INTERIM STATEMENT ON THE
FIRST THREE QUARTERS OF 2017

- Adjusted EBITDA up 9 %
- Significantly improved trading performance
- Substantial reduction in net debt
- Earnings outlook for 2017 confirmed

AT A GLANCE

RWE Group – key figures		Jan – Sep 2017	Jan – Sep 2016	+/– %	Jan – Dec 2016
Power generation	billion kWh	152.2	157.7	–3.5	216.1
External electricity sales volume	billion kWh	194.2	195.3	–0.6	264.6
External gas sales volume	billion kWh	172.4	178.3	–3.3	265.1
External revenue	€ million	32,385	33,206	–2.5	45,833
Adjusted EBITDA	€ million	4,175	3,821	9.3	5,403
Adjusted EBIT	€ million	2,667	2,116	26.0	3,082
Income before taxes	€ million	3,125	386	709.6	–5,807
Net income	€ million	2,219	11	–	–5,710
Adjusted net income	€ million	876	227	285.9	777
Earnings per share	€	3.61	0.02	–	–9.29
Adjusted net income per share	€	1.42	0.37	–	1.26
Cash flows from operating activities	€ million	–2,911	608	–578.8	2,352
Capital expenditure	€ million	1,516	1,344	12.8	2,382
Property, plant and equipment and intangible assets	€ million	1,263	1,179	7.1	2,027
Financial assets	€ million	253	165	53.3	355
Free cash flow[1]	€ million	–3,951	3	–	809
		30 Sep 2017	31 Dec 2016		
Net debt	€ million	19,458	22,709	–14.3	
Workforce[2]		59,463	58,652	1.4	

1 New definition; see commentary on page 2.
2 Converted to full-time positions.

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INTRODUCTORY COMMENTARY ON REPORTING

New segment structure from 1 January 2017

Our financial reporting for 2017 is based on a new segment structure, as 'Conventional Power Generation' has been divided into the 'Lignite & Nuclear' and 'European Power' segments. To ensure the comparability of the 2017 figures to those of the previous year, we have restated the latter in the new structure. Furthermore, we will now refer to the former 'Trading/Gas Midstream' segment as 'Supply & Trading'. However, this is only a name change and has no impact on the activities of the segment.

As a result of the above adjustments, the Group is structured into the following four segments:

- Lignite & Nuclear: This division covers electricity generation in Germany using lignite and nuclear power, the profitability of which is strongly dependent on the development of wholesale electricity prices. In addition, the segment includes lignite mining in the Rhineland and the Hungarian company Mátra, which also generates electricity from lignite. RWE has a 50.9 % stake in Mátra, which is up for sale. These activities are overseen by RWE Power. The segment also includes our investments in the Dutch nuclear power plant operator EPZ (30 %) and the German company URANIT (50 %), which holds a 33 % stake in Urenco, a uranium enrichment specialist.

- European Power: This segment includes our electricity generation using gas, hard coal, and biomass in the core markets, i.e. Germany, the UK and the Netherlands/Belgium. Also assigned to this segment are the 787 MW gas-fired power plant in the western Turkish city of Denizli, in which we hold a 70 % stake, and RWE Technology International, which engages in project management and engineering services. These activities are steered by RWE Generation. The segment also includes some hydroelectric plants in Germany and Luxembourg.

- Supply & Trading: This segment covers the activities of RWE Supply & Trading, which is responsible for trading energy and commodities as well as the gas midstream business. It also supplies some large industrial and corporate customers in Germany and neighbouring countries with electricity and gas. RWE Supply & Trading is also responsible for marketing RWE's power generation and the short-term optimisation of power plant dispatch, with the related earnings being reported in the 'Lignite & Nuclear' and 'European Power' segments.

- innogy: This segment bundles the business activities in renewables, grids and retail. It is headed by our subsidiary innogy SE, which started its business operations on 1 April 2016 and was listed on the stock exchange on 7 October 2016. RWE AG holds a stake of 76.8 % in the subsidiary via an intermediate company, and manages it as a financial investment. innogy is a leading European producer of electricity from renewables, in particular wind and hydroelectric power, focusing on Germany, the United Kingdom, Spain, the Netherlands and Poland. innogy's second mainstay is the operation of distribution networks in Germany (electricity and gas), the Czech Republic (gas), as well as Slovakia, Hungary and Poland (all three electricity). The supply of electricity, gas and energy solutions constitute the third area of innogy's business with markets in Germany, the Netherlands, Belgium, the United Kingdom, the Czech Republic, Slovakia, Hungary, Poland and a few other Central Eastern European countries. innogy also owns majority stakes in a number of regional utilities in Germany. Moreover, the company holds numerous non-controlling interests in utility companies, such as German municipal utilities and the Austrian utility KELAG.

Some cross-segment activities are reported in 'Other, consolidation', which currently mainly comprises the Group holding company RWE AG. This segment also includes our 25.1 % interest in the German electricity transmission system operator Amprion.

Terminological changes

In July 2016, the guidelines of the European Securities and Markets Authority (ESMA) on the application of alternative performance measures came into force. One goal of these guidelines is to ensure that the basic principles of transparency and comparability are followed when indicators which are not defined in binding terms in accounting standards are used. Amongst other things, they call for the use of unambiguous terms. Against this backdrop, we have changed the term EBITDA to 'adjusted EBITDA' and the term operating result to 'adjusted EBIT'. By doing so, we highlight that extraordinary items, which are removed from these indicators, are reported in the non-operating result. This linguistic adjustment has not led to a change in content.

New definition of free cash flow

Since our 2017 half-year reporting, we have been using a new definition of free cash flow, which reflects our investing activity more comprehensively. Previously, free cash flow corresponded to cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets. From now on, we will also subtract capital expenditure on financial assets and add proceeds from divestments and asset disposals. We have restated prior-year figures for the sake of comparison.

Forward-looking statements

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

MAJOR EVENTS

During the reporting period

Sale of former Littlebrook power plant site completed

In the middle of September, we sold the site of the former Littlebrook power station to the UK property investor Tritax Big Box REIT plc. The transaction became effective after the environmental permit was transferred to the new owner. A smaller part of the site was sold to the transmission system operator National Grid in early August. The property sales resulted in total euro proceeds in the upper double-digit million range. The Littlebrook site is situated on the banks of the River Thames in Dartford, east of London. Until the end of March 2015, we operated an oil-fired power station there, with a net capacity of 1,245 MW. Due to stricter emissions limits for large combustion plants, the station had to be shut down.

innogy receives subsidy contract for Triton Knoll offshore wind farm and becomes project's sole owner

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

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

We have presented the major events occurring from January to the beginning of August 2017 on pages 7 to 11 of the interim report on the first half of 2017.

After the reporting period

innogy and SSE agree to merge UK retail operations

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

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

UK intends to expand energy price caps

At the beginning of October, the UK Office of Gas and Electricity Markets (Ofgem) announced further intervention to cap energy prices. Such price caps are currently only in place for households with prepayment meters. Ofgem now intends to expand this scheme to standard-tariff customers that receive a price reduction as low-income households, known as the 'warm home discount'. This will apply the state price cap to an additional one million households starting in February 2018. The cap will be reviewed twice a year and adjusted if necessary. However, the expansion of the price protection is envisaged to be a transitional regulation, as Ofgem plans to abolish it by no later than the end of 2019.

Also in October, the Department for Business, Energy and Industrial Strategy presented a bill for the introduction of a price cap for all standard-tariff customers. This does not include customers with green or prepaid tariffs. It remains to be seen what the regulation will look like in detail. All of the legislative and approval steps required for its implementation are scheduled to be taken by the end of 2018. This is also a temporary measure and is due to expire at the end of 2020. However, policymakers reserve the right to prolong the price cap for up to three years.

Volume of RWE hybrid bonds outstanding reduced to €1.9 billion through redemptions and buybacks

We redeemed a US$1 billion hybrid bond on 12 October 2017, the earliest possible date. The bond had been issued in 2012 in two tranches of US$500 million each and had a coupon of 7 %. It would have matured no later than 2072. Following hybrid bonds with volumes of CHF 250 million and CHF 150 million, this is the third bond that we have called in 2017. In addition to the redemptions, on 10 October, we bought back a nominal equivalent of €585 million in hybrid bonds outstanding. €161 million thereof was allocable to our €700 million bond (2.75 % coupon; earliest calling date in 2020), €268 million to our €550 million bond (3.5 %; 2025) and US$183 million to our US$500 million bond (6.625 %; 2026). This was preceded on 26 September by a public tender offer with a target volume of €550 million. The £750 million hybrid bond (7 %; 2019) was the only one of which we did not buy back any portions. The selection of paper was in part based on yield considerations. As a result of the calls made this year and the buyback, the total nominal value of our hybrid bonds outstanding decreased from an equivalent of €3.9 billion (end of 2016) to €1.9 billion (end of October 2017).

innogy secures its own syndicated credit line and issues 'green' bond

innogy has obtained a €2 billion credit line from an international consortium of banks. This was contractually agreed on 6 October and makes our subsidiary's financing completely independent of RWE AG. The credit line serves as a liquidity reserve. It has a term ending in October 2022, but can be prolonged twice by one year. Moreover, the credit line can be topped up by €1 billion. By taking out this new line of credit, innogy cancelled its participation in RWE AG's existing syndicated credit line. It had a volume of €4 billion, of which €1.5 billion had been transferred to innogy internally. After innogy's cancellation, RWE AG's credit line was reduced to €3 billion in October. It expires in March 2021.

Also in October, innogy issued its first 'green' bond. The paper has a total nominal value of €850 million, a ten-year tenor and a 1.25 % coupon. Green bonds are fixed-interest securities, the issuance proceeds of which are intended for the sole purpose of financing sustainable projects. innogy will use the proceeds for wind farms in Germany, the United Kingdom and the Netherlands which are already under construction or in operation.

New Dutch government intends to exit from coal by 2030

After more than 200 days of negotiation, the new Dutch government concluded its coalition agreement in the middle of October. In the agreement, the contracting parties speak out in favour of taking drastic steps to curb greenhouse gas emissions. One of the goals is for the country to phase out electricity generation from coal completely by 2030. Five hard coal-fired power stations are currently in operation in the Netherlands, including two owned by RWE. The government also intends to introduce a national carbon price floor. Through these and further measures, the country aims to lower its greenhouse gas emissions by 49 % by 2030 compared to the 1990 level. However, the government is limiting state subsidisation of biomass co-firing: it plans to stop providing these funds from 2024 onwards. However, this is not expected to affect existing subsidy commitments, including those already made to RWE. At present, it is impossible to predict how the coalition agreement will affect energy utilities, as this will mainly depend on the details of the climate protection package. To this end, the government is seeking to establish a broad dialogue with the affected companies. The measures are expected to be set out in a new climate and energy agreement.

A new parliament was elected in the Netherlands on 15 March 2017. The right-wing liberal People's Party for Freedom and Democracy (VVD) under Prime Minister Mark Rutte received the most votes. To secure a majority in parliament, however, Rutte depends on partners. In addition to the VVD, the Christian Democratic Appeal (CDA), the Christian Union (CU) and the green liberal party Democrats 66 (D66) are part of the new coalition.

EU bodies agree on reform of European emissions trading

Representatives of the EU Commission, the EU Parliament and the Council of Ministers agreed on the future design of the European Emissions Trading System (ETS) in trilateral talks held in early November. The objective of the reform is to align the system with the European greenhouse gas reduction goals for 2030. Sectors subject to the ETS are obligated to reduce emissions by 43 % by 2030 compared to 2005 levels. Therefore, the parties to the talks intend to reduce the number of CO_2 certificates issued on the market by an annual 2.2 % during the fourth trading period, which runs from 2021 to 2030. The current reduction factor is 1.74 %. Another goal of the ETS reform is to reduce the high surplus volume of emission allowances currently available on the market. Therefore, the aim is to allow a much greater number of excess certificates to be transferred to the Market Stability Reserve (MSR) than is possible given the current legal situation. The MSR was introduced by the EU in 2015 and will be used starting in 2019 in order to enable the more flexible management of the supply of emission allowances. In the trilateral talks, the parties agreed that up to 24 % of the market allocation volume may be retained every year and transferred to the MSR from 2019 to 2023. They also envisage allowing the certificates deposited in the MSR exceeding the auction volume of the preceding year to be cancelled from 2023 onwards. Moreover, member states will be allowed to supplement national emission reduction measures leading to the closure of power stations by cancelling corresponding volumes of CO_2 certificates. The compromise resulting from the trilateral talks is subject to the formal approval of the Parliament and Council. The legislative process is expected to end no later than the beginning of 2018.

BUSINESS PERFORMANCE

External revenue down 2 % year on year

During the first three quarters of the current financial year, the RWE Group generated €32,385 million in external revenue. This figure includes taxes on natural gas and electricity. Compared to the same period in 2016, our revenue declined by 2%. Revenue from the sale of electricity dropped by 4 % to €23,209 million. This was mainly due to competition-induced sales shortfalls in innogy's UK and Dutch retail businesses. By contrast, our gas revenue totalled €6,953 million, roughly matching last year's corresponding figure. Changes in foreign exchange rates also influenced the revenue trend. Sterling, our most important foreign currency, weakened by an average of €1.24 to €1.15, resulting in lower revenue from the United Kingdom after conversion to euros.

External revenue € million	Jan – Sep 2017	Jan – Sep 2016	+/– %	Jan – Dec 2016
Lignite & Nuclear	874	862	1.4	1,193
European Power	550	581	–5.3	774
Supply & Trading	2,567	2,414	6.3	3,646
innogy	28,382	29,295	–3.1	40,149
Other, consolidation	12	54	–77.8	71
RWE Group	**32,385**	**33,206**	**–2.5**	**45,833**
Natural gas tax/electricity tax	1,450	1,541	–5.9	2,243
RWE Group (excluding natural gas tax/electricity tax)	**30,935**	**31,665**	**–2.3**	**43,590**

Internal revenue € million	Jan – Sep 2017	Jan – Sep 2016	+/– %	Jan – Dec 2016
Lignite & Nuclear	2,239	2,565	–12.7	3,489
European Power	3,015	3,318	–9.1	4,732
Supply & Trading	9,985	11,449	–12.8	15,734
innogy	1,887	2,169	–13.0	1,811

Adjusted EBITDA € million	Jan – Sep 2017	Jan – Sep 2016	+/– %	Jan – Dec 2016
Lignite & Nuclear	551	634	–13.1	1,079
European Power	324	413	–21.5	377
Supply & Trading	201	–97	307.2	–139
innogy	3,075	2,919	5.3	4,203
Other, consolidation	24	–48	150.0	–117
RWE Group	**4,175**	**3,821**	**9.3**	**5,403**

Adjusted EBITDA up 9 % on 2016

During the reporting period, we recorded adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) of €4,175 million. This is 9 % more than in the same period last year. The main reason for this was a significantly improved trading performance. Furthermore, our subsidiary innogy incurred lower expenses for the operation and maintenance of its distribution grids. This was contrasted by declines in margins in conventional electricity generation.

The following developments were observed in the segments:

- Lignite & Nuclear: Adjusted EBITDA declined by 13 % to €551 million, primarily because we realised lower wholesale prices for electricity produced by our lignite-fired and nuclear power plants compared to 2016. We had already sold forward almost all of the production of these plants in previous years. The fact that income resulted from the reversal of nuclear provisions last year also contributed to the decline in earnings. In addition, earnings achieved by Mátra in Hungary worsened, in part because unfavourable weather conditions hindered the mining of lignite. As the company is up for sale, we stopped recognising its earnings in adjusted EBITDA on 1 April 2017 and have since stated them in the non-operating result. The fact that we no longer have to pay nuclear fuel taxes and that our expenses for restructuring measures dropped had a positive impact. Furthermore, we benefited from the improved availability of our German lignite-fired power stations and by pushing ahead vigorously with our ongoing efficiency-enhancement programme.

- European Power: Adjusted EBITDA recorded by this segment dropped by 22 % to €324 million. One of the reasons was that last year's corresponding figure included substantial one-off income stemming in part from the reversal of restructuring provisions and the settlement for damages at our new hard coal-fired power station at Hamm (Westphalia) in mid-2016. Furthermore, market conditions for electricity generation from hard coal deteriorated. This was contrasted by the increased margins of our gas-fired power plants. Efficiency-enhancing measures and the sale of the Littlebrook site (see page 3) and further land also had a positive effect. Moreover, there was a rise in earnings achieved from short-term commercial optimisation of our power plant dispatch.

- Supply & Trading: This division's adjusted EBITDA climbed by €298 million to €201 million. Our trading performance was at a normal level after having been unusually weak in 2016. However, the positive effect resulting from the profitable sale of the Lynemouth hard coal-fired power plant in the UK last year did not recur.

- innogy: Our subsidiary grew its adjusted EBITDA by 5 % to €3,075 million. In the grid business, it profited from declining operating and maintenance costs; furthermore, the result achieved last year was still burdened by the formation of provisions for old-age part-time employment measures. innogy also posted a gain in the retail business due to efficiency-improving measures. However, the situation in the UK retail business, which is managed by innogy's subsidiary npower, remains tense: due to the substantial competitive pressure, numerous customers switched supplier or could only be retained by offering them contracts with more favourable terms. In addition, npower had to deal with a rise in up-front costs. An increase in its standard tariffs for electricity and gas, which came into effect from mid-March, and comprehensive restructuring measures only partly compensated for the aforementioned burdens. Earnings deteriorated in the renewables business, innogy's third field of activity. One of the reasons was that dry weather curtailed electricity production from German run-of-river and pumped-storage power stations. Moreover, the result achieved in the same period last year contained the book gains on the sale of small run-of-river power plants on the upper Ruhr river.

Adjusted EBIT € million	Jan – Sep 2017	Jan – Sep 2016	+/– %	Jan – Dec 2016
Lignite & Nuclear	349	340	2.6	664
European Power	96	95	1.1	–37
Supply & Trading	197	–100	297.0	–145
innogy	2,003	1,842	8.7	2,735
Other, consolidation	22	–61	136.1	–135
RWE Group	**2,667**	**2,116**	**26.0**	**3,082**

Adjusted EBIT came in at €2,667 million, 26% up on the comparable figure for 2016. This percentage increase is much more significant than for adjusted EBITDA because adjusted EBIT also takes into account operating depreciation, which declined significantly due to the high impairments recognised last year. In the consolidated financial statements for 2016, we recorded write-downs of €4.3 billion, with €3.7 billion of this applying to our portfolio of power plants in Germany alone (see page 48 of the 2016 Annual Report).

Non-operating result € million	Jan – Sep 2017	Jan – Sep 2016	+/– € million	Jan – Dec 2016
Capital gains	133	84	49	94
Impact of derivatives on earnings	–161	–221	60	–799
Goodwill impairment losses	–480	–	–480	–
Restructuring, other	1,391	–216	1,607	–5,956
Non-operating result	**883**	**–353**	**1,236**	**–6,661**

The non-operating result, in which we recognise certain effects with no or limited relation to the operations in the period under review, improved by €1,236 million to €883 million. The individual items developed as follows:

- Our book gains on the sale of investments and assets totalled €133 million (previous year: €84 million). They include the income we achieved on the sale of Unit 5 of the Hamborn (Duisburg) CHP power station and of two housing companies in the Rhenish lignite mining region. Additional information on these transactions can be found on pages 9 and 11 of the interim report on the first half of 2017.

- Changes in the value of derivatives which we use to hedge against price fluctuations curtailed earnings by €161 million (previous year: €221 million). Pursuant to International Financial Reporting Standards (IFRS), the derivatives are recognised at fair value at the corresponding balance sheet date, whereas transactions which are hedged with these derivatives are only recognised as a profit or loss when they are realised. These timing differences result in short-term effects on earnings, which are neutralised over time.

- Unlike in 2016, we wrote down goodwill to the tune of €480 million. The impairments relate to innogy's UK retail business, the medium-term earnings prospects of which have deteriorated due to unfavourable regulatory framework conditions (see page 4). However, our subsidiary maintains its earnings forecast for 2017.

- The result for the item 'Restructuring, other' improved by €1,607 million to €1,391 million. The main reason for this is that the German government refunded us the nuclear fuel tax in the amount of €1.7 billion levied from 2011 to 2016 after the German Constitutional Court declared the levy illegal and void (see page 7 of the interim report on the first half of 2017). Furthermore, splitting 'Conventional Power Generation' into the 'Lignite & Nuclear' and 'European Power' segments resulted in one-off effects, which – on balance – had a positive impact (see page 24 of the Notes). Another reason for the improvement in the result was that we recognised an impairment loss of €204 million for innogy's German gas storage facilities in 2016 and that this charge did not recur. The fact that we had to recognise an impairment for Mátra in the period under review had a counteracting effect.

Financial result € million	Jan – Sep 2017	Jan – Sep 2016	+/– € million	Jan – Dec 2016
Interest income	198	203	–5	271
Interest expenses	–695	–745	50	–914
Net interest	**–497**	**–542**	**45**	**–643**
Interest accretion to non-current provisions	–117	–609	492	–1,288
Other financial result	189	–226	415	–297
Financial result	**–425**	**–1,377**	**952**	**–2,228**

Our financial result improved by €952 million to –€425 million. Its components changed as follows:

- Net interest rose by €45 million to –€497 million, mainly due to a drop in interest expenses. The redemption of a senior bond with a nominal volume of €850 million and a coupon of 6.25% in April 2016 came to bear here. Additional relief was provided by the redemption of hybrid bonds with volumes of CHF 250 million (5.25%) and CHF 150 million (5%) in April and July 2017, respectively. The low market interest rates also contributed to the positive development of net interest.

- Interest accretion to non-current provisions declined by €492 million to €117 million. One factor behind this was that compared to a year ago, we now apply a much lower discount rate to the interest accretion on our provisions for nuclear waste management. Furthermore, there is no longer a need to accrue interest on the amount we transferred to the German nuclear energy fund at the beginning of July 2017. Additionally, adjustments to the discount rates for other non-current provisions led to a decline in the net present value of obligations. This resulted in a further reduction in interest accretion.

- The 'Other financial result' rose by €415 million to €189 million. This item contains the interest we received from the government for the nuclear fuel tax which we have been reimbursed. This was a major reason for the improvement in the result. Furthermore, losses on sales of securities were significantly lower than in 2016.

Income before tax rose by €2,739 million to €3,125 million. Our effective tax rate was 21 %, which is less than the (theoretical) normal rate of 32.5 %. A major factor was that we were able to offset tax losses from previous years, for which no deferred tax assets were recognised, against current earnings. Earlier, we did not believe that we could use the loss carryforwards for an extended period of time due to a lack of tax gains. However, this has become possible in the current financial year due to the impact on earnings of the nuclear fuel tax refund.

After taxes, we posted income of €2,455 million (previous year: €258 million). Non-controlling interests decreased by €11 million to €200 million, although the portion of innogy shares held by third parties rose from zero to 23.2 % as a result of the IPO in October 2016. The aforementioned impairments made for Mátra in Hungary and in innogy's UK retail business played a major role in this.

Reconciliation to net income		Jan – Sep 2017	Jan – Sep 2016	+/– %	Jan – Dec 2016
Adjusted EBITDA	€ million	**4,175**	**3,821**	**9.3**	**5,403**
Operating depreciation, amortisation and impairment losses	€ million	–1,508	–1,705	11.6	–2,321
Adjusted EBIT	€ million	**2,667**	**2,116**	**26.0**	**3,082**
Non-operating result	€ million	883	–353	350.1	–6,661
Financial result	€ million	–425	–1,377	69.1	–2,228
Income before taxes	€ million	**3,125**	**386**	**709.6**	**–5,807**
Taxes on income	€ million	–670	–128	–423.4	323
Income	€ million	**2,455**	**258**	**851.6**	**–5,484**
of which:					
Non-controlling interests	€ million	200	211	–5.2	167
RWE AG hybrid capital investors' interest	€ million	36	36	–	59
Net income/income attributable to RWE AG shareholders	€ million	**2,219**	**11**	**–**	**–5,710**
Adjusted net income	€ million	**876**	**227**	**285.9**	**777**
Earnings per share	€	3.61	0.02	–	–9.29
Adjusted net income per share	€	1.42	0.37	–	1.26
Number of shares outstanding (average)	millions	614.7	614.7	–	614.7
Effective tax rate	%	21	33	–	6

The portion of our earnings attributable to hybrid capital investors amounted to €36 million, on a par year on year. It solely related to our £750 million hybrid bond. According to IFRS, this bond is classified as equity, due to its theoretically perpetual tenor. RWE's other hybrid bonds are classified as debt. Therefore, their costs are recognised in the financial result.

The developments above resulted in net income of €2,219 million, marking a significant improvement compared to 2016 (previous year: €11 million). Based on the 614.7 million RWE shares outstanding, this corresponds to earnings per share of €3.61 (previous year: €0.02).

Reconciliation to adjusted net income January – September € million	Original figures 2017	Adjustment	Adjusted figures 2017	Adjusted figures 2016
Adjusted EBIT	**2,667**	**–**	**2,667**	**2,116**
Non-operating result	883	–883	–	–
Financial result	–425	–389	–814	–1,377
Income before taxes	**3,125**	**–1,272**	**1,853**	**739**
Taxes on income	–670	194	–476	–265
Income	**2,455**	**–1,078**	**1,377**	**474**
of which:				
Non-controlling interests	200	265	465	211
RWE AG hybrid capital investors' interest	36	–	36	36
Net income/income attributable to RWE AG shareholders	**2,219**	**–1,343**	**876**	**227**

Adjusted net income: significant increase to €876 million

Adjusted net income amounted to €876 million. It differs from net income in that the entire non-operating result and other special items in the financial result, taxes on income and non-controlling interests are deducted from it. For example, adjusted net income does not reflect the impact of the nuclear fuel tax refund. Compared to the figure recorded a year earlier (€227 million), adjusted net income rose considerably. The improved operating earnings and financial result came to bear here, whereas taxes on income and non-controlling interests had a counteracting effect.

Capital expenditure on property, plant and equipment and on intangible assets € million	Jan – Sep 2017	Jan – Sep 2016	+/– € million	Jan – Dec 2016
Lignite & Nuclear	169	173	–4	267
European Power	86	32	54	66
Supply & Trading	3	1	2	4
innogy	1,008	964	44	1,679
Other, consolidation	–3	9	–12	11
RWE Group	**1,263**	**1,179**	**84**	**2,027**

Capital expenditure on financial assets € million	Jan – Sep 2017	Jan – Sep 2016	+/– € million	Jan – Dec 2016
Lignite & Nuclear	1	1	–	1
European Power	1	2	–1	4
Supply & Trading	15	18	–3	56
innogy	236	144	92	290
Other, consolidation	–	–	–	4
RWE Group	**253**	**165**	**88**	**355**

Capital expenditure 13 % higher than in 2016

In the first three quarters of 2017, the RWE Group recorded capital expenditure of €1,516 million, up 13 % on the same period in 2016. A total of €1,263 million was spent on property, plant and equipment and intangible assets. Compared to last year, this represents an increase of 7 %, which can in part be traced back to measures taken to modernise our UK power stations. Moreover, innogy stepped up its spending on IT infrastructure. Investment in financial assets rose by 53 % to €253 million, which was essentially attributable to innogy in the period being reviewed. innogy's single-largest transaction was the acquisition of the solar and battery specialist Belectric Solar & Battery, on which we commented on page 9 of the interim report on the first half of 2017.

Cash flow statement € million	Jan – Sep 2017	Jan – Sep 2016	+/– € million	Jan – Dec 2016
Funds from operations	–3,019	1,718	–4,737	3,013
Change in working capital	108	–1,110	1,218	–661
Cash flows from operating activities	**–2,911**	**608**	**–3,519**	**2,352**
Cash flows from investing activities	**4,328**	**–936**	**5,264**	**–4,570**
Cash flows from financing activities	**–527**	**756**	**–1,283**	**4,282**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	5	–22	27	–24
Total net changes in cash and cash equivalents	**895**	**406**	**489**	**2,040**
Cash flows from operating activities	–2,911	608	–3,519	2,352
Minus capital expenditure[1]	–1,436	–1,283	–153	–2,308
Plus proceeds from divestitures/asset disposals[1]	396	678	–282	765
Free cash flow	**–3,951**	**3**	**–3,954**	**809**

1 This item only includes capital expenditure/divestments with an effect on cash.

Operating cash flow: significant reduction due to payment to nuclear energy fund

Cash flows from operating activities declined by €3,519 million to –€2,911 million. This was primarily because we paid about €7 billion into the nuclear energy fund's accounts at the Deutsche Bundesbank as of 3 July 2017. This payment transfers financial responsibility for interim and final storage of radioactive waste to the government (see page 7 of the interim report on the first half of 2017). The €1.7 billion nuclear fuel tax refund had a positive effect on operating cash flows. Furthermore, negative effects on liquidity seen last year, which were reflected in changes in working capital, did not recur. These burdens resulted in part from the fact that we had to pledge substantial collateral for forward transactions.

Investment activity resulted in cash flows of €4,328 million (previous year: –€936 million). This was because we liquidated non-current securities and cash investments in order to finance the payment to the nuclear energy fund. Our spending on property, plant and equipment and financial assets had an opposing effect. In addition, we increased the funding of our pension commitments by transferring €132 million to trustees and company pension institutions.

Financing activities generated cash flows of –€527 million (previous year: €756 million). New financial debt was contrasted by redemptions of a similar amount. Dividends paid to co-owners of fully consolidated RWE companies and hybrid capital investors led to total cash outflows of €587 million. Of this sum, €206 million was attributable to the dividend payment made by innogy to its minority shareholders.

On balance, these cash flows from operating, investing and financing activities caused our cash and cash equivalents to rise by €895 million.

The substantial cash outflow caused by the payment made to the nuclear energy fund also characterised the development of free cash flow, which amounted to –€3,951 million as opposed to €3 million in the same period last year. As set out on page 2, we changed the definition of free cash flow: it now also contains expenditure on financial assets and proceeds from divestments. The prior-year figure has been adjusted accordingly.

Net debt € million	30 Sep 2017	31 Dec 2016	+/– € million
Cash and cash equivalents	5,431	4,576	855
Marketable securities	4,854	10,065	–5,211
Other financial assets	1,560	1,621	–61
Financial assets	**11,845**	**16,262**	**–4,417**
Bonds, other notes payable, bank debt, commercial paper	16,111	15,921	190
Hedge transactions related to bonds	–55	–263	208
Other financial liabilities	2,048	2,263	–215
Financial liabilities	**18,104**	**17,921**	**183**
Net financial debt	**6,259**	**1,659**	**4,600**
Provisions for pensions and similar obligations	5,740	6,761	–1,021
Surplus of plan assets over benefit obligations	–61	–29	–32
Provisions for nuclear waste management	5,579	12,699	–7,120
Mining provisions	2,394	2,363	31
Provisions for dismantling wind farms	366	334	32
Adjustment for hybrid capital (portion of relevance to the rating)	–819	–1,078	259
Plus 50 % of the hybrid capital stated as equity	463	471	–8
Minus 50 % of the hybrid capital stated as debt	–1,282	–1,549	267
Net debt	**19,458**	**22,709**	**–3,251**

Net debt drops to €19.5 billion

As of 30 September 2017, our net debt amounted to €19.5 billion, far below the figure recorded at the end of 2016 (€22.7 billion). This was due to the positive effects reflected in operating cash flow, which resulted from the nuclear fuel tax refund, among other things. The outflow of liquidity caused by the payment to the nuclear energy fund did not have an impact on net debt, as our nuclear provisions declined by the same amount. Our pension provisions also declined, dropping by €1.0 billion, because the plan assets, which we use to cover the majority of our pension obligations, increased due to positive market developments. Moreover, we raised the discount rates used to determine the net present value of the German pension obligations. The new rates reflect the most recent development of market interest rates. They average 2.0 % for the Group, compared to 1.8 % in the 2016 financial statements. In addition to the aforementioned factors, divestments also contributed to the decline in debt, whereas investing activities and our dividend payments had a counteracting effect.

OUTLOOK FOR 2017

Forecast for 2017 confirmed

Our earnings forecast for the current fiscal year is the same as the one which we published in August 2017 (see pages 26 et seq. of the interim report on the first half of 2017). We continue to expect adjusted EBITDA of €5.4 billion to €5.7 billion and adjusted net income of €1.0 billion to €1.3 billion. We are confident that we will reach the upper ends of the aforementioned ranges. The refund of the nuclear fuel tax does not affect either of the two key figures. Our earnings forecast for the RWE Group and its segments has been summarised in the table below.

Earnings forecast for 2017	2016 actual € million	Previous forecast (August 2017[1])	Adjustment of forecast (November 2017)
Adjusted EBITDA	5,403	€5.4 billion to €5.7 billion	–
of which:			
Lignite & Nuclear	1,079	Significantly below previous year	–
European Power	377	Significantly above previous year	–
Supply & Trading	–139	Significantly above previous year	–
innogy	4,203	Moderately above previous year	–
Adjusted net income	777	€1.0 billion to €1.3 billion	–

1 See page 26 of the interim report on the first half of 2017.

We also confirm the forecasts for the development of net debt, capital expenditure and headcount. Due to the refund of the nuclear fuel tax, we anticipate that net debt will be down on last year's level (€22.7 billion). This is based on the assumption that no significant downward adjustment will have to be made to the discount rates used to determine the provisions until the end of December. With regard to capital expenditure, we project a volume in the order of €2.5 billion to €3.0 billion, which includes spending on financial assets. We anticipate a small increase in our workforce compared to the end of 2016, primarily due to the acquisition of Belectric Solar & Battery.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement

€ million	Jul – Sep 2017	Jul – Sep 2016	Jan – Sep 2017	Jan – Sep 2016
Revenue (including natural gas tax/electricity tax)	**9,064**	**9,308**	**32,385**	**33,206**
Natural gas tax/electricity tax	−302	−321	−1,450	−1,541
Revenue	**8,762**	**8,987**	**30,935**	**31,665**
Cost of materials	−6,624	−7,089	−22,623	−24,108
Staff costs	−1,169	−1,296	−3,497	−3,665
Depreciation, amortisation and impairment losses	−979	−579	−2,314	−1,909
Other operating result	−432	−131	678	−613
Income from investments accounted for using the equity method	80	97	227	254
Other income from investments	91	98	144	139
Financial income	446	614	1,832	1,675
Finance costs	−721	−1,034	−2,257	−3,052
Income before tax	**−546**	**−333**	**3,125**	**386**
Taxes on income	41	−72	−670	−128
Income	**−505**	**−405**	**2,455**	**258**
of which: non-controlling interests	−67	31	200	211
of which: RWE AG hybrid capital investors' interest	12	10	36	36
of which: net income/income attributable to RWE AG shareholders	**−450**	**−446**	**2,219**	**11**
Basic and diluted earnings per common and preferred share in €	**−0.73**	**−0.72**	**3.61**	**0.02**

Statement of comprehensive income

€ million[1]	Jul – Sep 2017	Jul – Sep 2016	Jan – Sep 2017	Jan – Sep 2016
Income	**−505**	**−405**	**2,455**	**258**
Actuarial gains and losses of defined benefit pension plans and similar obligations	213	−743	1,018	−1,608
Income and expenses of investments accounted for using the equity method (pro rata)			−17	5
Income and expenses recognised in equity, not to be reclassified through profit or loss	**213**	**−743**	**1,001**	**−1,603**
Currency translation adjustment	−5		86	−84
Fair valuation of financial instruments available for sale	39	70	61	150
Fair valuation of financial instruments used for hedging purposes	727	115	280	−178
Income and expenses of investments accounted for using the equity method (pro rata)		1	3	−1
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**761**	**186**	**430**	**−113**
Other comprehensive income	**974**	**−557**	**1,431**	**−1,716**
Total comprehensive income	**469**	**−962**	**3,886**	**−1,458**
of which: attributable to RWE AG shareholders	484	−1,167	3,478	−1,735
of which: attributable to RWE AG hybrid capital investors	12	10	36	36
of which: attributable to non-controlling interests	−27	195	372	241

1 Figures stated after taxes.

Balance sheet

Assets € million	30 Sep 2017	31 Dec 2016
Non-current assets		
Intangible assets	12,250	12,749
Property, plant and equipment	24,170	24,455
Investment property	54	63
Investments accounted for using the equity method	2,907	2,908
Other financial assets	1,118	1,055
Receivables and other assets	1,494	1,797
Deferred taxes	2,656	2,884
	44,649	**45,911**
Current assets		
Inventories	2,247	1,968
Trade accounts receivable	4,373	4,999
Receivables and other assets	6,277	9,123
Marketable securities	4,628	9,825
Cash and cash equivalents	5,431	4,576
Assets held for sale	123	
	23,079	**30,491**
	67,728	**76,402**

Equity and liabilities € million	30 Sep 2017	31 Dec 2016
Equity		
RWE AG shareholders' interest	6,243	2,754
RWE AG hybrid capital investors' interest	925	942
Non-controlling interests	4,124	4,294
	11,292	**7,990**
Non-current liabilities		
Provisions	19,544	20,686
Financial liabilities	13,627	16,041
Other liabilities	2,132	2,196
Deferred taxes	676	723
	35,979	**39,646**
Current liabilities		
Provisions	4,580	12,175
Financial liabilities	4,532	2,142
Trade accounts payable	4,146	5,431
Other liabilities	7,071	9,018
Liabilities held for sale	128	
	20,457	**28,766**
	67,728	**76,402**

Cash flow statement

€ million	Jan – Sep 2017	Jan – Sep 2016
Income	2,455	258
Depreciation, amortisation and impairment losses/reversals	1,922	1,935
Changes in provisions	−7,548	−422
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	152	−53
Change in working capital	108	−1,110
Cash flows from operating activities	**−2,911**	**608**
Capital expenditure on non-current assets/acquisitions	−1,436	−1,283
Proceeds from disposal of assets/divestitures	396	678
Changes in marketable securities and cash investments	5,368	−331
Cash flows from investing activities[1]	**4,328**	**−936**
Cash flows from financing activities	**−527**	**756**
Net cash change in cash and cash equivalents	890	428
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	5	−22
Net change in cash and cash equivalents	**895**	**406**
Cash and cash equivalents at beginning of the reporting period	4,576	2,536
of which: reported as 'Assets held for sale'		−14
Cash and cash equivalents at beginning of the reporting period as per the consolidated balance sheet	4,576	2,522
Cash and cash equivalents at the end of the reporting period	5,471	2,942
of which: reported as 'Assets held for sale'	−40	
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet	**5,431**	**2,942**

1 After the initial/subsequent transfer to plan assets in the amount of €132 million (prior-year period: €193 million).

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumulated other comprehensive income	**RWE AG shareholders' interest**	RWE AG hybrid capital investors' interest	Non-controlling interests	**Total**
Balance at 1 Jan 2016	**3,959**	**3,612**	**-1,724**	**5,847**	**950**	**2,097**	**8,894**
Repayment of capital						-83	-83
Dividends paid		-5		-5	-67	-226	-298
Income		11		11	36	211	258
Other comprehensive income		-1,651	-95	-1,746		30	-1,716
Total comprehensive income		-1,640	-95	-1,735	36	241	-1,458
Other changes					7	1	8
Balance at 30 Sep 2016	**3,959**	**1,967**	**-1,819**	**4,107**	**926**	**2,030**	**7,063**
Balance at 1 Jan 2017	**3,959**	**-652**	**-553**	**2,754**	**942**	**4,294**	**7,990**
Repayment of capital						-41	-41
Dividends paid		-5		-5	-60	-465	-530
Income		2,219		2,219	36	200	2,455
Other comprehensive income		854	405	1,259		172	1,431
Total comprehensive income		3,073	405	3,478	36	372	3,886
Other changes		16		16	7	-36	-13
Balance at 30 Sep 2017	**3,959**	**2,432**	**-148**	**6,243**	**925**	**4,124**	**11,292**

NOTES

Accounting policies

RWE AG, headquartered in Essen, Germany, is the parent company of the RWE Group ('RWE' or 'Group').

The interim consolidated financial statements as of 30 September 2017, including the additional information in the other parts of this interim statement, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU. The statements were approved for publication on 10 November 2017.

In line with IAS 34, the scope of reporting for the presentation of the interim consolidated financial statements for the period ended 30 September 2017 was condensed compared with the scope applied to the consolidated financial statements as of 31 December 2016.

With the exception of the changes and new rules described below, this consolidated interim statement was prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2016. For further information, please see the Group's 2016 Annual Report, which provides the basis for this interim statement.

The discount rate applied to provisions for nuclear waste management is 0.6 % (31 December 2016: 0.4 %), and 4.4 % (31 December 2016: 4.4 %) for mining-related provisions. Provisions for pensions and similar obligations are discounted at an interest rate of 2.0 % in Germany and 2.5 % abroad (31 December 2016: 1.8 % and 2.5 %, respectively).

Changes in accounting regulations

The International Accounting Standards Board (IASB) has approved several amendments to existing International Financial Reporting Standards (IFRSs), which – pending adoption into EU law – become effective for the RWE Group as of fiscal 2017:

- Amendments to IAS 7 Disclosure Initiative (2016)
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (2016)
- Annual Improvements to IFRS Standards 2014-2016 Cycle (2016), in relation to the amendments and clarifications to IFRS 12 contained in this collective standard

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

New accounting standards

The IASB has adopted further standards and amendments to standards, which are not yet mandatory in the European Union (EU) in fiscal 2017. The anticipated effects of these were described in the 2016 Consolidated Annual Report. Based on the current state of implementation, the anticipated effects are updated as follows:

IFRS 9 Financial Instruments
Regarding the classification and measurement of financial instruments, RWE expects effects above all on the recognition of changes in the value of financial assets that are measured at fair value and stated as 'Financial assets available for sale' in accordance with IAS 39. In the future, changes in the fair value of a large portion of these instruments will be recognised in the income statement instead of – as previously – in other comprehensive income. Non-derivative financial instruments stated as 'loans and receivables' according to IAS 39 will primarily be measured at amortised cost pursuant to IFRS 9 as well.

IFRS 15 Revenue from Contracts with Customers
RWE is currently finalising its review of the results of the contract analysis with regard to the accounting treatment pursuant to IFRS 15. In relation to the expected effects mentioned in the 2016 Consolidated Annual Report, we no longer anticipate any significant impact on the following items:

- Free gifts such as thermostats, vouchers, household appliances and discounted products given to households as an incentive for signing a contract;
- Contracts with households which provide a warranty or guarantee.

Updates and additional findings regarding the expected effects since the 2016 Annual Report was published are presented below:

Supply of energy to households

If the customer can cancel the contract on a monthly basis, the contract term according to IFRS 15 is considered to be one month only. For such contracts, no impact on revenue recognition is expected.

Principal-Agent relations

With respect to regulatory charges especially in the field of renewable energy, a few cases have been identified in which – unlike under IAS 18 – RWE qualifies as the agent under IFRS 15.

In Germany, revenue of the Grid division in the innogy segment is expected to decline by some €2.5 billion, because some performance bonuses received by the transmission system operator under the direct marketing model of the German Renewable Energy Act no longer qualify as revenue. This will not have an impact on income.

RWE will apply the modified retrospective method for first-time application starting 1 January 2018.

Scope of consolidation

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

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2017	**135**	**180**	**315**
First-time consolidation	13	16	29
Deconsolidation	−2		−2
Mergers	−6	−1	−7
Balance at 30 Sep 2017	**140**	**195**	**335**

Furthermore, six companies are presented as joint operations (31 December 2016: six companies).

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 investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
Balance at 1 Jan 2017	**70**	**17**	**87**
Acquisitions		1	1
Disposals			
Other changes	2		2
Balance at 30 Sep 2017	**72**	**18**	**90**

Acquisitions

Belectric

In early January 2017, innogy SE acquired 100 % of the shares in Belectric Solar & Battery GmbH (previously: Belectric Solar & Battery Holding GmbH) and thus obtained control. The company is active in the field of Operations & Maintenance (O&M) for solar farms, along with turn-key construction of solar farms and battery storage solutions (EPC services).

The initial accounting of the business combination as well as the assumed assets and liabilities are presented in the following table:

Balance-sheet items € million	IFRS carrying amounts (fair values) at first-time consolidation
Non-current assets	56
Current assets	87
Non-current liabilities	7
Current liabilities	63
Net assets	**73**
Cost	74
Goodwill	**1**

The fair value of the receivables included in non-current and current assets amounted to €24 million.

Since its first-time consolidation, the company has contributed €147 million to the Group's revenue and –€7 million to the Group's income.

The tentative purchase price amounted to €74 million and included a conditional payment obligation of €7 million. Negotiations on the final purchase price commenced during the second quarter of 2017, and a final result was achieved on 20 October 2017 when the definitive purchase price was confirmed.

The goodwill is largely associated with expected future use and synergy effects.

Disposals

Cogeneration plant Hamborn 5
As of 31 May 2017, RWE Generation sold the gas-fired cogeneration plant Hamborn 5 to thyssenkrupp Steel Europe (tkSE). The plant, which had been leased and operated by tkSE, is thus now also legally owned by the company. Within the RWE Group, this asset belonged to the segment 'European Power'.

Residential property management companies
Per a purchase agreement dated 9 February 2017, RWE Power AG sold its 50 % stake in Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier Gesellschaft mit beschränkter Haftung and its 15 % stake in GSG Wohnungsbau Braunkohle GmbH to Vivawest GmbH. As of 30 June 2017, the sale was still subject to the revocation of the law on miners' settlements of 10 March 1930. Therefore, the assets and liabilities of this company were stated as held for sale on the balance sheet. The revocation of the law was announced in the Federal Law Gazette on 24 July 2017, resulting in the transaction becoming effective. The sale led to total proceeds in the medium double-digit million euro range. The investments had been assigned to the segment 'Lignite & Nuclear'.

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

Assets held for sale and disposal groups

In the second quarter of 2017, the management decided to sell the Hungarian company Mátra, which is part of the segment 'Lignite & Nuclear'. The sale will likely be completed in the course of the first half of 2018.

As of 30 September 2017, the assets and liabilities of this company were reported in the balance sheet as 'held for sale'.

Impairments of €303 million were recognised in depreciation, amortisation and impairment losses and other operating expenses.

Revenue

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

Reimbursement of the nuclear fuel tax

On 7 June 2017, the German Constitutional Court notified RWE in writing that the nuclear fuel tax levied until 31 December 2016 was not compatible with the constitutional rules and was retroactively void. After deduction of the €100 million portion economically attributable to E.ON, repayment of the nuclear fuel tax paid in previous periods increased both cash and other operating income by €1.7 billion each. The claim to interest on the nuclear fuel tax which was paid resulted in financial income of €257 million. The interest refund received as of the balance-sheet date removed the other liability stated as of 30 June 2017.

Share-based payment

The consolidated financial statements for the period ended 31 December 2016 presented the share-based payment system for executives of RWE AG and subordinate affiliates. As part of the Long-Term Incentive Plan for executives entitled 'Strategic Performance Plan' (SPP), RWE AG and innogy SE each issued another tranche during the first quarter of 2017.

Impairments and provisions

On 1 January 2017, the previous segment 'Conventional Power Generation' was split into the two new segments 'Lignite & Nuclear' and 'European Power'. This resulted in the previous cash-generating unit for the power plant portfolio being split up. An impairment test was conducted for this reason, leading to the reversal of an impairment loss of €401 million for the new cash-generating unit 'Lignite & Nuclear' (recoverable amount: €1.4 billion). As a counteracting effect, impairments were recognised (recoverable amount: €0 billion) and provisions for contingent losses were formed in the amount of €321 million for the new cash-generating unit 'European Power'. The recoverable amounts were determined on the basis of fair value less costs to sell, using the same valuation models and parameters as for 31 December 2016.

Deteriorated commercial assumptions made as part of the annual impairment test and the stricter regulatory framework led to an impairment of the goodwill of the cash-generating unit 'Retail United Kingdom' in the innogy segment. Therefore, an impairment of €480 million was recognised (recoverable amount: € 1.5 billion). The intended merger of innogy's and SSE 's retail activities in Great Britain did not result in a change in the assessment of the impairment. The fair value less costs to sell was calculated using a company valuation model based on cash flow projections and a discount rate after taxes of 5.50 % (previous year: 4.75 %). Due to the use of internal planning assumptions, the calculated fair values have been assigned to Level 3 of the fair value hierarchy.

Use of provisions, liabilities, receivables and cash outflows due to the Disposal Fund Act

As a result of the Disposal Fund Act (EntsorgFondsG), which entered into force in June 2017, the amount to be transferred to the nuclear energy fund totalled €6.8 billion. The provision for nuclear waste management accrued for this was used in the second quarter of 2017 and another liability of €7.8 billion was recognised vis-à-vis the nuclear disposal fund. The obligation as of 30 June 2017 includes the obligations of the nuclear power plant operators and thus contains the minority shares of E.ON in the Emsland, and the Gundremmingen A, B and C plants, as well as Kahl experimental nuclear power plant. As of 30 June 2017, E.ON provided liquid funds of €0.2 billion, and another receivable of €0.8 billion was recognised vis-à-vis E.ON to cover the €1.0 billion share of the total sum to be transferred that is commercially attributable to E.ON. A payment of €7.8 billion (including the €1.0 billion share of the total sum to be transferred attributable to E.ON) was made to the nuclear disposal fund on 3 July 2017. This payment cancels the liability vis-à-vis the nuclear disposal fund entirely. In the meantime, the other receivable recognised vis-à-vis E.ON has also been fully settled.

Dividend distribution

RWE AG's Annual General Meeting, held on 27 April 2017, decided to pay a dividend of €0.13 per individual, dividend-bearing preferred share for fiscal 2016 (previous year: €0.13). The dividend payment totalled €5 million (previous year: €5 million). As in the previous year, no dividend was paid for common shares.

Financial liabilities

On 5 April 2017, innogy issued its first senior bond. With a volume of €750 million and a tenor of eight years, the bond was issued by innogy Finance B.V., with a guarantee by innogy SE. The bond has an annual coupon of 1.00 % and an issue price of 99.466 %, with a yield of 1.07 % p.a.

Hybrid bonds with volumes of CHF 250 million and CHF 150 million were called on 13 February 2017 and 9 June 2017 and redeemed on 4 April 2017 and 26 July 2017, respectively, without these instruments being refinanced with a new hybrid bond.

Earnings per share

		Jan – Sep 2017	Jan – Sep 2016
Net income/income attributable to RWE AG shareholders	€ million	2,219	11
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	3.61	0.02

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first three quarters of 2017, transactions concluded with material related parties generated €2,848 million in income (first three quarters of 2016: €3,115 million) and €2,302 in expenses (first three quarters of 2016: €2,321 million). As of 30 September 2017, accounts receivable amounted to €447 million (31 December 2016: €511 million) and accounts payable totalled €199 million (31 December 2016: €150 million).

All business transactions are concluded at arm's length conditions and on principle do not differ from those concluded with other companies. Other obligations from executory contracts amounted to €1,125 million (31 December 2016: €1,203 million).

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

Reporting on financial instruments

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

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

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

The 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.

As a rule, the carrying amounts of financial assets and liabilities subject to IFRS 7 are identical with their fair values. There are deviations only in relation to bonds, commercial paper, bank debt and other financial liabilities. Their carrying amounts totalled €18,159 million (31 December 2016: €18,183 million) and their fair values totalled €20,625 million (31 December 2016: €20,541 million).

The following overview presents the main 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 30 Sep 2017	Level 1	Level 2	Level 3	Total 31 Dec 2016	Level 1	Level 2	Level 3
Other financial assets	1,118	78	197	843	1,055	64	202	789
Derivatives (assets)	3,679		3,650	29	6,494	2	6,455	37
of which: used for hedging purposes	1,304		1,304		2,175		2,175	
Securities	4,628	3,314	1,314		9,825	6,776	3,049	
Derivatives (liabilities)	3,513		3,504	9	5,703	8	5,685	10
of which: used for hedging purposes	747		747		1,240		1,240	

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

Level 3 financial instruments: Development in 2017 € million	Balance at 1 Jan 2017	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Sep 2017
			Recognised in profit or loss	With a cash effect	
Other financial assets	789	−39	9	84	843
Derivatives (assets)	37	−1		−7	29
Derivatives (liabilities)	10		−3	2	9

Level 3 financial instruments: Development in 2016 € million	Balance at 1 Jan 2016	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Sep 2016
			Recognised in profit or loss	With a cash effect	
Other financial assets	608	52	11	−32	639
Derivatives (assets)	57		−3	−40	14
Derivatives (liabilities)	21		31	−48	4

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total Jan – Sep 2017	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan – Sep 2016	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	3	3	1	1
Cost of materials			−36	−36
Other operating income/expenses	15	13	20	20
Income from investments	−6	−1	−9	−9
	12	**15**	**−24**	**−24**

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.

Events after the balance-sheet date

The following major events occurred in the period from 1 October 2017 until preparation of the interim financial statement on 10 November 2017:

Offer to buy back hybrid bonds

After the end of a hybrid bond buyback programme on 5 October 2017, which was conducted via a public tender procedure, on 10 October 2017 RWE AG bought back a share of €585 million of the hybrid bonds outstanding. The final allocation of the buyback of this share was allocated as follows:

- €161 million of the bond with an earliest cancellation date in 2020
- €268 million of the bond with an earliest cancellation date in 2025
- US$183 million of the bond with an earliest cancellation date in 2026.

Cancellation of a hybrid bond

A hybrid bond with a volume of USD 1,000 million which was issued in October 2012 was called on 29 August 2017, and redeemed on 12 October 2017, without this instrument being refinanced with a new hybrid bond. This bond had been fully recognised as debt under IFRS.

Placement of a senior bond

On 12 October 2017, innogy placed a further senior bond. The bond, which has a volume of €850 million and a tenor of ten years, was issued by innogy Finance B.V. and backed by innogy SE. It has an annual coupon of 1.25 %, an issue price of 98.987 % and a yield of 1.36 % p.a.

Acquisition of an offshore wind project

In October 2017, innogy gained control of UK-based Triton Knoll Offshore Wind Farm Limited, which was previously accounted for in the consolidated financial statements using the equity method. By acquiring Statkraft's 50 % stake, innogy has become the sole owner of Triton Knoll – an offshore wind project with a planned capacity of 860 megawatts.

The accounting described as follows will take place in the fourth quarter. The fair value of the shares amounted to €46 million. The initial consolidation of Triton Knoll and the associated change in the status of the old shares resulted in income of €46 million, which has been recognised as 'other operating income' in the income statement.

The assets and liabilities acquired within the scope of the initial consolidation are presented in the following table:

Balance-sheet items € million	IFRS carrying amounts (fair values) at first-time consolidation
Non-current assets	170
Current assets	5
Non-current liabilities	20
Current liabilities	83
Net assets	**72**
Cost	92
Goodwill	**20**

The fair value of the full consideration transferred for the acquisition of Statkraft's 50 % stake amounted to €46 million as of the acquisition date. Added to this is the fair value of the old shares of €46 million. Consequently, a cost of €92 million was recognised for the acquisition within the scope of initial consolidation.

The fair value of the receivables included in non-current and current assets amounted to €2 million. The goodwill is largely associated with expected future use and synergy effects.

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

Merger of innogy's and SSE's UK retail activities into a new company

On 8 November 2017, innogy and SSE plc. ('SSE') agreed to merge retail operations of innogy's subsidiary npower with retail operations of SSE in Great Britain. The company, in which the business activities will be combined, is to be listed on the stock exchange.

innogy will hold a 34.4 % non-controlling interest in the combined company, and SSE intends to pass its shares on to its own shareholders by way of a carve-out once the transaction has been completed so that the remaining 65.56 % stake becomes a free float. The transaction is expected to close at the end of 2018/ beginning of 2019.

The transaction is subject to approval from innogy's Supervisory Board and SSE's Annual General Meeting. The transaction is also subject to the approval of the relevant competition and regulatory authorities.

FINANCIAL CALENDAR 2018

13 March 2018	Annual report for fiscal 2017
26 April 2018	Annual General Meeting
2 May 2018	Dividend payment
15 May 2018	Interim statement on the first quarter of 2018
14 August 2018	Interim report on the first half of 2018
14 November 2018	Interim statement on the first three quarters of 2018

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