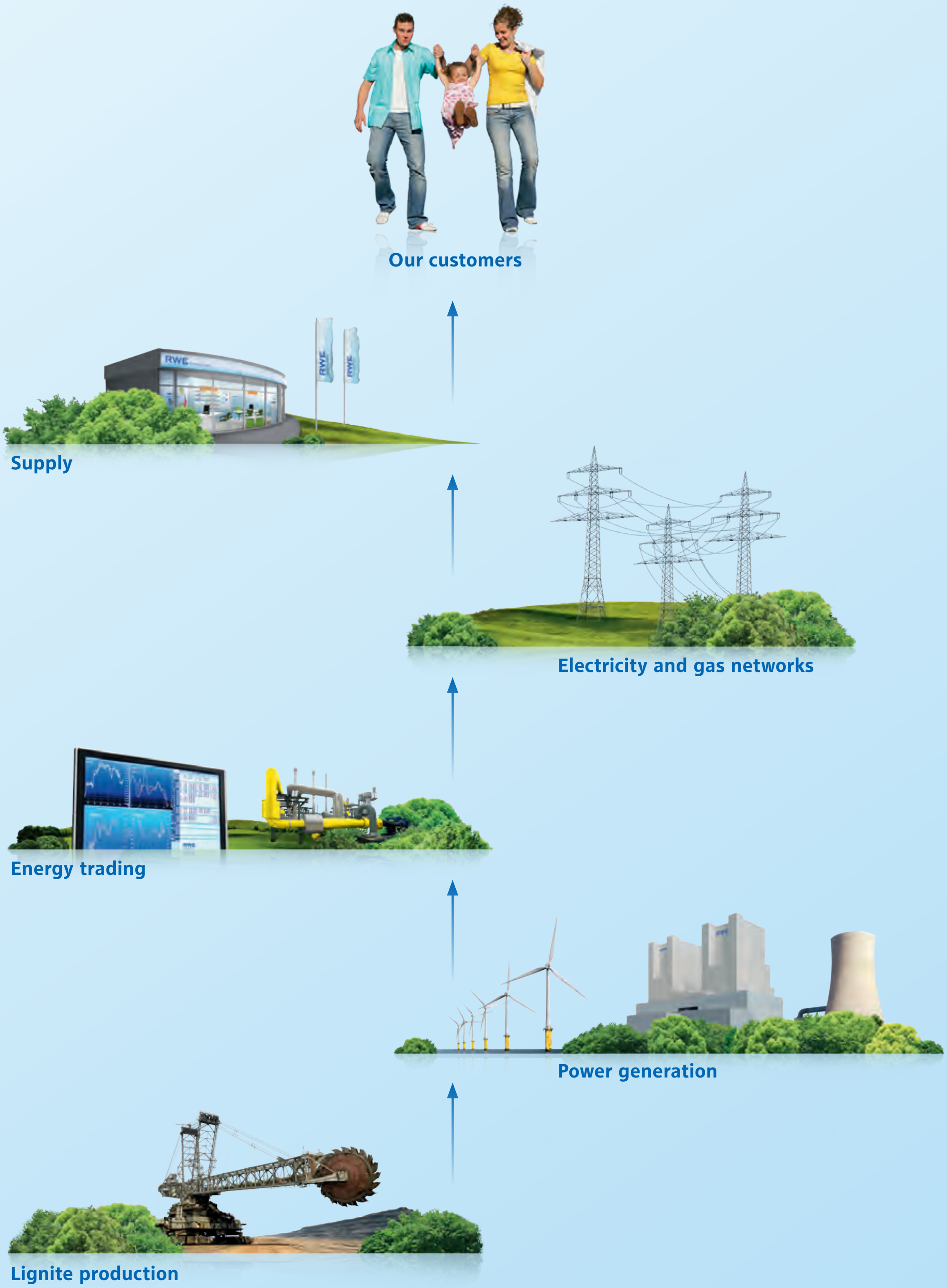
ANNUAL REPORT

2015

RWE

ELECTRICITY, GAS AND ENERGY SOLUTIONS: RWE OFFERS EVERYTHING FROM A SINGLE SOURCE



RWE

CONTENTS

2015 KEY FIGURES AT A GLANCE

RWE Group		2015	2014	+/– %
Power generation	billion kWh	213.0	208.3	2.3
External electricity sales volume	billion kWh	262.1	258.3	1.5
External gas sales volume	billion kWh	296.7	281.3	5.5
External revenue	€ million	48,599	48,468	0.3
EBITDA	€ million	7,017	7,131	–1.6
Operating result	€ million	3,837	4,017	–4.5
Income from continuing operations before tax	€ million	–637	2,246	–
Net income/RWE AG shareholders' share in income	€ million	–170	1,704	–
Adjusted net income[1]	€ million	1,125	1,282	–12.2
Return on capital employed (ROCE)	%	8.0	8.4	–
Cost of capital before tax	%	8.75	9.00	–
Value added	€ million	–384	–277	–38.6
Capital employed	€ million	48,234	47,711	1.1
Cash flows from operating activities of continuing operations	€ million	3,339	5,556	–39.9
Capital expenditure	€ million	3,303	3,440	–4.0
Property, plant and equipment and intangible assets	€ million	2,898	3,245	–10.7
Financial assets	€ million	405	195	107.7
Free cash flow	€ million	441	2,311	–80.9
Number of shares outstanding (average)	thousands	614,745	614,745	–
Earnings per share	€	–0.28	2.77	–
Adjusted net income[1] per share	€	1.83	2.09	–
Dividend per common share	€	–	1.00	–
Dividend per preferred share	€	0.13[2]	1.00	–
		31 Dec 2015	31 Dec 2014	
Net debt	€ million	25,126	30,972[3]	–18.9
Workforce[4]		59,762	59,784	–

1 New term; formerly 'recurrent net income'; see commentary on page 56.
2 Dividend proposal for RWE AG's 2015 fiscal year, subject to the passing of a resolution by the 20 April 2016 Annual General Meeting.
3 Adjusted figure; see footnote 1 in the net debt table on page 62.
4 Converted to full-time positions.

LETTER FROM THE CEO

Dear Shareholders, Customers and Friends of the Company,

There is an old saying that goes, “May you live in interesting times”. It is not meant to express good wishes, but rather a curse, as in this context ‘interesting’ is equivalent to ‘difficult’ and ‘challenging’. Adopting this interpretation, we at RWE are indeed experiencing interesting times – and the same goes for you, our shareholders. Last year was especially challenging. To my fellow board members and me, it felt like a roller-coaster ride, which really put our crisis management skills and nerves to the test. Unfortunately, the difficulties we faced were reflected in a significant decline in RWE’s share price, which we were unable to prevent. Nevertheless, I look back on 2015 with pride. We kept RWE on track and we worked to exit crisis mode, be less reactive, and put ourselves back in the driver’s seat.

But perhaps I should start from the beginning: we got off to a promising start, as demonstrated by the sale of RWE Dea, which we completed in early March. Thanks to the high proceeds from the divestment, our net debt dropped significantly. However, we were not able to enjoy this success for long: at the end of March, the German Federal Ministry for Economic Affairs and Energy presented its plan to impose a climate levy on power stations. If this had been implemented, it would have resulted in an abrupt exit from electricity generation from lignite. In other words, this made the German lignite mining regions and their workers fear for their existence. On 25 April, more than 15,000 people gathered in Berlin to protest the plan. Fortunately, the government recognised the gravity of the situation and changed course. It reached an agreement with the affected companies that lignite-fired power plants with a total net installed capacity of 2.7 gigawatts, including five RWE units, would be shut down early. The stations will initially be put on stand-by for four years. The advantage of this is that it is socially acceptable and will not cause sudden structural change.

As soon as the compromise was reached on lignite, the next situation began to materialise. This time, nuclear made the headlines. To give you some background information: for some time, German policymakers have been concerning themselves with whether the country’s nuclear power plant operators will be able to meet their waste management obligations in the decades ahead, or whether additional safeguards must be put in place. The government commissioned a stress test to determine whether the affected companies had accrued sufficient provisions to meet the obligations. Rumours of a funding gap gave rise to substantial uncertainty on the capital market, but in the end the economic minister confirmed that the utilities had passed the test.

Shortly after the stress test, in the middle of October, the government charged a commission with proposing a concept to secure the financing of the dismantling and waste management obligations of nuclear power stations, while considering the economic performance of their operators. One conceivable scenario would be for the owners of nuclear power plants to make payments to a public fund or trust, which would be used to finance the interim and final storage of radioactive waste. It goes without saying that, as the owners of the power plants, the utilities must be held liable for their nuclear waste management obligations. However, to what extent the utilities should be obliged to cover any further cost increases that may largely be caused by political decisions is a matter for discussion in this context. I am confident that a solution can be found which is acceptable to all. As with lignite, co-operation is better than confrontation, and it is encouraging to see that policymakers have recently sent some promising signals in this respect.

So far, we may have created the impression that we have recently been spending most of our time on defensive political activities. But that impression is misleading. In 2015, we thought hard about how to be more proactive, especially in areas where we see long-term business prospects, and how to become more robust in areas where difficult framework conditions put us under pressure. We concluded that we can best rise to the challenges of the changing energy sector if we reflect the disparity of these challenges in our organisational structure. At the end of 2015, we therefore decided to pool our renewables, grid and retail operations in a new subsidiary and list it on the stock market. With the new company, we will create a platform for growth which can refinance itself directly on the capital market. Initially, we want to increase the new company's capital by about ten percent by issuing new shares and use the proceeds to accelerate the expansion of renewable energy, among other things. And what will happen with conventional electricity generation and energy trading? These activities will remain in RWE AG's sole ownership, but will also benefit from the reorganisation, as the possibility of selling shares in the new company will give RWE AG another way to strengthen the aforementioned businesses financially. I am convinced that this organisational structure is the best way forward given the current situation. It will open the door to new opportunities in growth markets and help us to master the crisis in conventional electricity generation, which has recently intensified further.

Anyone who has followed the latest development of wholesale electricity prices will know about the intensification of the crisis. With the price of base-load power currently just above 20 euros per megawatt hour on the forward market, nearly all of our stations are in the red. In light of this development, my fellow board members and I have no doubt that we must take further decisive measures. Despite the huge savings that we have already achieved with our efficiency-enhancement programme, which was initiated in 2012, we decided to increase it by 500 million euros, raising the goal to 2.5 billion euros. This is the lasting contribution to earnings that we want to achieve through our efficiency measures by 2018.

Unfortunately, the hard work and dedication of our employees is not enough to navigate RWE safely through difficult times. Therefore, the Executive Board and the Supervisory Board will propose to the Annual General Meeting on 20 April 2016 a suspension of the dividend for common shares and the minimum dividend of 13 euro cents for preferred shares stipulated by the Articles of Incorporation. This decision may disappoint you, our shareholders. You may feel that we are overreacting. But I assure you, this was necessary. A prudent dividend policy, which corresponds to what is feasible, is also in the interests of RWE's owners. I would like to be absolutely clear: we are only talking about the dividend for the past financial year. Dividend payments in the years ahead will largely depend on the development of the economic and political environment, especially in conventional electricity generation. However, in this regard, the proverbial silver lining is not visible yet.

For the time being, the declining power plant margins remain the main determinant of our operating earnings trend. This is evidenced by the fiscal year that just ended and by our forecast for 2016. Let me begin with a brief review: we closed the 2015 financial year with an operating result of 3.8 billion euros. This met our expectations. The same applies to the adjusted net income of 1.1 billion euros. However, we were unable to predict the continued decline in electricity forward prices and the 2.1 billion euros in power plant impairments that we had to recognise as a result. Due to these and other exceptional burdens, net income was unusually weak, amounting to −170 million euros. However, there was also some good news: we reduced our net debt by one fifth to 25.1 billion euros. As I mentioned earlier, this was mainly thanks to the successful sale of RWE Dea. What pleases me the most is that our substantial capital expenditure on renewables is paying off more and more. Our green energy subsidiary RWE Innogy increased its operating result to 493 million euros, more than two-and-a-half times the amount of the previous year. The main reason was that we commissioned two large-scale offshore wind farms in 2015.

So where do we go from here? It is clear that the decline in wholesale electricity prices is increasingly affecting the Group's operating result, which in 2016 will probably amount to 2.8 billion to 3.1 billion euros, clearly below the 2015 level. We expect adjusted net income to drop to between 0.5 billion and 0.7 billion euros. This does not take into account a possible refund of the nuclear fuel tax, as this is hard to predict. In addition to the persistent decline in generation margins, we anticipate that costs in the grid business will rise in 2016, but this should not be mistaken for a trend. Furthermore, our UK supply subsidiary RWE npower, which recorded a loss in 2015 due to operational and technical problems, may face additional burdens. However, we are in the process of radically restructuring the company with the goal of stabilising margins and raising its competitive position to the market average by 2018.

Our earnings forecast shows that RWE has not yet reached the low point. To come back to the saying I quoted in opening, there are many signs that times will remain 'interesting'. However these times also bring positive aspects. They give us the opportunity to demonstrate what we are made of. We will prove that we can safely steer your and our company along this difficult course. To do this, we depend not only on our employees' determination and professional expertise, but also on your backing as shareholders. I would greatly appreciate it if I could count on your patience and trust especially as we go through this difficult period. We will work hard to ensure that it is worth your while.

Sincerely yours,

Peter Terium
CEO of RWE AG

Essen, March 2016

Uwe Tigges   Peter Terium   Dr. Rolf Martin Schmitz   Dr. Bernhard Günther

THE EXECUTIVE BOARD OF RWE AG

Peter Terium
Chairman of the Executive Board
and Chief Executive Officer

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

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

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

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

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

Dr. Bernhard Günther
Chief Financial Officer

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

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

Uwe Tigges
Chief HR Officer and Labour Director

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

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

SUPERVISORY BOARD REPORT

Dear Shareholders,

Fiscal 2015 was a year of new departures for RWE. As presented in detail in this annual report, in the future, the RWE Group will be represented on the energy market by two strong companies under the umbrella of RWE AG. We laid the foundation for this at the end of last year. At its meeting on 11 December 2015, the Supervisory Board decided that renewables, grids and retail will be pooled in a new subsidiary and conduct an IPO for roughly 10% of its share capital as part of a capital increase, with conventional electricity generation and the trading business remaining fully under the ownership of RWE AG. The decision was unanimous and was preceded by in-depth consultations. With its mix of renewable energy, smart grids and innovative retail offerings, the new subsidiary has extremely bright prospects as well as the resources to be a driving force in ensuring the success of the transformation of the energy system. Furthermore, as a listed company, it will have direct access to the capital market and therefore the opportunity to finance growth by issuing new shares. In addition, RWE AG may sell further stakes in the new company as part of the IPO or thereafter. This will not change the asset base backing our nuclear waste management obligations. Instead, RWE AG will gain even more financial flexibility in fulfilling these obligations. The Supervisory Board will be closely involved in the establishment of the new company and its IPO. In the next few months, this will be one of the main tasks of the Board, for which new elections will be held in April.

Now let us return to the financial year that just ended. In 2015, we fulfilled all of the duties imposed on us by German law and the company's Articles of Incorporation. The Supervisory Board of RWE AG advised the Executive Board on running the company and monitored its activities. At the same time, it was involved in all fundamental decisions. The Executive Board informed us of material aspects of business developments both verbally and in writing. This was done regularly, extensively and in a timely fashion. We were kept abreast of the earnings situation, risks and risk management in an equally thorough manner. Last year, the Supervisory Board convened at four ordinary and two extraordinary meetings. At two of the sessions, all 20 of the Supervisory Board members were in attendance. Two meetings were attended by 19 and another two by 18 members. None of the Supervisory Board members were present at only half or fewer of the meetings. The table on the following page provides an overview of attendance.

Decisions were taken on the basis of comprehensive reports and draft resolutions submitted by the Executive Board. The Supervisory Board had ample opportunity to concern itself with the Executive Board's reports and draft resolutions in its plenary sessions and in the Supervisory Board committees. We were also informed by the Executive Board of projects and transactions of special importance or urgency between meetings. We passed the resolutions required of us by law or the Articles of Incorporation. Where necessary, we also did so by circular resolution. As Chairman of the Supervisory Board, I was constantly in touch with the Chairman of the Executive Board in order to discuss events of material significance to the Group's situation and development.

Attendance at meetings in fiscal 2015 by Supervisory Board member[1]	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Nomination Committee
Dr. Manfred Schneider, Chairman	6/6	3/3		3/3	1/1
Frank Bsirske, Deputy Chairman	6/6	3/3		3/3	
Reiner Böhle	6/6	3/3		3/3	
Dr. Werner Brandt	6/6		5/5		
Dieter Faust	6/6		5/5	3/3	
Roger Graef	6/6				
Arno Hahn	6/6		5/5		
Manfred Holz	6/6	3/3			
Prof. Dr. Hans-Peter Keitel	6/6			3/3	1/1
Frithjof Kühn	6/6			3/3	1/1
Hans Peter Lafos	6/6				
Christine Merkamp	6/6				
Dagmar Mühlenfeld	6/6	3/3			
Dagmar Schmeer	6/6				
Prof. Dr.-Ing. Ekkehard D. Schulz	4/6	2/3	4/5		
Dr. Wolfgang Schüssel	6/6	3/3			
Ullrich Sierau	5/6		5/5		
Ralf Sikorski	5/6		4/5		
Dr. Dieter Zetsche	4/6				
Leonhard Zubrowski	6/6	3/3			

1 Attendance = number of meetings attended by the Supervisory Board member/total number of meetings.

Main points of debate. The necessary changes to the Group's structure were among the most important topics on which we held debates. In this context, the focus was not only on bundling the renewables, grid and retail activities in a new company, but also on simplifying the legal structures by folding subsidiaries into superordinate units. The Supervisory Board approved this plan at an extraordinary meeting on 10 August. It was also decided that the Group's activities will be managed by chief operating officers along the stages of the value chain. As in previous years, the key issues discussed by the Supervisory Board when it was in session were the persistent crisis in conventional electricity generation and its impact on RWE as well as measures necessary in order to increase the company's earning power and financial strength. The latter essentially consisted of capex cuts and additional efficiency improvements. Also among the main points of debate were the recent sales of equity interests, in particular the stake in RWE Grid Holding in the Czech Republic. We frequently discussed the corporate strategy with the Executive Board, which regularly informed us of the Group's financial situation and pending lawsuits, including an arbitration proceedings that ended in a settlement. The Executive Board delivered both written and oral reports on the progress of large-scale projects aiming to expand RWE's electricity generation capacity. Here, centre stage was taken by the new hard coal-fired power plants at Hamm (Westphalia) and at the Dutch seaport of Eemshaven as well as the wind farms Gwynt y Môr off the coast of Wales and Nordsee Ost near the island of Heligoland. Moreover, the Executive Board informed us of the development of wholesale electricity prices and generation margins, the concession and supply business, measures for making the company more competitive and the current developments on the energy markets. We paid great attention to the discussion on the implementation of the German 2020 Climate Protection Action Programme and on the size of the nuclear provisions. At our session on 11 December 2015, we concerned ourselves in depth with the Executive Board's planning for fiscal 2016 and the forecasts for the two following years. The planning was adopted at the Supervisory Board meeting on 3 March 2016. We received detailed commentary from the Executive Board on deviations from target figures and goals established previously.

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

Corporate Governance. The Supervisory Board concerned itself with adhering to the regulations of the German Corporate Governance Code again in 2015. The Executive and Supervisory Boards prepared a corporate governance report, which was published on RWE's website at **www.rwe.com/corporate-governance**. On 3 March 2016, they issued a statement of compliance, which is available at the same internet address. RWE complies with the recommendations of the version of the Code dated 5 May 2015.

Committees. The Supervisory Board has six committees. Their members are listed on page 179. These committees are charged with preparing topics and resolutions for Supervisory Board meetings. In certain cases, they exercise decision-making powers conferred on them by the Supervisory Board. The committee chairs regularly informed the Supervisory Board of their work. None of the committee members attended only half or fewer of the committee meetings.

The **Executive Committee** met three times in the 2015 fiscal year. Among other things, it did preparatory work for the Supervisory Board debates regarding the planning for the 2015 and 2016 financial years and forecasts through to 2018.

The **Audit Committee** convened five times. It discussed at length the quarterly financial reports, the half-year financial statements and the parent company and Group financial statements for the full year as well as the combined review of operations of RWE AG. The Committee discussed the financial statements with the Executive Board before they were published. The independent auditors participated in the debates at all of the committee meetings and reported on their audit. In addition, the Audit Committee submitted a recommendation for the proposal made by the Supervisory Board to the Annual General Meeting regarding the election of the independent auditors for fiscal 2015 and prepared the grant of the audit award to the independent auditors including the details of the fee agreement. It also set the priorities of the audit. Special attention was paid to the Group's risk management and accounting-related internal control system. Furthermore, the committee dealt with compliance issues and with the schedule and results of the internal audit. A number of additional topics were on the committee's agenda in the year under review, including the RWE Group's exposure to risk as defined by the German Corporate Control and Transparency Act, the continued development of RWE Supply & Trading's internal control system, the status of the Shared Service Centre, the main changes to the EU regulation on audits of financial statements and auditors' opinions, data privacy and cyber security as well as the RWE Group's fiscal and legal position. At the Audit Committee's meetings, the heads of the Group functions were available for reports and questions on individual points.

The **Personnel Affairs Committee** held three meetings. It concerned itself with the bonus and the law governing female and male representation in managerial positions. Furthermore, it prepared the personnel-related decisions of the Supervisory Board.

The **Nomination Committee** convened once in the year under review in order to prepare the candidate proposals for the Annual General Meeting on 20 April 2016, on which the Supervisory Board passed a resolution at its meeting on 3 March 2016.

In the year under review, there was again no reason to convene the **Mediation Committee**, which complies with Section 27, Paragraph 3 of the German Co-Determination Act.

The **NewCo IPO Committee** was founded in December 2015. Its objective is to reach decisions on the planned capital increase of the new company for renewables, grids and retail. Furthermore, it will be involved in the event that RWE AG sells minority stakes in the new company and will make decisions concerning the size and price of the shareholdings sold. There was no need to convene the committee in the year being reviewed.

Financial statements for fiscal 2015. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft scrutinised and issued an unqualified auditor's opinion on the 2015 financial statements of RWE AG, which were prepared by the Executive Board in compliance with the German Commercial Code, the financial statements of the Group, which were prepared in compliance with International Financial Reporting Standards (IFRS) pursuant to Section 315a of the German Commercial Code, the combined review of operations for RWE AG and the Group, and the accounts. In addition, PricewaterhouseCoopers found that the Executive Board had established an appropriate early risk detection system. The company was elected independent auditor by the Annual General Meeting on 23 April 2015 and commissioned by the Supervisory Board to audit the financial statements of RWE AG and the Group.

Documents supporting the annual financial statements, the annual report and the audit reports were submitted to the members of the Supervisory Board in good time. Furthermore, the Executive Board commented on the documents at the Supervisory Board's balance sheet meeting of 3 March 2016. The independent auditors reported at this meeting on the material results of the audit and were available to provide supplementary information. The Audit Committee had previously concerned itself in depth with the financial statements of RWE AG and the Group, as well as audit reports, during its meeting on 2 March 2016, with the auditors present. It had recommended that the Supervisory Board approve the financial statements as well as the appropriation of profits proposed by the Executive Board.

At its meeting on 3 March 2016, the Supervisory Board reviewed the financial statements of RWE AG and the Group, the combined review of operations for RWE AG and the Group, and the Executive Board's proposal regarding the appropriation of distributable profit. No objections were raised as a result of this review. As recommended by the Audit Committee, the Supervisory Board approved the results of the audits of both financial statements and adopted the annual financial statements of RWE AG and the Group. The 2015 annual financial statements are thus adopted. The Supervisory Board concurs with the Executive Board's proposal regarding the appropriation of profits, which envisages paying a dividend of €0.13 per preferred share. No dividend will be paid on common shares.

Gratitude for commitment and loyalty. Unlike almost no year before, the past financial year was characterised by the difficult framework conditions in the energy sector. Despite this, the roughly 60,000 people working for RWE can look back with pride on what has been accomplished. On behalf of the entire Supervisory Board, I would like to thank all of the employees who were actively and loyally dedicated to the success and future of the company.

On behalf of the Supervisory Board

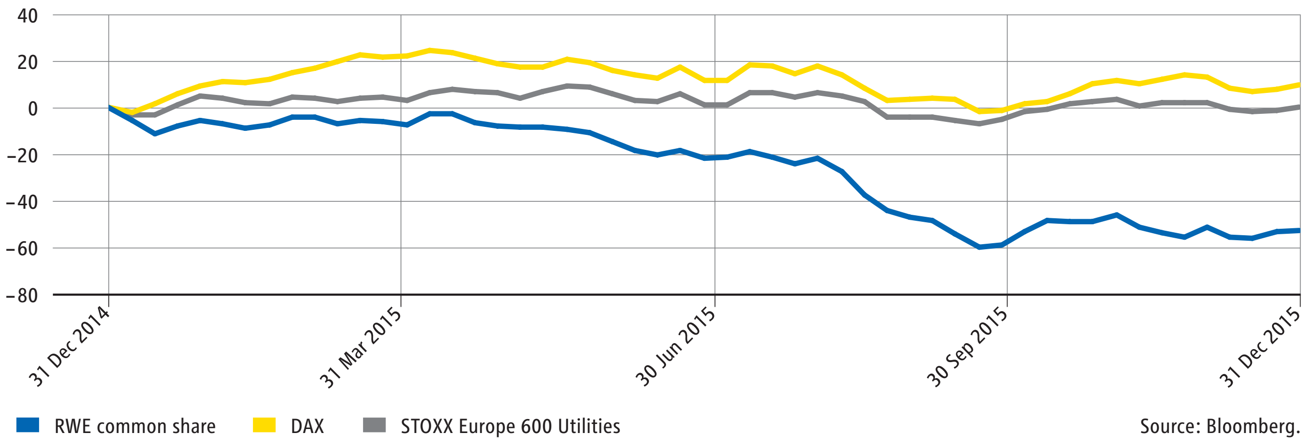
Dr. Manfred Schneider
Chairman

Essen, 3 March 2016

RWE ON THE CAPITAL MARKET

The upward trend on the German stock market continued in 2015. Buoyed by the European Central Bank's extremely loose monetary policy, the DAX gained 10%. It was the fourth straight time that the index closed the year with a gain. In contrast, RWE shares put in a disappointing performance, losing roughly half their value. One of the reasons was that the earnings prospects in conventional electricity generation deteriorated further. Moreover, new risks in respect of energy policy arose, particularly with regard to nuclear. The bond market continued to be characterised by unusually favourable refinancing conditions, from which RWE benefited. However, the cost of hedging RWE credit risk increased. The uncertain political environment also played a significant role here.

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



Source: Bloomberg.

Tailwind on stock market sustained. In 2015, the highs outweighed the lows on the German stock market. The DAX advanced by 10% to 10,743 points. This was the German stock-market barometer's fourth positive annual performance without interruption. The extremely loose monetary policy pursued by leading central banks provided the greatest stimulus, with the European Central Bank and the US Federal Reserve leading the way. This policy was one of the main reasons why the DAX closed 10 April at 12,375 points, its highest end-of-day quotation of all time. However, as the year progressed, the index suffered some setbacks, which primarily resulted from the resurgence of the Greek crisis and China's waning growth.

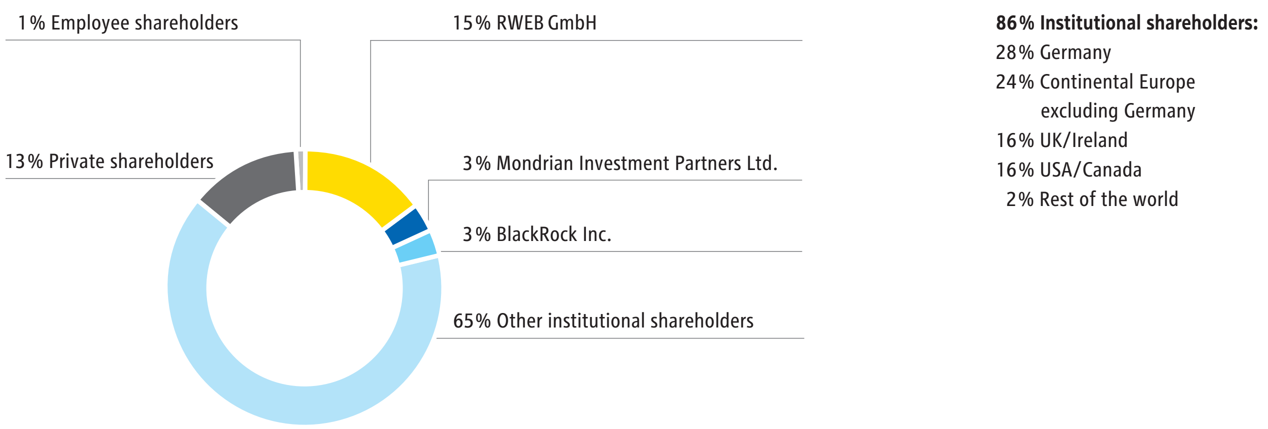
Owners of RWE shares will look back on a disappointing year. RWE common shares closed the month of December at €11.71. This results in a total return for the year, consisting of the change in price and the dividend, of –52%. The total return of RWE preferred shares was only slightly better (–50%). Our shares were outperformed not only by the DAX, but also by the sector index STOXX Europe 600 Utilities, which closed 2015 on a par with 2014. The main reason for the considerable drop in RWE share prices was the difficult framework conditions in the German energy sector. Wholesale electricity prices, and in turn power plant margins, deteriorated further. This was compounded by political risks. Huge uncertainty arose due to the German Federal Ministry for Economic Affairs and Energy's plan, which was later dropped, to impose a climate levy on power stations. Over the course of the year, nuclear energy became the focus for debate. Above all, uncertainty prevailed about the requirements that the German government will force utilities to meet in order to provide financial backing for their nuclear waste management obligations. Capital market participants believe that if companies are obliged to finance a nuclear energy fund or trust, they will be at risk of suffering major additional burdens. Substantial unrest was caused in September by the rumour that a stress test commissioned by the German government to review nuclear provisions had revealed funding gaps of several billion euros. The situation eased soon thereafter, as the government confirmed that the utilities had passed the test (see page 35). In addition to the unfavourable framework conditions, the disappointing earnings of our UK supply business also clouded sentiment. Our decision to bundle our renewables, grid and retail operations in a new company followed by its IPO was well received. When we informed the market of this on 1 December, the price of our common share rose by 17 %.

Dividend proposal for fiscal 2015. Due to the drastic deterioration of earnings prospects and the current political risks, the Supervisory Board and the Executive Board of RWE AG will propose to the Annual General Meeting on 20 April 2016 a suspension of the dividend for common shares for fiscal 2015. The dividend for preferred shares will amount to the minimum of €0.13 per share stipulated by the Articles of Incorporation.

RWE share indicators		2015	2014	2013	2012	2011
Earnings per share[1]	€	–0.28	2.77	–4.49	2.13	3.35
Adjusted net income[2] per share[1]	€	1.83	2.09	3.76	4.00	4.60
Cash flows from operating activities of continuing operations per share[1]	€	5.43	9.04	7.81	7.15	10.22
Dividend per common share	€	–	1.00	1.00	2.00	2.00
Dividend per preferred share	€	0.13[3]	1.00	1.00	2.00	2.00
Dividend payment	€ million	5[3]	615	615	1,229	1,229
Dividend yield on common shares[4]	%	–	3.9	3.8	6.4	7.4
Dividend yield on preferred shares[4]	%	1.5	5.3	4.3	7.0	7.9
Common share price						
End of fiscal year	€	11.71	25.65	26.61	31.24	27.15
High	€	25.68	32.83	31.90	36.90	55.26
Low	€	9.20	24.95	20.74	26.29	21.77
Preferred share price						
End of fiscal year	€	8.94	18.89	23.25	28.53	25.44
High	€	19.62	25.61	29.59	34.25	52.19
Low	€	7.33	18.89	20.53	24.80	20.40
Number of shares outstanding (average)	thousands	614,745	614,745	614,745	614,480	538,971
Market capitalisation at the end of the year	€ billion	7.1	15.5	16.2	19.1	16.6

1 Based on the annual average number of shares outstanding.
2 New term; formerly 'recurrent net income'; see commentary on page 56.
3 Dividend proposal for RWE AG's 2015 fiscal year, subject to the passing of a resolution by the 20 April 2016 Annual General Meeting.
4 Ratio of the dividend per share to the share price at the end of the fiscal year.

Shareholder structure of RWE AG[1]



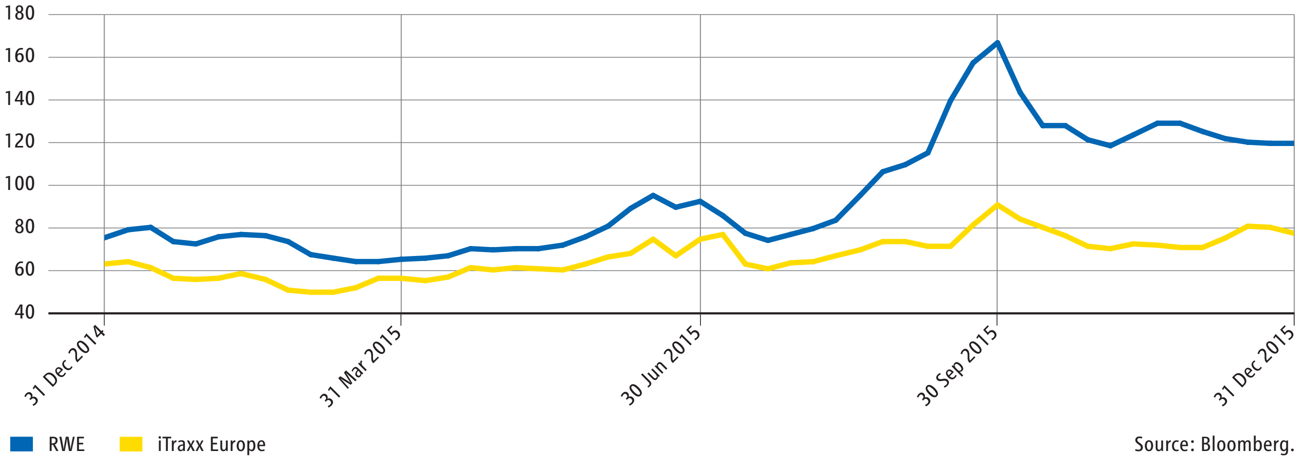
1 Percentages reflect shares in the subscribed capital.
Sources: RWE data and notifications of shareholders in accordance with the German Securities Trading Act (WpHG), as of December 2015.

Broad international shareholder base. RWE AG's capital stock is divided into 614,745,499 shares, of which 39,000,000 are non-voting preferred shares. As in the previous year, at the end of 2015 about 86% of our shares were owned by institutional investors, while 1% and 13% were held by employee shareholders and other private investors, respectively. Institutional investors in Germany held 28% of the capital stock (prior year: 30%), with those in North America, the United Kingdom and Ireland accounting for a combined 32% (previous year: 35%) and those in Continental Europe, excluding Germany, owning 24% (previous year: 19%) of the shares. RWEB GmbH, in which many of the shares owned by municipalities are pooled, is still RWE's single largest shareholder, owning 15%. Based on available information, the asset management companies BlackRock (USA) and Mondrian Investment Partners (UK) hold the biggest RWE positions outside Germany, amounting to over 3% each. The free float of RWE common shares considered by Deutsche Börse in terms of index weighting was 84% at the end of the year.

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

RWE is traded on stock markets in Germany and the USA. In Germany, RWE shares are traded on the Frankfurt am Main and Düsseldorf Stock Exchanges as well as via the electronic platform Xetra. They can also be obtained over the counter in Berlin, Bremen, Hamburg, Hanover, Munich and Stuttgart. In the USA, instead of our shares being traded, RWE is represented via American Depositary Receipts (ADRs) in what is known as a Level 1 ADR programme. ADRs are share certificates issued by US depositary banks, representing a certain number of a foreign company's deposited shares. Under RWE's programme, one ADR represents one common share.

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



Source: Bloomberg.

Low interest rates and credit risk hedging prices. The expansionary monetary policy pursued by leading central banks affected the development of interest rates significantly. In 2015, the average return of ten-year German government bonds was within a historically low range of 0.1 % to 1.0 %. At the end of December, it was 0.6 %. The cost of hedging credit risk via credit default swaps (CDS) was also unusually low. In 2015, the iTraxx Europe Index, which consists of the prices of the CDS of 125 major European companies, averaged 66 basis points for five-year maturities. This was the lowest average for a year since 2007, before the subprime crisis started escalating. In contrast, the five-year CDS for RWE became more expensive, averaging 94 basis points in 2015, compared to 72 in the preceding year. A steep rise in price was observed, especially in the third quarter. The CDS was occasionally quoted considerably above the 160-point mark, reaching an all-time high. The main reason was the grave concern among investors temporarily triggered by the stress test to which the nuclear provisions were subjected. Once it became apparent that the fears were unfounded, the CDS for RWE dropped back down in price.

1 COMBINED REVIEW OF OPERATIONS

1.1 STRATEGY

Our business is becoming more demanding at all stages of the value chain. The key factors are the continuing expansion of renewable energy, ever-stricter climate protection standards and the digital revolution. We believe this offers us entrepreneurial opportunities that we intend to seize: by increasingly producing electricity from renewable sources, by ensuring security of supply through flexible, modern power plants, by making technological progress in network infrastructure, and by offering our customers innovative products and services that enable them to make more efficient use of energy and increase their quality of life. To be better equipped for this financially, we are realigning ourselves in organisational terms: we are pooling our renewables, grid and retail operations in a subsidiary which will be listed on the stock market and therefore have direct access to the capital market.

What we do. RWE is one of Europe's leading electricity and gas companies. Through our expertise in lignite production, in electricity generation from gas, coal, nuclear and renewables, in energy trading and electricity and gas distribution and supply as well as in developing and providing innovative energy management solutions, we are active at every stage of the energy value chain. We serve over 16 million electricity and about 7 million gas customers, both reliably and at fair prices. In fiscal 2015, we recorded €48.6 billion in revenue. Our most important markets are Germany, the Benelux countries, the United Kingdom as well as Central Eastern and South Eastern Europe. In electricity generation from renewables, we are also active outside of these regions, for example in Spain and Italy. An overview of our business activities is shown on the following page.

New challenges for energy utilities. The traditional business model of a fully integrated energy utility is coming under increasing pressure. With the progressive expansion of renewable energy, the conventional generation business in Europe is moving away from producing as much electricity as possible towards keeping capacity on tap in order to offset the fluctuating amounts of electricity fed into the grid from solar panels and wind turbines. In relation to power plants, revenue streams are therefore increasingly shifting towards market-oriented compensation for capacity held in reserve to ensure security of supply. This development is already very advanced in some European markets, including the United Kingdom. In Germany, however, policymakers have decided against introducing a capacity market for the time being (see page 35). The central challenge in managing and operating grids is the integration of the growing amounts of electricity put on the system from renewable sources. This requires the increased use of sophisticated technology. Trends in supply are dictated by the fact that mounting numbers of customers want to use energy more efficiently and take advantage of the possibilities offered by the digital revolution. In addition, households and commercial operations are increasingly generating their own electricity, at times even assuming the role of energy manager.

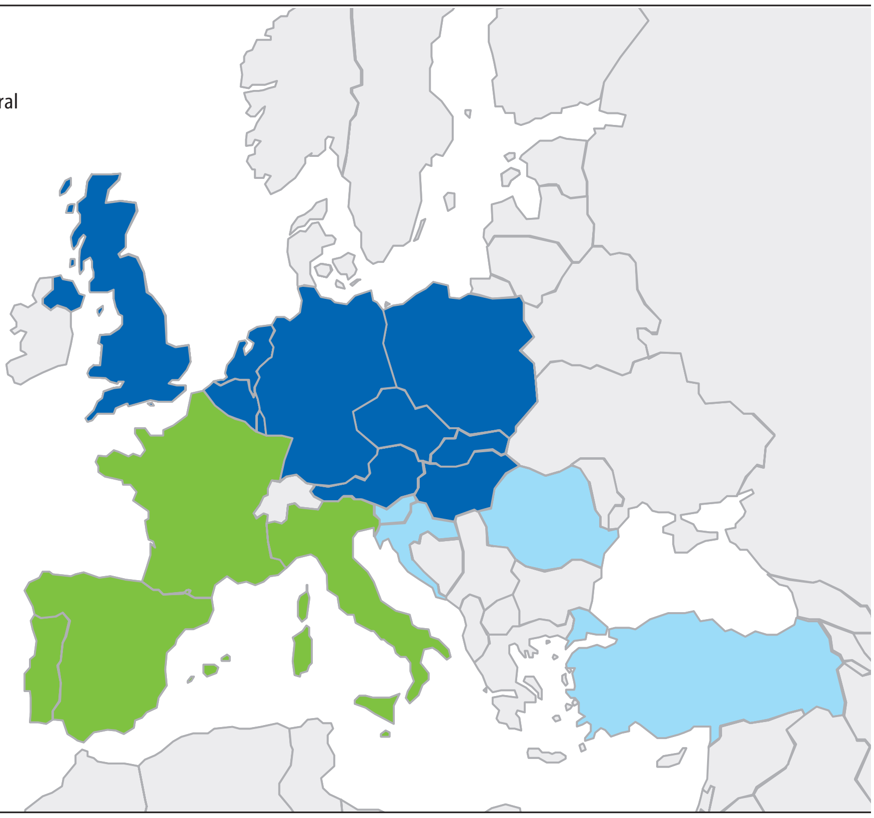
Our answer. RWE will be a leading provider in the energy world of tomorrow. We will achieve this ambition by orienting our business towards the aforementioned trends. We have already significantly increased the amount of electricity we generate from renewables and want to remain on course for growth here. In addition, we are investing in maintaining, expanding and modernising our network infrastructure, in order to ensure the reliable distribution of electricity and gas over the long term. Thanks to our strong customer base in the supply business, we are in a position to identify new needs of households and companies early on and to meet them with bespoke offerings. In conventional electricity generation, our assets are our flexible, efficient power stations which, as partners to renewable energy, ensure that enough electricity is available at all times. Furthermore, we are gradually decommissioning old, emission-intensive power plants, causing the average efficiency of our generation assets to increase and carbon emissions to decline, both in absolute terms as well as in relation to our electricity production.

RWE market position in terms of sales by fully consolidated Group companies[1]	Electricity	Gas
Germany	No. 1	No. 3
Netherlands	No. 1	No. 2
United Kingdom	No. 2	No. 6
Central Eastern and South Eastern Europe	No. 2 in Hungary No. 3 in Slovakia No. 5 in Poland No. 5 in the Czech Republic No. 3 in Croatia Presence in Slovenia Presence in Romania Presence in Turkey	No. 1 in the Czech Republic No. 2 in Slovakia Presence in Poland Presence in Hungary Presence in Croatia
Total Europe	**No. 2**	**No. 6**

1 Market positions at the end of 2014; market presence at the end of 2015; based on RWE data.

Where RWE is active

- Established market position at one or several stages of the energy value chain
- Market presence in electricity generation and/or supply
- Market presence in electricity generation from renewables



RWE's growth areas. We see opportunities for growth especially in onshore and offshore wind, in electricity distribution as well as in marketing innovative supply products and decentralised energy solutions. In some countries we want to take advantage of the opportunity to establish ourselves among the major local utilities over the medium or long term by building a supply business. Examples are Romania, Croatia and Slovenia. Outside of Europe, we are active only to a very limited extent, for example in trading. In addition, since 2014 we have been successful in providing consulting services along the entire energy value chain in countries on the Arabian peninsula.

One Group, two viable companies. In the past, we financed growth projects largely with earnings from our power stations. Due to the drastic drop in wholesale electricity prices and, as a result, in margins, this is no longer possible. To seize the growth opportunities arising in today's energy landscape, at the end of 2015 we decided to transfer our renewables, grid and retail operations to a new subsidiary and conduct an IPO for about 10% of the new company as part of a capital increase. We will use the funds received to give ourselves more financial leeway, especially in areas in which new business prospects arise as a result of the transformation of the energy system. The reorganisation is also advantageous with regard to the challenges facing conventional electricity generation. Through the possibility of generating income from the sale of shares in the new company, RWE AG will become more financially flexible, for example in fulfilling its nuclear obligations. Our plans envisage RWE AG remaining the majority shareholder in the new company.

Increasing innovative power. Now more than ever before, utilities are being assessed based on how flexible and innovative they are. Today, companies that want to survive over the long term in a market undergoing dynamic change must ensure that they have compelling offerings to satisfy customer needs tomorrow and beyond. RWE and its partners have many innovative people who can help us to do this. We bring them together and give them the opportunity to explore business concepts with an open mind and test promising innovations directly on the market. This process is being organised and spurred by the RWE Innovation Hub, which we established in 2014 and on which we provide detailed information on pages 23 et seqq. To be able to offer new solutions as quickly as possible, we work with partners and have innovation teams in Silicon Valley, Tel Aviv and Berlin.

RWE's mission statement. Our strategy is oriented towards a mission statement that supports the ambitious political goals regarding climate protection, the expansion of renewable energy and the improvement of energy efficiency as well as the huge challenges we are confronted with in terms of competitiveness, capacity for innovation and financial strength. This is our mission statement: "We are the most trusted and high-performing partner for the sustainable transformation of the European energy system". To fulfil this promise, we have set ourselves the following strategic goals: we want to (1) increase our financial strength, (2) improve RWE's performance and competitiveness and (3) successfully contribute to the sustainable transformation of the European energy system. The following passages contain more detailed information on these goals and on how we intend to achieve them. Additional information can be found on the internet at **www.rwe.com/strategy**.

(1) Increasing financial strength. We want to be able to raise sufficient debt capital on the market at acceptable conditions whenever we need to, even in times of crisis on financial markets. This is our top priority. Therefore, we aim to maintain an investment grade rating. We reduced our net debt in the financial year that just ended from €31.0 billion to €25.1 billion, largely due to the sale of RWE Dea (see page 38). We want to fully finance our capital expenditure and dividend payments from cash flows from operating activities, although fluctuations in cash flows may keep us from accomplishing this every year.

We are taking several steps to increase our financial strength. In 2012, RWE launched an ambitious efficiency-enhancement programme including comprehensive measures to reduce costs and increase revenue (see page 57). Furthermore, we scaled back our capital expenditure significantly and implemented a series of divestments. Our minority interest in Urenco, which specialises in uranium enrichment, is currently among our assets for sale. The organisational realignment of the RWE Group, which was commented on earlier, in connection with the IPO of the new renewables, grid and retail company, will give us additional financial headroom.

(2) Improving performance and competitiveness. A market environment that develops dynamically can be mastered only by companies that are dynamic themselves. We have taken a host of measures to make our processes even more efficient, our organisation even more powerful and our corporate culture even more performance-oriented. In pursuit of this goal, we took a major step forward: the 'RWE 2015' programme that was initiated in early 2012 has since been concluded successfully. More information can be found on pages 19 et seq. of our 2014 Annual Report. The decision in August 2015 to conduct mergers to reduce the number of Group companies will also make an important contribution to creating competitive structures. As we will operate with fewer legal entities and management levels, we will be able to shorten decision-making processes and reduce administrative expenses.

(3) Contributing to the sustainable transformation of the European energy system. We are reacting to the fundamental structural change in the energy sector with the continued evolution of our business model. This relates to all stages of the value chain. In so doing, we are not just reacting to changes, but are also assuming an active role in the transformation of the European energy system.

- **Optimising our conventional power stations.** The considerable drop in wholesale electricity prices and the difficult political environment are weighing on us in conventional electricity generation, especially in Germany. Many power plants are hardly being used and cannot cover their costs. We are working on improving the profitability of our plants by reducing their operating costs and increasing their commercial availability. If economically necessary, we shut down power stations either temporarily or permanently. Many experts believe there is a good chance that the situation in conventional power production will stabilise as excess capacity is reduced. They expect that coal and gas will be an indispensable component of the German generation mix over the long term. Our gas-fired power stations, many of which are state-of-the-art, are especially well suited to partner with renewable energy, because they can adapt to fluctuations in load very quickly. In addition, they are widely accepted by the public given their relatively low emissions. They should become more important in our electricity generation portfolio over the long term. Coal also remains an important source of energy for us, but it will lose significance. This is partly due to regulatory requirements regarding the reduction of greenhouse gas emissions. For example, within the framework of the 'German Climate Action Programme 2020', we will take five 300 MW lignite blocks off the market early (see page 34). We plan to shut down additional 300 MW units in the coming decade. Furthermore, contracts allowing us to use coal-fired power stations which we do not own will expire.

- **Expanding renewable energy.** The expansion of electricity produced from renewable sources remains a cornerstone of our strategy. We intend to use a large portion of the funds at our disposal for growth projects to this end. With respect to generation technology, our focus remains on onshore and offshore wind. Moreover, we also want to take on large-scale solar projects in the future.

- **Expanding the trading business.** Energy trading is the commercial link between the elements of our value chain, the regional markets and commodities. Our trading subsidiary RWE Supply & Trading increasingly draws on its expertise outside of Europe and has already opened offices in New York, Singapore and Mumbai. To a limited extent, RWE Supply & Trading invests in energy companies and assets, the restructuring and resale of which allow attractive returns to be achieved within a period of three to five years. One example is the Lynemouth hard coal-fired power station in the north of England that we acquired at the end of 2012. We did the groundwork to ensure that it can be transformed into a biomass-fired power plant with state subsidies and sold the station at the beginning of 2016.

- **Further developing the grid infrastructure.** Networks are the backbone of the transformation of the energy system and their operators can usually earn stable returns. This is why the grid business is a fixture in our portfolio. Challenges arise in this area, in part as a result of mounting competition for licenses. Anyone seeking to run networks in Germany needs to obtain the contractual right from a municipality to use public transport routes to lay and operate lines. At the end of 2015, we had approximately 3,000 electricity and some 800 gas network licenses, which generally have terms of 15 to 20 years. We try to renew licenses that expire, but we have to compete for them. In addition, municipalities want to become more involved in the distribution network business. We react to this with attractive partnership models tailored to interested towns and communities. The advantage for us is that we remain the network operator while strengthening our partnerships with the municipalities.

  The steady increase in electricity from renewable energy sources that depend on the weather and time of day as well as the rising number of small decentralised generation units present us with huge challenges. This makes grid operations more demanding in technical terms, but also offers opportunities for growth. In order to ensure a reliable supply of electricity under these conditions, we must invest in the maintenance and expansion of our grid infrastructure. To enable networks to be used more effectively and flexibly, we are developing new control technologies and testing them in field trials. Furthermore, we are exploring options for intelligently connecting the large number of distributed producers and consumers of electricity in rural and urban regions, for example through the 'Designetz' project (see page 26).

- **Strengthening our supply position through innovative products and services.** As mentioned earlier, households and enterprises are increasingly evolving from consumers to 'prosumers', who can produce their own electricity and in some cases are even able to store it. More and more customers are seeking to make efficient use of energy and want to take advantage of the opportunities offered by the digital revolution. To defend our market shares in this environment, we are extending our field of activity far beyond the traditional supply of electricity and gas. We are developing new business models for all customer segments by pooling our know-how in energy supply and information technology. The result is innovative products and solutions tailored to suit personal needs, distinguishing us from other utilities. Examples are our home automation system RWE SmartHome, which we have been marketing successfully since 2011, and the new RWE easyOptimize control box, on which we report on page 24.

Sustainable development – what we ask of ourselves. Part of our contribution to a sustainable energy system is the fact that we manage our business sustainably. Energy supply requires a long-term business model. It is therefore all the more important that our actions are in line with the expectations of society. To better assess these expectations, we are in constant dialogue with representatives of our stakeholder groups. These are primarily shareholders, employees, customers, politicians and associations as well as non-governmental organisations and resident groups. Based on this dialogue, in 2007 we defined ten fields of action in which we believe the major challenges for RWE lie. Since then, we have regularly reviewed the selection and scope of the action fields and adapted them to changes in our company and social environment. In a nutshell, our fields of action are: (1) climate protection, (2) energy efficiency, (3) environmental protection and biodiversity, (4) community engagement, (5) market and customer, (6) employees, (7) supply chain, (8) occupational health and safety, (9) security of supply and (10) innovation. We set ourselves goals for each of these action fields and established key performance indicators with which we measure the degree to which we hit these targets and communicate this to the public.

Of these ten fields of action, climate protection is accorded particular importance. As Europe's single-largest emitter of carbon dioxide (CO_2), we shoulder a special responsibility, and on top of that, high emissions go hand in hand with substantial economic risks. We intend to reduce our CO_2 emissions per megawatt hour of electricity generated, which amounted to 0.71 metric tons in the past year, to 0.62 metric tons by 2020. Expanding renewable energy plays a major role in this. Furthermore, now that our new-build power plant programme has been completed, we have established the basis for our cutting-edge generation capacity to replace old, emission-intensive assets. Most of the stations built as part of the programme are fired with gas. They emit much less carbon dioxide than coal-fired power plants. However, so far they have not contributed to improving our carbon footprint as much as desired due to unfavourable market conditions.

Further information can be found in the 'Our Responsibility' report, the new edition of which will be published at the end of March 2016 and can be accessed on the internet at **www.rwe.com/cr-report**.

1.2 INNOVATION

RWE has always been an innovative company. One example of this is the long-distance power line between the Rhineland and the Alps dating back to the 1920s, which was built by RWE and, at the time, was the longest German electricity highway. Today, we develop new products to ensure that our customers experience energy in an entirely new way. The decentralisation of the energy system, the venture into the digital era and the trend towards 360-degree supply are driving a change that, through innovation, we are involved in shaping. By developing new business models, we ensure that we always have the right offering to satisfy customer needs – today, tomorrow and beyond. At the same time, we are working on technical solutions for a safe, affordable and environmentally friendly supply of energy. The fact that we never run out of ideas is evidenced by our 350 patented inventions, which place us in the elite group of European utilities.

Innovation at RWE. RWE is innovative in various ways. The main driver is our ambition to give our customers winning propositions by offering them affordable products and services that are tailored to their needs. The RWE Innovation Hub, a platform we founded in early 2014 and which now has a team of 100, contributes to our success in this area today, and will do so in the future as well. The Hub's aim is to help us develop new business models and therefore underscore the fact that RWE is capable of far more than merely providing electricity and gas. We are also innovative in the field of technology. Through some 200 research and development projects, we want to contribute to making power generation less emission-intensive, the distribution grid more intelligent and the use of energy more efficient. In addition, we benefit from the ingenuity and creativity of our employees, who once again enabled us to achieve millions of euros in savings in 2015.

RWE Innovation Hub: platform for developing new business models. We want to be a leader in innovation in the energy system of the future – and to use our ideas to earn money. We will achieve these goals by finding out which new products and services can best satisfy our customers' wishes and needs. The RWE Innovation Hub is the hotbed in which ideas can grow until they become valuable business models. The employees of the Hub are connected with each other in a network which spans countries and organisational units. They are currently working on four key areas that are of special importance to RWE's future: (1) opportunities offered by the digital revolution, (2) intelligent, networked solutions for residential and commercial customers, (3) energy concepts for Europe's major cities and (4) new products and services by using data. Some products in these categories are already being tested in our customers' homes or on their premises. As innovative business models require innovative organisational structures, we occasionally transfer marketable ideas to companies established for this very purpose. These lean and flexible startups specialise in bringing new RWE offerings to the market.

(1) Opportunities offered by the digital revolution. Be it money transfers, ticket purchases or holiday bookings – most of these transactions are no longer done by banks or travel agencies. Instead, they are completed with a few clicks or taps on a PC or smartphone. Nowadays, people on the go carry their mobile as naturally as they do their keys. Laptops and tablets have also become standard fare. We believe this opens the door to a promising business idea. Since December 2015, we have been testing 'Wireless Power' (WiPo), a cable-free prototype charger, in several German restaurants. The idea: while guests wine and dine, they charge their mobile devices without having to lift a finger – free of charge and without plugging them into the mains. Our vision: be it on a bus, while shopping or having a business meal – wherever people spend time, an RWE WiPo charging station will be close by, supplying mobile devices with power. Operators of department stores, restaurants and public transportation systems can set themselves apart from the competition by providing this special service. They can buy or lease the charging stations from us – and preferably purchase the electricity from us as well.

(2) Intelligent, networked solutions for residential and commercial customers. RWE is one of the European leaders in home automation products. To make sure that this does not change, we are spurring the development of new solutions for optimising energy digitally – through to the complete digitisation of life at home. Besides making life more convenient, solutions of this kind can actually be essential in times in which increasing numbers of elderly people want to live independently. Examples are automated heating and window controls as well as alarms that sound if the roller shutters are not operated. And we are taking yet another step forward: by offering complete packages, we want to evolve from a pure power provider into a utility that cares for its customers, for example by managing their decentralised electricity generation. More than 1.5 million German households and companies already produce their own electricity and will increasingly want to decide what they do with it themselves – either feed it into the grid or use it on-site. In the energy world of tomorrow, they might even act as traders and sell the electricity they produce. After all, if cars are shared in the 'sharing economy', why should the same not apply to self-generated electricity? While this will turn the entire energy supply value chain on its head, it will also present us with an entirely different type of customer. Instead of supplying them with electricity, we will provide them with our know-how in our new role as 'decentralised energy manager'.

Thanks to 'RWE easyOptimize' we have the right product for them. It is an algorithm in a box, which intelligently networks generation and storage units as well as electrical devices. It enables the usage periods of in-home electricity generation units, for example those using combined heat and power (CHP) technology, to be optimised. CHP plants produce electricity for industry or residential areas from various energy sources. The resulting waste heat is used for production processes or for heating. CHP units can now also be used in households. In this case, they are no bigger than a washing machine. These mini and micro-CHP units mainly run when heat is required to operate radiators or to heat water. RWE easyOptimize ensures that their running times orient themselves not only to the heating requirement, but also to the need for electricity. For this purpose, the algorithm automatically collects information on the CHP unit's operating times. The smart meter provides information on power consumption. This is used to compute a forecast that serves as the basis for optimal operation. The advantage for customers is that they save money. The advantage for RWE is that, via the interface that RWE easyOptimize provides, we learn what our customers' individual needs are and can offer them made-to-measure products and services. In the middle of 2015, following a successful test phase covering 300 households, the starting shot was fired for the market launch of the small but extremely versatile box. This makes RWE easyOptimize the first startup taken to the market by the RWE Innovation Hub.

We are testing the 'Consenze' (connected sensors) prototype for use in small and medium-sized enterprises – with great success. Consenze encompasses a number of small sensors that are wall-mounted, e.g. in a factory hall, from where they supply data. This makes the power consumption of various devices transparent to companies and allows them to identify cost drivers and improve production processes. In the future, it is envisaged that Consenze will manage energy consumption completely automatically, switching off lights and closing windows in office buildings at the end of a business day, for example. Machines and heating systems could also be optimised through Consenze.

Another example for leveraging the potential harboured by networking is 'Lemonbeat', a new, secure digital transmission protocol, which we developed as part of our home automation solutions. Lemonbeat-equipped electrical devices and complex machines can communicate with one another. Lemonbeat has clear advantages over established protocols: for example, it consumes less power than WLAN, and unlike Bluetooth, thick walls and long distances do not hinder communication. 'Lemonbeat' is also the name of the startup through which we intend to market this attractive product worldwide.

(3) Energy concepts for Europe's major cities. Experts predict that by 2030, more than 60% of people around the world will live in metropolitan areas and that even more will work there. In Germany, the share accounted for by the urban population is already substantially higher. Our goal is to develop products and services that improve their quality of life. This year we will initiate pilot projects in the fields of energy supply and infrastructure to this end. As a first step, we will focus on the regions in which RWE already operates: the Ruhr region, Berlin, Warsaw, Prague and Budapest.

(4) New products and services by using data. Due to the nature of our business, we have an ever-growing amount of data. We want to make better use of it in order to develop our products and services. For instance, at our gas-fired power plants, we use turbines from various manufacturers. For years, we have been collecting operating data and using it to optimise the stations. This knowledge is unique in breadth and depth and we want to market it to the manufacturers' engineering departments and to power plant operators all over the world. Another example: new methods of analysing data make it possible to use energy more individually and efficiently. As a result, our customers will, for instance, now see how much electricity is used by antiquated, inefficient refrigerators, as well as being alerted to short interruptions in the power supply, which may indicate that a failure is about to occur.

Innovations with partners – faster, more creative and more successful. To ensure that our projects have the best possible chance of success, we team up with partners that complement our know-how. We often find them in the most important and biggest innovation centres in the world such as Silicon Valley, Europe's startup capital Berlin, and Israel, the country with the highest number of startups per capita. Last year in Berlin, we demonstrated via the 'Accelerator Programme' that concepts can be brought to market quickly and successfully in such a dynamic market environment. In just two weeks, a team from the RWE Innovation Hub and several young entrepreneurs developed and tested a concept for a social network to help senior citizens to live independently. We also maintain in-depth dialogue with companies in Silicon Valley and US universities. This enables us to export experience and products from the European energy market to the USA, where they are met with keen interest, especially with regard to electric vehicles.

Research and development: technical innovations for a reliable and environmentally compatible supply of energy. Research and development (R&D) is essential to the transformation of the European energy system. We identify, evaluate and test new technologies, which enables us to ensure that we remain competitive – at the interface to the customer, i.e. in energy usage as well as in energy storage, grid operation, electricity generation and at the source, when extracting raw materials. With nearly 1,000 patents based on roughly 350 inventions, we belong to the leading group of European utilities. In 2015 alone, we filed patent applications for 50 new inventions. Whenever we tackle R&D projects, we usually join forces with external partners in plant engineering, the chemical industry or research institutions. This is why the financial volume of our projects clearly exceeds RWE's contribution. Our operating R&D expenses totalled €101 million in 2015 (previous year: €110 million). A total of 400 of our employees were solely or partially dedicated to R&D activities. The following is a selection of important R&D projects. For further information, please visit **www.rwe.com/innovation**.

Electric vehicles – environmentally friendly driving. RWE is working hard to accelerate the breakthrough in environmentally friendly electric cars and already has a full offering, including green energy, a large network of public charging stations, fast-charging solutions, and services for infrastructure operators such as car sharing providers. We have already protected the intellectual property rights to numerous developments. In relation to electric mobility alone, we now have 30 patent families (groups of patents that relate to the same invention), some of which are valid worldwide. For instance, to enable battery charging to be invoiced, the electric vehicle usually transmits its access data to the charging infrastructure. For electric vehicles that do not have this technical capability, we have developed an intelligent charging cable which transmits our electricity customers' identification data anonymously. Drivers of e-cars who do not have an RWE electricity contract can also use the charging stations by paying via SMS, credit card, or PayPal. Another example of our involvement: in San Diego, we are participating in an electric car pilot project with Daimler and the University of California, which is scheduled to last three years. The goal is to use electricity generated from wind turbines and solar panels on campus to charge electric vehicles. For this purpose, we have set up 29 chargers, three of which feature innovative rapid charging technology. In only 20 minutes, they charge cars with enough electricity to travel 130 kilometres. We intend to capitalise on the knowledge we gain through this project in the German market, for instance to charge cars preferably when large amounts of electricity from renewables are available.

Innovative energy storage – key technologies for supplying electricity in the future. The expansion of renewable energy is increasing the dependency of available electricity on the weather and time of day, as neither wind nor the sun act according to the amount of electricity needed at any given time. One way to strike a balance between supply and demand is to use storage facilities. The gas network lends itself well to this. This is how it works: excess solar and wind power is used to produce hydrogen, which is fed directly into the local gas grid. Later on, it is used by heating systems or to generate electricity in gas-fired power stations. We are exploring how to accomplish this through our 'Power to Gas' project. In the middle of February 2015, we commissioned a research facility in Ibbenbüren. Our goal is for Power to Gas to be a long-term technological option at our disposal.

'Designetz' – a comprehensive energy transformation project spearheaded by RWE. For the transformation of the energy system to be successful, industry, science and municipalities must work together closely. This is what the Designetz project aims to achieve. A research consortium led by RWE has set itself the goal of developing a viable, holistic concept for integrating renewable energy into the supply system. The key question that needs to be answered in this context is, how can the large number of distributed power producers and consumers be connected intelligently in both urban and rural areas? Among the members of the consortium are municipal utilities, renowned research institutes and large technology companies. Designetz will be implemented in the German states of North Rhine-Westphalia, Rhineland-Palatinate and Saarland, where over a quarter of the German population lives. These states are ideally suited to conducting field trials for the decentralised energy landscape of the future, as they have areas in which large amounts of renewable energy are fed into the grid and industrial hotspots with high consumption. In December 2015, the German Federal Ministry for Economic Affairs and Energy (BMWi) proposed providing the project with double-digit million euro subsidies. We will contribute the expertise we have amassed in operating our German electricity distribution system, which has a length of approximately 330,000 kilometres and to which far more than 300,000 renewable energy units have already been connected. Our involvement in Designetz underscores our ambition to be a skilled partner in the transformation of the energy system.

Measuring buoys for selecting suitable sites for wind turbines. In the field of renewable energy, offshore wind is a focal point of our R&D activities. Since March 2015, RWE has been testing a new type of measuring buoy as part of an international research programme. The buoys collect wind, current, tidal and weather data. The optimal location of a new wind farm can be determined based on such measurements. If the quality of the data is adequate, this type of buoy can replace several measuring pylons anchored to the seabed that cost five to ten times as much. The advantages are two-fold: building offshore wind farms becomes more cost-effective and is less intrusive on the environment.

Hydroelectric power plants in harmony with nature. RWE has been generating electricity in hydroelectric power stations for over a century – reliably, profitably and without emitting carbon dioxide. Furthermore, we ensure that we do not affect the living conditions of fish. In a pilot project, we are currently exploring how to improve the passability of the Sieg river, on which the German Unkelmühle hydroelectric power plant is located, especially for salmon, sea trout and eel. As fish ladders leading to the spawning areas via various basins are already in place, we are now testing safe options for downstream passages back towards the sea. In this project, which is subsidised by the state of North Rhine-Westphalia, we are co-operating with partners including the Institute of Hydraulic Engineering and Water Resources Management of RWTH Aachen University.

Carbon dioxide from power plants: will aircraft soon be using green fuel? RWE has long been testing methods for separating carbon dioxide from the flue gases of power stations. One of the ways we do this is with a CO_2 scrubbing pilot plant at the Niederaussem lignite site near Cologne. We reported on this in detail on pages 86 et seq. of the 2013 Annual Report. Recently, we started supplying carbon dioxide which is 'scrubbed out' at Niederaussem, to the Algae Science Centre at Forschungszentrum Jülich. What emerges as a by-product in our power stations can be used by plant scientists to feed their microalgae, from which, for example, they harvest oils that are used to engineer biofuel. This might even be used as a replacement for kerosene. The advantages of synthetic fuel are that its use is largely CO_2-neutral and, unlike biodiesel, its production does not compete with the cultivation of food crops.

Coal to liquid/coal to gas – from lignite to chemical product. One objective we pursue with our R&D work is to make electricity generation from lignite more gentle on the climate. However, this resource, which will remain at our disposal for many years to come, is more than a source of energy. It can be used as a basis for manufacturing starting materials for the petrochemical and chemical industries: high-quality fuels as well as precursor products for plastics, adhesives and paints. This innovative use is made possible by the gasification of coal to a synthesis gas, primarily consisting of carbon monoxide and hydrogen, and its transformation to the desired fuels or precursors. The objective of our research work is to develop this technology to market maturity. RWE already has many years of experience in the production, conditioning and use of synthesis gas obtained from coal. In the spring, within the framework of a project called 'Fabiene', we will start testing the manufacturing of naphtha, waxes and fuels such as diesel or kerosene. At the beginning of 2016, the BMWi made a funding commitment to us. Darmstadt Technical University and thyssenkrupp Industrial Solutions are the project partners with which we are implementing the project in our Niederaussem Coal Innovation Centre.

Our employees' ideas enabled over €10 million in savings. Last year, RWE's staff members submitted about 3,700 suggestions for improvement under the groupwide idea management initiative. We estimate that the commercial benefit of these ideas exceeded €10 million in their first year of implementation. For instance, some of RWE Power's water management employees discovered a surprisingly simple way of increasing the performance of the wells in the opencast lignite mining operations in the Rhineland. To prevent the groundwater from transforming the opencast mines into lakes, the soil has to be drained constantly. To this end, there is a large number of subterranean wells: water collects there and is pumped to the surface through riser pipes. The water reaches the wells through filter drains, but contains extremely fine particulate matter, which collects in the grit around the filter drains and increasingly hinders water flow. The idea: once a week, the water is not pumped for a few minutes. This causes the water column that has formed in the riser pipe to drop. As a result, the water level in the well increases suddenly, and the mass of water pushes outward into the rock formation. By reversing the flow, the particles break free. Similar to the use of a plunger, when the pumps are turned back on, the loose particles are sucked out of the subsoil, freeing up the pores in the grit and allowing the water to flow unhindered. By switching the wells on and off regularly, their production can be increased by an average of 10%, and the wells' service life increases. The programme reduces operating costs and has allowed us to forego building several new wells, resulting in far more than €1 million in annual savings for the 150 wells in the Hambach opencast mine alone. RWE operates about 1,500 of these wells in the Rhenish lignite mining region and plans to expand the programme to include additional opencast mines.

1.3 ECONOMIC ENVIRONMENT

Economic stimulus and the slightly colder weather compared to 2014 spurred energy consumption in Europe to the benefit of our supply business. In contrast, the framework conditions in conventional electricity generation are becoming increasingly critical. Due to the slump on the hard coal and gas markets, wholesale electricity prices have dropped further. Mounting feed-ins of subsidised electricity from wind turbines and solar panels also put prices under pressure, particularly in Germany. Purchases of base-load power in 2015 for the following calendar year only cost an average of €31 per megawatt hour, the lowest price for over a decade.

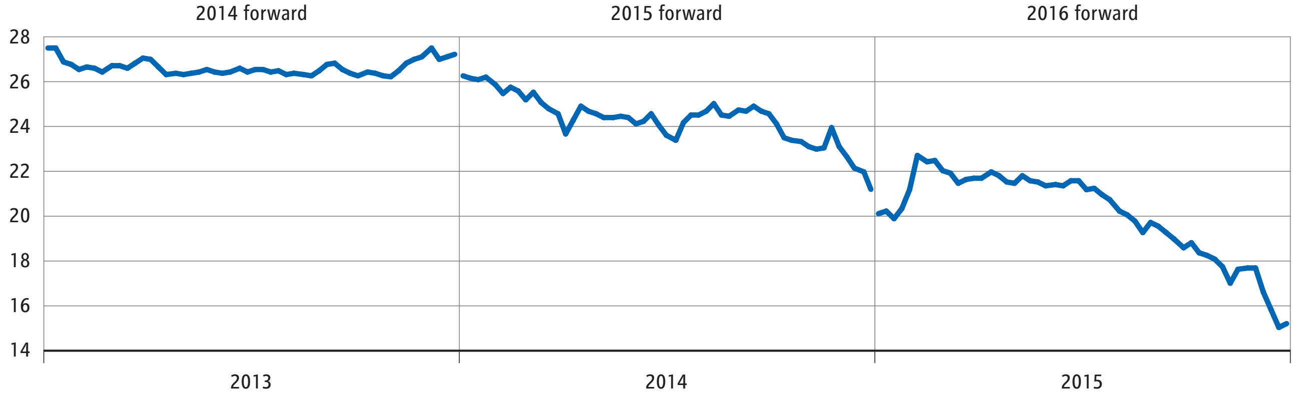
Eurozone economic performance up 1.5 %. Based on initial estimates, global economic output in 2015 was 2.5 % higher than in the preceding year. The Eurozone's gross domestic product (GDP) rose by 1.5 %, driven by low interest rates, the collapse in oil prices and the devaluation of the euro vis-à-vis the dollar. The German economy again ranked among the front-runners in the currency area. According to preliminary figures from the Federal Statistical Office, it expanded by 1.7 %, buoyed by consumer spending. The Dutch economy also outgrew the Eurozone as a whole, whereas expansion in Belgium was roughly on a par with the currency area. In the United Kingdom, our largest market outside the currency union, it was primarily thanks to the flourishing service sector that GDP rose by an estimated 2.2 %. Our markets in Central Eastern Europe displayed even more dynamic development. Based on available data, in 2015 the Czech Republic posted growth of about 4 %, followed by Poland and Slovakia, both recording gains of 3.5 %, and Hungary achieving an increase of 3 %.

Mild weather again in Continental Europe. Whereas industrial enterprises are affected primarily by the economic trend, residential energy consumption is influenced more by weather conditions. The higher the outside temperatures, the less energy is needed for heating purposes. In Germany, the Benelux countries and Central Eastern Europe, temperatures in 2015 were above the ten-year average, whereas in the United Kingdom, they were slightly below it. The months of January, November and December were remarkably mild. However, it was not as warm in 2015 as it was in 2014.

In addition to energy consumption, the generation of electricity is also subject to weather-related influences. Wind levels play a significant role. They were higher than in 2014 in large parts of Europe. In Germany, the United Kingdom, the Netherlands and Poland, our wind turbine capacity utilisation improved, whereas in Italy and Spain it deteriorated somewhat. Precipitation and melt water also have an impact on electricity production. In Germany, where most of our run-of-river power stations are located, they were down on the high level recorded in the preceding year. Due to the substantial expansion of photovoltaic capacity under the German Renewable Energy Act, sunshine now also has a significant effect on electricity supply. Based on figures published by Germany's National Meteorological Service, the country had an average of 1,723 hours of sunshine in 2015, 102 more than a year earlier.

Higher energy consumption in RWE's core markets. Economic growth and the slightly 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 made by the German Association of Energy and Water Industries (BDEW), demand for electricity in Germany in 2015 was about 1 % higher than in the previous year. Data available for the Netherlands, the United Kingdom, Poland, Slovakia and Hungary also indicates a rise in electricity consumption. Demand for gas, which is much more dependent on temperature, was spurred by the fact that it was colder overall than in 2014. Based on surveys conducted by BDEW, German gas usage was up 4 %. The Czech network regulator estimates that the country saw an increase of 5 %. Conversely, despite the colder weather, consumption stagnated in the Netherlands and the United Kingdom, in part because less electricity was generated from gas.

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

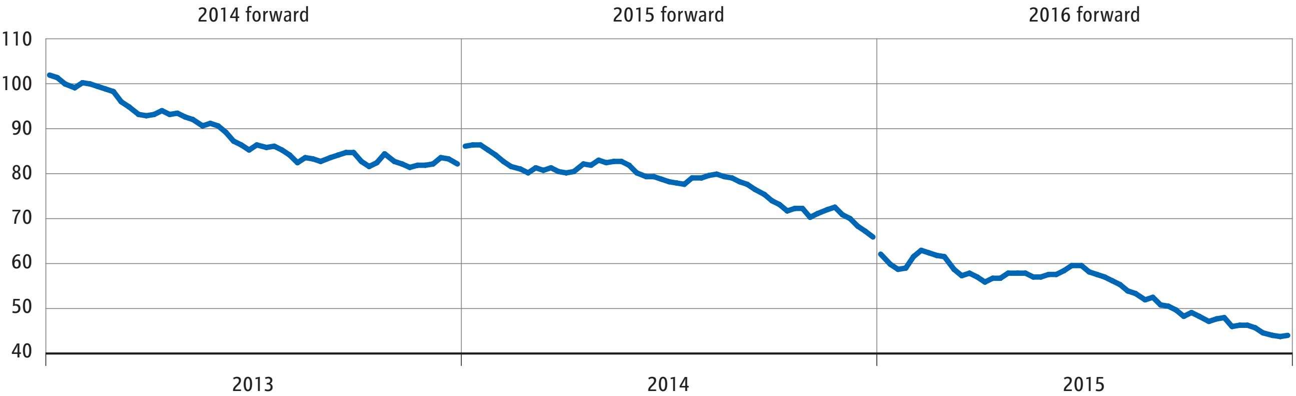


Source: RWE Supply & Trading.

Gas prices down year on year. The slump in international commodities trading has trickled down to the European gas market. A major role is played by the significant drop in the price of oil, as gas imports to Continental Europe are partly based on long-term contracts linked to the price of oil, which are concluded between energy utilities and production companies. Averaged for the year, spot prices at the Title Transfer Facility (TTF), the reference gas trading market for Continental Europe, amounted to €20 per MWh, €1 down on 2014. Contracts for delivery in the following calendar year (2016 forward) were also settled for €20 per MWh, €4 less than what was paid for the 2015 forward in 2014.

The decline in wholesale gas prices, which was also observed in the United Kingdom, put retail quotations under pressure. Based on available data, the average gas price in Germany dropped by 1% for households and by 8% for industrial enterprises. Gas prices for the aforementioned customer groups were down an estimated 5% and 10% in the United Kingdom and about 3% and 4% in the Netherlands. Data indicates that in the Czech Republic gas deliveries to industry became 6% cheaper, whereas residential tariffs rose by 2%.

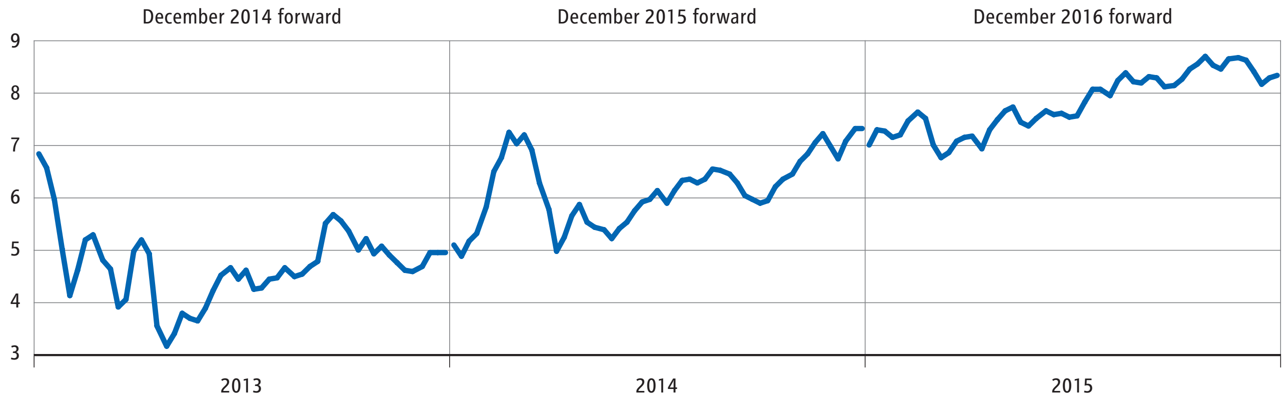
One-year forward prices of coal deliveries to Amsterdam/Rotterdam/Antwerp
US$/metric ton of coal (average weekly figures)



Source: RWE Supply & Trading.

Slump on hard coal market persists. Prices in international hard coal trading have been trending downwards since 2011. Those expecting stabilisation in 2015 were disappointed. Coal deliveries including freight and insurance to Amsterdam/Rotterdam/Antwerp (known as the ARA ports) were quoted at an average of US$57 (€51) per metric ton in spot trading, as opposed to US$75 in 2014. The 2016 forward (API 2 Index) traded at an average of US$55 per metric ton, US$23 less than the comparable year-earlier figure. The global coal market is oversupplied, as many countries increased their production capacities in the past and demand failed to keep up. In addition, the overseas freight costs included in the price of coal decreased because excess shipping capacity was built up and fuel prices dropped. In 2015, the standard route from South Africa to Rotterdam cost a mere US$5 per metric ton, US$4 less than in the previous year.

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



Source: RWE Supply & Trading.

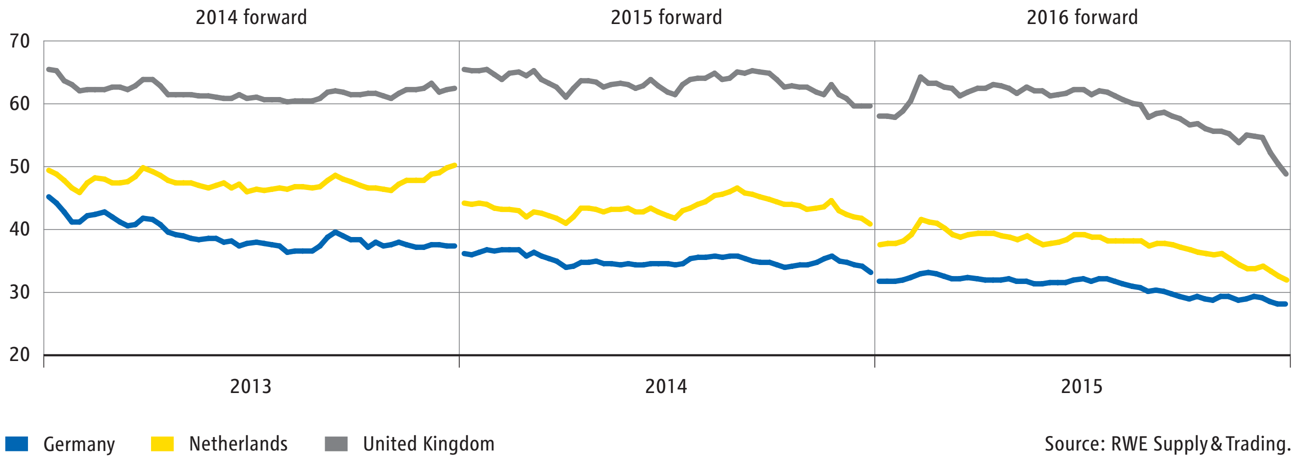
Slight recovery in CO_2 emission allowance prices. Quotations in emissions trading displayed a clear upward trend until the end of 2015, followed by a price drop at the beginning of this year. In 2015, a EU Allowance (EUA), which confers the right to emit a metric ton of carbon dioxide, cost an average of €7.80. This figure relates to forward contracts that will mature in December 2016. By comparison, in 2014 the EUA was quoted at an average of €6.20 in contracts for December 2015. 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). Backloading is likely to continue until the end of 2016 and will affect certificates covering a total of 900 million metric tons of carbon dioxide. The decision in 2015 to introduce a 'market stability reserve' (MSR) also had a price-increasing effect (see page 33). 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 on the market in 2019 and 2020, which was the original plan.

Decline in wholesale electricity prices. In Germany, the development of wholesale electricity prices is significantly affected by rising feed-ins of electricity subsidised under the German Renewable Energy Act. They force conventional generation plants off the market, primarily affecting gas-fired power stations, which as a rule have higher fuel costs than coal-fired or nuclear power plants. The influence of gas-fired stations on the formation of electricity prices has thus decreased, whereas that of hard coal-fired power plants, which have relatively low production costs due to the massive decline in the price of hard coal, has risen. 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 German wholesale electricity quotations have been declining for years. Prices continued to decrease in 2015 and dropped again significantly at the beginning of 2016. Last year's average spot price for base load power was €32 per MWh, down €1 on the level achieved in 2014. The 2016 forward traded at €31 per MWh, whereas the 2015 forward traded for €35 in 2014.

In the United Kingdom, our second-largest generation market, gas-fired power stations account for a much larger share of electricity production than in Germany and therefore have a stronger influence on electricity prices. For this reason, and due to the introduction of a tax on carbon dioxide in April 2013, UK electricity quotations are relatively high. Last year, a megawatt hour of base-load power cost an average of £40 (€56) on the UK spot market. This was £2 less than in 2014. The 2016 forward traded for £43 (€59) per MWh, £8 below the previous year's comparable figure.

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. Moreover, German electricity exports weigh on prices. Base-load power on the Dutch spot market was quoted at €40 per MWh, €1 less than the figure recorded in 2014. In forward trading, contracts for the following calendar year were settled for an average of €38 per MWh, as opposed to €43 in the prior year.

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

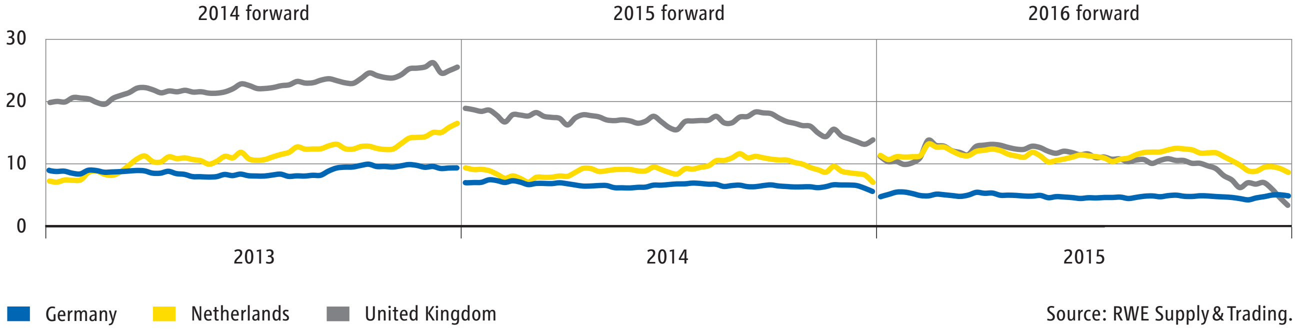


Source: RWE Supply & Trading.

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

The graphs on the next page illustrate the development of margins since 2013, based on the respective year-forward transactions. In Germany, the average clean dark spread realisable for 2016 in 2015 was slightly lower than the comparable figure for the previous year. It dropped significantly in the United Kingdom, but in contrast it rose slightly in the Netherlands. A slight recovery was witnessed in the margins of gas-fired power stations over the course of last year. Based on annual averages, clean spark spreads were up year on year in all three markets. However, drawing a comparison to clean dark spreads shows that the market conditions for gas-fired power plants were less favourable than for hard coal-fired power stations.

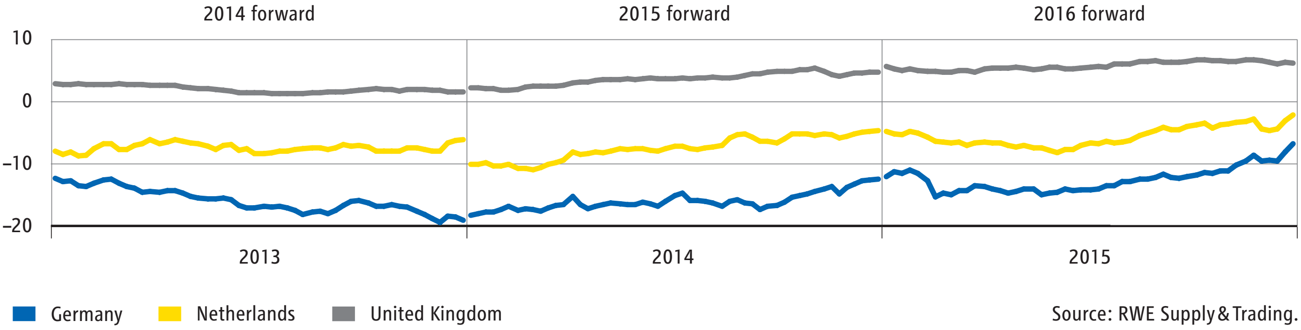
Clean dark spreads[1] forward trading
€/MWh (average weekly figures)



Source: RWE Supply & Trading.

1 Price of base-load electricity minus the cost of hard coal and CO_2 emission allowances based on a power plant efficiency of 35% to 37%, including coal tax in the Netherlands, which was abolished as of 1 January 2016, and CO_2 tax in the UK.

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



Source: RWE Supply & Trading.

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

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

RWE electricity from lignite and nuclear sold for an average of €41 per MWh. We sell forward most of the output of our power stations and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the income we earned from our power plants in the year under review depended on these types of forward contracts for delivery in 2015, which we had concluded up to three years in advance.

Overall, our 2015 power production sold for a lower price than our 2014 generation. For electricity from our German lignite-fired and nuclear power plants, we achieved an average of €41 per MWh (previous year: €48 per MWh). Accordingly, the margins of these stations dropped significantly. The margins of our gas and hard coal-fired power stations were also under pressure. However, despite the unfavourable development of electricity prices, the decline in fuel quotations provided some relief.

Lower retail electricity bills. Electricity prices trended downwards in the retail sector, largely driven by the development on the wholesale market. In Germany, households paid an average of 1% less than in 2014, whereas industrial enterprises saw prices decrease by about 3%. In the United Kingdom, prices dropped slightly for both customer groups. Declines of 1% (households) and 8% (industry) were recorded in the Netherlands, of 5% and 3% in Slovakia and of 3% for both groups in Hungary. Conversely, electricity became 2% and 3% more expensive for the residential and industrial sectors in Poland.

1.4 POLITICAL ENVIRONMENT

Once again, climate protection was one of the main political topics in 2015. At the UN Climate Conference in Paris, the global community adopted a convention on limiting global warming as the successor to the Kyoto Protocol. In Germany, policymakers concentrated on how the country can achieve its ambitious climate protection goal for 2020. Proposals to impose a climate levy on power plants, which would have had a devastating effect on the lignite industry, were abandoned following massive protests. Instead, lignite-fired power stations with a total net installed capacity of 2.7 GW will be put on stand-by and shut down several years later. The German government also reached a decision on the future design of the electricity market: instead of introducing a capacity mechanism, it intends to maintain the existing market model. In addition, nuclear energy became a focal point of politics. The German government wants to secure the financing of the waste management obligations by the nuclear power plant operators over the long term and tasked a commission with developing a concept.

Global community agrees on successor to the Kyoto Protocol. At the UN Climate Conference, which took place from 30 November to 12 December in Paris, the global community agreed on a convention to limit global warming. The World Climate Convention, which was adopted unanimously, is the internationally legally binding successor agreement to the 1997 Kyoto Protocol, which will expire in 2020. It envisages limiting the rise in the global average temperature to significantly below two degrees centigrade – if possible 1.5 degrees centigrade – compared to the pre-industrial level. Another goal is to achieve a balance between greenhouse gas emissions and their absorption, for instance by oceans and forests, as well as the subterranean storage of carbon dioxide in the second half of the century. This would allow fossil fuels to be used only if their emissions can be neutralised. In addition, the Convention pledges financial support for economically disadvantaged countries for climate protection measures and adjustments to global warming. In 2020, each country will determine how they will reduce greenhouse gas emissions. Thereafter, they will update this performance target every five years, i.e. if possible commit to a more ambitious goal. The World Climate Convention itself does not contain national emissions targets. It is scheduled to be signed by the heads of government in New York on 22 April 2016. Only if at least 55 countries, which together are responsible for at least 55% of the world greenhouse gas emissions, give their binding approval will it enter into force.

EU Commission presents a draft for a new emissions trading guideline. Climate protection post-2020 was also one of the focal topics of European energy policy last year. In July, the EU Commission presented an amendment to the Emissions Trading Guideline, which aims to ensure that the emission reduction target for 2030 established by the Council of Ministers in October 2014 is achieved. By 2030, the EU wants to lower its greenhouse gas emissions by at least 40% compared to 1990. The precondition is the appropriate design of the European Union Emissions Trading System for the coming decade. The draft guideline envisages changing the annual reduction of the total volume of CO_2 certificates on the market during the fourth emissions trading period. It runs from 2021 to 2030 and the new targeted reduction is 2.2% instead of the current goal of 1.74%. A 'Modernisation Fund' will assist economically disadvantaged member states and an 'Innovation Fund' will help industry in making the necessary investments in low-carbon technologies. The Commission intends to maintain the free allocation of certificates to industrial enterprises in order to prevent CO_2 costs leading to site relocations. However, it wants to limit the subsidised sectors. The proposed guideline is now being considered by the Council of Ministers and the EU Parliament. The formal legislative procedure is expected to last until 2017.

Emissions trading: go-ahead for the introduction of a market stability reserve. The legislative procedure for supplementing the EU Emissions Trading System with a market stability reserve, which will allow the supply of CO_2 certificates to be controlled more flexibly, has already been completed. It received EU Parliament approval in July 2015. In September, the Council of Ministers also gave it the go-ahead. The market stability reserve is scheduled to become active in 2019. This is where emission allowances can be deposited whenever there is a substantial surplus of certificates, as is currently the case. The surplus will be calculated once a year and corresponds to the difference between the certificates issued and used since 2008. If a certain cap is exceeded, the number of certificates auctioned in the following years is reduced accordingly and the emission allowances withheld are added to the reserve. Vice-versa, if the volume of certificates is below an established floor, a corresponding number of certificates is taken from the reserve and put on the market. This will not affect the targeted CO_2 reduction. Instead, the market stability reserve is intended to be used in order to better co-ordinate supply and demand in emissions trading and stabilise certificate prices.

EU intends to create European Energy Union. At the end of March, the EU heads of state and government adopted a concept for a European Energy Union. The objective is to better co-ordinate political decisions in the EU regarding energy and the climate and to promote co-operation among the member states. For example, in the event of an energy shortage, EU countries are to help each other more than in the past and reduce their dependence on imports from non-EU countries such as Russia. The EU's Energy Union strategy is made up of five elements: supply security, internal energy market, energy efficiency, emission reduction and research and innovation in the field of energy. The EU accords high importance to the modernisation and connection of networks. It wants every EU member state to be capable of exporting at least 10% of domestic power generation to neighbouring countries by no later than 2020. In November 2015, following a review, the EU Commission declared it was of the opinion that the project is on track. In addition, the Commission announced extensive implementation steps and new legislative proposals for 2016.

Germany sets course for additional emission reduction in lignite-based generation. In Germany, the specification of the 'Climate Protection Action Plan 2020' was one of the central topics in the debate on energy policy last year. The programme is designed to ensure that Germany achieves the 40% reduction in greenhouse gas emissions compared to 1990 targeted for 2020. It envisages lowering emissions in the electricity sector by an additional 22 million metric tons of carbon dioxide compared to the expected development. In March 2015, the German Federal Ministry for Economic Affairs and Energy (BMWi) set out how it intended to realise the savings. In a key issues paper, it proposed imposing a climate levy on power plants. The levy would have forced 17 of our 20 lignite-fired units and two of our three opencast mines to be shut down in the Rhenish lignite mining region. After the proposal met with massive resistance from the energy sector as well as from trade unions and German industry, the BMWi abandoned it.

At the beginning of July, the heads of the parties of the governing Christian Democrat/Christian Social and Social Democrat coalition agreed to put lignite-fired power plants with a total net installed capacity of 2.7 GW on stand-by and shut them down several years thereafter. A draft law on the design of the measure was adopted by the German Cabinet in early November, after which it entered the parliamentary procedure. The BMWi had agreed on this with the affected energy companies MIBRAG, RWE and Vattenfall beforehand. The draft law envisages eight lignite-fired power plant blocks being gradually taken off the market from 2016 to 2019. They would then be used for four years as the reserve of last resort to ensure security of supply. In turn, operators of these stations will receive compensation, which the BMWi estimates will total €1.6 billion. By taking this measure, the German government intends to achieve 12.5 million metric tons in carbon dioxide savings per year. In the event that this goal is not achieved, the lignite industry has pledged to reduce its carbon emissions by up to an additional 1.5 million metric tons from 2018. RWE will put five units of the 300-megawatt class on stand-by: Blocks P and Q at Frimmersdorf (as of 1 October 2017), Units E and F at Niederaussem (as of 1 October 2018) and Block C at Neurath (as of 1 October 2019). The BMWi has thoroughly discussed the concept of the stand-by operation with the European Commission and is confident that the EU will not classify the measure as unallowed state aid.

German government increases subsidies for combined heat and power generation. The emission reduction envisaged by the Climate Protection Action Plan 2020 will also be achieved by stepping up the expansion of combined heat and power (CHP) generation. CHP units make use of the heat produced during electricity generation, for example to heat homes or for industrial processes. This enables a more efficient use of the fuel's energy content. The German government aims to realise 4 million metric tons in carbon savings through higher CHP subsidies. It laid the foundation for this by amending the German Combined Heat and Power Act, which entered into force as of 1 January 2016. The CHP Act mandates that CHP-based electricity generation increase to 110 billion kWh by 2020 and 120 billion kWh by 2025. In comparison, in 2014, it totalled 96 billion kWh. To achieve these targeted expansions, the German government doubled annual available subsidies from €750 million to €1.5 billion. The funds are earmarked for both new and existing plant. One of the subsidised activities is the conversion of coal-fired units to gas.

Electricity market design white book: German government opposes capacity market. The German government has outlined its course for the future design of the electricity market. In the white book published at the beginning of July, it speaks out against the introduction of a capacity mechanism. A system of this kind would ensure that, in addition to revenue from electricity production, power plant operators received a payment for making their capacity available and therefore contributing to security of supply. The German government rejects this, in part because it fears that the mechanism will lead to substantial costs. It prefers the existing market model, which it intends to make more functional. To this end, the white book recommends guaranteeing the free formation of wholesale electricity prices, strengthening the balancing zone and balancing power system, opening the balancing power market to further providers, incentivising increased consumer flexibility, and making the market more transparent. It also envisages creating a capacity reserve, which would only be used whenever supply failed to cover demand. The German Cabinet passed a corresponding draft electricity market act in November. The legislative procedure is scheduled to be completed by the middle of 2016.

German utilities pass nuclear provision stress test. Another issue on which the German government's deliberations focused was whether political steps were necessary in order to secure the financing of the nuclear obligations by the utilities. A review of this kind had already been stipulated by the coalition agreement between the Christian Democrat/Christian Social and Social Democrat parties. The German Ministry for Economic Affairs and Energy (BMWi) commissioned an expert opinion on the nuclear provisions of the four German nuclear power plant operators (stress test) from the Düsseldorf-based auditors Warth & Klein Grant Thornton. The results were published on 10 October. The appraiser reached the conclusion that the energy utilities investigated carry sufficient net assets on their balance sheets to meet their obligations to dismantle the nuclear power stations and dispose of radioactive waste. The expert opinion certifies that the utilities have taken full account of the waste management tasks that can be foreseen at present and have calculated their provisions correctly. In addition, the appraiser presented a number of scenarios resulting 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, shortly after the conclusion of the stress test, the German government created a 'Commission for the Review of Nuclear Exit Financing', which has been tasked with proposing a concept for securing the financing of the dismantling and waste management obligations. The government wants the Commission's concept to take account of the companies' ability to perform in economic terms. Among the financing models considered is the establishment of a trust, which would assume either all or part of the obligations and would be provided with appropriate funding by the utilities. A fund is another conceivable solution. The government appointed 19 members to the Commission, excluding representatives of the nuclear power plant operators. Chairmanship was entrusted to 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). The Commission intends to present its proposals shortly. It is envisaged that the government will then adopt a financing concept in the spring, which should at least be based on the Commission's key recommendations.

State government presents draft resolution on the future of Rhenish lignite. In September, the administration of the State of North Rhine-Westphalia adopted the draft of a resolution on future 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, it is envisaged that a greater distance than usual be maintained between the mining area 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. In the autumn, there was a consultation process for the draft, in which RWE was involved. The final decision is expected to be adopted in the second quarter of 2016. The next step will consist of implementing the zoning regulations.

United Kingdom: Conservative victory fuels hope for more stable energy supply framework. The Conservative Party won the absolute majority necessary for a single-party government at the UK general elections on 7 May 2015. The Tories won 331 of the 650 seats in the Houses of Parliament. The Conservatives, led by Prime Minister David Cameron, now govern the country without their former coalition partner, the Liberal Democrats. The outcome of the elections is of major significance to the country's energy policy. The opposition Labour Party had campaigned for a 20-month freeze of residential electricity and gas tariffs. In contrast, the Tories are expected to bring UK energy policy more in line with the market.

UK government abolishes advantages for green energy producers in connection with the climate protection levy. With effect from 1 August, the UK government abolished the exemption of green energy from the national climate protection levy and thus curtailed the earnings prospects of renewable energy producers. The 'climate change levy' (CCL) has been imposed on fossil fuels since April 2001. If the energy sources are used to generate electricity, they are not subject to the CCL, but the electricity produced is. The levy must be paid by consumers in the commercial, industrial and public sectors. It is used to finance climate protection projects and measures to improve energy efficiency. For electricity, it amounted to £5.54 per MWh at the end of 2015. Green energy had previously been exempt from the CCL. Therefore, consumers subject to the levy were able to buy certificates, which are referred to as 'levy exemption certificates' (LECs), from renewable energy plant operators and submit them to the authorities in place of the CCL. For green energy producers, the LECs were an additional source of income, which has now been abolished. This affects RWE companies. It curtailed our Group's operating result by about €20 million in 2015 and will reduce it by approximately €40 million per annum thereafter.

UK competition authority does not see impediments to competition in wholesale electricity or gas markets. In early July, the UK Competition and Markets Authority (CMA) presented the first results of its ongoing investigation of the competitive landscape in the UK energy sector. In a preliminary report, it considers the national wholesale markets to be fully functional. The CMA does not see any reason why major energy companies such as RWE would gain a competitive advantage through vertical integration. However, it feels there are indications of insufficient competition in the residential and small commercial enterprise sectors. This relates in particular to disengaged customers who are unwilling to switch to a lower-cost provider. The CMA proposes a series of measures for assisting such customers including introducing a temporary price cap. The competition probe was commissioned in the middle of 2014 by the UK regulatory authority Ofgem (Office of Gas and Electricity Markets). It was scheduled to be completed by the end of 2015, but the CMA extended the timetable. The final report is now expected to be presented in June 2016.

Netherlands: parliament decides to shut down old coal-fired power stations and abolish the coal tax. The Netherlands is making progress in implementing the national energy agreement ('Energieakkoord') of 2013 (see page 47 of the 2013 Annual Report). The parliament legally mandated the shut-down of the country's five oldest hard coal-fired power stations, including Block 8 of our 611 MW Amer power plant. To compensate for this, it decided to abolish the coal tax. Amer 8 was taken offline as of 1 January 2016. At the same time, the tax relief entered into force, benefiting our Eemshaven and Amer 9 stations. To obtain the majority required to abolish the coal tax, the Dutch government committed to present a strategy in 2016 for an exit from coal-based power production.

The debate on the future of coal became heated. This was due to the District Court of The Hague ruling in favour of an environmental organisation and imposing stricter climate protection obligations on policymakers. The judges ruled that greenhouse gas emissions have to be reduced by at least 25% by 2020 compared to 1990 levels. They also found that, based on the current climate policy, only a maximum of 17% would be achieved. The government lodged an appeal against the judgement, but at the same time announced that it will take additional climate protection measures.

Poland introduces new subsidy system for renewables. Poland will fundamentally reform its subsidies for climate-friendly electricity generation. The parliament gave the go-ahead for this in February 2015. The decision was preceded by a legislative procedure that lasted several years. The subsidy system is similar to that of the United Kingdom. Poland will conclude ‘contracts for differences’ (CfD) with operators of new plant, which will guarantee fixed compensation for a period of 15 years. If the price realised by the operators on the wholesale market is below the fee, they will be paid the difference. If it exceeds the fee, they will be obliged to make payments. It is envisaged that the government will determine each year and for each generation technology the subsidy level for new capacity. CfD contracts will be auctioned. Small units with a net installed capacity of up to 10 kW will not participate in the CfD market and will instead receive fixed feed-in payments. Operators of existing plant can choose whether to use the current subsidy system via green energy certificates or switch to the CfD regime by participating in an auction. The new subsidy scheme was originally scheduled to enter into force as of 1 January 2016. However after taking office in November, the new Polish government delayed the start as it intends to review some of the reform’s elements.

1.5 MAJOR EVENTS

Last year, we set the course to ensure that RWE can continue to play an active role in the changing energy system, despite the severe crisis in conventional electricity generation. We decided to pool renewables, grids and retail in a new subsidiary and list it on the stock market. This allows us to create a growth platform, which has its own access to the capital market. Another major event last year was the successful sale of RWE Dea. We used the funds from this and other divestments to increase our financial strength significantly. In addition, we passed some major milestones in expanding our wind power capacity. Our new large-scale offshore wind farms Nordsee Ost and Gwynt y Môr have been operating commercially since the middle of last year. They were the reason for the significant improvement in our earnings from renewables.

Events in the fiscal year

RWE will pool its renewables, grid and retail operations and list them on the stock market. On 1 December 2015, the Executive Board of RWE AG announced its intention to pool its renewables, grid and retail businesses in a new subsidiary and list it on the stock market. The Supervisory Board approved this at its meeting on 11 December. This allows us to create a growth platform, which has its own access to the capital market. We plan to increase the new company's capital by about 10% by the end of 2016 through the issuance of new shares. The proceeds will be earmarked to finance further growth in promising markets. Furthermore, RWE AG has the option of selling shares in the new company as part of the IPO or thereafter. This will not change the asset base backing our nuclear waste management obligations. In fact, it will make us more flexible in financing the obligations. RWE AG will retain ownership of the majority of the new company. Like RWE AG, the new company is expected to be headquartered in Essen. In 2015, renewables, grids and retail, which will be folded into the new company, accounted for a total of approximately €43 billion of the RWE Group's revenue and over €4 billion of consolidated EBITDA.

Sale of RWE Dea completed. On 2 March 2015, we completed the sale of our subsidiary RWE Dea, which specialises in oil and gas exploration and production. The company now operates as DEA Deutsche Erdoel AG. It was acquired by the investment company LetterOne, which is domiciled in Luxembourg. We had decided to make this divestment because access to in-house gas sources is no longer of strategic significance to us due to the creation of liquid trading markets. Furthermore, this enabled us to save the capital that we would have had to spend to tap DEA's potential for growth. We had reached an agreement on the transaction with LetterOne as early as March 2014 (see page 35 of the 2014 Annual Report). However, modifications had to be made to the sale agreement entered into at the time, reflecting the political uncertainty and operating developments since then. The contractual conditions resulted in an enterprise value for DEA of €5.1 billion. In addition, an arrangement was made in the event that the EU or the USA imposed sanctions on LetterOne or its Russian majority owner. This would have obliged RWE to buy back DEA's UK business in the twelve months following the completion of the transaction, and sell it on to an independent third party. This provision has since become irrelevant, as DEA sold its UK activities to the Swiss chemical group INEOS in December 2015.

Further divestments made. Besides DEA, we sold a number of activities last year, mostly for strategic reasons. The following is a non-exhaustive list of the shareholdings and assets sold (month of completion in brackets):

- The special purpose vessel Victoria Mathias used to install offshore wind turbines (January): We sold it to the Dutch company MPI Offshore for €69 million. Our second jack-up vessel, Friedrich Ernestine, will remain in our ownership for the time being. We leased it to China-based ZPMC Profundo Wind Energy for a period of five years in March 2015.

- Network infrastructure of the new Welsh offshore wind farm Gwynt y Môr (February): A consortium consisting of Balfour Beatty Investments and Equitix acquired it for £352 million (€475 million). As owner of the network infrastructure, the consortium is responsible for transmitting the electricity produced by the wind farm to the mainland and feeding it into the grid. The transaction was necessary for regulatory reasons. In the United Kingdom, electricity generation and network activities must be under separate ownership.

- A 15 % stake in our Czech subsidiary RWE Grid Holding (March): The buyer is a group of funds managed by Macquarie. The parties agreed not to disclose the price. Our Czech gas distribution network operations are pooled in RWE Grid Holding. We retain a majority stake of 50.04 %. The transaction increased our financial power and strengthened our partnership with Macquarie in the Czech Republic.

- A 10 % stake in Gwynt y Môr (October): UK Green Investment Bank acquired it for £221 million (€307 million). This reduced our shareholding in the offshore wind farm to 50 %. The other interests are held by the Munich municipal utility (30 %) and Siemens (10 %). We intend to use the proceeds from the sale to finance other renewables projects.

RWE withdraws from Luxembourg utility Enovos. At the end of December, RWE and E.ON signed an agreement on the joint sale of their stakes of 18.4 % and 10 % in the Luxembourg-based energy utility Enovos. The buyer is a consortium led by the Grand Duchy of Luxembourg and the investment firm Ardian. The transaction is scheduled for completion in the spring of 2016. The Grand Duchy's confirmation of the approval granted by the Luxembourg City Council is still pending. Our reason for the sale was that we only have a limited influence on the business policy of Enovos.

Nordsee Ost and Gwynt y Môr offshore wind farms officially opened. On 11 May 2015, we inaugurated our new offshore wind farm, Nordsee Ost, in the presence of Germany's Minister of Economic Affairs and Energy, Sigmar Gabriel. Located about 35 kilometres north of Heligoland, the wind farm, of which we are the sole owner, consists of 48 turbines with a total net installed capacity of 295 MW. Its investment volume totals approximately €1.4 billion. Our second new offshore wind farm, Gwynt y Môr, situated off the coast of North Wales, was inaugurated on 18 June. The ceremony was performed by the First Minister of Wales, Carwyn Jones. With 160 turbines, Gwynt y Môr has a net installed capacity of 576 MW, making it the world's second-largest offshore wind farm. The total capital expenditure on Gwynt y Môr, which we shared with our project partners, amounted to some €2.4 billion, excluding the wind farm's grid connection, which we subsequently sold.

Go-ahead for the construction of the Nordsee One and Galloper offshore wind farms. In 2015, RWE started building two new large-scale offshore wind farms: Nordsee One and Galloper. Nordsee One is located in an area 40 kilometres north of the Isle of Juist. On completion in 2017, the wind farm will have a total net installed capacity of 332 MW. Galloper is being built off the coast of Suffolk (east England) and is scheduled to run at its full capacity of 336 MW in 2018. The prerequisite for the construction of these wind farms was to obtain project partners and secure the financing. We accomplished this for both projects. The co-investor in Nordsee One is the Canadian electric utility Northland Power, which holds an 85 % majority stake in the project. Seventy percent of the total cost of approximately €1.2 billion is financed through loans we have been granted by an international consortium of banks. The remaining 30 % is covered by Northland Power and RWE. For Galloper, we joined forces with Siemens Financial Services, Macquarie Capital and UK Green Investment Bank, each of which took a 25 % interest in the project. RWE also owns 25 % and as the consortium leader is responsible for the construction and operation of the wind farm. Most of the estimated €2 billion in project costs associated with Galloper will also be covered by outside capital, provided by an international banking consortium.

RWE and Statkraft agree partnership for Triton Knoll offshore wind farm. In February 2015, we laid the foundation for another offshore wind project. We signed a contract with the Norwegian energy utility Statkraft for the joint development of the Triton Knoll wind farm off the east coast of England. The agreement envisages Statkraft acquiring half of the shares in the project. On completion, Triton Knoll could have an installed capacity of up to 900 MW. This would require a total investment of up to €3 billion. The final decision on the construction is scheduled to be taken in 2017. It will largely depend on whether we qualify for state subsidies for Triton Knoll.

RWE concludes new-build power plant programme. In 2015, nine years after its launch, our new-build power plant programme, comprising nine state-of-the-art generation assets, six of which are fired with gas, two with hard coal and one with lignite, came to an end. Last year, work still had to be done on both of the hard coal-fired power stations. One of them, which has a net installed capacity of 1,554 MW at the Dutch port of Eemshaven, started operating its two blocks commercially in May and July 2015, respectively. The other one, located at Hamm (Westphalia, Germany) is also a twin unit. Block E began producing electricity commercially as early as the middle of 2014. In contrast, Block D suffered substantial delays, in part due to a faulty steam generator. In December 2015, we decided against completing the unit. We filed claims against the vendor and with the insurance companies for compensation for the significant property damages and damages due to the delay for which RWE was not responsible. Besides the majority owner RWE, 23 municipal utilities, which joined us to form the company Gemeinschaftskraftwerk Steinkohle Hamm (GSH), held stakes in the power station at Hamm. Since the power plant project has become much less profitable, the city utilities sold their shares in GSH to us and dissolved contracts to procure electricity from the station with effect from 31 December 2015.

RWE successful in capacity auction in the UK. With the exception of one small station, all participating RWE power plants qualified for capacity payments in the second auction for the new UK capacity market. Together, they account for 8.0 GW of secured capacity. They include the Pembroke, Staythorpe, Little Barford, Didcot B and Great Yarmouth gas-fired power stations as well as the Aberthaw hard coal-fired power plant. All in all, providers with a combined 57.7 GW in generation capacity participated in the auction, which took place from 8 to 10 December 2015. Winning bids were submitted for power plants accounting for 46.4 GW. Their operators will receive a capacity payment of £18 per kilowatt during the delivery period from 1 October 2019 to 30 September 2020. For new plant, the payments will be extended to 15 years. This relates to generation units with a total net installed capacity of 1.0 GW, but no RWE stations are among them. As the payment determined at the auction is based on the price level from October 2014 to April 2015 and will develop in line with the consumer price index, the actual payments may well be higher than £18. In the United Kingdom, capacity auctions have been taking place once a year since 2014. A predetermined amount of secured generation capacity is auctioned. All suppliers that submit winning bids receive the same price, which is the price at which the supplied capacity corresponds with the capacity demanded. Participation in the auction is voluntary and technology-neutral. Stations already receiving subsidies from other sources do not qualify. At the first UK capacity auction, which was held in December 2014, the payment calculated was £19.40 per kW (in 2012 prices) and will be paid for the period from 1 October 2018 to 30 September 2019.

New supply activities in Slovenia, Poland and Hungary. We made further progress in the expansion of our supply business in Central Eastern Europe. In June 2015, we announced our entry into the Slovenian market, where we are focusing on supplying electricity to residential customers for the time being. We will offer them products with terms of one, two or three years and a number of energy savings packages. We aim to attain a 10% share of the market in this customer segment by 2020. We have also launched new supply operations in Hungary and Poland, where we had already established ourselves in the electricity business. For instance, the Hungarian group ELMŰ-ÉMÁSZ, in which we hold a majority stake, also began selling gas in the middle of 2015. Initially, the company is concentrating on the industrial market where it aims to obtain a share of between 10% and 15% by 2020. In Poland, our subsidiary RWE Polska supplies several key accounts with gas, and intends to expand this business to small and medium-sized enterprises.

RWE turns Aldi supermarkets into 'electricity filling stations'. Within the scope of a technology partnership we forged with Aldi Süd, a German discount supermarket, from May to July, we equipped about 50 of Aldi's car parks with charging stations for electric vehicles. Aldi customers can now recharge their cars for free with electricity generated by solar panels on the supermarkets' roofs. RWE's charging stations offer state-of-the-art alternate and direct current models, providing vehicles with innovative fast-charge technology. Depending on the vehicle, cars can usually be fully charged in the time it takes their drivers to do their shopping. RWE has already installed more than 4,900 charging points throughout Europe, over 3,100 of which are in Germany. Our goal is to promote the wider use of electric vehicles by selling and operating suitable infrastructure.

RWE strengthens presence in Arab region. By entering into agreements with the Dubai Supreme Council of Energy (DSCE) and Abu Dhabi-based investment firm Bin Butti International Investment (BBII), we opened the door to further business opportunities in the Arab region. In September, we signed a memorandum of understanding with the DSCE. The declaration lays the foundation for closer co-operation in technical consulting and management services. The DSCE is Dubai's governing body for matters of energy policy. RWE already undertakes advisory activities in the Emirate. The arrangement with BBII was reached in December. RWE and BBII seek to conduct joint activities in the MENAT region, which comprises the Middle East, North Africa and Turkey. The focus is on the development of wind and solar power projects, at times in co-operation with third parties. The range of potential undertakings also covers energy efficiency, district cooling and combined heat and power generation for sea water desalination.

European Court of Justice: nuclear fuel tax does not contravene European law. In early June, the European Court of Justice (ECJ) in Luxembourg decided that the German nuclear fuel tax that has been levied since 2011 is compliant with European law. This was the finding also reached by the Advocate General at the ECJ in his closing remarks in February 2015. Suits against the nuclear fuel tax are pending before several German fiscal courts. In 2013, the Hamburg Fiscal Court announced that it doubted the legality of the tax and therefore referred the matter first to the German Federal Constitutional Court and then to the ECJ. The former is yet to rule on it. The judgement is expected to be issued this year. If the judges declare the tax unconstitutional, this may have a positive effect on RWE's operating result of up to €1.7 billion in 2016.

Major events after the end of the reporting period.
In the period from 1 January 2016 to the editorial deadline for the review of operations on 22 February 2016, there were no events which had a significant impact on the financial, asset or earnings position of the RWE Group.

1.6 NOTES ON REPORTING

RWE Group

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

RWE Dea (sold on 2 March 2015)

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

As of 31 December 2015.

Group structure with seven divisions. Our reporting on the development of business in 2015 follows the Group's structure, which is unchanged from 2014, and has seven segments (divisions). They are based on geographic and functional criteria as follows:

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

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

- Supply Netherlands/Belgium: This is where we report on our Dutch and Belgian electricity and gas distribution 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: The division encompasses widespread international activities, which are overseen by Prague-based RWE East. We are the market leader in the storage, distribution and supply of gas in the Czech Republic, where we also supply electricity. In Hungary, Poland and Slovakia, we have well-established positions in the electricity sector (supply/distribution networks), including power generation from lignite in Hungary. We also sell gas in the aforementioned countries. In addition, we run supply operations in Croatia, Slovenia, Romania and Turkey.

- Renewables: This is where we present the figures of RWE Innogy, a company which develops, builds and operates plants producing electricity from renewable energy sources with a focus on wind and hydro. Its major production sites are 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 electricity and commodities, marketing and hedging the RWE Group's electricity position, and running the entire gas midstream business. Furthermore, it supplies some major German and Dutch industrial and corporate customers with electricity and gas.

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

RWE Dea disclosed as a discontinued operation. As set out on page 38, in March 2015 we completed the sale of RWE Dea, our subsidiary specialising in upstream oil and gas. The transaction took retrospective commercial effect from 1 January 2014. In accordance with International Financial Reporting Standards (IFRS) we recognise RWE Dea in the income statement for fiscal 2015 and the year before only in condensed form under income from discontinued operations. Adjusted net income (formerly recurrent net income, see page 56) only includes the prorated interest on the sale price for RWE Dea that LetterOne paid us for the period from 1 January 2014 until the completion of the transaction on 2 March 2015. 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 97, we state the cash flows from discontinued operations 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 past financial year, we changed the accounting treatment of two investments. This relates to Slovakia-based Východoslovenská energetika Holding a.s. (VSE) and its energy supply subsidiaries as well as the German distribution network company WestEnergie GmbH. VSE and WestEnergie were fully consolidated from 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 in the electricity sector and No. 2 in the gas sector in Slovakia. 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 NEW, a utility based in the Lower Rhine region, which is a fully consolidated company of the RWE Group. Pursuant to a shareholders' agreement, NEW did not initially have a voting majority in WestEnergie, although it owned 99% of the capital. This agreement expired with effect from 1 July 2015. Further commentary on the change in accounting can be found on pages 100 et seq. in the notes to the consolidated financial statements.

1.7 BUSINESS PERFORMANCE

The RWE Group achieved its earnings targets for 2015. At €3.8 billion, the operating result was within the forecast range, as was adjusted net income, which amounted to €1.1 billion. EBITDA was higher than expected, totalling €7.0 billion, but this was due to special items. Our earnings were down on 2014, in part due to operational and technical problems in the UK supply business. In addition, conventional electricity generation margins continued to erode. This was the reason why we had to recognise impairments for our power plants. However, there was also some good news: the Renewables Division more than doubled its operating result. We were also successful in implementing our efficiency-enhancement programme: we again made faster progress than planned. This motivated us to significantly top up the programme, which was launched in 2012. Our goal now is to achieve a lasting contribution to earnings of a total of €2.5 billion, which is expected to take full effect from 2018.

Business performance in 2015: what we forecast and what we accomplished

Outlook vs. actual	2014 actual € million	Outlook for fiscal 2015[1]	2015 actual € million	Expectations fulfilled?
EBITDA	7,131	€6.1 billion to €6.4 billion	7,017	Actual > Outlook
Operating result	4,017	€3.6 billion to €3.9 billion	3,837	Yes
Conventional Power Generation	979	Significantly below previous year	543	Yes
Supply/Distribution Networks Germany	1,871	Moderately below previous year	1,856	Yes
Supply Netherlands/Belgium	146	Significantly above previous year	194	Yes
Supply United Kingdom	227	Moderately above previous year	–137	Actual < Outlook
Central Eastern and South Eastern Europe	690	Moderately below previous year	919	Actual > Outlook
Renewables	186	Significantly above previous year	493	Yes
Trading/Gas Midstream	274	Moderately below previous year	156	Actual < Outlook
Adjusted net income[2]	1,282	€1.1 billion to €1.3 billion	1,125	Yes
Capital expenditure on property, plant and equipment and on intangible assets	3,245	€2.5 billion to €3.0 billion	2,898	Yes

1 See pages 87 et seqq. of the 2014 Annual Report. Qualifiers such as 'moderately' and 'significantly' indicate percentage deviations from the previous year's figures.
2 New term; formerly 'recurrent net income'; see commentary on page 56.

Power generation up 2 % year on year. In the financial year that just came to a close, the RWE Group produced 213.0 billion kWh of electricity. During 2015, 37 % of our electricity generation was from lignite, 22 % from hard coal, 20 % from gas, and 15 % from nuclear. The share of renewable energy amounted to 5 %. Power production was up 2 % on 2014. One reason for this was that both of the units of our new 1,554 MW hard coal-fired power plant near the Dutch port of Eemshaven 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 in the preceding year. The availability of our German lignite-fired power plants also improved, although extensive maintenance and repairs were necessary again in 2015. 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 in 2014 and 2015 and we did not extend them. This related to a total of 2.4 GW of generation capacity.

In addition to our in-house generation, we procure electricity from third parties. These volumes totalled 65.3 billion kWh in 2015 (previous year: 64.8 billion kWh). In-house generation and power purchases combined for 278.3 billion kWh (previous year: 273.1 billion kWh).

Power generation by division	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		Total	
Billion kWh	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Conventional Power Generation	72.5	71.8	44.7	44.6	42.0	37.4	31.7	31.7	0.8	1.2	3.0	2.7	194.7	189.4
of which:														
Germany[1]	72.5	71.8	21.7	26.3	3.5	3.1	30.6	30.5	0.8	0.7	3.0	2.7	132.1	135.1
Netherlands/Belgium	–	–	15.4	11.5	5.8	4.0	1.1	1.2	–	0.5	–	–	22.3	17.2
United Kingdom	–	–	7.6	6.8	29.3	26.7	–	–	–	–	–	–	36.9	33.5
Turkey	–	–	–	–	3.4	3.6	–	–	–	–	–	–	3.4	3.6
Central Eastern and South Eastern Europe	5.3	5.4	–	–	–	0.1	–	–	–	–	–	–	5.3	5.5
Renewables[1]	–	–	–	–	–	–	–	–	9.7	8.1	–	–	9.7	8.1
RWE Group[2]	**77.8**	**77.2**	**46.5**	**48.3**	**42.6**	**38.3**	**31.7**	**31.7**	**11.4**	**10.1**	**3.0**	**2.7**	**213.0**	**208.3**

1 Including electricity from generation assets not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In 2015, this amounted to 11.1 billion kWh (previous year: 15.9 billion kWh) in the Conventional Power Generation Division, of which 7.7 billion kWh (previous year: 12.9 billion kWh) was generated by hard coal-fired power plants, and 0.8 billion kWh (previous year: 0.7 billion kWh) in the Renewables Division.
2 Including generation volumes of other divisions.

One of Europe's biggest power producers with 48.1 GW in generation capacity. At the end of the 2015 financial year, the RWE Group had an installed capacity of 48.1 GW, giving us a leading market position in Europe. This figure takes account of mothballed stations, which are not currently operated for economic reasons. It also includes stations that we do not own, but have contractual usage rights to. Our generation capacity declined by 1.0 GW last year. This was mainly because we closed our Littlebrook oil-fired power plant east of London at the end of March. The station had a net installed capacity of 1,245 MW. Its lifetime was limited in order to comply with EU requirements regarding emissions of large combustion plants. In contrast, we continued to expand our renewable generation capacity. Milestones were the completion of the wind farms Gwynt y Môr off the coast of Wales and Nordsee Ost near Heligoland (see page 39). Furthermore, we commissioned new onshore wind farms in Germany and Poland last year.

In terms of generation capacity, gas is our major source of energy. At the end of 2015, it accounted for 32%, as in the prior year. Lignite is in second place with an unchanged 23%, followed by hard coal, with 22% (previous year: 21%). Renewables had a share of 9% (previous year: 7%), overtaking nuclear energy, the proportion of which remained at 8%. The regional point of focus of our electricity production is Germany, where 60% of our installed capacity is located. The United Kingdom and the Netherlands follow, accounting for shares of 21% and 13%, respectively.

Power generation capacity by division As of 31 Dec 2015, in MW	Gas	Lignite	Hard coal	Renewables	Nuclear	Pumped storage, oil, other	Total	Total 31 Dec 2014
Conventional Power Generation	15,211	10,221	9,580	213	4,054	2,813	42,092	43,511
of which:								
Germany[1]	4,411	10,221	5,352	55	3,908	2,549	26,496	26,520
Netherlands/Belgium	3,256	–	2,668	158	146	–	6,228	6,374
United Kingdom	6,757	–	1,560	–	–	264	8,581	9,830
Turkey	787	–	–	–	–	–	787	787
Central Eastern and South Eastern Europe	67	780	–	19	–	–	866	934
Renewables[1]	–	–	–	3,582	–	–	3,582	3,107
RWE Group[2]	**15,517**	**11,001**	**10,374**	**4,146**	**4,054**	**2,960**	**48,052**	**49,064**

1 Including generation capacity not owned by RWE that we can deploy at our discretion on the basis of long-term contracts. As of 31 December 2015, these generation capacities amounted to 4,629 MW (previous year: 4,607 MW), including hard coal-fired power stations with a combined capacity of 2,173 MW (previous year: 2,151 MW).
2 Including generation capacities of other divisions.

Carbon emissions 3% down year on year. Last year, our power stations emitted 150.8 million metric tons of carbon dioxide. Our own plants accounted for 143.9 million metric tons, and the remaining 6.9 million metric tons came from contractually secured capacity. Our CO_2 emissions were 4.4 million metric tons, or 3%, lower than a year earlier because we produced more electricity from gas and renewables and less from hard coal. Specific emissions, i.e. carbon dioxide emissions per megawatt hour of electricity generated, were also down as forecast, dropping from 0.745 to 0.708 metric tons.

Emissions balance by division	CO_2 emissions		Free allocation of CO_2 certificates		Shortage of CO_2 certificates	
Million metric tons of CO_2	2015	2014	2015	2014	2015	2014
Conventional Power Generation	142.6	145.2	5.2	5.4	136.1	138.7
of which:						
Germany[1]	109.1	116.1	5.1	5.3	104.0	110.8
Netherlands/Belgium	14.8	12.3	0.1	–	14.7	12.3
United Kingdom	17.4	15.7	–	0.1	17.4	15.6
Turkey[2]	1.3	1.1	–	–	–	–
Central Eastern and South Eastern Europe	6.4	6.5	0.1	0.1	6.3	6.4
RWE Group[3]	**150.8**	**155.2**	**5.6**	**5.8**	**143.9**	**148.3**

1 Includes power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In 2015, they produced 6.9 million metric tons of CO_2 (previous year: 13.1 million metric tons).
2 As Turkey does not participate in the European Union Emissions Trading System, we do not need emission allowances for our CO_2 emissions in that country.
3 Including volumes of other divisions.

Free emission allowances cover 4% of CO_2 emissions. Since the beginning of the third emissions trading period, which began on 1 January 2013, the countries of Western Europe have only allocated energy utilities free emission allowances in exceptional cases. Of the 149.5 million metric tons of carbon dioxide that we emitted in EU countries in 2015, we were only able to cover 5.6 million metric tons with such state allocations. This represents a shortage of 143.9 million metric tons, which we made up for by buying emission allowances. To a very limited extent, we also used certificates obtained through emission reductions within the scope of the Kyoto Clean Development Mechanism.

Lignite production totals 95.2 million metric tons. Raw materials used by our power stations are sourced by our generation companies either directly on the market or via RWE Supply & Trading. We source lignite from proprietary opencast mines. In our main mining region, which is west of Cologne, we produced 95.2 million metric tons of lignite last year (previous year: 93.6 million metric tons), of which 82.4 million metric tons were used to generate electricity in our power plants. The remainder was used to manufacture refined products (e.g. briquettes) and, to a limited extent, to generate process steam and district heat.

External electricity sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2015	2014	2015	2014	2015	2014	2015	2014
Conventional Power Generation	0.2	0.3	2.4	2.2	13.1	11.3	15.7	13.8
Supply/Distribution Networks Germany	20.8	20.7	28.7	30.2	69.8	74.4	119.3	125.3
Supply Netherlands/Belgium	10.6	11.1	7.7	9.0	–	–	18.3	20.1
Supply United Kingdom	12.8	14.0	30.3	29.7	2.1	2.0	45.2	45.7
Central Eastern and South Eastern Europe	9.6	8.8	10.2	9.2	7.0	7.0	26.8	25.0
Renewables	–	–	–	–	1.6	1.9	1.6	1.9
Trading/Gas Midstream	–	–	31.2	25.0	–	–	35.2[1]	26.5[1]
RWE Group[2]	**54.0**	**54.9**	**110.5**	**105.3**	**93.6**	**96.6**	**262.1**	**258.3**

1 Including volume effects of the sale of self-generated electricity on the wholesale market. If these sales volumes exceed the purchases made for supply purposes, the positive balance is recognised in the sales volume. In 2015, the balance was +4.0 billion kWh compared to +1.5 billion kWh in the preceding year.
2 Including volumes subsumed under 'Other, consolidation'.

Marginal rise in electricity sales volume. In the year under review, RWE sold 262.1 billion kWh of electricity to external customers, slightly more than in 2014. Sales rose in the industrial and corporate segment, partly because we won new customers. Volumes increased further, as the Slovak energy utility VSE was fully consolidated at the end of August 2015, after having previously been accounted for at equity (see page 43). This also had an impact on the residential and small commercial enterprise segment. Nevertheless, we recorded a slight drop in sales in this customer group, with the trend towards saving energy playing an important role. In the United Kingdom, this was exacerbated by customer losses. However, they were contrasted by gains elsewhere. Electricity sales to German distributors also declined, partly because some of them increased their purchases from other 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 producers of electricity covered by the REA increasingly market it directly or use it themselves.

Electricity customers by country	Total		Of which: residential and commercial customers	
Thousands	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Germany	6,788	6,693	6,738	6,636
Netherlands	2,161	2,176	2,156	2,172
Belgium	355	328	355	328
United Kingdom	3,180	3,387	2,961	3,183
Hungary	2,118	2,116	2,117	2,114
Slovakia	472	–	470	–
Poland	934	895	932	893
Czech Republic	300	265	299	264
Croatia	107	98	106	97
Other[1]	9	–	9	–
RWE Group	**16,424**	**15,958**	**16,143**	**15,687**

1 Customers in Romania, Slovenia and Turkey.

As of 31 December 2015, the RWE Group's fully consolidated companies supplied electricity to 16,424,000 customers, of which 6,788,000 were in Germany. Compared to 2014, customer figures rose by 466,000, or 3 %. The largest contributing factor was the first-time full consolidation of VSE, which added 472,000 customers as of year-end. We posted customer gains in our main market, Germany, among others. In addition, we also improved our share of the market in Belgium, Poland and the Czech Republic. In contrast, it deteriorated considerably in the highly competitive UK residential customer business. Besides fierce competition, problems in customer services at RWE npower also played a role. Furthermore, the state Energy Company Obligation (ECO) programme is weakening our market share. Under ECO, major UK energy utilities such as RWE npower are obliged to finance measures to increase the energy efficiency of households and are therefore at a cost disadvantage compared to smaller providers, which do not have such obligations.

External gas sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2015	2014	2015	2014	2015	2014	2015	2014
Supply/Distribution Networks Germany	24.7	22.0	18.3	18.8	53.3	49.4	96.3	90.2
Supply Netherlands/Belgium	32.9	31.8	28.6	28.8	–	–	61.5	60.6
Supply United Kingdom	30.0	30.8	3.6	2.5	6.3	5.7	39.9	39.0
Central Eastern and South Eastern Europe	15.0	14.2	30.6	26.5	0.5	1.8	46.1	42.5
Trading/Gas Midstream	–	–	25.5	23.3	27.4	25.7	52.9	49.0
RWE Group	**102.6**	**98.8**	**106.6**	**99.9**	**87.5**	**82.6**	**296.7**	**281.3**

Gas supply volume up 5 %. Our gas sales advanced by 5 % to 296.7 billion kWh. This was in part because the weather in all our key markets was colder than in 2014. Consequently, more gas was used for heating purposes by our residential and commercial customers. In business with distributors in Germany, we won new customers and intensified our 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, on balance, we lost customers.

Gas customers by country	Total		Of which: residential and commercial customers	
Thousands	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Germany	1,334	1,290	1,323	1,279
Netherlands	1,954	1,969	1,950	1,964
Belgium	234	211	234	211
United Kingdom	2,025	2,169	2,015	2,159
Czech Republic	1,349	1,397	1,343	1,391
Slovakia	126	119	124	119
Other[1]	1	–	1	–
RWE Group	**7,023**	**7,155**	**6,990**	**7,123**

1 Customers in Croatia, Poland and Hungary.

As of the balance-sheet date, our fully consolidated companies had a total of 7,023,000 gas customers, most of which were in the United Kingdom, the Netherlands, the Czech Republic and Germany. Compared to the end of 2014, our gas customer base shrank by 132,000, or 2%. Similar to electricity, we experienced the biggest declines among UK households. Our position in the Czech Republic also worsened. However, customer losses which we have experienced there since the market was liberalised in 2007, have slowed considerably in the meantime. We accomplished this by offering attractive long-term agreements and successfully winning back customers, among other things. Our customer base increased slightly in Germany, Belgium and Slovakia.

External revenue by product € million	2015	2014	+/– %
Electricity revenue	33,840	33,663	0.5
of which:			
Supply/Distribution Networks Germany	19,546	20,204	–3.3
Supply Netherlands/Belgium	1,502	1,710	–12.2
Supply United Kingdom	6,866	6,364	7.9
Central Eastern and South Eastern Europe	2,393	2,199	8.8
Trading/Gas Midstream	2,401	2,157	11.3
Gas revenue	12,118	11,905	1.8
of which:			
Supply/Distribution Networks Germany	4,341	4,122	5.3
Supply Netherlands/Belgium	2,521	2,664	–5.4
Supply United Kingdom	2,123	2,144	–1.0
Central Eastern and South Eastern Europe	1,874	1,746	7.3
Trading/Gas Midstream	1,258	1,228	2.4
Other revenue	2,641	2,900	–8.9
RWE Group	**48,599**	**48,468**	**0.3**

External revenue essentially unchanged. In 2015, our external revenue posted a marginal increase, rising to €48,599 million. This figure includes natural gas and electricity tax. Electricity revenue was up 1% to €33,840 million, while gas revenue rose 2% to €12,118 million. This was mainly due to the positive volume trend. However, some of our supply companies lowered their prices, resulting in revenue shortfalls. The revenue trend was also affected by currency exchange rates. The biggest impact came from the appreciation of the British pound, which cost an average of €1.38, as opposed to €1.25 a year earlier. The US dollar also gained over the euro, whereas the value of the other currencies of importance to us only changed slightly. Net of the effects of the full consolidation of VSE and currency translation, our revenue dropped by 2%.

External revenue € million	2015	2014	+/– %
Conventional Power Generation	1,903	1,888	0.8
Supply/Distribution Networks Germany	24,792	25,310	–2.0
Supply Netherlands/Belgium	4,117	4,443	–7.3
Supply United Kingdom	9,138	8,992	1.6
Central Eastern and South Eastern Europe	4,353	4,059	7.2
Renewables	387	277	39.7
Trading/Gas Midstream	3,827	3,409	12.3
Other, consolidation	82	90	–8.9
RWE Group	**48,599**	**48,468**	**0.3**
Natural gas tax/electricity tax	2,242	2,319	–3.3
RWE Group (excluding natural gas tax/electricity tax)	**46,357**	**46,149**	**0.5**

EBITDA € million	2015	2014	+/– %
Conventional Power Generation	2,191	2,522	–13.1
of which:			
Continental Western Europe	2,010	2,412	–16.7
United Kingdom	168	90	86.7
Supply/Distribution Networks Germany	2,621	2,650	–1.1
Supply Netherlands/Belgium	236	203	16.3
Supply United Kingdom	–65	294	–
Central Eastern and South Eastern Europe	1,163	913	27.4
Renewables	839	547	53.4
Trading/Gas Midstream	164	286	–42.7
Other, consolidation	–132	–284	53.5
RWE Group	**7,017**	**7,131**	**–1.6**

Operating result € million	2015	2014	+/– %
Conventional Power Generation	543	979	–44.5
of which:			
Continental Western Europe	624	1,362	–54.2
United Kingdom	–76	–384	80.2
Supply/Distribution Networks Germany	1,856	1,871	–0.8
Supply Netherlands/Belgium	194	146	32.9
Supply United Kingdom	–137	227	–
Central Eastern and South Eastern Europe	919	690	33.2
Renewables	493	186	165.1
Trading/Gas Midstream	156	274	–43.1
Other, consolidation	–187	–356	47.5
RWE Group	**3,837**	**4,017**	**–4.5**

Operating result of €3,837 million within the forecast range. In the financial year that just ended, we achieved earnings before interest, taxes, depreciation and amortisation (EBITDA) of €7,017 million. The forecast that we published in March 2015 envisaged a range of €6.1 billion to €6.4 billion (see page 88 of the 2014 Annual Report). The fact that EBITDA was above the range was largely due to special items. One such item was the result of our full consolidation of the Slovak energy utility VSE at the end of August. The change in accounting treatment reflects the revaluation of the investment, which revealed a hidden reserve of €185 million. Another reason for exceeding the range was one-off income realised in connection with our power plant project at Hamm, which was due to insurance claims, among other things (see page 40). Our decision not to complete the construction of Block D required us to recognise an impairment of €654 million. However, this was not reflected in EBITDA. We recognise the impairment in the operating result, which therefore contains both the one-off income as well as the heavier burdens caused by the power plant project. At €3,837 million, the operating result was in line with our expectations. We had forecast a range of €3.6 billion to €3.9 billion.

Compared to 2014, EBITDA and the operating result dropped by 2% and 4%, respectively. The price-induced decline in margins in conventional electricity generation came to bear. Earnings in our renewables business improved considerably. In the supply business, which contributed €824 million (previous year: €912 million) to the operating result throughout Europe, we benefited from the weaker negative impact of the weather compared to 2014. However, we also suffered substantial burdens owing to operating and technical problems at RWE npower.

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

- Conventional Power Generation: In line with our expectations, this division's operating result declined substantially, dropping by 45% to €543 million. 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). As mentioned earlier, on balance the power plant project at Hamm had a negative impact on the operating result. Furthermore, we achieved lower income from the reversal of nuclear and mining provisions and accrued provisions for additional restructuring measures. A positive effect came from our efficiency-enhancement programme, which we implemented faster than anticipated.

- Supply/Distribution Networks Germany: The operating result posted by this division amounted to €1,856 million, just below the previous year's level. We had forecast a moderate decline. In particular, our income from the sale of networks decreased. Such transactions generally take place only when 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 situations, 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. In addition, we benefited from the expansion of our customer base.

- Supply Netherlands/Belgium: As anticipated, the division posted a substantial gain in its operating result, driving it up 33% to €194 million. The increase was partly due to a recovery in earnings in the gas supply business following the very mild weather in 2014. In addition, we successfully marketed new supply offerings.

- Supply United Kingdom: Conversely, we missed our forecast for RWE npower, which envisaged a moderate rise. In fact, the division closed the year under review with an operating loss of €137 million. The main reason for this is serious process and system-related problems in customer billing. Substantial earnings shortfalls also stemmed from the fact that residential and commercial customers switched providers or we were only able to retain such customers by offering them contracts with more favourable conditions. In addition, there is an increasing trend towards saving energy, which also hit us harder than expected. By contrast, we experienced relief in implementing the Energy Company Obligation (ECO) government programme, which requires the major energy providers to finance measures to improve energy efficiency in homes. As expected, we spent less on ECO measures than in the previous year. At the beginning of 2016, the Executive Board of RWE npower formulated a restructuring concept, with which it intends to stabilise margins and raise the company's competitive position to the market average by 2018. The process and system-related issues should have been largely resolved by the end of this year.

- Central Eastern and South Eastern Europe: Here, the operating result totalled €919 million, one third more than in 2014. We had expected a moderate decline. One-off income from the full consolidation and revaluation of VSE was the main reason why the forecast was clearly exceeded. However even without this effect, the division would have closed the year under review up on the last one, primarily thanks to successful cost-cutting measures. In the Czech gas business, we benefited from the cooler weather and the improvement in the regulatory framework for distribution system operators, 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.

- Renewables: As expected, the division recorded a considerable gain. Its operating result rose by €307 million to €493 million. This was largely due to the commissioning of the two large-scale wind farms, Gwynt y Môr and Nordsee Ost in 2015. In addition, higher wind levels led to an increase in the utilisation of our existing capacity. Furthermore, one-off income was received from the sale of the Gwynt y Môr network infrastructure (€30 million) and of stakes in the Galloper offshore wind project (€93 million). The appreciation of the British pound and the absence of the exceptional burdens experienced in the previous year also had a positive effect on earnings. However, we had to recognise impairments for Dutch onshore wind farms. This is because we will sell the electricity they generate on the wholesale market after the end of the subsidy period and the price realisable there has dropped. Further impairments were recognised for onshore wind projects in the United Kingdom, which we had to discontinue due to political resistance.

- Trading/Gas Midstream: The operating result posted by RWE Supply & Trading amounted to €156 million, 43% less than in 2014. We had forecast a moderate decline in earnings. The weaker performance is in part due to the development in energy trading, where income was slightly lower than average, after having been very high in the prior year. 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.

Key figures for value management	Operating result 2015	Capital employed 2015[1]	ROCE 2015	Cost of capital before tax 2015	Absolute value added 2015	Absolute value added 2014
	€ million	€ million	%	%	€ million	€ million
Conventional Power Generation	543	18,860	2.9	9.25	–1,201	–825
Supply/Distribution Networks Germany	1,856	16,747	11.1	7.75	558	502
Supply Netherlands/Belgium	194	2,429	8.0	8.25	–6	–49
Supply United Kingdom	–137	2,331	–5.9	8.25	–329	24
Central Eastern and South Eastern Europe	919	4,592	20.0	7.75	563	333
Renewables	493	5,869	8.4	8.00	23	–240
Trading/Gas Midstream	156	59	264.4	10.00	150	211
Other, consolidation	–187	–2,653	–	8.75	–142	–233
RWE Group	**3,837**	**48,234**	**8.0**	**8.75**	**–384**	**–277**

1 Average of 2014 and 2015 year-end figures.

RWE achieves a return on capital employed of 8.0%. In 2015, the return on capital employed (ROCE) that we calculate based on our value management concept was 8.0%. It was lower than a year earlier (8.4%) and also below the Group's cost of capital before taxes of 8.75%. ROCE minus the cost of capital, multiplied by capital employed, equals absolute value added, which amounted to –€384 million, down €107 million on the figure posted in the prior year, which was already negative (–€277 million). This was predominantly due to the deterioration in operating earnings. A positive effect was felt from the fact that the applied cost of capital of 8.75% was slightly lower than in 2014 (9%). One of the reasons for this is the drop in market interest rates. Detailed information on our value management concept can be found on the following two pages.

The RWE Group's value management

Value added as a gauge of commercial success. RWE's value management concept is a tool for measuring the economic success of our business activities and assessing the attractiveness of investment projects. In this context, the value added by an activity is of central importance. It is positive if the return on capital employed (ROCE) exceeds the cost of capital. ROCE is the ratio of the operating result to capital employed.

We calculate the cost of capital as a weighted average cost of equity and debt. The cost of equity corresponds to the expectation of returns on the capital market when investing in an RWE share, whereas the cost of debt is oriented towards our long-term finance conditions. The figures we used to calculate the cost of capital for 2015 differ from those of the preceding year and lead to a lower ratio overall. This is predominantly due to the drop in market interest rates. In contrast, the risk exposure of our business has increased.

The cost of equity is determined by first establishing a return on a risk-free, long-term investment. Our figure for 2015 is 2.5%. Then we determine the risk charges specific to the Group and the divisions, which are also referred to as 'market premiums', and multiply them with what is termed the 'beta factor'. The latter is based on the Capital Asset Pricing Model developed in the 1960s. It is the key figure for the systematic risk associated with an investment or financing measure, which is also referred to as the 'market risk'. Taking account of the capital structure, for 2015 we applied a beta factor of 1.07. The market premium is 6.5%. Adding the risk-free return to the result of multiplying the market premium and beta factor leads to a cost of equity of 9.46%. As it is not tax-deductible, this figure is the same both before and after taxes.

For the cost of debt we apply 3.75% before tax. The imputed tax rate is 30%. Multiplying these two figures results in what is termed the 'tax shield', which is the amount by which the cost of debt is reduced because it is classified as tax deductible. The calculated tax shield of 1.12 percentage points results in a cost of debt of 2.63% after taxes.

We assume that the ratio of equity to debt is 50:50, in line with our long-term capital structure. In sum, for 2015 this results in a cost of capital of 6% after tax and 8.75% before tax. The previous year's corresponding figures were 6.25% and 9%, respectively.

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

ROCE minus the cost of capital equals relative value added. Multiplying this figure by the capital employed results in the absolute value added. The higher it is, the more commercially successful a particular activity is.

Declining significance of value added for business management. Value added has long been our central control parameter, but for us it has become less important, as in business in general. Since 2013, the bonus of the Executive Board of RWE AG has been calculated based on the operating result instead of value added. Now this also applies to the variable compensation of our employees. First and foremost, we use the internal rate of return to assess the attractiveness of capex projects. When budgeting for the future development of our business, we mainly focus on the development of EBITDA, the operating result, operating cash flows, the budget surplus/deficit (cf. page 61) and net debt. Against this backdrop, we will not be presenting our value management concept in future financial reports.

Cost of capital		2015	2014
Risk-free interest rate	%	2.50	3.78
Market premium	%	6.5	5.0
Beta factor		1.07	1.03
Cost of equity after tax	%	9.46	8.94
Cost of debt before tax	%	3.75	5.00
Tax rate for debt	%	30.00	27.38
Tax shield	%	−1.12	−1.37
Cost of debt after tax	%	2.63	3.63
Proportion of equity	%	50.0	50.0
Proportion of debt	%	50.0	50.0
Cost of capital after tax	%	**6.00**	**6.25**
Tax rate for blanket conversion	%	30.00	31.23
Cost of capital before tax	%	**8.75**	**9.00**

Determining capital employed		31 Dec 2015	31 Dec 2014
Intangible assets/property, plant and equipment[1]	€ million	56,203	54,408
+ Investments including loans[2]	€ million	3,830	4,114
+ Inventories	€ million	1,959	2,232
+ Trade accounts receivable	€ million	5,599	6,510
+ Other accounts receivable and other assets[3]	€ million	10,091	8,855
– Non-interest-bearing provisions[4]	€ million	9,458	10,831
– Non-interest-bearing liabilities[5]	€ million	18,256	17,307
Adjustments[6]	€ million	−771	−721
Capital employed	€ million	**49,197**	**47,260**

Determining value added		2015
Capital employed before adjustments (averaged for the year)	€ million	48,228
Adjustments[7]	€ million	6
Capital employed after adjustments (averaged for the year)	€ million	**48,234**
Operating result	€ million	**3,837**
ROCE	%	**8.0**
Relative value added	%	**−0.8**
Absolute value added	€ million	**−384**

1 Intangible assets and property, plant and equipment were stated at half of their cost (see the statement of changes in assets on pages 116 et seqq.). Goodwill and the customer base were recognised at carrying amounts. For 2014 and 2015, €808 million in non-productive assets was deducted.
2 Investments accounted for using the equity method and other financial assets; excluding non-current securities.
3 Including income tax refund claims; excluding derivative financial instruments in the amount of €1,148 million (previous year: €1,230 million) and the surplus of plan assets over benefit obligations.
4 Tax provisions and other provisions; excluding non-current provisions in the amount of €1,529 million (previous year: €1,574 million).
5 Trade accounts payable, income tax liabilities and other liabilities; excluding derivative financial instruments in the amount of €647 million (previous year: €926 million) and purchase price liabilities of €1,395 million (previous year: €1,200 million) from put options.
6 Assets essentially capitalised in accordance with IAS 16.15 in the amount of €390 million (previous year: €370 million) are not taken into account since they do not employ capital.
7 Corrections to reflect first-time consolidations and deconsolidations during the year pro-rata.

Reconciliation to net income: significant burdens due to impairments. The difficult situation in conventional electricity generation has left clear marks on the reconciliation from the operating result to net income. It was reflected primarily in the non-operating result, which decreased by €2,962 million to –€2,885 million compared to 2014. By recognising €2.1 billion in impairments for our German and UK power plants, we reacted to the further deterioration of the earnings prospects of these assets. We also wrote down the Dutch nuclear power station Borssele, in which we hold a 30% stake, and the IT infrastructure of RWE npower. Additional burdens were experienced in connection with an out-of-court settlement, with which we resolved an arbitration proceedings. By contrast, the accounting treatment of certain derivatives, which we use to hedge price fluctuations, had a positive effect: on balance, this led to income of €296 million, whereas it had resulted in a slight loss a year earlier (–€29 million). The book gain on the disposal of investments and assets recognised in the non-operating result was immaterial, amounting to €31 million (previous year: €154 million).

Financial result € million	2015	2014	+/– € million
Interest income	265	218	47
Interest expenses	–1,069	–1,080	11
Net interest	**–804**	**–862**	**58**
Interest accretion to non-current provisions	–821	–1,114	293
Other financial result	36	128	–92
Financial result	**–1,589**	**–1,848**	**259**

The financial result improved by €259 million, to –€1,589 million, mainly due to relief in the interest accretion to non-current provisions. The absence of a one-off effect experienced in the previous year came to bear: in 2014, reductions in the discount rates led to an increase in other non-current provisions, which was considered in the interest accretions. The other financial result dropped, although income from the sale of securities rose. A major factor was that the valuation of financial transactions led to a net expense, as opposed to net income booked in the prior year.

Income from continuing operations before tax amounted to –€637 million. Nevertheless, we stated income taxes of €603 million. This is because we wrote down deferred tax assets in the RWE AG tax group, as we will probably not be able to use them. Deferred tax assets constitute the right to future tax reductions resulting from differences in the statement and/or valuation of assets and debt between the tax balance sheet and the IFRS balance sheet. The prerequisite for capitalising deferred taxes is that tax gains are made in later fiscal years, which allow the use of the tax reduction. This is currently unforeseeable within the RWE AG tax group, in part due to the signficant deterioration of the earnings prospects in conventional electricity generation.

After taxes, we recorded a loss from continuing operations of €1,240 million after a profit of €1,693 million in the prior year.

Discontinued operations contributed €1,524 million to income after tax (previous year: €364 million). The majority of this sum, €1,453 million, is attributable to the book gain on the sale of RWE Dea.

Income attributable to non-controlling interests advanced by €111 million to €356 million, as several fully consolidated companies in which third parties hold stakes, closed the reporting year up on the previous one. This primarily relates to our German regional utilities and is in part due to the aforementioned one-off income from the sale of securities.

The portion of our earnings attributable to hybrid investors amounted to €98 million (previous year: €108 million). This sum corresponds to our finance costs after tax. However, only the hybrid bonds classified as equity pursuant to IFRS are considered here. These are the issuances of €1,750 million and of £750 million; the former was redeemed as of 28 September 2015. In last year's interim reports, we had assumed that we would not be able to use the finance cost of the hybrid capital to reduce taxes and therefore anticipated higher income. However, this assumption proved inaccurate for 2015.

The developments presented above are the reason for the deterioration in net income by €1,874 million to –€170 million compared to 2014. Based on the 614.7 million in RWE shares outstanding, this corresponds to earnings per share of –€0.28 (previous year: €2.77).

Adjusted net income of €1,125 million in line with expectations. Our adjusted net income amounted to €1,125 million and was therefore at the lower end of the forecast range of €1.1 billion to €1.3 billion. As set out on page 43, 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. However, special items recorded in the operating result such as the impairment recognised for the hard coal-fired power station at Hamm are generally not eliminated. We therefore replaced the term 'recurrent net income' with 'adjusted net income'. Compared to 2014, adjusted net income was down by 12%. This was predominantly due to the deterioration in operating earnings.

Reconciliation to net income		2015	2014	+/– %
EBITDA	€ million	**7,017**	**7,131**	**–1.6**
Operating depreciation, amortisation and impairment losses	€ million	–3,180	–3,114	–2.1
Operating result	€ million	**3,837**	**4,017**	**–4.5**
Non-operating result	€ million	–2,885	77	–
Financial result	€ million	–1,589	–1,848	14.0
Income from continuing operations before tax	€ million	**–637**	**2,246**	**–**
Taxes on income	€ million	–603	–553	–9.0
Income from continuing operations	€ million	**–1,240**	**1,693**	**–**
Income from discontinued operations	€ million	1,524	364	318.7
Income	€ million	**284**	**2,057**	**–86.2**
of which:				
Non-controlling interest	€ million	356	245	45.3
RWE AG hybrid capital investors' interest	€ million	98	108	–9.3
Net income/income attributable to RWE AG shareholders	€ million	**–170**	**1,704**	**–**
Adjusted net income[1]	€ million	**1,125**	**1,282**	**–12.2**
Earnings per share	€	–0.28	2.77	–
Adjusted net income[1] per share	€	1.83	2.09	–12.4
Number of shares outstanding (average)	millions	614.7	614.7	–
Effective tax rate	%	–	25	–

1 New term; formerly 'recurrent net income'; see commentary on this page.

Efficiency-enhancement programme: target for 2015 exceeded. We made good progress in implementing our current efficiency-enhancement programme, which was launched in 2012. It encompasses numerous measures to reduce costs and increase revenue, through which we intend to tap into additional earnings potential each and every year. The programme is designed to improve operational processes considerably and achieve savings in administration and IT. Our goal for 2015 was to achieve an additional effect on the operating result of €100 million. In fact, we exceeded this target, realising an effect of about €200 million, despite the operational problems in the UK supply business. In particular, we achieved higher performance gains in the Conventional Power Generation Division than expected. The efficiency-enhancement programme was originally designed to end in 2017 and tap into €2.0 billion in additional earnings potential. Through the measures implemented since 2012, we have already achieved €1.6 billion, compared to the planned €1.5 billion. As we are making better progress with the programme than expected, we are already planning new steps to increase our operating effectiveness, keeping our focus on conventional electricity generation. Furthermore, we intend to restructure our UK supply business comprehensively. Including the additional measures, we now aim to achieve an impact of €2.5 billion on the operating result, which should be fully felt from 2018.

Capital expenditure € million	2015	2014	+/– € million
Capital expenditure on property, plant and equipment and on intangible assets	2,898	3,245	–347
of which:			
Conventional Power Generation	789	1,086	–297
Supply/Distribution Networks Germany	1,021	900	121
Supply Netherlands/Belgium	25	9	16
Supply United Kingdom	189	148	41
Central Eastern and South Eastern Europe	409	309	100
Renewables	418	723	–305
Trading/Gas Midstream	10	11	–1
Other, consolidation	37	59	–22
Capital expenditure on financial assets	405	195	210
Total capital expenditure	**3,303**	**3,440**	**–137**

Capital expenditure marginally down on previous year. Our capital expenditure decreased by €137 million to €3,303 million. We spent €2,898 million on property, plant and equipment and intangible assets, €347 million less than in 2014. This was in line with our expectations: we had forecast a range of €2.5 billion to €3.0 billion. Capital expenditure on financial assets rose substantially, but remained moderate, amounting to €405 million. We made some minor acquisitions in 2015, including the purchase of the municipal shares in Gemeinschaftskraftwerk Steinkohle Hamm (see page 40).

There was a considerable drop in spending on property, plant and equipment in the Conventional Power Generation Division, which dedicated a large portion of the funds to the hard coal-fired power stations at Hamm and the Dutch seaport of Eemshaven. Since we completed the project at Eemshaven in 2015, the associated expenditure was no longer substantial. Capital expenditure in the Renewables Division also declined significantly. A portion was allocated to the new offshore wind farms Nordsee Ost and Gwynt y Môr, which were inaugurated in May and June 2015, respectively. In 2014, the wind farms had still been under construction. We recorded a rise in spending in the Supply/Distribution Networks Germany Division, which intensified its measures to improve electricity and gas network infrastructure. The Central Eastern and South Eastern Europe Division also dedicated the majority of the funds to the grid business. The Supply Netherlands/Belgium Division focused capital expenditure on IT projects. In the UK retail business, the focus was on measures to develop and introduce smart meters.

Workforce[1]	31 Dec 2015	31 Dec 2014	+/– %
Conventional Power Generation	13,605	14,776	−7.9
Supply/Distribution Networks Germany	18,339	18,412	−0.4
Supply Netherlands/Belgium	2,840	2,688	5.7
Supply United Kingdom	6,668	6,985	−4.5
Central Eastern and South Eastern Europe	11,394	9,978	14.2
Renewables	898	989	−9.2
Trading/Gas Midstream	1,270	1,338	−5.1
Other[2]	4,748	4,618	2.8
RWE Group	**59,762**	**59,784**	**-**
of which:			
In Germany	35,170	36,411	−3.4
Outside of Germany	24,592	23,373	5.2

1 Converted to full-time positions.
2 At the end of 2015, 2,025 employees were accounted for by RWE Group Business Services (previous year: 1,681), 1,691 by RWE IT (previous year: 1,837), 647 by RWE Service (previous year: 703) and 267 by the holding company RWE AG (previous year: 299).

Due to initial consolidation of VSE, headcount unchanged despite streamlining measures. As of 31 December 2015, RWE had 59,762 people on its payroll, roughly as many as in the previous year. Part-time positions were considered in these figures on a pro-rata basis. On balance, 1,859 employees left the Group due to operating changes. Streamlining measures played a central role, particularly in the Conventional Power Generation Division. In contrast, changes in the scope of consolidation had a positive net effect of 1,837 positions. The full consolidation of VSE alone added 1,559 staff members. However, the sale of RWE Dea, which was completed in March, did not lead to a change in manpower, as the company's employees stopped being included in the figures for the Group in the middle of 2014. Personnel figures at our German sites decreased by 1,241 to 35,170 compared to the end of the preceding year, whereas the number of employees working abroad rose by 1,219 to 24,592. By the end of 2015, some 2,339 young adults were in a professional training programme at RWE, but they are not included in our staff figures.

1.8 FINANCIAL POSITION AND NET WORTH

In fiscal 2015, we took a major step towards increasing our financial strength by selling RWE Dea. The transaction was the main reason we were able to reduce our net debt by nearly one fifth to €25.1 billion. However, at €3.3 billion, our cash flows from operating activities were considerably down on the high level recorded in the previous year. As expected, they were insufficient to finance our capital expenditure and dividend payments. Temporary fluctuations in working capital played an important role. We still aim to balance our budget in the years ahead, although we may not accomplish this every single year. We remain on track for financial consolidation. Our top priority is to be able to refinance our business at acceptable conditions on the debt capital market at all times, even in the event of a financial crisis.

Central financing. The RWE Group's financing is the responsibility of RWE AG, which obtains funds from banks or on the money and capital markets. When issuing bonds, it usually turns to its Dutch subsidiary RWE Finance B.V., which issues bonds backed by RWE AG. Only in specific cases do other subsidiaries raise debt capital directly, for example if it is more advantageous economically to make use of local credit and capital markets. Furthermore, RWE AG acts as co-ordinator when Group companies assume a liability. The holding company decides on the scope of warranties issued and letters of comfort signed. Pooling these activities enables us to manage and monitor financial risks centrally. Moreover, this strengthens our position when negotiating with banks, business partners, suppliers and customers.

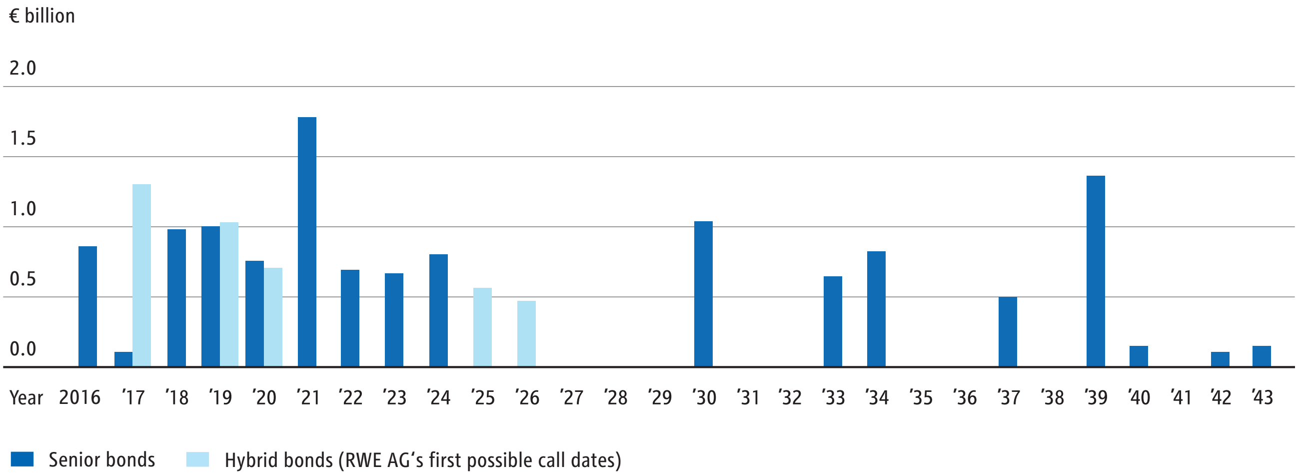
Flexible tools for raising debt capital. We largely meet our financing needs with cash flows from operating activities. In addition, we have access to a number of flexible financing instruments. We raise long-term debt capital primarily within the scope of our Debt Issuance Programme, which allows us to issue a total of €30 billion in senior bonds. We did not conduct any issuances under this programme in the financial year that just ended. Furthermore, a commercial paper programme gives us a maximum of US$5 billion in headroom for short-term financing on the money market. We only made limited use of it in 2015. A €4 billion syndicated credit line granted to us by an international consortium of banks serves as an additional liquidity reserve. The credit line agreement expires at the end of March 2020 and can be extended by a year. We have not drawn on it so far.

Neither the aforementioned financing instruments nor the current credit facilities contain specific financial covenants such as interest coverage, leverage or capitalisation ratios that could trigger actions, like the acceleration of repayment, provision of additional collateral, or higher interest payments. Likewise, they do not contain rating triggers.

RWE raises hybrid capital again. Last year, we issued three hybrid bonds: two in April, with volumes of €700 million and €550 million, and one in July, with a volume of US$500 million. Their tenors are limited to 60 years. The first April bond has a coupon of 2.75% and may be cancelled by RWE for the first time in October 2020. It was issued at a rate of 99.38%. The second April bond has a coupon of 3.5% and may be cancelled no earlier than April 2025. It had an issue rate of 100%. The bond issued in July has a coupon of 6.625%. We may cancel it for the first time in March 2026. Given its issue rate of 99.117%, this bond has a US dollar yield of 6.75%. Due to swaps, however, our finance costs in euros are much lower. Hybrid bonds are a mix of equity and debt. As they are subordinate to all other financial debt, their coupons are higher than those of conventional paper. Seven RWE hybrid bonds are currently outstanding. The leading rating agencies, Standard & Poor's and Moody's, classify them as debt only on a 50% basis.

In the year under review, the aforementioned bond issuances were contrasted by two redemptions. In February 2015, a €2 billion six-year bond with a coupon of 5% matured. We had already repurchased nearly €200 million (nominal) of this at the end of 2014. The second redemption related to a €1,750 million hybrid bond, which we issued in September 2010 and cancelled at the earliest possible time five years later. Through last year's three hybrid issuances, we replaced it with capital of similar value.

RWE bonds: maturities/first possible call dates (as of 31 Dec 2015)



Bond volume drops to €16.4 billion. In 2015, the nominal volume of all RWE bonds outstanding (including hybrid bonds) dropped by €1.5 billion to €16.4 billion. At €3.8 billion, our maturities were much higher than the new issuances, which totalled €1.7 billion. Furthermore, the appreciation of the British pound influenced the bond volume: it caused paper issued in that currency to rise in price in euro terms. RWE bonds are denominated in euros, sterling, Swiss francs, US dollars and yen. We concluded hedges to manage our currency exposure. Taking such transactions into account, at the balance-sheet date, our debt broke down into 61 % in euros and 39 % in sterling. This means that we did not have any currency exposure from capital market debt in US dollars, Swiss francs or yen.

By the end of 2015, our bonds’ original tenors ranged from seven to 30 years. The weighted average remaining term to maturity was 10.1 years. Hybrid bonds are not included in this figure. Our 2016 maturities are limited to a nominal volume of €850 million with a 6.25 % coupon that expires in April.

RWE bonds by maturity (as of 31 Dec 2015)[1]		2016–2020	2021–2024	2025–2029	From 2030
Nominal volume	€ billion	3.7	3.9	–	7.8
Share of total volume of capital market debt	%	24	25	–	51

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

Cash flow statement € million	2015	2014	+/– € million
Funds from operations	3,058	3,696	–638
Change in working capital	281	1,860	–1,579
Cash flows from operating activities of continuing operations	**3,339**	**5,556**	**–2,217**
Cash flows from investing activities of continuing operations	**–1,795**	**–4,194**	**2,399**
Cash flows from financing activities of continuing operations	**–2,303**	**–2,138**	**–165**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	14	8	6
Total net changes in cash and cash equivalents[1]	**–745**	**–768**	**23**
Cash flows from operating activities of continuing operations	3,339	5,556	–2,217
Minus capital expenditure on property, plant and equipment and on intangible assets[2]	–2,898	–3,245	347
Free cash flow	**441**	**2,311**	**–1,870**
Minus investments in financial assets[2]	–275	–105	–170
Minus dividend payments	–1,070	–1,061	–9
Budget surplus/budget deficit	**–904**	**1,145**	**–2,049**

1 Including discontinued operations, cash and cash equivalents decreased by €721 million in 2015, and by €693 million in 2014.
2 The item solely includes capital expenditure with an effect on cash.

Operating cash flows 40% down year on year. Cash flows generated from operating activities totalled €3,339 million, 40% less than in 2014. This reflects the deterioration in conventional electricity generation margins, which was only partially cushioned by efficiency improvements. In addition, we had to pledge substantial collateral for certain commodity derivative transactions. Transactions that were reflected in changes in working capital also had a significant influence. For example, in 2014, expenses associated with purchases of CO_2 emission allowances were very low due to a change in payment pattern. This was a non-recurring effect.

Investing activities of continuing operations led to net cash outflows of €1,795 million. This was €2,399 million less than a year before, primarily due to our substantial proceeds from the sale of RWE Dea and other business activities. We reinvested some of the funds in securities and other cash instruments. In addition, we increased the funding of our pension commitments by transferring €1.3 billion in cash and cash equivalents to trusts and pension funds.

Financing activities of continuing operations led to cash outflows of €2,303 million (previous year: €2,138 million). The main reason for this was that the volume of redeemed bonds clearly exceeded that of new issuances. 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 increased our liabilities vis-à-vis banks and pledged less collateral in connection with forward transactions.

On balance, the aforementioned cash flows from operating, investing and financing activities reduced our cash and cash equivalents by €745 million.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, result in free cash flow. Amounting to €441 million, the latter was much lower than the year-earlier figure (€2,311 million). The main reason for this was the considerable decline in operating cash inflows.

Deducting the capital expenditure on financial assets and the dividend payments from free cash flow, results in a ‘budget deficit’ of €904 million. In the previous year, we had recorded a surplus of €1,145 million. We aim to fully finance our capital expenditure and dividend payments with cash flows from operating activities in order to achieve a budget that is at least balanced. However, we cannot achieve this every financial year. This is mainly because changes in working capital can cause operating cash flows to fluctuate substantially.

Net debt[1] € million	31 Dec 2015	31 Dec 2014	+/– € million
Cash and cash equivalents	2,522	3,171	–649
Marketable securities	7,676	4,777	2,899
Other financial assets	1,337	2,099	–762
Financial assets	**11,535**	**10,047**	**1,488**
Bonds, other notes payable, bank debt, commercial paper	16,981	16,155	826
Hedge transactions related to bonds	–192	–38	–154
Other financial liabilities	2,099	2,411	–312
Financial liabilities	**18,888**	**18,528**	**360**
Net financial debt	**7,353**	**8,481**	**–1,128**
Provisions for pensions and similar obligations	5,842	7,871	–2,029
Surplus of plan assets over benefit obligations	–15	–	–15
Provisions for nuclear waste management	10,454	10,367	87
Mining provisions	2,527	2,401	126
Adjustment for hybrid capital (portion of relevance to the rating)	–1,035	766	–1,801
Plus 50% of the hybrid capital stated as equity	475	1,353	–878
Minus 50% of the hybrid capital stated as debt	–1,510	–587	–923
Net debt of continuing operations	**25,126**	**29,886**	**–4,760**
Net debt of discontinued operations	**–**	**1,086**	**–1,086**
Total net debt	**25,126**	**30,972**	**–5,846**

1 In 2015, we started recognising the effects of transactions concluded to limit the currency risks to which our foreign currency bonds are exposed. Figures for 2014 have been adjusted accordingly.

Significant decline in net debt due to the sale of RWE Dea. With effect from 31 December 2015, our net debt amounted to €25.1 billion. Compared to the end of 2014 (€31.0 billion) it decreased significantly. 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 €1.4 billion, such as the sale of the grid connection of our Welsh offshore wind farm Gwynt y Môr and the reduction of our stakes in Gwynt y Môr and in our Czech subsidiary RWE Grid Holding. We have provided information on these transactions on pages 38 et seq. The slight increase in the discount rates used to calculate provisions for pensions was another contributing factor. This caused our provisions for pensions to be lower. The interest rates used in the financial statements for fiscal 2015 are 2.4% in Germany and 3.6% in the United Kingdom (previous year: 2.1% and 3.4%, respectively). They reflect the recent development of market interest rates. The €2.0 billion decline in provisions for pensions was also due to the fact that we increased the funding of our pension commitments by €1.3 billion, but as this went hand in hand with corresponding cash outflows, it did not impact on net debt. Conversely, the budget deficit set out on the previous page weakened our financial position.

Higher off-balance-sheet obligations from long-term gas procurement contracts. Net debt does not include our off-balance-sheet obligations, which mostly result from long-term contracts for the supply of gas and electricity. Our payment obligations arising from long-term gas purchase agreements increased in 2015 compared to the previous year. However, the obligations arising from electricity contracts decreased. We calculate them based on the expected development of commodity prices. For further commentary on our off-balance-sheet obligations, please turn to page 144 in the notes to the consolidated financial statements.

Credit rating (as of 31 Dec 2015)	Moody's	Standard & Poor's
Non-current financial liabilities		
Senior debt	Baa2	BBB
Subordinated debt (hybrid bond)	Ba1	BB+
Current financial liabilities	P–2	A–2
Outlook	Negative	Negative

Standard & Poor's and Moody's downgrade RWE's long-term credit rating. Assessments of creditworthiness by independent rating agencies have a substantial influence on a company's options to raise debt capital. Generally, the better the rating, the easier it is to access international capital markets and the better the conditions for debt financing. We benefit from the high credit ratings we receive from leading rating agencies. However, the unfavourable economic and political environment in conventional electricity generation caused the two leading rating agencies, Standard & Poor's and Moody's, to lower our long-term credit rating by a notch in August and October 2015, respectively. It was adjusted to BBB and Baa2 for our senior bonds and to BB+ and Ba1 for our hybrid bonds. In the run-up, the two agencies had changed their rating outlooks from 'stable' to 'negative', which they maintained despite the downgrades. Increasing financial strength remains a major priority for RWE. We aim to keep the investment grade rating of our senior bonds, which goes to BBB- (Standard & Poor's) and Baa3 (Moody's). Our prime objective is to be able to refinance our business at acceptable conditions on the debt capital market at all times, even in the event of a financial crisis.

Leverage factor marginally down on previous year. We manage our debt based on performance indicators, among other things. One of the key figures is the ratio of net debt to EBITDA, which is referred to as the 'leverage factor'. This key performance indicator is of more informational value than total liabilities as it reflects the company's earnings power and, in turn, its ability to service the debt. Our leverage factor in 2015 was 3.6, down on the year-earlier figure (3.8). We had initially anticipated a rise. The deviation from our projection is mainly due to the development of EBITDA (see page 51).

Cost of debt down to 4.8%. In 2015, our cost of debt was 4.8%, compared to 5.0% in the previous year. It was calculated for the average debt outstanding for the year such as bonds, commercial paper and bank loans. The cost of debt considers interest-rate swaps concluded with banks, through which we convert fixed interest obligations into flexible ones. Only those of our hybrid bonds that are classified as debt pursuant to IFRS were taken into account. The decline in the cost of capital was principally due to the fact that on average, the bonds which we issued recently have lower coupons than those which we have redeemed.

Balance sheet structure: write-downs reduce equity ratio. As of 31 December 2015, our balance sheet total was €79.3 billion as opposed to €86.3 billion at the end of the prior year. The sale of RWE Dea had a significant impact: it removed €5.2 billion in assets held for sale and €2.6 billion in liabilities held for sale from the balance sheet. Further major changes on the balance sheet resulted from the impairments recognised for our power plants, which were one of the main reasons that property, plant and equipment was down €1.7 billion. Mostly driven by write-downs, deferred tax assets declined by €1.4 billion, while trade accounts receivable were down €0.9 billion. In contrast, our marketable securities were up €3.0 billion. On the equity and liabilities side, provisions for pensions declined by €2.0 billion. Equity dropped by €2.9 billion. Its share of the balance sheet total (equity ratio) was 11.2%, corresponding to a 2.4 percentage point drop compared to the end of 2014.

Balance sheet structure	31 Dec 2015		31 Dec 2014	
	€ million	%	€ million	%
Assets				
Non-current assets	51,453	64.9	54,224	62.8
of which:				
Intangible assets	13,215	16.7	12,797	14.8
Property, plant and equipment	29,357	37.0	31,059	36.0
Current assets	27,881	35.1	32,092	37.2
of which:				
Receivables and other assets[1]	15,922	20.1	16,739	19.4
Assets held for sale	41	0.1	5,540	6.4
Total	**79,334**	**100.0**	**86,316**	**100.0**
Equity and liabilities				
Equity	8,894	11.2	11,772	13.6
Non-current liabilities	45,315	57.1	46,324	53.7
of which:				
Provisions	24,623	31.0	27,540	31.9
Financial liabilities	16,718	21.1	15,224	17.6
Current liabilities	25,125	31.7	28,220	32.7
of which:				
Other liabilities[2]	17,558	22.1	16,739	19.4
Liabilities held for sale	19	–	2,635	3.1
Total	**79,334**	**100.0**	**86,316**	**100.0**

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

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

As the management holding company of the RWE Group, RWE AG handles central management tasks and procures the funds for the subsidiaries' business operations. Its assets and income largely depend on the economic success of the Group companies. Its separate financial statements for the 2015 financial year were characterised by losses in conventional electricity generation, significant asset impairments at subsidiaries and write-downs of deferred taxes. These burdens were one of the main reasons why RWE AG closed the fiscal year with a loss.

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

Balance sheet of RWE AG (abridged) € million	31 Dec 2015	31 Dec 2014
Non-current assets		
Financial assets	36,482	39,264
Current assets		
Accounts receivable from affiliated companies	4,397	5,206
Other accounts receivable and other assets	711	866
Marketable securities and cash and cash equivalents	1,822	3,933
Deferred tax assets	451	2,091
Total assets	**43,863**	**51,360**
Equity	5,703	9,568
Provisions	3,002	3,697
Accounts payable to affiliated companies	28,386	31,272
Other liabilities	6,772	6,823
Total equity and liabilities	**43,863**	**51,360**

Income statement of RWE AG (abridged) € million	2015	2014
Net income from financial assets	–74	1,533
Net interest	–1,038	–852
Other income and expenses	–432	115
Profit from ordinary activities	**–1,544**	**796**
Taxes on income	–1,706	–146
Net loss/net profit	**–3,250**	**650**
Retained earnings	–	–
Transfer from/to other retained earnings	3,255	–35
Distributable profit	**5**	**615**

Assets. RWE AG had €43.9 billion in total equity and liabilities as of 31 December 2015. This represents a decrease of €7.5 billion over the previous year. The decline is primarily due to the fact that RWE AG conducted an intragroup refinancing in particular by transferring the following to subsidiaries: loans, a bond and accounts payable to affiliates. Furthermore, deferred tax assets were written down. In contrast, there was an increase in long-term securities, above all as a result of proceeds from the sale of RWE Dea. At 13.0 %, the equity ratio was much lower than in 2014 (18.6 %). This is due to the development of earnings presented later on.

Financial position. The Group's financing is a corporate task handled by RWE AG, which obtains funds from banks or on the money and capital markets. When issuing bonds, it mostly uses the services of the Group company RWE Finance B.V., which conducts issuances backed by RWE AG. A detailed presentation of the financial position and financing activity in the year under review has been made on pages 59 et seqq.

Earnings position. The profit from ordinary activities amounted to –€1,544 million, as opposed to €796 million in the previous year.

This is partially attributable to income from financial assets, which deteriorated by €1,607 million to –€74 million. Substantial losses in conventional electricity generation came to bear. Furthermore, both RWE AG and subsidiaries recognised impairments for stakes in domestic and foreign Group companies. A counteracting effect was felt from the fact that for certain equity holdings, write-ups were performed as opposed to impairments recognised in the preceding years.

RWE AG's net interest dropped by €186 million to –€1,038 million, mainly due to share price-induced write-downs on securities, which we hold to finance our pension obligations.

The balance of other income and expenses also dropped, falling by €547 million to –€432 million. The main reason was the development of intragroup tax allocations.

Despite the poor earnings, the tax expense was unusually high, amounting to €1,706 million (previous year: €146 million). This was because we wrote down deferred tax assets.

Due to the developments presented, RWE AG closed the 2015 financial year with a loss of €3,250 million.

Appropriation of distributable profit for fiscal 2015. The Executive Board of RWE AG has decided to propose to the Annual General Meeting on 20 April 2016 a suspension of the dividend for common shares for the 2015 financial year. The dividend for preferred shares is envisaged to amount to the €0.13 per share stipulated in the Articles of Incorporation. The backdrop to this is the recent deterioration of the earnings prospects in conventional electricity generation. The current political risks are also a factor in the Executive Board's decision.

Corporate Governance Declaration in accordance with Sec. 289a of the German Commercial Code. On 15 February 2016, the Executive Board of RWE AG issued a corporate governance statement in accordance with Section 289a of the German Commercial Code. It is published on the following internet page: **www.rwe.com/corporate-governance-declaration**.

1.10 DISCLOSURE RELATING TO GERMAN TAKEOVER LAW

The following disclosure is in accordance with Section 315, Paragraph 4 and Section 289, Paragraph 4 of the German Commercial Code as well as with Section 176, Paragraph 1, Sentence 1 of the German Stock Corporation Act. The information relates to issues that may play a role in the event of a change of control of the company and pertains to executive board authorisations to change a company's capital structure. This is in line with the standards of German listed companies.

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

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

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

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

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

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

Shares in capital accounting for more than 10% of voting rights. As of 31 December 2015, only one holding in RWE AG exceeded 10% of the voting rights. It was held by RWEB GmbH, which is headquartered in Dortmund, Germany. On 25 September 2013, the company exceeded a reportable threshold in accordance with Section 21, Paragraph 1 of the German Securities Trading Act, upon which it informed us that it held 16.15% of RWE AG's voting stock as of that date.

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

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

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

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

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

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

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

Effects of a change of control on debt financing. Our debt financing instruments often contain clauses that take effect in the event of a change of control. This also applies to our bonds. The following rule applies to non-subordinated paper: in the event of a change of control in conjunction with a drop in RWE AG's credit rating below investment-grade status, creditors may demand immediate redemption. RWE has the right to cancel its subordinated hybrid bonds within the defined change of control period. If the hybrid bonds are not redeemed and RWE's credit rating falls below investment-grade status within the change of control period, the annual compensation payable on the hybrid bonds increases by 500 basis points.

RWE AG's €4 billion syndicated credit line also has a change of control clause including the following main provision: in the event of a change of control or majority at RWE, further drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. Should we fail to reach an agreement with the majority of them within 30 days from such a change of control, the lenders may cancel the line of credit. Loans of €645 million and £350 million to which the European Investment Bank (EIB) committed in October 2011 and September 2013, respectively, have a similar provision. Both of the contracts with the EIB stipulate that the continuation of the loans be negotiated within a 30-day time limit. If the talks fail, the EIB has the right to cancel the loans.

Effects of a change of control on Executive Board and executive compensation. Members of the Executive Board of RWE AG have the right to terminate their employment contract in the event of a change of control. On exercise of this right, they receive a one-off payment covering the contract's agreed term, which shall correspond to at least twice and no more than three times their annual contractual compensation. This is in line with the recommendations of the version of the German Corporate Governance Code which has been in force since 2008.

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

The Long-Term Incentive Plan Beat 2010 for the Executive Board and executives of RWE AG and of subordinated affiliated companies stipulates that holders of performance shares receive compensation in the event of a change of control. It is determined by multiplying the price paid for RWE shares as part of the takeover by the number of performance shares as of the date of the takeover offer, in line with the corresponding plan conditions.

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

Detailed information on Executive Board and executive compensation can be found on pages 71 et seqq. and 126 et seq. of this report.

1.11 COMPENSATION REPORT

We believe that transparent reporting of supervisory and management board compensation is a key element of good corporate governance. In this chapter, we have provided information on the principles of RWE AG's remuneration system as well as its structure and benefits. The 2015 compensation report adheres to all statutory regulations and is fully compliant with the recommendations of the German Corporate Governance Code.

Structure of Supervisory Board compensation

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

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

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

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

The members of the Supervisory Board imposed on themselves the obligation, subject to any obligations to relinquish their pay, to use 25% of the total compensation paid (before taxes) to buy RWE shares and to hold them for the duration of their membership of the Supervisory Board. All of the members of the Supervisory Board who do not relinquish their compensation met this self-imposed obligation in the 2015 financial year.

Level of Supervisory Board compensation

In total, the emoluments of the Supervisory Board (including compensation for committee mandates) amounted to €2,720,000 in fiscal 2015 (previous year: €2,729,000). Of this sum, €420,000 (previous year: €428,000) was remuneration paid for mandates on committees of the Supervisory Board. Added to this is the remuneration for mandates at subsidiaries of €265,000 (previous year: €217,000) and the €167,000 (previous year: €120,000) paid to reimburse out-of-pocket expenses (including value-added tax). Total compensation amounted to €3,152,000 (prior year: €3,066,000).

The total remuneration of all who have served on the Supervisory Board in 2014 and 2015 and the compensation included for mandates exercised on Supervisory Board committees is shown in the following table.

Supervisory Board compensation[1]	Fixed compensation		Compensation for committee offices		Total compensation[2]	
€ '000	2015	2014	2015	2014	2015	2014
Dr. Manfred Schneider, Chairman	300	300	–	–	300	300
Frank Bsirske, Deputy Chairman	200	200	–	–	200	200
Werner Bischoff (until 30 Jun 2014)	–	50	–	20	–	69
Reiner Böhle	100	100	20	20	120	120
Dr. Werner Brandt	100	100	80	80	180	180
Dieter Faust	100	100	40	40	140	140
Roger Graef	100	100	–	–	100	100
Arno Hahn	100	100	40	40	140	140
Manfred Holz	100	100	20	20	120	120
Prof. Dr. Hans-Peter Keitel	100	100	20	20	120	120
Frithjof Kühn	100	100	20	20	120	120
Hans Peter Lafos	100	100	–	–	100	100
Christine Merkamp	100	100	–	–	100	100
Dagmar Mühlenfeld	100	100	20	20	120	120
Dagmar Schmeer[3]	100	100	–	14	100	114
Prof. Dr.-Ing. Ekkehard D. Schulz	100	100	40	40	140	140
Dr. Wolfgang Schüssel	100	100	20	20	120	120
Ullrich Sierau	100	100	40	40	140	140
Ralf Sikorski (since 1 Jul 2014)[4]	100	50	40	16	140	67
Manfred Weber (until 30 Jun 2014)	–	50	–	10	–	60
Dr. Dieter Zetsche	100	100	–	–	100	100
Leonhard Zubrowski (since 1 Jul 2014)[5]	100	50	20	8	120	59
Total	**2,300**	**2,300**	**420**	**428**	**2,720**	**2,729**

1 Supervisory Board members who joined or retired from the corporate body during the year receive prorated compensation.
2 The commercial rounding of certain figures representing the fixed and committee compensation can result in the sum of the rounded figures deviating from the rounded total emoluments.
3 Member of the Executive Committee of the Supervisory Board until 9 September 2014.
4 Member of the Audit Committee since 6 August 2014.
5 Member of the Executive Committee since 6 August 2014.

Structure of Executive Board compensation

Compensation system in line with the market.
The structure and level of Executive Board member remuneration is determined by the Supervisory Board of RWE AG and reviewed on a regular basis. The existing compensation system, which was approved with a large majority vote by the 2014 Annual General Meeting, ensures that the structure and level of Executive Board member compensation is appropriate within the Group and in line with common practice on the market. It takes into account not only personal performance, but also RWE's business situation and prospects for the future.

Non-performance and performance-based components.
The remuneration of the Executive Board is made up of non-performance and performance-based components. The former consist of the fixed salary and pension instalments as well as compensation in kind and other emoluments. The latter relate to the bonus, share-based payments in accordance with the Long-Term Incentive Plan Beat 2010 and the Mid-Term Incentive Plan introduced in 2014 to encourage the reduction of the leverage factor. The aforementioned components are described in more detail below.

Non-performance-based compensation:

- **Fixed compensation and pension instalments.** All Executive Board members are paid a fixed salary. Peter Terium, Dr. Bernhard Günther and Uwe Tigges receive a pension instalment for every year of service as a second fixed remuneration component. The pension instalment is equivalent to 15% of the target cash compensation, i.e. the sum of their base salary and the baseline bonus amount, which is described later on. They can choose whether the sum is paid in cash or retained in part or in full in exchange for a pension commitment of equal value through a gross compensation conversion. A reinsurance policy is concluded to finance the pension commitment. The accumulated capital becomes available on retirement in the form of a one-off payment or in a maximum of nine instalments, but not before the Executive Board member turns 60. The three aforementioned Executive Board members and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities remain unaffected by this.
- **Non-cash and other remuneration.** Non-performance-based compensation components also include non-cash and other remuneration, consisting primarily of the use of company cars and accident insurance premiums.

Performance-based compensation:

- **Bonus.** Executive Board members receive a bonus, which is based on the economic development of the company and the degree to which they achieve their individual goals. The starting point for the calculation is what is referred to as the company bonus. Its level is determined based on the degree to which the target for the consolidated operating result set at the beginning of the corresponding financial year is achieved. €3,871 million was budgeted for fiscal 2015. If the actual and target figure are a perfect match after a year, the degree of achievement is 100%. In this case, the bonus paid equals the budgeted sum (baseline bonus amount). Depending on the level of the consolidated operating result, the company bonus paid can equal between 0% and a maximum of 150% of the baseline bonus amount. The performance of individual Executive Board members is considered by multiplying the company bonus by a performance factor. The performance factor can be between 0.8 and 1.2, depending on the degree to which the Executive Board member achieves his or her individual goals, which are established by the Supervisory Board at the beginning of the year. At the end of the fiscal year, the Supervisory Board assesses the degree to which the Executive Board member has achieved his or her individual goals and determines the performance factor accordingly.
- **Bonus retention.** RWE pays only 75% of the bonus directly to the members of the Executive Board. The remaining 25% is withheld for a period of three years (bonus retention). A review based on what is termed a 'bonus-malus factor' is conducted by the Supervisory Board at the end of the three-year period, in order to determine whether the Executive Board has managed the company sustainably. Only if this applies is the retained bonus paid.

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

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

- **Share-based payment.** Apart from the bonus retention, the second performance-based compensation component is 'performance shares' as part of the Beat 2010 long-term incentive plan ('Beat' for short). Beat aims to reward executives for the sustainability of the contribution they make to the company's success.

  Performance shares grant their holders the conditional right to receive a payout in cash following a waiting period of four (optionally up to five) years. However, a payout only takes place if the total return on the RWE common share – consisting of the return on the share price, dividend and subscription right – is better than the total return of at least 25% of the peer group companies included in the STOXX Europe 600 Utilities at the end of the waiting period. When performance is measured, the peer group companies are given the same weighting as they had in the reference index at the inception of the corresponding Beat tranche. If RWE outperforms 25% of the index weighting, 7.5% of the performance shares are paid out. The proportion of performance shares that mature increases by 1.5 percentage points for every further percentage point by which the index weighting is exceeded.

  Payment is based on the payout factor as determined above, on the average RWE share price during the last 60 trading days prior to the expiry of the programme, and on the number of allocated performance shares. Payment for Executive Board members is limited to one-and-a-half times the value of the performance shares at grant. Executive Board members may participate in Beat on condition that they make a personal investment in RWE common shares. The required investment is equal to one third of the value of the grant after taxes. The shares must be held for the respective Beat tranche's entire waiting period.

- **Mid-Term Incentive Plan.** At its meeting on 25 February 2014, the Supervisory Board decided to introduce a Mid-Term Incentive Plan (MTIP) for the period from 2014 to 2016. The key performance indicator on which the MTIP is based is RWE's leverage factor, which is the ratio of net debt to EBITDA. The plan is designed to assist management in bringing all suitable measures and efforts in the Group in line with the objective of re-establishing a healthy and sustainable ratio of indebtedness to earning power.

  The MTIP flanks the Beat 2010 long-term incentive plan, the budget of which has been cut in half for the duration of the MTIP. The other half is covered by the MTIP grant budget. The goal of this plan is to reduce the leverage factor to 3.0 by the end of 2016. If this requirement is fully satisfied, the members of the Executive Board are paid 100% of the budgeted allocation. If the leverage factor is reduced even further, the payout rises linearly to a maximum of 150% of the budgeted allocation. This upper limit corresponds to a factor of 2.7. Conversely, the payment is reduced if the factor exceeds the 3.0 target. If the leverage factor is 3.3, the members of the Executive Board receive 50% of the budgeted allocation. If it is higher, no payment is made.

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

Shares of total compensation accounted for by the individual components. Assuming that both the company and the members of the Executive Board fully achieve their performance targets for the fiscal year, the compensation structure roughly breaks down as follows: in the year under review, the non-performance-based components, i.e. the base salary, pension instalment, non-cash remuneration and other emoluments, made up about 44% of total compensation. Approximately 33% was allocable to short-term variable remuneration, i.e. the bonus paid directly. Together, the medium and long-term components, i.e. the bonus retention, Beat and MTIP, accounted for 23% of total compensation.

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

Former pension scheme. Before the introduction of the pension instalment as of 1 January 2011, a pension commitment was made to the members of the Executive Board. Dr. Rolf Martin Schmitz is the corporate body's only current member to whom such a commitment has been made. This commitment is being honoured and is an entitlement to life-long retirement benefits granted to beneficiaries in the event of retirement upon reaching the company age limit, of permanent disability, or of early termination or non-extension of the employment contract by the company. In the event of death, surviving dependants are entitled to benefits. The amount of qualifying income and the level of benefits determined by the duration of service are taken as a basis for the pension and surviving dependants' benefits.

Change of control. Executive Board members have a special right to terminate their contract in the event that shareholders or third parties take control of the company. In such cases, they have the right to retire from the Executive Board and to request that their employment contract be terminated in combination with a one-off payment within six months from the day on which the change of control becomes known. To the extent necessary to ensure the company's wellbeing, however, the Supervisory Board can demand that the Executive Board member remain in office until the end of the six-month period. A change of control as defined by this provision occurs when one or several shareholders or third parties acting jointly account for at least 30% of the voting rights in the company, or if any of the aforementioned can exert a controlling influence on the company in another manner.

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

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

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

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

Level of Executive Board compensation

Total compensation for fiscal 2015. Calculated in accordance with the German Commercial Code (HGB), the Executive Board of RWE AG received a total of €11,373,000 in compensation for fiscal 2015. In the prior year, this figure was €11,150,000.

Level of the individual compensation components. Non-performance-based components amounted to €4,943,000 (previous year: €4,946,000). As in the preceding year, this included pension instalments of €480,000 for Peter Terium, of €255,000 for Dr. Bernhard Günther and of €255,000 for Uwe Tigges. Dr. Bernhard Günther turned his instalment into a pension commitment of equal value through a gross compensation conversion.

Performance-based components totalled €6,430,000 (previous year: €6,204,000), of which €3,925,000 was attributable to the bonus for fiscal 2015 (previous year: €4,205,000) paid directly.

Pursuant to the disclosure regulations of the German Commercial Code, the annual service cost of pension commitments is recognised as part of the pension payment instead of compensation. Retained bonuses and the MTIP grants are not considered until the payout conditions are met.

The following table summarises the short-term remuneration paid in accordance with the German Commercial Code for the 2015 financial year.

Short-term compensation	Peter Terium		Dr. Rolf Martin Schmitz		Dr. Bernhard Günther		Uwe Tigges		Total	
€ '000	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Non-performace-based compensation										
Fixed compensation	1,400	1,400	960	960	750	750	750	750	3,860	3,860
Fringe benefits (company car, accident insurance)	36	45	13	11	23	23	21	17	93	96
Other payments (pension instalments)	480	480	–	–	255	255	255	255	990	990
Total	**1,916**	**1,925**	**973**	**971**	**1,028**	**1,028**	**1,026**	**1,022**	**4,943**	**4,946**
Performance-based compensation										
Direct bonus payment[1]	1,395	1,465	811	860	701	772	721	795	3,628	3,892
Remuneration for mandates[2]	47	80	150	170	60	43	40	20	297	313
Bonus[3]	**1,442**	**1,545**	**961**	**1,030**	**761**	**815**	**761**	**815**	**3,925**	**4,205**
Total	**3,358**	**3,470**	**1,934**	**2,001**	**1,789**	**1,843**	**1,787**	**1,837**	**8,868**	**9,151**

1 The Executive Board of RWE AG renounced part of its compensation for fiscal 2014 totalling €500,000. The sum was deducted from the bonus pro-rata.
2 Emoluments for exercising supervisory board mandates within the Group are fully deducted from the bonus.
3 The bonus includes compensation for exercising mandates; prior-year figures adjusted accordingly.

Payment of the bonus retained for 2012. The following is an overview of the payment of the bonus retained for 2012, broken down by individual. Peter Terium, Dr. Rolf Martin Schmitz and Dr. Bernhard Günther were the only current Executive Board members affected by the retention. To present a complete picture, we have also presented the bonuses retained for fiscal 2013 to 2015.

Bonus retention € '000					Bonus-malus factor	Payment in fiscal 2016	Payment in fiscal 2015
Bonus retention for the fiscal year	2015	2014	2013	2012	2012	2012	2011
Peter Terium	481	515	444	368	99.3%	366	62
Dr. Rolf Martin Schmitz	320	343	296	295	99.3%	293	187
Dr. Bernhard Günther	254	272	234	96	99.3%	96	–
Uwe Tigges	254	272	177	–	–	–	–
Total	**1,309**	**1,402**	**1,151**	**759**	**–**	**755**	**249**

Beat 2010 Long-Term Incentive Plan. The waiting period for the 2012 tranche of the Beat Long-Term Incentive Plan ended on 31 December 2015. The tranche could not be paid out at that point in time. Therefore, no payments were made under the programme.

The following is an overview of the value of the performance shares allocated to the members of the Executive Board for 2015 and the previous year.

Long-term incentive payment	Beat 2010 2015 tranche		Beat 2010 2014 tranche
	Shares	Allocation value at grant in € '000	Allocation value at grant in € '000
Peter Terium	123,762	625	625
Dr. Rolf Martin Schmitz	74,257	375	375
Dr. Bernhard Günther	74,257	375	375
Uwe Tigges	74,257	375	375
Total	**346,533**	**1,750**	**1,750**

The following table shows the level of provisions for obligations arising from the outstanding Beat tranches that were accrued or reversed.

Addition to (+) or release of (–) provisions for long-term incentive share-based payments (2012–2015 Beat tranches)	2015 € '000	2014 € '000
Peter Terium	–770	–75
Dr. Rolf Martin Schmitz	–463	–105
Dr. Bernhard Günther	–221	13
Uwe Tigges	–144	49
Total	**–1,598**	**–118**

Obligations under the former pension scheme. In 2015, the service cost of pension obligations to Dr. Rolf Martin Schmitz that is not considered part of compensation pursuant to German commercial law (see the table below) totalled €581,000 (previous year: €475,000). As of year-end, the net present value of the defined benefit obligation determined in accordance with International Financial Reporting Standards (IFRS) amounted to €11,900,000 (previous year: €11,900,000). The value of the pension determined according to the German Commercial Code totalled €9,459,000 (previous year: €8,055,000). The pension's funding was increased by €1,404,000 for 2015 (previous year: €735,000).

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

Emoluments of former Executive Board members. In 2015, the emoluments of former members of the Executive Board and their surviving dependants amounted to €11,634,000 (previous year: €12,494,000). As of 31 December 2015, €153,100,000 (previous year: €171,481,000) had been set aside for the vested pension benefits of this group of people.

Recommendations of the German Corporate Governance Code

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

Item 4.2.5, Paragraph 3 of the Code lists the compensation components that should be disclosed for every management board member. The recommended presentation is illustrated by sample tables, which have been used below. The overviews show the benefits granted to the members of the Executive Board of RWE AG for 2015 and the preceding year. As some of these benefits have not yet resulted in payments, the tables also show the level of funds paid to the Executive Board members.

Benefits granted	Peter Terium Chief Executive Officer				Dr. Rolf Martin Schmitz Deputy Chairman of the Executive Board			
€ '000	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
Fixed compensation	1,400	1,400	1,400	1,400	960	960	960	960
Pension payments	480	480	480	480	–	–	–	–
Fringe benefits	45	36	36	36	11	13	13	13
Total	**1,925**	**1,916**	**1,916**	**1,916**	**971**	**973**	**973**	**973**
One-year variable remuneration								
Bonus	1,350	1,350	0	2,430	900	900	0	1,620
Multi-year variable compensation								
Provision for the bonus in 2015 (term: 2016–2018)	–	450	0	675	–	300	0	450
Provision for the bonus in 2014 (term: 2015–2017)	450	–	–	–	300	–	–	–
LTIP Beat 2015 tranche (term: 2015–2018)	–	625	0	938	–	375	0	563
LTIP Beat 2014 tranche (term: 2014–2017)	625	–	–	–	375	–	–	–
MTIP (term: 2014–2016)	1,875	–	–	–	1,125	–	–	–
Total	**4,300**	**2,425**	**0**	**4,043**	**2,700**	**1,575**	**0**	**2,633**
Service cost	–	–	–	–	475	581	581	581
Total compensation	**6,225**	**4,341**	**1,916**	**5,959**	**4,146**	**3,129**	**1,554**	**4,187**

Benefits granted	Dr. Bernhard Günther Chief Financial Officer				Uwe Tigges Chief HR Officer/Labour Director			
€ '000	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
Fixed compensation	750	750	750	750	750	750	750	750
Pension payments	255	255	255	255	255	255	255	255
Fringe benefits	23	23	23	23	17	21	21	21
Total	**1,028**	**1,028**	**1,028**	**1,028**	**1,022**	**1,026**	**1,026**	**1,026**
One-year variable remuneration								
Bonus	713	713	0	1,283	713	713	0	1,283
Multi-year variable compensation								
Provision for the bonus in 2015 (term: 2016–2018)	–	237	0	356	–	237	0	356
Provision for the bonus in 2014 (term: 2015–2017)	237	–	–	–	237	–	–	–
LTIP Beat 2015 tranche (term: 2015–2018)	–	375	0	563	–	375	0	563
LTIP Beat 2014 tranche (term: 2014–2017)	375	–	–	–	375	–	–	–
MTIP (term: 2014–2016)	1,125	–	–	–	1,125	–	–	–
Total	**2,450**	**1,325**	**0**	**2,202**	**2,450**	**1,325**	**0**	**2,202**
Service cost	–	–	–	–	–	–	–	–
Total compensation	**3,478**	**2,353**	**1,028**	**3,230**	**3,472**	**2,351**	**1,026**	**3,228**

Payments	Peter Terium Chief Executive Officer		Dr. Rolf Martin Schmitz Deputy Chairman of the Executive Board		Dr. Bernhard Günther Chief Financial Officer		Uwe Tigges Chief HR Officer/ Labour Director	
€ '000	2014	2015	2014	2015	2014	2015	2014	2015
Fixed compensation	1,400	1,400	960	960	750	750	750	750
Pension payments	480	480	–	–	255	255	255	255
Fringe benefits	45	36	11	13	23	23	17	21
Total	**1,925**	**1,916**	**971**	**973**	**1,028**	**1,028**	**1,022**	**1,026**
One-year variable compensation								
Bonus[1]	1,545	1,442	1,030	961	815	761	815	761
Voluntary sum relinquished	−180	–	−120	–	−100	–	−100	–
Multi-year variable compensation								
Provision for the bonus in 2012 (term: 2013–2015)	–	366	–	293	–	96	–	–
Provision for the bonus in 2011 (term: 2012–2014)	62	–	187	–	–	–	–	–
LTIP Beat 2012 tranche (term: 2012–2015)	–	0	–	0	–	0	–	0
LTIP Beat 2011 tranche (term: 2011–2014)	0	–	0	–	0	–	0	–
MTIP	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total	**1,427**	**1,808**	**1,097**	**1,254**	**715**	**857**	**715**	**761**
Service cost	–	–	475	581	–	–	–	–
Total compensation	**3,352**	**3,724**	**2,543**	**2,808**	**1,743**	**1,885**	**1,737**	**1,787**

1 The bonus takes account of compensation received for exercising supervisory board mandates within the Group. Also see the table entitled 'Short-term compensation' on page 74.

1.12 DEVELOPMENT OF RISKS AND OPPORTUNITIES

RWE's risk management rests on several pillars. These include our groupwide reporting and controlling systems, our guidelines for dealing with risks, and our risk assessment within the scope of our strategy, budgeting and controlling processes. The work of the risk committees and the Internal Audit Department are also major mainstays. The same applies to reporting based on the German Control and Transparency in Companies Act. RWE's risk position is significantly affected by uncertain economic and regulatory framework conditions in conventional electricity generation. These uncertainties present us with major entrepreneurial challenges. However, we have not identified any risks threatening our existence.

Organisation of risk management in the RWE Group. The main responsibility for our risk management lies with the Executive Board of RWE AG. It monitors and manages the Group's overall risk by determining how much risk the company is willing to take, defining the limits for aggregated risk positions (e.g. commodity risks) and tracks compliance with them.

At the level below the Executive Board, responsibility for applying and refining the risk management system lies with RWE AG's Group Controlling Department. It checks the major identified risks for plausibility and completeness, determines the overall associated exposure, and sets limits for the risks of the operating Group companies. The Group Controlling Department receives support from the Risk Management Committee, which is composed of the heads of the following RWE AG departments, which are accountable for the entire Group: Controlling (chair), Finance, Accounting & Tax, Legal & Compliance, and Strategy & Innovation. The Controlling Department provides the Risk Management Committee, the Executive Board and the Supervisory Board of RWE AG with regular reports on the Group's risk exposure.

Furthermore, several other organisational units are entrusted with groupwide risk management tasks:

- Credit and insurable risks are managed by our service subsidiary RWE Group Business Services.
- The Finance Department, which reports directly to the CFO of RWE AG, is in charge of financial risks.
- Risks associated with financial reporting are handled by the Accounting & Tax Department. It also reports directly to the CFO of RWE AG and uses an accounting-related internal control system, which is described on pages 86 et seq.
- The Legal & Compliance Department monitors compliance with RWE's Code of Conduct. Its main focus is on avoiding corruption risks. The department reports to the CEO of RWE AG or – if members of the Executive Board are affected – directly to the Chairman of the Supervisory Board and the Chairman of the Supervisory Board's Audit Committee.
- RWE Supply & Trading monitors commodity risks in the trading and generation business. The management unit RWE Retail, which oversees RWE's supply operations, is responsible for commodity risks in the supply business.

Additionally, RWE has committees in charge of groupwide risk management tasks. They review and approve hedging strategies taking account of the risk propensity established by the Executive Board of RWE AG.

The following committees have risk management functions at RWE:

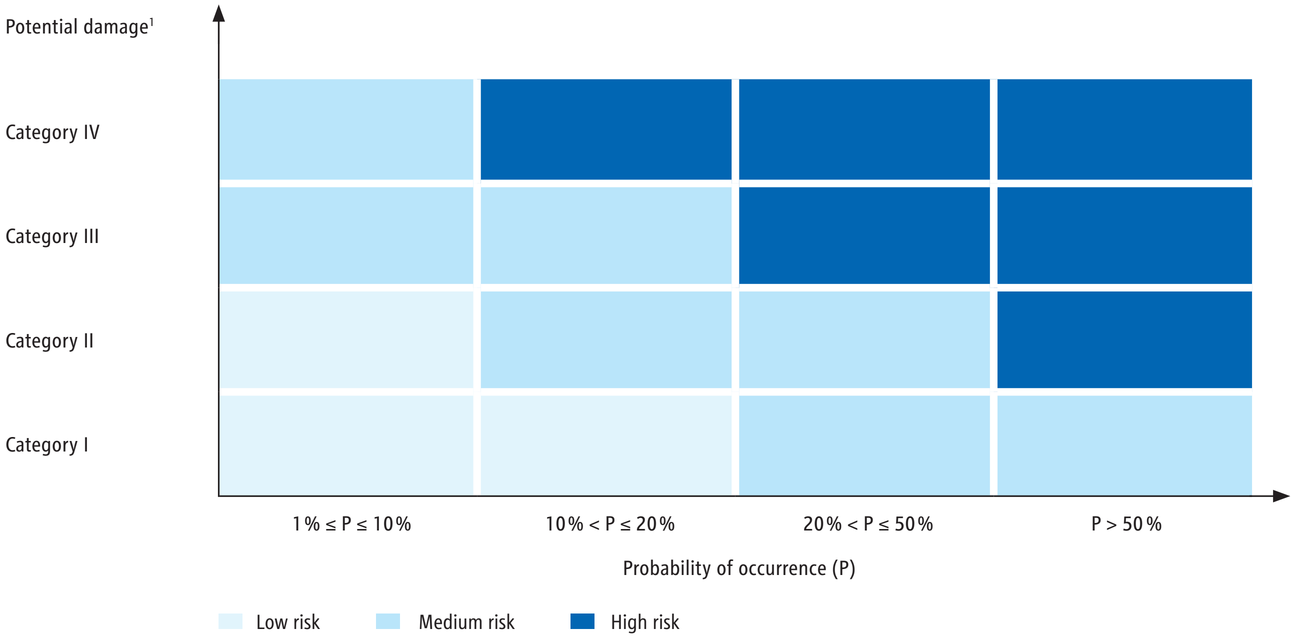
- The strategic guidelines for the management of financial assets, including the funds of RWE Pensionstreuhand e.V., are determined by the Asset Management Committee. Its members include the CFOs of RWE AG, RWE Supply & Trading and RWE Innogy as well as the Heads of the Finance, Controlling and Accounting & Tax Departments. These individuals also constitute the Treasury Committee, which is tasked with assisting the Executive Board in decisions on finance strategy and financial risk management.
- Hedging strategies for market risks resulting from the generation and gas midstream business are approved by the Commodity Management Committee, which is composed of the Board of Directors of RWE Supply & Trading and the Head of Controlling.
- With regard to market risks in the supply business, the Retail Hedge Committee is responsible for approving hedging strategies. The committee includes members of RWE Retail management and the Head of Controlling.

Under the expert management of the aforementioned organisational units and in adherence with RWE's general guidelines, our Group companies are responsible for identifying risks early, assessing them correctly and managing them in compliance with the Group's standards.

Risk management as a continuous process. Risk management is an integral part of our operating workflow. We identify risks and opportunities – defined as negative or positive deviations from target figures – once every six months by performing a bottom-up analysis. We also monitor risk exposure between the regular survey dates. The Executive Board of RWE AG is immediately informed of all material changes. The executive and supervisory bodies are updated on the risk exposure within the scope of quarterly reporting.

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

RWE risk matrix



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

1 In relation to the year in which the maximum damage may occur.
2 Average figure derived from the medium-term planning for 2016 to 2018.

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

Overall assessment of the risk and opportunity situation by executive management. RWE's risk position is significantly affected by economic and political framework conditions. We believe that a substantial risk is harboured by the German government's pending decision on how to secure the financing of the waste management obligations of German nuclear power plant operators over the long term (see page 35). One possible solution is the funding of a trust or fund by the utilities. This may impose new burdens on us. However, there are also opportunities. Politically, it is undisputed that the utilities should be held liable for their nuclear obligations. However, it remains to be seen to what extent they should bear additional costs primarily caused by policymakers as part of their obligation to top up financing.

We are also exposed to regulatory risks outside the nuclear energy sector. This was demonstrated by the plans of the German Ministry for Economic Affairs and Energy to impose a climate levy on power stations, which were subsequently abandoned. Political forces committed to an early phase-out of coal have become more influential in the Netherlands and the United Kingdom. Risks also exist in the supply business, especially in the United Kingdom, where as a result of state intervention, margins, which are already low, might be reduced further to protect customers reluctant to switch providers.

In addition to the regulatory environment, the future development of commodity prices also impacts on our earnings to a great extent. As set out on page 30, the subsidised expansion of renewable energy and the slump on the hard coal market that has persisted for years have caused German wholesale electricity prices to collapse. This is why we had to recognise impairments for our power stations repeatedly, most recently in this years's financial statements. If the pressure on wholesale electricity prices continues, this might lead to further earnings shortfalls and impairments, possibly going hand in hand with downgrades to our credit rating and an increase in costs incurred to hedge trading transactions. However, prices may pick up again and the crisis in conventional electricity generation may weaken.

We react to the effects of the considerable deterioration of the framework conditions in the energy sector with comprehensive efficiency-enhancing measures, strict investment discipline, occasional sales of shareholdings and by tapping into earnings potential resulting from the transformation of the energy system and changing customer needs. We are also aligning ourselves to be more resistant to crises in organisational terms by pooling our renewables, grid and retail operations in a new company, for which we will conduct an IPO. This will create a growth platform with its own access to the capital market. Furthermore, this will increase our financial flexibility, as shares in the new company can be sold.

By analysing the liquidity effects of risks and pursuing a conservative financing strategy, we ensure that we always have enough cash and cash equivalents to meet our payment obligations punctually. Such obligations result above all from our financial liabilities, which we must service. We have strong cash flows from operating activities, substantial cash and cash equivalents, unused credit lines and further financial latitude thanks to our Commercial Paper and Debt Issuance Programmes (see page 59). We budget our liquidity with foresight, based on the short, medium and long-term needs of our Group companies, and have a significant amount of minimum liquidity on a daily basis.

Thanks to our comprehensive risk management system and the measures for safeguarding our financial and earning power described earlier, we currently do not see any risks jeopardising the continued operation of RWE AG or the RWE Group.

RWE's material risks. As illustrated in the overview on the following page, our material risks can be divided into five categories. We quantify risk based on its potential effects on earnings and/or leverage and liquidity. The highest individual risk determines the classification of the risk of the entire risk class. At present, we see the highest potential for damage in relation to framework risks. We also comment on the aforementioned risks as well as on the associated opportunities. In addition, we explain the measures we take to limit the danger of negative developments.

RWE's main risks[1]	Risk classification	
	2015	2014
Market risks	**Medium**	**Medium**
Framework risks	**High**	**Medium**
Regulatory and political risks	High	Medium
Legal risks	Medium	Medium
Operational risks	**Low**	**Medium**
Financial market and credit risks	**Medium**	**Medium**
Financial risks	Medium	Medium
Creditworthiness of business partners	Medium	Low
Other risks	**Medium**	**Medium**

1 As of 31 December 2015. The risk class reflects the effects that a risk may have on earnings and/or indebtedness and liquidity. In contrast, the presentation on pages 78 et seqq. of the 2014 Annual Report was solely based on the earnings impact.

- **Market risks.** RWE is exposed to a variety of market risks. In most of the countries in which we are active, the energy sector is characterised by the free formation of prices on wholesale markets and fierce competition in the supply business. In such an environment, signs of weakness on the market can quickly result in customer losses and earnings shortfalls, as demonstrated by RWE npower (see page 51). Market risks resulting from the development of commodity prices have effects that are particularly severe. For example, further decreases in electricity prices would reduce the value of our power stations and of certain electricity purchase contracts concluded at firm prices. Impairments may also have to be recognised in the gas storage business, for example if the seasonal differences in the price of gas, and in turn the realisable margins, decline. Although we have already had to recognise substantial impairments in the past, there is still a risk of further write-downs. However, wholesale prices for electricity and gas may develop in RWE's favour.

  We assess the price risks to which we are exposed on the procurement and supply markets taking account of current forward prices and expected volatility. Commodity price risks faced by the generation and supply companies within the Group are managed through hedging rules established by RWE AG. We limit the exposure of our power stations to such risks by selling forward most of their electricity up to three years in advance and also hedging the price of the fuel and CO_2 emission allowances required to generate the electricity up front. We also make use of forward markets to limit price risks in RWE Supply & Trading's gas midstream business. We have already mitigated risks arising from long-term gas purchase agreements linked to the price of oil by renegotiating with our gas suppliers. This allowed us to convert the contracts to wholesale gas price indexation or terminate them early. The only exception to this is a contract with Gazprom, where we have not yet found a solution. However, following our most recent price revision with Gazprom, which was concluded in February 2014, the contract will not have an impact on RWE's earnings until the next audit, which is scheduled for the beginning of June 2016. Our aim is to find a permanent solution for this contract as well, so that it no longer contains price risks.

  RWE Supply & Trading plays a central role when it comes to managing commodity price risks. This is the company in which we pool our commodity transaction expertise as well as the associated risks. RWE Supply & Trading is the RWE Group's interface to the world's wholesale markets for electricity and energy commodities. The company markets large portions of the Group's generation position and purchases the fossil fuels and CO_2 certificates needed to produce electricity. Its role as internal transaction partner makes it easier for us to limit the risks associated with generation, procurement and supply stemming from volatility on energy markets. RWE Supply & Trading also uses commodity derivatives for this purpose. However, the trading transactions are not exclusively intended to reduce risks. To a strictly limited extent, the company also takes commodity positions to achieve a profit.

The RWE Group's risk management system for energy trading is firmly aligned with best practice as applied to the trading transactions of banks. Accordingly, transactions are concluded with third parties only if credit risks are within approved limits. Groupwide guidelines provide structures and processes for the treatment of commodity price risks and associated credit risks. Our subsidiaries constantly monitor their commodity positions. Risks associated with trades conducted by RWE Supply & Trading for its own account are monitored daily. The Executive Board of RWE AG is updated on the Group's commodity risk positions at least once a quarter.

The risk limits in the energy trading business are set by the Executive Board of RWE AG. In this context, the Value at Risk (VaR) is of central importance. It quantifies the potential loss resulting from a risk position that will not be exceeded with a predetermined probability and within a predetermined time period. The VaR figures within the RWE Group are generally based on a confidence interval of 95%. The assumed holding period for a position is one day. This means that, with a probability of 95%, the maximum daily loss will not exceed the VaR. The central risk controlling parameter for commodity positions is the Global VaR that relates to the trading business of RWE Supply & Trading and may not exceed €40 million. In fiscal 2015, it averaged €16 million (previous year: €11 million), and the daily maximum was €31 million (previous year: €18 million). In addition, we have set limits for each trading desk. Furthermore, we develop extreme scenarios and factor them into stress tests, determine the influence they can have on earnings, and take countermeasures whenever the risks are too high.

We also apply the VaR concept to measure the extent to which commodity price risks to which we are exposed outside the trading business can affect the Group's operating result. To this end, we calculate the overall risk for the Group on the basis of the commodity risk positions of the individual companies. The overall risk mainly stems from electricity generation activities. With a confidence level of 95%, changes in commodity prices will have a maximum positive or negative effect on our operating result in 2016 of no more than approximately €70 million. The cut-off date for determining this figure was 31 December 2015.

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

- **Regulatory and political risks.** Utilities plan capital expenditure for periods extending over decades. Therefore, they are greatly dependent on reliable regulatory conditions. Nevertheless, there has been state intervention in the energy sector in the past, causing existing business models to be called into question. One example is the sudden change of course of German energy policymakers following the reactor catastrophe at Fukushima in March 2011. The 13th amendment to the German Nuclear Energy Act, which became effective at the beginning of August 2011, nullified the lifetime extension for German nuclear power plants, which had been introduced in 2010, and mandated the immediate shut-down of eight of Germany's 17 reactors. Staggered decommissioning dates were established for the remaining units (see page 43 of the 2011 Annual Report). We believe the 13th amendment to the German Nuclear Energy Act is unconstitutional because it does not mandate compensation for the plant operators and the decommissioning dates were established without sound justification. Therefore, in February and August 2012, we filed constitutional complaints. It seems likely that the German Constitutional Court will reach a judgement on the matter this year. Oral proceedings have been scheduled for March 2016.

  We may also receive compensation for the economic effects of the nuclear moratorium. Even before the 13th amendment to the German Nuclear Energy Act, the German federal and state governments had ordered in March 2011 that seven German nuclear power plants discontinue operation for a period of three months. The moratorium affected our Biblis A and B reactors. In 2013, the competent administrative courts handed down a legally enforceable ruling, finding that the moratorium orders for Biblis were illegal. At the end of August 2014, we filed a suit for damages against the State of Hesse and the Federal Republic of Germany with the Essen District Court, which has jurisdiction in this matter. The first oral proceedings was held on 17 December 2015. However, we do not expect the court of first instance to issue a judgement before 2017.

Another matter pending legal clarification is whether the nuclear fuel tax that has been levied since 2011 complies with the German constitution. We filed a suit with the competent fiscal courts as we believe that the levy is not legal. In January 2013, the Hamburg Fiscal Court referred the point of the constitutionality of the nuclear fuel tax to the German Constitutional Court for a ruling. Moreover, in December 2013 the Hamburg Fiscal Court decided to refer the same matter in parallel proceedings to the European Court of Justice, which in June 2015 ruled that the nuclear fuel tax does not contravene European law. However, the judgement of the German Constitutional Court is still pending. It is anticipated to be issued in 2016. Should the judges find the tax to be illegal, there is a chance that we will be fully refunded the amounts paid since 2011.

Furthermore, it is uncertain how the German government wants to regulate the long-term financing of the waste management obligations by the nuclear power plant operators. One scenario is that the utilities transfer the funds required to cover the obligations to a trust or fund. In addition, policymakers may impose additional burdens on the companies. This is the only individual risk that we classify as high. It cannot be ruled out that the sums that may have to be transferred to the fund or trust to cover certain obligations will be higher than the provisions we have accrued for these obligations. Should the utilities be obliged to top up the financing if necessary, state-induced cost increases, for example in connection with the search for a final storage site, could curtail RWE's financial and earnings power even further. Conversely, the utilities may be fully or partially exempted from the top-up obligation.

The risks associated with the 'German Climate Action Programme 2020' have been defined. 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 GW on stand-by and shutting them down four years later. 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. Another risk arises from the possibility that the new arrangement will not result in the envisaged emission reduction being achieved. To resolve the issue, the German lignite industry has committed to take further measures before 2020 if this occurs. However, we do not believe that this will be necessary.

Conventional electricity generation is also exposed to regulatory risks in the United Kingdom and the Netherlands. Political groups are promoting an early exit from coal in both countries. It remains to be seen whether they succeed and what the details of the potential lifetime reductions may be. RWE operates the 1,554 MW Aberthaw hard coal-fired power station in the United Kingdom and the 643 MW Amer 9 and 1,554 MW Eemshaven A/B hard coal-fired power plants in the Netherlands. The twin units at Eemshaven only started commercial generation last year. In September 2015, the Dutch Council of State, the highest administrative court in the Netherlands, issued a permit under nature preservation law, which was the last outstanding permit for the power station.

In electricity generation from renewables, there is a danger that governments may cut subsidies, for example owing to state budget deficits. For instance, in the UK, the exemption of green energy consumption from the national climate change levy was abolished in 2015 (see page 36). Spain made drastic cuts in renewable energy subsidies as early as 2013, which also applied to existing plant (see page 49 of the 2013 Annual Report). In the dialogue we maintain with policymakers, we state that reliable framework conditions are a fundamental prerequisite for companies to invest in energy infrastructure. With regard to the situation in Spain, we filed a suit with the International Centre for Settlement of Investment Disputes and hope that this will limit the effects of the subsidy cut on our earnings.

Regulatory intervention to the detriment of energy utilities can be observed not only in the electricity generation sector, but also in the supply business. We are currently exposed to risks, especially in the United Kingdom. This is demonstrated by the proposal by the UK Competition and Markets Authority to introduce price caps to protect residential and commercial customers unwilling to switch suppliers. If the proposal is implemented, the situation in the UK supply business, which is difficult as it is, may deteriorate further.

In the present political environment, we are exposed to risks associated with approvals when building and operating production facilities. This particularly affects our opencast mines, power stations and wind farms. If their operation is interrupted or curtailed, this can result in significant production and earnings shortfalls. Furthermore, there is a danger of new-build projects either receiving late or no approval, or of granted approvals being withdrawn. Depending on the progress of construction work and the contractual obligations to suppliers, this can have a very negative financial impact. We try to limit this risk as much as possible by preparing our applications for approval with great care and ensuring that approval processes are handled competently.

Further risks arise from the regulation of energy trading transactions. The European Market Infrastructure Regulation (EMIR), an EU directive, became effective in August 2012. It requires that companies which conclude a high volume of speculative trades settle certain derivative transactions via clearing points, pledging more financial collateral than previously. Moreover, they are obliged to enter all their transactions into a register. We are currently not subject to EMIR clearing and hedging requirements due to the limited scope of our trading activities. Should this change, trading transactions would lead to additional costs and weigh on liquidity.

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

We may face burdens as a result of exemptions and warranties that we granted in connection with the sale of shareholdings. Exemptions ensure that the seller covers the risks that are identified within the scope of due diligence, the probability of occurrence of which is, however, uncertain. In contrast, warranties also cover risks that are unknown at the time of sale. The hedging instruments described above are standard procedure in sales of companies and equity holdings.

- **Operational risks.** We operate technologically complex, interconnected production plants in all parts of our value chain. The construction of new assets may be delayed, for example due to accidents, material defects, delayed deliveries or time-consuming approval procedures. We counter this through diligent plant and project management as well as high safety standards. In addition, we perform regular inspections, maintenance and repairs. If economically viable, we take out insurance policies.

Income achieved from capital expenditure on property, plant and equipment and intangible assets may fall short of expectations. Furthermore, prices paid for acquisitions may prove to be too high in hindsight. Impairments may have to be recognised for such cases. However, investments may also turn out to be more economically favourable than originally assumed. RWE has specific accountability provisions and approval processes in place to prepare and implement investment decisions. Closely monitoring our markets and competitors helps us record and assess strategic risks and opportunities early on.

Our business processes are supported by secure, effective data processing systems. Nevertheless, we cannot rule out a lack of availability of IT infrastructure or a breach in the security of our data. Our high security standards are designed to prevent this. In addition, we regularly invest in hardware and software upgrades.

We currently classify the operating risks as low, compared to medium last year. One of the reasons is that we have finished the construction of the new hard coal-fired power station at Eemshaven and received the last outstanding permit. In addition, the risk situation in the UK supply business changed. As mentioned earlier, process and system-related problems weighed heavily on its earnings in 2015. On balance, the remaining risk is lower than a year ago.

- **Financial risks.** The volatility of market interest and foreign exchange rates as well as share prices can also have a significant effect on our earnings. Due to our international presence, we attach high importance to currency risk management. Furthermore, energy commodities such as coal and oil are traded in US dollars. Group companies are generally obliged to limit their currency risks via RWE AG. The parent company determines the net financial position for each currency and hedges it if necessary. The VaR concept is one of the tools used to measure and limit risk. In 2015, the average VaR for RWE AG's foreign currency position was less than €1 million, as in the preceding years.

  We differentiate between several categories of interest rate risks. Rises in interest rates can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. The VaR for the securities price risk of our capital investments in 2015 averaged €12 million (previous year: €4 million).

  Moreover, increases in interest rates cause our financing costs to rise. We measure this risk using the cash flow at risk. We apply a confidence level of 95% and a holding period of one year. In 2015, the average Cash Flow at Risk was €3 million (previous year: €9 million).

  Furthermore, market interest rates have an effect on our provisions, as they are the point of reference for determining the discount rates for the net present values of obligations. In other words, declining market interest rates tend to increase our provisions and vice-versa. On pages 131 et seqq. in the notes, we have provided commentary on how sensitively the net present values of pension, nuclear and mining obligations react to rises and drops in discount rates.

  The securities we hold in our portfolio include shares. In 2015, the VaR for the risk associated with changes in share prices averaged €8 million (previous year: €5 million).

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

  The conditions at which we can finance our business on the debt capital market is also largely dependent on the credit ratings we receive from international rating agencies. As set out on page 63, last year the leading agencies, Standard & Poor's and Moody's, lowered the long-term rating of our senior bonds to BBB and Baa2, respectively, in part due to the difficult situation on the conventional electricity generation market. The rating outlook is negative. Our rating may be lowered further, which may result in additional costs when raising capital and hedging trading transactions.

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

  As a rule, over-the-counter energy trading transactions are concluded through framework agreements, e.g. those prescribed by the European Federation of Energy Traders (EFET). In addition, we agree on collateral. For financial derivatives, we make use of the German master agreement or the master agreement of the International Swaps and Derivatives Association (ISDA).

  The counterparty default risk has been categorised as medium, as opposed to low in the previous year. This is because we changed our approach to determining the VaR for the credit risk. Due to the new methodology, potential damage is now assessed as higher than before.

- **Other risks.** This risk class includes reputation risks and risks associated with non-compliance and criminal offences committed by employees of the Group. It also encompasses the possibility of planned divestments not being implemented, for example owing to regulatory requirements or the lack of acceptable bids. We also see risks and opportunities in connection with the establishment of the new renewables, grid and retail subsidiary as well as with the planned raising of capital via an IPO. For example, a difficult market environment may make implementing the envisaged capital increase and a potential sale of shares by RWE AG difficult. It is also possible that the foundation of the new subsidiary may cost more than planned or fall behind schedule. In such events, the positive effects of RWE's reorganisation may be reduced or delayed.

  Of the aforementioned risks, we currently ascribe the highest importance to the possibility of failed divestments. As in the preceding year, we classify this risk as medium. However, it has already declined substantially due to the successful sale of RWE Dea.

Report on the accounting-related internal control system: statements in accordance with Sec. 315, Para. 2, No. 5 and Sec. 289, Para. 5 of the German Commercial Code. Risks associated with financial reporting reflect the fact that our annual, consolidated and interim financial statements may contain misrepresentations that could have a significant influence on the decisions made by their addressees. Our accounting-based Internal Control System (ICS) aims to detect potential sources of error and limit the resulting risks. It covers the financial reporting of the entire RWE Group. This enables us to ensure with sufficient certainty that the parent company and consolidated financial statements are prepared in compliance with statutory regulations.

The foundations of the ICS are our basic principles, which are set out in RWE's Code of Conduct and include our ambition to provide complete, objective, correct, intelligible and timely information, as well as the company's groupwide guidelines. Building on this, the minimum requirements for the accounting-related IT systems are designed to ensure the reliability of data collection and processing.

In the last few years, we have pooled our central accounting tasks in a centre of expertise overseen by RWE Group Business Services. Transactional accounting activities are handled by a shared service centre in Cracow, Poland, which also belongs to RWE Group Business Services. Accounting activities are functionally managed by RWE AG's Accounting & Tax Department, which is responsible for preparing RWE's consolidated financial statements.

In fiscal 2015, the RWE Group's ICS was refined in line with the new distribution of tasks. The design and monitoring of the ICS is now handled by a department created for this very purpose at RWE AG. Furthermore, we have established an ICS Committee, which is in charge of ensuring that the ICS is implemented throughout the entire Group, in keeping with high standards in terms of correctness and transparency and abiding by uniform principles. The Committee's members are officers from accounting as well as the finance, human resources, purchasing, trading and IT functions, all of which play an important role in financial reporting. In addition, we have created groupwide rules for designing and monitoring the ICS.

In order to verify that the ICS is effective, as a first step, with respect to the Accounting Department, we examine whether the risk situation is presented appropriately and whether suitable controls are in place for the identified risks. In a second step, the effectiveness of the controls is verified. This task has been entrusted to employees in the Accounting and Group Audit Departments as well as independent auditing companies. They use an IT system that we introduced for this purpose in 2015. The officers of the finance, human resources, purchasing, trading and IT functions certify whether the agreed ICS quality standards are adhered to by their respective areas. Audit findings are reported to the Executive Board.

Within the scope of external reporting, the members of the Executive Board of RWE AG take an external half and full-year balance-sheet oath and sign the responsibility statement. Thereby, they confirm that the prescribed accounting standards have been adhered to and that the figures give a true and fair view of the net assets, financial position and results of operations. When in session, the Supervisory Board's Audit Committee regularly concerns itself with the effectiveness of the ICS. Once a year, the Executive Board of RWE AG submits to the committee a report on the appropriateness of the design and effectiveness of the ICS.

The assessments and audits carried out in 2015 proved that the accounting-related ICS was effective yet again in the accounting, finance, human resources, purchasing, trading and IT functions. Therefore, we can mitigate the risk of material misrepresentations in financial reporting. However, we cannot eliminate it entirely.

We will continue to develop our ICS in the 2016 financial year. One of the focal points is the billing processes of all RWE's major supply companies. This has been occasioned by the problems experienced in the United Kingdom in providing punctual and accurate bills for residential customers, among other things.

1.13 OUTLOOK

Despite the major success achieved in implementing our efficiency-enhancement programme, the crisis in conventional electricity generation remains the main determinant of the development of RWE's earnings. For 2016, we expect an operating result of €2.8 billion to €3.1 billion and adjusted net income of €0.5 billion to €0.7 billion. This represents a considerable decline compared to 2015. The absence of the special items from which we benefited last year plays a role here. We will tackle the operating and technical problems in the UK supply business with resolve, but anticipate burdens in this area in 2016 as well. In addition to operating activities, we are focusing in particular on implementing the Group's reorganisation, which was decided at the end of 2015. This will lay the foundation for a stronger RWE, which will be able to tap into new prospects in a difficult market environment.

Experts anticipate slight economic upturn. According to initial forecasts, as last year, global economic output will rise by about 2.5%. Expansion in the Eurozone may also be similar to 2015 (1.5%). Based on estimates by the German Council of Economic Experts, Germany will post a gain of 1.6%. Stimulus is likely to continue coming from consumer spending. The Dutch economy will probably also outgrow the Eurozone, whereas expansion in Belgium will be roughly on a par with the currency union. In the United Kingdom, an increase in the order of 2% is possible, unless the UK decides to exit the EU and this results in a slowdown in growth. The economic outlook for our Central Eastern European markets is even more favourable. Experts anticipate Poland and Slovakia recording 3% growth, closely followed by the Czech Republic and Hungary, both posting gains of approximately 2.5%.

Energy consumption probably higher than in 2015. Our forecast for this year's energy consumption is based on the assumed economic development. In addition, we expect that temperatures in 2016 will be normal and therefore lower overall than in 2015, which was characterised by mild weather. If these conditions materialise, we believe that demand for electricity will be unchanged or rise marginally in Germany, the Netherlands and the United Kingdom. Stimulus expected from economic growth and potentially colder weather will be contrasted by the dampening effects of continuing increases in energy efficiency. Electricity usage in Central Eastern Europe is likely to advance. Growth of 1% to 2% has been forecast for Poland, Slovakia and Hungary.

We anticipate a general rise in gas consumption. Normalising temperatures in Continental Europe, which would increase demand for heating, may be the driving force. Furthermore, the expected economic expansion should stimulate demand for gas. Minor stimulus may come from the electricity sector, as market conditions for gas-fired power stations have recently improved somewhat. We expect counteracting influences from the trend for saving energy.

Commodity prices remain low. There is still no end in sight to the slump on international commodity markets. Coal and gas prices continued to drop at the beginning of 2016. The price of CO_2 emission allowances, which has been on course for a recovery in the last two years, has recently dropped significantly. All of this contributed to the continued price collapse in electricity forward trading. However, the recent development on commodity markets is only of secondary importance to our earnings in the current fiscal year as we have already sold almost all of our electricity generation for 2016 and secured the prices of the required fuel and emission allowances. The price we have realised for electricity produced by our German lignite-fired and nuclear power stations is lower than the previous year's average of €41 per MWh.

Changed reporting structure as of 1 January 2016. Our reporting for the current fiscal year is based on a new segment structure, which reflects the stages of the energy value chain. This is because we adapted our management model. In the future, we will report on the five following divisions: (1) Conventional Power Generation, (2) Renewables, (3) Trading/Gas Midstream, (4) Grids/Participations/Other and (5) Supply. These last two divisions are new and now cover the activities that were previously assigned to the (1) Supply/Distribution Networks Germany, (2) Supply Netherlands/Belgium, (3) Supply United Kingdom and (4) Central Eastern and South Eastern Europe segments. To ensure comparability with the forecast figures for 2016, we extrapolated the latter to the new structure on a pro-forma basis. Our intention to pool our renewables, grid and retail operations in a new listed company will not have an impact on reporting for the time being.

2016 operating result expected to range from €2.8 billion to €3.1 billion. We anticipate that EBITDA for the 2016 fiscal year will be between €5.2 billion and €5.5 billion. The operating result is expected to range from €2.8 billion to €3.1 billion. Adjusted net income should total between €0.5 billion and €0.7 billion. These key earnings figures will therefore probably by much lower than in 2015. A major reason for this is the price-induced erosion of margins in conventional electricity generation, which we will only partially be able to offset with efficiency-improving measures. Moreover, we expect that the cost of operating and maintaining our distribution networks will rise. In addition, we benefited from positive one-off effects last year (e.g. the revaluation of VSE). This forecast does not take into account the possibility that the nuclear fuel tax may be deemed illegal by the Constitutional Court in 2016. In such an event, EBITDA, the operating result and adjusted net income may well be up to €1.7 billion higher.

Earnings forecast for 2016	2015 actual[1] € million	Outlook 2016[2]
EBITDA	7,017	€5.2 billion to €5.5 billion
Operating result	3,837	€2.8 billion to €3.1 billion
Conventional Power Generation	543	Significantly below previous year
Renewables	493	Significantly below previous year
Trading/Gas Midstream	156	Significantly above previous year
Grids/Participations/Other	2,008	Significantly below previous year
Supply	824	Moderately below previous year
Adjusted net income[3]	1,125	€0.5 billion to €0.7 billion

1 Some figures are pro-forma due to the change in the reporting structure.
2 Qualifiers such as 'moderately' and 'significantly' indicate percentage deviations from the previous year's figures.
3 New term; formerly 'recurrent net income'; see commentary on page 56.

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

- Conventional Power Generation: This division's operating result will probably continue to decline significantly. Most of our electricity generation for this year has already been placed on the market. The margins realised are much smaller than for 2015. Furthermore, we plan extensive power plant overhauls. However, we will benefit from the absence of burdens experienced last year, especially in connection with the power plant project at Hamm. In addition, efficiency-enhancing measures will have a positive impact.

- Renewables: This division may fail to match the operating result recorded in 2015, which was unusually high due to book gains on divestments and despite impairments. The commissioning of new wind turbines over the course of last year, which will contribute to electricity generation throughout 2016, will have a positive effect. Moreover, we plan to finish building further capacity this year.

- Trading/Gas Midstream: We expect this division to post a significant improvement in its operating result, after having achieved below-average trading income in 2015. In contrast, the situation in the gas midstream business remains burdened by gas storage capacity contracted over the long term, the management and marketing of which do not cover its costs.

- Grids/Participations/Other: Here, we will probably close 2016 significantly below the pro-forma figure for 2015. As mentioned earlier, the cost of operating and maintaining our distribution networks will rise. In addition, we expect that income from the sale of grids in Germany will drop. The absence of the one-off effect of the revaluation of our stake in the Slovak energy utility VSE will also have an earnings-reducing impact. This will affect both the network and the supply business. We anticipate that efficiency-enhancing measures will have a positive effect on earnings.

- Supply: Earnings in this division are likely to experience a moderate decline. One reason is the aforementioned effect of the revaluation of VSE. In the UK electricity and gas supply business, income from operating activities may well improve. However, we also predict costs in connection with the restructuring programme which we have initiated at RWE npower.

Dividend for 2016. Our dividend policy remains oriented towards sustainability and continuity. The dividend proposal for the 2016 financial year will be determined particularly by earnings, operating cash flows and indebtedness. The Executive Board and the Supervisory Board of RWE AG will not reach a decision on it until the end of 2016 or the beginning of 2017.

Headcount constant. Our employee figures will most probably not change a great deal in 2016. On the one hand, restructuring measures will cause personnel in conventional electricity generation to decline further. On the other hand, we intend to create new jobs, especially in the retail business.

€2.0 billion to €2.5 billion earmarked for capital expenditure in 2016. Our capital expenditure this year is anticipated to total between €2.0 billion and €2.5 billion. This includes spending on financial assets. Roughly half of the capex budget has been set aside for network maintenance and expansion. We expect about €0.4 billion to be used to maintain our power stations and opencast mines. However, we also want to invest in growth, especially in renewable energy, the future budget of which will significantly depend on the planned IPO of our new renewables, grid and retail company.

Net debt probably on a par year on year. By the end of 2016, net debt is anticipated to be in the order of last year's level (€25.1 billion). This does not take into account the positive effects of a potential refund of the nuclear fuel tax or the IPO of our new renewables, grid and retail company. Furthermore, we expect the interest level to remain stable, which would also result in stable discount rates for non-current provisions.

Further reduction in carbon emissions expected. As set out on page 22, we intend to lower the carbon dioxide emissions of our power plants to 0.62 metric tons per megawatt hour of electricity generated by 2020. Last year, we already reduced them from 0.75 (2014) to 0.71 metric tons. We anticipate a further, moderate decline in 2016. This is based on the assumption that the share of our electricity generation accounted for by coal will decrease, and that of gas and renewable energy sources will increase. Our shut-down of the Dutch hard coal-fired power station Amer 8 as of 1 January 2016 and the expectation of longer downtimes at our coal-fired power plants for overhauls will play a role. In addition, we expect the usage of our gas-fired power plants to increase, as the margins of these stations have recently recovered somewhat. The continued expansion of our wind power capacity will also have a positive impact.

2 RESPONSIBILITY STATEMENT

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

Essen, 22 February 2016

The Executive Board

Terium Schmitz Günther Tigges

3 CONSOLIDATED FINANCIAL STATEMENTS

3.1 INCOME STATEMENT

€ million	Note	2015	2014
Revenue (including natural gas tax/electricity tax)	(1)	**48,599**	**48,468**
Natural gas tax/electricity tax	(1)	2,242	2,319
Revenue	(1)	**46,357**	**46,149**
Other operating income	(2)	2,420	2,335
Cost of materials	(3)	34,376	33,687
Staff costs	(4)	4,803	4,850
Depreciation, amortisation and impairment losses	(5), (10)	5,522	3,115
Other operating expenses	(6)	3,608	3,282
Income from investments accounted for using the equity method	(7), (13)	238	364
Other income from investments	(7)	246	180
Financial income	(8)	1,865	917
Finance costs	(8)	3,454	2,765
Income from continuing operations before tax		**–637**	**2,246**
Taxes on income	(9)	603	553
Income from continuing operations		**–1,240**	**1,693**
Income from discontinued operations		1,524	364
Income		**284**	**2,057**
of which: non-controlling interests		356	245
of which: RWE AG hybrid capital investors' interest		98	108
of which: net income/income attributable to RWE AG shareholders		**–170**	**1,704**
Basic and diluted earnings per common and preferred share in €	(28)	**–0.28**	**2.77**
of which: from continuing operations in €		–2.76	2.18
of which: from discontinued operations in €		2.48	0.59

3.2 STATEMENT OF COMPREHENSIVE INCOME[1]

€ million	Note	2015	2014
Income		**284**	**2,057**
Actuarial gains and losses of defined benefit pension plans and similar obligations		–683	–1,253
Income and expenses of investments accounted for using the equity method (pro rata)	(13)	–67	–23
Income and expenses recognised in equity, not to be reclassified through profit or loss		**–750**	**–1,276**
Currency translation adjustment	(22)	249	–23
Fair valuation of financial instruments available for sale	(29)	–251	78
Fair valuation of financial instruments used for hedging purposes	(29)	–139	–410
Income and expenses of investments accounted for using the equity method (pro rata)	(13), (22)	4	53
Income and expenses recognised in equity, to be reclassified through profit or loss in the future		**–137**	**–302**
Other comprehensive income		**–887**	**–1,578**
Total comprehensive income		**–603**	**479**
of which: attributable to RWE AG shareholders		–1,006	251
of which: attributable to RWE AG hybrid capital investors		98	108
of which: attributable to non-controlling interests		305	120

1 Figures stated after taxes.

3.3 BALANCE SHEET

Assets € million	Note	31 Dec 2015	31 Dec 2014
Non-current assets			
Intangible assets	(10)	13,215	12,797
Property, plant and equipment	(11)	29,357	31,059
Investment property	(12)	72	83
Investments accounted for using the equity method	(13)	2,952	3,198
Other non-current financial assets	(14)	885	958
Financial receivables	(15)	501	592
Other receivables and other assets	(16)	1,810	1,374
Income tax assets		195	327
Deferred taxes	(17)	2,466	3,836
		51,453	**54,224**
Current assets			
Inventories	(18)	1,959	2,232
Financial receivables	(15)	1,074	1,843
Trade accounts receivable	(19)	5,601	6,512
Other receivables and other assets	(16)	9,088	8,182
Income tax assets		159	202
Marketable securities	(20)	7,437	4,410
Cash and cash equivalents	(21)	2,522	3,171
Assets held for sale		41	5,540
		27,881	**32,092**
		79,334	**86,316**

Equity and liabilities € million	Note	31 Dec 2015	31 Dec 2014
Equity	(22)		
RWE AG shareholders' interest		5,847	7,388
RWE AG hybrid capital investors' interest		950	2,705
Non-controlling interests		2,097	1,679
		8,894	**11,772**
Non-current liabilities			
Provisions	(24)	24,623	27,540
Financial liabilities	(25)	16,718	15,224
Other liabilities	(27)	2,741	2,695
Deferred taxes	(17)	1,233	865
		45,315	**46,324**
Current liabilities			
Provisions	(24)	5,186	5,504
Financial liabilities	(25)	2,362	3,342
Trade accounts payable	(26)	6,122	6,309
Income tax liabilities		50	69
Other liabilities	(27)	11,386	10,361
Liabilities held for sale		19	2,635
		25,125	**28,220**
		79,334	**86,316**

3.4 CASH FLOW STATEMENT

€ million	Note (32)	2015	2014
Income from continuing operations		−1,240	1,693
Depreciation, amortisation, impairment losses/write-backs		5,628	3,083
Changes in provisions		−616	−1,077
Changes in deferred taxes		59	45
Income from disposal of non-current assets and marketable securities		−580	−472
Other non-cash income/expenses		−193	424
Changes in working capital		281	1,860
Cash flows from operating activities of continuing operations		**3,339**	**5,556**
Cash flows from operating activities of discontinued operations		−125	812
Cash flows from operating activities		**3,214**	**6,368**
Intangible assets/property, plant and equipment/investment property			
Capital expenditure		−2,898	−3,245
Proceeds from disposal of assets		734	542
Acquisitions, investments			
Capital expenditure		−275	−105
Proceeds from disposal of assets/divestitures		4,436	469
Changes in marketable securities and cash investments		−2,487	−1,406
Cash flows from investing activities (before initial/subsequent transfer to pension plans)		**−490**	**−3,745**
Initial/subsequent transfer to pension plans		−1,305	−449
Cash flows from investing activities of continuing operations (after initial/subsequent transfer to pension plans)		**−1,795**	**−4,194**
Cash flows from investing activities of discontinued operations		−111	−675
Cash flows from investing activities (after initial/subsequent transfer to pension plans)		**−1,906**	**−4,869**
Net change in equity (incl. non-controlling interests)		−1,523	122
Dividends paid to RWE AG shareholders and non-controlling interests		−1,070	−1,061
Issuance of financial debt		5,451	643
Repayment of financial debt		−5,161	−1,842
Cash flows from financing activities of continuing operations		**−2,303**	**−2,138**
Cash flows from financing activities of discontinued operations		260	−62
Cash flows from financing activities		**−2,043**	**−2,200**
Net cash change in cash and cash equivalents		−735	−701
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		14	8
Net change in cash and cash equivalents		**−721**	**−693**
Cash and cash equivalents at beginning of the reporting period		3,257	3,950
of which: reported as “Assets held for sale”		−86	
Cash and cash equivalents at 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		2,536	3,257
of which: reported as “Assets held for sale”		−14	−86
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet		**2,522**	**3,171**

3.5 STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity € million	Subscribed capital of RWE AG	Additional-paid-in capital of RWE AG	Retained earnings and distributable profit	Accumulated other Comprehensive Income			**RWE AG shareholders' interest**	RWE AG hybrid capital investors' interest	Non-controlling interests	**Total**
				Currency translation adjustments	Fair value measurement of financial instruments					
Note (22)					Available for sale	Used for hedging purposes				
Balance at 1 Jan 2014	**1,574**	**2,385**	**5,062**	**–197**	**116**	**–1,202**	**7,738**	**2,701**	**1,698**	**12,137**
Capital paid in									110	110
Dividends paid[1]			–615				–615	–144	–256	–1,015
Income			1,704				1,704	108	245	2,057
Other comprehensive income			–1,157	–4	118	–410	–1,453		–125	–1,578
Total comprehensive income			547	–4	118	–410	251	108	120	479
Other changes			14				14	40	7	61
Balance at 31 Dec 2014	**1,574**	**2,385**	**5,008**	**–201**	**234**	**–1,612**	**7,388**	**2,705**	**1,679**	**11,772**
Capital paid out/paid in								–1,750	58	–1,692
Dividends paid[1]			–615				–615	–153	–245	–1,013
Income			–170				–170	98	356	284
Other comprehensive income			–691	206	–212	–139	–836		–51	–887
Total comprehensive income			–861	206	–212	–139	–1,006	98	305	–603
Other changes			80				80	50	300	430
Balance at 31 Dec 2015	**1,574**	**2,385**	**3,612**	**5**	**22**	**–1,751**	**5,847**	**950**	**2,097**	**8,894**

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

3.6 NOTES

Basis of presentation

RWE AG, headquartered at Opernplatz 1, 45128 Essen, Germany, is the parent company of the RWE Group ("RWE" or "Group"). RWE is a supplier of electricity and natural gas in Europe.

The consolidated financial statements for the period ended 31 December 2015 were approved for publication on 22 February 2016 by the Executive Board of RWE AG. The statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU, as well as in accordance with the supplementary accounting regulations applicable pursuant to Sec. 315a, Para. 1 of the German Commercial Code (HGB). The previous year's figures were calculated according to the same principles.

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

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

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

These consolidated financial statements were prepared for the fiscal year from 1 January to 31 December 2015.

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

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

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

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

Scope of consolidation

In addition to RWE AG, the consolidated financial statements contain all material German and foreign companies which RWE AG controls directly or indirectly. In determining whether there is control, in addition to voting rights, other rights in the company contracts or articles of incorporation and potential voting rights are also taken into consideration.

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

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

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

The list of Group shareholdings pursuant to Sec. 313, Para. 2 of the German Commercial Code (HGB) is presented on page 151 et seqq.

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

Number of fully consolidated companies	Germany	Abroad	Total
1 Jan 2015	**154**	**187**	**341**
First-time consolidation	11	20	31
Deconsolidation	–14	–19	–33
Mergers	–5	–11	–16
31 Dec 2015	**146**	**177**	**323**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
1 Jan 2015	**70**	**24**	**94**
Acquisitions	1	3	4
Disposals	–2	–3	–5
Other changes	1	–3	–2
31 Dec 2015	**70**	**21**	**91**

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

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

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

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.

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

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 the net assets of Czech-based RWE Česká republika a.s. to increase by €44 million.

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 €179 million to the Group's revenue and €13 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 €329 million and the Group's revenue would total €46,644 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 Investments 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 were 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	2015	2014
Revenue (including natural gas tax)	175[1]	1,629[1]
Expenses/income	1,406[1]	−813[1]
Income from discontinued operations before tax	1,581	816
Taxes on income	−57	−452
Income from discontinued operations	1,524	364

1 After elimination of transactions with RWE Group companies in accordance with the agenda decision of the IFRS Interpretations Committee (IFRS IC) of 25 January 2016; prior-year figures adjusted.

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

Of the share of RWE AG shareholders in the sum of recognised income and expenses (total comprehensive income), –€2,569 million (previous year: –€130 million) was allocable to continuing operations and €1,563 million (previous year: €381 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. Liabilities held for sale also include transactions with RWE Group companies. If these were to be eliminated in accordance with the agenda decision of the IFRS Interpretations Committee (IFRS IC) of 25 January 2016, liabilities held for sale would be lower by €467 million. This would have resulted in the following changes in the balance-sheet items of continuing operations:

Changes in balance-sheet items for continuing operations € million	31 Dec 2014
Financial receivables (non-current)	−372
Trade accounts receivable	−2
Other receivables and other assets (non-current)	−93

RWE Innogy GyM 1 Ltd.

At the end of October 2015, RWE Innogy UK Ltd. sold the company RWE Innogy GyM 1 Ltd. to UK Green Investment Bank. The company held a residual share of 10% in the offshore wind farm Gwynt y Môr, which was part of the Renewables Segment. The transaction had been agreed with UK Green Investment Bank in the spring of 2014. Following completion and successful commissioning of the wind farm, the transaction was concluded. The loss on deconsolidation amounted to €7 million and is reported under "Other operating expenses".

Galloper wind power project

At the end of October 2015, RWE Innogy UK Ltd. sold a 75% share in the Galloper offshore wind project, which was part of the Renewables Segment, in equal ratios to Siemens Financial Services, Macquarie Capital and UK Green Investment Bank. The transaction yielded income of €93 million: of this, €87 million was reported under "Other income from investments" and a gain on consolidation of €6 million was reported under "Other operating income". This income includes revenues of €23 million from remeasurement of the remaining 25% share in the project.

In total, sales of shares which led to a change of control resulted in sales proceeds from disposals amounting to €64 million, which were reported in "Other operating income", "Other operating expenses" and "Other income from investments" (previous year: –€41 million). Of this, €23 million (previous year: €45 million) pertained to revaluation of remaining shares.

Within the framework of purchases and sales of subsidiaries and other business units which resulted in a change of control, purchase prices amounted to €45 million (previous year: €0 million) and sales prices amounted to €4,325 million (previous year: €72 million); all payments were made in cash. In relation to this, cash and cash equivalents (excluding "Assets held for sale") were acquired in the amount of €2 million (previous year: €0 million) and were disposed of in the amount of €126 million (previous year: €2 million).

Changes in the scope of consolidation increased non-current assets (including deferred taxes) by €863 million (previous year: decrease of €3,863 million) and decreased current assets (excluding cash and cash equivalents) by €5,453 million (previous year: increase of €3,699 million); non-current and current liabilities declined by €2,596 million (previous year: €147 million). On balance, cash and cash equivalents (excluding "Assets held for sale") declined by €49 million (previous year: €2 million).

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

Assets and disposal groups held for sale

Lynemouth

In January 2016, RWE Supply & Trading GmbH concluded an agreement on the sale of Lynemouth Power Ltd., the operator of a 420 MW coal-fired power plant in Lynemouth, to EP UK Investment Ltd., a subsidiary of Energetický a prumyslový holding. In early December 2015, Lynemouth Power Ltd. received the approval of the European Commission for the investment contract of the UK government on complete conversion of this English power plant to biomass operation. This investment is part of the segment Trading/Gas Midstream. Carrying values of €41 million as assets held for sale and of €19 million as liabilities held for sale are reported in the balance sheet.

Consolidation principles

The financial statements of German and foreign companies included in the scope of the Group's financial statements are prepared using uniform accounting policies. On principle, subsidiaries whose fiscal years do not end on the Group's balance-sheet date (31 December) prepare interim financial statements as of this date. Four (previous year: four) subsidiaries have different balance-sheet dates of 31 October, 30 November and 31 March. Different fiscal years compared to the calendar year stem from business or tax-related reasons, or country-specific regulations.

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

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

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

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

For joint operations, the assets and liabilities and the expenses and income of the companies which are attributable to RWE are reported.

Foreign currency translation

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

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

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

Exchange rates	Average		Year-end	
in €	2015	2014	31 Dec 2015	31 Dec 2014
1 US dollar	0.91	0.76	0.92	0.82
1 pound sterling	1.38	1.25	1.36	1.28
100 Czech korunas	3.67	3.63	3.70	3.61
100 Hungarian forints	0.32	0.32	0.32	0.32
1 Polish zloty	0.24	0.24	0.23	0.23

Accounting policies

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

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

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

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

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

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

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

Useful life in years	
Buildings	10 – 75
Technical plants	
Thermal power plants	10 – 40
Wind turbines	up to 23
Electricity grids	20 – 45
Water main networks	12 – 80
Gas and water storage facilities	12 – 60
Gas distribution facilities	10 – 40
Mining facilities	3 – 25
Mining developments	33 – 35
Other renewable generation facilities	4 – 40

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

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

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

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

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

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

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

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

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

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

Deferred taxes result from temporary differences in the carrying amount in the separate IFRS financial statements and tax bases, and from consolidation procedures. Deferred tax assets also include tax reduction claims resulting from the expected utilisation of existing loss carryforwards in subsequent years. Deferred taxes are capitalised if it is sufficiently certain that the related economic advantages can be used. Their amount is assessed with regard to the tax rates applicable or expected to be applicable in the specific country at the time of realisation. The tax regulations valid or adopted as of the balance-sheet date are key considerations in this regard. The tax rate used to calculate deferred taxes in Germany is 31.4% (previous year: 31.4%). This is derived from the prevailing 15% corporate tax rate, the solidarity surcharge of 5.5%, and the Group's average local trade tax rate. Deferred tax assets and deferred tax liabilities are netted out for each company and/or tax group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions for defined benefit plans are based on the actuarial present value of the respective obligation. This is measured using the projected unit credit method. This benefit/years-of-service method not only takes into account the pension benefits and benefit entitlements known as of the balance-sheet date, but also anticipated future increases in salaries and pension benefits. The calculation is based on actuarial reports, taking into account appropriate biometric parameters (for Germany, in particular the "Richttafeln 2005 G" by Klaus Heubeck, and Standard Table A92 and S1PA for the United Kingdom). The provision derives from the balance of the actuarial present value of the obligations and the fair value of the plan assets. The service cost is disclosed in staff costs. Net interest is included in the financial result.

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

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

Waste management provisions in the nuclear energy sector are based on obligations under public law, in particular the German Atomic Energy Act, and on restrictions stipulated in operating licenses. These provisions are measured using estimates, which are based on and defined in contracts, on information from internal and external specialists and expert opinions, as well as on data from the German Federal Office for Radiation Protection (BfS).

Obligations existing as of the balance-sheet date and identifiable when the balance sheet is being prepared are recognised as provisions for mining damage to cover land recultivation and remediation of mining damage that has already occurred or been caused. The provisions must be recognised due to obligations under public law, such as the German Federal Mining Act, and formulated, above all, in operating schedules and water law permits. Provisions are generally recognised based on the increase in the obligation, e.g. in line with lignite production. Such provisions are measured at full expected cost or according to estimated compensation payments.

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

Liabilities consist of **income tax liabilities, financial liabilities, trade accounts payable** and **other liabilities**. Upon initial recognition, these are stated at fair value including transaction costs and are carried at amortised cost in the periods thereafter (except for derivative financial instruments). Liabilities from finance lease agreements are either measured at the fair value of the leased asset or the present value of minimum lease payments, depending on which amount is lower.

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

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

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

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

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

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

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

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

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

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

- With regard to certain contracts, a decision must be made as to whether they are to be treated as derivatives or as so-called own-use contracts, and be accounted for as executory contracts.
- Financial assets must be allocated to the categories “Held to maturity investments”, “Loans and receivables”, “Financial assets available for sale”, and “Financial assets at fair value through profit or loss”.

- With regard to “Financial assets available for sale”, a decision must be made as to if and when reductions in value are to be recognised as impairments with an impact on income.
- With regard to assets held for sale, it must be determined if they can be sold in their current condition and if the sale of such is highly probable. If both conditions apply, the assets and any related liabilities must be reported and measured as “Assets held for sale” or “Liabilities held for sale”, respectively.

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

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

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

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

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

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

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

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

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

Capital management. RWE’s capital structure mainly changed due to the sale of RWE Dea during the reporting period. Revenues from the sale contributed to a significant reduction of net financial debt to €7.4 billion (previous year: €8.5 billion). Consequently, roughly three quarters of RWE’s net debt consists of provisions amounting to €18.8 billion (previous year: €20.6 billion); on average, these have a very long duration and are significantly influenced by external factors such as the general level of interest rates.

The focus of RWE’s financing policy is on ensuring uninterrupted access to the capital market, to enable the efficient refinancing of maturing debts at any time. This goal is pursued by maintaining a solid investment grade rating, targeting positive cash flow and partially pre-financing the non-current provisions with invested financial assets.

Among other things, RWE manages its capital structure on the basis of financial indicators. One key indicator is the “debt factor”, which is calculated using net debt. Net debt is calculated by adding material non-current provisions to net financial debt, and subtracting the surplus of plan assets over benefit obligations; furthermore, hybrid capital is corrected, with the result that one half of this is included in net debt. The debt factor is the ratio of net debt to EBITDA. During the reporting period, it was 3.6 (previous year: 3.8).

Our credit rating is influenced by a number of qualitative and quantitative factors. These include aspects such as the amount of cash flows and debt as well as market conditions, competition, and the political framework. The hybrid bonds totalling €1.25 billion, US$1.5 billion, £0.75 billion and CHF0.4 billion also support our rating. The two leading rating agencies, Moody’s and Standard & Poor’s, classify one half of hybrid capital as equity. As a result, the debt indicators relevant to the rating are better than they would be if we had only issued traditional bonds.

The non-subordinated bonds issued by RWE are currently rated Baa2 by Moody’s and BBB by Standard & Poor’s, both with negative outlooks. Our rating thus remains in the investment-grade range. The credit ratings are P-2 and A-2, respectively, for short-term RWE bonds.

Changes in accounting policies

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

- Annual Improvements to the IFRSs 2011-2013 Cycle (2013). This omnibus standard contains clarifications in relation to IAS 40, IFRS 3 and IFRS 13. The amendments have no impact on the consolidated financial statements of RWE AG.
- IFRIC Interpretation 21 "Levies" (2013). This Interpretation contains guidelines on the timing and amount to be recognised in relation to public levies and clarifies aspects of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". First-time application of IFRIC 21 has no material effect on the consolidated financial statements.

New accounting policies

The IASB has adopted further standards and amendments to standards, which were not yet mandatory in the European Union (EU) in fiscal 2015. The most important changes are presented below. EU endorsement is still pending in some cases.

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

IFRS 15 Revenue from Contracts with Customers (2014) including amendments to IFRS 15, effective date of IFRS 15 (2015) will replace the contents of IAS 18 Revenue and IAS 11 Construction Contracts. The new standard does not distinguish between different types of orders and performance; instead it establishes uniform criteria as to when revenue is realised for a performance obligation at a point in time or over time. Revenue is realised when the customer obtains control over the agreed goods and services and can obtain the benefits from such. The new Standard becomes effective for fiscal years starting on or after 1 January 2018. The effects of IFRS 15 (2014) on the RWE Group's consolidated financial statements are being reviewed.

IFRS 16 Leases (2016) will replace the contents of IAS 17 "Leases" and the related interpretations IFRIC 4, SIC-15 and SIC-27. According to this new Standard governing leases, aside from short-term leases (up to 12 months) and leases of low-value assets, all leases are to be reported in the balance sheet. Consequently, regardless of economic ownership of the leased asset, the lessee must recognise a right-of-use asset and a corresponding lease liability in the amount of the present value of the fixed lease payments. For lessors, the new Standard does not result in any significant changes to the current accounting treatment pursuant to IAS 17 in terms of classifying the lease, which is still necessary. The new Standard becomes effective for fiscal years starting on or after 1 January 2019. The effects of IFRS 16 (2016) on the RWE Group's consolidated financial statements are being reviewed.

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

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (2016)
- Amendments to IAS 7 Disclosure Initiative (2016)
- IFRS 14 Regulatory Deferral Accounts (2014)
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (2014)
- Amendments to IAS 1 – Disclosure Initiative (2014)
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (2014)
- Amendments to IAS 16 and IAS 41 – Bearer Plants (2014)
- Amendments to IAS 27 – Equity Method in Separate Financial Statements (2014)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (2014), including amendments to IFRS 10 and IAS 28, effective date of amendments to IFRS 10 and IAS 28 (2015)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (2014)
- Annual Improvements to IFRSs 2012-2014 Cycle (2014)
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (2013)
- Annual Improvements to IFRSs Cycle 2010-2012 (2013)

Notes to the Income Statement

(1) Revenue

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

To improve the presentation of business development, we report revenue generated by energy trading operations as net figures, reflecting realised gross margins. By contrast, we report electricity, gas, coal and oil transactions that are subject to physical settlement on a gross basis. Energy trading revenue is generated by the segment Trading/Gas Midstream. In fiscal 2015, gross revenue (including energy trading) totalled €103,169 million (previous year: €101,503 million).

A breakdown of revenue by division and geographical region is contained in the segment reporting on page 145 et seq. Revenue increased by a net total of €226 million as a result of first-time consolidations and deconsolidations.

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

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

(2) Other operating income

Other operating income € million	2015	2014
Income from own work capitalised	291	231
Income from changes in finished goods and work in progress	77	49
Release of provisions	265	635
Cost allocations/refunds	76	90
Disposal and write-back of current assets (excluding marketable securities)	57	45
Disposal and write-back of non-current assets including income from deconsolidation	286	447
Income from derivative financial instruments	211	241
Compensation and insurance benefits	575	149
Rent and lease	20	24
Remeasurement gain in step acquisitions	159	
Miscellaneous	403	424
	2,420	**2,335**

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

Changes in the scope of consolidation increased other operating income by €175 million.

(3) Cost of materials

Cost of materials € million	2015	2014
Cost of raw materials and of goods for resale	22,436	22,581
Cost of purchased services	11,940	11,106
	34,376	**33,687**

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

A total of €54,570 million in energy trading revenue (previous year: €53,035 million) was netted out against cost of materials. Changes in the scope of consolidation resulted in an increase of €153 million in the cost of materials.

(4) Staff costs

Staff costs € million	2015	2014
Wages and salaries	3,728	3,815
Cost of social security, pensions and other benefits	1,075	1,035
	4,803	**4,850**

Number of employees	2015	2014
Employees covered by collective agreements and other employees	46,707	48,796
Employees not covered by collective agreements	12,643	12,919
	59,350	**61,715**

The number of employees is arrived at by conversion to full-time positions, meaning that part-time and fixed-term employment relationships are included in accordance with the ratio of the part-time work or the duration of the employment to the annual employment time. On average, 2,140 trainees were employed (previous year: 2,297). Trainees are not included in the personnel headcount.

An increase of €18 million in staff costs is attributable to changes in the scope of consolidation.

(5) Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses € million	2015	2014
Intangible assets	472	222
Property, plant and equipment	5,045	2,887
Investment property	5	6
	5,522	**3,115**

In respect of amortisation on intangible assets, €24 million (previous year: €30 million) pertained to customer bases of acquired enterprises.

Changes in the scope of consolidation increased depreciation, amortisation and impairments losses by €31 million.

Impairments € million	2015	2014
Intangible assets	236	14
Property, plant and equipment	2,874	828
Investment property		1
	3,110	**843**

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

An impairment loss of €654 million (previous year: €387 million) was recognised for a power plant unit in Germany in the Conventional Power Generation Segment, as this unit was shut down.

An impairment loss of €568 million (previous year: €183 million) was recognised for British power plants in the Conventional Power Generation Segment, due to changes in the market situation as a result of the capacity market auction (recoverable amount: €1.9 billion).

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

An impairment loss of €101 million (of which €16 million pertained to intangible assets and €85 million to property, plant and equipment) was recognised for the intangible assets and the property, plant and equipment of the joint operation EPZ which is part of the Conventional Power Generation Segment, due to changes in price expectations (recoverable amount: €0.1 billion).

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

Recoverable amounts are determined on the basis of fair values less costs to sell using valuation models based on planned cash flows. The valuation of the German power plant portfolio was based on a discount rate of 4.75%; the other valuation models used discount rates ranging from 1.25% to 5.5% (previous year: 4.25% to 5.75%). Our key planning assumptions relate to the development of wholesale prices of electricity, crude oil, natural gas, coal and CO_2 emission allowances, retail prices of electricity and gas, market shares and regulatory framework conditions. Based on the use of internal planning assumptions, the determined fair values are assigned to Level 3 of the fair value hierarchy.

(6) Other operating expenses

Other operating expenses € million	2015	2014
Maintenance and renewal obligations	537	684
Additions to provisions	286	11
Concessions, licenses and other contractual obligations	436	447
Structural and adaptation measures	166	41
Legal and other consulting and data processing services	303	244
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	327	298
Disposal of non-current assets including expenses from deconsolidation	58	148
Insurance, commissions, freight and similar distribution costs	182	175
General administration	142	151
Advertising	203	223
Expenses from derivative financial instruments	47	226
Lease payments for plant and grids as well as rents	140	143
Postage and monetary transactions	72	67
Fees and membership dues	134	112
Exchange rate losses	57	12
Other taxes (primarily on property)	98	130
Miscellaneous	420	170
	3,608	**3,282**

Changes in the scope of consolidation increased other operating expenses by €321 million.

(7) Income from investments

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

Income from investments € million	2015	2014
Income from investments accounted for using the equity method	**238**	**364**
of which: amortisation/impairment losses/write-backs on investments accounted for using the equity method	−107	−18
Income from non-consolidated subsidiaries		5
of which: amortisation/impairment losses on non-consolidated subsidiaries	−7	−2
Income from other investments	32	35
of which: impairment of shares in other investments	−10	−8
Income from the disposal of investments	231	173
Expenses from the disposal of investments	34	8
Income from loans to investments	35	27
Expenses from loans to investments	18	52
Other income from investments	**246**	**180**
	484	**544**

Expenses from loans to investments relate exclusively to impairment losses.

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

(8) Financial result

Financial result € million	2015	2014
Interest and similar income	265	218
Other financial income	1,600	699
Financial income	**1,865**	**917**
Interest and similar expenses	1,069	1,080
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	153	218
Provisions for nuclear waste management as well as to mining provisions	571	560
Other provisions	97	336
Other finance costs	1,564	571
Finance costs	**3,454**	**2,765**
	–1,589	**–1,848**

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

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

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

In the year under review, €5 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (previous year: €6 million). The underlying capitalisation rate ranged from 5.0% to 5.1% (previous year: from 4.9% to 5.25%).

Net interest € million	2015	2014
Interest and similar income	265	218
Interest and similar expenses	1,069	1,080
	–804	**–862**

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

Interest result by category € million	2015	2014
Loans and receivables	181	159
Financial assets available for sale	84	59
Financial liabilities carried at (amortised) cost	–1,069	–1,080
	–804	**–862**

Other financial income includes €297 million in gains realised from the disposal of marketable securities (previous year: €68 million). Of the other finance costs, €129 million (previous year: €12 million) stem from realised losses on the disposal of marketable securities.

(9) Taxes on income

Taxes on income € million	2015	2014
Current taxes on income	544	508
Deferred taxes	59	45
	603	**553**

Of the deferred taxes, €637 million is related to temporary differences (previous year: €14 million). In the year under review, changes in valuation allowances for deferred tax assets amounted to €777 million (previous year: €237 million).

Current taxes on income contain €75 million in net tax income (previous year: €165 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €7 million (previous year: €2 million). Expenses from deferred taxes declined by €100 million (previous year: €3 million), due to reassessments of and previously unrecognised tax carryforwards.

Changes in the scope of consolidation decreased income taxes by €10 million.

Income taxes recognised in other comprehensive income € million	2015	2014
Fair valuation of financial instruments available for sale	25	−18
Fair valuation of financial instruments used for hedging purposes	26	−7
Actuarial gains and losses of defined benefit pension plans and similar obligations	−1,595[1]	591
	−1,544	**566**

1 Including valuation allowances.

Taxes in the amount of €38 million (previous year: €40 million) were offset directly against equity in relation to hybrid capital reported as equity.

Tax reconciliation € million	2015	2014
Income from continuing operations before tax	**−637**	**2,246**
Theoretical tax expense	**−200**	**705**
Differences to foreign tax rates	58	−66
Tax effects on		
Tax-free domestic dividends	−84	−78
Tax-free foreign dividends	−10	−23
Other tax-free income	−15	−12
Expenses not deductible for tax purposes	44	76
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	19	−8
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	−60	110
Income on the disposal of investments	−97	6
Changes in foreign tax rates		−6
Other allowances for deferred taxes in the RWE AG tax group	871	
Other	77	−151
Effective tax expense	**603**	**553**
Effective tax rate in %	−94.7	24.6

Notes to the Balance Sheet

(10) Intangible assets

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

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

Disposals due to changes in the scope of consolidation include concessions with a book value of €0 million (previous year: €700 million) and goodwill with a book value of €0 million (previous year: €25 million), which were classified as “Held for sale”.

In the reporting period, the RWE Group’s total expenditures on research and development amounted to €268 million (previous year: €110 million). Development costs of €209 million were capitalised (previous year: €145 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2015	31 Dec 2014
Supply/Distribution Networks Germany	3,594	3,387
Supply Netherlands/Belgium	2,695	2,682
Supply United Kingdom	2,414	2,269
Central Eastern and South Eastern Europe	1,516	1,408
Renewables	754	755
Trading/Gas Midstream	1,006	1,006
	11,979	**11,507**

In the year under review, goodwill decreased by €22 million (previous year: €14 million). In the segment Supply/Distribution Networks Germany, changes in current redemption liabilities from put options resulted in an increase in goodwill without an effect on income; these are included in additions in the amount of €197 million (previous year: increase of €12 million).

In the third quarter of every fiscal year, an impairment test is performed to determine if there is any need to write down goodwill. In this test, goodwill is allocated to the cash-generating units at the segment level. The recoverable amount of the cash-generating unit is determined, which is defined as the higher of fair value less costs to sell or value in use. Fair value is the best estimate of the price that an independent third party would pay to purchase the cash-generating unit as of the balance-sheet date. Value in use reflects the present value of the future cash flows which are expected to be generated with the cash-generating unit.

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

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

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

The discount rates used for business valuations are determined on the basis of market data. With regard to cash-generating units, during the period under review they ranged from 4.5% to 6.0% after tax (previous year: 5.5% to 7.3%).

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

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

The segment Supply United Kingdom exhibits the smallest surpluses of recoverable amount over the carrying amounts. The recoverable amount was €0.7 billion higher than the carrying amount. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 0.8 percentage points to above 6.5%, a growth rate decreased by more than 0.9 percentage points to below 0.1%, or an after-tax operating result reduced by more than €36 million in terminal value.

(11) Property, plant and equipment

Property, plant and equipment € million	Land, land rights and buildings incl. buildings on third-party land	Technical plant and machinery	Other equipment, factory and office equipment	Prepayments and plants under construction	Total
Cost					
Balance at 1 Jan 2015	7,047	66,760	1,960	7,211	82,978
Additions/disposals due to changes in the scope of consolidation	20	412	160	−183	409
Additions	116	1,886	132	646	2,780
Transfers	394	5,545	103	−6,054	−12
Currency translation adjustments	32	395	15	121	563
Disposals	120	1,031	124	31	1,306
Balance at 31 Dec 2015	7,489	73,967	2,246	1,710	85,412
Accumulated depreciation/impairment losses					
Balance at 1 Jan 2015	3,732	44,286	1,484	2,417	51,919
Additions/disposals due to changes in the scope of consolidation	−8	−114	5		−117
Amortisation/impairment losses in the reporting period	307	3,952	153	634	5,046
Transfers	206	1,890	32	−2,129	−1
Currency translation adjustments	10	150	12		172
Disposals	27	806	117		950
Additions	14				14
Balance at 31 Dec 2015	4,206	49,358	1,569	922	56,055
Carrying amounts					
Balance at 31 Dec 2015	3,283	24,609	677	788	29,357

Cost					
Balance at 1 Jan 2014	7,399	70,436	1,976	9,187	88,998
Additions/disposals due to changes in the scope of consolidation	−399	−5,981	−43	−1,342	−7,765
Additions	106	1,462	98	1,673	3,339
Transfers	73	2,285	19	−2,411	−34
Currency translation adjustments	−3	272	8	120	397
Disposals	129	1,714	98	16	1,957
Balance at 31 Dec 2014	7,047	66,760	1,960	7,211	82,978
Accumulated depreciation/impairment losses					
Balance at 1 Jan 2014	3,867	47,274	1,456	2,184	54,781
Additions/disposals due to changes in the scope of consolidation	−234	−3,766	−29	−56	−4,085
Amortisation/impairment losses in the reporting period	249	2,205	149	284	2,887
Transfers	4	−24	−7	5	−22
Currency translation adjustments	−7	67	7		67
Disposals	96	1,468	92		1,656
Additions	51	2			53
Balance at 31 Dec 2014	3,732	44,286	1,484	2,417	51,919
Carrying amounts					
Balance at 31 Dec 2014	3,315	22,474	476	4,794	31,059

Disposals due to changes in the scope of consolidation include properties with a book value of €0 million (previous year: €37 million) and technical plants and machinery with a book value of €10 million (previous year: €1,342 million), which were classified as “Held for sale”.

Property, plant and equipment in the amount of €13 million (previous year: €75 million) were subject to restrictions from land charges or chattel mortgages. Of the total carrying amount of property, plant and equipment, €282 million (previous year: €267 million) was attributable to assets leased under finance leases. These assets essentially consist of technical plant and equipment. Disposals of property, plant and equipment resulted from sale or decommissioning.

(12) Investment property

Investment property € million	
Cost	
Balance at 1 Jan 2015	264
Additions/disposals due to changes in scope of consolidation	
Additions	1
Transfers	2
Disposals	49
Balance at 31 Dec 2015	218
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2015	181
Additions/disposals due to changes in scope of consolidation	
Depreciation/impairment losses in the reporting period	5
Transfers	1
Disposals	41
Balance at 31 Dec 2015	146
Carrying amounts	
Balance at 31 Dec 2015	72

Investment property € million	
Cost	
Balance at 1 Jan 2014	293
Additions/disposals due to changes in scope of consolidation	–33
Additions	
Transfers	18
Disposals	14
Balance at 31 Dec 2014	264
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2014	197
Additions/disposals due to changes in scope of consolidation	–26
Depreciation/impairment losses in the reporting period	6
Transfers	14
Disposals	10
Balance at 31 Dec 2014	181
Carrying amounts	
Balance at 31 Dec 2014	83

Disposals due to changes in the scope of consolidation include investment property with a book value of €0 million (previous year: €11 million), which was classified as “Held for sale”.

As of 31 December 2015, the fair value of investment property amounted to €150 million (previous year: €152 million), of which €27 million is assigned to Level 2 (previous year: €126 million) and €123 million is assigned to Level 3 (previous year: €26 million) of the fair value hierarchy. Of the fair value, €57 million (previous year: €49 million) is based on valuations by independent appraisers. Of the carrying amount of investment property, €5 million (previous year: €6 million) is attributable to assets leased under finance leases. Rental income in the reporting period amounted to €12 million (previous year: €14 million). Direct operating expenses totalled €8 million (previous year: €7 million).

(13) Investments accounted for using the equity method

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

Material investments accounted for using the equity method	Amprion GmbH, Dortmund		KELAG-Kärntner Elektriztitäts-AG/ Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria	
€ million	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Balance sheet				
Non-current assets	2,642	2,318	1,595	1,478
Current assets	2,289	2,273	221	384
Non-current liabilities	674	663	809	605
Current liabilities	2,429	2,565	221	495
Statement of comprehensive income				
Revenue	11,449	10,992	1,441	1,494
Other comprehensive income	15	–13	–18	–7
Total comprehensive income	126	165	65	88
Dividends	24	18	15	16
RWE shareholding	25%	25%	49%	49%

Non-material investments accounted for using the equity method	Associates		Joint ventures	
€ million	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Income (pro-rata)	36	158	134	129
Other comprehensive income (pro-rata)	–36	22	–24	16
Total comprehensive income (pro-rata)		180	110	145
Carrying amounts	1,520	1,732	435	596

The RWE Group holds shares with a book value of €92 million (previous year: €104 million) in associates and joint ventures, which are subject to temporary restrictions or conditions in relation to their distributions of profits, due to provisions of loan agreements.

(14) Other non-current financial assets

Other non-current financial assets € million	31 Dec 2015	31 Dec 2014
Non-consolidated subsidiaries	147	113
Other investments	499	478
Non-current securities	239	367
	885	**958**

Non-current securities primarily consist of fixed-interest marketable securities and shares of listed companies. Long-term securities amounting to €116 million and €15 million (previous year: €271 million and €16 million) were deposited in a trust account for RWE AG and its subsidiaries, in order to cover credit balances stemming from the block model for pre-retirement part-time work, pursuant to Sec. 8a of the Pre-Retirement Part-Time Work Act (AltTZG) and from the management of long-term working hours accounts pursuant to Sec. 7e of the German Code of Social Law (SGB IV), respectively. This coverage applies to the employees of RWE AG as well as to the employees of Group companies.

(15) Financial receivables

Financial receivables € million	31 Dec 2015 Non-current	 Current	31 Dec 2014 Non-current	 Current
Loans to non-consolidated subsidiaries and investments	233	5	330	6
Collateral for trading activities		568		959
Other financial receivables				
Accrued interest		111		94
Miscellaneous other financial receivables	268	390	262	784
	501	**1,074**	**592**	**1,843**

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

For the miscellaneous other financial receivables, there is limited control in the amount of €87 million related to the financing of the pension commitments of two RWE Group companies.

(16) Other receivables and other assets

Other receivables and other assets € million	31 Dec 2015 Non-current	 Current	31 Dec 2014 Non-current	 Current
Derivatives	1,726	6,881	1,266	6,225
Net present value of defined contribution pension benefit obligations	15			
Prepayments for items other than inventories		59		86
CO_2 emission allowances		323		244
Miscellaneous other assets	69	1,825	108	1,627
	1,810	**9,088**	**1,374**	**8,182**
of which: financial assets	1,756	7,402	1,299	6,732
of which: non-financial assets	54	1,686	75	1,450

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

Changes in the scope of consolidation increased other receivables and other assets by €2 million.

(17) Deferred taxes

Deferred tax assets and liabilities principally stem from the fact that measurements in the IFRS statements differ from those in the tax bases. Deferred tax liabilities for the difference between net assets and the carrying value of the subsidiaries and associates for tax purposes (so-called "outside basis differences") were not reported, as the company is able to control the timing of the reversal of the temporary differences and it is thus probable that the temporary difference will not reduce in the foreseeable future. For these reasons, temporary differences in the amount of €245 million (previous year: €245 million) were not formed for deferred tax liabilities for subsidiaries and associates. €1,715 million and €1,231 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €2,657 million and €2,346 million).

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

Deferred taxes € million	31 Dec 2015 Assets	31 Dec 2015 Liabilities	31 Dec 2014 Assets	31 Dec 2014 Liabilities
Non-current assets	840	1,701	685	1,846
Current assets	204	1,137	484	1,676
Exceptional tax items	10	254		271
Non-current liabilities				
Provisions for pensions	341	32	2,182	2
Other non-current provisions	1,274	462	1,851	64
Current liabilities	1,511	94	2,173	670
	4,180	**3,680**	**7,375**	**4,529**
Tax loss carryforwards				
Corporate income tax (or comparable foreign income tax)	480		79	
Trade tax	253		46	
Gross total	**4,913**	**3,680**	**7,500**	**4,529**
Netting	−2,447	−2,447	−3,664	−3,664
Net total	**2,466**	**1,233**	**3,836**	**865**

As of 31 December 2015, RWE reported deferred tax claims which exceeded the deferred tax liabilities by €1,325 million (previous year: €236 million), in relation to companies which suffered a loss in the current or previous period. The basis for the formation of deferred tax assets is the judgement of the management that it is likely that the companies in question will generate taxable earnings, against which unutilised tax losses and deductible temporary differences can be applied.

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

It is sufficiently certain that these tax carryforwards will be realised. At the end of the reporting period, corporate income tax loss carryforwards and trade tax loss carryforwards for which no deferred tax claims have been recognised amounted to €2,975 million and €423 million, respectively (previous year: €3,203 million and €524 million). Of these income tax loss carryforwards, €1,602 million will apply to the following nine years. The other loss carryforwards can essentially be used for an unlimited period.

As of 31 December 2015, temporary differences for which no deferred tax assets were recognised amounted to €9,836 million (previous year: €3,004 million).

In the year under review, a deferred tax expense of –€1 million arising from the currency translation of foreign financial statements was offset against equity (previous year: deferred tax income of €4 million).

(18) Inventories

Inventories € million	31 Dec 2015	31 Dec 2014
Raw materials, incl. nuclear fuel assemblies and earth excavated for lignite mining	1,342	1,427
Work in progress – goods/services	222	244
Finished goods and goods for resale	393	546
Prepayments	2	15
	1,959	**2,232**

During the year under review, inventories in the amount of €143 million (previous year: €0 million) were sold to a non-consolidated, structured entity at arms' length conditions. This generated revenues of €154 million (previous year: €0 million). RWE supports this entity due to its involvement in the structuring of the entity's products and holds no shares in this entity.

The carrying amount of inventories acquired for resale purposes was €37 million (previous year: €52 million). Of this, €6 million related to gas inventories (previous year: €29 million), €5 million related to coal inventories (previous year: €23 million) and €26 million related to biomass inventories (previous year: €0 million).

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

Changes in the scope of consolidation reduced inventories by €67 million.

(19) Trade accounts receivable

Trade accounts receivable declined by €15 million due to changes in the scope of consolidation.

(20) Marketable securities

Of the current marketable securities, €5,630 million were fixed-interest marketable securities (previous year: €3,813 million) with a maturity of more than three months from the date of acquisition, and €1,807 million were stocks and profit-participation certificates (previous year: €597 million). Marketable securities are stated at fair value. As of 31 December 2015, the average return on fixed-interest securities was 0.9% (previous year: 0.4%). Securities in the amount of €708 million (previous year: €585 million) were deposited with clearing banks as collateral. Regular replacement of the deposited collateral depends on the contractually agreed thresholds, above which collateral must be provided for the market value of the trading activities.

(21) Cash and cash equivalents

Cash and cash equivalents € million	31 Dec 2015	31 Dec 2014
Cash and demand deposits	2,521	2,971
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	1	200
	2,522	**3,171**

RWE keeps demand deposits exclusively for short-term cash positions. For cash investments, banks are selected on the basis of various creditworthiness criteria. Examples of such criteria include their rating from one of the three renowned rating agencies (Moody's, Standard & Poor's and Fitch), their equity capital and the prices for credit default swaps. As in the previous year, interest rates on cash and cash equivalents were at market levels in 2015.

(22) Equity

A breakdown of fully paid-up equity is shown on page 98. The subscribed capital of RWE AG is structured as follows:

Subscribed capital	31 Dec 2015 Number of shares		31 Dec 2014 Number of shares		31 Dec 2015 Carrying amount	31 Dec 2014 Carrying amount
	in '000	in %	in '000	in %	€ million	€ million
Common shares	575,745	93.7	575,745	93.7	1,474	1,474
Preferred shares	39,000	6.3	39,000	6.3	100	100
	614,745	**100.0**	**614,745**	**100.0**	**1,574**	**1,574**

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

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

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

No treasury shares were held as of 31 December 2015.

In fiscal 2015, RWE AG purchased 162,625 RWE common shares for a purchase price of €1,854,776.14 on the capital market. This is equivalent to €413,320.00 of the capital stock (0.03% of subscribed capital). Within the framework of the employee share scheme for capital formation, employees of RWE AG and its subsidiaries received a total of 151,050 shares and 11,575 shares for service anniversaries. This generated total proceeds of €1,856,470.91. The differences compared to the purchase price were offset against available retained earnings.

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

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

1 Until the first call date.

Proceeds from the bond issue were reduced by the capital procurement costs and added to equity, taking account of taxes. Interest payments to bondholders will be booked directly against equity, after deduction of taxes. Such payments can be deferred by the company; under certain circumstances, however, they must be made up again, for example if the Executive Board and Supervisory Board propose to the Annual General meeting that a dividend should be paid. In September 2015, a hybrid bond classified as equity with a carrying value of €1,750 million and a coupon of 4.625% p.a. was redeemed.

As a result of equity capital transactions with subsidiary companies which did not lead to a change of control, the share of equity attributable to RWE AG's shareholders changed by €98 million (previous year: €12 million) and the share of equity attributable to other shareholders changed by €71 million (previous year: €7 million).

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

As of 31 December 2015, the share of accumulated other comprehensive income attributable to investments accounted for using the equity method amounted to €43 million (previous year: €39 million).

During the reporting year, €33 million in differences from currency translation (previous year: €9 million) which had originally been recognised without an effect on income were realised as expenses. Income and expenses of investments accounted for using the equity method which had previously been recognised pro rata without an effect on income were realised in the amount of €0 million as income (previous year: €6 million) during the year under review.

Dividend proposal
We propose to the Annual General Meeting that RWE AG's distributable profit for fiscal 2015 be appropriated as follows:
Distribution of a dividend of €0.13 per individual dividend-bearing preferred share. There is no distribution for common shares.

Dividend	€5,070,000.00
Profit carryforward	€45,553.81
Distributable profit	€5,115,553.81

Based on a resolution of RWE AG's Annual General Meeting on 23 April 2015, the dividend for fiscal 2014 amounted to €1.00 per dividend-bearing common and preferred share. The dividend payment to shareholders of RWE AG amounted to €615 million.

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

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

Non-controlling interests in OCI € million	2015	2014
Actuarial gains and losses of defined benefit pension plans and similar obligations	−59	−119
Income and expenses recognised directly in equity, not to be reclassified through profit or loss	**−59**	**−119**
Currency translation adjustment	43	−19
Fair valuation of financial instruments available for sale	−35	13
Income and expenses recognised directly in equity, to be reclassified through profit or loss in the future	**8**	**−6**
	−51	**−125**

Information on subsidiaries with material shares in other companies is presented in the following summaries:

Subsidiaries with material shares in other companies	envia Mitteldeutsche Energie AG, Chemnitz		RWE GasNet, s.r.o., Ústí nad Labem/Czech Republic	
€ million	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Balance sheet				
Non-current assets	2,811	2,337	1,532	1,430
Current assets	304	853	154	37
Non-current liabilities	480	493	504	371
Current liabilities	638	787	580	619
Statement of comprehensive income				
Revenue	2,388	2,410	473	418
Other comprehensive income	−22	−4	14	−5
Total comprehensive income	261	311	138	86
Cash flow from operating activities	521	403	218	183
Non-controlling interests	828	792	301	167
Dividends paid to other shareholders	72	73		21
Income of other shareholders	117	131	62	32
Shareholdings of other shareholders	41.43%	41.43%	49.96%	34.96%

(23) Share-based payment

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

	Beat 2010				
	2011 tranche Waiting period: 4 years	2012 tranche Waiting period: 4 years	2013 tranche Waiting period: 4 years	2014 tranche Waiting period: 4 years	2015 tranche Waiting period: 4 years
Grant date	1 Jan 2011	1 Jan 2012	1 Jan 2013	1 Jan 2014	1 Jan 2015
Number of conditionally granted performance shares	2,621,542	6,942,033	5,355,398	2,787,806	3,643,361
Term	5 years	5 years	5 years	5 years	5 years
Pay-out conditions	Possible pay-out on three exercise dates (valuation dates: Dec 31 of the fourth year, June 30 and Dec 31 of the fifth year) if – as of the valuation date – an outperformance compared to at least 25% of the peer group of the STOXX Europe 600 Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return, which takes into account both the development of the share price together with reinvested dividends. Automatic pay-out occurs on the third valuation date; the number of performance shares available for pay-out can be freely chosen on the first and second valuation date.				
Determination of payment	1. Determination of the index weighting of the peer group companies which exhibit a lower Total Shareholder Return than RWE at the valuation date. 2. The total number of performance shares which can be paid out is determined on the basis of a linear payment curve. If the index weighting of 25% is outperformed, 7.5% of the conditionally-granted performance shares can be paid out. Another 1.5% of the performance shares granted can be paid out for each further percentage point above and beyond the index weighting of 25%. 3. Payment corresponds to the number of payable performance shares valued at the average RWE share price during the last 60 exchange trading days prior to the valuation date. The payment for each performance share is limited to twice the value of each performance share as of the grant date.				
Change in corporate control/merger	▪ If during the waiting period there is a change in corporate control, a compensatory payment is made. This is calculated by multiplying the price paid in the acquisition of the RWE shares by the final number of performance shares which have not been used. The latter shall be determined as per the plan conditions with regard to the time when the bid for corporate control is submitted. ▪ In the event of merger of RWE AG with another company, the performance shares shall expire and a compensatory payment shall be made. First, the fair value of the performance shares as of the time of merger shall be calculated. This fair value is then multiplied by the number of performance shares granted, reduced pro-rata. The reduction factor is calculated as the ratio of the time from the beginning of the total waiting period until the merger takes place to the entire waiting period of the programme, multiplied by the ratio of the performance shares not yet used as of the time of the merger to the total number of performance shares granted at the beginning of the programme.				
Personal investment	As a prerequisite for participation, plan participants must demonstrably invest one sixth of the gross grant value of the performance shares before taxes in RWE common shares and hold such investment until expiration of the waiting period of the tranche in question.				
Form of settlement	Cash settlement				

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

Performance shares from Beat 2010 in €	2011 tranche	2012 tranche	2013 tranche	2014 tranche	2015 tranche
Fair value per share	17.01	6.66	8.09	7.44	5.05

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

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

Performance shares from Beat 2010 in €	2011 tranche	2012 tranche	2013 tranche	2014 tranche	2015 tranche
Outstanding at the start of the fiscal year	2,444,759	6,434,291	4,777,823	2,454,365	
Granted					3,643,361
Change (granted/expired)	111,676	368,823	298,939	156,451	508,230
Paid out					
Outstanding at the end of the fiscal year	2,333,083	6,065,468	4,478,884	2,297,914	3,135,131
Payable at the end of the fiscal year					

The remaining contractual term amounts to four years for the 2015 tranche, three years for the 2014 tranche, two years for the 2013 tranche, and one year for the 2012 tranche. The contractual duration for the 2011 tranche expired at the end of the reporting year. As the pay-out conditions were not fulfilled, there was no pay-out.

During the period under review, expenses for the groupwide share-based payment system totalled €1 million (previous year: €3 million). The claims were settled in cash only. As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €1 million (previous year: €36 million).

(24) Provisions

Provisions	31 Dec 2015			31 Dec 2014		
€ million	Non-current	Current	Total	Non-current	Current	Total
Provisions for pensions and similar obligations	5,842		5,842	7,871		7,871
Provisions for taxes	1,534	249	1,783	1,916	248	2,164
Provisions for nuclear waste management	10,120	334	10,454	9,951	416	10,367
Provisions for mining damage	2,448	79	2,527	2,305	96	2,401
	19,944	**662**	**20,606**	**22,043**	**760**	**22,803**
Other provisions						
Staff-related obligations (excluding restructuring)	510	727	1,237	662	763	1,425
Restructuring obligations	1,287	241	1,528	1,318	256	1,574
Purchase and sales obligations	1,059	284	1,343	1,369	390	1,759
Uncertain obligations in the electricity business	794	99	893	836	80	916
Environmental protection obligations	134	21	155	132	25	157
Interest payment obligations	386	34	420	571	47	618
Obligations to deliver CO_2 emission allowances/certificates for renewable energies		1,612	1,612		1,490	1,490
Miscellaneous other provisions	509	1,506	2,015	609	1,693	2,302
	4,679	**4,524**	**9,203**	**5,497**	**4,744**	**10,241**
	24,623	**5,186**	**29,809**	**27,540**	**5,504**	**33,044**

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

In the reporting period, €48 million (previous year: €74 million) was paid into defined contribution plans. This includes payments made by RWE for a benefit plan in the Netherlands which covers the commitments of various employers. This fund does not provide the participating companies with information allowing for the pro-rata allocation of commitments, plan assets and service cost. In RWE's consolidated financial statements, the contributions are thus recognised analogously to a defined contribution plan, although this is a defined benefit plan. The pension plan for employees in the Netherlands is administered by Stichting Pensioenfonds ABP (cf. http://www.abp.nl/). Contributions to the pension plan are calculated as a percentage rate of employees' salaries and are paid by the employees and employers. The rate of the contributions is determined by ABP. There are no minimum transfer obligations. Approximately €22 million will be paid to the ABP pension fund in fiscal 2016. The contributions are used for all of the beneficiaries. If ABP's funds are insufficient, it can either curtail pension benefits and future post-employment benefits, or increase the contributions of the employer and employees. In the event that RWE terminates the ABP pension plan, ABP will charge a termination fee. Amongst other things, this depends on the number of participants in the plan, the amount of salary and the age structure of the participants. As of 31 December 2015, there were around 2,400 active participants in the plan.

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

The corporate pension system in the United Kingdom is managed by Electricity Supply Pension Scheme (ESPS). In the United Kingdom, corporate defined benefit plans provided with adequate and suitable assets to cover pension provisions are legally mandated. Pension provisions are measured on the basis of conservative assumptions, taking into consideration specific demographic aspects for the members of the plan and assumptions for the market returns on the plan assets.

The last valuation of ESPS was carried out on 31 March 2013 and showed a deficit of £563 million. RWE and the trustees then prepared a plan for annual payments to rectify this deficit. These payments were calculated for the period from 2014 to 2017. The amounts determined were as follows: £93 million for 2014, £186 million for 2015, £156 million for 2016 and £151 million for 2017. The next valuation has to occur by 31 March 2016. From this point in time, the company and the trustees have 15 months to approve the valuation. ESPS is managed by nine trustees. These are responsible for management of the plan, including investments, pension payments and financing plans.

The defined benefit costs of ESPS are charged to the participating companies on the basis of a contractual agreement. This agreement stipulates that, with the exception of RWE npower companies, all companies participating in ESPS make predefined, regular payments. Consequently, the RWE npower companies must make up the difference which arises between the defined benefit costs of the plan and the regular payments of the companies.

In 2015, within the framework of CTAs, roughly €1,044 million was transferred to RWE Pensionstreuhand e.V. for the external financing of the company's pension plans. As the transferred assets are qualified as plan assets in the sense of IAS 19, pensions for provisions and similar obligations were netted against the transferred funds as of 31 December 2015. Provisions declined by a corresponding amount.

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

Calculation assumptions	31 Dec 2015		31 Dec 2014	
in %	Germany	Foreign[1]	Germany	Foreign[1]
Discount factor	2.40	3.60	2.10	3.40
Compensation increase	2.35	2.10 and 3.50	2.35	2.10 and 3.50
Pension increase	1.00, 1.60 and 1.75	2.80	1.00, 1.60 and 1.75	2.80

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

The method of deriving the actuarial interest rate for domestic pension commitments pursuant to IFRS was adjusted at the end of the year. The bond universe was expanded to include bonds with a nominal volume of more than €50 million for remaining maturities of less than 10 years as well. Previously, only bonds with a nominal volume of more than €500 million were taken into account for these maturities. Furthermore, we have discontinued the complex process of identifying and eliminating outliers. Compared to the previous calculation method, this generated an actuarial interest rate of 2.40%, which is 20 basis points higher, and results in the recognised pension commitment being roughly €600 million lower. In the following year, this leads to a decline of €14 million in service costs as well as €3 million in interest expenses.

Composition of plan assets (fair value)	31 Dec 2015				31 Dec 2014			
€ million	Germany[1]	Of which: active market	Foreign[2]	Of which: active market	Germany[1]	Of which: active market	Foreign[2]	Of which: active market
Equity instruments, exchange-traded funds	3,256	3,237	877	877	2,908	2,900	777	777
Interest-bearing instruments	5,888	124	4,597	2,544	5,458	2,228	4,500	2,439
Real estate	64		8		122		89	
Mixed funds[3]	1,367	721			1,232	1,137		
Alternative investments	1,425	689	1,047	124	1,077	7	765	349
Other[4]	463	89	–15	6	632	188	69	9
	12,463	**4,860**	**6,514**	**3,551**	**11,429**	**6,460**	**6,200**	**3,574**

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

Composition of plan assets (targeted investment structure)	31 Dec 2015		31 Dec 2014	
in %	Germany[1]	Foreign[2]	Germany[1]	Foreign[2]
Equity instruments, exchange-traded funds	22.7	13.5	22.2	12.5
Interest-bearing instruments	57.2	70.6	57.8	72.6
Real estate	2.2	0.1	2.3	1.4
Mixed funds[3]	10.1		10.0	
Alternative investments	7.8	15.8	7.7	13.5
	100.0	**100.0**	**100.0**	**100.0**

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

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

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

As a part of its investment strategy, the British ESPS uses asset liability management and invests in liability matching investments, interest rate swaps and inflation swaps. As of 30 September 2015, 63 % of the interest rate risk and 63 % of the inflation risk was hedged.

Pension provisions for pension commitments changed as follows:

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

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

The recognised amount of pension provisions totals €4,199 million for funded pension plans (previous year: €5,342 million) and €1,643 million for unfunded pension plans (previous year: €2,529 million).

As in the previous year, in fiscal 2015, past service costs primarily contained an increase in benefit commitments, relating to commitments in the United Kingdom.

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

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

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

The weighted average duration of the pension obligations is 17 years in Germany (previous year: 18 years) and 15 years in the United Kingdom (previous year: 15 years).

In Germany, an increase or decrease of one half of a percentage point in the discount factor would result in a reduction of €1,260 million (previous year: €1,175 million) or an increase of €1,617 million (previous year: €1,518 million), respectively, in the present value of the obligations of the corporate pension plans.

The same variation in rates of compensation or pension increase by one half of a percentage point would increase the present value of the commitments by €253 million or €1,007 million (previous year: €283 million or €1,061 million) or reduce this value by €238 million or €900 million (previous year: €266 million or €948 million). For the Group companies in the United Kingdom, such changes in the discount factor would reduce or increase pension obligations by €461 million (previous year: €458 million) or €520 million (previous year: €519 million), respectively. The same variation in rates of compensation or pension increase would increase the present value of the commitments by €61 million or €365 million (previous year: €64 million or €367 million) or reduce this value by €53 million or €327 million (previous year: €55 million or €327 million). An increase in life expectancy of one year would increase the present value of commitments by €708 million (previous year: €773 million) in Germany and by €226 million (previous year: €209 million) in the United Kingdom.

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

Payments for defined benefit plans are expected to amount to €615 million (previous year: €570 million) in fiscal 2016.

Roll-forward of provisions € million	Balance at 1 Jan 2015	Additions	Unused amounts released	Interest accretion	Changes in the scope of consolidation, currency adjustments, transfers	Amounts used	Balance at 31 Dec 2015
Provisions for pensions	7,871	376		153	–1,878[1]	–680	5,842
Provisions for taxes	2,164	317	–56		–10	–632	1,783
Provisions for nuclear waste management	10,367	62	–185	461	–10	–241	10,454
Provisions for mining damage	2,401	116	–2	109		–97	2,527
	22,803	**871**	**–243**	**723**	**–1,898**	**–1,650**	**20,606**
Other provisions							
Staff-related obligations (excluding restructuring)	1,425	638	–86	11	3	–754	1,237
Restructuring obligations	1,574	220	–85	40	5	–226	1,528
Purchase and sales obligations	1,759	216	–469	17	7	–187	1,343
Uncertain obligations in the electricity business	916	85	–47	–52	24	–33	893
Environmental protection obligations	157	6	–9		3	–2	155
Interest payment obligations	618	9	–15			–192	420
Obligations to deliver CO2 emission allowances/ certificates for renewable energies	1,490	1,784	–3		37	–1,696	1,612
Miscellaneous other provisions	2,302	1,203	–407	17	68	–1,168	2,015
	10,241	**4,161**	**–1,121**	**33**	**147**	**–4,258**	**9,203**
Provisions	**33,044**	**5,032**	**–1,364**	**756**	**–1,751**	**–5,908**	**29,809**
of which: changes in the scope of consolidation							12

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

Provisions for taxes primarily consist of income taxes.

In order to determine the non-current provisions for the fields of **nuclear energy and mining**, as the first step the prospective expenses are established using prices for the balance-sheet date. These estimated expenses are then assigned to the year in which the obligation will be fulfilled. As a next step, the prospective expenses are inflated using an escalation rate specific to the provision. This escalation rate takes into account anticipated future price increases as well as a risk premium. Finally, the adjusted prices are discounted using a discount rate appropriate for the period. Due to the long-term nature of the obligations, both the escalation rate and the discount rate are determined as the average values for a longer period in the past. Since the development of inflation has an impact both on the fulfilment amounts and the level of interest rates, this approach results in a consistent real discount rate specific to the provisions, as the difference between the discount rate and the escalation rate.

Provisions for nuclear waste management are recognised in the full amount for the nuclear power plants Biblis A and B, Mülheim-Kärlich, Emsland and Lingen, and at a rate of 75% for the nuclear power plant Gundremmingen A, B and C, in accordance with RWE’s share in the nuclear obligations.

Provisions for nuclear waste management are almost exclusively reported as non-current provisions, and their settlement amount is discounted to the balance-sheet date. Based on the current state of planning, they will mostly be utilised in the period from 2020 to 2050. The rest is distributed over another 50-year period. Due to developments in long-term interest rates on the capital markets, the discount rate was lowered from 4.6% to 4.5%. The escalation rate, which reflects the anticipated price increases and the risk premium, declined by the same degree from 3.7% to 3.6%. As a result, the real discount rate used for nuclear waste management purposes, which is the difference between the discount rate and the escalation rate, remained unchanged at 0.9%. An increase (decrease) in the real discount rate by 0.1 percentage point would reduce (increase) the present value of the provision roughly €210 million.

Volume-based increases in the provisions are measured at their present value. In the reporting period, they amounted to €62 million (previous year: €50 million). Releases of provisions amounted to €185 million (previous year: €323 million) and stemmed from the fact that on balance the latest estimates resulted in a decline in the anticipated nuclear waste management costs. Additions to provisions for nuclear waste management primarily consist of annual interest accretion of €461 million (previous year: €458 million). €856 million in prepayments, primarily to the German Federal Office for Radiation Protection (BfS) for the construction of final storage facilities, were deducted from these provisions (previous year: €820 million). In fiscal 2015, as part of nuclear waste management in the nuclear power segment provisions of €130 million were used for the decommissioning of nuclear power plants (previous year: €138 million). Decommissioning and dismantling costs were capitalised in a corresponding amount and reported under the cost of the power plants.

The German Nuclear Energy Act requires RWE to harmlessly dispose of radioactive materials and dismantled or decommissioned radioactive components of facilities or to properly dispose of such as radioactive waste (final direct storage). According to this, provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2015	31 Dec 2014
Decommissioning of nuclear power plants	4,887	4,830
Disposal of nuclear fuel assemblies	4,588	4,661
Disposal of radioactive operational waste	979	876
	10,454	**10,367**

Commissioned by the plant operator, the internationally renowned company NIS Ingenieurgesellschaft mbH (NIS), Alzenau, assesses the prospective decommissioning and dismantling costs for the nuclear power plants on an annual basis. The costs are determined specifically for each facility. Decommissioning consists of all activities following the final termination of production by the nuclear power plant until the plant site is removed from the regulatory scope of the Nuclear Energy Act. Actual dismantling begins after a several-year post-operation phase, during which the fuel assemblies, operating equipment and radioactive operational waste are removed from the facility and the approval process is completed. Dismantling operations essentially consist of the dismantling of the facilities, removal of the radioactive contamination from the structures, radiation protection, regulatory monitoring of the dismantling measures and residual operations, as well as disposal of the radioactive waste. This involves various procedures for waste conditioning in accordance with the currently valid conditions for final disposal, packing of the waste into containers, interim storage and all necessary transport operations. The provision for the decommissioning of nuclear power plants also includes the costs for final storage of radioactive decommissioning waste.

The Konrad repository is planned to be used as the final storage location for waste with low heat generation, known as low level and intermediate level waste. The calculation of final storage costs are based on the current cost estimates of the BfS, as the authority responsible for the construction of the final repository. It includes the unfinished work to construct the repository, its operation and later decommissioning. Annual updating of the costs of final storage and the expert reports on decommissioning ensure that price developments and experiences from ongoing decommissioning projects are taken into account in the cost estimates.

In relation to the disposal of nuclear fuel assemblies, a distinction must be made between reprocessing and final direct storage of high level radioactive waste. The cost estimates are based on contracts with foreign reprocessing companies and other disposal companies. Furthermore, they are based on plans by internal and external experts, in particular GNS Gesellschaft für Nuklear-Service mbH, Essen. Disposal via reprocessing includes the anticipated residual costs of reprocessing, return of the resulting radioactive waste and the interim storage of such waste, as well as the additional costs of using the uranium and plutonium from reprocessing. So-called "final direct storage" includes the costs of purchasing the transport and interim storage containers on the one hand and the costs of interim storage of the spent fuel assemblies. Additionally, the costs for transport of the spent fuel assemblies and their processing for final storage are also taken into account. Furthermore, the costs for the final storage of heat-generating waste are also included in the item "Disposal of nuclear fuel assemblies". In addition to the costs for the identification, construction, operation and decommissioning of the final repository which are calculated by the BfS, the costs determined in the Site Selection Act for a repeated site selection procedure for such a final repository are also taken into account.

The item "Disposal of radioactive operational waste" essentially contains the costs for processing radioactive operational waste. This includes conditioning, containers, interim storage and transport. This item also contains the costs for the final storage of radioactive operational waste.

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

Provisions for nuclear waste management € million	31 Dec 2015	31 Dec 2014
Provisions for nuclear obligations, not yet contractually defined	7,734	7,529
Provisions for nuclear obligations, contractually defined	2,720	2,838
	10,454	**10,367**

Insofar as they relate to the disposal of nuclear fuel assemblies, provisions for obligations which are not yet contractually defined primarily cover the estimated long-term costs for the transport to reprocessing plants and final storage as well as conditioning for final storage and containers. With regard to the decommissioning of nuclear power plants, they include the costs for the remaining operational phase of the operating plants and dismantling. Furthermore, this item also covers all of the costs for the final storage for radioactive waste. Pursuant to Sec. 9a, Para. 3, Sent 1 of the Nuclear Energy Act, the Federal Government is responsible for final storage of waste with negligible heat generation and heat-generating waste. This task is untertaken by BfS.

Provisions for contractually defined nuclear obligations are related to all obligations for the disposal of fuel assemblies and the radioactive waste as well as for the decommissioning of nuclear power plants, insofar as the value of said obligations is specified in contracts under civil law. They include the anticipated residual costs of reprocessing, return and intermediate storage of the resulting radioactive waste, as well as the additional costs of the utilisation of uranium and plutonium from reprocessing activities. These costs stem from existing contracts with foreign reprocessing companies and with GNS. Moreover, these provisions also take into account the costs for transport and nearby intermediate storage of spent fuel assemblies within the framework of final direct storage. Furthermore, this item also includes the amounts for the conditioning and intermediate storage of radioactive operational waste as well as the residual operating costs of plants which are permanently decommissioned.

Provisions for mining damage also consist almost entirely of non-current provisions. They are reported at the settlement amount discounted to the balance-sheet date. In addition to continuous recultivation of opencast mine sites until 2045, this is expected to cover a large part of the claims for site restoration of lignite opencast mining areas for the period 2045 to 2100.

In 2015, the discount rate was lowered from 4.6% to 4.5%, due to developments in market interest rates. The escalation rate declined to the same degree, from 3.3% to 3.2%, and consequently the real discount rate applied for mining purposes remained unchanged at 1.3%. An increase (decline) in the real discount rate by 0.1 percentage point would reduce (increase) the present value of the provision by around €70 million.

In the reporting period, additions to provisions for mining damage for quantity-induced increases in the obligatory volume amounted to €116 million (previous year: €68 million). Of this, an increase of €50 million (previous year: €19 million) was capitalised under "Property, plant and equipment". Further additions of €37 million (previous year: €0 million) resulted from the fact that on the whole current estimates led to an increase in the anticipated costs of restoration. The interest accretion increased provisions for mining damage by €109 million (previous year: €102 million).

Provisions for staff-related obligations mainly consist of provisions for pre-retirement part-time work arrangements, outstanding vacation and service jubilees and performance-based pay components.

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

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

(25) Financial liabilities

Financial liabilities € million	31 Dec 2015		31 Dec 2014	
	Non-current	Current	Non-current	Current
Bonds payable[1]	14,423	807	13,132	1,801
Commercial paper		75		
Bank debt	1,348	328	840	382
Other financial liabilities				
Collateral for trading activities		378		347
Miscellaneous other financial liabilities	947	774	1,252	812
	16,718	**2,362**	**15,224**	**3,342**

1 Including hybrid bonds classified as debt as per IFRS.

€15,346 million of the non-current financial liabilities were interest-bearing liabilities (previous year: €14,594 million).

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

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

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 in the amount of €700 million can be cancelled by RWE AG for the first time in 2020, and the second hybrid bond in the amount of €550 million can be cancelled for the first time in 2025. They have coupons of 2.75% p.a. and 3.5% p.a., respectively.

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 March 2026.

The following overview shows the key data on the major bonds as of 31 December 2015:

Bonds payable Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
RWE Finance B.V.	€807 million[1]	807[1]	6.25	April 2016
RWE AG	€100 million	100	variable[2]	November 2017
RWE Finance B.V.	€980 million	1,023	5.125	July 2018
RWE Finance B.V.	€1,000 million	996	6.625	January 2019
RWE Finance B.V.	€750 million	746	1.875	January 2020
RWE Finance B.V.	£570 million	778	6.5	April 2021
RWE Finance B.V.	€1,000 million	998	6.5	August 2021
RWE Finance B.V.	£500 million	677	5.5	July 2022
RWE Finance B.V.	£488 million	663	5.625	December 2023
RWE Finance B.V.	€800 million	800	3.0	January 2024
RWE Finance B.V.	£760 million	1,037	6.25	June 2030
RWE Finance II B.V.	€600 million	595	5.75	February 2033
RWE AG	US$50 million	45	3.8	April 2033
RWE Finance B.V.	£600 million	813	4.75	January 2034
RWE AG	€500 million	490	3.5	October 2037
RWE Finance B.V.	£1,000 million	1,342	6.125	July 2039
RWE AG	JPY20 billion	97	4.76[3]	February 2040
RWE AG	€100 million	97	3.5	December 2042
RWE AG	€150 million	146	3.55	February 2043
RWE AG	CHF250 million[4]	230	5.25	April 2072
RWE AG	CHF150 million[4]	138	5.0	July 2072
RWE AG	US$1,000 million[4]	918	7.0	October 2072
RWE AG	€700 million[4]	694	2.75	April 2075
RWE AG	€550 million[4]	548	3.5	April 2075
RWE AG	US$500 million[4]	451	6.625	July 2075
Other	Various	1	Various	Various
Bonds payable[5]		**15,230**		

1 Less portions of the bonds bought back.
2 Interest payment dates: 15 May/15 Nov.
3 After swap into euro.
4 Hybrid bonds classified as debt as per IFRS.
5 Including hybrid bonds classified as debt as per IFRS.

Other financial liabilities contain finance lease liabilities. Lease agreements principally relate to capital goods in the electricity business.

Liabilities arising from finance lease agreements have the following maturities:

Liabilities from finance lease agreements	Maturities of minimum lease payments					
	31 Dec 2015			31 Dec 2014		
€ million	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in the following year	17		17	9		9
Due after 1 to 5 years	63	1	62	66	1	65
Due after 5 years	206		206	198	1	197
	286	**1**	**285**	**273**	**2**	**271**

€56 million (previous year: €41 million) of the financial liabilities are secured by mortgages, and €8 million (previous year: €45 million) by similar rights.

(26) Trade accounts payable

Changes in the scope of consolidation resulted in a decline of €15 million in trade accounts payable.

(27) Other liabilities

Other liabilities	31 Dec 2015		31 Dec 2014	
€ million	Non-current	Current	Non-current	Current
Tax liabilities		1,041		807
Social security liabilities	9	81	12	57
Restructuring liabilities		3	3	20
Derivatives	1,187	6,828	1,010	6,398
Advances and contributions in aid of construction and building connection	1,198	169	1,254	147
Miscellaneous other liabilities	347	3,264	416	2,932
	2,741	**11,386**	**2,695**	**10,361**
of which: financial debt	1,259	8,806	1,112	8,203
of which: non-financial debt	1,482	2,580	1,583	2,158

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

Changes in the scope of consolidation resulted in an increase of €67 million in other liabilities. Of the miscellaneous other liabilities, €1,395 million (previous year: €1,200 million) related to financial debt in the form of current purchase price obligations from rights granted to tender non-controlling interests (put options).

Other information

(28) Earnings per share

Basic and diluted earnings per share are calculated by dividing the portion of net income attributable to RWE shareholders by the average number of shares outstanding; treasury shares are not taken into account in this calculation. The earnings per share are the same for both common and preferred shares.

Earnings per share		2015	2014
Net income for RWE AG shareholders	€ million	−170	1,704
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	−0.28	2.77
Dividend per common share	€	–	1.00
Dividend per preferred share	€	0.13[1]	1.00

1 Proposal for fiscal 2015.

(29) Reporting on financial instruments

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

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

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

Measurement of the fair value of a group of financial assets and financial liabilities is conducted on the basis of the net risk exposure per business partner, in accordance with IFRS 13.48.

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

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

Fair value hierarchy € million	Total 2015	Level 1	Level 2	Level 3	Total 2014	Level 1	Level 2	Level 3
Other financial assets	885	69	208	608	958	39	364	555
Derivatives (assets)	8,607	1	8,549	57	7,491		7,422	69
of which: used for hedging purposes	1,360		1,360		1,459		1,459	
Securities	7,437	6,290	1,147		4,410	1,967	2,443	
Asset held for sale					142		142	
Derivatives (liabilities)	8,015		7,994	21	7,408		7,404	4
of which: used for hedging purposes	2,356		2,356		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 € million	Balance at 1 Jan 2015	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 31 Dec 2015
			Recognised in profit or loss	With a cash effect	
Other financial assets	555	–47	7	93	608
Derivatives (assets)	69		30	–42	57
Derivatives (liabilities)	4		21	–4	21

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

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total 2015	Of which: attributable to financial instruments held at the balance-sheet date	Total 2014	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	38	38	30	2
Cost of materials	–29	–29	–9	–18
Other operating income/expenses	15	8	23	15
Income from investments	–1	–2	–5	1
Income from discontinued operations	–7			
	16	**15**	**39**	

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 impairments were recognised on financial assets which fall under the scope of IFRS 7 and are reported under the balance-sheet items stated below:

Impairments on financial assets € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2015	**123**	**324**	**528**	**13**	**988**
Additions	13	16	101		130
Transfers	9	–29	133	–1	112
Currency translation adjustments			14		14
Disposals	12	32	149	1	194
Balance at 31 Dec 2015	**133**	**279**	**627**	**11**	**1,050**

Impairments on financial assets € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2014	**126**	**321**	**552**	**13**	**1,012**
Additions	5	55	110		170
Transfers	23	–35	–11		–23
Currency translation adjustments	–1		2		1
Disposals	30	17	125		172
Balance at 31 Dec 2014	**123**	**324**	**528**	**13**	**988**

As of the cut-off date, there were unimpaired, past due receivables falling under the scope of IFRS 7 in the following amounts:

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

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

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

Carrying amounts by category € million	31 Dec 2015	31 Dec 2014
Financial assets recognised at fair value through profit or loss	7,247	6,032
of which: held for trading	7,247	6,032
Financial assets available for sale	8,322	5,367
Loans and receivables	10,194	12,656
Financial liabilities recognised at fair value through profit or loss	5,659	5,039
of which: held for trading	5,659	5,039
Financial liabilities carried at (amortised) cost	23,446	23,617

The carrying amounts of financial assets and liabilities within the scope of IFRS 7 basically correspond to their fair values. The only deviations are for bonds, commercial paper, bank debt and other financial liabilities. The carrying amount of these was €19,079 million (previous year: €18,566 million), while the fair value amounted to €20,161 million (previous year: €21,183 million). Of this, €15,609 million (previous year: €16,629 million) was related to Level 1 and €4,552 million (previous year: €4,554 million) to Level 2 of the fair value hierarchy.

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

Net gain/loss by category € million	2015	2014
Financial assets and liabilities recognised at fair value through profit or loss	−100	−89
of which: held for trading	−100	−89
Financial assets available for sale	481	320
Loans and receivables	−34	−113
Financial liabilities carried at (amortised) cost	−1,333	−812

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

In fiscal 2015, changes of −€47 million (previous year: €129 million) after taxes in the value of financial assets available for sale were recognised in accumulated other comprehensive income without an effect on income. Above and beyond this, €204 million in changes in the value of financial instruments available for sale which had originally been recognised without an effect on income were realised as income (previous year: €51 million).

The following is an overview of the financial assets and financial liabilities which are netted out in accordance with IAS 32 or are subject to enforceable master netting agreements or similar agreements:

Netting of financial assets and financial liabilities as of 31 Dec 2015	Gross amounts recognised	Amounts set off	Net amounts recognised	Related amounts not set off		Net total
€ million				Financial instruments	Cash collateral received/pledged	
Derivatives (assets)	7,994	−6,586	1,408		−346	1,062
Derivatives (liabilities)	8,284	−7,307	977	−213	−513	251

Netting of financial assets and financial liabilities as of 31 Dec 2014 € million	Gross amounts recognised	Amounts set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/ pledged	
Derivatives (assets)	8,452	−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.

As a utility enterprise with international operations, the RWE Group is exposed to market, credit and liquidity risks in its ordinary business activity. We limit these risks via systematic, groupwide risk management. The range of action, responsibilities and controls are defined in binding internal directives.

Market risks stem from changes in exchange rates and share prices as well as interest rates and commodity prices, which can have an influence on business results.

Due to the RWE Group's international profile, exchange rate management is a key issue. Sterling and US dollar are two important currencies for the RWE Group. Fuels are traded in these two currencies, and RWE also does business in the UK currency area. The companies of the RWE Group are required to hedge their foreign currency risks via RWE AG. Only RWE AG itself may maintain open foreign currency positions, subject to predefined limits or corresponding limits of the Group companies.

Interest rate risks stem primarily from financial debt and the Group's interest-bearing investments. We hedge against negative changes in value caused by unexpected interest-rate movements using non-derivative and derivative financial instruments.

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

For commodity operations, risk management directives have been established by the department Group Risk Control, which is part of Group Controlling. These regulations stipulate that derivatives may be used to hedge price risks, optimise power plant schedules and increase margins. Furthermore, commodity derivatives may be traded, subject to limits. Compliance with limits is monitored daily.

Risks stemming from fluctuations in commodity prices and financial market risks (foreign currency risks, interest rate risks, securities risks) are monitored and managed by RWE using indicators such as Value at Risk (VaR), amongst other things. In addition, for the management of interest rate risk, a Cash Flow at Risk (CFaR) is determined.

Using the VaR method, we determine and monitor the maximum expected loss arising from changes in market prices with a specific level of probability during specific periods. Historical price volatility is taken as a basis in the calculations. With the exception of the CFaR data, all VaR figures are based on a confidence interval of 95% and a holding period of one day. For CFaR, a confidence interval of 95% and a holding period of one year is taken as a basis.

In respect of interest rate risks, RWE distinguishes between two risk categories: on the one hand, increases in interest rates can result in declines in the prices of securities from RWE's holdings. This pertains primarily to fixed-rate instruments. On the other hand, financing costs also increase along with the level of interest rates. A VaR is determined to quantify securities price risk. As of 31 December 2015, the VaR for securities price risk amounted to €17.0 million (previous year: €3.3 million). The sensitivity of interest expenses to increases in market interest rates is measured with CFaR. As of 31 December 2015 this amounted to €0.5 million (previous year: €6.4 million).

As of 31 December 2015, the VaR for foreign currency positions was less than €1 million (previous year: less than €1 million). This corresponds to the figure used internally, which also includes the underlying transactions for cash flow hedges.

As of 31 December 2015, the VaR for risks related to the RWE share portfolio amounted to €7.1 million (previous year: €6.4 million).

As of 31 December 2015, VaR for the commodity positions of the trading business of RWE Supply & Trading amounted to €19.2 million (previous year: €8.2 million). This corresponds to the figure used for management purposes.

Additionally, stress tests are carried out on a monthly basis in relation to the trading operations of RWE Supply & Trading to model the impact of commodity price changes on the earnings conditions and take risk-mitigating measures if necessary. In these stress tests, market price curves are modified, and the commodity position is revalued on this basis. Historical scenarios of extreme prices and realistic, fictitious price scenarios are modelled. In the event that the stress tests exceed internal thresholds, these scenarios are then analysed in detail in relation to their impact and probability, and – if necessary – risk-mitigating measures are considered.

Commodity risks of the Group's power generation companies are transferred on the basis of available market liquidity – in accordance with Group guidelines – at market prices to the segment Trading/Gas Midstream, where they are hedged. In accordance with the approach for long-term investments for example, it is not possible to manage commodity risks from long-term positions or positions which cannot be hedged due to their size and the prevailing market liquidity using the VaR concept. As a result, these positions are not included in the VaR figures. Above and beyond open production positions which have not yet been transferred, Group companies are not allowed to maintain significant risk positions, according to a Group guideline.

One of our most important instruments to limit market risk is the conclusion of hedging transactions. The instruments most commonly used are forwards and options with foreign currency, interest rate swaps, interest rate currency swaps, and forwards, options, futures and swaps with commodities.

Maturities of derivatives related to interest rates, currencies, equities, indices and commodities for the purpose of hedging are based on the maturities of the underlying transactions and are thus primarily short term and medium term in nature. Hedges of the foreign currency risks of foreign investments have maturities of up to 23 years.

All derivative financial instruments are recognised as assets or liabilities and are measured at fair value. When interpreting their positive and negative fair values, it should be taken into account that, with the exception of proprietary trading in commodities, these financial instruments are generally matched with underlying transactions that carry offsetting risks.

Hedge accounting pursuant to IAS 39 is used primarily for mitigating currency risks from net investments in foreign entities with foreign functional currencies, risks related to foreign currency items and interest rate risks from non-current liabilities, as well as for price risks from sales and purchase transactions.

Fair value hedges are used to limit market price risks related to fixed-interest loans and liabilities. Fixed-interest instruments are transformed into variable-rate instruments, thereby hedging their fair value. Hedging instruments used are interest rate swaps and interest rate currency swaps. In the case of fair value hedges, both the derivative as well as the underlying hedged transaction are recorded at fair value with an effect on income. As of the reporting date, the fair value of instruments used as fair value hedges amounted to €42 million (previous year: –€11 million).

In the year under review, a gain of €13 million (previous year: €27 million) was recognised from adjustment of the carrying amounts of the underlying transactions, while a loss of €12 million (previous year: €21 million) stemming from changes in the fair value of the hedges was recognised. Both of these are reported in the financial result.

Cash flow hedges are primarily used to hedge against foreign currency and price risks from future sales and purchase transactions. Hedging instruments consist of forwards and options with foreign currency and interest rates, and forwards, options, futures and swaps with commodities. Changes in the fair value of the hedging instruments – insofar as they affect the effective portion – are recorded under other comprehensive income until the underlying transaction is realised. The ineffective portion of changes in value is recognised in profit or loss. Upon realisation of the underlying transaction, the hedge's contribution to income from accumulated other comprehensive income is recognised on the income statement. As of the reporting date, the recognised fair value of instruments used as cash flow hedges amounted to –€1,223 million (previous year: –€1,140 million).

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

In the year under review, changes of –€1,075 million after taxes in the fair values of instruments used for cash flow hedges (previous year: –€587 million) were disclosed under accumulated other comprehensive income without an effect on income. These changes in value reflect the effective portion of the hedges.

Income of –€3 million was recognised with an effect on income in relation to the ineffective portions of cash flow hedges (previous year: expense of €4 million).

Above and beyond this, during the reporting period changes of €912 million after taxes in the value of cash flow hedges which had originally been recognised without an effect on income were realised as expenses (previous year: €209 million).

Hedges of net investment in a foreign operation are used to hedge the foreign currency risks of net investment in foreign entities whose functional currency is not the euro. We use bonds with various terms in the appropriate currencies, interest rate currency swaps, and other currency derivatives as hedging instruments. If there are changes in the exchange rates of currencies in which the bonds used for hedging are denominated or changes in the fair value of interest rate currency swaps, this is recorded under foreign currency translation adjustments in other comprehensive income. As of the reporting date, the fair value of the bonds amounted to €1,984 million (previous year: €1,515 million) and the fair value of the swaps amounted to €208 million (previous year: €241 million).

During the year under review, an expense of –€27 million (previous year: income of €36 million) was recognised on the income statement in relation to the ineffective portions of hedges of net investment in foreign operations.

Credit risks. In the fields of finance and commodities, we primarily have credit relationships with banks and other trading partners with good creditworthiness. The resulting counterparty risks are reviewed upon conclusion of the contract and constantly monitored. We limit such risks by defining limits for trading with contractual partners and, if necessary, by requiring additional collateral, such as cash collateral. Credit risks in commodities and financial operations are monitored on a daily basis.

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

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

The maximum balance-sheet default risk is derived from the carrying values of the receivables stated in the balance sheet. If default risks materialise, they are recognised through impairments. The default risks for derivatives correspond to their positive fair values. Risks can also stem from financial guarantees and loan commitments for external creditors. As of 31 December 2015, these obligations amounted to €127 million (previous year: €154 million). As of 31 December 2015, default risks were balanced against credit collateral, financial guarantees, bank guarantees and other collaterals amounting to €2.0 billion (previous year: €1.9 billion). Of this, €0.1 billion relates to financial receivables (previous year: €0.1 billion), €0.5 billion to trade receivables (previous year: €0.5 billion), €0.3 billion to derivatives used for hedging purposes (previous year: €0.3 billion) and €1.1 billion to other derivatives (previous year: €1.0 billion). There were no material defaults in fiscal 2015 or the previous year.

Liquidity risks. As a rule, RWE Group companies centrally refinance with RWE AG. In this regard, there is a risk that liquidity reserves will prove to be insufficient to meet financial obligations in a timely manner. In 2016, capital market debt (less portions of the bonds bought back) with a nominal volume of approximately €0.8 billion (previous year: €1.8 billion) and bank debt of €0.3 billion (previous year: €0.4 billion) is due. Additionally, short-term debt must also be repaid.

As of 31 December 2015, holdings of cash and cash equivalents and current marketable securities amounted to €9,959 million (previous year: €7,581 million). Additionally, as of the balance-sheet date, RWE AG had a fully committed, unused syndicated credit line of €4 billion (previous year: €4 billion) at its disposal. As of the balance-sheet date, US$0.1 billion (previous year: US$0 billion) of the US$5 billion commercial paper programme (previous year: US$5 billion) was used. Above and beyond this, we can finance ourselves using our €30 billion debt issuance programme; as of the balance-sheet date, outstanding bonds from this programme amounted to €12.4 billion (previous year: €14.0 billion). Accordingly, the medium-term liquidity risk can be classified as low.

Financial liabilities falling under the scope of IFRS 7 are expected to result in the following (undiscounted) payments in the coming years:

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

1 Including hybrid bonds classified as debt as per IFRS.

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

1 Including hybrid bonds classified as debt as per IFRS.

Above and beyond this, as of 31 December 2015, there were financial guarantees for external creditors in the amount of €100 million (previous year: €88 million), which are to be allocated to the first year of repayment. Additionally, Group companies have provided loan commitments to third-party companies amounting to €27 million (previous year: €66 million), which are callable in 2016.

Detailed information on the risks of the RWE Group and on the objectives and procedures of the risk management is presented on page 78 et seqq. in the review of operations.

(30) Contingent liabilities and financial commitments

As of 31 December 2015, the amount of capital commitments totalled €714 million (previous year: €914 million).

Commitments from operating leases refer largely to rental arrangements for power generation and supply plants as well as rent and lease contracts for storage and administration buildings. Minimum lease payments have the following maturity structure:

Operating leases € million	Nominal value	
	31 Dec 2015	31 Dec 2014
Due within 1 year	255	247
Due after 1 to 5 years	733	636
Due after 5 years	1,142	977
	2,130	**1,860**

We have made long-term contractual purchase commitments for supplies of fuels, including natural gas and hard coal in particular. Payment obligations stemming from the major long-term purchase contracts amounted to €42.0 billion as of 31 December 2015 (previous year: €38.5 billion), of which €2.2 billion is due within one year (previous year: €2.3 billion).

Gas purchases by the RWE Group are mostly based on long-term take-or-pay contracts. The conditions in these contracts, which have terms up to 2036 in some cases, are renegotiated by the contractual partners at certain intervals, which may result in changes in the reported payment obligations. Calculation of the payment obligations resulting from the purchase contracts is based on parameters from the internal planning.

Furthermore, RWE has long-term financial commitments for purchases of electricity. As of 31 December 2015, the minimum payment obligations stemming from the major purchase contracts totalled €7.9 billion (previous year: €9.1 billion), of which €0.5 billion is due within one year (previous year: €0.4 billion). Above and beyond this, there are also long-term purchase and service contracts for uranium, conversion, enrichment and fabrication.

We bear legal and contractual liability from our membership in various associations which exist in connection with power plant projects, profit- and loss-pooling agreements and for the provision of liability cover for nuclear risks, amongst others.

On the basis of a mutual benefit agreement, RWE AG and other parent companies of German nuclear power plant operators undertook to provide approximately €2,244 million in funding to liable nuclear power plant operators to ensure that they are able to meet their payment obligations in the event of nuclear damages. RWE AG has a 25.851 % contractual share in the liability, plus 5 % for damage settlement costs.

RWE AG and its subsidiaries are involved in official, regulatory and anti-trust proceedings, litigation and arbitration proceedings related to their operations and are affected by the results of such. In some cases, out-of-court claims are also filed. However, RWE does not expect any material negative repercussions from these proceedings on the RWE Group's economic or financial position.

(31) Segment reporting

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

The segment Conventional Power Generation essentially bundles the German, British, Dutch and Turkish power generation business, the German opencast lignite mining business, and the project management and engineering specialist RWE Technology International.

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

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

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

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

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

The segment Trading/Gas Midstream covers energy and commodities trading, the marketing and hedging of the RWE Group's electricity position and the gas midstream business. This segment is the responsibility of RWE Supply & Trading, which also supplies certain major industrial and commercial customers with electricity and natural gas.

"Other, consolidation" covers consolidation effects, RWE AG and the activities of other business areas which are not presented separately. These activities include the internal group services provided by RWE Group Business Services, RWE Service, RWE IT, and RWE Consulting.

Segment reporting Divisions 2015 € million	Conventional Power Generation	Supply/ Distribution Networks Germany	Supply Netherlands/ Belgium	Supply United Kingdom	Central Eastern and South Eastern Europe	Renewables	Trading/ Gas Midstream	Other, consolidation	RWE Group
External revenue (incl. natural gas tax/ electricity tax)	**1,903**	**24,792**	**4,117**	**9,138**	**4,353**	**387**	**3,827**	**82**	**48,599**
Intra-group revenue	8,952	1,307	54	100	109	832	19,082	−30,436[1]	
Total revenue	10,855[2]	26,099	4,171	9,238	4,462	1,219	22,909	−30,354	48,599
Operating result	**543**	**1,856**	**194**	**−137**	**919**	**493**	**156**	**−187**	**3,837**
Operating income from investments	102	260	9		66	102	3	19	561
Operating income from investments accounted for using the equity method	92	185	9		41	−2		36	361
Operating depreciation and amortisation	1,648	765	42	72	244	346	8	56	3,181
Total impairment losses	2,841	170		173		34	8	8	3,234
Cash flows from operating activities of continuing operations	**2,084**	**1,555**	**283**	**111**	**885**	**54**	**−894**	**−739**	**3,339**
Carrying amount of investments accounted for using the equity method	179	2,068	38		95	135	3	434	2,952
Capital expenditure on intangible assets, property, plant and equipment and investment property	789	1,021	25	189	409	418	10	37	2,898

1 Of which: consolidation of intra-group revenue –€33,676 million and intra-group revenue of other companies €3,240 million.
2 Of which: total revenue from power generation in the United Kingdom of €3,136 million.

Regions 2015	EU			Rest of Europe	Other	RWE Group
€ million	Germany	UK	Other EU			
External revenue[1,2]	26,284	9,982	9,662	121	308	46,357
Intangible assets, property, plant and equipment and investment property	21,157	9,109	11,844		534	42,644

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

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

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

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

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

Products	RWE Group	
€ million	2015	2014
External revenue[1]	46,357	46,149
of which: electricity	32,560	32,313
of which: gas	11,166	10,945

1 Excluding natural gas tax/electricity tax.

Notes on segment data. We report revenue between the segments as RWE intra-group revenue. Internal supply of goods and services is settled at arm's length conditions. The operating result is used for internal management. The following table presents the reconciliation of the operating result to income from continuing operations before tax:

Reconciliation of income items € million	2015	2014
Operating result	**3,837**	**4,017**
+ Non-operating result	–2,885	77
+ Financial result	–1,589	–1,848
Income from continuing operations before tax	**–637**	**2,246**

Income and expenses that are unusual from an economic perspective, or stem from exceptional events, prejudice the assessment of operating activities. They are reclassified to the non-operating result. Amongst other things, these can include sales proceeds from the disposal of investments or non-current assets not required for operations, impairment of the goodwill of fully consolidated companies, as well as effects of the fair valuation of certain derivatives.

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

(32) Notes to the cash flow statement

The cash flow statement classifies cash flows according to operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount stated in the balance sheet. Cash and cash equivalents consist of cash on hand, demand deposits and fixed-interest marketable securities with a maturity of three months or less from the date of acquisition.

Among other things, cash flows from operating activities include:

- cash flows from interest income of €281 million (previous year: €210 million) and cash flows used for interest expenses of €1,036 million (previous year: €1,080 million)
- €727 million (previous year: €951 million) in taxes on income paid (less refunds)
- income from investments, corrected for items without an effect on cash flows, in particular from accounting using the equity method, amounted to €353 million (previous year: €383 million)

Flows of funds from the acquisition and sale of consolidated companies are included in cash flows from investing activities. Effects of foreign exchange rate changes and other changes in value are stated separately.

Cash flows from financing activities include €615 million (previous year: €615 million) which was distributed to RWE shareholders, €302 million (previous year: €302 million) which was distributed to non-controlling shareholders, and €153 million (previous year: €144 million) which was distributed to hybrid capital investors. Furthermore, cash flows from financing activities include purchases of €0 million (previous year: €58 million) and sales in the amount of €170 million (previous year: €29 million) of shares in subsidiaries and other business units which did not lead to a change of control.

Restrictions on the disposal of cash and cash equivalents amounted to €22 million (previous year: €28 million).

(33) Information on concessions

In the fields of electricity, gas and water supply, there are a number of easement agreements and concession contracts between RWE Group companies and the governmental authorities in the areas we supply.

Easement agreements are used in the electricity and gas business to regulate the use of public rights of way for laying and operating lines for public energy supply. These agreements are generally limited to a term of 20 years. After expiry, there is a legal obligation to transfer ownership of the local distribution facilities to the new operator, for appropriate compensation.

Water concession agreements contain provisions for the right and obligation to provide water and wastewater services, operate the associated infrastructure, such as water utility plants, as well as to implement capital expenditure. Concessions in the water business generally have terms of up to 25 years.

(34) Related party disclosures

Within the framework of their ordinary business activities, RWE AG and its subsidiaries have business relationships with numerous companies. These include associated companies and joint ventures, which are classified as related parties. In particular, this category includes material investments of the RWE Group which are accounted for using the equity method.

Business transactions were concluded with major associates and joint ventures, resulting in the following items in RWE's consolidated financial statements:

Key items from transactions with associates and joint ventures € million	Associated companies		Joint ventures	
	2015	2014	2015	2014
Income	3,552	3,778	82	34
Expenses	2,583	2,784	114	95
Receivables	285	432	192	168
Liabilities	136	260	15	32

The key items from transactions with associates and joint ventures mainly stem from supply and service transactions. In addition to supply and service transactions, there are also financial links with joint ventures. During the reporting period, income of €4 million (previous year: €4 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €177 million of the receivables from joint ventures (previous year: €156 million). All transactions were completed at arm's length conditions; i.e. on principle the conditions of these transactions did not differ from those with other enterprises. €352 million of the receivables (previous year: €304 million) and €107 million of the liabilities (previous year: €135 million) fall due within one year. Other obligations from executory contracts amounted to €1,293 million (previous year: €1,212 million).

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

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

In total, the compensation of the Executive Board amounted to €11,373,000 (previous year: €11,150,000), plus pension service costs of €581,000 (previous year: €475,000). The Executive Board received short-term compensation components amounting to €8,868,000 for fiscal 2015 (previous year: €9,151,000). In addition to this, long-term compensation components were paid out in the amount of €755,000 (previous year: €249,000) and were allocated with a value at issue of €1,750,000 from the 2015 tranche of the Beat programme (previous year for the 2014 Beat tranche: €1,750,000).

The Supervisory Board received total compensation of €2,720,000 (previous year: €2,729,000) in fiscal 2015. Supervisory Board members also received a total of €265,000 in compensation from subsidiaries for the exercise of mandates (previous year: €217,000). The employee representatives on the Supervisory Board have labour contracts with the respective Group companies. Remuneration occurs in accordance with the relevant contractual conditions.

During the period under review, no loans or advances were granted to members of the Executive or Supervisory Boards. One employee representative has an outstanding loan from the period before his membership of the Board.

Former members of the Executive Board and their surviving dependents received €11,634,000 (previous year: €12,494,000), of which €1,229,000 came from subsidiaries (previous year: €2,016,000). As of the balance-sheet date, €153,100,000 (previous year: €171,481,000) had been accrued for defined benefit obligations to former members of the Executive Board and their surviving dependents. Of this, €13,978,000 was set aside at subsidiaries (previous year: €22,663,000).

Information on the members of the Executive and Supervisory Boards is presented on page 177 et seqq. of the Notes.

(35) Auditor's fees

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

Auditor's fees	2015		2014	
€ million	Total	Of which: Germany	Total	Of which: Germany
Audit services	15.1	8.2	15.2	8.9
Other assurance services	7.4	6.9	7.0	6.7
Tax services	0.9	0.6	0.8	0.8
Other services	1.7	0.5	2.3	0.6
	25.1	**16.2**	**25.3**	**17.0**

The fees for audit services primarily contain the fees for the audit of the consolidated financial statements and for the audit of the financial statements of RWE AG and its subsidiaries. Other assurance services include fees for the review of interim reports, review of the internal controlling system, in particular the IT systems, due diligence audits, as well as expenses related to statutory or court ordered requirements. In particular, the fees for tax services include compensation for consultation in the preparation of tax returns and other national and international tax-related matters as well as review of resolutions of the tax authorities.

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

In fiscal 2015, the following German subsidiaries made partial use of the exemption clause included in Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code (HGB):

- BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen
- GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen
- Kernkraftwerk Lingen Gesellschaft mit beschränkter Haftung, Lingen (Ems)
- NRW Pellets GmbH, Erndtebrück
- Rheinbraun Brennstoff GmbH, Cologne
- Rheinische Baustoffwerke GmbH, Bergheim
- rhenag Beteiligungs GmbH, Cologne
- RSB LOGISTIC GMBH, Cologne
- RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne
- RWE Aqua GmbH, Mülheim an der Ruhr
- RWE Beteiligungsgesellschaft mbH, Essen
- RWE Beteiligungsverwaltung Ausland GmbH, Essen
- RWE Consulting GmbH, Essen
- RWE FiberNet GmbH, Essen
- RWE Gastronomie GmbH, Essen
- RWE Group Business Services GmbH, Essen
- RWE IT GmbH, Essen
- RWE Offshore Logistics Company GmbH, Hamburg
- RWE Rheinhessen Beteiligungs GmbH, Essen
- RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen
- RWE Seabreeze II GmbH & Co. KG, Essen
- RWE SWITCH GmbH, Essen
- RWE Technology International GmbH, Essen
- RWE Trading Services GmbH, Essen

(37) Events after the balance-sheet date

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

(38) Declaration according to Sec. 161 of the German Stock Corporation Act

The declarations on the German Corporate Governance Code prescribed by Sec. 161 of the German Stock Corporation Act (AktG) have been submitted for RWE AG and its publicly traded German subsidiaries and have been made permanently and publicly available to shareholders on the Internet pages of RWE AG and its publicly traded German subsidiaries.

Essen, 22 February 2016

The Executive Board

Terium Schmitz Günther Tigges

3.7 LIST OF SHAREHOLDINGS (PART OF THE NOTES)

List of shareholdings as per Sec. 285 No. 11 and No. 11a and Sec. 313 Para. 2 (in relation to Sec. 315 a I) of HGB as of 31 Dec 2015

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Aktivabedrijf Wind Nederland B.V., Zwolle/Netherlands		100	169,552	25,217
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	25,119	493
Andromeda Wind S.r.l., Bolzano/Italy		51	12,556	1,534
Artelis S.A., Luxembourg/Luxembourg		53	39,411	3,702
A/V/E GmbH, Halle (Saale)		76	1,556	4
Batsworthy Cross Wind Farm Limited, Swindon/United Kingdom		100		[3]
Bayerische Bergbahnen-Beteiligungs-Gesellschaft mbH, Gundremmingen		100	24,124	486
Bayerische Elektrizitätswerke GmbH, Augsburg		100	34,008	[1]
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Gundremmingen		62	63,699	9,327
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	100	100	4,317,964	[1]
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	3,359	260
BPR Energie Geschäftsbesorgung GmbH, Essen		100	17,380	24
Bristol Channel Zone Limited, Swindon/United Kingdom		100	–2,289	–109
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin, Berlin		100	18,094	[1]
Budapesti Elektromos Muvek Nyrt., Budapest/Hungary		55	631,697	7,432
Carl Scholl GmbH, Cologne		100	650	138
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	0	0
Cegecom S.A., Luxembourg/Luxembourg		100	11,395	1,495
Channel Energy Limited, Swindon/United Kingdom		100	–18,962	–1,157
ELE Verteilnetz GmbH, Gelsenkirchen		100	25	[1]
Electra Insurance Limited, Hamilton/Bermuda		100	32,603	1,453
Elektrizitätswerk Landsberg GmbH, Landsberg am Lech		100	588	286
ELMŰ DSO Holding Korlátolt Felelosségu Társaság, Budapest/Hungary		100	700,929	–3
ELMŰ Halozati Eloszto Kft., Budapest/Hungary		100	742,101	21,668
ELMŰ-ÉMÁSZ Energiaszolgáltató Zrt., Budapest/Hungary		100	19,376	–6,681
ELMŰ-ÉMÁSZ Halozati Szolgáltató Kft., Budapest/Hungary		100	–335	–428
ELMŰ-ÉMÁSZ Ügyfélszolgálati Kft., Budapest/Hungary		100	1,821	1,852
ÉMÁSZ DSO Holding Korlátolt Felelosségu Társaság, Miskolc/Hungary		100	267,026	–3
ÉMÁSZ Halozati Kft., Miskolc/Hungary		100	272,935	6,036
Emscher Lippe Energie GmbH, Gelsenkirchen		50[4]	44,507	30,030
ENB Energienetze Berlin GmbH, Berlin		100	25	[1]
Energiedirect B.V., Waalre/Netherlands		100	–56,764	7,144
Energies France S.A.S. – Group – (pre-consolidated)			33,083	–338[2]
Centrale Hydroelectrique d'Oussiat S.A.S., Paris/France		100		
Energies Charentus S.A.S., Paris/France		100		
Energies France S.A.S., Paris/France		100		
Energies Maintenance S.A.S., Paris/France		100		
Energies Saint Remy S.A.S., Paris/France		100		
Energies VAR 1 S.A.S., Paris/France		100		
Energies VAR 3 S.A.S., Paris/France		100		
SAS Île de France S.A.S., Paris/France		100		
Energiewacht N.V., Veendam/Netherlands		100	27,861	4,393

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
energis GmbH, Saarbrücken		72	136,754	22,399
energis-Netzgesellschaft mbH, Saarbrücken		100	25,851	1
Energy Resources B.V., ’s-Hertogenbosch/Netherlands		100	134,899	3,841
Energy Resources Holding B.V., ’s-Hertogenbosch/Netherlands		100	277,180	–30,034
Energy Resources Ventures B.V., ’s-Hertogenbosch/Netherlands		100	22,579	253
envia Mitteldeutsche Energie AG, Chemnitz		59	1,738,767	306,994
envia SERVICE GmbH, Cottbus		100	2,229	1,229
envia TEL GmbH, Markkleeberg		100	12,518	2,838
envia THERM GmbH, Bitterfeld-Wolfen		100	63,463	1
enviaM Beteiligungsgesellschaft Chemnitz GmbH, Chemnitz		100	56,366	1
enviaM Beteiligungsgesellschaft mbH, Essen		100	178,163	34,147
eprimo GmbH, Neu-Isenburg		100	4,600	1
Essent Belgium N.V., Antwerp/Belgium		100	77,437	7,882
Essent CNG Cleandrive B.V., ’s-Hertogenbosch/Netherlands		100		3
Essent Corner Participations B.V., ’s-Hertogenbosch/Netherlands		100	25,053	7,709
Essent Energie Belgie N.V., Antwerp/Belgium		100	151,476	9,716
Essent Energie Verkoop Nederland B.V., ’s-Hertogenbosch/Netherlands		100	145,020	15,500
Essent Energy Group B.V., Arnhem/Netherlands		100	–421	–27
Essent IT B.V., Arnhem/Netherlands		100	–259,925	–13,410
Essent Meetdatabedrijf B.V., ’s-Hertogenbosch/Netherlands		100	–12,533	–2,035
Essent Nederland B.V., Arnhem/Netherlands		100	2,939,500	9,100
Essent New Energy B.V., ’s-Hertogenbosch/Netherlands		100	–31,358	–4,731
Essent N.V., ’s-Hertogenbosch/Netherlands		100	10,724,800	214,900
Essent Participations Holding B.V., Arnhem/Netherlands		100	–20,182	–92,577
Essent Personeel Service B.V., Arnhem/Netherlands		100	3,911	850
Essent Power B.V., Arnhem/Netherlands		100	–1,598,122	–357,776
Essent Productie Geleen B.V., ’s-Hertogenbosch/Netherlands		100	18	0
Essent Retail Bedrijven B.V., Arnhem/Netherlands		100	274,020	–15,900
Essent Retail Energie B.V., ’s-Hertogenbosch/Netherlands		100	319,220	107,300
Essent Retail Participations B.V., ’s-Hertogenbosch/Netherlands		100	109,021	14,600
Essent Sales Portfolio Management B.V., ’s-Hertogenbosch/Netherlands		100	–142,352	–339,854
Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH, Helgoland		100	256	1
Essent Zuid B.V., Waalre/Netherlands		100	109,392	2,723
Eszak-magyarorszagi Aramszolgáltató Nyrt., Miskolc/Hungary		54	288,942	16,121
EuroSkyPark GmbH, Saarbrücken		51	227	166
EVIP GmbH, Bitterfeld-Wolfen		100	11,347	1
EWV Energie- und Wasser-Versorgung GmbH, Stolberg		54	41,090	12,736
FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken		63	3,383	–1,876
Fri-El Anzi Holding S.r.l., Bolzano/Italy		51	9,760	1,410
Fri-El Anzi S.r.l., Bolzano/Italy		100	22,974	2,062
Fri-El Guardionara Holding S.r.l., Bolzano/Italy		51	20,709	1,812
Fri-El Guardionara S.r.l., Bolzano/Italy		100	28,500	1,571

1 Profit and loss-pooling agreement.
2 Figures from the Group’s consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	4,202,487	[1]
Geas Energiewacht B.V., Enschede/Netherlands		100	13,579	1,733
Gemeinschaftskraftwerk Bergkamen A beschränkt haftende OHG, Bergkamen		51	8,975	920
Gemeinschaftskraftwerk Steinkohle Hamm GmbH & Co. KG, Essen		100	53,000	–70,268
Georgia Biomass Holding LLC, Savannah/USA		100	61,989	1,231
Georgia Biomass LLC, Savannah/USA		100	9,846	–7,272
GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund		100	50,531	–19,889
Great Yarmouth Power Limited, Swindon/United Kingdom		100	0	0
Green Gecco GmbH & Co. KG, Essen		51	111,291	5,865
GWG Grevenbroich GmbH, Grevenbroich		60	19,212	2,491
Inhome Energy Care N.V., Houthalen-Helchteren/Belgium		100	–242	–121
INVESTERG – Investimentos em Energias, SGPS, Lda. – Group – (pre-consolidated)			12,516	3,084[2]
INVESTERG – Investimentos em Energias, Sociedade Gestora de Participações Sociais, Lda., São João do Estoril/Portugal		100		
LUSITERG – Gestão e Produção Energética, Lda., São João do Estoril/Portugal		74		
KA Contracting SK s.r.o., Banská Bystrica/Slovakia		100	1,099	75
Kernkraftwerk Gundremmingen GmbH, Gundremmingen		75	84,184	8,343
Kernkraftwerk Lingen Gesellschaft mit beschränkter Haftung, Lingen (Ems)		100	20,034	[1]
Kernkraftwerke Lippe-Ems Gesellschaft mit beschränkter Haftung, Lingen (Ems)		99	432,269	[1]
KMG Kernbrennstoff-Management Gesellschaft mit beschränkter Haftung, Essen		100	696,225	[1]
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	8,658	1,117
Kraftwerksbeteiligungs-OHG der RWE Power AG und der E.ON Kernkraft GmbH, Lingen (Ems)		88	144,433	–2,968
Krzecin Sp. z o.o., Warsaw/Poland		100	19,179	944
Lechwerke AG, Augsburg		90	472,456	157,897
Leitungspartner GmbH, Düren		100	100	[1]
LEW Anlagenverwaltung GmbH, Gundremmingen		100	273,217	14,459
LEW Beteiligungsgesellschaft mbH, Gundremmingen		100	454,767	9,674
LEW Netzservice GmbH, Augsburg		100	87	[1]
LEW Service & Consulting GmbH, Augsburg		100	1,250	[1]
LEW TelNet GmbH, Neusäß		100	1,224	12
LEW Verteilnetz GmbH, Augsburg		100	4,816	[1]
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		59	64,001	6,924
LYNEMOUTH POWER LIMITED, Northumberland/United Kingdom		100	20,657	16,519
Magyar Áramszolgáltató Kft., Budapest/Hungary		100	456	–987
Mátrai Erömü Zártkörüen Müködö Részvénytársaság, Visonta/Hungary		51	310,933	35,450
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)		75	112,399	20,443
Mitteldeutsche Netzgesellschaft Gas mbH, Kabelsketal		100	25	[1]
Mitteldeutsche Netzgesellschaft Strom mbH, Halle (Saale)		100	4,171	[1]
ML Wind LLP, Swindon/United Kingdom		51	111,533	7,095
NEW AG, Mönchengladbach		40[4]	175,895	55,646
NEW Netz GmbH, Geilenkirchen		100	66,403	12,880
NEW Niederrhein Energie und Wasser GmbH, Mönchengladbach		100	1,000	–4,095
NEW NiederrheinWasser GmbH, Viersen		100	22,406	4,149

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
NEW Service GmbH, Mönchengladbach		100	100	1,789
NEW Tönisvorst GmbH, Tönisvorst		98	13,961	2,200
NEW Viersen GmbH, Viersen		100	5,714	5,190
Nordsee Windpark Beteiligungs GmbH, Essen		100	8,087	[1]
Npower Business and Social Housing Limited, Swindon/United Kingdom		100	5,680	–1,197
Npower Cogen (Hythe) Limited, Swindon/United Kingdom		100	12,647	476
Npower Cogen Limited, Swindon/United Kingdom		100	193,925	494
Npower Cogen Trading Limited, Swindon/United Kingdom		100	–5	0
Npower Commercial Gas Limited, Swindon/United Kingdom		100	–5,498	–612
Npower Direct Limited, Swindon/United Kingdom		100	317,139	–33
Npower Financial Services Limited, Swindon/United Kingdom		100	–258	43
Npower Gas Limited, Swindon/United Kingdom		100	–271,585	11,026
Npower Limited, Swindon/United Kingdom		100	233,803	8,147
Npower Northern Limited, Swindon/United Kingdom		100	–986,135	–89,858
Npower Yorkshire Limited, Swindon/United Kingdom		100	–820,055	–35,970
Npower Yorkshire Supply Limited, Swindon/United Kingdom		100	0	0
NRW Pellets GmbH, Erndtebrück		100	312	[1]
Octopus Electrical Limited, Swindon/United Kingdom		100	2,950	–52
OIE Aktiengesellschaft, Idar-Oberstein		100	9,687	[1]
Oval (2205) Limited, Swindon/United Kingdom		100	0	0
Park Wiatrowy Nowy Staw Sp. z o.o., Warsaw/Poland		100	63,166	4,608
Park Wiatrowy Opalenica Sp. z o.o., Warsaw/Poland		100	7,652	137
Park Wiatrowy Suwalki Sp. z o.o., Warsaw/Poland		100	61,989	2,875
Park Wiatrowy Tychowo Sp. z o.o., Warsaw/Poland		100	50,300	737
Piecki Sp. z o.o., Warsaw/Poland		51	36,566	403
Plus Shipping Services Limited, Swindon/United Kingdom		100	33,877	135
Powerhouse B.V., Almere/Netherlands		100	31,218	10,900
PS Energy UK Limited, Swindon/United Kingdom		100		[3]
Regenesys Holdings Limited, Swindon/United Kingdom		100	–13	0
Regenesys Technologies Limited, Swindon/United Kingdom		100	845	7
regionetz GmbH, Eschweiler		100	37	[1]
Rheinbraun Brennstoff GmbH, Cologne		100	63,316	[1]
Rheinische Baustoffwerke GmbH, Bergheim		100	9,236	[1]
Rheinkraftwerk Albbruck-Dogern Aktiengesellschaft, Waldshut-Tiengen		77	30,992	1,757
Rhein-Sieg Netz GmbH, Siegburg		100	20,774	[1]
rhenag Beteiligungs GmbH, Cologne		100	25	[1]
rhenag Rheinische Energie Aktiengesellschaft, Cologne		67	142,608	28,437
Rhenas Insurance Limited, Sliema/Malta	100	100	57,590	–46
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		50[4]	236,534	5,862
RL Besitzgesellschaft mbH, Gundremmingen		100	112,985	12,581
RL Beteiligungsverwaltung beschr. haft. OHG, Gundremmingen[5]	51	100	355,818	27,231
RSB LOGISTIC GMBH, Cologne		100	19,304	[1]
RUMM Limited, Ystrad Mynach/United Kingdom		100		[3]

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in % Direct	Total	Equity € '000	Net income/loss € '000
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne		100	36,694	[1]
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey		70	170,245	16,817
RWE Aktiengesellschaft, Essen			5,703,409	–3,249,631
RWE Aqua GmbH, Mülheim an der Ruhr		100	233,106	[1]
RWE Benelux Holding B.V., 's-Hertogenbosch/Netherlands		100	677,800	–17,700
RWE Beteiligungsgesellschaft mbH, Essen	100	100	8,058,440	[1]
RWE Beteiligungsverwaltung Ausland GmbH, Essen	100	100	740,420	[1]
RWE Ceská republika a.s., Prague/Czech Republic		100	2,379,097	199,434
RWE Consulting GmbH, Essen		100	1,555	[1]
RWE Deutschland Aktiengesellschaft, Essen	12	100	499,061	[1]
RWE Distribucní služby, s.r.o., Brno/Czech Republic		100	35,506	27,046
RWE East, s.r.o., Prague/Czech Republic		100	364	327
RWE Eemshaven Holding B.V., 's-Hertogenbosch/Netherlands		100	–2,306,562	–120,112
RWE Effizienz GmbH, Dortmund		100	25	[1]
RWE Energetyka Trzemeszno Sp. z o.o., Wroclaw/Poland		100	1,816	235
RWE Energie S.R.L., Bucharest/Romania		100	1,278	–1,385
RWE Energie, s.r.o., Prague/Czech Republic		100	161,134	95,431
RWE Energiedienstleistungen GmbH, Dortmund		100	49,223	[1]
RWE Energija d.o.o., Zagreb/Croatia		100	1,813	–2,570
RWE Energo, s.r.o., Prague/Czech Republic		100	18,695	502
RWE Energy Beteiligungsverwaltung Luxemburg S.A.R.L., Luxembourg/Luxembourg		100	85,405	4,408
RWE Enerji Toptan Satis A.S., Istanbul/Turkey		100	6,836	–2,769
RWE FiberNet GmbH, Essen		100	25	[1]
RWE Finance B.V., 's-Hertogenbosch/Netherlands		100	10,855	2,049
RWE Finance II B.V., 's-Hertogenbosch/Netherlands		100		[3]
RWE Gas International N.V., 's-Hertogenbosch/Netherlands	100	100	6,174,358	530,786
RWE Gas Slovensko, s.r.o., Košice/Slovakia		100	5,997	5,681
RWE Gas Storage, s.r.o., Prague/Czech Republic		100	512,168	14,225
RWE GasNet, s.r.o., Ústí nad Labem/Czech Republic		100	838,047	96,016
RWE Gasspeicher GmbH, Dortmund	100	100	350,087	[1]
RWE Gastronomie GmbH, Essen		100	275	[1]
RWE GBS UK Limited, Swindon/United Kingdom		100	36,095	–33,043
RWE Generation SE, Essen	100	100	264,622	[1]
RWE Generation UK plc, Swindon/United Kingdom		100	1,786,224	–365,923
RWE Grid Holding, a.s., Prague/Czech Republic		50[4]	1,147,682	–181
RWE Group Business Services Benelux B.V., Arnhem/Netherlands		100	–5,766	–9,888
RWE Group Business Services CZ, s.r.o., Prague/Czech Republic		100	1,109	324
RWE Group Business Services GmbH, Essen		100	25	[1]
RWE Group Business Services Polska Sp. z o.o., Krakow/Poland		100	3,582	–1,003
RWE Hrvatska d.o.o., Zagreb/Croatia		100	10,695	–1,835
RWE Hungaria Tanacsado Kft., Budapest/Hungary		100	687	–54

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
RWE Innogy AERSA S.A.U. – Group – (pre-consolidated)			259,919	–99,823[2]
Danta de Energías, S.A., Soria/Spain		99		
Explotaciones Eólicas de Aldehuelas, S.L., Soria/Spain		95		
General de Mantenimiento 21, S.L.U., Barcelona/Spain		100		
Hidroeléctrica del Trasvase, S.A., Barcelona/Spain		60		
RWE Innogy AERSA, S.A.U., Barcelona/Spain		100		
RWE Innogy Benelux B.V., ’s-Hertogenbosch/Netherlands		100	–11,054	–9,873
RWE Innogy Beteiligungs GmbH, Essen		100	7,350	[1]
RWE Innogy Brise Windparkbetriebsgesellschaft mbH, Hanover		100	226	[1]
RWE Innogy GmbH, Essen	100	100	623,092	[1]
RWE Innogy GYM 2 Limited, Swindon/United Kingdom		100	–3,118	–2,488
RWE Innogy GYM 3 Limited, Swindon/United Kingdom		100	–3,133	–2,501
RWE Innogy GYM 4 Limited, Swindon/United Kingdom		100	–9,376	–7,307
RWE Innogy Italia S.p.A., Milan/Italy		100	4,190	–11,726
RWE Innogy Kaskasi GmbH, Hamburg		100	99	[1]
RWE Innogy Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	[1]
RWE Innogy Markinch Limited, Swindon/United Kingdom		100	–85,548	–8,984
RWE Innogy Mistral Windparkbetriebsgesellschaft mbH, Hanover		100	578	[1]
RWE Innogy Schmarloh Windparkbetriebsgesellschaft mbH, Barntrup		100	25	[1]
RWE Innogy Stallingborough Limited, Swindon/United Kingdom		100	–9,654	–192
RWE Innogy UK Holdings Limited, Swindon/United Kingdom		100	1,958,814	–3,800
RWE Innogy UK Limited, Swindon/United Kingdom		100	2,170,455	162,866
RWE Innogy Windpark Bedburg GmbH & Co. KG, Bedburg		51	107,754	5,773
RWE Innogy Windpark GmbH, Essen		100	25	[1]
RWE Innogy Windpower Hannover GmbH, Hanover		100	77,373	[1]
RWE Innogy Windpower Netherlands B.V., ’s-Hertogenbosch/Netherlands		100	–31,734	–3,691
RWE IT Czech s.r.o., Prague/Czech Republic		100	13,751	3,053
RWE IT GmbH, Essen	100	100	22,724	[1]
RWE IT Magyarország Kft., Budapest/Hungary		100	1,030	297
RWE Ljubljana d.o.o., Ljubljana/Slovenia		100	–943	–950
RWE Metering GmbH, Mülheim an der Ruhr		100	25	[1]
RWE Netzservice GmbH, Siegen		100	50	[1]
RWE Npower Group plc, Swindon/United Kingdom		100	117,396	23,960
RWE Npower Holdings plc, Swindon/United Kingdom		100	1,749,437	1,381
RWE Offshore Logistics Company GmbH, Hamburg		100	22	[1]
RWE Offshore Wind Nederland B.V., ’s Hertogenbosch/Netherlands		100	19	–1,203
RWE Plin d.o.o., Zagreb/Croatia		100	48	–214
RWE Polska Contracting Sp. z o.o., Wroclaw/Poland		100	4,872	–87
RWE Polska S.A., Warsaw/Poland		100	431,267	94,296
RWE Power Aktiengesellschaft, Cologne and Essen	100	100	2,037,209	[1]
RWE Renewables Polska Sp. z o.o., Warsaw/Poland		100	357,480	29,441
RWE Rheinhessen Beteiligungs GmbH, Essen		100	57,840	[1]
RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen		100	286,356	[1]
RWE Seabreeze II GmbH & Co. KG, Essen		100	38,890	11,621

1 Profit and loss-pooling agreement.
2 Figures from the Group’s consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in % Direct	Total	Equity € '000	Net income/loss € '000
RWE Service GmbH, Dortmund	100	100	143,451	1
RWE Slovensko s.r.o., Bratislava/Slovakia	1	100	1,109	–629
RWE Solutions Ireland Limited, Dublin/Ireland		100	8,672	2,165
RWE Stoen Operator Sp. z o.o., Warsaw/Poland		100	672,833	57,341
RWE Supply & Trading Asia-Pacific PTE. LTD., Singapore/Singapore		100	9,819	11,731
RWE Supply & Trading CZ, a.s., Prague/Czech Republic		100	912,439	–169,972
RWE Supply & Trading CZ GmbH, Essen		100	100,333	343
RWE Supply & Trading GmbH, Essen	100	100	446,778	1
RWE Supply & Trading (India) Private Limited, Mumbai/India		100	–2,827	–3,601
RWE Supply & Trading Participations Limited, London/United Kingdom		100	91,357	19,169
RWE Supply & Trading Switzerland S.A., Geneva/Switzerland		100	70,865	3,472
RWE SWITCH GmbH, Essen		100	25	1
RWE Technology International GmbH, Essen		100	12,463	1
RWE Technology Tasarim ve Mühendislik Danismanlik Ticaret Limited Sirketi, Istanbul/Turkey		100	852	–270
RWE Technology UK Limited, Swindon/United Kingdom		100	1,261	–971
RWE Trading Americas Inc., New York City/USA		100	12,442	234
RWE Trading Services GmbH, Essen		100	6,047	1
RWE Vertrieb Aktiengesellschaft, Dortmund		100	12,511	1
RWE Zákaznické služby, s.r.o., Ostrava/Czech Republic		100	1,750	1,331
RWEST Middle East Holdings B.V., 's-Hertogenbosch/Netherlands		100	3,348	0
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr		80	70,426	6,016
Saarwasserkraftwerke GmbH, Essen		100	14,368	1
Scarcroft Investments Limited, Swindon/United Kingdom		100	0	0
SRS EcoTherm GmbH, Salzbergen		90	17,281	2,633
Stadtwärme Kamp-Lintfort GmbH, Kamp-Lintfort		100	2,970	1
STADTWERKE DÜREN GMBH, Düren		50[4]	27,271	6,507
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort		51	15,903	5,913
Südwestsächsische Netz GmbH, Crimmitschau		100	1,090	492
Süwag Energie AG, Frankfurt am Main		78	541,955	104,800
Süwag Grüne Energien und Wasser GmbH, Frankfurt am Main		100	6,441	1
Süwag Vertrieb AG & Co. KG, Frankfurt am Main		100	680	1
Syna GmbH, Frankfurt am Main		100	8,053	1
Taciewo Sp. z o.o., Warsaw/Poland		100	28,179	1,658
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	855	40
Transpower Limited, Dublin/Ireland		100	4,347	–294
Überlandwerk Krumbach GmbH, Krumbach		75	5,077	1,132
Verteilnetz Plauen GmbH, Plauen		100	22	1
VKB-GmbH, Neunkirchen		50[4]	43,278	4,153
Volta Limburg B.V., Schinnen/Netherlands		100	25,298	7,314
Volta Service B.V., Schinnen/Netherlands		100	110	0
VSE Aktiengesellschaft, Saarbrücken		50[4]	200,056	51,667
VSE Net GmbH, Saarbrücken		100	13,517	1,431

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
VSE Verteilnetz GmbH, Saarbrücken		100	3,109	[1]
VWS Verbundwerke Südwestsachsen GmbH, Lichtenstein		98	27,018	2,376
Východoslovenská distribucná, a.s., Košice/Slovakia		100	603,231	32,507
Východoslovenská energetika a.s., Košice/Slovakia		100	77,554	9,398
Východoslovenská energetika Holding a.s., Košice/Slovakia		49[4]	646,316	22,702
Wendelsteinbahn GmbH, Brannenburg		100	4,078	155
Wendelsteinbahn Verteilnetz GmbH, Brannenburg		100	38	[1]
WestEnergie GmbH, Geilenkirchen		100	36,341	6,462
Westerwald-Netz GmbH, Betzdorf-Alsdorf		100	9,875	[1]
Westnetz GmbH, Dortmund		100	60,308	[1]
Windpark Kattenberg B.V., Zwolle/Netherlands		100	15	0
Windpark Zuidwester B.V., 's-Hertogenbosch/Netherlands		100	11,356	–261
WINKRA Hörup Windparkbetriebsgesellschaft mbH, Hörup		100	26	[1]
WINKRA Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	[1]
WINKRA Sommerland Windparkbetriebsgesellschaft mbH, Sommerland		100	26	[1]
WINKRA Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	106	[1]
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover		100	882	75
WTTP B.V., Arnhem/Netherlands		100	11,454	42,400
YE Gas Limited, Swindon/United Kingdom		100	0	0

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Agenzia Carboni S.R.L., Genoa/Italy		100	460	13
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen		100	5,113	0
Allt Dearg Wind Farm Limited, Swindon/United Kingdom		100	0	0
Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund		100	–69,979	–6,391
AQUAVENT Gesellschaft für Umwelttechnik und regenerierbare Energien mbH, Lützen		100	819	164
Ardoch Over Enoch Windfarm Limited, Glasgow/United Kingdom		100	0	0
AVB GmbH, Lützen		100	11	–1
Ballindalloch Muir Wind Farm Limited, Swindon/United Kingdom		100	0	0
Beteiligungsgesellschaft Werl mbH, Essen		100	326	469
bildungszentrum energie GmbH, Halle (Saale)		100	791	316
Bioenergie Bad Wimpfen GmbH & Co. KG, Bad Wimpfen		51	2,104	156
Bioenergie Bad Wimpfen Verwaltungs-GmbH, Bad Wimpfen		100	29	1
Bioenergie Kirchspiel Anhausen GmbH & Co. KG, Anhausen		51	77	–671
Bioenergie Kirchspiel Anhausen Verwaltungs-GmbH, Anhausen		100	29	1
Biogas Schwalmtal GmbH & Co. KG, Schwalmtal		66	1,302	0
Biogasanlage Schwalmtal GmbH, Schwalmtal		99	31	1

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Brims Ness Tidal Power Limited, Swindon/United Kingdom		100	0	0
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Carr Mor Windfarm Limited, Glasgow/United Kingdom		100	0	0
Carsphairn Windfarm Limited, Glasgow/United Kingdom		100	2	0
Causeymire Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
COMCO MCS S.A., Luxembourg/Luxembourg		95	411	212
Craigenlee Wind Farm Limited, Swindon/United Kingdom		100	0	0
Culbin Farm Wind Farm Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 1A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 1B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 2A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 2B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 4A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 4B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 5A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 5B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 6A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 6B RWE Limited, Swindon/United Kingdom		100	0	0
E & Z Industrie-Lösungen GmbH, Gundremmingen		100	17,978	11,279
easyOptimize GmbH, Essen		100		[3]
EDON Group Costa Rica S.A., San Jose/Costa Rica		100	837	–133
Energetyka Wschod Sp. z o.o., Wroclaw/Poland		100	57	8
Energetyka Zachod Sp. z o.o., Wroclaw/Poland		100	107	16
Energiegesellschaft Leimen GmbH & Co. KG, Leimen		75	198	16
Energiegesellschaft Leimen Verwaltungsgesellschaft mbH, Leimen		75	26	1
energienatur Gesellschaft für Erneuerbare Energien mbH, Siegburg		71	104	0
Energieversorgung Timmendorfer Strand GmbH & Co. KG, Timmendorfer Strand		51	1,499	0
Enervolution GmbH, Bochum		100	25	23
enviaM Erneuerbare Energien Verwaltungsgesellschaft mbH, Markkleeberg		100	31	1
enviaM Neue Energie Management GmbH, Halle (Saale)		100		[3]
Eólica de Sarnago, S.A., Soria/Spain		73	1,511	–36
ESK GmbH, Dortmund		100	128	[1]
favis GmbH, Essen		100	114	–2,088
Fernwärme Saarlouis-Steinrausch Investitionsgesellschaft mbH, Saarlouis		95	7,567	[1]
'Finelectra' Finanzgesellschaft für Elektrizitäts-Beteiligungen AG, Hausen/Switzerland		100	11,389	567
GBV Einundzwanzigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	[1]
GBV Neunundzwanzigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	[1]
GBV Siebenundzwanzigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	[1]
GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	100	[1]
GBV Zweiundzwanzigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	[1]
GKB Gesellschaft für Kraftwerksbeteiligungen mbH, Cottbus		100	312	202

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in % Direct	Total	Equity € '000	Net income/loss € '000
GkD Gesellschaft für kommunale Dienstleistungen mbH, Siegburg		100	54	1
Green Gecco Verwaltungs GmbH, Essen		51	33	1
GWG Kommunal GmbH, Grevenbroich		100	100	0
GWS Netz GmbH, Schwalbach		100	50	–26
HaseNetz Verwaltungs GmbH, Gehrde		100		3
HCL Netze GmbH & Co. KG, Herzebrock-Clarholz		100		3
HCL Netze Verwaltung GmbH, Herzebrock-Clarholz		100		3
Hospitec Facility Management im Krankenhaus GmbH, Saarbrücken		100	–69	45
Infraestructuras de Aldehuelas, S.A., Barcelona/Spain		100	428	0
Infrastrukturgesellschaft Netz Lübz mbH, Hanover		100	12	–12
Kieswerk Kaarst GmbH & Co. KG, Bergheim		51	431	–71
Kieswerk Kaarst Verwaltungs GmbH, Bergheim		51	29	0
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
KWS Kommunal-Wasserversorgung Saar GmbH, Saarbrücken		100	118	54
Lech Energie Gersthofen GmbH & Co. KG, Gersthofen		100		3
Lech Energie Verwaltung GmbH, Augsburg		100		3
Lemonbeat GmbH, Dortmund		100		3
Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lößnitz Netz GmbH & Co. KG, Lößnitz		100	15	–3
Lößnitz Netz Verwaltungs GmbH, Lößnitz		100	27	0
Mátrai Erömü Központi Karbantartó KFT, Visonta/Hungary		100	3,130	64
Meterplus Limited, Swindon/United Kingdom		100	0	0
Middlemoor Wind Farm Limited, Swindon/United Kingdom		100	0	0
MIROS Mineralische Rohstoffe, GmbH i.L., Bergheim		100	0	–10
Mitteldeutsche Netzgesellschaft Gas HD mbH, Halle (Saale)		100	25	0
Mitteldeutsche Netzgesellschaft mbH, Chemnitz		100	23	0
MNG Stromnetze GmbH & Co. KG, Lüdinghausen		100	18,294	0
MNG Stromnetze Verwaltungs GmbH, Lüdinghausen		100	25	0
Netzgesellschaft Südwestfalen mbH & Co. KG, Netphen		100		3
Netzwerke Saarwellingen GmbH, Saarwellingen		100	50	1
NEW b_gas Eicken GmbH, Schwalmtal		100	–928	72
NEW Impuls GmbH, Grefrath		67	607	202
NEW Re GmbH, Mönchengladbach		75	443	–46
NEW Schwalm-Nette GmbH, Viersen		100	6,504	631
NEW Schwalm-Nette Netz GmbH, Viersen		100	25	0
North Kintyre Wind Farm Limited, Swindon/United Kingdom		100	0	0
Novar Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Npower Northern Supply Limited, Swindon/United Kingdom		100	0	0
NRF Neue Regionale Fortbildung GmbH, Halle (Saale)		100	169	37
Oschatz Netz GmbH & Co. KG, Oschatz		100	1,344	539
Oschatz Netz Verwaltungs GmbH, Oschatz		100	26	0
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	1,151	–74
Park Wiatrowy Elk Sp. z o.o., Warsaw/Poland		100	782	–49
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	2,924	–40

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Park Wiatrowy Msciwojów Sp. z o.o., Warsaw/Poland		100	2,021	0
Park Wiatrowy Prudziszki Sp. z o.o., Warsaw/Poland		100	9	–49
Park Wiatrowy Smigiel I Sp. z o.o., Warsaw/Poland		100	2,646	–23
Park Wiatrowy Znin Sp. z o.o., Warsaw/Poland		100	2,348	–43
Projecta 15 GmbH, Saarbrücken		100	16	–1
Projecta 5 – Entwicklungsgesellschaft für kommunale Dienstleistungen mbH, Saarbrücken		100	11	–3
PT Rheincoal Supply & Trading Indonesia, PT, Jakarta/Indonesia		100	271	–424
RD Hanau GmbH, Hanau		100	0	0
REV LNG SSL BC LLC, Ulysses/USA		85		3
Rheinland Westfalen Energiepartner GmbH, Essen		100	5,369	1
rhenagbau GmbH, Cologne		100	1,258	1
ROTARY-MATRA Kútfúró és Karbantartó KFT, Visonta/Hungary		100	783	4
Rowantree Wind Farm Ltd., Swindon/United Kingdom		100	0	0
RWE & Turcas Dogalgaz Ithalat ve Ihracat A.S., Istanbul/Turkey		100	1,231	14
RWE Australia Pty. Ltd., Brisbane/Australia		100		3
RWE Downstream AG, Essen		100	108	–12
RWE Downstream Beteiligungs GmbH, Essen	100	100	247	–3
RWE Eurotest GmbH, Dortmund		100	51	1
RWE Innogy d.o.o. za koristenje obnovljivih izvora energije, Sarajevo/Bosnia and Herzegovina		100	0	–21
RWE Innogy Galloper 1 Limited, Swindon/United Kingdom		100	–1,214	–1,005
RWE Innogy Galloper 2 Limited, Swindon/United Kingdom		100	–1,214	–1,005
RWE Innogy Serbia d.o.o., Belgrade/Serbia		100	–7	–8
RWE Innogy Windpark Bedburg Verwaltungs GmbH, Bedburg		51	39	3
RWE Innogy Windpark Eschweiler GmbH & Co. KG, Essen		100	19	–12
RWE Innogy Windpark Eschweiler Verwaltungs GmbH, Essen		100	32	–7
RWE New Energy Ltd., Dubai/UAE		100		3
RWE New Ventures LLC, Wilmington/USA		100		3
RWE Pensionsfonds AG, Essen	100	100	3,723	–6
RWE POLSKA Generation Sp. z o.o., Warsaw/Poland		100	157	4
RWE Power Beteiligungsverwaltung GmbH & Co. KG, Grevenbroich		100	0	0
RWE Power Climate Protection China GmbH, Essen		100	25	1
RWE Power Climate Protection Clean Energy Technology (Beijing) Co., Ltd., Beijing/China		100	2,252	132
RWE Power Climate Protection GmbH, Essen		100	23	1
RWE Power Climate Protection Southeast Asia Co., Ltd., Bangkok/Thailand		100	45	10
RWE Power International Ukraine LLC, Kiev/Ukraine		100		3
RWE Power Zweite Gesellschaft für Beteiligungsverwaltung mbH, Grevenbroich		100	26	1
RWE Rhein Oel Ltd., London/United Kingdom		100	–1	0
RWE Seabreeze II Verwaltungs GmbH, Bremerhaven		100	39	4
RWE Stiftung für Energie und Gesellschaft gGmbH, Essen	100	100	60,095	–89
RWE SUPPLY TRADING TURKEY ENERJI ANONIM SIRKETI, Istanbul/Turkey		100	759	–30
RWE Teplárna Náchod, s.r.o., Náchod/Czech Republic		100		3
RWE Trading Services Ltd., Swindon/United Kingdom		100	1,286	81

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in % Direct	Total	Equity € '000	Net income/loss € '000
RWE Wärme Berlin GmbH, Berlin		100	1,689	1
RWE-EnBW Magyarország Energiaszolgáltató Korlátolt Felelösségü Társaság, Budapest/Hungary		70	352	2
RWEST PI FRE Holding LLC, New York City/USA		100	14,557	–28
RWEST PI LNG HOLDING LLC, New York City/USA		100	4,433	–102
RWEST PI LNG 1 LLC, New York City/USA		100	1,466	–3
RWEST PI LNG 2 LLC, New York City/USA		100		3
RWEST PI WALDEN HOLDING LLC, New York City/USA		100	3,944	–19
RWEST PI WALDEN 1 LLC, New York City/USA		100	3,960	–3
Scharbeutzer Energie- und Netzgesellschaft mbH & Co. KG, Scharbeutz		51	2,077	0
SchlauTherm GmbH, Saarbrücken		75	167	3
Snowgoat Glen Wind Farm Limited, Swindon/United Kingdom		100	0	0
SSE RENEWABLES (GALLOPER) NO. 1 LIMITED, Swindon/United Kingdom		100	–3,761	–3,798
SSE RENEWABLES (GALLOPER) NO. 2 LIMITED, Swindon/United Kingdom		100	–3,761	–3,798
Stadtwerke Geseke Netze GmbH & Co. KG, Geseke		100		3
Stadtwerke Geseke Netze Verwaltung GmbH, Geseke		100		3
Stadtwerke Korschenbroich GmbH, Mönchengladbach		100	7	–5
Stadtwerke Waltrop Netz Verwaltung GmbH, Waltrop		100		3
Steinkohlendoppelblock Verwaltungs GmbH, Essen		100	337	54
Stroupster Wind Farm Limited, Swindon/United Kingdom		100	0	0
Süwag Vertrieb Management GmbH, Frankfurt am Main		100	26	1
Tarskavaig Wind Farm Limited, Swindon/United Kingdom		100	0	0
T.B.E. TECHNISCHE BERATUNG ENERGIE für wirtschaftliche Energieanwendung GmbH, Duisburg		100	337	1
Thermolux S.a.r.l., Luxembourg/Luxembourg		100	98	–484
Thyssengas-Unterstützungskasse GmbH, Dortmund		100	79	–30
TWS Technische Werke der Gemeinde Saarwellingen GmbH, Saarwellingen		51	3,322	741
VEM Neue Energie Muldental GmbH & Co. KG, Markkleeberg		100		3
Versuchsatomkraftwerk Kahl GmbH, Karlstein am Main		80	542	31
Verwaltungsgesellschaft Energieversorgung Timmendorfer Strand mbH, Timmendorfer Strand		51	25	0
Verwaltungsgesellschaft Scharbeutzer Energie- und Netzgesellschaft mbH, Scharbeutz		51	25	0
VKN Saar Geschäftsführungsgesellschaft mbH, Ensdorf		51	50	1
VKN Saar Gesellschaft für Verwertung von Kraftwerksnebenprodukten und Ersatzbrennstoffen mbH & Co. KG, Ensdorf		51	25	–33
VSE – Windpark Merchingen GmbH & Co. KG, Saarbrücken		100	2,561	–239
VSE – Windpark Merchingen Verwaltungs GmbH, Saarbrücken		100	60	2
VSE Call centrum, s.r.o., Košice/Slovakia		100	58	3
VSE Ekoenergia, s.r.o., Košice/Slovakia		100	189	–640
VSE-Stiftung gGmbH, Saarbrücken		100	2,596	11
Wärmeversorgung Schwaben GmbH, Augsburg		100	–290	–301
Windenergie Briesensee GmbH, Neu Zauche		72	24	–1
Windkraft Hochheim GmbH & Co. KG, Hochheim		100	1,695	–795
Windpark Nohfelden-Eisen GmbH, Nohfelden		100		3
Windpark Verwaltungsgesellschaft mbH, Lützen		100	18	6

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

III. Joint operations	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
EnergieRegion Taunus – Goldener Grund – GmbH & Co. KG, Bad Camberg		49	26,930	–13
Gas-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49	3,031	571
Greater Gabbard Offshore Winds Ltd, Reading/United Kingdom		50	1,624,373	65,939
Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim		49	2,489	606
N.V. Elektriciteits-Produktiemaatschappij Zuid-Nederland EPZ, Borssele/Netherlands		30	49,636	1,806

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

IV. Affiliated companies of joint operations	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
EnergieRegion Taunus – Goldener Grund Verwaltungsgesellschaft mbH, Bad Camberg		100	25	0

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

V. Joint ventures accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
AS 3 Beteiligungs GmbH, Essen		51[6]	39,155	225
AVU Aktiengesellschaft für Versorgungs-Unternehmen, Gevelsberg		50	102,313	14,900
BEW Netze GmbH, Wipperfürth		61[6]	6,534	528
Budapesti Disz- es Közvilagitasi Korlatolt Felelössegü Tarsasag, Budapest/Hungary		50	28,943	0
C-Power N.V., Oostende/Belgium		27	182,333	3,284
EGG Holding B.V., ’s-Hertogenbosch/Netherlands		50	12,203	1,943
Energie Nordeifel GmbH & Co. KG, Kall		33	6,359	3,412
Esta V.O.F., Ridderkerk/Netherlands		50		[3]
FSO GmbH & Co. KG, Oberhausen		50	32,829	11,268
Galloper Wind Farm Holdco Limited, Swindon/United Kingdom		25		[3]
Gwynt Y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		50	–3,321	485
Innogy Venture Capital GmbH, Essen		75[6]	369	52
Konsortium Energieversorgung Opel beschränkt haftende oHG, Karlstein		67[6]	39,999	7,776
PRENU Projektgesellschaft für Rationelle Energienutzung in Neuss mbH, Neuss		50	199	–16
Rain Biomasse Wärmegesellschaft mbH, Rain		75[6]	6,122	567
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia		50	1,003	84
Société Electrique de l’Our S.A., Luxembourg/Luxembourg		40	–5,443	–1,280[2]
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG, Dülmen		50	26,398	3,638
Stadtwerke Lingen GmbH, Lingen (Ems)		40	13,471	0
Stromnetz Günzburg GmbH & Co. KG, Günzburg		49	2,931	173
SVS-Versorgungsbetriebe GmbH, Stadtlohn		30	18,438	2,901
TCP Petcoke Corporation, Dover/USA		50	21,473	13,956[2]
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom		50	–10,436	–1,291
URANIT GmbH, Jülich		50	71,362	111,329
Zagrebačke otpadne vode d.o.o., Zagreb/Croatia		48	168,056	22,480

1 Profit and loss-pooling agreement.
2 Figures from the Group’s consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Amprion GmbH, Dortmund	25	25	1,079,100	150,400
ATBERG – Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	3,380	484
Dortmunder Energie- und Wasserversorgung GmbH (DEW 21), Dortmund		40	157,589	–29,522
EnergieServicePlus GmbH, Düsseldorf		49		[3]
Energieversorgung Guben GmbH, Guben		45	16,585	931
Energieversorgung Hürth GmbH, Hürth		25	4,961	3,268
Energieversorgung Oberhausen AG, Oberhausen		10[7]	30,305	11,045
ENNI Energie & Umwelt Niederrhein GmbH, Moers		20	41,922	10,848
Enovos International S. A., Luxembourg/Luxembourg		18[8]	949,107	26,531
EWR Aktiengesellschaft, Worms		2[7]	79,270	7,272
EWR Dienstleistungen GmbH & Co. KG, Worms		50	134,937	7,964
EWR GmbH – Energie und Wasser für Remscheid, Remscheid		20	83,816	11,523
Freiberger Stromversorgung GmbH (FSG), Freiberg		30	9,195	1,516
Gas- und Wasserwerke Bous-Schwalbach GmbH, Bous		49	13,110	1,591
GNS Gesellschaft für Nuklear-Service mbH, Essen		28	15,540	10,367[2]
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim		40	114,142	6,647
HIDROERG – Projectos Energéticos, Lda., Lisbon/Portugal		32	12,434	2,554
Innogy Renewables Technology Fund I GmbH & Co. KG, Essen		78[6]	21,781	–11,073
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	784,569	83,139[2]
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13[7]	730,367	94,217
Kemkens B.V., Oss/Netherlands		49	19,043	7,420
KEW Kommunale Energie- und Wasserversorgung AG, Neunkirchen		29	74,746	11,532
MAINGAU Energie GmbH, Obertshausen		47	25,476	8,112
medl GmbH, Mülheim an der Ruhr		49	21,829	0
Mingas-Power GmbH, Essen		40	5,964	5,295
Nebelhornbahn-Aktiengesellschaft, Oberstdorf		27	5,000	368
PEARL PETROLEUM COMPANY LIMITED, Road Town/British Virgin Islands		10[8]	2,288,977	99,588
Pfalzwerke Aktiengesellschaft, Ludwigshafen		27	205,627	10,469
Projecta 14 GmbH, Saarbrücken		50	38,471	2,246
Propan Rheingas GmbH & Co KG, Brühl		30	6,153	–9,333
Recklinghausen Netzgesellschaft mbH & Co. KG, Recklinghausen		50	–14	–64
Regionalgas Euskirchen GmbH & Co. KG, Euskirchen		43	66,519	13,572
RheinEnergie AG, Cologne		20	886,918	130,100
Rhein-Main-Donau AG, Munich		22	110,169	0
Schluchseewerk Aktiengesellschaft, Laufenburg (Baden)		50	59,339	2,809
Siegener Versorgungsbetriebe GmbH, Siegen		25	23,949	4,453
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus		33	35,572	7,013
SSW Stadtwerke St. Wendel GmbH & Co. KG, St. Wendel		50	20,215	2,240
Stadtwerke Aschersleben GmbH, Aschersleben		35	16,417	2,840
Stadtwerke Bernburg GmbH, Bernburg (Saale)		45	31,859	5,600
Stadtwerke Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen		40	19,789	1,756
Stadtwerke Duisburg Aktiengesellschaft, Duisburg		20	184,636	3,163
Stadtwerke Emmerich GmbH, Emmerich am Rhein		25	12,115	0

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
Stadtwerke Essen Aktiengesellschaft, Essen		29	122,499	24,437
Stadtwerke Geldern GmbH, Geldern		49	10,204	2,224
Stadtwerke GmbH Bad Kreuznach, Bad Kreuznach		25	39,925	0
Stadtwerke Kirn GmbH, Kirn		49	2,106	220
Stadtwerke Meerane GmbH, Meerane		24	13,269	1,676
Stadtwerke Merseburg GmbH, Merseburg		40	21,392	4,692
Stadtwerke Merzig GmbH, Merzig		50	15,906	2,734
Stadtwerke Neuss Energie und Wasser GmbH, Neuss		25	88,344	9,810
Stadtwerke Radevormwald GmbH, Radevormwald		50	4,818	1,865
Stadtwerke Ratingen GmbH, Ratingen		25	52,629	3,281
Stadtwerke Reichenbach/Vogtland GmbH, Reichenbach im Vogtland		24	12,910	1,573
Stadtwerke Saarlouis GmbH, Saarlouis		49	35,022	4,930
Stadtwerke Velbert GmbH, Velbert		50	82,005	–12,271
Stadtwerke Weißenfels GmbH, Weißenfels		24	23,278	3,434
Stadtwerke Willich GmbH, Willich		25	13,981	0
Stadtwerke Zeitz GmbH, Zeitz		24	20,784	2,900
SWTE Netz GmbH & Co. KG, Ibbenbüren		98[6]	150	–4
Vliegasunie B.V., De Bilt/Netherlands		43	13,247	384
Wasser- und Energieversorgung Kreis St. Wendel GmbH, St. Wendel		28	21,487	1,789
wbm Wirtschaftsbetriebe Meerbusch GmbH, Meerbusch		40	23,164	5,446
Zagrebačke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia		31	2,182	3,236
Zephyr Investments Limited, Swindon/United Kingdom		33	–93,549	–34,505
Zwickauer Energieversorgung GmbH, Zwickau		27	41,360	6,243

1 Profit and loss-pooling agreement.
2 Figures from the Group’s consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VII. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Abwasser-Gesellschaft Knapsack, Gesellschaft mit beschränkter Haftung, Hürth		33	400	170
Awotec Gebäude Servicegesellschaft mbH, Saarbrücken		48	85	–9
Bäderbetriebsgesellschaft St. Ingbert GmbH, St. Ingbert		49	79	5
Breer Gebäudedienste Heidelberg GmbH, Heidelberg		45	191	35
Breitband-Infrastrukturgesellschaft Cochem-Zell mbH, Cochem		21	–418	–367
Brüggen.E-Netz Verwaltungs-GmbH, Brüggen		25	25	0
Brüggen.E-Netz GmbH & Co. KG, Brüggen		25	1,000	0
CARBON CDM Korea Ltd. (i.L.), Seoul/South Korea		49	–2,044	–2,890
CARBON Climate Protection GmbH, Langenlois/Austria		50	661	–39
CARBON Egypt Ltd., Cairo/Egypt		49	1,469	–102
CZT Valašské Mezirící s.r.o., Valašské Mezirící/Czech Republic		20	246	45[2]
DES Dezentrale Energien Schmalkalden GmbH, Schmalkalden		33	238	109
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, Gorleben		31	1,023	513
Doggerbank Project 1 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 2 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 3 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 4 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 5 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 6 Bizco Limited, Reading/United Kingdom		25	0	0
Dorsten Netz GmbH & Co. KG, Dorsten		49	4,972	0
EfD Energie-für-Dich GmbH, Potsdam		49		[3]
ELE-GEW Photovoltaikgesellschaft mbH, Gelsenkirchen		49	56	31
ELE-RAG Montan Immobilien Erneuerbare Energien GmbH, Bottrop		50	50	15
ELE-Scholven-Wind GmbH, Gelsenkirchen		30	683	158
Elsta B.V., Middelburg/Netherlands		25	214	196
Elsta B.V. & CO C.V., Middelburg/Netherlands		25	85,818	29,691
Enercraft Energiemanagement OHG haftungsbeschränkt, Frankfurt am Main		50	147	1
Energie BOL GmbH, Ottersweier		50	29	3
Energie Mechernich GmbH & Co. KG, Mechernich		49	3,240	198
Energie Mechernich Verwaltungs-GmbH, Mechernich		49	25	2
Energie Nordeifel Beteiligungs-GmbH, Kall		33	26	0
Energie Rur-Erft GmbH & Co. KG, Essen		29	25	0
Energie Rur-Erft Verwaltungs-GmbH, Essen		29	25	0
Energie Schmallenberg GmbH, Schmallenberg		44	27	4
Energiepartner Dörth GmbH, Dörth		49	33	3
Energiepartner Elsdorf GmbH, Elsdorf		40	37	9
Energiepartner Hermeskeil GmbH, Hermeskeil		20	23	–2
Energiepartner Kerpen GmbH, Kerpen		49	26	0
Energiepartner Projekt GmbH, Essen		49	55	30
Energiepartner Solar Kreuztal GmbH, Kreuztal		40	24	1
Energiepartner Wesseling GmbH, Wesseling		30	27	2
Energie-Service-Saar GmbH, Völklingen		50	–1,766	–6
Energieversorgung Bad Bentheim GmbH & Co. KG, Bad Bentheim		25	2,353	557

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VII. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Energieversorgung Bad Bentheim Verwaltungs-GmbH, Bad Bentheim		25	25	0
Energieversorgung Beckum GmbH & Co. KG, Beckum		34	5,027	2,559
Energieversorgung Beckum Verwaltungs-GmbH, Beckum		34	54	2
Energieversorgung Horstmar/Laer GmbH & Co. KG, Horstmar		49	99	0
Energieversorgung Kranenburg Netze GmbH & Co. KG, Kranenburg		25	1,000	0
Energieversorgung Kranenburg Netze Verwaltungs GmbH, Kranenburg		25	25	0
Energieversorgung Marienberg GmbH, Marienberg		49	3,007	939
Energieversorgung Niederkassel GmbH & Co. KG, Niederkassel		49	2,745	88
Energieversorgung Oelde GmbH, Oelde		25	7,407	1,832
Energotel, a.s., Bratislava/Slovakia		20	7,240	1,729
ENERVENTIS GmbH & Co. KG, Saarbrücken		33	1,090	135
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig		50	448	12
EWC Windpark Cuxhaven GmbH, Munich		50	1,378	304
EWV Baesweiler GmbH & Co. KG, Baesweiler		45	2,096	932
EWV Baesweiler Verwaltungs GmbH, Baesweiler		45	28	1
FAMOS – Facility Management Osnabrück GmbH, Osnabrück		49	106	–3
Fernwärmeversorgung Zwönitz GmbH, Zwönitz		50	2,969	121
First River Energy LLC, Denver/USA		26	3,664	–915[2]
Forewind Limited, Swindon/United Kingdom		25	–355	–357
FSO Verwaltungs-GmbH, Oberhausen		50	33	1
Gasgesellschaft Kerken Wachtendonk mbH, Kerken		49	3,372	193
Gas-Netzgesellschaft Kolpingstadt Kerpen Verwaltungs GmbH, Kerpen		49	25	2
Gasnetzgesellschaft Wörrstadt mbH & Co. KG, Saulheim		49	1,895	865
Gasnetzgesellschaft Wörrstadt Verwaltung-mbH, Wörrstadt		49	28	2
Gemeindewerke Bad Sassendorf Netze GmbH & Co. KG, Bad Sassendorf		25	500	0
Gemeindewerke Bad Sassendorf Netze Verwaltung GmbH, Bad Sassendorf		25	25	0
Gemeindewerke Bissendorf Netz GmbH & Co. KG, Bissendorf		49	2,643	0
Gemeindewerke Bissendorf Netz Verwaltungs-GmbH, Bissendorf		49	25	0
Gemeindewerke Everswinkel GmbH, Everswinkel		45	4,496	47
Gemeindewerke Namborn GmbH, Namborn		49	699	144
Gemeinschaftswerk Hattingen Gesellschaft mit beschränkter Haftung, Essen		52	2,045	0
GfB, Gesellschaft für Baudenkmalpflege mbH, Idar-Oberstein		20	68	11
GfS Gesellschaft für Simulatorschulung mbH, Essen		31	54	3
Gichtgaskraftwerk Dillingen GmbH & Co. KG, Saarbrücken		25	25,385	2,985
GISA GmbH, Halle (Saale)		24	9,348	3,748
GNEE Gesellschaft zur Nutzung erneuerbarer Energien mbH Freisen, Freisen		49		[3]
GREEN GECCO Beteiligungsgesellschaft mbH & Co. KG, Troisdorf		21	60,162	2,767
GREEN GECCO Beteiligungsgesellschaft-Verwaltungs GmbH, Troisdorf		21	36	1
GREEN Gesellschaft für regionale und erneuerbare Energie mbH, Stolberg		49	627	19
Green Solar Herzogenrath GmbH, Herzogenrath		45	3,417	434
Greenergetic GmbH, Bielefeld		20	204	–1,179
Greenplug GmbH, Hamburg		49	767	0
GWE-energis Netzgesellschaft mbH & Co. KG, Eppelborn		50	–26	23
GWE-energis-Geschäftsführungs-GmbH, Eppelborn		50	33	1

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VII. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in % Direct	Shareholding in % Total	Equity € '000	Net income/loss € '000
Hochsauerland Netze GmbH & Co. KG, Meschede		25	4,130	–61
Hochsauerland Netze Verwaltung GmbH, Meschede		25	25	0
HOCHTEMPERATUR-KERNKRAFTWERK Gesellschaft mit beschränkter Haftung (HKG). Gemeinsames Europäisches Unternehmen, Hamm		31	0	0
Homepower Retail Limited, Swindon/United Kingdom		50	–30,478	–1
IWW Rheinisch-Westfälisches Institut für Wasserforschung gemeinnützige GmbH, Mülheim an der Ruhr		30	880	–121
juwi Wind Germany 123 GmbH & Co. KG, Wörrstadt		33	–3	–2
Kavernengesellschaft Staßfurt mbH, Staßfurt		50	687	89
KAWAG AG & Co. KG, Pleidelsheim		49	9,104	529
KAWAG Netze GmbH & Co. KG, Abstatt		49	2,328	130
KAWAG Netze Verwaltungsgesellschaft mbH, Abstatt		49	27	1
KDT Kommunale Dienste Tholey GmbH, Tholey		49	1,141	92
KEN Geschäftsführungsgesellschaft mbH, Neunkirchen		50	51	0
KEN GmbH & Co. KG, Neunkirchen		46	2,929	96
KEVAG Telekom GmbH, Coblenz		50	2,416	724
Klärschlammentsorgung Hesselberg Service GmbH, Unterschwaningen		49	20	–1
KlickEnergie GmbH & Co. KG, Neuss		65	–1,168	–961
KlickEnergie Verwaltungs-GmbH, Neuss		65	23	–1
K-net GmbH, Kaiserslautern		25	1,134	89
Kommunale Dienste Marpingen GmbH, Marpingen		49	2,829	230
Kommunale Netzgesellschaft Steinheim a. d. Murr GmbH & Co. KG, Steinheim a. d. Murr		49	4,680	60
Kommunalwerk Rudersberg GmbH & Co. KG, Rudersberg		50	153	1
Kommunalwerk Rudersberg Verwaltungs-GmbH, Rudersberg		50	22	1
Kraftwerk Buer GbR, Gelsenkirchen		50	5,113	0
Kraftwerk Voerde beschränkt haftende OHG, Voerde		25	4,460	368
Kraftwerk Wehrden GmbH, Völklingen		33	30	0
KSG Kraftwerks-Simulator-Gesellschaft mbH, Essen		31	538	26
KSP Kommunaler Service Püttlingen GmbH, Püttlingen		40	134	112
KÜCKHOVENER Deponiebetrieb GmbH & Co. Kommanditgesellschaft, Bergheim		50	60	42
KÜCKHOVENER Deponiebetrieb Verwaltungs-GmbH, Bergheim		50	39	1
KVK Kompetenzzentrum Verteilnetze und Konzessionen GmbH, Cologne		75	26	1
Lumicity Group Limited, Taplow/United Kingdom		50	–60	–61
Moravske Hidroelektrane d.o.o., Belgrade/Serbia		51	3,563	–108
Murrhardt Netz AG & Co. KG, Murrhardt		49		[3]
Naturstrom Betriebsgesellschaft Oberhonnefeld mbH, Coblenz		25	160	0
Netzanbindung Tewel OHG, Cuxhaven		25	1,173	–1
Netzgesellschaft Bühlertal GmbH & Co. KG, Bühlertal		50	2,287	143
Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		49	3,193	169
Netzgesellschaft Elsdorf Verwaltungs-GmbH, Elsdorf		49	25	2
Netzgesellschaft Grimma GmbH & Co. KG, Grimma		49	7,670	671
Netzgesellschaft Korb GmbH & Co. KG, Korb		50	1,419	101
Netzgesellschaft Korb Verwaltungs-GmbH, Korb		50	26	1
Netzgesellschaft Kreisstadt Bergheim Verwaltungs-GmbH, Bergheim		49	25	1

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VII. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Netzgesellschaft Lauf GmbH & Co. KG, Lauf		50	728	46
Netzgesellschaft Leutenbach GmbH & Co. KG, Leutenbach		50	1,493	81
Netzgesellschaft Leutenbach Verwaltungs-GmbH, Leutenbach		50	25	1
Netzgesellschaft Maifeld GmbH & Co. KG, Polch		49	24	–1
Netzgesellschaft Maifeld Verwaltungs GmbH, Polch		49	24	0
Netzgesellschaft Ottersweier GmbH & Co. KG, Ottersweier		50	2,065	175
Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49	2,128	529
Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49	27	0
NiersEnergieNetze GmbH & Co. KG, Kevelaer		51	6,211	551
NiersEnergieNetze Verwaltungs-GmbH, Kevelaer		51	27	2
Ningxia Antai New Energy Resources Joint Stock Co., Ltd., Yinchuan/China		25	21,696	1,348
Novenerg limited liability company for energy activities, Zagreb/Croatia		50		3
Offshore Trassenplanungs-GmbH OTP i.L., Hanover		50	168	0
Peißenberger Wärmegesellschaft mbH, Peißenberg		50	1,536	93
prego services GmbH, Saarbrücken		50	–8,289	–9,376
Propan Rheingas GmbH, Brühl		28	48	2
Recklinghausen Netz-Verwaltungsgesellschaft mbH, Recklinghausen		49	50	1
Renergie Stadt Wittlich GmbH, Wittlich		30	20	0
rhenag – Thüga Rechenzentrum GbR, Cologne		50	201	197
RIWA GmbH Gesellschaft für Geoinformationen, Kempten		33	1,197	347
RurEnergie GmbH, Düren		30	2,634	–88
Rusheen – RWE Commercialisation Partners Limited, Swindon/United Kingdom		33		3
RWE Power International Middle East LLC, Dubai/UAE		49	–1,783	–939
Sandersdorf-Brehna Netz GmbH & Co. KG, Sandersdorf-Brehna		49	4,826	174
Selm Netz GmbH & Co. KG, Selm		25	1	0
SolarProjekt Mainaschaff GmbH, Mainaschaff		50	45	3
SolarProjekt Rheingau-Taunus GmbH, Bad Schwalbach		50	449	95
SPX, s.r.o., Zilina/Slovakia		33	121	16
SSW Stadtwerke St. Wendel Geschäftsführungsgesellschaft mbH, St. Wendel		50	116	4
Stadtentwässerung Schwerte GmbH, Schwerte		48	51	0
Städtische Werke Borna GmbH, Borna		37	4,456	813
Städtisches Wasserwerk Eschweiler GmbH, Eschweiler		25	2,837	–590
Stadtwerke – Strom Plauen GmbH & Co. KG, Plauen		49	5,177	1,020
Stadtwerke Ahaus GmbH, Ahaus		36	11,086	2,443
Stadtwerke Aue GmbH, Aue		24	12,221	1,210
Stadtwerke Dillingen/Saar GmbH, Dillingen		49	5,905	1,312
Stadtwerke Dülmen Verwaltungs-GmbH, Dülmen		50	29	0
Stadtwerke Gescher GmbH, Gescher		42	3,115	493
Stadtwerke Goch Netze GmbH & Co. KG, Goch		25	1,000	0
Stadtwerke Goch Netze Verwaltungsgesellschaft mbH, Goch		25	25	0
Stadtwerke Haan GmbH, Haan		25	20,471	1,621
Stadtwerke Langenfeld GmbH, Langenfeld		20	7,751	0
Stadtwerke Oberkirch GmbH, Oberkirch		33	6,592	1,031
Stadtwerke Roßlau Fernwärme GmbH, Dessau-Roßlau		49	1,549	368

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VII. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Stadtwerke Schwarzenberg GmbH, Schwarzenberg/Erzgeb.		28	14,134	1,072
Stadtwerke Steinfurt GmbH, Steinfurt		38	10,395	2,559
Stadtwerke Unna GmbH, Unna		24	13,114	2,877
Stadtwerke Vlotho GmbH, Vlotho		25	4,937	222
Stadtwerke Wadern GmbH, Wadern		49	3,732	408
Stadtwerke Waltrop Netz GmbH & Co. KG, Waltrop		25		[3]
Stadtwerke Weilburg GmbH, Weilburg		20	7,882	665
Stadtwerke Werl GmbH, Werl		25	6,735	2,463
STEAG – Kraftwerksbetriebsgesellschaft mit beschränkter Haftung, Essen		21	324	0
STEAG Windpark Ullersdorf GmbH & Co. KG, Jamlitz		21	18,592	592
Stromnetz Diez GmbH & Co. KG, Diez		25	1,288	81
Stromnetz Diez Verwaltungsgesellschaft mbH, Diez		25	28	1
Stromnetz Euskirchen GmbH & Co. KG, Euskirchen		25	1,000	0
Stromnetz Günzburg Verwaltungs GmbH, Günzburg		49	26	1
Stromnetz Hofheim GmbH & Co. KG, Hofheim		49	3,292	92
Stromnetz Hofheim Verwaltungs GmbH, Hofheim		49	25	0
Stromnetz Verbandsgemeinde Katzenelnbogen GmbH & Co. KG, Katzenelnbogen		49	2,240	155
Stromnetz Verbandsgemeinde Katzenelnbogen Verwaltungsgesellschaft mbH, Katzenelnbogen		49	26	1
Stromnetz VG Diez GmbH & Co. KG, Altendiez		49	2,380	161
Stromnetz VG Diez Verwaltungsgesellschaft mbH, Altendiez		49	27	1
Stromnetzgesellschaft Gescher GmbH & Co. KG, Gescher		25		[3]
Strom-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49	4,110	352
Strom-Netzgesellschaft Kolpingstadt Kerpen Verwaltungs-GmbH, Kerpen		49	25	1
Stromnetzgesellschaft Neuenhaus mbH & Co. KG, Neuenhaus		49	1,000	0
Stromnetzgesellschaft Neuenhaus Verwaltungs-GmbH, Neuenhaus		49	25	0
Stromnetzgesellschaft Neunkirchen-Seelscheid mbH & Co. KG, Neunkirchen-Seelscheid		49	2,312	343
Stromnetzgesellschaft Schwalmtal mbH & Co. KG, Schwalmtal		51	2,996	604
Stromverwaltung Schwalmtal GmbH, Schwalmtal		51	26	0
SWL-energis Netzgesellschaft mbH & Co. KG, Lebach		50	3,684	659
SWL-energis-Geschäftsführungs-GmbH, Lebach		50	32	2
SWT trilan GmbH, Trier		26	1,086	461
SWTE Netz Verwaltungsgesellschaft mbH, Ibbenbüren		33	25	–1
Technische Werke Naumburg GmbH, Naumburg		47	9,794	1,758
TEPLO Votice s.r.o., Votice/Czech Republic		20	77	7[2]
The Bristol Bulk Company Limited, London/United Kingdom		25	1	0
Thermago Berliner Siedlung GmbH, Mainz		45	1,179	208
TNA Talsperren- und Grundwasser-Aufbereitungs- und Vertriebsgesellschaft mbH, Saarbrücken		23	842	87
Toledo PV A.E.I.E., Madrid/Spain		33	1,709	993
TRANSELEKTRO, s.r.o., Košice/Slovakia		26	678	–82
TWE Technische Werke der Gemeinde Ensdorf GmbH, Ensdorf		49	1,973	38
TWL Technische Werke der Gemeinde Losheim GmbH, Losheim		50	5,875	601

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VII. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
TWM Technische Werke der Gemeinde Merchweiler GmbH, Merchweiler		49	1,923	66
TWN Trinkwasserverbund Niederrhein GmbH, Grevenbroich		33	153	–5
TWRS Technische Werke der Gemeinde Rehlingen-Siersburg GmbH, Rehlingen		35	4,840	174
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main		25	0	–194
Untere Iller Aktiengesellschaft, Landshut		40	1,134	41
Untermain EnergieProjekt AG & Co. KG, Kelsterbach		49	1,947	135
Untermain Erneuerbare Energien Verwaltungs-GmbH, Raunheim		25	29	2
Verteilnetze Energie Weißenhorn GmbH & Co. KG, Weißenhorn		35	906	298
Verwaltungsgesellschaft Dorsten Netz mbH, Dorsten		49	27	2
Verwaltungsgesellschaft Energie Weißenhorn GmbH, Weißenhorn		35	25	0
Verwaltungsgesellschaft GKW Dillingen mbH, Saarbrücken		25	167	5
Voltaris GmbH, Maxdorf		50	1,798	1,015
WALDEN GREEN ENERGY LLC, New York City/USA		48	30	0
Wärmeversorgung Mücheln GmbH, Mücheln		49	892	72
Wärmeversorgung Wachau GmbH, Markkleeberg OT Wachau		49	91	–34
Wärmeversorgung Würselen GmbH, Würselen		49	1,387	47
Wasserverbund Niederrhein Gesellschaft mit beschränkter Haftung, Krefeld		42	10,518	656
Wasserversorgung Main-Taunus GmbH, Frankfurt am Main		49	128	21
Wasserzweckverband der Gemeinde Nalbach, Nalbach		49	1,709	6
WEV Warendorfer Energieversorgung GmbH, Warendorf		25	12,243	3,128
Windenergie Frehne GmbH & Co. KG, Marienfließ		41	6,661	217
Windenergie Merzig GmbH, Merzig		20	2,547	–61
Windenergiepark Heidenrod GmbH, Heidenrod		51	11,006	–267
Windkraft Jerichow – Mangelsdorf I GmbH Co. KG, Jerichow		50	3,824	–329
Windpark Jüchen GmbH & Co. KG, Essen		21	2,246	136
Windpark Losheim-Britten GmbH, Losheim am See		50	1,968	168
Windpark Mengerskirchen GmbH, Mengerskirchen		25	2,686	–30
Windpark Oberthal GmbH, Oberthal		35	4,406	368
Windpark Perl GmbH, Perl		54	8,351	1,058
WINDTEST Grevenbroich GmbH, Grevenbroich		38	651	201
WLN Wasserlabor Niederrhein GmbH, Mönchengladbach		45	521	21
Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier Gesellschaft mit beschränkter Haftung, Cologne		50	49,904	1,180
WVG-Warsteiner Verbundgesellschaft mbH, Warstein		25	7,828	0
WVL Wasserversorgung Losheim GmbH, Losheim		50	4,988	343
WWS Wasserwerk Saarwellingen GmbH, Saarwellingen		49	3,336	154
WWW Wasserwerk Wadern GmbH, Wadern		49	3,461	110

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Aarewerke AG in Liquidation, Klingnau/Switzerland		30	8,949	1,555
APEP Dachfonds GmbH & Co. KG, Munich	36	36	573,473	79,605
Aurica AG, Aarau/Switzerland		8	106	1
BEW Bergische Energie- und Wasser-GmbH, Wipperfürth		19	26,955	5,090
BFG-Bernburger Freizeit GmbH, Bernburg (Saale)		1	9,051	–1,234
Blackhawk Mining LLC, Lexington/USA		10	106,254	–1,701[2]
Bürgerenergie Untermain e.G., Kelsterbach		4	44	–14
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern		4	14,294	846
Die BürgerEnergie eG, Dortmund		0	1,716	112
Dii GmbH, Munich	20	20	875	–872
Dry Bulk Partners 2013 LP, Grand Cayman/Cayman Islands		25	8,333	133
eins energie in sachsen GmbH & Co. KG, Chemnitz		9	460,868	78,456
Energías Renovables de Ávila, S.A., Madrid/Spain		17	595	0
Energieagentur Region Trier GmbH, Trier		14	11	–7
Energiegenossenschaft Chemnitz-Zwickau eG, Chemnitz		7	195	10
Energiehandel Saar GmbH & Co. KG, Neunkirchen		1	405	–4
Energiehandel Saar Verwaltungs-GmbH, Neunkirchen		2	25	0
Energieversorgung Limburg GmbH, Limburg an der Lahn		10	25,235	3,097
Entwicklungsgesellschaft Neu-Oberhausen mbH-ENO, Oberhausen		2	670	–990
ESV-ED GmbH & Co. KG, Buchloe		4	269	93
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen		10	62	1
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen		10	41,000	48,962
Gemeinschafts-Lehrwerkstatt Neheim-Hüsten GmbH, Arnsberg		7	1,341	91
Gesellschaft für Wirtschaftsförderung Duisburg mbH, Duisburg		1	801	17
GSG Wohnungsbau Braunkohle GmbH, Cologne		15	44,205	467
High-Tech Gründerfonds II GmbH & Co. KG, Bonn		1	44,316	0
Hubject GmbH, Berlin		17	5,473	–3,059
IZES gGmbH, Saarbrücken		9	555	–277
Kawa Solar Holdings Limited, Grand Cayman/Cayman Islands		14	71,737	–8,420[2]
KEV Energie GmbH, Kall		2	457	0
Kreis-Energie-Versorgung Schleiden GmbH, Kall		2	7,598	0
LEW Bürgerenergie e.G., Augsburg		0	1,511	7
Neckar-Aktiengesellschaft, Stuttgart		12	10,179	0
Neustromland GmbH & Co. KG, Saarbrücken		5	2,629	88
Nordsee One GmbH, Hamburg		15	10,884	–416
Nordsee Three GmbH, Hamburg		15		[3]
Nordsee Two GmbH, Hamburg		15		[3]
Ökostrom Saar Biogas Losheim KG, Merzig		10	–437	–102
OPPENHEIM PRIVATE EQUITY Institutionelle Anleger GmbH & Co. KG, Cologne	29	29	4,203	1,709
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	53	–1
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	501	–34
Parque Eólico Leo, S.L., Oviedo/Spain		10	134	–3

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Parque Eólico Sagitario, S.L., Oviedo/Spain		10	124	–1
PEAG Holding GmbH, Dortmund	12	12	15,509	1,850
pro regionale energie eG, Diez		2	1,352	19
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	65	0
PSI AG für Produkte und Systeme der Informationstechnologie, Berlin		18	81,509	3,078
REV LNG LLC, Ulysses/USA		5	2,999	66[2]
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf		100	2,185	426
SALUS Grundstücks-Vermietungsges. mbH & Co. Objekt Leipzig KG, Düsseldorf		100	–10	11
Sdruzení k vytvorení a vyuzívání digitální technické mapy mesta Pardubic, Pardubice/Czech Republic		12	1	–4
SE SAUBER ENERGIE GmbH & Co. KG, Cologne		17	1,116	156
SE SAUBER ENERGIE Verwaltungs-GmbH, Cologne		17	119	7
Solarpark Freisen „Auf der Schwann" GmbH, Nohfelden		15	312	12
Solarpark St. Wendel GmbH, St. Wendel		15	1,052	97
SolarRegion RengsdorferLAND eG, Rengsdorf		2	313	5
Stadtmarketing-Gesellschaft Gelsenkirchen mbH, Gelsenkirchen		2	43	6
Stadtwerke Delitzsch GmbH, Delitzsch		18	14,928	4,472
Stadtwerke Detmold GmbH, Detmold		12	31,495	0
Stadtwerke ETO GmbH & Co. KG, Telgte		3	31,963	4,480
Stadtwerke Porta Westfalica GmbH, Porta Westfalica		12	14,756	502
Stadtwerke Sulzbach GmbH, Sulzbach		15	11,431	1,492
Stadtwerke Tecklenburger Land Energie GmbH, Ibbenbüren		15	150	–866
Stadtwerke Tecklenburger Land GmbH & Co. KG, Ibbenbüren		1	236	0
Stadtwerke Völklingen Netz GmbH, Völklingen		18	16,387	2,185
Stadtwerke Völklingen Vertrieb GmbH, Völklingen		18	7,301	3,420
Stem Inc., Milbrae/USA		8	591	–1,822
Store-X storage capacity exchange GmbH, Leipzig		12	451	151
SWT Stadtwerke Trier Versorgungs-GmbH, Trier		19	52,854	7,642
SWTE Verwaltungsgesellschaft mbH, Ibbenbüren		1	25	–1
Technologiezentrum Jülich GmbH, Jülich		5	1,071	139
Telecom Plus plc, London/United Kingdom		1		[3]
TGZ Halle TECHNOLOGIE- UND GRÜNDERZENTRUM HALLE GmbH, Halle (Saale)		15	14,447	43
Transport- und Frischbeton-Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Aachen, Aachen		17	390	179
Trianel GmbH, Aachen		3	90,545	5,185
Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf	43	43	2,615	1,163
Umspannwerk Lübz GbR, Lübz		18	20	6
Union Group, a.s., Ostrava/Czech Republic		2	85,123	0
Untermain ErneuerbareEnergien GmbH & Co. KG, Raunheim		17	38	–25
WASSERWERKE PADERBORN GmbH, Paderborn		10	24,105	0
WiN Emscher-Lippe Gesellschaft zur Strukturverbesserung mbH, Herten		2	139	–311
Windenergie Schermbeck-Rüste GmbH & Co. KG, Schermbeck		14		[3]
Windenergie Schermbeck-Rüste Verwaltungsgesellschaft mbH, Schermbeck		14		[3]
Windpark Saar GmbH & Co. Repower KG, Freisen		10	8,742	319

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by virtue of company contract.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.
6 No control by virtue of company contract.
7 Significant influence via indirect investments.
8 Significant influence by virtue of company contract.

Changes in shareholding without change of control	Shareholding in % 31 Dec 2015	Shareholding in % 31 Dec 2014	Change
Affiliated companies which are included in the consolidated financial statements			
Gemeinschaftskraftwerk Steinkohle Hamm GmbH & Co. KG, Essen	100	78	22
NEW AG, Mönchengladbach	40	40	0
NEW Tönisvorst GmbH, Tönisvorst	98	95	3
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey	70	69	1
RWE Grid Holding, a.s., Prague/Czech Republic	50	65	–15
Joint ventures accounted for using the equity method			
Energie Nordeifel GmbH & Co. KG, Kall	33	50	–17
Gwynt Y Môr Offshore Wind Farm Limited, Swindon/United Kingdom	50	60	–10
Associates accounted for using the equity method			
SWTE Netz GmbH & Co. KG, Ibbenbüren	98	33	65

Changes in shareholding with change of control	Shareholding in % 31 Dec 2015	Shareholding in % 31 Dec 2014	Change
Additions to affiliated companies which are included in the consolidated financial statements			
Batsworthy Cross Wind Farm Limited, Swindon/United Kingdom	100		100
ELMŰ DSO Holding Korlátolt Felelosségu Társaság, Budapest/Hungary	100		100
ELMŰ-ÉMÁSZ Energiaszolgáltató Zrt., Budapest/Hungary	100		100
ÉMÁSZ DSO Holding Korlátolt Felelosségu Társaság, Miskolc/Hungary	100		100
Essent CNG Cleandrive B.V., ’s-Hertogenbosch/Netherlands	100		100
Nordsee Windpark Beteiligungs GmbH, Essen	100		100
PS Energy UK Limited, Swindon/United Kingdom	100		100
RUMM Limited, Ystrad Mynach/United Kingdom	100		100
RWE Finance II B.V., ’s-Hertogenbosch/Netherlands	100		100
RWE Ljubljana d.o.o., Ljubljana/Slovenia	100		100
RWEST Middle East Holdings B.V., ’s-Hertogenbosch/Netherlands	100		100
Spezialfonds	100		100
Volta Service B.V., Schinnen/Netherlands	100		100
Východoslovenská distribucná, a.s., Košice/Slovakia	100		100
Východoslovenská energetika a.s., Košice/Slovakia	100		100
Additions to joint ventures accounted for using the equity method			
Esta V.O.F., Ridderkerk/Netherlands	50		50
Galloper Wind Farm Holdco Limited, Swindon/United Kingdom	25		25
Additions to associates accounted for using the equity method			
EnergieServicePlus GmbH, Düsseldorf	49		49
PEARL PETROLEUM COMPANY LIMITED, Road Town/British Virgin Islands	10		10
Transfers of affiliated companies which are included in the consolidated financial statements to joint ventures accounted for using the equity method			
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom	50	100	–50
Transfers of joint ventures accounted for using the equity method to affiliated companies which are included in the consolidated financial statements			
Geas Energiewacht B.V., Enschede/Netherlands	100	50	50
Transfer of associates accounted for using the equity method to affiliated companies which are included in the consolidated financial statements			
Energiewacht N.V., Veendam/Netherlands	100	50	50
WestEnergie GmbH, Geilenkirchen	100	99	1

Changes in shareholding with change of control	Shareholding in % 31 Dec 2015	Shareholding in % 31 Dec 2014	Change
Transfer of affiliated companies accounted for using the equity method to other investments			
Blackhawk Mining LLC, Lexington/USA	10	25	–15
Disposals of affiliated companies which are included in the consolidated financial statements			
BC-Therm Energiatermelõ és Szolgáltató Kft., Budapest/Hungary		100	–100
DEA UK Upstream Limited, London/United Kingdom		100	–100
EZN Swentibold B.V., Geleen/Netherlands		100	–100
Kazinc-Therm Fûtõerõmû Kft., Kazincbarcika/Hungary		100	–100
Ózdi Erõmû Távhõtermelõ és Szolgáltató Kft., Kazincbarcika/Hungary		100	–100
RWE Dea AG, Hamburg		100	–100
RWE Dea Cyrenaica GmbH, Hamburg		100	–100
RWE Dea E & P GmbH, Hamburg		100	–100
RWE Dea Global Limited, London/United Kingdom		100	–100
RWE Dea Guyana GmbH, Hamburg		100	–100
RWE Dea Idku GmbH, Hamburg		100	–100
RWE Dea International GmbH, Hamburg		100	–100
RWE Dea Nile GmbH, Hamburg		100	–100
RWE Dea Norge AS, Oslo/Norway		100	–100
RWE Dea North Africa/Middle East GmbH, Hamburg		100	–100
RWE Dea Polska Sp. z o.o., Warsaw/Poland		100	–100
RWE Dea Speicher GmbH, Hamburg		100	–100
RWE Dea Suez GmbH, Hamburg		100	–100
RWE Dea Suriname GmbH, Hamburg		100	–100
RWE Dea Trinidad & Tobago GmbH, Hamburg		100	–100
RWE Dea UK Holdings Limited, Aberdeen/United Kingdom		100	–100
RWE Dea UK SNS Limited, London/United Kingdom		100	–100
RWE Innogy GYM 1 Limited, Swindon/United Kingdom		100	–100
RWE Innogy Sandbostel Windparkbetriebsgesellschaft mbH, Sandbostel		100	–100
Sinergy Energiakereskedõ Kft., Budapest/Hungary		100	–100
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft., Budapest/Hungary		100	–100
Speicher Breitbrunn/Eggstätt RWE Dea & Storengy, Hamburg		80	–80
Tisza BioTerm Kft., Budapest/Hungary		60	–60
Tisza-Therm Fûtõerõmû Kft., Tiszaújváros/Hungary		100	–100
Tisza-WTP Vízelõkészítõ és Szolgáltató Kft., Tiszaújváros/Hungary		100	–100
Disposals of joint ventures accounted for using the equity method			
TE Plomin d.o.o., Plomin/Croatia		50	–50
Disposals of associates accounted for using the equity method			
AVA Abfallverwertung Augsburg Gesellschaft mit beschränkter Haftung, Augsburg		25	–25
EdeA VOF, Geleen/Netherlands		50	–50
Electrorisk Verzekeringsmaatschappij N.V., Arnhem/Netherlands		25	–25
Stadtwerke Bühl GmbH, Bühl		30	–30

Change in control without change in shareholding	Shareholding in % 31 Dec 2015	Shareholding in % 31 Dec 2014	Change
Transfer of joint ventures accounted for using the equity method to affiliated companies which are included in the consolidated financial statements			
Východoslovenská energetika Holding a.s., Košice/Slovakia	49	49	0

3.8 BOARDS (PART OF THE NOTES)

As of 23 February 2016

Supervisory Board

Dr. Manfred Schneider
Cologne
Chairman
Year of birth: 1938
Member since: 10 December 1992

Other appointments:
- ▪ Linde AG (Chairman)

Frank Bsirske[1]
Berlin
Deputy Chairman
Chairman of ver.di Vereinte Dienstleistungsgewerkschaft
Year of birth: 1952
Member since : 9 January 2001

Other appointments:
- ▪ Deutsche Bank AG
- ▪ Deutsche Postbank AG
- ▪ IBM Central Holding GmbH
- - KfW Bankengruppe

Reiner Böhle[1]
Witten
Chairman of the Group Works Council of RWE Deutschland
Year of birth: 1960
Member since: 1 January 2013

Other appointments:
- ▪ RWE Deutschland AG

Dr. Werner Brandt
Bad Homburg
Corporate consultant,
former Member of the Executive Board of SAP SE
Year of birth: 1954
Member since: 18 April 2013

Other appointments:
- ▪ Deutsche Lufthansa AG
- ▪ OSRAM Licht AG
- ▪ ProSiebenSat.1 Media SE (Chairman)
- - Qiagen N.V. (Chairman) – until 21 June 2016 –

Dieter Faust[1]
Eschweiler
Chairman of the General Works Council of RWE Power AG
Year of birth: 1958
Member since: 1 August 2005

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

Roger Graef
Bollendorf
Managing Director of Verband der kommunalen
RWE-Aktionäre GmbH
Year of birth: 1943
Member since: 20 April 2011

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

Other appointments:
- ▪ RWE Vertrieb AG

Manfred Holz[1]
Grevenbroich
Deputy Chairman of the General Works Council of RWE Power AG
Year of birth: 1954
Member since: 20 April 2011

Other appointments:
- ▪ RWE Generation SE

Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
Essen
Vice President of the Federation of German Industries
Year of birth: 1947
Member since: 18 April 2013

Other appointments:
- ▪ Airbus Defence and Space GmbH
- ▪ National-Bank AG
- ▪ ThyssenKrupp AG
- ▪ Voith GmbH (Chairman)
- - Airbus Group SE

Frithjof Kühn
Sankt Augustin
Former Chief Administrative Office
Year of birth: 1943
Member since: 1 February 2010

Hans Peter Lafos[1]
Bergheim
Regional District Sector Head, Utilities and Disposal (Sector 2),
ver.di Vereinte Dienstleistungsgewerkschaft, District of NRW
Year of birth: 1954
Member since: 28 October 2009

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

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.

Christine Merkamp[1]
Cologne
NWoW Engine Expert
Year of birth: 1967
Member since: 20 April 2011

Dagmar Mühlenfeld
Mülheim an der Ruhr
Former Mayor
Year of birth: 1951
Member since: 4 January 2005

Other appointments:
- ▪ RW Holding AG

Dagmar Schmeer[1]
Saarbrücken
Technical Officer Grid Services at VSE Verteilernetz GmbH
Year of birth: 1967
Member since: 9 August 2006

Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Krefeld
Former Chairman of the Executive Board of ThyssenKrupp AG
Year of birth: 1941
Member since: 13 April 2006

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

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

Other appointments:
- \- Bertelsmann Stiftung

Ullrich Sierau
Dortmund
Mayor of the City of Dortmund
Year of birth: 1956
Member since: 20 April 2011

Other appointments:
- ▪ Dortmunder Energie- und Wasserversorgung GmbH (Chairman)
- ▪ Dortmunder Stadtwerke AG (Chairman)
- ▪ KEB Holding AG (Chairman)
- \- Klinikum Dortmund gGmbH (Chairman)
- \- KSBG Kommunale Verwaltungsgesellschaft GmbH
- \- Schüchtermann-Schiller'sche Kliniken Bad Rothenfelde GmbH & Co. KG
- \- Sparkasse Dortmund (Chairman)

Ralf Sikorski[1]
Hanover
Member of the Main Executive Board of IG Bergbau, Chemie, Energie
Year of birth: 1961
Member since: 1 July 2014

Other appointments:
- ▪ KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG
- ▪ KSBG Kommunale Verwaltungsgesellschaft GmbH
- ▪ Lanxess AG
- ▪ Lanxess Deutschland GmbH
- ▪ RAG AG
- ▪ RAG Deutsche Steinkohle AG
- ▪ RWE Generation SE
- ▪ RWE Power AG

Dr. Dieter Zetsche
Stuttgart
Chairman of the Executive Board of Daimler AG
Year of birth: 1953
Member since: 16 July 2009

Leonhard Zubrowski[1]
Lippetal
Chairman of the Group Works Council of RWE Generation
Year of birth: 1961
Member since: 1 July 2014

Other appointments:
- ▪ RWE Generation SE

▪ Member of other mandatory supervisory boards.
\- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.

Supervisory Board Commitees

Executive Committee of the Supervisory Board
Dr. Manfred Schneider (Chairman)
Reiner Böhle
Frank Bsirske
Manfred Holz
Dagmar Mühlenfeld
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Dr. Wolfgang Schüssel
Leonhard Zubrowski

Mediation Committee in accordance with Sec. 27, Para. 3 of the German Co-Determination Act (MitbestG)
Dr. Manfred Schneider (Chairman)
Frank Bsirske
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Ralf Sikorski

Personnel Affairs Committee
Dr. Manfred Schneider (Chairman)
Reiner Böhle
Frank Bsirske
Dieter Faust
Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
Frithjof Kühn

Audit Committee
Dr. Werner Brandt (Chairman)
Dieter Faust
Arno Hahn
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Ullrich Sierau
Ralf Sikorski

Nomination Committee
Dr. Manfred Schneider (Chairman)
Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel
Frithjof Kühn

NewCo IPO Committee
Dr. Manfred Schneider (Chairman)
Reiner Böhle
Dr. Werner Brandt
Frank Bsirske
Manfred Holz
Dagmar Mühlenfeld
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Dr. Wolfgang Schüssel
Leonhard Zubrowski

Executive Board

Peter Terium (Chief Executive Officer)
Chairman of the Executive Board of RWE AG since 1 July 2012, appointed until 28 February 2021

Other appointments:
▪ RWE Supply & Trading GmbH (Chairman)

Dr. Rolf Martin Schmitz (Deputy Chairman and Chief Operating Officer)
Deputy Chairman of the Executive Board of RWE AG since 1 July 2012
Member of the Executive Board of RWE AG since 1 May 2009, appointed until 31 January 2019

Other appointments:
▪ RheinEnergie AG
▪ RWE Deutschland AG (Chairman)
▪ RWE Generation SE (Chairman)
▪ RWE Power AG (Chairman)
▪ TÜV Rheinland AG
- Essent N.V.
- Kärntner Energieholding Beteiligungs GmbH
- KELAG-Kärntner Elektrizitäts-AG

Dr. Bernhard Günther (Chief Financial Officer)
Member of the Executive Board of RWE AG since 1 July 2012, appointed until 30 June 2017

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

Uwe Tigges (Chief HR Officer and Labour Director)
Member of the Executive Board of RWE AG since 1 January 2013, appointed until 31 December 2020

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

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

To RWE Aktiengesellschaft, Essen

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RWE Aktiengesellschaft, Essen, and its subsidiaries, which comprise the income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and the notes to the financial statements for the business year from 1 January to 31 December 2015

Executive Board's Responsibility for the Consolidated Financial Statements

The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Executive Board is also responsible for the internal controls as the Executive Board determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2015 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of RWE Aktiengesellschaft, for the business year from 1 January to 31 December 2015. The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, 23 February 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Reuther	Ralph Welter
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FIVE-YEAR OVERVIEW

Five-year overview RWE Group		2015	2014	2013	2012	2011
External revenue	€ million	48,599	48,468	52,425	53,227	51,686
Income						
EBITDA	€ million	7,017	7,131	7,904	9,314	8,460
Operating result	€ million	3,837	4,017	5,369	6,416	5,814
Income before tax	€ million	–637	2,246	–2,016	2,230	3,024
Net income/RWE AG shareholders' share in income	€ million	–170	1,704	–2,757	1,306	1,806
Earnings per share	€	–0.28	2.77	–4.49	2.13	3.35
Adjusted net income[1]	€ million	1,125	1,282	2,314	2,457	2,479
Adjusted net income[1] per share	€	1.83	2.09	3.76	4.00	4.60
Return on equity	%	2.7	17.2	–17.1	10.2	12.6
Return on revenue	%	0.9	7.2	–1.8	6.9	8.3
Value management						
Return on capital employed (ROCE)	%	8.0	8.4	10.6	12.0	10.9
Value added	€ million	–384	–277	811	1,589	1,286
Capital employed	€ million	48,234	47,711	50,646	53,637	53,279
Cash flow/capital expenditure/depreciation and amortisation						
Cash flows from operating activities of continuing operations	€ million	3,339	5,556	4,803	4,395	5,510
Free cash flow	€ million	441	2,311	960	–686	–843
Capital expenditure including acquisitions	€ million	3,303	3,440	3,978	5,544	7,072
of which: property, plant and equipment and intangible assets	€ million	2,898	3,245	3,848	5,081	6,353
Depreciation, amortisation, impairment losses and asset disposals	€ million	5,838	3,369	8,121	5,343	3,632
Degree of asset depreciation	%	65.6	62.6	61.6	59.0	58.5
Free cash flow per share	€	0.72	3.76	1.56	–1.12	–1.56
Asset/capital structure						
Non-current assets	€ million	51,453	54,224	56,905	63,338	63,539
Current assets	€ million	27,881	32,092	24,476	24,840	29,117
Balance sheet equity	€ million	8,894	11,772	12,137	16,489	17,082
Non-current liabilities	€ million	45,315	46,324	47,383	47,445	44,391
Current liabilities	€ million	25,125	28,220	21,861	24,244	31,183
Balance sheet total	€ million	79,334	86,316	81,381	88,178	92,656
Fixed asset intensity of investments	%	53.8	50.9	58.6	59.1	56.0
Current asset intensity of investments	%	35.1	37.2	30.1	28.2	31.4
Asset coverage	%	105.4	107.1	104.6	100.9	96.7
Equity ratio	%	11.2	13.6	14.9	18.7	18.4
Net financial debt	€ million	7,353	8,481	10,320	12,335	12,239
Net debt	€ million	25,126	30,972	30,727	33,015	29,948
Leverage factor		3.6	3.8[2]	3.5[2]	3.5	3.5

1 New term; formerly 'recurrent net income'; see commentary on page 56.
2 Adjusted figure; see page 64 of the 2014 Annual Report.

Five-year overview RWE Group		2015	2014	2013	2012	2011
Workforce						
Workforce at year-end[1]		59,762	59,784	64,896	70,208	72,068
Research & development						
Operating R&D costs	€ million	101	110	151	150	146
R&D employees		400	390	430	450	410
Emissions balance						
CO_2 emissions	million metric tons	150.8	155.2	163.9	179.8	161.9
Free allocation of CO_2 certificates	million metric tons	5.6	5.8	7.4	121.4	116.6
Shortage of CO_2 certificates[2]	million metric tons	143.9	148.3	156.5	58.4	45.3
Specific CO_2 emissions	metric tons/MWh	0.708	0.745	0.751	0.792	0.787

1 Converted to full-time positions.
2 As Turkey does not participate in the European Union Emissions Trading System, we do not need emission allowances for our CO_2 emissions in that country.

Five-year overview RWE Aktiengesellschaft		2015	2014	2013	2012	2011
Dividend/dividend payment						
Dividend payment	€ million	5[1]	615	615	1,229	1,229
Dividend per common share	€	–	1.00	1.00	2.00	2.00
Dividend per preferred share	€	0.13[1]	1.00	1.00	2.00	2.00
Market capitalisation						
Market capitalisation at year-end	€ billion	7.1	15.5	16.2	19.1	16.6
Long-term credit rating at year-end						
Moody's		Baa2	Baa1	Baa1	A3	A3
Outlook		Negative	Stable	Stable	Negative	Negative
Standard & Poor's		BBB	BBB+	BBB+	BBB+	A–
Outlook		Negative	Stable	Stable	Stable	Negative

1 Dividend proposal for RWE AG's 2015 fiscal year; subject to the approval of the 20 April 2016 Annual General Meeting.

IMPRINT

RWE Aktiengesellschaft
Opernplatz 1
45128 Essen
Germany

Phone +49 201 12-00
Fax +49 201 12-15199
E-mail contact@rwe.com

Investor Relations:
Phone +49 201 12-15025
Fax +49 201 12-15033
Internet www.rwe.com/ir
E-mail invest@rwe.com

Corporate Communications:
Phone +49 201 12-15250
Fax +49 201 12-15094

For annual reports, interim reports and further information on RWE, please visit us on the internet at **www.rwe.com.**

This annual report was published on 8 March 2016. This is a translation of the German annual report. In case of divergence from the German version, the German version shall prevail.

Typesetting and production:
CHIARI GmbH – Agentur für Markenkommunikation, Düsseldorf

Photography:
Jörg Mettlach, RWE

Printing:
D+L Printpartner GmbH, Bocholt

Translation:
Olu Taylor Translation & Interpretation Services, Geretsried

Proofreading:
Nicola Thackeray, Swindon, UK

RWE is a member of DIRK –
the German Investor Relations Association.

MIX
Paper from responsible sources
FSC® C030157

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

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

FINANCIAL CALENDAR

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
14 March 2017	Annual report for fiscal 2016
27 April 2017	Annual General Meeting
3 May 2017	Dividend payment
15 May 2017	Interim report on the first quarter of 2017
14 August 2017	Interim report on the first half of 2017
14 November 2017	Interim report on the first three quarters of 2017

The Annual General Meeting (until the beginning of the Q&A session) and all events concerning the publication of the financial reports are broadcast live on the internet and recorded. We will keep the recordings on our website for at least twelve months.

RWE Aktiengesellschaft

Opernplatz 1
45128 Essen
Germany

T +49 201 12-00
F +49 201 12-15199
I www.rwe.com