	-729	503	-1,055
Income and expenses of investments accounted for using the equity method (pro rata)			-2	-12
Income and expenses recognised in equity, not to be reclassified through profit or loss	-105	-729	501	-1,067
Currency translation adjustment	-82	51	210	73
Fair valuation of financial instruments available for sale	-102	10	-389	49
Fair valuation of financial instruments used for hedging purposes	-177	178	101	-389
Income and expenses of investments accounted for using the equity method (pro rata)				42
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	-361	239	-78	-225
Other comprehensive income	-466	-490	423	-1,292
Total comprehensive income	-176	-457	2,731	-45
of which: attributable to RWE AG shareholders	(-254)	(-486)	(2,358)	(-167)
of which: attributable to RWE AG hybrid capital investors	(37)	(28)	(117)	(80)
of which: attributable to non-controlling interests	(41)	(1)	(256)	(42)

¹ Figures stated after taxes.

Balance sheet

Assets € million	30 Sep 2015	31 Dec 2014
Non-current assets		
Intangible assets	13,167	12,797
Property, plant and equipment	31,633	31,059
Investment property	74	83
Investments accounted for using the equity method	3,045	3,198
Other financial assets	824	958
Receivables and other assets	2,337	2,293
Deferred taxes	3,766	3,836
	54,846	54,224
Current assets		
Inventories	2,297	2,232
Trade accounts receivable	5,405	6,512
Receivables and other assets	8,460	10,227
Marketable securities	7,059	4,410
Cash and cash equivalents	2,594	3,171
Assets held for sale	334	5,540
	26,149	32,092
	80,995	86,316

Equity and liabilities € million	30 Sep 2015	31 Dec 2014
Equity		
RWE AG shareholders' interest	9,209	7,388
RWE AG hybrid capital investors' interest	931	2,705
Non-controlling interests	2,019	1,679
	12,159	11,772
Non-current liabilities		
Provisions	25,295	27,540
Financial liabilities	17,047	15,224
Other liabilities	2,678	2,695
Deferred taxes	1,369	865
	46,389	46,324
Current liabilities		
Provisions	5,369	5,504
Financial liabilities	2,244	3,342
Trade accounts payable	5,238	6,309
Other liabilities	9,243	10,430
Liabilities held for sale	353	2,635
	22,447	28,220
	80,995	86,316

Cash flow statement

€ million	Jan – Sep 2015	Jan – Sep 2014
Income from continuing operations	784	1,012
Depreciation, amortisation, impairment losses/write-backs	1,754	1,748
Changes in provisions	5	-372
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	-550	55
Change in working capital	184	2,316
Cash flows from operating activities of continuing operations	2,177	4,759
Cash flows from operating activities of discontinued operations	-125	609
Cash flows from operating activities	2,052	5,368
Capital expenditure on non-current assets/acquisitions	-1,869	-2,260
Proceeds from disposal of assets/divestitures	4,874	679
Changes in marketable securities and cash investments	-3,512	-1,589
Cash flows from investing activities of continuing operations¹	-507	-3,170
Cash flows from investing activities of discontinued operations	-111	-498
Cash flows from investing activities¹	-618	-3,668
Cash flows from financing activities of continuing operations²	-2,318	-1,805
Cash flows from financing activities of discontinued operations	260	-116
Cash flows from financing activities²	-2,058	-1,921
Net cash change in cash and cash equivalents	-624	-221
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	14	16
Net change in cash and cash equivalents	-610	-205
Cash and cash equivalents at the beginning of the reporting period	3,257	3,950
of which: reported as "Assets held for sale"	-86	
Cash and cash equivalents at the beginning of the reporting period as per the consolidated balance sheet	3,171	3,950
Cash and cash equivalents at the end of the reporting period	2,647	3,745
of which: reported as "Assets held for sale"	-53	-7
Cash and cash equivalents at the end of the reporting period as per the consolidated balance sheet	2,594	3,738

1 In the first three quarters of 2015 after transfer to contractual trust arrangements (€1,261 million).

2 In the first three quarters of 2015, this comprises the repayment of hybrid capital classified as equity (€1,750 million).

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumulated other comprehensive income	RWE AG shareholders' interest	RWE AG hybrid capital investors' interest	Non-controlling interests	Total
Balance at 1 Jan 2014	3,959	5,062	-1,283	7,738	2,701	1,698	12,137
Capital paid in						62	62
Dividends paid		-615		-615	-144	-213	-972
Income		994		994	80	173	1,247
Other comprehensive income		-936	-225	-1,161		-131	-1,292
Total comprehensive income		58	-225	-167	80	42	-45
Other changes		-5		-5	30	13	38
Balance at 30 Sep 2014	3,959	4,500	-1,508	6,951	2,667	1,602	11,220
Balance at 1 Jan 2015	3,959	5,008	-1,579	7,388	2,705	1,679	11,772
Capital paid in/repaid					-1,750	1	-1,749
Dividends paid		-615		-615	-153	-220	-988
Income		1,935		1,935	117	256	2,308
Other comprehensive income		500	-77	423			423
Total comprehensive income		2,435	-77	2,358	117	256	2,731
Other changes		78		78	12	303	393
Balance at 30 Sep 2015	3,959	6,906	-1,656	9,209	931	2,019	12,159

NOTES

Accounting policies

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

The interim consolidated financial statements as of 30 September 2015 were approved for publication on 10 November 2015. They have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of the interim consolidated financial statements for the period ended 30 September 2015 was condensed compared with the scope applied to the consolidated financial statements as of

31 December 2014. With the exception of the changes and new rules described below, this consolidated interim report was prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2014. For further information, please see the Group's 2014 Annual Report, which provides the basis for this interim consolidated report.

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 4.6% (31 December 2014: 4.6%). Provisions for pensions and similar obligations are discounted at an interest rate of 2.3% in Germany and 3.8% abroad (31 December 2014: 2.1% and 3.4%, respectively).

Changes in accounting policies

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

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

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

Scope of consolidation

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

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

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2015	154	187	341
First-time consolidations	11	9	20
Deconsolidations	-14	-15	-29
Mergers	-5	-11	-16
Balance at 30 Sep 2015	146	170	316

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
Balance at 1 Jan 2015	70	24	94
Acquisitions	1		1
Disposals	-2	-1	-3
Other changes		-1	-1
Balance at 30 Sep 2015	69	22	91

Furthermore, five companies are presented as joint operations.

Acquisitions

WestEnergie GmbH

In July 2015, RWE gained control of WestEnergie GmbH, an investment which had previously been accounted for using the equity method, due to the expiry of a renouncement of a voting right. The company primarily operates electricity and gas distribution networks. The assumed assets and liabilities are presented in the following table:

Balance-sheet items € million (pro-forma figures)	IFRS carrying amounts (fair values) at first-time consolidation
Non-current assets	152
Current assets	24
Non-current liabilities	31
Current liabilities	57
Net assets	88
Non-controlling interests	-1
Cost (not affecting cash)	87

Východoslovenská energetika Holding a.s.

In August 2015, RWE gained control of Východoslovenská energetika Holding a.s., a company which had previously been accounted for using the equity method, due to a contractual arrangement. The company is the holding company of a group of companies that has an electricity and gas distribution business (including the operation of a distribution network system) in Slovakia.

The assumed assets and liabilities are presented in the following table:

Balance-sheet items € million (pro-forma figures)	IFRS carrying amounts (fair values) at first-time consolidation
Non-current assets	772
Current assets	71
Non-current liabilities	157
Current liabilities	234
Net assets	452
Non-controlling interests	-231
Cost (not affecting cash)	297
Goodwill	76

The contractual arrangement on which the acquisition of control is based includes an investment transaction that caused Czech-based RWE Česká republika a.s.'s net assets to increase by €44 million.

The fair value of the old shares amounted to €87 million. The measurement of the non-controlling interests was based on the pro-rated net assets of the company at first-time consolidation. The fair value of the receivables included in non-current and current assets amounted to €24 million.

Since its first-time consolidation, the company has contributed €1 million to the Group's revenue and -€2 million to the Group's income.

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

The fair value of the old shares amounted to €341 million. The first-time consolidation resulted in €185 million in income, which is recognised as €159 million in 'other operating income' and €26 million in 'income from investments accounted for using the equity method' on the income statement.

The fair value of the receivables included in non-current and current assets amounted to €67 million.

The measurement of the non-controlling interests was based on the pro-rated net assets of the group of companies at first-time consolidation. The goodwill is largely associated with expected future use and synergistic effects.

Since its first-time consolidation, the company has contributed €43 million to the Group's revenue and €4 million to the Group's income.

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

If all of the business combinations of the period under review had occurred as early as 1 January 2015, the Group's income would total €2,358 million and the Group's revenue would total €34,204 million.

Disposals

Offshore installation vessel "Victoria Mathias"

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

Network connection for the Gwynt y Môr offshore wind farm

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

RWE Grid Holding

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

RWE Dea

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

RWE Dea was accounted for as a discontinued operation until 28 February 2015, after which it was deconsolidated. The gain on the deconsolidation amounted to €1,453 million and has been recognised in "Income from discontinued operations" on the income statement.

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

Key figures for discontinued operations € million	Jan – Sep 2015	Jan – Sep 2014
Revenue (including natural gas tax)	285	1,500
Expenses/income	1,296	928
Income from discontinued operations before tax	1,581	572
Taxes on income	-57	337
Income from discontinued operations	1,524	235

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

Of the share of RWE AG shareholders in the sum of recognised income and expenses (total comprehensive income), €795 million (previous year: -€412 million) was allocable to continuing operations and €1,563 million (previous year: €245 million) was allocable to discontinued operations.

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

Assets and disposal groups held for sale

RWE Innogy GyM 1 Ltd.

In June 2015, an agreement was reached with UK Green Investment Bank on the sale of the RWE Innogy GyM 1 Ltd., which is assigned to the Renewables Segment and holds a 10% stake in the Gwynt y Môr offshore wind farm. The sale was completed in October 2015.

With effect from 30 September 2015, the following assets and liabilities of RWE Innogy GyM 1 Ltd. were recognised as being held for sale on the balance sheet:

Balance-sheet items € million	30 Sep 2015
Non-current assets	262
Current assets	72
Non-current liabilities	14
Current liabilities	339

When the assets and liabilities were classified as being held for sale, impairment losses of the disposal group amounting to €22 million were recognised as other operating expenses.

Revenue

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

Share-based payment

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

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

Dividend distribution

RWE AG's 23 April 2015 Annual General Meeting decided to pay a dividend of €1.00 per individual, dividend-bearing share for

fiscal 2014 (fiscal 2013: €1.00). The dividend payment totalled €615 million.

Equity

A hybrid bond classified as equity with a carrying amount of €1,750 million and a coupon of 4.625% p.a. was repaid in September 2015.

Financial liabilities

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

which amounts to €550 million, may be cancelled for the first time in 2025. They have coupons of 2.75% p. a. and 3.5% p.a., respectively.

In April 2015, RWE AG issued two hybrid bonds with a total volume of €1,250 million and a tenor ending in 2075. The first hybrid bond, which amounts to €700 million, may be cancelled by RWE AG for the first time in 2020, and the second hybrid bond,

In July 2015, RWE AG issued a hybrid bond with a volume of US\$500 million, a coupon of 6.625% p. a. and a tenor of 60 years, which may be cancelled for the first time in 2026.

Earnings per share

		Jan – Sep 2015	Jan – Sep 2014
Net income/income attributable to RWE AG shareholders	€ million	1,935	994
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	3.15	1.62

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first three quarters of 2015, transactions concluded with material related parties generated €2,975 million in income (first three quarters of 2014: €3,180 million) and €2,042 million in expenses (first three quarters of 2014: €2,238 million). As of 30 September 2015, accounts receivable amounted to €705 million (31 December 2014: €600 million)

and accounts payable totalled €230 million (31 December 2014: €292 million). All business transactions are concluded at arm's length conditions and on principle do not differ from those concluded with other companies. Other obligations from executory contracts amounted to €1,130 million (31 December 2014: €1,212 million).

Reporting on financial instruments

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

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

Derivative financial instruments are recognised at fair value as of the balance-sheet date, insofar as they fall under the scope of IAS 39. Exchange-traded products are measured using the published closing prices of the relevant exchange. Non-exchange traded products are measured on the basis of publicly available broker quotations or, if such quotations are not available, of generally accepted valuation methods. In doing so, we draw on prices on active markets as much as possible. If such are not available, company-specific planning estimates are used in the measurement process. These estimates encompass all of the market factors which other market participants would take into account in the course of price determination. Assumptions pertaining to the energy sector and economy are made within the scope of a comprehensive process conducted by an independent

team with the involvement of both in-house and external experts. This team is overseen by RWE AG's Group Strategy Department. The assumptions are co-ordinated and agreed upon with the operating subsidiaries in a joint steering committee within the Group and approved as binding budgeting data by the Executive Board.

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

As a rule, the carrying amounts of financial assets and liabilities subject to IFRS 7 are identical with their fair values. There are deviations only in relation to bonds, bank debt, and other financial liabilities. Their carrying amounts totalled €19,291 million (31 December 2014: €18,566 million) and their fair values totalled €20,733 million (31 December 2014: €21,183 million).

The following overview presents the main classifications of financial instruments measured at fair value in the fair value hierarchy prescribed by IFRS 7. In accordance with IFRS 13, the individual levels of the fair value hierarchy are defined as follows:

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

Fair value hierarchy € million	Total 30 Sep 2015	Level 1	Level 2	Level 3	Total 31 Dec 2014	Level 1	Level 2	Level 3
Other financial assets	824	39	208	577	958	39	364	555
Derivatives (assets)	6,428		6,373	55	7,491		7,422	69
of which: used for hedging purposes	(1,185)		(1,185)		(1,459)		(1,459)	
Securities	7,059	6,198	861		4,410	1,967	2,443	
Assets held for sale					142		142	
Derivatives (liabilities)	6,079		6,062	17	7,408		7,404	4
of which: used for hedging purposes	(1,990)		(1,990)		(2,369)		(2,369)	
Liabilities held for sale					93		93	

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

Level 3 financial instruments: Development in 2015	Balance at 1 Jan 2015	Changes in the scope of consoli- dation, currency adjustments and other	Changes		Balance at 30 Sep 2015
€ million			Recognised in profit or loss	With a cash effect	
Other financial assets	555	18	-23	27	577
Derivatives (assets)	69	-1	23	-36	55
Derivatives (liabilities)	4		17	-4	17

Level 3 financial instruments: Development in 2014	Balance at 1 Jan 2014	Changes in the scope of consoli- dation, currency adjustments and other	Changes		Balance at 30 Sep 2014
€ million			Recognised in profit or loss	With a cash effect	
Other financial assets	394	97	16	10	517
Derivatives (assets)	101	-1		-44	56
Derivatives (liabilities)	6	-1		-2	3

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	Total Jan – Sep 2015	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan – Sep 2014	Of which: attributable to financial instruments held at the balance-sheet date
€ million				
Revenue	23	23	5	5
Cost of materials	-17	-17	-5	-17
Other operating income/expenses	13	6	16	7
Income from investments	-29	-1		1
Income from discontinued operations	-7			
	-17	11	16	-4

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

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

The following is an overview of the financial assets and financial liabilities which are netted out in accordance with IAS 32 or are

subject to enforceable master netting agreements or similar arrangements.

Netting of financial assets and financial liabilities as of 30 Sep 2015	Gross amounts recognised	Amount set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/pledged	
€ million						
Derivatives (assets)	9,235	-8,123	1,112		-272	840
Derivatives (liabilities)	8,726	-7,821	905	-91	-621	193

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

The related amounts not set off include cash collateral received and pledged for over-the-counter transactions as well as collateral

pledged in advance for exchange transactions, which may consist of securities transferred as collateral.

Events after the balance-sheet date

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

FINANCIAL CALENDAR 2016

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

This document was published on 12 November 2015. It is a translation of the German interim report on the first three quarters of 2015. In case of divergence from the German version, the German version shall prevail.

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

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