

# RWE

## Focus on growth.

Annual Report 2021



## 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 with natural gas, wind, sun and water. Tomorrow, we will make a full transition to zero-carbon energy sources. Because our objective is to be carbon neutral. And we aim to accomplish this by 2040.

Green energy is the lifeblood of a sustainable economy. And demand for it is also rising 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 significant opportunities. Together with renowned partners from industry and science, we have set our sights on a hydrogen economy. We have already launched about 30 projects. Our long-term goal is to supply both green electricity and green hydrogen, a second product with huge potential demand.

It takes a major effort to achieve major goals. We plan to invest 50 billion euros in green growth in the current decade – in new wind and solar farms, battery storage, flexible backup power plants and

electrolysers for hydrogen production. In net terms, i. e. after deducting proceeds on the sale of stakes in projects, expenditure will total some 30 billion euros. Our objective here is to double generation capacity in our core business to 50 gigawatts. As we work to accomplish this, we will also make a socially acceptable exit from coal-fired generation. We want to do this as quickly as possible, while ensuring security of supply at all times.

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. RWE's 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: our carbon dioxide emissions from power production have more than halved since 2012. 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 <sup>1</sup>		2021	2020	+/-
Power generation	GWh	160,773	141,204 <sup>2</sup>	19,569
External revenue (excluding natural gas tax / electricity tax)	€ million	24,526	13,688	10,838
Adjusted EBITDA	€ million	3,650	3,286	364
Adjusted EBIT	€ million	2,185	1,823	362
Income from continuing operations before tax	€ million	1,522	1,265	257
Net income / income attributable to RWE AG shareholders	€ million	721	1,051	-330
Adjusted net income	€ million	1,569	1,257	312
Cash flows from operating activities of continuing operations	€ million	7,274	4,125	3,149
Capital expenditure	€ million	3,769	3,358	411
Property, plant and equipment and intangible assets	€ million	3,689	2,285	1,404
Financial assets	€ million	80	1,073	-993
Proportion of taxonomy-eligible investments <sup>3</sup>	%	88	-	-
Free cash flow	€ million	4,562	1,132	3,430
Number of shares outstanding (annual average)	thousands	676,220	637,286	38,934
Earnings per share	€	1.07	1.65	-0.58
Adjusted net income per share	€	2.32	1.97	0.35
Dividend per share	€	0.90 <sup>4</sup>	0.85	0.05
		31 Dec 2021	31 Dec 2020	
Net assets (+) / net debt (-)	€ million	360	-4,432	4,792
Workforce <sup>5</sup>		18,246	19,498	-1,252

1 Some prior-year figures restated due to a change in the recognition of tax benefits to subsidise renewables in the USA (see page 47).

2 Adjusted figure, as power purchases from generation assets in which RWE does not own the majority, but which we have long-term usage rights to, are no longer considered.

3 Taxonomy-eligible economic activity is activity which is subject to criteria under the EU Taxonomy Regulation – irrespective of whether the criteria are met (see page 34 et seq.).

4 Dividend proposal for fiscal 2021, subject to the passing of a resolution by the 28 April 2022 Annual General Meeting.

5 Converted to full-time positions.



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We provide detailed information on our sustainability activities in our **Sustainability Report** and **Non-financial Report**. These publications are available at [www.rwe.com/responsibility-and-sustainability](http://www.rwe.com/responsibility-and-sustainability). The reports on fiscal 2021 will be published in April 2022.

In accordance with Section 162 of the German Stock Corporation Act, we published the **Remuneration Report** for fiscal 2021 as a separate report for the first time. It has also been included in the invitation to the virtual Annual General Meeting, scheduled for 28 April 2022. The publications are available at [www.rwe.com/remuneration](http://www.rwe.com/remuneration) and [www.rwe.com/agm](http://www.rwe.com/agm).

# 1

## To our investors

“Taking on and mastering new challenges is what RWE strives for – and so do I.”

Feixia Li, Junior Project Manager Corporate Improvements & Projects, RWE Supply & Trading

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## 1.1 Letter from the CEO



Dr. Markus Krebber, Chief Executive Officer of RWE AG

*Dear Shareholders,  
Ladies and gentlemen*

Europe is experiencing particularly difficult times. The images we are seeing from Ukraine are shocking. For me, the scale of the human suffering caused by the war is almost inconceivable. With the attack on Ukraine, Russia's leadership has violated international law and the right of the Ukrainian people to self-determination. Sadly, we have been reminded that democracy, freedom and peace cannot be taken for granted and that we must stand up in support of them. Our thoughts and solidarity are with the people in Ukraine, who must endure the horrors of war.

The conflict has massive ramifications for Europe as a whole. One key aspect is security of energy supply. As a company active in critical infrastructure, we at RWE are well aware of the great responsibility we bear at this time. We therefore support the efforts of the EU and the German government to reduce dependence on deliveries of commodities from Russia and simultaneously ensure a reliable supply of energy. We are working on identifying RWE power stations which can provide additional backup capacity. We are also playing our part in diversifying the supply of natural gas. One example of this is our participation in the planned LNG terminal in Brunsbüttel, Germany, which will be able to receive shipments of liquefied natural gas and, in the future, green ammonia for hydrogen production.

Even though security of supply is the centre of attention at the moment, the medium- and long-term vision for energy policy remains unchanged. Indeed, expanding renewables and ramping up the hydrogen economy are more important than ever – not only to protect the climate, but also to increase our independence from commodity imports. RWE will make a major contribution to these causes. At our Capital Market Day on 15 November 2021, we informed the public of the action we plan to take. Our Growing Green strategy will make the 2020s a decade of growth for our company. By 2030, we intend to invest a gross sum of around €50 billion in transforming RWE and thus transitioning to a sustainable energy system. These funds will be spent on the construction of wind and solar farms, battery storage, climate-friendly backup power stations and electrolyzers for the production of hydrogen. Our net capital expenditure, which takes into account proceeds from the sale of stakes in projects, is expected to reach €30 billion. With this, we plan to double generation capacity in our core business to roughly 50 GW by the end of the decade. Earnings from core activities will also increase sharply: for 2030, we project adjusted EBITDA in the order of €5 billion, representing an increase of around 80% compared to 2021. These goals are ambitious, but realistic. This was reflected in the stock market's positive reaction to our Growing Green strategy, as the RWE share closed trading that day with a strong gain and continued to perform well in the following weeks.

We are pursuing our growth strategy with determination. Since the start of 2021, we have commissioned 14 wind and solar farms with a total capacity of 1.2 GW, despite supply chain issues that led to delays for some projects. In the spring of 2021, we started building the Sofia wind farm off the eastern coast of the UK, which will set new standards with its planned capacity of 1.4 GW. In addition, we set the stage for a number of attractive major projects. In auctions for new offshore wind farm sites in Great Britain, Germany, Denmark and the USA we secured leases for sites where we can build up to 8 GW of generation capacity.

The past year was challenging in many respects, and thus we are even more pleased that we outperformed our financial targets. At €3,650 million, our adjusted EBITDA was well above the range we had projected. We met or exceeded the expectations in all of the segments. These achievements are driven by our dedicated employees, who have put their all into ensuring our company's continued success. I'd like to express my gratitude to all of them, on behalf of the entire Executive Board. Coming against the backdrop of the coronavirus pandemic, our performance in 2021 is all the more impressive. Thanks to the flexibility and dedication of our employees, we were able to maintain all of our critical operations at all times.

The catastrophic flooding in western Germany was a defining moment in the summer of 2021. All of us can recall the scenes of utter devastation. Among the many people who lost their lives was an employee of one of RWE's partner companies. We would like to extend our deepest condolences to his family and friends. The floods impacted a number of our sites. Nevertheless, we were able to limit the resulting downtime at the Inden opencast mine and many of our run-of-river power stations to just a few days. We have the untiring efforts of our people to thank for this. Many of them also rolled up their sleeves and personally helped out those in need. RWE itself provided materials, machinery and funds totalling around €2 million, with one quarter of the donations coming from our employees.

In closing, let me briefly look ahead to fiscal 2022. Despite the uncertain course of the conflict in Ukraine and its consequences, I am confident that we can continue to generate good earnings as was the case in 2021. At present, our projection for adjusted EBITDA foresees a range of €3.6 billion to €4.0 billion. In this regard, one key factor will be the earnings contributions of our new wind and solar farms. As you can see, our growth strategy is paying off. That said, we are at the very beginning of a long and challenging journey. RWE's transformation involves much more than billions of euros of investment. Passion, the ability to change, and, sometimes, courage are all key ingredients. I am convinced that RWE has all these qualities. And that means you, dear shareholders, can count on us. Thank you for your trust and confidence! I hope you'll continue with us on this exciting journey.

Sincerely yours,





## 1.2 Executive Board of RWE AG

**Markus Krebber**, Chief Executive Officer, was born in 1973 in Kleve, Germany. He has held this position since May 2021. He trained as a banker and holds a doctorate in economics. Markus started his career in 2000 at McKinsey & Company. Thereafter, he held various managerial positions at Commerzbank AG. In November 2012, Markus joined the Board of Directors of RWE Supply & Trading GmbH, where he was responsible for finance and became CEO in March 2015. Markus joined the Executive Board of RWE AG in October 2016, where he was Chief Financial Officer until May 2021.

**Michael Müller** has been Chief Financial Officer since May 2021. Born in 1971 in Cologne, Germany, he 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 managerial 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. Michael has been a Member of the Executive Board of RWE AG since November 2020.

**Zvezdana Seeger** was appointed Chief Human Resources Officer and Labour Director in November 2020. She was born in 1964 in Jajce, Bosnia and Herzegovina, holds a degree in economics and 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 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. Zvezdana has been a Member of the Executive Board of RWE AG since November 2020.



Michael Müller

Markus Krebber

Zvezdana Seeger



## 1.3 Supervisory Board report



Dr. Werner Brandt, Chairman of the  
Supervisory Board of RWE AG

**“RWE's growth and climate protection strategy is both ambitious and credible. It justifies the trust investors place in our company.”**

*Dear Shareholders,  
Ladies and Gentlemen*

You might be familiar with the proverb 'A journey of a thousand miles begins with a single step.' More often than not, this is true. But at RWE, the journey from a past dominated by fossil fuel to a carbon-neutral future began with a whole series of steps. Investors, media representatives and the public bore witness to the speed at which the company seeks to continue this journey on 15 November 2021. That was the day on which management presented its ambitious growth strategy under the motto 'Growing Green,' which the Supervisory Board had been heavily involved in developing. RWE aims to invest approximately €50 billion in the company's green transformation from 2021 to 2030,

thus contributing to the success of the energy transition. After subtracting proceeds on the sale of stakes in projects, net investments will amount to some €30 billion. RWE will use these funds to build renewable generation assets, battery storage systems, flexible backup power stations and electrolyzers for hydrogen production with a total capacity of 25 GW. Based on the criteria established by the EU Taxonomy Regulation, over 90 percent of the capital expenditure should contribute to environmental sustainability. Our growth campaign should drive the Group's adjusted EBITDA up to about €5 billion by 2030 although the non-core business with coal and nuclear power plants will have stopped contributing to earnings by then. Such a transformation is unrivalled in terms of speed, sustainability and returns.

Every departure for new horizons involves bidding farewell to the past. RWE has set out to become carbon neutral along the entire value chain by 2040. The key to achieving this goal is the phaseout of electricity generation from coal, which in Germany goes hand in hand with an exit from nuclear energy. This is a Herculean task for RWE, both financially and socially. Last year, our company decommissioned its last two German hard coal-fired power plants, five lignite units and the Gundremmingen C nuclear power station. So this part of our transformation is also progressing at speed, as it should. However, we must not forget that the power plants guaranteed a reliable supply of electricity and that, first and foremost, we have the skilled and motivated staff on site to thank for that. Many of them dedicated their entire working life to the safe and profitable operation of the stations. To honour this loyalty, RWE will stand by its employees, ensuring that the personnel reduction is socially acceptable. Here, our focus rests in particular on the approximately 8,500 people working in the Rhenish lignite mining region. One can only consider a transformation successful if no one is left behind. RWE is absolutely determined to rise to this challenge.

Last year was a momentous one, and sadly the second dominated by the coronavirus pandemic. Fortunately, its effects on our company and staff remained manageable. RWE took extensive protective measures, thereby ensuring that our key personnel were able to continue working almost without restrictions. Our company demonstrated yet again how

well it can navigate through crises. The Supervisory Board was also able to fulfil its duties without exceptions. Six of our seven meetings - the only exception being the session in September - and nearly all committee meetings were held virtually. The same applied to the Annual General Meeting (AGM) that took place on 28 April 2021. We benefited from the experience gained at our first purely digital Annual General Meeting held in the preceding year. In addition, we reacted to the wishes expressed by our investors by introducing some new services. For example, the speeches by the CEO and CFO as well as my report were published on the company's website before the AGM. Moreover, our shareholders had the opportunity to submit questions and remarks in advance. We will have to hold a purely virtual Annual General Meeting once again in 2022. We hope that you, our valued shareholders, accept this decision in light of the continued exposure to risks arising from COVID-19. No AGM is worth risking one's health.

At RWE, our hearts went out to the many victims of the catastrophic floods in the summer in the states of North Rhine-Westphalia and Rhineland-Palatinate. The floodwater claimed the life of an employee of a partner company at the Inden opencast lignite mine. We would like to express our deepest condolences to the family and friends of those who died in this tragic event. RWE was affected by the floods at several of its locations. Both Inden and nearly all our run-of-river power plants in the region were forced to interrupt operations. However, the stations and mines were able to resume operations after a few days. We have the huge dedication of our employees to thank for this. I was deeply touched by their commitment both on and off site and the way everyone pulled together throughout the entire Group. As sad as the catastrophic floods were, they reminded us of the phenomenal people we have at RWE – a team on which we can rely and we can be proud of.

Unfortunately, the beginning of this year is plagued by a horrifying event. The Russian invasion of Ukraine signals a turning point for the whole of Europe. I'm absolutely appalled at this act of aggression, which is a serious breach of international law. The war against Ukraine demonstrates that peace and freedom are by no means a matter of course in Europe and that we must take decisive action to preserve these ideals. We discussed the political and economic consequences of the crisis in Ukraine at the Supervisory Board meeting we held on 9 March 2022. If the situation escalates, we may face bottlenecks on Europe's energy markets, which would also affect RWE. However, after assessing the potential developments in depth, we currently believe that the risks to which the Group is exposed are manageable. Our main concern is for the people in Ukraine for whom we feel deeply during these difficult times.

**Changes in personnel on the Executive and Supervisory Boards.** The past year was a landmark both in terms of strategy and personnel. RWE AG has had a new CEO since 1 May 2021: Markus Krebber, our former CFO, who joined the Group in 2012. His predecessor, Rolf Martin Schmitz, retired from the Executive Board on 30 April, 2021 after four-and-a-half years at the helm. Together with Markus, he initiated RWE's transformation into a leading renewable energy company. It is with great pleasure that I look back on the successful work we did with Rolf, but I also look forward to continuing this journey with Markus and his team. Zvezdana Seeger and Michael Müller joined the team in November 2020. Zvezdana is our Chief HR Officer and Labour Director. Michael took over as CFO from Markus Krebber with effect from 1 May 2021.

The Supervisory Board also went through some personnel changes last year. On conclusion of the Annual General Meeting on 28 April 2021, the tenures of all the members of this corporate body expired. However, it was impossible for the ten employee representatives to be elected as the Assembly of Delegates, which is charged with this task, was not able to convene until 15 September owing to the restrictions imposed to combat COVID-19. Therefore, restaffing for the transitional period was implemented by court order.

The incumbent employee representatives were reappointed to the Supervisory Board by the Essen District Court. In alphabetical order, they were Michael Bochinsky, Sandra Bossemeyer, Martin Bröker, Frank Bsirske, Anja Dubbert, Matthias Dürbaum, Harald Louis, Ralf Sikorski, Marion Weckes and Leonhard Zubrowski.

By contrast, the election of the shareholder representatives was carried out as planned at the virtual Annual General Meeting on 28 April: Ute Gerbault, Hans-Peter Keitel, Monika Kircher, Günther Scharz, Erhard Schipporeit, Ullrich Sierau and I received the votes required to serve for another term. Dagmar Mühlenfeld, Peter Ottmann and Wolfgang Schüssel did not run for re-election. Hans Bünting, Hauke Stars and Helle Valentin were elected members of the Supervisory Board in their place.

The elections involved a new approach, which I consider to be a great step forward: the shareholder representatives received shortened and staggered tenures. Following established practice in Germany, they used to be elected with identical five-year tenures. The advantage of shortening terms is that the Supervisory Board's composition can be adapted to new demands faster than before. Staggered tenures prevent too many people from leaving the corporate body at the same time, causing valuable experience to be lost. At the 2021 Annual General Meeting, five candidates were elected for three years, and another five were elected for four years. Future by-elections and new elections to the Supervisory Board will be for three-year terms only.

At its constituent meeting following the Annual General Meeting, the Supervisory Board re-elected me its Chairman. I consider this to be in recognition of my work to date and thank my colleagues for the trust they have placed in me. The corporate body chose Frank Bsirske as Deputy Chairman. Furthermore, we restaffed the committees. Germany's law on strengthening the integrity of the financial market, which was enacted in mid-2021, stipulates that each supervisory board must have two independent experts in finance with in-depth knowledge of accounting and financial statement audits. Thanks to Erhard Schipporeit, Chairman of the Audit Committee, and Monika Kirchner, who is also a member of this committee, we fulfil this requirement.

On 15 September 2021, the Assembly of Delegates finally elected the employee representatives to the Supervisory Board. This ended the tenure of the court-appointed members. Ralf Sikorski, Michael Bochinsky, Sandra Bossemeyer, Matthias Dürbaum, Harald Louis and Marion Weckes were re-elected. Martin Bröker, Frank Bsirske, Anja Dubbert and Leonhard Zubrowski retired from their offices. Reiner van Limbeck, Dagmar Paasch, Dirk Schumacher and Andreas Wagner replaced them as new members of the Supervisory Board. The terms of all employee representatives will end on conclusion of the 2026 Annual General Meeting, in compliance with the Articles of Incorporation. As Frank Bsirske left the corporate body, the position of my Deputy had to be restaffed. Ralf Sikorski was elected to this office at the first meeting of all new Supervisory Board members on 21 September. Furthermore, positions on the committees that were vacated by exiting employee representatives were reassigned.

Soon thereafter, there was another personnel change among the shareholder representatives. Günther Scharz resigned from his office as of 30 September 2021. Thereupon, Thomas Kufen was appointed to the corporate body by the Essen District Court with effect from 18 October 2021. We are pleased to have found a worthy successor to Mr. Scharz in him. As mayor of the energy metropolis Essen, he is very familiar with our sector and with RWE. We will submit the restaffing to the Annual General Meeting on 28 April 2022 for the passage of a corresponding resolution.

One of RWE's good traditions is the extensive support that new Supervisory Board members receive from the company in familiarising themselves with their tasks. They go through a tried-and-tested onboarding process to become acquainted with RWE's business model, the Group's structures and certain topics as necessary. The Board Office, which is assigned to Legal, has a co-ordinating function. Moreover, the Board Office informs them of their rights and duties, is of assistance through one-on-ones and ensures the provision of documents and privileges required to exchange digital information.

More detailed information on the new Supervisory Board members and the composition of the committees can be found on pages 220 et seqq. of this report.



**An overview of the Supervisory Board's work in the past year.** I would now like to touch on the Supervisory Board's activity in the fiscal year that just ended. 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. 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. In addition, I was constantly in touch with the Executive Board, allowing us to discuss major developments without delay.

When in session, we concerned ourselves with RWE's growth strategy both repeatedly and in great depth. Further focal points of debate were the effects of the coronavirus pandemic, the restaffing of the Executive Board and the German coal phaseout. 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.

One of the Supervisory Board's key tasks is maintaining dialogue with the shareholders. As I do not believe that this exchange of information should be limited to the Annual General Meeting, I have been holding regular talks with investors and shareholder representatives for many years now. This is a practice I maintained despite COVID-19. The focal points of these talks were the staffing of the Supervisory Board, the staggered tenures, the Executive Board remuneration system, RWE's strategy and the coal phaseout.

We took the basic and advanced training measures needed to fulfil our tasks on our own initiative. The company helped us by organising in-house informational events on topics of special relevance.

**Main points of debate of the Supervisory Board meetings.** Last year, the Supervisory Board convened for seven meetings, including one constituent and one extraordinary session. 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 met separately before the Supervisory Board meetings, in order to consult on matters in a smaller circle and establish joint positions where necessary.

The following issues were discussed at our meetings:

- Our first session last year took place on 10 March. We discussed and approved the 2020 financial statements of RWE AG, the consolidated financial statements, and the separate Non-financial Report. In addition, we passed a resolution to hold last year's Annual General Meeting on 28 April 2021 as a purely online event. At this meeting, I reported on talks I had held with institutional investors and shareholder representatives in the months prior. The agenda also included legal matters, e.g. Germany's new Supply Chain Due Diligence Act, which requires companies to ensure that human rights are observed in their supply chains. We also concerned ourselves extensively with the success achieved by RWE in an auction in Great Britain, at which the company won the rights to build wind farms on two offshore sites.
- We convened in two sessions on 28 April, the first of which was mainly dedicated to preparing the Annual General Meeting, which took place thereafter. We held the constituent meeting of the Supervisory Board with the newly elected shareholder representatives right after the AGM. As set out earlier, the employee representatives had been appointed by court order, because the Assembly of Delegates had to be postponed due to COVID-19. In addition to the election of the Chairman of the Supervisory Board and his Deputy, the meeting centred on staffing the committees. By amending the Articles of Incorporation, we were able to enlarge the Strategy and Sustainability Committee by two to eight members due to its increased importance and reduce the Executive Committee by two to six members in exchange.

- In the next session on 9 June, we debated the judgment of the German Constitutional Court on the 2019 Climate Protection Act. The Court found that the law was insufficient because it identified the risk of substantial emissions reductions being shifted to future generations, placing too heavy a burden on them. The Executive Board informed us that RWE expanded its goal of becoming carbon neutral by 2040 to include the company's entire value chain. Another piece of good news was the start of COVID-19 vaccination by RWE company physicians.
  - In our session on 21 September – the only in-person meeting last year – we welcomed the newly elected employee representatives to the Supervisory Board. As mentioned before, the Assembly of Delegates had convened a few days earlier. This resulted in some changes in personnel, which required seats on the committees to be restaffed and the Deputy Chairman of the Supervisory Board to be elected anew. Another main point of debate was RWE's strategy. I stated earlier that management informed the public of the company's roadmap for the current decade on 15 November. The Supervisory Board was greatly involved in developing the strategic guidelines. During the meeting in September, we focused on management's growth plans in relation to RWE's green core business and the phaseout of coal-fired power generation. Talks also centred on the catastrophic floods in the west of Germany. The Executive Board kept us abreast of the situation at the affected sites and of RWE's aid measures. Furthermore, we discussed the statutory transparency regulations applicable to the remuneration of the Executive Board and appointed the auditor of the Remuneration Report and of the Non-financial Report for fiscal 2021.
  - On 10 October, we held an extraordinary meeting which focused on the extreme rise in commodity prices and its effects on RWE. The collateral we pledge for electricity forward contracts was at times much higher than previous levels. Thanks to a substantial liquidity buffer and our highly professional financial management, however, the company was able to meet its payment commitments at all times.
  - In our session on 10 December, we reviewed and adopted the company planning for fiscal 2022. Moreover, we fulfilled our corporate governance reporting duties: together with the Executive Board, we adopted an updated statement of compliance in accordance with Section 161 of the German Stock Corporation Act and approved the parts of the Corporate Governance Declaration relating to the Supervisory Board pursuant to Section 289a of the German Commercial Code. The documents are available at [www.rwe.com/statement-of-compliance](http://www.rwe.com/statement-of-compliance) and [www.rwe.com/corporate-governance-declaration](http://www.rwe.com/corporate-governance-declaration) respectively. Further topics discussed were the liquidity position, plans to reorganise the renewable energy business and the forming of the new coalition government after Germany's general elections on 26 September. We also discussed at great length the announcement of the coalition partners to accelerate the coal phaseout. Here, the Supervisory Board and the Executive Board have affirmed their commitment to phasing out RWE's lignite-fired power generation in agreement with politicians and after weighing up all interests. Another item on the agenda was the positive feedback from analysts and investors on our Capital Market Day in November. In a nutshell, these stakeholder groups believe that we are charting the right course and have realistic goals. This confirmed that RWE's growth and climate strategy is both ambitious and credible. It justifies the trust investors place in our company.
- Supervisory Board committees.** Last year, the Supervisory Board had six standing committees, the members of which are listed on page 225. 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 13 committee meetings were held, which I would like to touch upon in more detail.
- The **Executive Committee** held one meeting, which took place in December. As usual, the objective was to discuss the company's planning for fiscal 2022 and the outlook on the two subsequent years.

- The **Audit Committee** was in session four times. It carefully reviewed 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 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 2021, prepared the grant of the audit award to the independent auditors including the fee agreement, and set the priorities of the audit. It also verified the independence of the auditors and the quality of the audit. Current laws require RWE to appoint new independent auditors for no later than fiscal 2024. The Committee has already begun preparations for the invitation to tender. Furthermore, as usual, the Audit 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. Additional points of focus were the planning and findings of internal audits, RWE's exposure to risk pursuant to the German Corporate Control and Transparency Act (KonTraG), the risk management system of RWE Supply & Trading, data security, compliance matters as well as legal and tax issues. Related party transactions also featured on the agenda. The Committee verified that the transactions were in line with practices generally accepted on the market, as required by the German law on the implementation of the Second Shareholders Directive. The independent auditors attended all of the Audit Committee meetings and also exchanged information with the Committee Chairman between sessions. In-house experts were occasionally involved in the consultations.
- The **Personnel Affairs Committee** held three meetings. Debates centred on the personnel changes on the Executive Board, the new Executive Board remuneration system, and its presentation in the Remuneration Report in accordance with Section 162 of the German Stock Corporation Act. The remuneration system was approved by the 2021 Annual General Meeting.
- The **Nomination Committee** convened three times. The Supervisory Board elections and filling the position on the Committee vacated by Günther Scharz were the points of focus. In view of the shortened tenures, we also discussed the long-term succession plan.
- The **Strategy and Sustainability Committee** held two sessions to consult on the details and state of implementation of our growth strategy. Agendas focused on the progress made in expanding renewable energy and on the Group's numerous hydrogen projects. Committee members debated the strategy presentation shown at our Capital Market Day in depth. Another focal point was RWE's responsible implementation of the coal phaseout. Moreover, the Committee maintained dialogue with the Executive Board on the varied sustainability goals and measures.
- The **Mediation Committee** pursuant to Section 27, Paragraph 3 of the German Co-Determination Act did not have to convene in 2021.



**Attendance.** The table below 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 2021, 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 sessions held during their membership of the corporate body. The figures show that absence from a meeting was the exception. The attendance rate was 99.5%.

<b>Attendance at meetings in fiscal 2021 by Supervisory Board member</b>	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Nomination Committee	Strategy and Sustainability Committee
Dr. Werner Brandt, Chairman	7/7	1/1	4/4 <sup>1</sup>	3/3	3/3	2/2
Ralf Sikorski, Deputy Chairman	7/7	1/1	2/3	1/1		2/2
Michael Bochinsky	7/7		4/4			1/1
Sandra Bossemeyer	7/7			1/1		1/1
Martin Bröker	4/4					
Frank Bsirske	4/4			2/2		1/1
Dr. Hans Friederich Bunting	5/5					2/2
Anja Dubbert	4/4					
Matthias Dürbaum	7/7		1/1			
Ute Gerbaulet	7/7	1/1				
Prof. Dr. Hans-Peter Keitel	7/7	1/1			3/3	2/2
Dr. h.c. Monika Kircher	7/7		4/4			
Thomas Kufen	1/1					
Reiner van Limbeck	3/3	1/1				
Harald Louis	7/7			3/3		1/1
Dagmar Mühlenfeld	2/2					
Peter Ottmann	2/2			2/2	1/1	
Dagmar Paasch	3/3		1/1			1/1
Günther Scharz	5/5					
Dr. Erhard Schipporeit	7/7		4/4			

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

<b>Attendance at meetings in fiscal 2021 by Supervisory Board member</b>	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Nomination Committee	Strategy and Sustainability Committee
Dirk Schumacher	3/3	1/1				
Dr. Wolfgang Schüssel	2/2			2/2		
Ullrich Sierau	7/7		4/4			
Hauke Stars	5/5			1/1	2/2	
Helle Valentin	5/5					2/2
Dr. Andreas Wagner	3/3					
Marion Weckes	7/7		3/3			
Leonhard Zubrowski	4/4			2/2		1/1

**Conflicts of interest.** The members of the Supervisory Board are obliged by law and the German Corporate Governance Code to immediately disclose any conflicts of interest they have. We were not notified of any such conflict in fiscal 2021.

**Financial statements for fiscal 2021.** PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) audited and issued an unqualified auditor's opinion on the 2021 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. The opinion was signed by the auditors in charge, Markus Dittmann and Aissata Touré. 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 2021 Annual General Meeting. Thereafter, the Supervisory Board had commissioned it to audit the aforementioned financial statements and reports.

The 2021 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 at the Supervisory Board's balance sheet meeting of 9 March 2022. The independent auditors reported in this session 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, the consolidated financial statements, as well as audit reports during its meeting on the preceding day, with the auditors present. It recommended that the Supervisory Board approve the financial statements as well as the appropriation of distributable profit proposed by the Executive Board. The financial statements of RWE AG, the consolidated financial statements, the combined review of operations, the Executive Board's proposal regarding the appropriation of distributable profit, and the Non-financial Report were reviewed by the Supervisory Board. The corporate body did not raise any objections as a result of this review. As recommended by the Audit Committee, the Supervisory Board endorsed the findings of the audits of the financial statements of RWE AG and the consolidated financial statements and approved both financial statements. The 2021 annual 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 €0.90 per share.

**Success and solidarity: A big thank you to everyone at RWE.** Anyone who sets off on a major journey needs motivated people who have their sights set firmly on the destination and are also capable of reaching it. Without a doubt, this applies to RWE. The past fiscal year showed that our company can rely on the expertise and dedication of its employees. Despite the coronavirus and the substantial financial loss sustained due to an unusually harsh cold snap in Texas, 2021 turned out to be a very successful year. On behalf of the Supervisory Board, I would like to express our deep-felt gratitude to the staff members who made this possible. As mentioned earlier, I was extremely impressed by how everyone pulled together and was willing to pitch in to provide the much needed assistance in the wake of the catastrophic floods in parts of western Germany. So many people made donations and rolled up their sleeves, demonstrating what it means to stand united. I have always been proud to be the Chairman of RWE's Supervisory Board. And I now have even more reason to feel this way.



Werner Brandt

Chairman of the Supervisory Board

Essen, 9 March 2022

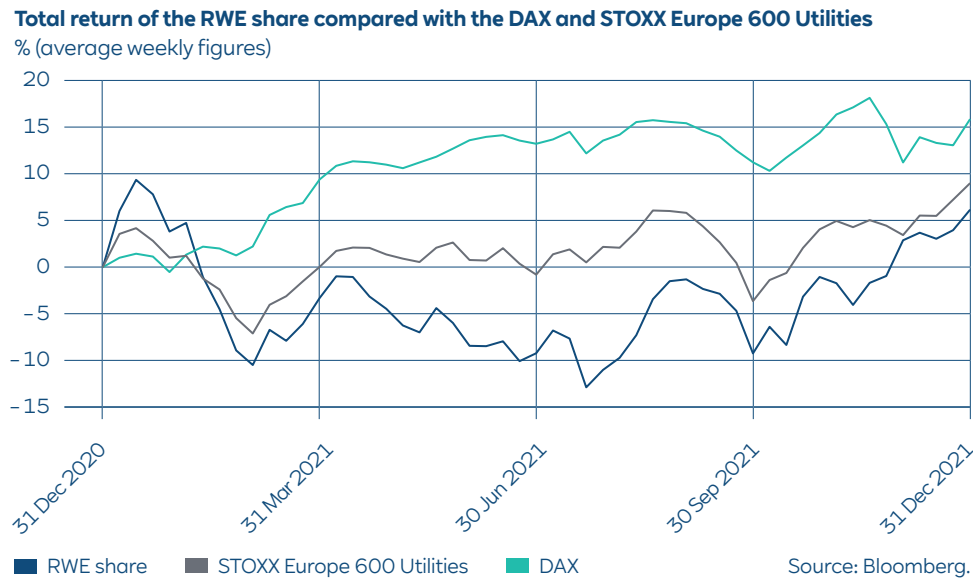


## 1.4 RWE on the capital market

**Fiscal 2021 was a good year for investors in stock markets despite the continued coronavirus pandemic. Driven by a global economic upturn, the DAX repeatedly hit new all-time highs. Germany's blue chip index closed the year with a strong gain of 16%. The RWE share was unable to match this pace, after having consistently left the DAX far behind in the four preceding years. The total return of the RWE share, made up of the change in price and the dividend, amounted to 6%. In part, the shortfall versus the DAX is due to the fact that utility stocks often trail cyclical shares when the economy trends upwards. By contrast, we made the headlines on the debt capital market: RWE AG issued its first green bonds in 2021, raising €1.85 billion for the expansion of renewables.**

**DAX up 16% thanks to economic recovery.** Although 2021 was overshadowed by the COVID-19 crisis, optimism prevailed on international stock markets. The DAX continued its course for recovery which began in 2020, climbing from one all-time high to the next. It closed the year at 15,885 points, representing a return of 16%. The resurgence of the stock markets was driven by a marked acceleration of the economy. Certain sectors such as automotive experienced a veritable boom despite worldwide logistical problems. Share prices were also positively affected by the European Central Bank maintaining its expansionary monetary policy despite mounting inflation.

**RWE share registers 6% total return.** The RWE share also posted gains, albeit smaller than those recorded by the DAX. It closed the month of December 2021 at €35.72. Taking account of the dividend of €0.85 paid in May 2021, this results in a total return of 6% for the year. Therefore, our share was outperformed not only by the DAX but also by the STOXX Europe 600 Utilities, which registered a gain of 9%. Financial analysts confirm the attractive earnings prospects of renewable energy companies like RWE. However, the economic upswing has resulted in a return to strong investment in cyclical stocks. In addition, some capital market participants fear that mounting competitive pressure in the renewable energy business, e.g. created by oil companies entering the market, and rising material costs, may make wind and solar projects less profitable. In February 2021, we suffered substantial financial losses due to extreme weather conditions in Texas, which also weighed on the share price. RWE stock received tailwind in November when we published our growth plans and earnings prospects for the current decade at a Capital Market Day (see pages 25 et seq.). RWE made up for ground lost to the DAX and the sector index thereafter.



RWE share indicators <sup>1</sup>		2021	2020	2019	2018	2017
Earnings per share	€	1.07	1.65	13.82	0.54	3.09
Adjusted net income per share	€	2.32	1.97	-	-	2.00
Cash flows from operating activities of continuing operations per share	€	10.76	6.47	-1.59	7.50	-6.13
Dividend per share	€	0.90 <sup>2</sup>	0.85	0.80	0.70	1.50
Dividend payment	€ million	609 <sup>2</sup>	575	492	430	922
Share price						
End of fiscal year	€	35.72	34.57	27.35	18.97	17.00
Highest closing price	€	38.65	35.02	28.69	22.48	23.14
Lowest closing price	€	28.64	21.00	18.97	15.10	11.80
Share dividend yield <sup>3</sup>	%	2.5	2.5	2.9	3.7	8.8
Number of shares outstanding (annual average)	thousands	676,220	637,286	614,745	614,745	614,745
Market capitalisation at the end of the year	€ billion	24.2	23.4	16.8	11.7	10.3

1 The comparability of some of the figures for various fiscal years is limited due to changes in reporting.

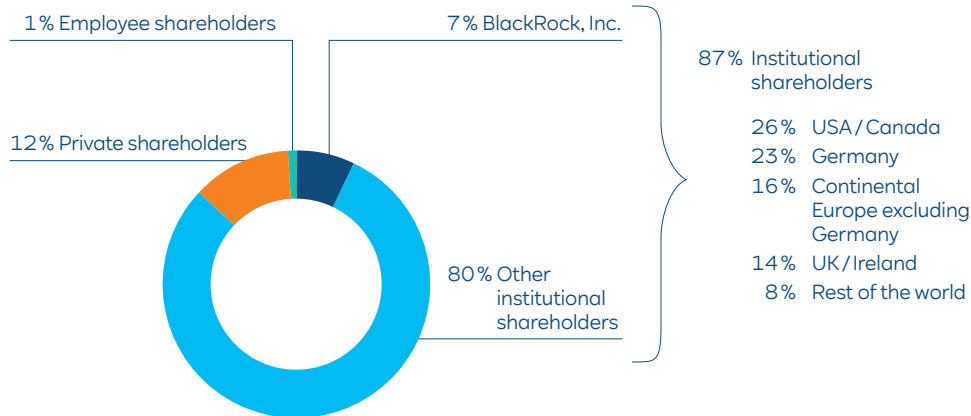
2 Dividend proposal for RWE AG's 2021 fiscal year, subject to the passing of a resolution by the 28 April 2022 Annual General Meeting.

3 Ratio of the dividend per share to the share price at the end of the respective fiscal year.

**Dividend of €0.90 per share proposed for past fiscal year.** In view of the Group's good earnings, the Executive Board and the Supervisory Board of RWE AG will propose a dividend of €0.90 per share to the next Annual General Meeting on 28 April 2022. This is €0.05 more than last year. €0.90 is the lower limit we have set for the dividend for the coming years. In the long run, we intend to pay 50% to 60% of adjusted net income to our shareholders.

**Broad international shareholder base.** Based on our latest survey, at the end of 2021, 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 23% of our capital stock. This investor group accounted for 16% in the rest of Continental Europe, 14% in the United Kingdom / Ireland and 26% in North America. At the end of 2021, RWE AG's single-largest shareholder was the US asset management company BlackRock, with a stake of 7%.

**Shareholder structure of RWE AG<sup>1</sup>**



<sup>1</sup> As of the end of 2021; percentages reflect shares in subscribed capital. Sources: RWE data and notifications from shareholders in accordance with the German Securities Trading Act.

**100% free float of the capital stock.** 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.

**Profit participation through employee shares.** 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, 7,023 people, representing 40% of all qualifying staff members, made use of these offers and bought a total of 312,000 shares. The preferential terms and the administration of the employee share ownership programmes led to an expense of €2.9 million.

**Ticker symbols and identification numbers of the RWE share**

Reuters: Xetra	RWEG.DE
Bloomberg: Xetra	RWE GY
German Securities Identification Number	703712
International Securities Identification Number (ISIN)	DE0007037129
ADR CUSIP Number	74975E303

**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, RWE is represented via a Level 1 ADR programme, under which American Depositary Receipts – or ADRs for short – are traded in place of our shares. ADRs are share certificates issued by US depository 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 RWE green bonds**

Issue date	Issue price (%)	Volume (€ million)	Maturity	Nominal interest rate (%)	German Securities Identification Number	International Securities Identification Number
11 Jun 2021	99.711	500	11 Jun 2031	0.625	A3E5VA	XS2351092478
26 Nov 2021	99.808	750	26 Nov 2028	0.500	A3MP70	XS2412044567
26 Nov 2021	99.138	600	26 Nov 2033	1.000	A3MP71	XS2412044641

**RWE enters green bond market.** RWE AG issued its first green bond in June 2021. The paper has a nominal volume of €500 million, a ten-year tenor and a 0.625% coupon. Later in the year, two more green bonds were placed on the market: one with a volume of €750 million, a 0.5% coupon and a seven-year tenor, and another with a volume of €600 million, a 1.0% coupon and a twelve-year tenor. All three of the issuances met with keen interest among investors. Capital raised by the issuance of green bonds must be spent on projects that contribute to protecting the environment and climate. RWE's green bond policy stipulates that proceeds on issuances be spent on wind and solar farms exclusively. This is in line with the United Nations' Sustainable Development Goals. One of these objectives is to increase the share of the global energy mix accounted for by renewables. RWE's rules also comply with the generally accepted Green Bond Principles of the International Capital Market Association (ICMA). This has been certified by Sustainalytics, a prominent sustainability agency.

We have summarised the main features of our three green bonds in the above table. In addition, we have two hybrid bonds outstanding (€282 million and US\$317 million) with earliest redemption dates in 2025 and 2026, respectively. A residual amount (€12.2 million) of a standard bond that matures in 2037 – which we could not fully transfer to innogy, a former subsidiary of ours acquired by E.ON, at the end of 2016 – has not been redeemed, either. Further information on outstanding RWE bonds can be found at [www.rwe.com/bonds](http://www.rwe.com/bonds).



# 2

## Combined review of operations

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“Energy is all around us. All we have to do is harness it.”

Jason Jackson, Site Operations Manager at Hickory Park (USA), RWE Renewables



## 2.1 Strategy

**In November 2021, we informed the public about our growth and earnings targets for this decade and received very positive feedback. By 2030, we intend to invest €50 billion in renewables, battery storage, gas-fired power stations and electrolysers. Including proceeds from selling stakes in projects, we foresee net investments of €30 billion. This will double our generation capacity in these technologies to 50 GW by 2030. At the same time, we are successively phasing out electricity generated from coal and setting the stage for RWE to be carbon neutral by no later than 2040. This will not only make RWE greener, but also more profitable. Our 2030 goal is to achieve an adjusted EBITDA in our core business segments of €5 billion. This would represent an increase of around 80% compared to 2021.**

**Who we are and what we do.** RWE is a leading international energy company headquartered in Essen, Germany, with a focus on power generation. Energy sources such as wind and solar are an increasingly important part of our business. Our core activities also include the storage of electricity and natural gas, the hydrogen business, trading of energy-related commodities and innovative energy solutions for industrial customers. We generated revenues of €24.5 billion in fiscal 2021. Our key markets are Germany, the United Kingdom, the Netherlands and the USA. In the field of renewables, we are also active in a whole host of other countries, for example in Poland, Spain, Italy, Sweden and Australia. We intend to position ourselves even more broadly geographically in our renewables business. For example, we are stepping up our efforts to win offshore wind projects in new markets such as Norway, Japan, South Korea and Taiwan.

**Carbon-neutral energy – the great challenge of our time.** In most industrial countries, energy policy is shaped by climate change. In the past, the main objective was to provide a reliable, affordable supply of electricity and fuel, whereas nowadays – more so than ever before – our energy consumption should not be to the detriment of the Earth's temperature. Most industrialised countries where we do business want to minimise their emissions of greenhouse gases generated by the use of fossil fuels. Over the long run, the goal is to achieve climate neutrality, i.e. a state in which humankind zeroes out its net emissions of greenhouse gases into the atmosphere. The European Union and the UK want to be climate neutral by 2050, while Germany wishes to reach this goal by 2045. Both these objectives call for the fundamental restructuring of the way in which companies and households consume energy. This transformation has many aspects. For the energy industry, the following issues need to be addressed:

- **Decarbonising electricity generation.** The energy transition is basically about abandoning electricity generation from fossil fuels and embracing renewables. Coal and natural gas are finite resources, the use of which leads to the emission of greenhouse gases. By contrast, wind, solar and hydro are energy sources which do not generate CO<sub>2</sub> emissions, are available in abundance and thus form the foundation for a sustainable supply of electricity and heat. The EU has set the goal of covering at least 32% of final energy consumption from renewable sources by 2030. At present, work is under way on a directive which calls for an even higher proportion of at least 40%. Numerous countries both inside and outside the EU have specific plans to phase out the use of coal and ambitiously expand renewables.

- **Creating storage and backup capacities.** Electricity generation using renewable sources depends on the weather conditions as well as the time of day and the season. Sometimes, renewables can only cover a fraction of demand, while at other times, their generation exceeds local needs so much that production actually has to be throttled. Consequently, as energy supply becomes increasingly reliant on wind and solar farms, power storage systems become ever more important for stabilising the power grids. Furthermore, we need more environmentally-friendly, flexible generation assets, which can reliably produce power when there is no wind and no sunshine. Modern gas-fired power stations that can be retrofitted to run on carbon-free fuels like hydrogen will be well-positioned for this task, once the necessary volumes of such fuels are available.
- **Replacing fossil fuels with green power.** Simply reducing emissions in the power generation sector is not enough to achieve climate neutrality. At present, over 70% of European energy consumption is still covered by oil, coal and natural gas. Electrification – in other words switching energy consumption to electricity produced with carbon-neutral methods, e.g. by using heat pumps instead of oil and gas heating systems – also enables significant emission reductions in the manufacturing, heat and transportation sectors. Thus, over the long run, demand for electricity in our markets will expand significantly.
- **Establishing the hydrogen economy.** The economy can only be completely decarbonised 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, hydrogen produced with zero-carbon methods would be a solution. Taking a longer-term perspective, using hydrogen as a storage medium will also be a key component of a climate-neutral energy system. According to the European Commission, by 2030 the EU should have electrolyzers with a total capacity of at least 40 GW capable of producing 10 million metric tons of hydrogen annually. Germany is looking to expand its electrolysis capacity to 10 GW by the end of the decade, as recently announced by the new coalition government comprising the SPD, the Greens and the FDP.

**We're driving the energy transition.** RWE is well positioned to contribute to transforming the energy sector and the broader economy in all of the areas discussed above. And that is precisely what we are doing, by investing billions of euros in wind power, photovoltaics, battery storage and green hydrogen, phasing out coal-based generation, building environmentally friendly backup capacities and helping industrial customers optimise their energy consumption. These activities make us a driving force in the energy transition and allow us to support the countries where we do business in their efforts to achieve climate protection targets. Our commitment in this regard is reflected by our own ambitious plans: we want to be carbon neutral by 2040 at the latest, ten years earlier than the EU. Not only does this apply to our own greenhouse gas emissions (referred to as Scope 1), it also covers the upstream and downstream value chain (Scope 2 and Scope 3). We have also set ourselves ambitious goals for the current decade: by 2030, we want to reduce our emissions by 50% (Scope 1 and 2) and 30% (Scope 3) compared to 2019. At the Paris Climate Conference in 2015, the global community committed to limiting the increase in average global temperatures to well below two degrees Celsius compared to pre-industrial levels. Our actions are in line with this target, as was officially confirmed by the independent Science Based Targets initiative at the end of 2020. However, our ambitions do not end there. Moving forward, we have also set our sights on ensuring we adhere to the target of 1.5 degrees Celsius established at the Paris Climate Conference.

**Sustainability – at the heart of our corporate culture.** A sustainable business involves far more than cutting greenhouse gas emissions. Sustainability is measured in a myriad of ways. The expression is generally used in relation to the environment, society and governance (ESG). Last year, we reassessed our approach to the topic of sustainability. Working together with internal and external experts, we defined the fields of action that are of most significance to RWE and what we want to achieve in these areas. In addition to reducing greenhouse gas emissions, one of our most important environmental efforts is preserving biodiversity at the sites where we operate. In particular, this involves the recultivation of mining areas, as well as the erection, operation and decommissioning of wind farms. We want to reduce the use of natural resources and significantly boost our recycling ratio at the same time.

As a company, we take great responsibility in the communities where we do business. We want to live up to this responsibility across all our sites. In the Rhenish lignite mining region, we are acutely aware of our prime-aged employees who are losing their jobs due to the coal phaseout, and are in the process of securing socially acceptable solutions to this issue. Occupational health and safety is another key concern of ours. Our aim is to ensure that the employees at our sites leave work at the end of each day as healthy as when they arrived. We also advocate for a diverse, inclusive corporate culture. Diversity has many facets. One is gender equality when filling leadership roles within the company. In our core business, which covers all Group activities with the exception of Coal / Nuclear, the share of women in executive positions was 19% at the end of 2021. We aim to reach 30% by 2030.

Our mission statement 'Our energy for a sustainable life' truly encompasses our purpose as a company and confirms that sustainability is a principle that guides our actions. Our commitment in this regard is made tangible by the fact that achievement of ESG targets has a direct impact on the level of Executive Board remuneration. Further information on our ESG goals and accomplishments can be found in our Sustainability Report and in the separate Non-financial Report in accordance with Section 315b, Paragraph 3 of the German Commercial Code. The reports for fiscal 2021 will be published in April 2022 and will be accessible at [www.rwe.com/responsibility-and-sustainability](http://www.rwe.com/responsibility-and-sustainability). Our website also has further information on how independent rating agencies assess our sustainability strategy at [www.rwe.com/ratings-and-rankings](http://www.rwe.com/ratings-and-rankings).

**Growing Green – our strategic roadmap to 2030.** In mid-November 2021, we informed the public about the strategy and goals for our business activities during the current decade at our Capital Market Day event. An ambitious growth programme in our green core business forms the centrepiece of our strategy, which is entitled 'Growing Green'. In the 10-year period from 2021 to the end of 2030, we intend to invest approximately €50 billion in new wind farms, photovoltaic assets, battery storage, gas-fired power plants and electrolyzers.

This capital expenditure will be divided up roughly four ways between Germany, the United Kingdom, the USA and our other markets. In net terms, i.e. taking into account cash flows from divestments, we expect that our investments will total around €30 billion. We will use these funds to massively expand our climate-friendly generation capabilities. Including battery storage and electrolyzers, we intend to have a generation capacity of around 50 GW by 2030. This target is a pro-rata figure, meaning we state our capacity according to our shareholding ratios. In order to reach 50 GW, we will have to build approx. 25 GW. At 21 GW, the majority of this capacity will come from wind farms, solar assets and battery storage. It will be supplemented by flexible gas-fired power stations and electrolyzers with a total installed capacity of 2 GW each. Our adjusted EBITDA will also rise sharply in conjunction with our generation capacities. For 2030, we project a level of €5 billion, generated solely from our green core business. By comparison, in fiscal 2021 we posted adjusted EBITDA of €2.8 billion from our core activities.

Turning to the individual components of our growth programme:

- **Offshore Wind.** We have been active in offshore wind for 20 years now, making us a world leader in this field. At the end of 2021, our offshore wind power portfolio had a total pro-rata capacity of 2.4 GW. This figure is expected to hit 8 GW by 2030. We currently operate wind farms in the coastal waters of the United Kingdom, Germany, Belgium, Sweden and Denmark. Europe is our most important region in terms of growth. Examples for this include projects such as Sofia (UK / 1,400 MW), Kaskasi (Germany / 342 MW), Thor (Denmark / 1,000 MW) and F.E.W. Baltic II (Poland / 350 MW). We are also looking to markets outside of Europe: together with local partners, we are working on offshore wind projects in the USA, Japan, Taiwan and South Korea. But we are interested in more than just regional opportunities, as we want to tap into new technological options as well. In order to realise the full potential of offshore wind, we will also be operating wind turbines on floating platforms in the future. Together with our partners, we are exploring which types of foundations are best suited for this (see page 30 et seq.). The first prototype co-engineered by RWE – the TetraSpar Demonstrator off the coast of Norway – started operating in autumn 2021.



- **Onshore Wind / Solar.** We also have more than two decades of experience in onshore wind and rank among the global leaders, with pro-rata generation capacity of 7 GW. We intend to boost this figure to 12 GW by 2030. In terms of solar, where our capacity currently stands at 0.5 GW, we are still in the start phase. However, we aim for a steep expansion curve towards 8 GW by the end of the decade. We are concentrating our onshore wind and solar efforts on North America and Europe, where we are looking to diversify geographically. For instance, we have partnered with Public Power Corporation (PPC), Greece's largest energy group, to position ourselves as a solar power producer in its home market. In the United States, we are also expanding into new territories. Evidence of this can be found at Scioto Ridge, our first wind farm in Ohio, which started operating in May 2021. Our main focus in terms of growth ventures rests on countries and market segments harbouring potential for more than one technology, e.g. for photovoltaics plus wind energy and / or electricity storage.
- **Battery storage.** Demand for electricity storage is increasing as power generation shifts to wind and solar assets. RWE has been involved in the development, construction and operation of battery storage systems for many years now. For this decade, we are targeting an installed capacity of 3 GW, compared to 47 MW in late-2021. We are currently rolling out a key battery project in Hickory Park, which is located in the south of Georgia, USA. This site will be home to a 196 MW solar farm coupled to a 40 MW battery storage system. This combination will enable electricity feed-ins into the local grid to be optimised, significantly improving the solar array's yield. Future photovoltaic projects will largely follow this approach. We are also building battery storage to provide grid services. Two examples of this are the massive batteries with storage capacities of 72 MW and 45 MW, which we are currently installing at our German power plant sites in Werne and Lingen.

- **Flexible gas-fired power plants.** The supply gap caused by the coal phaseout cannot be resolved by energy storage solutions alone. We need to build low-carbon backup capacities that can balance out the fluctuations in power generation from solar and wind. This presents growth opportunities, particularly for established power generators such as RWE. Gas-fired power plants play a key role in this regard. With an installed capacity of 14.1 GW, our fleet of gas-fired stations is the second largest in Europe, and we want to build another 2 GW of capacity by 2030. We see a need for investment in Germany in particular, where the coal exit is coinciding with the nuclear phaseout. Nevertheless, the construction of new assets in Germany involves a high degree of political and economic uncertainty, unless the plants receive guaranteed remuneration based on the Combined Heat and Power Act or via capacity auctions held by the grid operator. In one such auction, we won the right to construct a 300 MW grid stabilisation unit at our Biblis site, which is scheduled to start operation in 2022.

The Institute of Energy Economics at the University of Cologne (EWI) estimates that Germany needs to add gas-fired plants with a total capacity of 23 GW by 2030 if the country is set on phasing out coal over that same period. We are prepared to play our part. Not only does RWE have the necessary expertise, it also has a number of favourably situated sites. That said, we can only make these investments if the necessary incentives are provided for, which could include capacity payments for example. New assets would then receive remuneration for being online and thus ensuring security of supply. This would ensure economic viability even with low capacity utilisation. Furthermore, conditions must be in place for us to operate our gas-fired power stations using green hydrogen over the longer term. We are planning the necessary retrofits for our existing gas-fired assets and have already finalised the relevant strategies. Power plants that do not run on hydrogen, could separate CO<sub>2</sub> from the flue gas and store it underground. For political reasons, however, this option can only be considered outside Germany for the time being.

- **Hydrogen.** The hydrogen economy is a crucial part of the energy transition and a perfect complement to our business model. We want to be active along the entire value chain, from green electricity generation and hydrogen production by electrolysis to hydrogen trading and storage and the conclusion of individual supply agreements with major industrial customers. Our regional focus in these activities is on Germany, the United Kingdom and the Netherlands. In recent years, we have forged a range of partnerships with businesses and research institutes seeking to work closely with us to develop a comprehensive hydrogen infrastructure. Noteworthy projects include the German initiatives GET H2 and AquaVentus, the Dutch projects Eemshydrogen and NorthH2 and our partnership with Shell, which was formed at the end of 2021. At present, we are participating in around 30 hydrogen projects. By 2030, we intend on developing electrolysis capacities totalling 2 GW. We are designing facilities that allow for industrial-scale production. Examples of this include the three electrolyzers slated to start production at the Lingen power station in the period from 2024 to 2026. With capacities of 100 MW each, these units will be among the largest of their kind in Europe. More information on our hydrogen strategy and our major projects can be found at [www.rwe.com/hydrogen](http://www.rwe.com/hydrogen).

**Energy trading and customer solutions.** In addition to power generation, we are also focused on energy trading as one of our core competencies. It is managed by the Group company RWE Supply & Trading, which acts as our window into the energy markets. Around 200 RWE specialists trade electricity, fuel and emission rights around the clock. RWE Supply & Trading also markets the electricity from our power stations and procures the fuel and emission allowances required to produce it. The objective here is to limit price risks. On top of that, the company 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 subsidiary. 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.

Above and beyond this, RWE Supply & Trading has established itself as an intermediary for pipeline gas and liquefied natural gas (LNG). Thus, in addition to meeting the needs of our Group companies, it also serves numerous industrial customers around the world. To this end, it enters into long-term supply agreements with producers, organises gas transportation by booking pipelines or LNG tankers and optimises the timing of deliveries using leased gas storage facilities. In this regard, the greater the size and diversification of the procurement and supply portfolios, the better the chances to commercially optimise them. The gas business also opens up opportunities for activities in the field of hydrogen. One example in this regard is the long-term partnership between RWE Supply & Trading and Australian LNG producer Woodside. We intend to purchase liquefied natural gas from Woodside as of 2025 and collaborate on investigating the potential to market hydrogen to RWE's customer base in Asia and Europe. Another example that relates to the development of the hydrogen economy is the planned Brunsbüttel LNG terminal near Hamburg, which RWE Supply & Trading is helping to realise. In future, green ammonia could also be imported to Germany via the terminal and converted into hydrogen in the port area.

**Socially-acceptable phaseout of coal-fired generation.** Our growth programme is flanked by a rapid coal exit. In the United Kingdom and Germany, we already phased out hard-coal-fired power generation in 2019 and 2021, respectively. We are currently only using hard coal in our Dutch stations Amer 9 and Eemshaven, where biomass is co-fired. From 2025 and 2030, respectively, we will no longer be using hard coal in these plants. For RWE, the phaseout of lignite, which is produced and turned into electricity in the Rhenish mining region to the west of Cologne, is much more complex and difficult in terms of the social ramifications. In early 2022, we still operated lignite-fired power stations with a total capacity of 7.6 GW, a third less than in 2015. This year, we will also be shutting down another 1.6 GW of capacity. Pursuant to current legislation, the last unit will go offline in 2038. However, the new German government has already announced that they are looking to accelerate the phaseout of coal in Germany and are working towards a deadline of 2030.

RWE supports the Federal government's climate protection ambitions. If it were possible to provide for the necessary framework conditions in pursuit of accelerating the coal exit, we would be able to progress more quickly on our path of reducing emissions. At the same time, this would also be associated with significant additional financial burdens for us. The present legal phaseout roadmap already presents us with tremendous challenges – from operational, financial and social standpoints. At the end of 2019, before the Coal Phaseout Act entered into force, some 10,000 people were employed in the Rhenish mining region; in 2030 less than 4,000 will work there. Although the personnel affected by job losses will receive state support, such as an adjustment allowance, we will also pay for redundancy measures ourselves. In August 2020, we concluded the 'Coal Exit' tariff agreement with ver.di, Germany's United Services Trade Union, and IG BCE, the country's Industrial Mining, Chemicals and Energy Trade Union. It defines what benefits RWE will provide above and beyond the state-guaranteed payments. Early retirement plans will apply to most of those affected. Younger employees will be reassigned to new positions within the Group, or – where that is not possible – will be offered severance packages.

Our responsibility to the people in the Rhenish coal region does not end at the factory gates: we want to do our part to ensure that the region remains structurally resilient and integrated within the energy sector, despite the coal phaseout. By 2030, we want to invest €4 billion in renewables, gas-fired power plants and electrolysers in North Rhine-Westphalia, with no less than 500 MW of wind and solar capacities being built in the Rhenish region alone. Some recultivated land is very well suited for these plans, and three RWE wind farms are already located there. We also want to further develop 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 are researching power-to-gas technology at the Niederaussem Innovation Centre. This is where, since 2013, we have used hydrogen and carbon dioxide made by electrolysis to produce fuel and feedstock for the chemical industry for research purposes.

**Nuclear power: Our focus is on safe and efficient decommissioning.** Germany's phaseout of nuclear power will soon be completed. RWE's Gundremmingen C power plant and two units belonging to other companies were taken offline at the end of 2021, leaving just three regional sites to produce electricity, of which one is run by RWE. At the end of 2022, these will also cease generation. After that, our nuclear power operations will be focused exclusively on the safe and efficient decommissioning of the plants. Moreover, we are making efforts to ensure that the sites continue to be used for energy-related purposes, as illustrated by the example of the grid stabilisation unit at Biblis.

**RWE AG's management system.** Our management system is geared towards sustainable growth that creates value and is based on RWE's strategic guidelines. To determine these guidelines, we analyse the market environment and competitiveness of our segment activities, identify growth potential and weigh up the opportunities and risks involved. Which projects are ultimately realised is at the discretion of the management of the Group company concerned. Larger investments are approved by the Executive Board of RWE AG. It also determines the allocation of capital, the long-term portfolio development and the type of financing.

To operationally 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 and long-term plans, in which we forecast the development of key financial indicators. The medium-term plan contains the budget figures for the following fiscal year and planned figures for the two years thereafter. The Executive Board submits the plan to the Supervisory Board, which reviews and approves it. During the respective current fiscal year, we produce internal forecasts based on the budget. Members of the Executive Board 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 during a fiscal year, we analyse the underlying reasons and take countermeasures if necessary. We also immediately notify the capital market if published forecasts need to be modified.

**Key earnings indicators.** Among other things, we use key earnings indicators such as EBITDA, EBIT and net income to manage our business; however, we adjust these indicators by removing special items. 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 and present these in the non-operating result. This applies to capital gains or losses, temporary effects from the fair valuation of derivatives, goodwill impairments and other material special items. Subtracting operating depreciation and amortisation from adjusted EBITDA yields adjusted EBIT. Adjusted net income is another key operating indicator for us. We calculate it by correcting net income to exclude the non-operating result, and material special items in the financial result. Instead of the actual tax rate, which reflects one-off effects, we apply the budgeted rates of 15% (until 2022) and 20% (from 2023), which we have derived in consideration of the earnings in our core markets, the tax rates applicable there and the utilisation of loss carryforwards.

**Expected minimum return on investments.** We primarily use the internal rate of return (IRR) to evaluate the attractiveness of investment projects. We only undertake projects if – at the time of the investment decision – the expected IRR stays within a defined minimum threshold, which is determined on the basis of the weighted average cost of capital (WACC). The WACC is augmented with project-specific risk premiums, which usually range from 100 to 300 basis points, depending on the technology or region. Using this approach, we have set lower limits which vary from 5% to 9% for offshore wind projects. Minimum returns of 4% to 7% are applied to projects involving the construction of onshore wind farms, solar assets or batteries in Europe or the USA. The thresholds for new gas-fired power plants or hydrogen activities are set between 6% and 11%.

**Safeguarding our financial strength and creditworthiness.** The RWE 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, which is derived by deducting capital expenditure from cash flows from operating activities and adding proceeds from divestments and asset disposals. Net debt is another indicator of RWE's financial strength: it is calculated by adding provisions for pensions and similar obligations, for the dismantling of wind farms and for nuclear waste management to RWE's net financial position. Conversely, mining provisions, our 15% stake in E.ON and compensation for the German lignite exit, as confirmed by the German government, are disregarded.

In managing our indebtedness, we orientate ourselves towards the leverage factor, i.e. the ratio of net debt to adjusted EBITDA in our core business. Given that we recorded positive net assets rather than net debt as of 31 December 2021, the leverage factor was below zero. For the coming years, we expect net debt to trend upward, as we will partially finance our growth investments with debt capital. Over the medium term, however the leverage factor should not exceed 3.0, as we wish to maintain our financial flexibility. For the period after 2025 we believe that an upper limit of 3.5 is reasonable, as the expansion of renewables will enhance our financial stability and our political risk exposure will decline with the gradual phaseout of coal-based power generation.

**Attractive dividend of at least €0.90 per share.** Despite the significant funds needed for capital expenditure, RWE will remain an attractive dividend stock in the future. We will propose a dividend of €0.90 per share to the Annual General Meeting on 28 April 2022 for fiscal 2021. This will also constitute the minimum payout for the coming years. Over the long term, we plan to distribute 50% to 60% of adjusted net income to our shareholders.



## 2.2 Innovation

**The success of the energy transition doesn't simply hinge on the dedication with which we implement it. It is also the degree of innovation deployed to fuel these strategies that is decisive. Whether it's expanding renewable energy capacities, transitioning to a hydrogen economy or opting for environmentally friendly carbon recycling methods, technical challenges lurk behind every turn, waiting for solutions to address them. In 2021, RWE worked on close to 200 research and development projects in collaboration with partners from industry and science. All these projects share one common goal: to overcome hurdles on the road to an environmentally friendly, stable and sustainable energy world.**

**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. Our innovation projects are dedicated to developing solutions that help us advance the utilisation of renewable energy, expand electricity storage and become involved in large-scale hydrogen production. We also want to help build a circular economy in which sensible use is made of carbon dioxide.

Our more than 964 patents and patent applications, based on about 241 inventions, speak volumes about RWE's capability for innovation. The Group's various activities in the field of research and development (R&D) are also testimony for this expertise. Last year, we worked on 196 R&D projects. Around 400 RWE employees were solely dedicated to these activities or contributed to them in addition to performing their normal tasks. Such ventures often entail working with other companies or research institutions and we could not implement many of these projects without their valuable insights. These collaborations are also financially advantageous, as costs are shouldered by many stakeholders. This limits operating R&D spending, which in 2021 amounted to €22 million (previous year: €20 million).

On the following pages, we present a small selection of our current innovation projects. They illustrate the breadth and variety of the challenges we face 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.** There are currently 170 offshore wind farms operating around the world. All are located in shallow coastal waters with turbines firmly anchored to the seabed. Coastal regions with greater water depths have – until recently – been off-limits to offshore wind farms. After all, the deeper the water, the more expensive the foundation. Wind power projects generally become uneconomical at depths of over 60 metres. According to WindEurope, the European wind industry association, in about 80% of all coastal sea areas where wind speeds are suitable for electricity generation, the ocean is simply too deep for conventional foundation designs. However, in order to harness the potential of wind energy more effectively, companies are turning their efforts to concepts for floating wind turbines. The units are mounted on floating platforms made of steel or concrete, which are secured to the seabed using mooring lines and anchors. This opens up the possibility of deploying wind turbines in deeper waters, e.g. coastal areas in Asia, the Americas and the Mediterranean region as well as in parts of the North Sea. RWE has taken a leading role in the development of these new foundations. We are currently involved in three demonstration projects, researching the pros and cons of the various floating foundations. Our aim is to identify which technology is the most viable for the respective wind power initiative.

The **DemoSATH** project is a partnership with Spanish company Saitec Offshore Technologies that aims to develop and construct a floating platform for a 2 MW wind turbine. The project relies on Saitec's SATH (swinging around twin hull) technology, which is a catamaran-like floating platform made of tensioned concrete elements. This design allows the floating platform to rotate freely around a single point of mooring, depending on wind

and wave directions. We have commissioned a prototype, DemoSATH, which will be assembled on a quayside in the port of Bilbao, in northern Spain. Once complete, tugs will move the floating wind turbine to a mooring point three kilometres from the Basque coast, where it will start generating electricity before the end of the year.

The **New England Aqua Ventus** project is a collaboration with the University of Maine and Diamond Offshore Wind, a subsidiary of Mitsubishi Corporation. The unit will feature a technology developed by the University of Maine, where the floating platform consists of modular concrete components with glued joints – a construction technique seen in bridges. We aim to have built an 1.1 MW prototype by 2024, which will be deployed in the Gulf of Maine on the eastern coast of the USA. This testing process will provide us with valuable technical learnings, as well as helping us to understand how best to limit potential for friction between the plant and local fisheries.

**TetraSpar Demonstrator** is our most advanced project. It is a collaboration with Shell, Japanese utility TEPCO and Danish company Stiesdal Offshore Technologies, and involves a floating platform comprising two sections that are cost-effectively prefabricated across various locations. A keel below the platform is used to keep the steel top section stable in the water – similar to a ship. We assembled the sections in the Port of Grenaa in Denmark. A 3.6 MW wind turbine was then mounted on the floating platform. In summer 2021, we towed the structure to a test site 10 kilometres off the Norwegian coast, near Stavanger. Once on site, it was attached to the seabed 200 metres below using mooring lines and anchor chains, before being connected to the Norwegian power grid. The floating turbine has been operating since November. We have fitted a number of sensors to measure whether real-life performance matches up to forecasts created using calculations and tests.

**How we are improving the sustainability of wind power facilities.** In essence, a wind turbine consists of a tower, a nacelle and three rotor blades. To ensure it doesn't just produce green electricity but is also entirely environmentally friendly, a turbine should be completely recyclable once it reaches the end of its service life. Although tried-and-tested recycling methods for the tower and components of the nacelle already exist, it's a different story when it comes to the rotor blades. These components are made using composite materials that are almost impossible to separate, due to the glass fibre-reinforced epoxy resin that becomes completely solid once hardened. In a ground-breaking project, we are now helping to identify end-to-end recycling solutions at our Kaskasi wind farm, off the coast of Heligoland. A number of the 38 wind turbines being erected there this year will be fitted with special recyclable rotor blades. Our supplier Siemens Gamesa is manufacturing them using a new type of resin with a chemical structure that allows for the different materials to be separated, preserving their properties. This makes it possible to reuse the individual components once the rotor blade has reached the end of its lifetime. We will test these sustainable rotor blades in real-life settings over the coming years. Should they prove effective, then resin solutions of this nature could become standard for future RWE wind farms.

**How we are forging ahead with green hydrogen production.** Zero-carbon hydrogen has the potential to be used for multiple processes within the context of the energy transition. Not only is it suitable for storing electricity, it could also be used to decarbonise industrial processes and modes of transport that either cannot be electrified or where electrification has proven to be prohibitively expensive or arduous. Most of our hydrogen projects focus on decarbonising industrial applications. RWE is working with partners on around 30 such initiatives with a geographical focus on Germany, the Netherlands and the United Kingdom. Several have a good chance of being classified as 'Important Projects of Common European Interest' (IPCEI) by the EU. This means they would qualify for national subsidies. Our HyTechHafen Rostock project as well as parts of the GET H2 and AquaVentus collaborative initiatives backed by RWE all made it onto the shortlist of the Federal Ministry of Economics. In the following pages, we will take a closer look at the undertakings.

**GET H2** was launched in 2019, making it one of the first hydrogen initiatives involving several industries in Germany. A host of companies and scientific institutions including RWE, BASF, BP, Evonik, Nowega, OGE and ThyssenGas are participating in the project. GET H2 spans the entire hydrogen value chain, from production and transport to industrial usage. The long-term objective is to build a nationwide hydrogen infrastructure in Germany. As part of the initiative, we joined forces with four partners at our Lingen power plant in 2020 to launch the GET H2 Nukleus project. By 2026, three electrolysis plants are to be built on site, each with a capacity of 100 MW. The aim is to use electrolysis technology on a larger scale to bring it to series production and unlock cost cutting potential. The green hydrogen produced in Lingen will be transported using repurposed natural gas pipelines to the northern Ruhr region, where it will be used in the BP refinery in Gelsenkirchen. This would form the heart of the public hydrogen infrastructure. The IPCEI funding application also envisages that the hydrogen grid be expanded towards Salzgitter, Duisburg, and the Netherlands. Furthermore, the first German H<sub>2</sub> cavern storage facility is expected to be connected to the hydrogen grid in Gronau-Epe.

Another initiative with substantial potential is **AquaVentus**. The idea behind it is to produce hydrogen at sea using electricity from offshore wind farms and transport it via pipelines to demand hotspots on land. The island of Heligoland will act as a hub. In a first step, the plan is to transport the hydrogen there via pipelines to cover demand on the island itself. Once production volumes increase, hydrogen in ever greater volumes will then be forwarded to the mainland, initially by tanker and later via a collector pipeline. Our AquaVentus partners include the island of Heligoland, 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 become operational in 2026. But this is only the beginning. By 2035, electrolysers with a total capacity of 10 GW could be installed in the North Sea. This would be enough to produce up to 1 million metric tons of green hydrogen every year.

Our **HyTechHafen Rostock** project is dedicated to harnessing the potentials of the port of Rostock as a promising location for the hydrogen economy, not least due to its industrial infrastructure. Together with our partners, port operator Rostock Port and energy providers RheinEnergie and EnBW, we will initially focus on constructing 100 MW of electrolysis capacity. The unit will be built next to a power plant operated by RheinEnergie and EnBW in the vicinity of the port and the green hydrogen generated on site will be delivered to local industrial customers via pipelines. Going forward, the infrastructure could also be used for road, rail and sea traffic. If the project stays on schedule and the framework is suitable, the port area could one day boast up to 1 GW of electrolysis capacity, as the site grows to become a hydrogen hub.

**How we are preparing to generate electricity with green hydrogen.** The more we rely on wind and solar power for our electricity supply, the more crucial it will be to have ample energy storage facilities to ensure a reliable, weather-independent supply of electricity that satisfies demand. Battery-based solutions and green hydrogen for electricity generation are promising concepts. This is why we want to build flexible gas-fired power stations with a total capacity of 2 GW as part of our 'Growing Green' strategy. In the long-term, the plants will run on green hydrogen, once supplies are sufficient. To improve the technical conditions for this, we have joined forces with one of the world's leading turbine manufacturers, Kawasaki Heavy Industries. The aim of this partnership is to trial a hydrogen-capable gas turbine. It is due to be built at our Lingen power plant, have a capacity of 34 MW and become operational in 2024. The turbine will be the largest gas turbine in the world that can be operated using 100% H<sub>2</sub>. It would also be possible to use the turbine to co-fire natural gas and hydrogen in any desired ratio. This flexibility is a massive plus, for as long as the hydrogen industry is in its infancy, the average available volume of H<sub>2</sub> will probably not suffice to exploit the turbine's capacity to the desired extent.

**What we are doing to support carbon-neutral economic cycles.** Many experts believe that human intervention in the climate can only be limited effectively if the global economic system successfully makes the shift to closed carbon cycles. Ideally, only as much carbon enters the atmosphere, by way of greenhouse gas emissions such as CO<sub>2</sub> or methane, as is bound by other processes at the same time. The transition to a circular carbon economy is a Herculean task, that hinges on innovation. For more than ten years now, RWE has been developing techniques that use CO<sub>2</sub> in an ecologically meaningful way. Within the context of this work, we collaborate with universities and research institutes, with whom we seek to contribute to the creation of the necessary technical and systemic conditions for carbon-neutral economic cycles.

A key process in transitioning to the circular carbon economy is thermal conversion. Here, heat is applied to carbonaceous materials, converting them into synthesis gas, which largely consists of hydrogen and carbon and can be used as a basic raw material in the production of fuels, plastics and fine chemicals. At the RWE Niederaussem Innovation Centre, we are dedicated to developing a high-temperature process to thermally convert different materials, and thus reuse basic resources in manufacturing. We have partnered with the Fraunhofer Institute for Environmental, Safety and Energy Technology (Fraunhofer UMSICHT) and Bochum Ruhr University for this purpose.

In mid-2021, we took a **multi-fuel-conversion plant** online in Niederaussem, which we intend to use to test whether phosphorus can be reclaimed from sewage sludge using high-temperature conversion. The process works as follows: by heating the sewage sludge to up to 1,500 degrees Celsius, we achieve gasification of the phosphorus, hydrogen and carbon contained therein. The phosphorus can then be separated from this gas and used to produce fertiliser, for example. Additional process steps can then be taken to convert the remaining gas mixture of hydrogen and carbon back into chemical raw materials or fuels. We should have the first test results back by late-2022. However, the potential of the multi-fuel-conversion technology is by no means likely to be exhausted. In future, we also want to apply this technology to other waste streams and biomass.

Another project dedicated to the use of carbonaceous waste materials launched in June 2021. The **NRW-Revier-Power-to-BioJetFuel** study we are conducting together with BP Europe and the Jülich Research Centre is assessing the prerequisites for manufacturing carbon-neutral aviation fuel on an industrial scale. This research focuses on questions such as: 'What kind of regulatory framework is necessary to ensure the economic viability of plans to operate a demonstration plant for deriving synthetic fuels from alternative carbon sources (e.g. sewage sludge, biomass or power plant flue gas) at an RWE site in the Rhenish region?' We are also determining to what extent the resulting fuels could be further processed and used for industry in the Ruhr region. If the results are promising, project development for the construction of a demonstration plant could start as early as this year.



## 2.3 Business environment

**All signs point to more stringent climate protection measures in Europe. Last year, the EU upped its greenhouse gas reduction goal for 2030 from 40% to 55%. The baseline year is 1990. Germany has set its sights even higher: the largest economy in Europe has increased its target from 55% to 65%. We welcome this change, as it encourages the rapid expansion of renewable energy. The economic environment also presents us with opportunities. Soaring natural gas and emission allowance prices have caused prices on electricity markets to skyrocket. This favours climate-friendly generation assets in particular. Given that most of our power production had already been sold forward, the increased price levels had little impact on our earnings in 2021. In 2022, however, we expect margins to improve notably.**

### Regulatory environment

**Emission reduction target for 2030: EU adopts stricter benchmark of 55%.** The European climate law came into force on 29 July 2021, under which the EU and its member states are obligated to decrease their net greenhouse gas emissions to zero by 2050. There had been some initial disagreement, in particular with regard to the emission reduction goal for 2030. The Commission had suggested an increase from 40% to 55% versus 1990. The European Council (Council of Ministers) had also voted in favour of this change, while the European Parliament had backed a reduction of as much as 60%. Following a number of trilateral meetings, representatives of the individual institutions ultimately agreed on 55%. They also approved the formation of a panel known as the European Scientific Advisory Board on Climate Change. The 15 senior scientific experts on this advisory board will be responsible for delivering a greenhouse gas budget, which can be used to determine an intermediate target for 2040.

The European Commission specified the instruments that would be necessary to achieve its new climate protection target for 2030 in the 'Fit for 55' legislative package. The package was made public on 14 July 2021, and includes proposals for a number of measures that will, for example, improve energy efficiency, cut carbon emissions in transport, construction and agriculture, bring the taxation of energy products in line with current objectives, expand natural carbon sinks and cushion the social implications of climate protection. Renewables are due to be scaled up rapidly and should cover at least 40% of primary energy consumption in the EU by 2030. A goal which, until now, had been set at 32%. Furthermore, the Commission wants to adapt the EU Emissions Trading System (ETS). The aim here is to decrease the total number of emission allowances placed on the market. At present, companies in the energy, industry and aviation sectors are participating in the ETS. In future, there is likely to be a similar system for heating and all other transport. In addition, the Commission plans to introduce a carbon border adjustment mechanism to ensure products manufactured in the EU are not subjected to higher carbon prices than imports. This is to prevent domestic companies suffering a competitive disadvantage and thus relocating their production sites to countries outside the EU. The 'Fit for 55' package is being debated by member states and in the European Parliament. Draft laws have already been submitted for most of the legislative initiatives. However, Parliament and the Council of Ministers are expected to go through a lengthy process to establish their positions and reach an agreement.

**EU taxonomy: Commission defines conditions for 'green' economic activity.** In a delegated act published in mid-2021, the European Commission defined technical screening criteria to determine whether economic activity is mitigating or adapting to climate change. Most renewable energy assets are likely to meet the criteria. The act formalises the provisions of the Taxonomy Regulation, introduced by the European Parliament and the Council of Ministers in mid-2020. The Regulation is designed as a tool to help determine when to classify economic activity as sustainable. The EU is taking this stance to improve transparency for investors and channel capital flows into environmentally friendly activities.

To be recognised as taxonomy-aligned, an economic activity must contribute to at least one of the following environmental objectives, without significantly harming any of the others: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control and (6) protection and restoration of biodiversity and ecosystems. The Commission's first delegated act was concerned with defining the criteria for the first two objectives, with the remaining targets to be delivered over the course of the coming year.

In February 2022, the Commission passed a supplementary delegated act which formalises the taxonomy criteria for new gas and nuclear power stations. It states that gas-fired power plants which are approved before 2030, can be classed as sustainable even if they exceed the upper emissions limit of 100 g CO<sub>2</sub>/kWh, provided they replace more carbon-intensive assets and are fully operated using climate-friendly gases like hydrogen no later than 2036. There will also be a cap on CO<sub>2</sub> emissions. The act mentions two upper limits, of which one has to be complied with, namely 270 g CO<sub>2</sub>/kWh or – alternatively – 550 kg CO<sub>2</sub>/kW as an annual average over a period of 20 years. The standards imposed are ambitious, but can be met given the right framework conditions. These include the rapid expansion of hydrogen infrastructure. The delegated act does not require formal approval from the European Parliament or Council of Ministers. However, both authorities have veto powers: they can reject an act entirely within six months of its passage by the Commission.

The Taxonomy Regulation has also introduced new transparency obligations. Players on the financial market, e.g. investment funds that label a financial product as environmentally sustainable, now have to disclose the share of green assets in their portfolio. Listed companies will also have to observe stricter disclosure requirements. Under the new requirements, businesses that are already obliged to prepare non-financial reports will now have to disclose what percentage of their capital expenditure, revenue and operational expenditure are classed as sustainable in accordance with EU taxonomy regulations. This obligation applies to all annual reports published on or after 1 January 2022.

In the first year of reporting, companies are allowed to follow a simplified process, whereby disclosure is limited to whether taxonomy criteria exist for a given economic activity and not whether the applicable conditions for said activity have been met. Activities for which taxonomy criteria exist are classed as 'taxonomy-eligible'. Up to 88 % of our capital expenditure in 2021 met this requirement. It should be noted that taxonomy-relevant capital expenditure (€6.0 billion) is not defined in the same way as the figure shown on pages 58 et seq. (€3.8 billion) and also cover, for example, additions from mergers of companies. In the past year, 18 % of revenue (€24.5 billion) was taxonomy-eligible along with 25 % of operational expenditure (€1.6 billion). From 1 January 2023, we will report what percentage of our economic activities actually meet the technical screening criteria and is thus considered 'taxonomy-aligned'. We have set ourselves the target of ensuring that more than 90 % of our investments are dedicated to such activities in future.

**New climate law: Germany seeks to become carbon neutral by 2045.** On 24 June 2021, the German Upper House passed a reform of the climate law, imposing a stricter greenhouse gas reduction target, which was greenlit by the Lower House one day later. Germany has now set its sights firmly on being carbon neutral by 2045 – five years ahead of the climate law's original schedule, drawn up in 2019. By 2030, greenhouse gas emissions are to be reduced by 65 % compared to 1990. The original target was 55 %. It is also the first time that an emission reduction target for 2040 has been set: it amounts to 88 %. The law also specifies targets for individual sectors, with the energy industry shouldering the majority of additional emissions cuts: in 2030, the sector is limited to emitting 108 million metric tons of carbon. The original emissions threshold had been set at 175 million metric tons.

These legislative amendments were seen as a reaction to a decision handed down by the German Constitutional Court and published in April 2021. The judges in Karlsruhe had found the Climate Protection Act of 2019 to be insufficient and had called for more concrete regulations for the period after 2030. They highlighted the enormous burden that irreversibly delaying considerable emission reductions would place on future generations.

How exactly these additional emission reductions will be achieved is now down to the new government coalition between Germany's Social Democrats, Greens and Free Democrats. A range of measures have already been announced, such as further expediting the phaseout of coal, which is ideally to be achieved by 2030. The German government is also looking to move up a gear in other areas, including expanding renewable capacities and scaling up the hydrogen economy.

**Germany imposes stricter emissions limits for air pollutants.** At the eleventh hour, Germany transposed the new EU requirements for limiting air pollutant emissions from power plants into national law. Midway through 2021, an amendment to the 13<sup>th</sup> German Emission Control Act and new co-firing requirements in the 17<sup>th</sup> German Emission Control Act entered into force, introducing more stringent limits on nitrogen oxides and mercury, in particular. To ensure compliance, we have optimised the nitrogen oxide reduction processes in all our lignite-fired power plants and equipped our three most state-of-the-art units with additional mercury removal systems. Gas-fired stations are also affected by the stricter regulations. Existing plants and those under construction are marginally compliant with the current nitrogen oxide thresholds, without having to rely on retrofits. However, future power stations must be fitted with catalytic exhaust gas purification systems, which will increase costs significantly.

**German government establishes new system for nuclear phaseout compensation.**

The 18<sup>th</sup> Amendment to the German Nuclear Energy Act entered into force on 31 October 2021. It governs remuneration for German nuclear power plant operators impacted by the accelerated nuclear phaseout. RWE was entitled to €880 million in compensation. We received the funds at the end of November. It had been necessary to readdress the issue of remuneration in light of the German Constitutional Court's findings that the regulations drawn up in 2018 had never entered into force and were, moreover, unconstitutional. We provided additional context on this matter on page 39 of the 2020 Annual Report. The new law is flanked by an associated public-law contract between the Federal Republic of Germany and the power plant operators, which was signed by the contracting parties in March 2021.

**United Kingdom launches national emissions trading system.** The new British trading system for carbon emission allowances entered into force in early 2021. On 19 May, the first 6.1 million certificates (UK Allowances, or UKAs for short) were auctioned off, each entitling the holder to emit one metric ton of carbon. At £44 (€51), the price was twice as high as the lower regulatory limit. Additional auctions followed every two weeks. In 2021, around 83 million emission allowances were auctioned off in total, and around 38 million were allocated free of charge. The UK sought to establish its own emissions trading system as a result of leaving the EU. Britain has not participated in European emissions trading since the end of 2020. Until now, both systems have been kept strictly separate, i.e. it has not been possible to use EU Allowances (EUAs) in the UK nor has using UKAs been permissible in the EU. This can give rise to price discrepancies (see page 38). In addition to a number of renewable energy assets, our UK power generation portfolio includes ten gas-fired power plants with a total capacity of 7 GW. The carbon emitted by these facilities amounted to 12.8 million metric tons in 2021.

**Netherlands limits use of coal in power plants.** The Dutch parliament and senate have passed an amendment to the country's legislation on the Coal Phaseout Act, which places additional restrictions on the use of coal for electricity generation. Under the new law, annual CO<sub>2</sub> emissions from coal use may in future not exceed 35% of the level that is theoretically possible in the respective plant. The regulation will apply from 2022 to 2024. Plant operators are to be compensated, however this is yet to be approved under state aid law by the EU Commission. RWE operates two hard coal power plants in the Netherlands, Amer 9 and Eemshaven. Amer 9 runs on 80% biomass and is therefore not affected by the upper limit. Eemshaven, on the other hand, will be severely impacted by the law as it only uses 15% biomass.

**Poland establishes funding framework for offshore wind.** The Polish government has finalised the legal framework for offshore wind farm subsidies, with the Polish parliament passing a corresponding law in January 2021. Poland intends to increase the share of renewables in its power generation portfolio to 32% in 2030; in 2020 this figure stood at 16%. At the moment, there are no wind farms off the coast of Poland. However, turbines with a total capacity of 10.9 GW should be in development, under construction or in operation by as early as 2027. Wind farms with a total capacity of 5.9 GW will be able to take part in the first round of subsidies. Plant operators will be awarded contracts for difference which guarantee a fixed payment for 100,000 full load hours. The maximum subsidy period is set at 25 years. RWE succeeded in securing a contract of this nature for its F. E. W. Baltic II project, on which we report in detail on page 41.

**The US government plans to extend tax benefits for renewables.** Shortly after his inauguration, US president Joe Biden presented an ambitious investment package to subsidise infrastructure, social care and climate protection initiatives, which envisages an extension to renewables tax benefits. New power stations are to continue to receive Production Tax Credits (PTCs) or Investment Tax Credits (ITCs). The aim is to grant PTCs in the amount of US\$25 per MWh for a period of ten years, while ITCs are to account for up to 30% of the investment costs. In future, it should be possible to subsidise hydrogen and electricity storage projects in addition to wind power and solar systems.

Before it is enshrined in law, the investment package must first pass through the Senate and the House of Representatives. The Democrats hold the necessary majorities in both houses. In November, the House of Representatives greenlit the proposal. One single Democratic senator, however, has so far prevented it from passing through the Senate. Points of contention include the overall cost of the package and individual social measures. Commentators expect a new package to be tabled, which includes tax incentives for investing in climate protection and is capable of achieving a majority in both houses. However, time is of the essence here given the pending Senate elections in November 2022. Should the Democrats lose their narrow majority, then the Republicans could block legislative proposals from the US government.

## Market environment

**Strong economic output in all of RWE's core markets.** In 2021, global output made a strong recovery, following the economic downturn witnessed during the pandemic. Initial estimates put increased economic performance at 6% year on year. While the USA saw a similar level of growth, the Eurozone fell behind by approximately one percentage point. In Germany and the Netherlands, our two most important markets within the currency union, current data suggests a rise of 3% and 5%, respectively. The UK economy is centred around the service industry and was therefore hit much harder by the pandemic. However, figures suggest the nation's economy could have since rebounded by 7%. The global economic recovery was reflected in the significant rise in demand for commodities, which led to a notable increase in prices. There were also supply shortages and project delays, which have only affected RWE to a minimal extent so far.

**German power consumption up by 3% versus prior year.** In the past year, demand for electricity has risen across all RWE markets. This was largely attributable to the economic upswing. Preliminary data from the German Association of Energy and Water Industries (BDEW) indicates that German electricity consumption was up 3% on 2020. For the USA, experts estimate a rise of similar proportions, while the Netherlands (1%) and the UK (2%), will most likely have fallen short of this mark.

**Low wind speeds across the majority of RWE locations.** Utilisation and profitability of renewables assets are largely weather-dependent. This is why we monitor wind speeds carefully. In 2021, these were lower than the long-term average across most of our production sites in Europe and North America. A year-on-year comparison also revealed an unfavourable development: most RWE wind farms were underutilised versus 2020 due to weather conditions. Only pockets of southern Europe were able to benefit from higher wind volumes. The utilisation of run-of-river power stations depends on precipitation and melt water volumes. In Germany, where most of the RWE Group's hydroelectric plants are located, these volumes were a little below the long-term average. They were, however, higher than in 2020.

Average RWE wind farm utilisation	Onshore		Offshore	
	2021	2020	2021	2020
%				
Germany	17	20	35	40
United Kingdom	27	34	35	42
Netherlands	30	30	-	-
Poland	27	29	-	-
Spain	24	23	-	-
Italy	24	21	-	-
Sweden	29	33	47	56
USA	32	33	-	-

**Natural gas prices skyrocket.** The utilisation and earnings of our conventional power plants are heavily dependent on how electricity, fuel and emission allowance markets perform. Natural gas, our most important energy source for producing electricity, became increasingly expensive in the year under review. In the first quarter of 2021, quotations at the Dutch Title Transfer Facility (TTF), Continental Europe's lead market, were still largely priced between €15/MWh and €20/MWh, but by the fourth quarter they intermittently exceeded levels far above €100. In 2021, the average spot price of €48/MWh was more than five times as high as in 2020 (€9/MWh). This drastic price hike for natural gas is partially attributable to increased demand for energy due to the global economic upturn. In addition, colder weather across large parts of Europe meant that more gas was needed for heating compared to 2020. Geopolitical tensions and uncertainty surrounding the approval of the Russian-German Nord Stream 2 gas pipeline contributed to the price increase. Due to the aforementioned factors, forward quotations rose considerably. The 2022 forward hit a record high of well above €100/MWh in December. On average, it was quoted at €34/MWh. By way of comparison, in the previous year the 2021 TTF forward cost €13/MWh on average.

**Increased demand from China boosts hard coal prices.** Prices for hard coal used in power plants (steam coal) also rose notably in the year under review. Deliveries to ARA ports (ARA = Amsterdam, Rotterdam, Antwerp) including freight and insurance were settled for an average of US\$122 / metric ton (€104) in 2021, as opposed to US\$50 / metric ton the previous year. This notable rise can, in part, be traced back to increased demand from China, where the local economy recovered quickly from the economic fallout of the pandemic. The same trend was also reflected in the development of hard coal forward prices: in the year under review, the 2022 forward (API 2 Index) was quoted at an average of US\$95 / metric ton (€81). This is US\$37 more than was paid for the 2021 forward in 2020.

**CO<sub>2</sub> emissions trading: More ambitious EU climate protection target pushes prices up.** An increasingly important price factor for fossil fuel-fired power plants is the procurement of CO<sub>2</sub> emission allowances. An EU Allowance (EUA), entitling the holder to emit one metric ton of carbon dioxide, was traded at an average of €54 in 2021 – almost twice the price in 2020. This figure is based on contracts for delivery that mature in December of the following year. Once the EUA price curve had exceeded €30 in late 2020, there was only one way things could go, and that was up. As 2021 drew to a close, allowance prices were already closing in on the €80 figure. The considerable price hikes were primarily the result of the introduction of a stricter European greenhouse gas reduction target for 2030. To meet this goal, the EU needs to vastly decrease the number of emission allowances available to companies. Many market participants anticipated this, making early purchases of EUAs. The increase in energy consumption driven by the economy contributed to the rise in prices because it also drove up greenhouse gas emissions and demand for emission allowances.

As explained on page 36, the United Kingdom launched its own CO<sub>2</sub> emissions trading system when it left the EU. UK Allowances (UKAs) have been traded on the secondary market since the first auction in May 2021. In the seven and a half months to the end of the year, UKAs were quoted above EUAs. The average price during this time was £57 (€67).



**Surge in fuel and emissions allowance prices impacts cost of electricity.** The incredible rise in the price of fuel and emission allowances shaped the trajectory of our most important wholesale electricity markets in Europe. The low wind energy output, due to poor weather, and maintenance-related outages at French nuclear power plants also came to bear to some extent. In Germany, the average annual spot price for base-load electricity more than tripled compared to 2020, rising from €30/MWh to €97/MWh. The changes were on a similar scale in the United Kingdom and the Netherlands, where quotations rose from £35/MWh to £118/MWh (€138) and from €32/MWh to €103/MWh, respectively. Electricity forward markets also witnessed a drastic upward curve. An average of €89/MWh was paid for the 2022 base-load forward in Germany and the Netherlands. In the preceding year, this figure stood at €40 in both countries. The price of the British one-year forward increased from £44/MWh to £92/MWh (€108).

**Once-in-a-century snowstorm sees electricity spot prices in Texas hit record high.** The North American electricity market is geographically divided into multiple sub-systems, each of which is governed by an independent system operator. The most important market region for RWE is Texas, where most of our wind farms in the USA are connected to the grid and the system operator is the Electric Reliability Council of Texas (ERCOT). Spot prices on the ERCOT market briefly peaked at US\$9,000/MWh in February 2021 due to supply shortages and regulatory interventions. This was due to an exceptionally harsh cold spell, which led to outages at several power plants. Electricity forward prices saw no long-term effects from this event. Last year, a one-year forward contract in the ERCOT market cost on average US\$37/MWh (€31), US\$7 more than in 2020. Higher natural gas prices were decisive in this regard. The more moderate electricity price level compared to Europe can be explained by the fact that gas prices in the USA remain relatively low, despite the recent hike. In addition, Texan electricity producers do not need to purchase carbon emission allowances.

**Higher margins on electricity forward markets.** In order to mitigate the risk of short-term sales and price fluctuations, we sell most of our electricity forward, whilst also hedging the prices for necessary fuels and emission allowances. Our revenue for the period under review was thus influenced by the conditions of forward contracts for 2021, which were concluded in previous years. These forward sales are largely conducted with a lead time of up to three years for power production in our lignite and nuclear plants, which are mainly used to cover base-load needs. On average, we were able to achieve higher prices and margins from these assets for 2021 than for 2020. Sales of electricity from our gas-fired stations were subject to a shorter lead time. Margins realised from these transactions were higher than the previous year. A portion of our renewables portfolio is also subject to forward contracts.

We do, however, still sell some of the generated power at spot market prices valid at the time of sale. The margins we achieved for these transactions were higher than in 2020. Furthermore, price spikes on the spot market contributed to additional income from the short-term optimisation of our power plant dispatch.

The rise in the price of electricity will have a more notable impact on margins in 2022. This concerns generation assets that had not yet fully or had only partially sold their electricity forward when prices began to climb. European wind farms, in particular, where electricity revenue depends on market prices, now enjoy improved earnings forecasts. However, a portion of our conventional power plant portfolio also stands to benefit from the price trend.

## 2.4 Major events

**In 2021, we showed just how committed we are to green growth. We secured the rights to build and operate offshore wind projects in the United Kingdom, Denmark, Poland and Germany with a capacity of up to 5 GW. Furthermore, we forged strong partnerships for joint wind and solar activities in new markets. In the hydrogen business, we formalised a partnership with Shell, which we expect to deliver substantial synergies. RWE's green transition strategy comprises the phaseout of coal-fired power. Here too, we took massive strides in 2021 by decommissioning our two remaining German hard coal-fired power stations and five lignite units. In this chapter, we present the main events that took place in 2021 and the beginning of 2022, focusing on those which are not outlined in more detail elsewhere in the review of operations.**

### Events in the fiscal year

#### **RWE wins rights to develop new offshore wind power sites in the British North Sea.**

At an auction held in February 2021, RWE secured the rights to build wind turbines with a total capacity of 3,000 MW across two neighbouring locations in the UK 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 area is situated on a sandbank in shallow waters known as Dogger Bank. The Sofia wind farm is also being built in the vicinity. After the auction, an official plan-level Habitats Regulations Assessment (HRA) was initiated, which is expected to be finalised in 2022. Only after this is completed will the option fee period commence. In accordance with applicable regulations, however, we had to pay an annual fee in advance in 2021. As soon as all permits for the new wind farms have been obtained, we will participate in an auction for a subsidy contract, after which we will make a final investment decision. Then the option fee will be replaced by a much lower lease payment. If connected to the grid in time, the wind farms could be commissioned as early as the end of this decade.

The Crown Estate's tender process allocated development rights to a total of six sites on which offshore wind farms with a total capacity of up to 7,980 MW can be built. A number of the participants, which also secured option rights, submitted significantly higher bids than us. RWE will pay the lowest average annual option fee per megawatt of all successful bidders.

**Danish Energy Agency awards large offshore wind project to RWE.** In Denmark, we have been granted the rights to build and operate the Thor offshore wind project in the North Sea. We had taken part in an auction along with five other bidders: all participants submitted minimum bids of DKK 0.1 / MWh. On 1 December 2021, we won the auction and shortly afterwards signed a concession agreement with the Danish Energy Agency, which entitles us to build the wind farm and operate it for 30 years. Thor will be constructed about 20 kilometres off the coast of west Denmark and will be the country's largest offshore wind farm to date, with a capacity of approximately 1,000 MW. It is scheduled for full commissioning in 2027. Due to our minimum bid, we will not receive state subsidies for the electricity generated by Thor. In the early years, we will have to transfer our proceeds to the Danish government until they total DKK 2.8 billion (€377 million) plus annual inflation. We expect our investment for the wind farm and the grid connection to amount to €2.1 billion. In Denmark, RWE already operates the Rødsand 2 offshore wind farm, which is located south of the island of Lolland and has an installed capacity of 207 MW.

**RWE secures two offshore wind farm sites in the German North Sea.** In Germany too, we laid the groundwork for new offshore wind farms. Last year, we secured the usage rights to two sites in the German North Sea. We were allocated one of the sites, officially referred to as N-3.7, during an auction held by the German Network Agency in September 2021. This confers us the right to build a wind farm on site with a capacity of 225 MW. To give us the best chance of winning the auction, we submitted a zero-cent bid, which means the electricity generated by the wind farm is not subject to a minimum price guaranteed by the state. We were granted usage rights to the second site, referred to as N-3.8, following the September auction, allowing us to build a wind farm with an installed capacity of 433 MW. Originally, the winning bid had been placed by French energy group EDF, but it had to pass on the usage rights to a joint venture between Northland Power and RWE. This is because we had pre-developed the site together with our Canadian partner and therefore had a step-in right. Now we must deliver the project at the conditions in EDF's winning bid; the company submitted a zero-cent bid.

**Support secured for offshore wind project in Poland.** We have also made good progress in relation to our first wind energy project in the Polish Baltic Sea. In April 2021, the government in Warsaw made a preliminary commitment to subsidise our F.E.W. Baltic II project. It is envisaged that the wind farm be built on the Stupsk sandbank and have a capacity of 350 MW. It was not until January 2021 that the Polish government established the legal framework for subsidising offshore wind power. We were granted environmental clearance for F.E.W. Baltic II in December and will receive the final subsidy approval in 2022, at which time the regulator will also decide on the level of the funding. The support will be granted in the form of two-sided contracts for difference which guarantee that we receive a fixed price per megawatt hour for the generation volume of 100,000 full load hours. If the realised market price is lower than this amount, the state pays the difference. If it is higher, the operators are obliged to make a payment. The subsidy period is limited to 25 years.

**RWE becomes majority shareholder in Rampion offshore wind farm.** As of 1 April 2021, we acquired a 20% interest in the UK Rampion offshore wind farm from E.ON. The purchase price was paid in December 2020. As a result of the transaction, we now own 50.1% of the 400 MW wind farm and can consolidate it fully. The other owners are a consortium led by Macquarie (25%) and Canadian energy group Enbridge (24.9%). Rampion is located in the English Channel off the coast of Sussex and has been operating commercially since 2018.

**TCP investor consortium acquires Rampion's grid connection.** In November, investor consortium Transmission Capital Partners (TCP) purchased Rampion's grid connection, for which it paid a total of £279.5 million. The transaction included the offshore and onshore export cables as well as the substations at sea and on land. The sale was a regulatory requirement. In the United Kingdom, construction of offshore wind farms and the associated grid connection is managed under one umbrella. The grid connection must subsequently be sold to an independent third party under the supervision of UK regulator Ofgem.

**Go-ahead for construction of Sofia wind farm in the North Sea.** In the spring of 2021, RWE made the final investment decision to build the Sofia wind farm in the UK North Sea, one of the largest offshore wind projects in the world. We hold a 100% stake in the project. Sofia will be located almost 200 kilometres off the coast of North East England. It will consist of 100 turbines with a total installed capacity of 1,400 MW, and will be capable of supplying green electricity to approximately 1.2 million homes in the UK. June 2021 saw the start of onshore construction, with offshore work scheduled to begin in 2023. According to current plans, Sofia is set to take its full capacity online by 2026. We will be contractually remunerated for electricity generated by the wind farm in the amount of £39.65/MWh. This amount is based on the 2012 price level and will be subject to an upward adjustment for inflation. We anticipate investing about £3 billion in Sofia. This includes expenditure for the grid connection, which we will sell on completion.

**Alliances to expand offshore wind forged.** We have joined forces with foreign partners to improve our growth opportunities in the offshore wind business. The following is a brief overview of some of the most recent collaborations.

- In May 2021, we agreed with UK-based National Grid Ventures that we would jointly participate in the New York Bight seabed lease auctions. In February 2022, we secured a site in a tender process with the potential for about 3 GW in generation capacity (see page 45).
- Also in May, we signed an agreement with Equinor and Hydro to develop a wind energy project in the Sørilige Nordsjø II area in the Norwegian North Sea. The site neighbours Danish waters and has excellent wind conditions. The favourable location should allow us to sell electricity both within and outside of Norway.
- In September, we forged a further alliance with Norwegian partners. Together with NTE and Havfram, we plan to participate in auctions for floating wind farms. The Norwegian Ministry of Petroleum and Energy has earmarked an area known as Utsira Nord off the country's southern coast for this purpose. The site can accommodate wind turbines with a total capacity of up to 1.5 GW.
- Floating wind farms are also the focus of a partnership in South Korea, which we finalised with the port city of Ulsan in November. Together with our local partner, our objective is to implement projects to create up to 1.5 GW in generation capacity off the coast of the country. South Korea is aiming for 12 GW in offshore wind capacity by 2030 and wants to be climate neutral by 2050.
- In February 2022 we joined forces with Tata Power, India's largest power generator, to develop offshore wind projects along the country's 7,600-kilometre coastline. India has also set ambitious renewables expansion targets, and aims to have 30 GW in offshore capacity by 2030.

**Three major US wind farms start commercial operation.** We completed three onshore wind projects in the USA in 2021. In the spring, Scioto Ridge went online commercially after about two-and-a-half years of construction. It is our first wind farm in the state of Ohio and has a total capacity of 250 MW. In the summer, we completed two further large-scale wind farms: West Raymond in Texas and Cassadaga in the US state of New York. The wind farms have capacities of 240 MW and 125 MW, respectively. A total of more than €800 million was invested in the three projects.

**Stakes in four Texan wind farms sold.** To increase our financial strength and better balance our generation portfolio, we sold shares in four Texan wind farms: Stella (201 MW), Cranell (220 MW), East Raymond (200 MW), and West Raymond, which was mentioned earlier. The buyers are a subsidiary of Canadian energy utility Algonquin Power & Utilities and UK investor Greencoat, which took an interest of 51% and 24% in the wind farms. RWE is therefore only a minority shareholder but is staying on as the operator of these assets. We no longer fully consolidate them in our financial reporting and instead account for them using the equity method. The sale was agreed in December 2020 and was completed in January (Stella / Cranell / East Raymond) and August 2021 (West Raymond).

**Australian Limondale solar farm is officially connected to the grid.** In autumn 2021, our Limondale solar farm went online in the Australian state of New South Wales. With a capacity of 249 MW, the photovoltaic system is one of the largest in the country. It consists of approximately 872,000 solar panels, spread over a 900-hectare site. Construction started in 2018. Our capital expenditure on Limondale amounted to approximately €330 million.

**RWE sets the stage to expand solar power in Greece.** In October, we set up a joint venture with energy group Public Power Corporation (PPC) to realise solar projects in Greece. RWE and PPC own 51% and 49% of the new company, respectively. Our partner is the country's largest power utility and will contribute photovoltaic projects with up to 940 MW of capacity to the joint venture. RWE will bring a project pipeline of a similar size to the table. The undertakings are in various stages of development. Based on current plans, the first farms will be commissioned in 2023.

**Belectric Group solar services business sold.** In December, the Dutch energy service provider Elevion acquired parts of the Belectric Group from RWE. Assets affected by the transaction were companies in Europe and Israel which provide services relating to the construction, operation and maintenance of solar farms. Elevion is part of ČEZ, the Czech Republic's largest energy utility. Belectric's battery business remains within the RWE Group. It was transferred to RWE Battery Solutions in 2020.

**RWE sells small hydropower plants to KELAG.** Austrian energy utility KELAG acquired twelve French and seven Portuguese hydro assets from us, which have a total installed capacity of 62 MW (RWE's pro-rata share). We also sold a number of small wind turbines in Portugal with a combined capacity of 3 MW to KELAG. A corresponding agreement was reached at the end of 2020. We transferred the French plants in April 2021, and the Portuguese assets followed in September. KELAG is a leading hydropower producer. We currently hold a 37.9% stake in the company.

**Green light for the construction of two mega batteries in Germany.** We will contribute to safeguarding security of supply in the future with two high-capacity batteries at our power plant sites in Werne and Lingen. This decision was taken in June. We expect the battery storage units to have outputs of 72 MW (Werne) and 45 MW (Lingen) as well as storage capacities of 79 MWh and 49 MWh, respectively. They are due to go online at the end of 2022. We intend to invest some €50 million in total.

**Partnership with Shell on hydrogen projects.** In November, we reached an agreement with Shell to intensify our collaborative efforts to build a European hydrogen economy. Working together with the British energy group, we will develop projects to produce, use and sell hydrogen. RWE and Shell are already partners in the trailblazing hydrogen projects AquaVentus in Germany (see page 32) and NorthH2 in the Netherlands. RWE and Shell intend to take the next step and initiate large-scale projects in the United Kingdom for the production of green hydrogen using offshore wind energy. The partnership also encompasses measures to decarbonise gas and biomass-fired power stations within the RWE Group. To this end, we will explore the following alternatives: carbon capture and storage as well as retrofitting stations to use environmentally friendly hydrogen.

**Success in British capacity market auction.** In March 2021, RWE assets totalling 6,544 MW in secured generation capacity – primarily gas-fired power stations – qualified for a payment at a capacity market auction in Great Britain. The bidding process related to the period from 1 October 2024 to 30 September 2025. Stations with a total capacity of 40.8 GW won a contract. These assets will be remunerated for being online and contributing to electricity supply in the aforementioned period. The auction cleared at £18.00 / kW (plus inflation adjustment).

**Once-in-a-century Texan cold snap weighs heavily on earnings.** In February 2021, an extraordinary cold front in parts of the USA curtailed energy supply substantially (see page 39). Winter storms and freezing rain forced 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 regulatory price interventions, we had to pay up to US\$9,000 / MWh for these electricity purchases. This reduced the adjusted EBITDA in the Onshore Wind / Solar segment by approximately €400 million.



**Group sites affected by catastrophic floods in western Germany.** In mid-July, severe weather events in parts of Germany led to disastrous floods resulting in a large number of fatalities and substantial damage to property. Rhineland-Palatinate and the south of North Rhine-Westphalia were the most devastated regions. The extreme weather also affected our company and its employees. In the Rhenish lignite mining area, water ingress at the Inden opencast mine brought production to a temporary halt. We are deeply saddened that an employee of a partner company was swept away in the floods and could not be saved despite a major rescue operation. In Erftstadt-Blessem, located near Cologne, the Erft river burst its banks, flooding a gravel pit operated by a subsidiary of RWE Power. Nearly all RWE-operated run-of-river power plants in the Eifel and on the Mosel, Saar and Ruhr rivers were forced to interrupt operations due to the floodwaters. Within a few days, however, these stations and the Inden mines were available once more. Our financial burdens resulting from the disastrous flooding will total a figure in the low two-digit million euro range. RWE provided about €2 million to an emergency relief programme, one quarter of which was donated by our staff.

**RWE stops generating electricity from hard coal in Germany.** In the middle of last year, our last German hard coal units, Westfalen E at Hamm (764 MW) and Ibbenbüren B (794 MW), were closed for good. At the end of 2020, we successfully participated in the first nationwide shutdown auction for hard coal-fired power plants with these assets. We received €216 million in compensation for their early decommissioning. In the first half of 2021, we were forbidden from selling electricity generated by these assets, but were obligated to keep them on standby to ensure security of supply. During this period, Westfalen E went online 13 times at the request of the transmission system operator. The station is envisaged to continue to contribute to security of supply, albeit without using hard coal. As the German Network Agency has classified the power plant as system-relevant, we will convert the generator to a rotary phase shifter to produce reactive power to maintain voltage levels, an important element in stabilising the electricity grid. Conversely, Ibbenbüren B has not been deemed to be system-relevant and will be fully decommissioned.

**Further lignite-fired power stations taken offline.** During the year under review we closed five 300 MW power plant units in the Rhenish lignite mining region. To comply with the German Coal Phaseout Act, we took Neurath B (294 MW), Niederaussem C (295 MW) and Weisweiler E (321 MW) offline at the end of December. The Frimmersdorf lignite power plant was shut down three months earlier. The station's last two units P (284 MW) and Q (278 MW) had been placed on security stand-by on 1 October 2017. This meant that they were forbidden by law from participating in the market, but had to remain available as a safeguard to ensure security of supply when necessary. They were shut down for good on expiry of the security stand-by period. Most employees affected by the lignite exit will retire. Younger staff members will transfer to other areas within the Group or will receive severance packages.

**Gundremmingen C nuclear power station stops operating.** Also at the end of 2021, we took Unit C of the Gundremmingen nuclear power plant offline. The plant was commissioned in 1984 and had a net installed capacity of 1,288 MW. Its closure and current dismantling are a result of the roadmap dictated by the German nuclear phaseout. We took Unit B of the Gundremmingen nuclear power station offline at the end of 2017. Now electricity generation at the site has stopped entirely. About 540 people were working there as of 31 December 2021. This number will likely drop to about 440 by the end of 2022. We will implement further socially acceptable redundancies in the years thereafter.

## Events after the close of the fiscal year

**RWE enters US offshore wind market.** At the end of February 2022, we were successful in an auction of seabed leases for offshore wind sites in the New York Bight. A joint venture between RWE and National Grid Ventures secured an area for US\$1.1 billion. About 3 GW of generation capacity can be built at the site, which would be capable of producing enough electricity to power 1.1 million US homes. The auction included six lease sites, with bidders only being allowed to secure one each. Every successful bid conferred the right to develop a site and participate in upcoming offtake auctions in the states of New York and New Jersey. If the project progresses as planned, our offshore wind farm in the New York Bight will be commissioned before the end of the decade.

**Wind joint venture with Northland Power launched.** In January 2022, RWE and Northland Power formed a joint venture for the development of wind energy projects in the German North Sea. We expect this partnership to deliver substantial synergies, resulting in cost savings in the development, construction and operation of the assets. RWE owns 51% and our Canadian partner owns 49% of the joint venture, which encompasses three offshore wind projects aiming to develop a total capacity of 1.3 GW. The sites of the future wind farms are located north of the island of Juist. Before forging the joint venture, we had already worked with Northland Power on two of the three projects. One project is focused on a 433 MW wind farm on a site officially called N-3.8, which we secured via a step-in right following an invitation to tender in 2021 (see page 41). The other initiative involved the construction and operation of a 420 MW wind farm, which we hope to build on the N-3.5 site. We also have a step-in right for this area, but have not exercised it yet. RWE initially only held a 15% share of both projects and had originally developed the third joint venture project alone. It is centred around a 480 MW wind farm at the N-3.6 site, for which we also hold a step-in right which has not yet been made use of. The auctions for the sites N-3.5 and N-3.6 should be held in 2023. In the event that other companies are successful, we can exercise our step-in rights.

**RWE once again successful in British capacity market auctions.** Another auction, relating to the delivery period from 1 October 2025 to 30 September 2026, was held for the British capacity market on 22 February. We secured a payment for all participating RWE power stations, including two small new-builds. Altogether, these assets have a secured capacity of 6,647 MW. At £30.59 / kW per annum (plus inflation adjustment). A total of 42.4 GW in generation capacity qualified for a payment at the auction.

**Huge uncertainty after Russia attacks Ukraine.** Russian troops marched into Ukraine at the end of February. As an invasion under international law, it prompted outrage and consternation around the globe. Many countries including the USA, EU member states and the United Kingdom imposed economic sanctions on Russia. Uncertainty concerning commodity deliveries from Russia to Europe has caused a significant increase in gas and electricity trading quotations. In some European countries, including Germany, governments are working on measures to reduce dependency on Russian oil and gas imports. When this review of operations was prepared in early March 2022, it was impossible to predict the development of the Ukraine conflict or its consequences. Although RWE does not have business activities in Russia or Ukraine, further escalation of the conflict and discontinuation of supply relationships with Russian companies could have notable effects on our assets, liabilities, financial position and profit or loss. More detailed information can be found in the chapter entitled 'Development of risks and opportunities', which starts on page 70.

## 2.5 Commentary on reporting

**In our financial reporting, the RWE Group is broken down into five segments, which we present in detail in this chapter. Renewable energy, gas-fired power plants, energy storage, our hydrogen business and energy trading are distributed among the first four segments. They play a key role in the energy transition and therefore make up our core business. The fifth segment covers power generation from coal and nuclear energy, which will increasingly lose importance due to legally mandated phaseout roadmaps.**

**Group structure features five segments.** We distinguish between five segments when reporting our business performance. The first four form our core business. Our segments are defined as follows:

- **Offshore Wind:** We present our business relating to offshore wind here. It is overseen by our Group company RWE Renewables.
- **Onshore Wind / Solar:** This is the segment in which we pool our onshore wind and solar business as well as parts of our battery storage activities. Here again, responsibility lies with RWE Renewables.
- **Hydro / Biomass / Gas:** Generation from our run-of-river, pumped storage, biomass and gas power stations is pooled here. The segment also includes the Dutch Amer 9 and Eemshaven power plants, which run on biomass and hard coal, as well as individual battery storage systems. The project management and engineering consulting company RWE Technology International and our 37.9% stake in Austrian energy utility KELAG are also allocated to this segment. The activities are overseen by RWE Generation. In addition, since 2021, this management company has been responsible for designing and implementing our hydrogen strategy.

- **Supply & Trading:** Proprietary trading of energy commodities is at the core of this segment and is overseen by RWE Supply & Trading. The company also acts as an intermediary for gas, supplies key accounts with energy, and undertakes a number of additional trading-related activities. Our German and Czech gas storage facilities also form part of this segment.
- **Coal / Nuclear:** This is where we report on the activities which are not part of our core business as their importance is declining due to the course set by the energy policy in our domestic market, Germany. First and foremost, these consist of our German electricity generation from coal and nuclear fuel as well as our lignite production in the Rhenish mining region to the west of Cologne. 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. Most of the aforementioned activities and investments are overseen by RWE Power. RWE Generation is responsible for our German hard coal-fired power plants; we shut down the last two stations in mid-2021.

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

**Changed recognition of tax benefits for renewables in the USA.** At the start of fiscal 2021, we changed the way in which we account for tax benefits received for US wind and solar projects. Renewable energy is subsidised largely via tax credits in the USA. Furthermore, plant operators can benefit from accelerated depreciation, referred to as tax benefits. Until 2020, they were recognised in taxes on income, whereas the benefits of tax credits were considered in other operating income. For the sake of consistency, we have also been recognising tax benefits since 2021. It has a positive impact on adjusted EBITDA. To ensure comparability, we restated the prior-year figures. More information can be found in the Notes on pages 108 et seq.

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

**References.** The contents of web pages and publications to which we refer in this chapter are not part of the Review of operations and merely provide additional information.

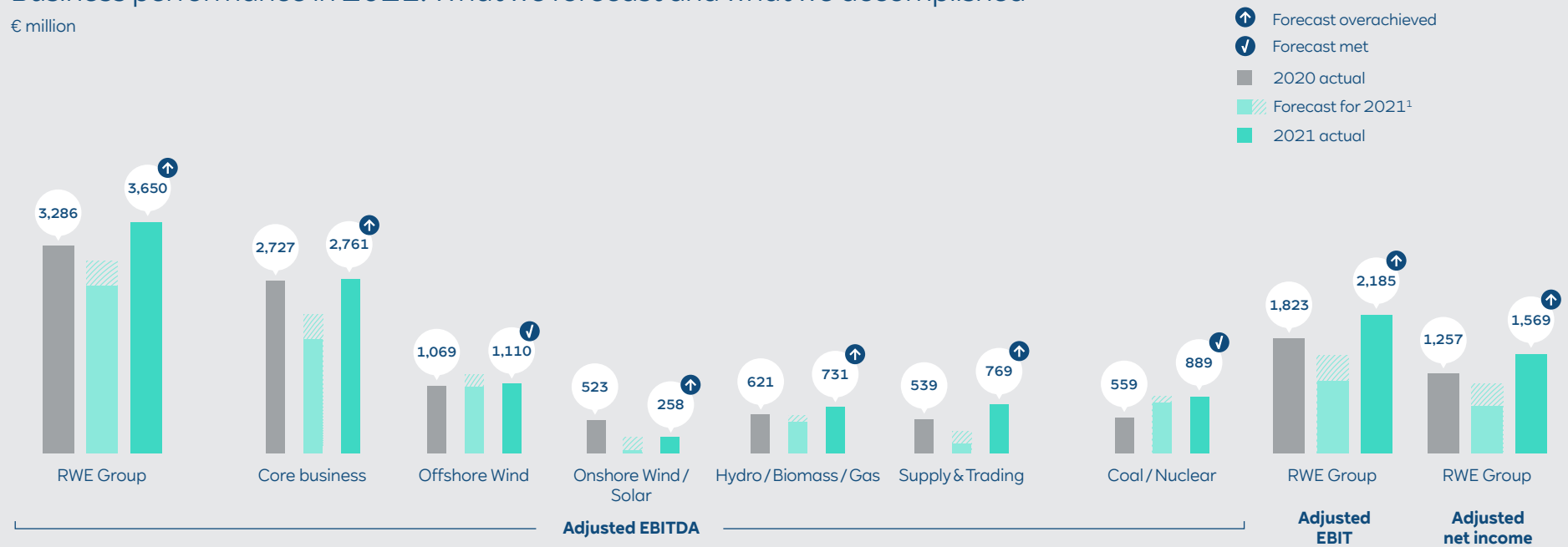
## 2.6 Business performance

Fiscal 2021 was a very successful year for RWE, despite getting off to a lacklustre start. In February, extreme weather in Texas led to outages at wind farms and a significant financial loss due to power purchases. However, we more than offset the earnings shortfalls as the year progressed, thanks to an exceptional energy trading

performance. Improved generation margins provided additional income. This enabled us to increase the Group's adjusted EBITDA by 11% compared to the previous year. We clearly exceeded the earnings forecast for 2021 which we published after the events in Texas.

### Business performance in 2021: What we forecast and what we accomplished

€ million



1. See pages 67 et seq. of the 2020 Annual Report. The hatched portion reflects the forecast range.



Power generation <sup>1</sup>	Renewables		Pumped storage, batteries		Gas		Lignite		Hard coal		Nuclear		Total <sup>2</sup>	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
GWh														
Offshore Wind	7,564	7,009	-	-	-	-	-	-	-	-	-	-	7,564	7,009
Onshore Wind / Solar	16,709	16,762	-	-	-	-	-	-	-	-	-	-	16,709	16,762
Hydro / Biomass / Gas	7,899	5,832	41	80	52,257	46,894	-	-	6,952	3,584	-	-	67,321	56,600
of which:														
Germany	1,645	1,546	41	80	5,988	8,576	-	-	-	-	-	-	7,846	10,412
United Kingdom	493	573 <sup>3</sup>	-	-	35,263	25,138	-	-	-	-	-	-	35,756	25,711
Netherlands	5,725	3,679	-	-	6,647	8,899	-	-	6,952	3,584	-	-	19,324	16,162
Turkey	-	-	-	-	4,359	4,281	-	-	-	-	-	-	4,359	4,281
Coal / Nuclear	18	19	-	-	147	726	45,916	36,649	188	2,549	22,704	20,682	69,179	60,833
<b>RWE Group</b>	<b>32,190</b>	<b>29,622</b>	<b>41</b>	<b>80</b>	<b>52,404</b>	<b>47,620</b>	<b>45,916</b>	<b>36,649</b>	<b>7,140</b>	<b>6,133</b>	<b>22,704</b>	<b>20,682</b>	<b>160,773</b>	<b>141,204</b>

1 No longer considers power purchases from generation assets in which RWE does not own the majority, but which we have long-term usage rights to. Prior-year figures adjusted accordingly.

2 Including production volumes not attributable to any of the energy sources mentioned (e.g. electricity from waste-to-energy plants).

3 Adjusted figure.

**Electricity production 14% up on prior year.** In the fiscal year that just came to a close, the RWE Group produced 160,773 GWh of electricity. Deviating from the former recognition method, this figure does not include power purchases from generation assets in which we do not own the majority, even if we have long-term usage rights to them. Prior-year figures including the purchases have been adjusted accordingly. Our electricity generation grew by 14% compared to 2020. The most significant increases were recorded by our German lignite power stations, which benefited from favourable market conditions. Contributing factors were the rise in electricity consumption compared to the previous year thanks to the economic recovery, as well as the weather-induced drop in wind energy fed into the system. For these reasons and despite a significant hike in fuel costs, our UK gas-fired power

stations were also utilised more than in 2020, whereas generation from gas was down in Germany and the Netherlands. Our Dutch power plants Amer 9 and Eemshaven, which run on biomass and hard coal, stepped up production considerably. The rise at Eemshaven was due to the station's return to nearly full availability after fire damage in the preceding year. Our German nuclear power stations also posted a substantial rise, because there were fewer maintenance outages. A counteracting effect was felt from the German coal phaseout. At the end of 2020, we ceased commercial operation of the Ibbenbüren B (794 MW) and Westfalen E (764 MW) hard coal-fired power plants and shut down the Niederaussem D (297 MW) lignite unit.

Power generation from renewables <sup>1</sup>	Offshore Wind		Onshore Wind		Solar		Hydro		Biomass		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
GWh												
Germany	1,811	2,082	939	1,168	3	3	1,645	1,483	-	4	4,398	4,740
United Kingdom	5,557	4,690	1,719	2,134	-	-	189	231 <sup>2</sup>	304	342	7,769	7,397
Netherlands	-	-	727	768	17	7	27	14	5,697	3,665	6,468	4,454
Poland	-	-	1,245	997	1	1	-	-	-	-	1,246	998
Spain	-	-	934	890	96	51	29	29	-	-	1,059	970
Italy	-	-	1,008	882	-	-	-	-	-	-	1,008	882
Sweden	196	237	293	339	-	-	-	-	-	-	489	576
USA	-	-	8,961	9,059	354	271	-	-	-	-	9,315	9,330
Australia	-	-	-	-	245	65	-	-	-	-	245	65
Rest of the world	-	-	41	30	81	34	71	146	-	-	193	210
<b>RWE Group</b>	<b>7,564</b>	<b>7,009</b>	<b>15,867</b>	<b>16,267</b>	<b>797</b>	<b>432</b>	<b>1,961</b>	<b>1,903</b>	<b>6,001</b>	<b>4,011</b>	<b>32,190</b>	<b>29,622</b>

1 No longer considers power purchases from generation assets in which RWE does not own the majority, but which we have long-term usage rights to. Prior-year figures adjusted accordingly.

2 Adjusted figure.

Production from our wind farms was roughly on a par year on year. A positive effect was felt from the increase in our stake in the Rampion offshore wind farm (400 MW) in the UK as of 1 April 2021 from 30.1% to 50.1% and the full consolidation of Rampion since then. Furthermore, we commissioned the Scioto Ridge (250 MW) and Cassadaga (125 MW) wind farms in the USA and started feeding electricity from the Triton Knoll offshore wind farm (857 MW) in the UK into the grid. Opposing effects were felt from lower wind speeds and the sale of majority stakes in wind farms in Texas (see page 42).

In addition to our in-house generation, we procure electricity from suppliers outside of the Group. In the year being reviewed, these purchases totalled 48,131 GWh. In-house production and power purchases combined for 208,904 GWh (previous year: 200,715 GWh).

**Lower generation capacity due to coal power plant closures.** At the end of 2021, we had an installed power production capacity of 36.1 GW. This figure does not include our three German lignite units, which are in legally mandated security standby and will be shut down for good in 2022 / 2023. Certain assets, where we are not the majority owner and which generate electricity that we can completely or partially use on the basis of long-term usage agreements, are also disregarded. In the past, we included the capacities of these stations in the figures if we were entitled to the associated generation. Prior-year figures were adjusted.

Our generation capacity declined by 1.6 GW compared to 2020. In line with the German coal phaseout, we decommissioned the Niederaussem C (295 MW), Neurath B (294 MW) and Weisweiler E (321 MW) lignite units as of 31 December 2021. The legal lifetime of the Gundremmingen C (1,288 MW) nuclear power station ended on the same day. By contrast, we increased production capacity from renewables by 0.6 GW in part as a result of our fully consolidating the Rampion offshore wind farm for the first time. Furthermore, we completed the Limondale (249 MW) solar farm in Australia as well as the Scioto Ridge and Cassadaga wind farms in the USA, whereas the sale of majority stakes in the Texan wind farms Stella (201 MW), Cranell (220 MW) and East Raymond (200 MW) had a counteracting effect.

In terms of generation capacity, gas is our main energy source, accounting for a share of 40% at the close of 2021. Renewables take second place, with a share of 30%. Our biggest source of renewable energy is wind (8.9 GW), followed by biomass (0.8 GW), hydro (0.5 GW) and solar (0.5 GW).

The geographic focus of our generation business is Germany, where 42% of our installed capacity is located. The United Kingdom and the Netherlands follow, accounting for shares of 27% and 14%, respectively. The USA comes in fourth: about half of our onshore wind capacity is situated there, a large portion of which is in Texas.

Installed capacity <sup>1</sup>	Renewables		Pumped storage, batteries		Gas		Lignite		Hard coal		Nuclear		Total <sup>2</sup>	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As of 31 December, MW														
Offshore Wind	2,318	1,918	-	-	-	-	-	-	-	-	-	-	2,318	1,918
Onshore Wind/Solar	7,082	6,858	28	20	-	-	-	-	-	-	-	-	7,110	6,877
Hydro/Biomass/Gas	1,285	1,319	168	172	13,901	13,901	-	-	1,469	1,474	-	-	17,115	17,158
of which:														
Germany	393	389	168	172	3,807	3,807	-	-	-	-	-	-	4,407	4,407
United Kingdom	139	137	-	-	6,984	6,984	-	-	-	-	-	-	7,376	7,374
Netherlands/Belgium	753	748	-	-	2,323	2,323	-	-	1,469	1,474	-	-	4,545	4,545
Turkey	-	-	-	-	787	787	-	-	-	-	-	-	787	787
Coal/Nuclear	12	7	-	-	400	400	7,638	8,548	-	-	1,482	2,770	9,559	11,752
<b>RWE Group<sup>3</sup></b>	<b>10,697</b>	<b>10,102</b>	<b>199</b>	<b>194</b>	<b>14,301</b>	<b>14,301</b>	<b>7,638</b>	<b>8,548</b>	<b>1,469</b>	<b>1,474</b>	<b>1,482</b>	<b>2,770</b>	<b>36,104</b>	<b>37,708</b>

1 No longer considers power plants taken offline as of 31 December. Assets scheduled for decommissioning are excluded from the capacity overview once they stop producing electricity. They include our lignite units in legally mandated security standby. No longer considers generation assets in which RWE does not own the majority, but which we have long-term usage rights to. Prior-year figures adjusted accordingly. Commercial rounding can result in inaccurate sum totals.

2 Including production volumes not attributable to any of the energy sources mentioned (e.g. electricity from waste-to-energy plants).

3 Including insignificant capacity at RWE Supply & Trading.

Installed capacity based on renewables <sup>1</sup>	Offshore wind		Onshore wind		Solar		Hydro		Biomass		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As of 31 December, MW												
Germany	598	598	637	666	3	3	393	389	-	-	1,630	1,655
United Kingdom	1,672	1,272	803	707	-	-	84	82	55	55	2,615	2,117
Netherlands	-	-	331	268	17	-	11	11	742	737	1,100	1,016
Poland	-	-	425	385	1	1	-	-	-	-	426	386
Spain	-	-	447	447	45	45	12	12	-	-	504	504
Italy	-	-	488	475	-	-	-	-	-	-	488	475
Sweden	48	48	116	116	-	-	-	-	-	-	164	164
USA	-	-	3,313	3,543	125	125	-	-	-	-	3,438	3,668
Australia	-	-	-	-	249	-	-	-	-	-	249	-
Rest of the world	-	-	36	10	47	47	-	61	-	-	83	118
<b>RWE Group</b>	<b>2,318</b>	<b>1,918</b>	<b>6,596</b>	<b>6,616</b>	<b>486</b>	<b>220</b>	<b>500</b>	<b>556</b>	<b>797</b>	<b>792</b>	<b>10,697</b>	<b>10,102</b>

1. No longer considers power purchases from generation assets in which RWE does not own the majority, but which we have long-term usage rights to. Prior-year figures adjusted accordingly. Commercial rounding can result in inaccurate sum totals.

**CO<sub>2</sub> emissions rise due to low wind speeds.** Last year, our power stations emitted 80.9 million metric tons of carbon dioxide, 13.9 million metric tons more than in 2020. This represents the first increase after eight years of emissions reductions totalling 62%, and despite the fact that we closed further coal power plants. In 2021, a series of factors drove up usage of our lignite-fired power stations: besides a recovery of demand for electricity, lower generation volumes from wind farms also played a part. In addition, gas-fired power plants were less competitive, due to soaring fuel costs. We expect to return back to our ambitious emission reduction path in 2022.

Our specific emissions, i.e. the amount of carbon dioxide emitted per megawatt hour of electricity generated, amounted to 0.50 metric tons in the fiscal year that just came to a close. The previous year's figure stood at 0.47 metric tons.

CO <sub>2</sub> emissions of our power stations <sup>1</sup>	2021	2020	+/-
Million metric tons			
Hydro/Biomass/Gas	25.0	20.3	4.7
of which:			
Germany	2.6	3.5	-0.9
United Kingdom	12.8	9.1	3.7
Netherlands	8.0	6.1	1.9
Turkey	1.6	1.6	-
Coal/Nuclear	55.9	46.7	9.2
<b>RWE Group</b>	<b>80.9</b>	<b>67.0</b>	<b>13.9</b>

1. No longer considers CO<sub>2</sub> emissions from generation assets in which RWE does not own the majority, but which we have long-term usage rights to. Prior-year figures adjusted accordingly.

**62.6 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 62.6 million metric tons of lignite last year. This was 11.2 million metric tons more than in the preceding year, owing to the higher utilisation of our power plants. We used the lion's share, or 53.2 million metric tons, of lignite to generate electricity. The remainder was used to manufacture refined products (e.g. lignite powder, hearth furnace coke and briquettes) and, to a limited extent, to generate process steam and district heat.

**Electricity and gas sales 4 % and 25 % higher year on year.** Last year, we sold 203,101 GWh of electricity and 45,721 GWh of gas. These transactions were largely carried out by the Supply & Trading segment. We sold 4 % more of our main product, electricity. This growth can be traced back to the rise in generation from our power stations, which we usually sell externally via our Group company RWE Supply & Trading. Gas deliveries were up 25 %. One contributing factor was that RWE Supply & Trading won new key accounts, most notably municipal utilities. In addition, existing customers increased their gas purchases from us.

**External revenue 79 % up on 2020.** Revenue from external customers (excluding natural gas tax and electricity tax) totalled €24,526 million in 2021. This represents a 79 % increase over the previous year. Electricity revenue grew by 75 % to €20,476 million, primarily due to the steep rise in the price of electricity last year. Price effects were also the main reason why our gas revenue quadrupled to €2,142 million. Additional information on the development of commodity quotations can be found on pages 38 et seq.

One key performance indicator that is of particular interest to Sustainability investors is the portion of our revenue accounted for by coal-fired generation and other coal products. In the fiscal year that just ended, this share was 22 % (previous year: 23 %).

External revenue € million	2021	2020	+/-
Offshore Wind	688	332	356
Onshore Wind / Solar	2,324	1,855	469
Hydro / Biomass / Gas	1,315	1,056	259
Supply & Trading	19,296	9,597	9,699
Other	4	9	-5
<b>Core business</b>	<b>23,627</b>	<b>12,849</b>	<b>10,778</b>
Coal / Nuclear	899	839	60
<b>RWE Group (excluding natural gas tax / electricity tax)</b>	<b>24,526</b>	<b>13,688</b>	<b>10,838</b>
Natural gas tax / electricity tax	235	208	27
<b>RWE Group</b>	<b>24,761</b>	<b>13,896</b>	<b>10,865</b>

External revenue by product € million	2021	2020	+/-
<b>Electricity revenue</b>	<b>20,476</b>	<b>11,701</b>	<b>8,775</b>
of which:			
Offshore Wind	688	332	356
Onshore Wind / Solar	2,107	1,676	431
Hydro / Biomass / Gas	877	684	193
Supply & Trading	16,540	8,775	7,765
<b>Core business</b>	<b>20,212</b>	<b>11,468</b>	<b>8,744</b>
Coal / Nuclear	264	233	31
<b>Gas revenue</b>	<b>2,142</b>	<b>534</b>	<b>1,608</b>
of which: Supply & Trading	2,142	529	1,613
<b>Other revenue</b>	<b>1,908</b>	<b>1,453</b>	<b>455</b>
<b>RWE Group (excluding natural gas tax / electricity tax)</b>	<b>24,526</b>	<b>13,688</b>	<b>10,838</b>



Adjusted EBITDA <sup>1</sup> € million	2021	2020	+/-
Offshore Wind	1,110	1,069	41
Onshore Wind / Solar	258	523	-265
Hydro / Biomass / Gas	731	621	110
Supply & Trading	769	539	230
Other, consolidation	-107	-25	-82
<b>Core business</b>	<b>2,761</b>	<b>2,727</b>	<b>34</b>
Coal / Nuclear	889	559	330
<b>RWE Group</b>	<b>3,650</b>	<b>3,286</b>	<b>364</b>

1 Some prior-year figures restated due to a change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on page 47).

**Adjusted EBITDA of €3,650 million clearly exceeds expectations.** Our adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) amounted to €3,650 million. This is far above our March 2021 forecast. The outlook we published on pages 67 et seq. of the 2020 Annual Report envisaged a range of €2,650 million to €3,050 million. Adjusted EBITDA from our core business was also significantly better than originally expected, totalling €2,761 million. We had anticipated a figure between €1,800 million and €2,200 million. The fact that we easily exceeded our forecast was predominantly thanks to an outstanding energy trading performance. We also closed the fiscal year above the forecast ranges in the Onshore Wind / Solar and Hydro / Biomass / Gas segments.

Our adjusted EBITDA was 11% up on the prior year. In addition to the exceptional trading performance, improved margins of our lignite and nuclear power stations came to bear in particular. This was contrasted by significant charges in our US wind energy business. As set out on page 43, in early 2021, the worst cold snap in a century in Texas led to unscheduled plant outages, forcing us to fulfil existing electricity supply commitments with expensive power purchases on the market.

The following developments were observed in the segments:

- **Offshore Wind:** Adjusted EBITDA posted here amounted to €1,110 million. We had forecast a range of €1,050 million to €1,250 million. We recorded a gain of 4% compared to 2020 (€1,069 million). One contributing factor was that we took a majority interest in the Rampion offshore wind farm in the UK as of 1 April 2021 and have fully consolidated this stake since then. Furthermore, we benefited from the partial commissioning of the Triton Knoll offshore wind farm. This was contrasted by earnings shortfalls caused by the reduced utilisation of our assets due to the weather.
- **Onshore Wind / Solar:** In this segment, adjusted EBITDA totalled €258 million. We were therefore slightly above the targeted range of €50 million to €250 million. Improved margins resulting from the recent significant increase in wholesale electricity prices were the main driver. Compared to the previous year (€523 million) however, adjusted EBITDA dropped considerably. This was primarily due to about €400 million in lost earnings caused by the severe cold snap in Texas in February 2021. Besides this exceptional effect, lower wind speeds also came to bear. By contrast, we benefited from the commissioning of new generation assets and capital gains on the sale of stakes in the US wind farms Stella, Cranell, East Raymond and West Raymond.

- **Hydro / Biomass / Gas:** Here, adjusted EBITDA came in at €731 million. This clearly exceeded the forecast range of €500 million to €600 million. Our outlook was based on the assumption that income from the commercial optimisation of our power plant dispatch would fall short of the high level achieved in 2020. In fact, however, it rose, especially in the fourth quarter. This is why we also exceeded adjusted EBITDA registered in the prior year (€621 million). The markedly improved availability of the Eemshaven power station also played a role.
- **Supply & Trading:** Our performance in the trading business was exceptional. This led to €769 million in adjusted EBITDA, which clearly surpassed the envisaged range of €150 million to €350 million. We also exceeded the previous year's figure, which was very high (€539 million). In addition to the strong trading performance, improved earnings in the gas business also came to bear.
- **Coal / Nuclear:** Adjusted EBITDA recorded in this segment amounted to €889 million, which was within the anticipated range of €800 million to €900 million. This represents strong growth compared to the preceding year (€559 million). 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 2020. We had already sold forward nearly all of the production of these stations in earlier years. Income from the commercial optimisation of power plant dispatch also rose. Furthermore, we benefited from the improved availability of our nuclear power stations. This was contrasted by earnings shortfalls caused by extensive maintenance at lignite-fired power plants. Further burdens stemmed from the implementation of the German Coal Phaseout Act and the floods in the Rhenish lignite mining region, on which we report on page 44.

Reconciliation to net income <sup>1</sup> € million	2021	2020	+/-
<b>Adjusted EBITDA</b>	<b>3,650</b>	<b>3,286</b>	<b>364</b>
Operating depreciation, amortisation and impairment losses	-1,465	-1,463	-2
<b>Adjusted EBIT</b>	<b>2,185</b>	<b>1,823</b>	<b>362</b>
Non-operating result	-650	-104	-546
Financial result	-13	-454	441
<b>Income from continuing operations before taxes</b>	<b>1,522</b>	<b>1,265</b>	<b>257</b>
Taxes on income	-690	-376	-314
<b>Income from continuing operations</b>	<b>832</b>	<b>889</b>	<b>-57</b>
Income from discontinued operations	-	221	-221
<b>Income</b>	<b>832</b>	<b>1,110</b>	<b>-278</b>
of which:			
Non-controlling interests	111	59	52
<b>Net income / income attributable to RWE AG shareholders</b>	<b>721</b>	<b>1,051</b>	<b>-330</b>

1 Some prior-year figures restated due to a change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on page 47).

#### Reconciliation to net income: Exceptional effects overshadow operating development.

The reconciliation from adjusted EBITDA to net income was greatly affected by one-off effects, which had a negative impact in net terms. The following is an overview of the changes to the items of the reconciliation statement.

Adjusted EBIT <sup>1</sup> € million	2021	2020	+/-
Offshore Wind	636	697	-61
Onshore Wind/Solar	-145	138	-283
Hydro/Biomass/Gas	418	283	135
Supply & Trading	721	496	225
Other, consolidation	-106	-25	-81
<b>Core business</b>	<b>1,524</b>	<b>1,589</b>	<b>-65</b>
Coal/Nuclear	661	234	427
<b>RWE Group</b>	<b>2,185</b>	<b>1,823</b>	<b>362</b>

1 Some prior-year figures restated due to a change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on page 47).

The RWE Group's adjusted EBIT rose by 20% to €2,185 million, exceeding the range of €1,150 million to €1,550 million forecast in March 2021. This growth was driven by the same factors that bolstered adjusted EBITDA. The difference between these two key figures is that operating depreciation and amortisation, which at €1,465 million was basically on a par with the previous year's level (€1,463 million), is included in adjusted EBIT, but not in adjusted EBITDA.

Non-operating result <sup>1</sup> € million	2021	2020	+/-
Disposal result	21	13	8
Effects on income from the valuation of derivatives	-503	1,886	-2,389
Other	-168	-2,003	1,835
<b>Non-operating result</b>	<b>-650</b>	<b>-104</b>	<b>-546</b>

1 Some prior-year figures restated due to a change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on page 47).

The non-operating result, in which we recognise certain items which are not related to operations or the period being reviewed, amounted to -€650 million as opposed to -€104 million in the preceding fiscal year. Its components developed as follows:

- At €21 million, income from the disposal of investments and assets was essentially immaterial, as in the previous year (€13 million). It largely resulted from the sale of small run-of-river power stations in France and Portugal (see page 43).
- Effects from the valuation of derivatives reduced earnings by €503 million, after increasing them by €1,886 million in the preceding year. Such impacts are only temporary and are primarily due 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 €168 million, which was much smaller than in the previous year (€2,003 million). Income in 2020 was curtailed by about €1.8 billion in impairments recognised for power plants and opencast lignite mines. Impairments relating to our lignite business were also recognised in the year being reviewed. They amounted to €780 million and are explained in more detail in the Notes on pages 112 et seq. Income benefited from the €880 million compensation for the nuclear phaseout in Germany we received from the government in November 2021.

Financial result € million	2021	2020	+/-
Interest income	260	283	-23
of which: E.ON dividend	186	182	4
Interest expenses	-340	-296	-44
<b>Net interest</b>	<b>-80</b>	<b>-13</b>	<b>-67</b>
Interest accretion to non-current provisions	-138	-255	117
of which: interest accretion to mining provisions	-121	-186	65
Other financial result	205	-186	391
<b>Financial result</b>	<b>-13</b>	<b>-454</b>	<b>441</b>

Our financial result improved by €441 million to -€13 million. Its components changed as follows:

- Net interest dropped by €67 million to -€80 million, in part due to higher interest expenses in connection with currency hedges and higher costs incurred to pledge collateral in energy trading. Net interest includes the dividend on our 15% stake in E.ON, which totalled €186 million (previous year: €182 million).
- The interest accretion to non-current provisions reduced income by €138 million. In the previous year, the decline was more substantial (€255 million) because we had lowered the discount rate applied when calculating our mining provisions and the resulting increase in the present value of the obligations had in part been recognised as an expense in the interest accretion.
- The other financial result rose by €391 million to €205 million. The main reason for the increase was a one-off effect of interest claims in relation to a tax refund for earlier assessment periods. Furthermore, a charge incurred in the prior year did not recur: in March 2020, we suffered substantial losses on security holdings owing to the turmoil on financial markets caused by the COVID-19 pandemic.

Income from continuing operations before tax grew by €257 million to €1,522 million. At 45%, our effective tax rate was unusually high. One contributing factor was that we wrote off or did not recognise deferred tax assets in RWE AG's tax group, because we are unlikely to be able to use the deferred tax claims in the foreseeable future. Furthermore, an increase in the UK corporation tax rate effective as of 2023 drove up deferred tax liabilities. By contrast, the aforementioned tax refund for earlier years provided some relief.

In the fiscal year being reviewed, there was no income from discontinued operations. In the preceding year, this figure amounted to €221 million. It stemmed from the stake in Slovak energy utility VSE, which we sold to E.ON in August 2020.

Non-controlling interests in income rose by €52 million to €111 million. This is because we started fully consolidating Rampion in April 2021 and reduced our stake in the Humber Gateway wind farm in the UK North Sea (219 MW) from 100% to 51% at the end of 2020. Consequently, we now state non-controlling interests of the co-owners of these wind farms. A counteracting effect was felt from the sale of VSE: in 2020, a profit of €34 million had been assigned to the company's co-shareholders.

The RWE Group's net income amounted to €721 million (previous year: €1,051 million). This resulted in earnings per share of €1.07 (previous year: €1.65). The number of RWE shares outstanding used to calculate this indicator totalled 676.2 million compared to 637.3 million in the previous year. These figures are annual averages. In August 2020, we issued 61.5 million new RWE shares via a capital increase.

Reconciliation to adjusted net income 2021 € million	Original figures	Adjustment	Adjusted figures
<b>Adjusted EBIT</b>	<b>2,185</b>	<b>-</b>	<b>2,185</b>
Non-operating result	-650	650	-
Financial result	-13	-196	-209
Taxes on income	-690	394	-296
<b>Income</b>	<b>832</b>	<b>848</b>	<b>1,680</b>
of which:			
Non-controlling interests	111	-	111
<b>Net income / income attributable to RWE AG shareholders</b>	<b>721</b>	<b>848</b>	<b>1,569</b>

Capital expenditure on property, plant and equipment and on intangible assets <sup>1</sup> € million	2021	2020	+/-
Offshore Wind	1,683	756	927
Onshore Wind / Solar	1,404	1,154	250
Hydro / Biomass / Gas	294	153	141
Supply & Trading	47	43	4
Other, consolidation	2	-	2
<b>Core business</b>	<b>3,430</b>	<b>2,106</b>	<b>1,324</b>
Coal / Nuclear	259	183	76
<b>RWE Group</b>	<b>3,689</b>	<b>2,285<sup>2</sup></b>	<b>1,404</b>

1 Table only shows cash investments.

2 Including a -€4 million consolidation effect between the core business and the Coal / Nuclear segment.

**Adjusted net income higher than expected.** Adjusted net income amounted to €1,569 million. Due to the unexpectedly positive development of operating earnings, it was well above the guided range of €750 million to €1,100 million. The prior-year figure of €1,257 million was also clearly exceeded. To calculate adjusted net income, we corrected net income according to IFRS by deducting the non-operating result and major special items in the financial result from it. Instead of the actual tax rate, we applied a rate of 15%, which reflects the tax level net of one-off effects that can theoretically be expected.

Capital expenditure on financial assets <sup>1</sup> € million	2021	2020	+/-
Offshore Wind	27	520	-493
Onshore Wind / Solar	27	408	-381
Hydro / Biomass / Gas	6	115	-109
Supply & Trading	20	18	2
Other, consolidation	-	11	-11
<b>Core business</b>	<b>80</b>	<b>1,072</b>	<b>-992</b>
Coal / Nuclear	-	1	-1
<b>RWE Group</b>	<b>80</b>	<b>1,073</b>	<b>-993</b>

1 Table only shows cash investments.



**Marked increase in capital expenditure on renewable energy.** In the past fiscal year, our capital spending totalled €3,769 million, 12% more than in 2020 (€3,358 million). The lion's share of the funds was dedicated to the Offshore Wind (45%) and Onshore Wind/Solar (38%) segments.

Our capital expenditure on property, plant and equipment and intangible assets amounted to €3,689 million (previous year: €2,285 million). The Triton Knoll wind farm in the UK North Sea received the biggest share of investments. Significant sums were also spent to build the Sofia wind farm off the eastern coast of England (1,400 MW), the Kaskasi wind farm near Heligoland (342 MW), the Blackjack Creek (240 MW) and El Algodon Alto (200 MW) onshore wind farms in Texas, and the Hickory Park solar farm in the US state of Georgia (196 MW plus battery storage). In addition, we made advance payments for the rights we secured in an auction in February 2021 to develop new offshore wind areas in the UK North Sea (see page 40).

At €80 million, capital expenditure on financial assets was much lower than the high figure registered in the prior year (€1,073 million), which included our acquisitions of the 20% stake in the Rampion offshore wind farm and Nordex's European development business (see page 43 of the 2020 Annual Report).

Workforce <sup>1</sup>	31 Dec 2021	31 Dec 2020	+/-
Offshore Wind	1,277	1,119	158
Onshore Wind/Solar	2,146	2,402	-256
Hydro/Biomass/Gas	2,606	2,667	-61
Supply & Trading	1,804	1,790	14
Other <sup>2</sup>	467	425	42
<b>Core business</b>	<b>8,300</b>	<b>8,403</b>	<b>-103</b>
Coal/Nuclear	9,946	11,095	-1,149
<b>RWE Group</b>	<b>18,246</b>	<b>19,498</b>	<b>-1,252</b>

1 Converted to full-time positions.

2 This item exclusively comprises employees of the holding company RWE AG.

**Headcount significantly down year on year.** As of 31 December 2021, the RWE Group had 18,246 people on its payroll, of which 13,585 were employed in Germany and 4,661 worked abroad. Part-time positions were considered in these numbers on a pro-rata basis. Personnel figures were down markedly compared to the end of 2020 (-1,252). We recorded a significant decline (-1,149) in the Coal/Nuclear segment where many employees accepted early retirement offers as part of the German coal phaseout. Although we created a large number of jobs by expanding renewable energy, headcount in our core business declined somewhat. The main reason for this was that we sold large parts of the Belectric Group.

Staff figures do not include apprentices or trainees. At the end of 2021, 785 young adults were learning a profession at RWE, compared to 750 in the previous year.

## 2.7 Financial position and net worth

**Our financial position and net worth continued to improve in 2021. Even though we invested billions in the expansion of renewables, our net debt fell to less than zero. As of the balance-sheet date, the RWE Group posted net assets of €360 million. This pleasing development was particularly thanks to our strong cash flow from operating activities. Our robust credit ratings also underline how strong our financial position is. The agencies Moody's and Fitch raised RWE's credit rating by one notch last year. Our current long-term ratings are investment grade, at Baa2 and BBB+ respectively.**

**RWE AG bears responsibility for procuring funds.** Responsibility for Group financing is centralised 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 most 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 up to €10 billion. By issuing three green bonds, we exercised this financing option in 2021 for the first time in six years.

- For short-term refinancing, we have a Commercial Paper Programme, which was updated in 2021. It allows us to raise funds equivalent to up to €5 billion on the money market. During the past fiscal year, we accessed a large portion of this funding volume: at times, a total of up to €3 billion in commercial paper was outstanding.
- To secure our liquidity, we also have access to a €5 billion syndicated credit line extended by a consortium of 27 international banks. It consists of two tranches: one of €2 billion, which expires in April 2022, and one of €3 billion, which is available through to April 2026. At our initiative, sustainability criteria were added to the conditions of the second tranche last year. Among other things, the conditions now depend on the development of the following three indicators: the share of renewables in RWE's generation portfolio, the CO<sub>2</sub> intensity of our plants and the percentage of our capex that is classified as sustainable in accordance with the EU taxonomy regulation. We have set goals for all three of these criteria. If we do not achieve the targets, we will have to pay higher interest and commitment fees. Half of the additional expenses would be directed to non-profit organisations. This new structure for the credit line underlines our commitment to our emissions reduction strategy.

**Green bonds worth €1,850 million issued.** For the first time ever, RWE AG issued green bonds in 2021. In June, we placed a 10-year bond with a nominal volume of €500 million and an annual coupon of 0.625%, followed by two issues in November: a 7-year bond of €750 million and a 12-year bond of €600 million, with annual coupons of 0.5% and 1.0%, respectively. Additional information on these three debt securities can be found on page 21. The proceeds of green bonds are tied to specific purposes. We will use these funds exclusively for wind and solar projects.

**Bond volume rises to €2.4 billion.** RWE bonds with a total face value equivalent to €2.4 billion were outstanding at the end of 2021, versus €0.6 billion in the previous year. The significant increase was due to the aforementioned issues. Along with the three green bonds, RWE still has two outstanding 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 earliest redemption dates for the two hybrid bonds are in April 2025 and March 2026, respectively.

Credit rating of RWE AG	Moody's		Fitch	
	Current	Previous	Current	Previous
As of March 2022				
Long-term debt				
Senior debt	Baa2	Baa3	BBB+	BBB
Subordinated debt (hybrid bonds)	Ba1	Ba2	BBB-	BB+
Short-term debt	P-2	P-3	F1	F2
Outlook	Stable	Positive	Stable	Stable

**Solid investment grade rating.** The conditions at which we can raise debt largely depend on rating agencies' assessment of our creditworthiness. Moody's and Fitch make such evaluations on request from us. In the past year, both agencies raised their credit rating for RWE by one notch. RWE's long-term creditworthiness is now rated Baa2 (Moody's) and BBB+ (Fitch), both with a stable outlook. These are investment grade ratings. The ratings for our hybrid bonds and current financial liabilities are now also one level higher (see table above). Moody's and Fitch cited RWE's transformation into a leading renewables company as the reason for the rating improvement. This business is characterised by attractive and relatively stable earnings.

Cash flow statement <sup>1</sup>	2021	2020	+/-
€ million			
Funds from operations	7,103	4,108	2,995
Change in working capital	171	17	154
<b>Cash flows from operating activities of continuing operations</b>	<b>7,274</b>	<b>4,125</b>	<b>3,149</b>
<b>Cash flows from investing activities of continuing operations</b>	<b>-7,738</b>	<b>-4,278</b>	<b>-3,460</b>
<b>Cash flows from financing activities of continuing operations</b>	<b>1,457</b>	<b>1,769</b>	<b>-312</b>
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	58	-34	92
<b>Total net changes in cash and cash equivalents</b>	<b>1,051</b>	<b>1,582</b>	<b>-531</b>
Cash flows from operating activities of continuing operations	7,274	4,125	3,149
Minus capital expenditure	-3,769	-3,358	-411
Plus proceeds from divestitures / asset disposals	1,057	365	692
<b>Free cash flow</b>	<b>4,562</b>	<b>1,132</b>	<b>3,430</b>

1 All items solely relate to continuing operations; some prior-year figures restated due to a change in the recognition of tax benefits to subsidise renewables in the USA (see commentary on page 47).

**Robust improvement in operating cash flow.** Our cash flows from operating activities of continuing operations amounted to €7,274 million, clearly exceeding the prior-year figure (€4,125 million). The good earnings situation and the compensation paid to us in November 2021 by the German Federal government for the phaseout of nuclear energy had positive effects. The main reason for the increase, however, were high margin payments for forward contracts for electricity, fuel and CO<sub>2</sub> certificates. RWE concludes contracts of this kind to reduce earnings risk exposure. For exchange-traded derivatives, we first have to provide an initial margin. Additionally, over the term of the contract, we receive or pay variation margins, depending on how the market value of the derivative changes. So-called collateral has to be provided for over-the-counter derivative transactions.

During the year under review, we received a high amount of variation margins, which are included in cash flow from our operating activities. This was contrasted against significant outflows of funds for initial margins and collaterals, which we reported in cash flows from financing activities.

Investing activities of continuing operations led to a cash outflow of €7,738 million (previous year: €4,278 million). €3,769 million of this sum stemmed from our capital expenditure on property, plant and equipment and financial assets. Moreover, we made significant investments in securities and an extraordinary increase of the assets used to meet pension obligations in the amount of €1,092 million. This was contrasted by revenues from the sale of business activities and shareholdings of €1,057 million. The most important transactions were the sale of our stakes in the US wind farms Stella, Cranell, East Raymond and West Raymond as well as the disposal of the grid connection for the Rampion offshore wind farm in the UK (see page 41).

Financing activities of continuing operations produced cash inflows of €1,457 million (previous year: €1,769 million). In 2021, we recorded high income from bank loans taken out, the issuance of commercial paper and the three green bonds we issued, which are discussed on page 60. However, we also had to make substantial payments for initial margins and collaterals. Outflows of funds were also registered due to dividend payments to RWE shareholders and minority shareholders.

On balance, the aforementioned cash flows from operating, investing and financing activities increased our cash and cash equivalents by €1,051 million.

Cash flows from operating activities, less capital expenditures, plus proceeds from divestments and asset disposals, results in free cash flow. This amounted to €4,562 million, up substantially on the prior-year figure (€1,132 million).

Net assets / net debt <sup>1</sup> € million	31 Dec 2021	31 Dec 2020	+/-
Cash and cash equivalents	5,825	4,774	1,051
Marketable securities	8,347	4,517	3,830
Other financial assets	12,403	2,507	9,896
<b>Financial assets</b>	<b>26,575</b>	<b>11,798</b>	<b>14,777</b>
Bonds, other notes payable, bank debt, commercial paper	-10,704	-2,160	-8,544
Hedging of bond currency risk	-9	-31	22
Other financial liabilities	-7,090	-3,038	-4,052
<b>Financial liabilities</b>	<b>-17,803</b>	<b>-5,229</b>	<b>-12,574</b>
Plus 50% of the hybrid capital stated as debt	290	278	12
<b>Net financial assets (including correction of hybrid capital)</b>	<b>9,062</b>	<b>6,847</b>	<b>2,215</b>
Provisions for pensions and similar obligations	-1,934	-3,864	1,930
Surplus of plan assets over benefit obligations	459	172	287
Provisions for nuclear waste management	-6,029	-6,451	422
Provisions for dismantling wind farms	-1,198	-1,136	-62
<b>Net assets (+) / net debt (-)</b>	<b>360</b>	<b>-4,432</b>	<b>4,792</b>

1 Mining provisions are not included in net debt. The same holds true for the assets which we attribute to them. At present, this includes our 15% stake in E.ON and our claim for state compensation for the German lignite phaseout in the amount of €2.6 billion.

**Net assets of €360 million.** Our net debt declined by €4,792 million versus the previous year (€4,432 million). As a result of this, we posted a net asset position of €360 million as of 31 December 2021. The main reason for this was the excellent free cash flow. The market-driven increase in the discount rates we use to calculate the present value of pension obligations also played a role, as it resulted in a decline in provisions for pensions. A similar effect was exerted by the income generated from managing the plan assets for our pension obligations. While the aforementioned extraordinary funding of these assets in the amount of €1,092 million caused provisions to decline, it was coupled with a corresponding outflow of funds and thus did not result in a reduction of debt. Dividend payments lowered our net financial position by €730 million.

**Leverage factor below zero.** One of our key management parameters is the ratio of net debt to the adjusted EBITDA of the core business, also referred to as the leverage factor. This figure is more indicative than total liabilities, as 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. As the RWE Group did not have any net debt as of the balance-sheet date and posted a net asset position, this indicator was below zero. However, the leverage factor should increase in the medium term, above all due to growth investments in our green core business, which we will also finance using debt capital.

**Moderate decline in off-balance-sheet fuel purchase obligations.** Net debt does not include our off-balance-sheet obligations, which largely stem from long-term purchase agreements for fuel and electricity. As of the balance-sheet date, our payment obligations from material fuel procurement contracts amounted to €22.3 billion (previous year: €23.6 billion). In relation to electricity procurement, they amounted to €7.1 billion and were thus as high as in 2020. The figures are based on assumptions regarding the prospective development of commodity prices. Our purchase commitments rose from €2.1 billion to €5.6 billion over the course of the year. Further off-balance-sheet obligations result, inter alia, from liabilities for pension commitments that employees of our former subsidiary innogy had earned at RWE up to its IPO in 2016.

**Sharp increase in balance-sheet total due to temporary effects from commodity derivatives.** At 31 December 2021, the Group balance sheet was strongly influenced by changes in commodity derivatives. They rose by €56.4 billion on the assets side and €68.2 billion on the liabilities side. This was driven by the extreme increase in prices of electricity and natural gas. The increase in these derivatives was the main reason that the balance-sheet total of €142.3 billion was more than twice as high as in 2020 (€61.6 billion). Another reason for this development was that we raised a large amount of debt capital. Among other things, the funds were used to collateralise derivative transactions, which resulted in a corresponding build-up of receivables. At €17.0 billion, our equity was slightly below last year's level. The equity ratio amounted to 11.9%. Due to the increase in the balance-sheet total, this figure was significantly lower compared to 2020 (28.7%).

Group balance sheet structure <sup>1</sup>	31 Dec 2021		31 Dec 2020			31 Dec 2021		31 Dec 2020	
	€ million	%	€ million	%		€ million	%	€ million	%
<b>Assets</b>					<b>Equity and liabilities</b>				
Non-current assets	38,863	27.3	34,418	55.8	Equity	16,996	11.9	17,706	28.7
of which:					Non-current liabilities	28,306	19.9	27,435	44.5
Intangible assets	5,884	4.1	4,899	7.9	of which:				
Property, plant and equipment	19,984	14.0	17,902	29.0	Provisions	16,943	11.9	19,470	31.6
Current assets	103,446	72.7	27,224	44.2	Financial liabilities	6,798	4.8	3,951	6.4
of which:					Current liabilities	97,007	68.2	16,501	26.8
Trade accounts receivable	6,470	4.5	3,007	4.9	of which:				
Receivables and other assets	79,626	56.0	12,531	20.3	Provisions	4,268	3.0	3,004	4.9
Marketable securities	8,040	5.6	4,219	6.8	Financial liabilities	10,996	7.7	1,247	2.0
Assets held for sale	657	0.5	1,061	1.7	Trade accounts payable	4,428	3.1	2,387	3.9
<b>Total</b>	<b>142,309</b>	<b>100.0</b>	<b>61,642</b>	<b>100.0</b>	Other liabilities	77,315	54.4	9,282	15.1
					Liabilities held for sale	-	-	581	0.9
					<b>Total</b>	<b>142,309</b>	<b>100.0</b>	<b>61,642</b>	<b>100.0</b>

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewables in the USA (see page 47) and retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see page 95).



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

The financial statements of RWE AG are significantly influenced by the business performance of its subsidiaries. In sum, the profit transfers of these companies recorded an increase in 2021. This was contrasted by an impairment recognised for a subsidiary. We posted positive developments in other income and expenses as well as in net interest. Overall, RWE AG's earnings position has therefore improved: at €1,108 million, RWE AG's net profit was substantially higher than in 2020. We intend to raise the dividend and will therefore propose a payment of €0.90 per share to the Annual General Meeting taking place in April 2022. This constitutes an increase of €0.05 versus last year.

Balance sheet of RWE AG (abridged)	31 Dec 2021	31 Dec 2020	+/-
€ million			
<b>Assets</b>			
Financial assets	17,866	20,524	-2,658
Accounts receivable from affiliated companies	7,922	2,094	5,828
Other accounts receivable and other assets	616	519	97
Marketable securities and cash and cash equivalents	11,709	6,664	5,045
<b>Total assets</b>	<b>38,113</b>	<b>29,801</b>	<b>8,312</b>
<b>Equity and liabilities</b>			
Equity	8,359	7,826	533
Provisions	2,245	1,996	249
Accounts payable to affiliated companies	18,743	18,905	-162
Other liabilities	8,766	1,074	7,692
<b>Total equity and liabilities</b>	<b>38,113</b>	<b>29,801</b>	<b>8,312</b>

Income statement of RWE AG (abridged)	2021	2020	+/-
€ million			
Income from financial assets	378	1,114	-736
Net interest	318	-72	390
Other income and expenses	132	-712	844
Taxes on income	280	250	30
<b>Net profit</b>	<b>1,108</b>	<b>580</b>	<b>528</b>
Transfer to other retained earnings	-499	-5	-494
<b>Distributable profit</b>	<b>609</b>	<b>575</b>	<b>34</b>

**Financial statements in accordance with German commercial law.** 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/financial-reports](http://www.rwe.com/financial-reports).

**Assets.** RWE AG had €38.1 billion in total assets as of 31 December 2021 (previous year: €29.8 billion). Accounts receivable from affiliated companies registered a significant rise. This was mainly because we made cash and cash equivalents available to our subsidiary RWE Supply & Trading as collateral for commodity forward transactions. We also posted significant increases in 'marketable securities and cash and cash equivalents' and 'other liabilities'. In the year under review, we increased our liabilities significantly by way of bank loans, commercial paper and green bonds. These funds were, inter alia, used to secure liquidity, with a portion thereof, e.g. the proceeds generated by bonds issued, earmarked for growth investments. RWE AG's equity rose by €533 million to €8,359 million. However, the equity ratio decreased from 26.3% to 21.9%, due to the increase in the balance sheet total.

**Financial position.** RWE AG is set up solidly in economic terms with high levels of cash and cash equivalents and a number of financing tools at its disposal that it can use flexibly. Accordingly, rating agencies Moody's and Fitch classify our creditworthiness as 'investment grade'. Last year, they both raised our respective credit rating by one level to Baa2 (Moody's) and BBB+ (Fitch). You can find detailed information on RWE's financial situation and on our financing activities in the year under review on pages 60 et seqq.

**Earnings position.** RWE AG's earnings position improved compared to 2020. The main items on the income statement developed as follows:

- Income from financial assets dropped by €736 million to €378 million. One reason for this was an impairment loss recognised in relation to our stake in RWE Power. However, this company's profit transfer was higher than in 2020, which was attributable to improved generation margins and lower charges resulting from impairments, depreciation and amortisation. RWE Nuclear also gained considerable ground. This was due to the compensation we received from the German government for the nuclear phaseout (see page 36). By contrast, income from our stake in RWE Supply & Trading decreased.
- Net interest increased by €390 million to €318 million. This was in part due to a rise in capital gains from the management of plan assets used to cover our pension obligations and was further boosted by interest claims relating to tax refunds for earlier assessment periods.
- The 'other income and expenses' line item improved by €844 million to €132 million. In the year under review, we recognised write-backs for financial accounts receivable from a Dutch subsidiary. This reversed impairments in previous years to some extent.

- In 2021, we recorded tax income of €280 million (previous year: €250 million). This is largely due to the aforementioned tax refunds for earlier assessment periods.
- Versus 2020 (€580 million), the presented earnings figures led to a considerably higher net profit of €1,108 million.
- The distributable profit of €609 million corresponds to the planned payment of a dividend of €0.90 per share to our shareholders.

**Outlook for 2022.** RWE AG's earnings prospects will largely depend on the business performance of its subsidiaries. Our current assessment makes us confident that we will achieve a net profit in 2022 that offers the necessary margins for the intended dividend of €0.90. However, it is unlikely to match the level achieved in 2021.

**Corporate governance declaration in accordance with Sections 289f and 315d of the German Commercial Code.** On 15 February 2022, the Executive Board and the Supervisory Board of RWE AG issued its Corporate Governance Declaration in accordance with Sections 289f and 315d of the German Commercial Code. The declaration contains the Corporate Governance Report and has been published at [www.rwe.com/corporate-governance-declaration](http://www.rwe.com/corporate-governance-declaration).

## 2.9 Outlook

**We are confident of being able to pick up where we left off last year in terms of our earnings position. As things stand, we anticipate adjusted EBITDA of €3.6 billion to €4.0 billion. Our core business is expected to close fiscal 2022 up on last year's earnings, which had been heavily impacted by the extreme weather conditions in Texas. The commissioning of new generation capacities is set to have a positive effect. We also expect to see improved electricity margins and better wind conditions. After last year's extraordinarily successful energy trading performance, we anticipate income to normalise. Not yet included in our forecast is the fallout of the Ukraine conflict, which is difficult to assess. How events unfold and how sanctions against Russia affect European energy supply may have a significant impact on our business.**

**Ukraine crisis puts economic growth at risk.** Forecasts concerning the economic development in our core markets are linked to considerable uncertainties related to the Ukraine conflict. Estimates available when the combined review of operations was written had been compiled before the war broke out. Based on these figures, world economic output could increase by about 4% in 2022. Growth rates forecast for the Eurozone, Germany and the USA are of a similar order, while those for the United Kingdom and the Netherlands are expected to reach 3%. Should energy prices remain extremely high due to the Ukraine conflict, then the economy may well prove to be less dynamic.

**Rise in electricity consumption anticipated.** Higher economic output is generally associated with additional demand for electricity. However, this is contrasted by continued energy savings which will probably have a slightly dampening effect. Provided the aforementioned economic prognoses prove to be accurate, demand for electricity in our key markets Germany, the Netherlands, the UK and the USA should be between 1% and 3% higher than in 2021.

**Our power production for 2022 has already largely been sold forward.** Wholesale electricity prices rose considerably last year, surging again in early 2022 due to the Ukraine conflict. Their development during the current year is impossible to predict, but market fluctuations would only have a moderate impact on this year's generation margins as we have already largely sold forward our electricity production for 2022 and hedged the prices of the required fuel and CO<sub>2</sub> emission allowances. These transactions have been concluded up to three years ahead, and already reflect the rise in electricity prices in 2021 to a limited extent. A large portion of electricity generated by RWE wind farms, where revenue is market-dependant, has also already been sold forward.

Forecast € million	2021 actual	Outlook for 2022
Adjusted EBITDA	3,650	3,600-4,000
of which:		
Core business	2,761	2,900-3,300
of which:		
Offshore Wind	1,110	1,350-1,600
Onshore Wind / Solar	258	650-800
Hydro / Biomass / Gas	731	700-900
Supply & Trading	769	150-350
Coal / Nuclear	889	650-750
Adjusted EBIT	2,185	2,000-2,400
Adjusted net income	1,569	1,300-1,700

**2022 adjusted EBITDA of €3.6 billion to €4.0 billion expected.** Subject to the risks associated with the Ukraine conflict, which are difficult to gauge, we expect this year's business performance to pick up where we left off in terms of our good operating result in 2021. We forecast adjusted EBITDA for the Group of €3,600 million to €4,000 million (previous year: €3,650 million) for 2022 and envisage a range of €2,900 million to €3,300 million in the core business, thus exceeding last year's figure (€2,761 million) which had been heavily burdened by an extreme cold snap in Texas in February 2021. We assume the commissioning of new wind and solar farms and higher electricity margins to have a positive effect on earnings. Moreover, we expect to see average wind speeds, which would improve the utilisation of our wind farms compared to 2021, which was a low-wind year. By contrast, we may well fall short of the very good result achieved in the energy trading business last year. We anticipate a decline in EBITDA outside of the core business, i.e. in the Coal/Nuclear segment, due to decommissioning of generation capacities, in particular the closure of the Gundremmingen C nuclear power station as of 31 December 2021.

Based on anticipated operating depreciation and amortisation of approximately €1,600 million, adjusted EBIT should range between €2,000 million and €2,400 million (last year: €2,185 million). Net income, which excludes major exceptional effects, is expected to total between €1,300 million and €1,700 million (last year: €1,569 million). We explain how this key figure is calculated on page 58.

Our outlook broken down by segment is as follows:

- **Offshore Wind:** Adjusted EBITDA in this business is forecast to total between €1,350 million and €1,600 million (last year: €1,110 million). We expect the full commissioning of the Triton Knoll wind farm to play an important part. In addition, the first full consolidation of the Rampion wind farm for the year as a whole is also likely to have a positive effect. Furthermore, we anticipate higher margins than last year and expect utilisation of our assets to improve due to the weather.
- **Onshore Wind / Solar:** Our prognosis for this segment is adjusted EBITDA of €650 million to €800 million, clearly surpassing last year's level (€258 million). The main contributing factor will be the non-recurrence of the one-off burden due to the cold snap in Texas in 2021. In addition, we anticipate higher generation volumes due to the commissioning of new generation capacity and more favourable wind conditions. Higher generation margins will also help earnings to rise. This will be contrasted by an increase in expenditure on the development of growth projects. Furthermore, last year's result included capital gains on the sale of majority stakes in Texan wind farms, which will not recur.
- **Hydro / Biomass / Gas:** Here, we forecast adjusted EBITDA of €700 million to €900 million. Therefore, the segment stands a good chance of closing 2022 up on last year's figure (€731 million). Higher margins on electricity forward sales will play a significant role. Moreover, we expect capital gains from the sale of a former power plant site in the United Kingdom. Conversely, income from the commercial optimisation of power plant dispatch may well fall short of the high level achieved in 2021. Payments from the British capacity market will also decline. An unscheduled outage at the Dutch Claus C gas-fired power station is also expected to have a negative effect.
- **Supply & Trading:** Earnings in this segment are difficult to predict due to the high volatility of the trading business. Assuming that business develops normally, adjusted EBITDA should range between €150 million and €350 million. In this case, it would be substantially below the unusually high level recorded last year (€769 million).
- **Coal / Nuclear:** Here, we anticipate a decrease in adjusted EBITDA to between €650 million and €750 million (last year: €889 million). The main reason for this is the closure of the Gundremmingen C nuclear power station and five lignite units in 2021. This will be contrasted by positive effects stemming from cost savings.

**Capital expenditure on property, plant and equipment markedly up on last year.** In comparison to 2021 (€3,689 million), we plan on substantially increasing our property, plant and equipment and intangible asset investments. Considerable funds will be allocated to building the Kaskasi and Sofia offshore wind farms near Heligoland and in the UK North Sea, respectively. Further investments will be made in wind, solar and battery projects in the USA and Europe as well as the construction of a gas-fired power station at Biblis, which is needed to stabilise the electricity grid. Outside of the core business, in the Coal / Nuclear segment, we plan to spend about €200 million on property, plant and equipment, mainly to maintain our power stations and opencast mines.

**Leverage factor to stay 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. As explained on page 63, the leverage factor fell below zero in 2021. However, it will probably rise again in the long run. This is largely on account of our planned growth investments, a portion of which we will finance by raising debt capital. It is virtually impossible to make leverage factor forecasts for individual years primarily due to the significant liquidity fluctuations that can result from the collateralisation of commodity forward transactions. Nevertheless in 2022, we anticipate this key performance indicator to be clearly below 3.0, i.e. the cap we have set for it.

**Dividend for fiscal 2022.** The Executive Board of RWE AG aims to pay a dividend of €0.90 per share for the 2022 financial year. This corresponds to the dividend that we intend to propose to the Annual General Meeting on 28 April 2022 for fiscal 2021.

## 2.10 Development of risks and opportunities

**RWE's transformation into a growth company in the green economy has improved our risk-opportunity profile. Thanks to the predominantly high, stable revenues that can be generated with renewables, not only are we more profitable, we are also more resilient. However, Russia's invasion of Ukraine has given rise to new uncertainties. What this conflict will mean for the energy industry and the development of RWE's business is impossible to predict. The German government's plans to accelerate the phaseout of coal-based power generation also pose a risk and could be associated with significant financial burdens for RWE. However, if framework conditions prove favourable, they also offer us the chance to proceed more quickly towards climate neutrality.**

**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: (1) Controlling & Risk Management (Chair), (2) Finance & Credit Risk, (3) Accounting, (4) Legal, Compliance & Insurance, and (5) Strategy & Sustainability. 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 79.
- 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.



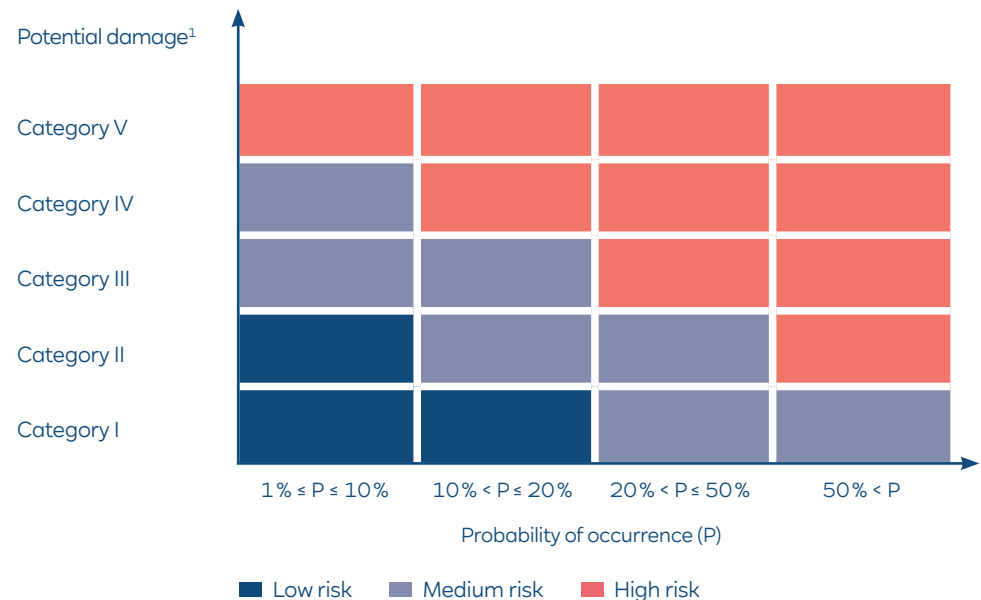
Under the expert management of the aforementioned organisational units, RWE AG and its subsidiaries are responsible for identifying risks early, assessing them correctly and managing them in compliance with corporate standards. Internal Audit regularly verifies the quality and functionality of our risk management system. The Executive Board formally establishes the Group's risk bearing capacity. This took place by way of a resolution dated 23 November 2021.

**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, liquidity, net debt and/or 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 planning horizon.

We display the material risks using a matrix (see chart on the right) 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 damage potential thresholds, 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.

RWE AG risk matrix



Potential damage <sup>1</sup>	Earnings risks Potential impact on net income (X)	Indebtedness / equity risks Potential impact on liquidity, net debt and /or equity (Y)
€ million		
Category V	$8,000 \leq X$	$8,000 \leq Y$
Category IV	$1,500 \leq X < 8,000$	$4,000 \leq Y < 8,000$
Category III	$600 \leq X < 1,500$	$2,000 \leq Y < 4,000$
Category II	$300 \leq X < 600$	$1,000 \leq Y < 2,000$
Category I	$X < 300$	$Y < 1,000$

1. Aggregated over the planning horizon.

Risk classes	Classification of the highest single risk	
	31 Dec 2021	31 Dec 2020
Market risks	Medium	Medium
Regulatory and political risks	High	Medium
Legal risks	Low	Low
Operational risks	Medium	Medium
Financial risks	Medium	Medium
Creditworthiness of business partners	Medium	Medium
Other risks	Low	Medium

**Main risks for the RWE Group.** Depending on their causes, our risks can be divided into seven classes, which are shown in the table. The highest individual risk determines the classification of the risk of the entire risk class. Our classification of risks reflects the situation in early March 2022. It was not possible to predict the impact of the Ukraine conflict at this time. The following changes have been made versus last year's risk classification:

- We adjusted the classification of our regulatory and political risks upwards from 'medium' to 'high'. One reason for this is the plan of the new government coalition, made up of the Social Democrats, the Green Party and the Free Democrats, to accelerate the German coal phaseout without granting the affected companies compensation. Far-reaching EU sanctions against Russia could also have a significant impact on our business.
- We reclassified our 'other risks' from 'medium' to 'low' because the economic impact of the coronavirus pandemic has become more manageable. Previously, we believed our single-largest other risk was that a reduction in demand for energy caused by the pandemic would cause electricity prices to drop over the long term and we would thus have to recognise impairments for generation assets. Now we feel that this is unlikely.

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. In 2017, the Task Force on Climate-related Financial Disclosures (TCFD), a panel of experts, recommended 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 2021 Sustainability Report, which will be published in April 2022 and will then be available at [www.rwe.com/sustainability-report](http://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. This presents both opportunities and risks. Over the course of the past year, prices quoted in our key European electricity forward markets hit an all-time high. As a result, the earnings prospects of our generation assets became considerably more favourable. If limits are placed on Russian natural gas imports in the long term due to the Ukraine conflict, then energy prices should remain at a high level. However, there is a possibility that the economy will fall into a recession and that electricity prices will drop again.

With regard to power and gas purchase agreements, if the conditions are not coupled to the development of wholesale prices, there is a 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. The station was commissioned by energy group Uniper in mid-2020, ten years later than planned. We were unsuccessful in taking legal recourse against the continuation of the agreements. A further legal dispute regarding certain contractual provisions with Uniper is still pending.

RWE has a long-term gas purchase agreement with Russian energy group Gazprom. What the Ukraine crisis will mean for this contract remains to be seen. We have the option to negotiate contractual changes depending on market conditions during price reviews, should it remain effective. In the past, this has enabled us to mitigate our earnings risk exposure from the contract.

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 and parts of our renewable energy portfolio, we limit the earnings risks by selling a large portion of the electricity forward. Whenever we need fuel and CO<sub>2</sub> emission allowances to produce power, we secure the respective prices when we sell the electricity. This makes it easier for us to plan generation margins in coming years. However, if we sell too much electricity forward, we run the risk of having to make expensive purchases on the market to fulfil supply commitments in the event of production outages. An example of such a situation was the extreme cold snap in Texas in February 2021, on which we report on page 43. The consequences of this weather event prompted us to review and optimise our hedging strategy.

We also use financial instruments to hedge our commodity positions. In the consolidated financial statements, these instruments are inter alia presented through the statement of on-balance-sheet hedges. The same applies to financial instruments serving the purpose of limiting interest rate and currency risks. More detailed information on this can be found on pages 105 and 158 et seqq. 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 electricity output and purchases the necessary fuel and CO<sub>2</sub> certificates. 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. It specifies the maximum loss from a risk position not exceeded with a predetermined probability over a predefined period of time. The RWE Group's VaR figures are generally based on a confidence interval of 95 % and a holding 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 should not exceed a certain daily cap. In the past, this upper limit was initially set at €40 million, but was increased by €10 million at the beginning of 2021 and again in early 2022. In the period under review, the actual amounts averaged €32 million. The daily maximum was €50 million. In addition, limits derived from the respective 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. During the past year, the daily VaR cap for these activities was raised from €14 million to €25 million. We used a maximum of €22 million of this headroom. The average VaR for the year was €8 million.

The massive price spikes recently observed in energy trading could continue due to the Ukraine conflict. Nevertheless, our market risks remain unchanged in the 'medium' category.

- **Regulatory and political risks.** Most countries in which we are active have set their sights on ambitious climate protection goals. A number of them, including Germany, have recently introduced more stringent objectives. To meet these targets, they will need to continue to improve the framework for renewable energy and green hydrogen. For companies such as RWE, which have designed their business model around the energy transition, this is associated with opportunities for growth. At the same time, our ambitious carbon-reduction strategy has meant that regulatory interventions to improve climate protection are no longer associated with such high risks.

Nevertheless, changes to political and regulatory frameworks can severely impact us. The Ukraine crisis, in particular, is currently associated with risks. For example, there is the possibility that Russian commodities suppliers are no longer able to meet their obligations due to the sanctions against Russia, forcing us to procure these commodities on the market at high prices. It cannot be ruled out that contractual partners become insolvent because of the sanctions. Moreover, in core markets such as Germany, politicians could intervene with regulatory measures to secure energy supply and stabilise consumer prices. It is not yet possible to foresee what effects this could have on RWE.

A core component of Germany's climate protection strategy is reducing coal-fired electricity generation to zero by 2038. In exchange for closing our lignite assets early, we are due €2.6 billion in compensation, which is still pending approval under EU state aid law. There is now talk of the exit roadmap being expedited. Germany's new government has announced that it ideally wants electricity generation from coal to end as early as 2030 and that it does not intend to grant affected companies any additional compensation. This would impose considerable financial burdens on RWE. However, the accelerated coal phaseout also presents us with opportunities as it presupposes more favourable framework conditions for the construction of environmentally friendly replacement plants, while the expansion of renewables would also have to be ramped up. This would benefit the implementation of our growth strategy. Moreover, the government might pay us compensation after all.

We are also exposed to risks associated with the coal phaseout in the Netherlands, where a law was passed in 2019 that prevents us from using hard coal in Amer 9 and Eemshaven as of 2025 and 2030, respectively. There are no plans to offer compensation. We accept the coal phaseout, but do not believe it is just that the law does not provide for any remuneration for this intervention in companies' property rights. Given the lack of concessions by Dutch policymakers, we have submitted an application for arbitration proceedings in accordance with the Energy Charter Treaty with the International Centre for Settlement of Investment Disputes in Washington. We hope this will give us the opportunity to receive financial compensation. In addition to the coal phaseout, the Netherlands introduced a cap on coal firing in power plants, which will apply from 2022 to 2024. We are likely to be awarded compensation in relation to this measure, however it is not yet clear how much it will be. Furthermore, the EU Commission will still need to approve it under state aid law.

Although the renewable energy business is characterised by fairly stable framework conditions and wide public acceptance, political uncertainties 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 for constructing 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. Furthermore, it cannot be ruled out that the courts will legislatively prohibit the transfer of land that has been assigned to us in the vicinity of our opencast mines.

Producers in Germany benefit from lower tax rates on in-house electricity, gas and oil consumption. RWE also utilises this financial mechanism. The Federal government, however, intends to reform the legal basis for these benefits in accordance with the EU's guidelines on climate and environmental protection and state aid for energy. There is a risk that the new rules will be more restrictive and that we will possibly either receive lower discounts from 2023, or none at all.

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 using this exemption may be limited by Germany's highest court and that back payments may even have to be made for previous years.

As set out earlier, we have adjusted the assessment of our regulatory and political risks from 'medium' to 'high', which is due to the uncertainties associated with the Ukraine conflict and Germany's coal exit.

- **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 practice 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 generation assets. Damage and outages can weigh heavily on earnings, as seen in 2021 during the severe cold snap in the US state of Texas (see page 43). The recent sharp rise in electricity prices is associated with a higher risk of earnings losses but also presents opportunities should the utilisation of our assets be higher than anticipated. To mitigate these risks, we ensure that our supply commitments are not too high, as we may be forced to buy electricity at a high cost to meet these obligations in case of production outages, for example. Furthermore, we also regularly maintain our facilities and take out insurance policies if economically viable.

When production facilities are built and modernised, delays and cost increases can occur, for example due to logistical bottlenecks or inadequate services provided by suppliers. The coronavirus pandemic and international trade conflicts have recently proven to be risk factors. Project delays can cause costs to rise and earnings to be delayed. Furthermore, delays of renewable energy projects can be disadvantageous to the level of subsidies they receive. We counter these risks through circumspect planning and diligent project management.

The COVID-19 pandemic, which has persisted for two years now, continues to expose us to risks, albeit to a manageable extent. As before, deliveries can be delayed. Theoretically, it is also conceivable that the reliable operation of our plants may be jeopardised if a large number of employees goes on sick leave. Thanks to comprehensive preventive measures and forward-looking emergency plans, so far we have been able to keep all major operational processes up and running, and we are confident that we can continue doing so.

RWE has ambitious growth targets and has increased its investment budgets significantly. We take care to ensure that our new-build projects and acquisitions satisfy our return requirements. If positive market developments occur after an investment decision has been made, electricity revenue and thus also returns can exceed expectations. However, it is also possible that income achieved through our projects falls short of forecasts and that prices paid for acquisitions prove to be too high retrospectively. 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, it is not possible to rule out a lack of availability of IT infrastructure or a breach in data security. There is also a risk of cyber attacks. The Ukraine crisis may trigger a rise in these sorts of attacks. We limit our IT risks with high security standards, and groupwide cyber security training programmes are designed to mitigate them. In addition, we regularly invest in hardware and software upgrades.

As in the previous year, we classify our operational risks as 'medium'.

- **Financial risks.** Interest rates, foreign exchange rates, securities prices and rates of inflation are subject to fluctuations, which can be difficult to predict and can have a major impact on our net worth and earnings.

Changes in interest rates give rise to risks and opportunities in several respects. Market interest rates, for example, can impact 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 decrease when market interest rates rise and increase when market interest rates fall. On pages 144 et seq. 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.

Rises in market interest rates can lead to reductions in the prices of the securities we hold and vice versa. This primarily relates to fixed-interest bonds. In 2021, we started measuring the price risk using a sensitivity analysis. As of the balance-sheet date, an increase in market interest rates of 100 basis points would have lowered the value of the bonds on our books by €28 million.

Moreover, interest rates also determine our financing costs. We measure the possible impact 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 2021 was €8 million.

Changes to the general price level can also give rise to risks and opportunities. Rising inflation can force us to increase the value of our future obligations and raise provisions. 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.

With our focus on the global expansion of renewables, changes in exchange rates may increasingly impact our earnings. Companies which are overseen by RWE AG have their currency risks managed by the parent company. These risks are aggregated to a net financial position for each currency and hedged using currency derivatives if necessary. Our foreign currency risks are measured using sensitivity analyses. In the course of such, we calculate how a 10 % change in the exchange rate would affect the value of the respective foreign currency position. As of the balance-sheet date, the sum total of the sensitivities amounted to €0.3 million.

Security price fluctuations can have a considerable impact on RWE's financial assets and pension funds. In case of a stock market crisis, for example due to the conflict in Ukraine, we would possibly need to significantly increase our pension provisions in order to compensate our fund assets potentially losing value. We are also exposed to share price risks in relation to our 15 % stake in E.ON, which had a fair value of €4.8 billion at the end of 2021.



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 the payments – variation margins in the case of exchange transactions – depends on the extent to which the contractually agreed prices deviate from market quotations as of the respective cut-off date. If differences are substantial, then they may weigh heavily on our liquidity. As set out on page 38 et seq., wholesale prices of electricity, natural gas and CO<sub>2</sub> emission allowances spiked substantially in 2021. This forced us to pay unusually high variation margins for electricity forward sales. Thanks to our robust financial position and use of financing instruments at our disposal, we were always able to provide the required funds. Another positive factor was that we received significant margin payments in relation to forward sales of commodities, in particular of CO<sub>2</sub> emission allowances.

The conditions at which we finance our debt capital are in part dependent on the credit ratings we receive from independent rating agencies. As set out on page 61, Moody's and Fitch place our creditworthiness in the investment grade category. If our rating deteriorates, 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. Just last year, Moody's and Fitch raised our credit score by one notch to Baa2 and BBB+, respectively, both with a stable outlook. In doing so, they rewarded us for our transformation into a leading renewable energy company through which we have become more financially robust.

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, in the medium term, it does not exceed three times the adjusted EBITDA of our core business.

Despite this, net debt could temporarily be above budget, for instance if we have to pay high variation margins. Nevertheless, we are confident that we can keep our indebtedness below the cap.

Despite the significant increase in volatility on commodity markets, we continue to classify our financial risks as 'medium'.

- **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 significant price spikes on commodity markets have increased the danger of transaction partners being unable to meet their obligations. The Ukraine crisis has further exacerbated this risk, in particular in relation to trading with Russian commodities producers. This exposes us to substantial financial losses especially with regard to contracts that are particularly valuable to us. We are monitoring the default risks closely and are assessing counterbalancing measures.

Although our risks stemming from the creditworthiness of our business partners have increased overall, they still 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 decrease in electricity prices which may force us to recognise impairments for generation assets has also been recorded in this category. However, we now believe it is very unlikely that this will come to pass. Therefore, we have lowered the category of other risks from 'medium' to 'low'.

**RWE's risks and opportunities: General assessment by management.** Shifting our generation portfolio from fossil fuels to renewables has improved RWE's opportunity-risk profile. 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. At the same time, our solid financial management ensures that our company 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 60). We budget our liquidity with foresight, based on the short, medium and long-term financing needs of our Group companies, and always hold a significant amount of minimum liquidity.

As shown by the commentary in this chapter, we consider unfavourable changes to the political and regulatory framework to be our biggest risk. Due to the war in Ukraine, developments are conceivable that could have a considerable negative impact on us. We are monitoring events closely as they unfold and are trying to limit these risks as much as possible. We could also become exposed to significant financial burdens due to the accelerated coal phaseout. We therefore class the political and regulatory risks as 'high'. In the previous year, we had classed them as 'medium'. That being said, we also see opportunities here. For example, we are confident that an earlier German coal exit would

be associated with improved framework conditions for the expansion of renewables and for the creation of environmentally friendly backup assets. The additional investments and the steeper climb towards reducing emissions should again increase our acceptance among capital lenders and customers. It is also possible that the government may offer fair compensation regulations, contrary to early statements.

The booming commodity markets presents us with opportunities. If wholesale electricity prices remain high, renewable energy assets that do not receive fixed payments will achieve additional revenue. This also holds true for our conventional power stations as long as additional earnings are not offset by higher costs of fuel and CO<sub>2</sub> allowances. However, high electricity prices also increase the potential for greater earnings shortfalls in the event of unscheduled plant outages. Price hikes on the energy markets could also see the funds needed to collateralise forward contracts rise at short notice. The same applies to income generated by these contracts. As a result, standards on our liquidity management would become stricter and the risk of our contracting parties being unable to make payments would rise.

RWE has been affected by COVID-19 to a limited extent so far, and we are confident that this will not change. Projects may still be delayed owing to the pandemic. However, the risk of a sustained COVID-19-induced economic crisis resulting in a reduction in electricity prices and impairments to power stations has not materialised. In view of the latest economic recovery and the record energy prices, we now find that such a scenario is unlikely.

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 our current risks. At the same time, we are establishing the prerequisites for ensuring that this remains the case in the future. Overall, we do not currently foresee any risks that would undermine the viability of RWE AG or the RWE Group.

**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. Capital market law regulations and RWE's Code of Conduct require that we inform the public of our business performance and important company specific events completely, objectively, accurately, clearly and in a timely manner. We use a series of tools to meet this ambition. Examples of this are our IFRS accounting regulation 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. The Accounting Department of RWE AG is responsible for designing the ICS and reviewing its effectiveness. In doing so, it applies groupwide rules. 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 & Security 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. First, we examine whether the risk situation is presented appropriately and whether suitable controls are in place for the identified risks. Then, we test the effectiveness of the controls. If the ICS reviews pertain to accounting-related processes, e.g., to the preparation of financial statements or to consolidation, they are conducted by employees from the Accounting Department. When it comes to processes handled by service centres on our behalf, for example invoice processing, an auditor certifies the appropriateness and effectiveness of the controls. 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 also oversees the ICS reviews. The results of the reviews are documented in a report to the Executive Board of RWE AG. The review conducted in 2021 once again demonstrated that the ICS is effective.

Within the scope of external reporting, the members of the Executive Board of RWE AG take an initial half-year and a 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.

## 2.11 Disclosure relating to German takeover law

**The following disclosure is in accordance with Sections 315a and 289a 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. It is divided among 676,220,048 no-par-value bearer shares.

**Limitation of voting rights or share transfers and employee share schemes.** One share grants one vote at the Annual General Meeting and determines the proportion of the company's profit to which the shareholder is entitled. This does not apply to RWE AG's treasury stock, which does not confer any rights to the company. Voting rights are excluded by law in cases where Section 136 of the German Stock Corporation Act applies.

Within the scope of an employee share plan, we issued 288,624 RWE shares to our employees in Germany in the financial year that just ended. The beneficiaries may only freely dispose of the shares after 31 December 2022.

RWE also has employee share schemes in the United Kingdom. Participating companies are RWE Generation UK plc, RWE Supply & Trading GmbH UK Branch and RWE Technology UK Limited. In 2021, employees purchased a total of 23,181 RWE shares under the UK schemes. These shares are also subject to a restriction on disposal, which lasts five years from the grant date.

Employees can exercise the control rights conferred on them from the employee shares in the same manner as other shareholders can whilst in compliance with statutory regulations and the provisions of the Articles of Incorporation.

**Shares in capital accounting for more than 10% of voting rights and special rights with control powers.** As of 31 December 2021, no holding in RWE AG exceeded 10% of the voting rights. There are no RWE shares with special rights that confer control powers.

**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 Sections 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.

**Executive Board authorisation to implement issuances and buybacks of RWE shares.**

On 28 April 2021, the Annual General Meeting authorised the Executive Board to increase the company's capital stock subject to the approval of the Supervisory Board by up to €346,224,663.04 through the issuance of up to 135,244,009 bearer shares (authorised capital). The authorisation is limited to five years and expires on 27 April 2026.

On 28 April 2021, the Annual General Meeting further authorised the Executive Board until 27 April 2026, subject to Supervisory Board approval, to issue bearer convertible and / or option bonds with a total face value of up to €5,000,000,000 with or without a limited maturity and to grant the bondholders convertible or option rights to bearer shares in the company. To enable the issuance of shares to holders of convertible and / or option bonds, the Annual General Meeting of 28 April 2021 conditionally increased the company's capital stock by up to €173,112,330.24, divided into up to 67,622,004 registered or bearer shares (conditional capital).

New shares from authorised capital and the aforementioned bonds may be issued in exchange for contributions in cash or in kind. These shares must generally be tendered to the shareholders for subscription. However, the Executive Board is authorised, subject to Supervisory Board approval, to waive subscription rights in the following cases:

- to avoid fractions of shares resulting from the subscription rate;
- if the issuance is conducted in exchange for contributions in kind;
- to provide protection from dilution in connection with convertible and / or option bonds that have already been issued; and
- if the issue price of the new shares or bonds is not significantly below their quotation or their theoretical fair value calculated by generally accepted methods of quantitative finance and if waived subscription rights are limited to no more than 10% of the capital stock.

In sum, shares issued from authorised capital with a waiver of subscription rights and in connection with convertible or option bonds may not exceed 10% of the capital stock. The aforementioned upper limit is defined by the amount of capital stock at the time the resolution providing the authorisation is adopted or when the authorisation is exercised, if the capital stock is lower. Other measures taken waiving subscription rights count towards the upper limit.

The Annual General Meeting of 26 April 2018 authorised the Executive Board of RWE AG, subject to Supervisory Board approval, to purchase shares in the company accounting for up to 10% of the capital stock when the resolution is passed or when the authorisation is exercised, if the latter is lower at that time. At the Executive Board's discretion, the purchase can be made on the stock exchange or via a public offer.

Shares acquired in this manner may be used for all purposes described in the authorisation. Shareholder subscription rights may be waived depending on the purpose for which the shares are used.

**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, and essentially means that in the event of a change of control or majority at RWE AG, drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. The time limit for doing this is 30 days from the notification of the change of control. On expiry of the time limit, lenders who are not satisfied with the outcome of the negotiations may revoke their loan commitment or cancel the loan if it has already been paid out, requesting immediate repayment.

The green bonds issued in 2021 (see page 60) are also subject to change-of-control clauses. In the event that a change of control is announced or implemented, investors may request that their bonds be redeemed by a certain deadline, if RWE's long-term credit rating falls below investment grade due to the change of control or the rating agencies stop issuing us a credit rating. A similar rule applies to the senior bond that matures in 2037, a small portion of which remained on our books as it could not be fully transferred to innogy in 2016.

In the event of a change of control, we can redeem our two subordinated hybrid bonds with volumes of €282 million and US\$317 million within the determined change-of-control period. If they are not redeemed and our long-term credit rating also falls below investment grade or credit ratings are no longer issued, their annual yield rises by 500 basis points.

**Compensation agreement with the Executive Board and employees in the event of a takeover offer.** 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 that Executive Board members terminate their employment contract early due to a change of control. We fully adhere to this principle, meaning that we have not included clauses envisaging a special right of termination or rights to severance subject to a change of control in any of the current employment contracts of the members of the Executive Board of RWE AG.

Share-based payments made to the Executive Board members and executives are subject to the following provisions: in the event of a change of control, RWE will pay out all the performance shares that have been finally granted, but have not been paid out yet on expiry of the holding period. Performance shares granted on a preliminary basis on the date of a change of control are valued based on the degree to which the targets have been achieved up to that point in time. Performance shares granted on a preliminary basis in the year of the change of control lapse. They are replaced by a new plan of equal value for the Executive Board members and executives for the fiscal year in which the change of control occurs and the following years.



3

## Responsibility Statement

“Wind energy has a bright future. Being part of the energy transition is really exciting and opens up so many doors.”

Zefiro Drieghe, Wind Farm Supervisor, RWE Renewables



## 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, 3 March 2022

The Executive Board



Krebber



Müller



Seeger

# 4

## Consolidated financial statements

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“For us, safety comes first. Both on site and when it comes to supplying our customers with energy.”

Ute Brimberg, Cluster Manager of the Emsland gas-fired power station, RWE Generation



## 4.1 Income statement

€ million	Note	2021	2020 <sup>1</sup>
<b>Revenue (including natural gas tax / electricity tax)</b>	(1)	<b>24,761</b>	<b>13,896</b>
Natural gas tax / electricity tax	(1)	235	208
<b>Revenue</b>	(1)	<b>24,526</b>	<b>13,688</b>
Other operating income	(2)	2,257	4,977
Cost of materials	(3)	17,713	9,814
Staff costs	(4)	2,502	2,365
Depreciation, amortisation and impairment losses	(5), (10)	2,373	3,136
Other operating expenses	(6)	3,081	1,950
Income from investments accounted for using the equity method	(7), (12)	291	381
Other income from investments	(7)	130	-62
Financial income	(8)	1,810	1,933
Finance costs	(8)	1,823	2,387
<b>Income from continuing operations before tax</b>		<b>1,522</b>	<b>1,265</b>
Taxes on income	(9)	-690	-376
<b>Income from continuing operations</b>		<b>832</b>	<b>889</b>
Income from discontinued operations			221
<b>Income</b>		<b>832</b>	<b>1,110</b>
of which: non-controlling interests		111	59
<b>of which: net income / income attributable to RWE AG shareholders</b>		<b>721</b>	<b>1,051</b>
<b>Basic and diluted earnings per share in €</b>	(26)	<b>1.07</b>	<b>1.65</b>
of which: from continuing operations in €		1.07	1.36
of which: from discontinued operations in €			0.29

1. Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

## 4.2 Statement of comprehensive income

Figures stated after taxes – € million	Note	2021	2020 <sup>1</sup>
<b>Income</b>		<b>832</b>	<b>1,110</b>
Actuarial gains and losses of defined benefit pension plans and similar obligations		1,150	-493
Income and expenses of investments accounted for using the equity method (pro-rata)	(12)	10	-46
Fair valuation of equity instruments		1,117	-143
<b>Income and expenses recognised in equity, not to be reclassified through profit or loss</b>		<b>2,277</b>	<b>-682</b>
Currency translation adjustment	(20)	126	-391
Fair valuation of debt instruments		-29	19
Fair valuation of financial instruments used for hedging purposes	(27)	-3,474	-233
Income and expenses of investments accounted for using the equity method (pro rata)	(12), (20)	17	-6
<b>Income and expenses recognised in equity, to be reclassified through profit or loss in the future</b>		<b>-3,360</b>	<b>-611</b>
<b>Other comprehensive income</b>		<b>-1,083</b>	<b>-1,293</b>
<b>Total comprehensive income</b>		<b>-251</b>	<b>-183</b>
of which: attributable to RWE AG shareholders		-462	-200
of which: attributable to non-controlling interests		211	17

1. Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

## 4.3 Balance sheet

Assets € million	Note	31 Dec 2021	31 Dec 2020 <sup>1</sup>	1 Jan 2020 <sup>2</sup>
<b>Non-current assets</b>				
Intangible assets	(10)	5,884	4,899	4,777
Property, plant and equipment	(11)	19,984	17,902	19,016
Investments accounted for using the equity method	(12)	3,021	3,276	3,252
Other non-current financial assets	(13)	5,477	4,237	4,337
Financial receivables	(14)	111	131	128
Other receivables and other assets	(15)	3,490	3,434	3,276
Income tax assets		233	142	264
Deferred taxes	(16)	663	397	680
		<b>38,863</b>	<b>34,418</b>	<b>35,730</b>
<b>Current assets</b>				
Inventories	(17)	2,828	1,632	1,585
Financial receivables	(14)	12,394	2,482	2,359
Trade accounts receivable		6,470	3,007	3,621
Other receivables and other assets	(15)	66,805	9,821	12,755
Income tax assets		427	228	196
Marketable securities	(18)	8,040	4,219	3,258
Cash and cash equivalents	(19)	5,825	4,774	3,192
Assets held for sale		657	1,061	1,274
		<b>103,446</b>	<b>27,224</b>	<b>28,240</b>
		<b>142,309</b>	<b>61,642</b>	<b>63,970</b>

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.) and retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see commentary on page 95).

2 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).



Equity and liabilities € million	Note	31 Dec 2021	31 Dec 2020 <sup>1</sup>	1 Jan 2020 <sup>2</sup>
<b>Equity</b>	(20)			
RWE AG shareholders' interest		15,254	16,916	16,616
Non-controlling interests		1,742	790	503
		<b>16,996</b>	<b>17,706</b>	<b>17,119</b>
<b>Non-current liabilities</b>				
Provisions	(22)	16,943	19,470	18,937
Financial liabilities	(23)	6,798	3,951	3,924
Income tax liabilities	(24)	888	797	1,050
Other liabilities	(25)	1,729	1,355	1,094
Deferred taxes	(16)	1,948	1,862	2,197
		<b>28,306</b>	<b>27,435</b>	<b>27,202</b>
<b>Current liabilities</b>				
Provisions	(22)	4,268	3,004	2,638
Financial liabilities	(23)	10,996	1,247	1,689
Trade accounts payable		4,428	2,387	2,987
Income tax liabilities	(24)	44	236	193
Other liabilities	(25)	77,271	9,046	11,632
Liabilities held for sale			581	510
		<b>97,007</b>	<b>16,501</b>	<b>19,649</b>
		<b>142,309</b>	<b>61,642</b>	<b>63,970</b>

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.) and retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see commentary on page 95).

2 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

## 4.4 Cash flow statement

€ million	Note (30)	2021	2020 <sup>1</sup>
Income from continuing operations		832	889
Depreciation, amortisation, impairment losses / write-backs		2,117	3,161
Changes in provisions		847	342
Changes in deferred taxes		840	422
Income from disposal of non-current assets and marketable securities		-268	-54
Other non-cash income / expenses		2,735	-652
Changes in working capital		171	17
<b>Cash flows from operating activities of continuing operations</b>		<b>7,274</b>	<b>4,125</b>
Cash flows from operating activities of discontinued operations			50
<b>Cash flows from operating activities</b>		<b>7,274</b>	<b>4,175</b>
Intangible assets / property, plant and equipment			
Capital expenditure		-3,689	-2,285
Proceeds from disposal of assets		393	132
Acquisitions, investments			
Capital expenditure		-80	-1,073
Proceeds from disposal of assets / divestitures		664	233
Changes in marketable securities and cash investments		-3,934	-1,189
<b>Cash flows from investing activities of continuing operations (before initial / subsequent transfer to plan assets)</b>		<b>-6,646</b>	<b>-4,182</b>
Initial / subsequent transfer to plan assets		-1,092	-96
<b>Cash flows from investing activities of continuing operations (after initial / subsequent transfer to plan assets)</b>		<b>-7,738</b>	<b>-4,278</b>
Cash flows from investing activities of discontinued operations			-76
<b>Cash flows from investing activities (after initial / subsequent transfer to plan assets)</b>		<b>-7,738</b>	<b>-4,354</b>

1. Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

€ million	Note (30)	2021	2020 <sup>1</sup>
Net change in equity (incl. non-controlling interests)		-184	2,230
Dividends paid to RWE AG shareholders and non-controlling interests		-730	-522
Issuance of financial debt		16,485	5,537
Repayment of financial debt		-14,114	-5,476
<b>Cash flows from financing activities of continuing operations</b>		<b>1,457</b>	<b>1,769</b>
Cash flows from financing activities of discontinued operations			6
<b>Cash flows from financing activities</b>		<b>1,457</b>	<b>1,775</b>
Net cash change in cash and cash equivalents		993	1,596
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		58	-34
<b>Net change in cash and cash equivalents</b>		<b>1,051</b>	<b>1,562</b>
Cash and cash equivalents at beginning of the reporting period		4,774	3,212
of which: reported as 'Assets held for sale'			20
Cash and cash equivalents at beginning of the reporting period as per the consolidated balance sheet		4,774	3,192
Cash and cash equivalents at the end of the reporting period		5,825	4,774
<b>Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet</b>		<b>5,825</b>	<b>4,774</b>

1. Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

## 4.5 Statement of changes in equity

Statement of changes in equity € million	Subscribed capital of RWE AG	Additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumulated other comprehensive Income			RWE AG share-holders' interest	Non-controlling interests	Total
				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)									
<b>Balance at 1 Jan 2020 prior to adjustment<sup>1</sup></b>	<b>1,574</b>	<b>2,385</b>	<b>8,908</b>	<b>1,097</b>	<b>45</b>	<b>2,955</b>	<b>16,964</b>	<b>503</b>	<b>17,467</b>
Adjustment <sup>1</sup>			-348				-348		-348
<b>Balance at 1 Jan 2020<sup>2</sup></b>	<b>1,574</b>	<b>2,385</b>	<b>8,560</b>	<b>1,097</b>	<b>45</b>	<b>2,955</b>	<b>16,616</b>	<b>503</b>	<b>17,119</b>
Capital paid in	157	1,844	-11				1,990	162	2,152
Dividends paid			-492				-492	-64	-556
Income <sup>2</sup>			1,051				1,051	59	1,110
Other comprehensive income <sup>2</sup>			-682	-366	19	-222	-1,251	-42	-1,293
Total comprehensive income <sup>2</sup>			369	-366	19	-222	-200	17	-183
Other changes			-123				-998	172	-826
<b>Balance at 1 Jan 2021<sup>2</sup></b>	<b>1,731</b>	<b>4,229</b>	<b>8,303</b>	<b>731</b>	<b>64</b>	<b>1,858</b>	<b>16,916</b>	<b>790</b>	<b>17,706</b>
Capital paid out								-175	-175
Dividends paid			-575				-575	-155	-730
Income			721				721	111	832
Other comprehensive income			2,277	62	-29	-3,493	-1,183	100	-1,083
Total comprehensive income			2,998	62	-29	-3,493	-462	211	-251
Other changes			-21				-625	1,071	446
<b>Balance at 31 Dec 2021</b>	<b>1,731</b>	<b>4,229</b>	<b>10,705</b>	<b>793</b>	<b>35</b>	<b>-2,239</b>	<b>15,254</b>	<b>1,742</b>	<b>16,996</b>

1 Restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

2 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

## 4.6 Notes

### Basis of presentation

RWE AG, recorded in Commercial Register B of the Essen District Court under HRB 14525 and 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 2021 were approved for publication on 3 March 2022 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 2021.

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.

### 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 company, inter-company, consortial and management contracts 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 of 20% up to and including 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 pages 184 et seqq.

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

Number of fully consolidated companies	Germany	Abroad	Total
<b>1 Jan 2021</b>	<b>55</b>	<b>197</b>	<b>252</b>
First-time consolidation	5	39	44
Deconsolidation	-2	-29	-31
Mergers	-3	-2	-5
<b>31 Dec 2021</b>	<b>55</b>	<b>205</b>	<b>260</b>

Number of companies accounted for using the equity method	Germany	Abroad	Total
<b>1 Jan 2021</b>	<b>11</b>	<b>20</b>	<b>31</b>
Acquisitions		1	1
Disposals		-2	-2
Other changes		1	1
<b>31 Dec 2021</b>	<b>11</b>	<b>20</b>	<b>31</b>

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 operates together with Scottish and Southern Energy (SSE) Renewables Holdings. RWE owns 50 % of the shares and receives 50 % of the power generated (including green power certificates). The wind farm is part of the Offshore Wind segment.

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 €186 million, which were reported in other operating income (previous year: €13 million). Furthermore, in the previous year a deconsolidation gain of €154 million on the sale of discontinued operations was recognised in the 'income from discontinued operations' line item on the income statement.



## Acquisitions

**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 France SAS.

The status at initial consolidation is presented in the following table as at 31 December 2020:

Balance-sheet items	IFRS carrying amounts (fair value) at initial consolidation (as at 31 Dec 2020)
€ million	
Non-current assets	329
Current assets	
Non-current liabilities	56
Current liabilities	6
<b>Net assets</b>	<b>267</b>
Purchase price	375
<b>Goodwill</b>	<b>108</b>

An update of the figures reported during 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 principally operating rights, the fair value of net assets stated upon first-time consolidation was reduced by €76 million, from €267 million to €191 million. As a result, the goodwill recognised upon first-time consolidation increased by €76 million to €184 million.

In the previous year, the acquired operations did not make significant contributions to the Group's revenue and earnings after initial consolidation.

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

**Shareholding in Rampion Renewables Ltd. increased to 100%.** On 1 April 2021, RWE acquired the roughly 40% share in Rampion Renewables Limited ('RRL'), UK, which had been held by E.ON until then. Consequently, RWE obtained control over RRL and its subsidiary Rampion Offshore Wind Limited, in which RRL holds a 50.1% stake. As a result of the transaction, RWE became the majority owner of the UK offshore wind farm Rampion, which has been fully consolidated since 1 April 2021. This transaction does not represent the acquisition of a business in the sense of IFRS 3 and resulted in an increase of €1,010 million in property, plant and equipment and of €1,105 million in intangible assets. There was no effect on earnings. The purchase price for the approximately 40% share in RRL was already paid in December 2020. The 400-MW wind farm is located off the coast of Sussex and has been operating commercially since 2018.

**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 initial accounting of the business combination from the previous year is presented in the following table, together with the assumed assets and liabilities:

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

In the previous year, the company contributed €25 million to the Group's revenue and €12 million to the Group's earnings after its initial consolidation.

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

## Disposals, disposal groups, assets held for sale and discontinued operations

### Sale of a 75% stake in the onshore wind farms Stella, Cranell, East Raymond 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 total, 75% of the shares in West Raymond were sold in August 2021. 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 UK investment firm Greencoat Capital LLP. The underlying contracts were concluded in December 2020. As of 31 December 2020, the assets and liabilities of the four wind farms were thus reported as 'held for sale' in the balance sheet.

The divested wind farms were assigned to the Onshore Wind / Solar segment. Upon completion of the transaction in January and August 2021, RWE deconsolidated the above wind farms and reported its remaining 25% stake as an investment accounted for using the equity method. The gain on deconsolidation amounted to €156 million and was recognised in the 'other operating income' line item on the income statement. Additionally, in relation to the derecognition of a commodity derivative in this transaction, a current expense of €34 million reported under 'other operating expenses' is also taken into account.

**Sale of 100% of the shares in Energies France and Investerg to KELAG.** At the end of April 2021, RWE sold 100% of the shares in Energies France, S.A.S., France. The gain on deconsolidation amounted to €9 million and was recognised in the 'other operating income' line item on the income statement.

RWE also sold 100% of the shares in Investerg – Investimentos em Energias, SGPS, Lda., Portugal, to the Austrian energy utility KELAG at the end of September 2021. The gain on deconsolidation amounted to €7 million and was recognised in the 'other operating income' line item on the income statement.

Upon completion of these two transactions that were agreed in December 2020, KELAG acquired twelve French hydroelectric stations from RWE with a combined generation capacity of 45 MW, as well as the Portuguese run-of-river operations and some wind turbines with a total generation capacity of 20 MW (pro-rata share of RWE). Energies France was part of the Hydro /Biomass /Gas segment, while Investerg was assigned to Onshore Wind / Solar. KELAG is an associate company of RWE.

**Sale of the grid connection for the Rampion offshore wind farm.** In order to comply with competition law requirements, RWE was obligated to sell the grid connection for the Rampion offshore wind farm, which had been fully consolidated since 1 April 2021. Sale of the grid connection, which was part of the Offshore Wind segment, was completed on 19 November 2021. No disposal result was recorded.

**Disposal of parts of the Belectric Group.** In December 2021, RWE sold the companies BELECTRIC GmbH, Belectric France S.à.r.l., Belectric Israel Ltd., Belectric Italia s.r.l. and Belectric Solar Ltd. to the Elevion Group B.V., and thus disposed of its business for services in the fields of engineering, procurement, construction, operation and maintenance of solar plants for third parties in Germany, France, Israel, Italy and the United Kingdom. The Elevion Group is an energy services provider headquartered in the Netherlands, which is part of the ČEZ Group. The gain on deconsolidation amounted to €4 million and was recognised in the 'other operating income' line item on the income statement. The divested companies were part of the segment Onshore Wind / Solar.

**Sale of the grid connection for the Triton Knoll offshore wind farm.** In order to comply with competition law requirements, RWE must sell the grid connection for the Triton Knoll offshore wind farm. The book value of the grid connection, which consists exclusively of property, plant and equipment, is reported as 'held for sale' in the balance sheet as of 31 December 2021, in the amount of €657 million. This asset held for sale is assigned to the Offshore Wind segment. The sale is expected to be completed in the latter half of 2022.

**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 in the previous year amounted to €154 million and was stated in the 'income from discontinued operations' line item on the income statement.

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 the disposal group	31 Dec 2019
€ million	
<b>Non-current assets</b>	
Intangible assets	405
Property, plant and equipment	734
Other non-current assets	8
	<b>1,147</b>
<b>Current assets</b>	<b>127</b>
<b>Non-current liabilities</b>	
Provisions	9
Financial liabilities	225
Other non-current liabilities	131
	<b>365</b>
<b>Current liabilities</b>	<b>145</b>

Key figures of the discontinued operations	2020	2019
€ million		
Revenue <sup>1</sup>	507	23,890
Other income <sup>2</sup>	15	1,518
Expenses <sup>3</sup>	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

<sup>1</sup> Including income with continuing operations in the amount of €1,402 million in the previous year.

<sup>2</sup> Including income with continuing operations in the amount of €108 million in the previous year.

<sup>3</sup> Including expenses with continuing operations in the amount of €119 million (previous year: €9,772 million).

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

**Seabreeze II installation ship.** In April 2020, the Seabreeze II offshore installation ship (jack-up vessel) 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. In the previous year, this transaction resulted in a gain in the medium double-digit million euro range, which was recognised in the 'other operating income' line item on the income statement for that period.

## 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. Two 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 remeasured at fair value 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 in €	Average		Year-end	
	2021	2020	31 Dec 2021	31 Dec 2020
1 US dollar	0.85	0.87	0.88	0.81
1 British pound	1.16	1.12	1.19	1.11
100 Czech korunas	3.90	3.77	4.02	3.81
1 Polish zloty	0.22	0.22	0.22	0.22
1 Danish crown	0.13	0.13	0.13	0.13
1 Swedish crown	0.10	0.10	0.10	0.10
1 Norwegian crown	0.10	0.09	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 18 years.

Goodwill is not amortised; instead it is subjected to an impairment test once every year, or more frequently if there are triggers for an 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
Other renewable generation facilities	5 - 50

In relation to lignite mining and generation, the decommissioning data from the Act on Coal Phaseout are taken into consideration in determining the useful life spans.

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<sub>2</sub> 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 amortised 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 fixed-interest securities which have a maturity of more than three months and less than one year from the date of acquisition. Securities 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 measurement 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 granted by RWE to executives and corporate bodies 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<sub>2</sub> emission allowances and certificates for renewable energies to the respective authorities; this provision is primarily measured at the secured forward price of the CO<sub>2</sub> 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.

Government grants provided in relation to the acquisition of an asset are not deducted from the cost of the subsidised asset; they are reported as deferrals under other liabilities. These deferrals are reversed with an effect on income over the economic life of the subsidised asset.

**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. With the exception of hedging costs, 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 best possible estimate of the settlement amount at the balance-sheet date.

**Contingent assets** are possible assets resulting from past events, the existence of which must be confirmed by future events that are not under the full control of RWE. Contingent assets are not stated in the balance sheet. The volumes reported in the Notes correspond to estimates of the possible financial ramifications as of the balance-sheet date.

As explained on page 37, renewable energy projects in the USA are primarily subsidised via tax credits and tax benefits (hereinafter referred to jointly as tax items). Within the framework of so-called **tax equity** financing, tax equity investors participate directly in financing the generation facilities of individual project companies. Due to its financing character, the capital contributed by the tax equity investor is reported under financial liabilities, in the amount of the outstanding repayment.

Repayment of interest and capital for the tax equity liability occurs primarily via the direct allocation of the tax items generated by the project to the tax equity investor, which can then apply the items in relation to its own tax accounting. In addition to this, repayment of interest and capital also occurs in cash.

The tax equity arrangement and the related obligation to maintain proper operations is treated similar to a contract for services. The income resulting from the tax items is recorded under other operating income, with this income realised using the straight-line method over the anticipated duration of the tax equity contracts. In this regard, linear realisation of the income is capped at the amount of income that will most likely be generated during the contract, and any amounts above and beyond this are only recognised up to the amount of income that is actually generated.

**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 new government coalition consisting of the SPD, the Green Party and the FDP wishes to accelerate Germany's phaseout of coal, in the interests of climate protection. 2030 is stated as the desired final date in the coalition agreement. This is eight years earlier than envisaged in the current legal roadmap. The accounting policies continue to be based on the 2038 decommissioning date as foreseen in the current legal regulations.



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 respective business models, the anticipated effects of the coronavirus pandemic did not make it necessary to conduct any 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 from continuing activities 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, with the exception of mining 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, short-term borrowing and provisions for pensions, nuclear waste management and wind farms.

During the reporting period, RWE's net debt was mainly influenced by inflows of variation margins on forward transactions with electricity, commodities and CO<sub>2</sub> 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 triggering the payments are realised. Conversely, capital expenditures, in particular on wind and solar power, increased compared to the previous year. In total, net financial assets amounted to €9.1 billion on 31 December 2021 and were thus higher than at the end of 2020 (previous year: €6.9 billion). Furthermore, net debt provisions fell by €2.6 billion to €8.7 billion (previous year: €11.3 billion). 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/assets and net financial debt/assets is presented on page 62 of the review of operations. In total, as of 31 December 2021, RWE's net assets amounted to €0.4 billion (previous year: net debt of €4.4 billion). As of 31 December 2021, the leverage factor was -0.1 (previous year: 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 agency, Moody's, classifies part of hybrid capital as equity.

In March and April 2021, the rating agencies Fitch and Moody's both raised their credit rating for RWE by one notch. RWE's long-term creditworthiness is now classified as BBB+ (Fitch) and Baa2 (Moody's), with a stable outlook. RWE's short-term credit ratings are P-2 (previous year: P-3) and F1 (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 2021 due to EU endorsement:

- Amendments to IFRS 4: Extension of the Temporary Exemption From Applying IFRS 9 (2020)
- Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (2020)
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (2021)

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

**Changes to the accounting of tax items in relation to tax equity contracts.** At the beginning of fiscal 2021, the fundamental basis for the accounting of tax items in relation to tax equity financing arrangements was changed. In the new approach, the allocation of tax items to the tax equity investor is accounted for as a process similar to a sales transaction (see also page 106), in order to present the economic peculiarities of the US subsidy system more accurately and thus provide more relevant information regarding the economic and financial consequences of this system.

Even though a contract similar to contract for services is recognised, IFRS 15 is not directly applicable as a tax equity contract does not fulfil the definition of a contract with a customer in the sense of IFRS 15. Instead, IFRS 15 is applied analogously, as per IAS 8.11 (a). In this analogy, the contractually agreed capital payment is treated as the transaction price, while the maintenance of operations in the interests of generating the tax items to be transferred to the tax equity investor is treated as RWE's performance obligation over time. As a result, all income resulting from the tax items is recognised in other operating income; furthermore, realisation of this income occurs using the straight-line method over the anticipated duration of the tax equity contracts and is thus independent of the actual amount of the tax items generated during the reporting period in question. This method of realising the income results from linear performance over time, i.e. the amount paid by the tax equity investor is viewed as a transaction price, which is recognised pro-rata over the duration of the relevant tax equity contract.

Compared to the previous accounting method, the approach described above primarily leads to a different accounting treatment of tax benefits, which stem from accelerated depreciation in particular. Previously, these tax benefits were reported in taxes on income, in the amount of the tax benefits that were actually generated. Due to the change in the accounting method, the comparable figures for the previous year were adjusted accordingly.

In fiscal 2021, RWE recognised tax benefits totalling €72 million in other operating income, which would have been reported as €38 million in taxes on income prior to the change in the accounting policy. The tax benefits recognised in income from investments accounted for using the equity method amount to a total of €9 million. Prior to the change in the accounting policy, this figure would have been reported as €7 million under income from investments accounted for using the equity method.

The following table shows the changes in the balance sheet as of 31 December 2020 and 1 January 2020:

€ million	31 Dec 2020 before changes	31 Dec 2020 after changes	1 Jan 2020 before changes	1 Jan 2020 after changes
Investments accounted for using the equity method	3,297	3,276	3,281	3,252
Deferred tax assets	397	397	689	680
Assets held for sale	1,045	1,061	1,274	1,274
Equity	17,971	17,706	17,467	17,119
Non-current other liabilities	1,154	1,355	862	1,094
Deferred tax liabilities	1,908	1,883 <sup>1</sup>	2,164	2,197
Current other liabilities	9,003	9,046	11,588	11,632
Liabilities held for sale	539	581	510	510

<sup>1</sup> Prior to consideration of retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see commentary on page 95).

The following table shows the changes to the income statement for fiscal 2020:

€ million	Jan - Dec 2020 before changes	Jan - Dec 2020 after changes
Other operating income	4,931	4,977
Depreciation, amortisation and impairment losses	3,154	3,136
Income from investments accounted for using the equity method	375	381
Income from continuing operations before tax	1,196	1,265
Taxes on income	-363	-376
Income from continuing operations after tax	833	889
Income	1,054	1,110
Net income / income attributable to RWE AG shareholders	995	1,051
Basic and diluted earnings per share in €	1.56	1.65

The retroactive application of changes to the accounting policy for tax equity agreements had an impact on currency translation adjustment in the statement of comprehensive income. The figure for fiscal 2020 is €26 million higher. The change had no effect on the cash flows from operating activities of continuing operations in fiscal 2020. The increase of €56 million in income from continuing operations in fiscal 2020 was offset by a decline of €18 million in depreciation, amortisation and impairment losses, a decline of €63 million in deferred taxes, a decline of €5 million in other non-cash income/expenses and a rise of €30 million in changes in working capital.

## New accounting policies

The IASB issued further standards and amendments to standards, which were not yet mandatory in the EU in fiscal 2021. 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 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)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2021)
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (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.

Revenue contains state subsidies for the sale of green electricity and the refund of such to the state, including subsidies from contracts for differences, amounting to -€37 million (previous year: €51 million), which do not meet the definition of IFRS 15. These contracts for differences are used as a state subsidy mechanism within the framework of climate-protection measures and essentially result in a fixed price for the electricity that is sold, by offsetting positive and negative deviations (in so-called two-way contracts for difference) and negative deviations (in so-called one-way contracts for difference) from a defined reference price that is agreed with state contractual partners or the subsidy mechanism counterparty.

In the year under review, RWE generated external revenue with three large customers in the amount of €4,683 million, €2,475 million and €2,471 million (previous year: two large customers at €6,963 million and €1,544 million) in the Supply & Trading segment.

During the year under review, revenues rose sharply compared to the previous year, in particular due to the steep increase in electricity prices.

A breakdown of revenue by division, geographical region and product is contained in the segment reporting on pages 174 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 €2,319 million in revenue due from these performance obligations (previous year: €3,154 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	2021	2020 <sup>1</sup>
Income from own work capitalised	47	84
Income from changes in product inventories	20	10
Income from release of provisions	20	11
Cost allocations / refunds	151	175
Income from disposal and write-back of non-current assets including income from deconsolidation	442	128
Income from derivative financial instruments	96	3,721
Compensation and insurance benefits	33	66
Income from leases	16	29
Currency gains		71
Miscellaneous	1,432	682
	<b>2,257</b>	<b>4,977</b>

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

To improve the presentation of the development of business, in the previous year unrealised and realised gains from contracts measured at fair value in the Supply & Trading segment were stated as a net amount in income from derivative financial instruments. In the previous year, net income totalled €3,613 million. In the year under review, a net expense was recognised, which is reported in expenses from derivative financial instruments under other operating expenses.

In the reporting period, the miscellaneous operating income includes the statutory compensation of €880 million for the residual production volumes of RWE-owned nuclear power plants which could no longer be used as a result of the accelerated German nuclear phaseout.

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

## (3) Cost of materials

Cost of materials € million	2021	2020
Cost of raw materials and of goods for resale	16,589	8,539
Cost of purchased services	1,124	1,275
	<b>17,713</b>	<b>9,814</b>

The cost of materials primarily includes expenses for the input materials of power plants. Expenses for coal of €276 million (previous year: €75 million) were recognised at the market price prevailing at settlement.

Impairments amounting to €25 million were recognised on excavated earth in the year under review. These impairments were related to the impairment test conducted for the Garzweiler cash-generating unit. In the previous year, 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 113).

During the year under review, the cost of materials rose significantly compared to the previous year, in particular due to the sharp increases in electricity and gas prices.

#### (4) Staff costs

Staff costs	2021	2020
€ million		
Wages and salaries	2,012	1,891
Cost of social security, pensions and other benefits	490	474
	<b>2,502</b>	<b>2,365</b>

Number of employees	2021		2020	
	Number of employees	In full-time equivalents	Number of employees	In full-time equivalents
Employees covered by collective agreements and other employees	12,994	12,754	13,539	13,272
Employees not covered by collective agreements	6,248	6,113	6,493	6,358
	<b>19,242</b>	<b>18,867</b>	<b>20,032</b>	<b>19,630</b>

In contrast to the previous year, the number of employees and full-time equivalents are reported for the year under review. The headcount figures do not include trainees. On average, 710 trainees were employed (previous year: 669). This corresponds to the figure calculated in full-time equivalents.

#### (5) Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses	2021	2020 <sup>1</sup>
€ million		
Intangible assets	180	156
Property, plant and equipment	2,193	2,980
	<b>2,373</b>	<b>3,136</b>

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

The following impairments were included in depreciation, amortisation and impairment losses:

Impairments	2021	2020 <sup>1</sup>
€ million		
Intangible assets	4	18
Property, plant and equipment	948	1,694
	<b>952</b>	<b>1,712</b>

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

RWE has entered into long-term CO<sub>2</sub> hedging transactions in order to hedge generation positions for its lignite-fired power stations. As a result of the increase in CO<sub>2</sub> prices, the fair value of these hedges has risen sharply, leading to an improvement in equity (other comprehensive income). Conversely, the value of the lignite-fired plants and opencast mines has declined. The impairment test performed in 2021 in the Coal / Nuclear segment for the Garzweiler cash-generating unit resulted in a write-down of €729 million on property, plant and equipment (recoverable amount: €0.1 billion). Additionally, impairments of €26 million were recognised on property, plant and equipment outside of the Garzweiler cash-generating unit. The Garzweiler cash-generating unit comprises the Niederaußem (K) and Neurath (F, G) power plant units, which – according to the law on coal phaseout – will remain online over the long term, and the Garzweiler opencast mine, along with the refining plants. With

the exception of the property and buildings reported at market value, the property, plant and equipment of the Garzweiler unit has thus been written down in full, as was already the case with the Hambach and Inden units.

In the previous year, 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) in the Hydro / Biomass / Gas segment, due to the deterioration of market conditions in the Netherlands.

The impairment tests performed in the Coal / Nuclear segment in the previous year 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 lignite phaseout 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).

Additionally, in the previous year 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 phaseout of hard coal in Germany.

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 5.00% (previous year: 2.75% to 4.50%). Our key planning assumptions relate to the development of wholesale prices of electricity, crude oil, natural gas, coal and CO<sub>2</sub> 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	2021	2020
Maintenance and renewal obligations	538	499
Additions to provisions / reversals	419	48
Structural and adaptation measures	57	12
Legal and other consulting and data processing services	322	301
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	18	49
Disposal of non-current assets including expenses from deconsolidation	37	32
Insurance, commissions, freight and similar distribution costs	83	82
General administration	49	51
Expenses from derivative financial instruments	1,125	507
Expenses from leases	43	30
Fees and membership dues	70	56
Exchange rate losses	29	
Other taxes (primarily on property)	48	40
Miscellaneous	243	243
	<b>3,081</b>	<b>1,950</b>



To improve the presentation of the development of business, in the year under review, unrealised and realised losses from contracts measured at fair value in the Supply & Trading segment are stated as a net amount in expenses from derivative financial instruments. In the year under review, a net expense of €765 million was recognised. In the previous year, net income was recorded, which was reported in income from derivative financial instruments under other operating income.

### (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	2021	2020 <sup>1</sup>
<b>Income from investments accounted for using the equity method</b>	<b>291</b>	<b>381</b>
Income from non-consolidated subsidiaries	36	-82
Income from other investments	79	5
Income from the disposal of investments	9	4
Income from loans to investments	6	11
<b>Other income from investments</b>	<b>130</b>	<b>-62</b>
	<b>421</b>	<b>319</b>

<sup>1</sup> Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

### (8) Financial result

Financial result € million	2021	2020
<b>Financial result</b>		
Interest and similar income	260	283
Other financial income	1,550	1,650
<b>Financial income</b>	<b>1,810</b>	<b>1,933</b>
Interest and similar expenses	340	296
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	21	37
Provisions for nuclear waste management as well as to mining provisions	135	203
Other provisions	-19	15
Other finance costs	1,346	1,836
<b>Finance costs</b>	<b>1,823</b>	<b>2,387</b>
	<b>-13</b>	<b>-454</b>

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.

Interest expenses incurred for lease liabilities amounted to €42 million in the year under review (previous year: €35 million).

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

Interest income includes dividend income of €186 million from the 15% stake in E.ON (previous year: €182 million).

In the year under review, €80 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (previous year: €61 million). The underlying capitalisation rate ranged from 3.6% to 3.7% (previous year: from 3.0% to 3.7%).

Net interest € million	2021	2020
Interest and similar income	260	283
Interest and similar expenses	340	296
	<b>-80</b>	<b>-13</b>

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	2021	2020
Debt instruments measured at amortised cost	64	78
Financial instruments measured at fair value through profit or loss		3
Debt instruments measured at fair value through other comprehensive income	10	14
Equity instruments measured at fair value through other comprehensive income	186	187
Financial liabilities measured at amortised cost	-340	-295
	<b>-80</b>	<b>-13</b>

Other financial income includes €60 million in gains realised from the disposal of marketable securities (previous year: €28 million). Of the other finance costs, €41 million (previous year: €17 million) stem from realised losses on the disposal of marketable securities.

## (9) Taxes on income

Taxes on income € million	2021	2020 <sup>1</sup>
Current taxes on income	-150	-46
Deferred taxes	840	422
	<b>690</b>	<b>376</b>

<sup>1</sup> Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

Of the deferred taxes, €931 million is related to temporary differences (previous year: €425 million). In the year under review, changes in valuation allowances for deferred tax assets amounted to €701 million (previous year: €370 million).

Current taxes on income contain €419 million in net tax income (previous year: expenses of €16 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €8 million (previous year: €10 million).

Expenses from deferred taxes declined by €5 million (previous year: €7 million) due to reassessments of and previously unrecognised tax loss carryforwards.

Income taxes recognised in other comprehensive income € million	2021	2020
Fair valuation of equity instruments		11
Fair valuation of debt instruments	15	-9
Fair valuation of financial instruments used for hedging purposes	1.035	107
Actuarial gains and losses of defined benefit pension plans and similar obligations <sup>1</sup>	-105	-40
	<b>945</b>	<b>69</b>

<sup>1</sup> Including valuation allowances.

Taxes in the amount of €186 million (previous year: €311 million) were offset directly against equity.

Tax reconciliation € million	2021	2020 <sup>1</sup>
<b>Income before tax</b>	<b>1,522</b>	<b>1,265</b>
<b>Theoretical tax expense</b>	<b>497</b>	<b>413</b>
Differences to foreign tax rates	-327	-105
Tax effects on		
Tax-free dividends	-127	-123
Other tax-free income	-126	-31
Expenses not deductible for tax purposes	99	29
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	-40	-30
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	342	329
Income on the disposal of investments	15	-1
Changes in foreign tax rates	210	86
Other allowances for deferred taxes in the RWE AG tax group	450	-69
Other	-303	-122
<b>Effective tax expense</b>	<b>690</b>	<b>376</b>
Effective tax rate in %	45.3	29.7

<sup>1</sup> Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.)

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 <sup>1</sup>	Development costs	Concessions, patent rights, licences and similar rights	Customer relationships and similar assets	Goodwill	Prepayments	Total
€ million						
<b>Cost</b>						
Balance at 1 Jan 2021	37	3,832	296	2,679	10	6,854
Additions/disposals due to changes in the scope of consolidation		1,058	-157	2		903
Additions		14			18	32
Transfers	1	7				8
Currency translation adjustments	2	134	13	55		204
Disposals	9	9				18
Balance at 31 Dec 2021	31	5,036	152	2,736	28	7,983
<b>Accumulated amortisation / impairment losses</b>						
Balance at 1 Jan 2021	34	1,901	20			1,955
Additions/disposals due to changes in the scope of consolidation		-33	-11			-44
Amortisation/impairment losses in the reporting period	2	167	11			180
Transfers		2				2
Currency translation adjustments	1	18	1			20
Disposals	9	2				11
Write-backs		3				3
Balance at 31 Dec 2021	28	2,050	21			2,099
<b>Carrying amounts</b>						
Balance at 31 Dec 2021	3	2,986	131	2,736	28	5,884

1. Some prior-year figures restated due to retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see commentary on page 95).

Intangible assets <sup>1</sup>	Development costs	Concessions, patent rights, licences and similar rights	Customer relationships and similar assets	Goodwill	Prepayments	Total
€ million						
<b>Cost</b>						
Balance at 1 Jan 2020	40	3,713	310	2,549	6	6,618
Additions / disposals due to changes in the scope of consolidation		230	-1	184		413
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	3,832	296	2,679	10	6,854
<b>Accumulated amortisation / impairment losses</b>						
Balance at 1 Jan 2020	36	1,799	6			1,841
Additions / disposals due to changes in the scope of consolidation		4	-1			3
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	1,901	20			1,955
<b>Carrying amounts</b>						
Balance at 31 Dec 2020	3	1,931	276	2,679	10	4,899

1. Some prior-year figures restated due to retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see commentary on page 95).

In the reporting period, the RWE Group's total expenditures on research and development amounted to €22 million (previous year: €20 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2021	31 Dec 2020 <sup>1</sup>
Offshore Wind	1,441	1,376
Onshore Wind / Solar	184	184
Hydro / Biomass / Gas	105	113
Supply & Trading	1,006	1,006
	<b>2,736</b>	<b>2,679</b>

1 Some prior-year figures restated due to retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see commentary on page 95).

In the previous year, 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 'innogy – continuing operations' cash-generating unit to the new Offshore Wind cash-generating unit and in the amount of €121 million to the new Hydro / Biomass / Gas cash-generating unit. Goodwill of €816 million was transferred from the former cash-generating unit 'operations acquired from E.ON' to the new Offshore Wind cash-generating unit.

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

In the previous year, goodwill increased by €184 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 year under review, the goodwill of the cash-generating unit Offshore Wind increased by €9 million as a result of the initial consolidation of Baltic Trade and Invest Sp. z.o.o. In the Hydro / Biomass / Gas cash-generating unit, goodwill decreased by €8 million due to the deconsolidation of Energies

France SAS. In the previous year, 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 medium- and long-term business plans, as approved by the Executive Board and valid at the time of the impairment test. They pertain to a detailed planning period of three to ten years. 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.

The medium- and long-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<sub>2</sub> emission allowances, market shares and regulatory framework conditions.

For the Renewables segments, the valuation is based on a normal wind year, which is calculated as the average of the last 20 years.

The discount rates used for business valuations are determined on the basis of market data. During the period under review, they were 4.25% for the cash-generating unit Supply & Trading (previous year: 4.25%), 3.75% for Offshore Wind (previous year: 4.25%), 3.50% for Onshore Wind / Solar (previous year: 3.50%) and 4.00% for Hydro / Biomass / Gas (previous year: 3.75%).

In the cash-generating units Offshore Wind and Onshore Wind / Solar, we used a growth rate of 0.50% (previous year: 0.50%) 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. The growth rate for each segment 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 Supply & Trading cash-generating unit exhibited the smallest surplus of recoverable amount over the carrying amounts. The recoverable amount was €0.7 billion higher than the carrying amount. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 1.25 percentage points to above 5.5%, a growth rate reduced by more than 1.4 percentage points to less than – 1.4% or cash flows reduced by more than €105 million in terminal value.



## (11) Property, plant and equipment

Property, plant and equipment <sup>1</sup>	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
€ million					
<b>Cost</b>					
Balance at 1 Jan 2021	5,728	51,459	1,033	4,851	63,071
Additions / disposals due to changes in the scope of consolidation	86	564	-29	-871	-250
Additions	365	828	61	2,755	4,009
Transfers	52	2,779	5	-2,844	-8
Currency translation adjustments	67	883	12	228	1,190
Disposals	165	770	70	14	1,019
Balance at 31 Dec 2021	6,133	55,743	1,012	4,105	66,993
<b>Accumulated depreciation / impairment losses</b>					
Balance at 1 Jan 2021	3,697	39,677	862	933	45,169
Additions / disposals due to changes in the scope of consolidation	64	-47	-27	-34	-44
Amortisation / impairment losses in the reporting period <sup>2</sup>	330	1,764	114	108	2,316
Transfers	2	19		-23	-2
Currency translation adjustments	18	262	8	3	291
Disposals	83	408	65	2	558
Write-backs	69	79	11	4	163
Balance at 31 Dec 2021	3,959	41,188	881	981	47,009
<b>Carrying amounts</b>					
Balance at 31 Dec 2021	2,174	14,555	131	3,124	19,984

1. Some prior-year figures restated due to retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

2. In part from the release of a provision for impending losses for purchase commitments.

<b>Property, plant and equipment<sup>1</sup></b>	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
€ million					
<b>Cost</b>					
Balance at 1 Jan 2020	5,323	48,758	988	4,224	59,293
Additions / disposals due to changes in the scope of consolidation	87	2,068	15	-236	1,934
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	5,728	51,459	1,033	4,851	63,071
<b>Accumulated depreciation / impairment losses</b>					
Balance at 1 Jan 2020	3,128	35,505	770	873	40,276
Additions / disposals due to changes in the scope of consolidation	102	2,761	17		2,880
Amortisation / impairment losses in the reporting period	511	2,266	115	88	2,980
Transfers		24		-24	
Currency translation adjustments	-13	-262	-6	-1	-282
Disposals	22	563	34	3	622
Write-backs	9	54			63
Balance at 31 Dec 2020	3,697	39,677	862	933	45,169
<b>Carrying amounts</b>					
Balance at 31 Dec 2020	2,031	11,782	171	3,918	17,902

1. Some prior-year figures restated due to retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

Property, plant and equipment in the amount of €1,426 million (previous year: €1,590 million) was 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 legally 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.

In the previous year, 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:

<b>Right-of-use assets Development in 2021</b> € million	Balance at 1 Jan 2021	Additions	Depreciation, amortisation and impairments	Disposals	Other changes <sup>1</sup>	Balance at 31 Dec 2021
<b>Cost</b>						
Buildings	161	117	31		-4	243
Land	631	132	52	10	57	758
Technical plant and machinery	29	1	27			3
Pumped storage power stations	264	5	11			258
Vehicle fleet	22	11	22	2	-1	8
Other plant, factory and office equipment	16	7	21	1		1
	1,123	273	164	13	52	1,271

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

<b>Right-of-use assets Development in 2020</b> € million	Balance at 1 Jan 2020	Additions	Depreciation, amortisation and impairments	Disposals	Other changes <sup>1</sup>	Balance at 31 Dec 2020
<b>Cost</b>						
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, write-backs, 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:

<b>Effects of leases on income and cash flows</b>	2021	2020
€ million		
<b>RWE as lessee</b>		
Expenses from short-term leases	85	79
Expenses from leases for low-value assets	1	1
Expenses from variable lease payments not considered in the measurement of lease liabilities	22	21
Income from subleases	5	6
Gains or losses on sale-and-leaseback transactions		2
Total cash outflows from leases <sup>1</sup>	235	215
<b>RWE as lessor</b>		
Income from operating leases	9	20

1 Restated prior-year figure.

Leases primarily relating to wind farm sites that have been contractually agreed, but not begun yet, lead to future lease payments of €118 million (previous year: €187 million). Moreover, potential lease payments predominantly relating to leases of wind farm space were disregarded when valuing lease liabilities. This relates to €390 million (previous year: €405 million) in variable payments which may come due depending on generation volumes and €261 million (previous year: €97 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. As of 31 December 2021, the carrying amount of these assets totalled €153 million (previous year: €180 million).

The following payment claims resulted from these operating leases:

<b>Nominal lease payments from operating leases</b>	31 Dec 2021	31 Dec 2020
€ million		
Due in up to 1 year	7	8
Due in > 1 to 2 years	6	7
Due in > 2 to 3 years	5	5
Due in > 3 to 4 years	5	5
Due in > 4 to 5 years	5	4
Due after 5 years	34	37

## (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)	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
€ million				
Balance sheet <sup>1</sup>				
Non-current assets	6,676	5,953	1,826	1,780
Current assets	4,982	2,838	346	349
Non-current liabilities	2,657	2,001	950	946
Current liabilities	5,681	3,488	253	266
Share of equity <sup>2</sup>	833	829	436	393
Goodwill			198	198
Carrying amounts	833	829	634	591
Statement of comprehensive income <sup>1</sup>				
Revenue	9,000	12,622	1,061	1,300
Income after taxes <sup>3</sup>	137	495	110	112
Other comprehensive income	-20	-35	-6	-47
Total comprehensive income	117	460	104	65
Dividends (prorated)	25	25	19	19
RWE shareholding	25%	25%	49%	49%

1 Figures based on KEH's consolidated financial statements; KELAG is fully consolidated in these figures.

2 Figures based on proportional share of equity in KEH and KELAG.

3 Some prior-year figures restated.

**Amprion GmbH**, headquartered in Dortmund, Germany, is a transmission system operator for the electricity sector, pursuant to the German Energy Act. Amprion's main shareholder is a consortium of financial investors.

**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 and also holds 12.85% of KELAG directly (imputed RWE shareholding of 37.9%).

Non-material investments accounted for using the equity method € million	Associates		Joint ventures	
	31 Dec 2021	31 Dec 2020 <sup>1</sup>	31 Dec 2021	31 Dec 2020 <sup>1</sup>
Income (pro-rata)	27	24	160	187
Other comprehensive income	1	-28	13	-2
Total comprehensive income	28	-4	173	185
Carrying amounts	367	213	1,187	1,642

1 Some prior-year figures restated due to retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

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 conditions in 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 €146 million and €3 million (previous year: €133 million, adjusted by €104 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 and from the management of long-term working hours accounts pursuant to Sec. 7e of the German Code of Social Law 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 2021		31 Dec 2020	
	Non-current	Current	Non-current	Current
€ million				
Loans to non-consolidated subsidiaries and investments	101	1	105	1
Collaterals for trading activities		11,997		2,154
Other financial receivables				
Accrued interest		64		43
Miscellaneous other financial receivables	10	332	26	284
	<b>111</b>	<b>12,394</b>	<b>131</b>	<b>2,482</b>

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 2021		31 Dec 2020	
	Non-current	Current	Non-current	Current
€ million				
Derivatives	668	64,492	675	8,109
Capitalised surplus of plan assets over benefit obligations	459		172	
Prepayments for items other than inventories		167		148
CO <sub>2</sub> emission allowances		793		446
Miscellaneous other assets	2,363	1,353	2,587	1,118
	<b>3,490</b>	<b>66,805</b>	<b>3,434</b>	<b>9,821</b>
of which: financial assets	1,134	64,584	855	8,452
of which: non-financial assets	2,356	2,221	2,579	1,369

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.

The increase in derivatives during the reporting period resulted from the significant price rises for over-the-counter commodity derivatives for electricity and natural gas, which cannot be netted.

€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). The EU Commission is expected to grant approval in 2022, as part of the review of compliance with state aid law.

Furthermore, in the previous year €86 million of the miscellaneous other assets 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 2021, 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 €81.7 million (previous year: €820 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. €36,348 million and €35,531 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €3,404 million and €4,047 million).

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

Deferred taxes	31 Dec 2021		31 Dec 2020 <sup>1</sup>	
	Assets	Liabilities	Assets	Liabilities
€ million				
Non-current assets	487	2,055	663	1,367
Current assets	9,875	26,245	1,373	2,526
Exceptional tax items		126		58
Non-current liabilities				
Provisions for pensions	15	26	85	3
Other non-current liabilities	356	900	645	848
Current liabilities	26,473	9,286	2,031	1,521
	<b>37,206</b>	<b>38,638</b>	<b>4,797</b>	<b>6,323</b>
Tax loss carryforwards				
Corporate income tax (or comparable foreign income tax)	146		49	
Trade tax (or comparable foreign local income tax)	1		12	
<b>Gross total</b>	<b>37,353</b>	<b>38,638</b>	<b>4,858</b>	<b>6,323</b>
Netting	-36,690	-36,690	-4,461	-4,461
<b>Net total</b>	<b>663</b>	<b>1,948</b>	<b>397</b>	<b>1,862</b>

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.) and retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see commentary on page 95).

As of 31 December 2021, RWE reported deferred tax claims which exceeded the deferred tax liabilities by €48 million (previous year: €73 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 (or such related to comparable foreign income tax) for which no deferred tax claims have been recognised amounted to €4,187 million and €2,965 million, respectively (previous year: €2,811 million and 1,912 million).

The corporate income tax loss carryforwards do not have any time limits, but are not expected to be used for the most part.

As of 31 December 2021, temporary differences for which no deferred tax assets were recognised amounted to €14,678 million (previous year: €13,216 million).

In the year under review, a deferred tax expense of –€68 million arising from the currency translation of foreign financial statements was offset against equity (previous year: deferred tax income of €41 million).

### (17) Inventories

Inventories	31 Dec 2021	31 Dec 2020
€ million		
Raw materials, incl. nuclear fuel assemblies and earth excavated for lignite mining	436	579
Work in progress – goods/ services	31	50
Finished goods and goods for resale	2,368	999
Prepayments	-7	4
	<b>2,828</b>	<b>1,632</b>

The carrying amount of inventories acquired for resale purposes was €2,340 million (previous year: €964 million). As in the previous year, this entire amount related to gas inventories in the reporting period.

The fair value of gas inventories is determined every month on the basis of the current price curves of the relevant indices for gas (e.g. NCG). 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

Current marketable securities include fixed-interest marketable securities totalling €8,036 million (previous year: €4,216 million) which predominantly have a maturity of more than three months from the date of acquisition. Stocks and profit-participation certificates accounted for €4 million (previous year: €3 million). Marketable securities are stated at fair value.

### (19) Cash and cash equivalents

Cash and cash equivalents	31 Dec 2021	31 Dec 2020
€ million		
Cash and demand deposits	5,824	4,764
Marketable securities and other cash investments (maturity less than 3 months from the date of acquisition)	1	10
	<b>5,825</b>	<b>4,774</b>

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 2021.

## (20) Equity

A breakdown of fully paid-up equity is shown on page 92. The subscribed capital of RWE AG consists exclusively of common no-par-value bearer shares.

Subscribed capital	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	Number of shares	Number of shares	Carrying amount	Carrying amount
	in '000.	in '000.	€ million	€ million
Shares	676,220	676,220	1,731	1,731

On 18 August 2020, RWE AG decided on a capital increase in return for cash contributions with partial utilisation of the approved capital authorised by the General Meeting on 26 April 2018. 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, in the previous year 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 in the previous year.

As the approved capital was partially utilised in this capital increase, the General Meeting passed a resolution to replace the remaining authorisation with new approved capital on 28 April 2021. Pursuant to this resolution, the Executive Board is authorised, subject to Supervisory Board approval, to increase the company's capital stock by up to €346,224,663.04 – equivalent to approximately 20% of the current capital stock – until 27 April 2026 through the issue of up to 135,244,009 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.

On 28 April 2021, the General Meeting also decided on a conditional increase of the company's capital stock by up to €173,112,330.24, divided into up to 67,622,004 bearer shares. This conditional capital increase serves the purpose of granting shares to the holders or creditors of convertible and/or option bonds. It shall only be implemented by 27 April 2026 to the extent that the holders or creditors of convertible and/or option bonds issued on the basis of the resolution passed by the Annual General Meeting on 28 April 2021 by the company or a company affiliated with the company within the meaning of Sections 15 et seqq. of the German Stock Corporation Act, in which the company has a direct or indirect stake of at least 90%, exercise conversion / option rights, fulfil conversion / option obligations, or shares are tendered and no other forms of fulfilment are used. The Executive Board is authorised, subject to Supervisory Board approval, to determine further details of implementing conditional capital increases.

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 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 under certain conditions. 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 2021, as was also the case at last year's reporting date.

In fiscal 2021, RWE AG purchased a total of 288,624 RWE shares (previous year: 314,808) for a purchase price of €9,459,816.32 on the capital market (previous year: €10,633,444.15). This is equivalent to €738,877.44 of the capital stock (0.04% of subscribed capital) (previous year: €805,908.48 and 0.05% of subscribed capital). Employees of RWE AG and its subsidiaries received a total of 288,624 shares for capital

formation under the employee share plan (previous year: 314,808). This resulted in total proceeds of €9,356,616.42 (previous year: €10,516,392.73). The difference to the purchase price was offset against freely available retained earnings.

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 –€10 million (previous year: –€145 million) and the share of equity attributable to other shareholders changed by a total of €6 million (previous year: €395 million). In the previous year, this included the subsequent effects of the 2019 acquisition of the 23.2% non-controlling 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 2021, the share of accumulated other comprehensive income attributable to investments accounted for using the equity method amounted to –€11 million (previous year: –€29 million).

During the reporting year, €7 million in differences from currency translation which had originally been recognised without an effect on income were realised as income (previous year: income of €3 million).

### Dividend proposal

We propose to the Annual General Meeting that RWE AG's distributable profit for fiscal 2021 be appropriated as follows:

Distribution of a dividend of €0.90 per share.

Dividend	€608,598,043.20
Profit carryforward	€25,045.09
Distributable profit	€608,623,088.29

Based on a resolution of RWE AG's Annual General Meeting on 28 April 2021, the dividend for fiscal 2020 amounted to €0.85 per dividend-bearing share. The dividend payment to shareholders of RWE AG amounted to €575 million (previous year: €492 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:

<b>Non-controlling interests in OCI</b>	2021	2020
€ million		
Currency translation adjustment	64	-25
Fair valuation of financial instruments used for hedging purposes	36	-17
<b>Income and expenses recognised directly in equity, to be reclassified through profit or loss in the future</b>	<b>100</b>	<b>-42</b>
	<b>100</b>	<b>-42</b>

Material non-controlling interests are attributable to the subsidiary Rampion Offshore Wind Limited., headquartered in Coventry, United Kingdom.

<b>Subsidiaries with material non-controlling interests</b>	Rampion Offshore Wind Limited, United Kingdom
€ million	31 Dec 2021
<b>Balance sheet</b>	
Non-current assets	1,929
Current assets	169
Non-current liabilities	250
<b>Statement of comprehensive income</b>	
Revenue	278
Income	85
Total comprehensive income	123
<b>Cash flows from operating activities</b>	
183	183
<b>Non-controlling interests</b>	
Dividends paid to non-controlling interests	68
Income of non-controlling interests	42
Share of non-controlling interests in equity	49.90%
Share of non-controlling interests in voting rights	49.90%

Rampion Offshore Wind Limited, United Kingdom, was fully consolidated for the first time in the second quarter of 2021.

## (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 2016-2020 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.

The plan conditions of the LTIP SPP were adjusted and extended for grants starting from fiscal 2021. In the future, along with the development of adjusted net income of relevance to remuneration, the share-based payment scheme LTIP SPP 2021 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 three success factors determine how many of the conditionally granted performance shares are finally granted at the end of the performance period. The performance period was extended from the previous one year to three years. Once it ends, all three success factors 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.



LTIP SPP 2016-2020	2017 tranche	2018 tranche	2019 tranche	2020 tranche
Start of term	1 Jan 2017	1 Jan 2018	1 Jan 2019	1 Jan 2020
Number of conditionally granted performance shares	1,338,027	883,974	932,889	935,331
Term (vesting period)	4 years	4 years	4 years	4 years
Performance target	Adjusted net income	Adjusted net income	Adjusted net income	Adjusted net income
Cap/ number of performance shares	150%	150%	150%	150%
Cap / payment amount	200%	200%	200%	200%
Determination of payment	<p>The payment amount is calculated on the basis of the determined number of performance shares multiplied by the sum of</p> <p>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</p> <p>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.</p> <p>Payment amount = (number of finally granted performance shares) x (mathematical average of the share price + dividends paid).</p> <p>The payment amount calculated in this manner is limited to no more than 200% of the grant amount.</p>			
Change in corporate control / merger	<p>A change in corporate control ('change of control') shall occur if</p> <p>a) a shareholder gains control in accordance with Sec. 29 of the German Securities Acquisition and Takeover Act by holding at least 30% of the voting rights including third-party voting rights attributable to it in accordance with Sec. 30 of the German Securities Acquisition and Takeover Act, or</p> <p>b) a control agreement in accordance with Sec. 291 of the German Stock Corporation Act is concluded with RWE AG as the dependent company, or</p> <p>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, 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.</p> <p>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.</p> <p>All conditionally granted performance shares as of the effective date of the change of control shall lapse without consideration..</p>			
Form of settlement	Cash settlement	Cash settlement	Cash settlement	Cash settlement
Payment date	2021	2022	2023	2024

<b>LTIP SPP 2021</b>	2021 tranche
Start of term	1 Jan 2021
Number of conditionally granted performance shares	823,566
Term (vesting period)	4 years
Performance targets	1. Adjusted net income; 2. CO <sub>2</sub> intensity; 3. Relative total shareholder return
Weighting of performance targets	Average achievement of performance targets, each weighted 1/3
Performance period	3 years
Cap / number of performance shares	150%
Cap / payment amount	200%
Determination of payment	<p>The payment amount is calculated on the basis of the determined number of performance shares multiplied by the sum of</p> <p>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</p> <p>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.</p> <p>Payment amount = (number of finally granted performance shares) x (mathematical average of the share price + dividends paid).</p> <p>The payment amount calculated in this manner is limited to no more than 200% of the grant amount.</p>
Change in corporate control / merger	<p>A change in corporate control ('change of control') shall occur if</p> <p>a) a shareholder gains control in accordance with Sec. 29 of the German Securities Acquisition and Takeover Act by holding at least 30% of the voting rights including third-party voting rights attributable to it in accordance with Sec. 30 of the German Securities Acquisition and Takeover Act, or</p> <p>b) a control agreement in accordance with Sec. 291 of the German Stock Corporation Act is concluded with RWE AG as the dependent company, or</p> <p>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, 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.</p> <p>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 without change on expiry of the holding period. The payment amount is determined according to the exercise conditions, with the deviation that the takeover price per share is to be used, plus the dividends paid per share in the fiscal years between the start of the vesting period and the time of the change in control. The value of all performance shares granted conditionally at the time of the change of control shall be determined with appropriate application of the exercise conditions based on the full-year results for the targets that are available up to the fiscal year in which the change of control occurs, even if in this case the performance period only lasts one or two years. The payment amount is determined according to the exercise conditions, with the deviation that the takeover price per share is to be used, plus the dividends paid per share in the fiscal years between the start of the vesting period and the time of the change in control.</p> <p>All conditionally granted performance shares for the calendar year of the change of control shall lapse without consideration.</p>
Form of settlement	Cash settlement
Payment date	2025

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 €	2017 tranche	2018 tranche	2019 tranche	2020 tranche	2021 tranche
Fair value per share	11.62	18.80	19.10	26.41	34.07

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.

Multivariate Monte Carlo simulations were used for the valuation of RWE AG's 2021 tranche of the SPP. In this context, the success factors not dependent on the capital market were taken as the best estimators without variability. In the valuation model, due consideration was given to the maximum payment amounts stipulated in the programme's conditions for each conditionally granted SPP (= option strike), the success factors not dependent on the capital market, the current level of the RWE AG share and the index, the volatilities and correlations, the discount rates for the remaining term and the expected dividends of RWE AG.

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

Performance Shares from the RWE AG SPP	2017 tranche	2018 tranche	2019 tranche	2020 tranche	2021 tranche
Outstanding at the start of the fiscal year	1,643,631	1,088,490	1,403,532	935,331	
Granted					823,566
Change <sup>1</sup>		-10,609	-7,973	77,820	
Paid out	-1,643,631				
Outstanding at the end of the fiscal year		1,077,881	1,395,559	1,013,151	823,566
Payable at the end of the fiscal year		1,077,881			

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 €34.51.

During the period under review, expenses for the share-based payment system totalled €33 million (previous year: €38 million). As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €85 million (previous year: €85 million).

## (22) Provisions

Provisions € million	31 Dec 2021			31 Dec 2020		
	Non-current	Current	Total	Non-current	Current	Total
Provisions for pensions and similar obligations	1,934		1,934	3,864		3,864
Provisions for nuclear waste management	5,577	452	6,029	6,113	338	6,451
Provisions for mining damage	4,871	122	4,993	4,729	85	4,814
	<b>12,382</b>	<b>574</b>	<b>12,956</b>	<b>14,706</b>	<b>423</b>	<b>15,129</b>
Other provisions						
Staff-related obligations (excluding restructuring)	304	832	1,136	339	651	990
Restructuring obligations	579	31	610	624	18	642
Purchase and sales obligations	1,266	213	1,479	1,366	124	1,490
Provisions for dismantling wind farms	1,196	2	1,198	1,125	11	1,136
Other dismantling and retrofitting obligations	553	94	647	648	70	718
Environmental protection obligations	73	1	74	76	2	78
Interest payment obligations	223		223	223		223
Obligations to deliver CO <sub>2</sub> emission allowances / certificates for renewable energies		2,099	2,099		1,332	1,332
Miscellaneous other provisions	367	422	789	363	373	736
	<b>4,561</b>	<b>3,694</b>	<b>8,255</b>	<b>4,764</b>	<b>2,581</b>	<b>7,345</b>
	<b>16,943</b>	<b>4,268</b>	<b>21,211</b>	<b>19,470</b>	<b>3,004</b>	<b>22,474</b>

**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, €36 million (previous year: €32 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](http://www.abp.nl)). Contributions to the pension plan are calculated as a percentage rate of employees' salaries and are paid by the employees and employers. The rate of the contributions is determined by ABP. There are no minimum funding obligations. Approximately €9 million in employer contributions are expected to be paid to the ABP pension fund in the following fiscal 2022 (prior-year figure for fiscal 2021: €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 2021, 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 March 2021, RWE made an extraordinary funding payment of €1,049 million to the assets held in trust, in order to further improve the capital coverage of the domestic pension obligations.

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 (RWE Section), for the renewables business acquired legally from innogy which has been consolidated with RWE without interruption (Innogy Section) and for the renewables business acquired from E.ON (Former E.ON Section). 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 in compliance with the UK regulations for pensions (a so-called funding valuation). 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 valuation for the RWE section was carried out on 31 March 2019 and 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 financing deficit of £103.4 million was revealed for the Innogy Section. 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. An agreement was also reached with the trustees to draw forward the next valuation to 31 March 2021. This valuation was completed in December 2021. No financing deficit was identified. Together with the trustees, the decision was then made not to undertake the annual payments for 2022 and 2023 resulting from the previous valuation. 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. In December 2021, the sponsoring employers and the trustees decided to transfer the members of this section to the Innogy Section. Consequently, there is no need to settle the financing deficit.

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 in %	31 Dec 2021		31 Dec 2020	
	Germany	Foreign <sup>1</sup>	Germany	Foreign <sup>1</sup>
Discount rate	1.10	1.80	0.80	1.30
Wage and salary growth rate	2.35	3.20	2.35	3.00
Pension increase rate	1.00, 1.60 and 1.75	2.20 and 3.10	1.00, 1.60 and 1.75	2.10 and 2.90

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

Composition of plan assets (fair value)	31 Dec 2021				31 Dec 2020			
	Germany <sup>1</sup>	Of which: Level 1 pursuant to IFRS 13	Foreign <sup>2</sup>	Of which: Level 1 pursuant to IFRS 13	Germany <sup>1</sup>	Of which: Level 1 pursuant to IFRS 13	Foreign <sup>2</sup>	Of which: Level 1 pursuant to IFRS 13
€ million								
Equity instruments, exchange-traded funds	1,784	1,754	496	108	1,472	1,449	485	69
Interest-bearing instruments	5,430		4,146	419	3,785		3,956	
Real estate	1				1			
Mixed funds <sup>3</sup>			1,478	143	645	324	1,509	116
Alternative investments	663	609	386		711	542	412	
Other <sup>4</sup>	60	24	626	101	56	23	477	85
	<b>7,938</b>	<b>2,387</b>	<b>7,132</b>	<b>771</b>	<b>6,670</b>	<b>2,338</b>	<b>6,839</b>	<b>270</b>

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.

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
<b>Balance at 1 Jan 2021</b>	<b>17,201</b>	<b>13,509</b>	<b>172</b>	<b>3,864</b>
Current service cost	171			171
Interest cost / income	170	149		21
Return on fund assets less interest components		503		- 503
Gain / loss on change in demographic assumptions	35			35
Gain / loss on change in financial assumptions	- 782			- 782
Experience-based gains / losses	- 4			- 4
Currency translation adjustments	458	474	18	2
Employee contributions	8	8		
Employer contributions <sup>1</sup>		1,129		- 1,129
Benefits paid <sup>2</sup>	- 727	- 702		- 25
Changes in the scope of consolidation / transfers	7	5		2
Past service cost	8			8
General administration expenses		- 5		5
Change in capitalised surplus of plan assets			269	269
<b>Balance at 31 Dec 2021</b>	<b>16,545</b>	<b>15,070</b>	<b>459</b>	<b>1,934</b>
of which: domestic	9,844	7,938	3	1,909
of which: foreign	6,701	7,132	456	25

1. Of which: €1,092 million from initial and subsequent transfers to plan assets and €37 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
<b>Balance at 1 Jan 2020</b>	<b>16,486</b>	<b>13,193</b>	<b>153</b>	<b>3,446</b>
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 <sup>1</sup>		245		- 245
Benefits paid <sup>2</sup>	- 718	- 690		- 28
Changes in the scope of consolidation	71	62		9
Past service cost	8			8
General administration expenses		- 8		8
Change in capitalised surplus of plan assets			29	29
<b>Balance at 31 Dec 2020</b>	<b>17,201</b>	<b>13,509</b>	<b>172</b>	<b>3,864</b>
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 the actuarial assumptions would lead to the following changes in the present value of the defined benefit obligations:

Sensitivity analysis of pension provisions € million	Changes in the present value of defined benefit obligations			
	31 Dec 2021		31 Dec 2020	
Change in the discount rate by + 50 / - 50 basis points				
Domestic	- 715	813	- 792	903
Foreign	- 458	518	- 486	552
Change in the wage and salary growth rate by - 50 / + 50 basis points				
Domestic	- 44	46	- 63	65
Foreign	- 36	42	- 41	47
Change in the pension increase rate by - 50 / + 50 basis points				
Domestic	- 463	507	- 518	569
Foreign	- 307	267	- 339	382
Increase of one year in life expectancy				
Domestic		478		523
Foreign		223		210

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 €1,367 million for funded pension plans (previous year: €3,265 million) and €567 million for unfunded pension plans (previous year: €599 million).

As in the previous year, a 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 16 years outside of Germany (previous year: 17 years).

In fiscal 2022, RWE expects to make €65 million in payments for defined benefit plans of continuing operations (previous-year target: €240 million), as direct benefits and contributions to plan assets.

Provisions for nuclear energy and mining € million	Balance at 1 Jan 2021	Additions	Unused amounts released	Interest accretion	Amounts used	Balance at 31 Dec 2021
Provisions for nuclear waste management	6,451	162	-2	14	-596	6,029
Provisions for mining damage	4,814	116	-2	127	-62	4,993
	<b>11,265</b>	<b>278</b>	<b>-4</b>	<b>141</b>	<b>-658</b>	<b>11,022</b>

**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 €40 million.

Excluding the interest accretion, additions to provisions for nuclear waste management are based on quantity-related increases in the provisions as well as updates of the cost estimates and amount to €162 million. Of the changes in provisions, €21 million was offset against the corresponding costs of nuclear power plants still in operation and the fuel elements. In the reporting period, we also used provisions of €245 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 in Germany 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 decom-

missioning 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.

<b>Provisions for nuclear waste management</b>	31 Dec 2021	31 Dec 2020
€ million		
Residual operation	2,211	2,707
Dismantling	2,126	2,007
Processing of residual material and waste management	1,692	1,737
	<b>6,029</b>	<b>6,451</b>

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 transportati-

on 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 costs of residual operation and dismantling of 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:

<b>Provisions for nuclear waste management</b>	31 Dec 2021	31 Dec 2020
€ million		
Provisions for nuclear obligations, not yet contractually defined	4,148	4,623
Provisions for nuclear obligations, contractually defined	1,881	1,828
	<b>6,029</b>	<b>6,451</b>

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. The cost estimates are based on internal planning and estimates and are largely 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. The average discount rate was 2.1 % (previous year: 2.0%). 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 0.6 % (previous year: 0.5 %). A decline of 0.1 percentage point in

the real discount rate would increase the present value of the provision by around €140 million, while an increase of 0.1 percentage point would reduce the present value by around €130 million.

Excluding the interest accretion, additions to provisions for mining damage amounted to €116 million in the reporting period. The reason for this was quantity-induced increases in the obligatory volume and updates of the cost estimates, of which €21 million was capitalised in the item 'The interest accretion increased provisions for mining damage by €127 million, of which €6 million was capitalised in the item 'property, plant and equipment'.

Other provisions	Balance at 1 Jan 2021	Additions	Unused amounts released	Interest accretion	Changes in the scope of consolidation, currency adjustments, transfers	Amounts used	Balance at 31 Dec 2021
€ million							
Staff-related obligations (excluding restructuring)	990	708	-25		37	-574	1,136
Restructuring obligations	642	96	-64	-15	-40	-9	610
Purchase and sales obligations	1,490	425	-77	-9		-350	1,479
Provisions for dismantling wind farms	1,136	159	-165	-105	175	-2	1,198
Other dismantling and retrofitting obligations	718	35	-92	-9	8	-13	647
Environmental protection obligations	78	1	-4		3	-4	74
Interest payment obligations	223						223
Obligations to deliver CO <sub>2</sub> emission allowances/ certificates for renewable energies	1,332	2,095	-27		20	-1,321	2,099
Miscellaneous other provisions	736	435	-41		-17	-324	789
	<b>7,345</b>	<b>3,954</b>	<b>-495</b>	<b>-138</b>	<b>186</b>	<b>-2,597</b>	<b>8,255</b>



**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 2022 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 2022 to 2038. In so doing, sums ear-marked 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 2022 to 2046, and the **provisions for other dismantling and retrofitting obligations** will be used from 2022 to 2060.

## (23) Financial liabilities

Financial liabilities	31 Dec 2021		31 Dec 2020	
	Non-current	Current	Non-current	Current
€ million				
Bonds payable <sup>1</sup>	2,411		549	
Commerical paper		2,710		
Bank debt	2,014	3,569	1,528	83
Other financial liabilities				
Collateral for trading activities		4,239		716
Miscellaneous other financial liabilities	2,373	478	1,874	448
	<b>6,798</b>	<b>10,996</b>	<b>3,951</b>	<b>1,247</b>

1. Including hybrid bonds classified as debt as per IFRS.

The following overview shows the key data on the bonds of the RWE Group as of 31 December 2021:

Bonds payable Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
RWE AG	€ 12 million	12	3.5	October 2037
RWE AG	€ 282 million <sup>1</sup>	281	3.5	April 2075
RWE AG	US\$ 317 million <sup>1</sup>	278	6.625	July 2075
RWE AG	€ 500 million	500	0.625	June 2031
RWE AG	€ 750 million	747	0.5	November 2028
RWE AG	€ 600 million	593	1.0	November 2033
<b>Bonds payable</b>		<b>2,411</b>		

1. Hybrid bonds classified as debt as per IFRS.

In June 2021, RWE issued a green corporate bond with a volume of €500 million and a maturity of ten years. Based on a coupon of 0.625% p.a. and an issue price of 99.711%, the yield-to-maturity amounts to 0.655% p.a. In accordance with RWE's guidelines for green bonds, the RWE Green Bond Framework, the proceeds from the issue may only be used for the financing or refinancing of wind and solar projects.

RWE issued another green bond in November 2021. It consisted of two tranches, with a volume of €750 million and a maturity of seven years and a volume of €600 million and a maturity of twelve years, respectively. Based on a coupon of 0.5% p.a. and an issue price of 99.808%, the yield-to-maturity amounts to 0.528% p.a. for the first tranche. The yield-to-maturity is 1.077% p.a. for the second tranche, with a coupon of 1.0% and an issue price of 99.138%.

In the previous year, a hybrid bond issued by RWE AG which was previously classified as debt pursuant to IAS 32 was cancelled on 4 September 2020. 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 maturity ending in April 2075.

€23 million of the financial liabilities are secured by mortgages (previous year: €31 million). Other financial liabilities contain lease liabilities.

#### (24) Income tax liabilities

Income tax liabilities contain uncertain income tax items in the amount of €905 million (previous year: €939 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 2021		31 Dec 2020 <sup>1</sup>	
	Non-current	Current	Non-current	Current
€ million				
Tax liabilities		226		158
Social security liabilities	1	20	1	14
Derivatives	873	76,119	554	8,106
Miscellaneous other liabilities	855	906	800	768
	<b>1,729</b>	<b>77,271</b>	<b>1,355</b>	<b>9,046</b>
of which: financial debt	961	76,677	640	8,414
of which: non-financial debt	768	594	715	632

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

The increase in derivatives during the reporting period resulted from the significant price rises for over-the-counter commodity derivatives for electricity and natural gas, which cannot be netted.

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

Miscellaneous other liabilities contain €150 million in contract liabilities (previous year: €221 million).

Moreover, €63 million (previous year: €66 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		2021	2020 <sup>1</sup>
Net income for RWE AG shareholders	€ million	721	1,051
of which: from continuing operations		721	864
of which: from discontinued operations			187
Number of shares outstanding (weighted average)	in '000	676,220	637,286
Basic and diluted earnings per share	€	1.07	1.65
of which: from continuing operations		1.07	1.36
of which: from discontinued operations			0.29
Dividend per share	€	0.90 <sup>2</sup>	0.85

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see commentary on pages 108 et seq.).

2 Dividend proposal for fiscal 2021, subject to the resolution of the Annual General Meeting on 28 April 2022.

### (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	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	31 Dec 2021				31 Dec 2020			
Other financial assets <sup>1</sup>	5,477	4,960	235	282	4,237	3,659	214	364
Derivatives (assets)	65,160		61,281	3,879	8,784		8,085	699
of which: used for hedging purposes	6,768		6,768		1,634		1,634	
Securities	8,040	1,078	6,962		4,219	1,269	2,950	
Derivatives (liabilities)	76,992		75,760	1,232	8,660		8,404	256
of which: used for hedging purposes	14,609		14,609		1,498		1,498	

1 Some prior-year figures restated due to retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see commentary on page 95).

Due to the higher number of price quotations on active markets, financial assets with a fair value of €1.6 million (previous year: €4.3 million) were reclassified from Level 2 to Level 1 and €9.3 million (previous year: €0 million) to Level 3. Conversely, due to a drop in the

number of price quotations, financial assets with a fair value of €1.3 million (previous year: €9.3 million) were reclassified from Level 1 to Level 2.

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

Level 3 financial instruments: Development in 2021	Balance at 1 Jan 2021	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 31 Dec 2021
			Recognised in profit or loss	Recognised in OCI	With a cash effect	
€ million						
Other financial assets	364	-95	21	-103	95	282
Derivatives (assets)	699		3,466		-286	3,879
Derivatives (liabilities)	256	-29	1,190		-185	1,232

Level 3 financial instruments: Development in 2020	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	
€ million						
Other financial assets <sup>1</sup>	350	-52	-85	98	53	364
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	-4				

1 Some prior-year figures restated due to retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see commentary on page 95).

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

<b>Level 3 financial instruments: Amounts recognised in profit or loss</b>	Total 2021	Of which: attributable to financial instruments held at the balance-sheet date	Total 2020	Of which: attributable to financial instruments held at the balance-sheet date
€ million				
Other operating income / expenses	2,276	2,277	356	852
Income from investments	21	20	-86	-85
	<b>2,297</b>	<b>2,297</b>	<b>270</b>	<b>767</b>

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 €82 million (previous year: €95 million) or decline by €82 million (previous year: €95 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 2021	31 Dec 2020
Financial assets measured at fair value through profit or loss	65,854	10,566
of which: obligatorily measured at fair value – continuing operations	65,854	10,566
Debt instruments measured at amortised cost <sup>1</sup>	24,911	10,766
of which: held for sale		2
Debt instruments measured at fair value through other comprehensive income	1,236	1,338
Equity instruments measured at fair value through other comprehensive income	4,819	3,702
Financial liabilities measured at fair value through profit or loss	62,384	7,163
of which: obligatorily measured at fair value – continuing operations	62,384	7,163
Financial liabilities measured at amortised cost	21,359	7,013
of which: held for sale		315

1 Restated prior-year figure.

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 €16,385 million (previous year: €4,011 million), while the fair value amounts to €16,419 million (previous year: €4,281 million). Of this, €2,460 million (previous year: €607 million) is related to Level 1 and €13,959 million (previous year: €3,674 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	2021	2020
Financial assets and liabilities measured at fair value through profit or loss	-1,270	3,318
of which: obligatorily measured at fair value	-1,270	3,318
Debt instruments measured at amortised cost	600	-248
Debt instruments measured at fair value through other comprehensive income	59	-7
Equity instruments measured at fair value through other comprehensive income	194	193
Financial liabilities measured at amortised cost	-648	-303



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.

**Fair value of equity instruments measured at fair value through other comprehensive income**

€ million	31 Dec 2021	31 Dec 2020
Nordsee One GmbH	17	120
E.ON SE	4,802	3,582

In fiscal 2021, €194 million (previous year: €193 million) in income from dividends from these financial instruments was recognised, of which €0 million (previous year: €5 million) was attributable to equity instruments sold during the same year. In the previous year, their fair value at the derecognition date amounted to €782 million. The resulting loss amounted to €18 million in the previous year.

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.

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.

Netting of financial assets and financial liabilities as of 31 Dec 2021	Gross amounts recognised	Netting	Net amounts recognised	Related amounts not set off		Net amount
				Financial instruments	Cash collateral received / pledged	
€ million						
Derivatives (assets)	69,985	-65,273	4,712		-4,039	673
Derivatives (liabilities)	69,714	-61,564	8,150	-1,107	-7,004	39

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
				Financial instruments	Cash collateral received / pledged	
€ million						
Derivatives (assets)	10,111	-9,209	902		-495	407
Derivatives (liabilities)	8,024	-7,439	585	-267	-310	8

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) and sensitivities, 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. Starting from fiscal 2021, price risk is measured using sensitivity analysis in relation to an interest rate change of 100 basis points. As of the balance-sheet date, it amounted to €28.2 million (previous year: €2.5 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 2021 this amounted to €2.0 million (previous year: €18.6 million). RWE calculates the CFaR based on the assumption of the refinancing of maturing debt.

Starting from fiscal 2021, risks related to financial positions in foreign currency are also measured using sensitivity analysis, which shows the impact on the value of the position stemming from a 10% change in the exchange rate. As of 31 December 2021, this sensitivity was €0.3 million (previous year: €0.4 million).

Since fiscal 2021, we also measure the price risk of equities in RWE's portfolio using sensitivity analysis. As of the balance-sheet date, this analysis yielded the following results (before taxes): In the event of a 10% rise in the relevant equity prices, equity would increase by €490 million (previous year: €358 million) and income by €9 million (previous year: €0 million). In the event of a 10% fall in the relevant equity prices, equity would decrease by €490 million (previous year: €358 million) and income by €9 million (previous year: €0 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 €50 million and €25 million, respectively. As of 31 December 2021, the VaR was €30.6 million in the trading business (previous year: €25.0 million) and €14.9 million for the pooled gas and LNG business (previous year: €6.7 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 re-valued 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 managed by the Commodity Management Committee (CMC) and 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, equity capital derivatives, and forwards, options, futures and swaps with commodities.

Maturities of derivatives related to interest rates, currencies, equity capital, 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 ten years.

All derivative financial instruments within the scope of IFRS 9 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.

In the previous year, fair value hedges were used to limit the market price risk exposure related to CO<sub>2</sub> 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.

In the previous year, 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
<b>CO<sub>2</sub> derivatives</b>			
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 other comprehensive income 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 2021	Maturity		
	1 – 6 months	7 – 12 months	> 12 months
<b>Currency forwards – purchases</b>			
Nominal volume (€ million)	850	377	686
Avg. EUR/USD exchange rate	1.17	1.19	1.17
Avg. EUR/GBP exchange rate	0.86	0.86	0.89
Avg. EUR/CAD exchange rate	1.60	1.48	1.65
Avg. EUR/DKK exchange rate			7.44
Avg. EUR/SGD exchange rate	1.59	1.60	1.62
Avg. EUR/CHF exchange rate	1.10		
<b>Currency forwards – sales</b>			
Nominal volume (€ million)	-1,001	-554	-2,188
Avg. EUR/USD exchange rate	1.19	1.18	1.26
Avg. EUR/GBP exchange rate	0.87	0.88	0.90
Avg. EUR/CAD exchange rate	1.47	1.45	
Avg. EUR/DKK exchange rate			7.45

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	

RWE held the following instruments to hedge future cash flows relating to interest risks:

Cash flow hedges as of 31 Dec 2021	Maturity		
	1 – 6 months	7 – 12 months	> 12 months
Interest swaps			
Nominal volume (£ million)	950		1,155
Secured average interest rate (%)	1.62		1.82

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

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, the amount of the effective portion is recorded under foreign currency translation adjustments in other comprehensive income.

The forward and spot elements of the hedging instruments used in net investment hedges are treated separately and only the value of the spot element is designated. In these cases, the fair value change of the forward element (hedging costs) is recognised in other comprehensive income to the extent that the fair value change relates to the hedged net investment. Moreover, the fair value of the forward element as of the time of designation is amortised over the duration of the hedging instrument using the straight-line method and recognised in profit or loss.

RWE held the following instruments to hedge net investments in foreign operations:

Net investment hedges as of 31 Dec 2021	Maturity		
	1-6 months	7-12 months	> 12 months
Currency forwards – purchases			
Nominal volume (€ million)	59		2,888
Avg. EUR/GBP exchange rate	0.84		0.88
Currency forwards – sales			
Nominal volume (€ million)	-702	-557	-7,507
Avg. EUR/GBP exchange rate	0.86	0.86	0.87

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

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 2021	Nominal amount	Carrying amount		Fair value changes in the current period	Recognised ineffectiveness
		Assets	Liabilities		
€ million					
<b>Cash flow hedges</b>					
Interest risks	1,866		67	-93	
Foreign currency risks	-70		1	3	
Commodity price risks	6,890 <sup>1</sup>	6,242	14,146	-7,899	
<b>Net investment hedges</b>					
Foreign currency risks		5	327	-386	70

1. The net nominal amount stated is made up of purchases in the amount of €7,733 million and sales in the amount of –€14,623 million.

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
		Assets	Liabilities		
€ million					
<b>Fair value hedges</b>					
Commodity price risks	39		192	56	
<b>Cash flow hedges</b>					
Foreign currency risks	729		177	-90	
Commodity price risks	2,444 <sup>1</sup>	3,020	1,104	614	
<b>Net investment hedges</b>					
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.

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	Carrying amount		Of which: cumulative fair value adjustments		Changes in fair value in the reporting year
	Assets	Liabilities	Assets	Liabilities	
€ million					
Commodity price risks	231		192		56

Cash flow hedges and net investment hedges as of 31 Dec 2021	Changes in fair value during the current period	Reserve for current hedges	Reserve for terminated hedges
€ million			
<b>Cash flow hedges</b>			
Interest risks	54	-68	14
Foreign currency risks	14	1	1
Commodity price risks	-4,973	-1,567	
<b>Net investment hedges</b>			
Foreign currency risks	-413	836	350

Cash flow hedges and net investment hedges as of 31 Dec 2020	Changes in fair value during the current period	Reserve for current hedges	Reserve for terminated hedges
€ million			
<b>Cash flow hedges</b>			
Interest risks	44	-50	
Foreign currency risks	-78	-59	-14
Commodity price risks	-1,528	3,094	-11
<b>Net investment hedges</b>			
Foreign currency risks	117	1,275	350

In the previous year, the carrying amounts of the hedged items for fair value hedges were stated in the 'other receivables and other assets' balance-sheet item. Amounts realised from other comprehensive income 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 other comprehensive income are recognised in the items 'revenue' and '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:

<b>Hedge reserve 2021</b>	
€ million	
<b>Balance at 1 Jan 2021</b>	<b>1,837</b>
<b>Cash flow hedges</b>	
Effective portion of changes in market value	-5,243
Interest risks	3
Foreign currency risks	-14
Commodity price risks	-5,232
Gain or loss reclassified from OCI to the income statement – realisation of underlying transactions	470
Foreign currency risks	25
Commodity price risks	445
Gain or loss recognised as a basis adjustment	-586
Interest risks	
Foreign currency risks	-3
Commodity price risks	-583
Tax effect of the change in the hedge reserve	1,222
<b>Net investment hedges</b>	
Effective portion of changes in market value	-414
Foreign currency risks	-414
Offsetting against currency adjustments	414
Fair value changes of hedging costs	24
Amortisation of hedging costs	33
<b>Balance at 31 Dec 2021</b>	<b>-2,243</b>

**Hedge reserve 2020<sup>1</sup>**

€ million

<b>Balance at 1 Jan 2020</b>	<b>2,946</b>
<b>Cash flow hedges</b>	
Effective portion of changes in market value	-1,800
Interest risks	-55
Foreign currency risks	34
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	-982
Tax effect of the change in the hedge reserve	417
<b>Net investment hedges</b>	
Effective portion of changes in market value	-147
Foreign currency risks	-147
Offsetting against currency adjustments	147
<b>Balance at 31 Dec 2020</b>	<b>1,837</b>

1. Some prior-year figures restated.

As part of the reform of the current system for determining reference interest rates (the so-called IBOR reform), the existing reference rates and methods for determining such were replaced with alternative interest rates and methods. In the EU, the EONIA was discontinued on 3 January 2022, and in the United Kingdom the LIBOR was phased out after 31 December 2021.

With regard to the RWE Group, the IBOR reform impacts the accounting treatment of certain financial liabilities and 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 31 December 2021, the transition to alternative interest rates was not yet complete. The designated hedging instruments had a nominal volume of €1,318 million and a carrying amount of €47 million as of the reporting date. The total carrying amount of the hedged financial liabilities was €1,413 million as of the reporting date.

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 financial liabilities and derivatives designated in hedging relationships, RWE has initiated negotiations with the contractual partners to transition the interest rates previously based on the GBP LIBOR to the GBP SONIA plus a spread which offsets the difference between the two reference rates. The amended credit contracts were concluded on 10 January 2022, with an effective transition to SONIA as of 31 January 2022. As part of the transition from GBP LIBOR to SONIA plus a spread, the hedging instruments which hedged the previous interest rate risk from the GBP LIBOR were also adjusted. The hedging relationships were adjusted on 10 January 2022, with effective transition as of 31 January 2022.

Starting from 1 January 2020, RWE applied the amendments in IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, which were published in September 2019. 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.

At the time of the aforementioned contractual adjustments in January 2022, RWE also applied the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform - Phase 2, which were published in August 2020. These amendments allow for other temporary reliefs for the accounting treatment of hedging relationships which are affected by the IBOR reform.

**Credit risks.** In the fields of finance and commodities, RWE primarily has credit relationships with banks that have good creditworthiness and other trading partners with predominantly 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 deteriorated. While the current economic recovery is leading to an improvement in their situation, RWE's business partners, competitors and customers may continue to be impacted by the consequences of the crisis, as well as by the very strong price developments seen on the energy markets since the fourth quarter of 2021. RWE is thus carefully monitoring critical branches of the economy and exercising greater caution when 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 2021, these obligations amounted to €1,231 million (previous year: €417 million). As of 31 December 2021, default risks were balanced against credit collateral, financial guarantees, bank guarantees and other collaterals amounting to €10.1 billion (previous year: €3.6 billion). Of this, €0.6 billion relates to trade receivables (previous year: €0.8 billion), €1.5 billion to derivatives used for hedging purposes (previous year: €0.6 billion), and €8.0 billion to other derivatives (previous year: €2.2 billion). There were no material defaults in fiscal 2021 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:

<b>Impairment of financial assets</b>	Stage 1 - 12-month expected credit losses	Stage 2 - lifetime expected credit losses	Stage 3 - lifetime expected credit losses	Total
€ million				
<b>Financial receivables</b>				
<b>Balance at 1 Jan 2021</b>	<b>6</b>		<b>13</b>	<b>19</b>
Remeasurement due to new measurement parameters	-2			-2
Redeemed or derecognised financial assets	-1		-2	-3
Level transfer		2		2
<b>Balance at 31 Dec 2021</b>	<b>3</b>	<b>2</b>	<b>11</b>	<b>16</b>

<b>Impairment of financial assets</b>	Stage 1 - 12-month expected credit losses	Stage 2 - lifetime expected credit losses	Stage 3 - lifetime expected credit losses	Total
€ million				
<b>Financial receivables</b>				
<b>Balance at 1 Jan 2020</b>	<b>11</b>	<b>3</b>	<b>11</b>	<b>25</b>
Remeasurement due to new measurement parameters	-5			-5
Level transfer		-3	2	-1
<b>Balance at 31 Dec 2020</b>	<b>6</b>		<b>13</b>	<b>19</b>

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:

<b>Risk provision for trade accounts receivable</b>	
€ million	
<b>Balance at 1 Jan 2021</b>	<b>42</b>
Addition	16
Redeemed / derecognised	- 25
Changes in the scope of consolidation	- 5
<b>Balance at 31 Dec 2021</b>	<b>28</b>

<b>Risk provision for trade accounts receivable</b>	
€ million	
<b>Balance at 1 Jan 2020</b>	<b>32</b>
Addition	13
Changes in the scope of consolidation	- 3
<b>Balance at 31 Dec 2020</b>	<b>42</b>

The following table presents the gross carrying amounts of the financial instruments under the scope of the impairment model:

<b>Gross carrying amounts of financial assets as of 31 Dec 2021</b>	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
€ million						
Class 1–5: low risk	AAA to BBB–	18,502	38		6,330	24,870
Class 6–9: medium risk	BB+ to BB–	776		11	345	1,132
Class 10: high risk	B+ to B–	37			138	175
Class 11: doubtful	CCC to C	1			10	11
Class 12: loss	D			1	38	39
		<b>19,316</b>	<b>38</b>	<b>12</b>	<b>6,861</b>	<b>26,227</b>

<b>Gross carrying amounts of financial assets as of 31 Dec 2020<sup>1</sup></b>	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
€ million						
Class 1 – 5: low risk	AAA to BBB–	9,000	42		2,779	11,821
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
		<b>9,078</b>	<b>42</b>	<b>12</b>	<b>3,068</b>	<b>12,200</b>

1 Some prior-year figures restated.

**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 2022, liabilities owed to banks of €3.6 billion (previous year: €0.1 billion) are due. Above and beyond this, commercial paper in the amount of €2.7 billion matures in 2022 (previous year: €0 billion).

As of 31 December 2021, holdings of cash and cash equivalents and current marketable securities amounted to €13,865 million (previous year: €8,993 million).

The volume of RWE AG's credit line amounts to €5 billion. Its two tranches expire in April 2022 (€2 billion) and April 2026 (€3 billion). The commercial paper programme allows for issuance up to a maximum amount of €5 billion (previous year: €5 billion). As of the balance-sheet date, €2.7 billion of this programme was used (previous year: €0 billion). 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 €1.85 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 2021	Redemption payments			Interest payments		
		2022	2023 to 2026	From 2027	2022	2023 to 2026	From 2027
Bonds payable <sup>1</sup>	2,411		562	1,849	42	157	70
Commercial paper	2,710	2,710					
Bank debt	5,583	3,568	281	1,733	34	127	98
Lease liabilities	1,409	86	273	1,061	20	102	252
Other financial liabilities	1,442	374	441	649	80	197	498
Derivative financial liabilities	76,992	76,250	222	532	45	68	128
Collateral for trading activities	4,239	4,239					
Miscellaneous other financial liabilities	4,975	4,892	86	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	Carrying amounts 31 Dec 2020	Redemption payments			Interest payments		
		2021	2022 to 2025	From 2026	2021	2022 to 2025	From 2026
€ million							
Bonds payable <sup>1</sup>	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.

Above and beyond this, as of 31 December 2021, there were financial guarantees for external creditors in the amount of €1,191 million (previous year: €364 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 €40 million (previous year: €53 million), which are callable in 2022.

Detailed information on the risks of the RWE Group and on the objectives and procedures of the risk management is presented on pages 70 et seqq. in the review of operations.

### (28) Contingent assets, contingent liabilities and financial commitments

As of 31 December 2021, the amount of contractual commitments totalled €5,668 million (previous year: €2,071 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 €22.3 billion as of 31 December 2021 (previous year: €23.6 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 2021, the minimum payment obligations stemming from the major purchase contracts totalled €7.1 billion (previous year: €7.1 billion), of which €0.4 billion is due within one year (previous year: €0.3 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 2022 onwards, RWE AG has a 36.927% contractual share in the liability (37.299% until 31 December 2021) 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 €5,875 million (previous year: €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.

With the approval of the Senate, the Dutch Parliament passed an amendment of the Coal Phaseout Act, which limits the carbon dioxide emissions of power plants to 35% of the maximum possible level by the end of 2024. RWE will be entitled to compensation payments for the economic disadvantages it will suffer. As foreseen in the Act, we expect to submit an application for compensation in the upper triple-digit million range in a timely manner.

## (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, which has also been responsible for formulating and implementing our hydrogen strategy since 2021. 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 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 company RWE Power.

'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 2021 € million	Offshore Wind	Onshore Wind/Solar	Hydro/ Biomass/Gas	Supply & Trading	Other, consolidation	Core business	Coal/ Nuclear	Consoli- dation	RWE Group
<b>External revenue (incl. natural gas tax / electricity tax)</b>	<b>688</b>	<b>2,324</b>	<b>1,316</b>	<b>19,518</b>	<b>4</b>	<b>23,850</b>	<b>911</b>		<b>24,761</b>
Intra-group revenue	808	361	5,361	5,214	-10,986	758	4,116	-4,874	
Total revenue	1,496	2,685	6,677	24,732	-10,982	24,608	5,027	-4,874	24,761
Adjusted EBIT	636	-145	418	721	-106	1,524	661		2,185
Operating income from investments	116	10	61	68	47	302	51		353
Operating income from investments accounted for using the equity method	105	10	62	7	48	232	53		285
Operating depreciation, amortisation and impairment losses	474	403	313	48	-1	1,237	228		1,465
Impairment losses		80	7			87	872		959
<b>Adjusted EBITDA</b>	<b>1,110</b>	<b>258</b>	<b>731</b>	<b>769</b>	<b>-107</b>	<b>2,761</b>	<b>889</b>		<b>3,650</b>
Carrying amount of investments accounted for using the equity method	973	382	700	3	833	2,891	130		3,021
Capital expenditure on intangible assets, property, plant and equipment	1,683	1,404	294	47	2	3,430	259		3,689

#### Regions 2021

€ million	Germany	UK	Rest of Europe	North America	Other	RWE Group
External revenue <sup>1,2,5</sup>	9,081	8,259	6,051	810	325	24,526
Intangible assets and property, plant and equipment	4,941	13,045	3,402	4,261	219	25,868

1 Excluding natural gas tax / electricity tax.

2 Broken down by the region in which the service was provided.

3 Including state subsidies received which do not conform to IFRS 15 and refunds paid to state bodies, among other things from CfD contracts, amounting to -€45 million in the UK, €2 million in Rest of Europe and €6 million in Other.

Segment reporting Divisions 2020 <sup>1</sup> € million	Offshore Wind	Onshore Wind / Solar	Hydro/ Biomass / Gas	Supply & Trading	Other, consolidation	Core business	Coal/ Nuclear	Consoli- dation	RWE Group
<b>External revenue (incl. natural gas tax / electricity tax)</b>	<b>332</b>	<b>1,855</b>	<b>1,059</b>	<b>9,789</b>	<b>7</b>	<b>13,042</b>	<b>854</b>		<b>13,896</b>
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	138	283	496	-25	1,589	234		1,823
Operating income from investments	127	15	53	-57	123	261	95		356
Operating income from investments accounted for using the equity method	120	4	52	6	124	306	95		401
Operating depreciation, amortisation and impairment losses	372	385	338	43		1,138	325		1,463
Impairment losses		79	561	64		704	1,097		1,801
<b>Adjusted EBITDA</b>	<b>1,069</b>	<b>523</b>	<b>621</b>	<b>539</b>	<b>-25</b>	<b>2,727</b>	<b>559</b>		<b>3,286</b>
Carrying amount of investments accounted for using the equity method	1,490	171	655	3	830	3,149	127		3,276
Capital expenditure on intangible assets and property, plant and equipment	756	1,154	153	43		2,106	183	-4	2,285

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see pages 108 et seq.).

#### Regions 2020

€ million	Germany	UK	Rest of Europe	North America	Other	RWE Group
External revenue <sup>1,2,3</sup>	3,988	3,909	3,958	1,146	687	13,688
Intangible assets and property, plant and equipment <sup>4</sup>	5,714	10,811	3,049	2,953	273	22,800

1 Excluding natural gas tax / electricity tax.

2 Broken down by the region in which the service was provided.

3 Including state subsidies received which do not conform to IFRS 15 and refunds paid to state bodies, among other things from CfD contracts, amounting to €31 million in the UK, €19 million in Rest of Europe and €1 million in Other.

4 Some prior-year figures restated due to retroactive adjustments to the first-time consolidation of operations which RWE acquired from Nordex in 2020 (see page 95).

External revenue by product in 2021	Offshore Wind	Onshore Wind/Solar	Hydro/ Biomass/Gas	Supply & Trading	Other	Core business	Coal/ Nuclear	RWE Group
€ million								
<b>External revenue<sup>1</sup></b>	<b>688</b>	<b>2,324</b>	<b>1,315</b>	<b>19,296</b>	<b>4</b>	<b>23,627</b>	<b>899</b>	<b>24,526</b>
of which: electricity <sup>2</sup>	688	2,107	877	16,540		20,212	264	20,476
of which: gas				2,142		2,142		2,142
of which: other revenue		217	438	614	4	1,273	635	1,908

1 Excluding natural gas tax / electricity tax.

2 Including state subsidies received which do not conform to IFRS 15 and refunds paid to state bodies, among other things from CfD contracts, amounting to -€39 million in Offshore Wind and €2 million in Onshore Wind / Solar.

External revenue by product in 2020	Offshore Wind	Onshore Wind/Solar	Hydro/ Biomass/Gas	Supply & Trading	Other	Core business	Coal/ Nuclear	RWE Group
€ million								
<b>External revenue<sup>1</sup></b>	<b>332</b>	<b>1,855</b>	<b>1,056</b>	<b>9,597</b>	<b>9</b>	<b>12,849</b>	<b>839</b>	<b>13,688</b>
of which: electricity <sup>2</sup>	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.

2 Including state subsidies received which do not conform to IFRS 15 and refunds paid to state bodies, among other things from CfD contracts, amounting to €51 million in Onshore Wind / Solar.

**Notes on segment data.** The external revenue of the segments Offshore Wind and Onshore Wind / Solar contains state subsidies and refunds paid to state bodies for the sale of green electricity, including subsidies from contracts for differences, amounting to -€39 million (previous year: €0 million) and €2 million (previous year: €51 million), respectively, which do not meet the definition of IFRS 15. These contracts for differences are used as a state subsidy mechanism and essentially result in a fixed price for the electricity that is sold, by offset-

ting positive and negative deviations (in so-called two-way contracts for difference) and negative deviations (in so-called one-way contracts for difference) from a defined reference price that is agreed with state contractual partners or the subsidy mechanism counterparty. 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	2021	2020 <sup>1</sup>
<b>Adjusted EBITDA</b>	<b>3,650</b>	<b>3,286</b>
- Operating depreciation, amortisation and impairment losses	-1,465	-1,463
<b>Adjusted EBIT</b>	<b>2,185</b>	<b>1,823</b>
+ Non-operating result	-650	-104
+ Financial result	-13	-454
<b>Income from continuing operations before tax</b>	<b>1,522</b>	<b>1,265</b>

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see pages 108 et seq.).

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. In addition to proceeds from the disposal of shareholdings or non-current assets not necessary for operations, this item mainly covers effects from the valuation of certain derivatives. These involve valuation effects which are only temporary and mainly arise because financial instruments to hedge price risks are reported at their fair value on the respective reporting date, while the hedged underlying transactions may only be recorded with an effect on income upon the realisation of such. A loss of €168 million is reported in the item 'other' (previous year: -€2,003 million). The 2020 result included impairment charges on power plants and opencast lignite mines amounting to €1.8 billion. Impairments were recognised in the lignite business during the reporting period as well, in the amount of €780 million. The compensation of €880 million paid to us in November 2021 by the German Federal government for the phaseout of nuclear energy in Germany had a positive effect.

Non-operating result € million	2021	2020 <sup>1</sup>
Disposal result	21	13
Impact of the valuation of derivatives on earnings	-503	1,886
Other	-168	-2,003
<b>Non-operating result</b>	<b>-650</b>	<b>-104</b>

1 Some prior-year figures restated due to a retroactive change in the recognition of tax benefits to subsidise renewable energy in the USA (see pages 108 et seq.).

### (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 €263 million (previous year: €281 million) and cash flows used for interest expenses of €284 million (previous year: €299 million),
- €163 million (previous year: -€72 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 €185 million (previous year: €323 million).

Cash flows from the acquisition and sale of consolidated subsidiaries and other business units are included in cash flows from investing activities, while effects stemming from exchange rate developments and other changes in value are shown separately. During the fiscal year, sales prices in the amount of €619 million (previous year: €872 million) were recognised for disposals resulting in a change of control. During the fiscal year, purchase

prices amounting to –€5 million (previous year: €270 million) were recognised for acquisitions which also resulted in a change of control. The pre-payment of a purchase price in the previous year, which was already reported in the cash flows from investing activities last year, is not included in this figure, as there had been no change of control at that point in time. As in the previous year, sales prices received and purchase prices paid were effected exclusively in cash. In relation to this, cash and cash equivalents (disregarding assets held for sale) were acquired in the amount of €52 million (previous year: €0 million) and were sold in the amount of €39 million (previous year: €5 million).

With regard to subsidiaries or other business units of which control was gained or lost, the amounts of assets and liabilities (with the exception of cash and cash equivalents) are presented in the following, broken down by main groups:

<b>Balance-sheet items 2021</b> € million	Additions	Disposals
<b>Non-current assets</b>	<b>2,073</b>	<b>786</b>
Intangible assets	951	29
Property, plant and equipment	1,003	119
Other non-current assets	119	638
<b>Current assets</b>	<b>451</b>	<b>1,238</b>
<b>Non-current liabilities</b>	<b>189</b>	<b>201</b>
Provisions	116	1
Financial liabilities	24	175
Other non-current liabilities	49	25
<b>Current liabilities</b>	<b>27</b>	<b>654</b>

<b>Balance-sheet items 2020</b> € million	Additions	Disposals
<b>Non-current assets</b>	<b>541</b>	<b>131</b>
Intangible assets	395	6
Property, plant and equipment	133	120
Other non-current assets	13	5
<b>Current assets</b>	<b>10</b>	<b>1,357</b>
<b>Non-current liabilities</b>	<b>48</b>	<b>20</b>
Provisions		3
Financial liabilities		11
Other non-current liabilities	48	6
<b>Current liabilities</b>	<b>89</b>	<b>584</b>

Cash flows from financing activities of continuing operations include €575 million (previous year: €492 million) which was distributed to RWE shareholders, and €155 million (previous year: €30 million) which was distributed to non-controlling shareholders. Furthermore, cash flows from financing activities include purchases of €1 million (previous year: €485 million) and sales in the amount of –€7 million (previous year: €562 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:

Development of financial liabilities	1 Jan 2021	Increase/ repayment	Changes in the scope of consolidation	Currency effects	Changes in fair values	Other changes	31 Dec 2021
€ million							
Current financial liabilities	1,247	9,535	-1	-206	148	273	10,996
Non-current financial liabilities	3,951	2,862	-138	241		-118	6,798
Other items		-10,026					

Development of financial liabilities	1 Jan 2020	Increase/ repayment	Changes in the scope of consolidation	Currency effects	Changes in fair values	Other changes	31 Dec 2020
€ million							
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					

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 and in financial liabilities in the balance sheet.

The item 'other changes' includes interest expenses which are reported in cash flows from operating activities.

Restrictions on the disposal of cash and cash equivalents amounted to €4 million (previous year: €45 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	
	2021	2020	2021	2020
Income	597	320	140	182
Expenses	370	187	30	46
Receivables	170	119	56	49
Liabilities	247	134	65	72

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 €1 million (previous year: €0 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €44 million of the receivables from joint ventures (previous year: €42 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. €173 million of the receivables (previous year: €124 million) and €266 million of the liabilities (previous year: €162 million) fall due within one year. Other obligations from executory contracts amounted to €114 million (previous year: €112 million).

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

The members of the Executive Board and Supervisory Board of RWE AG are deemed to be key management personnel for the RWE Group, in respect of whom the following information on total compensation is to be reported pursuant to IAS 24.

Key management personnel (Executive and Supervisory Board members) received €11,673,000 in short-term compensation components for fiscal 2021 (previous year: €8,357,000). Additionally, share-based payments within the framework of LTIP SPP amounted to €3,191,000 (previous year: €4,731,000) and the pension service cost amounted to €0 (previous year: €595,000). Share-based payment was measured according to IFRS 2 and service cost for pensions according to IAS 19. Provisions totalling €11,334,000 (previous year: €32,959,000) were formed for obligations vis-à-vis key management personnel.

The following information pertains to total remuneration pursuant to the guidelines of German commercial law.

In total, the remuneration of the Executive Board amounted to €12,234,000 (previous year: €8,501,000). This contains share-based payments amounting to €4,417,000 (129,635 RWE performance shares) granted within the framework of the LTIP SPP. In the previous year, share-based payments amounting to €2,934,000 (111,070 RWE performance shares) were granted.

Including remuneration from subsidiaries for the exercise of mandates, the Supervisory Board received total remuneration of €3,571,000 (previous year: €2,880,000) in fiscal 2021. 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 €17,000.

Former members of the Executive Board and their surviving dependants received €11,432,000 (previous year: €10,962,000), of which €678,000 came from subsidiaries (previous year: €671,000). As of the balance-sheet date, €148,241,000 (previous year: €145,620,000) were accrued for defined benefit obligations to former members of the

Executive Board and their surviving dependants. Of this, €6,405,000 was set aside at subsidiaries (previous year: €6,925,000).

Information on the members of the Executive and Supervisory Boards is presented on pages 220 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 mainly include fees for reviews 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 include compensation for consultation related to M&A activity.

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	2021		2020	
	Total	Of which: Germany	Total	Of which: Germany
€ million				
Audit services	12.5	6.8	10.7	5.8
Other assurance services	0.5	0.4	1.2	1.0
Tax services	0.3	0.3	0.3 <sup>1</sup>	0.2
Other services	0.7	0.7	2.5	2.5
	<b>14.0</b>	<b>8.2</b>	<b>14.7<sup>1</sup></b>	<b>9.5</b>

1 Restated prior-year figure.

### (33) Application of the exemption rule pursuant to Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code

In fiscal 2021, 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
- Nordsee Windpark Beteiligungs GmbH, Essen
- Rheinbraun Brennstoff GmbH, Cologne
- Rheinische Baustoffwerke GmbH, Bergheim
- RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne
- RWE Battery Solutions GmbH, Essen
- RWE Generation Service GmbH, Essen
- RWE Renewables Beteiligungs GmbH, Dortmund
- RWE Renewables Offshore HoldCo One GmbH, Essen
- RWE Renewables Offshore HoldCo Three GmbH, Essen
- RWE Renewables Offshore HoldCo Two 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 2022 until the completion of the consolidated financial statements on 3 March 2022, the following significant events occurred:

**RWE enters US offshore wind market.** At the end of February 2022, we were successful in an auction of seabed leases for offshore wind sites in the New York Bight. A joint venture between RWE and National Grid Ventures secured an area for US\$1.1 billion, on which about 3 GW of generation capacity can be built, which would be capable of producing enough electricity to serve 1.1 million US homes. The auction included six lease sites, with bidders being allowed to secure one each. Every successful bid conferred the right to develop a site and participate in upcoming auctions of the conditions for purchasing the electricity in the

states of New York and New Jersey. If the project progresses as planned, our offshore wind farm in the New York Bight will be commissioned during this decade.

**Wind joint venture with Northland Power launched.** In January 2022, RWE and Northland Power initiated a joint venture for the development of wind energy projects in the German North Sea. We expect this cooperation to deliver substantial synergies, resulting in cost savings in the development, construction and operation of the assets. RWE owns 51 % and our Canadian partner owns 49 % of the joint venture, which encompasses three offshore wind projects aiming to develop a total capacity of 1.3 GW. The sites of the future wind farms are located north of the Island of Juist. Before forging the joint venture, we had co-operated with Northland Power on two of the three projects. One project is focussed on a 433 MW wind farm on a site officially called N-3.8, which we secured via a step-in right following an invitation to tender in 2021 (see page 41). The other initiative was dedicated to the construction and operation of a 420 MW wind farm, which we hope to build on the N-3.5 site. We also have a step-in right for this area, but have not exercised it yet. RWE initially only held a 15 % share of both ventures and had originally developed the third joint venture project alone. It is centred around a 480 MW wind farm at the N-3.6 site, for which we also hold a step-in right which has not been made use of to date. The auctions for the sites N-3.5 and N-3.6 should be held in 2023. In the event that other companies are successful, we can exercise our step-in rights.

**RWE once again successful in British capacity market auctions.** The British capacity market held another auction on 22 February, relating to the delivery period from 1 October 2025 to 30 September 2026. We secured a payment for all participating RWE power stations, including two small new-builds. Altogether, these assets have a secured capacity of 6,647 MW. At £30.59 / kW per annum (plus inflation adjustment), the capacity payment established in the bidding procedure was the highest such figure since the capacity market auctions started in 2014. A total of 42.4 GW in generation capacity qualified for a capacity payment at the auction. During the delivery period, they will receive remuneration for being online and contributing to electricity supply.

**Huge uncertainty after Russian attack on Ukraine.** Russian troops marched into Ukraine at the end of February. This constitutes an invasion under international law, prompting outrage and consternation around the globe. Many countries including the USA, EU member states and the United Kingdom imposed economic sanctions on Russia. Uncertainty concerning commodity deliveries from Russia to Europe has caused a significant increase in gas and electricity trading quotations. In some European countries, including Germany, governments are working on measures to reduce dependency on Russian oil and gas imports. When the consolidated financial statements were prepared in early March 2022, it was impossible to predict the development of the Ukraine conflict or its consequences. Although RWE does not have business activities in Russia or Ukraine, further escalation of the conflict and discontinuation of supply relationships with Russian companies could have notable effects on our assets, liabilities, financial position and profit or loss. It is possible, for example, that Russian commodity suppliers will no longer be able to meet their obligations and that we will have to purchase commodities at high prices on the market. It cannot be ruled out that contractual partners may become insolvent due to sanctions. Additionally, changes in security prices due to a stock market crisis resulting from the Ukraine conflict may have a significant impact on RWE's financial assets and those of our pension funds. More detailed information can be found in the chapter entitled 'Development of risks and opportunities', which starts on page 70.

**(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.

Essen, 3 March 2022

The Executive Board



Krebber



Müller



Seeger

<sup>1</sup> [www.rwe.com/statement-of-compliance-2021](http://www.rwe.com/statement-of-compliance-2021)

## 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 2021

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., Geertruidenberg/Netherlands		100	-7,452	-18,208
Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund		100	-69,129	-2,441
Amrum-Offshore West GmbH, Essen		100	2,632	86,150
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	24,339	229
Anacacho Holdco, LLC, Wilmington/USA		100	58,538	-80
Anacacho Wind Farm, LLC, Wilmington/USA		100	124,124	1,248
Andromeda Wind s.r.l., Bolzano/Italy		51	10,651	2,229
Avolta Storage Limited, Kilkenny/Ireland		100	-520	-34
Baltic Trade and Invest Sp. z o.o., Słupsk/Poland		100	16,821	-738
Belectric Canada Solar Inc., Vancouver/Canada		100	550	535
Belectric Photovoltaic India Private Limited, Mumbai/India		100	1,824	949
BELECTRIC Solar Power, S.L. en liquidación, Barcelona/Spain		100	390	337
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	100	100	201	<sup>1</sup>
Big Star Solar, LLC, Wilmington/USA		100	0	0
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	4,255	75
Blackjack Creek Wind Farm, LLC, Wilmington/USA		100	0	0
Boiling Springs Holdco, LLC, Wilmington/USA		100	113,656	-264
Boiling Springs Wind Farm, LLC, Wilmington/USA		100	113,669	-11,014
Bright Arrow Solar, LLC, Wilmington/USA		100	0	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.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Bruening's Breeze Holdco, LLC, Wilmington/USA		100	87,793	- 442
Bruening's Breeze Wind Farm, LLC, Wilmington/USA		100	214,346	- 10,228
Carl Scholl GmbH, Cologne		100	463	- 151
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	- 4,856	- 229
Cassadaga Class B Holdings LLC, Wilmington/USA		100	173,678	- 76
Cassadaga Wind Holdings LLC, Wilmington/USA		100	172,739	- 980
Cassadaga Wind LLC, Chicago/USA		100	253,679	- 24,138
Champion WF Holdco, LLC, Wilmington/USA		100	14,469	- 87,805
Champion Wind Farm, LLC, Wilmington/USA		100	14,469	- 87,805
Cloghaneleskirt Energy Supply Limited, Kilkenny/Ireland		100	152	114
Colbeck's Corner Holdco, LLC, Wilmington/USA		100	68,609	- 446
Colbeck's Corner, LLC, Wilmington/USA		100	223,316	- 9,802
Conrad Solar Inc., Vancouver/Canada		100	0	0
DOTTO MORCONE S.r.l., Rome/Italy		100	4,351	4,189
Dromadda Beg Wind Farm Limited, Kilkenny/Ireland		100	2,806	688
Edgware Energy Limited, Swindon/United Kingdom		100	374	231
El Algodon Alto Wind Farm, LLC, Wilmington/USA		100	- 437	- 419
Electra Insurance Limited, Hamilton/Bermudas		100	26,288	- 724
Energy Resources Holding B.V., Geertruidenberg/Netherlands		100	99,656	- 13,461
Energy Resources Ventures B.V., Geertruidenberg/Netherlands		100	17,416	- 1,292
Extension Du Parc Eolien De L'Epine Marie Madeleine SAS, Clichy/France		100	- 39	- 41
Extension Du Parc Eolien Du Douiche SAS, Clichy/France		100	7	- 3
Farma Wiatrowa Barzowice Sp. z o.o., Warsaw/Poland		100	30,179	1,399

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
Farma Wiatrowa Rozdrazew sp. z o.o., Warsaw/Poland		100	- 414	- 7
Forest Creek Investco, Inc., Wilmington/USA		100	102	- 7
Forest Creek WF Holdco, LLC, Wilmington/USA		100	14,565	- 63,829
Forest Creek Wind Farm, LLC, Wilmington/USA		100	14,565	- 63,829
Fri-El Anzi Holding s.r.l., Bolzano/Italy		51	6,997	855
Fri-El Anzi s.r.l., Bolzano/Italy		100	8,209	1,303
Fri-El Guardionara s.r.l., Bolzano/Italy		51	10,868	1,640
GBV Zweiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	17,585,771	<sup>1</sup>
Generación Fotovoltaica Castellano Manchega, S.L., Murcia/Spain		100	- 21	- 56
Generación Fotovoltaica De Alarcos, S.L.U., Barcelona/Spain		100	656	579
Generación Fotovoltaica Puerta del Sol, S.L.U., Murcia/Spain		100	67	- 17
GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund	100	100	126,158	- 7,685
Grandview Holdco, LLC, Wilmington/USA		100	92,929	- 786
Green Gecco GmbH & Co. KG, Essen		51	69,851	6,325
Hardin Class B Holdings LLC, Wilmington/USA		100	164,320	- 179
Hardin Wind Holdings LLC, Wilmington/USA		100	162,302	- 2,076
Hardin Wind LLC, Chicago/USA		100	253,464	- 10,029
Harryburn Wind Farm Limited, Swindon/United Kingdom		100	5	19
Hickory Park Solar, LLC, Wilmington/USA		100	- 9,065	- 6,255
Inadale Wind Farm, LLC, Wilmington/USA		100	40,947	17,047
Kernkraftwerk Lingen Gesellschaft mit beschränkter Haftung, Lingen (Ems)		100	20,034	<sup>1</sup>
Kernkraftwerke Lippe-Ems Gesellschaft mit beschränkter Haftung, Lingen (Ems)		100	432,269	<sup>1</sup>
KMG Kernbrennstoff-Management Gesellschaft mit beschränkter Haftung, Essen		100	696,225	<sup>1</sup>

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
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	13,870	1,129
Las Vaguadas I Fotovoltaica S.L., Barcelona/Spain		100	32	-123
Limondale Sun Farm Pty. Ltd., Melbourne/Australia		100	3,477	-18,722
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		59	32,823	7,140
MI-FONDS G50, Frankfurt am Main	100	100	77,784	-243
ML Wind LLP, Swindon/United Kingdom		51	70,121	8,144
Munnsville Investco, LLC, Wilmington/USA		100	14,165	-28
Munnsville WF Holdco, LLC, Wilmington/USA		100	766	-34,996
Munnsville Wind Farm, LLC, Wilmington/USA		100	766	-34,996
Nordsee Windpark Beteiligungs GmbH, Essen		100	15,318	<sup>1</sup>
Panther Creek Holdco, LLC, Wilmington/USA		100	202,899	0
Panther Creek Three Class B, LLC, Wilmington/USA		100	220,448	0
Panther Creek Three Holdco, LLC, Wilmington/USA		100	220,448	0
Panther Creek Wind Farm I&II, LLC, Wilmington/USA		100	317,329	-9,962
Panther Creek Wind Farm Three, LLC, Wilmington/USA		100	70,889	-17,391
Parc Eolien D'Allerey SAS, Clichy/France		100	-118	-96
Parc Eolien De Catillon-Fumechon SAS, Clichy/France		100	26	-2
Parc Eolien De La Brie Nangissienne SAS, Clichy/France		100	23	-4
Parc Eolien De La Butte Aux Chiens SAS, Clichy/France		100	27	-2
Parc Eolien De La Voie Corette SAS, Clichy/France		100	-94	-36
Parc Eolien De Luçay-Le-Libre Et De Giroux SAS, Clichy/France		100	20	-4
Parc Eolien De Martinpuich SAS, Clichy/France		100	-15	-20
Parc Eolien Des Grands Lazards SAS, Clichy/France		100	26	-2

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
Parc Eolien Des Hauts-Bouleaux SAS, Clichy/France		100	- 113	- 37
Parc Eolien Des Nouveions SAS, Clichy/France		100	- 164	- 61
Parc Eolien Du Balinot SAS, Clichy/France		100	26	- 2
Parc Eolien Du Ban Saint-Jean SAS, Clichy/France		100	25	- 2
Parc Eolien Du Catesis SAS, Clichy/France		100	- 27	- 25
Parc Eolien Du Chemin De Châlons SAS, Clichy/France		100	5	- 4
Parc Eolien Du Chemin De Saint-Gilles SAS, Clichy/France		100	- 14	- 9
Parc Eolien Du Mirebalais SAS, Clichy/France		100	26	- 2
Parc Eolien Du Moulin Du Bocage SAS, Clichy/France		100	26	- 2
Parc Eolien Les Pierrots SAS, Clichy/France		60	- 633	- 302
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	224	- 300
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	59	- 616
Peyton Creek Holdco, LLC, Wilmington/USA		100	- 51	13,277
Peyton Creek Wind Farm, LLC, Wilmington/USA		100	179,821	- 2,580
Piecki Sp. z o.o., Warsaw/Poland		51	21,525	3,062
Pioneer Trail Wind Farm, LLC, Wilmington/USA		100	153,861	3,253
Primus Projekt GmbH & Co. KG, Hanover		100	0	- 331
Pyron Wind Farm, LLC, Wilmington/USA		100	80,726	14,416
Radford's Run Holdco, LLC, Wilmington/USA		100	126,858	- 516
Radford's Run Wind Farm, LLC, Wilmington/USA		100	409,862	- 19,884
Rampion Offshore Wind Limited, Coventry/United Kingdom		50	1,251,676	129,641
Rampion Renewables Limited, Coventry/United Kingdom		100	1,038,964	390,537
Renewables Solar Holding GmbH, Kollitzheim		100	43,839	38,816

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
Rheinbraun Brennstoff GmbH, Cologne		100	82,619	<sup>1</sup>
Rheinische Baustoffwerke GmbH, Bergheim		100	9,236	<sup>1</sup>
Rheinkraftwerk Albrück-Dogern Aktiengesellschaft, Waldshut-Tiengen		77	32,103	1,757
Rhenas Insurance Limited, Sliema/Malta	100	100	60,708	1,327
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		50	127,978	13,150
Roscoe WF Holdco, LLC, Wilmington/USA		100	1,711	-150,971
Roscoe Wind Farm, LLC, Wilmington/USA		100	1,711	-150,971
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne		100	36,694	<sup>1</sup>
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey		70	97,561	-1,220
RWE Aktiengesellschaft, Essen			8,359,158	1,108,098
RWE Battery Solutions GmbH, Essen		100	1,180	<sup>1</sup>
RWE Bergheim Windparkbetriebsgesellschaft mbH, Hanover		100	25	<sup>1</sup>
RWE Brise Windparkbetriebsgesellschaft mbH, Hanover		100	226	<sup>1</sup>
RWE Canada Ltd., Saint John/Canada		100	4,635	-596
RWE Eemshaven Holding II B.V., Geertruidenberg/Netherlands		100	-953,590	-450,075
RWE Energie Odnawialne Sp. z o.o., Szczecin/Poland		100	117,729	11,227
RWE Energy Services, LLC, Wilmington/USA		100	856	-44
RWE Evendorf Windparkbetriebsgesellschaft mbH, Hanover		100	25	<sup>1</sup>
RWE Gas Storage CZ, s.r.o., Prague/Czech Republic		100	347,075	26,423
RWE Gas Storage West GmbH, Dortmund		100	350,087	<sup>1</sup>
RWE Generation Holding B.V., Geertruidenberg/Netherlands		100	-56,300	39,100
RWE Generation Hydro GmbH, Essen		100	25	<sup>1</sup>
RWE Generation NL B.V., Geertruidenberg/Netherlands		100	-550,990	-296,475

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
RWE Generation NL Personeel B.V., Geertruidenberg/Netherlands		100	15,327	1,106
RWE Generation SE, Essen	100	100	270,659	8,850 <sup>1</sup>
RWE Generation Service GmbH, Essen		100	25	<sup>1</sup>
RWE Generation UK Holdings Limited, Swindon/United Kingdom		100	3,066,711	198,692
RWE Generation UK plc, Swindon/United Kingdom		100	1,632,056	27,517
RWE Hörup Windparkbetriebsgesellschaft mbH, Hörup		100	26	<sup>1</sup>
RWE indeland Windpark Eschweiler GmbH & Co. KG, Eschweiler		51	45,822	4,385
RWE Investco EPC Mgmt, LLC, Wilmington/USA		100	398,948	10,568
RWE Investco Mgmt II, LLC, Wilmington/USA		100	568,737	11,076
RWE Investco Mgmt, LLC, Wilmington/USA		100	1,598,287	-6,916
RWE Kaskasi GmbH, Hamburg		100	1,811	<sup>1</sup>
RWE KL Limited, Swindon/United Kingdom		100	-43,501	-17,927
RWE Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	<sup>1</sup>
RWE Limondale Sun Farm Holding Pty. Ltd., Melbourne/Australia		100	8,386	-31,305
RWE Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	<sup>1</sup>
RWE Magicat Holdco, LLC, Wilmington/USA		100	74,464	2,854
RWE Markinch Limited, Swindon/United Kingdom		100	94,357	-3,235
RWE Mistral Windparkbetriebsgesellschaft mbH, Hanover		100	578	<sup>1</sup>
RWE Nuclear GmbH, Essen	100	100	137,286	37,286 <sup>1</sup>
RWE Offshore Wind Netherlands B.V., Geertruidenberg/Netherlands		100	-338	-387
RWE Personeel B.V., Geertruidenberg/Netherlands		100	-14	-5
RWE Power Aktiengesellschaft, Cologne and Essen	100	100	2,109,457	72,248 <sup>1</sup>
RWE Renewables Americas, LLC, Wilmington/USA		100	1,608,434	-154,642

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2 Figures from the Group's consolidated financial statements.

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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 Asset Management, LLC, Wilmington/USA		100	281,468	2,937
RWE Renewables Australia Pty. Ltd., Melbourne/Australia		100	269	289
RWE Renewables Benelux B.V., Geertruidenberg/Netherlands		100	- 44,190	- 1,708
RWE Renewables Beteiligungs GmbH, Dortmund		100	8,950	<sup>1</sup>
RWE Renewables Canada Holdings Inc., Vancouver/Canada		100	- 1,266	209
RWE Renewables Denmark A/S, Rødby/Denmark		100	1,342	1,241
RWE Renewables Development, LLC, Wilmington/USA		100	791,489	- 14,998
RWE Renewables Energy Marketing Australia Pty. Ltd., Melbourne/Australia		100	- 5	- 5
RWE Renewables Energy Marketing, LLC, Wilmington/USA		100	57,600	- 377,113
RWE Renewables GmbH, Essen		100	1,109	<sup>1</sup>
RWE Renewables GYM 2 Limited, Swindon/United Kingdom		100	- 8,666	4,215
RWE Renewables GYM 3 Limited, Swindon/United Kingdom		100	- 8,667	4,215
RWE Renewables GYM 4 Limited, Swindon/United Kingdom		100	- 25,993	10,379
RWE Renewables HoldCo B.V., Geertruidenberg/Netherlands		100	270,757	0
RWE Renewables Iberia, S.A.U. – Group – (pre-consolidated)			162,287	11,322 <sup>2</sup>
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	350,070	244,043
RWE Renewables Ireland Limited, Kilkenny/Ireland		100	- 8,536	- 2,645
RWE Renewables Italia S.r.l., Rome/Italy		100	393,034	- 1,418

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2 Figures from the Group's consolidated financial statements.

3 Newly founded, financial statements not yet available.

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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 Japan G.K., Tokyo/Japan		100	9,024	-3,360
RWE Renewables Management UK Limited, Swindon/United Kingdom		100	120,181	1,572
RWE Renewables Offshore HoldCo One GmbH, Essen		100	25	<sup>1</sup>
RWE Renewables Offshore HoldCo Three GmbH, Essen		100	25	<sup>1</sup>
RWE Renewables Offshore HoldCo Two GmbH, Essen		100	25	<sup>1</sup>
RWE Renewables O&M, LLC, Wilmington/USA		100	19,543	10,795
RWE Renewables Operations Australia Pty Ltd, Melbourne/Australia		100	1,558	710
RWE Renewables Poland Sp. z o.o., Warsaw/Poland		100	412,146	23,210
RWE Renewables QSE, LLC, Wilmington/USA		100	-4,754	20
RWE Renewables Services, LLC, Wilmington/USA		100	407,654	-46,240
RWE Renewables Sweden AB, Malmö/Sweden		100	58,576	4,638
RWE Renewables UK Blyth Limited, Coventry/United Kingdom		100	1,325	700
RWE Renewables UK Dogger Bank South One Limited, Swindon/United Kingdom		100	-985	-964
RWE Renewables UK Dogger Bank South Two Limited, Swindon/United Kingdom		100	-985	-964
RWE Renewables UK Holdings Limited, Swindon/United Kingdom		100	1,866,890	128,297
RWE Renewables UK Humber Wind Limited, Coventry/United Kingdom		51	596,843	59,989
RWE Renewables UK Limited, Coventry/United Kingdom		100	549,041	593
RWE Renewables UK London Array Limited, Coventry/United Kingdom		100	170,757	50,398
RWE Renewables UK Onshore Wind Limited, Coventry/United Kingdom		100	95,315	20,690
RWE Renewables UK Operations Limited, Coventry/United Kingdom		100	59,702	19,238
RWE Renewables UK Robin Rigg East Limited, Coventry/United Kingdom		100	102,060	23,490
RWE Renewables UK Robin Rigg West Limited, Coventry/United Kingdom		100	86,281	12,689
RWE Renewables UK Scroby Sands Limited, Coventry/United Kingdom		100	64,593	6,179

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2 Figures from the Group's consolidated financial statements.

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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 UK Swindon Limited, Swindon/United Kingdom		100	2,366,891	84,707
RWE Renewables UK Wind Services Limited, Coventry/United Kingdom		100	39,212	13,152
RWE Renewables UK Zone Six Limited, Coventry/United Kingdom		100	0	0
RWE Renouvelables France SAS, Clichy/France		100	111,747	-5,872
RWE Solar Development, LLC, Wilmington/USA		100	269,466	-15,214
RWE Solar NC Lessee LLC, Wilmington/USA		100	14,396	-393
RWE Solar NC Pledgor LLC, Wilmington/USA		100	2,516	0
RWE Solar Netherlands B.V., Geertruidenberg/Netherlands		100	-238	-238
RWE Solar PV, LLC, Wilmington/USA		100	64,885	-6,258
RWE Sommerland Windparkbetriebsgesellschaft mbH, Sommerland		100	26	<sup>1</sup>
RWE Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	106	<sup>1</sup>
RWE Supply & Trading Asia-Pacific PTE. LTD., Singapore/Singapore		100	47,311	17,311
RWE Supply & Trading CZ, a.s., Prague/Czech Republic		100	255,599	-8,131
RWE Supply & Trading GmbH, Essen	100	100	446,778	<sup>1</sup>
RWE Supply & Trading Japan KK, Tokyo/Japan		100	6,483	-937
RWE Supply & Trading Participations Limited, London/United Kingdom		100	14,557	46
RWE Supply and Trading (Shanghai) Co. Ltd, Shanghai/China		100	11,108	-1,677
RWE Technology International GmbH, Essen		100	15,788	3,861 <sup>1</sup>
RWE Technology Tasarim ve Mühendislik Danismanlik Ticaret Limited Sirketi, Istanbul/Turkey		100	42	6
RWE Technology UK Limited, Swindon/United Kingdom		100	2,521	375
RWE Titz Windparkbetriebsgesellschaft mbH, Essen		100	25	<sup>1</sup>
RWE Trading Services GmbH, Essen		100	5,735	<sup>1</sup>
RWE Wind Karehamn AB, Malmö/Sweden		100	33,670	75

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2 Figures from the Group's consolidated financial statements.

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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 Wind Onshore Deutschland GmbH, Hanover		100	80,111	<sup>1</sup>
RWE Wind Services Denmark A/S, Rødby/Denmark		100	8,941	5,207
RWE Windpark Bedburg A44n GmbH & Co. KG, Bedburg		51	12,086	-66
RWE Windpark Bedburg GmbH & Co. KG, Bedburg		51	59,713	7,721
RWE Windpark Garzweiler GmbH & Co. KG, Essen		51	33,301	889
RWE Windpower Netherlands B.V., Geertruidenberg/Netherlands		100	8,271	3,511
RWEST Middle East Holdings B.V., 's-Hertogenbosch/Netherlands		100	11,894	5,540
Sand Bluff WF Holdco, LLC, Wilmington/USA		100	-2,040	-8,442
Sand Bluff Wind Farm, LLC, Wilmington/USA		100	-4,781	-2,628
Settlers Trail Wind Farm, LLC, Wilmington/USA		100	20,028	-143,866
Sofia Offshore Wind Farm Holdings Limited, Swindon/United Kingdom		100	0	0
Sofia Offshore Wind Farm Limited, Swindon/United Kingdom		100	-433	-17
Solar Holding India GmbH, Kolitzheim		100	5,924	-2
Solar Holding Poland GmbH, Kolitzheim		100	13	-2
SOLARENGO Energia, Unipessoal, Lda., Cascais/Portugal		100	-369	-218
Solarengo Portugal, SGPS, Unipessoal Lda., Cascais/Portugal		100	9,709	-14
SRS EcoTherm GmbH, Salzbergen		90	21,497	4,304
Taber Solar 1 Inc., Vancouver/Canada		100	8,699	-1,297
Taber Solar 2 Inc., Vancouver/Canada		100	4,655	-4,319
Tamworth Holdings, LLC, Raleigh/USA		100	8,115	128
Tanager Holdings, LLC, Raleigh/USA		100	7,554	84
Tech Park Solar, LLC, Wilmington/USA		100	13,090	45
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	731	162

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2 Figures from the Group's consolidated financial statements.

3 Newly founded, financial statements not yet available.

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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
Triton Knoll HoldCo Limited, Swindon/United Kingdom		59	98,705	0
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom		100	- 150,791	666
Valencia Solar, LLC, Tucson/USA		100	10,623	1,045
West of the Pecos Holdco, LLC, Wilmington/USA		100	65,527	- 7
West of the Pecos Solar, LLC, Wilmington/USA		100	109,492	- 339
Wind Farm Deliceto s.r.l., Bolzano/Italy		100	25,525	1,767
Windpark Eekerpolder B.V., Geertruidenberg/Netherlands		100	1,824	2,021
Windpark Kattenberg B.V., Geertruidenberg/Netherlands		100	1,155	390
Windpark Nordsee Ost GmbH, Heligoland		100	256	<sup>1</sup>
Windpark Oostpolderdijk B.V., Geertruidenberg/Netherlands		100	- 47	- 17
Windpark Zuidwester B.V., Geertruidenberg/Netherlands		100	8,164	- 584
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover		100	2,977	779

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2 Figures from the Group's consolidated financial statements.

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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
Agenzia Carboni S.r.l., Genoa/Italy		100	224	17
Alcamo II S.r.l., Milan/Italy		100	-4	-29
Alvarado Solar S.L., Barcelona/Spain		100	4	-11
Anemos Ala Segarra, S.L., Reus/Spain		100	3	0
Ashwood Solar I, LLC, Wilmington/USA		100	0	0
Auzoberri Desarrollo, S.L.U., Barasoain/Spain		100	233	-1
Azagra Energy Quel, S.L.U., Barasoain/Spain		100	382	-2
Baron Winds II LLC, Chicago/USA		100	0	0
Baron Winds LLC, Chicago/USA		100	0	0
Belectric Inversiones Latinoamericana S.L., Barcelona/Spain		100	115	-9
BELECTRIC JV GmbH, Koltzheim		100	53	2
Belectric Mexico Fotovoltaica S.de R.L. de C.V., Bosques de las Lomas/Mexico		100	-26	-20
Blackbeard Solar, LLC, Wilmington/USA		100	0	0
Blackbriar Battery, LLC, Wilmington/USA		100	0	0
Blueberry Hills LLC, Chicago/USA		100	0	0
BO Baltic Offshore GmbH, Hamburg		98	6	-2
Bowler Flats Energy Hub LLC, Chicago/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	573	0
Camaiore Sp. z o.o., Warsaw/Poland		100	-11	-13
Camellia Solar LLC, Wilmington/USA		100	0	0
Camellia Solar Member 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
Camster II Wind Farm Limited, Swindon/United Kingdom		100		<sup>3</sup>
Cardinal Wind Farm, LLC, Wilmington/USA		100	0	0
Carmagnola Sp. z o.o., Warsaw/Poland		100	-11	-13
Casarano Sp. z o.o., Warsaw/Poland		100	-11	-13
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	-11	-13
Cercola Sp. z o.o., Warsaw/Poland		100	-11	-13
Cerignola Sp. z o.o., Warsaw/Poland		100	-11	-13
Champaign Wind LLC, Chicago/USA		100	0	0
Clavellinas Solar, S.L., Barcelona/Spain		100	5	-9
Clinton Wind, LLC, Wilmington/USA		100	0	0
Cordeneos Sp. z o.o., Warsaw/Poland		100	-11	-12
Cordova Wind Farm, LLC, Wilmington/USA		100	0	0
Cormano Sp. z o.o., Warsaw/Poland		100	-12	-13
Cremona Sp. z o.o., Warsaw/Poland		100	-11	-13
Curns Energy Limited, Kilkenny/Ireland		70	-1,036	-393
Decadia GmbH, Essen	100	100	2,715	424
Dohema Offshore sp. z o.o., Główny/Poland		100	12	-2
E & Z Industrie-Lösungen GmbH, Essen		100	16,975	-1,099
Eko-En 1 Sp. z o.o., Warsaw/Poland		100	12	-12
Eko-En 2 Sp. z o.o., Warsaw/Poland		100	47	-33

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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
Eko-En 3 Sp. z o.o., Warsaw/Poland		100	422	-22
Eko-En 4 Sp. z o.o., Warsaw/Poland		100	401	-13
Eko-En 5 Sp. z o.o., Warsaw/Poland		100	-4	-8
El Navajo Solar, S.L., Barcelona/Spain		100	1	-5
Emisja Zero Sp. z o.o., Zielona Góra/Poland		100	4	-2
Enchant Solar 4 Inc., Vancouver/Canada		100	0	0
Eólica Alta Anoia, S.L., Reus/Spain		100	3	0
Eólica La Conca, S.L., Reus/Spain		100	3	0
Eólica La Conca 2, S.L., Reus/Spain		100	3	0
Eólica La Conca 3, S.L., Reus/Spain		100	3	0
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 Des Nouvions SAS, Clichy/France		100	27	-2
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	0
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	-78	-119
Gazules II Solar, S.L., Barcelona/Spain		100	-107	-118
GBV Achtunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	25	<sup>1</sup>

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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
GBV Dreiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	1
GBV Einunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	30	1
GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	100	1
Geun Heung Offshore Wind Power Co., Ltd., Seoul/South Korea		100		3
Goldcup 29644 AB, Sundsvall/Sweden		100		3
Goldcup 29645 AB, Sundsvall/Sweden		100		3
Goldcup 29646 AB, Sundsvall/Sweden		100		3
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	38	1
Greenswitch Wind, LLC, Wilmington/USA		100		3
Haube Wind Sp. z o.o., Stupsk/Poland		100	191	-1,502
Hickory Park Class B, LLC, Wilmington/USA		100		3
Hickory Park Holdco, LLC, Wilmington/USA		100		3
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	62	0
INDI Solar-Projects 1 B.V., Utrecht/Netherlands		100	89	82
Infraestructuras de Aldehuelas, S.A., Barcelona/Spain		100	428	0
Infrastrukturgesellschaft Netz Lübz mit beschränkter Haftung, Hanover		100	60	-28
Iron Horse Battery Storage, LLC, Wilmington/USA		100	10,133	-247
Janus Solar PV, 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
Jerez Fotovoltaica S.L., Barcelona/Spain		100	8	- 8
Jugondo Desarrollo, S.L.U., Barasoain/Spain		100	1,185	- 2
Kieswerk Kaarst GmbH & Co. KG, Bergheim		51	3,454	1,254
Kieswerk Kaarst Verwaltungs GmbH, Bergheim		51	31	0
La Casa Wind, LLC, Wilmington/USA		100		<sup>3</sup>
Lake Fork Wind Farm, LLC, Wilmington/USA		100	0	0
Lampasas Wind LLC, Chicago/USA		100	0	0
Las Vaguadas II Solar S.L., Barcelona/Spain		100	6	- 7
Lumbier Energy Judas, S.L.U., Barasoain/Spain		100	358	- 2
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, LLC, Wilmington/USA		100	0	0
Maricopa East Solar PV 2, 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	50	- 33
Mud Springs Wind Project LLC, Chicago/USA		100	0	0
Muñegre Desarrollo, S.L.U., Barasoain/Spain		100	202	- 1
Northern Orchard Solar PV, LLC, Wilmington/USA		100	0	0
Northern Orchard Solar PV 2, LLC, Wilmington/USA		100	0	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.

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
Northern Orchard Solar PV 3, LLC, Wilmington/USA		100	0	0
Nouvions Poste de Raccordement SAS, Clichy/France		100	-4	-2
Oddeheia Wind DA, Oslo/Norway		100		<sup>3</sup>
Offshore-Windpark Delta Nordsee GmbH, Hamburg		100	493	<sup>1</sup>
Ohio Sunlight 1 LLC, Wilmington/USA		100	0	0
Olmunite Investments sp. z o.o., Główny/Poland		100	-2	-3
Oranje Wind Power B.V., Geertruidenberg/Netherlands		100	0	0
Oranje Wind Power C.V., Geertruidenberg/Netherlands		100	0	0
Orcoien Energy Orcoien, S.L.U., Barasoain/Spain		100	209	-4
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 De Beg Ar C'hra SAS, Clichy/France		100	26	-2
Parc Eolien De Canny SAS, Clichy/France		100	33	-2
Parc Eolien de Dissay-sous-Courcillon SAS, Clichy/France		100		<sup>3</sup>
Parc Eolien De Foissy-Sur-Vanne SAS, Clichy/France		100	33	-2
Parc Eolien de Froidmont-cohartille SAS, Clichy/France		100		<sup>3</sup>
Parc Eolien De Ganochaud SAS, Clichy/France		100	20	-3
Parc Eolien De La Cabane Blanche SAS, Clichy/France		100	22	-3
Parc Eolien De La Croix Blanche SAS, Clichy/France		100	27	-2
Parc Eolien De La Jarrie-Audouin SAS, Clichy/France		100	33	-2
Parc Eolien De La Plaine De Beaulieu SAS, Clichy/France		100	33	-2
Parc Eolien de la Vallée de l'Eaulne SAS, Clichy/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 De Langeron SAS, Clichy/France		100	21	- 3
Parc Eolien de Langonnet SAS, Clichy/France		100		<sup>3</sup>
Parc Eolien De L'Avre SAS, Clichy/France		100	23	- 2
Parc Eolien De Mesbrecourt-Richecourt SAS, Clichy/France		100	33	- 2
Parc Eolien de Morley SAS, Clichy/France		100		<sup>3</sup>
Parc Eolien De Nuisement Et Cheniers SAS, Clichy/France		100	33	- 2
Parc Eolien De Soudron SAS, Clichy/France		100	33	- 2
Parc Eolien de Viam SAS, Clichy/France		100		<sup>3</sup>
Parc Eolien De Villeneuve Minervois SAS, Clichy/France		100	33	- 2
Parc Eolien Des Ailes Du Gôtinçais SAS, Clichy/France		100	33	- 2
Parc Eolien des Baumes SAS, Clichy/France		100	35	- 2
Parc Eolien des Cinq Poiriers SAS, Clichy/France		100	35	- 2
Parc Eolien des Milles Vents SAS, Clichy/France		100	35	- 2
Parc Eolien Des Raisinières SAS, Clichy/France		100	33	- 2
Parc Eolien D'Ormesnil SAS, Clichy/France		100	33	- 2
Parc Eolien Du Bocage SAS, Clichy/France		100	-91	-14
Parc Eolien Du Champ Madame SAS, Clichy/France		100	33	- 2
Parc Eolien Du Chemin Vert SAS, Clichy/France		100	33	- 2
Parc Eolien Du Mont Hellet SAS, Clichy/France		100	33	- 2
Parc Eolien Du Mont Herbé SAS, Clichy/France		100	26	- 2
Parc Eolien Du Moulin De Thiau SAS, Clichy/France		100	26	- 3
Parc Eolien Du Plateau De La Chapelle-Surchésy SAS, Clichy/France		100	33	- 2
Parc Eolien Du Ru Garnier SAS, Clichy/France		100	27	- 2

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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.

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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 106 SAS, Clichy/France		100	35	-2
Parc Eolien 107 SAS, Clichy/France		100	35	-2
Parc Eolien 108 SAS, Clichy/France		100	35	-2
Parc Eolien 111 SAS, Clichy/France		100		3
Parc Eolien 112 SAS, Clichy/France		100		3
Parc Eolien 113 SAS, Clichy/France		100		3
Parc Eolien 114 SAS, Clichy/France		100		3
Parc Eolien 115 SAS, Clichy/France		100		3
Parc Solaire de Canny SAS, Clichy/France		100		3
Parc Solaire de Gannat SAS, Clichy/France		100		3
Parc Solaire de l'Echineau SAS, Clichy/France		100	35	-2
Parc Solaire de Pimorin SAS, Clichy/France		100	35	-2
Parc Solaire de Vernusse SAS, Clichy/France		100		3
Parc Solaire des Pierrieres SAS, Clichy/France		100	35	-2
Parc Solaire du Ban Saint Jean SAS, Clichy/France		100		3
Parc Ynni Cymunedol Alwen Cyfyngedig, Swindon/United Kingdom		100	0	0
Parque Eólico El Ópalo, S. de R.L. de C.V., Ciudad de México/Mexico		100		3
Pawnee Spirit Wind Farm, LLC, Wilmington/USA		100	0	0
Paz l'Éole SAS, Clichy/France		100	26	-2
Pe Ell North LLC, Chicago/USA		100	0	0
PI E&P Holding Limited, George Town/Cayman Islands		100	46,563	-5
PI E&P US Holding LLC, New York City/USA		100	45,834	-285
Pinckard Solar LLC, Wilmington/USA		100	0	0

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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.



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
Prairie Creek Wind, LLC, Wilmington/USA		100		3
Proyectos Solares Iberia I, S.L., Barcelona/Spain		100	22	-5
Proyectos Solares Iberia II, S.L., Barcelona/Spain		100	26	-12
Proyectos Solares Iberia III, S.L., Barcelona/Spain		100	20	-5
Proyectos Solares Iberia IV, S.L., Barcelona/Spain		100	21	-5
Proyectos Solares Iberia V, S.L., Barcelona/Spain		100	21	-5
Pryor Caves Wind Project LLC, Chicago/USA		100	0	0
PT Rheincoal Supply & Trading Indonesia, PT, Jakarta/Indonesia		100	1,441	-157
Quartz Solar, LLC, Wilmington/USA		100		3
Quintana Fotovoltaica S.L.U., Barcelona/Spain		100	3	-5
RD Hanau GmbH, Hanau		100	0	1
R-Gen Renewables Limited, Altrincham/United Kingdom		100		3
Ribaforada Energy Ribaforada, S.L.U., Barasoain/Spain		100	212	-2
Roadrunner Crossing Wind Farm, LLC, Wilmington/USA		100	0	0
Rose Rock Wind Farm, LLC, Wilmington/USA		100	0	0
Rouget Road Solar Farm, LLC, Lake Mary/USA		100		3
RWE & Turcas Dogalgaz Ithalat ve Ihracat A.S., Istanbul/Turkey		100	535	175
RWE AUSTRALIA PTY LTD, Brisbane/Australia		100	58	14
RWE Belgium BV, Brussels/Belgium		100	1,388	0
RWE Carbon Sourcing North America, LLC, Wilmington/USA		100	0	0

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2 Figures from the Group's consolidated financial statements.

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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 Dhabi Union Energy LLC, Abu Dhabi/United Arab Emirates		49	36	0
RWE Dils Energie NV, Hasselt/Belgium		100	0	0
RWE Eemshydrogen B.V., Geertruidenberg/Netherlands		100	0	0
RWE Energy APAC Co. Ltd., Chengdu/China		100	-99	-1,918
RWE Enerji Toptan Satis A.S., Istanbul/Turkey		100	2,118	250
RWE Gas Storage Beteiligungsverwaltungs GmbH, Essen		100	10,985	-4
RWE Hillston Sun Farm Holding Pty. Ltd., Melbourne/Australia		100	2	235
RWE indeland Windpark Eschweiler Verwaltungs GmbH, Eschweiler		100	60	6
RWE Ingenlus Limited, Swindon/United Kingdom		100	2,660	36
RWE NSW PTY LTD, Sydney/Australia		100	51	-27
RWE Offshore Development, LLC, Wilmington/USA		100		<sup>3</sup>
RWE Offshore Wind A/S, Rødby/Denmark		100		<sup>3</sup>
RWE Offshore Wind GmbH, Essen		100	25	<sup>1</sup>
RWE Offshore Wind Holdings LLC, Dover/USA		100	-106	-1,065
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	3,950	78
RWE Principal Investments UK Limited, Swindon/United Kingdom		100	84	-215
RWE Principal Investments USA, LLC, New York City/USA		100	6,759	943
RWE Renewables Australia Holdings Pty Ltd., Brisbane/Australia		100	-319	-823
RWE Renewables Chile SpA, Santiago/Chile		100	7,108	-2,036

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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 Deutschland GmbH, Schönefeld		100	25	<sup>1</sup>
RWE Renewables France SAS, Levallois-Perret/France		100	4,045	- 437
RWE Renewables Hellas Single Member S.A., Athens/Greece		100		<sup>3</sup>
RWE Renewables Japan Holdings K.K., Tokyo/Japan		100		<sup>3</sup>
RWE Renewables Korea LLC, Seoul/South Korea		100	948	- 76
RWE Renewables Land, LLC, Wilmington/USA		100		<sup>3</sup>
RWE Renewables Mexico, S. de R.L. de C.V., Ciudad de México/Mexico		100	- 357	- 1,572
RWE Renewables Offshore Development One GmbH, Essen		100		<sup>3</sup>
RWE Renewables Offshore Development Two GmbH, Essen		100		<sup>3</sup>
RWE Renewables Offshore HoldCo Four GmbH, Essen		100		<sup>3</sup>
RWE Renewables Services GmbH, Essen		100	25	- 377
RWE Renewables Services Mexico, S. de R.L. de C.V., Ciudad de México/Mexico		100	226	- 297
RWE Renewables Taiwan Ltd., Taipei City/Taiwan		100	153	- 6
RWE Renewables Trident Offshore GmbH, Essen		100		<sup>3</sup>
RWE Renewables UK Spareco Limited, Swindon/United Kingdom		100	0	0
RWE Slovak Holding B.V., Geertruidenberg/Netherlands	100	100	242	158
RWE Solar Poland Sp. z o.o., Warsaw/Poland		100	- 654	- 514
RWE Stallingborough Limited, Swindon/United Kingdom		100	0	0
RWE Supply & Trading (India) Private Limited, Mumbai/India		100	927	55
RWE SUPPLY TRADING TURKEY ENERJI ANONIM SIRKETI, Istanbul/Turkey		100	542	36
RWE Technology International Energy Environment Engineering GmbH, Essen		100	25	<sup>1</sup>
RWE TECNOLOGIA LTDA, Rio de Janeiro/Brazil		100	94	- 1
RWE THOR 1 B.V., Geertruidenberg/Netherlands		100		<sup>3</sup>

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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 THOR 2 B.V., Geertruidenberg/Netherlands		100		<sup>3</sup>
RWE THOR 3 B.V., Geertruidenberg/Netherlands		100		<sup>3</sup>
RWE THOR 4 B.V., Geertruidenberg/Netherlands		100		<sup>3</sup>
RWE Trading Americas Inc., New York City/USA		100	3,010	-6,947
RWE Trading Services Limited, Swindon/United Kingdom		100	1,438	35
RWE Wind Development AS, Oslo/Norway		100	167	-31
RWE Wind Holding A/S, Rødby/Denmark		100		<sup>3</sup>
RWE Wind Norway AB, Malmö/Sweden		100	5,596	-14
RWE Wind Projects AB, Malmö/Sweden		100	5	0
RWE Wind Service Italia S.r.l., Milan/Italy		100	243	-8
RWE Wind Services Norway AS, Oslo/Norway		100	40	-124
RWE Wind Transmission AB, Malmö/Sweden		100	694	-6
RWE Windpark Bedburg A44n Verwaltungs GmbH, Bedburg		100	28	3
RWE Windpark Bedburg Verwaltungs GmbH, Bedburg		51	48	1
RWE Windpark Garzweiler Verwaltungs GmbH, Essen		100	23	-4
RWE Windpark Papenhagen GmbH & Co. KG, Hanover		100	564	-12
RWE Windpark Papenhagen Verwaltungs GmbH, Hanover		100	38	4
RWE Windparks Deutschland GmbH, Essen		100	24	<sup>1</sup>
RWEST NA Investments GmbH, Essen		100	77	-40,761
RWEST PARTICIPAÇÕES, Rio de Janeiro/Brazil		100		<sup>3</sup>
RWEST PI Bras Limited, London/United Kingdom		100	23,818	-1,837
RWEST PI FRE Holding LLC, New York City/USA		100	2	-11
SB Retrofit, LLC, Dallas/USA		100		<sup>3</sup>

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2 Figures from the Group's consolidated financial statements.

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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
Scioto Solar LLC, Wilmington/USA		100	0	0
Seohae Offshore Wind Power Co., Ltd., Taejeon-gun/South Korea		100		<sup>3</sup>
Sergenite Investments sp. z o.o., Główny/Poland		100	-2	-3
Servanin Sp. z o.o., Warsaw/Poland		100		<sup>3</sup>
Sharco Wind sp. z o.o., Główny/Poland		100	0	-2
Shay Solar, LLC, Wilmington/USA		100	0	0
Snow Shoe Wind Farm, LLC, Wilmington/USA		100	0	0
Solar PV Construction Poland sp. z.o.o., Warsaw/Poland		100	-135	-41
Sparta North, LLC, Wilmington/USA		100	0	0
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	-75	-33
Sun Data GmbH (i.L.), Kollitzheim		100	60	-7
Sunrise Energy Generation Pvt. Ltd., Mumbai/India		100	77	3
Sunrise Wind Holdings, LLC, Chicago/USA		100	0	0
Tafalla Energy Tafalla, S.L.U., Barasoain/Spain		100	212	-2
TE Portfolio Financing One, LLC, Wilmington/USA		100		<sup>3</sup>
Terrapin Hills LLC, Chicago/USA		100	0	0
Thor Wind Farm I/S, Rødby/Denmark		100		<sup>3</sup>
Three Rocks Solar, LLC, Wilmington/USA		100	0	0
Tierra Blanca Wind Farm, LLC, Wilmington/USA		100	0	0
Tika Solar, S. de R.L. de C.V., Ciudad de México/Mexico		100		<sup>3</sup>
Tipton Wind, LLC, Wilmington/USA		100	0	0

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6 Significant influence by virtue of company contract.

II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Valverde Wind Farm, LLC, Wilmington/USA		100	0	0
VDE Komplementär GmbH, Hanover		100	13	-17
Venado Wind Farm, LLC, Wilmington/USA		100	0	0
Versuchsatomkraftwerk Kahl GmbH, Karlstein am Main		80	665	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	1,185	-2
Vindkraftpark Aurvandil AB, Uppsala/Sweden		100	606	-135
Vindkraftpark Brynhild AB, Uppsala/Sweden		100	3,300	3
Vortex Energy Deutschland GmbH, Kassel		100	4,397	-265
Vortex Energy Windpark GmbH & Co. KG, Hanover		100	4,900	-2,177
VSL Primus Sp. z o.o., Warsaw/Poland		100	0	0
Walker Road Solar Farm, LLC, Lake Mary/USA		100		<sup>3</sup>
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 Winterlingen-Alb GmbH & Co. KG, Hanover		100	3,350	-503
WIT Ranch Wind Farm, LLC, Wilmington/USA		100	0	0
WR Graceland Solar, LLC, Wilmington/USA		100	0	0
Zielone Główny Sp. z o.o., Główny/Poland		100	4,192	-277

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2 Figures from the Group's consolidated financial statements.

3 Newly founded, financial statements not yet available.

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III. Joint operations	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Greater Gabbard Offshore Winds Limited, Reading/United Kingdom		50	1,090,232	102,399
N.V. Electriciteits-Produktie­maatschappij Zuid-Nederland EPZ, Borssele/Netherlands		30	93,082	10,335

IV. Affiliated companies of joint operations	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Enzee B.V., Borssele/Netherlands		100	506	406

V. Associated companies of joint operations	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
B.V. NEA, Arnhem/Netherlands		29	74,611	1,512

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 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.

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 <sup>4</sup>	31,598	1,779
AWE-Arkona-Windpark Entwicklungs-GmbH, Hamburg		50	1,073,377	138,320
Awel y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		60 <sup>4</sup>	14,871	- 473
C-Power N.V., Ostend/Belgium		27	286,106	29,287
Elevate Wind Holdco, LLC, Wilmington/USA		50	140,100	- 10,341
Galloper Wind Farm Holding Company Limited, Swindon/United Kingdom		25	- 30,155	46,189
Grandview Wind Farm, LLC, Wilmington/USA		50	252,278	- 19,610
Gwynt y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		50	- 3,679	- 457
Meton Energy S.A., Athens/Greece		51 <sup>4</sup>		<sup>3</sup>
RWE Venture Capital GmbH, Essen		75 <sup>4</sup>	432	- 410
Société Electrique de l'Our S.A., Luxembourg/Luxembourg		40	17,212	4,697 <sup>2</sup>
TCP Petcoke Corporation, Dover/USA		50	33,535	2,112 <sup>2</sup>
URANIT GmbH, Jülich		50	70,416	147,383

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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.



VII. Associates accounted for using the equity method	Shareholding in %		Equity	Net income / loss
	Direct	Total	€ '000	€ '000
Amprion GmbH, Dortmund	25	25	2,466,400	216,600
Belectric Gulf Limited, Abu Dhabi/United Arab Emirates		49	2,655	-5,518
Bray Offshore Wind Limited, Kilkenny/Ireland		50	-107	-9
DOTI Deutsche Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG, Oldenburg		26	34,574	-17,351
GNS Gesellschaft für Nuklear-Service mbH, Essen		28	33,248	11,097 <sup>2</sup>
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim		40	140,729	6,647
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	969,918	109,841 <sup>2</sup>
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13 <sup>5</sup>	969,067	110,063 <sup>2</sup>
Kish Offshore Wind Limited, Kilkenny/Ireland		50	-128	-9
Magicat Holdco, LLC, Wilmington/USA		20	276,350	-14,337
Mingas-Power GmbH, Essen		40	4,881	4,212
Nysäter Wind AB, Malmö/Sweden		20	47,706	-7,188
PEARL PETROLEUM COMPANY LIMITED, Road Town/British Virgin Islands		10 <sup>6</sup>	1,791,179	143,505
Rødsand 2 Offshore Wind Farm AB, Malmö/Sweden		20	131,320	18,235
RWE Renewables Technology Fund I GmbH & Co. KG, Dortmund		78 <sup>4</sup>	14,619	945
Schluchseewerk Aktiengesellschaft, Laufenburg (Baden)		50	70,575	2,809
Vela Wind Holdco, LLC, Wilmington/USA		25	149,560	0
Vliegasonie B.V., De Bilt/Netherlands		75 <sup>4</sup>	5,395	-478

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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
Abwasser-Gesellschaft Knapsack, Gesellschaft mit beschränkter Haftung, Hürth		33	472	242
Akita Yurihonjo Yojou Wind Energy K.K., Yurihonjo/Japan		50		<sup>3</sup>
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen		50	5,483	370
Ascent Energy LLC, Wilmington/USA		50	82,215	-8,617
Bight Wind Holdings, LLC, Wilmington/USA		70		<sup>3</sup>
CARBON Climate Protection GmbH, Langenlois/Austria		50	4,931	3,826
CARBON Egypt Ltd. (under liquidation), Cairo/Egypt		49	-2,290	-247
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, Essen		31	1,732	1,221
DOTI Management GmbH, Oldenburg		26	120	0
Dunkerque Eoliennes En Mer SAS, Montpellier/France		32	-17	-26
Fassi Coal Pty. Ltd., Rutherford/Australia		47	-10,197	-3,030
First River Energy LLC, Denver/USA		40	-1,399	-7,197
Five Estuaries Offshore Wind Farm Limited, Swindon/United Kingdom		25	8,460	-229
Fond du Moulin SAS, Asnières-sur-Seine/France		25	-135	-39
Gemeinschaftswerk Hattingen Gesellschaft mit beschränkter Haftung, Essen		52	2,045	-403
GfS Gesellschaft für Simulatorschulung mbH, Essen		33	67	3
Kraftwerk Buer GbR, Gelsenkirchen		50	5,113	0
KSG Kraftwerks-Simulator-Gesellschaft mbH, Essen		33	666	26
KÜCKHOVENER Deponiebetrieb GmbH & Co. Kommanditgesellschaft, Bergheim		50	27	0
KÜCKHOVENER Deponiebetrieb Verwaltungs-GmbH, Bergheim		50	26	0
LDO Coal Pty. Ltd., Rutherford/Australia		47	-103	78
London Array Limited, Tunbridge Wells/United Kingdom		30	0	0
Moravske Hidroelektrane d.o.o., Belgrade/Serbia		51	4,000	-5

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
Netzanbindung Tewel OHG, Cuxhaven		25	563	-25
New England Aqua Ventus, LLC, Los Angeles/USA		50	837	-515
North Falls Offshore Wind Farm HoldCo Limited, Swindon/United Kingdom		50	0	0
Parc Eolien De Sepmes SAS, Angers/France		50	37	-3
Parc Eolien Des Monts Jumeaux SAS, Paris/France		50	3	-4
Parc Eolien Du Coupru SAS, Paris/France		50	-76	-26
Parc Eolien Du Vilpion SAS, Paris/France		50	-108	-37
Q-Portal GmbH, Grevenbroich		49	2,639	114
Rampion Extension Development Limited, Swindon/United Kingdom		50	10,212	-23
Scarweather Sands Limited, Coventry/United Kingdom		50	0	0
TetraSpar Demonstrator ApS, Copenhagen/Denmark		23	3,349	-14,410
Toledo PV A.E.I.E., Madrid/Spain		33	965	635
TPG Wind Limited, Coventry/United Kingdom		50	339	753
Umspannwerk Putlitz GmbH & Co. KG, Oldenburg		25	0	-87
Versorium Energy (GP) Ltd., Calgary/Canada		48		<sup>3</sup>
Versorium Energy LP, Calgary/Canada		50		<sup>3</sup>
Walden Renewables Development LLC, New York City/USA		92	17,050	9,274
Windesco Inc, Boston/USA		21	5,187	-1,765
WINDTEST Grevenbroich GmbH, Grevenbroich		38	896	-70
WP France 15 SAS, Puteaux/France		40	-42	-18

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
APEP Dachfonds GmbH & Co. KG, Munich	36	36	81,373	14,880
Chrysalix Energy II U.S. Limited Partnership, Vancouver/Canada		6	17,964	1,680
Chrysalix Energy III U.S. Limited Partnership, Vancouver/Canada		5	69,375	-5,555
Energías Renovables de Ávila, S.A., Madrid/Spain		17	595	0
E.ON SE, Essen		15	10,642,800	2,113,800
Glenrothes Paper Limited, Glenrothes/United Kingdom		0	-594	0
High-Tech Gründerfonds II GmbH & Co. KG, Bonn		1	107,586	0
HOCHTEMPERATUR-KERNKRAFTWERK Gesellschaft mit beschränkter Haftung (HKG) Gemeinsames Europäisches Unternehmen, Hamm		31	0	0
Nordsee One GmbH, Oststeinbek		15	69,649	44,956
Nordsee Three GmbH, Oststeinbek		15	68	-4
Nordsee Two GmbH, Oststeinbek		15	67	-4
OPPENHEIM PRIVATE EQUITY Institutionelle Anleger GmbH & Co. KG, Cologne	29	29	0	-159
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	82	0
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	2,392	0
Parque Eólico Leo, S.L., Oviedo/Spain		10	316	0
PEAG Holding GmbH, Dortmund	12	12	19,636	1,693
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	95	0
SET Fund II C.V., Amsterdam/Netherlands		6	21,877	-2,423
Stem Inc., Milbrae/USA		4	4,415	-95,326

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
Sustainable Energy Technology Fund C.V., Amsterdam/Netherlands		48	18,947	-4,185
Technologiezentrum Jülich GmbH, Jülich		5	2,147	191
Transport- und Frischbeton-Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Aachen, Aachen		17	390	122
Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf	43	43	1,000	-25
Umspannwerk Lübz GbR, Lübz		18	41	13
Versorgungskasse Energie (VVaG) i.L., Hanover		0	51,729	0
Versorium Energy Ltd., Calgary/Canada		15	-309	-117

- 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.

<b>Changes in shareholding with change of control</b>	Shareholding in % 31 Dec 2021	Shareholding in % 31 Dec 2020	Change
<b>Additions to affiliated companies included in the consolidated financial statements</b>			
Panther Creek Three Class B, LLC, Wilmington/USA	100		100
Panther Creek Three Holdco, LLC, Wilmington/USA	100		100
Rampion Offshore Wind Limited, Coventry/United Kingdom	50		50
RWE Generation Service GmbH, Essen	100		100
RWE Renewables Offshore HoldCo One GmbH, Essen	100		100
RWE Renewables Offshore HoldCo Three GmbH, Essen	100		100
RWE Renewables Offshore HoldCo Two GmbH, Essen	100		100
RWE Renewables UK Dogger Bank South One Limited, Swindon/United Kingdom	100		100
RWE Renewables UK Dogger Bank South Two Limited, Swindon/United Kingdom	100		100
Solarengo Portugal, SGPS, Unipessoal Lda., Cascais/Portugal	100		100
<b>Additions to joint ventures accounted for using the equity method</b>			
	Shareholding in % 31 Dec 2021	Shareholding in % 31 Dec 2020	Change
Meton Energy S.A., Athens/Greece	51 <sup>1</sup>		51
<b>Change of joint ventures accounted for using the equity method into affiliated companies included in the consolidated financial statements</b>			
	Shareholding in % 31 Dec 2021	Shareholding in % 31 Dec 2020	Change
Rampion Renewables Limited, Coventry/United Kingdom	100	60 <sup>1</sup>	40
<b>Change of affiliated companies included in the consolidated financial statements into associated companies accounted for using the equity method</b>			
Vela Wind Holdco, LLC, Wilmington/USA	25	100	- 75

1 No control by virtue of company contract.

<b>Changes in shareholding with change of control</b>	Shareholding in % 31 Dec 2021	Shareholding in % 31 Dec 2020	Change
<b>Disposal of affiliated companies included in the consolidated financial statements</b>			
Belectric France S.à.r.l., Vendres/France		100	-100
BELECTRIC GmbH, Koltzheim		100	-100
Belectric Israel Ltd., Be'er Sheva/Israel		100	-100
Belectric Italia s.r.l., Latina/Italy		100	-100
Belectric Solar Ltd., Slough/United Kingdom		100	-100
Centrale Hydroelectrique d'Oussiat S.A.S., Paris/France		100	-100
Cranell Holdco, LLC, Wilmington/USA		100	-100
Cranell Wind Farm, LLC, Wilmington/USA		100	-100
Energies Charentus S.A.S., Paris/France		100	-100
Energies France S.A.S., Paris/France		100	-100
Energies Maintenance S.A.S., Paris/France		100	-100
Energies Saint Remy S.A.S., Paris/France		100	-100
Energies VAR 1 S.A.S., Paris/France		100	-100
Energies VAR 3 S.A.S., Paris/France		100	-100
Glen Kyllachy Wind Farm Limited, Swindon/United Kingdom		100	-100
Inversiones Belectric Chile LTDA, Santiago de Chile/Chile		100	-100
INVESTERG - Investimentos em Energias, Sociedade Gestora de Participações Sociais, Lda., São João do Estoril/Portugal		100	-100
LUSITERG - Gestão e Produção Energética, Lda., São João do Estoril/Portugal		74	-74
Raymond Holdco, LLC, Wilmington/USA		100	-100
Raymond Wind Farm, LLC, Wilmington/USA		100	-100
SAS Île de France S.A.S., Paris/France		100	-100
Stella Holdco, LLC, Wilmington/USA		100	-100
Stella Wind Farm, LLC, Wilmington/USA		100	-100
West Raymond Holdco, LLC, Wilmington/USA		100	-100
West Raymond Wind Farm, LLC, Wilmington/USA		100	-100

<b>Changes in shareholding with change of control</b>	Shareholding in % 31 Dec 2021	Shareholding in % 31 Dec 2020	Change
<b>Disposal of associated companies accounted for using the equity method</b>			
ATBERG – Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	- 40
HIDROERG – Projectos Energéticos, Lda., Lisbon/Portugal		32	- 32
<b>Changes in shareholding without change of control</b>			
<b>Affiliated companies which are included in the consolidated financial statements</b>	Shareholding in % 31 Dec 2021	Shareholding in % 31 Dec 2020	Change
Parc Eolien Les Pierrots SAS, Clichy/France	60	100	- 40
RWE Windpark Bedburg A44n GmbH & Co. KG, Bedburg	51	100	- 49



## 4.8 Boards (part of the Notes)

As of 3 March 2022

### Supervisory Board

#### 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

End of term: 2025

Other appointments:

- ProSiebenSat.1 Media SE<sup>1</sup> until 5 May 2022 (Chairman)
- Siemens AG<sup>1</sup>

#### Frank Bsirske<sup>2</sup>

Isernhagen

Deputy Chairman until 15 September 2021

Former Chairman of ver.di - Vereinte Dienstleistungsgewerkschaft

Year of birth: 1952

Member from 9 January 2001 to 15 September 2021

Other appointments:

- Deutsche Bank AG<sup>1</sup>

#### Ralf Sikorski<sup>2</sup>

Hanover

Deputy Chairman since 21 September 2021

Deputy Chairman of IG Bergbau, Chemie, Energie

Year of birth: 1961

Member since 1 July 2014

End of term: 2026

Other appointments:

- CHEMIE Pensionsfonds AG
- Lanxess AG<sup>1</sup>
- Lanxess Deutschland GmbH
- RAG AG
- RWE Generation SE<sup>3</sup>
- RWE Power AG<sup>3</sup>
- KSBG Kommunale Verwaltungsgesellschaft GmbH

#### Michael Bochinsky<sup>2</sup>

Grevenbroich

Deputy Chairman of the General Works Council of RWE Power AG

Year of birth: 1967

Member since 1 August 2018

End of term: 2026

• 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.

**Sandra Bossemeyer<sup>2</sup>**

Duisburg  
Chairwoman of the Works Council of RWE AG  
Representative of the disabled  
Year of birth: 1965  
Member since 20 April 2016  
End of term: 2026

**Martin Bröker<sup>2</sup>**

Bochum  
Head of Corporate IT & SAP at RWE AG  
Year of birth: 1966  
Member from 1 September 2018 to 15 September 2021

**Dr. Hans Friedrich Bünting**

Mülheim an der Ruhr  
Independent Corporate Consultant  
Year of birth: 1964  
Member since 28 April 2021  
End of term: 2025

**Anja Dubbert<sup>2</sup>**

Essen  
Business Development Manager  
Member of the Works Council of RWE Supply & Trading GmbH  
Year of birth: 1979  
Member from 27 September 2019 to 15 September 2021

**Matthias Dürbaum<sup>2</sup>**

Heimbach  
Chairman of the Works Council of the Hambach Opencast Mine, RWE Power AG  
Year of birth: 1987  
Member since 30 September 2019  
End of term: 2026

**Ute Gerbaulet**

Düsseldorf  
General Partner at Dr. August Oetker KG  
Year of birth: 1968  
Member since 27 April 2017  
End of term: 2024

Other appointments:

- Flaschenpost SE
- Dr. August Oetker Nahrungsmittel KG (Chairwoman)
- OEDIV Oetker Daten- und Informationsverarbeitung KG (Chairwoman)
- Oetker Digital GmbH (Chairwoman)
- Radeberger Gruppe KG
- NRW.Bank AöR

**Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel**

Essen  
Former Chairman of the Executive Board of HOCHTIEF AG  
Independent Corporate Consultant  
Year of birth: 1947  
Member since 18 April 2013  
End of term: 2024

• 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.

### Mag. Dr. h. c. Monika Kircher

Krumpendorf, Austria

Independent Corporate Consultant

Year of birth: 1957

Member since 15 October 2016

End of term: 2025

Other appointments:

- Andritz AG<sup>1</sup>
- Kärntner Energieholding Beteiligungs GmbH (Chairwoman)
- KELAG-Kärntner Elektrizitäts AG
- Siemens AG Austria

### Thomas Kufen

Essen

Mayor of the City of Essen

Year of birth: 1973

Court-appointed Member since 18 October 2021<sup>4</sup>

Other appointments:

- Essener Versorgungs- und Verkehrsgesellschaft mbH (EVV) (Chairman)
- Stadtwerke Essen AG (Chairman)
- Advisory Board, Sparkasse Essen (Chairman)
- RAG Foundation (Member of the Board of Trustees)

### Reiner van Limbeck<sup>2</sup>

Dinslaken

Chairman of the Works Council of the Essen Headquarters, RWE Generation SE and RWE Technology International GmbH

Year of birth: 1965

Member since 15 September 2021

End of term: 2026

Other appointments:

- RWE Generation SE<sup>3</sup>

### Harald Louis<sup>2</sup>

Jülich

Chairman of the General Works Council of RWE Power AG

Year of birth: 1967

Member since 20 April 2016

End of term: 2026

Other appointments:

- RWE Power AG<sup>3</sup>

### 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 from 4 January 2005 to 28 April 2021

• 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.

4 The AGM on 28 April 2022 will decide on Mr. Kufen's appointment to the Supervisory Board.

### Peter Ottmann

Nettetal

Former Managing Director of Verband der kommunalen RWE-Aktionäre GmbH

Attorney

Former Chief Administrative Officer of Viersen County

Year of birth: 1951

Member from 20 April 2016 to 28 April 2021

### Dagmar Paasch<sup>2</sup>

Solingen

Head of NRW Supply and Waste Management Division at ver.di Dienstleistungsgewerkschaft

Year of birth: 1974

Member from 15 September 2021

End of term: 2026

Other appointments:

- RWE Generation SE<sup>3</sup>

### Günther Schartz

Wincheringen

Former Chief Administrative Officer of the District of Trier-Saarburg

Year of birth: 1962

Member from 20 April 2016 to 30 September 2021

### Dr. Erhard Schipporeit

Hanover

Independent Corporate Consultant

Year of birth: 1949

Member since 20 April 2016

End of term: 2024

Other appointments:

- BDO AG Wirtschaftsprüfungsgesellschaft
- Hannover Rück SE<sup>1</sup>
- HDI Haftpflichtverband der Deutschen Industrie VVaG
- Talanx AG<sup>1</sup>

### Dr. Wolfgang Schüssel

Vienna, Austria

Former Federal Chancellor of the Republic of Austria

Year of birth: 1945

Member from 1 March 2010 to 28 April 2021

Other appointments:

- Adenauer Stiftung (Chairman of the Board of Trustees)
- PJSC LUKOIL<sup>1</sup>

### Dirk Schuhmacher<sup>2</sup>

Rommerskirchen

Chairman of the HW Grefrath Works Council, RWE Power AG

Year of birth: 1970

Member since 15 September 2021

End of term: 2026

### Ullrich Sierau

Dortmund

Independent Consultant for Companies, Administrations, Political Parties and

Civil Society Initiatives

Year of birth: 1956

Member since 20 April 2011

End of term: 2024

• 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.

### Hauke Stars

Königstein

Member of the Executive Board of Volkswagen AG

Year of birth: 1967

Member since 28 April 2021

End of term: 2025

Other appointments:

- Audi AG
- CARIAD SE
- Kühne + Nagel International AG

### Helle Valentin

Birkeroed, Denmark

Managing Partner, IBM Consulting EMEA, IBM Corporation

Year of birth: 1967

Member since 28 April 2021

End of term: 2025

Other appointments:

- PFA Holding A/S, Denmark until 7 March 2022
- PFA Pension, Forsikringsaktieselskab, Denmark until 7 March 2022
- IBM Danmark ApS, Denmark

### Dr. Andreas Wagner<sup>2</sup>

Grevenbroich

Head of Drilling and Water Management, RWE Power AG

Year of birth: 1967

Member since 15 September 2021

End of term: 2026

### Marion Weckes<sup>2</sup>

Dormagen

Officer of the Group Works Council of GEA Group AG

Year of birth: 1975

Member since 20 April 2016

End of term: 2026

### Leonhard Zubrowski<sup>2</sup>

Lippetal

Chairman of the Group Works Council of RWE AG

Year of birth: 1961

Member from 1 July 2014 to 15 September 2021

Other appointments:

- RWE Generation SE<sup>3</sup>

• 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.

## Supervisory Board Committees

### **Executive Committee of the Supervisory Board**

Dr. Werner Brandt (Chairman)  
Ute Gerbaulet  
Prof. Dr. Hans-Peter Keitel  
Reiner van Limbeck  
Dirk Schuhmacher  
Ralf Sikorski

### **Mediation Committee in accordance with Section 27, Paragraph 3 of the German Co-Determination Act**

Dr. Werner Brandt (Chairman)  
Thomas Kufen  
Ralf Sikorski  
Marion Weckes

### **Personnel Affairs Committee**

Dr. Werner Brandt (Chairman)  
Sandra Bossemeyer  
Dr. Hans Friedrich Bunting  
Harald Louis  
Ralf Sikorski  
Hauke Stars

### **Audit Committee**

Dr. Erhard Schipporeit (Chairman)  
Michael Bochinsky  
Matthias Dürbaum  
Mag. Dr. h. c. Monika Kircher  
Dagmar Paasch  
Ullrich Sierau

### **Nomination Committee**

Dr. Werner Brandt (Chairman)  
Prof. Dr. Hans-Peter Keitel  
Hauke Stars

### **Strategy and Sustainability Committee**

Dr. Werner Brandt (Chairman)  
Michael Bochinsky  
Dr. Hans Friedrich Bunting  
Prof. Dr. Hans-Peter Keitel  
Harald Louis  
Dagmar Paasch  
Ralf Sikorski  
Helle Valentin

## Executive Board

### **Dr. Markus Krebber**

Chief Executive Officer since 1 May 2021

Member of the Executive Board of RWE AG since 1 October 2016,  
appointed until 30 June 2026

Chief Financial Officer to 30 April 2021

Offices:

- Group Communications & Public Affairs
- Energy Transition & Regulatory Affairs
- Legal, Compliance & Insurance
- Mergers & Acquisitions
- Strategy & Sustainability
- Corporate Transformation

Other appointments:

- RWE Generation SE<sup>2</sup> (Chairman)
- RWE Power AG<sup>2</sup>
- RWE Renewables GmbH<sup>2</sup> (Chairman)
- RWE Supply & Trading GmbH<sup>2</sup>

### **Dr. Michael Müller**

Chief Financial Officer since 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 from 1 November 2020 to 30 April 2021)

Offices:

- Accounting
- Controlling & Risk Management
- Finance & Credit Risk
- Investor Relations
- Tax

Other appointments:

- Amprion GmbH
- RWE Generation SE<sup>2</sup>
- RWE Power AG<sup>2</sup>
- RWE Renewables GmbH<sup>2</sup>
- RWE Supply & Trading GmbH<sup>2</sup> (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.

### Zvezdana Seeger

Chief HR Officer and Labour Director since 1 November 2020  
Member of the Executive Board of RWE AG since 1 November 2020,  
appointed until 31 October 2023

#### Offices:

- HR Services & Analytics
- Employee Relations
- People Management & Talent Attraction
- Group Information Technology
- Internal Audit & Security

#### Other appointments:

- Deutsche Kreditbank AG
- RWE Generation SE<sup>2</sup>
- RWE Pensionsfonds AG<sup>2</sup> (Chairwoman)
- RWE Power AG<sup>2</sup> (Chairwoman)
- RWE Supply & Trading GmbH<sup>2</sup>
- Kärntner Energieholding Beteiligungs GmbH
- KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

### Dr. Rolf Martin Schmitz

Chief Executive Officer of RWE AG from 15 October 2016 to 30 April 2021  
Member of the Executive Board of RWE AG from 1 May 2009 to 30 April 2021  
Labour Director of RWE AG from 1 May 2017 to 31 October 2020

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• 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. 3a 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, 2021, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, 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, 2021.

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, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, 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.

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 from January 1 to December 31, 2021. 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:

- ① Recoverability of goodwill
- ② Recoverability in the „Coal / Nuclear“ segment

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:

#### ① Recoverability of goodwill

- ① In the consolidated financial statements of RWE Aktiengesellschaft, goodwill amounting to €2.7 billion (1.9% of consolidated total assets; previous year: €2.7 billion, or 4.4% of consolidated total assets) is reported under the balance sheet item “Intangible assets”.

Goodwill is tested for impairment 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 generally derived from the planning projections for the next three years (medium-term plan) prepared by the executive directors and acknowledged by the supervisory board. 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 determined that no write-downs were necessary. The outcome of these valuations 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, rates of growth and other assumptions employed. 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, among other things, evaluated the method used for performing impairment tests and assessed the calculation of the weighted average cost of capital. 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. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the fair values less costs of disposal calculated in this way, we also focused our assessment on the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we evaluated the sensitivity analyses performed by the Company in order to assess 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 financial statements in section "Notes to the Balance Sheet" in note "(10) Intangible assets".

## ② Recoverability in the „Coal / Nuclear“ segment

- ① In the consolidated financial statements of RWE Aktiengesellschaft open cast mines (hereinafter referred to as "property, plant and equipment") in the "Coal / Nuclear" segment amounting to €0.9 billion were impaired due to the significant deterioration on market conditions stemming from regulatory climate protection measures. The recoverability of property, plant and equipment was tested on the basis of their fair values less costs of disposal that exceed their values in use. The fair values of the respective property, plant and equipment are determined by the Company as the present value of the future cash flows using discounted cash flow models. The budget projections for the coming three years (medium-term planning) 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 with regard to electricity,

coal, natural gas and CO<sub>2</sub> certificate prices as well as the planned service lives. The outcome of these valuations is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the discount rates, rates of growth and other assumptions employed. The measurement is therefore subject to considerable uncertainties, so that this matter was of particular significance in the context of our audit.

- ② As part of our audit, we, among other things, evaluated the method used for testing the recoverability of property, plant and equipment and assessed the calculation of the weighted average cost of capital. 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 testing recoverability overall. We assessed the appropriateness of the future cash inflows used in the measurement by, inter alia, comparing this data with the medium-term planning and reconciling it against general and sector-specific market expectations with regard to electricity, coal, natural gas and CO<sub>2</sub> certificate prices and the planned service lives. Furthermore, on the basis of the medium-term planning, we assessed the recoverability of the property, plant and equipment based on the evidence provided to us. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the fair values calculated in this way, we also focused our assessment on the parameters used to determine the discount rate applied, and evaluated 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 impairments of property, plant and equipment are contained in the notes to the 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 statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial group report pursuant to § 315b Abs. 3 HGB
- 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 mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, 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

### Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

#### Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file RWE\_AG\_KA\_KLB\_ESEF\_2021-12-31.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 work extends only 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 these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion 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, 2021, contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

### Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: 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 renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 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 supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

### Group Auditor's Responsibilities for the Assurance Work 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 work. 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 assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work 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 opinion 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 in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering 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) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on April 28, 2021. We were engaged by the supervisory board on April 28, 2021. 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).

### Reference to an other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

### German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Aissata Touré.

Essen, March 4, 2022

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

(sgd. Markus Dittmann)	(sgd. Aissata Touré)
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)



## 4.10 Information on the auditor

The consolidated financial statements of RWE AG and its subsidiaries for the 2021 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 PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The auditor at PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft responsible for RWE is Ms. Aissata Touré. Ms. Touré performed this function for the first time.

# 5

## Further information

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“The most beautiful aspect of recultivation is experiencing nature reborn in all its diversity.”

Gregor Eßer, Director of the Recultivation Research Centre, RWE Power



## 5.1 Five-year overview

<b>Five-year overview of the RWE Group<sup>1</sup></b>		2021	2020	2019	2018	2017
External revenue (excluding natural gas tax/ electricity tax)	€ million	24,526	13,688	13,125	13,406	13,822
Adjusted EBITDA	€ million	3,650	3,286	2,489	1,538	2,149
Adjusted EBIT	€ million	2,185	1,823	1,267	619	1,170
Income before tax	€ million	1,522	1,265	-752	49	2,056
Net income/RWE AG shareholders' share in income	€ million	721	1,051	8,498	335	1,900
Earnings per share	€	1.07	1.65	13.82	0.54	3.09
Cash flows from operating activities of continuing operations	€ million	7,274	4,125	-977	4,611	-3,771
Free cash flow	€ million	4,562	1,132	-2,053	3,439	-4,439
Non-current assets	€ million	38,863	34,418	35,768	18,595	45,694
Current assets	€ million	103,446	27,224	28,241	61,513	23,365
Balance sheet equity	€ million	16,996	17,706	17,467	14,257	11,991
Non-current liabilities	€ million	28,306	27,435	26,937	20,007	36,774
Current liabilities	€ million	97,007	16,501	19,605	45,844	20,294
Balance sheet total	€ million	142,309	61,642	64,009	80,108	69,059
Equity ratio	%	11.9	28.7	27.3	17.8	17.4
Net assets (+)/net debt (-)	€ million	360	-4,432	-7,159	-19,339	-20,227
Workforce at the end of the year <sup>2</sup>		18,246	19,498	19,792	17,748	59,547
CO <sub>2</sub> emissions of our power stations	million metric tons	80.9	67.0	88.1	118.0	131.8

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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For annual reports, interim reports, interim statements and further information on RWE, please visit us online at [www.rwe.com/en](http://www.rwe.com/en).

RWE is a member of DIRK – the German Investor Relations Association.

This document was published on 15 March 2022. 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.

### **Typesetting and production**

MPM Corporate Communication Solutions, Mainz, Germany  
[www.mpm.de](http://www.mpm.de)

### **Translation**

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### **Proofreading**

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### **Photography**

André Laaks, Essen, Germany  
RWE Mediendatenbank

# Financial calendar 2022 / 2023

<b>28 April 2022</b>	Virtual Annual General Meeting
<b>29 April 2022</b>	Ex-dividend date
<b>03 May 2022</b>	Dividend payment
<b>12 May 2022</b>	Interim statement on the first quarter of 2022
<b>11 August 2022</b>	Interim report on the first half of 2022
<b>10 November 2022</b>	Interim statement on the first three quarters of 2022
<b>21 March 2023</b>	Annual report for fiscal 2022
<b>04 May 2023</b>	Annual General Meeting
<b>05 May 2023</b>	Ex-dividend date
<b>09 May 2023</b>	Dividend payment
<b>11 May 2023</b>	Interim statement on the first quarter of 2023
<b>10 August 2023</b>	Interim report on the first half of 2023
<b>14 November 2023</b>	Interim statement on the first three quarters of 2023

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