Interim statement on the first three quarters of 2018

- RWE Group adjusted EBITDA of €1.1 billion in line with expectations
- Net debt down due to high cash flows from variation margins
- Full-year outlook unchanged: adjusted EBITDA of €1.5 billion to €1.8 billion expected
- Curtailment of earnings from 2019 onwards due to temporary halt to clearance of Hambach Forest

RWE

Powering. Reliable. Future.

AT A GLANCE

RWE Group – key figures[1]		Jan – Sep 2018	Jan – Sep 2017	+/– %	Jan – Dec 2017
Power generation	billion kWh	131.6	150.8	–12.7	200.2
External revenue (excluding natural gas tax/electricity tax)	€ million	9,993	10,342	–3.4	13,822
Adjusted EBITDA	€ million	1,139	1,557	–26.8	2,149
Adjusted EBIT	€ million	465	862	–46.1	1,170
Income from continuing operations before taxes	€ million	–42	2,327	–101.8	2,056
Net income	€ million	–65	2,219	–102.9	1,900
Earnings per share	€	–0.11	3.61	–103.0	3.09
Cash flows from operating activities of continuing operations	€ million	3,713	–4,351	185.3	–3,771
Capital expenditure	€ million	863	544	58.6	902
Property, plant and equipment and intangible assets	€ million	687	426	61.3	706
Financial assets	€ million	176	118	49.2	196
Free cash flow	€ million	2,912	–4,662	162.5	–4,439
		30 Sep 2018	31 Dec 2017		
Net debt of continuing operations	€ million	4,335	–	–	
Workforce[2]		17,653	19,106	–7.6	

1 Change in reporting; see commentary on page 4 et seq.
2 Converted to full-time positions.

CONTENTS

MAJOR EVENTS

In the period under review

RWE subsidiary innogy partners up for Triton Knoll offshore wind project

In line with its strategy of carrying out large-scale offshore wind projects with partners, innogy sold stakes of 25 % and 16 % in the Triton Knoll project to the Japanese energy groups J-Power and Kansai Electric Power. innogy retains the majority of Triton Knoll (59 %). The transaction was contractually agreed in the middle of August and closed in September. Triton Knoll is an offshore wind farm with a total capacity of approximately 860 MW which is due to be built off the east coast of England. innogy and its new partners will invest a total of around £2 billion to this end. A large portion of this sum (£1.75 billion) will be provided by an international consortium of banks. innogy developed Triton Knoll and will also be responsible for the construction and operation of the wind farm. Once project financing had been secured, work began in September on the onshore grid connection and construction of the wind farm is scheduled to begin soon. If the project progresses as planned, the 90 wind turbines could be commissioned successively from 2021 onwards. The state has guaranteed a payment of £74.75 per MWh for the electricity fed into the grid. The subsidy period is 15 years.

UK's Galloper offshore wind farm officially in operation since September

The official inauguration celebrations for the Galloper wind farm took place in London at the end of September. innogy owns 25 % of the wind farm, operates it and was mainly responsible for its development and construction. Galloper is 27 kilometres off the coast of Suffolk and consists of 56 turbines with a total capacity of 353 MW. The wind farm has been fully online since March and has the capability to supply about 380,000 households. The total investment in Galloper amounted to £1.5 billion.

innogy to build Australia's largest solar farm

In September, innogy decided to invest in the Limondale ground-mounted solar array in the state of New South Wales in Australia. On completion in the middle of 2020, the solar farm should have a total net installed capacity of 349 MW. This would currently make it the largest solar farm in Australia. Belectric, the company acquired by innogy in early 2017, is responsible for construction and will also handle Limondale's operation and maintenance. Belectric has already built ground-mounted solar farms with a total of approximately 2 GW in capacity globally, including projects in Australia.

Niederaussem E and F units placed on security standby

On 30 September, two 300 MW units (E and F) of the Niederaussem lignite-fired power plant were taken offline as planned. However, they can be brought back onto the grid within ten days to bridge significant electricity shortages. They were switched off under Germany's lignite security standby scheme, which was enshrined in law in 2016 for environmental reasons. Under the regime, a total of eight lignite units with a combined 2.7 GW must be taken off the market from 2016 to 2019 and placed on standby as the last resort to ensure security of supply for four years each until they are shut down for good. Five of the eight stations, which have a total capacity of 1.5 GW, belong to RWE. In 2017, we already placed units P and Q of the Frimmersdorf power plant on security standby. Unit C of the Neurath power station will follow suit as of 1 October 2019.

We presented the major events which took place from January to the beginning of August 2018 on pages 4 to 10 of the interim report on the first half of 2018.

After the period under review

German Court orders temporary halt to clearance of Hambach Forest – delays in Hambach mining activity expected – RWE anticipates decline in earnings from 2019 onwards

On 5 October, the Münster Higher Administrative Court ruled in summary proceedings that RWE Power may not clear Hambach Forest, which is near Cologne, for the time being. This will most likely lead to a massive curtailment of lignite production from the Hambach opencast mine. We anticipate annual volume shortfalls of 10 million to 15 million metric tons over the medium term (2019 to 2021). This will probably reduce EBITDA by €100 million to €200 million per year. The clearance of Hambach Forest is part of the mine's main operating plan for 2018 to 2020, which was approved in March 2018 by the relevant district government under an immediate implementation order. Thereupon, the BUND environmental activist group filed a motion to set aside the immediate implementation, which was denied by the Cologne Administrative Court. However, the Münster Higher Administrative Court granted the motion for an appeal by BUND against the Cologne ruling by preliminarily stopping the clearance of Hambach Forest, although the other opencast mining activities can be continued. The court's rationale for its decision was that the legal situation cannot be resolved in summary proceedings due to its complexity.

If and when Hambach Forest can be cleared must now be decided in the principal proceedings, which are pending before the Cologne Administrative Court. The main question is whether the remainder of Hambach Forest, which covers about 200 hectares, is subject to the protective provisions applicable to flora and fauna habitats (FFH areas) under European law. According to an expert opinion published by the Kiel Institute for Landscape Ecology at the beginning of 2018, this is not the case. The same conclusion was reached by the Cologne Administrative Court in an earlier lawsuit filed by BUND concerning the general operating plan for 2020 to 2030. The case was dismissed on 24 November 2017. On 5 October 2018, the Münster Higher Administrative Court granted the motion for an appeal by BUND against this decision. As a result, both the Cologne Administrative Court and the Münster Higher Administrative Court are addressing the FFH issue in principal proceedings. It remains to be seen when a final ruling will be handed down. It is possible that this will not happen until the end of 2020. We are doing all we can to ensure that the proceedings are concluded as soon as possible.

The temporary halt to the clearance has far-reaching ramifications for RWE. Having already renounced our rights during the last clearance period, which ran from October 2017 to February 2018, we now expect there to be substantial effects on the scheduled development of the Hambach opencast mine. First, the equipment at the top-most level, which is already right in front of the forest, will have to stop operating. Then, the excavators will hit the lower layers, preventing them from uncovering coal. We must carry out extensive investigations in order to determine the consequences for the operation of the opencast mine in detail. Only then can the ramifications for the workers be quantified.

Electricity generated from Hambach lignite covers about 15 % of demand in the state of North Rhine-Westphalia. It is not only the power plants at the Neurath and Niederaussem sites that rely on the coal produced by the opencast mine, but also refining factories, which supply a large number of small and medium-sized enterprises with lignite products for their electricity and heat generation. This affects about 4,600 RWE employees and numerous supplier personnel who work in the Hambach mining area as well as in the connected power stations and businesses.

Dutch Claus C gas-fired power station will go back online

Claus C, our mothballed Dutch gas-fired power plant in Maasbracht, will return to operation. This was decided by the Executive Board of RWE Generation in October. The station has a net installed capacity of 1,304 MW and, at 58 %, meets the highest efficiency standards. It was commissioned in 2012 but taken offline two years later due to its lack of profitability. The reasons for it coming back online are improved market conditions and rising demand for flexible generation capacity. Commercial opportunities could also arise as Belgium intends to phase out nuclear energy and would therefore need additional generation capacity. Claus C could be connected to the Belgian grid thanks to its proximity to the border. However, it will probably take two years for the power station to be fully operational again, partly because extensive maintenance work has to be carried out.

Rating agency Fitch confirms RWE's investment-grade rating

At the beginning of October, the rating agency Fitch announced that it continues to rate RWE's long-term creditworthiness as 'BBB' with a stable outlook. This was preceded by a rating review triggered by our planned asset swap with E.ON; in March 2018, we agreed to transfer our majority stake in innogy to them in exchange for their and innogy's renewable activities as well as other assets. More detailed commentary on this transaction, which we intend to complete in 2019, can be found on the following page. Fitch is of the opinion that the asset swap will improve our financial profile because the renewables business has a high share of stable, regulated income. The agency Moody's confirmed its rating of RWE as early as May, having subjected it to a review. Moody's rating of our long-term creditworthiness is 'Baa3' with a stable outlook.

COMMENTARY ON REPORTING

New presentation of innogy's activities

On 12 March 2018, RWE and E.ON agreed to redistribute their business operations. E.ON will acquire RWE's 76.8 % stake in innogy SE. In return, RWE will receive the following shareholdings and assets: (1) a 16.67 % stake in E.ON which will be created by way of a capital increase from authorised capital in exchange for contributions in kind; (2) nearly the entire renewable energy business of E.ON; (3) innogy's renewable energy business; (4) the non-controlling interests held by the E.ON subsidiary PreussenElektra in the RWE-operated nuclear power stations Gundremmingen and Emsland of 25 % and 12.5 %, respectively; (5) innogy's gas storage business and (6) the 37.9 % stake in the Austrian energy utility KELAG held by innogy. In addition, RWE will pay €1.5 billion to E.ON. The transfer of the business activities and equity holdings is scheduled to take retroactive commercial effect from 1 January 2018. We expect to be able to complete the transaction by the end of 2019.

The agreed asset swap requires reporting to be adjusted. A new methodology was adopted for the first time in the interim report on the first half of 2018. Before then, we had presented innogy as a fully consolidated group in its own segment. Now this segment only comprises those parts of innogy remaining within the RWE Group after the transaction. The other parts, which will permanently be transferred to E.ON, will be classified as 'discontinued operations' until they are sold. This primarily applies to the distribution networks and retail business.

The details of the change in accounting treatment are as follows:

- We are recognising the innogy business assigned to E.ON in the income statement only in condensed form under 'income from discontinued operations'. It will no longer be considered in the Group's sales volume, revenue, adjusted EBITDA, adjusted EBIT, non-operating result, financial result, or taxes on income. Prior-year figures will be adjusted accordingly. We will not calculate IFRS adjusted net income until the E.ON/innogy deal closes, because this financial indicator is of limited informational value during the transitional period.

- On the consolidated balance sheet, the affected business operations have been combined under 'assets held for sale' and 'liabilities held for sale'. In accordance with IFRS, we are maintaining the presentation of the previous year's balance sheet figures.

- In the cash flow statement in the consolidated financial statements, we recognise the cash flows from discontinued operations for the reporting and prior-year periods separately. We take a different approach in the condensed cash flow statement in the review of operations. Here, we only state cash flows from continuing operations.

Group structure featuring four segments

In our financial reporting the RWE Group is still divided into four segments (divisions). Whereas we continue to report on the Lignite & Nuclear, European Power and Supply & Trading divisions, innogy has been replaced by the segment 'innogy – continuing operations'.

The individual segments are as follows:

- Lignite & Nuclear: This segment encompasses our German electricity generation from lignite and nuclear power as well as our lignite mining operations in the Rhineland. These activities are managed by our subsidiary RWE Power. We also report the 51 % stake in Hungary-based Mátra, which generates electricity from lignite and was sold in March 2018, in this division. The segment also includes our investments in the Dutch nuclear power plant operator EPZ (30 %) and the German company URANIT (50 %), which holds a 33 % stake in Urenco, a uranium enrichment specialist.

- European Power: This is where we report on our electricity production from gas, hard coal and biomass, which focuses on Germany, the United Kingdom and the Benelux region. The segment also includes some hydroelectric power plants in Germany and Luxembourg, our 70 % stake in the Turkish gas-fired power station Denizli, and RWE Technology International, which specialises in project management and engineering services. All of these activities are under the responsibility of RWE Generation.

- Supply & Trading: This division encompasses the activities of RWE Supply & Trading. The company's main activity is its independent commodity trading business. In addition, it acts as an intermediary for gas, supplies large industrial and corporate customers with energy and makes short to medium-term investments in energy assets and energy companies with which attractive returns can be achieved after taking value-enhancing measures and selling them on (principal investments). Moreover, RWE Supply & Trading markets RWE's electricity generation and commercially optimises power plant dispatch. However, earnings achieved through the latter activities are reported in the Lignite & Nuclear and European Power segments.

- innogy – continuing operations: The segment includes only those parts of the innogy that are to remain within the RWE Group over the long term. This holds true above all for the renewable energy business: innogy is a leading European producer of electricity from renewable sources, in particular wind, focusing on Germany, the United Kingdom, Spain, the Netherlands, Poland and Italy. E.ON will transfer these operations back to us after the acquisition of innogy. The same applies to innogy's gas storage facilities, which are located in Germany and the Czech Republic, as well as to the 37.9 % interest in the Austria-based energy utility KELAG.

Individual companies with cross-segment tasks, e. g. the Group holding company RWE AG, are stated under 'other, consolidation'. This item also includes our 25.1 % stake in the German electricity transmission system operator Amprion.

Change in revenue recognition due to adoption of IFRS 15

In the 2018 fiscal year, we began applying the new accounting standard IFRS 15 'Revenue from Contracts with Customers'. One of the consequences is that changes in the fair value of commodity derivatives, which occur before the contracts are realised, must be recognised in other operating income instead of in revenue or the cost of materials. Therefore, the revenue we state for 2018 is much lower, particularly in the gas business. Prior-year figures have not been adjusted.

Financial instruments have stronger effect on earnings due to adoption of IFRS 9

We also started to apply the new accounting standard IFRS 9 'Financial Instruments' this year. This results in changes to the classification and valuation of financial instruments, to hedge accounting and to the recognition of impairments due to expected payment defaults. Again, prior-year figures have not been adjusted. Changes in the fair value of some of our securities are no longer recognised without an effect on profit or loss. This results in increased volatility on the income statement. Furthermore, the recognition of expected credit losses reduces our assets. In consequence, net debt is slightly higher.

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 these statements.

BUSINESS PERFORMANCE

External revenue € million	Jan – Sep 2018	Jan – Sep 2017	+/– %	Jan – Dec 2017
Lignite & Nuclear	813	923	–11.9	1,259
European Power	660	687	–3.9	923
Supply & Trading	7,739	7,948	–2.6	10,517
innogy – continuing operations	765	756	1.2	1,087
Other, consolidation	16	28	–42.9	36
RWE Group (excluding natural gas tax/electricity tax)	**9,993**	**10,342**	**–3.4**	**13,822**
Natural gas tax/electricity tax	102	101	1.0	131
RWE Group	**10,095**	**10,443**	**–3.3**	**13,953**

External revenue by product[1] € million	Jan – Sep 2018	Jan – Sep 2017	+/– %	Jan – Dec 2017
Electricity revenue	**7,366**	**7,695**	**–4.3**	**10,430**
of which:				
Lignite & Nuclear	218	327	–33.3	451
European Power	374	468	–20.1	594
Supply & Trading	6,229	6,384	–2.4	8,628
innogy – continuing operations	545	515	5.8	755
Gas revenue	**1,123**	**1,421**	**–21.0**	**1,795**
of which:				
Supply & Trading	1,075	1,375	–21.8	1,738
innogy – continuing operations	36	39	–7.7	48
Other revenue	**1,504**	**1,226**	**22.7**	**1,597**
RWE Group (excluding natural gas tax/electricity tax)	**9,993**	**10,342**	**–3.4**	**13,822**

1 Gas revenue in the European Power segment and electricity revenue under ‘other, consolidation’ is not stated separately because it is immaterial.

External revenue 3 % down year on year

In the first three quarters of 2018, RWE recorded external revenue of €9,993 million from continuing operations (without taxes on natural gas or electricity). This represents a drop of 3 % compared to the same period last year. Electricity revenue decreased by 4 % to €7,366 million in part because RWE Supply & Trading, which markets the lion’s share of the Group’s production externally, sold less electricity due to a decline in generation volume. Further revenue shortfalls were experienced in the Lignite & Nuclear segment as a result of the sale of the Hungarian lignite-based power producer Mátra and in the European Power segment due to a drop in the utilisation of the Denizli gas-fired power station in Turkey. The Group’s gas revenue declined by 21 % to €1,123 million despite a slight increase in sales volume. One reason was lower income from the realisation of hedges. Moreover, the first-time adoption of IFRS 15 resulted in certain items no longer being recognised in revenue (see commentary on the preceding page).

Internal revenue € million	Jan – Sep 2018	Jan – Sep 2017	+/– %	Jan – Dec 2017
Lignite & Nuclear	1,782	2,185	–18.4	2,897
European Power	2,753	2,876	–4.3	3,967
Supply & Trading	2,686	2,715	–1.1	3,419
innogy – continuing operations	271	270	0.4	377

Adjusted EBITDA € million	Jan – Sep 2018	Jan – Sep 2017	+/– %	Jan – Dec 2017
Lignite & Nuclear	240	551	–56.4	671
European Power	234	324	–27.8	463
Supply & Trading	183	201	–9.0	271
innogy – continuing operations	488	511	–4.5	785
Other, consolidation	–6	–30	80.0	–41
RWE Group	**1,139**	**1,557**	**–26.8**	**2,149**

Adjusted EBITDA 27 % down year on year

Our adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) amounted to €1,139 million. This was €418 million, or 27 %, less than last year's corresponding figure. Shrinking margins and volumes in conventional electricity generation were the main reasons. Furthermore, earnings achieved in the first three quarters of 2017 included high capital gains on property sales. The following developments were observed in the segments:

- Lignite & Nuclear: This division's adjusted EBITDA declined by €311 million to €240 million to a great extent because we realised lower wholesale prices for electricity produced by our lignite-fired and nuclear power plants compared to 2017. We had already sold forward almost all of the production of these plants in previous years. The fact that unit B of the Gundremmingen nuclear power station stopped contributing to earnings because it was shut down at the end of 2017 also had a negative impact. We only offset the aforementioned burdens to a small extent through savings achieved by our efficiency-enhancement programme.

- European Power: Adjusted EBITDA recorded by this segment totalled €234 million. This was €90 million less than last year. The fact that the figure for the first three quarters of 2017 benefited from capital gains on property sales came to bear. Moreover, the margins which we realised through forward sales of electricity from our gas and hard coal-fired power stations declined. The payments we have been receiving since October 2017 for participating in the UK capacity market had a positive effect.

- Supply & Trading: Here, adjusted EBITDA dropped by €18 million to €183 million. Whereas our energy trading performance improved over 2017, we fell short of the exceptionally high earnings achieved in the gas business in the first nine months of 2017. In addition, RWE Supply & Trading made a value adjustment for an equity stake acquired as part of its principal investment activities (see page 5).

- innogy – continuing operations: Adjusted EBITDA posted by the innogy business remaining with RWE amounted to €488 million, €23 million less than last year's comparable figure. One reason for this was that overall capacity utilisation at innogy's wind farms was lower than in 2017 due to unfavourable weather conditions. Furthermore, startup costs were incurred for projects which will only start to generate revenue later on. This was contrasted by additional income from newly commissioned wind turbines.

Adjusted EBIT € million	Jan – Sep 2018	Jan – Sep 2017	+/– %	Jan – Dec 2017
Lignite & Nuclear	38	349	–89.1	399
European Power	14	96	–85.4	155
Supply & Trading	179	197	–9.1	265
innogy – continuing operations	226	250	–9.6	398
Other, consolidation	8	–30	126.7	–47
RWE Group	**465**	**862**	**–46.1**	**1,170**

Adjusted EBIT totalled €465 million, which was 46 % less than the comparable figure for 2017. This figure differs from adjusted EBITDA in that it does not include operating depreciation and amortisation, which amounted to €674 million in the period being reviewed (first three quarters of 2017: €695 million).

Non-operating result € million	Jan – Sep 2018	Jan – Sep 2017	+/– € million	Jan – Dec 2017
Capital gains/losses	–24	120	–144	107
Impact of derivatives on earnings	–191	–188	–3	–480
Other	–34	1,434	–1,468	1,322
Non-operating result	**–249**	**1,366**	**–1,615**	**949**

The non-operating result, in which we recognise certain effects with no or limited relation to the operations in the period under review, totalled –€249 million (first three quarters of 2017: €1,366 million). The individual items developed as follows:

- Sales of investments and assets led to a net book loss of €24 million as opposed to a gain of €120 million in the same period last year. The loss was related to the sale of our 51% stake in the Hungarian lignite-based power producer Mátra, which we completed in March 2018. As a result of the transaction, expenses arising from the conversion of Mátra's financial statements to euros, which were previously recognised in equity, have an effect on earnings. Capital gains on property sales were unable to offset this effect.

- We recognised a loss of €191 million in the 'impact of derivatives on earnings' item, roughly on a par with the figure recorded in the same period last year (–€188 million). We use derivatives to hedge price risks. Pursuant to IFRS, these types of financial instruments are recognised at fair value at the corresponding balance-sheet date, whereas transactions which are hedged with them are only recognised as a profit or loss when they are realised. This results in temporary effects on earnings, which are neutralised over time.

- The earnings stated under 'other' amounted to –€34 million, which was much less than the high figure recorded in the same period last year (€1,434 million), which benefited from the nuclear fuel tax refund. Minor charges in the period under review stemmed from the accrual of provisions for expected expenses associated with the execution of the asset swap with E.ON.

Financial result € million	Jan – Sep 2018	Jan – Sep 2017	+/– € million	Jan – Dec 2017
Interest income	115	191	–76	197
Interest expenses	–135	–248	113	–298
Net interest	**–20**	**–57**	**37**	**–101**
Interest accretion to non-current provisions	–158	–90	–68	–226
Other financial result	–80	246	–326	264
Financial result	**–258**	**99**	**–357**	**–63**

Our financial result deteriorated by €357 million to –€258 million. Its components changed as follows:

- Net interest improved by €37 million to –€20 million, primarily due to lower interest expenses. Our cancellation and buyback of hybrid bonds last year came to bear (see page 54 of the 2017 Annual Report).

- The interest accretion to non-current provisions curtailed earnings by €158 million, having a bigger effect than in 2017. The year-earlier figure (–€90 million) benefited from increases in discount rates for nuclear provisions; the resulting reductions in the net present value of the obligations were recognised as income in the interest accretion. Changes in discount rates also had positive effects on other non-current provisions in 2017, which did not recur in the period under review.

- The 'other financial result' amounted to –€80 million, which was much less than in the first nine months of last year (€246 million). The latter figure was unusually high because it contained the interest we were owed for the nuclear fuel tax payments we had made until 2016 and were refunded thereafter. In addition, we incurred losses from the fair valuation of securities in the period under review. The changes in fair value were presented with an effect on profit or loss for the first time due to the initial adoption of IFRS 9, after having been recognised without an effect on earnings in 2017. Smaller losses from the sale of securities had a positive impact.

At –€42 million, income from continuing operations before tax was far below the comparable figure for 2017 (€2,327 million). We recorded €5 million in tax proceeds in the period under review. This resulted in an effective tax rate of 12 %, which is below the theoretical normal rate. Tax proceeds were a little too low largely because we did not capitalise any deferred taxes in RWE AG's tax group unless they were offset by deferred tax liabilities. This is because we will probably not be able to use the deferred tax assets. They can only be utilised if in later fiscal years tax gains are achieved against which the tax claims can be offset. However, there is currently no sufficient certainty that this will occur in RWE AG's tax group.

After taxes, we posted income of –€37 million from our continuing operations (first three quarters of 2017: €2,044 million). Income from discontinued operations decreased by €20 million to €391 million. Its development was characterised by significant temporary losses from the fair valuation of derivatives. By contrast, a charge incurred in 2017 resulting from a goodwill impairment in the UK retail business did not recur.

Reconciliation to net income		Jan – Sep 2018	Jan – Sep 2017	+/– %	Jan – Dec 2017
Adjusted EBITDA	€ million	**1,139**	**1,557**	**–26.8**	**2,149**
Operating depreciation, amortisation and impairment losses	€ million	–674	–695	3.0	–979
Adjusted EBIT	€ million	**465**	**862**	**–46.1**	**1,170**
Non-operating result	€ million	–249	1,366	–118.2	949
Financial result	€ million	–258	99	–360.6	–63
Income from continuing operations before taxes	€ million	**–42**	**2,327**	**–101.8**	**2,056**
Taxes on income	€ million	5	–283	101.8	–333
Income from continuing operations	€ million	**–37**	**2,044**	**–101.8**	**1,723**
Income from discontinued operations	€ million	391	411	–4.9	592
Income	€ million	**354**	**2,455**	**–85.6**	**2,315**
of which:					
Non-controlling interests	€ million	374	200	87.0	373
RWE AG hybrid capital investors' interest	€ million	45	36	25.0	42
Net income/income attributable to RWE AG shareholders	€ million	**–65**	**2,219**	**–102.9**	**1,900**
Earnings per share	€	–0.11	3.61	–103.0	3.09
Number of shares outstanding (average)	millions	614.7	614.7	–	614.7
Effective tax rate	%	12	12	–	16

The non-controlling interests in income rose by €174 million to €374 million. In the first nine months of last year, impairments recognised for the Hungarian power producer Mátra resulted in income shortfalls for us and the co-owners, which did not recur.

The portion of earnings attributable to RWE hybrid capital investors amounted to €45 million (first three quarters of 2017: €36 million). This sum corresponds to the finance costs related to our £750 million hybrid bond. The bond has a theoretically perpetual tenor. Therefore, associated funds are classified as equity according to IFRS. RWE's other hybrid capital is classified as debt and we recognise the interest accrued on it in the financial result.

As a consequence of the above developments, net income decreased considerably compared to 2017, falling to –€65 million (first three quarters of 2017: €2,219 million). Based on the 614.7 million RWE shares outstanding, earnings per share amounted to –€0.11 (first three quarters of 2017: €3.61).

Capital expenditure on property, plant and equipment and on intangible assets € million	Jan – Sep 2018	Jan – Sep 2017	+/– € million	Jan – Dec 2017
Lignite & Nuclear	140	169	–29	269
European Power	132	86	46	147
Supply & Trading	6	3	3	7
innogy – continuing operations	409	172	237	285
Other, consolidation	–	–4	4	–2
RWE Group	**687**	**426**	**261**	**706**

Capital expenditure on financial assets € million	Jan – Sep 2018	Jan – Sep 2017	+/– € million	Jan – Dec 2017
Lignite & Nuclear	–	1	–1	1
European Power	3	1	2	1
Supply & Trading	36	15	21	30
innogy – continuing operations	136	101	35	153
Other, consolidation	1	–	1	11
RWE Group	**176**	**118**	**58**	**196**

Capital expenditure up 59 % on 2017

RWE spent €863 million in capital in the first nine months of the year. This was €319 million, or 59 %, more than in 2017. Our capital expenditure on property, plant and equipment totalled €687 million, representing an increase of 61 %. The substantial rise was primarily attributable to innogy's continuing operations – in particular the Triton Knoll and Limondale large-scale projects on which we report on page 1. At €176 million, capital expenditure on financial assets was 49 % up on 2017. A large portion of the funds was used by innogy to acquire a portfolio of onshore wind projects in the USA (see page 10 of the interim report on the first half of 2018).

Cash flow statement[1] € million	Jan – Sep 2018	Jan – Sep 2017	+/– € million	Jan – Dec 2017
Funds from operations	336	–4,522	4,858	–3,971
Change in working capital	3,377	171	3,206	200
Cash flows from operating activities of continuing operations	**3,713**	**–4,351**	**8,064**	**–3,771**
Cash flows from investing activities of continuing operations	**–1,320**	**4,248**	**–5,568**	**3,750**
Cash flows from financing activities of continuing operations	**–1,369**	**68**	**–1,437**	**–997**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	14	6	8	–19
Total net changes in cash and cash equivalents	**1,038**	**–29**	**1,067**	**–1,037**
Cash flows from operating activities of continuing operations	3,713	–4,351	8,064	–3,771
Minus capital expenditure[2]	–842	–517	–325	–902
Plus proceeds from divestitures/asset disposals[2]	41	206	–165	234
Free cash flow	**2,912**	**–4,662**	**7,574**	**–4,439**

1 All items solely relate to continuing operations.
2 Only related to items with an effect on cash.

Operating cash flow: significant rise due to received collateral payments

In the first three quarters of 2018, we achieved cash flows from operating activities of €3,713 million. This was much more than in the same period last year (–€4,351 million) when we had to make a large contribution to the German nuclear energy fund. However, our operating cash flow improved even disregarding this effect. A major reason was that we obtained high variation margins in connection with forward contracts for CO_2 certificates and other commodities in the period under review. Variation margins are payments with which transaction partners offset profit and loss positions resulting from the daily revaluation of active contracts. However, their influence on cash flows is temporary and ends once the transactions are realised.

Investing activities of our continuing operations resulted in cash outflows of €1,320 million. In addition to the capital expenditure presented earlier, short-term investments in securities also made a contribution, whereas proceeds on sales of property, plant and equipment and financial assets had a counteracting effect. In the first three quarters of 2017, we recorded substantial cash inflows of €4,248 million, which largely resulted from winding down cash investments. We used the funds to make our contribution to the nuclear energy fund.

Financing activities of our continuing operations also resulted in cash outflows, which amounted to €1,369 million (first three quarters of 2017: €68 million). €1.0 billion thereof was used to make dividend payments to RWE shareholders, co-owners of fully consolidated RWE companies and hybrid investors. In the period under review, we redeemed €0.9 billion and issued €0.5 billion in financial debt.

On balance, the aforementioned cash flows from operating, investing and financing activities increased our cash and cash equivalents by €1,038 million.

The variation margins mentioned above were also reflected in free cash flow, which amounted to €2,912 million. By contrast, the figure recorded in last year's corresponding period (–€4,662 million) was characterised by the contribution to the nuclear energy fund.

Net debt[1] € million	30 Sep 2018	31 Dec 2017	+/– € million
Cash and cash equivalents	4,618	3,933	685
Marketable securities	3,076	5,131	−2,055
Other financial assets	2,054	1,863	191
Financial assets	**9,748**	**10,927**	**−1,179**
Bonds, other notes payable, bank debt, commercial paper	1,571	15,099	−13,528
Hedge transactions related to bonds	15	27	−12
Other financial liabilities	1,308	2,102	−794
Financial liabilities	**2,894**	**17,228**	**−14,334**
Net financial debt	**−6,854**	**6,301**	**−13,155**
Provisions for pensions and similar obligations	2,635	5,420	−2,785
Surplus of plan assets over benefit obligations	−144	−103	−41
Provisions for nuclear waste management	5,905	6,005	−100
Mining provisions	2,531	2,322	209
Provisions for dismantling wind farms	357	359	−2
Adjustment for hybrid capital (portion of relevance to the rating)	−95	−77	−18
Plus 50% of the hybrid capital stated as equity	463	470	−7
Minus 50% of the hybrid capital stated as debt	−558	−547	−11
Net debt of continuing operations	**4,335**	**–**	**–**
Net debt of discontinued operations	**14,132**	**–**	**–**
Net debt	**18,467**	**20,227**	**−1,760**

1 As of the balance-sheet date, discontinued operations are only recognised in the collective item 'net debt of discontinued operations', whereas they were still included in the individual items of the table at the end of 2017.

Net debt down €1.8 billion on the end of last year

As of 30 September 2018, net debt amounted to €18.5 billion, of which €4.3 billion was allocable to our continuing operations and the remainder to our discontinued operations; this was €1.8 billion less than in 2017. The prior-year figures relate to the Group as a whole. With respect to our continuing operations, the significant cash flows from variation margins had a debt-reducing effect, whereas the dividend payments (€1.0 billion) and capital expenditure (€0.8 billion) had a counteracting impact. As regards our discontinued operations, operating cash flow (€1.2 billion) could not fully finance the cash outflows for the dividend payments (€0.5 billion) and capital expenditure (€0.9 billion). Furthermore, we recorded €0.4 billion more in provisions for pensions for these activities. One reason is that the plan assets which cover a large portion of the pension obligations declined due to negative market developments.

OUTLOOK FOR 2018

Adjusted EBITDA forecast € million	2017 actual[1]	Outlook for 2018
RWE Group	2,149	1,500 – 1,800
of which:		
Lignite & Nuclear	671	350 – 450
European Power	463	300 – 400
Supply & Trading	271	100 – 300
innogy – continuing operations	785	700 – 800

1 Figures adjusted; see commentary on page 4.

Unchanged earnings forecast for 2018: adjusted EBITDA of €1.5 billion to €1.8 billion expected

Due to the planned asset swap with E.ON and the subsequent required change in our reporting, we published a structurally adjusted earnings forecast for the full year in August 2018 (see page 26 of the interim report on the first half of 2018). This outlook is maintained. Excluding innogy's business that is due to be transferred to E.ON, the RWE Group's adjusted EBITDA is expected to range between €1.5 billion and €1.8 billion. Last year's comparable figure was €2.1 billion. The earnings forecasts at the segment level also remain unchanged.

We also confirm the August outlook concerning our investing activities. This year, spending on property, plant and equipment will probably total between €1.2 billion and €1.4 billion. Of this sum, €0.8 billion to €1.0 billion has been set aside for innogy's continuing operations, focusing on the expansion of renewable energy. We anticipate that capital expenditure on property, plant and equipment in conventional electricity generation will amount to some €400 million. These funds are mainly earmarked for the maintenance and modernisation of power stations and opencast mines. Some of the funds will be channelled to minor growth projects, e. g. the conversion of our Dutch hard coal-fired power plants to biomass co-firing. The development of the net debt of our continuing operations largely depends on variation margins, which are highly volatile and therefore almost impossible to predict. We currently still expect that year-end net debt will be moderately lower than as of 30 June 2018 (€5.4 billion).

RWE Group with innogy as a purely financial investment: earnings forecast unchanged

For financial planning purposes, we also use Group figures which include innogy as a purely financial investment and not as a fully consolidated group. In so doing, we deviate from IFRS rules, recognising our 76.8 % stake in our subsidiary under 'other financial assets'. We consider innogy in adjusted EBITDA only on the basis of the dividend payment it makes to RWE. Further details on this can be found on page 60 of the 2017 Annual Report. On page 85, it also contains statements on the probable development of key figures calculated by the described method. We had forecast adjusted EBITDA in the range of €1.4 billion to €1.7 billion (2017: €2.1 billion) and adjusted net income in the range of €0.5 billion to €0.8 billion (2017: €1.0 billion). We confirm this outlook. We updated our forecast in relation to year-end net debt in August (see page 26 of the interim report on the first half of 2018) stating that it was expected to be moderately lower than in 2017 (€4.5 billion). We uphold this assessment.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement

€ million	Jul – Sep 2018	Jul – Sep 2017[1]	Jan – Sep 2018	Jan – Sep 2017[1]
Revenue (including natural gas tax/electricity tax)	**3,268**	**2,970**	**10,095**	**10,443**
Natural gas tax/electricity tax	−33	−35	−102	−101
Revenue[2]	**3,235**	**2,935**	**9,993**	**10,342**
Cost of materials	−2,583	−2,181	−7,721	−7,447
Staff costs	−483	−461	−1,457	−1,397
Depreciation, amortisation and impairment losses	−234	−225	−674	−1,021
Other operating result	−29	−98	−45	1,595
Income from investments accounted for using the equity method	63	32	165	95
Other income from investments	−5	55	−45	61
Financial income	87	343	319	1,195
Finance costs	−161	−427	−577	−1,096
Income from continuing operations before tax	**−110**	**−27**	**−42**	**2,327**
Taxes on income	91	48	5	−283
Income from continuing operations	**−19**	**21**	**−37**	**2,044**
Income from discontinued operations	−148	−526	391	411
Income	**−167**	**−505**	**354**	**2,455**
of which: non-controlling interests	45	−67	374	200
of which: RWE AG hybrid capital investors’ interest	15	12	45	36
of which: net income/income attributable to RWE AG shareholders	**−227**	**−450**	**−65**	**2,219**
Basic and diluted earnings per common and preferred share in €	**−0.37**	**−0.73**	**−0.11**	**3.61**
of which: from continuing operations in €	−0.07	−0.02	−0.22	3.39
of which: from discontinued operations in €	−0.30	−0.71	0.11	0.22

1 Prior-year figures adjusted.
2 A presentation of revenue by product and segment can be found on page 7 of the interim statement.

Statement of comprehensive income

Amounts after tax – € million	Jul – Sep 2018	Jul – Sep 2017	Jan – Sep 2018	Jan – Sep 2017
Income	**−167**	**−505**	**354**	**2,455**
Actuarial gains and losses of defined benefit pension plans and similar obligations	319	213	−111	1,018
Income and expenses of investments accounted for using the equity method (pro rata)	−1		22	−17
Fair value of equity instruments	10		−4	
Income and expenses recognised in equity, not to be reclassified through profit or loss	**328**	**213**	**−93**	**1,001**
Currency translation adjustment	33	−5	−36	86
Fair valuation of financial instruments available for sale		39		61
Fair valuation of debt instruments	−5		−18	
Fair valuation of financial instruments used for hedging purposes	2,190	727	4,068	280
Income and expenses of investments accounted for using the equity method (pro rata)	−1		−4	3
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**2,217**	**761**	**4,010**	**430**
Other comprehensive income	**2,545**	**974**	**3,917**	**1,431**
Total comprehensive income	**2,378**	**469**	**4,271**	**3,886**
of which: attributable to RWE AG shareholders	2,278	484	3,855	3,478
of which: attributable to RWE AG hybrid capital investors	15	12	45	36
of which: attributable to non-controlling interests	85	−27	371	372

Balance sheet

Assets € million	30 Sep 2018	31 Dec 2017
Non-current assets		
Intangible assets	2,191	12,383
Property, plant and equipment	12,188	24,947[1]
Investments accounted for using the equity method	1,464	2,846
Other non-current financial assets	349	1,109
Receivables and other assets	1,477	1,782
Deferred taxes	680	2,627
	18,349	**45,694**
Current assets		
Inventories	1,857	1,924
Trade accounts receivable	1,544	5,405
Receivables and other assets	14,978	7,082
Marketable securities	2,871	4,893
Cash and cash equivalents	4,618	3,933
Assets held for sale	39,276	128
	65,144	**23,365**
	83,493	**69,059**

Equity and liabilities € million	30 Sep 2018	31 Dec 2017
Equity		
RWE AG shareholders' interest	10,141	6,759
RWE AG hybrid capital investors' interest	925	940
Non-controlling interests	4,442	4,292
	15,508	**11,991**
Non-current liabilities		
Provisions	15,535	19,249
Financial liabilities	1,949	14,414
Other liabilities	494	2,393
Deferred taxes	668	718
	18,646	**36,774**
Current liabilities		
Provisions	2,339	5,137
Financial liabilities	931	2,787
Trade accounts payable	2,069	5,077
Other liabilities	11,819	7,182
Liabilities held for sale	32,181	111
	49,339	**20,294**
	83,493	**69,059**

1 Figure adjusted because investment property has been subsumed under property, plant and equipment.

Cash flow statement

€ million	Jan – Sep 2018	Jan – Sep 2017[1]
Income from continuing operations	−37	2,044
Depreciation, amortisation and impairment losses/write-backs	725	625
Changes in provisions	−280	−7,275
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	−72	84
Changes in working capital	3,377	171
Cash flows from operating activities of continuing operations	**3,713**	**−4,351**
Cash flows from operating activities of discontinued operations	1,182	1,440
Cash flows from operating activities	**4,895**	**−2,911**
Capital expenditure on non-current assets/acquisitions	−842	−517
Proceeds from disposal of assets/divestitures	41	206
Changes in marketable securities and cash investments	−519	4,559
Cash flows from investing activities of continuing operations[2]	**−1,320**	**4,248**
Cash flows from investing activities of discontinued operations	−1,482	79
Cash flows from investing activities	**−2,802**	**4,327**
Cash flows from financing activities of continuing operations	**−1,369**	**68**
Cash flows from financing activities of discontinued operations	1,250	−595
Cash flows from financing activities	**−119**	**−527**
Net cash change in cash and cash equivalents	1,974	889
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	14	6
Net change in cash and cash equivalents	**1,988**	**895**
Cash and cash equivalents at beginning of reporting period	3,958	4,576
of which: reported as ‘Assets held for sale’	25	
Cash and cash equivalents at beginning of reporting period as per the consolidated balance sheet	3,933	4,576
Cash and cash equivalents at end of reporting period	**5,946**	**5,471**
of which: reported as ‘Assets held for sale’	1,328	40
Cash and cash equivalents at end of reporting period as per the consolidated balance sheet	**4,618**	**5,431**

1 Prior-year figures adjusted.
2 After the initial/subsequent transfer to plan assets in the amount of €41 million (prior-year period: €4 million).

Financial Calendar 2019

14 March 2019	Annual report for fiscal 2018
3 May 2019	Annual General Meeting
8 May 2019	Dividend payment
15 May 2019	Interim statement on the first quarter of 2019
14 August 2019	Interim report on the first half of 2019
14 November 2019	Interim statement on the first three quarters of 2019

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RWE Aktiengesellschaft
Altenessener Strasse 35
45141 Essen
Germany

www.rwe.com

RWE