INTERIM STATEMENT
ON THE FIRST THREE QUARTERS OF 2016

- Quarterly operating result on track at €2.1 billion
- Outlook for 2016 Group result confirmed
- New subsidiary innogy makes successful debut on the stock market
- Rolf Martin Schmitz appointed as CEO of RWE AG

AT A GLANCE

RWE Group – key figures		Jan – Sep 2016	Jan – Sep 2015[1]	+/– %	Jan – Dec 2015[1]
Power generation	billion kWh	157.7	154.9	1.8	213.0
External electricity sales volume	billion kWh	195.3	190.7	2.4	261.5
External gas sales volume	billion kWh	178.3	192.6	–7.4	273.0
External revenue	€ million	33,206	35,045	–5.2	48,090
EBITDA	€ million	3,821	4,403	–13.2	7,017
Operating result	€ million	2,116	2,648	–20.1	3,837
Income from continuing operations before tax	€ million	386	1,354	–71.5	–637
Net income	€ million	11	1,935	–99.4	–170
Adjusted net income	€ million	227	545	–58.3	1,125
Earnings per share	€	0.02	3.15	–99.4	–0.28
Adjusted net income per share	€	0.37	0.89	–58.4	1.83
Cash flows from operating activities of continuing operations	€ million	608	2,177	–72.1	3,339
Capital expenditure	€ million	1,344	1,896	–29.1	3,303
Property, plant and equipment and intangible assets	€ million	1,179	1,669	–29.4	2,898
Financial assets	€ million	165	227	–27.3	405
Free cash flow	€ million	–536	508	–205.5	441
		30 Sep 2016	31 Dec 2015		
Net debt	€ million	27,447	25,463	7.8	
Workforce[2]		59,024	59,762	–1.2	

1 Some figures adjusted; see introductory commentary on reporting on page 1 et seq. and the footnote to the table 'Net debt' on page 13.
2 Converted to full-time positions.

Contents

INTRODUCTORY COMMENTARY ON REPORTING

New segment structure as of 1 January 2016

Since 2016, our interim reporting has been based on a new segment structure, which reflects the stages of the energy value chain. The public offering of innogy, which is discussed on page 3, has led to additional adjustments, but these will only be reflected in the reporting for fiscal 2016. Further information can be found on page 14. In the presentation of our business for the first three quarters, we report on the following divisions: (1) Conventional Power Generation, (2) Renewables, (3) Trading/Gas Midstream, (4) Grids/Participations/Other and (5) Supply. The last two divisions were created at the beginning of the year. They encompass the activities that were assigned to these former segments: Supply/Distribution Networks Germany, Supply Netherlands/Belgium, Supply United Kingdom and Central Eastern and South Eastern Europe. To ensure the comparability of the 2016 figures to those of the previous year, we restated the latter using the new structure.

The five divisions cover the following activities:

(1) Conventional Power Generation: Our conventional electricity generation operations in Germany, the United Kingdom, the Netherlands and Turkey are subsumed under this division. It also includes the lignite mining business of RWE Power in the Rhineland and RWE Technology International, which specialises in project management and engineering services. At the beginning of this financial year, our controlling interest in Mátra, which specialises in lignite production and the generation of electricity from lignite in Hungary (formerly assigned to the Central Eastern and South Eastern Europe Division), and the Scottish biomass-fired power station Markinch (formerly assigned to the Renewables Division), were also assigned to Conventional Power Generation. Prior-year figures have been adjusted accordingly. All of these activities are overseen by RWE Generation.

(2) Renewables: This is where we report on our electricity generation from renewable sources. In addition to the operation of renewable energy plants, this division also encompasses the development and construction of these assets. In terms of production technology, we concentrate on onshore and offshore wind as well as hydroelectric power. Our main production sites are located in Germany, the United Kingdom, the Netherlands, Poland, Spain and Italy.

(3) Trading/Gas Midstream: This division covers the activities of RWE Supply & Trading, which is responsible for trading energy and commodities, marketing and hedging the RWE Group's electricity position, as well as running the gas midstream business. It also supplies some major German and Dutch industrial and corporate customers with electricity and gas.

(4) Grids/Participations/Other: The distribution network operations in Germany (electricity and gas), the Czech Republic (gas), as well as Slovakia, Hungary and Poland (all three electricity) are assigned to this division. With the exception of supply, it also includes the activities of the fully consolidated regional utilities (grids, power generation, water, etc.) and large parts of our gas storage business. Non-controlling interests in utilities (e.g. German municipal utilities and Austria-based KELAG) are fully disclosed under Grids/Participations/Other.

(5) Supply: Our retail activities in Germany, the Netherlands, Belgium, the United Kingdom, the Czech Republic, Slovakia, Hungary, Poland, Slovenia, Croatia and Romania are subsumed in this division. Along with electricity and gas, we also offer energy solutions such as SmartHome products for households and individual service packages for commercial customers.

We present certain groupwide activities outside the divisions in the Other/Consolidation segment. This applies to the Group holding company RWE AG as well as our in-house service providers RWE IT, RWE Group Business Services and RWE Service. This item also includes our non-controlling interest in the German electricity transmission system operator Amprion.

Changed recognition of gas trading transactions

Further adjustments to reporting relate to the manner in which sales volumes and revenue from trading transactions are recognised. We are making increased use of the net disclosure method, particularly in gas trading. When stating net figures, purchases and sales are netted against each other. Therefore, in contrast to gross recognition, pure trading transactions do not impact on sales volume, and only the trading margins are recognised in revenue. This reduces sales volume and revenue in the Trading/Gas Midstream Division, but does not affect earnings. The figures for 2015 have been adjusted accordingly.

MAJOR EVENTS

During the reporting period

innogy to acquire the German solar power and battery specialist BELECTRIC Solar & Battery

Our new Group company innogy has taken a major step towards its goal of establishing itself as an international supplier of ground-mounted photovoltaic power plants and battery storage solutions. At the end of August, innogy signed an agreement with BELECTRIC Holding GmbH to acquire its subsidiary BELECTRIC Solar & Battery Holding GmbH. The purchase price is in the high double-digit million euro range, with the transaction due to be completed in early 2017. BELECTRIC is engaged in the design, installation and operation of ground-mounted photovoltaic plants, with a regional focus on Europe, the Middle East, North Africa, India, South America and the USA. Since its foundation in 2001, BELECTRIC has installed more than 280 ground and roof-mounted photovoltaic plants, with a total capacity of more than 1.5 gigawatts (GW). The company is also responsible for the operation and maintenance of solar plants with a total capacity of more than 1.0GW. In addition, it specialises in the development of turnkey, large-scale battery storage solutions.

Markus Krebber appointed to Executive Board of RWE AG

At its meeting on 16 September, the Supervisory Board of RWE AG appointed Markus Krebber as a member of the Executive Board of RWE AG for a period of three years, effective from 1 October 2016. On 15 October, he took over the position of CFO from Bernhard Günther, who had held the dual positions of CFO at RWE AG and innogy SE up to that time, and is now only a member of the Management Board of innogy. For the time being, Markus Krebber will continue in his role as the CEO of RWE Supply & Trading.

Major events which occurred in the period from January to early August 2016 are presented in the report on the first half of 2016 on pages 8 to 12.

After the reporting period

innogy celebrates successful debut on the Frankfurt stock exchange

With the IPO of innogy, our subsidiary for renewables, grids and supply, we reached a milestone on the path to reorganising and financially strengthening the RWE Group. Shares in innogy began trading on the Frankfurt stock exchange on 7 October. The opening price of €37.30 was higher than the placement price, which had been set at €36, at the top end of the price range. Despite this, the offer was oversubscribed several times. Along with the shares which were placed on the market by exercising the over-allotment option (greenshoe), a total of 128,930,315 innogy shares have been placed with new investors. Of this amount, 73,375,315 shares are from the holdings of RWE AG and 55,555,000 shares are from a capital increase carried out by innogy. With an issue volume of €4.6 billion, this was the largest IPO in Germany since the end of 2000. Proceeds from the sale of shares owned by RWE amounted to €2.6 billion, and innogy booked proceeds of €2.0 billion from the capital increase. RWE's interest in innogy dropped from 100% to 76.8%. Based on the placement price of €36 and a total of 555,555,000 shares, innogy's market capitalisation was €20 billion at the time of the IPO. Shares in the company are traded on the 'Prime Standard' market of the Frankfurt stock exchange under the codes DE000A2AADD2 (ISIN) and A2AADD (WKN).

innogy's IPO marks the high point in a radical restructuring process, which prepares the RWE Group organisationally and financially for the challenges currently facing the energy industry and which started in December 2015. innogy commenced its operations on 1 April 2016, initially under the name 'RWE International SE'. The three business areas Renewables, Grids and Supply are bundled into this company, which is headquartered in Essen, just like RWE AG. Accordingly, it is focused on those parts of the energy industry which play a key role in the successful transformation of the energy sector. With innogy, we have established a platform for growth, which can refinance itself directly on the capital market. The conventional power generation and energy trading businesses, which remain in the sole ownership of RWE AG, also benefit from this reorganisation, because with the opportunity to sell more shares in innogy, RWE AG gains flexibility to strengthen the financial position of these two businesses.

RWE AG will manage innogy as a financial investment, only exercising its control via the legally mandated bodies of the Supervisory Board and the Annual General Meeting. This is guaranteed by an agreement on basic principles between the two companies, which replaced the control agreement that was terminated on 30 September 2016. The agreement governs the future relationship of the companies and their dealings with each other, and ensures that innogy can operate independently and autonomously to a great extent. We view this as a key prerequisite for an optimal valuation of the company by the capital market. Until the end of 2019, RWE AG will not compete with innogy in its current core fields of business, both directly or via any company which it controls. Business relations between the two parties are to be carried out at arm's length. It was also agreed that innogy will assume economic liability for the bulk of RWE's capital market debts, including all of the liabilities arising from senior bonds.

Rolf Martin Schmitz appointed new CEO of RWE AG

Shortly after innogy's successful IPO, a new management team was formed at RWE AG. Rolf Martin Schmitz, previously Deputy Chairman of the Executive Board, was appointed as Chief Executive Officer with effect from 15 October 2016. He took over from Peter Terium, who left this position to dedicate himself completely to the management of innogy. As presented on page 3, CFO Bernhard Günther has also left RWE AG. His functions will be taken over by Markus Krebber. In contrast, Uwe Tigges will continue in his role as Chief HR Officer and Labour Director at both RWE and innogy until the end of April 2017. Amongst other things, he will be responsible for the pending transfers of employees between the two companies, after which he will only be active for innogy.

German Cabinet submits draft law on restructuring responsibility for nuclear waste disposal

On 19 October, the Cabinet adopted a draft law, which reallocates the responsibility for waste disposal activities in the field of nuclear power between the Federal Government and the plant operators. The draft broadly mirrors the recommendations presented in late April by the 'Commission for the Review of Financing the Phase-Out of Nuclear Power' which was created by the Federal Government. It calls for the Federal Government to take responsibility for handling and financing the intermediate and final storage of radioactive waste, while the responsibility for the decommissioning and dismantling of the facilities and packing of the radioactive waste shall remain with the companies. The responsibilities transferred to the Federal Government will be financed from a fund, which is paid into by the plant operators. According to the draft legislation, the companies must provide a base amount totalling €17.4 billion. In return for the payment of a premium of 35.47% (€6.2 billion), they can be released from liability for possible cost increases. This results in a total of €23.6 billion. We estimate RWE's share at roughly €6.8 billion. These figures, however, are still preliminary, as all of the details of the reform have not yet been settled. Furthermore, they pertain to 1 January 2017. According to the draft, the base amount must be paid seven months after the legislation enters into force. Until then, interest will accrue at an annual rate of 4.58% starting from 1 January 2017. However, the power plant operators can offset disposal costs incurred in the meantime against the above amounts. The deadline for payment of the risk premium is the end of 2022. Subject to approval by the Federal Ministry of Finance, utilities may also pay the entire amount in instalments, with payment of the final instalment due by the end of 2026 at the latest. It should be noted, however, that interest still accrues on the outstanding balance at an annual rate of 4.58%.

The Cabinet's proposal will now be submitted to the legislative process. It remains to be seen if further changes will occur during this process. We would like to see the new law incorporate the regulations on defining the cut-off point between dismantling and storage which were negotiated with the Federal Ministry for the Environment. For the utility companies, it is also very important that the Federal Government conclude a contract providing legal certainty.

Reduction of the return on equity for network investments in Germany

In mid-October, the Federal Network Agency set the allowed rates of return on equity for electricity and gas networks, which will apply for the upcoming five-year regulatory periods. The rate in the future will be 6.91% (before corporate tax) for facilities capitalised after 2005 (new facilities), and 5.12% for old facilities. At present, the allowed rates of return on equity are 9.05% and 7.14%, respectively. The new rates will apply to gas network operators from 1 January 2018 and electricity grid operators from 1 January 2019. These rates are situated towards the lower end of the range in a European comparison. In setting these the Federal Network Agency took into account the recent sharp decline in interest rates on the capital markets.

BUSINESS PERFORMANCE

External revenue 5% down year on year

In the first three quarters of 2016, the RWE Group generated €33,206 million in external revenue. This figure includes taxes on natural gas and electricity. Compared to the same period last year, our revenue decreased by 5%, due in part to declining volumes and prices in the gas business. In the electricity business, revenue declined as a result of falling sales to residential and commercial customers; the increase in deliveries to German distributors was unable to compensate for this. Another significant factor was that sterling lost value relative to the euro, dropping from €1.38 to €1.24 on average. Consequently, our UK revenue is reduced once converted to euros. One factor that increased revenue was that we obtained sole control over VSE in August 2015 and have since fully consolidated the Slovakian utility, which was previously accounted for at equity. As a result, this was the first time that VSE contributed to Group revenue for the entire period.

External revenue € million	Jan – Sep 2016	Jan – Sep 2015[1]	+/– %	Jan – Dec 2015[1]
Conventional Power Generation	1,443	1,645	–12.3	2,224
Renewables	285	251	13.5	382
Trading/Gas Midstream	2,414	2,207	9.4	3,318
Grids/Participations/Other	8,196	7,426	10.4	9,941
Supply	20,800	23,453	–11.3	32,137
Other/Consolidation	68	63	7.9	88
RWE Group	**33,206**	**35,045**	**–5.2**	**48,090**
Natural gas tax/electricity tax	1,541	1,603	–3.9	2,242
RWE Group (excluding natural gas tax/electricity tax)	**31,665**	**33,442**	**–5.3**	**45,848**

1 Some figures adjusted; see introductory commentary on reporting on page 1 et seq.

Internal revenue € million	Jan – Sep 2016	Jan – Sep 2015[1]	+/– %	Jan – Dec 2015[1]
Conventional Power Generation	5,868	6,524	–10.1	9,005
Renewables	528	533	–0.9	776
Trading/Gas Midstream	11,449	13,748	–16.7	19,081
Grids/Participations/Other	2,309	1,947	18.6	3,284
Supply	1,026	1,443	–28.9	1,831

1 Some figures adjusted; see introductory commentary on reporting on page 1 et seq.

EBITDA € million	Jan – Sep 2016	Jan – Sep 2015[1]	+/– %	Jan – Dec 2015[1]
Conventional Power Generation	1,047	1,163	–10.0	2,285
Renewables	480	492	–2.4	818
Trading/Gas Midstream	–97	138	–170.3	164
Grids/Participations/Other	1,864	2,095	–11.0	2,896
Supply	699	702	–0.4	988
Other/Consolidation	–172	–187	8.0	–134
RWE Group	**3,821**	**4,403**	**–13.2**	**7,017**

1 Some figures adjusted; see introductory commentary on reporting on page 1 et seq.

Operating result € million	Jan – Sep 2016	Jan – Sep 2015[1]	+/– %	Jan – Dec 2015[1]
Conventional Power Generation	435	405	7.4	596
Renewables	244	284	–14.1	488
Trading/Gas Midstream	–100	126	–179.4	156
Grids/Participations/Other	1,198	1,463	–18.1	1,955
Supply	547	597	–8.4	830
Other/Consolidation	–208	–227	8.4	–188
RWE Group	**2,116**	**2,648**	**–20.1**	**3,837**

1 Some figures adjusted; see introductory commentary on reporting on page 1 et seq.

Operating result down 20% on 2015

In the period under review, we recorded EBITDA of €3,821 million and an operating result of €2,116 million. These figures were 13% and 20% lower than in the same period last year. The reasons for this included additional expenses for maintaining our network infrastructure and unusually weak performance in the trading business during the second quarter. Moreover, there was an extraordinary income item of €185 million during the previous year, stemming from the revaluation of our Slovakian energy utility VSE. Of this amount, €143 million is attributable to the Grids/Participations/Other Division and €42 million to the Supply Division. This revaluation occurred due to the first-time full consolidation of VSE.

The following is a breakdown of the development of the operating result by division:

- Conventional Power Generation: The operating result increased by 7% to €435 million. One major factor behind this was our ongoing efficiency-enhancement programme. In addition to this, we earned income from the sale of land in the United Kingdom, some of which was intended as sites for new power plants but is now surplus to requirements. The settlement for damages we reached with the insurer in early July in relation to the hard coal-fired power station at Hamm (Westphalia) also had a positive effect on the operating result (see page 12 of the report on the first half of 2016). Furthermore, depreciation was lower, in part because we recognised significant impairments on our generation fleet in 2015. One negative factor which impacted earnings was that our electricity generation was sold at lower wholesale prices than in 2015. This mainly applied to our lignite-fired and nuclear power stations. On the whole, the margins of our hard coal and gas-fired power plants were more stable due to a reduction in fuel prices. In some cases, they actually improved somewhat. Taking into consideration that earnings in Conventional Power Generation have been better than expected so far this year, we have raised the forecast for the year as a whole: We now anticipate that the operating result for this division will be on par with 2015, as opposed to the significant decline we had been expecting. Despite this, our earnings outlook for the Group as a whole remains unchanged (see page 14).

- Renewables: The division posted an operating result of €244 million, 14% less than in 2015. One reason was the decline in wholesale electricity prices, as some of our renewable energy assets do not receive fixed compensation for the electricity they put on the system and are therefore exposed to market risks. The depreciation of sterling versus the euro also had a negative impact. Furthermore, the result for the previous year included extraordinary income from the sale of the network infrastructure of Gwynt y Môr, our wind farm off the coast of Wales. Earnings benefited from Gwynt y Môr and Nordsee Ost, the German offshore wind farm that was also newly built, because both have been online at full capacity throughout 2016 for the first time. In addition, we achieved capital gains from the sale of small run-of-river power plants on the Upper Ruhr river.

- Trading/Gas Midstream: The operating result for this division deteriorated by €226 million to –€100 million. Profits were once again recorded in energy trading in the third quarter, but these were unable to offset the losses from the second quarter. On a positive note, at the end of May we reached an out-of-court settlement with Gazprom regarding our gas procurement contract, which ensures that the contract will not expose us to earnings risks over the next few years (see page 10 of the report on the first half of 2016).

- Grids/Participations/Other: This division achieved an operating result of €1,198 million, falling 18% short of the previous year's figure, which included one-off income from the revaluation of our investment in VSE, as previously noted. Along with increased expenses for grid infrastructure maintenance, the decline in earnings was also driven by the accrual of provisions for partial retirement measures in Germany. A positive impact was felt from a rise in transit volumes in our Czech gas distribution network.

- Supply: The operating result of this division declined by 8% to €547 million, partly due to the lack of the positive VSE effect from 2015. Disregarding this extraordinary item, the result for the Supply Division would have been roughly on par with 2015's level. We benefited from efficiency-enhancement measures and, moreover, many of our supply companies were able to purchase electricity and gas at lower prices. In Germany, however, we experienced a rise in up-front costs (network usage fees, taxes and levies), which overshadowed the aforementioned benefits from falling purchase prices. In the United Kingdom, the restructuring programme launched in early 2016 is beginning to bear fruit, after the 2015 operating result was curtailed by process and system-related billing problems. However, this was contrasted by a decline in income due to customer losses. In the Netherlands, the operating result was influenced by the lack of a positive one-off effect from the reversal of a provision for legal risks last year. Our Eastern European business profited from the expansion in Hungarian gas sales. The operating result was also increased by the fact that fiscal 2016 was the first year during which VSE was reported as a fully consolidated Group company for the year as a whole.

The non-operating result, in which we recognise certain one-off effects not related to operations or the period under review, deteriorated by €183 million to −€353 million. This was primarily attributable to changes in the value of derivatives which we use to hedge against price fluctuations: On balance, these changes resulted in a loss, as opposed to the gain registered in the previous year. According to the International Financial Reporting Standards (IFRS), derivatives are recognised at fair value as of the reporting date, while the (opposite) underlying transactions may only be recognised in the income statement later, upon realisation. This results in short-term effects on earnings, which are neutralised over time. In addition to derivatives, impairments for our German gas storage facilities also reduced the non-operating result. It should be noted, however, that we also faced negative one-off factors in the previous year, stemming from the accrual of provisions for legal risks associated with an arbitration proceeding. Our capital gains were higher in 2015, due to the sale of our 33.3% interest in the UK company Zephyr Investments Limited at the end of July, as presented on page 12 of the report on the first half of 2016.

Financial result € million	Jan – Sep 2016	Jan – Sep 2015	+/− € million	Jan – Dec 2015
Interest income	203	185	18	265
Interest expenses	−745	−797	52	−1,069
Net interest	**−542**	**−612**	**70**	**−804**
Interest accretion to non-current provisions	−609	−637	28	−821
Other financial result	−226	125	−351	36
Financial result	**−1,377**	**−1,124**	**−253**	**−1,589**

At −€1,377 million, our financial result was €253 million down on the previous year. Slight improvements in net interest and the interest accretion to non-current provisions were contrasted by a significant deterioration in the other financial result. This was because we achieved high gains on the sale of securities in 2015, whereas we incurred losses from such transactions in the period under review.

Income from continuing operations before tax fell by 71% to €386 million. Our effective tax rate was 33%, which is considerably lower than the previous year's figure. Last year, the rate was unusually high at 42%, because we did not capitalise any deferred taxes (see page 19 of the report on the first three quarters of 2015). Deferred tax assets constitute the right to future tax reductions resulting from differences in the statement and/or valuation of assets and debt between the tax and IFRS balance sheets. The prerequisite for capitalising deferred taxes is that tax gains are made later on, which allow the use of the tax reduction. Last year, we assumed that this would not be the case for the foreseeable future. In the meantime, we have changed our views in this regard, mainly due to tax effects related to the reorganisation of the RWE Group. The fact that this year's tax rate is nonetheless slightly higher than the (theoretically) normal level of 31% stems from the aforementioned losses incurred on sales of securities, as these cannot be offset.

After taxes, our continuing operations generated income of €258 million (previous year: €784 million). Discontinued operations did not earn income in the period under review. In the previous year, we had stated a figure of €1,524 million for this item, largely due to the capital gain on the sale of RWE Dea in March 2015.

Non-controlling interests dropped by 18% to €211 million, as some fully consolidated companies in which third parties hold stakes closed the period lower year on year. This relates primarily to our German regional utilities, which had benefited substantially from the aforementioned one-off income from the sale of securities in 2015.

The portion of our earnings attributable to hybrid capital investors amounted to €36 million (previous year: €117 million). However, only the hybrid bonds classified as equity pursuant to IFRS are considered here. In the reporting period, this applied to just one of our seven hybrid bonds, namely the one with a volume of £750 million. A second bond that met this criterion was redeemed as of 28 September 2015. It consisted of paper with a nominal volume of €1,750 million, which we issued in 2010.

At €11 million, the net income of the RWE Group was unusually low (previous year: €1,935 million). Based on the 614.7 million in RWE shares outstanding, this corresponds to earnings per share of €0.02 (previous year: €3.15).

Reconciliation to net income		Jan – Sep 2016	Jan – Sep 2015	+/– %	Jan – Dec 2015
EBITDA	€ million	**3,821**	**4,403**	**–13.2**	**7,017**
Operating depreciation, amortisation and impairment losses	€ million	–1,705	–1,755	2.8	–3,180
Operating result	€ million	**2,116**	**2,648**	**–20.1**	**3,837**
Non-operating result	€ million	–353	–170	–107.6	–2,885
Financial result	€ million	–1,377	–1,124	–22.5	–1,589
Income from continuing operations before tax	€ million	**386**	**1,354**	**–71.5**	**–637**
Taxes on income	€ million	–128	–570	77.5	–603
Income from continuing operations	€ million	**258**	**784**	**–67.1**	**–1,240**
Income from discontinued operations	€ million	–	1,524	–	1,524
Income	€ million	**258**	**2,308**	**–88.8**	**284**
of which:					
Non-controlling interests	€ million	211	256	–17.6	356
RWE AG hybrid capital investors' interest	€ million	36	117	–69.2	98
Net income/income attributable to RWE AG shareholders	€ million	**11**	**1,935**	**–99.4**	**–170**
Adjusted net income	€ million	**227**	**545**	**–58.3**	**1,125**
Earnings per share	€	0.02	3.15	–99.4	–0.28
Adjusted net income per share	€	0.37	0.89	–58.4	1.83
Number of shares outstanding (average)	millions	614.7	614.7	–	614.7
Effective tax rate	%	33	42	–	–

Adjusted net income significantly down year on year

Adjusted net income amounted to €227 million. It differs from net income in that the non-operating result (including applicable taxes), which is characterised by one-off effects, and possibly further special items are deducted from it. Adjusted net income decreased by 58% compared to 2015. The main reasons for this were the weaker operating result and the deterioration of the financial result. The lack of earnings from discontinued operations in 2016 did not have any significant effects, because the contribution from the previous year was mostly disregarded in the calculation of adjusted net income.

Capital expenditure € million	Jan – Sep 2016	Jan – Sep 2015[1]	+/– € million	Jan – Dec 2015[1]
Capital expenditure on property, plant and equipment and on intangible assets	1,179	1,669	–490	2,898
of which:				
Conventional Power Generation	205	560	–355	855
Renewables	134	268	–134	404
Trading/Gas Midstream	1	8	–7	10
Grids/Participations/Other	656	639	17	1,305
Supply	148	167	–19	287
Other/Consolidation	35	27	8	37
Capital expenditure on financial assets	165	227	–62	405
Total capital expenditure	**1,344**	**1,896**	**–552**	**3,303**

1 Some figures adjusted; see introductory commentary on reporting on page 1 et seq.

Drop in capital expenditure on power generation capacity

During the reporting period, our capital spending amounted to €1,344 million. We spent €1,179 million on property, plant and equipment and on intangible assets and €165 million on financial assets, 29 % and 27 % less than last year. There was a significant decline in capital expenditure on property, plant and equipment in the Conventional Power Generation Division, after substantial investments were made in 2015 to upgrade the UK gas-fired power stations Pembroke and Staythorpe. A substantial drop in capital expenditure was also seen in the Renewables Division, mainly because in the previous year we completed two large-scale projects, the Nordsee Ost and Gwynt y Môr offshore wind farms. They were inaugurated in May and June 2015, respectively.

Cash flow statement € million	Jan – Sep 2016	Jan – Sep 2015	+/– € million	Jan – Dec 2015
Funds from operations	1,718	1,993	–275	3,058
Change in working capital	–1,110	184	–1,294	281
Cash flows from operating activities of continuing operations	**608**	**2,177**	**–1,569**	**3,339**
Cash flows from investing activities of continuing operations	**–936**	**–507**	**–429**	**–1,795**
Cash flows from financing activities of continuing operations	**756**	**–2,318**	**3,074**	**–2,303**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–22	14	–36	14
Total net changes in cash and cash equivalents	**406**	**–634**	**1,040**	**–745**
Cash flows from operating activities of continuing operations	608	2,177	–1,569	3,339
Minus capital expenditure on property, plant and equipment and on intangible assets[1]	–1,144	–1,669	525	–2,898
Free cash flow	**–536**	**508**	**–1,044**	**441**

1 This item solely includes capital expenditure with an effect on cash.

Operating cash flows reduced by negative effects in working capital

The cash flows from operating activities achieved from our continuing operations declined by €1,569 million to €608 million. In this regard, certain issues came to bear, which were reflected in changes in working capital. For example, due to strong price fluctuations, we had to pledge significantly more collateral for forward transactions. Furthermore, in the previous year we had profited from measures taken to optimise working capital.

Investment activities of continuing operations resulted in cash outflows of €936 million. A contributing factor besides our expenditure on property, plant and equipment and financial assets was that we increased our funding of pension obligations; €0.2 billion in funds was transferred to trustees and company pension institutions to this end. This was contrasted by proceeds from divestments in the amount of €0.7 billion.

Cash flows from the financing activities of continuing operations amounted to €756 million. This was mainly because we raised €1.7 billion under our Commercial Paper Programme and also increased our liabilities to banks. Dividends paid to co-owners of fully consolidated RWE companies, hybrid capital investors and holders of preferred shares had a counteracting effect. Furthermore, a €850 million senior bond matured in April, of which we had already bought back €43 million in earlier years.

On balance, the presented cash flows from operating, investing and financing activities caused our cash and cash equivalents to rise by €406 million.

Deducting capital expenditure on property, plant and equipment and intangible assets from cash flows from the operating activities of continuing operations results in free cash flow. This amounted to –€536 million, falling significantly short of the previous year's positive figure of €508 million.

Net debt[1] € million	30 Sep 2016	31 Dec 2015	+/– € million
Cash and cash equivalents	2,942	2,522	420
Marketable securities	7,895	7,676	219
Other financial assets	1,542	1,337	205
Financial assets	**12,379**	**11,535**	**844**
Bonds, other notes payable, bank debt, commercial paper	17,203	16,981	222
Hedge transactions related to bonds	–204	–192	–12
Other financial liabilities	2,047	2,099	–52
Financial liabilities	**19,046**	**18,888**	**158**
Net financial debt	**6,667**	**7,353**	**–686**
Provisions for pensions and similar obligations	8,418	5,842	2,576
Surplus of plan assets over benefit obligations	–	–15	15
Provisions for nuclear waste management	10,568	10,454	114
Mining provisions	2,452	2,527	–75
Provisions for dismantling wind farms	384	337	47
Adjustment for hybrid capital (portion of relevance to the rating)	–1,042	–1,035	–7
Plus 50% of the hybrid capital stated as equity	463	475	–12
Minus 50% of the hybrid capital stated as debt	–1,505	–1,510	5
Net debt	**27,447**	**25,463**	**1,984**

1 Since the 2016 half-year interim financial statements, we have recognised provisions for dismantling wind farms under net debt; the figures for 2015 were adjusted accordingly.

Net debt increased to €27.4 billion

As of 30 September 2016, our net debt amounted to €27.4 billion, up €2.0 billion on the figure recorded as of 31 December 2015. The very low level of market interest rates played a significant role in this regard. As a result, we had to lower the discount rates used for the calculation of provisions for pensions, and the amount of such provisions increased accordingly. The new discount rates are 1.3% in Germany and 2.2% in the United Kingdom, compared to 2.4% and 3.6% in the 2015 financial statements, respectively. The negative free cash flow and our distribution of dividends also contributed to the increase in net debt. Conversely, proceeds from divestments strengthened our financial position; in particular the sale of our non-controlling interest in the Luxembourg-based energy utility Enovos and the UK company Zephyr Investments Limited (see pages 10 and 12 of the report on the first half of 2016). The drop in the value of sterling also had a debt-reducing effect. It caused the volume of our bonds issued in this currency to be lower in euro terms.

OUTLOOK FOR 2016

New reporting structure for fiscal 2016

Since the IPO of innogy on 7 October, which is discussed on page 3, we hold an interest of 76.8% in the company. We now manage the company – which bundles our renewables, grids and supply activities – as a financial investment and no longer manage its individual divisions. This has an effect on the segment structure: in the future, we will no longer report on the three corporate segments Renewables, Grids/Participations/Other and Supply separately, but rather only on the segment 'innogy'. As this change will be reflected in the year-end financial statements for fiscal 2016, we have presented the earnings forecast using the new segment structure.

Earnings forecast for 2016	2015 actual[1] € million	Outlook (August 2016)[2]	Updated outlook
EBITDA	7,017	€5.2 billion to €5.5 billion	Unchanged
Operating result	3,837	€2.8 billion to €3.1 billion	Unchanged
Conventional Power Generation	596	Significantly below previous year	On par with previous year
Trading/Gas Midstream	156	Significantly below previous year	Unchanged
innogy	3,050	–	Moderately below previous year
Adjusted net income	1,125	€0.5 billion to €0.7 billion	Unchanged

1 Some figures adjusted; see introductory commentary on reporting on page 1 et seq.
2 See report on the first half of 2016, page 28.

The current earnings forecast is presented in the table above. As previously noted, we now expect the operating result for Conventional Power Generation to be on par with the result from 2015; up until now, we had forecast a substantially lower result compared to the previous year. Nevertheless, we maintain our earnings outlook for the RWE Group as a whole.

Another adjustment to the outlook relates to net debt. Previously we had assumed that this would be moderately higher on 31 December 2016 compared to the end of last year (€25.5 billion). We now expect net debt to be on par with the figure for 2015. The main reason for this is the high proceeds from the IPO of innogy (€4.6 billion). However, we anticipate an opposite effect from the proposed restructuring of responsibility for nuclear waste disposal: as explained on page 5, not only do we have to pay in the provisions for intermediate and final storage, we must also pay a risk premium in the event we wish to be released from liability risks stemming from possible increases in costs. Although this premium of an estimated €1.8 billion would be due in 2017 at the earliest, it may already be reflected in the balance sheet as at 31 December 2016, as higher debt. With regard to provisions for pensions, which had to be increased substantially during the year as a result of the decline in market interest rates, we do not expect that any interest rate-related adjustments will be necessary.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement[1]

€ million	Jul – Sep 2016	Jul – Sep 2015	Jan – Sep 2016	Jan – Sep 2015
Revenue (including natural gas tax/electricity tax)	**9,308**	**10,213**	**33,206**	**35,045**
Natural gas tax/electricity tax	–321	–395	–1,541	–1,603
Revenue	**8,987**	**9,818**	**31,665**	**33,442**
Cost of materials	–7,089	–7,127	–24,108	–24,771
Staff costs	–1,296	–1,175	–3,665	–3,545
Depreciation, amortisation, and impairment losses	–579	–599	–1,909	–1,755
Other operating result	–131	–158	–613	–1,321
Income from investments accounted for using the equity method	97	84	254	276
Other income from investments	98	52	139	152
Financial income	614	433	1,675	1,590
Finance costs	–1,034	–922	–3,052	–2,714
Income from continuing operations before tax	**–333**	**406**	**386**	**1,354**
Taxes on income	–72	–116	–128	–570
Income from continuing operations	**–405**	**290**	**258**	**784**
Income from discontinued operations				1,524
Income	**–405**	**290**	**258**	**2,308**
of which: non-controlling interests	31	60	211	256
of which: RWE AG hybrid capital investors' interest	10	37	36	117
of which: net income/income attributable to RWE AG shareholders	**–446**	**193**	**11**	**1,935**
Basic and diluted earnings per common and preferred share in €	**–0.72**	**0.32**	**0.02**	**3.15**
of which: from continuing operations in €	–0.72	0.32	0.02	0.67
of which: from discontinued operations in €				2.48

1 Prior-year figures adjusted.

Statement of comprehensive income[1]

€ million	Jul – Sep 2016	Jul – Sep 2015	Jan – Sep 2016	Jan – Sep 2015
Income	**–405**	**290**	**258**	**2,308**
Actuarial gains and losses of defined benefit pension plans and similar obligations	–743	–105	–1,608	503
Income and expenses of investments accounted for using the equity method (pro rata)			5	–2
Income and expenses recognised in equity, not to be reclassified through profit or loss	**–743**	**–105**	**–1,603**	**501**
Currency translation adjustment		–82	–84	210
Fair valuation of financial instruments available for sale	70	–102	150	–389
Fair valuation of financial instruments used for hedging purposes	115	–177	–178	101
Income and expenses of investments accounted for using the equity method (pro rata)	1		–1	
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**186**	**–361**	**–113**	**–78**
Other comprehensive income	**–557**	**–466**	**–1,716**	**423**
Total comprehensive income	**–962**	**–176**	**–1,458**	**2,731**
of which: attributable to RWE AG shareholders	–1,167	–254	–1,735	2,358
of which: attributable to RWE AG hybrid capital investors	10	37	36	117
of which: attributable to non-controlling interests	195	41	241	256

1 Figures stated after taxes.

Balance sheet

Assets € million	30 Sep 2016	31 Dec 2015
Non-current assets		
Intangible assets	12,650	13,215
Property, plant and equipment	27,947	29,357
Investment property	67	72
Investments accounted for using the equity method	2,777	2,952
Other financial assets	910	885
Receivables and other assets	1,970	2,506
Deferred taxes	2,978	2,466
	49,299	**51,453**
Current assets		
Inventories	2,351	1,959
Trade accounts receivable	4,543	5,601
Receivables and other assets	7,330	10,321
Marketable securities	7,662	7,437
Cash and cash equivalents	2,942	2,522
Assets held for sale		41
	24,828	**27,881**
	74,127	**79,334**

Equity and liabilities € million	30 Sep 2016	31 Dec 2015
Equity		
RWE AG shareholders' interest	4,107	5,847
RWE AG hybrid capital investors' interest	926	950
Non-controlling interests	2,030	2,097
	7,063	**8,894**
Non-current liabilities		
Provisions	27,068	24,623
Financial liabilities	16,024	16,718
Other liabilities	2,282	2,741
Deferred taxes	741	1,233
	46,115	**45,315**
Current liabilities		
Provisions	4,720	5,186
Financial liabilities	3,226	2,362
Trade accounts payable	4,735	6,122
Other liabilities	8,268	11,436
Liabilities held for sale		19
	20,949	**25,125**
	74,127	**79,334**

Cash flow statement

€ million	Jan – Sep 2016	Jan – Sep 2015
Income from continuing operations	258	784
Depreciation, amortisation, impairment losses/reversals	1,935	1,754
Changes in provisions	–422	5
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	–53	–550
Change in working capital	–1,110	184
Cash flows from operating activities of continuing operations	**608**	**2,177**
Cash flows from operating activities of discontinued operations		–125
Cash flows from operating activities	**608**	**2,052**
Capital expenditure on non-current assets/acquisitions	–1,283	–1,869
Proceeds from disposal of assets/divestitures	678	4,874
Changes in marketable securities and cash investments	–331	–3,512
Cash flows from investing activities of continuing operations[1]	**–936**	**–507**
Cash flows from investing activities of discontinued operations		–111
Cash flows from investing activities[1]	**–936**	**–618**
Cash flows from financing activities of continuing operations	**756**	**–2,318**
Cash flows from financing activities of discontinued operations		260
Cash flows from financing activities	**756**	**–2,058**
Net cash change in cash and cash equivalents	428	–624
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–22	14
Net change in cash and cash equivalents	**406**	**–610**
Cash and cash equivalents at the beginning of the reporting period	2,536	3,257
of which: reported as "Assets held for sale"	–14	–86
Cash and cash equivalents at the beginning of the reporting period as per the consolidated balance sheet	2,522	3,171
Cash and cash equivalents at the end of the reporting period	2,942	2,647
of which: reported as "Assets held for sale"		–53
Cash and cash equivalents at the end of the reporting period as per the consolidated balance sheet	**2,942**	**2,594**

1 After the initial/supplementary funding of pension plans in the amount of €193 million (prior-year period: €1,261 million).

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumu-lated other comprehensive income	**RWE AG shareholders' interest**	RWE AG hybrid capi-tal investors' interest	Non-con-trolling interests	**Total**
Balance at 1 Jan 2015	**3,959**	**5,008**	**−1,579**	**7,388**	**2,705**	**1,679**	**11,772**
Capital paid in/repaid					−1,750	1	−1,749
Dividends paid		−615		−615	−153	−220	−988
Income		1,935		1,935	117	256	2,308
Other comprehensive income		500	−77	423			423
Total comprehensive income		2,435	−77	2,358	117	256	2,731
Other changes		78		78	12	303	393
Balance at 30 Sep 2015	**3,959**	**6,906**	**−1,656**	**9,209**	**931**	**2,019**	**12,159**
Balance at 1 Jan 2016	**3,959**	**3,612**	**−1,724**	**5,847**	**950**	**2,097**	**8,894**
Capital repaid						−83	−83
Dividends paid		−5		−5	−67	−226	−298
Income		11		11	36	211	258
Other comprehensive income		−1,651	−95	−1,746		30	−1,716
Total comprehensive income		−1,640	−95	−1,735	36	241	−1,458
Other changes					7	1	8
Balance at 30 Sep 2016	**3,959**	**1,967**	**−1,819**	**4,107**	**926**	**2,030**	**7,063**

NOTES

Accounting policies

RWE AG, headquartered at Opernplatz 1, 45128 Essen, Germany, is the parent company of the RWE Group ("RWE" or "Group").

The interim consolidated financial statements as of 30 September 2016, including the additional information in the other parts of this interim statement, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU. They were approved for publication on 10 November 2016.

In line with IAS 34, the scope of reporting for the presentation of the interim consolidated financial statements for the period ended 30 September 2016 was condensed compared with the scope applied to the consolidated financial statements as of 31 December 2015. With the exception of the changes and new rules described below, this consolidated interim statement was prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2015. For further information, please see the Group's 2015 Annual Report, which provides the basis for this interim consolidated statement.

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 4.5% (31 December 2015: 4.5%). Provisions for pensions and similar obligations are discounted at an interest rate of 1.3% in Germany and 2.2% abroad (31 December 2015: 2.4% and 3.6%, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved several amendments to existing International Financial Reporting Standards (IFRSs) and new IFRSs, which became effective for the RWE Group as of fiscal 2016:

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (2014)
- Amendments to IAS 1 – Disclosure Initiative (2014)
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (2014)
- Amendments to IAS 16 and IAS 41 – Bearer Plants (2014)
- Amendments to IAS 27 – Equity Method in Separate Financial Statements (2014)
- Annual Improvements to IFRSs 2012–2014 Cycle (2014)
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (2013)
- Annual Improvements to IFRSs 2010–2012 Cycle (2013)

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

With effect from 1 January 2016, the useful life of opencast mine developments was brought in line with current economic circumstances as part of the annual review. In the first three quarters of 2016, this caused depreciation and amortisation to decline by €40 million.

Scope of consolidation

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

The following summaries show the changes in the number of fully consolidated companies, investments accounted for using the equity method and joint ventures:

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2016	**146**	**177**	**323**
First-time consolidation	6	3	9
Deconsolidation	−1	−1	−2
Mergers	−17	−7	−24
Balance at 30 Sep 2016	**134**	**172**	**306**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
Balance at 1 Jan 2016	**70**	**21**	**91**
Acquisitions			
Disposals		−2	−2
Other changes		−1	−1
Balance at 30 Sep 2016	**70**	**18**	**88**

Furthermore, six companies are presented as joint operations.

Disposals

Lynemouth

In January 2016, RWE Supply & Trading GmbH sold Lynemouth Power Ltd., the operator of a 420 MW coal-fired power plant in Lynemouth, to EP UK Investment Ltd., a subsidiary of Energetický a prumyslový holding (EPH). This investment was part of the Trading/Gas Midstream Segment. The gain on the deconsolidation amounted to €34 million and has been recognised as part of the "Other operating income" on the income statement. As of 31 December 2015, Lynemouth Power Ltd. was reported in the balance sheet with carrying values of €41 million as assets held for sale and of €19 million as liabilities held for sale. Pursuant to contractual arrangements, a retroactive purchase price refund was made in the second quarter of 2016, resulting in a total gain on the deconsolidation of €33 million.

Enovos

In March 2016, RWE sold its 18.4% stake in the Luxembourg-based energy utility Enovos International S.A. to a consortium led by the Grand Duchy of Luxembourg and the investment firm Ardian. The investment was part of the Other/Consolidation Segment.

Zephyr

In June 2016 the Executive Boards of RWE AG and innogy SE (formerly: RWE International SE) approved the sale of a 33.3% share in the associate Zephyr Investments Limited (Zephyr) and the related shareholder loans. The associate was assigned to the Renewables Segment. The transaction closed end of July 2016.

Revenue

Revenue generated by energy trading operations is stated as net figures, i.e. only reflecting realised gross margins. To present the development of business more accurately, the net disclosure method is being used starting in fiscal 2016, particularly for gas transactions. Prior-year figures for revenue and the cost of material were adjusted by –€364 million.

Impairments

In the first quarter of 2016, impairments of €204 million were recognised for the gas storage facilities of the Grids/Participations/Other Segment (recoverable amount: €0.1 billion), primarily due to changes in price expectations. The fair value less costs to sell was determined using a company valuation model based on cash flow budgets and an after-tax discount rate of 5.25%.

Dividend distribution

RWE AG's 20 April 2016 Annual General Meeting decided to pay a dividend of €0.13 per individual, dividend-bearing preferred share for fiscal 2015. The dividend payment totalled €5 million. No dividend was paid for common shares (prior year: €1.00 per common and preferred share).

Financial liabilities

A fifteen-year bond with a carrying amount of €807 million and a coupon of 6.25% p.a. fell due in April 2016.

Earnings per share

		Jan – Sep 2016	Jan – Sep 2015
Net income/income attributable to RWE AG shareholders	€ million	11	1,935
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	0.02	3.15

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first three quarters of 2016, transactions concluded with material related parties generated €3,115 million in income (first three quarters of 2015: €2,975 million) and €2,321 in expenses (first three quarters of 2015: €2,042 million). As of 30 September 2016, accounts receivable amounted to €488 million (31 December 2015: €477 million) and accounts payable totalled €129 million (31 December 2015: €151 million). All business transactions are concluded at arm's length conditions and on principle do not differ from those concluded with other companies. Other obligations from executory contracts amounted to €1,159 million (31 December 2015: €1,293 million).

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

Reporting on financial instruments

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

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

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

The measurement of the fair value of a group of financial assets and financial liabilities is conducted on the basis of the net risk exposure per business partner in accordance with IFRS 13.48.

As a rule, the carrying amounts of financial assets and liabilities subject to IFRS 7 are identical with their fair values. There are deviations only in relation to bonds, commercial paper, bank debt, and other financial liabilities. Their carrying amounts totalled €19,250 million (31 December 2015: €19,079 million) and their fair values totalled €22,200 million (31 December 2015: €20,161 million).

The following overview presents the main classifications of financial instruments measured at fair value in the fair value hierarchy prescribed by IFRS 13. In accordance with IFRS 13, the individual levels of the fair value hierarchy are defined as follows:

- Level 1: Measurement using (unadjusted) prices of identical financial instruments formed on active markets
- Level 2: Measurement on the basis of input parameters which are not the prices from Level 1, but which can be observed for the financial instrument either directly (i.e. as price) or indirectly (i.e. derived from prices)
- Level 3: Measurement using factors which cannot be observed on the basis of market data

Fair value hierarchy € million	Total 30 Sep 2016	Level 1	Level 2	Level 3	Total 31 Dec 2015	Level 1	Level 2	Level 3
Other financial assets	910	69	202	639	885	69	208	608
Derivatives (assets)	5,374	1	5,359	14	8,607	1	8,549	57
of which: used for hedging purposes	1,431		1,431		1,360		1,360	
Securities	7,662	5,498	2,164		7,437	6,290	1,147	
Derivatives (liabilities)	4,622	1	4,617	4	8,015		7,994	21
of which: used for hedging purposes	1,372		1,372		2,356		2,356	

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

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

Level 3 financial instruments: Development in 2015 € million	Balance at 1 Jan 2015	Changes in the scope of consolidation, currency adjustments, and other	Changes		Balance at 30 Sep 2015
			Recognised in profit or loss	With a cash effect	
Other financial assets	555	18	−23	27	577
Derivatives (assets)	69	−1	23	−36	55
Derivatives (liabilities)	4		17	−4	17

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total Jan – Sep 2016	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan – Sep 2015	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	1	1	23	23
Cost of materials	−36	−36	−17	−17
Other operating income/expenses	20	20	13	6
Income from investments	−9	−9	−29	−1
Income from discontinued operations			−7	
	−24	**−24**	**−17**	**11**

Level 3 derivative financial instruments essentially consist of energy purchase agreements, which relate to trading periods for which there are no active markets yet. The valuation of such depends on the development of gas prices in particular. All other things being equal, rising gas prices cause the fair values to increase and vice-versa. A change in pricing by +/–10% would cause the market value to rise by €2 million or decline by €2 million.

Events after the balance-sheet date

Information on events after the balance-sheet date is included in the supplementary report on major events after the end of the period under review.

FINANCIAL CALENDAR 2017

14 March 2017	Annual report for fiscal 2016
27 April 2017	Annual General Meeting
3 May 2017	Dividend payment
15 May 2017	Interim statement on the first quarter of 2017
14 August 2017	Interim report on the first half of 2017
14 November 2017	Interim statement on the first three quarters of 2017

This document was published on 14 November 2016. It is a translation of the German interim statement on the first three quarters of 2016. In case of divergence from the German version, the German version shall prevail.

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