RWE

Powering ahead.

Annual Report 2020

Our energy for a sustainable life.

For more than 120 years, our product has always been the same: electricity. What has changed is how we produce it. We generated our very first megawatt hour in 1900 – from hard coal. Later, lignite and nuclear fuel rods were our major energy sources. Today, they have been replaced in this role with natural gas, wind, sun and water. Tomorrow, we will make a full transition to zero-carbon energy sources. Because our objective is carbon-neutral power generation. And we aim to accomplish this by 2040. Therefore, every year we are investing billions in the expansion of renewable energy.

Green energy is the lifeblood of a carbon-neutral economy. And it is in rising demand also outside of the energy sector. Be it in industry, transport or buildings, fossil fuels such as oil and natural gas must be replaced by zero-carbon energy sources everywhere. And where it is not possible to switch to green electricity directly, for example in steel production, hydrogen is a suitable alternative – that is hydrogen produced using electricity from renewables. Which we believe also presents us with an opportunity. Together with renowned partners from industry and science, we have set our sights on a hydrogen economy. We have already launched more than 30 projects. Our long-term goal is to supply both green electricity and green hydrogen, a second product with huge potential demand.

Opening a new chapter also means closing an old one. Last year, we shut down our last two German hard coal-fired power stations. In doing so, we ended what started our business in 1900. In 2020, we also closed our last hard coal power plant in the United Kingdom. Now we are also exiting the German lignite business – in a socially acceptable manner and without jeopardising security of supply.

Why are we doing all of this? Because as a world leading power provider, we shoulder a unique responsibility for implementing the Paris Climate Agreement. Our purpose "Our energy for a sustainable life" expresses that this responsibility is what drives us and shapes our entrepreneurial actions. We want to play our part in the joint effort to limit the global rise in temperature to far below two degrees Celsius compared to the pre-industrial era. Our accomplishments demonstrate how seriously we are taking this: since 2012, we have reduced our annual carbon dioxide emissions by 62 percent. Based on a review by the independent Science Based Targets Initiative, our emission reduction strategy is in line with the Paris climate target. This is scientific proof that we are on the right path.

Our path leads to a sustainable, carbon-neutral energy world.

Come join us!

At a glance

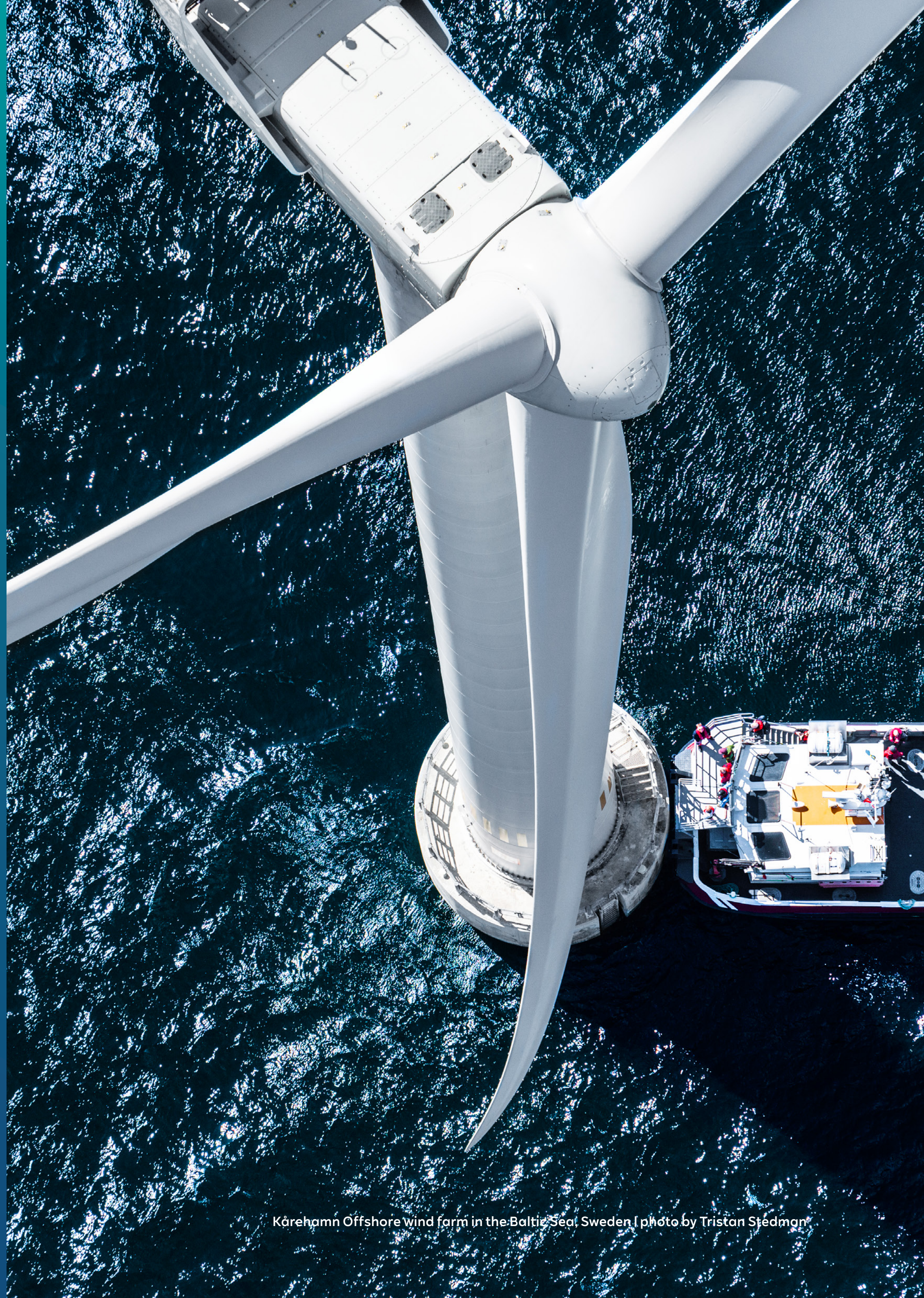
RWE Group – key figures		2020	2019	+/–
Power generation	GWh	146,775	153,165	–6,390
External revenue (excluding natural gas tax/electricity tax)	€ million	13,688	13,125	563
Adjusted EBITDA	€ million	3,235	2,489	746
Adjusted EBIT	€ million	1,771	1,267	504
Income from continuing operations before tax	€ million	1,196	–752	1,948
Net income	€ million	995	8,498	–7,503
Adjusted net income	€ million	1,213	–	–
Cash flows from operating activities of continuing operations	€ million	4,125	–977	5,102
Capital expenditure[1]	€ million	3,358	1,771	1,587
Property, plant and equipment and intangible assets	€ million	2,285	1,767	518
Financial assets	€ million	1,073	4	1,069
Free cash flow	€ million	1,132	–2,053	3,185
Number of shares outstanding (annual average)	thousands	637,286	614,745	22,541
Earnings per share	€	1.56	13.82	–12.26
Adjusted net income per share	€	1.90	–	–
Dividend per share	€	0.85[2]	0.80	0.05
		31 Dec 2020	31 Dec 2019	
Net debt of continuing operations[3]	€ million	4,432	6,927	–2,495
Workforce[4]		19,498	19,792	–294

1 Only cash investments; prior-year figures restated accordingly.
2 Dividend proposal for fiscal 2020, subject to the passing of a resolution by the 28 April 2021 Annual General Meeting.
3 New definition and restated prior-year figure; see commentary on page 62.
4 Converted to full-time positions.

Contents

We provide detailed information on our sustainability activities in our Sustainability Report and Non-Financial Report. These publications are available at www.rwe.com/en/responsibility-and-sustainability. The reports on fiscal 2020 will be published in April 2021.

01 To our investors



Kårehamn Offshore wind farm in the Baltic Sea, Sweden | photo by Tristan Stedman

“Drawing on our skills, we can hold our own against anyone.”

Rolf Martin Schmitz on the goals and accomplishments in the past fiscal year, new competitors in the expansion of wind energy, more flexible ways of working since the onset of the pandemic, and the upside to his retirement.

Mr. Schmitz, 2020 was an unusual year in many ways. If you had to put it in nutshell from RWE’s perspective, what would you say?

I think “accomplished more than planned despite corona” sums it up pretty well. We started the year with specific goals in mind. We wanted to complete the asset swap with E.ON, integrate our new colleagues into our organisation, and implement our plan for expanding renewable energy. We succeeded on all counts. In addition, we wanted to wrap up the contractual framework for the German coal phaseout while safeguarding both our interests as a company and those of our employees. We accomplished this too. But some issues were not on our to-do list at the beginning of the year …

… for example, the acquisition of the European development business of wind turbine manufacturer Nordex and the capital increase in August …

… transactions enabling us to substantially accelerate the expansion of renewable energy. Furthermore, at the beginning of the year, I didn't expect us to have made such a fast exit from hard coal-fired generation in Germany. And the list should also include the fact that we surpassed our earnings forecast for 2020. All this was accomplished under the unprecedented circumstances sparked by the global pandemic, which fortunately only had a minor impact on our business.

A newspaper wrote that only a handful of managers have transformed their company as thoroughly as you have done. Do you agree?

That is up to others to decide. Yes, we did initiate an extensive transformation process. But, to me, this isn’t anything but the logical continuation of a company’s evolution. Our main product, electricity, hasn’t changed. By using renewable energy, we have merely opted for a new way of producing it.

Well, the capital market is certainly very supportive of RWE's development, as demonstrated for years by the company's above-average share performance. Recently, renewable energy has almost been hyped up. And the situation with hydrogen is similar. Doesn't this harbour a potential danger?

First and foremost, the development of our share price proves that the capital market endorses our strategy. Almost daily, the media reports on governments setting ambitious climate targets and seeking to expand renewable energy. And of course, sectors such as transport and heating must be electrified at least to some degree and hydrogen is the ideal fuel when it comes to making those parts of the economy that cannnot transition to green electricity. So I don't see why anyone would speak of a hype. To me, this is the logical path to carbon neutrality.

But aren't you wary of more and more competitors entering the market to get in on the action? Some major oil companies have already announced aggressive growth targets in relation to renewable energy?

If politicians are being serious about protecting the climate, which I don't doubt, then we will have an enormous renewable energy market with enough room for both established players and new entrants. Take the United Kingdom for example, which aims to quadruple its offshore wind capacity to 40 gigawatts by 2030. Germany plans to triple its capacity to 20 gigawatts during the same period, and Poland has hit the ground running in the offshore wind business. There may be a danger of newcomers initially placing aggressive bids in wind power auctions, running the risk of projects being unprofitable. However, such irrational strategies are not sustainable. Shareholders of these companies will definitely not look on idly if management repeatedly pours money down the drain.

It became apparent that competition is increasing at the auction for seabed lease agreements in the United Kingdom in early 2021. In addition to RWE, BP and Total also won contracts. Can RWE survive in the long run in the face of competitors with such financial clout?

The auction is a prime example of the fact that we can. We secured the right to develop 3,000 megawatts of generation capacity. Bids for nearly 8,000 megawatts were invited. And we are paying the lowest annual fee per megawatt among all successful bidders. This means that we applied an intelligent bidding strategy. Now we must demonstrate that we can develop the sites quickly and successfully. And that we can build and operate state-of-the-art wind farms cost-effectively. In a nutshell, we have to prove our operational and technological skills. Then we can hold our own against anyone.

You mentioned technological expertise as a competitive advantage. Would you define RWE as a tech company?

When I started my career in Germany's energy industry 35 years ago, utilities like RWE were tech companies. Back then, power plant construction still harboured a lot of potential for new technology. This was followed by a phase during which the focus shifted from new builds to the commercial optimisation of existing stations. Now we are seeing a return to considerable investments in generation capacity. This increases demand for technical solutions. One example of this is the numerous initiatives for developing floating platforms for offshore wind farms. We're also active in this area, as we're involved in several projects. We know that floating foundations will multiply the potential utilisation of offshore wind power and that we have to be on board for such new developments early on.

Let's talk about the integration of the renewables business in the RWE Group. Have the 4,000-plus former employees of E.ON and innogy, who work for RWE now, settled into the 'new world'?

I have the impression that most of them have been well integrated and feel at home. But it goes without saying that an integration of this scale takes more than a year to complete. I know from experience that it takes at least twice as long. Moreover, it isn't only important for our new colleagues to feel comfortable, but also for those who were in the organisation before they arrived. It's very important to me that our coworkers in the lignite and nuclear business of the 'old world' be treated with respect. Having said that, I've only heard good things on this front.

Wasn't the coronavirus pandemic an obstacle to the integration? It must have been difficult for many to get to know their new colleagues while working from home.

In-person encounters are indeed very important, especially if two people don't know each other. So of course, COVID-19 made it more difficult for the teams to become cohesive. However, as strange as this may sound, the restrictions have also been beneficial in some ways. Instead of spending endless hours on business travel, meetings took place online. All of a sudden, physical distance was irrelevant. This often led to more thorough discussions, especially when working across borders. The pandemic has changed the way we work. And we've realised that everything still works despite this. We should maintain this flexibility after COVID-19.

In addition to the coronavirus, the German coal phaseout was one of the issues that shaped the past year. The exit has been given a legal framework, which has been cemented in an agreement between the federal government and the lignite companies. You indicated at the beginning that you are satisfied with the result …

I find the solution that was reached to be acceptable. The decision to exit the coal business by 2038 was made by politicians. We cannot and don't want to challenge this. On the contrary, now we know where we stand and can plan for the future. It was important to me that the coal phaseout did not cause any unreasonable hardship for those affected. This applies to us as a company as well as to our employees. The commitments made by the government and the collective agreement reached in August 2020 ensure that there will be no such hardships and that no one will be left high and dry.

Do you realise that by closing RWE's last two German hard coal-fired power stations, you have effectively eliminated the company's very first core business?

Of course I'm aware of that. After all, I'm familiar with RWE's history. However such issues are secondary when we make decisions about our future. The closure of the state-of-the-art Westfalen E block was a huge surprise to many. But we went over everything with a fine tooth comb and are convinced that it was the right course of action. And reducing emissions wasn't the only objective. By participating in the state shutdown auctions, we were able to secure a modest, but not insignificant, compensation, which we will use to make growth investments.

2020 was a strong fiscal year for RWE. Will 2021 be equally as good?

As far as the operating result is concerned, probably not. Unfortunately, in February there were massive supply shortages in Texas as the state experienced the worst cold snap in a century. Plant outages and regulatory intervention forced us to purchase electricity at absurd prices. This reduced our earnings considerably. Nevertheless, 2021 should also be a satisfying year for RWE. It is important that we continue our course for growth in the renewable energy business with determination and achieve our envisaged returns. If we manage to do so, many good fiscal years will await RWE even beyond 2021.

Mr. Schmitz, soon you will become an onlooker. At the end of April, you are resigning your office, after twelve years on the Executive Board of RWE. Wouldn't you have been keen to continue the RWE journey?

Well, as you said, I can still keep an eye on what's going on, albeit from the outside. But I'm 63 and I have to stop working at some point. Plus, you should always quit while you're ahead. In earnest, I'm grateful to be able to pass the baton at a time when RWE is doing well again after weathering the storms of the past. And I'm convinced the company will be in safe hands with Markus Krebber and his team. Of course, I look forward to being able to spend more time with my family and not having to be available all the time. Waking up in the morning without having to check your e-mails immediately is a luxury. And this is the luxury I am going to enjoy now.

This interview was conducted by Burkhard Pahnke and Jérôme Hördemann.

1.2 The Executive Board of RWE AG

Dr. Rolf Martin Schmitz
Chief Executive Officer

Rolf Martin Schmitz, born in 1957 in Mönchengladbach, holds a doctorate in mechanical engineering. His first career milestones were STEAG AG from 1986 and VEBA AG from 1988, after which he was appointed a Member of the Board of Management of rhenag Rheinische Energie AG in 1998. Mr. Schmitz then held several managing board positions at Thüga AG and Thüga Beteiligungen AG. In addition, Rolf Martin Schmitz was Chairman of the Board of Directors of E.ON-Kraftwerke GmbH and of the Board of Management of RheinEnergie AG. In May 2009, he joined the Executive Board of RWE AG and was appointed Chief Executive Officer in October 2016. From May 2017 to October 2020, he was also the company's Labour Director. Rolf Martin Schmitz will retire from the Executive Board at the end of April 2021.

Dr. Markus Krebber
Chief Financial Officer
Chief Executive Officer from 1 May 2021

Markus Krebber, born in 1973 in Kleve, is a trained banker and holds a doctorate in economics. He started his career in 2000 at McKinsey & Company. Thereafter, he held various managerial positions at Commerzbank AG. In November 2012, Markus Krebber joined the Board of Directors of RWE Supply & Trading GmbH, where he was responsible for finance, assuming chairmanship in March 2015. Markus Krebber has been the Chief Financial Officer of RWE AG since October 2016. In May 2021, he will succeed Rolf Martin Schmitz as Chief Executive Officer.

Dr. Michael Müller
Member of the Executive Board since 1 November 2020
Chief Financial Officer from 1 May 2021

Michael Müller, born in 1971 in Cologne, is an economist and holds a doctorate in mechanical engineering. After five years at McKinsey & Company, in mid-2005 he joined the RWE Group where he held executive positions at RWE Power AG, RWE Generation SE and RWE AG. In September 2016, he became the Managing Director of RWE Supply & Trading GmbH in charge of finance. Since November 2020, Michael Müller has been a Member of the Executive Board of RWE AG where he will succeed Markus Krebber as Chief Financial Officer in May 2021. Until then, he will remain a Managing Director of RWE Supply & Trading GmbH.

Zvezdana Seeger
Member of the Executive Board since 1 November 2020
Chief Human Resources Officer and Labour Director

Zvezdana Seeger, born in 1964 in Jajce, Bosnia and Herzegovina, holds a degree in economics. She started her career in mechanical engineering. From 1995 to 2008, she worked for Deutsche Telekom AG, exiting as Managing Director of T-Systems Enterprise Service GmbH. In 2010, Zvezdana Seeger joined the Board of Directors of DHL Global Forwarding Freight. In 2015, she was responsible for IT and operations on the Board of Management of Postbank AG. After Postbank was folded into DB Privat- und Firmenkundenbank AG, she sat on the Board of Management of the latter company. In addition, she was COO of the Private and Corporate Business Unit of Deutsche Bank AG. As of November 2020, Zvezdana Seeger was appointed to the Executive Board of RWE AG, with responsibility for human resources and IT. She is also the company's Labour Director.

1.3 Supervisory Board report

"In the midst of the coronavirus pandemic, RWE set the stage for an even faster expansion of renewable energy, thus overachieving its goal for the year."

Dear Shareholders,
Ladies and Gentlemen

Who could have imagined at the beginning of 2020 the unusual challenges the year would have in store for us all. The coronavirus pandemic caught modern civilisation off guard and demonstrated how shockingly vulnerable we are despite all the progress we make. I hope, dear reader, that you stay healthy and manage to cope with the negative effects of the lockdown measures. Unfortunately, the latter cannot be said for many companies. We have seen entire sectors fall into an existential crisis. Based on expert estimates, 2020 saw Germany experience its biggest drop in growth since the financial crisis of 2008 / 2009.

RWE definitely bucked the trend! Like a sailboat staying its course in choppy waters, the company continued its transformation that began with the E.ON transaction almost without losing steam. The asset swap, which was completed in legal terms in the middle of 2020, advanced us to the ranks of the world's leading renewable energy companies. Now RWE is rapidly transitioning its electricity generation portfolio to renewable sources and intends to become carbon neutral by 2040 as a result. This course is widely endorsed by the general public and the capital market in particular, as evidenced by our share's strong performance. Despite the coronavirus pandemic, RWE shareholders earned a 30 % return on their investment in 2020. This put our share among the DAX frontrunners for the fourth time in a row.

And there was more good news last year: the company made rapid progress in the expansion of renewable energy despite the coronavirus pandemic. In 2020, RWE completed wind and solar farms with a total capacity of more than 800 MW. Only in isolated cases were there delays due to COVID-19, but none lasted more than a few months. I would also like to highlight the capital increase in August and the acquisition of Nordex's European development business – two transactions that were not foreseeable at the beginning of 2020, which will help drive the company's growth further. This means that, in the midst of the coronavirus pandemic, RWE set the stage for an even faster expansion of renewable energy, thus exceeding its target for the year.

RWE also tackled the second major challenge – the coal phaseout – with determination. Both of the company's German hard coal units placed winning bids in the first shutdown auction conducted by the Federal Network Agency. These blocks were shut down at the end of 2020. But let us not forget that electricity production from hard coal was the driver of RWE's charge to become Germany's leading power utility after it was founded over 120 years ago. This business is now part of Germany's history. At the same time, RWE is implementing the legally mandated lignite phaseout. The first unit was taken off the grid at the end of December although the compensation regulations are still pending EU approval.

I think that this sends an important signal: RWE is moving fast to protect the climate – and is doing much more than is legally required. What other company out there can claim to have reduced its carbon dioxide emissions by 62% in just eight years without selling major parts of its business? I don't know of a single one. Our fast track towards reducing emissions proves that RWE is acting in line with the Paris climate targets. This was recently confirmed by the Transition Pathway Initiative and the Science Based Target Initiative, both of which are proponents of a low-emission economy over the long term.

Looking back at 2020, I must highlight two issues directly relating to the Supervisory Board's work. The first matter is the new composition of the Executive Board. Rolf Martin Schmitz will step down as CEO at the end of April 2021. We made early arrangements for his succession and have found what I believe to be a very good solution: Markus Krebber, our current CFO, will spearhead the company in the future. We expect him to continue the current strategy, keeping RWE on course for success. He will receive assistance from Michael Müller and Zvezdana Seeger, who we appointed to the Executive Board as of 1 November 2020. More on this later. The second matter, which was a premiere for my fellow Supervisory Board members and me, was the first completely virtual Annual General Meeting ever held in RWE AG's history. The corona pandemic didn't give us a choice. Although this involved working under new legal and organisational conditions, the Annual General Meeting went smoothly. The employees in charge at RWE proved extremely professional and flexible. In my capacity as Chairman of the Annual General Meeting, I would like to express my sincere gratitude for this. I would also like to thank our shareholders, who would have loved to visit us at the Grugahalle in Essen, but were understanding of the fact that it was impossible to hold an in-person event. We hope that they will also be understanding of our holding a completely virtual Annual General Meeting in 2021 as well.

Now I would like to tell you about some of the formal aspects of the Supervisory Board's work in 2020. As usual, we fulfilled all of the duties imposed on us by German law and the Articles of Incorporation. We advised the Executive Board on running the company and monitored its actions with great care. Moreover, we were involved in all fundamental decisions. The Executive Board informed us of all material aspects of business developments, the earnings situation as well as the risks and the management thereof both verbally and in writing. This was done regularly, extensively and in a timely fashion.

We took our decisions on the basis of detailed reports and draft resolutions submitted by the Executive Board, which we discussed in depth in our plenary sessions and committees. We were also informed by the Executive Board of projects and transactions of special importance or urgency in extraordinary meetings as well as between meetings. We passed the resolutions required of us by German law or the Articles of Incorporation, occasionally by circular. As Chairman of the Supervisory Board, I was constantly in touch with the Executive Board, allowing us to discuss major developments without delay. The company helped us to acquire the expertise we needed to fulfil our tasks by organising in-house informational events on topics of special relevance. This is noteworthy given that the German Corporate Governance Code (GCGC) requires supervisory board members to ensure that they take their basic and advanced training into their own hands.

Main points of debate of the Supervisory Board meetings. Last year, the Supervisory Board convened for five ordinary and two extraordinary meetings. Due to the COVID-19 social distancing restrictions, we conducted our sessions strictly online from April onwards. However, this was not to the detriment of the quality of our work on the Supervisory Board. In our meetings, we were informed by the Executive Board in great detail of transactions and events of significance to RWE. We discussed certain agenda items without involving the Executive Board. The shareholder and employee representatives always met separately before Supervisory Board meetings, so that they had the opportunity to consult on matters and establish joint positions where necessary in advance of the plenary sessions.

When in session, we concerned ourselves with RWE's transformation into a leading renewable energy company both frequently and in great depth. Further focal points of debate were the effects of the corona crisis, the restaffing of the Executive Board and the German coal phaseout. The following issues were discussed at our meetings:

- Our first session last year took place on 17 January. We convened an extraordinary meeting to debate the shutdown roadmap for our German lignite-fired power plants envisaged by the government as well as the compensation offered. At the time, the talks between the federal and state administrations and businesses regarding the details of the lignite phaseout had nearly come to a conclusion. We encouraged the Executive Board to accept the compromise that was becoming apparent. Soon thereafter, on 29 January, the federal government adopted the draft law on the coal phaseout.

- At our ordinary meeting on 6 March, we discussed and approved the 2019 financial statements of RWE AG, the consolidated financial statements, and the separate consolidated non-financial report. In addition, we approved the agenda for the Annual General Meeting, which was originally scheduled for 28 April. The Executive Board updated us on the legislative process regarding the German coal phaseout and on the acquisition of the King's Lynn power station in the UK, which had just been completed. We thoroughly deliberated RWE's strategy. The goal of becoming carbon neutral by 2040 and the path envisaged to reach it met with our full approval. Effective incentives for implementing the strategy are provided by the new Executive Board remuneration system, the details of which were another topic of debate. Furthermore, we adopted the new skills matrix for the members of our corporate body, which we had refined in 2019. In so doing, we drew on the findings obtained when reviewing the efficiency of our work. The former matrix was supplemented by several skills, to which we accord increasing importance, e. g. know-how in the fields of renewable energy and digitisation. The skills matrix must be taken into account when selecting candidates for appointment to the Supervisory Board. Therefore, it will be accorded great importance in 2021 as the corporate body will be restaffed in April.

- Our ordinary meeting on 28 April was dominated by the coronavirus pandemic and the first lockdown. This was precisely the day on which the 2020 Annual General Meeting would have taken place based on our original planning if we had not been forced to postpone it to the end of June due to COVID-19. The Supervisory Board passed a resolution to hold the Annual General Meeting as a purely virtual event in order to protect both employees and shareholders alike. Another item on the agenda was the succession plan for the CEO Rolf Martin Schmitz.

- The topics addressed in April were also the focal point of the ordinary session on 25 June. One of the tasks was to prepare the virtual Annual General Meeting, which had been scheduled for the following day. Succession planning for the Executive Board was discussed at length yet again. Furthermore, we were kept abreast of how RWE was dealing with the coronavirus pandemic and approved the new Executive Board remuneration system, which is described in more detail in the invitation to the 2021 Annual General Meeting. The invitation is available at www.rwe.com/agm. Another focal topic was the public law contract between RWE and the German government designed to protect the justified interests of the company with regard to the statutory regulations governing the lignite phaseout.

- Just a month later, on 31 July, we held an extraordinary meeting at which we discussed RWE's plan to acquire the European development business of wind turbine manufacturer Nordex. Since we – just as the Executive Board – were of the opinion that the acquisition of the project pipeline focusing on France harboured attractive potential for RWE to grow, we approved the acquisition. In that session, we also deliberated how to finance the Nordex transaction and the associated accelerated expansion of renewable energy. One of the options on the table was to use authorised capital and issue new RWE shares excluding subscription rights. We transferred to the Executive Committee the right to decide on such a measure. This enabled the company to quickly take advantage of a favourable situation on the capital market without having to again involve the entire Supervisory Board. Thanks to this flexibility, RWE managed to increase its capital by €2 billion at very short notice in August 2020.

- At our ordinary meeting on 18 September, we debated the succession planning for the Executive Board once again. Given that Rolf Martin Schmitz would soon retire and Markus Krebber had been appointed the company's future CEO, the positions of CFO, CHRO and Labour Director had to be filled. Against this backdrop, the Supervisory Board appointed Zvezdana Seeger and Michael Müller to the Executive Board. During this session, we also discussed the German Coal Phaseout Act, which had been passed by the Lower and Upper Houses of Parliament on 3 July. Moreover, the Executive Board reported on the significance of hydrogen to RWE as well as on various aspects of the renewable energy business.

- At our ordinary meeting on 11 December, we reviewed and adopted the company's planning for fiscal 2021. In addition, we fulfilled our corporate governance reporting duties. Together with the Executive Board, we adopted an updated statement of compliance pursuant to Section 161 of the German Stock Corporation Act and approved the passages of the corporate governance declaration relating to the Supervisory Board in accordance with Section 289a of the German Commercial Code. These documents can be viewed at www.rwe.com/en/statement-of-compliance-and-reports and www.rwe.com/corporate-governance-declaration. A further point of focus of the meeting was RWE's hydrogen strategy, on which we were informed extensively by the Executive Board. We also discussed the sale of a 49 % stake in the Humber UK offshore wind farm. Following our approval, the transaction was completed on 15 December. We also gave the go-ahead to the partial sale of four Texan onshore wind farms. During the session, we also debated how to handle related party transactions. The German law on the implementation of the Second Shareholders Directive (ARUG II) stipulates that, under certain conditions, these transactions are subject to the approval of a Supervisory Board or one of its committees. We tasked the Audit Committee with performing the review and valuation of such transactions required by law.

Supervisory Board committees. Last year, the Supervisory Board had six standing committees, the members of which are listed on page 230. These committees are charged with preparing topics and resolutions for plenary sessions. In certain cases, they exercise decision-making powers if they have been conferred on them by the Supervisory Board. The Supervisory Board is informed of the work of the committees by their chairs at every ordinary meeting. In the year under review, a total of 18 committee meetings were held, which I would like to touch upon in more detail.

- The **Executive Committee** held four meetings, three of which took place in August to prepare and approve the capital increase. The Committee conducted the usual discussion of the company's planning for fiscal 2021 as well as the outlook for the two subsequent years in its fourth session, which took place in December.

- The **Audit Committee** was in session four times, at which all predetermined focal topics were addressed. The Committee was extremely careful in reviewing the financial statements of RWE AG and the Group, together with the combined review of operations, the report for the first half of the year, the quarterly statements and the consolidated non-financial report. It discussed the financial statements with the Executive Board before they were published and received reports on the outcome of the audits and audit-like reviews from the independent auditors. Furthermore, the Audit Committee submitted a recommendation to the Supervisory Board regarding the election of the independent auditors for fiscal 2020, prepared the grant of the audit award to the independent auditors including the fee agreement, and set the priorities of the audit. The Committee verified the independence of the auditors and the quality of the audit. In addition, as usual, the Committee was informed of the effectiveness of the accounting-related Internal Control System (ICS). The report did not reveal any issues that would call the effectiveness of the ICS into question. Furthermore, the Committee dealt with the planning and findings of internal audits, the RWE Group's exposure to risk pursuant to the German Corporate Control and Transparency Act, the risk management system of RWE Supply & Trading, data security, compliance matters as well as legal and tax issues. The independent auditors attended all of the Audit Committee meetings and also exchanged information with the Committee Chairman between meetings. In-house experts were consulted regularly.

- The **Personnel Affairs Committee** held five meetings during the year being reviewed. Consultations centred on the succession plan for the Executive Board of RWE AG and the new Executive Board remuneration system.

- The **Nomination Committee** convened three times. The focal point was the Supervisory Board elections, scheduled for 2021. In this context, the Committee also discussed procedural matters relating to the planned introduction of staggered tenures for the shareholder representatives. Another point of debate was the remuneration for work done on the committees of the Supervisory Board. We are of the opinion that compensation for these tasks should increase.

- The **Strategy and Sustainability Committee** (formerly the Strategy Committee) held two meetings. In its first session, which was held in February, it dedicated itself to the new Group strategy, which was presented to the public soon thereafter, in mid-March. At its second meeting, the Committee discussed RWE's plans with respect to the hydrogen economy.
- The **Mediation Committee** pursuant to Section 27, Paragraph 3 of the German Co-Determination Act did not have to meet in 2020.

Attendance at meetings in fiscal 2020 by Supervisory Board member	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Nomination Committee	Strategy and Sustainability Committee
Dr. Werner Brandt, Chairman	7/7	4/4	4/4[1]	5/5	3/3	2/2
Frank Bsirske, Deputy Chairman	7/7	4/4		5/5		2/2
Michael Bochinsky	7/7		3/4			
Sandra Bossemeyer	7/7	4/4				
Martin Bröker	7/7					
Anja Dubbert	7/7	4/4				
Matthias Dürbaum	7/7	4/4				
Ute Gerbaulet	6/7					
Prof. Dr. Hans-Peter Keitel	7/7	4/4			3/3	2/2
Dr. h.c. Monika Kircher	6/7		4/4			
Harald Louis	7/7			5/5		
Dagmar Mühlenfeld	7/7	4/4				
Peter Ottmann	7/7			5/5	3/3	
Günther Schartz	7/7					2/2
Dr. Erhard Schipporeit	7/7		4/4			
Dr. Wolfgang Schüssel	7/7	4/4		5/5		
Ullrich Sierau	7/7		4/4			
Ralf Sikorski	7/7		4/4			2/2
Marion Weckes	7/7		4/4			
Leonhard Zubrowski	6/7			5/5		1/2

1 Dr. Werner Brandt attended meetings of the Audit Committee as a guest.

Attendance. The table on the previous page contains an overview of Supervisory Board member attendance at the meetings of this corporate body and its committees. As the Mediation Committee did not convene in 2020, it has been omitted from this table. Here is an example of how to interpret the numbers: '3 / 4' means that the individual attended three out of four meetings. As can be seen from the overview, absences were an exception.

Conflicts of interest. The members of the Supervisory Board are obliged by law and the GCGC to immediately disclose any conflicts of interest they have. We were not notified of any such conflict in fiscal 2020.

Financial statements for fiscal 2020. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PWC) audited and issued an unqualified auditor's opinion on the 2020 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 prepared pursuant to Section 315a of the German Commercial Code in compliance with International Financial Reporting Standards (IFRS) as well as the combined review of operations for RWE AG and the Group including the accounts. In addition, PWC subjected the Non-financial Report to a limited assurance audit and found that the Executive Board had established an appropriate early risk detection system. The company had been elected independent auditor by the 2020 Annual General Meeting. Thereafter, the Supervisory Board had commissioned it to audit the aforementioned financial statements and reports.

The 2020 Annual Report and the audit reports as well as documents supporting the annual financial statements were submitted to the members of the Supervisory Board in good time. Furthermore, the Executive Board commented on the documents in the Supervisory Board's balance sheet meeting of 10 March 2021. 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 9 March 2021, with the auditors present. It recommended that the Supervisory Board approve the financial statements as well as the appropriation of profits proposed by the Executive Board.

The Supervisory Board reviewed the financial statements of RWE AG and the Group, the combined review of operations, the Executive Board's proposal regarding the appropriation of distributable profit, and the consolidated non-financial report. No objections were raised as a result of this review. As recommended by the Audit Committee, the Supervisory Board approved the results of the audits of the financial statements of RWE AG and the Group and approved both financial statements. The 2020 financial statements are therefore adopted. The Supervisory Board concurs with the Executive Board's proposal regarding the appropriation of profits, which envisages paying a dividend of €0.85 per share.

Personnel matters. The composition of the Supervisory Board and of its committees did not change in the past fiscal year. However, there were some major personnel changes on the Executive Board of RWE AG. I told you earlier that Markus Krebber will take over as CEO from Rolf Martin Schmitz. This resolution was passed by circular on 27 July after the Supervisory Board had paved the way for this at its meeting of 28 April. By mutual consent, we shortened the tenure of Mr. Krebber, which would have expired on 30 September 2024, to 30 June 2021 and appointed him an ordinary member of the Executive Board for the period thereafter running from 1 July 2021 to 30 June 2026. As Rolf Martin Schmitz will resign his office at the end of April 2021 – two months earlier than planned – Markus Krebber will take over as CEO as of 1 May 2021. In addition to the succession arrangements for Mr. Schmitz, we took two further personnel-related decisions: in our session on 18 September, we appointed Michael Müller and Zvezdana Seeger to the Executive Board as of 1 November 2020, for an initial term of three years. Michael Müller will succeed Markus Krebber as CFO. Zvezdana Seeger was entrusted with the human resources and IT offices. She has also been the company's Labour Director since 1 November.

Thanks to our new staffing decisions, which we reached following extensive consultations and with the expert support of the Personnel Affairs Committee, we have the right people in the right positions to ensure that the new RWE can continue to chart its course for success. If there is one person to whom this is particularly important, then it has to be Rolf Martin Schmitz, as it was with him as CEO that RWE set out on this course. When he steps down in 2021, he can do so safe in the knowledge that he is passing on a company that reinvented itself in difficult times and transformed itself into a profitable player in the energy transition.

He deserves the utmost recognition for everything he has done for the company. On behalf of the entire Supervisory Board, I would like to take this opportunity to express my heartfelt gratitude to him for his constructive, respectful and extremely successful co-operation.

A strong performance – thanks to the people who are RWE. RWE's impressive development is naturally not solely attributable to any one single individual, but of all of the employees who dedicate their work and lifeblood to this company. They made sure that the new RWE continued its transformation at an unrelenting pace, despite the coronavirus pandemic. The extremely level-headed way in which they dealt with the crisis, their ability to adapt processes and workflow to the unprecedented circumstances – with the virtual Annual General Meeting I mentioned earlier as a shining example – and the strict discipline they display in abiding by the infection control concepts in their daily work have proven that we can always count on the people at RWE. Speaking for the entire Supervisory Board, I would like to express my sincere gratitude to them.

On behalf of the Supervisory Board

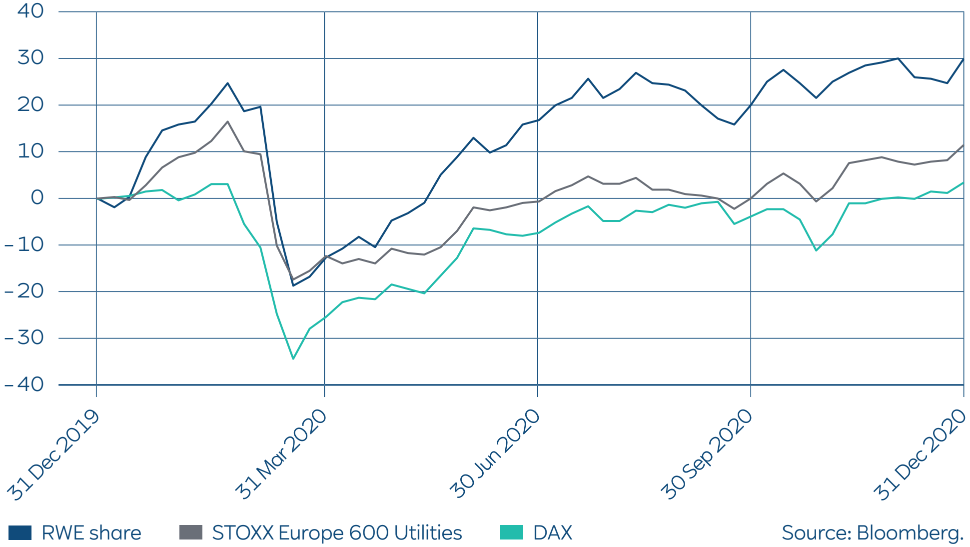
Werner Brandt
Chairman

Essen, 10 March 2021

1.4 RWE on the capital market

There was a lot of volatility on stock markets in 2020, a year that ended on an encouraging note after a collapse in share prices in the spring caused by the corona crisis. The DAX closed up by 4 %, after losing more than one-third of its value on the way. Major stimulus came from the expansionary monetary and fiscal policy in the Eurozone, which allowed for the economic consequences of the pandemic to be mitigated. RWE shareholders looked back on a very pleasing performance: the total return on our share was 30 %, ranking our stock among the best in the DAX for the fourth consecutive year. The main reason for this is our transformation into a leading renewable energy company. This makes us not only more sustainable and financially strong, but also more crisis-proof.

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



Source: Bloomberg.

DAX records slight gain for the year despite COVID-19. The coronavirus pandemic led to a turbulent year on stock markets. After hitting a record high of 13,789 points in mid-February, the DAX lost over one-third of its value in just a few weeks. This was mainly due to the outbreak of the coronavirus pandemic and the first set of lockdown measures, which temporarily caused parts of the economy to grind to a halt. Germany's blue-chip index gained substantial traction in mid-March, after bottoming out. Loosened COVID-19 restrictions, the announcement of state economic aid packages, and the rapid recovery of the Chinese economy provided major stimulus to this end. The prospects of a vaccine contributed to improving sentiment on stock markets as the year progressed. Despite the significant rise in new infections in Germany after the summer break and the renewed lockdown in late autumn, the DAX maintained its course for recovery, and just before the end of the year actually eclipsed the record achieved in February. Germany's lead index closed the year at 13,719 points, representing a gain of 4 % in 2020.

RWE share registers 30 % total return. The RWE share lost pace only briefly during the corona crisis, continuing the upward trend on which it embarked in 2017. It closed trading at €34.57 at the end of 2020. Including the dividend payment of €0.80, this corresponds to a total return for the year of 30 %. Our share thus outperformed the DAX for the fourth consecutive year. The STOXX Europe 600 Utilities sector index (+ 11 %) also failed to keep up with it. The RWE share's unwavering positive performance is predominantly due to our becoming a leading renewable energy company as a result of the asset swap with E.ON and our rapid strengthening of this position. Our analysts and investors welcome this transformation process, as the renewable energy business is marked by relatively stable income and widespread political acceptance. This has made RWE more financially robust, which has proven to be a great advantage especially during the corona crisis. RWE's share price also benefited from the clear legal framework for Germany's coal phaseout established by policymakers and the resulting substantial decrease of the risks to which affected companies are exposed (see pages 37 et seq.).

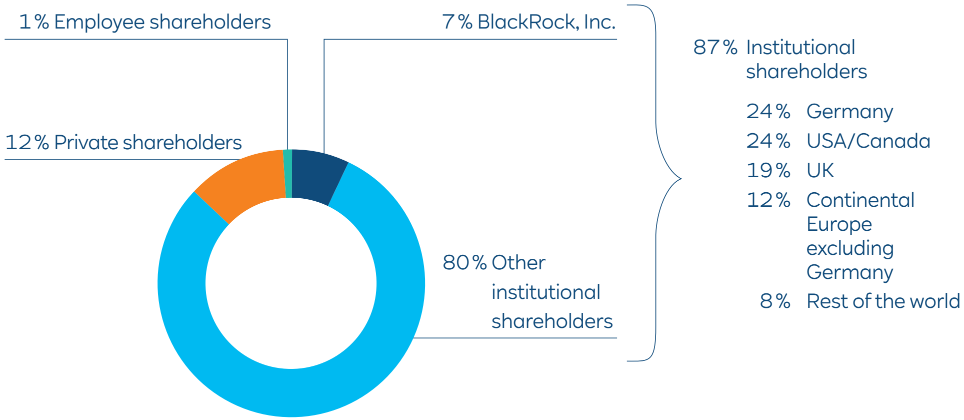
RWE share indicators		2020	2019	2018	2017	2016
Earnings per share	€	1.56	13.82	0.54	3.09	- 9.29
Adjusted net income per share	€	1.90	–	–	2.00	1.26
Cash flows from operating activities of continuing operations per share	€	6.47	- 1.59	7.50	- 6.13	3.83
Dividend per share	€	0.85[1]	0.80	0.70	1.50	–
Dividend payment[2]	€ million	575[1]	492	430	922	5
Share price						
End of fiscal year	€	34.57	27.35	18.97	17.00	11.82
Highest closing price	€	35.02	28.69	22.48	23.14	15.95
Lowest closing price	€	21.00	18.97	15.10	11.80	10.17
Share dividend yield[3]	%	2.5	2.9	3.7	8.8	–
Number of shares outstanding (annual average)	thousands	637,286	614,745	614,745	614,745	614,745
Market capitalisation at the end of the year[2]	€ billion	23.4	16.8	11.7	10.3	7.1

1 Dividend proposal for RWE AG's 2020 fiscal year, subject to the passing of a resolution by the 28 April 2021 Annual General Meeting.
2 Calculated on the basis of the shares outstanding. As of 31 December 2020, this number totals 676,220,048.
3 Ratio of the dividend per share to the share price at the end of the fiscal year.

RWE raises capital by €2 billion. In August 2020, we issued 61.5 million new RWE shares to institutional investors, thereby increasing the company's capital stock by 10 %. Based on the issue price of €32.55 per share, we achieved gross proceeds of €2 billion, which we intend to spend on additional projects to expand renewable energy. The capital increase caused the number of RWE shares to rise to 676.2 million. The new and old stock confer the same rights. More detailed information on the capital increase can be found on page 42.

Dividend of €0.85 per share proposed for past fiscal year. Despite the rise in the number of RWE shares due to the capital increase, the Executive Board maintains its dividend target for fiscal 2020. Together with the Supervisory Board, it will propose to the Annual General Meeting on 28 April 2021 a dividend of €0.85 per share. This would be €0.05 more than in the preceding year. The dividend proposal reflects the successful business trend in the past year as well as RWE's bright prospects.

Shareholder structure of RWE AG[1]



1 As of the end of 2020; percentages reflect shares in subscribed capital. Sources: RWE data and notifications from shareholders in accordance with the German Securities Trading Act.

Broad international shareholder base. Based on our latest survey, at the end of 2020, an estimated 87 % of the total of 676.2 million RWE shares were held by institutional investors and 13 % were owned by individuals (including employees). Institutional investors from Germany owned 24 % of RWE. This investor group accounted for 12 % of RWE's subscribed capital in other countries in Continental Europe and 19 % in the United Kingdom. In the USA and Canada, its share was a combined 24 %. At the end of the year, RWE AG's single-largest shareholder was the US asset management company BlackRock, which owned 7 % of our subscribed capital.

The free float of our shares considered by Deutsche Börse in terms of index weighting was 100 % when this report went to print. Normally, shares held by investors accounting for at least a cumulative 5 % of the capital stock are not included in the free float. However, a higher threshold of 25 % applies to asset management companies like BlackRock.

About 1 % of our stock is owned by our current and former staff members. German and British Group companies offer their employees the opportunity to take shares in RWE on preferential terms. Last year, 7,641 people, representing 44 % of all qualifying staff members, made use of these offers. They bought a total of 332,665 shares. The preferential terms and the administration of the employee share ownership programmes led to an expense of €3,108,005.

RWE represented on numerous stock markets. RWE shares are traded on the Frankfurt Stock Exchange and other stock exchanges in Germany, as well as via electronic platforms such as Xetra. They are also available on stock markets in the rest of Europe. In the USA, instead of our shares being traded, RWE is represented via American Depositary Receipts (ADRs) in a Level 1 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 share.

Ticker symbols and identification numbers of the RWE share	
Reuters: Xetra	RWEG.DE
Reuters: Frankfurt Stock Exchange	RWEG.F
Bloomberg: Xetra	RWE GY
Bloomberg: Frankfurt Stock Exchange	RWE GR
German Securities Identification Number	703712
International Securities Identification Number (ISIN)	DE0007037129
ADR CUSIP Number	74975E303

02
Combined review of operations


Limondale solar farm, Australia

2.1 Strategy

Our asset swap with E.ON has turned us into one of the world's leading renewable energy companies. We are now an all-rounder in electricity generation at the forefront of creating a sustainable energy system. In addition, we will ensure security of supply with our flexible power plants. RWE aims to become carbon neutral by 2040. To this end, we will invest billions in wind energy, photovoltaics and storage technologies, enter the green hydrogen production business, and phase out electricity generation from coal. In doing so, we are playing our part in achieving the Paris climate goals, as officially confirmed by the independent Science Based Targets Initiative at the end of 2020.

Transformation into a specialist in sustainable power generation and energy trading. Our company has changed fundamentally over the last few years. In the past, RWE was an integrated utility, which was active along the entire energy value chain. Now, we are a company specialising in power production and energy trading that wants to drive the transformation of the energy sector, aiming for more sustainability. Our goal is carbon-neutral electricity supply that is both secure and affordable.

The road to the new RWE began in 2016 when we pooled the Renewables, Retail and Grid & Infrastructure divisions in a subsidiary called innogy and took it to the stock market. One-and-a-half years later, in early 2018, we agreed an extensive asset swap with E.ON, which was implemented in two steps. First, we sold our 76.8 % investment in innogy in September 2019 and in return received E.ON's renewable energy business, a 16.67 % stake in E.ON, and the minority interests in our nuclear power stations Gundremmingen (25 %) and Emsland (12.5 %) held by the E.ON subsidiary PreussenElektra. The second step was taken in mid-2020 and involved transferring certain innogy operations back to RWE in legal terms: the renewable energy business, the German and Czech gas storage facilities, and a 37.9 % stake in the Austrian energy utility KELAG. Now we are focusing on the integration of the acquired business with more than 4,000 employees into the RWE organisation.

New segment structure introduced in 2020. In our financial reporting for 2020, we present the RWE Group in a new structure. We no longer state 'innogy – continuing operations' and 'acquired E.ON operations' separately as they have become integral parts of the RWE Group. Our main business, electricity generation, is now broken down by energy source, whereas energy trading is still presented separately. This results in the following five segments: (1) Offshore Wind, (2) Onshore Wind / Solar, (3) Hydro / Biomass / Gas, (4) Supply & Trading and (5) Coal / Nuclear. Segments (1) to (4) represent our core business. This is where we want to grow. In (5), we have pooled our German electricity generation from lignite, hard coal and nuclear fuel, which will lose importance due to exit roadmaps established by the state. Figures for 2019 have been adapted to the new segment structure retroactively to enable comparability.

The segments are made up of the following activities:

- Offshore Wind: Our business involving offshore wind is subsumed here. It is overseen by our Group company RWE Renewables.
- Onshore Wind / Solar: This is the segment in which we pool our onshore wind, solar power and battery storage activities. Here again, operating responsibility lies with RWE Renewables.
- Hydro / Biomass / Gas: This segment encompasses our run-of-river, pumped storage, biomass and gas power stations. It also includes the Dutch Amer 9 and Eemshaven hard coal power plants, which we are increasingly co-firing with biomass, as well as the project management and engineering services specialist RWE Technology International. These activities are overseen by RWE Generation. In addition, this company has been responsible for the design and implementation of RWE's hydrogen strategy since the beginning of 2021. The 37.9 % stake in the Austrian energy utility KELAG previously held by innogy is also assigned to Hydro / Biomass / Gas.

- Supply & Trading: This is where we report proprietary trading of energy commodities. The segment is managed by RWE Supply & Trading, which also acts as an intermediary for gas, supplies key accounts with energy, and undertakes a number of additional trading-related activities. The German and Czech gas storage facilities which we received from innogy also form part of this segment.

- Coal / Nuclear: Our German electricity generation from lignite, hard coal, and nuclear fuel as well as our lignite production in the Rhenish mining region to the west of Cologne are subsumed in this segment. This is also where we report our investments in Dutch nuclear power plant operator EPZ (30 %) and Germany-based URANIT (50 %), which holds a 33 % stake in uranium enrichment specialist Urenco. The aforementioned activities and investments are assigned to our Group companies RWE Power (lignite and nuclear) and RWE Generation (hard coal).

Group companies with cross-segment tasks such as the Group holding company RWE AG are stated as part of the core business under 'other, consolidation'. This also applies to our stakes of 25.1 % in German transmission system operator Amprion and 15 % in E.ON. However, we recognise the dividends we receive from E.ON in the financial result. Furthermore, 'other, consolidation' contains consolidation effects.

Our goal by 2040: RWE will become carbon neutral. As one of the world's leading energy companies, we shoulder special responsibility for the implementation of the emission reduction targets in the energy sector. The European Union aims to be carbon neutral by 2050. Our objective is to achieve the same goal by 2040, and we have already made good progress on this path. We reduced our annual carbon dioxide emissions from electricity production by 62 % from 2012 to 2020. By 2030, we plan to have lowered them by at least 75 %. The phaseout of electricity generation from coal will play a central role. Further elements of our emissions reduction strategy are the rapid expansion of zero-carbon renewable energy, increased utilisation of storage technologies and the use of carbon-neutral fuel to produce electricity. In doing so, we are acting in line with the Paris climate goals, as recently confirmed by the Transition Pathway Initiative and the Science Based Targets initiative. Our brand appearance demonstrates how seriously we take our environmental responsibility. RWE's new purpose, 'Our energy for a sustainable life', is an expression of the determination of the Group and its approximately 20,000 employees to ensure a sustainable energy system.

The new RWE: a world leading renewable energy company. The transaction with E.ON has turned us into a world-leading producer of electricity from renewable sources. We want to expand this business rapidly. By the end of 2020, we already had renewable energy assets with a total capacity of 10.8 GW, with 9.2 GW attributable to wind and 0.2 GW to photovoltaics. These figures reflect the generation capacity allocable to us on a prorated basis, i. e. in accordance with the stakes that we hold. In addition to existing assets, we have a wide portfolio of growth projects in various stages of development. Here again, the focus is on wind, followed by solar PV. On top of being environmentally friendly, renewable energy also enables stable and attractive returns. Electricity production from renewables is clearly already our strongest income generator. In the past fiscal year, it already accounted for about half of our adjusted EBITDA.

Fast growth in wind and solar power. We want to grow our wind and solar capacity to over 13 GW (pro-rata) by the end of 2022. We plan to make over €1.5 billion in net investments to this end every year. Reinvesting proceeds from sales of investments will actually cause the gross expenditure to be much higher. In August 2020, we expanded our financial headroom by increasing our capital by €2 billion.

Whenever we tackle wind or solar projects, we want to cover the entire value chain from development to construction and operation. Geographically, we are focusing on markets in Europe, North America and the Asia-Pacific region. As of the balance-sheet date, our largest construction project was the UK North Sea wind farm Triton Knoll with a total installed capacity of 857 MW, which is scheduled to have taken all its turbines online by 2022. We are also building huge onshore wind farms, e. g. Nysäter in Sweden with a capacity of 475 MW, which is expected to be completed in 2021. Moreover, we want to commission our Limondale solar farm in New South Wales, Australia, this year, too. With an installed capacity of 249 MW, it will be one of the most powerful installations of its kind in the country.

Thanks to our sizeable project pipeline, we firmly believe that we will make good progress in the expansion of renewable energy over the long term. One advantage in this respect in addition to the project experience and technical expertise of our teams is RWE's established position in core markets such as Germany, the United Kingdom and the USA. Existing production sites provide points of entry and synergistic potential for new build projects. For instance, last year we concluded agreements for lease which allow us to utilise areas in the immediate vicinity of four existing UK offshore wind farms to develop expansion projects. However, we also intend to grow in new markets. In 2020, we acquired a large number of onshore wind projects from Nordex in France, a country with attractive subsidy conditions in which we were hardly present before. Furthermore, we are preparing to enter the Japanese, Taiwanese and South Korean markets where we want to implement offshore wind projects together with local partners.

High-capacity storage: prerequisite for 100 % electricity generation from renewables. Electricity generation from wind and solar power greatly depends on the weather, time of day and season. Sometimes, power produced from renewable sources only covers a fraction of demand, and at other times, it exceeds local needs to such an extent that production actually has to be throttled. Consequently, storage technologies are increasingly coming to the fore as renewable energy continues to be expanded. They usually do not yet meet the technical and economic requirements for securing supply in the long term. But we are working on changing the situation. RWE has been involved in the development, construction and operation of battery storage systems for several years now. We operate such a unit in the town of Herdecke in the Ruhr area with a storage capacity of 7 MWh, making it one of the biggest in Germany. We are rolling out our largest battery project to date in Hickory Park, which is located in the south of the US state of Georgia. The site will be home to a 196 MW solar farm coupled to an 80 MWh battery storage system. This combination will enable electricity feeds into the local grid to be optimised, significantly improving the solar array's yield. We want to launch further projects of this type. Concurrently, we are exploring innovative electrochemical storage methods. We have presented two research and development undertakings dedicated to this goal on page 32. Besides electrochemical storage, power-to-gas technologies can also make a substantial contribution to security of supply. They use electricity generated by carbon-neutral methods to produce hydrogen by electrolysis, which can later be used to generate electricity when needed.

Carbon-neutral processes: a target for all sectors. Reducing emissions in the electricity sector – as intended by the EU – is not the end of the road to achieving carbon neutrality. Three quarters of European demand for energy is still being met with oil, coal and gas. But that is set to change. Electrification, in other words switching energy consumption to electricity produced by carbon-neutral methods, e. g. the use of heat pumps instead of oil and gas heating systems, also enables significant emission reductions in the manufacturing, heat and transportation sectors. Further advantages of electrification include boosting efficiency. For example, an electric vehicle is capable of using about 95 % of available energy, compared to the mere 30 % achieved by internal combustion engines. And the higher efficiency of electricity-based applications drives down the energy requirement. By contrast, demand for electricity generated by zero-carbon techniques – our most important product – will increase steadily as electrification progresses.

Hydrogen: integral component of the energy transition. The economy can only be decarbonised completely if solutions are also found for applications where direct electrification is not an option. Examples of this are the production of steel and fertilisers as well as aviation and shipping. In the near future, these areas offer the greatest potential for utilising hydrogen produced by zero-carbon methods. RWE intends to spur the expansion of the hydrogen economy, especially in Germany, the Netherlands, and the United Kingdom. In pursuit of this goal, we will work along the entire value chain, from green electricity generation and hydrogen production by electrolysis to hydrogen trading and storage and the conclusion of commercially optimised supply agreements with major industrial customers. In the last two years, we have forged numerous partnerships with businesses and research institutes seeking to co-operate with us to create nationwide hydrogen infrastructure. Examples of this are the German GET H2 and AquaVentus initiatives and the Dutch Eemshydrogen and NorthH2 ventures, on which we report in detail on pages 31 et seq. Further information on this topic can be found at www.rwe.com/hydrogen.

Conventional electricity generation: growing significance of gas as a source of energy. Building the storage infrastructure required for a nationwide supply of green electricity is a task that will take decades, not years to accomplish. Therefore, power stations capable of offsetting fluctuating wind and solar power production will remain necessary for the foreseeable future. With our conventional generation capacity, we are making an indispensable contribution to the reliable and tailored supply of electricity in our core markets Germany, the Benelux region, and the United Kingdom. Our gas-fired power stations, most of which are state-of-the-art, are especially well suited to partner with renewable energy because they emit little carbon dioxide and can react quickly to load fluctuations in the grid. Another advantage of gas-fired power stations is that they can be retrofitted to run on zero-carbon fuel, e. g. green hydrogen.

In terms of generation capacity, gas is already our main conventional source of energy, and its share of our power plant portfolio is expected to increase further. Currently, however, new builds are usually uneconomical, unless they receive guaranteed payments under the German Combined Heat and Power Act or as a result of invitations to tender from the network operators. Only recently, in November 2020, did we qualify in such an auction for the construction of a 300 MW grid stabilisation unit at the Biblis site. We are also considering buying existing gas-fired power stations. For instance, we acquired the 382 MW King’s Lynn station in the east of England in early 2020.

Conversely, coal and nuclear power stations will increasingly lose importance within our generation portfolio. In Germany, nuclear energy is subject to a phaseout roadmap, which stipulates a latest possible shutdown date for every single plant. Two RWE nuclear power stations are still online: Gundremmingen C and Emsland. We have permission to operate these assets until the end of 2021 and the end of 2022, respectively, after which we will shut them down. Thereafter, our nuclear operations will focus on dismantling our stations safely and efficiently. In addition, we are doing everything we can to ensure the continued use of the nuclear power plant sites, as demonstrated by the aforementioned grid stabilisation system in Biblis.

The option of using coal as a source of energy will also vanish in the foreseeable future. All relevant RWE core markets have firm legal exit dates. The United Kingdom has set its sights on the earliest exit year, which is 2024. Aberthaw B, the last RWE hard coal-fired power plant in operation there, was shut down early in March 2020.

In the Netherlands it will be forbidden to generate electricity from coal from 2029 onwards. For older assets, the ban comes into effect five years earlier. This has grave consequences for our Amer 9 (631 MW) and Eemshaven (1,580 MW) power plants, which were initially designed to run on hard coal only. Thanks to the state’s support, we co-fire biomass in both these stations now. By the end of last year, this fuel accounted for 80 % of generated capacity in Amer 9 and 15 % in Eemshaven. To continue operating the stations, we would have to increase these shares to 100 % by the end of 2024 at Amer 9 and 2029 at Eemshaven. This is possible technically, but so far state subsidies have only covered the additional cost of achieved levels of biomass co-firing, amounting to 80 % and 15 % for the two stations, respectively. To date, there have been no prospects of an increase in these funds.

In Germany, in mid-2020 the Lower and Upper Houses of Parliament passed the Coal Phaseout Act, on which we report in detail on pages 37 et seq. The new law envisages gradually switching off all of the country's coal power plants by 2038. The Act contains a detailed exit roadmap for Germany's lignite-fired power stations, whereas shutdowns of hard coal power plants will be decided via auctions. In the first few years, all the lignite capacity reductions will be implemented by RWE. At the end of 2020, we shut down the first 300 MW unit in the Rhenish lignite mining region. We will take a further 2.5 GW of generation capacity offline in 2021 / 2022, and just operate our three state-of-the-art 1,000 MW blocks from 2030 onwards. Subject to approval from the European Commission, the German government will pay us €2.6 billion in compensation for our early exit from lignite. However, the financial burden we will actually incur is much higher than this. We nevertheless believe the Coal Phaseout Act is acceptable, as it provides planning certainty for our lignite business.

To further limit our exposure to economic risks in coal-fired power generation and make faster progress en route to becoming carbon neutral, we entered the Ibbenbüren B and Westfalen E power stations in the first hard coal shutdown auction held by the German Network Agency (see page 44). Both stations won a remuneration contract and stopped operating at the end of 2020. On condition that the German Network Agency approves the closure of the two power plants, we will not produce electricity from hard coal in Germany any longer.

The coal phaseout poses major social and operational challenges, mainly relating to our lignite business. For example, we have to end our opencast mining activities in Hambach early, while maintaining Hambach Forest, which will be extremely expensive. Furthermore, we are forced to implement major layoffs. The state will provide subsidies for the affected employees, including an adjustment allowance. However, we will also pay for some of the redundancy measures ourselves. The Rhenish lignite mining area will be subjected to fundamental structural change. We intend to play our part in shaping this change and help to ensure that the energy industry continues to have a major role in the region. Some recultivation land is very well suited for the expansion of renewable energy. Three RWE wind farms are already located there. We also intend to continue developing our power plant sites. For example, there are plans to build an innovation, technology and commercial park in Frimmersdorf and the surrounding area. At the Weisweiler site, within the scope of an EU project, we are looking into the possibility of capturing geothermal heat, which could be fed into the district heating network of the greater Aachen area. In addition, we will thoroughly explore Power-to-Gas technology at the Niederaussem Innovation Centre. Since 2013, our research and development activities at the Centre have involved producing fuel and feedstock for the chemical industry from hydrogen and carbon dioxide obtained by electrolysis.

Supply & Trading: commercial hub for the generation business. Energy trading is part of RWE's core business. It forms the economic link between the elements of our value chain, the regional markets and the various energy commodities. It is overseen by the Group company RWE Supply & Trading, which focuses on trading electricity, gas, coal, oil, biomass, and CO_2 certificates. RWE Supply & Trading mainly conducts these activities from Europe as well as via subsidiaries in New York, Singapore, Beijing and Tokyo. Another of the Group company's activities consists of marketing the electricity from RWE power stations and procuring the fuel and emission allowances required to produce it. The objective here is to limit price risks. On top of that, RWE Supply & Trading is in charge of the commercial optimisation of our power plant dispatch, the earnings of which go to our generation companies. Companies outside of the RWE Group can also benefit from the expertise of our trading business. They are offered a wide range of products and services, running the gamut from traditional energy supply contracts and comprehensive energy management solutions to sophisticated risk management concepts.

Intermediary trading and storage of gas harbour additional earnings potential. Another string to RWE Supply & Trading's bow is the gas business. This is an area in which the company aims to establish itself as a leading European intermediary. The company already supplies gas to numerous companies inside and outside of the RWE Group. To this end, it enters into long-term supply agreements with producers, organises gas transportation by booking pipelines and optimises the timing of deliveries using leased gas storage facilities. The greater the size and diversification of the procurement and supply portfolios, the greater the chances to commercially optimise them. RWE Supply & Trading also concludes transactions involving liquefied natural gas (LNG). The main objective is to take advantage of differences in price between regional gas markets which are not connected via pipelines.

As part of the asset swap with E.ON, we received the gas storage facilities of our former subsidiary innogy: five in Germany with a total capacity of 1.6 billion cubic metres and six in the Czech Republic with a volume of 2.7 billion cubic metres. We report income from the management of these assets in the Supply & Trading segment. For regulatory reasons, we have to keep the storage business legally independent of our gas trading and gas sales activities. The owners and operators of these storage facilities are the Group companies RWE Gas Storage West and RWE Gas Storage CZ, which offer their market participants storage services at reasonable non-discriminatory conditions. Their customers use the storage to profit from sudden and seasonal changes in gas prices. However, only small margins can currently be achieved in the storage business. This holds true especially for the German market, which is characterised by excess capacity. However, we are confident that the need for storage and achievable margins will rise over the medium term, in part due to increasing demand for power plant gas. The use of our facilities to store hydrogen offers additional earnings potential in the long run.

Attractive investment portfolio increases financial strength. RWE's business operations are supplemented by a portfolio of investments in energy companies, which we believe will be a reliable source of substantial income. These are primarily the stakes in Amprion (25.1 %), KELAG (37.9 %) and E.ON (15 %). Our interest in E.ON is solely of financial importance to us. We are currently using this investment and our claim for compensation for the early exit from lignite against the federal government to fund the mining provisions. Conversely, we have strategic goals in respect of our stake in KELAG. RWE and KELAG's co-shareholder, the Austrian state of Carinthia, have a partnership aiming, among other things, to strengthen the company's role as a centre of excellence for run-of-river power stations.

RWE AG's management system. Ensuring sustainable growth in shareholder value is at the heart of our business policy. To manage the Group's activities, RWE AG deploys a groupwide planning and controlling system, which ensures that resources are used efficiently, and provides timely, detailed insight into the current and prospective development of the company's assets, financial position and net earnings. Based on the targets set by the Executive Board and management's expectations regarding the development of the business, once a year we formulate our medium-term plan, in which we forecast the development of key financial indicators. This plan contains the budget figures for the following fiscal year and planned figures for the years thereafter. The Executive Board submits the plan to the Supervisory Board, which reviews and approves it. During the fiscal year, we produce internal forecasts based on the budget. The Executive Boards of RWE AG and the main operating companies meet regularly to analyse the interim and annual financial statements and update the forecasts. In the event that the forecast figures deviate significantly from the budget figures, the underlying reasons are analysed and countermeasures are taken if necessary. We also immediately notify the capital market if published forecasts need to be modified.

Major key performance indicators used in managing our business are adjusted EBITDA, adjusted EBIT, adjusted net income, capital expenditure, and net debt. EBITDA is defined as earnings before interest, taxes, depreciation and amortisation. In order to improve its explanatory power in relation to the development of ordinary activities, we remove non-operating or aperiodic effects: capital gains or losses, temporary effects from the fair valuation of derivatives, impairments and other material special items that are shown in the non-operating result. Subtracting operating depreciation and amortisation from adjusted EBITDA yields adjusted EBIT. Adjusted net income is another key operating indicator for us. We arrive at this figure by correcting net income to exclude the non-operating result, income from discontinued operations as well as material special items in the financial result and in the income attributable to non-controlling interests. In addition, instead of the actual tax rate, which reflects one-off effects, we apply a rate of 15 %, which is oriented towards the expected average tax burden of the coming years.

We primarily use the internal rate of return for evaluating the attractiveness of investment projects. The Group's financial position is analysed using cash flows from operating activities, amongst other things. We also attach special importance to the development of free cash flow. It is the result of deducting capital expenditure from cash flows from operating activities and adding proceeds from divestments and asset disposals to them. Net debt is another indicator of RWE's financial strength. It is calculated by adding provisions for pensions and similar obligations, for nuclear waste management, and for the dismantling of wind farms to RWE's net financial position. Conversely, provisions for mining damage and the financial assets used to cover them are disregarded. In managing our indebtedness, we orientate ourselves towards the leverage factor, the ratio of net debt to adjusted EBITDA in our core business.

Sustainability management – more than just reducing emissions. We can only succeed over the long term if we ensure society's acceptance by embracing our corporate responsibility (CR). General consensus equates this with matters relating to the environment, society and governance (ESG), meaning that CR goes far beyond the reduction of greenhouse gas emissions. To optimise our assessment of the expectations which society has of us, we constantly seek to engage in dialogue with stakeholder groups. These are primarily shareholders, financial partners, employees, politicians, associations, non-government organisations and civic initiatives. The stimulus we receive by interacting with our stakeholders helps us to determine the focal points of our ESG activities. Matters of great importance to us in addition to reducing our emissions include the health of our staff, biodiversity at our sites, the diversity of our workforce and the attractiveness of RWE as an employer. We set ourselves specific goals in respect of numerous such issues, measure the degree to which we achieve them using KPIs, and make the results transparent to the public. The degree to which ESG targets are achieved also has a major effect on the remuneration of the Executive Board of RWE AG.

Further information on our ESG goals and accomplishments can be found in our Sustainability Report and in the Group's separate Non-financial Report in accordance with Section 315b, Paragraph 3 of the German Commercial Code. For fiscal 2020, these reports will be available in April 2021 and accessible at www.rwe.com/en/responsibility-and-sustainability. We also report on the assessment by independent rating agencies of our sustainability strategy and its implementation on our website. For further details, go to www.rwe.com/en/ratings-and-rankings.

2.2 Innovation

How can wind farms be built in deep waters? What can we do to ensure a carbon-neutral supply of electricity during lulls in the wind and periods of darkness? What options are there to make environmentally sensible use of carbon dioxide? We at RWE want to provide convincing answers to such questions. Last year, we worked with numerous partners in industry and science to launch or forge ahead with more than 200 innovation projects. Most of our ventures were primarily dedicated to achieving one goal: master the challenges of the energy transition with innovative solutions.

Research and development at RWE: solutions for a sustainable energy system. RWE is innovative in many ways. We are motivated both by a desire to remain competitive in an ever-changing environment as well as a passion to be a driving force of this change. With the help of our innovation projects, we are looking to develop solutions that help us advance the utilisation of renewable energy, expand electricity storage, become involved in large-scale hydrogen production, and help build a circular economy in which sensible use is made of carbon dioxide.

Our more than 900 patents and patent applications, based on about 250 inventions, are testimony to the importance we ascribe to research and development (R&D). Last year, we worked on 205 R&D projects. Around 390 of our staff were solely dedicated to these activities or contributed to them in addition to performing their normal tasks. In such ventures, we often work with other companies or research institutions, meaning we generally only bear a portion of the project costs. This is reflected in the RWE Group's operating R&D spending which in 2020 amounted to €20 million (previous year: €21 million).

On the following pages we present a small selection of our current innovation projects. They illustrate the range of challenges we are facing in light of the energy transition and demonstrate the creativity with which we are tackling these issues.

How we are using new technologies for offshore wind expansion. We rank among the world's leading companies in offshore wind power and are looking for ways to expand our reach. The aim of some of our current R&D projects is to identify the most competitive floating foundation technologies. This would enable us to venture into entirely new wind power territories.

The foundations of offshore wind farms are typically built on the seabed. True to the principle: the deeper the water, the more robust the structure needs to be in order to withstand the elements. This necessitates more building materials, which, in turn, causes project costs to rise. Therefore, wind turbines are generally only profitable in waters with a maximum depth of 60 metres. However, in order to harness the potential of wind energy more effectively, companies are working on concepts for floating wind turbines. They are mounted on a float made of steel or concrete, which is secured to the seabed using mooring lines and anchors. This opens up the possibility of deploying wind turbines in deeper waters, e.g. off the coasts of Asia, the Americas or the Mediterranean region as well as in parts of the North Sea. According to WindEurope, the European wind industry association, in about 80% of all sea areas where wind speeds are suitable for electricity generation, the ocean is simply too deep for conventional foundation designs. We are currently involved in demonstration projects for three different types of floating foundations with the objective of identifying the most viable of these technologies.

One of the three demonstration projects we are working on is **TetraSpar**. It consists of a tubular steel support structure which is kept stable in the water by a keel. As the support structure has a modular design, its individual parts can be prefabricated at different locations, which is cost-effective. We are working on this project with Shell, Stiesdal Offshore Technologies from Denmark, and Japanese power utility TEPCO. We finished assembling the first TetraSpar base in the Danish port of Grenaa in October 2020. It was placed in storage for the winter and is scheduled to be launched in the spring of 2021. We will then mount a 3.6 MW wind turbine on the float at the quayside, after which tugboats will take the entire structure to the test site ten kilometres off the Norwegian coast near Stavanger, where it will be attached to the seabed 200 metres below by means of three anchor chains and then connected to the grid via a cable. Power generation is scheduled to start in the summer of 2021. The floating turbine will be equipped with a large number of sensors to measure whether its behaviour in real-life conditions is in line with our predictions based on calculations and tests.

The second project is **DemoSATH**, in which we are working with the Spanish company Saitec Offshore Technologies on the development and construction of a floating platform for a 2 MW wind turbine in the sea near Bilbao, in northern Spain. The project is based on Saitec's SATH (swinging around twin hull) technology using a catamaran-like float made of pre-cast, post-tensioned concrete elements. The floating platform can freely rotate around a single point of mooring, depending on wind and wave directions. The DemoSATH prototype including its turbine will be assembled on a quayside in the port of Bilbao, before being towed to its mooring point at a test site in the Atlantic, two kilometres from the Basque coast, where the water is around 85 metres deep. The floating platform will be held in place using hybrid mooring lines consisting of chains and synthetic fibre ropes. In the project schedule, three-and-a-half years are allocated for planning, construction and test operation. After some delays due to COVID-19, the wind turbine is expected to go into service in summer 2022.

In the third project, **New England Aqua Ventus**, we are collaborating with the University of Maine and Diamond Offshore Wind, a subsidiary of Mitsubishi Corporation. The aim is to deploy a 10 MW floating wind unit in the Gulf of Maine along the eastern coastline of the U.S. by the end of 2023. The unit will feature the University of Maine's patented floating hull technology consisting of modular concrete components with glued joints – a technique that is also used in bridge building. The floating platform weighs approximately 10,000 metric tons with its base approximately 20 metres below sea level. The project focuses on evaluating the floating technology in regard to environmental factors and analysing how offshore wind can coexist with ocean shipping. The project is in the development stage. This year, we plan to select a turbine and start negotiations with construction companies.

How we intend to harvest high-altitude winds. For several years, RWE has been exploring how to harness the fairly strong and steady high-altitude winds to produce electricity. Airborne wind energy (AWE) systems offer huge potential for applications in this area. AWE systems consist of a flying device, a tether and a ground station. The flying device is usually a version of a power kite, such as that used for kite surfing, or a fixed-wing construct similar to that of a small aircraft. They can both operate at heights of up to 500 metres. Power is generated as the device manoeuvres crosswind. This is done either in the sky using onboard turbines or on the ground as the tether unwinds a winch which drives a generator.

As part of a collaborative venture with SkySails Power, we acquired an AWE system rated at up to 200 kW from the Hamburg-based company and want to operate it during a three-year research and development period. Concurrently, we are developing a test site for AWE systems in Ireland with a view to testing further prototypes and concepts, including a 150 kW unit from our Dutch partner Ampyx Power. The EU has committed to fund this project. We are confident that the new technology will establish itself as a useful supplement to traditional wind energy generation methods as AWE systems have advantages over conventional wind turbines in terms of material usage, maintenance requirements, capacity utilisation, noise emissions and casting shadows. Furthermore, they can be used flexibly at various locations. Based on our assessment, commercial operation of MW-class airborne wind energy systems will be possible in the coming decade.

How we are forging ahead with green hydrogen production. The more electricity generation switches to the wind and sun as energy sources, the more important energy storage becomes in order to ensure the availability of electricity when needed, independent of the weather. Two alternatives exist to provide power storage to the necessary scale: high-capacity batteries and hydrogen produced from green energy, which can be converted back to electricity on demand. The added advantage of hydrogen from zero-carbon techniques lies in its versatility: it can be used not only to store electricity but also to decarbonise industrial processes and modes of transport which cannot be electrified. We are involved in current initiatives for the expansion of hydrogen infrastructure focusing on these hydrogen applications. RWE is working on a large number of hydrogen projects in Germany, the Netherlands and the United Kingdom. The following passages present four projects that could contribute to the northwestern German / Dutch region turning into a hydrogen hub. We also report on this and further major hydrogen undertakings at www.rwe.com/hydrogen.

One of the first hydrogen initiatives spanning several industries in Germany is **GET H2**. In addition to RWE, BASF, BP, Evonik, Nowega, OGE, ThyssenGas and Uniper, a host of additional companies and scientific institutions are participating in the project. GET H2 covers the entire hydrogen value chain, from production and transport to usage. The long-term objective is to build a nationwide hydrogen infrastructure in Germany. Under the initiative, we have joined forces with several partners to launch the GET H2 Nukleus project. RWE's role is to install and operate an electrolyser at our Lingen power plant site, with which we can use electricity from wind farms to split water into hydrogen and oxygen. The planned capacity is 100 MW. This would make the unit much bigger than any other in operation in Germany. It is envisaged that the green hydrogen will be transported via repurposed gas pipelines to the northern Ruhr area where it can be used by refineries and chemical parks. Production and transport of this hydrogen could begin as early as the end of 2023. This would lay the cornerstone for gradually expanding public hydrogen infrastructure. In addition, the project partners aim to make electrolysis technology ready for mass production by using it in large-scale plants, thereby reducing the future cost of green hydrogen production.

Another initiative harbouring substantial potential is **AquaVentus**. The idea behind it is to produce hydrogen offshore using electricity from offshore wind farms and transport it via pipelines to onshore demand hotspots. The island of Heligoland, which is situated in the German North Sea, acts as a hub to which the hydrogen produced by offshore wind turbines is transported through pipelines. The Port of Heligoland is already a logistical centre for the operation of offshore wind farms. Initially, the hydrogen will only be used to meet the island's needs. Once production volume increases, the hydrogen will be forwarded to the mainland, first via tanker and then via a pipeline. Our partners in AquaVentus include Gascade, Gasunie, Shell and Siemens. A pilot project is being conducted to build two 14 MW wind turbines in the coastal waters of Heligoland and integrate an electrolyser in each of their bases. If the project stays on schedule, the turbines could start operation in 2026. In the long run, electrolysers with a total capacity of 10 GW could be installed in the North Sea through to 2035. This would be enough to produce up to 1 million metric tons of green hydrogen every year.

One of our most important hydrogen projects outside Germany is **Eemshydrogen**, based at our Eemshaven power plant site in the Netherlands. This is the projected home of an electrolyser powered by electricity from our neighbouring Westereems onshore wind farm. The plant's initial capacity has been set at 50 MW, although future increases in local wind power capacity and hydrogen demand could enable capacity to be ramped up gradually. We intend to transport the hydrogen via repurposed gas pipelines, store it in a salt cavern if necessary, and then deliver it to major customers. Talks with companies participating in the development of hydrogen infrastructure and with potential off-takers in the nearby Delfzijl industrial cluster are already underway. Current plans envisage the electrolyser being commissioned in 2024.

NorthH2 is another project planned in the north of the Netherlands. The objective is to turn the region into a hub for supplying northwestern Europe with green hydrogen. A system consisting of offshore wind farms, electrolysers, gas storage facilities and pipelines is expected to be set up for this purpose. NorthH2 was launched in early 2020 by Gasunie, Groningen Seaports and Shell. Equinor and RWE started contributing their expertise to the undertaking in December. The partners plan to build 4 GW of electricity generation and electrolysis capacity by 2030, pushing up this figure to over 10 GW by 2040. The end game is therefore of a similar order of magnitude as the German neighbour project AquaVentus. A feasibility study will clarify whether the NorthH2 project can be carried out as planned. If the study has a positive outcome, the partners intend to start developing the project in the second half of 2021.

How we plan to use batteries to ensure grid stability. Alongside hydrogen technology, electrochemical storage is an indispensable building block of climate-friendly energy supply. We have operated a 7 MWh battery storage facility next to the Herdecke pumped-storage power plant on the Ruhr river since the beginning of 2018. Three freight containers, equipped with a total of 552 battery modules, serve as the beating heart of the unit. Drawing on experience gained, we have initiated further battery storage projects, two of which we will present below.

Panta.rhei is the first such project: at the new RWE campus in Essen, we have been developing a redox flow battery since May 2020. What is unique to this technology is that it stores electric energy in chemical compounds that are dissolved in a liquid. This explains why it is also referred to as a 'liquid battery'. Our pilot plant has a storage capacity of 390 kWh. When fully charged, it can deliver 120 kW for more than three hours. We plan to harness its full potential this year. We expect to gain valuable experience from the Panta.rhei project that will help us operate redox flow batteries reliably. Our test facility will initially be used in the balancing power market to stabilise the grid. This is because batteries can react to changes in grid frequency within a matter of seconds. If the test facility proves itself, we will investigate further applications. For instance, we could use liquid batteries in the electricity wholesale market and take advantage of differences in price resulting from fluctuations in feed-ins of wind and solar power, for example.

In our second battery project – **Lazarus** – we are seeking to leverage an especially affordable and sustainable storage solution with pre-used lithium-ion batteries from electric vehicles. The advantage in this respect is that these 'second-life batteries' can be sourced affordably and often still have more than 70 % of their original storage capacity. Extending their life also makes sense from an ecological standpoint, given the greenhouse gasses emitted during their production. Our long-term plan is to combine a number of these batteries to form a large-scale storage system. Since August 2020, we have been working with a partner from the automotive sector on a pilot plant which we intend to use in the balancing power market. This presents us with the technical challenge of managing the variety of degradation levels in second-life batteries. In Project Lazarus, we will explore how to operate our system reliably despite this.

How we are turning carbon dioxide into fuel. A complete decarbonisation of industrial processes will be all but impossible in the coming decades. So whether Europe meets its target of carbon neutrality by the middle of the century will essentially depend on how we deal with the carbon dioxide that is unavoidably emitted during manufacturing processes. One option is to store the carbon dioxide below ground, preventing it from entering the atmosphere. However, the more sensible alternative is capturing the carbon dioxide, e. g., by combining it with green hydrogen and turning it into chemical products such as plastics. We have been working on eco-friendly ways to use carbon dioxide for over ten years now. Our research is based on the carbon dioxide from our pilot plant at the Niederaussem Innovation Centre in the Rhenish coal mining region. Together with BASF and Linde, we have been developing one of the world's leading technologies for what is known as CO_2 scrubbing. This technique is used to separate carbon dioxide from the flue gas of a power station or chemical plant, before liquefying it and making it available for recycling. Our CO_2 scrubbing demonstration unit has already proven its capabilities during years of extensive testing. Since 2009, it has completed more than 85,000 operating hours, achieving carbon capture rates of up to 98 %. We use the carbon dioxide to produce synthetic fuels and raw materials that can be used by the chemical industry, replacing fossil fuels such as oil or natural gas. The resulting fuels and materials therefore hold great potential for industry and transport. Together with partners, we have already launched half a dozen projects to convert carbon dioxide. All have been approved for funding by either the EU or the German Ministry of Economic Affairs and Energy (BMWi), among others. Two of these projects, MefCO_2 and ALIGN-CCUS, have already successfully run their course, providing us with the foundation for a series of new R&D initiatives due to start in 2021.

In the **MefCO_2** project (methanol fuel from carbon dioxide) we have produced methanol using carbon dioxide and hydrogen. The hydrogen, in turn, was produced by electrolysis using water and electricity. A wide variety of chemical products are based on methanol, one of the most commonly manufactured chemicals in the world. The clear liquid can also act as a long-term storage medium for hydrogen. We are leveraging this discovery to power a factory vehicle, for example. We equipped the electric car with an additional fuel cell in order to increase its range and be able to charge while driving. Here, methanol is used as a hydrogen source. The fuel cell charges the vehicle battery with the energy released when the hydrogen reacts with oxygen and pure water is produced. In the future, we want to explore additional ways of using methanol as a fuel.

A total of 30 industrial enterprises and research institutions from five European countries were involved in **ALIGN-CCUS**. The German Ministry of Economic Affairs and Energy (BMWi) and the European Union committed funds to the project. With ALIGN-CCUS, we have demonstrated how an entire value chain, from capturing and using carbon dioxide to storing it, can be designed. For this purpose, we converted carbon dioxide and hydrogen into dimethyl ether (DME). DME is a liquefied gas, similar to propane or LPG (autogas) and is used as a hairspray propellant, for example. DME, just like LPG, can be used to power cars. It burns like diesel but is low in both soot and nitrogen oxide, making it a cleaner option. The deciding factor here is that we also produce the necessary hydrogen ourselves – from water and green electricity. In Niederaussem, we commissioned a pilot plant in early 2020, allowing us to produce 50 kilogrammes of DME a day using carbon dioxide and hydrogen. We initially used the DME as fuel for a suitably converted diesel generator to produce peak-load electricity.

After completion of ALIGN-CCUS in November 2020, the pilot plant remained in operation. We now use it for the **TAKE-OFF** project, which was launched in early 2021 and is also backed by the EU. We are working with nine partners from six countries on TAKE-OFF. The aim is to keep developing the available technology to produce aviation fuel based on DME and methanol. In our **NRW-Revier-Power-to-BioJetFuel** project, we are also researching whether we can use existing methods on an industrial scale to produce eco-friendly aviation fuel from hydrogen and carbon dioxide. We assume that politicians are more likely to promote the use of green kerosene for aviation before green diesel for trucks and ships. This should make the results of this project interesting from an economic point of view.

Detailed information on these projects and our other R&D ventures can be found at www.rwe.com/innovations.

2.3 Business environment

Energy policy continues to centre on climate protection. The EU intends to enshrine an ambitious emission reduction goal for 2030 in law. At the end of 2020, the European Council announced that it was in favour of scaling back greenhouse gas emissions by at least 55 % compared to 1990. The EU aims to spur the creation of a more environmentally compatible economy. One goal is to better couple the electricity, heat, transportation and manufacturing sectors while also creating a European hydrogen economy. The European Commission has specified in strategy papers how this can be accomplished. A foundation has also been laid for increased climate protection in our home market, Germany. In mid-2020, policymakers established the legal framework for phasing out coal-fired electricity generation. This has given us increased planning certainty for our lignite business. We also welcome the state's assistance in cushioning the social impact of necessary redundancies.

Political environment

Europe seeks to become carbon neutral by 2050. In March 2020, the European Commission presented a draft for a European climate law. It was the first legislative proposal for the implementation of the EU's Green Deal, which the President of the European Commission Ursula von der Leyen had declared to be of the utmost priority during her five-year term in office (see page 42 of the 2019 Annual Report). The objective is to make the EU goal of carbon neutrality by 2050 legally binding. EU institutions and member states would then be obliged to establish a framework for reducing net greenhouse gas emissions to zero by the middle of the century. By 2023, the Commission will conduct an initial assessment and announce whether EU and national measures are mutually compatible and fit for purpose. A similar evaluation of the EU's progress is planned for every five years thereafter.

The legislative initiative also paves the way for raising the 2030 target for reducing greenhouse gas emissions. The previous goal was to reduce greenhouse gas emissions by 40 % compared to 1990. The March 2020 draft law proposed a decline of 50 % to 55 %, subject to a comprehensive impact assessment. Once the results of the assessment were published in September, the Commission set the target at no lower than 55 %. However, the European Parliament did not feel that the measures went far enough. In early October, a majority of delegates voted for a 60 % decrease of greenhouse gas emissions. Also in October, the European Council also gave the go-ahead for the climate law, although it initially omitted the interim goal for 2030. At the EU Summit in December, the heads of state and government agreed on a reduction of at least 55 %. Representatives of the Council and Parliament must now decide which target is ultimately adopted during formal trilogue meetings, in which the Commission is also involved. The negotiations had not been concluded when this review of operations was prepared (early March 2021).

The climate law will serve as the foundation for the Green Deal, which envisages far-reaching reforms to industry, energy supply, transport and agriculture. To this end, the European Commission is planning comprehensive legislative changes and a number of different programmes in order to provide for the accelerated expansion of renewable energy, a new strategy for the industrial sector, import barriers for goods produced using processes that are harmful to the climate, and a strategy for clean transportation, among other things. Regions which are most affected by these policy measures will be supported by way of a Just Transition Fund. The EU is also planning to reform the European Emissions Trading System and, in doing so, will probably considerably reduce the number of certificates placed on the market. The extent of the reduction is likely to depend on the emissions reduction target agreed upon by the Council and the Parliament

EU creates sustainability classification system for economic activity. In June 2020, the European Parliament and the Council of Ministers introduced the Taxonomy Regulation as a tool to help determine when to classify economic activity as sustainable. Players on the financial market, e.g. investment funds, labelling a financial product environmentally sustainable, will have to report the share of green investments in their portfolio as defined by the Regulation. Businesses will also be faced with stricter disclosure requirements. Companies obliged to prepare non-financial reports will have to provide more detailed information on the sustainability of their business activities. The EU hopes that the increased transparency will provide stimulus for investments that make a contribution to the Green Deal. The Taxonomy Regulation entered into force on 12 July 2020. As it is a central piece of legislation, there is no need to translate it into national law. The publication duties apply from 2022 onwards. However, the European Commission is yet to specify the criteria for determining the economic activities meeting the sustainability principles set out in the Regulation.

EU seeks to integrate energy system and drive expansion of hydrogen economy. In July 2020, the European Commission published strategy papers on coupling the electricity, heat, transport and manufacturing sectors (integration of the energy system) and on hydrogen. They contained a variety of goals and measures aimed at enabling the EU to achieve its target of carbon neutrality by 2050, as set out under the Green Deal. The European Commission's strategy to integrate the energy system aims to harness potential emission reductions and increase efficiency. An integrated system envisages a world in which vehicles are powered by solar panels, homes are heated by district heating from factories, and manufacturing plants are operated with hydrogen produced with offshore wind energy, to list a few examples. The European Commission sees increasing the share of electricity in final energy consumption as being key to sector coupling, i.e. increasing utilisation of heat pumps and electric vehicles, for example. Sectors which are likely to struggle with electrification will see a push for clean fuels, such as green hydrogen. To this end, the Commission intends to develop a new classification and certification system for zero and low-carbon fuels. In addition, it is planning support programmes and comprehensive adjustments to the European regulatory framework.

In an integrated energy system, hydrogen can be used to support the decarbonisation of industry, transport, power generation and buildings in Europe. The EU's hydrogen strategy addresses how to unlock this potential by way of investment, regulation, market creation, and innovation. The primary goal is to develop a green hydrogen economy, which largely sources its hydrogen electrolytically using renewable energy. By 2024, 6 GW of electrolysis capacity is envisaged, which would enable up to 1 million metric tons of green hydrogen to be produced per year. The Commission's roadmap seeks to make green hydrogen a core component of the integrated energy system by as early as 2030. Then the EU should have electrolysers with a total capacity of at least 40 GW, with annual production reaching up to 10 million metric tons of hydrogen. The EU expects green hydrogen production technologies to have matured by this point, allowing for large-scale rollout over the following two decades. In order to give this additional momentum, the Commission founded the European Clean Hydrogen Alliance, a body comprised of representatives from industry, national and local public authorities, civil society and the European Investment Bank. RWE is a member of the alliance, which has been tasked with driving investments to expand hydrogen infrastructure, among other things.

German government adopts national hydrogen strategy. The German government published its hydrogen plans in June 2020 – one month ahead of the EU. Germany's national hydrogen strategy affirms the country's intent to establish hydrogen technologies as core elements of the energy transition and to create the necessary regulatory framework to ensure large-scale rollout. The plan is to build a strong home market in Germany and to focus on green hydrogen, produced using renewable electricity, with the strategy paper stating that only this option is truly sustainable in the long term. The German government envisages electrolysers with a total capacity of 5 GW being built for the production of green hydrogen by 2030, in addition to the required generation assets, with offshore wind playing a major role. The objective is to have 10 GW of electrolysis capacity by 2040 at the latest. The large-scale rollout of hydrogen technology in Germany will be supported with €7 billion in subsidies. It is envisaged that an additional €2 billion will be set aside for international partnerships. The federal government also intends to give electricity used to produce green hydrogen preferential treatment in terms of taxes, levies and surcharges. This electricity has already been exempted from the surcharges under the Renewable Energy Act and the Combined Heat and Power Act as well as the offshore grid apportionment as part of the reform of the Renewable Energy Act, on which we report below.

German government establishes more favourable subsidy conditions for renewables. In December 2020, the German Upper House and Lower House passed a reform of the German Renewable Energy Act, which entered into force on 1 January 2021. According to the law, all electricity generation in Germany must become carbon-neutral by 2050. The target for 2030 is for renewables to account for 65 % of electricity consumption. To facilitate this, legislators have set new expansion targets: they envisage photovoltaic and onshore wind capacities growing to 100 GW and 71 GW by 2030, corresponding to a rise of around 85 % and 30 %. The law provides for a number of regulations, many with a focus on making the operation of solar panels more attractive. The amendment also brings improvements for wind farms. For example, operators of new wind farms will be able to give local communities a share of the electricity revenue in order to increase local value added and thus raise acceptance. Old wind turbines, which have come to the end of their 20-year subsidy period, will receive a follow-up subsidy until 2022, subject to certain conditions. However, this measure still needs to be approved by the European Commission under state aid law. In order to reduce the strain on electricity consumers, the legislator is limiting the renewable energy surcharge to 6.5 cents / kWh for 2021 and 6.0 cents / kWh for 2022. The government will fund the shortfall from its budget. As mentioned above, electricity used to produce green hydrogen will be exempt from the renewable energy levy and further surcharges in the future.

In November 2020, the Lower and Upper Houses of Parliament passed two further laws to drive the expansion of renewable energy: the Offshore Wind Energy Act and the Investment Acceleration Act. The first of the two laws envisages the 2030 expansion target for offshore wind power increasing from 15 GW to 20 GW, with this figure rising to 40 GW by 2040. The tendering model will remain largely unchanged. In Germany, wind farms are subsidised via premiums. If the market price realised by the operators for their electricity is below a reference figure, the premium offsets the difference. The reference price is determined on the basis of a competitive tender process, in which participants with the lowest bids are selected. One important change is that permissible bids are now subject to higher ceilings. The upper limit will be set at €73 / MWh in 2021 and at €64 / MWh and €62 / MWh in the two following years, respectively. If the cap had not been raised, the maximum allowable bid in the next call for tenders would have been limited to the lowest successful bid in the previous auction of 2018, which was €0. In addition, moving forward, developers of wind energy projects will pay a higher penalty if they fail to make a final investment decision 24 months before the grid connection completion date. This lowers the likelihood of speculative zero-subsidy bids, fuelled by positive market forecasts.

The Investment Acceleration Act, passed in tandem with the Offshore Wind Energy Act, aims to decrease administrative and legal barriers to infrastructure expansion. It includes changes to court proceedings as well as environmental and general administrative procedures, including regional planning procedures. In accordance with the law, objections and actions for annulment by third parties disputing the approval of an onshore wind turbine with a total height of more than 50 metres no longer have a suspensive effect – allowing projects to progress. Furthermore, legal disputes concerning onshore wind farms of this size can now be fast-tracked through an expedited appeals process. The law provides for higher administrative courts to have jurisdiction in the first instance.

UK government publishes energy white paper for climate protection. In December 2020, the UK government published its energy white paper, setting out how it envisages the country's future climate protection trajectory. The UK is intent on achieving net zero emissions by 2050. The paper contains a variety of measures to pave the way for this vision. Particular focus has been given to offshore wind expansion: the UK government aims to quadruple capacity to a total of 40 GW by 2030. It further envisages a rise of climate-friendly hydrogen production capacity to 5 GW by the same year. A national scheme focused on achieving the climate targets for 2050 will replace the EU Emissions Trading System. Projects for capturing and storing or using carbon dioxide are to receive £1 billion in funding over the course of the decade.

Poland establishes support scheme for offshore wind. The Polish government has created the legal framework for subsidies for wind farms in the Baltic Sea, with the Parliament passing an appropriate law in January 2021. Poland intends to increase the share of renewables in electricity generation from 14 % in 2019 to 32 % in 2030. At the moment, there are no wind farms off the coast of Poland. However, turbines with a total capacity of 10.9 GW are due to be in development or in operation by as early as 2027. The law envisages a start phase, which will initially subsidise wind farms with a total capacity of 5.9 GW. Plant operators will be awarded contracts for difference which guarantee a fixed payment for 100,000 full load hours in generation, with a maximum subsidy period of 25 years. If the market price falls below the guaranteed remuneration, the state pays the difference. If it exceeds the specified sum, the operators are obliged to make a payment. In the first phase, the subsidies are set administratively. Companies have until the end of March 2021 to apply for them. After the start phase, the wind farms subsidised through contracts for difference will be determined in auctions. Tenders for up to 2.5 GW are planned for both 2025 and 2027. RWE is currently developing the FEW Baltic II offshore wind project in Poland. This project involves building a wind farm with an installed capacity of 350 MW on Słupsk Bank. FEW Baltic II satisfies the requirements for participating in the first phase of the offshore wind subsidy scheme.

US government improves funding conditions for renewables. In the USA, policymakers have increased the tax incentives for investments in renewable energy assets. Additionally, deadlines for incentive claims have been extended to protect investors from financial losses from construction delays due to the coronavirus. In the United States, renewable energy projects are subsidised using a two-pronged approach: production tax credits (PTCs) or investment tax credits (ITCs). PTCs grant a tax benefit per unit of electricity for a period of ten years. ITCs are based on the value of the investment. RWE's onshore wind turbines are typically subsidised with PTCs. Projects launched in 2016 / 2017 would have needed to be completed in 2020 / 2021 – i. e. four years later – in order to be eligible for the full subsidy. In light of the coronavirus pandemic, the US government extended this deadline by a year. RWE also benefits from this as there were delays in the completion of a number of wind farms due to COVID-19. In addition, the US government also decided to extend ITC subsidies for solar investments. New plants, which go into construction in 2021 or 2022, will be granted an investment tax credit of 26 % of the total investment. For plants going into construction in 2023, this figure drops to 22 %. More favourable funding conditions have now also been introduced for offshore wind: projects set to begin construction before 2026 qualify for an ITC of 30 % of the total investment.

German Upper and Lower House adopt regulatory framework for German coal phaseout. On 3 July 2020, the German Upper House and Lower House passed the law on the reduction and termination of coal-fired power generation and on the amendment of other legislation (Coal Phaseout Act). The law is based on recommendations published by the government's Growth, Structural Change and Employment Commission in January 2019. It provides for a gradual exit from electricity generation from coal by 2038. The Act also contains provisions for the continuous monitoring of security of supply and the introduction of adjustment allowances for older employees working in the coal sector as well as an authorisation clause, which enables the federal government to provide electricity consumers with financial relief if the coal phaseout leads to an increase in electricity prices. In addition, the legislator extended and refined the subsidisation of combined heat and power plants. The objective is to encourage retrofits of coal-fired power stations for more climate-friendly electricity generation.

Legislators have now also established a phaseout roadmap for lignite power plants. RWE will bear the brunt of initial capacity reductions. We decommissioned the first 300 MW block in the Rhenish lignite mining region, Niederaussem D, at the end of 2020. This year, we will take three further 300 MW assets off the grid, with one 300 MW block and two 600 MW units scheduled for 2022. The Neurath and Niederaussem sites will be most heavily affected by these plans, along with Weisweiler, albeit to a small extent. Furthermore, in 2022, we will discontinue briquette production in Frechen and, in turn, the operation of 120 MW in electricity generation capacity. Thereafter, we will shut down the remaining capacities at our Weisweiler power station: one 300 MW unit (2025) and two 600 MW blocks (2028 and 2029). The Inden opencast mine, which exclusively supplies Weisweiler with lignite, will then also be decommissioned. We will shut down our last two 600 MW stations in late 2029, one of which will remain on standby for four years to ensure security of supply. From 2030 onwards, this leaves only our three state-of-the-art lignite blocks at 1,000 MW apiece on the market.

The closures will have considerable consequences for the opencast mines. More than half the approved volume of lignite reserves will remain in the ground and Hambach Forest will be preserved. Of our three opencast mines in the Rhenish lignite mining region – Inden, Hambach and Garzweiler – we will only operate the last in the list from 2030 onwards to supply the remaining assets with fuel. Accordingly, the energy industry's need for the Garzweiler II opencast mine to remain operational has been enshrined in law via a clause added to the Coal Phaseout Act.

The lignite phaseout will place a huge financial burden on our company. In accordance with the law, we will therefore receive compensation in the amount of €2.6 billion, to be paid out in equal instalments over a 15-year period. However, the damage we will actually incur will clearly exceed this figure. Our claim for compensation from the state and the majority of our expected losses have already been accounted for in our 2019 consolidated financial statements (see page 43 of the 2019 Annual Report). Intended recipients of state compensation in addition to RWE include the employees affected by the layoffs. Among other things, the Coal Phaseout Act provides for adjustment allowances and compensation for any disadvantages in relation to statutory pensions. These will be covered by the state. Furthermore, a coal phaseout collective agreement we signed with the German Unified Services Trade Union (ver.di) and the German Mining, Chemicals and Energy Trade Union (IG BCE) in August 2020 contains provisions that determine what RWE has to do above and beyond the state measures.

The lignite phaseout is flanked by a public law contract between the state and the lignite producers. The contract contains a large number of regulations, which relate in particular to the implementation of the closures and compensation. This contract will serve to protect the companies' interests, which, in return, will not assert any further claims in relation to the lignite phaseout. Once approved by the Upper House, the contract was signed in early 2021. However, the compensations still require approval by the EU under state aid law. Irrespective of this, RWE has begun to implement the statutory phaseout plan.

The hard coal phaseout is also set out in detail in the new law. At which point each individual power plant will be taken off the grid and how much their operators will be compensated is determined in an auction process. The law envisages annual tenders from 2020 to 2027. Operator bids will be subject to specific caps which are set to be lowered from €165,000 to €89,000 / MW during the aforementioned period. From 2027 onwards, the law provides for closures without compensation. If the tenders do not result in enough capacity being decommissioned, starting in 2024, power plant operators will be ordered to shut down stations without compensation. RWE participated in the first auction, which was held in the second half of 2020. Our last two German hard coal power plants – Ibbenbüren B (794 MW) and Westfalen E (764 MW) – placed winning bids. The stations stopped operating in late 2020 (see page 44).

German government seeks to provide coal regions with up to €40 billion in subsidies. On 3 July, the Upper and Lower Houses of Parliament passed the Structural Development Act, which applies to coal mining regions. The law envisages the federal government providing up to €14 billion in financial support to the lignite mining regions for investments of particular importance through to 2038. Of these funds, 37 % will go to the Rhenish coal mining region, in which we are active, with 43 % and 20 % going to the Lausitzer and Central German coal mining areas, respectively. The funds can be used by the states, e. g. to invest in industrial infrastructure and public transport. The government intends to flank this by supporting the regions through its own measures. A total of €26 billion has been budgeted for this and earmarked for measures such as the expansion of the rail and road networks as well as the creation of research hubs.

German government to overhaul compensation for nuclear phaseout. In September 2020, the German Constitutional Court found that the compensation regulations in the German nuclear phaseout plan introduced in 2018 had not entered into force. The Court thus ruled in favour of an appeal submitted by Vattenfall. The proceedings dealt with the 16th amendment to the German Nuclear Energy Act, which specified the approach to compensating RWE, Vattenfall, E.ON and EnBW for certain financial losses due to the expedited nuclear phaseout. The phaseout had been enshrined in law in 2011 following the Fukushima nuclear disaster. This was the second exit law after 2000. In 2010, the government had extended the lifetimes of nuclear power stations. After the reactor incident, it reversed the extension and imposed stricter conditions on the exit. In December 2016, the Constitutional Court ruled that the power station operators have to be compensated for certain losses due to the second nuclear phaseout and tasked the state with making the necessary legislative arrangements by mid-2018. Compensation claims were thus ruled admissible for generation contingents that had been approved in the first nuclear phaseout in 2000, but which could no longer be used due to the decommissioning deadlines introduced in 2011, and for investments that were now worthless and that the power plant operators had undertaken based on the lifetime extension introduced in 2010. The state intended to implement these instructions by way of the 16th amendment to the German Nuclear Energy Act. However, according to the most recent Constitutional Court ruling, the amendment never entered into force due to formal errors. Additionally, the Court also found that individual provisions, which were dedicated to compensation for unusable generation contingents and which could prove detrimental to the affected companies, were unconstitutional. In accordance with the ruling of the highest court, the legislator is obliged to rewrite the compensation regulations. The German government began talks with the nuclear power plant operators on this subject at the beginning of 2021 (also see page 46).

Market environment

Economic output drops in all of RWE's core markets. According to preliminary estimates, global economic output dropped by 4 % in 2020 compared to the previous year. The coronavirus pandemic and the associated lockdown measures caused many countries' gross domestic product (GDP) to slump drastically. Economic experts estimate a GDP decline of about 7 % for the Eurozone. Economic output was not as adversely affected in Germany and the Netherlands, our most important markets within the currency union. Estimates here vary between – 5 % and – 4 %. The USA is likely to have experienced a similar decline. However, the United Kingdom has been hit much harder by the pandemic: based on available data, UK GDP probably shrank by about 10 %.

German electricity consumption down by an estimated 4 %. Decreased economic output has also meant lower demand for energy. According to the German Association of Energy and Water Industries (BDEW), German electricity consumption in the past fiscal year was down 4 % on 2019. Other RWE core markets have also been on the decline. Experts put the downturn at 2 % for the Netherlands, 6 % for the UK and 3 % for the USA. This development was largely attributable to restrictions to industrial output due to COVID-19. The mild weather also had a minor impact, as less electricity was needed for heating.

Better wind conditions in northern and central Europe. Utilisation and profitability of renewable assets are largely weather-dependent. This is why wind speeds are extremely important to us. In 2020, these were generally higher than the long-term average and often up on 2019 at our production sites in northern Europe, the United Kingdom, and the Netherlands. An opposite trend was witnessed in the south of Europe and of the southern states of the USA. By and large, wind conditions in Germany, Poland and large parts of the USA were normal, with notable changes over 2019 being an exception to the rule.

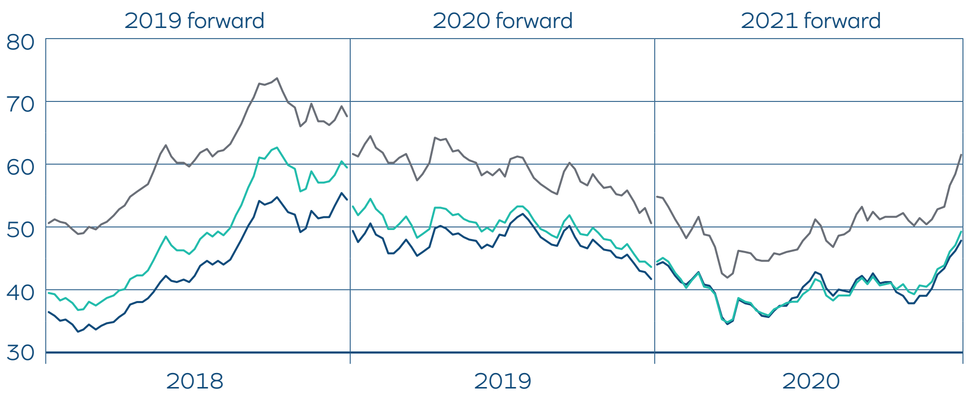
Average RWE wind farm utilisation in 2020 %	Onshore	Offshore
Germany	20	40
United Kingdom	34	42
Netherlands	30	–
Poland	29	–
Spain	23	–
Italy	21	–
Sweden	33	56
USA	33	–

Weather-driven collapse of natural gas spot prices. The utilisation and earnings of our conventional power plants are heavily dependent on how fuel and emission allowance prices develop. Natural gas, our most important tradable energy source, was characterised by an extremely low price level in the year under review. Quotations at the Dutch Title Transfer Facility (TTF), Continental Europe's lead market, dropped as low as €3 / MWh in the first half of the year, but were able to regain considerable ground during the rest of the year. However, the 2020 average of €9 / MWh was notably lower overall than the previous year's (€14 / MWh). The decrease in demand for heating gas due to the mild winter of 2019 / 2020 and the commensurately high storage levels at the beginning of the year played a significant role. Later on, the corona-induced decline in industrial and commercial gas consumption affected the price trend. Forward trading prices also dropped. In the year under review, the 2021 TTF forward cost €13 / MWh on average. By way of comparison, in 2019, the 2020 forward traded at €18 / MWh.

Declining demand curbs hard coal prices. Hard coal used in power plants (steam coal) also became notably cheaper: deliveries to ARA ports (ARA = Amsterdam, Rotterdam, Antwerp) including freight and insurance were settled for an average of US$50 / metric ton (€45) in 2020, as opposed to US$61 / metric ton the year prior. The decline is mainly due to a drop in demand: coal-fired power stations have most recently been underutilised in Europe. The unusually low gas prices, which made gas much more competitive as an energy source than coal, came to bear. Decreased energy demand due to the coronavirus pandemic also caused hard coal usage to contract. Many market participants assume that the market environment for coal-fired power plants will remain challenging, not least due to the relatively high carbon emissions associated with these stations and the correlated cost disadvantages. This assessment was reflected in the development of hard coal forward prices: in the year under review, the 2021 forward (API 2 Index) was quoted at an average of US$58 / metric ton (€51). This is US$12 less than was paid for the 2020 forward in 2019.

Despite COVID-19, CO_2 emission allowance prices hit record high. An important price factor for fossil fuel-fired power plants is the procurement of CO_2 emission allowances. A European Union Allowance (EUA), entitling the holder to emit one metric ton of carbon dioxide, was traded at an average of €25 in 2020. The reference figure for 2019 was also €25. These prices relate to contracts for delivery that mature in December of the following year. At times, certificate prices dropped substantially due to the coronavirus pandemic. In March 2020, they fell to below €16. Decreased industrial output weighed on prices as it resulted in reduced carbon dioxide emissions, driving down demand for emission allowances. Over the rest of the year, prices rose to a record €33 in December. The materialising economic recovery came to bear here. The EU initiative to raise the climate target for 2030 also played a role, as it stipulates that the EU significantly reduce the number of emission allowances put on the market. Many participants in emissions trading therefore expect a further shortage of available EUAs, despite the economy's continued carbon dioxide reductions.

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



Source: RWE Supply & Trading.

Significant decline in wholesale electricity prices. The drop in hard coal and natural gas prices shaped the trajectory of the wholesale electricity markets last year. The decrease in demand for energy triggered by the coronavirus pandemic was another influential factor. In 2020, base-load electricity traded for an average of €30 / MWh on the German spot market as opposed to €38 / MWh in the prior year. In the UK and the Netherlands, spot prices declined from £43 to £35 / MWh (€40) and from €41 to €32 / MWh, respectively. Electricity prices on the forward markets were higher than spot prices. Compared to 2019, however, they were also marked by a significant decline. The 2021 base-load forward cost €40 / MWh on average. The comparable figure for the previous year was €48. One-year forward prices declined from £52 to £44 / MWh (€49) in the UK and from €50 to €40 / MWh in the Netherlands.

2020 electricity forward sales: margins slightly higher year on year. In order to mitigate the risk of short-term sales and price fluctuations, we sell most of our generation forward and hedge the prices for the necessary fuel and emission allowances. Electricity revenue for the period under review was thus greatly defined by the conditions of the forward contracts for 2020, which were concluded in previous years. As we had begun conducting such forward sales quite early for electricity production in our lignite and nuclear plants, which are mainly used to cover base load needs, we were able to achieve higher prices and margins on average for 2020 than for 2019. Sales of electricity from our hard coal and gas-fired stations were subject to a shorter lead time. Here realised prices also rose, but opposing effects were more notable due to the pre-2020 hike in CO_2 emission allowance prices. Whereas margins realised for our gas-fired power plants on the forward market were higher overall than in 2019, margins for our hard coal-fired power stations stagnated at a low level.

2.4 Major events

We passed further milestones last year. In mid-2020, we completed the asset swap with E.ON, which has transformed us into a leading renewable energy company. We also made major inroads in the expansion of our wind and solar capacity. To gain even more traction in this area, we conducted a capital increase and acquired the European development business of Nordex. Furthermore, we discontinued our electricity generation from hard coal in Germany and the UK. In doing so, we have proven that our climate protection measures go far beyond what is required by law. In the following, we present the material events that occurred in 2020 and the beginning of 2021. We have focused on transactions that have not been commented on in detail elsewhere in the review of operations.

Events in the fiscal year

Asset swap with E.ON finalised: RWE takes ownership of innogy's renewable energy business. At the end of June, we successfully completed our asset swap with E.ON, marking one of the biggest transactions in German industrial history. The swap was agreed in early 2018 and implemented in two steps once the legal requirements had been met. First, we sold our 76.8 % stake in innogy, in exchange for which we received E.ON's renewable energy business, a 16.67 % shareholding in E.ON and the non-controlling interests in our Gundremmingen (25 %) and Emsland (12.5 %) nuclear power plants from E.ON subsidiary PreussenElektra. These transfers took place shortly after the asset swap was approved by the European Commission in September 2019. The second step, which took effect at the end of the day on 30 June 2020, involved E.ON returning parts of the innogy portfolio to us, i. e. the renewable energy business, the German and Czech gas storage facilities and a 37.9 % stake in Austrian power utility KELAG. We had recorded these activities in our Group figures before they were transferred back to us, as they were already assigned to us commercially. Now they belong to RWE also in legal terms.

As part of the asset swap, we transferred our 49 % interest in Slovak power utility VSE to E.ON. We had taken over the VSE shareholding from innogy in 2019 in order to sell it to E.ON later on at the same conditions. However, this was subject to the approval of the Slovak government. We received state clearance in mid-2020, enabling the transaction to be completed in August. The price of the stake in VSE had been considered in 2019 when settling the payment claims arising from the asset swap with E.ON.

In December 2020, it was contractually agreed that we would receive from E.ON a 20 % stake in the UK offshore wind farm Rampion, which had not initially been considered in implementing the asset swap. This will increase our stake in the 400 MW wind farm to 50.1 %, making us the majority owner. We had already received a 30.1 % interest from E.ON in September 2019. We expect to complete the acquisition in 2021. The Rampion wind farm is located off the coast of Sussex and has been operating commercially since 2018.

RWE increases financial headroom for renewable energy projects by increasing equity by €2 billion. On 18 / 19 August, we issued 61.5 million new RWE shares to institutional investors, thereby increasing RWE AG's capital stock by 10 %. The shares were placed by way of accelerated book building under exclusion of subscription rights. Based on the issue price of €32.55 per share, we achieved gross proceeds of approximately €2 billion. We intend to use these funds to speed up the expansion of renewable energy. The capital increase caused the number of RWE shares to rise to 676.2 million. The new and old stock confer the same rights. Despite the increase in the number of shares, the Executive Board of RWE AG maintains its dividend target. Together with the Supervisory Board, it plans to propose a dividend of €0.85 per share for the past fiscal year to the Annual General Meeting on 28 April 2021.

RWE acquires European wind and solar projects from Nordex. In November, RWE purchased the European project development business of wind turbine manufacturer Nordex for €396 million. We received a project pipeline of new onshore wind and solar farms with a total installed capacity of 2.7 GW. A total of 1.9 GW is located in France, with further ventures in Spain, Sweden and Poland. At the end of 2020, a final investment decision was reached for four projects in the pipeline, which will result in 76 MW of generation capacity. Thanks to the Nordex transaction, we have added over 70 employees to our headcount, mostly in France, who will develop further projects for RWE in the future.

RWE concludes agreements for lease to expand four UK offshore wind farms. Together with project partners, we set the stage for an expansion of four wind farms off the coast of the UK. We concluded agreements for lease with The Crown Estate, the authority in charge of managing the assets of the British monarch. These contracts allow us to use further areas neighbouring the Gwynt y Môr (576 MW), Greater Gabbard (504 MW), Galloper (353 MW) and Rampion (400 MW) wind farms. This enables existing capacity to be doubled. Including capacity from the remaining seabed option at Rampion, this could lead to 2.6 GW in additional generation capacity. Based on the shareholding ratios, half of this is allocable to RWE. Now our goal is to develop these projects rapidly. We expect the approval procedure to take between three and five years. Thereafter, we will participate in auctions for state subsidy contracts and – should we submit a winning bid – we will make the final investment decisions. The new wind farms could then be commissioned towards the end of the decade.

Go-ahead for construction of Kaskasi wind farm in the North Sea. In March 2020, RWE made the final investment decision to build the Kaskasi wind farm in the German North Sea. It will be located 35 kilometres north of the island of Heligoland. Altogether, its 38 turbines will have an installed capacity of 342 MW, enough to power approximately 400,000 homes. Offshore construction work is scheduled to start in 2021. Based on our current planning, Kaskasi should be fully online by as early as 2022. A novel vibration technique will be used to install the foundations 18 to 25 metres under water. This new method reduces noise emissions that can affect marine fauna and shortens construction time. Another advantage is that Kaskasi will be located between our Nordsee Ost and Amrumbank wind farms, enabling operation and maintenance synergies to be leveraged.

US wind farms with a net capacity of over 700 MW begin commercial operation. In the fiscal year that just ended, we commissioned four large-scale onshore wind farms with a total installed capacity of 719 MW in the USA. Peyton Creek (151 MW) was the first to go online. The Texan wind farm was commissioned in March. Although construction work was delayed by Tropical Storm Imelda, the wind farm managed to go online on schedule. Half a year later, in September 2020, Cranell (220 MW), also located in Texas, went into commercial operation. Cranell experienced slight delays due to the corona crisis. Despite the pandemic, Boiling Springs (Oklahoma, 148 MW) and Raymond East (Texas, 200 MW) were completed before year-end. However, project completion for Scioto Ridge (Ohio, 250 MW), Cassadaga (New York State, 126 MW) and Raymond West (Texas, 240 MW) was delayed to 2021.

RWE sells stake in Humber Gateway wind farm in the North Sea and four wind farms in Texas. To increase our financial strength and improve the balance of our generation portfolio, we sold shares in wind farms in the United Kingdom and the USA. In December, UK investor Greencoat took a 49 % interest in our Humber Gateway (219 MW) wind farm located off the coast of East Yorkshire in the North Sea. Humber Gateway has officially been online since 2015, and we remain the majority owner (51 %) and operator of the wind farm. Also in December, we agreed to divest stakes in our Texan onshore wind farms Stella (201 MW), Cranell (220 MW), Raymond East (200 MW) and Raymond West (240 MW). The buyers are a subsidiary of Canadian energy utility Algonquin Power & Utilities and Greencoat. These two companies will take interests of 51 % and 24 % in the wind farms, respectively. With the exception of the Raymond West transaction, these sales were completed in early 2021. As we will only retain 25 % ownership of the US wind farms, we will stop consolidating them fully and instead account for them using the equity method. RWE will remain the operator.

RWE sells small hydro stations to KELAG. Austrian energy utility KELAG will purchase a generation portfolio comprising 19 small hydroelectric power plants in France and Portugal from us. A corresponding agreement was signed in December 2020. The portfolio has an installed capacity of 65 MW, including several wind turbines with a combined capacity of 3 MW. The capacity figures are prorated, meaning that they reflect capacity in line with the shareholding ratios. The sale is scheduled to be completed this year. KELAG is a leading hydroelectric power producer and RWE holds a 37.9 % stake in the company.

State-of-the-art gas-fired power plant acquired in the east of England. Early in 2020, we cemented our position as a leading generator of electricity from gas in the UK. In February 2020, we bought the King's Lynn gas-fired power station in Norfolk (eastern England) from British energy utility Centrica for the equivalent of €113 million. The station has a net installed capacity of 382 MW and boasts a high efficiency of 57 %. Its operating mode can be adapted flexibly in response to demand. A capacity market contract secures fixed payments for King's Lynn from October 2020 to September 2035. Recently, the power plant was modernised extensively, which included equipping it with a new gas turbine.

Go-ahead to build a grid stabilisation plant at the Biblis site. Germany will be home to a new RWE gas power station. We won the invitation to tender by transmission system operator (TSO) Amprion for the construction and operation of a grid stabilisation plant at the Biblis site. The station will have a capacity of 300 MW and is scheduled to be commissioned no later than October 2022. It will not be available to the open market, instead operating only on request from the TSO. Its sole purpose will be to help stabilise power grid frequency, making a contribution to security of supply.

RWE stops producing electricity from hard coal in Germany. With our early exit from hard coal-fired electricity generation in Germany, we have taken a major step towards improving our carbon footprint. The stage for this was set in the second half of 2020 when we won remuneration contracts for Unit B (794 MW) in Ibbenbüren and Unit E (764 MW) at the Westfalen site in Hamm in the first nationwide shutdown auction for hard coal power plants. Therefore, since 1 January 2021 we may no longer market electricity from our last two German hard coal power stations. We secured compensation of €216 million in the auction. We will shut down the units as soon as the relevant transmission system operators confirm that they are not needed to maintain grid stability. Including Niederaussem Block D (297 MW), which was decommissioned at the end of 2020, we are thus taking a total of 1.9 GW offline right at the beginning of the German coal phaseout. A collective agreement ensures that the shutdowns will be conducted in a socially acceptable manner.

The hard coal auction called for bids to win state subsidies to decommission 4 GW of power plant capacity. The deadline for submitting bids was 1 September 2020. Those requesting the lowest compensatory payment per metric ton of carbon dioxide avoided won contracts. The auction was significantly oversubscribed, and eleven assets with a combined capacity of as much as 4.8 GW submitted winning bids. The invitation to tender was the first of a series of hard coal auctions through which the German Network Agency is implementing the legally mandated coal phaseout. As we were successful with both our German hard coal-fired power stations in the first round, there is no need for us to participate in further auctions.

Welsh Aberthaw B hard coal power plant shut down. We have also stopped generating electricity from hard coal in the United Kingdom. The last station in which we used this fuel, Aberthaw B in Wales, was officially decommissioned at the end of March 2020. The station consisted of three units with a total net capacity of 1,560 MW. Its British capacity market obligations through to the end of September 2021 were transferred to third-party stations or other units within RWE's power plant fleet. Aberthaw B went into operation in 1971 and has thus contributed to security of supply in the United Kingdom for nearly half a century.

RWE successful in British capacity market auctions. In the first quarter of 2020, three auctions were held for the British capacity market, some of the outcomes of which will have a significant impact on the earnings of our power stations. The first round of bids, which took place at the end of January, related to the delivery period from 1 October 2022 to 30 September 2023. RWE power plants qualified for capacity payments for a total secured capacity of 6.5 GW. During the aforementioned period, these stations will be remunerated for being online and thereby contributing to security of supply. However, at £6.44 / kW (plus inflation adjustment), the capacity payment established in the bidding procedure was much lower than in similar auctions in earlier years.

At the beginning of February, a second auction was held, which related to the delivery period from 1 October 2020 to 30 September 2021. An earlier auction for this period had already taken place in December 2016, at which RWE stations with a total capacity of 8.0 GW (including Aberthaw) qualified for a payment of £22.50 / kW. The recent auction was held to close remaining capacity gaps. Therefore, RWE only entered a small asset, which did not submit a successful bid.

In the third auction, for the period from 1 October 2023 to 30 September 2024, which took place in early March, remuneration was secured for 6.5 GW of RWE generation capacity. The stations will receive a payment of £15.97 / kW (plus inflation adjustment).

Capacity auctions have been held in Great Britain since 2014. The government's objective is to ensure that a sufficient amount of generation capacity is available to the national market. In November 2018, the British capacity market had to be suspended for about a year, because the approval it had been granted under subsidy law was declared null and void by the Court of the European Union. After renewed clearance from Brussels in October 2019, capacity payments were resumed and the postponed auctions were held. In January 2020, we received approximately €50 million in retroactive payments for 2018 and about €180 million for 2019. In our income statement, we had already recognised these cash inflows with an effect on fiscal 2019.

Wood pellet manufacturer Georgia Biomass sold to Enviva Partners. At the end of July, we sold Georgia Biomass Holding to US-based Enviva Partners. The agreed price was US$175 million. Georgia Biomass operates a large-scale plant in Waycross, Georgia, which manufactures wood pellets for industrial use. The plant's most recent annual production output totalled 800,000 metric tons. Our disposal of Georgia Biomass is in line with our new strategic orientation. We no longer consider wood pellet production as one of our core businesses. The buyer Enviva Partners, based in Bethesda, Maryland, ranks among the world's leading producers of this fuel.

Six-month interruption of generation from biomass in Eemshaven due to fire. We were unable to produce electricity from biomass in the Dutch power station Eemshaven from mid-May to mid-November 2020 due to fire damage. The two units ran solely on hard coal during this period. The fire broke out in a biomass supply unit. No one was injured. The fire affected our earnings by a low to medium double-digit million euro amount. The interruption of generation from biomass resulted in a commensurate reduction in the state subsidy we receive for co-firing this fuel. Moreover, we incurred costs for the storage of biomass stocks which we had purchased forward early on.

Markus Krebber becomes CEO of RWE AG in May 2021 – Michael Müller and Zvezdana Seeger on board since November 2020. Last year, the Supervisory Board of RWE AG reached personnel decisions that will ensure the company's continued success. In July, it passed a resolution to give Markus Krebber (48) another term on the Executive Board (through to 30 June 2026) and appoint him CEO in the near future. He will succeed Rolf Martin Schmitz (63), whose contract will expire, as CEO with effect from 1 May 2021. The Supervisory Board is confident that this will ensure that the Group maintains its strategic orientation. Markus Krebber has been the CFO of RWE AG since 2016. Together with Rolf Martin Schmitz, he has succeeded in transforming RWE into a leading renewable energy company.

Zvezdana Seeger (56) and Michael Müller (49) will be Markus Krebber's fellow members on the Executive Board of RWE AG. The Supervisory Board appointed the two executives to the corporate body with effect from 1 November 2020. Before joining RWE, Zvezdana Seeger, who holds a degree in economics, was a member of the Management Board of DB Privat- und Firmenkundenbank AG and COO of Deutsche Bank AG's Private and Corporate Business Unit. At RWE AG, she holds the human resources and IT offices and is also the company's Labour Director. Michael Müller has held managerial positions at RWE since 2005. The most recent posts held by the engineering post-doctorate and economist were those of Managing Director and CFO of the subsidiary RWE Supply & Trading GmbH. Michael Müller is responsible for finance, taxes and business services at RWE AG. He will succeed Markus Krebber as Chief Financial Officer when Mr. Krebber takes over as Chief Executive Officer from Mr. Schmitz. Michael Müller will continue to hold his positions at RWE Supply & Trading concurrently until 30 April 2021.

More detailed information on the members of the Executive Board of RWE AG can be found at www.rwe.com/en/management-board-and-supervisory-board and on pages 9 et seq. of this report.

Events after the close of the fiscal year

RWE wins rights to develop new offshore wind power sites in English North Sea. At an auction held in February 2021, RWE secured the rights to develop 3,000 MW of offshore wind capacity across two neighbouring locations in the English North Sea. In return, we will pay an annual option fee of £82,552 / MW (plus inflation adjustment) until we make a final investment decision. The sites are situated on Dogger Bank in a shallow region of the North Sea. RWE is already developing Sofia, a further offshore wind project, in the vicinity. First, all the new sites will be subjected to a Plan-Level Habitats Regulations Assessment (HRA). Given a positive result, we will start developing the project and paying the option fee. As soon as the necessary permits have been obtained, we can participate in a subsidy auction for a contract for difference, after which we can make a final investment decision. Then the option fee will be replaced by a much lower lease payment. If the project progresses on schedule, the new wind farms could be commissioned towards the end of the decade. Under The Crown Estate's auction at the beginning of the year, development rights were won for a total of six offshore sites on which wind farms with a capacity of up to 7,980 MW can be built. Some of the participants also securing option rights submitted much higher bids than us. RWE will pay the lowest annual average option fee per megawatt among all successful bidders.

Considerable drop in earnings due to the worst cold wave in Texas in over a century. In February 2021, an extraordinary cold front in parts of the USA caused substantial supply outages. Winter storms and icy rain forced some RWE wind farms to go offline for several days. We had sold forward a portion of the generation of these assets and therefore had to buy electricity in order to meet our supply obligations. Due to the tight supply situation and statutory price regulations, we had to pay up to US$9,000 / MWh for these purchases. This weighed on earnings in the Onshore Wind / Solar segment by a low to medium triple-digit million euro amount.

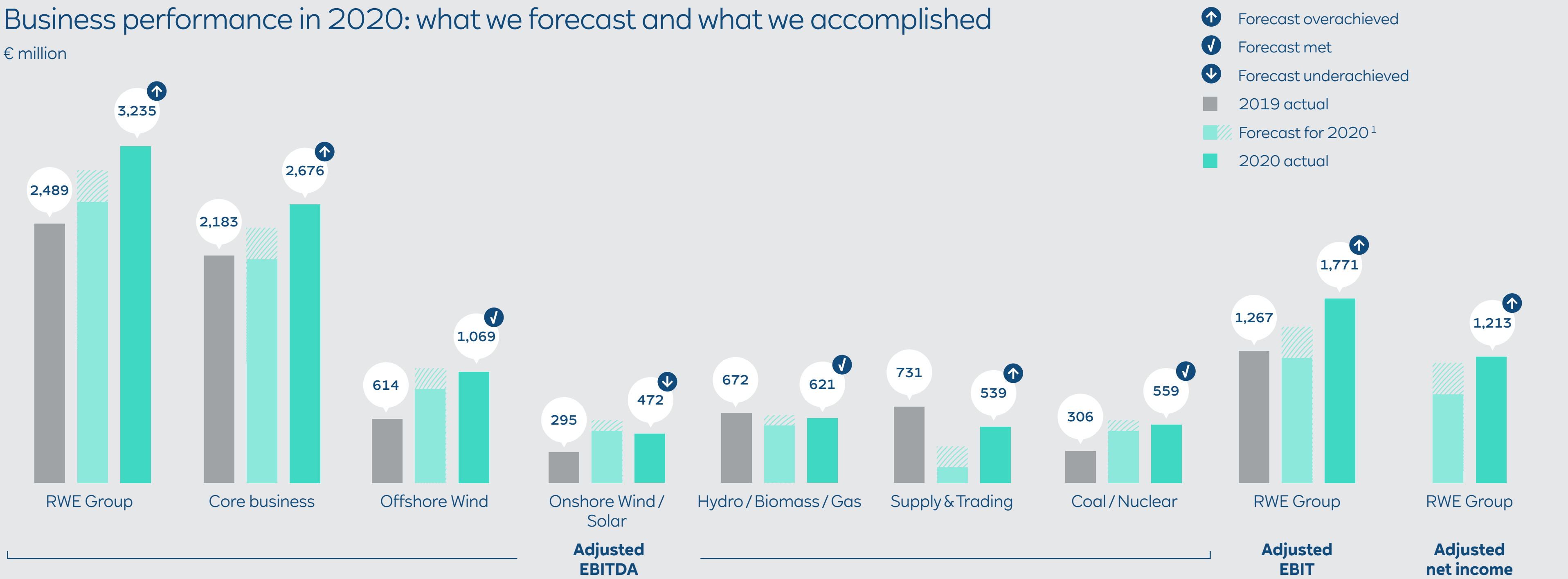
German government and power plant operators agree on compensation for nuclear phaseout. In March 2021, the German government and the country's nuclear power station operators reached an agreement on the compensation due for the accelerated nuclear phaseout. The talks were initiated because the German Constitutional Court declared the original statutory compensation regulations null and void (see page 39). As regards RWE, this relates to unusable generation contingents of 25.9 million MWh and stranded investments of about €40 million. The government has indicated that it will pay €33.22 / MWh as compensation for the electricity contingents. Furthermore, the agreement envisages that we will be reimbursed for half of the stranded investments. We accept this solution. However, it is yet to be written into law and a public law contract between the government and power plant operators. It also needs to be reviewed by the European Commission for compliance with subsidy law. The agreement with the government did not affect the Group's financial statements.

2.5 Business performance

Despite the corona crisis, 2020 was a successful fiscal year for us. RWE achieved adjusted EBITDA of €3.2 billion, which exceeded the guided range. This was primarily thanks to a very good trading performance. In addition, favourable weather conditions enabled high utilisation of our wind farms. The pandemic only had a limited impact on our earnings: it caused slight delays in wind projects and losses in our securities portfolio. Positive development was displayed not only by our earnings, but also by our carbon footprint: RWE's CO_2 emissions recorded another significant decline. Last year, they were already 62 % below the 2012 level.

Business performance in 2020: what we forecast and what we accomplished

€ million



1 See pages 94 et seq. of the 2019 Annual Report. The hatched portion reflects the forecast range.

Power generation	Renewables		Pumped storage, batteries		Gas		Lignite		Hard coal		Nuclear		Total[1]	
GWh	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Offshore Wind	7,009	4,116	–	–	–	–	–	–	–	–	–	–	7,009	4,116
Onshore Wind / Solar	16,762	8,056	–	–	–	–	–	–	–	–	–	–	16,762	8,056
Hydro / Biomass / Gas	5,910	4,202	2,060	1,760	49,414	50,564	–	–	3,584	9,466	–	–	61,178	66,103
of which:														
Germany[2]	1,737	2,026	2,060	1,760	8,576	7,836	–	–	–	–	–	–	12,583	11,733
United Kingdom	460	577	–	–	25,250	33,482	–	–	–	654	–	–	25,710	34,713
Netherlands	3,679	1,599	–	–	11,307	6,564	–	–	3,584	8,812	–	–	18,570	16,975
Turkey	–	–	–	–	4,281	2,682	–	–	–	–	–	–	4,281	2,682
Coal / Nuclear[2]	19	12	–	–	726	224	36,649	48,249	3,791	4,734	20,682	21,233	61,826	74,890
RWE Group	**29,700**	**16,386**	**2,060**	**1,760**	**50,140**	**50,788**	**36,649**	**48,249**	**7,375**	**14,200**	**20,682**	**21,233**	**146,775**	**153,165**

1 Including production volumes not attributable to any of the energy sources mentioned (e.g. electricity from oil-fired power stations).
2 Including electricity from generation assets not owned by RWE that we can deploy at our discretion on the basis of long-term use agreements. These purchases amounted to 2,157 GWh (previous year: 1,829 GWh) in the Hydro / Biomass / Gas segment and 1,009 GWh (previous year: 1,791 GWh) in the Coal / Nuclear segment.

Electricity production 4 % down on prior year. In the fiscal year that just came to a close, the RWE Group produced 146,775 GWh of electricity, of which 20 % was generated from renewables, i.e. wind, sun and biomass. Natural gas accounted for a share of 34 %. Lignite and hard coal continued to lose significance, contributing 25 % and 5 % to our power production. The portion attributable to nuclear fuel was 14 %.

Our electricity generation dropped by 4 % compared to the previous year. The most significant declines were recorded by our hard coal and lignite power stations. One contributing factor was that gas, the energy source competing with coal, was occasionally much cheaper and therefore more attractive than in the previous year. Furthermore, the corona crisis and substantial amounts of wind power put on the system reduced demand for conventionally generated electricity. Due to the latter circumstance, less use was made of our British gas-fired power stations than in 2019. Our electricity generation from gas grew elsewhere; in Germany this was partly driven by said decline in the price of gas. In addition, in the Netherlands, Claus C resumed operations after being offline for several years because it was not profitable. More use was also made of our gas-fired power plant in Denizli, Turkey. One of the reasons was that the large share of local electricity supply customarily accounted for by hydropower experienced a weather-induced drop.

The contribution of renewable energy to our electricity generation rose considerably. This was mainly because the operations transferred from E.ON to RWE in September 2019 were considered in our figures for a full twelve months for the first time. In addition, we benefited from favourable wind conditions and the commissioning of new onshore wind farms. The fact that our Dutch hard coal-fired power stations Amer 9 and Eemshaven are now increasingly run on biomass also had a positive impact. However, biomass usage in Eemshaven was interrupted from May to November 2020 due to fire damage.

In addition to our in-house generation, we procure electricity from suppliers outside of the Group. In the year being reviewed, these purchases totalled 53,940 GWh (previous year: 46,476 GWh). In-house generation and power purchases combined for 200,715 GWh (previous year: 199,641 GWh).

Power generation from renewables	Offshore Wind		Onshore Wind		Solar		Hydro		Biomass		Total	
GWh	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Germany	2,082	1,299	1,168	1,106	3	1	1,674	1,856	4	46	4,931	4,308
United Kingdom	4,690	2,755	2,134	1,278	–	–	118	193	342	383	7,284	4,609
Netherlands	–	–	768	702	7	–	14	18	3,665	1,581	4,454	2,301
Poland	–	–	997	733	1	1	–	–	–	–	998	734
Spain	–	–	890	1,047	51	–	29	20	–	–	970	1,067
Italy	–	–	882	406	–	–	–	–	–	–	882	406
Sweden	237	62	339	106	–	–	–	–	–	–	576	168
USA	–	–	9,059	2,564	271	35	–	–	–	–	9,330	2,599
Rest of the world	–	–	30	28	99	2	146	164	–	–	275	194
RWE Group	**7,009**	**4,116**	**16,267**	**7,970**	**432**	**39**	**1,981**	**2,251**	**4,011**	**2,010**	**29,700**	**16,386**

Lower generation capacity due to coal power plant closures. At the end of 2020, we had a total installed power production capacity of 40.7 GW, giving us a leading market position in Europe. This figure includes electricity from generation assets not owned by us that we can deploy at our discretion on the basis of long-term agreements. Conversely, we no longer consider our five German lignite blocks, which are in legally mandated security standby and will be shut down for good, a process that will start in 2021 and end in 2023. We have adjusted the prior-year figures accordingly.

Our generation capacity dropped by 0.7 GW last year, above all due to the German coal phaseout. As set out on page 44, the Ibbenbüren B (794 MW) and Westfalen E (764 MW) hard coal-fired power plants were decommissioned at the end of 2020. They are scheduled to be shut down in 2021 and were therefore excluded from the capacity figures as of the balance-sheet date. The Niederaussem D lignite block (297 MW) was also shut down at the end of the year. Conversely, we added a gas-fired power plant to our fleet through the acquisition of King's Lynn (382 MW) in the east of England. We increased production capacity from renewables by 1 GW primarily by completing four large-scale onshore wind farms in the USA (see page 43). The conversion of the Dutch Amer 9 and Eemshaven hard coal-fired power stations for increased biomass co-firing also contributed to the rise in renewable energy capacity. This led to a commensurate decline in the share of generation from these assets attributable to hard coal.

In terms of generation capacity, gas is our main energy source, accounting for a share of 35 % at the close of 2020. Renewables are in second place, with a share of 25 %. At the end of 2020, our wind turbines had a total installed capacity of 8.5 GW, of which 6.6 GW were onshore and 1.9 GW were offshore. This makes wind our most important source of renewable energy, followed by biomass (0.8 GW), hydropower (0.6 GW) and solar (0.2 GW).

The geographic focus of our generation business is Germany, where 51 % of our installed capacity is located. The United Kingdom and the Netherlands follow, accounting for shares of 23 % and 14 %, respectively. As a result of the acquisition of E.ON's renewable energy business in September 2019, the USA has become our fourth most important generation market. More than half of our onshore wind turbines are situated there, most of which are in Texas.

Installed capacity[1]	Renewables	Pumped storage, batteries	Gas	Lignite	Hard coal	Nuclear	Total[2]	
As of 31 December 2020, MW							2020	2019
Offshore Wind	1,918	–	–	–	–	–	1,918	1,918
Onshore Wind / Solar	6,858	20	–	–	–	–	6,877	6,063
Hydro / Biomass / Gas	1,366	2,336	13,901		1,474		19,369	19,080
of which:								
Germany[3]	432	2,336	3,807	–	–	–	6,614	6,583
United Kingdom	137	–	6,984	–	–	–	7,374	7,118
Netherlands / Belgium	748	–	2,323	–	1,474	–	4,545	4,519
Turkey	–	–	787	–	–	–	787	787
Coal / Nuclear[3]	7	–	400	8,548	783	2,770	12,535	14,352
RWE Group[4]	**10,148**	**2,358**	**14,301**	**8,548**	**2,257**	**2,770**	**40,702**	**41,415**

1 Assets scheduled for decommissioning are excluded from the capacity overview once they stop producing electricity. They include our five lignite units in legally mandated security standby (1,448 MW) which have therefore been excluded from the figures for 2020 and 2019. The Ibbenbüren B and Westfalen E hard coal-fired power stations stopped being included at the end of 2020. The commercial rounding of certain figures can result in inaccurate sum totals.
2 Including capacity not attributable to any of the energy sources mentioned (e. g. oil-fired power stations).
3 Including capacity of generation assets not owned by RWE that we can deploy at our discretion on the basis of long-term use agreements. At the end of 2020, these assets accounted for a net installed capacity of 2,211 MW in the Hydro / Biomass / Gas segment and 783 MW in the Coal / Nuclear segment.
4 Including insignificant capacity at RWE Supply & Trading.

Installed capacity based on renewables[1] As of 31 December 2020, MW	Offshore wind	Onshore wind	Solar	Hydro	Biomass	Total 2020	Total 2019
Germany	598	666	3	432	–	1,698	1,706
United Kingdom	1,272	707	–	82	55	2,117	2,115
Netherlands	–	268	–	11	737	1,016	855
Poland	–	385	1	–	–	386	386
Spain	–	447	45	12	–	504	459
Italy	–	475	–	–	–	475	475
Sweden	48	116	–	–	–	164	164
USA	–	3,543	125	–	–	3,668	2,949
Rest of the world	–	10	47	65	–	122	71
RWE Group	**1,918**	**6,616**	**220**	**602**	**792**	**10,148**	**9,180**

1 The commercial rounding of certain figures can result in inaccurate sum totals.

Significant decline in CO_2 emissions. Last year, our power stations emitted 68.9 million metric tons of carbon dioxide. This was 19.2 million metric tons, or 22 %, less than in 2019. The main reason for the drop was the substantial reduction in electricity generation from lignite and hard coal last year. We posted a decrease not only in our absolute but also our specific emissions, i. e. carbon dioxide per megawatt hour of electricity generated, which fell from 0.58 to 0.47 metric tons.

We need emission allowances for nearly all our carbon dioxide emissions. We normally purchase the certificates on the forward market. Western European countries allocate free emission allowances to energy companies only in exceptional cases. In the year being reviewed, we were only able to cover 1.1 million metric tons of carbon dioxide with such state allocations.

CO_2 emissions Million metric tons	2020	2019	+/–
Hydro / Biomass / Gas	21.2	26.3	–5.1
of which:			
Germany[1]	3.5	3.3	0.2
United Kingdom	9.1	12.9	–3.8
Netherlands	7.0	9.1	–2.1
Turkey	1.6	1.0	0.6
Coal / Nuclear	47.7	61.8	–14.1
RWE Group	**68.9**	**88.1**	**–19.2**

1 Including CO_2 emissions of power stations not owned by RWE that we can deploy at our discretion on the basis of long-term use agreements. In 2020, these stations emitted a total of 1.1 million metric tons of CO_2 (previous year: 1.3 million metric tons).

51.4 million metric tons of lignite produced. Our generation companies procure the fuel they need either directly on the market or via RWE Supply & Trading, except for lignite, which we source from proprietary opencast mines. In our Rhenish mining area west of Cologne, we produced 51.4 million metric tons of lignite last year. This was 13.4 million metric tons less than in the preceding year, owing to the lower utilisation of our power plants. We used the lion's share, or 41.8 million metric tons, of lignite to generate electricity. The remainder was employed in the manufacture of refined products (e.g. lignite powder, hearth furnace coke and briquettes) and, to a limited extent, to generate process steam and district heat.

External sales volume: marginal gain for electricity; accounting effect reduces gas sales. Last year, we sold 194,465 GWh of electricity and 36,463 GWh of gas, compared to 191,973 GWh and 56,640 GWh in 2019. These transactions were largely effected by the Supply & Trading segment. We sold slightly more of our main product, electricity. Supply volumes at RWE Renewables rose considerably, but RWE Supply & Trading sold much less electricity from RWE power stations externally. Our gas deliveries decreased by 36 %. The main reason was that we started recording gas sales by RWE Supply & Trading in the Czech Republic as pure trading transactions on 1 July 2019, eliminating them from sales volume and revenue.

External revenue € million	2020	2019	+/–
Offshore Wind	332	85	247
Onshore Wind / Solar	1,855	1,265	590
Hydro / Biomass / Gas	1,056	1,200	-144
Supply & Trading	9,597	9,554	43
Other	9	6	3
Core business	**12,849**	**12,110**	**739**
Coal / Nuclear	839	1,015	-176
RWE Group (excluding natural gas tax/ electricity tax)	**13,688**	**13,125**	**563**
Natural gas tax / electricity tax	208	152	56
RWE Group	**13,896**	**13,277**	**619**

External revenue slightly up on 2019. Our revenue from customers outside of the Group totalled €13,688 million (excluding natural gas tax and electricity tax), 4 % more than in the prior year. Our electricity revenue recorded an increase of 14 % to €11,701 million, clearly exceeding sales growth. Two effects came to bear here: we realised higher market prices for the electricity generation of our conventional power stations than in 2019 and we benefited from the shift in our production to electricity from renewables, for which we usually receive payments exceeding the market level. Conversely, our gas revenue dropped by 54 % to €534 million. The aforementioned change in the recognition of revenue in the Czech Republic was the main reason. In addition, lower gas prices came to bear.

External revenue by product[1] € million	2020	2019	+/–
Electricity revenue	**11,701**	**10,250**	**1,451**
of which:			
Offshore Wind	332	85	247
Onshore Wind / Solar	1,676	943	733
Hydro / Biomass / Gas	684	671	13
Supply & Trading	8,775	8,259	516
Other	1	1	–
Core business	**11,468**	**9,959**	**1,509**
Coal / Nuclear	233	291	-58
Gas revenue	**534**	**1,156**	**-622**
of which:			
Hydro / Biomass / Gas	5	22	-17
Supply & Trading	529	1,134	-605
Core business	**534**	**1,156**	**-622**
Other revenue	**1,453**	**1,719**	**-266**
RWE Group (excluding natural gas tax / electricity tax)	**13,688**	**13,125**	**563**

1 Some prior-year figures adjusted.

Sustainable investors are increasingly interested in the portion of total RWE Group revenue accounted for by coal-fired generation and other coal products. In the fiscal year that just ended, this share was 23 %.

Adjusted EBITDA € million	2020	2019	+/–
Offshore Wind	1,069	614	455
Onshore Wind / Solar	472	295	177
Hydro / Biomass / Gas	621	672	-51
Supply & Trading	539	731	-192
Other, consolidation	-25	-129	104
Core business	**2,676**	**2,183**	**493**
Coal / Nuclear	559	306	253
RWE Group	**3,235**	**2,489**	**746**

Adjusted EBITDA 30 % up year on year. Our adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) amounted to €3,235 million. We thus overachieved the March 2020 outlook we published on pages 94 et seq. of the 2019 Annual Report, which envisaged a range of €2,700 million to €3,000 million. Adjusted EBITDA from our core business, which we had projected to be between €2,150 million and €2,450 million, also clearly exceeded expectations, totalling €2,676 million. This was primarily due to energy trading, which recorded another very strong result following the exceptional performance in 2019. Adjusted EBITDA achieved by the RWE Group posted 30 % year-on-year growth. This was mainly because the operations transferred from E.ON to RWE in September 2019 were considered in the consolidated financial statements for a full twelve months for the first time. The increased utilisation of our wind farms also made a contribution to the rise in earnings.

The following developments were observed in the segments:

- Offshore Wind: Here, adjusted EBITDA totalled €1,069 million. Our guidance envisaged a figure between €900 million and €1,100 million. Compared to 2019, we posted an increase of 74 %. This was a result of the inclusion of E.ON's renewable energy business in our figures for a full year for the first time. Improved wind conditions also had a positive effect. They played a role in our closing the fiscal year at the upper end of the forecast range.

- Onshore Wind / Solar: Adjusted EBITDA recorded by this segment amounted to €472 million, falling short of the expected range of €500 million to €600 million. Corona-induced delays in commissioning new wind farms came to bear here. Therefore, these assets were unable to make the expected contribution to earnings in 2020. The negative effect of the corona crisis on electricity market prices also led to unplanned earnings shortfalls. This affected wind farms, the generation of which we cannot sell at firm conditions and which are therefore exposed to market risks. Relative to the previous year, adjusted EBITDA improved by 60 %, predominantly due to the first full-year inclusion of the renewable energy business we received from E.ON. In addition, we benefited from the commissioning of new generation capacity.

- Hydro / Biomass / Gas: In this segment, adjusted EBITDA came in at €621 million. We had forecast a figure between €550 million and €650 million. Earnings were down 8 % compared to 2019. One reason for this was lower income from participating in the British capacity market, which was suspended for about a year pursuant to a high court decision in November 2018. Following the resumption of capacity payments, earnings for 2019 included back payments for 2018. In the Netherlands, the economic situation of the Eemshaven power station deteriorated, whereas the Claus C gas-fired power plant made a stronger contribution to earnings after having been mothballed for several years. Our income from the commercial optimisation of power plant dispatch was lower than in 2019, but higher than planned. This was the main reason why the segment's adjusted EBITDA was at the upper end of the forecast range.

- Supply & Trading: Our performance in the trading business was much better than expected. Accordingly, at €539 million, adjusted segment EBITDA was clearly above the forecast range of €150 million to €350 million. Despite this, we were unable to match the earnings achieved in the previous year (€731 million) which benefited from an exceptionally strong trading performance. Our gas business also displayed very satisfactory development which, however, was not quite as good as in 2019.

- Coal / Nuclear: Adjusted EBITDA recorded here amounted to €559 million, which was within the anticipated range of €500 million to €600 million. This represents 83 % growth compared to the preceding year. The main reason for this was that we realised higher wholesale prices for electricity generated by our lignite-fired and nuclear power plants than in 2019. We had already sold forward nearly all of the production of these stations in earlier years. Another positive effect came from our acquisition in September 2019 of E.ON's minority interests in the Gundremmingen and Emsland nuclear power plants.

Adjusted EBIT € million	2020	2019	+/–
Offshore Wind	697	377	320
Onshore Wind / Solar	86	59	27
Hydro / Biomass / Gas	283	342	-59
Supply & Trading	496	691	-195
Other, consolidation	-25	-128	103
Core business	**1,537**	**1,341**	**196**
Coal / Nuclear	234	-74	308
RWE Group	**1,771**	**1,267**	**504**

Adjusted EBIT 40 % up on prior year. The RWE Group's adjusted EBIT rose by 40 % to €1,771 million, clearly exceeding the forecast range of €1,200 million to €1,500 million. This growth was driven by the same factors benefiting adjusted EBITDA. The difference between these two key figures is that operating depreciation and amortisation, which amounted to €1,464 million in 2020 compared to €1,222 million in the previous year, is considered in adjusted EBIT, but not in adjusted EBITDA.

Reconciliation to net income € million	2020	2019	+/–
Adjusted EBITDA	**3,235**	**2,489**	**746**
Operating depreciation, amortisation and impairment losses	-1,464	-1,222	-242
Adjusted EBIT	**1,771**	**1,267**	**504**
Non-operating result	-121	-1,081	960
Financial result	-454	-938	484
Income from continuing operations before taxes	**1,196**	**-752**	**1,948**
Taxes on income	-363	92	-455
Income from continuing operations	**833**	**-660**	**1,493**
Income from discontinued operations	221	9,816	-9,595
Income	**1,054**	**9,156**	**-8,102**
of which:			
Non-controlling interests	59	643	-584
RWE AG hybrid capital investors' interest	–	15	-15
Net income / income attributable to RWE AG shareholders	**995**	**8,498**	**-7,503**

Reconciliation to net income: exceptional effects overshadow operating development. The reconciliation from adjusted EBIT to net income was greatly affected by one-off effects. Substantial income from the valuation of derivatives was counterbalanced by impairments of a similar order recognised for coal-fired power plants and opencast mines. Unlike in the preceding year, the positive exceptional effect of the asset swap with E.ON did not play a role in the reporting year: in 2019 the sale of innogy's grid and retail businesses and the stake in Czech gas network operator innogy Grid Holding (IGH) led to a deconsolidation gain of €8.3 billion. There was no similar effect in 2020. Accordingly, net income was significantly below the high level achieved in the prior year.

Non-operating result € million	2020	2019	+/–
Disposal result	13	48	-35
Effect on income from the valuation of derivatives and inventories	1,886	81	1,805
Other	-2,020	-1,210	-810
Non-operating result	**-121**	**-1,081**	**960**

The non-operating result, in which we recognise certain factors which are not related to operations or the period being reviewed, improved by €960 million to -€121 million in the past fiscal year. Its components were as follows:

- At €13 million, income from the disposal of investments and assets was immaterial (previous year: €48 million). It largely resulted from the sale of US wood pellet producer Georgia Biomass (see page 45).
- At €1,886 million, the effects of the valuation of derivatives and inventories on earnings were unusually high, after totalling €81 million in the preceding year. However, such effects are only temporary and are due in part to the fact that, pursuant to IFRS, financial instruments used to hedge price risks are accounted for at fair value at the corresponding balance-sheet date, whereas the hedged underlying transactions are only recognised as a profit or loss when they are realised.
- In the 'other' line item, we reported a loss of €2,020 million (previous year: €1,210 million). This was mainly caused by €1.8 billion in impairments recognised for power plants and opencast mines in reaction to the German coal phaseout and deteriorated market prospects. We completely wrote off our German Ibbenbüren B and Westfalen E hard coal-fired power stations, which won decommissioning remuneration contracts in an auction held by the German Network Agency. The compensation claim of €216 million obtained in the bidding process was also recognised with an effect on income. The impairments also related to our lignite business and our Dutch power stations.

Financial result € million	2020	2019	+/–
Interest income	283	185	98
of which: E.ON dividend	182	–	182
Interest expenses	-296	-258	-38
Net interest	**-13**	**-73**	**60**
Interest accretion to non-current provisions	-255	-881	626
of which: interest accretion to mining provisions	-186	-581	395
Other financial result	-186	16	-202
Financial result	**-454**	**-938**	**484**

Our financial result totalled –€454 million, exceeding the year-earlier figure by €484 million. Its components changed as follows:

- Net interest improved by €60 million to –€13 million because, for the first time, we received a dividend from the stake in E.ON we acquired in 2019, which currently amounts to 15 %. However, we also registered higher interest charges. This was in part due to the first full-year consideration of E.ON's renewable energy business, which caused us to recognise higher expenses for financing onshore wind farms in the USA. Moreover, there was a rise in costs incurred to hedge currencies for business activities outside of the Eurozone.

- The interest accretion to non-current provisions reduced income by €255 million. In the previous year, the decline was much more substantial (€881 million). In 2019, we significantly lowered the real discount rate applied when calculating our mining provisions. This led to an increase in the present value of the obligations, which was in part recognised as an expense in the interest accretion.

- The other financial result dropped by €202 million to –€186 million. We suffered losses on our portfolio of securities due to the turmoil on the capital markets caused by the coronavirus pandemic, having achieved gains in the previous year. In addition, unfavourable development of interest and currency exchange rates had a negative effect on income from financial transactions.

Before taxes, our continuing operations posted income of €1,196 million (previous year: –€752 million). Taxes on income amounted to €363 million, corresponding to an effective tax rate of 30 %. In light of RWE's tax gains, this is a fairly high number. The amortisation of deferred tax assets was the main reason for this. A counteracting effect on the tax rate stemmed from a reduction of our tax risk provision. After taxes, our continuing operations achieved income of €833 million (previous year: –€660 million).

Income from discontinued operations amounted to €221 million. It stemmed from the stake in Slovak energy utility VSE, which we acquired from innogy in 2019 and transferred to E.ON in August 2020 (see page 42). This figure includes the deconsolidation gain of €154 million. In the previous year, this item included the earnings from all of the discontinued innogy operations. We sold them in September 2019, except for VSE. The deconsolidation gain (€8,258 million) caused income from discontinued operations to be exceptionally high (€9,816 million).

Non-controlling interests in income declined by €584 million to €59 million. This was due to the sale of our stake in innogy (76.8 %) in September 2019. Since then, there has been no more income attributable to minority shareholders of the innogy Group.

The portion of earnings attributable to RWE hybrid capital investors was zero (previous year: €15 million). Our only hybrid bond classified as equity pursuant to IFRS was redeemed in March 2019. RWE's remaining hybrid capital is classified as debt, and the interest on it is recognised in the financial result.

The RWE Group's net income amounted to €995 million (previous year: €8,498 million). This resulted in earnings per share of €1.56 (previous year: €13.82). An average of 637.3 million RWE shares were outstanding in the reporting year. This figure was higher than in 2019 (614.7 million) due to the capital increase of August 2020.

Reconciliation to adjusted net income € million	Original figures	Adjustment	Adjusted figures
Adjusted EBIT	**1,771**	**–**	**1,771**
Non-operating result	-121	121	–
Financial result	-454	139	-315
Income from continuing operations before taxes	**1,196**	**260**	**1,456**
Taxes on income	-363	145	-218
Income from continuing operations	**833**	**405**	**1,238**
Income from discontinued operations	221	-221	–
Income	**1,054**	**184**	**1,238**
of which:			
Non-controlling interests	59	-34	25
Net income / income attributable to RWE AG shareholders	**995**	**218**	**1,213**

Adjusted net income higher than expected. Adjusted net income amounted to €1,213 million. Due to the unexpectedly positive operating earnings, it exceeded the guided range of €850 million to €1,150 million. We calculate adjusted net income by deducting from net income according to IFRS the non-operating result, income from discontinued operations as well as major special items in the financial result and in income attributable to other shareholders. Instead of the actual tax rate, we use a rate of 15 %, in line with the average tax burden expected in coming years. We did not state adjusted net income for 2019 because this figure would have been of limited informational value due to the significant one-off effects of the asset swap with E.ON.

Capital expenditure on property, plant and equipment and on intangible assets[1] € million	2020	2019	+/–
Offshore Wind	756	492	264
Onshore Wind / Solar	1,154	752	402
Hydro / Biomass / Gas	153	212	-59
Supply & Trading	43	29	14
Other, consolidation	–	-3	3
Core business	**2,106**	**1,482**	**624**
Coal / Nuclear	183	281	-98
RWE Group[2]	**2,285**	**1,767**	**518**

1 Table only shows cash investments. Prior-year figures restated accordingly.
2 Including a – €4 million (2020) and €4 million (2019) consolidation effect between the core business and the Coal / Nuclear segment.

Capital expenditure on financial assets[1] € million	2020	2019	+/–
Offshore Wind	520	–	520
Onshore Wind / Solar	408	46	362
Hydro / Biomass / Gas	115	2	113
Supply & Trading	18	68	-50
Other, consolidation	11	-112	123
Core business	**1,072**	**4**	**1,068**
Coal / Nuclear	1	–	1
RWE Group	**1,073**	**4**	**1,069**

1 Table only shows cash investments. Prior-year figures restated accordingly.

Capital expenditure substantially up on 2019. In fiscal 2020, capital expenditure amounted to €3,358 million, surpassing the year-earlier level (€1,771 million) by 90 %. Unlike in the past, we now only focus on capital expenditure with an effect on cash in our financial reporting. About 85 % of the funds were used in the Offshore Wind and Onshore Wind / Solar segments.

Compared to 2019, our spending on property, plant and equipment and intangible assets rose by 29 % to €2,285 million. This was mainly due to the first full-year inclusion of capital expenditure in the renewable energy business received from E.ON. Last year, a substantial portion of the funds was used to build the Triton Knoll and Kaskasi wind farms in the North Sea as well as several major US onshore wind farms. Our capital spending on financial assets, which was immaterial in 2019, totalled €1,073 million in the year under review. Major expenditure items were the 20 % stake we will take in the Rampion offshore wind farm in the UK, the acquisition of Nordex's European development business, and the purchase of the 382 MW King's Lynn gas-fired power station in the east of England. We have provided detailed information on these transactions on pages 42 et seqq.

Workforce[1]	31 Dec 2020	31 Dec 2019	+/–
Offshore Wind	1,119	1,016	103
Onshore Wind / Solar	2,402	2,462	-60
Hydro / Biomass / Gas	2,667	2,893	-226
Supply & Trading	1,790	1,633	157
Other[2]	425	314	111
Core business	**8,403**	**8,318**	**85**
Coal / Nuclear	11,095	11.474	-379
RWE Group	**19,498**	**19,792**	**-294**

1 Converted to full-time positions.
2 This item exclusively comprises employees of the holding company RWE AG.

Headcount marginally down year on year. As of 31 December 2020, the RWE Group had 19,498 people on its payroll, of which 14,701 were employed in Germany and 4,797 worked abroad. Part-time positions were considered in these numbers on a pro-rata basis. Personnel figures were down slightly compared to the end of 2019 (-294). We recorded the biggest decline in the Coal / Nuclear segment, where headcount decreased by 379, to a certain extent due to partial retirement programmes. By contrast, the workforce in our core business grew by 85. Major contributing factors were the construction of the UK North Sea wind farm Triton Knoll and the acquisition of Nordex's European development business. In addition, we need more employees to continue developing the Group's IT infrastructure. This led to new hires, above all in the Supply & Trading segment. A counteracting effect came from sales of operations by our subsidiary Belectric, which specialises in developing solar farms and energy storage systems. Staff figures do not include apprentices or trainees. At the end of 2020, 750 young adults were learning a profession at RWE, compared to 701 in the previous year.

2.6 Financial position and net worth

Our financial position and net worth continued to improve in the fiscal year that just ended. The main drivers were a significant increase in cash flows from operating activities and the capital increase conducted in August 2020. Our net debt dropped to €4.4 billion despite the substantial amount of capital spent on renewable energy. By the end of the year, it was just 1.7 times higher than adjusted EBITDA of the core business. As a result, we remained well below the self-imposed upper limit of 3.0. The equity ratio also displayed positive development, rising by 1.8 percentage points to 29.1 %.

Responsibility for procuring funds. Responsibility for Group financing is pooled at RWE AG. As the parent company, RWE AG is responsible for acquiring funds from banks or the financial markets. Subsidiaries only raise debt capital directly in specific cases, for example if it is advantageous economically to make use of local credit and capital markets. RWE AG also acts as a co-ordinator when subsidiaries assume contingent liabilities. This allows us to manage and monitor financial risks centrally. Moreover, it strengthens our position when negotiating with banks, business partners, suppliers and customers.

Tools for raising debt capital. We cover a major portion of our financing needs with earnings from our operating activities. In addition, we have a wide range of tools to procure debt capital.

- Our Debt Issuance Programme (DIP) gives us latitude in raising debt capital for the long term. Our current DIP allows us to issue bonds with a total face value of €10 billion. However, RWE AG has not made any such issuances since 2015.

- We have a Commercial Paper Programme for short-term refinancing, which was updated last year. It enables us to raise funds equivalent to up to €5 billion on the money market (before update: US$5 billion). We only made moderate use of these funds in the past fiscal year. At times, a total of up to €1.2 billion in commercial paper was outstanding.

- Furthermore, we have access to a €5 billion syndicated credit line, which serves to secure liquidity. It was granted to us by a consortium of 27 international banks and consists of two tranches: one of €3 billion, which expires in April 2025, and one of €2 billion, which we have been granted through to April 2021. Each tranche can be extended for a year. We require the banks' approval for this with regard to the first tranche, but not for the second one. So far, RWE has not used the syndicated credit line.

Bond volume drops to €0.6 billion. RWE bonds with a total face value of €0.6 billion were outstanding at the end of 2020. Essentially, these were two hybrid bonds: one of €282 million with a 3.5 % coupon and one of US$317 million with a 6.625 % coupon. Due to early buybacks in October 2017, the outstanding amounts are below the issuance volumes of €550 million and US$500 million. The bonds' earliest redemption dates are in April 2025 and March 2026. A third hybrid bond with a volume of €539 million and a coupon of 2.75 % was redeemed at the first call date, in October 2020, without being replaced with new hybrid capital. It had an original face value of €700 million and was reduced by €161 million through bond buybacks in 2017.

Borrowing costs rise to 2.3 %. In 2020, the cost of debt for RWE was 2.3 %. It was calculated for our average liabilities from bonds, commercial paper and bank loans held during the year. The cost of debt was slightly higher than in the preceding year (1.4 %). This was because we refinanced our business to a lesser extent via commercial paper. The interest rates of these bonds are relatively low due to their short maturities. In the reporting year, we had less need for debt financing than in 2019, in part due to the capital increase conducted in August, which resulted in proceeds of €2.0 billion (see page 42).

Solid investment grade rating. The level of our borrowing costs partially depends on rating agencies' assessment of our creditworthiness. Moody's and Fitch make such evaluations on request from us. They both give us a credit rating of investment grade. The agency gives our long-term creditworthiness a rating of 'Baa3', which was confirmed in March 2020 after an extensive review. In addition, Moody's offered the prospect of an upgrade by raising the outlook on our rating from 'stable' to 'positive'. It explained this step by citing RWE's improved risk profile resulting from our transformation to a leading renewable energy company. Fitch rates us one grade better than Moody's: 'BBB', with a stable outlook.

Credit rating of RWE AG (as of 31 Dec 2020)	Moody's	Fitch
Non-current financial liabilities		
Senior debt	Baa3	BBB
Subordinated debt (hybrid bonds)	Ba2	BB+
Current financial liabilities	P-3	F2
Outlook	Positive	Stable

Cash flow statement[1] € million	2020	2019	+/-
Funds from operations	4,138	1,809	2,329
Change in working capital	-13	-2,786	2,773
Cash flows from operating activities of continuing operations	**4,125**	**-977**	**5,102**
Cash flows from investing activities of continuing operations	**-4,278**	**474**	**-4,752**
Cash flows from financing activities of continuing operations	**1,769**	**189**	**1,580**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	-34	13	-47
Total net changes in cash and cash equivalents	**1,582**	**-301**	**1,883**
Cash flows from operating activities of continuing operations	4,125	-977	5,102
Minus capital expenditure	-3,358	-1,771	-1,587
Plus proceeds from divestitures / asset disposals	365	695	-330
Free cash flow	**1,132**	**-2,053**	**3,185**

1 All items relate solely to continuing operations.

Significantly improved operating cash flows of €4.1 billion. We generated cash flows of €4,125 million from the operating activities of our continuing operations, compared to -€977 million in the previous year. The substantial improvement was in part due to the positive development of the operating result. Added to this were effects that were reflected in the change in working capital. For example, commodity forward transactions led to substantial cash outflows in the prior year. Conversely, we achieved considerable income from such transactions in 2020.

Investing activities of continuing operations led to a cash outflow of €4,278 million. This was predominantly due to €3,358 million in capital expenditure on property, plant and equipment, which was contrasted by €365 million in proceeds from divestments. Furthermore, we made substantial purchases of securities, primarily to invest the proceeds from the capital increase temporarily. Conversely, in the previous year, we registered significant income from the sale of securities. This was one of the reasons why we received €474 million in net cash inflows from investing activities in 2019.

At €1,769 million, our cash flows from financing activities of continuing operations were much higher than the year-earlier figure (€189 million). This reflected the capital increase conducted in August, from which we received proceeds of €1,990 million. Furthermore, in the reporting year we issued slightly more financial debt than we repaid, leading to a net cash inflow of €61 million. Our dividend payments to RWE shareholders (€492 million) and minority shareholders (€30 million) had an opposite effect.

On balance, the aforementioned cash flows from operating, investing and financing activities increased our cash and cash equivalents by €1,582 million.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, plus proceeds from divestments and asset disposals results in free cash flow. In the year under review, free cash flow amounted to €1,132 million, clearly exceeding the negative figure recorded in the prior year (– €2,053 million). The main reason for this was the significant increase in cash inflows from operating activities.

Net debt[1] € million	31 Dec 2020	31 Dec 2019	+/–
Cash and cash equivalents	4,774	3,192	1,582
Marketable securities	4,517	3,523	994
Other financial assets	2,507	2,383	124
Financial assets	**11,798**	**9,098**	**2,700**
Bonds, other notes payable, bank debt, commercial paper	2,160	2,466	-306
Hedging of bond currency risk	31	7	24
Other financial liabilities	3,038	3,147	-109
Financial liabilities	**5,229**	**5,620**	**-391**
Minus 50% of the hybrid capital recognised as debt	-278	-562	284
Net financial assets (including correction of hybrid capital)	**6,847**	**4,040**	**2,807**
Provisions for pensions and similar obligations	3,864	3,446	418
Surplus of plan assets over benefit obligations	-172	-153	-19
Provisions for nuclear waste management	6,451	6,723	-272
Provisions for dismantling wind farms	1,136	951	185
Net debt of continuing operations	**4,432**	**6,927**	**-2,495**
Net debt of discontinued operations	**-**	**232**	**-232**
Net debt	**4,432**	**7,159**	**-2,727**

1 New definition of net debt (see commentary on the next page); prior-year figures changed due to retroactive adjustments to the first-time consolidation of the renewable energy business acquired from E.ON in 2019.

Net debt drops to €4.4 billion. As of 31 December 2020, our net debt totalled €4,432 million. It was completely attributable to our continuing operations as we sold the stake in VSE stated as a discontinued operation in August 2020 (see page 42). We redefined net debt in 2020. It no longer contains our mining provisions, which essentially cover our obligations to recultivate opencast mining areas. The assets we use to cover these provisions are also disregarded, for instance our €2.6 billion claim for damages from the German lignite phaseout against the state. We have also presented net debt for 2019 based on the new definition for the sake of comparability.

Our net debt declined by €2,727 million compared to 31 December 2019. The main drivers were the capital increase in August, the positive free cash flow, and the deconsolidation of VSE's net debt. Profit distributions had a counteracting effect. Moreover, we registered a slight increase in provisions for pensions because the discount rates we apply when determining the net present value of the pension obligations recorded a market-induced decline. Increases in the value of plan assets, which we hold to meet the obligations, were unable to offset this. The redemption of a €539 million hybrid bond also had a debt-increasing effect. The reason for this is that in determining net debt, we classify half of the hybrid capital as equity.

Leverage factor clearly below upper limit of 3.0. One of our key management parameters is the ratio of net debt to adjusted EBITDA of the core business, also referred to as the leverage factor. This key figure is more indicative than total liabilities because it also reflects earning power and therefore our ability to meet our debt obligations. We set the upper limit for the leverage factor at 3.0 in order to secure our financial flexibility. At 1.7, we remained clearly below this threshold in the year being reviewed. Even excluding the funds from the capital increase, we would have stayed within the upper limit: the leverage factor would have been 2.4.

Drop in off-balance-sheet fuel purchase obligations. Net debt does not include our off-balance-sheet obligations, which largely stem from long-term fuel and electricity purchase agreements. As of the balance-sheet date, payment obligations from material fuel procurement contracts amounted to €23.6 billion as opposed to €27.1 billion at the end of the previous year. For power purchase agreements, they totalled €7.1 billion, on a par with 2019. These figures are based on assumptions regarding the prospective development of commodity prices. For further commentary on our off-balance-sheet obligations, please see pages 181 et seq. in the Notes.

Group balance sheet: equity ratio rises to 29.1 %. The balance-sheet total reported in the 2020 consolidated financial statements amounted to €61.7 billion as opposed to €64.0 billion in the previous year. Significant declines were recorded by other receivables and other assets (– €2.8 billion) and other liabilities (– €2.5 billion): both line items were affected by a decrease in derivatives on our books. A drop was also registered by property, plant and equipment (– €1.1 billion), with impairments recognised for power plants and opencast mines playing a central role, as reported on page 55. By contrast, we posted an increase in cash and cash equivalents (+ €1.6 billion) and marketable securities (+ €1.0 billion). The capital increase in August 2020 was a major factor. It was also the main reason why equity rose by €0.5 billion to €18.0 billion. The share of the balance-sheet total accounted for by equity (the equity ratio) was 29.1 %. This is 1.8 percentage points more than in 2019.

The Group's 2020 balance sheet recognises the Stella, Cranell, Raymond East and Raymond West US wind farms as 'assets held for sale' and 'liabilities held for sale' because we will deconsolidate these assets due to the divestments presented on page 43. In the prior year's financial statements, the stake in the Slovak power utility VSE, which we sold in August 2020, was stated in these items.

Group balance sheet structure[1]	31 Dec 2020		31 Dec 2019	
	€ million	%	€ million	%
Assets				
Non-current assets	34,461	55.9	35,768	55.9
of which:				
Intangible assets	4,913	8.0	4,777	7.5
Property, plant and equipment	17,902	29.0	19,016	29.7
Current assets	27,207	44.1	28,241	44.1
of which:				
Trade accounts receivable	3,007	4.9	3,621	5.7
Receivables and other assets	12,530	20.3	15,311	23.9
Marketable securities	4,219	6.8	3,258	5.1
Assets held for sale	1,045	1.7	1,274	2.0
Total	**61,668**	**100.0**	**64,009**	**100.0**

	31 Dec 2020		31 Dec 2019	
	€ million	%	€ million	%
Equity and liabilities				
Equity	17,971	29.1	17,467	27.3
Non-current liabilities	27,280	44.2	26,937	42.1
of which:				
Provisions	19,470	31.6	18,937	29.6
Financial liabilities	3,951	6.4	3,924	6.1
Current liabilities	16,417	26.7	19,605	30.6
of which:				
Provisions	3,004	4.9	2,638	4.1
Financial liabilities	1,247	2.0	1,689	2.6
Trade accounts payable	2,387	3.9	2,987	4.7
Other liabilities	9,240	15.0	11,781	18.4
Liabilities held for sale	539	0.9	510	0.8
Total	**61,668**	**100.0**	**64,009**	**100.0**

1 Prior-year figures changed due to retroactive adjustments to the first-time consolidation of the renewable energy business acquired from E.ON in 2019.

2.7 Notes to the financial statements of RWE AG (holding company)

The financial statements of RWE AG primarily reflect the business performance of its subsidiaries. In sum, the profit transfers of these companies recorded a slight increase in 2020. The good earnings produced by the renewable energy business played a role, whereas RWE Supply & Trading contributed less to the bottom line than in 2019 despite a strong trading performance. At €580 million, RWE AG's net profit was higher than in the previous year. We intend to raise the dividend and therefore propose a payment of €0.85 per share to the Annual General Meeting taking place in April 2021.

Financial statements. RWE AG prepares its financial statements in compliance with the rules set out in the German Commercial Code and the German Stock Corporation Act. The financial statements are submitted to Bundesanzeiger Verlag GmbH, located in Cologne, Germany, which publishes them in the Federal Gazette. They are available on the internet at www.rwe.com/en/financial-reports.

Income statement of RWE AG (abridged) € million	2020	2019
Income from financial assets	1,114	1,758
Net interest	-72	31
Other income and expenses	-712	-1,550
Taxes on income	250	275
Net profit	**580**	**514**
Transfer to other retained earnings	-5	-22
Distributable profit	**575**	**492**

Balance sheet of RWE AG (abridged) € million	31 Dec 2020	31 Dec 2019
Assets		
Financial assets	20,524	20,628
Accounts receivable from affiliated companies	2,094	10,233
Other accounts receivable and other assets	519	6,056
Marketable securities and cash and cash equivalents	6,664	2,929
Total assets	**29,801**	**39,846**
Equity and liabilities		
Equity	7,826	5,738
Provisions	1,996	2,237
Accounts payable to affiliated companies	18,905	29,213
Other liabilities	1,074	2,658
Total equity and liabilities	**29,801**	**39,846**

Assets. RWE AG had €29.8 billion in total assets as of 31 December 2020, compared to €39.8 billion in the previous year. We registered a significant decline in accounts receivable from and payable to affiliated companies. This was the result of the merger of two subsidiaries. A substantial account receivable from one of them and a significant account payable to the other resulted from the asset swap with E.ON (see page 68 of the 2019 Annual Report). The merger caused the two items to net each other out. Other receivables also declined considerably. This is because E.ON transferred parts of the innogy business back to RWE in legal terms in mid-2020, eliminating the associated claims we had against E.ON. The increase in the marketable securities and cash and cash equivalents on our books had a counteracting effect on the total assets. The capital increase we conducted in August, which led to proceeds of €2.0 billion, came to bear here. In addition, RWE AG subsidiaries generated higher operating cash flows, which they transferred to the Group parent. Therefore, RWE AG's equity rose to €7.8 billion (previous year: €5.7 billion). The equity ratio increased from 14.4 % to 26.3 %.

Financial position. RWE AG is set up solidly in economic terms and has a number of financing tools at its disposal that it can use flexibly. This is reflected in our credit ratings, which are investment grade. A detailed presentation of RWE's financial position and financing activity in the year under review can be found on pages 59 et seqq.

Earnings position. RWE AG's earnings position improved slightly compared to 2019. The main items on the income statement developed as follows:

- Income from financial assets dropped by €644 million to €1,114 million. This was due to lower income from investments and write-downs of financial assets. By contrast, profit transfers from subsidiaries were slightly up year on year in part due to the increase in income at RWE Renewables and the first dividend we received from our 15 % stake in E.ON held by a subsidiary of RWE AG. A counteracting effect resulted from RWE Supply & Trading closing the reporting year with income down on the previous one despite a very good trading performance.

- Net interest deteriorated by €103 million to – €72 million. This was mainly due to a decline in capital gains from the management of fund assets used to cover our pension obligations.

- The 'other income and expenses' line item improved by €838 million to – €712 million. This is because a substantial impairment was recognised for financial accounts receivable from a Dutch subsidiary in 2019 as the framework conditions for electricity generation from hard coal had become less favourable. The remainder was written off in 2020, but the burden on earnings was much smaller than in the preceding year. Conversely, there was a slight increase in expenses for IT projects at RWE AG.

- In the year under review, we recorded tax income of €250 million (previous year: €275 million), largely because we reduced our tax risk provision.

- The presented earnings figures led to net profit of €580 million. This represents an increase of €66 million compared to 2019.

- The distributable profit of €575 million corresponds to the planned payment of a dividend of €0.85 per share to our shareholders.

Outlook for 2021. RWE AG's earnings prospects will largely depend on the business performance of its subsidiaries. Our current assessment makes us confident of being able to achieve a net profit in 2021 that is slightly higher than in 2020.

Corporate governance declaration in accordance with Section 289f and Section 315d of the German Commercial Code. On 15 February 2021, the Executive Board and the Supervisory Board of RWE AG issued a corporate governance declaration in accordance with Section 289f and Section 315d of the German Commercial Code. The declaration contains the Corporate Governance Report and has been published at www.rwe.com/corporate-governance-declaration.

2.8 Outlook

We expect to maintain our good earnings position in 2021. However, we will probably close the year significantly down on the previous one in our core business. In February, extreme weather conditions in Texas brought several wind farms to a standstill and led to substantial losses due to power purchases. Furthermore, we do not anticipate income from energy trading to be as high as in 2020. Outside of our core business, we will benefit from higher margins of our lignite and nuclear power stations. In sum, we expect the Group to post adjusted EBITDA of between €2,650 million and €3,050 million. In light of the favourable medium and long-term earnings prospects of our core business, the Executive Board of RWE AG aims for a slightly increased dividend of €0.90 for fiscal 2021.

Experts predict strong economic recovery. Despite extended lockdown measures and the slow progress in controlling the coronavirus pandemic, most economic research institutes expect the economy to record a significant recovery in 2021. Current forecasts have the average rise in global economic output amounting to 5 %. Estimates for the Eurozone are of a similar order. Based on expert opinions, Germany and the Netherlands may well post a gain of about 4 %. UK prospects partially depend on whether the country can maintain its close economic ties with the EU after Brexit. If so, a 5 % rise in GDP should be feasible in the United Kingdom. Growth of approximately 4 % has been forecast for the USA.

Power consumption expected to rise. Our expectations regarding this year's electricity usage are based on the above economic outlooks. A significant resurgence of the economy will lead to increased demand for electricity. However, energy savings are expected to have a dampening effect. We currently anticipate demand for electricity in RWE's core markets Germany, the Netherlands, the United Kingdom and the USA to be 2 % to 4 % up on 2020 levels.

Electricity production for 2021 largely sold forward. The future development of electricity prices will depend on a number of factors that are nearly impossible to predict. At any rate, this would only have a limited impact on this year's power plant margins as we have sold forward most of our electricity generation for 2021 and secured the prices of the required fuel and emissions allowances. These transactions have been concluded up to three years forward. Therefore, the realised electricity prices can differ significantly from the current market quotations. We sold forward the electricity produced by our German lignite-fired and nuclear power stations with long lead times. In doing so, we realised higher prices for 2021 than for 2020.

Changed recognition of tax benefits in the USA. As of the start of fiscal 2021, we changed the accounting treatment of tax benefits we receive for US wind and solar projects. As set out on page 37, renewable energy is subsidised via tax credits in the USA. Furthermore, plant operators can benefit from accelerated depreciation, referred to as tax benefits. We previously recognised them in taxes on income. By contrast, we consider the benefits of tax credits in other operating income. For the sake of consistency, we will take this approach to tax benefits as well. This drives up adjusted EBITDA. To ensure comparability, we will restate the figures for 2020 accordingly in our financial reporting for fiscal 2021.

Forecast € million	2020 actual[1]	Outlook for 2021
Adjusted EBITDA	3,287	2,650–3,050
of which:		
Core business	2,728	1,800–2,200
of which:		
Offshore Wind	1,069	1,050–1,250
Onshore Wind / Solar	524	50–250
Hydro / Biomass / Gas	621	500–600
Supply & Trading	539	150–350
Coal / Nuclear	559	800–900
Adjusted EBIT	1,823	1,150–1,550
Adjusted net income	1,257	750–1,100

1 Some figures restated due to a change in the recognition of tax benefits in the USA (see commentary on the previous page).

2021 adjusted EBITDA forecast of €2,650 million to €3,050 million. We expect to maintain our good earnings position in 2021. However, we will probably close the year down on 2020 in part owing to losses in the Onshore Wind / Solar segment caused by the extreme weather in Texas at the beginning of the year. In addition, we anticipate a decline in earnings from energy trading after the very strong performance in 2020. This will be contrasted by improved margins on electricity forward sales from which we will benefit outside of the core business in the Coal / Nuclear segment. The RWE Group anticipates adjusted EBITDA for 2021 to total between €2,650 million and €3,050 million. Last year's figure including tax benefits stood at €3,287 million. We forecast the adjusted EBITDA of our core business to total between €1,800 million and €2,200 million (last year: 2,728 million). With expected operating depreciation and amortisation of about €1,500 million, the Group's adjusted EBIT should be within the range of €1,150 million to €1,550 million (last year: €1,823 million). We anticipate adjusted net income, which excludes material special items, of €750 million to €1,100 million compared to €1,257 million last year (see page 57 for a definition of this key figure).

Our outlook broken down by segment is as follows:

- Offshore Wind: Here, adjusted EBITDA is expected to total between €1,050 million and €1,250 million (last year: €1,069 million). The commissioning of the first turbines of the Triton Knoll wind farm in 2021 will have a positive effect. In addition, we anticipate being able to fully consolidate the Rampion UK offshore wind farm during the year. As mentioned on page 42, we agreed with E.ON that we would increase our stake in the wind farm by 20 % to 50.1 %. However, new project developments will likely result in added costs. Moreover, if wind conditions normalise, utilisation of our UK offshore wind farms is expected to drop.

- Onshore Wind / Solar: Adjusted EBITDA posted by this segment will probably total between €50 million and €250 million, closing down on last year's level, which amounted to €524 million including tax benefits. This is primarily due to the impact on earnings of the state of emergency caused by the weather in February in the USA. As set out on page 46, production outages caused by winter storms and icy rain required us to make short-term electricity purchases at extremely high prices. The resulting losses total a low to medium triple-digit million euro amount. We expect the commissioning of new wind and solar farms to have a positive impact on earnings. Furthermore, the sale of stakes in the Stella, Cranell, Raymond East and Raymond West onshore wind farms will lead to a capital gain. This will be contrasted by higher expenses incurred to develop growth projects.

- Hydro / Biomass / Gas: We expect this segment to achieve adjusted EBITDA of €500 million to €600 million for fiscal 2021. Compared to last year's figure (€621 million) this represents a decline. One of the reasons is that income from the commercial optimisation of power plant dispatch will probably be below the high level registered in 2020. Moreover, we will not benefit from the contribution to earnings previously made by wood pellet manufacturer Georgia Biomass, which we sold in July 2020. However, the curtailment of earnings last year from fire damage to the Eemshaven power station will not recur.

- Supply & Trading: In the long run, we anticipate annual average adjusted EBITDA here to be in the order of €250 million. We expect a figure in the range of €150 million to €350 million for 2021. This would be much lower than the very high earnings posted last year (€539 million).

- Coal / Nuclear: Adjusted EBITDA in this segment is expected to total between €800 million and €900 million (last year: €559 million). The significant year-on-year growth will result from higher margins on forward sales of our electricity generation. However, we anticipate additional costs from the implementation of the German coal phaseout.

Capital expenditure on property, plant and equipment markedly up on previous year. Capital expenditure on property, plant and equipment and intangible assets is estimated to be much higher than in 2020 (€2,285 million). A substantial amount of funds will be spent on the construction of the offshore wind farms Triton Knoll in the UK North Sea and Kaskasi near Heligoland, Germany. In addition, if we reach a positive investment decision on Sofia, we will start building the wind farm off the coast of east England. Other focal points of investment are onshore wind and solar projects in the USA and Europe. We plan to spend €200 million to €300 million outside of the core business in the Coal / Nuclear segment. These funds will primarily be used to maintain our power plants and opencast mines.

Net debt not to exceed three times adjusted EBITDA. One of our key management parameters is the ratio of net debt to adjusted EBITDA of the core business, also referred to as the leverage factor. This key figure is more indicative than total liabilities because it also reflects earning power and therefore our ability to meet our debt obligations. We set the upper limit for the leverage factor at 3.0, which we intend to comply with over the long term. We expect to be able to satisfy this requirement for fiscal 2021. However, the leverage factor may well be higher than in 2020.

Dividend for fiscal 2021. The Executive Board aims to pay a dividend of €0.90 per share for fiscal 2021. This represents an increase of €0.05 relative to the dividend proposal for 2020. The reason for the planned increase are the bright medium and long-term earnings prospects of our core business.

2.9 Development of risks and opportunities

RWE's risk exposure has improved steadily over the last few years. The main driver is our transformation into a leading provider of electricity from renewables. The high share of regulated income in this business makes us more profitable as well as more crisis-resistant. Furthermore, we benefit from the fact that the German coal phaseout has finally been given a firm legal framework, which gives us planning certainty in our lignite business. Despite the coronavirus pandemic, we classify our current risks no higher than 'medium'. We assess and manage our risks using our proven risk management system, which we present in detail in this chapter.

Distribution of risk management tasks at RWE. Responsibility for Group risk management lies with the parent company RWE AG. Its Executive Board monitors and manages the Group's overall risk. In addition, it determines the general risk appetite of RWE and defines upper limits for single risk positions. At the level below the Executive Board, the Controlling & Risk Management Department has the task of applying and constantly refining the risk management system. It derives detailed limits for the individual business fields and operating units from the risk caps set by the Executive Board. Its tasks also include checking the identified risks for completeness and plausibility and aggregating them. In so doing, it receives support from the Risk Management Committee, which is composed of the heads of the following five RWE AG departments: Controlling & Risk Management (Chair), Finance & Credit Risk, Accounting, Legal & Insurance, and Corporate Business Development. The Controlling & Risk Management Department provides the Executive Board and the Supervisory Board of RWE AG with regular reports on the company's risk exposure.

A number of additional organisational units and committees have been entrusted with risk management tasks:

- Financial risks and credit risks are managed by the Finance & Credit Risk Department of RWE AG.
- The Accounting Department ensures that financial reporting is free of material misstatements. It has an accounting-related internal control system for this purpose. A committee consisting of officers from Accounting and other departments of relevance to accounting assists in securing the quality of financial reporting. More detailed information can be found on page 78.
- The Internal Audit & Compliance Department monitors compliance with RWE's Code of Conduct. Its primary objective is to prevent corruption. It reports to the CEO of RWE AG or, if members of the Executive Board are affected, directly to the Chair of the Supervisory Board and the Chair of the Audit Committee.
- Risks from changes in commodity prices are monitored by RWE Supply & Trading in so far as they relate to the conventional electricity generation, energy trading and gas businesses. Where these risks relate to the renewable energy business, they are managed by RWE Renewables.
- Strategies to limit market risks in conventional electricity generation must be approved by the Commodity Management Committee. This expert panel consists of the CFO of RWE AG, members of the Board of Directors of RWE Supply & Trading and a representative of the Controlling & Risk Management Department.

- We also have a committee tasked with mitigating market risks associated with the renewable energy business. The Renewables Commodity Management Committee consists of the CFO of RWE AG, members of the management of RWE Renewables and a representative of the Controlling & Risk Management Department.

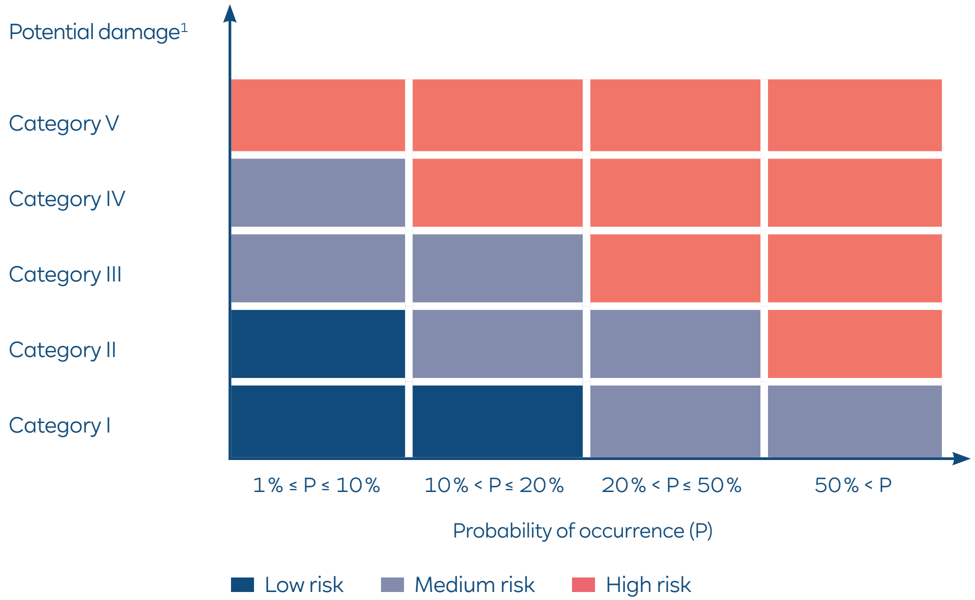
- The strategic guidelines for the management of financial assets (including the funds held by RWE Pensionstreuhand e. V.) are determined by the Asset Management Committee. The following individuals belong to it: the CFO of RWE AG, the Managing Director in charge of finance at RWE Supply & Trading, the heads of the following departments: Finance & Credit Risk, Investor Relations, Portfolio Management / Mergers & Acquisitions and – from the last department in the list – the head of Financial Asset Management.

Under the expert management of the aforementioned organisational units, RWE AG and its operating subsidiaries are responsible for identifying risks early, assessing them correctly and managing them in compliance with corporate standards. Internal Audit regularly assesses the quality and functionality of our risk management system. Last year, our internal audit system was reviewed by an external auditor in accordance with the IDW PS 983 standard and certified to the standard.

Risk identification and assessment. Risks and opportunities are defined as negative or positive deviations from expected figures. Their management is an integral and continuous part of operating processes. We assess risks every six months, using a bottom-up analysis. We also monitor risk exposure between the regular survey dates. The Executive Board of RWE AG is immediately notified of any material changes. Our executive and supervisory bodies are updated on the Group's risks once a quarter.

Our risk analysis normally covers the three-year horizon of our medium-term plan, but can extend beyond that in individual cases. We measure the potential damage based on the possible effects on net income, net debt and equity. In doing so, we take hedges into account. We define the potential damage as the deviation from the budgeted figure in question, aggregated over the three-year planning horizon.

RWE AG risk matrix



Potential damage[1] € million	Earnings risks Potential impact on net income (X)	Indebtedness / equity risks Potential impact on net debt and equity (Y)
Category V	8,000 ≤ X	8,000 ≤ Y
Category IV	1,500 ≤ X < 8,000	4,000 ≤ Y < 8,000
Category III	600 ≤ X < 1,500	2,000 ≤ Y < 4,000
Category II	300 ≤ X < 600	1,000 ≤ Y < 2,000
Category I	X < 300	Y < 1,000

1 Aggregated over the three-year medium-term plan (2021 to 2023).

We display the material risks using a matrix (see chart on the preceding page) in which they are categorised by potential damage and probability of occurrence. Risks that share the same cause are aggregated to a single risk if possible. To clearly assign them to the matrix fields, we have established thresholds for net income, net debt and equity, which are oriented towards the RWE Group's ability to bear risks. They are presented in the table below the matrix. Depending on their position in the matrix, we distinguish between low, medium and high risks. Based on this systematic risk identification, we determine whether there is a need for action and initiate measures to mitigate the risks if necessary.

Main risks for the RWE Group. Depending on their causes, our risks can be classified into seven classes, which are shown in the table on the right. The highest individual risk determines the classification of the risk of the entire risk class. The highest classification of our risks is currently 'medium'. By contrast, in the previous year, we had identified a high regulatory risk because of the uncertainty regarding the conditions of the German coal phaseout. The Coal Phaseout Act passed in mid-2020 and the public law contract between the government and the affected lignite companies have created a clear legal framework. However, the legally mandated compensation for the early closure of lignite assets is subject to state-aid approval by the European Commission. As the compensation envisaged for us is much lower than our actual financial burden, we are confident that the compensatory payments will not be classified as unlawful aid. Increased political pressure on our lignite business and the further acceleration of Germany's coal phaseout can generally not be ruled out.

Regulatory unpredictability has decreased in general, but the coronavirus pandemic has introduced a new cause for uncertainty. We modelled the potential consequences of COVID-19 for RWE in an analysis of scenarios in March 2020 and updated the findings in November. We are exposed to the risk of new build projects being delayed and a significant drop in economic output depressing electricity prices. Both these developments were already witnessed in 2020. Negative price effects would not only impact on our conventional power stations, but also on those wind farms, the entire or partial generation of which is not sold at firm conditions, causing them to also bear a market risk. The risk of having to recognise impairments due to corona-induced declines in margins is recorded in the 'other risks' class, which we therefore reclassified from 'low' to 'medium'.

Risk classes	Classification of the highest single risk	
	31 Dec 2020	31 Dec 2019
Market risks	Medium	Medium
Regulatory and political risks	Medium	High
Legal risks	Low	Low
Operational risks	Medium	Medium
Financial risks	Medium	Medium
Creditworthiness of business partners	Medium	Medium
Other risks	Medium	Low

As set out earlier, the focus of the risk analysis described in this chapter lies on the three-year horizon of our medium-term plan. The Task Force on Climate-related Financial Disclosures (TCFD), a panel of experts, recommended in 2017 that companies consider time horizons that go far above and beyond this when identifying and assessing climate-related risks. RWE implements the TCFD proposals. We explain how we do this in our 2020 Sustainability Report, which will be published in April 2021 and will then be available at www.rwe.com/sustainability-report.

In this section, we provide commentary on the main risks and opportunities we have identified for this and the next two years and explain what measures have been taken to counter the threat of negative developments.

- **Market risks.** In most of the countries in which we are active the energy sector is characterised by the free formation of prices. Declines in quotations on wholesale electricity markets can cause generation assets to become less profitable. This also relates to renewable energy assets that are not subsidised with fixed feed-in payments. Negative price developments can cause us to recognise impairments, which are also recorded as market risks with certain exceptions.

  Power and gas purchase agreements with conditions that do not depend on the development of wholesale prices expose us to the risk of having to pay more for the product than we can earn when selling it. This may force us to form provisions to cover this risk. We have identified such a risk inherent in the two contracts we concluded to purchase electricity from the Datteln 4 hard coal-fired power plant in 2005 and 2006. Operated by German energy group Uniper, the station was commissioned in the summer of 2020, ten years later than planned. We were unsuccessful in taking legal recourse against the continuation of the agreements. We are currently negotiating certain contractual conditions with Uniper and considering taking further legal steps. Our long-term gas purchase agreement with Russian energy group Gazprom sets dates for regular reviews, during which we can negotiate contractual changes depending on market conditions. In the past, this has enabled us to mitigate our earnings risk exposure from the contract. It cannot be ruled out that the results of future reviews fall short of our expectations. Vice versa, however, we also stand the chance of enforcing conditions that are more favourable than anticipated.

  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. For our power plants, we limit the risks by selling most of the electricity forward and securing the prices of the fuel and CO_2 emission allowances needed for its generation. We also use financial instruments to hedge our commodity positions. In the consolidated financial statements, such instruments, including those serving the purpose of reducing interest and currency risks, are usually presented through the statement of on-balance-sheet hedges. More detailed information on this can be found on page 118 in the Notes.

  RWE Supply & Trading plays a central role when it comes to managing commodity price risks. It functions as the Group's interface to the global wholesale markets for electricity and energy commodities. On behalf of our power plant companies, RWE Supply & Trading markets large portions of our generation position and purchases the fuel and CO_2 certificates needed to produce electricity. Since RWE Supply & Trading acts as the internal transaction partner it is easier for us to limit the risks associated with price volatility on energy markets. However, the trading transactions are not exclusively intended to reduce risks. In compliance with risk thresholds, the company also takes commodity positions to achieve a profit.

  Our risk management system for energy trading is firmly aligned with best practice as applied to the trading businesses of banks. As part of this, transactions with third parties are concluded only if the associated risks are within approved limits. There are guidelines governing the treatment of commodity price risks and associated credit risks. Our subsidiaries constantly monitor their commodity positions. Risks associated with trades conducted by RWE Supply & Trading for its own account are monitored daily.

  The Value at Risk (VaR) is of central importance for risk measurement in trading and finance. It specifies the maximum loss from a risk position not exceeded with a predetermined probability over a predefined period of time. RWE's VaR figures are generally based on a confidence interval of 95 % and an observation period of one day. This means that, with a probability of 95 %, the daily loss will not exceed the VaR.

  The VaR for the price risks of commodity positions in the trading business of RWE Supply & Trading must remain below a certain daily limit. The maximum allowable amount in the fiscal year that just ended was €40 million. The actual daily maximum was €32 million and the average for the year was €18 million. In addition, limits derived from the aforementioned VaR thresholds have been set for every trading desk. Furthermore, we develop extreme scenarios and factor them into stress tests, determine their impact on earnings, and take countermeasures if we deem the risks to be too high.

The management of our gas portfolio and the liquefied natural gas (LNG) business is pooled in a dedicated organisational unit at RWE Supply & Trading. Last year, the VaR cap for these activities was €14 million. The headroom actually utilised was €12 million. The average VaR for the year was €6 million.

We also apply the VaR concept to measure the extent to which the commodity price risks that we are exposed to outside the trading business can affect the RWE Group's adjusted EBITDA. To this end, we calculate the overall risk for the Group on the basis of the commodity risk positions of the individual companies; this overall risk mainly stems from power generation. The majority of our generation position is already hedged for 2021. Opportunities for additional profits arise, because we are able to flexibly adapt our power plant deployment to short-term market developments.

In the UK generation business, our earnings not only depend on the development of the price of electricity, fuel and emission allowances, but also on the level of the payments we receive for participating in the national capacity market. The payments are determined in annual auctions and fluctuate depending on supply and demand (see page 45).

We are also exposed to market risks in the gas storage business. As set out on page 27, the realisable margins depend significantly on the volatility of gas prices. If the short-term and seasonal price differences are large, they can be taken advantage of to generate substantial income. If they are insignificant, then so is the income. The German gas storage business is currently characterised by overcapacity and significant pressure on margins. However, we are confident that market conditions will improve in the long run. Should they deteriorate, we may have to recognise impairment losses for our storage facilities.

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

- **Regulatory and political risks.** Ambitious emission reduction targets have caused the governments in our core markets to intervene in the energy sector repeatedly. The most recent example of this is Germany's Coal Phaseout Act, on which we have commented on page 37et seq. It envisages gradually reducing coal-fired electricity generation to zero by 2038. In exchange for closing our lignite assets early, we will receive €2.6 billion in compensation. The damage we will actually suffer is much higher. Nevertheless, we find this statutory regulation to be acceptable, because it gives us more planning certainty for our lignite business. We now classify our regulatory and political risks as 'medium' instead of 'high'. The compensatory payments for the exit from the lignite business are subject to approval under EU state aid law. Despite the new legislation, it cannot be ruled out that policymakers continue to increase pressure on the lignite sector, for instance by introducing CO_2 price floors or establishing extremely restrictive emission limits. In addition, more ambitious climate targets for 2030 could make the next federal government accelerate the coal phaseout.

The coal phaseout in the Netherlands was enshrined in law in 2019. The country's exit roadmap prohibits power plants built in the 1990s from using coal from no later than 2025 onwards. For younger stations, the ban starts in 2030. This means that our Amer 9 and Eemshaven power plants will have to stop coal-based generation at the end of 2024 and 2029, respectively. Unlike in Germany, it is not envisaged that we will receive compensation for this. We mitigated our risk exposure from coal-based generation early on by converting Amer 9 and Eemshaven to biomass co-firing. We are receiving state subsidies for the investment outlay and the added cost of procuring fuel. However, the subsidies fall clearly short of covering the additional cost of converting the stations to 100 % biomass utilisation. The legally mandated coal phaseout could thus force us to close the stations early. Therefore, we believe that our ownership rights have been violated. As the government has not offered us compensation for our financial disadvantages, in February 2021 we initiated arbitration proceedings under the Energy Charter Agreement against the Netherlands before the International Centre for Settlement of Investment Disputes in Washington, USA.

We are also exposed to risks in the field of nuclear energy, albeit to a much lesser extent than in the past. Since we made contributions to the German nuclear energy fund in the middle of 2017, the state has assumed complete responsibility for the interim and final storage of our radioactive waste. We are still exposed to cost risks associated with disposal tasks which remain within our remit. For example, it cannot be ruled out that the dismantling of nuclear power stations will be more expensive than estimated and we will therefore have to top-up our provisions for this. However, we also see the opportunity to leverage synergies and cut costs.

Although the renewable energy business is characterised by fairly stable framework conditions and wide public acceptance, imponderables exist in this area as well. Adjustments to state subsidy schemes may result in reductions in payments and new projects losing their appeal. This can lead to investment undertakings being broken off. It is also conceivable that firmly pledged state payments may be cut retrospectively. In the dialogue we maintain with policymakers, we point out that companies which invest in building sustainable, climate-friendly energy infrastructure need reliable framework conditions.

Even in the present regulatory environment, we are exposed to risks associated with, for instance, approvals when building and operating production facilities. This particularly affects our opencast mines, power stations and wind farms. The danger here is that approvals are granted late or not at all and that granted approvals are withdrawn temporarily or for good.

Certain statutory regulations to which we must adhere can be interpreted in various ways and are therefore in need of legal clarification. One example is the regulation which exempts us from paying an apportionment under the Renewable Energy Act (EEG) for electricity that we consume ourselves in our German power stations and opencast mines. However, the legal situation surrounding the regulation is vague, for example with regard to the EEG exemption of leased assets. There is a danger that the options to benefit from the regulation may be limited by the Germany's highest court and that back payments may even have to be made for previous years.

Despite the aforementioned imponderables, the overall assessment of our regulatory and political risks has improved from 'high' to 'medium'. The main reason for this is the establishment of a clear framework for the German coal phaseout.

- **Legal risks.** Individual RWE Group companies are involved in litigation and arbitration proceedings due to their operations or M&A transactions. 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 outcomes. To the extent necessary, we have accrued provisions for possible losses resulting from pending proceedings before ordinary courts and arbitration courts.

Risks may also result from exemptions and warranties that we granted in connection with the sale of assets. 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 cover risks that are unknown at the time of sale. These hedging instruments are standard procedure in sales of companies and equity holdings.

We currently have low exposure to legal risks. This assessment did not change compared to the previous year.

- **Operational risks.** RWE operates technologically complex, interconnected production facilities such as conventional power stations and wind farms. Damage and outages can weigh heavily on earnings, as recently demonstrated by the severe cold snap in the US state of Texas (see page 46). When production facilities are built and modernised, delays and cost increases can occur, for example due to accidents, material defects, late deliveries, unfavourable weather conditions or time-consuming approval processes. In such cases, there is a danger that the plants become more expensive and they contribute to earnings later than planned. Furthermore, delays of renewable energy projects can be disadvantageous to the level of subsidies they receive. We counter the described risks through diligent plant and project management as well as high safety standards. We also regularly maintain our facilities and take out insurance policies if economically viable.

In the past fiscal year, some construction schedules could not be adhered to, in part due to the coronavirus pandemic. This primarily affected onshore wind projects in the USA, exposing us to the risk of a reduction in tax credits for assets that could not be commissioned by the end of 2020. However, in view of the unusual circumstances, the US government extended the deadlines, enabling wind farms that are completed in 2021 to receive the full subsidy (see page 37). Due to our dependence on suppliers, however, projects may incur further delays. So far, the coronavirus pandemic has only had a minor impact on the operation of our assets. Thanks to comprehensive preventive measures and forward-looking emergency plans, we were able to keep all major operational processes up and running. In light of the successful development of vaccinations, we are confident that the spread of the infection will soon come under control. We will keep our safety measures in place as long as necessary.

The shift of our power production to renewable energy sources like the wind and sun increases the impact of the weather on our business. For example, extended lulls can cause generation volumes and earnings of wind farms to fall significantly behind targets in certain fiscal years. We limit the effects of the weather on the Group's income in part through the geographic diversification of our business. This increases the likelihood of unfavourable meteorological conditions at one site being offset by favourable ones at another.

RWE has ambitious goals in relation to renewable energy and has increased its investment budgets significantly. We try to ensure that our new-build projects and acquisitions satisfy our return requirements. Nevertheless, we cannot rule out that income achieved through our projects falls short of expectations or prices paid for acquisitions prove to be too high retrospectively. Mounting competition in the renewable energy business in particular can be detrimental to project income. We prepare our investment decisions by conducting extensive analyses to try and map the financial and strategic effects as realistically as possible before taking investment decisions. Moreover, RWE has specific accountability provisions and approval processes in place to prepare and implement the decisions.

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

Despite corona-induced imponderables, as in the previous year, our operational risks are classified as 'medium'.

- **Financial risks.** Changes in key financial indicators such as interest rates, foreign exchange rates, securities prices and rates of inflation can have a major impact on our net worth and earnings.

We are exposed to various interest rate risks. For example, rises in interest rates can lead to reductions in the prices of the securities we hold. This primarily relates to fixed-interest bonds. Last year, the VaR for the interest rate-related price risk of capital investments was €3.9 million on average at RWE AG.

Moreover, increases in interest rates cause our financing costs to rise. We measure this risk using the Cash Flow at Risk (CFaR), applying a confidence level of 95 % and a holding period of one year. The average CFaR at RWE AG in 2020 was €25.0 million.

Furthermore, market interest rates have an effect on our provisions, as they are the point of reference for the discount rates used for determining the net present values of obligations. This means that, all other things being equal, provisions rise when market interest rates fall and vice versa. On pages 154 et seqq. of the Notes, we present the effects of changes in interest rates on the net present values of our pension obligations and on the nuclear and mining provisions.

In addition to interest rates, the general price level also affects the amount of provisions. Rising inflation can force us to make a considerable upward adjustment to the present value of the obligations. Price increases are particularly detrimental when they are above average in sectors from which we procure products and services for nuclear waste disposal and recultivating opencast mine areas.

We are exposed to foreign exchange risks primarily owing to our business activities in the UK and the USA. Furthermore, energy commodities such as coal and oil are traded in US dollars. Companies which are overseen by RWE AG have their currency risks managed by the parent company. RWE AG aggregates the risks to a net financial position for each currency and hedges it if necessary. We calculated an average VaR for RWE AG's foreign currency position in 2020 of €1.2 million.

The securities we hold in our portfolio typically include shares. We currently hold a 15 % stake in E.ON, which had a fair value of €3.6 billion at the end of 2020. Therefore, changes in the quotation of the E.ON share can affect our financial strength significantly.

Risks and opportunities from changes in the price of securities are controlled by a professional fund management system. Range of action, responsibilities and controls are set out in internal guidelines which the Group companies are obliged to adhere to when concluding financial transactions. All financial transactions are recorded using special software and are monitored by RWE AG.

Collateral pledged for forward transactions also harbours a risk. The amount of collateral depends on the extent to which the contractually agreed prices deviate from market quotations as of the respective cut-off date. These differences can be substantial. In recent times, the market prices of energy commodities, e. g. CO_2 emission allowances, have fluctuated significantly, due in part to the coronavirus pandemic. Changes of this degree can lead to substantial short-term cash outflows, but can also present the opportunity to receive substantial collateral from contracting parties, resulting in a temporary increase in equity.

The conditions at which we can finance our business on the debt capital market are in part dependent on the credit ratings we receive from international rating agencies. As set out on page 60, Moody's and Fitch place our creditworthiness in the investment grade category. If the agencies lower our credit rating, we may incur additional costs if we have to raise debt capital. This would probably also increase the liquidity requirement when pledging collateral for forward transactions. However, we believe that such a scenario is unlikely. Both rating agencies are of the opinion that RWE has become more financially stable as a result of its transformation into a leading renewable energy company. Moody's upgraded our rating outlook to 'positive' in March 2020, which makes us believe that we stand a chance of receiving a more favourable credit rating.

The assessment of our creditworthiness by rating agencies, banks and capital investors depends in part on the level of our net debt. Our goal is to ensure that it does not exceed three times the adjusted EBITDA of our core business. Due to our extensive investments in expanding renewable energy, net debt could temporarily be above budget. This primarily affects fiscal years with cash inflows from operating activities or sales of stakes in projects that are below average. Nevertheless, we are confident that we can maintain our indebtedness within the target range. The additional financial headroom achieved through the capital increase in August 2020 is helpful in this respect.

We classify our financial risks as 'medium'. This assessment has not changed since last year.

- **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 partners closely and assess their credit standing based on internal and external ratings, both before and during the business relationship. Transactions that exceed a certain size and all trading transactions are subject to credit limits, which we determine before the transaction is concluded and adjust if necessary, for instance in the event of a change in the business partner's creditworthiness. At times, we request cash collateral or bank guarantees. In the trading and financing business, credit risks and the utilisation of the limits are measured daily. We agree on collateral when concluding over-the-counter trading transactions. Furthermore, we enter into framework agreements, e.g. those of the European Federation of Energy Traders. For financial derivatives, we make use of the German master agreement for forward financial transactions or the master agreement of the International Swaps and Derivatives Association.

The coronavirus pandemic has created economic problems for many companies, potentially including business partners of RWE. This is why we are monitoring critical branches of industry more closely. Furthermore, we are extremely careful when entering into new business relationships and extending existing ones and assign customers lower credit limits where necessary. We currently do not expect any material financial losses due to corona-induced insolvencies. As in the past, our risks stemming from the creditworthiness of our business partners do not exceed the 'medium' category.

- **Other risks.** This is the class in which we record the potential effects of damage to our reputation, compliance infringements and criminal acts. The risk of a COVID-19-driven reduction in energy consumption leading to low electricity prices which, in turn, forces us to recognise impairments for generation assets has also been recorded in this category. Therefore, other risks have risen from 'low' to 'medium'.

RWE's risks and opportunities: general assessment by management. The RWE Group's risk exposure has improved significantly in the last few years. As a result of the asset swap with E.ON, which we completed successfully in 2020, we have become a leading renewable energy company. This has increased the share of stable regulated income considerably and made us more financially robust. Moreover, the gradual shift of our generation portfolio from fossil fuels to renewables also helps us to limit our political and regulatory risks. By aiming to be carbon neutral by 2040, we are demonstrating that we want to expedite the decarbonisation of the energy sector, thereby increasing our acceptance among politicians, capital lenders, customers and other stakeholder groups.

As shown by the commentary in this chapter, we no longer have any risks classified as 'high'. The German Coal Phaseout Act and the compensation claims against the federal government that it has written into law have substantially reduced the uncertainty of our lignite business. In the previous year, we had identified a major risk here. So far, RWE has only been affected by the onset of the COVID-19 pandemic to a limited extent, with the pandemic leading to delays in projects, among other things. If the virus cannot be controlled effectively in the near future, we may experience further delays. Moreover, there is a danger that the reduced economic output will result in lower electricity prices, causing our generation margins to shrink. However, we classify our pandemic-related risk exposure no higher than 'medium'. In this regard, it is proving advantageous once again that our renewable energy business gives us a strong and crisis-proof source of income. Our substantial investments in new wind and solar farms will make this pillar even stronger.

At the same time, our solid financial management ensures that RWE remains on a safe course. By analysing the effects of risks on our liquidity and pursuing a conservative financing strategy, we ensure that we can meet our payment obligations punctually. We have considerable liquid funds and great leeway in terms of debt financing, thanks to the Debt Issuance Programme, the Commercial Paper Programme and the syndicated credit line (see page 59). The capital increase conducted in August 2020 has made us more financially flexible. We budget our liquidity with foresight, based on the short, medium and long-term financing needs of our Group companies, and have a significant amount of minimum liquidity on a daily basis.

Thanks to the measures for safeguarding our financial and earning power over the long term and our comprehensive risk management system, we are confident that we can manage the current risks to RWE. At the same time, we are establishing the prerequisites for ensuring that this remains the case in the future.

Accounting-related internal control system: statements in accordance with Sec. 289, Para. 4, and Sec. 315, Para. 4 of the German Commercial Code. Our financial reporting is exposed to the risk of misrepresentations that could have a significant influence on the decisions made by their addressees. For example, stated earnings that are too high can cause capital investors to invest in a company. In RWE's Code of Conduct, we have undertaken to inform the public completely, objectively, accurately, clearly and in a timely manner, in compliance with capital market law. We use a series of tools to meet this ambition. Examples of this are our groupwide accounting policy and the high minimum standards to which we subject the IT systems used to record and process accounting-related data.

Furthermore, we use an accounting-related Internal Control System (ICS) for quality assurance purposes. The ICS aims to detect potential errors and misrepresentations that result from non-compliance with accounting standards. Designing the ICS and reviewing its effectiveness are under the responsibility of the Accounting Department of RWE AG. The department can apply groupwide rules in performing these tasks. In addition, it receives assistance from the ICS Committee, the objective of which is to ensure that the ICS is applied throughout the Group following uniform principles and meeting high ambitions in terms of correctness and transparency. The Committee consists of representatives from the Accounting, Controlling & Risk Management and Internal Audit & Compliance Departments, along with officers from the human resources, procurement, trading, finance, taxes and IT functions, which are highly relevant to accounting.

We subject the ICS to a comprehensive review every year. As a first step, we examine whether the risk situation is presented appropriately and whether suitable controls are in place for the identified risks. In a second step, we test the effectiveness of the controls. If the ICS reviews pertain to accounting-related processes, e.g., the preparation of financial statements or consolidation, they are conducted by employees from the Accounting Department. The appropriateness and effectiveness of the controls are certified by an accounting firm for processes handled by service centres on our behalf, for example invoice processing. The representatives of the finance, human resources, procurement, trading, and IT functions document whether the agreed ICS quality standards are adhered to by their respective areas. Our Internal Audit & Compliance Department is also involved in the ICS reviews. The results of the reviews are documented in a report to the Executive Board of RWE AG. The review conducted in 2020 once again demonstrated that the ICS is effective.

Within the scope of external reporting, the members of the Executive Board of RWE AG take a half-year and full-year balance-sheet oath, confirming that the prescribed accounting standards have been adhered to and that the financial statements give a true and fair view of the net worth, financial position and earnings. 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 a report on this to the Committee.

2.10 Disclosure relating to German takeover law

The following disclosure is in accordance with Section 315a, Paragraph 1 and Section 289a, Paragraph 1 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 company-specific regulations, for example relating to adjustments to the capital structure by the Executive Board or a change of control of the company. At RWE, these provisions are in line with the standards of German listed companies.

Composition of subscribed capital. RWE AG's capital stock amounts to €1,731,123,322.88 and is divided among 676,220,048 no-par-value bearer shares. As set out on page 42, in August 2020, with the approval of the Supervisory Board, the Executive Board issued 61,474,549 new RWE shares to institutional investors in exchange for cash contributions, waiving subscription rights. This increased the capital stock by €157,374,845.44, or 10 %.

Executive Board authorisation to issue new shares. The capital increase was based on an authorisation issued by the Annual General Meeting on 26 April 2018, which contains the following main provisions:

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 25 April 2023, through the issuance of up to 122,949,099 new bearer shares in return for contributions in cash or in kind (authorised capital). This authorisation may be exercised in full or in part, or once or several times for partial amounts. In principle, shareholders are entitled to subscription rights.

Subject to the approval of the Supervisory Board, the Executive Board may waive subscription rights:

- to prevent fractional amounts resulting from the subscription ratio;
- 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;
- 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 waived, does not exceed 10 % in total;
- and to offer shares to potential holders of convertible or option bonds commensurate to the rights to which they would be entitled 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 waiving subscription rights.

On 18 / 19 August 2020, RWE exercised the option of conducting a cash capital increase waiving subscription rights up to the upper limit of 10 %. Half of the authorised capital, i. e. a maximum of €157,374,848, may still be used for other capital measures. This corresponds to an issuance of up to 61,474,550 RWE shares.

Shares in capital accounting for more than 10 % of voting rights. As of 31 December 2020, no holding in RWE AG exceeded 10 % of the voting rights.

Limitation of share transfers. Within the scope of RWE's employee share plan, 314,760 RWE shares were issued to staff in Germany in the financial year that just ended. The beneficiaries may only freely dispose of the shares after 31 December 2021. RWE also has employee share schemes in the United Kingdom. Participating companies are RWE Generation UK plc, RWE Technology UK Limited and RWE Supply & Trading GmbH UK Branch. In 2020, a total of 17,905 RWE shares were purchased under the UK plans. These shares are also subject to a restriction on disposal, which lasts five years from the grant date.

Appointment and dismissal of Executive Board members / amendments to the Articles of Incorporation. Executive Board members are appointed and dismissed in accordance with Sections 84 et seq. of the German Stock Corporation Act in conjunction 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 conjunction with Article 16, Paragraph 5 of the Articles of Incorporation of RWE AG. According to the aforementioned provision in 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 or – if a capital majority is required – by the simple majority of the capital stock represented when the resolution is passed. Pursuant to Article 10, Paragraph 9 of the Articles of Incorporation, the Supervisory Board is authorised to pass resolutions in favour of amendments to the Articles of Incorporation that only concern formal matters, without having a material impact on the content.

RWE AG authorisation to implement share buybacks. Furthermore, the Annual General Meeting on 26 April 2018 authorised the Executive Board of RWE AG to conduct share buybacks subject to the approval of the Supervisory Board until 25 April 2023, said buybacks accounting for up to 10 % of the capital stock as of the effective date of the resolution or as of the exercise date of the authorisation if the capital stock is lower on this date. At the Executive Board's discretion, this may be done on the stock exchange or via a public purchase offer.

Shares purchased in this way may then be cancelled. Furthermore, they may be transferred to third parties in connection with mergers or acquisitions of companies, parts of companies, operations, or of stakes in companies. The company may also use the shares to fulfil its obligations resulting from employee share schemes or settle rights arising from convertible or option bonds. In the aforementioned cases, shareholder subscription rights are waived. These authorisations may be exercised in full or in part, or once or several times for partial amounts.

Pursuant to the authorisation of 26 April 2018, the shares bought back could be sold for cash via other channels. This option no longer exists because the shares issued to conduct the capital increase count towards the upper limit of 10 % of the capital stock for which the authorisation was granted. For the same reason, it is also no longer possible to transfer repurchased shares to holders of convertible or option bonds if these bonds were issued waiving subscription rights and in exchange for cash contributions. In addition, the shares bought back cannot be used to settle subscription rights which holders of convertible or option bonds would have if they exercised the options attached to bonds in exchange for RWE shares.

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. Such a provision is in place e. g. in respect of our €5 billion syndicated credit line. It essentially has the following content: in the event of a change of control or majority at RWE, 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 the change of control, the lenders may cancel the line of credit.

Change-of-control clauses also exist with regard to our bonds. The following rule applies to a senior bond maturing in 2037, a small residual amount of which remained with RWE when we transferred our senior bonds to innogy in 2016: 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. With regard to subordinated hybrid bonds, we have the right to cancel them within the defined change-of-control period in such cases; if this does not occur, the annual yield of the hybrid bonds increases by 500 basis points.

Consequences of a change of control for Executive Board and executive remuneration. The current version of the German Corporate Governance Code dated 16 December 2019 recommends that no commitments to (additional) benefits be made in the event of the early termination of an employment contract by a member of the Executive Board as a result of a change of control. We adhere to this principle in all of the new employment contracts. Michael Müller and Zvezdana Seeger, who joined the Executive Board as of 1 November 2020, do not have a special right of termination or severance entitlements in the event of a change of control. The same will apply as of 1 May 2021 to Markus Krebber when he succeeds Rolf Martin Schmitz as CEO.

By contrast, the current employment contracts of Rolf Martin Schmitz and Markus Krebber still have a change-of-control clause. It gives them a special right of termination in the event that a change of control puts them at a major disadvantage. In such a case, they are free to resign for cause from their position within six months of the change of control by giving three months' notice. In addition, they can request the termination of their employment contract and receive a one-off payment. The amount of the one-off payment shall correspond to the compensation that would have been due until the end of the contractually agreed term of service, but no more than three times the total contractual annual remuneration, excluding share-based payments.

Change-of-control provisions also apply to the share-based payment of the Executive Board and executives. All performance shares granted on a preliminary basis for the fiscal year underway at the time of the change of control shall expire without replacement or compensation. Conversely, rights in connection with performance shares for past fiscal years, for which no payout has been effected yet, shall be preserved.

2.11 Remuneration report

Standards imposed on management and supervisory board compensation by the capital market have become higher. More than ever before, companies are expected to remunerate managing and monitoring bodies based on performance, while providing incentives for forward-looking sustainable action. RWE meets these demands. Nevertheless, we have refined the Executive Board remuneration system in close co-operation with investors. We will present the new rules to the 2021 Annual General Meeting for approval. The following commentary focuses on the compensation regulations for fiscal 2020.

Structure and level of Supervisory Board remuneration

The remuneration paid to the members of the Supervisory Board for fiscal 2020 was based on a resolution passed by the 2013 Annual General Meeting and is governed by the provisions of the Articles of Incorporation of RWE AG. It complies with all of the recommendations of the current version of the German Corporate Governance Code (GCGC) which was published on 16 December 2019.

The Chairman of the Supervisory Board of RWE AG receives fixed remuneration of €300,000 per fiscal year. His Deputy receives €200,000 per fiscal year. The other members of the Supervisory Board receive fixed remuneration of €100,000 and additional compensation for committee mandates according to the following rules: members of the Audit Committee receive additional remuneration of €40,000. This payment is increased to €80,000 for the Chair of this committee. With the exception of the Nomination Committee, the members of which do not receive additional remuneration, the members and the Chairs of all the other Supervisory Board committees receive an additional €20,000 and €40,000 in remuneration, 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 concurrently hold several offices in this body only receive compensation for the highest-paid position. Remuneration is prorated if a Supervisory Board member only performs a function for part of a fiscal year.

In addition to the remuneration paid, out-of-pocket expenses are refunded to the members of the Supervisory Board. Some 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 commitment to relinquish their pay, to use 25 % of the total annual compensation (before taxes) to buy RWE shares and to hold them for the duration of their membership of the Supervisory Board of RWE AG. Last year, all of the members who do not relinquish their compensation met this self-imposed obligation regarding their compensation for 2019.

In total, the remuneration of the Supervisory Board (excluding the reimbursement of out-of-pocket expenses) amounted to €2,880,000 in fiscal 2020 (previous year: €3,304,000). Of this sum, €480,000 (previous year: €465,000) was remuneration paid for mandates on committees of the Supervisory Board and €100,000 (previous year: €543,000) was remuneration paid for mandates at subsidiaries of RWE AG.

In accordance with Section 113 of the German Stock Corporation Act, we will present a Supervisory Board remuneration scheme to the Annual General Meeting on 28 April 2021 for approval. We are considering proposing to the shareholders an increase in remuneration for committee work.

The remuneration of all individuals who served on the Supervisory Board in 2019 and / or 2020 is shown in the table overleaf.

Supervisory Board remuneration[1]	Fixed remuneration		Remuneration for committee offices		Remuneration for mandates at subsidiaries[2]		Total remuneration[3]	
€ '000	2020	2019	2020	2019	2020	2019	2020	2019
Dr. Werner Brandt, Chairman	300	300	–	–	–	–	300	300
Frank Bsirske, Deputy Chairman	200	200	–	–	–	143	200	343
Michael Bochinsky	100	100	40	40	–	–	140	140
Reiner Böhle (until 18 Sep 2019)	–	72	–	14	–	–	–	86
Sandra Bossemeyer	100	100	20	20	–	–	120	120
Martin Bröker	100	100	–	–	–	–	100	100
Anja Dubbert (since 27 Sep 2019)	100	26	20	1	–	–	120	27
Matthias Dürbaum (since 27 Sep 2019)	100	26	20	1	–	–	120	27
Ute Gerbaulet	100	100	–	–	–	–	100	100
Prof. Dr. Hans-Peter Keitel	100	100	20	20	–	–	120	120
Dr. h. c. Monika Kircher	100	100	40	30	–	–	140	130
Monika Krebber (until 18 Sep 2019)	–	72	–	14	–	86	–	172
Harald Louis	100	100	20	20	20	20	140	140
Dagmar Mühlenfeld	100	100	20	20	–	–	120	120
Peter Ottmann	100	100	20	20	–	–	120	120
Günther Schartz	100	100	20	20	–	–	120	120
Dr. Erhard Schipporeit	100	100	80	80	–	215	180	395
Dr. Wolfgang Schüssel	100	100	20	25	–	–	120	125
Ullrich Sierau	100	100	40	40	–	–	140	140
Ralf Sikorski	100	100	40	40	50	50	190	190
Marion Weckes	100	100	40	40	–	–	140	140
Leonhard Zubrowski	100	100	20	20	30	30	150	150
Total[3]	**2,300**	**2,296**	**480**	**465**	**100**	**543**	**2,880**	**3,304**

1 Supervisory Board members who joined or retired from the corporate body during the year receive prorated remuneration.
2 Remuneration for exercising mandates at subsidiaries is only included for periods of membership of the Supervisory Board of RWE AG.
3 The commercial rounding of certain figures can result in inaccurate sum totals.

Structure of Executive Board remuneration

Overview. The structure and level of the Executive Board's remuneration are determined by the Supervisory Board and reviewed on a regular basis to determine whether they are appropriate and in line with generally accepted principles. The remuneration system described in the following was introduced with effect from 1 October 2016. It is made up of non-performance-based and performance-based components. The former consists of the fixed salary, the pension instalment as well as fringe benefits. The performance-based components include the bonus and a share-based payment, the latter of which is a long-term component.

At its meeting on 25 June 2020, the Supervisory Board fundamentally reformed the remuneration system, in order to align it even more closely with the objectives of the company and the demands of our stakeholders. The amendments relate to various matters, including the long-term share-based payment, personal investment in RWE shares, and the financial consequences of misconduct. With a few exceptions, the old rules applied to the Executive Board's remuneration in 2020. These are described in more detail in the following. We have provided information on the major changes at the end of the chapter on page 96.

Recipients of Executive Board remuneration. In the financial year that just ended, Rolf Martin Schmitz, Markus Krebber, Michael Müller and Zvezdana Seeger received compensation for their work on the Executive Board of RWE AG.

- Rolf Martin Schmitz (63) has been a member of the Executive Board since 1 May 2009 and its Chairman since 15 October 2016. Concurrently, he was the Labour Director from May 2017 to October 2020. He will retire from the Executive Board as of 30 April 2021.

- Markus Krebber (48) was appointed to the Executive Board with effect from 1 October 2016 and has been CFO since 15 October 2016. His tenure on the Executive Board runs through to 30 June 2026, and he will assume chairmanship as of 1 May 2021.

- Michael Müller (49) was appointed to the Executive Board for an initial period of three years with effect from 1 November 2020. He will become CFO as of 1 May 2021.

- Zvezdana Seeger (56) also joined the Executive Board of RWE AG on 1 November 2020. She is the Labour Director and responsible for HR and IT. Her first tenure is also limited to three years.

Fixed compensation and pension instalments. The members of the Executive Board of RWE AG receive a fixed annual salary, which is paid in monthly instalments. As a second fixed remuneration component, they are entitled to a pension instalment for every year of service, which is determined on an individual basis. By contrast, Rolf Martin Schmitz, who belonged to the Executive Board before the pension instalment was introduced, receives a pension commitment (see page 88).

The pension instalment is paid in cash or retained in part or in full in exchange for a pension commitment of equal value. The accumulated capital may be drawn on retirement, but not before the Executive Board member turns 62. When retiring, Executive Board members can choose a one-time payment or a maximum of nine instalments. They and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities within the RWE Group remain unaffected by this.

Fringe benefits. Non-performance-based compensation also includes fringe benefits, primarily consisting of company cars and accident insurance premiums.

Bonus. Executive Board members receive a bonus which is based on the economic performance of the company and the degree to which they achieve their individual goals and the collective goals of the Executive Board. The starting point for calculating the individual bonus is what is referred to as the 'company bonus', which depends on the level of EBIT of relevance to remuneration in the fiscal year in question. The basis for determining this figure is adjusted EBIT (EBIT minus the non-operating result). The rules of Executive Board remuneration stipulate that the Supervisory Board may modify adjusted EBIT to make this figure more suitable for measuring management performance. Such adjustments can relate to gains on disposals, changes in provisions, as well as impairments and their consequences. This converts adjusted EBIT to EBIT of relevance to remuneration.

The company bonus is determined as follows: the Supervisory Board sets a target as well as a floor and a ceiling for EBIT of relevance to remuneration at the beginning of every fiscal year. After the end of the fiscal year, the actual level of adjusted EBIT and EBIT of relevance to remuneration resulting from the modifications explained earlier are determined. If the latter is identical to the target, the target achievement is 100 %. In this case, the company bonus equals the contractually agreed baseline bonus. If EBIT of relevance to remuneration is exactly at the pre-defined floor, target achievement is 50 %; if it is at the ceiling, target achievement is 150 %. Between the two limits, target achievement is calculated by linear interpolation. If EBIT of relevance to remuneration is below the floor, no company bonus is paid. If the ceiling is exceeded, the maximum target achievement remains 150 %.

In addition to the company bonus, the individual performance factor determines the level of bonus paid to each Executive Board member. The performance factor depends on the achievement of: (1) individual goals, (2) general collective goals, and (3) collective goals in relation to corporate responsibility and employee motivation. The aforementioned target categories are each weighted by one-third. After the end of every fiscal year, the Supervisory Board evaluates the individual performance of the Executive Board members relative to the three aforementioned categories. In so doing, it orients itself towards the degree to which the targets set at the beginning of the year have been met. Degrees of achievement can range between 0 % and 200 %. However, the derivable performance factor is limited to between 80 % and 120 %. This means that the performance factor for an Executive Board member with a 150 % target achievement is only 120 %.

The company bonus, multiplied by the individual performance factor, results in the bonus for each Executive Board member. This is paid in full after the end of the fiscal year.

Deviating from the aforementioned rules, it was agreed that the individual performance factor for the two months of work last year of Zvezdana Seeger and Michael Müller, who joined the Executive Board as of 1 November 2020, only be determined based on the achievement of individual goals. Therefore, the collective goals in categories (2) and (3) were disregarded.

Share-based payment. Executive Board members are granted a share-based payment, which rewards the achievement of long-term goals. For fiscal 2020, this was done for the last time under the 2016 – 2020 Strategic Performance Plan (SPP). The two following criteria are used by the SPP in measuring the degree to which goals are achieved in a fiscal year: the total return of the RWE share, which is made up of the share price and the dividend (performance), and net income of relevance to remuneration. As set out earlier, major aspects of the share-based payment have been modified. The changes were implemented in the 2021 SPP, which has been in effect since the beginning of the current year. The following commentary concerns the old SPP.

The 2016 – 2020 SPP is based on performance shares with a term (vesting period) made up of the fiscal year to which they relate and the three subsequent years. At the beginning of a fiscal year, Executive Board members receive a grant letter, in which they are informed of their personal gross allocation amount. The new Executive Board members Zvezdana Seeger and Michael Müller received their allocation when they took office in November. The number of performance shares is calculated by dividing the gross grant amount by the average closing quotation of the RWE share over the last 30 days of trading on Xetra before the respective grant year. However, the allocation is provisional. The final number of fully granted performance shares to be allocated is determined after the respective grant year.

Under the 2016 – 2020 SPP, the reconciliation of the conditionally granted performance shares to the finally granted performance shares is oriented towards net income of relevance to remuneration, which is determined by making modifications to adjusted net income. The allowable modifications are governed by the SPP conditions and ensure that actual earnings can be compared to the predetermined target figures even in cases of unforeseen events such as rights issues, acquisitions, disposals and changes in regulations.

The Supervisory Board determines the target figures for net income of relevance to remuneration at the beginning of the fiscal year on the basis of the company's medium-term plan. It also establishes the ceilings and floors. Accordingly, the 2016 – 2020 SPP takes the following approach: if the actual and target figure are identical, 100 % of the conditionally granted performance shares are fully allocated. If the actual figure is exactly at the floor, 50 % of the conditionally granted performance shares are fully allocated; if it is at the ceiling, the final grant amounts to 150 %. If the actual figure is below the floor, all of the conditionally granted performance shares lapse. If the ceiling is exceeded, the maximum grant remains 150 %.

Pursuant to the 2016 – 2020 SPP, the performance shares are fully paid out in cash to the Executive Board member three years after the final grant. This means that the payment for the 2018, 2019 and 2020 tranches is still outstanding. The level of the payment depends on the performance of the RWE share. It corresponds to the final number of performance shares multiplied by the sum of the average closing Xetra quotation of the RWE share on the last 30 trading days of the vesting period and the dividends accumulated in the last three years. However, a cap applies in this case as well: even in the event of an extremely good share performance, the payment is limited to a maximum of 200 % of the initial gross grant amount.

The members of the Executive Board are obliged to reinvest 25 % of the payment (after taxes) in RWE shares. The shares must be held until at least the end of the third year after conclusion of the vesting period.

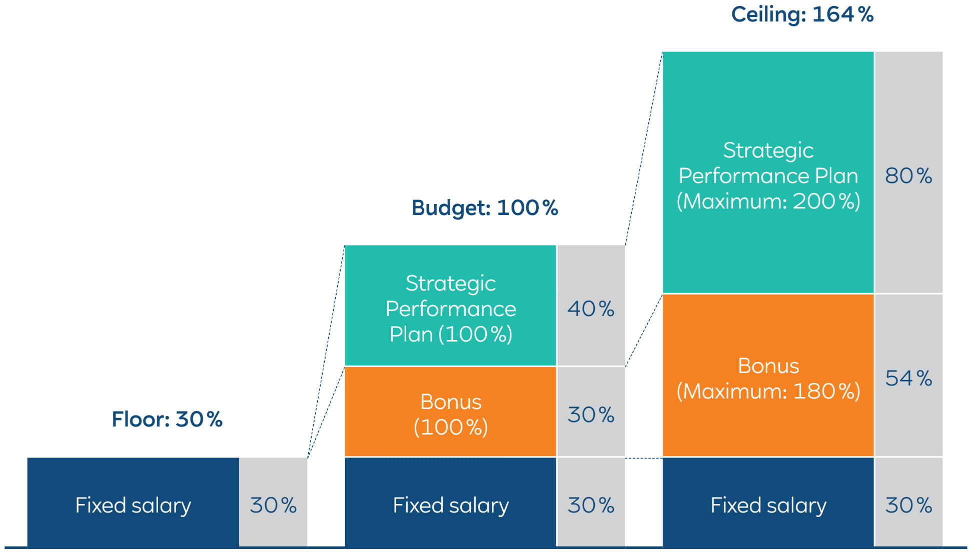
The performance shares remain unaffected after an Executive Board member resigns from their office at the end of their contract and are paid out as planned at the end of the vesting period. If an Executive Board member leaves the company at their own request, or if they are terminated for cause, all of the performance shares that have not reached the end of the vesting period lapse.

Malus and clawback provisions. The 2016 – 2020 SPP contains a malus clause, which allows the Supervisory Board to penalise misconduct by an Executive Board member by shortening or completely eliminating an ongoing SPP tranche. Such misconduct includes the intentional breach of the Code of Conduct, the compliance guidelines, a major duty set out in the employment contract, or of the duties of care defined by Section 93 of the German Stock Corporation Act.

The contracts of Michael Müller and Zvezdana Seeger, both of whom joined the Executive Board in November 2020, include the extensive malus and clawback provisions of the future remuneration system. These provisions allow the Supervisory Board to claw back performance-linked compensation that has already been paid (bonus and share-based payment) in part or in full if the consolidated financial statements are found to contain errors. Above and beyond that, in the event of misconduct by an Executive Board member, the Supervisory Board can exercise its discretion in reducing or cancelling any variable compensation for the fiscal year with which the breach of duty is associated. If the variable remuneration for the fiscal year in question has already been paid, the Supervisory Board can demand that it be returned in part or in full. The malus and clawback provisions shall not prejudice the obligation of the Executive Board member to compensate the company for damages.

Remuneration for exercising mandates. During the past fiscal year, members of the RWE AG Executive Board were paid to exercise supervisory board mandates at affiliates. This income fully counted towards the bonus (Schmitz / Krebber) or fixed remuneration (Müller / Seeger) and therefore did not increase the total remuneration.

Range of Executive Board remuneration

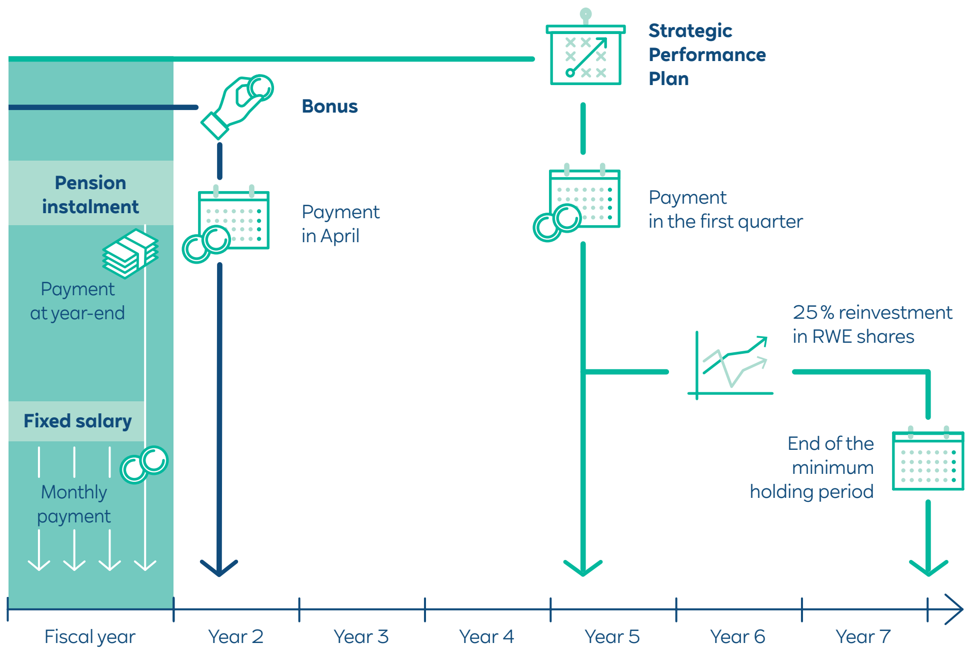


Remuneration broken down by component. Assuming that both the company and the Executive Board members achieved their performance targets to a degree of 100 %, the compensation structure would roughly have broken down as follows: 30 % of total remuneration would have been accounted for by the fixed salary, another 30 % by the bonus, and 40 % by long-term compensation under the 2016 – 2020 SPP.

Limitation of Executive Board remuneration. The chart above shows the percentage shares of the components of Executive Board remuneration in 2020. The company bonus was limited to 150 % of the contractually agreed bonus budget and the individual performance factor was capped at 120 %. Consequently, a maximum of 180 % of the bonus budget could be reached. With regard to share-based payment under the 2016 – 2020 SPP, payout of the performance shares after the vesting period was limited to a maximum of 200 % of the grant budget. Due to the above maximum values, there was also a cap on total compensation, which amounted to 164 % of the budget.

Payment dates. Executive Board members receive their fixed salary in monthly instalments. The pension instalment is paid out at the end of the year, unless it is converted into a pension commitment. After the fiscal year, the Supervisory Board determines the target achievement for the company bonus and establishes the individual performance factor. The bonus is paid in April. For performance shares from the SPP, the payment is made in the first quarter following the end of the vesting period. As explained earlier, Executive Board members must invest 25 % of the payment in RWE shares and may not sell these shares until after three additional calendar years have passed from completion of the four-year vesting period. As a result, it takes a total of seven years for Executive Board members to obtain the full amount of their compensation.

Executive Board remuneration payment timeline for a fiscal year



Pension scheme. Until the introduction of the pension instalment described earlier on 1 January 2011, pension benefits were granted to the members of the Executive Board. Of the Executive Board members in 2020, this only applies to Rolf Martin Schmitz; the pension commitment made to him in 2009 remains unchanged. It entitles him to life-long retirement benefits in the event of retirement from the Executive Board of RWE AG upon turning 60, permanent disability, early termination or non-extension of his employment contract by the company. In the event of death, his surviving dependants are entitled to benefits. The amount of Rolf Martin Schmitz's qualifying income and the level of benefits based on the years of service determine his individual pension and surviving dependants' benefits.

Change of control. The contracts of Rolf Martin Schmitz and Markus Krebber contain change-of-control clauses, which consist of the following main provisions: if shareholders or third parties obtain control over the company and this results in major disadvantages for the Executive Board members, they have a special right of termination. They can resign from the Executive Board and request that their employment contract be terminated in combination with a one-off payment within six months of the change of control.

A change of control as defined by this provision occurs when one or several shareholders or third parties acting jointly account for at least 30 % of the voting rights in the company, or if any of the aforementioned can exert a controlling influence on the company in another manner. A change of control also occurs if the company is merged with another legal entity, unless the value of the other legal entity is less than 50 % of the value of RWE AG.

On termination of their employment contract due to a change of control, Executive Board members receive a one-off payment equalling the compensation due until the end of the term of their contract. However, this amount will not be higher than three times their total annual remuneration, which encompasses all compensation components including fringe benefits but excluding the SPP.

In the event of a change of control, all of the performance shares granted under the 2016 – 2020 SPP that have been finally allocated but not been paid out are paid out early. Conversely, performance shares conditionally granted by the date of the change of control lapse without replacement or consideration.

The latest version of the GCGC suggests that no benefits be pledged in the event of the early termination of an employment contract by an Executive Board member due to a change of control. We adhere to this principle in all newly concluded employment contracts. In the event of a change of control, Zvezdana Seeger and Michael Müller, who were appointed to the Executive Board as of 1 November 2020, do not have a special right of termination or a right to severance. The same will apply to Markus Krebber from 1 May 2021 onwards, when he succeeds Rolf Martin Schmitz as CEO.

Early termination of Executive Board mandate and severance cap. Following a recommendation of the GCGC, the Executive Board's employment contracts include a provision stipulating that if an Executive Board mandate is otherwise terminated early without due cause, a severance payment of no more than the remuneration due until the end of the employment contract and no more than two total annual compensations is made (severance cap).

Level of Executive Board remuneration (according to HGB)	Rolf Martin Schmitz		Markus Krebber		Michael Müller[1]		Zvezdana Seeger[1]		Total	
€ '000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Non-performance-based:	**1,181**	**1,183**	**1,145**	**1,085**	**156**	**–**	**154**	**–**	**2,636**	**2,268**
Fixed remuneration[2]	1,160	1,160	800	763	108	–	108	–	2,176	1,923
Pension instalments[3]	–	–	300	300	43	–	43	–	386	300
Fringe benefits	21	23	45	22	5	–	3	–	74	45
Performance-based:	**3,084**	**3,032**	**2,187**	**2,271**	**297**	**–**	**297**	**–**	**5,865**	**5,303**
Bonus (short-term)	1,584	1,782	1,087	1,171	130	–	130	–	2,931	2,953
of which: credited remuneration for mandates[2]	85	115	40	146	–	–	–	–	129	261
Value of performance shares at grant[4] (long-term)	1,500	1,250	1,100	1,100	167	–	167	–	2,934	2,350
Total remuneration	**4,265**	**4,215**	**3,332**	**3,356**	**453**	**–**	**451**	**–**	**8,501**	**7,571**

1 Michael Müller and Zvezdana Seeger joined the Executive Board on 1 November 2020.
2 Income of Michael Müller and Zvezdana Seeger from the exercise of Supervisory Board offices within the Group counts towards fixed pay and not the bonus; in 2020, it amounted to €7,000 for Michael Müller, whereas Zvezdana Seeger did not have any such income.
3 The pension instalment paid to Markus Krebber, Michael Müller and Zvezdana Seeger is part of their remuneration under the German Commercial Code (HGB), but this does not apply to the annual service cost of the pension commitment to Rolf Martin Schmitz.
4 The German Commercial Code mandates the statement of the fair value as of the grant date.

Level of Executive Board remuneration

The remuneration of the Executive Board of RWE AG is calculated in compliance with the rules set out in the German Commercial Code (HGB). The members of the Executive Board received €8,501,000 in total remuneration for their work in fiscal 2020 compared to €7,571,000 in the previous year when the board was made up of two members. The remuneration components are shown in the table above.

EBIT of relevance to remuneration, the basis for calculating the bonus, amounted to €1,830 million in the fiscal year that just ended. It differs from adjusted EBIT (€1,771 million) in that we made certain modifications to it to neutralise exceptional effects that could not be foreseen when establishing the target figure. One such modification related to the dividend on the 15% stake in E.ON, which was considered in the EBIT target because it had not been decided at the time that we would recognise it in the financial result. Moreover, a correction was made to income from investments that was unexpectedly high due to timing effects. A further adjustment related to impairments recognised in 2019, the knock-on effects of which were not taken into account in the target value and were therefore eliminated. The adjusted EBIT target derived from the medium-term plan was €1,556 million (target achievement of 100%), with a floor of €856 million (target achievement of 50%) and a ceiling of €2,256 million (target achievement of 150%). These figures and the actual figure result in a target achievement of 120% for 2020. This means that the company bonus was 20% higher than the bonus budget established at the beginning of the year.

Calculation of the 2020 company bonus	2020 €million	Target achievement %
Adjusted EBIT	1,771	–
Modifications[1]	59	–
EBIT of relevance to remuneration	**1,830**	**120**
Target	1,556	100
Ceiling	2,256	150
Floor	856	50

1 See commentary on the previous page.

The Supervisory Board found that Rolf Martin Schmitz and Markus Krebber overachieved the individual and collective targets. The main success factors were the completion of the asset swap with E.ON and the progress made in transforming RWE into a leading renewable energy company. The Supervisory Board is of the opinion that the repeated strong performance of the RWE share is proof of the capital market's endorsement of RWE's growth strategy. Of notable mention was the Executive Board setting the stage for the accelerated expansion of wind and solar capacity through the capital increase of August 2020 and the acquisition of Nordex's European project development business. The conclusion of the public law contract with the German government on the conditions of the lignite phaseout and its socially acceptable provisions also contributed to the high degree of target achievement. Goals associated with employee motivation, which is measured via regular in-company surveys, were slightly exceeded. The degrees of target achievement with respect to CR goals, which mainly relate to the carbon footprint of the generation portfolio, occupational safety as well as conformity with compliance, environmental and social standards, were between 95 % and 120 %. Messrs. Schmitz and Krebber fell 5 % short of the carbon footprint target set for the generation portfolio due to delays in the completion of renewable energy assets, which in some cases were due to COVID-19. In view of the problem-free familiarisation process of Michael Müller and Zvezdana Seeger, the Supervisory Board determined that these two new Executive Board members reached an individual target achievement of 100 %. As set out earlier, this assessment did not take account of any of the collective goals.

Calculation of the 2020 individual bonus		Rolf Martin Schmitz	Markus Krebber	Michael Müller	Zvezdana Seeger
Bonus budget	€ '000	1,100	755	108	108
Target achievement regarding EBIT of relevance to remuneration	%	120	120	120	120
Company bonus	€ '000	1,320	906	130	130
Individual performance factor	%	120	120	100	100
Individual bonus	€ '000	1,584	1,087	130	130

Rolf Martin Schmitz and Markus Krebber each had a target achievement of 132 %. Due to the cap, their individual performance factor was 120 %, whereas that of Michael Müller and Zvezdana Seeger was 100 %. Multiplying these figures by the company bonus results in the amount of individual bonus granted to each Executive Board member. It totalled €1,584,000 for Rolf Martin Schmitz, €1,087,000 for Markus Krebber, €130,000 for Michael Müller and €130,000 for Zvezdana Seeger.

Calculation of the 2020 tranche of the Strategic Performance Plan	2020 €million	Target achievement %
Adjusted net income	1,213	–
Modifications[1]	-170	–
Net income of relevance to remuneration	**1,043**	**104**
Target	1,007	100
Ceiling	1,507	150
Floor	507	50

1 See commentary on the next page.

The German Commercial Code stipulates that the long-term performance-based remuneration component is the fair value of the performance shares granted on a preliminary basis at the beginning of a fiscal year. As set out on pages 85 et seq., the level of the final grant depends on the development of net income of relevance to remuneration in the fiscal year compared to a predefined target. The latter was set by the Supervisory Board at €1,007 million for 2020 (grant of 100 %). The floor was €507 million (grant of 50 %) and the ceiling was €1,507 million (grant of 150 %). The actual amount of €1,043 million led to a target achievement of 104 %. This means that the final grant of performance shares for 2020 was 4 % higher than the preliminary grant.

Net income of relevance to remuneration is adjusted net income (€1,213 million) minus several exceptional items. As mentioned on page 89, we made a downward correction to the unexpectedly high income from investments and eliminated knock-on effects of impairments. A further modification related to the tax rate, which is used to calculate adjusted net income. It currently amounts to 15 %, whereas the target was determined based on a tax rate of 20 %.

Long-term incentive payment (Strategic Performance Plan): 2020 tranche		Rolf Martin Schmitz	Markus Krebber	Michael Müller	Zvezdana Seeger
Grant date		1 Jan 2020	1 Jan 2020	1 Nov 2020	1 Nov 2020
Fair value at grant date	€ '000	1,500	1,100	167	167
Share price (average)	€	26.41	26.41	26.41	26.41
Number of performance shares allocated on a provisional basis		**56,797**	**41,651**	**6,311**	**6,311**
Measurement date of performance conditions		31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2020
Target achievement in relation to net income of relevance to remuneration	%	104	104	104	104
Final number of fully granted performance shares		**59,069**	**43,317**	**6,563**	**6,563**
End of vesting period		31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023

Long-term incentive payment (Strategic Performance Plan): 2017 – 2019 tranches		Rolf Martin Schmitz			Markus Krebber		
Tranche	Year	2019	2018	2017	2019	2018	2017
Grant date		1 Jan 2019	1 Jan 2018	1 Jan 2017	1 Jan 2019	1 Jan 2018	1 Jan 2017
Fair value at grant date	€ '000	1,250	1,250	1,250	1,100	1,100	988
Share price (average)	€	19.10	18.80	11.62	19.10	18.80	11.62
Number of performance shares allocated on a provisional basis		**65,445**	**66,489**	**107,573**	**57,592**	**58,511**	**84,983**
Measurement date of performance conditions		31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2019	31 Dec 2018	31 Dec 2017
Target achievement in relation to net income of relevance to remuneration	%	150	123	115	150	123	115
Final number of fully granted performance shares		**98,168**	**81,781**	**123,709**	**86,388**	**71,969**	**97,730**
End of vesting period		31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2022	31 Dec 2021	31 Dec 2020

The table below shows the increase in provisions to cover obligations from share-based payments under the SPP.

Addition to provisions for long-term share-based incentive payments € '000	2020	2019
Rolf Martin Schmitz	2,527	2,726
Markus Krebber	2,096	1,982
Michael Müller	54	–
Zvezdana Seeger	54	–
Total	**4,731**	**4,708**

Obligations under the former pension scheme. The service cost of pension obligations to Rolf Martin Schmitz amounted to €595,000 in 2020 (previous year: €554,000). This is not a remuneration component in accordance with the German Commercial Code. As of year-end, the present value of the defined benefit obligation determined in accordance with IFRS amounted to €16,441,000 (previous year: €14,997,000). The present value of the pension obligation determined according to the German Commercial Code totalled €13,166,000 (previous year: €11,894,000). It therefore increased by €1,272,000 (previous year: €1,360,000). Based on the emoluments qualifying for a pension as of 31 December 2020, the projected annual pension paid to Rolf Martin Schmitz on retiring from the company totalled €556,000, as in the previous year. This includes vested pension benefits due from former employers transferred to RWE AG.

Presentation of Executive Board remuneration in accordance with the GCGC (2017)

In designing and presenting the remuneration system, we also follow the recommendations of the German Corporate Governance Code. Last year, we oriented ourselves towards the version of the Code dated 7 February 2017, which was in force at the time. It was replaced by the version of 16 December 2019, which was introduced on 20 March 2020. The new GCGC no longer contains recommendations regarding the presentation of management board compensation, as opposed to the old version of the Code, which recommended the use of specific model tables. The Government Commission responsible for the Code is of the opinion that reporting on remuneration is now sufficiently regulated by the German law on the implementation of the Second Shareholder Rights Directive (ARUG II). However, the corresponding rules pursuant to German stock corporation law become mandatory for fiscal 2021 and later. To avoid gaps in transparency, we are presenting the Executive Board's remuneration for 2020 using the model tables from the 2017 GCGC once again.

The following tables show:

- the benefits granted for the reporting year including fringe benefits as well as the theoretical maximum and minimum amounts of variable compensation;
- payments of fixed remuneration, short-term variable remuneration and long-term variable remuneration by year of receipt; and
- the cost of pensions and other benefits.

Benefits or compensation are considered granted when a binding commitment to such is made to the management board member. In deviation from German commercial law, it is immaterial to what extent the management board member has already provided the services being remunerated.

The term 'benefits received' defines the extent to which the management board member has already received payments. In this regard, the relevant aspect is the time at which the amount being paid is sufficiently certain and not the actual time of the payment. We also take this approach in presenting the payments made under the 2016 – 2020 SPP.

This distinction described above can be illustrated with the example of the bonus: the contractually agreed and promised budgeted bonus for the fiscal year in question is considered 'granted'. Conversely, the benefits received table shows the bonus level which will actually be paid with a high degree of probability. In this regard, it is irrelevant that the payment will not be made until the following year. The payment date is deemed to have been reached when the indicators needed to determine target achievement (and therefore the bonus) are known with sufficient certainty. It is assumed that this is already the case at the end of the year. As a result, the Executive Board bonuses are stated in the reporting year in the benefits received table.

Benefits granted	Rolf Martin Schmitz Chief Executive Officer since 15 October 2016				Markus Krebber Chief Financial Officer since 15 October 2016				Michael Müller Member of the Executive Board since 1 November 2020				Zvezdana Seeger Chief HR Officer / Labour Director since 1 November 2020			
€ '000	2020 (Min.)	2020 (Max.)	2020 Actual	2019 Actual	2020 (Min.)	2020 (Max.)	2020 Actual	2019 Actual	2020 (Min.)	2020 (Max.)	2020 Actual	2019 Actual	2020 (Min.)	2020 (Max.)	2020 Actual	2019 Actual
Fixed remuneration	1,160	1,160	1,160	1,160	800	800	800	763	108	108	108	–	108	108	108	–
Pension instalment	–	–	–	–	300	300	300	300	43	43	43	–	43	43	43	–
Fringe benefits	21	21	21	23	45	45	45	22	5	5	5	–	3	3	3	–
Total fixed remuneration	**1,181**	**1,181**	**1,181**	**1,183**	**1,145**	**1,145**	**1,145**	**1,085**	**156**	**156**	**156**	**–**	**154**	**154**	**154**	**–**
One-year variable remuneration (bonus)	**0**	**1,980**	**1,100**	**1,100**[1]	**0**	**1,359**	**755**	**723**[1]	**0**	**195**	**108**	**–**	**0**	**195**	**108**	**–**
Multi-year variable remuneration (SPP)	**0**	**3,000**	**1,500**	**1,250**	**0**	**2,200**	**1,100**	**1,100**	**0**	**333**	**167**	**–**	**0**	**333**	**167**	**–**
2019 tranche (term: 2019 – 2022)	–	–	–	1,250	–	–	–	1,100	–	–	–	–	–	–	–	–
2020 tranche (term: 2020 – 2023)	0	3,000	1,500	–	0	2,200	1,100	–	0	333	167	–	0	333	167	–
Total variable remuneration	**0**	**4,980**	**2,600**	**2,350**	**0**	**3,559**	**1,855**	**1,823**	**0**	**528**	**275**	**–**	**0**	**528**	**275**	**–**
Total variable and fixed remuneration	**1,181**	**6,161**	**3,781**	**3,533**	**1,145**	**4,704**	**3,000**	**2,908**	**156**	**684**	**431**	**–**	**154**	**682**	**429**	**–**
Service cost	595	595	595	554	–	–	–	–	–	–	–	–	–	–	–	–
Total remuneration	**1,776**	**6,756**	**4,376**	**4,087**	**1,145**	**4,704**	**3,000**	**2,908**	**156**	**684**	**431**	**–**	**154**	**682**	**429**	**–**

1 Figures restated due to the change in the method used to state the bonus.

Benefits received	Rolf Martin Schmitz Chief Executive Officer since 15 October 2016		Markus Krebber Chief Financial Officer since 15 October 2016		Michael Müller Member of the Executive Board since 1 November 2020		Zvezdana Seeger Chief HR Officer / Labour Director since 1 November 2020	
€ '000	2020	2019	2020	2019	2020	2019	2020	2019
Fixed remuneration	1,160	1,160	800	763	108	–	108	–
Pension instalment	–	–	300	300	43	–	43	–
Fringe benefits	21	23	45	22	5	–	3	–
Total fixed remuneration	**1,181**	**1,183**	**1,145**	**1,085**	**156**	**–**	**154**	**–**
One-year variable remuneration (bonus)	**1,584**	**1,782**	**1,087**	**1,171**	**130**	**–**	**130**	**–**
Multi-year variable remuneration (SPP)	**2,500**	**1,538**	**1,975**	**494**	**–**	**–**	**–**	**–**
Payment from the 2016 tranche	–	1,538	–	494	–	–	–	–
Payment from the 2017 tranche	2,500	–	1,975	–	–	–	–	–
Total variable remuneration	**4,084**	**3,320**	**3,062**	**1,665**	**130**	**–**	**130**	**–**
Total variable and fixed remuneration	**5,265**	**4,503**	**4,207**	**2,750**	**286**	**–**	**284**	**–**
Service cost	595	554	–	–	–	–	–	–
Total remuneration	**5,860**	**5,057**	**4,207**	**2,750**	**286**	**–**	**284**	**–**

New Executive Board remuneration system as of 2021

As set out earlier, we refined our Executive Board remuneration system in order to bring it in line with the current statutory requirements and the expectations of our stakeholders. The new rules have been in force since 1 January 2021. We maintained the basic structure of the remuneration system. This means that Executive Board compensation still consists of fixed remuneration, the pension instalment, the performance-based bonus and the share-based payment. A detailed presentation of the new remuneration system can be found in the invitation to this year's Annual General Meeting, to which we will submit the system for approval. The invitation has been published at www.rwe.com/agm.

The following is a brief overview of some major new rules:

- In the future, share-based payments will orientate to two additional success factors: the carbon footprint of our generation portfolio and the relative total shareholder return, which puts the total return of the RWE share in relation to that of other European utility stocks. These two indicators and the development of net income of relevance to remuneration will determine how many of the conditionally granted performance shares are finally granted at the end of the performance period. This period, which in the past only comprised the fiscal year in question, will be extended to three years in the new remuneration system. Once it ends, all three criteria will be given equal weight in calculating the final grant. Thereafter, the performance shares must be held for a further year. Therefore, the vesting period will still be four years.
- A new element included in the remuneration system is the Shareholder Ownership Guidelines (SOGs) which serve to further align the interests of the Executive Board and the shareholders. The SOGs obligate the members of the Executive Board to have a minimum personal investment in RWE shares and to hold the shares during and two years after their tenure on the Executive Board. The personal investment quota is 100 % of annual gross fixed remuneration for ordinary Executive Board members and 200 % for the Chairman. Every year, at least 25 % of variable gross remuneration paid must be invested in RWE shares until the target amount is reached.
- Another major new feature is a clawback mechanism, which supplements the existing demerit rule. As set out in more detail on page 86, in the event of misconduct, an Executive Board member may be requested to return the variable remuneration already paid. The old malus rule did not go that far: it simply allowed SPP tranches that had not been paid yet to be reduced or withheld.

Since 2021, the employment contracts of Michael Müller and Zvezdana Seeger have reflected all the amendments to the remuneration system. This also applies to Markus Krebber as of 1 May 2021 when he becomes CEO. It was decided not to amend the conditions of the contract of Rolf Martin Schmitz, who will resign from the Executive Board at the end of April.

03 Responsibility Statement

Pumped storage power plant, Herdecke, Germany

3 Responsibility Statement

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

Essen, 5 March 2021

The Executive Board

Schmitz Krebber Müller Seeger

04
Consolidated financial statements


Nysäter onshore wind farm, Sweden

4.1 Income statement

€ million	Note	2020	2019
Revenue (including natural gas tax / electricity tax)	(1)	**13,896**	**13,277**
Natural gas tax / electricity tax	(1)	208	152
Revenue	(1)	**13,688**	**13,125**
Other operating income	(2)	4,931	4,756
Cost of materials	(3)	9,814	9,078
Staff costs	(4)	2,365	2,526
Depreciation, amortisation and impairment losses	(5), (10)	3,154	3,166
Other operating expenses	(6)	1,950	3,254
Income from investments accounted for using the equity method	(7), (12)	375	321
Other income from investments	(7)	-61	8
Financial income	(8)	1,933	688
Finance costs	(8)	2,387	1,626
Income from continuing operations before tax		**1,196**	**-752**
Taxes on income	(9)	363	-92
Income from continuing operations		**833**	**-660**
Income from discontinued operations		221	9,816
Income		**1,054**	**9,156**
of which: non-controlling interests		59	643
of which: RWE AG hybrid capital investors' interest			15
of which: net income / income attributable to RWE AG shareholders		**995**	**8,498**
Basic and diluted earnings per share in €	(26)	**1.56**	**13.82**
of which: from continuing operations in €		1.27	-1.13
of which: from discontinued operations in €		0.29	14.95

4.2 Statement of comprehensive income

Figures stated after taxes – € million	Note	2020	2019[1]
Income		**1,054**	**9,156**
Actuarial gains and losses of defined benefit pension plans and similar obligations		-493	-639
Income and expenses of investments accounted for using the equity method (pro rata)	(12)	-46	130
Fair valuation of equity instruments		-143	279
Income and expenses recognised in equity, not to be reclassified through profit or loss		**-682**	**-230**
Currency translation adjustment	(20)	-417	1,079
Fair valuation of debt instruments		19	27
Fair valuation of financial instruments used for hedging purposes	(27)	-233	479
Income and expenses of investments accounted for using the equity method (pro rata)	(12), (20)	-6	-15
Income and expenses recognised in equity, to be reclassified through profit or loss in the future		**-637**	**1,570**
Other comprehensive income		**-1,319**	**1,340**
Total comprehensive income		**-265**	**10,496**
of which: attributable to RWE AG shareholders		-282	9,706
of which: attributable to RWE AG hybrid capital investors			15
of which: attributable to non-controlling interests		17	775

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

4.3 Balance sheet

Assets € million	Note	31 Dec 2020	31 Dec 2019[1]
Non-current assets			
Intangible assets	(10)	4,913	4,777
Property, plant and equipment	(11)	17,902	19,016
Investments accounted for using the equity method	(12)	3,297	3,281
Other non-current financial assets	(13)	4,244	4,337
Financial receivables	(14)	131	128
Other receivables and other assets	(15)	3,435	3,276
Income tax assets		142	264
Deferred taxes	(16)	397	689
		34,461	**35,768**
Current assets			
Inventories	(17)	1,632	1,585
Financial receivables	(14)	2,482	2,359
Trade accounts receivable		3,007	3,621
Other receivables and other assets	(15)	9,820	12,756
Income tax assets		228	196
Marketable securities	(18)	4,219	3,258
Cash and cash equivalents	(19)	4,774	3,192
Assets held for sale		1,045	1,274
		27,207	**28,241**
		61,668	**64,009**

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

Equity and liabilities € million	Note	31 Dec 2020	31 Dec 2019[1]
Equity	(20)		
RWE AG shareholders' interest		17,182	16,964
Non-controlling interests		789	503
		17,971	**17,467**
Non-current liabilities			
Provisions	(22)	19,470	18,937
Financial liabilities	(23)	3,951	3,924
Income tax liabilities	(24)	797	1,050
Other liabilities	(25)	1,154	862
Deferred taxes	(16)	1,908	2,164
		27,280	**26,937**
Current liabilities			
Provisions	(22)	3,004	2,638
Financial liabilities	(23)	1,247	1,689
Trade accounts payable		2,387	2,987
Income tax liabilities	(24)	237	193
Other liabilities	(25)	9,003	11,588
Liabilities held for sale		539	510
		16,417	**19,605**
		61,668	**64,009**

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

4.4 Cash flow statement

€ million	Note (30)	2020	2019
Income from continuing operations		833	-660
Depreciation, amortisation, impairment losses / write-backs		3,179	2,754
Changes in provisions		342	2,825
Changes in deferred taxes		485	44
Income from disposal of non-current assets and marketable securities		-54	-77
Other non-cash income / expenses		-647	-3,077
Changes in working capital		-13	-2,786
Cash flows from operating activities of continuing operations		**4,125**	**-977**
Cash flows from operating activities of discontinued operations		50	-546
Cash flows from operating activities		**4,175**	**-1,523**
Intangible assets / property, plant and equipment			
Capital expenditure		-2,285	-1,767
Proceeds from disposal of assets		132	72
Acquisitions, investments			
Capital expenditure		-1,073	-4
Proceeds from disposal of assets / divestitures		233	623
Changes in marketable securities and cash investments		-1,189	1,592
Cash flows from investing activities of continuing operations (before initial / subsequent transfer to plan assets)		**-4,182**	**516**
Initial / subsequent transfer to plan assets		-96	-42
Cash flows from investing activities of continuing operations (after initial / subsequent transfer to plan assets)		**-4,278**	**474**
Cash flows from investing activities of discontinued operations		-76	-1,203
Cash flows from investing activities (after initial / subsequent transfer to plan assets)		**-4,354**	**-729**

€ million	Note (30)	2020	2019
Net change in equity (incl. non-controlling interests)		2,230	-60
Changes in hybrid capital			-869
Dividends paid to RWE AG shareholders and non-controlling interests		-522	-560
Issuance of financial debt		5,537	15,876
Repayment of financial debt		-5,476	-14,198
Cash flows from financing activities of continuing operations		**1,769**	**189**
Cash flows from financing activities of discontinued operations		6	35
Cash flows from financing activities		**1,775**	**224**
Net cash change in cash and cash equivalents		1,596	-2,028
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		-34	15
Net change in cash and cash equivalents		**1,562**	**-2,013**
Cash and cash equivalents at beginning of the reporting period		3,212	5,225
of which: reported as 'Assets held for sale'		20	1,702
Cash and cash equivalents at beginning of the reporting period as per the consolidated balance sheet		3,192	3,523
Cash and cash equivalents at the end of the reporting period		4,774	3,212
of which: reported as 'Assets held for sale'			20
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet		**4,774**	**3,192**

4.5 Statement of changes in equity

Statement of changes in equity	Subscribed capital of RWE AG	Additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumulated other comprehensive Income			**RWE AG share-holders' interest**	RWE AG hybrid capital investors' interest	Non-controlling interests	**Total**
€ million				Currency translation adjustments	Fair value measurement of financial instruments					
					Debt instruments measured at fair value through other comprehensive income	Used for hedging purposes				
Note (20)										
Balance at 1 Jan 2019	**1,574**	**2,385**	**1,139**	**285**	**17**	**3,336**	**8,736**	**940**	**4,581**	**14,257**
Capital paid out / paid in								-869	6	-863
Dividends paid			-430				-430	-61	-460	-951
Income			8,498				8,498	15	643	9,156
Other comprehensive income			-125	812	28	493	1,208		132	1,340
Total comprehensive income			8,373	812	28	493	9,706	15	775	10,496
Other changes			-174			-874	-1,048	-25	-4,399	-5,472
Balance at 1 Jan 2020[1]	**1,574**	**2,385**	**8,908**	**1,097**	**45**	**2,955**	**16,964**		**503**	**17,467**
Capital paid in	157	1,844	-11				1,990		162	2,152
Dividends paid			-492				-492		-64	-556
Income			995				995		59	1,054
Other comprehensive income			-682	-392	19	-222	-1,277		-42	-1,319
Total comprehensive income			313	-392	19	-222	-282		17	-265
Other changes			-123			-875	-998		171	-827
Balance at 31 Dec 2020	**1,731**	**4,229**	**8,595**	**705**	**64**	**1,858**	**17,182**		**789**	**17,971**

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

4.6 Notes

Basis of presentation

RWE AG, headquartered at RWE Platz 1 in 45141 Essen, Germany, is the parent company of the RWE Group ('RWE' or 'Group'). RWE generates electricity from renewable and conventional sources, primarily in Europe and the USA.

The consolidated financial statements for the period ended 31 December 2020 were approved for publication on 5 March 2021 by the Executive Board of RWE AG. The statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the European Union (EU), as well as in accordance with the supplementary accounting regulations applicable pursuant to Sec. 315e, 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 2020.

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 11 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.

Associates are companies on which RWE AG exercises a 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 independent vehicle and the parties participating in such – are taken into consideration, in addition to the legal form and 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 IFRS 9.

The list of Group shareholdings pursuant to Sec. 313, Para. 2 of the German Commercial Code (HGB) is presented on page 192 et seqq.

The following summary shows the changes in the number of fully consolidated companies that occurred during the reporting period:

Number of fully consolidated companies	Germany	Abroad	Total
1 Jan 2020	**58**	**201**	**259**
First-time consolidation	4	16	20
Deconsolidation	-3	-9	-12
Mergers	-4	-11	-15
31 Dec 2020	**55**	**197**	**252**

Unchanged versus 31 December 2019, there were 31 investments and joint ventures accounted for using the equity method, of which eleven were in Germany and 20 were abroad.

As in the previous year, two companies are presented as joint operations. Of these, Greater Gabbard Offshore Winds Limited, UK, is a material joint operation of the RWE Group. Greater Gabbard holds a 500 MW offshore wind farm, which RWE Renewables UK Swindon Limited operates together with Scottish and Southern Energy (SSE) Renewables Holdings. RWE Renewables UK Swindon Limited owns 50 % of the shares and receives 50 % of the power generated (including green power certificates). The wind farm is part of the segment Offshore Wind.

First-time consolidation and deconsolidation generally take place when control is obtained or lost.

Sales of shares which led to a change of control resulted in sales proceeds from disposals amounting to €13 million, which were reported in other operating income (previous year: €18 million). Furthermore, a deconsolidation gain of €154 million on the sale of discontinued operations (previous year: €8,258 million) was recognised in the 'income from discontinued operations' line item on the income statement.

Within the framework of purchases and sales of subsidiaries and other business units which resulted in a change of control, purchase prices amounted to €270 million (previous year: €3,592 million) and sales prices amounted to €872 million (previous year: €14,296 million). Sales prices received from third parties were paid exclusively in cash (previous year: using equity interests and offsetting against other payments within the scope of the transaction agreed with E.ON). During the reporting period, purchase prices were paid to third parties exclusively in cash (previous year: offsetting against other payments within the scope of the transaction agreed with E.ON, with the exception of €25 million which was paid in cash and cash equivalents). In relation to this, cash and cash equivalents (excluding assets held for sale) were acquired in the amount of €0 million (previous year: €113 million) and were disposed of in the amount of €5 million (previous year: €1,250 million).

Acquisitions

Acquired E.ON operations

As part of the extensive asset swap agreed upon with E.ON SE on 12 March 2018, RWE gained control of major parts of E.ON's former renewable energy business on 18 September 2019. The acquired operations are active in onshore and offshore wind as well as in the photovoltaic business in Europe and the USA.

The status at initial consolidation is presented in the following table as at 31 December 2019:

Balance-sheet items € million	IFRS carrying amounts (fair value) at initial consolidation (as at 31 Dec 2019)
Non-current assets	**10,292**
Intangible assets	1,951
Property, plant and equipment	6,332
Other non-current assets	2,009
Current assets	**1,886**
Non-current liabilities	**3,979**
Provisions	613
Financial liabilities	2,447
Other non-current liabilities	919
Current liabilities	**5,260**
Net assets	**2,939**
Purchase price	3,592
Goodwill	**653**

An update of the figures reported upon first-time consolidation was performed during the period under review and resulted in the following adjustments: Due to better understanding of the fair value of operating rights and property, plant and equipment in particular, the fair value of net assets stated upon first-time consolidation was reduced by €261 million, from €2,939 million to €2,678 million. Taking account of a purchase price adjustment resulting from contractually agreed settlements, the goodwill recognised upon first-time consolidation increased by €141 million to €794 million.

King's Lynn power station

The acquisition of a 100 % stake in Centrica KL Limited (CKLL), Windsor, UK, was completed on 12 February 2020, as agreed with the British energy company GB Gas Holdings Limited, a subsidiary of Centrica plc, Windsor, UK, at the end of December 2019.

The power station is a combined-cycle gas turbine (CCGT) power plant located in King's Lynn, Norfolk, UK. The plant has a capacity of 382 MW and will receive reliable, stable capacity payments in the British capacity market until 2035 based on a 15-year contract with a term starting in October 2020.

Initial accounting of the business combination is presented in the following table, together with the assumed assets and liabilities:

Balance-sheet items € million	IFRS carrying amounts (fair value) at initial consolidation
Non-current assets	125
Current assets	5
Non-current liabilities	9
Current liabilities	88
Net assets	**33**
Purchase price	33
Goodwill	

Since its initial consolidation, the company has contributed €25 million to the Group's revenue and €12 million to the Group's earnings.

Excluding €80 million in redeemed shareholder loans, the purchase price amounted to €33 million and was paid exclusively in cash and cash equivalents.

Nordex wind and solar projects
In early November 2020, RWE completed the acquisition of 100 % of the shares in the companies NXD HOLDCO B.V. and NXD France SAS and thus gained control of the European development operations of the wind turbine manufacturer Nordex. Since then, the names of the acquired companies have been changed to RWE Renewables HoldCo B.V. and RWE Renouvelables SAS.

These operations encompass a pipeline of onshore wind and solar projects with a total generation capacity of 2.7 GW, of which 1.9 GW is located in France. The pipeline also includes ventures in Spain, Sweden and Poland. Some 15 % of the pipeline will soon be ready for a final investment decision or is at an advanced stage of development. State subsidies have already been secured for generation capacity of 230 MW.

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

Balance-sheet items € million	IFRS carrying amounts (fair value) at initial consolidation
Non-current assets	329
Current assets	0
Non-current liabilities	56
Current liabilities	6
Net assets	**267**
Purchase price	375
Goodwill	**108**

The acquired operations have not yet made any significant contributions to the Group's revenue and earnings since they were consolidated for the first time.

The purchase price amounted to €375 million (excluding repaid shareholder loans in the amount of €21 million) and was paid exclusively in cash and cash equivalents.

Goodwill is primarily based on expected future use and synergy effects.

The initial accounting of the business combination has not been finalised due to the complex structure of the transaction.

Disposals, disposal groups and discontinued operations

Východoslovenská energetika Holding a.s. (VSEH)

On 21 August 2020, RWE sold the shares in its fully consolidated investment in the Slovak power and gas utility Východoslovenská energetika Holding a.s. (VSEH), which was previously stated as part of 'innogy – discontinued operations', to E.ON. The deconsolidation gain amounted to €154 million and is stated in the 'income from discontinued operations' line item on the income statement.

The elimination bookings within the scope of the consolidation of expenses and income for the intragroup deliveries and services existing so far, which will be continuing either with such or with third parties after the deconsolidation of the discontinued operations, were fully assigned to such operations.

Major key figures of the activities of the discontinued operations deconsolidated as of 21 August 2020 are presented in the following tables:

Key figures of discontinued operations € million	31 Dec 2019
Non-current assets	
Intangible assets	405
Property, plant and equipment	734
Other non-current assets	8
	1,147
Current assets	**127**
Non-current liabilities	
Provisions	9
Financial liabilities	225
Other non-current liabilities	131
	365
Current liabilities	**145**

Key figures of discontinued operations € million	2020	2019
Revenue[1]	507	23,890
Other income[2]	15	1,518
Expenses[3]	437	23,214
Income of discontinued operations before tax	85	2,194
Taxes on income	18	636
Deconsolidation gain	154	8,258
Income of discontinued operations	221	9,816

1 Including income with continuing operations in the amount of €1,402 million in the previous year.
2 Including income with continuing operations in the amount of €108 million in the previous year.
3 Including expenses with continuing operations in the amount of €119 million (previous year: €9,772 million).

In the previous year, RWE sold the parts of innogy stated as 'innogy – discontinued operations' since 30 June 2018 to E.ON SE. This primarily involved most of the grid and retail business. The deconsolidation gain on this transaction amounted to €8,258 million in the previous year, which was recognised in the 'income from discontinued operations' line item on the income statement.

Of the share of total comprehensive income attributable to RWE AG shareholders, –€469 million (previous year: €237 million) were allocable to continuing operations and €187 million (previous year: €9,469 million) were allocable to discontinued operations.

Sale of a 75 % stake in the onshore wind farms Stella, Cranell, and East and West Raymond
In December 2020, RWE concluded contracts with Algonquin Power Fund (America) Inc., USA, a subsidiary of Algonquin Power & Utilities Corp., Canada, and Greencoat Capital, UK, on the sale of a total of 75 % of the shares in the four onshore wind farms Stella, Cranell, and East and West Raymond in the US state of Texas. These assets are part of the segment Onshore Wind / Solar. Upon completion of the individual transactions, RWE will deconsolidate the wind farms and report its remaining 25 % stake as an investment accounted for using the equity method.

The Stella wind farm (201 MW) commenced operation in December 2018, with Cranell (220 MW) and East Raymond (200 MW) following suit in September 2020 and January 2021, respectively. West Raymond (240 MW) was still under construction when these Notes were prepared. It is scheduled to go online in the second quarter of 2021 and then be sold off. The sale of a 75 % stake in the three onshore wind farms Stella, Cranell and East Raymond was completed in January 2021 (see 'Events after the balance sheet date', page 190).

As of 31 December 2020, the assets and liabilities of the four wind farms were reported as 'held for sale' in the balance sheet. The main groups of assets and liabilities of the disposal group are presented below:

Key figures of the disposal group € million	31 Dec 2020
Non-current assets	
Property, plant and equipment	971
Other non-current assets	4
	975
Current assets	**70**
Non-current liabilities	
Provisions	43
Financial liabilities	277
Other non-current liabilities	105
	425
Current liabilities	**114**

The disposal group's accumulated other comprehensive income amounted to €18 million.

Georgia Biomass

On 31 July 2020, the sale of Georgia Biomass, which had been contractually agreed on 18 June 2020, was completed. Georgia Biomass was responsible for RWE's biomass business in the USA and was part of the segment Hydro / Biomass / Gas. The deconsolidation gain on this transaction amounted to €13 million, which will be recognised in the 'other operating income' line item on the income statement.

Seabreeze II installation ship

In April 2020, the Seabreeze II offshore installation ship and the related equipment was sold and transferred to SPIC Ronghe International Financial Leasing Co. Ltd. The ship was part of the Offshore Wind segment. This transaction resulted in a gain in the medium double-digit million euro range, which is recognised in the 'other operating income' line item on the income statement.

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. Three subsidiaries have a different balance-sheet date of 31 March (previous year: three). Different fiscal years compared to the calendar year stem from 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 also prepared using the Group's uniform accounting policies.

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.

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 €	2020	2019	31 Dec 2020	31 Dec 2019
1 US dollar	0.87	0.89	0.81	0.89
1 pound sterling	1.12	1.14	1.11	1.18
100 Czech korunas	3.77	3.90	3.81	3.94
1 Polish zloty	0.22	0.23	0.22	0.23
1 Danish crown	0.13	0.13	0.13	0.13
1 Swedish crown	0.10	0.09	0.10	0.10
1 Norwegian crown	0.09	0.10	0.10	0.10

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. Capitalised customer relations are amortised over a maximum period of up to ten years.

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

Development costs are capitalised if a newly developed product or process can be clearly defined, is technically feasible and it is the company's intention to either use the product or process itself or market it. Furthermore, asset recognition requires that there be a sufficient level of certainty that the development costs lead to future cash inflows. Capitalised development costs are amortised over the 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 asset. 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'. What characterises a qualified asset is that a considerable period of time is required to prepare it 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. The depreciation methods are reviewed annually. We calculate the depreciation of RWE's typical property, plant and equipment according to the following useful lives, which apply throughout the Group and are also reviewed annually:

Useful life in years	
Buildings	7 - 50
Technical plants	
Thermal power plants	6 - 40
Wind turbines	Up to 25
Gas and water storage facilities	10 - 60
Mining facilities	3 - 25
Mining developments	44 - 52
Other renewable generation facilities	5 - 50

Property, plant and equipment also include right-of-use assets resulting from leases of which RWE is the lessee. These right-of-use assets are measured at cost. The cost results from the present value of the lease instalments, adjusted to take into account advance payments, initial direct costs and potential dismantling obligations and corrected for received lease incentives. Right-of-use assets are depreciated using the straight-line method over the lease term or the expected useful life, whichever is shorter.

For short-term leases and leases for low-value assets, lease instalments are recognised as an expense over the lease term. For operating leases of which RWE is the lessor, the minimum lease instalments are recognised as income over the lease term.

Impairment losses and write-backs on property, plant and equipment are 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.

The initial measurement of **other financial assets** occurs at the settlement date. Shares in non-consolidated subsidiaries and in associates or joint ventures are recognised at fair value through profit or loss insofar as such can be determined reliably. Other investments are also recognised at fair value, insofar as such can be determined reliably. The option to state changes in fair value in other comprehensive income is exercised for some of these equity instruments. Non-current securities are also accounted for at fair value and changes in value are recognised through profit or loss or other comprehensive income depending on their classification. Gains and losses on sales of equity instruments, for which the option to state changes in fair value in other comprehensive income is exercised, remain in equity and are not reclassified to the income statement. An impairment in the amount of the expected credit losses is recognised through profit or loss for debt instruments that are recognised at fair value through other comprehensive income. The changes reported in other comprehensive income are recognised with an effect on earnings upon the sale of these instruments.

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 minus a risk provision in the amount of the expected losses.

Loans reported under financial receivables are stated at amortised cost minus a risk provision in the amount of the expected losses. 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; both are stated at cost and are not amortised.

Deferred taxes result from temporary differences in the carrying amount in the separate IFRS financial statements and tax bases, and from consolidation procedures. Deferred tax assets also include tax reduction claims resulting from the expected utilisation of existing loss carryforwards in subsequent years. Deferred taxes are capitalised if it is sufficiently certain that the related economic advantages can be used. Their amount is assessed with regard to the tax rates applicable or expected to be applicable in the specific country at the time of realisation. The tax regulations valid or adopted as of the balance-sheet date are key considerations in this regard. Deferred tax assets and deferred tax liabilities are netted out for each company and / or tax group.

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

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

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

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

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

Securities classified as current marketable securities essentially consist of marketable securities held in special funds as well as fixed-interest securities which have a maturity of more than three months and less than one year from the date of acquisition. Securities held in special funds are measured at fair value through profit or loss or at fair value through other comprehensive income. 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 recognised through profit or loss or other comprehensive income, with due consideration of any deferred taxes depending on the underlying valuation category. An impairment in the amount of the expected credit losses is recognised through profit or loss for debt instruments that are stated at fair value through other comprehensive income. Changes included in other comprehensive income are recognised through profit or loss on disposal of such instruments.

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 within the next twelve months. 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. Gains or losses on the valuation of discontinued operations and on certain assets of a discontinued operation, which are not subject to the valuation rules pursuant to IFRS 5, are stated under income from discontinued operations.

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

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

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

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

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

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

Provisions for defined benefit plans are based on the actuarial present value of the respective obligation. This is measured using the projected unit credit method. This method not only takes into account the pension benefits and benefit entitlements known as of the balance-sheet date, but also anticipated future increases in salaries and pension benefits. The calculation is based on actuarial reports, taking into account appropriate biometric parameters (for Germany, in particular the 'Richttafeln 2018 G' by Klaus Heubeck, and the Standard SAPS Table S2PA of the respective year for the United Kingdom, taking into consideration future changes in mortality rates). The provision derives from the balance of the actuarial present value of the obligations and the fair value of the plan assets. The service cost is disclosed in staff costs. Net interest is included in the financial result.

Gains and losses on the revaluation of net defined benefit liability or asset 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 from operating licenses. These provisions are measured using estimates, which are based on and defined in contracts as well as on information from internal and external specialists (e.g. experts).

Obligations existing as of the balance-sheet date and identifiable when the balance sheet is being prepared are recognised as provisions for mining damage to cover land recultivation and remediation of mining damage that has already occurred or been caused. The provisions must be recognised due to obligations under public law, such as the German Federal Mining Act, and formulated, above all, in operating schedules and water law permits. Provisions are generally fully related to the degree of mining in question. Such provisions are measured at full expected cost or according to estimated compensation payments. Cost estimates are based on external expert opinions to a significant extent.

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 primarily measured at the secured forward price of the CO_2 allowances or certificates for renewable energies. If a portion of the obligation is not covered with allowances that are available or have been purchased forward, the provision for this portion is measured using the market price of the emission allowances or certificates for renewable energies on the reporting date.

Liabilities consist of **financial liabilities, trade accounts payable, income tax liabilities** and **other liabilities**. Upon initial recognition, these are generally stated at fair value including transaction costs and are carried at amortised cost in the periods thereafter (except for derivative financial instruments). Lease liabilities are measured at the present value of the future lease payments. For subsequent measurements, the lease payments are divided into the financing costs and repayment portion of the outstanding debt. Financing costs are distributed over the lease term in such a manner that a steady interest rate is created for the outstanding debt.

If uncertain income tax items are recognised in income tax liabilities because they are probable, the former are generally measured at the most likely amount. Measurement at expected value is only considered in exceptional cases.

Moreover, other liabilities also include contract liabilities. A contract liability is the obligation of the Group to transfer goods or services to a customer, for which we have already received consideration or for which the consideration is already due.

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 future 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 (net investment hedges) 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.

Hedging relationships must be documented in detail and meet the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument,
- the value change of hedging relationship is not dominated by the credit risk, and
- the hedge ratio is the same as that resulting from the quantities used within the scope of risk management.

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 are classified by contractual cash flows and applied business model. Whereas the contractual cash flows are determined by the characteristics of the financial instruments, the business model is based on the Group's internal requirements relating to the portfolios of financial instruments.
- 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 in the next twelve months. If both conditions apply, the assets and any related liabilities must be reported and measured as assets 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 rules governing valuation allowances for financial assets under IFRS 9 stipulate that the expected credit losses must be determined. The valuation allowance is based on information from within and outside the Group.

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. Based on the business models, the anticipated effect of the COVID-19 pandemic did not necessitate the performance of impairment tests.

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. The focus of RWE's financing policy is on ensuring uninterrupted access to the capital market. The goal is to be in a position to refinance maturing debts and finance the operating activities at all times. Maintaining a solid rating and a positive operating cash flow serve this purpose.

The management of RWE's capital structure is oriented towards a leverage factor of three or less. This indicator is calculated by adding material non-current provisions to net financial debt and comparing the resulting figure to the adjusted EBITDA of the core business. RWE's liabilities of relevance to net debt primarily consist of hybrid bonds and provisions for pensions, nuclear waste management, and wind farms.

RWE's capital structure changed during the reporting period, primarily due to the capital increase amounting to 10% of the capital stock, which generated gross proceeds of approximately €2 billion. In contrast to this, investment in wind and solar projects in particular increased compared to the previous year. Additionally, the net debt of the continuing operations was strongly affected by the inflows of variation margins on forward transactions with electricity, commodities and CO_2 certificates. Variation margins are payments with which transaction partners mutually collateralise profit and loss positions resulting from the daily revaluation of active contracts. However, their influence on cash flows is temporary and ends once the transactions are realised. While the capital increase resulted in an increase in financial assets, an opposite effect was felt in capital expenditures. In total, net financial debt amounted to €4.4 billion on 31 December 2020 and was thus lower than at the end of 2019 (previous year: €7.2 billion). Furthermore, net debt provisions rose by €0.3 billion to €11.3 billion (previous year: €11.0 billion, excluding provisions for mining damage). On average, provisions have a very long duration; their level is primarily determined by external factors such as the general level of interest rates. A precise calculation of net debt and net financial debt is presented on page 28 of the review of operations. As of 31 December 2020, the leverage factor was 1.7 and was thus below the planned ceiling.

RWE's credit rating is influenced by a number of qualitative and quantitative factors. These include aspects such as the amount of cash flows and debt as well as market conditions, competition, and the political framework. Our hybrid bonds also have a positive effect on our rating. The leading rating agencies, Moody's and Fitch, classify part of hybrid capital as equity.

RWE's creditworthiness is currently rated 'Baa3' by Moody's and 'BBB' by Fitch. In March 2020, Moody's raised RWE's outlook to 'positive' in light of the ongoing progress towards becoming a producer of electricity from renewable energy. Our rating thus remains in the investment-grade range. RWE's short-term credit ratings are 'P-3' (previous year: 'P-3') and 'F2' (previous year: 'F2'), respectively.

Changes in accounting regulations

The International Accounting Standards Board (IASB) has approved several amendments to existing IFRSs, which are effective for the RWE Group as of fiscal 2020 due to EU endorsement:

- Amendments to References to the Conceptual Framework in IFRS Standards (2018),
- Amendments to IFRS 3 Definition of a Business (2018),
- Amendments to IAS 1 and IAS 8 Definition of Material (2018),
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (2019), see page 174 in the Notes,
- Amendments to IFRS 16 Covid-19-Related Rent Concessions (2020).

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

New accounting policies

The IASB issued further standards and amendments to standards, which were not yet mandatory in the EU in fiscal 2020. These standards and amendments to standards, which are not expected to have any material effects on RWE's consolidated financial statements, are listed below:

- IFRS 17 Insurance Contracts (2017) including Amendments to IFRS 17 (2020),
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (2020) and Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date (2020),
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (2020),
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (2020),
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (2020),
- Annual Improvements to IFRS Standards 2018-2020 (2020),
- Amendments to IFRS 4 Extension of the Temporary Exemption from Applying IFRS 9 (2020),
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (2020),
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (2021),
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (2021),
- Proposed amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (2021).

Notes to the Income Statement

(1) Revenue

Revenue is recorded when the customer has obtained control over goods or services.

We recognise income from the sale of the electricity generated by all of RWE Group's generation technologies and the consumer business in revenue. Revenue resulting from the commercial optimisation of generation dispatch is based on the net sale price, after deduction of the relevant material costs. By contrast, all other revenue from our generation activities and the consumer business is reported on a gross basis.

In the year under review, RWE generated external revenue with two large customers in the amount of €6,963 million and €1,544 million (previous year: €7,455 million and €1,472 million) in the Supply & Trading segment.

A breakdown of revenue by division, geographical region and product is contained in the segment reporting on page 183 et seqq.

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

Certain performance obligations of the RWE Group were not yet or not yet fully met by the end of the fiscal year. The €3,154 million in revenue due from these performance obligations (previous year: €4,276 million) is expected to be received over the following three years. The receipt of this revenue will depend on when these performance obligations to the customer are met. It does not include future revenue from contracts with an original contractual term of twelve months or less.

(2) Other operating income

Other operating income € million	2020	2019
Income from own work capitalised	84	67
Income from changes in product inventories	10	30
Release of provisions	11	10
Cost allocations / refunds	175	116
Disposal and write-back of non-current assets including income from deconsolidation	128	525
Income from derivative financial instruments	3,721	897
Compensation and insurance benefits	66	34
Income from leases	29	16
Currency gains	71	
Miscellaneous	636	3,061
	4,931	**4,756**

Income from derivative financial instruments mainly stems from our energy trading activities.

In the Hydro / Biomass / Gas segment, write-backs of €71 million were recognised for the Scottish biomass-fired power station Markinch (recoverable amount: €0.2 billion) in the previous year. This was predominantly due to changed assumptions regarding subsidies in the renewable energy business. The write-ups were fully allocated to property, plant and equipment.

Furthermore, in the Hydro / Biomass / Gas segment, write-backs of €363 million were recognised for the German Gas and Hydroelectric Power Plants cash-generating unit along with the associated power purchase agreements (recoverable amount: €0.5 billion) in the previous year. This was largely due to the new definition of cash-generating units in the previous European Power segment. All of the write-backs were allocable to property, plant and equipment.

In the previous year, miscellaneous income contained the compensatory payments of €2,600 million for the early exit from our lignite business awarded by the German government.

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.

To improve the presentation of the development of business, we state unrealised and realised income from contracts measured at fair value of the Supply & Trading segment as net amounts. The net amount totalled €3,613 million in 2020 (previous year: €258 million).

(3) Cost of materials

Cost of materials € million	2020	2019
Cost of raw materials and of goods for resale	8,540	7,663
Cost of purchased services	1,274	1,415
	9,814	**9,078**

The cost of materials primarily includes expenses for the input materials of power plants. Expenses for coal of €75 million (previous year: €195 million) were recognised at the market price prevailing at settlement.

In the year under review, impairments of €140 million were recognised for stock materials and coal inventories. These impairments were based on lower market prices and impairment tests performed for the cash-generating units Garzweiler, Hambach, Inden and the hard coal-fired power stations (see page 124 in the Notes). In the previous year, impairments of €21 million were recognised for coal inventories, due to lower market prices.

(4) Staff costs

Staff costs € million	2020	2019
Wages and salaries	1,891	2,124
Cost of social security, pensions and other benefits	474	402
	2,365	**2,526**

Number of employees	2020	2019
Employees covered by collective agreements and other employees	13,272	28,214
Employees not covered by collective agreements	6,358	9,868
	19,630	**38,082**

The number of employees is arrived at by conversion to full-time positions, meaning that part-time and fixed-term employees 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, 669 trainees were employed; trainees are not included in the headcount figures.

In the previous year, the stated number of employees (average for the year) included the discontinued innogy operations up to end-Q2 2019. In that period, the discontinued innogy operations accounted for 14,663 wage earners and other personnel and 4,561 salaried staff. On average, 1,280 trainees were employed in the previous year, of which 659 were assigned to the innogy – discontinued operations segment.

(5) Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses € million	2020	2019
Intangible assets	156	107
Property, plant and equipment	2,998	3,059
	3,154	**3,166**

Depreciation, amortisation and impairment losses contain the following impairments:

Impairments € million	2020	2019
Intangible assets	18	46
Property, plant and equipment	1,712	1,922
	1,730	**1,968**

In the Hydro / Biomass / Gas segment, the impairment test for the Dutch Power Plant Portfolio cash-generating unit resulted in a write-down of €557 million (recoverable amount: €0.7 billion), due to the deterioration of market conditions in the Netherlands.

The impairment tests performed in the Coal / Nuclear segment resulted in the recognition of impairments on property, plant and equipment in the amount of €791 million. This was mainly due to changed market conditions and specification of the coal phase-out plans. Of these impairments, €579 million was related to the Garzweiler cash-generating unit (recoverable amount: €0.8 billion), €114 million to the Hambach cash-generating unit (recoverable amount: –€0.7 billion) and €98 million to the Inden cash-generating unit (recoverable amount: –€0.4 billion). With the exception of the property and buildings reported at market value, the property, plant and equipment of the Hambach and Inden units has been written down in full.

Additionally, impairments of €231 million were recognised on property, plant and equipment of the hard coal-fired power stations in the Coal / Nuclear segment (recoverable amount: €0.0 billion), in relation to the phase-out of hard coal. The power plants Ibbenbüren B and Westfalen E successfully participated in the first round of decommissioning auctions and were thus shut down early as of 1 January 2021. Decommissioning is subject to an assessment of the systemic relevance of the two plants by the German Network Agency.

In the Offshore Wind segment, an impairment loss of €225 million was recognised in the previous year for the Nordsee Ost offshore wind farm (recoverable amount: €0.6 billion). This primarily resulted from changed price and cost expectations.

Furthermore, an impairment loss of €69 million was recognised in the previous year for gas storage facilities (of which €65 million for property, plant and equipment and €4 million for intangible assets) in the Supply & Trading segment, primarily due to changed price expectations (recoverable amount: €0.0 billion).

In the previous year, the legal steps to reduce and end electricity generation from lignite and hard coal in Germany resulted in the split-up and spin-off of the two former Lignite & Nuclear and German Power Plant Portfolio cash-generating units in the Coal / Nuclear segment (previously: European Power segment).

The impairment test performed last year in the Coal / Nuclear segment for this reason resulted in the recognition of an impairment loss of €400 million (recoverable amount: – €0.2 billion) for the new Hambach cash-generating unit, of €114 million for the new Inden cash-generating unit (recoverable amount: €0.0 billion) and of €253 million for the new Garzweiler cash-generating unit (recoverable amount: €1.3 billion). These effects were solely due to the agreement reached with the German government to phase out electricity generation from lignite early. In the previous year, €240 million in impairments were attributable to changes in provisions, which were capitalised in the 'property, plant and equipment' item.

The impairment test performed last year in the Hydro / Biomass / Gas segment (previously: European Power segment) led to reversals of write-downs of €363 million for the new cash-generating unit German Gas and Hydroelectric Power Plants, along with the associated power purchase agreements, which was recognised in other operating income (recoverable amount: €0.5 billion). For the first time, the recoverable amount was calculated separately for each of the assets in the hard coal business in the Coal / Nuclear segment (previously: European Power segment), owing to the changed regulatory environment. This resulted in impairment losses of €76 million (recoverable amount: €0.2 billion). These effects stem from the compensation lost due to the spin-off of the hard coal-fired power stations along with the associated power purchase agreements from the former cash-generating unit. These agreements were also valued separately for the first time last year.

In addition, an impairment loss of €693 million (recoverable amount: €1.1 billion) was recognised in the previous year for the Dutch Power Plant Portfolio cash-generating unit in the the Hydro / Biomass / Gas segment (previously: European Power segment). This was due to the early phase-out of electricity generation from hard coal in the Netherlands.

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

Recoverable amounts are generally determined on the basis of fair values less costs to sell; in the Onshore Wind / Solar segment, they are also determined on the basis of values in use. Fair values are determined using valuation models based on planned cash flows. In the fiscal year, the valuation models were based on discount rates (after taxes) in the range of 2.75 % to 4.50 % (previous year: 2.50 % to 4.75 %; in the previous 'innogy – continuing operations' segment, they were based on discount rates [before taxes] of 3.90 % and 4.25 %). Our key planning assumptions relate to the development of wholesale prices of electricity, crude oil, natural gas, coal and CO_2 emission allowances, 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	2020	2019
Maintenance and renewal obligations	499	505
Additions to provisions / reversals	48	1,814
Structural and adaptation measures	12	151
Legal and other consulting and data processing services	301	273
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	49	4
Disposal of non-current assets including expenses from deconsolidation	32	24
Insurance, commissions, freight and similar distribution costs	82	61
General administration	51	65
Expenses from derivative financial instruments	507	70
Expenses from leases	30	42
Fees and membership dues	56	65
Other taxes (primarily on property)	40	29
Miscellaneous	243	151
	1,950	**3,254**

Expenses from derivative financial instruments mainly result from our energy trading activities.

In the previous year, additions to provisions primarily related to the nuclear energy and mining business.

(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	2020	2019
Income from investments accounted for using the equity method	**375**	**321**
Income from non-consolidated subsidiaries	-82	1
Income from other investments	6	1
Income from the disposal of investments	4	5
Income from loans to investments	11	1
Other income from investments	**-61**	**8**
	314	**329**

(8) Financial result

Financial result € million	2020	2019
Interest and similar income	283	185
Other financial income	1,650	503
Financial income	**1,933**	**688**
Interest and similar expenses	296	258
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	37	49
Provisions for nuclear waste management as well as to mining provisions	203	723
Other provisions	15	109
Other finance costs	1,836	487
Finance costs	**2,387**	**1,626**
	-454	**-938**

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 imputed interest income on plan assets for the coverage of pension obligations. Due to the early end of electricity generation from lignite resulting from the German coal phase-out, in the previous year the real discount rate used to calculate provisions for mining damage was reduced and the associated increase in the net present value of obligations of €463 million was recognised as an expense in the interest accretion to additions to provisions.

Interest expenses incurred for lease liabilities amounted to €35 million in the year under review (previous year: €26 million).

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, €61 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (previous year: €39 million). The underlying capitalisation rate ranged from 3.0% to 3.7% (previous year: from 3.7% to 4.0%).

Net interest € million	2020	2019
Interest and similar income	283	185
Interest and similar expenses	296	258
	-13	**-73**

Net interest stems from financial assets and liabilities, which were allocated to the following measurement categories pursuant to IFRS 9:

Interest result by category € million	2020	2019
Debt instruments measured at amortised cost	78	123
Financial instruments measured at fair value through profit or loss	3	30
Debt instruments measured at fair value through other comprehensive income	14	16
Equity instruments measured at fair value through other comprehensive income	187	16
Financial liabilities measured at (amortised) cost	-295	-258
	-13	**-73**

Other financial income includes €28 million in gains realised from the disposal of marketable securities (previous year: €19 million). Of the other finance costs, €17 million (previous year: €5 million) stem from realised losses on the disposal of marketable securities.

(9) Taxes on income

Taxes on income € million	2020	2019
Current taxes on income	-122	-136
Deferred taxes	485	44
	363	**-92**

Of the deferred taxes, €439 million is related to temporary differences (previous year: €29 million). In the year under review, changes in valuation allowances for deferred tax assets amounted to €418 million (previous year: €572 million).

Current taxes on income contain €16 million in net tax expenses (previous year: income of €74 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €10 million (previous year: €37 million).

Expenses from deferred taxes declined by €7 million (previous year: €0 million), due to reassessments of and previously unrecognised tax loss carryforwards.

Income taxes recognised in other comprehensive income € million	2020	2019
Fair valuation of equity instruments	11	-3
Fair valuation of debt instruments	-9	-12
Fair valuation of financial instruments used for hedging purposes	107	-288
Actuarial gains and losses of defined benefit pension plans and similar obligations[1]	-40	176
	69	**-127**

1 Including valuation allowances.

Taxes in the amount of €311 million (previous year: €394 million) were offset directly against equity.

Tax reconciliation € million	2020	2019
Income before tax	**1,196**	**-752**
Theoretical tax expense	**390**	**-245**
Differences to foreign tax rates	-98	-37
Tax effects on		
Tax-free dividends	-123	-49
Other tax-free income	-31	-10
Expenses not deductible for tax purposes	29	30
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	-30	-55
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	377	175
Income on the disposal of investments	-1	-48
Changes in foreign tax rates	86	29
Other allowances for deferred taxes in the RWE AG tax group	-69	207
Other	-167	-89
Effective tax expense	**363**	**-92**
Effective tax rate in %	30.4	12.2

The theoretical tax expense is calculated using the tax rate for the RWE Group of 32.6 % (previous year: 32.6 %). This is derived from the prevailing 15 % corporate tax rate, the solidarity surcharge of 5.5 %, and the Group's average local trade tax rate.

Notes to the Balance Sheet

(10) Intangible assets

Intangible assets € million	Development costs	Concessions, patent rights, licences and similar rights	Customer relationships and similar assets	Goodwill	Prepayments	Total
Cost						
Balance at 1 Jan 2020	40	3,713	310	2,549	6	6,618
Additions / disposals due to changes in the scope of consolidation		161	-1	108		268
Additions		19			4	23
Transfers	-1	6				5
Currency translation adjustments	-1	-98	-13	-46		-158
Disposals	1	38		8		47
Balance at 31 Dec 2020	37	3,763	296	2,603	10	6,709
Accumulated amortisation / impairment losses						
Balance at 1 Jan 2020	36	1,799	6			1,841
Additions / disposals due to changes in the scope of consolidation		-155	-1			-156
Amortisation / impairment losses in the reporting period	2	138	16			156
Transfers	-2	2				
Currency translation adjustments	-1	-6	-1			-8
Disposals	1	36				37
Balance at 31 Dec 2020	34	1,742	20			1,796
Carrying amounts						
Balance at 31 Dec 2020	3	2,021	276	2,603	10	4,913

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 2019	36	2,214	1	1,718	9	3,978
Additions / disposals due to changes in the scope of consolidation	1	1,404	304	794		2,503
Additions	2	22			2	26
Transfers	1	5			-5	1
Currency translation adjustments		73	5	37		115
Disposals		5				5
Balance at 31 Dec 2019	40	3,713	310	2,549	6	6,618
Accumulated amortisation / impairment losses						
Balance at 1 Jan 2019	33	1,751	1			1,785
Additions / disposals due to changes in the scope of consolidation	-2	-57				-59
Amortisation / impairment losses in the reporting period	4	98	5			107
Currency translation adjustments	1	7				8
Balance at 31 Dec 2019	36	1,799	6			1,841
Carrying amounts						
Balance at 31 Dec 2019	4	1,914	304	2,549	6	4,777

In the reporting period, the RWE Group's total expenditures on research and development amounted to €20 million (previous year: €25 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2020	31 Dec 2019[1]
Offshore Wind	1,376	1,422
Onshore Wind / Solar	108	
Hydro / Biomass / Gas	113	121
Supply & Trading	1,006	1,006
	2,603	**2,549**

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

New cash-generating units were formed as of 1 January 2020. In doing so, goodwill in the amount of €606 was transferred from the former cash-generating unit innogy - continuing operations to the new cash-generating unit Offshore Wind and in the amount of €121 million to the new cash-generating unit Hydro / Biomass / Gas. Goodwill of €816 million was transferred from the former cash-generating unit 'operations acquired from E.ON' to the new cash-generating unit Offshore Wind.

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

In the year under review, goodwill increased by €108 million as a result of the first-time consolidation of Nordex's wind and solar projects in the Onshore Wind segment. This goodwill passed the impairment test in the fourth quarter of 2020. In the previous year, goodwill increased by €794 million upon the first-time consolidation of the acquired E.ON operations. This goodwill passed the impairment test in the fourth quarter of 2019. In the year under review, goodwill declined by €8 million due to the deconsolidation of Georgia Biomass in the Hydro / Biomass / Gas cash-generating unit.

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 doing so, goodwill is allocated to the cash-generating units.

The recoverable amount of the cash-generating unit is determined, which is defined as the higher of fair value less costs to sell or value in use. Fair value is the best estimate of the price that an independent third party would pay to purchase the cash-generating unit as of the balance-sheet date. Value in use reflects the present value of the future cash flows which are expected to be generated with the cash-generating unit.

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

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

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

The discount rates used for business valuations are determined on the basis of market data. During the period under review, they were 4.25 % (previous year: 5.50 %) for the cash-generating unit Supply & Trading, 4.25 % for Offshore Wind (in the previous year: 4.00 % for the former segment innogy – continuing operations) and 3.75 % for Hydro / Biomass / Gas.

In the Offshore Wind cash-generating unit, we used a growth rate of 0.5 % as a basis for extrapolating future cash flows going beyond the detailed planning period. For all of the other cash-generating units, we do not base the extrapolation of future cash flows going beyond the detailed planning period on growth rates. In the previous year, no growth rates were used as a basis. The growth rate for each division is generally derived from experience and expectations of the future and does not exceed the long-term average growth rates of the respective markets in which the Group companies are active. The annual cash flows assumed for the years after the detailed planning period include as a deduction capital expenditure in the amount necessary to maintain the scope of business.

As of the balance-sheet date, the recoverable amounts of the cash-generating units, which are determined as the fair value less costs to sell, were higher than their carrying amounts. The surpluses react especially sensitively to changes in the discount rate, the growth rate – insofar as such are used in the model – and cash flows in terminal value.

Of all of the cash-generating units, the Hydro / Biomass / Gas cash-generating unit exhibited the smallest surplus of recoverable amount over the carrying amounts. The recoverable amount was €0.2 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 0.7 percentage points to above 4.4 %, or long-term cash flows reduced by more than 9 %.

(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 2020	5,323	48,756	989	4,224	59,292
Additions / disposals due to changes in the scope of consolidation	51	1,880	15	-236	1,710
Additions	443	872	69	2,389	3,773
Transfers	23	1,290	7	-1,326	-6
Currency translation adjustments	-58	-808	-10	-185	-1,061
Disposals	90	721	36	15	862
Balance at 31 Dec 2020	5,692	51,269	1,034	4,851	62,846
Accumulated depreciation / impairment losses					
Balance at 1 Jan 2020	3,128	35,505	770	873	40,276
Additions / disposals due to changes in the scope of consolidation	66	2,557	17		2,640
Amortisation / impairment losses in the reporting period	511	2,284	115	88	2,998
Transfers		24		-24	
Currency translation adjustments	-13	-263	-6	-1	-283
Disposals	22	564	34	3	623
Additions	9	54			63
Balance at 31 Dec 2020	3,661	39,489	862	933	44,945
Carrying amounts					
Balance at 31 Dec 2020	2,031	11,780	172	3,918	17,901

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 2019	4,868	43,733	934	2,061	51,596[1]
Additions / disposals due to changes in the scope of consolidation	282	3,935	19	1,295	5,531
Additions	300	1,153	66	1,077	2,596
Transfers	1	217	13	-239	-8
Currency translation adjustments	23	401	4	45	473
Disposals	151	683	47	15	896
Balance at 31 Dec 2019	5,323	48,756	989	4,224	59,292
Accumulated depreciation / impairment losses					
Balance at 1 Jan 2019	3,073	34,214	756	791	38,834
Additions / disposals due to changes in the scope of consolidation	-51	-640	-12		-703
Amortisation / impairment losses in the reporting period	222	2,685	64	88	3,059
Transfers	-6	-2	5	-1	-4
Currency translation adjustments	8	169	4		181
Disposals	91	509	47	5	652
Additions	27	412			439
Balance at 31 Dec 2019	3,128	35,505	770	873	40,276
Carrying amounts					
Balance at 31 Dec 2019	2,195	13,251	219	3,351	19,016

1 Including the effect of the initial adoption of IFRS 16 in the amount of €353 million.

Property, plant and equipment in the amount of €1,590 million (previous year: €1,024 million) were subject to restrictions from land charges, chattel mortgages or other restrictions. Disposals of property, plant and equipment resulted from sale or decommissioning.

Property, plant and equipment includes owned assets as well as right-of-use assets from leases of which RWE is the lessee.

These leases primarily comprise long-term rights of use to leased office buildings and land (e.g. leaseholds, properties for renewable energy production) and rights of use to leased assets relating to vehicle fleets and power plants.

During the reporting period, RWE sold an office building to an external investor within the framework of a sale-and-leaseback transaction. The fixed lease term of the leasing contract is 17.5 years.

The following table shows the development of right-of-use assets recognised in property, plant and equipment:

Right-of-use assets Development in 2020 € million	Balance at 1 Jan 2020	Additions	Depreciation, amortisation and impairments	Disposals	Other changes[1]	Balance at 31 Dec 2020
Cost						
Buildings	70	121	17	7	-6	161
Land	666	49	38	2	-44	631
Technical plant and machinery	43	2	6	1	-9	29
Pumped storage power stations	261	13	10			264
Vehicle fleet	18	17	11	1	-1	22
Other plant, factory and office equipment	23	7	13	1		16
	1,081	**209**	**95**	**12**	**-60**	**1,123**

1 Other changes comprise transfers, additions, currency translation adjustments as well as additions and disposals in the scope of consolidation.

Right-of-use assets Development in 2019 € million	Balance at 1 Jan 2019	Additions	Depreciation, amortisation and impairments	Disposals	Other changes[1]	Balance at 31 Dec 2019
Cost						
Buildings	51	30	12		1	70
Land	274	142	25	4	279	666
Technical plant and machinery	8	37	5	4	7	43
Pumped storage power stations	27	31	1		204	261
Vehicle fleet	8	7	6		9	18
Other plant, factory and office equipment	12	23	12			23
	380	**270**	**61**	**8**	**500**	**1,081**

1 Other changes comprise transfers, additions, currency translation adjustments as well as additions and disposals in the scope of consolidation.

Disclosure on the corresponding lease liabilities and interest expenses can be found in Notes (8) Financial result, (23) Financial liabilities and (27) Reporting on financial instruments.

In addition, leases had the following effect on the RWE Group's earnings and cash flows in the year under review:

Effects of leases on income and cash flows € million	2020	2019
RWE as lessee		
Expenses from short-term leases	79	14
Expenses from leases for low-value assets	1	
Expenses from variable lease payments not considered in the measurement of lease liabilities	21	18
Income from subleases	6	
Gains or losses on sale-and-leaseback transactions	2	
Total cash outflows from leases	107	60
RWE as lessor		
Income from operating leases	20	13

Leases primarily relating to office buildings and wind farm sites that have been contractually agreed, but not begun yet, lead to future lease payments of €187 million (previous year: €195 million). Moreover, potential lease payments predominantly relating to leases of wind farm space were disregarded when valuing lease liabilities. This relates to €405 million (previous year: €471 million) in variable payments which may come due depending on generation volumes and €97 million (previous year: €100 million) in potential payments associated with extension and termination options.

In addition to right-of-use assets, property, plant and equipment also include land and buildings leased as operating leases by RWE as lessor. The carrying amount of these assets totalled €180 million (previous year: €193 million) as of 31 December 2020.

The following payment claims resulted from these operating leases:

Nominal lease payments from operating leases € million	31 Dec 2020	31 Dec 2019
Due in up to 1 year	8	4
Due in > 1 to 2 years	7	7
Due in > 2 to 3 years	5	6
Due in > 3 to 4 years	5	6
Due in > 4 to 5 years	4	6
Due after 5 years	37	55

(12) Investments accounted for using the equity method

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

Material investments accounted for using the equity method	Amprion GmbH, Dortmund		KELAG-Kärntner Elektrizitäts-AG / Kärntner Energieholding Beteiligungs GmbH (KEH), Klagenfurt (Austria)	
€ million	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Balance sheet[1]				
Non-current assets	5,953	5,225	1,780	1,664
Current assets	2,838	1,825	349	383
Non-current liabilities	2,001	2,012	946	869
Current liabilities	3,488	2,496	266	285
Share of equity[2]	829	638	393	383
Goodwill			198	198
Carrying amounts	829	638	591	581
Statement of comprehensive income[1]				
Revenue	12,622	14,773	1,300	1,285
Income	701	523	112	93
Other comprehensive income	-35	-22	-47	-15
Total comprehensive income	666	501	65	78
Dividends (prorated)	25	25	19	15
RWE shareholding	25%	25%	49%	49%

1 Figures based on a shareholding of 100% in KEH.
2 Figures based on proportional share of equity in KEH and KELAG.

Amprion GmbH, headquartered in Dortmund, Germany, is a transmission system operator (TSO) for the electricity sector, pursuant to the German Energy Act (EnwG). Amprion's main shareholder is a consortium of financial investors led by Commerz Real, a subsidiary of Commerzbank.

KELAG-Kärntner Elektrizitäts-AG, headquartered in Klagenfurt, Austria, is a leading Austrian energy supplier in the fields of electricity, district heating and natural gas. RWE has an interest of 49 % in Kärntner Energieholding Beteiligungs GmbH (KEH), KELAG's largest shareholder.

Non-material investments accounted for using the equity method	Associates		Joint ventures	
€ million	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Income (pro-rata)	21	58	184	88
Other comprehensive income	-28	41	-2	16
Total comprehensive income	-7	99	182	104
Carrying amounts	172	246	1,658	1,771

The RWE Group holds shares with a book value of €3 million (previous year: €3 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.

(13) Other non-current financial assets

Other financial assets encompass non-consolidated subsidiaries, other investments and non-current securities.

Non-current securities amounting to €29 million and €4 million (previous year: €29 million and €4 million) were deposited in trust 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.

(14) Financial receivables

Financial receivables	31 Dec 2020		31 Dec 2019	
€ million	Non-current	Current	Non-current	Current
Loans to non-consolidated subsidiaries and investments	105	1	103	1
Collateral for trading activities		2,154		1,638
Other financial receivables				
Accrued interest		43		39
Miscellaneous other financial receivables	26	284	25	681
	131	**2,482**	**128**	**2,359**

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.

(15) Other receivables and other assets

Other receivables and other assets	31 Dec 2020		31 Dec 2019	
€ million	Non-current	Current	Non-current	Current
Derivatives	675	8,109	661	11,447
Capitalised surplus of plan assets over benefit obligations	172		153	
Prepayments for items other than inventories		148		144
CO_2 emission allowances		446		407
Miscellaneous other assets[1]	2,588	1,117	2,462	758
	3,435	**9,820**	**3,276**	**12,756**
of which: financial assets	855	8,452	824	11,564
of which: non-financial assets	2,580	1,368	2,452	1,192

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

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.

€2,600 million of the miscellaneous other assets comprise the compensatory payments for our early exit from the lignite business awarded by the German government (previous year: €2,600 million).

Furthermore, €86 million of the miscellaneous other assets (previous year: €43 million) were allocable to government grants awarded in relation with co-firing biomass in two Dutch power plants.

(16) Deferred taxes

Deferred tax assets and liabilities principally stem from the fact that measurements in the IFRS statements differ from those in the tax bases. As of 31 December 2020, no deferred tax liabilities were recognised for the difference between net assets and the carrying value of the subsidiaries and associates for tax purposes (known as 'outside basis differences') in the amount of €820 million (previous year: €969 million), as it is neither probable that there will be any distributions in the foreseeable future, nor will the temporary differences reduce in the foreseeable future. €3,415 million and €4,058 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €5,316 million and €6,166 million).

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

Deferred taxes	31 Dec 2020		31 Dec 2019[1]	
€ million	Assets	Liabilities	Assets	Liabilities
Non-current assets	687	1,465	1,166	2,437
Current assets	1,382	2,539	1,450	3,876
Exceptional tax items		58		47
Non-current liabilities				
Provisions for pensions	85	3	148	40
Other non-current liabilities	653	848	487	50
Current liabilities	2,033	1,519	3,866	2,290
	4,840	**6,432**	**7,117**	**8,740**
Tax loss carryforwards				
Corporate income tax (or comparable foreign income tax)	67		125	
Trade tax	14		23	
Gross total	**4,921**	**6,432**	**7,265**	**8,740**
Netting	-4,524	-4,524	-6,576	-6,576
Net total	**397**	**1,908**	**689**	**2,164**

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

As of 31 December 2020, RWE reported deferred tax claims which exceeded the deferred tax liabilities by €73 million (previous year: €144 million), in relation to companies which suffered a loss in the current or previous period. The basis for the recognition 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 €3,065 million and €2,166 million, respectively (previous year: €1,492 million and €879 million).

€828 million in corporate income tax loss carryforwards for which no deferred tax claims have been recognised will apply to the following six years. The other loss carryforwards do not have any time limits, but they are mostly not expected to be used.

As of 31 December 2020, temporary differences for which no deferred tax assets were recognised amounted to €13,216 million (previous year: €12,791 million).

In the year under review, deferred tax income of €42 million arising from the currency translation of foreign financial statements was offset against equity (previous year: deferred tax expenses of €14 million).

(17) Inventories

Inventories € million	31 Dec 2020	31 Dec 2019
Raw materials, incl. nuclear fuel assemblies and earth excavated for lignite mining	579	728
Work in progress – goods / services	50	33
Finished goods and goods for resale	999	839
Prepayments	4	-15
	1,632	**1,585**

The carrying amount of inventories acquired for resale purposes was €964 million (previous year: €605 million). As in the previous year, this entire amount related to gas inventories in the reporting period.

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). 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.

(18) Marketable securities

Of the current marketable securities, €4,216 million were fixed-interest marketable securities (previous year: €2,809 million) with a maturity of more than three months from the date of acquisition, and €3 million were stocks and profit-participation certificates (previous year: €449 million). Marketable securities are stated at fair value.

(19) Cash and cash equivalents

Cash and cash equivalents € million	31 Dec 2020	31 Dec 2019
Cash and demand deposits	4,764	3,192
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	10	
	4,774	**3,192**

RWE keeps demand deposits exclusively for short-term cash positions. For cash investments, banks are selected on the basis of various creditworthiness criteria, including their rating from one of the three renowned rating agencies – Moody's, Standard & Poor's and Fitch – as well as their equity capital and prices for credit default swaps. As in the previous year, interest rates on cash and cash equivalents were at market levels in 2020.

(20) Equity

A breakdown of fully paid-up equity is shown on page 106 et seq. The subscribed capital of RWE AG is structured as follows:

Subscribed capital	31 Dec 2020 Number of shares		31 Dec 2019 Number of shares		31 Dec 2020 Carrying amount	31 Dec 2019 Carrying amount
	in '000	in %	in '000	in %	€ million	€ million
Shares	676,220	100.0	614,745	100.0	1,731	1,574

On 18 August 2020, RWE AG decided on a capital increase in return for cash contributions with partial utilisation of the approved capital. The company's capital stock was thus increased by 10% via the issue of 61,474,549 new bearer shares, under the exclusion of existing shareholders' subscription rights. The new shares were placed with institutional investors at a price of €32.55 per share in an accelerated bookbuilding process. As a result of the capital increase, the subscribed capital of RWE AG rose by €157,374,845.44 and its paid-in capital rose to €1,843,621,724.51. Transaction expenses of €11,070,500.71 were offset against retained earnings.

Following this partial utilisation of the approved capital, based on the resolution passed by the General Meeting on 26 April 2018, the Executive Board is still authorised to increase the company's capital stock with the Supervisory Board's approval by up to €157,374,848.00 until 25 April 2023 through the issue of up to 61,474,550 bearer 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, but this is no longer possible for cash capital increases following the partial utilisation of the authorised capital.

Pursuant to a resolution passed by the Annual General Meeting on 26 April 2018, the Company was further authorised until 25 April 2023 to acquire shares of the Company up to a volume of 10% of the capital stock when the resolution on this authorisation was passed, or if the following is lower, 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 2020.

In fiscal 2020, RWE AG purchased a total of 314,808 RWE shares for a purchase price of €10,633,444.15 on the capital market. This is equivalent to €805,908.48 of the capital stock (0.05% of subscribed capital). Employees of RWE AG and its subsidiaries received a total of 314,808 shares for capital formation under the employee share plan. This resulted in total proceeds of €10,516,392.73. The difference to the purchase price was offset against freely available retained earnings.

In the previous year, RWE cancelled the hybrid bond issued by Group companies that was previously classified as equity pursuant to IAS 32 on 6 February 2019. The redemption in the amount of €869 million was effected on 20 March 2019 without refinancing the hybrid bond with fresh hybrid capital. The hybrid bond had a 7% coupon and a theoretically perpetual tenor.

As a result of equity capital transactions with subsidiary companies which did not lead to a change of control, the share of equity attributable to RWE AG's shareholders changed by a total of –€145 million (previous year: – €149 million) and the share of equity attributable to other shareholders changed by a total of €395 million (previous year: – €746 million). This includes the subsequent effects of last year's acquisition of the 23.2% minority interest in the continuing innogy operations (change in RWE AG shareholders' interest in Group equity of –€298 million) as well as effects from the sale of a 49% stake in the offshore UK wind farm Humber Gateway (€163 million change in the share of equity attributable to RWE AG's shareholders).

Accumulated other comprehensive income (OCI) reflects changes in the fair values of debt instruments measured at fair value through other comprehensive income, 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 2020, the share of accumulated other comprehensive income attributable to investments accounted for using the equity method amounted to – €29 million (previous year: – €22 million).

During the reporting year, €3 million in differences from currency translation which had originally been recognised without an effect on income were realised as income (previous year: expense of €523 million).

Dividend proposal

We propose to the Annual General Meeting that RWE AG's distributable profit for fiscal 2020 be appropriated as follows:

Distribution of a dividend of €0.85 per share.

Dividend	€574,787,040.80
Profit carryforward	€25,220.47
Distributable profit	€574,812,261.27

Based on a resolution of RWE AG's Annual General Meeting on 26 June 2020, the dividend for fiscal 2019 amounted to €0.80 per dividend-bearing share. The dividend payment to shareholders of RWE AG amounted to €492 million (previous year: €430 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 (OCI) include the following non-controlling interests:

Non-controlling interests in OCI € million	2020	2019
Actuarial gains and losses of defined benefit pension plans and similar obligations		-138
Pro-rata income and expenses of investments accounted for using the equity method		43
Fair valuation of equity instruments		-10
Income and expenses recognised directly in equity, not to be reclassified through profit or loss		**-105**
Currency translation adjustment	-25	267
Fair valuation of debt instruments		-3
Fair valuation of financial instruments used for hedging purposes	-17	-29
Pro-rata income and expenses of investments accounted for using the equity method		2
Income and expenses recognised directly in equity, to be reclassified through profit or loss in the future	**-42**	**237**
	-42	**132**

(21) Share-based payment

For executives of RWE AG as well as of affiliated companies, Long Term Incentive Plans (LTIPs) are in place as share-based payment systems known as Strategic Performance Plans (SPPs). The expenses associated with these are borne by the Group companies which employ the persons holding notional stocks.

The LTIP SPP was introduced in 2016. It uses an internal performance target (net income of relevance to remuneration) derived from the mid-term planning and takes into account the development of RWE AG's share price. Executives receive conditionally granted virtual shares (performance shares). The final number of virtual shares in a tranche is determined based on the achievement of the adjusted net income target. Each of the issued LTIP SPP tranches has a term of four years before payment is possible.

RWE AG SPP	2016 tranche	2017 tranche	2018 tranche	2019 tranche	2020 tranche
Start of term	1 Jan 2016	1 Jan 2017	1 Jan 2018	1 Jan 2019	1 Jan 2020
Number of conditionally granted performance shares	486,436	1,338,027	883,974	932,889	935,331
Term	4 years	4 years	4 years	4 years	4 years
Performance target	Adjusted net income	Adjusted net income	Adjusted net income	Adjusted net income	Adjusted net income
Cap / number of performance shares	150 %	150 %	150 %	150 %	150 %
Cap / payment amount	200 %	200 %	200 %	200 %	200 %
Determination of payment	The payment amount is calculated on the basis of the determined number of performance shares multiplied by the sum of a) the mathematical average of the closing share price of the RWE share (ISIN DE 000703129), with all available decimal places, in Xetra trading of Deutsche Börse AG (or a successor trading system which subsequently takes the place of the Xetra system) for the last 30 trading days prior to the end of the vesting period rounded according to standard commercial practice to two decimal places, and b) the dividends paid per share for the fiscal years between the determination of the final number of performance shares and the end of the vesting period. Dividends do not bear interest and are not reinvested. If a dividend payment occurs during the 30-day period for calculating the share price in accordance with item a), the share prices of the trading days leading up to the payment (CUM share prices) are adjusted by the dividend, as the dividend would otherwise be considered twice. Payment amount = (number of finally granted performance shares) x (mathematical average of the share price + dividends paid) The payment amount calculated in this manner is limited to no more than 200 % of the grant amount.				
Change in corporate control / merger	A change in corporate control ('change of control') shall occur if a) a shareholder gains control in accordance with Sec. 29 of the German Securities Acquisition and Takeover Act (WpÜG) by holding at least 30 % of the voting rights including third-party voting rights attributable to it in accordance with Sec. 30 WpÜG, or b) a control agreement in accordance with Sec. 291 of the Stock Corporation Act (AktG) is concluded with RWE AG as the dependent company, or c) RWE AG is merged with another legal entity that does not belong to the Group in accordance with Sec. 2 of the German Company Transformation Act (UmwG), unless the value of the other legal entity is less than 50 % of the value of RWE AG based on the agreed conversion rate; in such a case, item a) shall not apply. In the event of a change of control, all of the performance shares which have been fully granted and have not been paid out shall be paid out early. The payment amount is determined according to the exercise conditions, with the deviation that the last 30 trading days prior to the announcement of the change in control is to be used; plus the dividends paid per share in the fiscal years between the determination of the final number of performance shares and the time of the change in control. The payment amount calculated in this manner shall be paid to the plan participant together with his or her next salary payment. All conditionally granted performance shares as of the effective date of the change of control shall lapse without consideration.				
Form of settlement	Cash settlement	Cash settlement	Cash settlement	Cash settlement	Cash settlement
Payment date	2020	2021	2022	2023	2024

The fair value of the performance shares conditionally granted under SPP included the following sums on the grant date:

Performance Shares from the RWE AG SPP €	2016 tranche	2017 tranche	2018 tranche	2019 tranche	2020 tranche
Fair value per share	13.78	11.62	18.80	19.10	26.41

The fair values of the tranches of the RWE AG SPP are based on RWE AG's current share price plus the dividends per share which have already been paid to the shareholders during the term of the corresponding tranche. The limited payment per SPP was implemented via a sold call option. The option value calculated using the Black Scholes Model was deducted. The maximum payments per conditionally granted SPP (= option strike) established in the plan conditions, the discount rates relative to the remaining term as well as the volatilities and expected dividends of RWE AG were considered in determining the option price.

The performance shares displayed the following development in the fiscal year that just came to a close:

Performance Shares from the RWE AG SPP	2016 tranche	2017 tranche	2018 tranche	2019 tranche	2020 tranche
Outstanding at the start of the fiscal year	528,513	1,632,128	1,090,995	932,889	
Granted					935,331
Change[1]		11,503	-2,505	470,643	
Paid out	-528,513				
Outstanding at the end of the fiscal year		1,643,631	1,088,490	1,403,532	935,331
Payable at the end of the fiscal year		1,643,631			

1 'Change' pertains to the final grant based on target achievement or the subsequent grant or lapse of performance shares.

For the SPP options exercised in the previous fiscal year, the average weighted daily share price on the day of exercise was €34.07.

During the period under review, expenses for the share-based payment system totalled €38 million (previous year: €34 million). As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €85 million (previous year: €60 million).

(22) Provisions

Provisions € million	31 Dec 2020 Non-current	31 Dec 2020 Current	31 Dec 2020 Total	31 Dec 2019 Non-current	31 Dec 2019 Current	31 Dec 2019 Total
Provisions for pensions and similar obligations	3,864		3,864	3,446		3,446
Provisions for nuclear waste management	6,113	338	6,451	6,355	368	6,723
Provisions for mining damage	4,729	85	4,814	4,559	59	4,618
	14,706	**423**	**15,129**	**14,360**	**427**	**14,787**
Other provisions						
Staff-related obligations (excluding restructuring)	339	651	990	361	622	983
Restructuring obligations	624	18	642	591	31	622
Purchase and sales obligations	1,366	124	1,490	1,390	116	1,506
Provisions for dismantling wind farms	1,125	11	1,136	948	4	952
Other dismantling and retrofitting obligations	648	70	718	557	77	634
Environmental protection obligations	76	2	78	78	2	80
Interest payment obligations	223		223	281		281
Obligations to deliver CO_2 emission allowances / certificates for renewable energies		1,332	1,332		771	771
Miscellaneous other provisions	363	373	736	370	588	958
	4,764	**2,581**	**7,345**	**4,576**	**2,211**	**6,787**
	19,470	**3,004**	**22,474**	**18,936**	**2,638**	**21,574**

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 benefits based on final salary. These are exposed to the typical risks of longevity, inflation and salary increases.

In the reporting period, €32 million (previous year: €24 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 defined benefit obligations, plan assets and service cost. In the consolidated financial statements, the contributions are thus recognised analogously to a defined contribution plan, although this is a defined benefit plan. The pension plan for employees in the Netherlands is administered by Stichting Pensioenfonds ABP (see 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 funding obligations. Approximately €9 million in employer contributions are expected to be paid to the ABP pension fund in the following fiscal 2021 (prior-year figure for fiscal 2020: €9 million). The contributions are used for all of the beneficiaries. If ABP's funds are insufficient, it can either curtail pension benefits and future post-employment benefits, or increase the contributions of the employer and employees. In the event that RWE terminates the ABP pension plan, ABP will charge a termination fee. Amongst other things, its level depends on the number of participants in the plan, the amount of salary and the age structure of the participants. As of 31 December 2020, we had around 600 active participants in the plan (previous year: approximately 600).

RWE transferred assets to RWE Pensionstreuhand e.V. within the framework of a contractual trust arrangement (CTA) in order to finance the pension commitments of German Group companies. There is no obligation to provide further funds. 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 boards of RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG are responsible for ensuring that the funds under management are used in compliance with the contract and thus fulfil the requirements for recognition as plan assets.

In the United Kingdom, it is legally mandated that defined benefit plans are provided with adequate and suitable assets to cover pension obligations. The corporate pension system is managed by the sector-wide Electricity Supply Pension Scheme (ESPS). Following completion of the E.ON transaction, dedicated independent sections were formed for RWE for the conventional generation business, for the continuing innogy operations and for the renewables business acquired from E.ON. The sections are managed by trustees which are elected by members of the pension plans or appointed by the sponsoring employers. The trustees are responsible for managing the pension plans. This includes investments, pension payments and financing plans. The pension plans comprise the benefit obligations and plan assets for the subsidiaries of the RWE Group. It is required by law to assess the required financing of the pension plans once every three years. This involves measuring pension obligations on the basis of conservative assumptions, which deviate from the requirements imposed by IFRS. The underlying actuarial assumptions primarily include the projected life expectancies of the members of the pension plans as well as assumptions relating to inflation, imputed interest rates and the market returns on the plan assets.

The last funding valuations of the RWE section and the continuing innogy operations section were carried out on 31 March 2019. They showed that the RWE section had a financing deficit of £44.3 million, which was rectified with a payment of £48.3 million as of 31 March 2020. The next funding valuation must occur by 31 March 2022. A technical financing deficit of £103.4 million was revealed for the section of the continuing innogy operations. It was subsequently agreed with the trustees to rectify this deficit with annual payments of £37.5 million, £36.3 million, £17.0 million and £17.0 million from 2020 to 2023. Following compleition of the E.ON transaction, an agreement was reached with the trustees to draw forward the next valuation to 31 March 2021. A valuation was carried out for the section of the renewables business acquired from E.ON on 31 March 2020. It revealed a financing deficit of £7 million. From the valuation date, the sponsoring employers and the trustees have 15 months to approve the funding valuation.

The payments to settle the deficit are charged to the participating companies on the basis of a contractual agreement. Above and beyond this, payments are regularly made to finance the newly arising benefit obligations of active employees which increase the pension claims.

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

Calculation assumptions	31 Dec 2020		31 Dec 2019	
in %	Germany	Foreign[1]	Germany	Foreign[1]
Discount rate	0.80	1.30	1.20	2.00
Wage and salary growth rate	2.35	3.00	2.35	3.00
Pension increase rate	1.00, 1.60 and 1.75	2.10 and 2.90	1.00, 1.60 and 1.75	1.90 and 2.80

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

The method for deriving the benchmark interest rate for domestic pension commitments pursuant to IFRS was adjusted at the end of the year. In the bond universe, bonds with a nominal volume of more than €100 million are now taken as a basis. Previously, bonds with a nominal volume of more than €50 million were also taken into account. The resulting benchmark interest rate amounts to 0.80 %. Compared to the previous method, this is 10 basis points higher and results in the recognition of pension commitments which are lower by around €180 million. In the following year, this leads to a decline of €5 million in the service cost and an increase of €2 million in the interest cost.

Composition of plan assets (fair value)	31 Dec 2020				31 Dec 2019			
€ million	Germany[1]	Of which: Level 1 pursuant to IFRS 13	Foreign[2]	Of which: Level 1 pursuant to IFRS 13	Germany[1]	Of which: Level 1 pursuant to IFRS 13	Foreign[2]	Of which: Level 1 pursuant to IFRS 13
Equity instruments, exchange-traded funds	1,472	1,449	485	69	1,539	1,519	468	131
Interest-bearing instruments	3,785		3,956		3,620	91	3,502	33
Real estate	1				3			
Mixed funds[3]	645	324	1,509	116	705	375	1,539	160
Alternative investments	711	542	412		685	438	661	
Other[4]	56	23	477	85	64	30	407	69
	6,670	**2,338**	**6,839**	**270**	**6,616**	**2,453**	**6,577**	**393**

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 the RWE Group within the British ESPS to cover benefit commitments to employees of the RWE Group in the UK.
3 Includes equity and interest-bearing instruments.
4 Includes reinsurance claims against insurance companies and other fund assets.

Our investment policy in Germany 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 RWE's 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. Furthermore, in order to achieve consistently high returns, there is also investment in products which are more likely to offer relatively regular positive returns over time. This involves products with returns which fluctuate like those of bond investments, but which achieve an additional return over the medium term, such as so-called absolute return products (including funds of hedge funds).

In the United Kingdom, our capital investment takes account of the structure of the pension obligations as well as liquidity and risk matters. The goal of the investment strategy in this context is to maintain the level of pension plan funding and ensure the full financing of the pension plans over time. To reduce financing costs and earn surplus returns, we also include higher-risk investments in our portfolio. The capital investment focusses on government and corporate bonds.

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 2020	**16,486**	**13,193**	**153**	**3,446**
Current service cost	148			148
Interest cost / income	238	201		37
Return on fund assets less interest components		859		-859
Gain / loss on change in demographic assumptions	-17			-17
Gain / loss on change in financial assumptions	1,435			1,435
Experience-based gains / losses	-106			-106
Currency translation adjustments	-352	-361	-10	-1
Employee contributions	8	8		
Employer contributions [1]		245		-245
Benefits paid [2]	-718	-690		-28
Changes in the scope of consolidation / transfers	71	62		9
Past service cost	8			8
General administration expenses		-8		8
Change in capitalised surplus of plan assets			29	29
Balance at 31 Dec 2020	**17,201**	**13,509**	**172**	**3,864**
of which: domestic	10,503	6,670		3,833
of which: foreign	6,698	6,839	172	31

1 Of which: €96 million from initial and subsequent transfers to plan assets and €149 million in cash flows from operating activities.
2 Contained in cash flows from operating activities.

Changes in pension provisions € million	Present value of pension commitments	Fair value of plan assets	Capitalised surplus of plan assets	Total
Balance at 1 Jan 2019	**14,987**	**11,913**	**213**	**3,287**
Current service cost	123			123
Interest cost / income	312	262		50
Return on fund assets less interest components		1,096		-1,096
Gain / loss on change in demographic assumptions	-49			-49
Gain / loss on change in financial assumptions	1,272			1,272
Experience-based gains / losses	43			43
Currency translation adjustments	308	315	10	3
Employee contributions	6	6		
Employer contributions[1]		157		-157
Benefits paid [2]	-718	-694		-24
Changes in the scope of consolidation	209	145		64
Past service cost	-7			-7
General administration expenses		-7		7
Change in capitalised surplus of plan assets			-70	-70
Balance at 31 Dec 2019	**16,486**	**13,193**	**153**	**3,446**
of which: domestic	10,041	6,616		3,425
of which: foreign	6,445	6,577	153	21

1 Of which: €42 million from initial and subsequent transfers to plan assets and €115 million in cash flows from operating activities.
2 Contained in cash flows from operating activities.

Changes in the actuarial assumptions would lead to the following changes in the present value of the defined benefit obligations:

Sensitivity analysis of pension provisions	Changes in the present value of defined benefit obligations			
€ million	31 Dec 2020		31 Dec 2019	
Change in the discount rate by + 50 / - 50 basis points				
– Domestic	-792	903	- 734	833
– Foreign	-486	552	- 433	489
Change in the wage and salary growth rate by - 50 / + 50 basis points				
– Domestic	-63	65	- 55	57
– Foreign	-41	47	- 35	41
Change in the pension increase rate by - 50 / + 50 basis points				
– Domestic	-518	569	- 489	537
– Foreign	-339	382	- 300	407
Increase of one year in life expectancy				
– Domestic		523		482
– Foreign		210		259

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, whereas rising market interest rates are typically reflected in a reduction in plan assets.

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

As of the balance-sheet date, the recognised amount of pension provisions totalled €3,265 million for funded pension plans (previous year: €2,889 million) and €599 million for unfunded pension plans (previous year: €557 million).

As in the previous year, a substantial portion of the past service cost related to effects in connection with restructuring measures in Germany and severance payments in Great Britain.

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 adjustments in compliance with 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 was 16 years in Germany (previous year: 16 years) and 17 years outside of Germany (previous year: 15 years).

In fiscal 2021, RWE expects to make €240 million in payments for defined benefit plans of continuing operations (previous-year target: €275 million), as direct benefits and contributions to plan assets.

Provisions for nuclear energy and mining € million	Balance at 1 Jan 2020	Additions	Unused amounts released	Interest accretion	Amounts used	Balance at 31 Dec 2020
Provisions for nuclear waste management	6,723	29	-3	17	-315	6,451
Provisions for mining damage	4,618	44	-15	212	-45	4,814
	11,341	**73**	**-18**	**229**	**-360**	**11,265**

Provisions for nuclear waste management are recognised in the full amount for the nuclear power plants Biblis A and B, Emsland and Gundremmingen A, B and C, as well as Lingen and Mülheim-Kärlich. Provisions for waste disposal for the Dutch nuclear power plant Borssele are included at a rate of 30 %, in line with RWE's stake.

Provisions for nuclear waste disposal 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, these provisions will essentially be used by the beginning of the 2040s. The discount rate calculated on the basis of the current level of market interest rates for no-risk cash investments was 0.0 % as of the balance-sheet date (previous year: 0.0 %). The escalation rate based on expectations with regard to general increases in wages and prices and productivity growth was 1.5 % (previous year: 1.5 %). As a result, the real discount rate used for nuclear waste management purposes, which is the difference between the discount rate and the escalation rate, amounted to – 1.5 % (previous year: – 1.5 %). An increase (decrease) in this rate by 0.1 percentage point would reduce (increase) the present value of the provision by roughly €45 million.

Excluding the interest accretion, additions to provisions for nuclear waste management are based on quantity-related increases in the provisions and amount to €29 million. In the previous year, €719 million was allocable to the nuclear energy obligations assumed from the E.ON subsidiary PreußenElektra within the scope of the acquisition of the minority interests in the Gundremmingen nuclear power plant units. Of the changes in provisions, €14 million was offset against the corresponding costs of nuclear power plants still in operation and the fuel elements. Prepayments for services in the amount of €8 million were deducted from these provisions. In the reporting period, we also used provisions of €242 million for the decommissioning of nuclear power plants. Decommissioning and dismantling costs had originally been capitalised in a corresponding amount and reported under the cost of the respective nuclear power plants.

The provisions of the law on the reassignment of responsibility for nuclear waste disposal stipulate that accountability for the shutdown and dismantling of the assets as well as for packaging radioactive waste remains with the companies. The shutdown and dismantling process encompasses 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. A request to decommission and dismantle the nuclear power plant will be filed with the nuclear licensing authority during its operating period so that the decommissioning and dismantling work can be performed in time after the expiry of the operating permit. Dismantling operations essentially consist of dismantling and removal of the radioactive contamination from the facilities and structures, radiation protection, and regulatory monitoring of the dismantling measures and residual operations.

We thus subdivide our provisions for nuclear waste management into the residual operation of nuclear power plants, the dismantling of nuclear power station facilities as well as the cost of residual material processing and radioactive waste treatment facilities.

Provisions for nuclear waste management € million	31 Dec 2020	31 Dec 2019
Residual operation	2,707	2,840
Dismantling	2,007	2,086
Processing of residual material and waste management	1,737	1,797
	6,451	**6,723**

Provisions for the residual operation of nuclear power station facilities cover all steps that must be taken largely independent of dismantling and disposal but are necessary to ensure that the assets are safe and in compliance with permits or are required by the authorities. In addition to works monitoring and facility protection, these mainly include service, recurrent audits, maintenance, radiation and fire protection as well as infrastructural adjustments.

Provisions for the dismantling of nuclear power plant facilities include all work done to dismantle plants, parts of plants, systems and components as well as on buildings that must be dismantled to comply with the Nuclear Energy Act. They also consider the conventional dismantling of nuclear power plant facilities to fulfil legal or other obligations.

Provisions for residual material processing and waste management include the costs of processing radioactive residual material for non-hazardous recycling and the costs of treating radioactive waste produced during the plant's service life and dismantling operations. This includes the various processes for conditioning, proper packaging of the low-level and intermediate-level radioactive waste in suitable containers and the transportation of such waste to BGZ Gesellschaft für Zwischenlagerung mbH (BGZ), which has been commissioned by the Federal government for intermediate storage. This item also contains the cost of transporting the waste produced by recycling and of the proper packaging of spent nuclear fuel elements, i.e. the cost of procuring and loading freight and interim storage containers.

Commissioned by the plant operator, the internationally renowned company NIS Ingenieurgesellschaft mbH, Alzenau, assesses the prospective residual operation and dismantling costs for the nuclear power plants on an annual basis. The costs are determined specifically for each facility and take into consideration the current state of the art, regulatory requirements and previous practical experience from ongoing and completed dismantling projects. Additionally, current developments are also incorporated into the cost calculations. They also include the cost of conditioning and packaging radioactive waste generated during dismantling operations and the transportation of such waste to BGZ. Further cost estimates for the disposal of radioactive waste are based on contracts with foreign reprocessing companies and other disposal companies. Furthermore, the cost estimates are based on plans by internal and external experts, in particular GNS Gesellschaft für Nuklear-Service mbH, (GNS) Essen.

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

Provisions for nuclear waste management € million	31 Dec 2020	31 Dec 2019
Provisions for nuclear obligations, not yet contractually defined	4,623	4,849
Provisions for nuclear obligations, contractually defined	1,828	1,874
	6,451	**6,723**

The provision for obligations which are not yet contractually defined covers the costs of the remaining operational phase of the operating plants, the costs of dismantling as well as the residual material processing and waste treatment costs incurred in connection with waste produced as a result of shutdowns.

Provisions for contractually defined nuclear obligations relate to all obligations the value of which is specified in contracts under civil law. The obligations include the anticipated residual costs of reprocessing and returning the resulting radioactive waste. These costs stem from existing contracts with foreign reprocessing companies and with GNS. Moreover, these provisions also include the costs for transport and intermediate storage containers for and the loading of spent fuel assemblies within the framework of final direct storage. Furthermore, this item also includes the amounts for the professional packaging of radioactive operational waste as well as the in-house personnel costs incurred for the residual operation of plants which are permanently decommissioned.

Provisions for mining damage also consist almost entirely of non-current provisions and fully covered the volume of obligations as of the balance-sheet date. They are reported at their settlement amount discounted to the balance-sheet date. To a large degree, the cost estimates are backed by external expert opinions.

In discounting the amounts used in the coming 30 years, we have oriented ourselves towards the current market interest rates for risk-free cash investments. Since no market interest rates are available for later periods, a sustainable, long-term interest rate is used to discount the amounts used after the next 30 years. As in the previous year, the average discount rate was 2.0 %. The effects from the lower level of market interest rates were compensated by changes in the timing of the structure of the series of payments. The majority of the provisions still pertains to claims that are expected to materialise over the next 30 years. Based on the currently expected price and cost increases, the escalation rate was 1.5 % as in the previous year. The real discount rate applied for mining purposes, which is the difference between the discount rate and the escalation rate, was thus 0.5 % as in the previous year. An increase (decline) in the real discount rate by 0.1 percentage point would reduce (increase) the present value of the provision by around €140 million.

Excluding the interest accretion, additions to provisions for mining damage amounted to €44 million in the reporting period. The reason for this was quantity-induced increases in the obligatory volume, of which €16 million was capitalised in the item Property, plant and equipment. Releases of provisions in the amount of €15 million mainly resulted from the fact that current estimates led to a reduction in the anticipated costs of restoration. The interest accretion increased provisions for mining damage by €212 million.

Other provisions € million	Balance at 1 Jan 2020	Additions	Unused amounts released	Interest accretion	Changes in the scope of consolidation, currency adjustments, transfers	Amounts used	Balance at 31 Dec 2020
Staff-related obligations (excluding restructuring)	983	550	-46	1	23	-521	990
Restructuring obligations	622	90	-36		-21	-13	642
Purchase and sales obligations	1,506	242	-95			-163	1,490
Provisions for dismantling wind farms	952	171	-6	113	-92	-2	1,136
Other dismantling and retrofitting obligations	634	110	-89	81	-3	-15	718
Environmental protection obligations	80	2	-1	1	-2	-2	78
Interest payment obligations	281		-58				223
Obligations to deliver CO_2 emission allowances / certificates for renewable energies	771	1,337	-16		-13	-747	1,332
Miscellaneous other provisions	958	293	-213	1	-14	-289	736
	6,787	**2,795**	**-560**	**197**	**-122**	**-1,752**	**7,345**

Provisions for staff-related obligations mainly consist of provisions for pre-retirement part-time work arrangements, severance, outstanding vacation and service jubilees and performance-based pay components. Based on current estimates, we expect most of these to be used from 2021 to 2025.

Provisions for restructuring obligations pertain mainly to measures for socially acceptable payroll downsizing. We currently expect most of these to be used from 2021 to 2038. In so doing, sums earmarked for personnel measures are reclassified from provisions for restructuring obligations to provisions for staff-related obligations as soon as the underlying restructuring measure has been specified. This is the case if individual contracts governing socially acceptable payroll downsizing are signed by affected employees.

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

From the current perspective, we expect that the majority of the **provisions for the dismantling of wind farms** will be used from 2021 to 2045, and the **provisions for other dismantling and retrofitting obligations** will be used from 2021 to 2060.

(23) Financial liabilities

Financial liabilities	31 Dec 2020		31 Dec 2019	
€ million	Non-current	Current	Non-current	Current
Bonds payable[1]	549		1,110	
Bank debt	1,528	83	965	391
Other financial liabilities				
Collateral for trading activities		716		400
Miscellaneous other financial liabilities[2]	1,874	448	1,849	898
	3,951	**1,247**	**3,924**	**1,689**

1 Including hybrid bonds classified as debt as per IFRS.
2 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

The following overview shows the key data on the bonds of the RWE Group as of 31 December 2020:

Bonds payable Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
RWE AG	€ 12 million	12	3.5	October 2037
RWE AG	€ 282 million[1]	281	3.5	April 2075
RWE AG	US$ 317 million[1]	256	6.625	July 2075
Bonds payable		**549**		

1 Hybrid bonds classified as debt as per IFRS.

On 4 September 2020, a hybrid bond issued by RWE AG which was previously classified as equity pursuant to IAS 32 was cancelled. The redemption in the amount of €539 million was effected on 21 October 2020 without refinancing the hybrid bond with fresh hybrid capital. The hybrid bond had a 2.75 % coupon and a tenor ending in April 2075.

€31 million of the financial liabilities are secured by mortgages (previous year: €39 million). Other financial liabilities contain lease liabilities.

(24) Income tax liabilities

Income tax liabilities contain uncertain income tax items in the amount of €939 million (previous year: €1,174 million). This item primarily includes income taxes for periods for which the tax authorities have not yet finalised a tax assessment and for the current year.

(25) Other liabilities

Other liabilities	31 Dec 2020		31 Dec 2019	
€ million	Non-current	Current	Non-current[1]	Current
Tax liabilities		158		129
Social security liabilities	1	14	2	17
Derivatives	554	8,106	391	10,088
Miscellaneous other liabilities	599	725	469	1,354
	1,154	**9,003**	**862**	**11,588**
of which: financial debt	640	8,414	415	10,303
of which: non-financial debt	514	589	447	1,285

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

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

Miscellaneous other liabilities contain €221 million in contract liabilities (previous year: €269 million).

Moreover, €43 million (previous year: €46 million) in miscellaneous other liabilities were allocable to state investment subsidies primarily granted in connection with the construction of wind farms.

Other information

(26) 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.

Earnings per share		2020	2019
Net income for RWE AG shareholders	€ million	995	8,498
of which: from continuing operations		808	-691
of which: from discontinued operations		187	9,189
Number of shares outstanding (weighted average)	in '000	637,286	614,745
Basic and diluted earnings per share	€	1.56	13.82
of which: from continuing operations		1.27	-1.13
of which: from discontinued operations		0.29	14.95
Dividend per share	€	0.85[1]	0.80

1 Dividend proposal for fiscal 2020, subject to the resolution of the Annual General Meeting on 28 April 2021.

(27) 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 are recognised either at amortised cost or at fair value, depending on their classification. Financial instruments are recognised in the following categories:

- Debt instruments measured at amortised cost: the contractual cash flows solely consist of interest and principal on the outstanding capital: there is an intention to hold the financial instrument until maturity.
- Debt instruments measured at fair value through other comprehensive income: the contractual cash flows solely consist of interest and principal on the outstanding capital: there is an intention to hold and sell the financial instrument.
- Equity instruments measured at fair value through other comprehensive income: the option to recognise changes in fair value directly in equity is exercised.
- Financial assets measured at fair value through profit or loss: the contractual cash flows of a debt instrument do not solely consist of interest and principal on the outstanding capital or the option to recognise changes in the fair value of equity instruments in other comprehensive income is not exercised.

On the liabilities side, non-derivative financial instruments principally include liabilities measured at amortised cost.

Financial instruments recognised at fair value are measured based on 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 generally determined on the basis of discounted expected payment flows, taking into consideration macro-economic developments and corporate business plan data. Current market interest rates corresponding to the remaining maturity 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 IFRS 9. 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 prices 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.

The following overview presents the classifications of financial instruments measured at fair value in the fair value hierarchy prescribed by 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 2020	Level 1	Level 2	Level 3	Total 2019	Level 1	Level 2	Level 3
Other financial assets[1]	4,244	3,659	214	371	4,320	3,853	171	296
Derivatives (assets)	8,784		8,085	699	12,108		11,443	665
of which: used for hedging purposes	1,634		1,634		2,961		2,961	
Securities	4,219	1,269	2,950		3,258	1,829	1,429	
Assets held for sale					9		1	8
Derivatives (liabilities)	8,660		8,404	256	10,479		9,902	577
of which: used for hedging purposes	1,498		1,498		1,513		1,513	
Liabilities held for sale					4			4

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

Due to the higher number of price quotations on active markets, financial assets with a fair value of €43 million (previous year: €24 million) were reclassified from Level 2 to Level 1. Conversely, due to a drop in the number of price quotations, financial assets with a fair value of €93 million (previous year: €25 million) were reclassified from Level 1 to Level 2. Furthermore, in the previous year, derivatives with a fair value of €44 million were reclassified from Level 2 to Level 3.

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

Level 3 financial instruments: Development in 2020 € million	Balance at 1 Jan 2020	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 31 Dec 2020
			Recognised in profit or loss	Recognised in OCI	With a cash effect	
Other financial assets	296	9	-85	98	53	371
Derivatives (assets)	665	-9	42		1	699
Assets held for sale	8	-9			1	
Derivatives (liabilities)	577	-8	-313			256
Liabilities held for sale	4	-5			1	

Level 3 financial instruments: Development in 2019 € million	Balance at 1 Jan 2019	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 31 Dec 2019
			Recognised in profit or loss	Recognised in OCI	With a cash effect	
Other financial assets[1]	148	101	-23	-9	79	296
Derivatives (assets)	156	182	434		-107	665
Assets held for sale	804	-819	-8		31	8
Derivatives (liabilities)	35	138	432		-28	577
Liabilities held for sale					4	4

1 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

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[1] € million	Total 2020	Of which: attributable to financial instruments held at the balance-sheet date	Total 2019	Of which: attributable to financial instruments held at the balance-sheet date
Other operating income / expenses	356	852	12	12
Income from investments	-86	-85	-34	-20
	270	**767**	**-22**	**-8**

1 Prior-year figures restated.

Level 3 derivative financial instruments essentially consist of energy purchase and commodity agreements, which relate to trading periods for which there are no active markets yet. The valuation of such depends on the development of electricity, oil and gas prices in particular. All other things being equal, rising market prices cause the fair values to increase, whereas declining gas prices cause them to drop. A change in pricing by + / – 10 % would cause the market value to rise by €95 million (previous year: €61 million) or decline by €95 million (previous year: €61 million).

Financial assets and liabilities can be broken down into the measurement categories with the following carrying amounts according to IFRS 9 in the year under review:

Carrying amounts by category € million	31 Dec 2020	31 Dec 2019
Financial assets measured at fair value through profit or loss	10,573	10,775
of which: obligatorily measured at fair value – continuing operations	10,573	10,767
of which: obligatorily measured at fair value – held for sale		8
Debt instruments measured at amortised cost	13,366	9,543
of which: held for sale	2	112
Debt instruments measured at fair value through other comprehensive income	1,338	1,727
Equity instruments measured at fair value through other comprehensive income	3,702	4,247
Financial liabilities measured at fair value through profit or loss	7,163	8,970
of which: obligatorily measured at fair value – continuing operations	7,163	8,966
of which: obligatorily measured at fair value – held for sale		4
Financial liabilities measured at (amortised) cost	7,013	7,950
of which: held for sale	315	311

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 financial liabilities. The carrying amount of these is €4,011 million (previous year: €4,632 million), while the fair value amounts to €4,281 million (previous year: €4,798 million). Of this, €607 million (previous year: €1,180 million) is related to Level 1 and €3,674 million (previous year: €3,618 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	2020	2019
Financial assets and liabilities measured at fair value through profit or loss	3,318	941
of which: obligatorily measured at fair value	3,318	941
Debt instruments measured at amortised cost	-248	137
Debt instruments measured at fair value through other comprehensive income	-7	38
Equity instruments measured at fair value through other comprehensive income	193	27
Financial liabilities measured at (amortised) cost	-303	-317

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

The option to recognise changes in fair value in OCI is exercised for a portion of the investments in equity instruments. These are strategic investments and other long-term investments as well as securities in special funds.

Fair value of equity instruments measured at fair value through other comprehensive income € million	31 Dec 2020	31 Dec 2019
Securities in special funds		444
Nordsee One GmbH	120	22
E.ON SE	3,582	3,780

In the 2020 fiscal year, €193 million (previous year: €27 million) in income from dividends from these financial instruments was recognised, of which €5 million (previous year: €5 million) is attributable to equity instruments sold during the same year. Moreover, in the year under review, equity instruments measured through other comprehensive income were sold in line with the existing investment strategy. Their fair value at the derecognition date amounted to €782 million (previous year: €738 million). The resulting loss amounted to €18 million (previous year: gain of €5 million).

The following is an overview of the financial assets and financial liabilities which are netted out in accordance with IAS 32 or are subject to enforceable master netting agreements or similar agreements. The netted financial assets and liabilities essentially consist of collateral for stock market transactions due on a daily basis.

Netting of financial assets and financial liabilities as of 31 Dec 2020	Gross amounts recognised	Netting	Net amounts recognised	Related amounts not set off		Net amount
€ million				Financial instruments	Cash collateral received / pledged	
Derivatives (assets)	10,111	-9,209	902		-495	407
Derivatives (liabilities)	8,024	-7,439	585	-267	-310	8

Netting of financial assets and financial liabilities as of 31 Dec 2019	Gross amounts recognised	Netting	Net amounts recognised	Related amounts not set off		Net amount
€ million				Financial instruments	Cash collateral received / pledged	
Derivatives (assets)	10,381	-9,801	580		-318	262
Derivatives (liabilities)	9,031	-8,185	846	-119	-727	

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 stock market transactions.

As an energy producer 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, currency management is a key issue. Fuels are traded in British pounds and US dollars as well as in other currencies. In addition, RWE does business in a number of currency areas. The companies of the RWE Group are required to hedge their foreign currency risks via RWE AG. Foreign currency risks arising from the involvement in and the financing of the renewable energy business are hedged by RWE Renewables International Participations B.V.

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 non-current securities are centrally controlled by a professional fund management system operated by RWE AG.

The Group's other financial transactions are recorded using centralised risk management software and monitored by RWE AG.

For commodity operations, risk management directives have been established by RWE AG's Controlling & Risk Management Department. These regulations stipulate that derivatives may be used to hedge price risks. 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 the 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, RWE determines and monitors 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 the CFaR, a confidence interval of 95 % and a holding period of one year is taken as a basis.

In respect of interest rate risks, RWE distinguishes between two risk categories: on the one hand, increases in interest rates can result in declines in the prices of securities from the holdings of RWE. This pertains primarily to fixed-rate instruments. A VaR is determined to quantify securities price risk. As of the balance-sheet date, it amounted to €2.5 million (previous year: €4.8 million). On the other hand, financing costs also increase along with the level of interest rates. The sensitivity of interest expenses to increases in market interest rates is measured with the CFaR. As of 31 December 2020 this amounted to €18.6 million (previous year: €34.8 million). RWE calculates the CFaR based on the assumption of the refinancing of maturing debt.

As of 31 December 2020, the VaR for foreign currency positions was €0.2 million (previous year: €1.6 million). This corresponds to the figure used internally, which also includes the underlying transactions for cash flow hedges. The VaR also reflects the risk of timing differences.

As of 31 December 2020, the VaR for risks related to the RWE share portfolio amounted to €0 million (previous year: €3.7 million).

The key internal control parameters for commodity positions at RWE Supply & Trading are the VaR for the trading business and the VaR for the pooled gas and liquefied natural gas (LNG) business. Here, the maximum VaR is €40 million and €14 million, respectively. As of 31 December 2020, the VaR was €25.0 million in the trading business (previous year: €12.0 million) and €6.7 million for the pooled gas and LNG business (previous year: €4.7 million).

Additionally, stress tests are carried out on a monthly basis in relation to the trading and pooled LNG and gas business 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 belonging to the Coal / Nuclear and Hydro / Biomass / Gas segments are hedged by the Supply & Trading segment on the basis of available market liquidity in accordance with Group guidelines. 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, the Group companies belonging to the Coal / Nuclear and Hydro / Biomass / Gas segments are not allowed to maintain significant risk positions, according to a Group guideline. Furthermore, commodity price risks can exist in relation to the renewable generation positions and in the gas storage business. The commodity price risks associated with the renewable generation positions are managed by the Renewables Commodity Management Committee (RES CMC). The subsidiaries owning the gas storage facilities also manage their positions independently, in compliance with unbundling regulations.

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 eleven 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 trading in commodities, these financial instruments are generally matched with underlying transactions that carry offsetting risks.

Hedge accounting pursuant to IFRS 9 is used primarily for mitigating currency risks from net investments in foreign functional currencies, commodity market price risks, interest risks from non-current liabilities and currency and price risks from sales and purchase transactions.

Fair value hedges are used to limit the market price risk exposure related to CO_2 emission allowances. In the case of fair value hedges, both the derivative as well as the underlying hedged transaction (in relation to the hedged risk) are recorded at fair value with an effect on income.

RWE held the following instruments to hedge the fair value of commodity price risks:

Fair value hedges as of 31 Dec 2020	Maturity		
	1 – 6 months	7 – 12 months	>12 months
CO_2 derivatives			
Nominal volume (€ million)			39
Secured average price (€ / metric ton)			5.57

Fair value hedges as of 31 Dec 2019	Maturity		
	1 – 6 months	7 – 12 months	>12 months
CO_2 derivatives			
Nominal volume (€ million)			39
Secured average price (€ / metric ton)			5.57

Cash flow hedges are primarily used to hedge against interest risks from non-current liabilities as well as currency and price risks from sales and purchase transactions. Hedging instruments consist of forwards, swaps and options with foreign currency and interest rates, and forwards, futures and swaps with commodities. Changes in the fair value of the hedging instruments – insofar as they affect the effective portion – are recorded in OCI until the underlying transaction is realised. The ineffective portion of changes in value is recognised in profit or loss. When hedging commodities, underlying and hedging transactions are based on the same price index. This generally does not result in ineffectiveness. When hedging foreign currency risks, ineffectiveness can result from the difference in timing between the origination of the hedged item and the hedging instrument. Ineffectiveness can likewise stem from hedges containing material foreign currency basis spreads. Upon realisation of the underlying transaction, the hedge's contribution to income from accumulated other comprehensive income is recognised on the income statement or is offset against the initial value recognition of an asset or a liability.

RWE held the following instruments to hedge future cash flows relating to foreign currency risks:

Cash flow hedges as of 31 Dec 2020	Maturity		
	1 – 6 months	7 – 12 months	>12 months
Currency forwards – purchases			
Nominal volume (€ million)	522	258	234
Avg. EUR / USD exchange rate	1.19	1.19	1.20
Avg. EUR / GBP exchange rate	0.91	0.91	0.92
Avg. EUR / CAD exchange rate	1.54	1.63	1.64
Currency forwards – sales			
Nominal volume (€ million)	-945	-319	-447
Avg. EUR / USD exchange rate	1.20	1.21	1.20
Avg. EUR / GBP exchange rate	0.90	0.91	0.91
Avg. EUR / CAD exchange rate	1.55	1.57	

Cash flow hedges as of 31 Dec 2019	Maturity		
	1 – 6 months	7 – 12 months	>12 months
Currency forwards – purchases			
Nominal volume (€ million)	2,276	134	61
Avg. EUR / USD exchange rate	1.15	1.18	1.19
Avg. EUR / GBP exchange rate	0.87	0.89	
Avg. EUR / CAD exchange rate	1.54	1.56	1.64
Currency forwards – sales			
Nominal volume (€ million)	-2,947	-401	-112
Avg. EUR / USD exchange rate	1.13	1.18	1.26
Avg. EUR / GBP exchange rate	0.87	0.88	0.86
Avg. EUR / CAD exchange rate	1.51		1.57

RWE held the following instruments to hedge future cash flows relating to interest risks:

Cash flow hedges as of 31 Dec 2020	Maturity		
	1 – 6 months	7 – 12 months	>12 months
Interest swaps			
Nominal volume (£ million)			1,215
Secured average interest rate (%)			1.55

Cash flow hedges as of 31 Dec 2019	Maturity		
	1 – 6 months	7 – 12 months	>12 months
Interest swaps			
Nominal volume (£ million)			808
Secured average interest rate (%)			1.55

The commercial optimisation of the power plant portfolio is based on a dynamic hedging strategy. Hedged items and hedging instruments are constantly adjusted based on changes in market prices, market liquidity and the sales business with consumers. Commodity prices are hedged if this leads to a positive margin. Proprietary commodities trading is strictly separated from this when managing risks.

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 interest rate currency swaps and other currency derivatives as hedging instruments. If there are changes in the fair value of interest rate currency swaps, this is recorded under foreign currency translation adjustments in OCI.

RWE held the following instruments to hedge net investments in foreign operations:

Net investment hedges as of 31 Dec 2020	Maturity		
	1 - 6 months	7 - 12 months	>12 months
Currency forwards – purchases			
Nominal volume (€ million)	277		
Avg. EUR / GBP exchange rate	0.90		
Currency forwards – sales			
Nominal volume (€ million)	- 5,737		- 631
Avg. EUR / GBP exchange rate	0.91		0.63

Net investment hedges as of 31 Dec 2019	Maturity		
	1 - 6 months	7 - 12 months	>12 months
Currency forwards – sales			
Nominal volume (€ million)	- 1,037	- 349	- 631
Avg. EUR / GBP exchange rate	0.90	0.86	0.63

The hedging instruments designated in hedging relationships had the following effects on the company's net asset, financial and earnings position:

Hedging instruments – effects on the net asset, financial and earnings position as of 31 Dec 2020	Nominal amount	Carrying amount		Fair value changes in the current period	Recognised ineffectiveness
€ million		Assets	Liabilities		
Fair value hedges					
Commodity price risks	39		192	56	
Cash Flow Hedges					
Foreign currency risks	729		177	-90	
Commodity price risks	2,444[1]	3,020	1,104	614	
Net investment hedges					
Foreign currency risks		6	366	122	67

1 The net nominal amount stated is made up of purchases in the amount of €1,086 million and sales in the amount of –€3,530 million.

Hedging instruments – effects on the net asset, financial and earnings position as of 31 Dec 2019	Nominal amount	Carrying amount		Fair value changes in the current period	Recognised ineffectiveness
€ million		Assets	Liabilities		
Fair value hedges					
Commodity price risks	39		135	11	
Cash Flow Hedges					
Interest risks	931		105	69	
Foreign currency risks	296	52	87	26	
Commodity price risks	-4,125[1]	2,337	1,046	-571	
Net investment hedges					
Foreign currency risks			328	55	35

1 The net nominal amount stated is made up of purchases in the amount of €3,494 million and sales in the amount of €7,619 million.

The carrying amounts of the hedging instruments are recognised in the 'Other receivables and other assets' and 'Other liabilities' balance-sheet items.

The hedged items designated in hedging relationships had the following effects on the company's net asset, financial and earnings position:

Fair value hedges as of 31 Dec 2020 € million	Carrying amount		Of which: cumulative fair value adjustments		Changes in fair value in the reporting year
	Assets	Liabilities	Assets	Liabilities	
Commodity price risks	231		192		56

Fair value hedges as of 31 Dec 2019 € million	Carrying amount		Of which: cumulative fair value adjustments		Changes in fair value in the reporting year
	Assets	Liabilities	Assets	Liabilities	
Commodity price risks	174		135		11

Cash flow hedges and net investment hedges as of 31 Dec 2020 € million	Changes in fair value during the current period	Reserve for current hedges	Reserve for terminated hedges
Cash flow hedges			
Interest risks	44	-50	
Foreign currency risks	-78	-59	-14
Commodity price risks	-1,528	3,094	-11
Net investment hedges			
Foreign currency risks	117	1,275	350

Cash flow hedges and net investment hedges as of 31 Dec 2019 € million	Changes in fair value during the current period	Reserve for current hedges	Reserve for terminated hedges
Cash flow hedges			
Interest risks		-94	
Foreign currency risks	67	107	
Commodity price risks	623	4,574	-15
Net investment hedges			
Foreign currency risks	55	1,151	328

The carrying amounts of the hedged items for fair value hedges are stated in the 'Other receivables and other assets' balance-sheet item. Amounts realised from OCI and any ineffectiveness are recognised in the items on the income statement in which the underlying transactions are also recognised with an effect on income. The amounts realised from OCI are recognised in revenue and the cost of materials, whereas any ineffectiveness is recognised in other operating income and expenses. Amounts recognised and any ineffectiveness of hedging interest risks are recognised in financial income and financial expenses on the income statement.

The reconciliation of the changes in the hedge reserve in relation to the various risk categories of hedge accounting follows below:

Hedge reserve 2020 € million	
Balance at 1 Jan 2020	**2,979**
Cash flow hedges	
Effective portion of changes in market value	-1,777
Interest risks	-35
Foreign currency risks	37
Commodity price risks	-1,779
Gain or loss reclassified from OCI to the income statement – realisation of underlying transactions	1,256
Foreign currency risks	
Commodity price risks	1,256
Gain or loss recognised as a basis adjustment	-982
Interest risks	
Foreign currency risks	1
Commodity price risks	-983
Tax effect of the change in the hedge reserve	412
Net investment hedges	
Effective portion of changes in market value	-147
Foreign currency risks	-147
Ofsetting against currency adjustments	147
Balance at 31 Dec 2020	**1,888**

Hedge reserve 2019 € million	
Balance at 1 Jan 2019	**3,344**
Cash flow hedges	
Effective portion of changes in market value	332
Interest risks	-53
Foreign currency risks	-223
Commodity price risks	608
Gain or loss reclassified from OCI to the income statement – realisation of underlying transactions	136
Foreign currency risks	-127
Commodity price risks	263
Gain or loss recognised as a basis adjustment	-1,267
Interest risks	38
Foreign currency risks	2
Commodity price risks	-1,307
Tax effect of the change in the hedge reserve	434
Net investment hedges	
Effective portion of changes in market value	95
Foreign currency risks	95
Ofsetting against currency adjustments	-95
Balance at 31 Dec 2019	**2,979**

As part of the reform of the existing system for determining benchmark interest rates (the so-called IBOR reform), the prevailing benchmark rates and methods for their determination are being replaced with alternative interest rates and methods. This is expected to occur by 31 December 2021 in the EU and the United Kingdom. However, at the time that these Notes were prepared the precise timing and scope of the changes were not certain.

RWE is managing the transition to the new benchmark rates by way of an interdisciplinary working group headed by the Finance & Credit Risk Department. Its focus is on supplementing, amending and reassessing the relevant contracts and carrying out the technically necessary system adjustments.

With regard to the RWE Group, the IBOR reform impacts hedging relationships which serve to reduce the interest rate risks associated with non-current liabilities. These hedging relationships are based on the 1-month GBP LIBOR and the 6-month GBP LIBOR. As of the balance-sheet date, they account for a nominal volume von €1,366 million. Transition to the benchmark interest rates which will be replacing the LIBOR is expected to occur by the end of 2021, prior to the end of the hedging relationships involved.

RWE applied the amendments published in IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform in September 2019 starting from 1 January 2020. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs primarily mean that the uncertainties arising from the IBOR reform do not result in discontinuation of the hedging relationships. Hedge ineffectiveness continues to be recognised in the profit or loss.

Credit risks. In the fields of finance and commodities, RWE primarily has credit relationships with banks that have good creditworthiness and other trading partners, most of which have good creditworthiness. Furthermore, RWE has credit relationships primarily with banks and other business partners with good creditworthiness within the scope of large-scale projects such as the construction of wind farms. RWE reviews counterparty default risks before contracts are concluded. RWE mitigates such risks by establishing limits which are adjusted during the business relationships if the creditworthiness of the business partners changes. Counterparty risks are monitored constantly so that countermeasures can be initiated early on. Furthermore, RWE is exposed to credit risks due to the possibility of customers failing to meet their payment obligations. We identify these risks by conducting regular analyses of the creditworthiness of our customers and initiate countermeasures if necessary.

Due to the coronavirus crisis, the economic situation of many companies has deteriorated. This may have an impact on RWE's business partners, competitors and customers. Consequently, RWE is monitoring critical industries even more closely and exercising greater caution in conducting new transactions or extending existing ones. If necessary, previously approved limits are being lowered.

Amongst other things, RWE demands guarantees, cash collateral and other forms of security in order to mitigate credit risks. Furthermore, RWE takes out credit insurance policies to protect against defaults. Bank guarantees received as collateral are from financial institutions with the required good ratings. Collateral for credit insurance is pledged by insurers with an investment-grade rating.

The maximum balance-sheet default risk is derived from the carrying amounts of the financial assets stated on the balance sheet. The default risks for derivatives correspond to their positive fair values. Risks can also stem from financial guarantees and loan commitments which we have to fulfil vis-à-vis external creditors in the event of a default of a certain debtor. As of 31 December 2020, these obligations amounted to €163 million (previous year: €174 million). As of 31 December 2020, default risks were balanced against credit collateral, financial guarantees, bank guarantees and other collaterals amounting to €3.6 billion (previous year: €5.5 billion). Of this, €0.8 billion relates to trade receivables (previous year: €1.1 billion), €0.6 billion to derivatives used for hedging purposes (previous year: €1.1 billion), and €2.2 billion to other derivatives (previous year: €3.3 billion). There were no material defaults in fiscal 2020 or the previous year.

In the RWE Group, the risk provision for financial assets is determined on the basis of expected credit losses. These are determined on the basis of the probability of default, loss given default and the exposure at default. We determine the probability of default and loss given default using historical data and forward-looking information. The exposure at default date for financial assets is the gross carrying amount on the balance-sheet date. The expected credit loss for financial assets determined on this basis corresponds to the difference between the contractually agreed payments and the payments expected by RWE, discounted by the original effective interest rate. The assignment to one of the levels described below influences the level of the expected losses and the effective interest income recognised.

- Stage 1 – Expected 12-month credit losses: At initial recognition, financial assets are generally assigned to this stage – with the exception of those that have been purchased or originated credit impaired, which are thus considered separately. The level of impairment results from the cash flows expected for the entire term of the financial instrument, multiplied by the probability of a default within 12 months from the reporting date. The effective interest rate used for measurement is determined on the basis of the carrying amount before impairment (gross).
- Stage 2 – Lifetime expected credit losses (gross): If the credit risk has risen significantly between initial recognition and the reporting date, the financial instrument is assigned to this stage. Unlike Stage 1, default events expected beyond the 12-month period from the reporting date are also considered in calculating the impairment. The effective interest rate used for measurement is still determined on the basis of the carrying amount before impairment (gross).
- Stage 3 – Lifetime expected credit losses (net): If in addition to the criteria for Stage 2 there is an objective indication of an impairment, the financial asset is assigned to Stage 3. The impairment is calculated analogously to Stage 2. In this case, however, the effective interest rate used for measurement is applied to the carrying amount after impairment (net).

In the RWE Group, risk provisions are formed for financial instruments in the following categories:

- debt instruments measured at amortised cost,
- debt instruments measured at fair value through other comprehensive income.

For debt instruments for which there has been no significant rise in credit risk since initial recognition, a risk provision is recognised in the amount of the expected 12-month credit losses (Stage 1). In addition, a financial instrument is assigned to Stage 1 of the impairment model if the absolute credit risk is low on the balance-sheet date. The credit risk is classified as low if the debtor's internal or external rating is investment-grade. For trade accounts receivable, the risk provision corresponds to the lifetime expected credit losses (Stage 2).

To determine whether a financial instrument is assigned to Stage 2 of the impairment model, it must be determined whether the credit risk has increased significantly since initial recognition. To make this assessment, we consider quantitative and qualitative information supported by our experience and assumptions regarding future developments. In so doing, special importance is accorded to the sector in which the RWE Group's debtors are active. Our experience is based on studies and data from financial analysts and government authorities, amongst others.

Special attention is paid to the following developments:

- significant deterioration of the internal or external rating of the financial instrument,
- unfavourable changes in risk indicators, e. g. credit spreads or debtor-related credit default swaps,
- negative development of the debtor's regulatory, technological or economic environment,
- danger of an unfavourable development of business resulting in a significant reduction in operating income.

Independent thereof, a significant rise in credit risk and thus an assignment of the financial instrument to Stage 2 are assumed if the contractually agreed payments are more than 30 days overdue and there is no information that contradicts the assumption of a payment default.

We draw conclusions about the potential default of a counterparty from information from internal credit risk management. If internal or external information indicates that the counterparty cannot fulfil its obligations, the associated receivables are classified as unrecoverable and assigned to Stage 3 of the impairment model. Examples of such information are:

- The debtor of the receivable has apparent financial difficulties.
- The debtor has already committed a breach of contract by missing or delaying payments.
- Concessions already had to be made to the debtor.
- An insolvency or another restructuring procedure is impending.
- The market for the financial asset is no longer active.
- A sale is only possible at a high discount, which reflects the debtor's reduced creditworthiness.

A payment default and an associated assignment of the financial asset to Stage 3 is also assumed if the contractually agreed payments are more than 90 days overdue and there is no information disproving the assumption of a payment default. Based on our experience, we generally assume that this assumption does not apply to trade accounts receivable.

A financial asset is depreciated if there are indications that the counterparty is in serious financial difficulty and the situation is unlikely to improve. We may also take legal recourse and other measures in order to enforce the contractually agreed payments in the event of an impairment.

The following impairments were recognised for financial assets stated under the following balance-sheet items within the scope of IFRS 7:

Impairment of financial assets € million	Stage 1 – 12-month expected credit losses	Stage 2 – lifetime expected credit losses	Stage 3 – lifetime expected credit losses	Total
Financial receivables				
Balance at 1 Jan 2020	**11**	**3**	**11**	**25**
Remeasurement due to new measurement parameters	-5			-5
Transfer from Level 2 to Level 1		-3	2	-1
Balance at 31 Dec 2020	**6**		**13**	**19**

Impairment of financial assets € million	Stage 1 – 12-month expected credit losses	Stage 2 – lifetime expected credit losses	Stage 3 – lifetime expected credit losses	Total
Financial receivables				
Balance at 1 Jan 2019	**23**	**6**	**11**	**40**
Remeasurement due to new measurement parameters	4			4
Newly acquired / issued financial assets	2	1		3
Redeemed or derecognised financial assets	-18			-18
Transfer from Level 2 to Level 1		-4		-4
Balance at 31 Dec 2019	**11**	**3**	**11**	**25**

For trade accounts receivable, the expected credit loss is determined by applying the simplified approach taking account of the entire lifetime of the financial instruments.

In the RWE Group, there are no cases where a risk provision for trade accounts receivable was not recognised due to the collateral on the books.

The following tables show the development of the risk provisions for trade accounts receivable:

Risk provision for trade accounts receivable € million	
Balance at 1 Jan 2020	**32**
Addition	13
Changes in the scope of consolidation	-3
Balance at 31 Dec 2020	**42**

Risk provision for trade accounts receivable € million	
Balance at 1 Jan 2019	**27**
Addition	9
Changes in the scope of consolidation	-4
Balance at 31 Dec 201	**32**

The following table presents the gross carrying amounts of the financial instruments under the scope of the impairment model:

Gross carrying amounts of financial assets as of 31 Dec 2020 € million	Equivalent to S&P scale	Stage 1 – 12-month expected credit losses	Stage 2 – lifetime expected credit losses	Stage 3 – lifetime expected credit losses	Trade accounts receivable	Total
Class 1 – 5: low risk	AAA to BBB–	11,600	42		2,779	14,421
Class 6 – 9: medium risk	BB+ to BB–	59		11	153	223
Class 10: high risk	B+ to B–	19			85	104
Class 11: doubtful	CCC to C				14	14
Class 12: loss	D			1	37	38
		11,678	**42**	**12**	**3,068**	**14,800**

Gross carrying amounts of financial assets as of 31 Dec 2019 € million	Equivalent to S&P scale	Stage 1 – 12-month expected credit losses	Stage 2 – lifetime expected credit losses	Stage 3 – lifetime expected credit losses	Trade accounts receivable	Total
Class 1 – 5: low risk	AAA to BBB–	7,262	39		3,261	10,562
Class 6 – 9: medium risk	BB+ to BB–	121	1	12	95	229
Class 10: high risk	B+ to B–	43	10		67	120
Class 11: doubtful	CCC to C				6	6
Class 12: loss	D			1	36	37
		7,426	**50**	**13**	**3,465**	**10,954**

Liquidity risks. As a rule, RWE Group companies 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 2021, liabilities owed to banks of €0.1 billion (previous year: €0.4 billion) are due. In addition, short-term debt must be repaid. Above and beyond this, no other capital market debt matures in 2021 (previous year: €0.5 billion, taking account of the earliest possible call date of the hybrid bond, which is classified as debt pursuant to IFRS).

As of 31 December 2020, holdings of cash and cash equivalents and current marketable securities amounted to €8,993 million (previous year: €6,450 million).

RWE AG's credit line was increased to €5 billion in April 2019. Its two tranches expire in April 2021 (€2 billion) and April 2024 (€3 billion). The commercial paper programme was extended during the year and now allows for issuance up to a maximum amount of €5 billion (previous year: US$5 billion). As in the previous year, this programme was not used as of the balance-sheet date. Above and beyond this, RWE AG can finance itself using a €10 billion debt issuance programme; as of the balance-sheet date, outstanding bonds from this programme amounted to €0 billion (previous year: €0 billion) at RWE AG. Accordingly, the RWE Group's 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 amounts 31 Dec 2020	Redemption payments 2021	Redemption payments 2022 to 2025	Redemption payments From 2026	Interest payments 2021	Interest payments 2022 to 2025	Interest payments From 2026
Bonds payable[1]	549		282	267	27	110	22
Bank debt	1,611	85	140	1,385	26	44	9
Lease liabilities	1,187	86	263	957	22	91	404
Other financial liabilities	1,135	350	324	476	50	149	472
Derivative financial liabilities	8,661	7,857	201	605	20	78	151
Collateral for trading activities	716	716					
Miscellaneous other financial liabilities	2,687	2,645	82	2			

1 Including hybrid bonds classified as debt as per IFRS, taking into account the earliest possible call date.

Redemption and interest payments on financial liabilities € million	Carrying amounts 31 Dec 2019	Redemption payments 2020	Redemption payments 2021 to 2024	Redemption payments From 2025	Interest payments 2020	Interest payments 2021 to 2024	Interest payments From 2025
Bonds payable[1]	1,110	539		571	44	116	53
Bank debt	1,356	393	70	894	23	90	94
Lease liabilities	1,102	83	244	784	24	89	200
Other financial liabilities[2]	1,645	800	329	541	57	164	508
Derivative financial liabilities	10,479	10,092	85	302	22	64	153
Collateral for trading activities	400	400					
Miscellaneous other financial liabilities	3,127	3,123	9	4			

1 Including hybrid bonds classified as debt as per IFRS, taking into account the earliest possible call date.
2 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

Above and beyond this, as of 31 December 2020, there were financial guarantees for external creditors in the amount of €110 million (previous year: €121 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 €53 million (previous year: €53 million), which are callable in 2021.

Detailed information on the risks of the RWE Group and on the objectives and procedures of the risk management is presented on page 69 et seqq. in the review of operations.

(28) Contingent liabilities and financial commitments

As of 31 December 2020, the amount of capital commitments totalled €2,071 million (previous year: €1,989 million). This mainly consisted of investment in property, plant and equipment.

We have made long-term contractual purchase commitments for supplies of fuels, including natural gas in particular. Payment obligations stemming from the major long-term purchase contracts amounted to €23.6 billion as of 31 December 2020 (previous year: €27.1 billion), of which €0.3 billion is due within one year (previous year: €0.3 billion).

Gas purchases by the RWE Group are partially based on long-term take-or-pay contracts. The conditions in these contracts, which have terms up to 2036 in some cases, are renegotiated by the contractual partners at certain intervals, which may result in changes in the reported payment obligations. Calculation of the payment obligations resulting from the purchase contracts is based on parameters from the internal planning.

Furthermore, RWE has long-term financial commitments for purchases of electricity. As of 31 December 2020, the minimum payment obligations stemming from the major purchase contracts totalled €7.1 billion (previous year: €7.1 billion), of which €0.3 billion is due within one year (previous year: €0.2 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. From 1 January 2021 onwards, RWE AG has a 37.299 % contractual share in the liability (30.452 % until 31 December 2020) plus 5 % for damage settlement costs.

As part of the Group restructuring that occurred in fiscal 2016, a large portion of the pension commitments which up to then had been reported at the holding level were transferred to former Group companies (former subsidiaries innogy SE, Essen, and affiliated companies) by cancelling the performance obligation existing on an intra-group basis. The guarantees remaining vis-à-vis external parties were cancelled. The Group is liable for the accrued claims of the active and former employees of these companies in the amount of €6,404 million.

RWE AG and its subsidiaries are involved in official, regulatory and antitrust 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.

(29) Segment reporting

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

In the Offshore Wind segment, we report on our business in offshore wind, which is overseen by RWE Renewables. The main production sites are located in the United Kingdom and Germany. In addition to electricity generation, activities in this field also include the development and realisation of projects to expand capacity.

Onshore Wind / Solar encompasses our activities with onshore wind, solar power and battery storage. Here again, in addition to electricity generation, the focus is on expanding capacities. RWE Renewables has operating responsibility. Along with the USA, the main production sites are located in the United Kingdom, Germany, Italy, Spain, Poland and the Netherlands, as well as in Australia in the field of solar power.

Activities with run-of-river, pumped storage, biomass, and gas-fired power plants are bundled in the Hydro / Biomass / Gas segment. It also contains the Dutch hard coal power stations Amer 9 and Eemshaven, which are increasingly co-firing biomass, and the company RWE Technology International, which specialises in project management and engineering services. This segment is the responsibility of RWE Generation. The 37.9 % stake in the Austrian energy utility KELAG is also reported in the Hydro / Biomass / Gas segment.

The Supply & Trading segment contains 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. Additionally, gas storage facilities in Germany and the Czech Republic also belong to this segment.

The Coal / Nuclear segment covers German electricity production using lignite, hard coal and nuclear power, as well as lignite mining operations in the Rhineland. It also includes the investment in the Dutch power plant operator EPZ (30 %) and URANIT (50 %), which holds a 33 % stake in Urenco, a uranium enrichment specialist. The aforementioned activities and investments are the responsibility of the group companies RWE Power (lignite, nuclear) and RWE Generation (hard coal).

'Other, consolidation' covers RWE AG, consolidation effects and the activities of other business areas which are not presented separately. These activities primarily include our non-controlling interests in the German transmission system operator Amprion and in E.ON; the E.ON dividend is reported in the financial result.

Segment reporting Divisions 2020 € million	Offshore Wind	Onshore Wind / Solar	Hydro / Biomass / Gas	Supply & Trading	Other, consolidation	Core business	Coal / Nuclear	Consoli-dation	RWE Group
External revenue (incl. natural gas tax / electricity tax)	**332**	**1,855**	**1,059**	**9,789**	**7**	**13,042**	**854**		**13,896**
Intra-group revenue	959	304	3,144	2,778	-6,803	382	3,075	-3,457	
Total revenue	1,291	2,159	4,203	12,567	-6,796	13,424	3,929	-3,457	13,896
Adjusted EBIT	697	86	283	496	-25	1,537	234		1,771
Operating income from investments	127	9	53	-57	124	256	95		351
Operating income from investments accounted for using the equity method	120	-2	52	6	125	301	95		396
Operating depreciation, amortisation and impairment losses	372	386	338	43		1,139	325		1,464
Impairment losses		97	561	64		722	1,097		1,819
Adjusted EBITDA	**1,069**	**472**	**621**	**539**	**-25**	**2,676**	**559**		**3,235**
Carrying amount of investments accounted for using the equity method	1,490	193	655	3	829	3,170	127		3,297
Capital expenditure on intangible assets, property, plant and equipment	756	1,154	153	43		2,106	183	-4	2,285

Regions 2020 € million	Germany	UK	Rest of Europe	North America	Other	RWE Group
External revenue[1,2]	3,988	3,909	3,958	1,146	687	13,688
Intangible assets and property, plant and equipment	5,714	10,812	3,063	2,953	273	22,815

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

Segment reporting Divisions 2019 € million	Offshore Wind	Onshore Wind / Solar	Hydro / Biomass / Gas	Supply & Trading	Other, consolidation	Core business	Coal / Nuclear	Consoli-dation	RWE Group
External revenue (incl. natural gas tax / electricity tax)	**85**	**1,265**	**1,202**	**9,689**	**7**	**12,248**	**1,029**		**13,277**
Intra-group revenue	682	271	3,409	3,267	-6,901	728	2,385	-3,113	
Total revenue	767	1,536	4,611	12,956	-6,894	12,976	3,414	-3,113	13,277
Adjusted EBIT	377	59	342	691	-128	1,341	-74		1,267
Operating income from investments	32	11	53	1	132	229	76		305
Operating income from investments accounted for using the equity method	19	13	51	34	131	248	75		323
Operating depreciation, amortisation and impairment losses	237	236	330	40	-1	842	380		1,222
Impairment losses	272	83	772	88	1	1,216	785		2,001
Adjusted EBITDA	**614**	**295**	**672**	**731**	**-129**	**2,183**	**306**		**2,489**
Carrying amount of investments accounted for using the equity method	1,622	230	720	3	639	3,214	68	-1	3,281
Capital expenditure on intangible assets and property, plant and equipment[1]	492	752	212	29	-3	1,482	281	4	1,767

1 Prior-year figures restated; only cash-effective investments are shown.

Regions 2019 € million	Germany	UK	Rest of Europe	North America	Other	RWE Group
External revenue[1,2,3]	4,840	5,035	2,852	92	306	13,125
Intangible assets and property, plant and equipment	6,457	10,192	3,363	3,500	281	23,793

1 Revised presentation due to the UK exiting the EU; prior-year figures were restated accordingly.
2 Excluding natural gas tax / electricity tax.
3 Broken down by the region in which the service was provided.

External revenue by product in 2020 € million	Offshore Wind	Onshore Wind / Solar	Hydro / Biomass / Gas	Supply & Trading	Other	Core business	Coal / Nuclear	RWE Group
External revenue[1]	**332**	**1,855**	**1,056**	**9,597**	**9**	**12,849**	**839**	**13,688**
of which: electricity	332	1,676	684	8,775	1	11,468	233	11,701
of which: gas			5	529		534		534
of which: other revenue		179	367	293	8	847	606	1,453

1 Excluding natural gas tax / electricity tax.

External revenue by product in 2019 € million	Offshore Wind	Onshore Wind / Solar	Hydro / Biomass / Gas	Supply & Trading	Other	Core business	Coal / Nuclear	RWE Group
External revenue[1,2]	**85**	**1,265**	**1,200**	**9,554**	**6**	**12,110**	**1,015**	**13,125**
of which: electricity	85	943	671	8,259	1	9,959	291	10,250
of which: gas			22	1,134		1,156		1,156
of which: other revenue		322	507	161	5	995	724	1,719

1 Excluding natural gas tax / electricity tax.
2 Some prior-year figures adjusted.

Notes on segment data. We report revenue between the segments as RWE intra-group revenue. Internal supply of goods and services is settled at arm's length conditions. Adjusted EBITDA is used for internal management. The following table presents the reconciliation of adjusted EBITDA to adjusted EBIT and income from continuing operations before tax:

Reconciliation of income items € million	2020	2019
Adjusted EBITDA	**3,235**	**2,489**
– Operating depreciation, amortisation and impairment losses	-1,464	-1,222
Adjusted EBIT	**1,771**	**1,267**
+ Non-operating result	-121	-1,081
+ Financial result	-454	-938
Income from continuing operations before tax	**1,196**	**-752**

Income and expenses that are unusual from an economic perspective, or stem from exceptional events, prejudice the assessment of operating activities. They are reclassified to the non-operating result. Amongst other things, these can include book gains or losses from the disposal of investments or non-current assets not required for operations, impairment of the goodwill of fully consolidated companies, as well as effects of the fair valuation of certain derivatives.

Non-operating result € million	2020	2019
Disposal result	13	48
Impact of the valuation of derivatives and inventories on earnings	1,886	81
Other	-2,020	-1,210
Non-operating result	**-121**	**-1,081**

Further commentary on the non-operating result can be found on page 55 et seq. of the review of operations.

(30) 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 on 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 and dividends of €281 million (previous year: €184 million) and cash flows used for interest expenses of €299 million (previous year: €257 million),
- -€72 million (previous year: €325 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, which amounted to €323 million (previous year: €187 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 of continuing operations include €492 million (previous year: €430 million) which was distributed to RWE shareholders, €30 million (previous year: €51 million) which was distributed to non-controlling shareholders, and €0 million (previous year: €61 million) which was distributed to hybrid capital investors. Furthermore, cash flows from financing activities include purchases of €485 million (previous year: €86 million) and sales in the amount of €562 million (previous year: €0 million) of shares in subsidiaries and other business units which did not lead to a change of control.

Changes in liabilities from financing activities are presented in the following table:

Statement of changes in financial liabilities € million	1 Jan 2020	Increase / repayment	Changes in the scope of consolidation	Currency effects	Changes in fair values	Other changes	31 Dec 2020
Current financial liabilities	1,689	15	38	15	-276	-234	1,247
Non-current financial liabilities	3,924	592	-289	-183		-93	3,951
Other items		-546					

Statement of changes in financial liabilities € million	1 Jan 2019[1]	Increase / repayment	Changes in the scope of consolidation	Currency effects	Changes in fair values	Other changes	31 Dec 2019
Current financial liabilities[2]	787	986	6,961	-392	137	-6,790	1,689
Non-current financial liabilities	2,330	218	2,468	17		-1,109	3,924
Other items		474					

1 Including the effect of the initial adoption of IFRS 16 in the amount of €353 million.
2 Figures restated due to retroactive adjustments to the first-time consolidation of the acquired E.ON operations; see page 109 in the Notes.

The amount stated in the 'Other items' line item contains cash-effective changes resulting from derivative financial instruments and margin payments, which are recognised in cash flows from financing activities in the cash flow statement.

Restrictions on the disposal of cash and cash equivalents amounted to €45 million (previous year: €51 million).

(31) 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	
	2020	2019	2020	2019
Income	320	258	182	74
Expenses	187	142	46	45
Receivables	119	88	49	59
Liabilities	134	123	72	7

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 €0 million (previous year: €2 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €42 million of the receivables from joint ventures (previous year: €55 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. €124 million of the receivables (previous year: €108 million) and €162 million of the liabilities (previous year: €10 million) fall due within one year. Other obligations from executory contracts amounted to €112 million (previous year: €99 million).

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

For fiscal 2020, the members of the Executive Board and Supervisory Board of RWE AG were deemed to be key management personnel for the RWE Group. In the previous year, until 18 September 2019, this also included the Executive Board and Supervisory Board members of innogy SE. The following information pertains to total compensation pursuant to IAS 24.

Key management personnel (Executive and Supervisory Board members) received €8,357,000 in short-term compensation components for fiscal 2020 (previous year: €16,457,000). Additionally, share-based payments within the framework of LTIP SPP amounted to €4,731,000 (previous year: €8,386,000) and the pension service cost amounted to €595,000 (previous year: €554,000). Provisions totalling €32,959,000 (previous year: €29,351,000) were formed for obligations vis-à-vis key management personnel.

The remuneration model and remuneration of the Executive and Supervisory Boards of RWE AG calculated pursuant to the German Commercial Code is presented in the remuneration report, which is included in the review of operations.

In total, the remuneration of the Executive Board amounted to €8,501,000 (previous year: €7,571,000). This contains share-based payments amounting to €2,934,000 (111,070 RWE performance shares) granted within the framework of the LTIP SPP. In the previous year, share-based payments amounting to €2,350,000 (123,037 RWE performance shares) were granted.

Including remuneration from subsidiaries for the exercise of mandates, the Supervisory Board received total remuneration of €2,880,000 (previous year: €3,304,000) in fiscal 2020. 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 Board. Two employee representatives on the Supervisory Board had employee loans totalling €2,000.

Former members of the Executive Board and their surviving dependants received €10,962,000 (previous year: €10,623,000), of which €671,000 came from subsidiaries (previous year: €651,000). As of the balance-sheet date, € 145,620,000 (previous year: €146,568,000) were accrued for defined benefit obligations to former members of the Executive Board and their surviving dependants. Of this, €6,925,000 was set aside at subsidiaries (previous year: €6,980,000).

Information on the members of the Executive and Supervisory Boards is presented on page 226 et seqq. of the Notes.

(32) Auditors‘ fees

The fees for audit services primarily contain the fees for the audit of the consolidated financial statements and for the audit of the financial statements of RWE AG and its subsidiaries, along with the review of the interim statements. Other assurance services include fees for review of the internal controlling system, as well as expenses related to statutory or court-ordered requirements. In particular, the fees for tax services include compensation for consultation in the preparation of tax returns and other national and international tax-related matters as well as review of resolutions of the tax authorities. Other services primarily include compensation for M&A activity and IT project consulting.

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

PwC network fees	2020		2019	
€ million	Total	Of which: Germany	Total	Of which: Germany
Audit services	10.7	5.8	17.5	12.9
Other assurance services	1.2	1.0	2.5	2.3
Tax services	1.3	0.2	0.9	0.3
Other services	2.5	2.5	5.8	5.6
	15.7	**9.5**	**26.7**	**21.1**

(33) Application of the exemption rule pursuant to Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code

In fiscal 2020, the following German subsidiaries made partial use of the exemption clause pursuant to Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code (HGB):

- BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen,
- GBV Zweiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen,
- Kernkraftwerk Lingen Gesellschaft mit beschränkter Haftung, Lingen (Ems),
- KMG Kernbrennstoff-Management Gesellschaft mit beschränkter Haftung, Essen,
- Rheinbraun Brennstoff GmbH, Cologne,
- Rheinische Baustoffwerke GmbH, Bergheim,
- RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne,
- RWE Nuclear Beteiligungs-GmbH, Essen,
- RWE Technology International GmbH, Essen,
- RWE Trading Services GmbH, Essen.

(34) Events after the balance-sheet date

In the period from 1 January 2021 until the completion of the consolidated financial statements on 5 March 2021, the following significant events occurred:

Sale of 75 % of the shares of the onshore wind farms Stella, Cranell and East and West Raymond

In January 2021, the sale of a total of 75 % of the shares in the three onshore wind farms Stella, Cranell and East Raymond in Texas was completed. In this transaction, 51 % of the shares were sold to Algonquin Power Fund (America) Inc., USA, a subsidiary of Algonquin Power & Utilities Corp., Canada and another 24 % of the shares to the UL investment firm Greencoat Capital. The underlying contracts were concluded in December 2020 and cover the sale of a total of 75 % of the shares in the onshore wind farm West Raymond, which is expected to be completed in the second quarter of 2021.

These wind farms are part of the Onshore Wind / Solar segment. Upon completion of the transaction in January 2021, RWE deconsolidated the above wind farms and reports its remaining 25 % stake as an investment accounted for using the equity method. RWE expects a profit in the medium to high double-digit million euro range from this sale.

RWE successful in auction to acquire rights to use new wind power sites in UK North Sea

In February 2021, RWE secured two neighbouring locations in the UK North Sea by placing the winning bid in an auction for option rights to use new areas for offshore wind farms. This allows us to use the areas to develop projects with a maximum volume of 3,000 MW. In exchange, we will pay an annual option fee of £82,552 / MW (plus inflation) until we make a final investment decision. First, the British Crown Estate will perform an environmental compatibility audit for the new sites. Given a positive result, we will start developing the project. As soon as the necessary permits have been obtained, we can participate in a subsidy auction for a contract for difference (CfD), after which we can make a final investment decision. Then the option fee will be replaced by a much lower lease payment. If the project progresses on schedule, the new wind farms could be commissioned towards the end of the decade.

Considerable drop in earnings due to worst cold wave in Texas this century

In February 2021, an extraordinary cold front in parts of the USA curtailed energy supply substantially. Winter storms and icy rain forced some RWE wind farms to go offline for several days. We had sold forward a portion of the generation of these assets and therefore had to conduct short-term spot purchases in order to meet our supply obligations. Due to the tight supply situation and statutory price regulations, we had to pay up to US$9,000 / MWh for these electricity purchases. This curtailed earnings in the Onshore Wind / Solar segment by a low to medium triple-digit million euro amount.

German government and nuclear power plant operators agree on compensation for nuclear phaseout

In March 2021, the German government and the country's nuclear power station operators reached an agreement on the compensation due for the accelerated nuclear phaseout. The talks were initiated because the German Constitutional Court declared the original statutory compensation regulations null and void (see page 39). As regards RWE, this relates to unusable generation contingents of 25.9 million MWh and stranded investments of about €40 million. The government has indicated that it will pay €33.22 / MWh as compensation for the electricity contingents. Furthermore, we should be reimbursed for half of the stranded investments. We accept this solution. However, it is yet to be written into law and a public contract between the government and power plant operators. It also needs to be reviewed by the European Commission for compliance with subsidy law. The agreement with the government did not affect the Group's 2020 financial statements.

(35) Declaration according to Sec. 161 of the German Stock Corporation Act

The declaration on the German Corporate Governance Code prescribed by Sec. 161 of the German Stock Corporation Act (AktG) has been submitted for RWE AG and has been made permanently and publicly available to shareholders on the Internet pages of RWE AG[1].

Essen, 5 March 2021

The Executive Board

Schmitz Krebber Müller Seeger

1 www.rwe.com/en/statement-of-compliance-2020

4.7 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 e Para. 1) of HGB as of 31 December 2020

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	10,756	-14,889
Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund		100	-67,688	-2,359
Amrum-Offshore West GmbH, Düsseldorf		100	2,632	164,990
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	23,642	662
Anacacho Holdco, LLC, Wilmington/USA		100	56,363	0
Anacacho Wind Farm, LLC, Wilmington/USA		100	123,706	1,727
Andromeda Wind s.r.l., Bolzano/Italy		51	10,021	2,443
Avolta Storage Limited, Kilkenny/Ireland		100	-486	-194
Belectric Australia Pty. Limited, Melbourne/Australia		100	825	2,148
Belectric Canada Solar Inc., Vancouver/Canada		100	658	668
Belectric Espana Fotovoltaica S.L., Barcelona/Spain		100	508	-45
Belectric France S.à.r.l., Vendres/France		100	57	611
BELECTRIC GmbH, Kolitzheim		100	0	-28,139
Belectric Inversiones Latinoamericana S.L., Barcelona/Spain		100	32	-13
Belectric Israel Ltd., Be'er Scheva/Israel		100	12,141	544
Belectric Italia s.r.l., Latina/Italy		100	2,725	151
Belectric Photovoltaic India Private Limited, Mumbai/India		100	791	160
Belectric Solar & Battery GmbH, Kolitzheim		100	3,094	-7,070
Belectric Solar Ltd., Slough/United Kingdom		100	1,475	144

1 Profit and loss-pooling agreement; amounts blocked for transfer.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 No control by virtue of company contract.
5 Significant influence via indirect investments.
6 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
BELECTRIC Solar Power, S.L., Barcelona/Spain		100	13	-37
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	100	100	201	[1]
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	3,906	269
Blackjack Creek Wind Farm, LLC, Wilmington/USA		100	0	0
Boiling Springs Holdco, LLC, Wilmington/USA		100	0	0
Boiling Springs Wind Farm, LLC, Wilmington/USA		100	11,205	-59
Bruenning's Breeze Holdco, LLC, Wilmington/USA		100	62,905	0
Bruenning's Breeze Wind Farm, LLC, Wilmington/USA		100	209,819	-5,700
Carl Scholl GmbH, Cologne		100	614	33
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	-4,320	-216
Cassadaga Class B Holdings LLC, Wilmington/USA		100	187,242	-4
Cassadaga Wind Holdings LLC, Wilmington/USA		100	187,245	0
Cassadaga Wind LLC, Chicago/USA		100	118,859	-52
Champion WF Holdco, LLC, Wilmington/USA		100	97,995	-5,669
Champion Wind Farm, LLC, Wilmington/USA		100	97,995	-5,669
Cloghaneleskirt Energy Supply Limited, Kilkenny/Ireland		100	37	-38
Colbeck's Corner Holdco, LLC, Wilmington/USA		100	63,755	0
Colbeck's Corner, LLC, Wilmington/USA		100	213,667	-5,189
Cranell Holdco, LLC, Wilmington/USA		100	57,616	0
Cranell Wind Farm, LLC, Wilmington/USA		100	31,223	-63
DOTTO MORCONE S.r.l., Rome/Italy		100	162	-377
Dromadda Beg Wind Farm Limited, Kilkenny/Ireland		100	2,118	603
Edgware Energy Limited, Swindon/United Kingdom		100	129	162

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4 No control by virtue of company contract.
5 Significant influence via indirect investments.
6 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
El Algodon Alto Wind Farm, LLC, Wilmington/USA		100	0	0
Electra Insurance Limited, Hamilton/Bermuda		100	25,696	-2,871
Energies France S.A.S. – Group – (pre-consolidated)			33,138	-971[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		
Energy Resources Holding B.V., Geertruidenberg/Netherlands		100	113,117	16,825
Energy Resources Ventures B.V., Geertruidenberg/Netherlands		100	18,708	-68
Farma Wiatrowa Barzowice Sp. z o.o., Warsaw/Poland		100	29,022	13,681
Forest Creek Investco, Inc., Wilmington/USA		100	21,299	0
Forest Creek WF Holdco, LLC, Wilmington/USA		100	75,081	-4,988
Forest Creek Wind Farm, LLC, Wilmington/USA		100	75,081	-4,988
Fri-El Anzi Holding s.r.l., Bolzano/Italy		51	7,098	1,700
Fri-El Anzi s.r.l., Bolzano/Italy		100	7,806	1,928
Fri-El Guardionara s.r.l., Bolzano/Italy		51	10,828	2,339
GBV Zweiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	17,823,771	[1]
Generación Fotovoltaica De Alarcos, S.L.U., Barcelona/Spain		100	76	-92
GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund	100	100	133,844	-1,437

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6 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
Glen Kyllachy Wind Farm Limited, Swindon/United Kingdom		100	-4,662	-4,712
Grandview Holdco, LLC, Wilmington/USA		100	88,701	0
Green Gecco GmbH & Co. KG, Essen		51	73,275	4,750
Hardin Class B Holdings LLC, Wilmington/USA		100	92,176	0
Hardin Wind Holdings LLC, Wilmington/USA		100	96,276	-35
Hardin Wind LLC, Chicago/USA		100	115,623	20,662
Harryburn Wind Farm Limited, Swindon/United Kingdom		100	-14	2,274
Hickory Park Solar, LLC, Wilmington/USA		100	-2,344	-2,508
Inadale Wind Farm, LLC, Wilmington/USA		100	41,689	-1,133
innogy indeland Windpark Eschweiler GmbH & Co. KG, Eschweiler		51	47,422	3,359
innogy Italia s.p.a., Milan/Italy		100	16,849	1,083
Inversiones Belectric Chile LTDA, Santiago de Chile/Chile		100	-38	-7,158
INVESTERG - Investimentos em Energias, SGPS, Lda. – Group – (pre-consolidated)			23,900	3,638[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		
Kernkraftwerk Lingen Gesellschaft mit beschränkter Haftung, Lingen (Ems)		100	20,034	[1]
Kernkraftwerke Lippe-Ems Gesellschaft mit beschränkter Haftung, Lingen (Ems)		100	432,269	[1]
Kernkraftwerksbeteiligung Lippe-Ems beschränkt haftende OHG, Lingen/Ems		100	144,433	18,171
KMG Kernbrennstoff-Management Gesellschaft mit beschränkter Haftung, Essen		100	696,225	[1]
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	11,886	1,118
Limondale Sun Farm Pty. Ltd., Melbourne/Australia		100	-42,917	-41,013
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		59	35,874	5,681
MI-FONDS G50, Frankfurt am Main	100	100	1,940,959	84,296

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4 No control by virtue of company contract.
5 Significant influence via indirect investments.
6 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
ML Wind LLP, Swindon/United Kingdom		51	66,712	7,996
Munnsville Investco, LLC, Wilmington/USA		100	13,100	0
Munnsville WF Holdco, LLC, Wilmington/USA		100	34,405	-1,192
Munnsville Wind Farm, LLC, Wilmington/USA		100	34,405	-1,192
Nordsee Windpark Beteiligungs GmbH, Essen		100	15,318	7,231
Panther Creek Holdco, LLC, Wilmington/USA		100	199,822	0
Panther Creek Wind Farm I&II, LLC, Wilmington/USA		100	341,560	-1,545
Panther Creek Wind Farm Three, LLC, Wilmington/USA		100	64,545	-3,506
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	526	2,950
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	1,041	1,195
Peyton Creek Holdco, LLC, Wilmington/USA		100	62,959	0
Peyton Creek Wind Farm, LLC, Wilmington/USA		100	49,644	-620
Piecki Sp. z o.o., Warsaw/Poland		51	18,826	2,531
Pioneer Trail Wind Farm, LLC, Wilmington/USA		100	148,990	4,829
Primus Projekt GmbH & Co. KG, Hanover		100	-1,921	-533
Pyron Wind Farm, LLC, Wilmington/USA		100	81,539	-2,076
Radford's Run Holdco, LLC, Wilmington/USA		100	132,598	0
Radford's Run Wind Farm, LLC, Wilmington/USA		100	402,183	15,266
Raymond Holdco, LLC, Wilmington/USA		100	10,780	0
Raymond Wind Farm, LLC, Wilmington/USA		100	53,470	0
Rheinbraun Brennstoff GmbH, Cologne		100	82,619	[1]
Rheinische Baustoffwerke GmbH, Bergheim		100	9,236	[1]
Rheinkraftwerk Albbruck-Dogern Aktiengesellschaft, Waldshut-Tiengen		77	32,016	1,757

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Rhenas Insurance Limited, Sliema/Malta	100	100	59,547	75
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		50	132,198	13,822
Roscoe WF Holdco, LLC, Wilmington/USA		100	147,030	-10,945
Roscoe Wind Farm, LLC, Wilmington/USA		100	147,030	-10,945
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne		100	36,694	[1]
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey		70	164,540	-14,933
RWE Aktiengesellschaft, Essen			7,825,951	580,251
RWE Battery Solutions GmbH, Essen		100	25	[1]
RWE Bergheim Windparkbetriebsgesellschaft mbH, Hanover		100	25	[1]
RWE Brise Windparkbetriebsgesellschaft mbH, Hanover		100	226	[1]
RWE Canada Ltd., Saint John/Canada		100	73,481	-83
RWE Eemshaven Holding II B.V., Geetruidenberg/Netherlands		100	-503,514	-455,118
RWE Energie Odnawialne Sp. z o.o., Szczecin/Poland		100	107,429	50,644
RWE Energy Services, LLC, Wilmington/USA		100	532	1,128
RWE Evendorf Windparkbetriebsgesellschaft mbH, Hanover		100	25	[1]
RWE Gas Storage CZ, s.r.o., Prague/Czech Republic		100	328,785	25,576
RWE Gas Storage West GmbH, Dortmund		100	350,087	[1]
RWE Generation Holding B.V., Geertruidenberg/Netherlands		100	-95,405	-84,542
RWE Generation Hydro GmbH, Essen		100	25	[1]
RWE Generation NL B.V., Geertruidenberg/Netherlands		100	-254,514	-234,090
RWE Generation NL Personeel B.V., Geertruidenberg/Netherlands		100	14,221	1,757
RWE Generation SE, Essen	100	100	264,673	[1]
RWE Generation UK Holdings Limited, Swindon/United Kingdom		100	2,865,311	183,280

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6 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 Generation UK plc, Swindon/United Kingdom		100	1,724,080	170,912
RWE Hörup Windparkbetriebsgesellschaft mbH, Hörup		100	26	[1]
RWE Investco EPC Mgmt, LLC, Wilmington/USA		100	393,255	-11,855
RWE Investco Mgmt II, LLC, Wilmington/USA		100	508,994	3,262
RWE Investco Mgmt, LLC, Wilmington/USA		100	1,540,781	-43,631
RWE Kaskasi GmbH, Hamburg		100	1,811	-288
RWE Kings Lynn Limited, Swindon/United Kingdom		100	-40,658	-17,304
RWE Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	[1]
RWE Limondale Sun Farm Holding Pty. Ltd., Melbourne/Australia		100	-39,205	-76,304
RWE Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	[1]
RWE Magicat Holdco, LLC, Wilmington/USA		100	69,735	3,440
RWE Markinch Limited, Swindon/United Kingdom		100	111,190	65,134
RWE Mistral Windparkbetriebsgesellschaft mbH, Hanover		100	578	[1]
RWE Nuclear Beteiligungs-GmbH, Essen		100	25	[1]
RWE Nuclear GmbH, Essen	100	100	112,689	12,689[1]
RWE Offshore Wind Netherlands B.V., Geertruidenberg/Netherlands		100	49	-572
RWE Personeel B.V., Geertruidenberg/Netherlands		100	-9	8
RWE Power Aktiengesellschaft, Cologne and Essen	100	100	2,042,043	4,834[1]
RWE Renewables Americas, LLC, Wilmington/USA		100	345,267	-133,146
RWE Renewables Asset Management, LLC, Wilmington/USA		100	88,138	14,065
RWE Renewables Australia Pty. Ltd., Melbourne/Australia		100	-23	-7
RWE Renewables Benelux B.V., 's-Hertogenbosch/Netherlands		100	-105,482	-32,676
RWE Renewables Beteiligungs GmbH, Dortmund		100	8,950	1,600

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2 Figures from the Group's consolidated financial statements.
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5 Significant influence via indirect investments.
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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
RWE Renewables Canada Holdings Inc., Vancouver/Canada		100	753	-644
RWE Renewables Development, LLC, Wilmington/USA		100	99,570	-15,657
RWE Renewables Energy Marketing Australia Pty. Ltd., Melbourne/Australia		100	-3	-3
RWE Renewables Energy Marketing, LLC, Wilmington/USA		100	-246,449	-9,097
RWE Renewables GmbH, Essen		100	1,109	1,084[1]
RWE Renewables GYM 2 Limited, Swindon/United Kingdom		100	-12,124	562
RWE Renewables GYM 3 Limited, Swindon/United Kingdom		100	-12,126	563
RWE Renewables GYM 4 Limited, Swindon/United Kingdom		100	-34,204	3,910
RWE Renewables HoldCo B.V., Geertruidenberg/Netherlands		100	294,381	-29
RWE Renewables Iberia, S.A.U. – Group – (pre-consolidated)			162,287	11,322[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 Renewables Iberia, S.A.U., Barcelona/Spain		100		
RWE Renewables International Participations B.V., Geertruidenberg/Netherlands		100	-114,300	-114,300
RWE Renewables Ireland Limited, Kilkenny/Ireland		100	-5,891	-2,654
RWE Renewables Italia S.r.l., Rome/Italy		100	494,451	30,662
RWE Renewables Management UK Limited, Swindon/United Kingdom		100	138,042	-1
RWE Renewables O&M, LLC, Wilmington/USA		100	-3,308	13,014
RWE Renewables Poland Sp. z o.o., Warsaw/Poland		100	248,891	19,748
RWE Renewables QSE, LLC, Wilmington/USA		100	-13,528	530
RWE Renewables Services, LLC, Wilmington/USA		100	106,527	-53,859

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	Direct	Total	€ '000	€ '000
RWE Renewables Sweden AB, Malmö/Sweden		100	55,143	9,540
RWE Renewables UK Blyth Limited, Coventry/United Kingdom		100	570	-66
RWE Renewables UK Developments Limited, Coventry/United Kingdom		100	69,331	16,251
RWE Renewables UK Holdings Limited, Swindon/United Kingdom		100	1,744,746	79,459
RWE Renewables UK Humber Wind Limited, Coventry/United Kingdom		51	162,529	52,747
RWE Renewables UK Limited, Coventry/United Kingdom		100	73,526	12,298
RWE Renewables UK London Array Limited, Coventry/United Kingdom		100	111,477	15,521
RWE Renewables UK Offshore Wind Limited, Coventry/United Kingdom		100	54,472	5,347
RWE Renewables UK Operations Limited, Coventry/United Kingdom		100	37,431	5,464
RWE Renewables UK Robin Rigg East Limited, Coventry/United Kingdom		100	72,962	20,987
RWE Renewables UK Robin Rigg West Limited, Coventry/United Kingdom		100	68,527	10,960
RWE Renewables UK Swindon Limited, Swindon/United Kingdom		100	2,274,519	150,823
RWE Renewables UK Wind Limited, Coventry/United Kingdom		100	25,282	10,202
RWE Renewables UK Zone Six Limited, Coventry/United Kingdom		100	0	0
RWE Renouvelables France SAS, La Plaine St. Denis/France		100	79,136	-2
RWE Seabreeze II GmbH & Co. KG, Essen		100	46,397	-1,655
RWE Slovak Holding B.V., Geertruidenberg/Netherlands	100	100	704,084	-316
RWE Solar Development, LLC, Wilmington/USA		100	45,224	-8,031
RWE Solar NC Lessee LLC, Wilmington/USA		100	13,647	-65
RWE Solar NC Pledgor LLC, Wilmington/USA		100	13,708	0
RWE Solar PV, LLC, Wilmington/USA		100	157,648	-2,906
RWE Sommerland Windparkbetriebsgesellschaft mbH, Sommerland		100	26	[1]
RWE Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	106	[1]

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
RWE Supply & Trading Asia-Pacific PTE. LTD., Singapore/Singapore		100	40,476	10,476
RWE Supply & Trading CZ, a.s., Prague/Czech Republic		100	330,845	79,983
RWE Supply & Trading GmbH, Essen	100	100	446,778	[1]
RWE Supply & Trading (India) Private Limited, Mumbai/India		100	817	107
RWE Supply & Trading Participations Limited, London/United Kingdom		100	13,392	10,087
RWE Supply and Trading (Shanghai) Co. Ltd, Shanghai/China		100	8,123	-1,101
RWE Technology International GmbH, Essen		100	12,463	[1]
RWE Technology Tasarim ve Mühendislik Danismanlik Ticaret Limited Sirketi, Istanbul/Turkey		100	64	1
RWE Technology UK Limited, Swindon/United Kingdom		100	1,999	325
RWE Titz Windparkbetriebsgesellschaft mbH, Essen		100	25	[1]
RWE Trading Americas Inc., New York City/USA		100	9,468	768
RWE Trading Services GmbH, Essen		100	5,735	[1]
RWE Wind Karehamn AB, Malmö/Sweden		100	34,319	-187
RWE Wind Onshore Deutschland GmbH, Hanover		100	77,660	[1]
RWE Wind Services Denmark A/S, Rødby/Denmark		100	8,436	5,692
RWE Windpark Bedburg GmbH & Co. KG, Bedburg		51	75,613	510
RWE Windpark Garzweiler GmbH & Co. KG, Essen		51	13,412	-84
RWE Windparks Deutschland GmbH, Essen		100	24	[1]
RWE Windpower Netherlands B.V., 's-Hertogenbosch/Netherlands		100	4,761	3,602
RWEST Middle East Holdings B.V., 's-Hertogenbosch/Netherlands		100	9,654	33,559
Sand Bluff WF Holdco, LLC, Wilmington/USA		100	-1,973	-8,828
Sand Bluff Wind Farm, LLC, Wilmington/USA		100	-1,882	-8,697
Settlers Trail Wind Farm, LLC, Wilmington/USA		100	162,819	-11,820

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Sofia Offshore Wind Farm Holdings Limited, Swindon/United Kingdom		100	0	0
Sofia Offshore Wind Farm Limited, Swindon/United Kingdom		100	-389	-16
Solar Holding India GmbH, Kolitzheim		100	5,926	-7
Solar Holding Poland GmbH, Kolitzheim		100	16	-2
SOLARENGO Energia, Unipessoal, Lda., Cascais/Portugal		100	-151	-70
SRS EcoTherm GmbH, Salzbergen		90	17,194	3,435
Stella Holdco, LLC, Wilmington/USA		100	83,308	0
Stella Wind Farm, LLC, Wilmington/USA		100	207,716	-1,961
Taber Solar 1 Inc., Vancouver/Canada		100	8,890	-66
Taber Solar 2 Inc., Vancouver/Canada		100	9,534	-62
Tamworth Holdings, LLC, Raleigh/USA		100	7,367	-2
Tanager Holdings, LLC, Raleigh/USA		100	6,891	3
Tech Park Solar, LLC, Wilmington/USA		100	17,617	686
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	528	-44
Triton Knoll HoldCo Limited, Swindon/United Kingdom		59	92,254	0
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom		100	-94,320	-511
Valencia Solar, LLC, Tucson/USA		100	17,594	1,281
Vela Wind Holdco, LLC, Wilmington/USA		100	138,043	0
West of the Pecos Holdco, LLC, Wilmington/USA		100	87,811	0
West of the Pecos Solar, LLC, Wilmington/USA		100	124,904	-5,948
West Raymond Holdco, LLC, Wilmington/USA		100	28,748	0
West Raymond Wind Farm, LLC, Wilmington/USA		100	60,577	0
Wind Farm Deliceto s.r.l., Bolzano/Italy		100	25,558	2,455

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Windpark Eekerpolder B.V., 's-Hertogenbosch/Netherlands		100	-196	-194
Windpark Kattenberg B.V., 's-Hertogenbosch/Netherlands		100	765	245
Windpark Nordsee Ost GmbH, Heligoland		100	256	[1]
Windpark Oostpolderdijk B.V., 's-Hertogenbosch/Netherlands		100	-30	30
Windpark Zuidwester B.V., 's-Hertogenbosch/Netherlands		100	8,748	-588
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover		100	2,198	182

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Adensis GmbH, Dresden		100	872	322
Agenzia Carboni S.r.l., Genua/Italy		100	207	16
Aktiebolaget Grundstenen 167184, Malmö/Sweden		100		3
Alcamo II S.r.l., Milan/Italy		100	25	-11
Alvarado Solar S.L., Barcelona/Spain		100	15	-11
Ashwood Solar I, LLC, Wilmington/USA		100	0	0
Auzoberri Desarrollo, S.L.U., Barasoain/Spain		100	2	-232
Azagra Energy Quel, S.L.U., Barasoain/Spain		100	1	-383
Baltic Trade and Invest Sp. z o.o., Slupsk/Poland		100	9,309	-5,135
Baron Winds II LLC, Chicago/USA		100	0	0
Baron Winds LLC, Chicago/USA		100	0	0
Belectric International GmbH, Kolitzheim		100	159	-496
BELECTRIC JV GmbH, Kolitzheim		100	53	-2
Belectric Mexico Fotovoltaica S.de R.L. de C.V., Bosques de las Lomas/Mexico		100	-24	-19
Belectric Polska Sp. z o.o., Warsaw/Poland		100	-136	-42
Belectric SP Solarprojekte 17 GmbH & Co. KG, Kolitzheim		100		3
Belectric SP Solarprojekte 18 GmbH & Co. KG, Kolitzheim		100		3
Belectric SP Solarprojekte 19 GmbH & Co. KG, Kolitzheim		100		3
Belectric SP Solarprojekte 20 GmbH & Co. KG, Kolitzheim		100		3
Benbrack Wind Farm Limited, Swindon/United Kingdom		100		3
Big Star Solar, LLC, Wilmington/USA		100	0	0
Blackbeard Solar, LLC, Wilmington/USA		100	0	0
Blackbriar Battery, LLC, Wilmington/USA		100	0	0

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	Direct	Total	€ '000	€ '000
Blueberry Hills LLC, Chicago/USA		100	0	0
BO Baltic Offshore GmbH, Hamburg		98	9	-4
Bowler Flats Energy Hub LLC, Chicago/USA		100	0	0
Bright Arrow Solar, LLC, Wilmington/USA		100	0	0
Buckeye Wind LLC, Chicago/USA		100	0	0
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Bursjöliden Vind AB, Malmö/Sweden		100	585	0
Camaiore Sp. z o.o., Warsaw/Poland		100		3
Camellia Solar LLC, Wilmington/USA		100	0	0
Camellia Solar Member LLC, Wilmington/USA		100	0	0
Cardinal Wind Farm, LLC, Wilmington/USA		100	0	0
Carmagnola Sp. z o.o., Warsaw/Poland		100		3
Casarano Sp. z o.o., Warsaw/Poland		100		3
Casey Fork Solar, LLC, Wilmington/USA		100	0	0
Cattleman Wind Farm II, LLC, Wilmington/USA		100	0	0
Cattleman Wind Farm, LLC, Wilmington/USA		100	0	0
Cecina Sp. z o.o., Warsaw/Poland		100		3
Cercola Sp. z o.o., Warsaw/Poland		100		3
Cerignola Sp. z o.o., Warsaw/Poland		100		3
Champaign Wind LLC, Chicago/USA		100	0	0
Ciriè Centrale PV s.a.s. (s.r.l.), Rome/Italy		100	-4	0
Clavellinas Solar, S.L., Barcelona/Spain		100	14	-10
Climagy Photovoltaikprojekt Verwaltungs-GmbH, Kolitzheim		100	28	-1

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	Direct	Total	€ '000	€ '000
Climagy PV-Sonnenanlage GmbH & Co. KG, Kolitzheim		100	0	-2
Climagy PV-Sonnenanlage Verwaltungs-GmbH, Kolitzheim		100	29	0
Climagy Sonnenkraft Verwaltungs-GmbH, Kolitzheim		100	26	-1
Climagy Stromertrag GmbH & Co. KG, Kolitzheim		100	-20	-2
Climagy Stromertrag Verwaltungs-GmbH, Kolitzheim		100	28	0
Clinton Wind, LLC, Wilmington/USA		100	0	0
Clocaenog Wind Farm Limited, Swindon/United Kingdom		100	0	0
Cordeneos Sp. z o.o., Warsaw/Poland		100		3
Cordova Wind Farm, LLC, Wilmington/USA		100	0	0
Cormano Sp. z o.o., Warsaw/Poland		100		3
Cremona Sp. z o.o., Warsaw/Poland		100		3
Curns Energy Limited, Kilkenny/Ireland		70	-643	-142
Decadia GmbH, Essen	100	100	2,290	1,398
E & Z Industrie-Lösungen GmbH, Essen		100	18,074	1,200
Eko-En 1 Sp. z o.o., Warsaw/Poland		100	24	-69
Eko-En 2 Sp. z o.o., Warsaw/Poland		100	417	-98
Eko-En 3 Sp. z o.o., Warsaw/Poland		100	80	-46
Eko-En 4 Sp. z o.o., Warsaw/Poland		100	447	-53
Eko-En 5 Sp. z o.o., Warsaw/Poland		100	4	-2
El Navajo Solar, S.L., Barcelona/Spain		100	6	-4
Enchant Solar 3 Inc., Vancouver/Canada		100	0	0
Enchant Solar 4 Inc., Vancouver/Canada		100	0	0
Eólica de Sarnago, S.A., Soria/Spain		52	1,583	-17

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	Direct	Total	€ '000	€ '000
EverPower Maine LLC, Chicago/USA		100	0	0
EverPower Ohio LLC, Chicago/USA		100	0	0
EverPower Solar LLC, Chicago/USA		100	0	0
EverPower Wind Development, LLC, Chicago/USA		100	0	0
Extension Du Parc Eolien De L'Epine Marie Madeleine SAS, Paris/France		100	1	-28
Extension Du Parc Eolien Des Nouvions SAS, Paris/France		100	29	-2
Extension Du Parc Eolien Du Douiche SAS, Paris/France		100	9	-3
Farma Wiatrowa Rozdrazew sp. z o.o., Warsaw/Poland		100	-632	-136
Fifth Standard Solar PV, LLC, Wilmington/USA		100	0	0
Flatlands Wind Farm, LLC, Wilmington/USA		100	0	0
Flexilis Power Limited, Kilkenny/Ireland		100	0	-1
Florida Solar and Power Group LLC, Wilmington/USA		100	0	0
Frazier Solar, LLC, Wilmington/USA		100	0	0
Gazules I Fotovoltaica, S.L., Barcelona/Spain		100	41	-24
Gazules II Solar, S.L., Barcelona/Spain		100	12	-24
GBV Achtunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	25	[1]
GBV Dreiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	[1]
GBV Einunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	30	[1]
GBV Sechsunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	25	[1]
GBV Siebenunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	25	[1]
GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	100	[1]
Generación Fotovoltaica Castellano Manchega, S.L., Murcia/Spain		100	36	-29
Generación Fotovoltaica Puerta del Sol, S.L.U., Murcia/Spain		100	3	0

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	Direct	Total	€ '000	€ '000
Goole Fields II Wind Farm Limited, Swindon/United Kingdom		100	0	0
Grandview Wind Farm III, LLC, Wilmington/USA		100	0	0
Grandview Wind Farm IV, LLC, Wilmington/USA		100	0	0
Grandview Wind Farm V, LLC, Wilmington/USA		100	0	0
Green Gecco Verwaltungs GmbH, Essen		51	37	1
Haube Wind Sp. z o.o., Slupsk/Poland		100	163	-76
Highland III LLC, Chicago/USA		100	0	0
Horse Thief Wind Project LLC, Chicago/USA		100	0	0
INDI Energie B.V., 's-Hertogenbosch/Netherlands		100	-13	-60
INDI Solar-Projects 1 B.V., Utrecht/Netherlands		100	7	-31
Infraestructuras de Aldehuelas, S.A., Barcelona/Spain		100	428	0
Infrastrukturgesellschaft Netz Lübz mit beschränkter Haftung, Hanover		100	18	-24
Iron Horse Battery Storage, LLC, Wilmington/USA		100	9,689	-306
Jerez Fotovoltaica S.L., Barcelona/Spain		100	16	-23
Jugondo Desarrollo, S.L.U., Barasoain/Spain		100	1	-1,186
Kasson Manteca Solar, LLC, Wilmington/USA		100	0	0
Kieswerk Kaarst GmbH & Co. KG, Bergheim		51	2,899	700
Kieswerk Kaarst Verwaltungs GmbH, Bergheim		51	31	0
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lake Fork Wind Farm, LLC, Wilmington/USA		100	0	0
Lampasas Wind LLC, Chicago/USA		100	0	0
Las Vaguadas I Fotovoltaica S.L., Barcelona/Spain		100	155	-61
Las Vaguadas II Solar S.L., Barcelona/Spain		100	12	-6

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	Direct	Total	€ '000	€ '000
Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lorg Wind Farm Limited, Swindon/United Kingdom		100		3
Mahanoy Mountain, LLC, Chicago/USA		100	0	0
Major Wind Farm, LLC, Wilmington/USA		100	0	0
March Road Solar, LLC, Wilmington/USA		100	0	0
Maricopa East Solar PV 2, LLC, Wilmington/USA		100	0	0
Maricopa East Solar PV, LLC, Wilmington/USA		100	0	0
Maricopa Land Holding, LLC, Wilmington/USA		100	0	0
Maricopa West Solar PV 2, LLC, Wilmington/USA		100	0	0
Maryland Sunlight 1 LLC, Wilmington/USA		100	0	0
Mason Dixon Wind LLC, Chicago/USA		100	0	0
Morska Farma Wiatrowa Antares sp. z o.o., Warsaw/Poland		100	84	-12
Mud Springs Wind Project LLC, Chicago/USA		100	0	0
Muñegre Desarrollo, S.L.U., Barasoain/Spain		100	2	-201
Nordex Energy Judas, S.L.U., Barasoain/Spain		100	1	-359
Northern Orchard Solar PV 2, LLC, Wilmington/USA		100	0	0
Northern Orchard Solar PV 3, LLC, Wilmington/USA		100	0	0
Northern Orchard Solar PV, LLC, Wilmington/USA		100	0	0
Nouvions Poste de Raccordement SAS, Paris/France		100	-2	-2
Novar Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Offshore-Windpark Delta Nordsee GmbH, Hamburg		100	246	1
Ohio Sunlight 1 LLC, Wilmington/USA		100	0	0
Oranje Wind Power B.V., 's-Hertogenbosch/Netherlands		100	0	0

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Oranje Wind Power C.V., 's-Hertogenbosch/Netherlands		100	0	0
Orcoien Energy Orcoien, S.L.U., Barasoain/Spain		100	13	-215
Owen Prairie Wind Farm, LLC, Wilmington/USA		100	0	0
Painter Energy Storage, LLC, Wilmington/USA		100	0	0
Panther Creek Solar, LLC, Wilmington/USA		100	0	0
Parc Eolien 101 SAS, Paris/France		100		[3]
Parc Eolien 102 SAS, Paris/France		100		[3]
Parc Eolien 103 SAS, Paris/France		100		[3]
Parc Eolien 104 SAS, Paris/France		100		[3]
Parc Eolien 105 SAS, Paris/France		100		[3]
Parc Eolien 106 SAS, Paris/France		100		[3]
Parc Eolien 107 SAS, Paris/France		100		[3]
Parc Eolien 108 SAS, Paris/France		100		[3]
Parc Eolien 109 SAS, Paris/France		100		[3]
Parc Eolien 110 SAS, Paris/France		100		[3]
Parc Eolien D'Allerey SAS, Paris/France		100	-23	-48
Parc Eolien De Beg Ar C'hra SAS, Paris/France		100	28	-2
Parc Eolien De Canny SAS, Paris/France		100	35	-2
Parc Eolien De Catillon-Fumechon SAS, Paris/France		100	28	-2
Parc Eolien De Foissy-Sur-Vanne SAS, Paris/France		100	35	-2
Parc Eolien De Ganochaud SAS, Paris/France		100	23	-3
Parc Eolien De La Brie Nangissienne SAS, Paris/France		100	27	-2
Parc Eolien De La Butte Aux Chiens SAS, Paris/France		100	29	-2

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5 Significant influence via indirect investments.
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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Parc Eolien De La Cabane Blanche SAS, Paris/France		100	25	-3
Parc Eolien De La Croix Blanche SAS, Paris/France		100	29	-2
Parc Eolien De La Jarrie-Audouin SAS, Paris/France		100	35	-2
Parc Eolien De La Plaine De Beaulieu SAS, Paris/France		100	35	-2
Parc Eolien De La Voie Corette SAS, Paris/France		100	-57	-39
Parc Eolien De Langeron SAS, Paris/France		100	24	-3
Parc Eolien De L'Avre SAS, Paris/France		100	25	-2
Parc Eolien De Luçay-Le-Libre Et De Giroux SAS, Paris/France		100	24	-4
Parc Eolien De Martinpuich SAS, Paris/France		100	5	-6
Parc Eolien De Mesbrecourt-Richecourt SAS, Paris/France		100	35	-2
Parc Eolien De Nuisement Et Cheniers SAS, Paris/France		100	35	-2
Parc Eolien De Soudron SAS, Paris/France		100	35	-2
Parc Eolien De Villeneuve Minervois SAS, Paris/France		100	35	-2
Parc Eolien Des Ailes Du Gótinâis SAS, Paris/France		100	35	-2
Parc Eolien Des Grands Lazards SAS, Paris/France		100	28	-2
Parc Eolien Des Hauts-Bouleaux SAS, Paris/France		100	-75	-38
Parc Eolien Des Nouvions SAS, Paris/France		100	-103	-58
Parc Eolien Des Raisinières SAS, Paris/France		100	36	-1
Parc Eolien Du Balinot SAS, Paris/France		100	28	-2
Parc Eolien Du Ban Saint-Jean SAS, Paris/France		100	27	-2
Parc Eolien Du Bocage SAS, Paris/France		100	-77	-38
Parc Eolien Du Catesis SAS, Paris/France		100	-2	-26
Parc Eolien Du Champ Madame SAS, Paris/France		100	35	-2

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Parc Eolien Du Chemin De Chálons SAS, Paris/France		100	9	-3
Parc Eolien Du Chemin De Saint-Gilles SAS, Paris/France		100	-5	-9
Parc Eolien Du Chemin Vert SAS, Paris/France		100	35	-2
Parc Eolien Du Mirebalais SAS, Paris/France		100	28	-2
Parc Eolien Du Mont Hellet SAS, Paris/France		100	35	-2
Parc Eolien Du Mont Herbé SAS, Paris/France		100	28	-2
Parc Eolien Du Moulin De Thiau SAS, Paris/France		100	29	-3
Parc Eolien Du Moulin Du Bocage SAS, Paris/France		100	28	-2
Parc Eolien Du Plateau De La Chapelle-Surchésy SAS, Paris/France		100	35	-2
Parc Eolien Du Ru Garnier SAS, Paris/France		100	29	-2
Parc Eolien Les Pierrots SAS, Paris/France		100	-331	-232
Parc Ynni Cymunedol Alwen Cyfyngedig, Swindon/United Kingdom		100	0	0
Pawnee Spirit Wind Farm, LLC, Wilmington/USA		100	0	0
Paz 'Éole SAS, Paris/France		100	28	-2
Pe Ell North LLC, Chicago/USA		100	0	0
Photovoltaikkraftwerk Götz Verwaltungs-GmbH, Kolitzheim		100	27	-1
Photovoltaikkraftwerk Groß Dölln Infrastruktur GmbH & Co. KG, Templin		100	-18	-2
Photovoltaikkraftwerk Groß Dölln Infrastruktur Verwaltungs-GmbH, Templin		100	29	0
Photovoltaikkraftwerk Reinsdorf GmbH & Co. KG, Kolitzheim		100	-29	-2
Photovoltaikkraftwerk Reinsdorf Verwaltungs-GmbH, Kolitzheim		100	30	0
PI E&P Holding Limited, George Town/Cayman Islands		100	42,240	-4
PI E&P US Holding LLC, New York City/USA		100	41,845	-301
Pinckard Solar LLC, Wilmington/USA		100	0	0

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Pinckard Solar Member LLC, Wilmington/USA		100	0	0
Pinto Pass, LLC, Wilmington/USA		100	0	0
Pipkin Ranch Wind Farm, LLC, Wilmington/USA		100	0	0
Proyectos Solares Iberia I, S.L., Barcelona/Spain		100	27	-4
Proyectos Solares Iberia II, S.L., Barcelona/Spain		100	38	-27
Proyectos Solares Iberia III, S.L., Barcelona/Spain		100	25	-5
Proyectos Solares Iberia IV, S.L., Barcelona/Spain		100	26	-4
Proyectos Solares Iberia V, S.L., Barcelona/Spain		100	26	-4
Pryor Caves Wind Project LLC, Chicago/USA		100	0	0
PT Rheincoal Supply & Trading Indonesia, PT, Jakarta/Indonesia		100	246	-9
Quartz Solar, LLC, Wilmington/USA		100		3
Quintana Fotovoltaica S.L.U., Barcelona/Spain		100	8	-4
RD Hanau GmbH, Hanau		100	0	0
Ribaforada Energy Ribaforada, S.L.U., Barasoain/Spain		100	1	-213
Roadrunner Crossing Wind Farm, LLC, Wilmington/USA		100	0	0
Rose Rock Wind Farm, LLC, Wilmington/USA		100	0	0
Rowantree Wind Farm Ltd., Swindon/United Kingdom		100	0	0
RWE & Turcas Dogalgaz Ithalat ve Ihracat A.S., Istanbul/Turkey		100	688	67
RWE AUSTRALIA PTY LTD, Brisbane/Australia		100	37	-12
RWE Belgium BVBA, Brussels/Belgium		100	1,419	-32
RWE Carbon Sourcing North America, LLC, Wilmington/USA		100	0	0
RWE Czech Gas Grid Holding B.V., Geertruidenberg/Netherlands	100	100	0	1,526
RWE Dhabi Union Energy LLC, Abu Dhabi/UAE		49	33	0

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
RWE Eemshydrogen B.V., Geertruidenberg/Netherlands		100		3
RWE Energy APAC Co. Ltd., Chengdu/China		100	1,798	-131
RWE Enerji Toptan Satis A.S., Istanbul/Turkey		100	3,243	104
RWE Gas Storage Beteiligungsverwaltungs GmbH, Essen		100	10,989	0
RWE Hillston Sun Farm Holding Pty. Ltd., Melbourne/Australia		100	-231	-59
RWE indeland Windpark Eschweiler Verwaltungs GmbH, Eschweiler		100	54	6
RWE Ingen!us Limited, Swindon/United Kingdom		100	2,537	91
RWE NSW PTY LTD, Sydney/Australia		100	77	-137
RWE Offshore Wind A/S, Rødby/Denmark		100		3
RWE Offshore Wind Holdings LLC, Dover/USA		100	277	-96
RWE Offshore Wind Netherlands Participations I B.V., Geertruidenberg/Netherlands		100	0	0
RWE Offshore Wind Netherlands Participations II B.V., Geertruidenberg/Netherlands		100	0	0
RWE Offshore Wind Netherlands Participations III B.V., Geertruidenberg/Netherlands		100	0	0
RWE Offshore Wind Netherlands Participations IV B.V., Geertruidenberg/Netherlands		100	0	0
RWE Pensionsfonds AG, Essen	100	100	3,872	178
RWE Power Climate Protection GmbH, Essen		100	23	1
RWE Principal Investments UK Limited, Swindon/United Kingdom		100	103	-61
RWE Principal Investments USA, LLC, New York City/USA		100	2,324	13,962
RWE Renewables Australia Holdings Pty Ltd., Brisbane/Australia		100	-219	-406
RWE Renewables Chile SpA, Santiago/Chile		100	1,095	-497
RWE Renewables Denmark A/S, Rødby/Denmark		100		3
RWE Renewables France SAS, Levallois-Perret/France		100	4,483	1,015
RWE Renewables Japan G.K., Tokyo/Japan		100	-172	-384

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
RWE Renewables Korea LLC, Seoul/South Korea		100		3
RWE Renewables Mexico, S. de R.L. de C.V., Mexico City/Mexico		100	1,014	-157
RWE Renewables Services GmbH, Essen		100	25	-6
RWE Renewables Services Mexico, S. de R.L. de C.V., Mexico City/Mexico		100	-3	-3
RWE Renewables Taiwan Ltd., Taipei City/Taiwan		100		3
RWE Seabreeze II Verwaltungs GmbH, Essen		100	71	6
RWE Solar Netherlands B.V., 's-Hertogenbosch/Netherlands		100	0	0
RWE Solar Poland Sp. z o.o., Warsaw/Poland		100	-144	-168
RWE Stallingborough Limited, Swindon/United Kingdom		100	0	0
RWE Supply & Trading Japan KK, Tokyo/Japan		100	-2	0
RWE SUPPLY TRADING TURKEY ENERJI ANONIM SIRKETI, Istanbul/Turkey		100	894	161
RWE Technology International Energy Environment Engineering GmbH, Essen		100	25	1
RWE TECNOLOGIA LTDA, Rio de Janeiro/Brazil		100	94	0
RWE Trading Services Limited, Swindon/United Kingdom		100	1,310	34
RWE Wind Development AS, Oslo/Norway		100	3,328	-17
RWE Wind Holding A/S, Rødby/Denmark		100		3
RWE Wind Norway AB, Malmö/Sweden		100	4,228	-2,313
RWE Wind Projects AB, Malmö/Sweden		100	5	1
RWE Wind Service Italia S.r.l., Milan/Italy		100	-82	-184
RWE Wind Services GmbH, Neubukow		100	2,165	-1,022
RWE Wind Services Norway AS, Oslo/Norway		100	1,427	-8
RWE Wind Transmission AB, Malmö/Sweden		100	715	3
RWE Windpark Bedburg Verwaltungs GmbH, Bedburg		51	48	2

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
RWE Windpark Garzweiler Verwaltungs GmbH, Essen		100	27	-4
RWE Windpark Papenhagen GmbH & Co. KG, Hanover		100	576	-125
RWE Windpark Papenhagen Verwaltungs GmbH, Hanover		100	33	8
RWEST NA Investments GmbH, Essen		100	40,522	-120
RWEST PI Bras Limited, London/United Kingdom		100	22,135	-926
RWEST PI FRE Holding LLC, New York City/USA		100	2	-13
Santa Severa Centrale PV s.a.s. (s.r.l.), Rome/Italy		100	-152	0
SB Retrofit, LLC, Dallas/USA		100		[3]
Scioto Solar LLC, Wilmington/USA		100	0	0
Shay Solar, LLC, Wilmington/USA		100	0	0
Snow Shoe Wind Farm, LLC, Wilmington/USA		100	0	0
SP Solarprojekte 1 Verwaltungs-GmbH, Kolitzheim		100	24	-1
SP Solarprojekte 11 Verwaltungs-GmbH, Kolitzheim		100	29	0
SP Solarprojekte 12 Verwaltungs-GmbH, Kolitzheim		100	29	0
SP Solarprojekte 17 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 18 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 19 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 2 GmbH & Co. KG, Kolitzheim		100	-5	-2
SP Solarprojekte 2 Verwaltungs-GmbH, Kolitzheim		100	26	0
SP Solarprojekte 20 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 3 GmbH & Co. KG, Kolitzheim		100	-6	-2
SP Solarprojekte 3 Verwaltungs-GmbH, Kolitzheim		100	26	0
Sparta North, LLC, Wilmington/USA		100	0	0

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Sparta South, LLC, Wilmington/USA		100	0	0
Stillwater Energy Storage, LLC, Wilmington/USA		100	0	0
Storage Facility 1 Ltd., Slough/United Kingdom		100	-51	-32
Sun Data GmbH (i.L.), Kolitzheim		100	60	-7
Sunpow 1 Sp. z o.o., Warsaw/Poland		100	0	0
Sunrise Energy Generation Pvt. Ltd., Mumbai/India		100	69	3
Sunrise Wind Holdings, LLC, Chicago/USA		100	0	0
Tafalla Energy Tafalla, S.L.U., Barasoain/Spain		100	1	-213
Terrapin Hills LLC, Chicago/USA		100	0	0
Thor Wind Farm I/S, Rødby/Denmark		100		[3]
Three Rocks Solar, LLC, Wilmington/USA		100	0	0
Tierra Blanca Wind Farm, LLC, Wilmington/USA		100	0	0
Tipton Wind, LLC, Wilmington/USA		100	0	0
Valverde Wind Farm, LLC, Wilmington/USA		100	0	0
VDE Komplementär GmbH, Kassel		100	30	-24
VDE Projects GmbH, Kassel		100	16,080	-7,035
Venado Wind Farm, LLC, Wilmington/USA		100	0	0
Versuchsatomkraftwerk Kahl GmbH, Karlstein am Main		80	634	31
Vici Wind Farm II, LLC, Wilmington/USA		100	0	0
Vici Wind Farm III, LLC, Wilmington/USA		100	0	0
Vici Wind Farm, LLC, Wilmington/USA		100	0	0
Villarrobledo Desarrollo 2, S.L.U., Barasoain/Spain		100	1	-1,186
Vindkraftpark Aurvandil AB, Uppsala/Sweden		100	6	0

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Vindkraftpark Brynhild AB, Uppsala/Sweden		100	4	0
Vortex Energy Deutschland GmbH, Kassel		100	4,397	- 265
Vortex Energy Windpark GmbH & Co. KG, Kassel		100	1,651	- 1,029
West Fork Solar, LLC, Wilmington/USA		100	0	0
Wildcat Wind Farm II, LLC, Wilmington/USA		100	0	0
Wildcat Wind Farm III, LLC, Wilmington/USA		100	0	0
Willowbrook Solar I, LLC, Wilmington/USA		100	0	0
Windpark Bedburg A44n GmbH & Co. KG, Essen		100		[3]
Windpark Bedburg A44n Verwaltungs GmbH, Essen		100		[3]
Windpark Winterlingen-Alb GmbH & Co. KG, Kassel		100	2,501	- 2,606
WIT Ranch Wind Farm, LLC, Wilmington/USA		100	0	0
WR Graceland Solar, LLC, Wilmington/USA		100	0	0
Zielone Glówczyce Sp. z o.o., Glówczyce/Poland		100	419	- 527

III. Joint operations	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Greater Gabbard Offshore Winds Limited, Reading/United Kingdom		50	1,062,256	100,186
N.V. Elektriciteits-Produktiemaatschappij Zuid-Nederland EPZ, Borssele/Netherlands		30	81,302	5,609

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IV. Affiliated companies of joint operations	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Enzee B.V., Borssele/Netherlands		100		[3]

V. Associated companies of joint operations	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
B.V. NEA, Arnhem/Netherlands		28	73,099	1,385

VI. Joint ventures accounted for using the equity method	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
AS 3 Beteiligungs GmbH, Essen		51[4]	31,308	1,489
AWE-Arkona-Windpark Entwicklungs-GmbH, Hamburg		50	1,073,377	139,732
C-Power N.V., Oostende/Belgium		27	262,772	16,589
Elevate Wind Holdco, LLC, Wilmington/USA		50	138,730	-94,126
Galloper Wind Farm Holding Company Limited, Swindon/United Kingdom		25	70,218	48,653
Grandview Wind Farm, LLC, Wilmington/USA		50	256,827	-9,497
Gwynt y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		50	-3,002	-1,023
Innogy Venture Capital GmbH, Dortmund		75[4]	842	128
Rampion Renewables Limited, Coventry/United Kingdom		60[4]		[3]
Société Electrique de l'Our S.A., Luxembourg/Luxembourg		40	13,396	3,699[2]
TCP Petcoke Corporation, Dover/USA		50	30,952	2,176[2]
URANIT GmbH, Jülich		50	72,136	98,103

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VII. Associates accounted for using the equity method	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Amprion GmbH, Dortmund	25	25	1,946,300	220,200
ATBERG - Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	5,319	468
Belectric Gulf Limited, Abu Dhabi/UAE		49	7,764	1,525
Bray Offshore Wind Limited, Kilkenny/Ireland		50	-99	-16
DOTI Deutsche Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG, Oldenburg		26	57,925	-23,919
GNS Gesellschaft für Nuklear-Service mbH, Essen		28	45,538	24,960[2]
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim		40	134,082	6,647
HIDROERG - Projectos Energéticos, Lda., Lissabon/Portugal		32	12,956	1,692
Innogy Renewables Technology Fund I GmbH & Co. KG, Dortmund		78[4]	18,880	670
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	918,203	111,525[2]
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13[5]	917,666	111,723
Kish Offshore Wind Limited, Kilkenny/Ireland		50	-119	-16
Magicat Holdco, LLC, Wilmington/USA		20	251,381	-6,840
Mingas-Power GmbH, Essen		40	4,550	3,881
Nysäter Wind AB, Malmö/Sweden		20	49,579	-96,341
PEARL PETROLEUM COMPANY LIMITED, Road Town/British Virgin Islands		10[6]	1,748,102	259,854
Rødsand 2 Offshore Wind Farm AB, Malmö/Sweden		20	156,564	16,001
Schluchseewerk Aktiengesellschaft, Laufenburg Baden		50	67,766	2,809
Vliegasunie B.V., De Bilt/Netherlands		75[4]	8,323	1,644

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VIII. 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	453	223
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen		50	5,113	0
Anemos Ala Segarra, S.L., Reus/Spain		40		3
Ascent Energy LLC, Wilmington/USA		50	83,373	6,656
Awel y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		60		3
CARBON Climate Protection GmbH, Langenlois/Austria		50	5,106	4,054
CARBON Egypt Ltd. (under liquidation), Cairo/Egypt		49	-2,127	-253
DBO Energia S.A., Rio de Janeiro/Brazil		49	15,199	-1,063
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, Essen		31	861	350
DOTI Management GmbH, Oldenburg		26	119	0
Dunkerque Eoliennes En Mer SAS, Montpellier/France		32	10	0
EMDO S.A.S., Paris/France		30	-12,965	-2,075
Eólica Alta Anoia, S.L., Reus/Spain		40		3
Eólica La Conca, S.L., Reus/Spain		40		3
Eólica La Conca 3, S.L., Reus/Spain		40		3
Eoliennes en mer de Dunkerque (EMD) S.A.S., Paris/France		30	10	-5
Fassi Coal Pty. Ltd., Rutherford/Australia		47	-10,016	-2,887
First River Energy LLC, Denver/USA		40	-1,291	-7,414
Five Estuaries Offshore Wind Farm Limited, Swindon/United Kingdom		25		3
Focal Energy Photovoltaic Holdings Limited, Nicosia/Cyprus		50	1,621	227
Fond du Moulin SAS, Asnières sur Seine/France		25	35	-2
Gemeinschaftswerk Hattingen Gesellschaft mit beschränkter Haftung, Essen		52	2,045	-815
GfS Gesellschaft für Simulatorschulung mbH, Essen		33	64	3

1 Profit and loss-pooling agreement; amounts blocked for transfer.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 No control by virtue of company contract.
5 Significant influence via indirect investments.
6 Significant influence by virtue of company contract.

VIII. 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
Kraftwerk Buer GbR, Gelsenkirchen		50	5,113	0
KSG Kraftwerks-Simulator-Gesellschaft mbH, Essen		33	641	26
KÜCKHOVENER Deponiebetrieb GmbH & Co. Kommanditgesellschaft, Bergheim		50	32	-1
KÜCKHOVENER Deponiebetrieb Verwaltungs-GmbH, Bergheim		50	39	0
LDO Coal Pty. Ltd., Rutherford/Australia		47	-101	74
Limetree Bay Preferred Holdings LLC, Boston/USA		28	14,750	0
London Array Limited, Tunbridge Wells/United Kingdom		30	0	0
Moravske Hidroelektrane d.o.o., Belgrade/Serbia		51	3,532	-6
Netzanbindung Tewel OHG, Cuxhaven		25	588	-39
New England Aqua Ventus, LLC, Los Angeles/USA		50		3
North Falls Offshore Wind Farm HoldCo Limited, Swindon/United Kingdom		50	0	0
Parc Eolien De Sepmes SAS, Angers/France		50		3
PV Projects Komplementär GmbH (i.L.), Kolitzheim		50	26	-1
Q-Portal GmbH, Grevenbroich		49		3
Rampion Extension Development Limited, Swindon/United Kingdom		50		3
Scarweather Sands Limited, Coventry/United Kingdom		50	0	0
TetraSpar Demonstrator ApS, Copenhagen/Denmark		33	7,969	-2,124
Toledo PV A.E.I.E., Madrid/Spain		33	1,330	723
TPG Wind Limited, Coventry/United Kingdom		50	317	726
Umspannwerk Putlitz GmbH & Co. KG, Oldenburg		25	0	-109
Versorium Energy LP, Calgary, Alberta/Canada		50		3
Walden Renewables Development LLC, New York City/USA		76	1,683	-1,045
Windesco Inc, Boston/USA		21	-1,757	-871

1 Profit and loss-pooling agreement; amounts blocked for transfer.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 No control by virtue of company contract.
5 Significant influence via indirect investments.
6 Significant influence by virtue of company contract.

VIII. 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
Windpark Fresenhede GmbH & Co. KG, Kassel		50	1	-572
Windpark Herßum-Vinnen Projekt GmbH & Co. KG, Kassel		50	1	-410
Windpark Rotenburg GmbH & Co. KG, Kassel		50	1	-847
Windpark Schapen GmbH & Co. KG, Kassel		50	1	-939
WINDTEST Grevenbroich GmbH, Grevenbroich		38	966	-308

IX. Other investments	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
APEP Dachfonds GmbH & Co. KG, Munich	36	36	121,538	22,134
Chrysalix Energy II U.S. Limited Partnership, Vancouver/Canada		6	14,906	6,936
Chrysalix Energy III U.S. Limited Partnership, Vancouver/Canada		5	68,311	-44,502
Dry Bulk Partners 2013 LP, Grand Cayman/Cayman Islands		23	5,368	-783
Energías Renovables de Ávila, S.A., Madrid/Spain		17	595	0
E.ON SE, Essen		15	9,728,400	788,300
Focal Energy Solar Three Ltd., Nicosia/Cyprus		8	5,822	648
Glenrothes Paper Limited, Glenrothes/United Kingdom		0	634	0
Globus Steel & Power Pvt. Limited, New Delhi/India		18	-1,428	-245
High-Tech Gründerfonds II GmbH & Co. KG, Bonn		1	103,211	0

1 Profit and loss-pooling agreement; amounts blocked for transfer.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 No control by virtue of company contract.
5 Significant influence via indirect investments.
6 Significant influence by virtue of company contract.

IX. Other investments	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
HOCHTEMPERATUR-KERNKRAFTWERK Gesellschaft mit beschränkter Haftung (HKG) Gemeinsames Europäisches Unternehmen, Hamm		31	0	0
Nordsee One GmbH, Oststeinbek		15	94,283	50,169
Nordsee Three GmbH, Oststeinbek		15	72	-2
Nordsee Two GmbH, Oststeinbek		15	70	-2
OPPENHEIM PRIVATE EQUITY Institutionelle Anleger GmbH & Co. KG, Cologne	29	29	158	-190
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	73	-1
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	2,386	0
Parque Eólico Leo, S.L., Oviedo/Spain		10	312	0
PEAG Holding GmbH, Dortmund	12	12	17,942	785
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	92	-1
SET Fund II C.V., Amsterdam/Netherlands		6	22,570	-2,915
Stem Inc., Milbrae/USA		6	-20,413	-51,014
Sustainable Energy Technology Fund C.V., Amsterdam/Netherlands		48	22,287	6,884
Technologiezentrum Jülich GmbH, Jülich		5	1,955	165
Transport- und Frischbeton-Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Aachen, Aachen		17	390	122
Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf	43	43	1,025	-33
UMBO GmbH, Hamburg		10	4,413	2,925
Umspannwerk Lübz GbR, Lübz		18	27	8
Versorgungskasse Energie (VVaG) i.L., Hanover		0	51,729	0
Versorium Energy Ltd., Calgary/Canada		15		[3]

1 Profit and loss-pooling agreement; amounts blocked for transfer.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 No control by virtue of company contract.
5 Significant influence via indirect investments.
6 Significant influence by virtue of company contract.

Changes in shareholding with change of control	Shareholding in % 31 Dec 2020	Shareholding in % 31 Dec 2019	Change
Additions to affiliated companies included in the consolidated financial statements			
RWE Battery Solutions GmbH, Essen	100		100
RWE Kings Lynn Limited, Swindon/United Kingdom	100		100
RWE Renewables HoldCo B.V., Geertruidenberg/Netherlands	100		100
RWE Renewables Management UK Limited, Swindon/United Kingdom	100		100
RWE Renouvelables France SAS, La Plaine St. Denis/France	100		100
Vela Wind Holdco, LLC, Wilmington/USA	100		100
Disposal of affiliated companies included in the consolidated financial statements			
BELECTRIC PV Dach GmbH, Sömmerda		100	-100
Georgia Biomass Holding LLC, Savannah/USA		100	-100
Georgia Biomass LLC, Savannah/USA		100	-100
innogy Slovensko s.r.o., Bratislava/Slovakia		100	-100
Jurchen Technology GmbH, Kitzingen		100	-100
Jurchen Technology India Private Limited, Mumbai/India		100	-100
NRW Pellets GmbH, Erndtebrück		100	-100
Transpower Limited, Dublin/Ireland		100	-100
Východoslovenská distribucná, a.s., Košice/Slovakia		100	-100
Východoslovenská energetika a.s., Košice/Slovakia		100	-100
Východoslovenská energetika Holding a.s., Košice/Slovakia		49[1]	-49

1 Control by virtue of company contract.

Changes in shareholding without change of control	Shareholding in % 31 Dec 2020	Shareholding in % 31 Dec 2019	Change
Affiliated companies which are included in the consolidated financial statements			
Nordsee Windpark Beteiligungs GmbH, Essen	100	90	10
RWE Renewables UK Humber Wind Limited, Coventry/United Kingdom	51	100	-49

4.8 Boards (part of the notes)

As of: 5 March 2021

Supervisory Board

(End of term: 2021 Annual General Meeting)

Dr. Werner Brandt
Bad Homburg
Chairman
Chairman of the Supervisory Board of ProSiebenSat.1 Media SE
Year of birth: 1954
Member since 18 April 2013

Other appointments:
- ProSiebenSat.1 Media SE (Chairman)[1]
- Siemens AG[1]

Frank Bsirske[2]
Isernhagen
Deputy Chairman
Former Chairman of ver.di - Vereinte Dienstleistungsgewerkschaft
Year of birth: 1952
Member since 9 January 2001

Other appointments:
- Deutsche Bank AG[1]

Michael Bochinsky[2]
Grevenbroich
Deputy Chairman of the General Works Council of RWE Power AG
Year of birth: 1967
Member since 1 August 2018

Sandra Bossemeyer[2]
Duisburg
Chairwoman of the Works Council of RWE AG
Representative of the disabled
Year of birth: 1965
Member since 20 April 2016

Martin Bröker[2]
Bochum
Head of Corporate IT & SAP at RWE AG
Year of birth: 1966
Member since 1 September 2018

• Member of other mandatory supervisory boards
as defined in Section 125 of the German Stock Corporation Act.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises
as defined in Section 125 of the German Stock Corporation Act.

1 Listed company.
2 Employee representative.
3 Office within the Group.

Anja Dubbert[2]
Essen
Business Development Manager
Member of the Works Council of RWE Supply & Trading GmbH
Year of birth: 1979
Member since 27 September 2019

Matthias Dürbaum[2]
Heimbach
Chairman of the Works Council of the Hambach Opencast Mine
Year of birth: 1987
Member since 27 September 2019

Ute Gerbaulet
Düsseldorf
General Partner of Bankhaus Lampe KG
Year of birth: 1968
Member since 27 April 2017

Other appointments:
- NRW.Bank AöR

Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
Essen
Former Chairman of the Executive Board of HOCHTIEF AG
Year of birth: 1947
Member since 18 April 2013

Other appointments:
- Consolidated Contractors Group S.A.L.

Mag. Dr. h. c. Monika Kircher
Krumpendorf, Austria
Independent Corporate Consultant
Year of birth: 1957
Member since 15 October 2016

Other appointments:
- Andritz AG[1]
- Kärntner Energieholding Beteiligungs GmbH (Chairwoman)
- KELAG-Kärntner Elektrizitäts AG
- Siemens AG Österreich

Harald Louis[2]
Jülich
Chairman of the General Works Council of RWE Power AG
Year of birth: 1967
Member since 20 April 2016

Other appointments:
• RWE Power AG[3]

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1 Listed company.
2 Employee representative.
3 Office within the Group.

Dagmar Mühlenfeld
Mülheim an der Ruhr
Former Mayor of the City of Mülheim an der Ruhr
Managing Director of JUNI gGmbH (Junior-Uni Ruhr)
Year of birth: 1951
Member since 4 January 2005

Peter Ottmann
Nettetal
Managing Director of Verband der kommunalen RWE-Aktionäre GmbH
Attorney
Former Chief Administrative Officer of Viersen County
Year of birth: 1951
Member since 20 April 2016

Günther Schartz
Wincheringen
Chief Administrative Officer of the District of Trier-Saarburg
Year of birth: 1962
Member since 20 April 2016

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

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

Other appointments:
• BDO AG Wirtschaftsprüfungsgesellschaft
• Hannover Rück SE[1]
• HDI Haftpflichtverband der Deutschen Industrie VVaG
• Talanx AG[1]

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

Other appointments:
- Adenauer Stiftung (Chairman of the Board of Trustees)
- PJSC LUKOIL[1]

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1 Listed company.
2 Employee representative.
3 Office within the Group.

Ullrich Sierau
Dortmund
Former Mayor of the City of Dortmund
Year of birth: 1956
Member since 20 April 2011

Ralf Sikorski[2]
Hanover
Deputy Chairman of IG Bergbau, Chemie, Energie
Year of birth: 1961
Member since 1 July 2014

Other appointments:
- CHEMIE Pensionsfonds AG
- Lanxess AG[1]
- Lanxess Deutschland GmbH
- RAG AG
- RWE Generation SE[3]
- RWE Power AG[3]
- \- KSBG Kommunale Verwaltungsgesellschaft GmbH

Marion Weckes[2]
Dormagen
Head of the Listed Companies and Corporate Governance Unit of the Institute for Co-determination and Corporate Governance of the Hans Böckler Foundation
Year of birth: 1975
Member since 20 April 2016

Leonhard Zubrowski[2]
Lippetal
Chairman of the Group Works Council of RWE AG
Year of birth: 1961
Member since 1 July 2014

Other appointments:
- RWE Generation SE[3]

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1 Listed company.
2 Employee representative.
3 Office within the Group.

Supervisory Board Committees

Executive Committee of the Supervisory Board

Dr. Werner Brandt (Chairman)
Frank Bsirske
Sandra Bossemeyer
Anja Dubbert
Matthias Dürbaum
Prof. Dr. Hans-Peter Keitel
Dagmar Mühlenfeld
Dr. Wolfgang Schüssel

Mediation Committee in accordance with Section 27, Paragraph 3 of the German Co-Determination Act

Dr. Werner Brandt (Chairman)
Frank Bsirske
Dr. Wolfgang Schüssel
Ralf Sikorski

Personnel Affairs Committee

Dr. Werner Brandt (Chairman)
Frank Bsirske
Harald Louis
Peter Ottmann
Dr. Wolfgang Schüssel
Leonhard Zubrowski

Audit Committee

Dr. Erhard Schipporeit (Chairman)
Michael Bochinsky
Mag. Dr. h. c. Monika Kircher
Ullrich Sierau
Ralf Sikorski
Marion Weckes

Nomination Committee

Dr. Werner Brandt (Chairman)
Prof. Dr. Hans-Peter Keitel
Peter Ottmann

Strategy and Sustainability Committee

Dr. Werner Brandt (Chairman)
Frank Bsirske
Prof. Dr. Hans-Peter Keitel
Günther Schartz
Ralf Sikorski
Leonhard Zubrowski

The Executive Board

Dr. Rolf Martin Schmitz (Chief Executive Officer until 30 April 2021)
Chairman of the Executive Board of RWE AG since 15 October 2016
Member of the Executive Board of RWE AG since 1 May 2009, appointed until 30 June 2021, will resign as of 30 April 2021
Labour Director of RWE AG from 1 May 2017 to 31 October 2020

Offices:
- Corporate Transformation
- Internal Audit & Compliance
- Corporate Communications & Energy Policy
- Legal & Insurance
- Corporate Business Development

Other appointments:
- E.ON SE[1]
- RWE Generation SE[2] (Chairman)
- RWE Renewables GmbH[2]
- RWE Supply & Trading GmbH[2]
- TÜV Rheinland AG

\- Jaeger Grund GmbH & Co. KG (Jaeger Gruppe, Chairman)
\- Kärntner Energieholding Beteiligungs GmbH
\- KELAG-Kärntner Elektrizitäts AG

Dr. Markus Krebber (Chief Financial Officer until 30 April 2021)
Chief Executive Officer as of 1 May 2021
Member of the Executive Board of RWE AG since 1 October 2016, appointed until 30 June 2026

Offices:
- Controlling & Risk Management
- Investor Relations
- Portfolio Management / Mergers & Acquisitions
- Accounting
- Corporate Strategy

Other appointments:
- RWE Generation SE[2]
- RWE Power AG[2]
- RWE Renewables GmbH[2] (Chairman)
- RWE Supply & Trading GmbH[2] (Chairman)

• Member of other mandatory supervisory boards as defined in Section 125 of the German Stock Corporation Act.
\- Member of comparable domestic and foreign supervisory boards of commercial enterprises as defined in Section 125 of the German Stock Corporation Act.

1 Listed company.
2 Office within the Group.

Dr. Michael Müller (Chief Financial Officer as of 1 May 2021)
Member of the Executive Board of RWE AG since 1 November 2020, appointed until 31 October 2023
Managing Director and CFO of RWE Supply & Trading GmbH from 1 September 2016 to 30 April 2021
(posts held concurrently since 1 November 2020)

Offices:
- Business Services
- Finance & Credit Risk
- Tax

Other appointments:
- Amprion GmbH
- RWE Generation SE[2]
- RWE Power AG[2]

Zvezdana Seeger (Chief HR Officer)
Member of the Executive Board of RWE AG since 1 November 2020, appointed until 31 October 2023
Labour Director of RWE AG since 1 November 2020

Offices:
- IT
- Human Resources

Other appointments:
- RWE Pensionsfonds AG[2] (Chairwoman)
- RWE Power AG[2] (Chairwoman)

• Member of other mandatory supervisory boards
as defined in Section 125 of the German Stock Corporation Act.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises
as defined in Section 125 of the German Stock Corporation Act.

1 Listed company.
2 Office within the Group.

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

4.9 Independent auditor's report

To RWE Aktiengesellschaft, Essen

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of RWE Aktiengesellschaft, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of RWE Aktiengesellschaft, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537 / 2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recoverability of goodwill
❷ Changes in Segment Reporting
❸ Impairment of property, plant and equipment

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Recoverability of goodwill**

① In the consolidated financial statements of RWE Aktiengesellschaft, goodwill amounting to €2.6 billion (4.2 % of consolidated total assets) (prior year: €2.5 billion or 4.0 % of consolidated total assets) is reported under the balance sheet item "Intangible assets".

Goodwill is tested for impairment ("impairment test") annually or when there are indications of impairment, to determine any possible need for write-downs. The carrying amounts of the relevant cash-generating units, including goodwill, are compared with the corresponding recoverable amounts in the context of the impairment tests. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. The impairment tests are performed at the level of the cash-generating units or groups of cash-generating units to which the respective goodwill is allocated. The measurements to calculate the fair value less costs of disposal carried out for the purposes of the impairment tests are based on the present values of the future cash flows derived from the planning projections for the next three years (medium-term plan) prepared by the executive directors and acknowledged by the supervisory board. In doing so, expectations relating to future market developments and country-specific assumptions about the performance of macroeconomic indicators are also taken into account. Present values are calculated using discounted cash flow models. The discount rate applied is the weighted average cost of capital for the relevant cash-generating unit. The impairment test did not result in the recognition of a write-down. The outcome of these measurements is dependent to a large extent on the estimates made by the executive directors of the future cash inflows of the cash-generating units, and on the respective discount rates and rates of growth employed as well as on further assumptions. The measurement is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the measurement, this matter was of particular significance in the context of our audit.

② As part of our audit, we evaluated the methodology used for the purpose of performing the impairment tests and assessed the calculation of the weighted average cost of capital, among other things. In addition, we assessed whether the future cash inflows underlying the measurements together with the weighted cost of capital used represent an appropriate basis for the impairment tests overall. We evaluated the appropriateness of the future cash inflows used in the calculations, among other things, by comparing this data with the Group's medium-term plan and by reconciling it against general and sector-specific market expectations. In this context, we also assessed whether the costs of Group functions were properly included in the respective cash-generating unit. In the knowledge that even relatively small changes in the discount rate applied can in some cases have a material impact on the fair value less costs of disposal calculated using this method, we also evaluated the parameters used to determine the discount rate applied and assessed the measurement model. Furthermore, we evaluated the sensitivity analyses performed by the Company in order to evaluate any impairment risk (carrying amount higher than recoverable amount) in the event of a reasonably possible change in a material assumption underlying the measurement. Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

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

❷ Changes in segment reporting

① The executive directors of RWE Aktiengesellschaft made changes to its internal management and reporting structures in financial year 2020. The separately reported activities "innogy continuing operations" and "operations acquired from E.ON" have been dissolved and the power generation activities according to the energy source applied have been reclassified. A distinction is made between the five segments: (1) Offshore Wind, (2) Onshore Wind / Solar, (3) Hydro / Biomass / Gas, (4) Supply & Trading and (5) Coal / Nuclear, whereby the segments (1) to (4) form the core business. This required a redefinition of the segments shown in the Group's segment reporting and a reallocation of goodwill to the cash-generating units or groups of cash-generating units. The management approach required by IFRS 8 for the identification of segments and allocation of goodwill involves the exercise of judgement to a high degree. The changes to segment reporting and the reallocation of goodwill to the cash-generating units or groups of cash-generating units were therefore of particular significance in the context of our audit.

② As part of our audit, among other things, we assessed whether segment reporting in accordance with the requirements of the management approach is consistent with the Company's internal reporting and management structures. For this purpose, we evaluated in particular the internal reporting to the executive board and satisfied ourselves by inspecting the minutes of executive board meetings that the new segment structure corresponds to the Company's regular internal reporting. Moreover, we reviewed the methodology used to reallocate goodwill and assessed the level of decision-making by the executive board concerning the allocation of resources. In addition, we assessed the adjustments to the consolidation accounting entries required for the presentation of the new segments and the comparative disclosures. In our view, the redefinition of the reportable segments and the reallocation of goodwill to the cash-generating units or groups of cash-generating units have been clearly documented and appropriately implemented overall.

③ The RWE Group's segment reporting is contained in the notes to the consolidated financial statements in section "Other information" in note "(29) Segment reporting".

❸ Impairment of property, plant and equipment

① In the consolidated financial statements of RWE Aktiengesellschaft, power plants, refining plants and opencast mining facilities (hereinafter referred to as "property, plant and equipment") in the "Coal / Nuclear" and "Hydro / Biomass / Gas" segments are impaired by €1.6 billion due to adverse long-term assumptions concerning sales prices and volumes. The recoverability of property, plant and equipment was tested on the basis of their fair values less costs to sell, which exceed their values in use. The fair values of the respective property, plant and equipment are determined by the Company as the present values of the future cash flows using discounted cash flow models. The planning projections for the next three years (medium-term plan) prepared by the executive directors and acknowledged by the supervisory board are used as a basis and extrapolated on the basis of long-term assumptions regarding electricity, coal, gas and CO_2 certificate prices as well as the planned operating times. The outcome of these measurements is dependent to a large extent on the estimates made by the executive directors of the future cash inflows and on the respective discount rates and rates of growth employed as well as on further assumptions. The measurement is therefore subject to considerable uncertainty, so that this matter was of particular significance in the context of our audit.

② As part of our audit, we evaluated the methodology used for the purpose of performing the impairment tests for property, plant and equipment and assessed the calculation of the weighted average cost of capital, among other things. In addition, we assessed whether the future cash inflows underlying the measurements together with the weighted cost of capital used represent an appropriate basis for the impairment tests overall. We evaluated the appropriateness of the future cash inflows used in the calculations, among other things, by comparing this data with the Group's medium-term plan and by reconciling it against general and sector-specific market expectations with regard to electricity, coal, gas and CO_2 certificate prices as well as the planned operating times. Furthermore, on the basis of the medium-term plan, we assessed the recoverability of the property, plant and equipment based on the evidence presented to us. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the fair values calculated using this method, we also evaluated the parameters used to determine the discount rate applied and assessed the measurement model. Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures relating to the recoverability of property, plant and equipment are contained in the notes to the consolidated financial statements in section "Notes to the Income Statement" in note "(5) Depreciation, amortization and impairment losses".

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section 2.7 of the group management report

- the separate non-financial group report pursuant to § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file [RWE_AG_KA+KLB_ESEF-2020-12-31.zip] and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31,2020, contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain reasonable assurance that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i. e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019 / 815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 26, 2020. We were engaged by the supervisory board on July 8, 2020. We have been the group auditor of RWE Aktiengesellschaft, Essen, without interruption since the financial year 2001.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Ralph Welter.

Essen, March 5, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Markus Dittmann)	(sgd. Ralph Welter)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

4.10 Information on the auditor

The consolidated financial statements of RWE AG and its subsidiaries for the 2020 fiscal year – consisting of the Group balance sheet, Group income statement and statement of comprehensive income, Group statement of changes in equity, Group cash flow statement and Group notes to the financial statements – were audited by the auditing company PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The auditor at PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft responsible for RWE for the last time is Mr. Ralph Welter. Mr. Welter has performed this function in seven previous audits of RWE.

05 Further information

Recultivation area near Erftstadt, Germany

5.1 Five-year overview

Five-year overview of the RWE Group[1]		2020	2019	2018	2017	2016
External revenue (excluding natural gas tax/electricity tax)	€ million	13,688	13,125	13,406	13,822	43,590
Adjusted EBITDA	€ million	3,235	2,489	1,538	2,149	5,403
Adjusted EBIT	€ million	1,771	1,267	619	1,170	3,082
Income before tax	€ million	1,196	-752	49	2,056	-5,807
Net income/RWE AG shareholders' share in income	€ million	995	8,498	335	1,900	-5,710
Earnings per share	€	1.56	13.82	0.54	3.09	-9.29
Cash flows from operating activities of continuing operations	€ million	4,125	-977	4,611	-3,771	2,352
Free cash flow	€ million	1,132	-2,053	3,439	-4,439	809
Non-current assets	€ million	34,461	35,768	18,595	45,694	45,911
Current assets	€ million	27,207	28,241	61,513	23,365	30,491
Balance sheet equity	€ million	17,971	17,467	14,257	11,991	7,990
Non-current liabilities	€ million	27,280	26,937	20,007	36,774	39,646
Current liabilities	€ million	16,417	19,605	45,844	20,294	28,766
Balance sheet total	€ million	61,668	64,009	80,108	69,059	76,402
Equity ratio	%	29.1	27.3	17.8	17.4	10.5
Net debt	€ million	4,432	7,159	19,339	20,227	22,709
Workforce at the end of the year[2]		19,498	19,792	17,748	59,547	58,652
CO_2 emissions	million metric tons	68.9	88.1	118.0	131.8	148.3

1 The comparability of some of the figures for various fiscal years is limited due to changes in reporting.
2 Converted to full-time positions.

5.2 Imprint

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RWE is a member of DIRK – the German Investor Relations Association.

For annual reports, interim reports, interim statements and further information on RWE, please visit us on the internet at www.rwe.com/en.

This document was published on 16 March 2021. It is a translation of the German annual report. The consolidated financial statements and the review of operations are also published in the German Federal Gazette. These are the definitive versions.

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

References to the internet. The contents of pages on the internet and publications to which we refer in the review of operations are not part of the review of operations and are merely intended to provide additional information. The corporate governance declaration in accordance with Section 289f as well as Section 315d of the German Commercial Code is an exception.

Financial Calendar 2021/2022

28 April 2021	Virtual Annual General Meeting
29 April 2021	Ex-dividend date
03 May 2021	Dividend payment
12 May 2021	Interim statement on the first quarter of 2021
12 August 2021	Interim report on the first half of 2021
11 November 2021	Interim statement on the first three quarters of 2021
15 March 2022	Annual report for fiscal 2021
28 April 2022	Annual General Meeting
29 April 2022	Ex-dividend date
03 May 2022	Dividend payment
12 May 2022	Interim statement on the first quarter of 2022
11 August 2022	Interim report on the first half of 2022
10 November 2022	Interim statement on the first three quarters of 2022

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