RWE

Interim statement on the first three quarters of 2020

RWE confirms earnings forecast for 2020 // Corona crisis still has little impact on operating activities // Adjusted EBITDA rises to €2.2 billion in the first three quarters // August capital increase enables additional medium and long-term growth of renewable energy business

At a glance

RWE Group – key figures		Jan – Sep 2020	Jan – Sep 2019	+/–	Jan – Dec 2019
Power generation	billion kWh	101.5	107.8	-6.3	153.2
External revenue (excluding natural gas tax/electricity tax)	€ million	9,392	9,060[1]	332	13,125
Adjusted EBITDA	€ million	2,224	1,443[2]	781	2,489
Adjusted EBIT	€ million	1,145	628[2]	517	1,267
Income from continuing operations before taxes	€ million	1,911	-250[2]	2,161	-752
Net income	€ million	1,583	9,094[2]	-7,511	8,498
Adjusted net income	€ million	762	–	–	–
Number of shares outstanding (average)	millions	624.3	614.7	–	614.7
Earnings per share	€	2.54	14.79	-12.25	13.82
Adjusted net income per share	€	1.22	–	–	–
Cash flows from operating activities of continuing operations	€ million	1,768	-1,452	3,220	-977
Capital expenditure[3]	€ million	1,662	1,005	657	1,771
Property, plant and equipment and intangible assets	€ million	1,562	1,038	524	1,767
Financial assets	€ million	100	-33	133	4
Free cash flow	€ million	427	-1,976	2,403	-2,053
		30 Sep 2020	31 Dec 2019		
Net debt of continuing operations[4]	€ million	5,911	6,927	-1,016	
Workforce[5]		19,531	19,792	-261	

1 Prior-year figures restated; see page 116 of the 2019 Annual Report for related commentary.
2 Figures changed retrospectively due to retroactive adjustments to the first-time consolidation of the E.ON operations acquired in 2019.
3 Only cash investments; prior-year figures restated accordingly.
4 New definition and restated prior-year figure; see commentary on page 14.
5 Converted to full-time positions.

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Major events

In the period under review

RWE raises capital by 10 % – issuance proceeds earmarked for additional renewable energy projects

On 18 / 19 August, we issued 61.5 million new RWE shares to institutional investors, thereby increasing the company's capital stock by 10 %. The shares were placed by way of accelerated bookbuilding under exclusion of subscription rights. Based on the issue price of €32.55 per share, we achieved gross proceeds of approximately €2 billion. We intend to use these funds to speed up the expansion of renewable energy. Our previous objective was to increase our generation capacity based on renewable sources to more than 13 gigawatts (GW) by the end of 2022 and to make a net investment of about €5 billion for this purpose. The capital increase enables us to tackle further projects pushing us beyond our original goal. For example, we spent approximately €400 million to acquire a 2.7 GW project pipeline from Nordex, and we intend to use the proceeds from the rights issue to implement projects from this pipeline, among other things. The capital increase caused the number of RWE shares to rise to 676.2 million. The new and old stock confer the same rights. Despite the larger number of dividend-bearing shares, the Executive Board of RWE AG maintains its dividend policy and still plans to propose a dividend of €0.85 per share for fiscal 2020 to the Annual General Meeting.

RWE secures agreements for lease to expand four UK offshore wind farms

Together with co-owners, we set the stage for the expansion of four wind farms off the coast of the UK. We concluded agreements for lease with the Crown Estate, the authority in charge of managing the assets of the British Crown. These contracts enable us to use further areas at each of the locations. This relates to the Gwynt y Môr (currently 576 MW), Greater Gabbard (504 MW), Galloper (353 MW) and Rampion (400 MW) wind farms. In each case, the expansion options allow existing capacity to be doubled. As a result, 1.8 GW of new generation capacity can be built. In addition to an expansion option at the Rampion wind farm, which has not been exercised so far, this could lead to a total volume of up to 2.6 GW. Based on the shareholding ratios, 1.3 GW is allocable to RWE. Now our goal is to develop these projects rapidly. We expect the approval procedure to take between three and five years. Thereafter, we will participate in auctions for state subsidy contracts and – should we submit a winning bid – we will start construction. The new wind farms could then be commissioned towards the end of the decade.

E.ON acquires RWE stake in Slovak energy utility VSE

At the end of August, we transferred our 49 % interest in Slovak power utility VSE to E.ON. The transaction formed part of our extensive asset swap with E.ON. We had taken over the VSE shareholding from our former subsidiary innogy in August 2019. The objective was to sell it to E.ON later on at the same conditions. However, this was subject to the approval of the Slovak government, which was granted at the end of July. The price of the stake in VSE had been considered in September 2019 when settling the payment claims arising from the asset swap with E.ON.

Texas: 220 MW Cranell wind farm enters commercial operation

We passed another milestone in enlarging our renewable energy portfolio in North America. The Texan Cranell onshore wind farm, which consists of 100 wind turbines with a total capacity of 220 MW, started commercial operation at the end of September. We invested about US$250 million in it. Cranell will produce enough electricity to meet the needs of approximately 66,000 US households. We currently operate 25 onshore wind farms in the USA, combining for an output of 4.2 GW, of which 3.6 GW is allocable to RWE based on the shareholding ratios. Additional RWE onshore wind farms with an aggregate capacity of just under 1 GW are currently under construction in the states of Texas, Oklahoma, Ohio and New York.

Trade unions and RWE sign collective agreement

At the end of August, we reached an agreement on the 'Coal Phaseout' collective agreement with ver.di, Germany's Unified Service Trade Union, and IG BCE, the country's Industrial Mining, Chemicals and Energy Trade Union. This meets a major requirement enabling RWE to stop generating electricity from coal in a socially acceptable manner by no later than 2038, as envisaged by the German Coal Phaseout Act. Among other things, the collective agreement establishes what we will do above and beyond the state-guaranteed allowance. Employees who do not qualify for the allowance will receive job-to-job referrals through extensive internal and external further qualification measures. With the collective agreement, RWE is underpinning its ambition to be a responsible and reliable employer despite difficult framework conditions.

Supervisory Board appoints Zvezdana Seeger and Michael Müller to RWE AG Executive Board

In its session on 18 September 2020, the Supervisory Board appointed Zvezdana Seeger (55) and Michael Müller (49) to the Executive Board of RWE AG with effect from 1 November. Before joining RWE, Zvezdana Seeger, who holds a degree in economics, was a member of the Management Board of DB Privat- und Firmenkundenbank AG and spearheaded Deutsche Bank AG's Private and Corporate Business Unit as COO. At RWE AG, she is Labour Director and holds the position of CHRO. These tasks were previously fulfilled by Rolf Martin Schmitz in his dual role. In addition, responsibility for the IT function was transferred to Zvezdana Seeger. Michael Müller has held managerial positions at RWE since 2005. The most recent post held by the engineering post-doctorate and economist was that of CFO of the subsidiary RWESupply & Trading GmbH. As of 1 November, Michael Müller assumed responsibility for finance, taxes and business services at RWE AG. He will succeed Markus Krebber as Chief Financial Officer with effect from 1 July 2021, when Mr. Krebber takes over as Chief Executive Officer from Mr. Schmitz. Michael Müller will continue to hold his positions at RWE Supply & Trading concurrently until then.

Major events from January to July 2020 were presented on pages 5 to 9 of the interim report on the first half of 2020.

After the period under review

Transaction successfully completed: RWE acquires wind and solar projects from Nordex

In early November, we acquired the European development business of wind turbine manufacturer Nordex. The purchase price was around €400 million. This was preceded by an agreement reached with Nordex in July, which made us an exclusive bidder. The acquired development operations encompass a pipeline of onshore wind and solar projects with a total generation capacity of 2.7 GW, of which 1.9 GW is located in France. The pipeline also includes ventures in Spain, Sweden and Poland. Some 15% of the pipeline will soon be ready for a final investment decision or is at an advanced stage of development. State subsidies have already been secured for 230 MW. The Nordex transaction adds a team of over 70 to our workforce. Most of these employees are domiciled in France and will develop further projects for RWE.

€539 million hybrid bond called at the earliest possible date

At the end of October 2020, we cancelled a €539 million hybrid bond without replacing it with fresh hybrid capital. The bond (ISIN: XS1219498141) has a 2.75% coupon and was issued in April 2015. Initially, its nominal volume amounted to €700 million. We reduced it by €161 million in 2017 via bond buybacks. The bond conditions envisaged that we could exercise our cancellation right for the first time five-and-a-half years from bond issuance. We exercised this option. Since then, only two RWE hybrid bonds have been outstanding, with volumes of €282 million and US$317 million. They can be called no earlier than April 2025 and March 2026.

German Lower House decides to accelerate offshore wind expansion

In early November, Germany's Lower House of Parliament passed the Offshore Wind Energy Act, which establishes the framework for the country's future expansion of offshore wind power. The next step is the reading of the new law by the Upper House, which is expected to happen at the end of November. The Act significantly increases the expansion target for offshore wind energy by 2030 from 15 GW to 20 GW. Furthermore, the government is setting an ambitious long-term goal of 40 GW by 2040. The tender model will remain essentially unchanged. In Germany, wind farms are subsidised with premiums that are paid if the market price for the electricity they generate is lower than a reference price. The latter is determined in a competitive tender process, with the participants submitting the lowest bids winning the contract. We welcome the fact that the caps on the highest allowable bids have been raised. They will total €73/MWh in 2021 and €64/ MWh and €62/MWh in the two following years. Without the increase, only zero-subsidy bids would have been allowed in the next tender round. Moreover, the penalty for failing to make a final investment decision for wind energy projects within 24 months from placing a successful bid will be higher in the future. This will reduce the likelihood of speculative bids made in the hopes of positive market developments.

Commentary on reporting

RWE Group realigned due to asset swap with E.ON

In this year's financial reporting, we present the Group in a new structure. We have eliminated the provisional 'innogy – continuing operations' and 'operations acquired from E.ON' segments shown in the 2019 Annual Report and broken down the generation activities by energy source. This reflects the integration of the assets that we received as a result of the transaction with E.ON. We now distribute our business among the following five segments: (1) Offshore Wind, (2) Onshore Wind / Solar, (3) Hydro / Biomass / Gas, (4) Supply & Trading and (5) Coal / Nuclear. Segments (1) to (4) represent our core business. This is where we want to grow. In (5), we have pooled our German electricity generation from lignite, hard coal and nuclear fuel, which will lose importance due to exit roadmaps established by the state. Figures for 2019 have been adapted to the new segment structure retroactively to enable comparability.

The segments are made up of the following activities:

- Offshore Wind: Our business involving offshore wind is subsumed here. It is overseen by our Group company RWE Renewables.

- Onshore Wind / Solar: This is the segment in which we pool our onshore wind, solar power and battery storage activities. Here again, operating responsibility lies with RWE Renewables.

- Hydro / Biomass / Gas: This segment encompasses our run-of-river, pumped storage, biomass and gas power stations. It also includes the Dutch Amer 9 and Eemshaven hard coal power plants, which we are increasingly co-firing with biomass, as well as the project management and engineering services specialist RWE Technology International. These activities are overseen by RWE Generation. The 37.9 % stake in the Austrian energy utility Kelag previously held by innogy is also assigned to this segment.

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

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

Group companies with cross-segment tasks such as the Group holding company RWE AG are stated as part of the core business under 'other, consolidation'. This item also includes our 25.1 % stake in the German transmission system operator Amprion and consolidation effects.

Forward-looking statements

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

Business performance

Power generation January – September	Renewables		Pumped storage, batteries		Gas		Lignite		Hard coal		Nuclear		Total[1]	
Billion kWh	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Offshore Wind	5.0	2.4	–	–	–	–	–	–	–	–	–	–	5.0	2.4
Onshore Wind / Solar	12.1	3.7	–	–	–	–	–	–	–	–	–	–	12.1	3.7
Hydro / Biomass / Gas	4.2	2.6	1.5	1.3	34.9	36.8	–	–	2.2	7.0	–	–	43.0	47.7
of which:														
Germany[2]	1.4	1.4	1.5	1.3	6.3	5.4	–	–	–	–	–	–	9.4	8.1
United Kingdom	0.4	0.4	–	–	17.1	25.0	–	–	–	0.4	–	–	17.5	25.8
Netherlands	2.4	0.8	–	–	8.4	4.7	–	–	2.2	6.6	–	–	13.0	12.1
Turkey	–	–	–	–	3.1	1.7	–	–	–	–	–	–	3.1	1.7
Coal / Nuclear[2]	–	–	–	–	0.6	0.2	23.4	35.4	1.9	3.3	15.6	15.2	41.4	54.2
RWE Group	**21.3**	**8.7**	**1.5**	**1.3**	**35.5**	**37.0**	**23.4**	**35.4**	**4.1**	**10.3**	**15.6**	**15.2**	**101.5**	**107.8**

1 Including generation volumes not attributable to any of the energy sources mentioned (e.g. electricity from oil-fired power stations).
2 Including power procured from generation facilities not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. These purchases amounted to 1.6 billion kWh (previous year: 1.3 billion kWh) in the Hydro / Biomass / Gas segment and 0.5 billion kWh (previous year: 1.1 billion kWh) in the Coal / Nuclear segment.

Significant decline in electricity generation from coal-fired power plants

In the first three quarters of 2020, the RWE Group produced 101.5 billion kWh of electricity, 6 % less than in the same period in 2019. This decrease is predominantly attributable to deteriorated market conditions for our lignite and hard coal power stations. One contributing factor was that gas, the competing energy source, became much cheaper and therefore more attractive. Furthermore, the corona crisis and substantial amounts of wind power put on the system reduced demand for conventionally generated electricity. Due to these two factors, less use was made of our British gas-fired power stations than in 2019. Our electricity generation from gas grew elsewhere; in Germany this was partly driven by the decline in the price of gas. In addition, in the Netherlands, Claus C resumed operations after having been offline for several years for reasons of profitability. More use was also made of our gas-fired power plant in Denizli, Turkey, than in 2019. One of the reasons was that the large share of local electricity supply customarily accounted for by hydropower experienced a weather-induced drop. The contribution of renewable energy to our electricity generation rose considerably. This was mainly because, in September 2019, we considered the operations transferred from E.ON to RWE in our figures for the full reporting period for the first time. In addition, we benefited from favourable wind conditions and the completion of generation capacity, e.g. of Peyton Creek in Texas (151 MW), which has been operating commercially since March 2020. The fact that our Dutch hard coal-fired power plants Amer 9 and Eemshaven are now increasingly run on biomass also had a positive impact. However, fire damage at the Eemshaven site in mid-May led to an interruption in biomass usage, which is expected to last until the end of November 2020.

External revenue[1] € million	Jan – Sep 2020	Jan – Sep 2019	+/–	Jan – Dec 2019
Offshore Wind	234	25	209	85
Onshore Wind / Solar	1,325	718	607	1,265
Hydro / Biomass / Gas	754	656	98	1,200
Supply & Trading	6,494	6,875	-381	9,554
Other, consolidation	8	7	1	6
Core business	**8,815**	**8,281**	**534**	**12,110**
Coal / Nuclear	577	779	-202	1,015
RWE Group (excluding natural gas tax/electricity tax)	**9,392**	**9,060**	**332**	**13,125**
Natural gas tax/electricity tax	150	111	39	152
RWE Group	**9,542**	**9,171**	**371**	**13,277**

1 Prior-year figures restated due to changed application of IFRS; see page 116 of the 2019 Annual Report for related commentary.

Electricity revenue up, gas revenue markedly down

In the first nine months, the Group's external revenue totalled €9,392 million (excluding natural gas tax and electricity tax), 4 % more than last year's corresponding figure (€9,060 million). Our electricity revenue rose by 15 % to €8,195 million despite the decline in generation volumes. Two effects came to bear here: we realised higher market prices for the electricity generated by our conventional power stations than in 2019 and we benefited from the shift in our production to electricity from renewables, for which we usually receive payments exceeding the market level. Conversely, our gas revenue dropped by 67 % to €317 million. An exceptional accounting effect was the main reason. Since 1 July 2019, gas sales by RWE Supply & Trading in the Czech Republic have been classified as pure trading transactions and have therefore not been recognised in revenue. In addition, the reduction in gas prices came to bear.

One indicator, which is increasingly attracting the attention of sustainability-oriented investors, is the percentage of Group revenue accounted for by coal-fired generation and other coal products. In the first three quarters of 2020, this share was 24 %, slightly below the comparable figure in 2019 (25 %).

Internal revenue € million	Jan – Sep 2020	Jan – Sep 2019	+/–	Jan – Dec 2019
Offshore Wind	683	372	311	682
Onshore Wind / Solar	206	145	61	271
Hydro / Biomass / Gas	2,187	2,384	-197	3,409
Supply & Trading	2,105	2,511	-406	3,266
Other, consolidation	-4,852	-4,728	-124	-6,900
Core business	**329**	**684**	**-355**	**728**
Coal / Nuclear	2,135	1,679	456	2,385

Adjusted EBITDA € million	Jan – Sep 2020	Jan – Sep 2019[1]	+/–	Jan – Dec 2019
Offshore Wind	738	314	424	614
Onshore Wind / Solar	336	164	172	295
Hydro / Biomass / Gas	382	297	85	672
Supply & Trading	399	569	-170	731
Other, consolidation	-12	-73	61	-129
Core business	**1,843**	**1,271**	**572**	**2,183**
Coal / Nuclear	381	172	209	306
RWE Group	**2,224**	**1,443**	**781**	**2,489**

1 Some prior-year figures changed due to retroactive adjustments to the first-time consolidation of the E.ON operations acquired in 2019.

Adjusted EBITDA 54 % up year on year

In the period under review, our adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) amounted to €2,224 million. Of this, €1,843 million was attributable to our core business, with the remaining €381 million coming from the Coal / Nuclear segment. Our adjusted EBITDA surpassed the previous year's figure by €781 million, or 54 %, primarily due to the first-time inclusion of the renewables business that we acquired from E.ON. The increase in the utilisation of our wind farms and the reinstatement of the British capacity market also made a contribution to the rise in earnings. By contrast, our trading business was unable to match the exceptional earnings achieved in 2019, despite a strong performance.

Earnings developed as follows by segment:

- Offshore Wind: We more than doubled adjusted EBITDA in this segment to €738 million. This is a result of the inclusion of the renewable energy activities acquired from E.ON in September 2019. In last year's nine-month period, these operations only contributed to earnings for a few days. Improved wind conditions also had a positive impact.

- Onshore Wind / Solar: Adjusted EBITDA posted here rose by €172 million to €336 million, driven by the same factors as in the Offshore Wind segment. Furthermore, we benefited from the commissioning of new generation capacity.

- Hydro / Biomass / Gas: This segment's adjusted EBITDA advanced by €85 million to €382 million, mainly due to the reinstatement of the British capacity market. Capacity payments equivalent to €105 million were received for the first nine months, whereas these payments were suspended during the same period last year. By contrast, earnings contributed by the Eemshaven power station deteriorated substantially.

- Supply & Trading: We registered another very good performance in the trading business, but fell short of the exceptional level achieved in 2019. Accordingly, despite its high level of €399 million, adjusted segment EBITDA was significantly down on last year's corresponding figure (€569 million).

- Coal / Nuclear: Totalling €381 million, adjusted EBITDA improved by €209 million in this segment. One reason for this development was that we realised higher margins with our lignite-fired and nuclear power plants than in 2019. We had already sold forward nearly all of the production of these stations in earlier years. Another positive effect stemmed from our acquisition in September 2019 of the minority interests in the Gundremmingen and Emsland nuclear power plants previously held by E.ON.

Adjusted EBIT € million	Jan – Sep 2020	Jan – Sep 2019[1]	+/–	Jan – Dec 2019
Offshore Wind	461	174	287	377
Onshore Wind / Solar	50	25	25	59
Hydro / Biomass / Gas	134	55	79	342
Supply & Trading	367	539	-172	691
Other, consolidation	-13	-72	59	-128
Core business	**999**	**721**	**278**	**1,341**
Coal / Nuclear	146	-93	239	-74
RWE Group	**1,145**	**628**	**517**	**1,267**

1 Some prior-year figures changed due to retroactive adjustments to the first-time consolidation of the E.ON operations acquired in 2019.

Our adjusted EBIT totalled €1,145 million, surpassing last year's corresponding figure by €517 million, or 82 %. It differs from adjusted EBITDA by way of operating depreciation and amortisation, which amounted to €1,079 million in the period being reviewed (previous year: €815 million).

Non-operating result € million	Jan – Sep 2020	Jan – Sep 2019	+/–	Jan – Dec 2019
Disposal result	24	25	-1	48
Effects on income from the valuation of derivatives and inventories	1,271	-258	1,529	81
Other	-134	-348	214	-1,210
Non-operating result	**1,161**	**-581**	**1,742**	**-1,081**

The non-operating result, in which we recognise certain factors which are not related to operations or the period being reviewed, improved by €1,742 million to €1,161 million. This significant growth is essentially attributable to the item 'effects on income from the valuation of derivatives and inventories'. Here, we report temporary gains or losses that arise from the fact that IFRS stipulates that financial instruments used to hedge price risks be recognised at fair value as of the cut-off date, whereas the hedged underlying transactions may only be recognised with an effect on earnings once they are realised. In the period under review, this resulted in a significantly positive contribution to earnings, as opposed to a negative contribution during the same timeframe last year. The significant improvement in the non-operating result is also due to a reduction in the curtailments under 'other'. In 2019, this item reflected an impairment of our German offshore wind farm Nordsee Ost. In the year underway, it includes one-off costs associated with the separation of the IT systems of RWE and innogy.

Financial result € million	Jan – Sep 2020	Jan – Sep 2019	+/–	Jan – Dec 2019
Interest income	266	131	135	185
Interest expenses	-231	-181	-50	-258
Net interest	**35**	**-50**	**85**	**-73**
Interest accretion to non-current provisions	-186	-265	79	-881
of which: interest accretion to mining provisions	-143	-80	-63	-581
Other financial result	-244	18	-262	16
Financial result	**-395**	**-297**	**-98**	**-938**

Compared to 2019, our financial result deteriorated by €98 million to –€395 million. Its components changed as follows:

- Net interest improved by €85 million to €35 million. This was mainly because we received our first dividend for the stake we acquired in E.ON in 2019, which currently amounts to 15 %. A counteracting effect was felt from higher interest burdens caused in part by the acquisition of E.ON's renewable energy business, because we are stating interest expenses which were incurred to finance onshore wind farms in the USA for the first time. Furthermore, our currency hedging costs for business activities outside the Eurozone rose.

- The interest accretion to non-current provisions curtailed the result by €186 million (previous year: €265 million). In the period under review, we took a one-off charge due to a reduction of the discount rate we use to calculate our mining provisions. The rise in the present value of the obligations caused by the interest adjustment was partly considered as an expense in the interest accretion. A similar effect regarding our nuclear provisions curtailed earnings even more last year.

- The 'other financial result' deteriorated by €262 million to –€244 million. We suffered losses on our portfolio of securities due to the corona-induced turmoil on the capital markets, having achieved gains in 2019. In addition, unfavourable interest and exchange rate developments weighed on income from financial transactions.

Reconciliation to net income € million	Jan – Sep 2020	Jan – Sep 2019[1]	+/–	Jan – Dec 2019
Adjusted EBITDA	**2,224**	**1,443**	**781**	**2,489**
Operating depreciation, amortisation and impairment losses	-1,079	-815	-264	-1,222
Adjusted EBIT	**1,145**	**628**	**517**	**1,267**
Non-operating result	1,161	-581	1,742	-1,081
Financial result	-395	-297	-98	-938
Income from continuing operations before taxes	**1,911**	**-250**	**2,161**	**-752**
Taxes on income	-500	194	-694	92
Income from continuing operations	**1,411**	**-56**	**1,467**	**-660**
Income from discontinued operations	221	9,791	-9,570	9,816
Income	**1,632**	**9,735**	**-8,103**	**9,156**
of which:				
Non-controlling interests	49	626	-577	643
RWE AG hybrid capital investors' interest	–	15	-15	15
Net income/income attributable to RWE AG shareholders	**1,583**	**9,094**	**-7,511**	**8,498**
Adjusted net income	**762**	**-**	**-**	**-**

1 Some prior-year figures changed due to retroactive adjustments to the first-time consolidation of the E.ON operations acquired in 2019.

Income before taxes from our continuing operations totalled €1,911 million (previous year: -€250 million). Taxes on income amounted to -€500 million, which corresponds to an effective tax rate of 26%. This relatively high figure is due to the fact that we cannot currently capitalise any deferred taxes in the RWE AG tax group unless they are offset by deferred tax liabilities. Deferred tax assets are entitlements to future tax reductions resulting from differences in the recognition and/or measurement of assets and liabilities between the tax and IFRS balance sheets. The capitalisation of deferred taxes is subject to the prerequisite that taxable profits arise in future fiscal periods which allow the tax reduction to be used. This is currently not foreseeable for RWE AG's tax group.

After taxes, income achieved by our continuing operations totalled €1,411 million (previous year: -€56 million).

Income from discontinued operations amounted to €221 million. It is attributable to our stake in Slovak energy provider VSE, which we acquired from innogy in 2019 and sold to E.ON in August 2020 (see page 1). In addition to income from VSE's operating activities, the figure also includes the deconsolidation gain of €154 million. Last year's financial statements still contained the €9,791 million in income of all the discontinued innogy operations which, with the exception of VSE, were sold in September 2019. The sale led to a substantial deconsolidation gain (€8,258 million).

Non-controlling interests in income decreased by €577 million to €49 million because we divested our 76.8 % stake in innogy last year. Therefore, there was no more income attributable to non-controlling interests in the innogy Group.

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

The RWE Group's net income amounted to €1,583 million (previous year: €9,094 million). This corresponds to earnings per share of €2.54 (previous year: €14.79). An average of 624.3 million shares were outstanding during the reporting period. This figure exceeded the one posted for 2019 (614.7 million) owing to the capital increase conducted in August 2020.

Reconciliation to adjusted net income January – September 2020 € million	Original figures	Adjustment	Adjusted figures
Adjusted EBIT	**1,145**	**–**	**1,145**
Non-operating result	1,161	- 1,161	–
Financial result	- 395	164	- 231
Income from continuing operations before taxes	**1,911**	**- 997**	**914**
Taxes on income	- 500	363	- 137
Income from continuing operations	**1,411**	**- 634**	**777**
Income from discontinued operations	221	- 221	–
Income	**1,632**	**- 855**	**777**
of which:			
Non-controlling interests	49	- 34	15
Net income/income attributable to RWE AG shareholders	**1,583**	**- 821**	**762**

Adjusted net income totalled €762 million. This figure differs from net income according to IFRS in that the non-operating result, which reflects exceptional items, and other major non-recurrent effects are deducted from it. We did not calculate adjusted net income for 2019 because this figure would have been of limited informational value due to the significant one-off effects of the asset swap with E.ON.

Capital expenditure on property, plant and equipment and on intangible assets[1] € million	Jan – Sep 2020	Jan – Sep 2019	+/–	Jan – Dec 2019
Offshore Wind	473	327	146	492
Onshore Wind / Solar	845	358	487	752
Hydro / Biomass / Gas	95	137	–42	212
Supply & Trading	32	12	20	29
Other, consolidation	–1	–2	1	–3
Core business	**1,444**	**832**	**612**	**1,482**
Coal / Nuclear	118	206	–88	281
RWE Group	**1,562**	**1,038**	**524**	**1,767**[2]

1 Table only shows cash investments; prior-year figures restated accordingly.
2 Including a €4 million consolidation effect between the core business and the Coal / Nuclear segment.

Capital expenditure on financial assets[1] € million	Jan – Sep 2020	Jan – Sep 2019	+/–	Jan – Dec 2019
Offshore Wind	34	–	34	–
Onshore Wind / Solar	24	12	12	46
Hydro / Biomass / Gas	115	2	113	2
Supply & Trading	15	66	–51	68
Other, consolidation	–90	–113	23	–112
Core business	**98**	**–33**	**131**	**4**
Coal / Nuclear	2	–	2	–
RWE Group	**100**	**–33**	**133**	**4**

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

Capital expenditure up 65 % on 2019

In the first three quarters of 2020, capital expenditure amounted to €1,662 million (previous year: €1,005 million). Unlike in the past, we now only focus on capital expenditure with an effect on cash in our financial reporting. We spent €1,562 million on property, plant and equipment and intangible assets – much more than in 2019 (€1,038 million). The first-time inclusion of capital expenditure in the renewable energy business received from E.ON came to bear here. In the period under review, a substantial portion of the funds was used to build the Triton Knoll (857 MW) and Kaskasi (342 MW) North Sea wind farms as well as several large-scale onshore wind farms in the USA, e. g. Raymond East/West (440 MW), Scioto Ridge (250 MW) and Cassadaga (126 MW). Our capital spending on financial assets amounted to €100 million (previous year: –€33 million). The most important transaction was the acquisition of the 382 MW King's Lynn gas-fired power plant in east England, which we acquired from UK energy utility Centrica in February.

Cash flow statement[1] € million	Jan – Sep 2020	Jan – Sep 2019	+/–	Jan – Dec 2019
Funds from operations	1,813	669	1,144	1,809
Change in working capital	-45	-2,121	2,076	-2,786
Cash flows from operating activities of continuing operations	**1,768**	**-1,452**	**3,220**	**-977**
Cash flows from investing activities of continuing operations	**-1,962**	**1,692**	**-3,654**	**474**
Cash flows from financing activities of continuing operations	**1,119**	**1,767**	**-648**	**189**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	-23	11	-34	13
Total net changes in cash and cash equivalents	**902**	**2,018**	**-1,116**	**-301**
Cash flows from operating activities of continuing operations	1,768	-1,452	3,220	-977
Minus capital expenditure	-1,662	-1,005[2]	-657	-1,771
Plus proceeds from divestitures/asset disposals	321	481[2]	-160	695
Free cash flow	**427**	**-1,976**	**2,403**	**-2,053**

1 All items solely relate to continuing operations.
2 Figures changed retrospectively due to retroactive adjustments to the first-time consolidation of the E.ON operations acquired in 2019.

Operating cash flow improves significantly to €1.8 billion

Our continuing operations generated cash flows from operating activities of €1,768 million (previous year: -€1,452 million). The substantial improvement over 2019 is due in part to the positive development of the operating result. Effects reflecting the change in working capital had a substantial impact. For example, cash outflows from commodity forwards in the period being reviewed were much lower than a year before.

Investing activities of continuing operations led to a cash outflow of €1,962 million. This was predominantly due to capital expenditure on property, plant and equipment and financial assets, with proceeds from the sale of securities having a counteracting effect. The latter were much higher in the first nine months of 2019 and the main reason why there was a net cash inflow from investing activities of €1,692 million.

Financing activities of continuing operations led to cash inflows of €1,119 million (previous year: €1,767 million). The capital increase implemented in August, which produced proceeds of €1,990 million, was the key factor. In addition, debt issuances exceeded redemptions, resulting in a net cash inflow of €133 million. This was contrasted by dividend payments to minority and RWE shareholders of €25 million and €492 million, respectively.

On balance, the aforementioned cash flows from operating, investing and financing activities increased our cash and cash equivalents by €902 million.

Free cash flow reflected the significant rise in operating cash flows. At €427 million, it was clearly up on last year's corresponding negative figure (-€1,976 million).

Net debt[1] € million	30 Sep 2020	31 Dec 2019	+/–
Cash and cash equivalents	4,095	3,192	903
Marketable securities	3,932	3,523	409
Other financial assets	2,024	2,383	-359
Financial assets	**10,051**	**9,098**	**953**
Bonds, other notes payable, bank debt, commercial paper	2,359	2,466	-107
Hedging of bond currency risk	18	7	11
Other financial liabilities	2,759	3,147	-388
Financial liabilities	**5,136**	**5,620**	**-484**
Minus 50% of the hybrid capital recognised as debt	-558	-562	4
Net financial assets (including correction of hybrid capital)	**5,473**	**4,040**	**1,433**
Provisions for pensions and similar obligations	3,931	3,446	485
Surplus of plan assets over benefit obligations	-220	-153	-67
Provisions for nuclear waste management	6,539	6,723	-184
Provisions for dismantling wind farms	1,134	951	183
Net debt of continuing operations	**5,911**	**6,927**	**-1,016**
Net debt of discontinued operations	**–**	**232**	**-232**
Net debt	**5,911**	**7,159**	**-1,248**

1 New definition of net debt: see commentary in the text. In addition, prior-year figures restated due to retroactive adjustments to the initial consolidation of the renewable energy business acquired from E.ON in 2019.

Net debt drops to €5.9 billion

As of 30 September 2020, our net debt amounted to €5,911 million. It was fully attributable to our continuing operations, as we sold the shareholding in VSE stated as a discontinued operation in August 2020 (see page 1). We have redefined net debt in our financial reporting on the current fiscal year. It no longer contains our mining provisions, which essentially cover our obligations to recultivate opencast mining areas. The assets we use to cover these provisions are also disregarded, e.g. our €2.6 billion claim against the state for damages from the lignite phaseout. We restated the prior-year figures accordingly. Our net debt declined by €1,248 million compared to 31 December 2019. This was predominantly due to the capital increase in August, the positive free cash flow, and the deconsolidation of VSE's net debt. Profit distributions had a counteracting effect. Moreover, provisions for pensions increased. This was caused by a market-induced reduction in the discount rates we apply when determining the net present value of the obligations.

Outlook for 2020

IMF anticipates 4 % decline in global economic output

In view of the corona crisis, leading economic research institutes expect world economic output in the current year to be lower than in 2019. The International Monetary Fund (IMF) predicts a drop of 4 %. IMF economists anticipate German gross domestic product declining by 6 %. Their prognoses for our core markets, i. e. the Netherlands (– 5 %) and the USA (– 4 %), are slightly more favourable, whereas their forecast for the United Kingdom (– 10 %) is much worse.

Power consumption much lower than in 2019

Tracking the drop in economic output, demand for electricity will also lag far behind the 2019 level. Based on electricity consumption to date and the economic forecast by the IMF, we currently expect declines of between 3 % and 7 % for the aforementioned RWE core markets. The dampening effect of the corona crisis on demand for energy put wholesale electricity prices under considerable pressure in the first quarter of 2020. However, prices have recovered somewhat since then. It is very difficult to forecast how they will develop.

Operating result only slightly affected by corona crisis due to early forward sales

The development outlined above will only have a limited influence on our current earnings, as we sold forward nearly all of this year's electricity production at firm conditions before 2020. Corona-induced delays in commissioning new US onshore wind farms are causing income from these assets to be slightly below plan this year. This is compounded by the aforementioned losses in our securities portfolio, which are also due to the corona crisis and are curtailing the financial result.

Forecast € million	2019 actual	Outlook for 2020
Adjusted EBITDA	2,489	2,700 – 3,000
of which:		
Core business	2,183	2,150 – 2,450
of which:		
Offshore Wind	614	900 – 1,100
Onshore Wind / Solar	295	500 – 600
Hydro / Biomass / Gas	672	550 – 650
Supply & Trading	731	150 – 350
Coal / Nuclear	306	500 – 600
Adjusted EBIT	1,267	1,200 – 1,500
Adjusted net income	–	850 – 1,150

RWE confirms earnings forecast for 2020

The earnings forecast we published on pages 94 et seq. of our 2019 Annual Report in March remains in effect. We continue to anticipate adjusted EBITDA of €2,700 million to €3,000 million (thereof core business: €2,150 million to €2,450 million) and adjusted EBIT of €1,200 million to €1,500 million. In view of the strong trading performance during the first nine months, these key figures will probably end the year at the upper end of these ranges.

The outlook for adjusted EBITDA of our core business is as follows:

- Offshore Wind: In light of the favourable wind conditions at our offshore locations to date, we are confident of being able to close the year in the top half of the guided range (€900 million to €1,100 million). This assumes normal weather conditions during the remainder of the year.
- Onshore Wind / Solar: Adjusted EBITDA in this segment will probably be at the bottom of the guided range (€500 million to €600 million). As set out earlier, we are experiencing corona-induced delays in commissioning new wind farms. As a result, the earnings contributed by the affected projects this year will not be as strong as planned. The negative impact of the corona crisis on electricity market prices will also have an earnings-reducing effect. This applies to wind farms, the generation of which we cannot or can only partially sell at fixed conditions, and that are therefore exposed to a market risk.
- Hydro / Biomass / Gas: Here, adjusted EBITDA is also expected to be at the bottom of the guided range (€550 million to €650 million). A main reason for this is the aforementioned fire damage at the Eemshaven power station and the resulting interruption of biomass co-firing.
- Supply & Trading: We anticipate that this segment will close the year at the upper end of the guided range (€150 million to €350 million). Our very good trading performance in the first nine months will come to bear here. However, it is becoming apparent that the business trend for the fourth quarter will be disappointing.

The Coal / Nuclear segment, which is not part of our core business, is still expected to record adjusted EBITDA of between €500 million and €600 million.

Our outlook for adjusted net income also remains unchanged. We continue to expect a figure in the middle of the guided range of €850 million to €1,150 million. In addition to the positive operating development, the corona-induced decline in the financial result will come to bear here.

Capital expenditure on property, plant and equipment markedly up

We also confirm our outlook in respect of capital spending. Capital expenditure on property, plant and equipment and intangible assets will be much higher than in 2019 (€1,767 million). The first full-year inclusion of the renewable energy business received from E.ON in our consolidated figures will come to bear here. Our most important construction projects in the current year are the Triton Knoll and Kaskasi North Sea wind farms as well as several large-scale onshore wind farms in the USA. We plan to spend €200 million to €300 million in the Coal / Nuclear segment. These funds are primarily being used to maintain our power plants and opencast mines.

Leverage factor well below 3.0 due to capital increase

One of our main management parameters is the ratio of net debt to adjusted EBITDA of the core business, also referred to as the leverage factor. We calculate this key performance indicator based on a new definition of net debt, which has been provided on page 14. We set the long-term upper limit for the leverage factor at 3.0. Due to the capital increase in August, we expect to be clearly below this cap at the end of the current fiscal year.

Interim consolidated financial statements (condensed)

Income statement

€ million	Jul – Sep 2020	Jul – Sep 2019[1]	Jan – Sep 2020	Jan – Sep 2019[1]
Revenue (including natural gas tax/electricity tax)	**2,963**	**2,655**	**9,542**	**9,171**
Natural gas tax/electricity tax	-46	-36	-150	-111
Revenue[2]	**2,917**	**2,619**	**9,392**	**9,060**
Cost of materials	-1,615	-1,729	-5,262	-6,894
Staff costs	-517	-492	-1,647	-1,532
Depreciation, amortisation and impairment losses	-387	-574	-1,122	-1,087
Other operating result	81	-31	679	244
Income from investments accounted for using the equity method	74	74	252	239
Other income from investments	3	15	14	17
Financial income	622	98	1,584	503
Finance costs	-713	-163	-1,979	-800
Income from continuing operations before tax	**465**	**-183**	**1,911**	**-250**
Taxes on income	-51	43	-500	194
Income from continuing operations	**414**	**-140**	**1,411**	**-56**
Income from discontinued operations	171	8,480	221	9,791
Income	**585**	**8,340**	**1,632**	**9,735**
of which: non-controlling interests	12	76	49	626
of which: RWE AG hybrid capital investors' interest				15
of which: net income/income attributable to RWE AG shareholders	**573**	**8,264**	**1,583**	**9,094**
Basic and diluted earnings per share in €[3]	**0.90**	**13.44**	**2.54**	**14.79**
of which: from continuing operations in €[3]	0.64	-0.17	2.24	-0.14
of which: from discontinued operations in €[3]	0.26	13.61	0.30	14.93

1 Prior-year figures restated: in the first three quarters of 2019, the implementation of the failed own use IFRS IC agenda decision drove down revenue and the cost of materials by €47 million and €173 million respectively. This did not impact on earnings, as the other operating result decreased by €126 million in light of this; see page 116 of the 2019 annual report for background information. Furthermore, some prior-year figures were restated due to a retroactive change in the first-time consolidation of the acquired E.ON activities; see page 35 of the interim report for the first half of 2020.
2 A presentation of revenue by segment can be found on page 6 of the interim statement.
3 The average number of shares outstanding was higher than in 2019 due to the capital increase conducted in August 2020; see pages 1 and 11 of the interim statement for related commentary.

Statement of comprehensive income

Amounts after tax € million	Jul – Sep 2020	Jul – Sep 2019[1]	Jan – Sep 2020	Jan – Sep 2019[1]
Income	**585**	**8,340**	**1,632**	**9,735**
Actuarial gains and losses of defined benefit pension plans and similar obligations	-479	-368	-376	-974
Income and expenses of investments accounted for using the equity method (pro rata)	-1	146	-27	145
Fair valuation of equity instruments	-91	-82	21	23
Income and expenses recognised in equity, not to be reclassified through profit or loss	**-571**	**-304**	**-382**	**-806**
Currency translation adjustment	69	737	-453	779
Fair valuation of debt instruments	10	-28	7	36
Fair valuation of financial instruments used for hedging purposes	-424	33	-146	-363
Income and expenses of investments accounted for using the equity method (pro rata)		-4	-2	-4
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**-345**	**738**	**-594**	**448**
Other comprehensive income	**-916**	**434**	**-976**	**-358**
Total comprehensive income	**-331**	**8,774**	**656**	**9,377**
of which: attributable to RWE AG shareholders	-342	8,416	644	8,622
of which: attributable to RWE AG hybrid capital investors				15
of which: attributable to non-controlling interests	11	358	12	740

1 Some prior-year figures restated due to a retroactive change in the first-time consolidation of the acquired E.ON activities; see page 35 of the interim report on the first half of 2020.

Balance sheet

Assets € million	30 Sep 2020	31 Dec 2019[1]
Non-current assets		
Intangible assets	4,526	4,777
Property, plant and equipment	19,258	19,016
Investments accounted for using the equity method	3,180	3,281
Other non-current financial assets	4,469	4,337
Receivables and other assets	3,803	3,668
Deferred taxes	429	689
	35,665	**35,768**
Current assets		
Inventories	1,679	1,585
Trade accounts receivable	2,267	3,621
Receivables and other assets	10,450	15,311
Marketable securities	3,644	3,258
Cash and cash equivalents	4,095	3,192
Assets held for sale		1,274
	22,135	**28,241**
	57,800	**64,009**

Equity and liabilities € million	30 Sep 2020	31 Dec 2019[1]
Equity		
RWE AG shareholders' interest	17,857	16,964
Non-controlling interests	228	503
	18,085	**17,467**
Non-current liabilities		
Provisions	19,309	18,937
Financial liabilities	3,694	3,924
Other liabilities	2,100	1,912
Deferred taxes	1,832	2,164
	26,935	**26,937**
Current liabilities		
Provisions	2,598	2,638
Financial liabilities	1,425	1,689
Trade accounts payable	1,947	2,987
Other liabilities	6,810	11,781
Liabilities held for sale		510
	12,780	**19,605**
	57,800	**64,009**

1 Some prior-year figures restated due to a retroactive change in the first-time consolidation of the acquired E.ON activities; see page 35 of the interim report on the first half of 2020.

Cash flow statement

€ million	Jan – Sep 2020	Jan – Sep 2019
Income from continuing operations	1,411	-56
Depreciation, amortisation and impairment losses/write-backs	1,072	1,098
Changes in provisions	-232	-240
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	-438	-133
Changes in working capital	-45	-2,121
Cash flows from operating activities of continuing operations	**1,768**	**-1,452**
Cash flows from operating activities of discontinued operations	50	-561
Cash flows from operating activities	**1,818**	**-2,013**
Cash flows from investing activities of continuing operations[1]	**-1,962**	**1,692**
Cash flows from investing activities of discontinued operations[2]	-76	-1,189
Cash flows from investing activities[2]	**-2,038**	**503**
Cash flows from financing activities of continuing operations	**1,119**	**1,767**
Cash flows from financing activities of discontinued operations	7	52
Cash flows from financing activities	**1,126**	**1,819**
Net cash change in cash and cash equivalents[2]	906	309
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents[2]	-23	13
Net change in cash and cash equivalents	**883**	**322**
Cash and cash equivalents at beginning of reporting period	3,212	5,225
of which: reported as 'Assets held for sale'	20	1,702
Cash and cash equivalents at beginning of reporting period as per the consolidated balance sheet	3,192	3,523
Cash and cash equivalents at end of reporting period	**4,095**	**5,547**
of which: reported as 'Assets held for sale'		6
Cash and cash equivalents at end of reporting period as per the consolidated balance sheet	**4,095**	**5,541**

1 After the initial/subsequent transfer to plan assets in the amount of €97 million (prior-year period: €41 million).
2 Figures restated due to the change in the presentation of the purchase price paid to innogy for the acquisition of the 49% stake in Slovak energy utility VSE in the previous year.

Financial calendar 2021

16 March 2021	Annual report for fiscal 2020
28 April 2021	Annual General Meeting
29 April 2021	Ex-dividend date
3 May 2021	Dividend payment
12 May 2021	Interim statement on the first quarter of 2021
12 August 2021	Interim report on the first half of 2021
11 November 2021	Interim statement on the first three quarters of 2021

This document was published on 12 November 2020. It is a translation of the German interim statement on the first three quarters of 2020. In case of divergence from the German version, the German version shall prevail.

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