

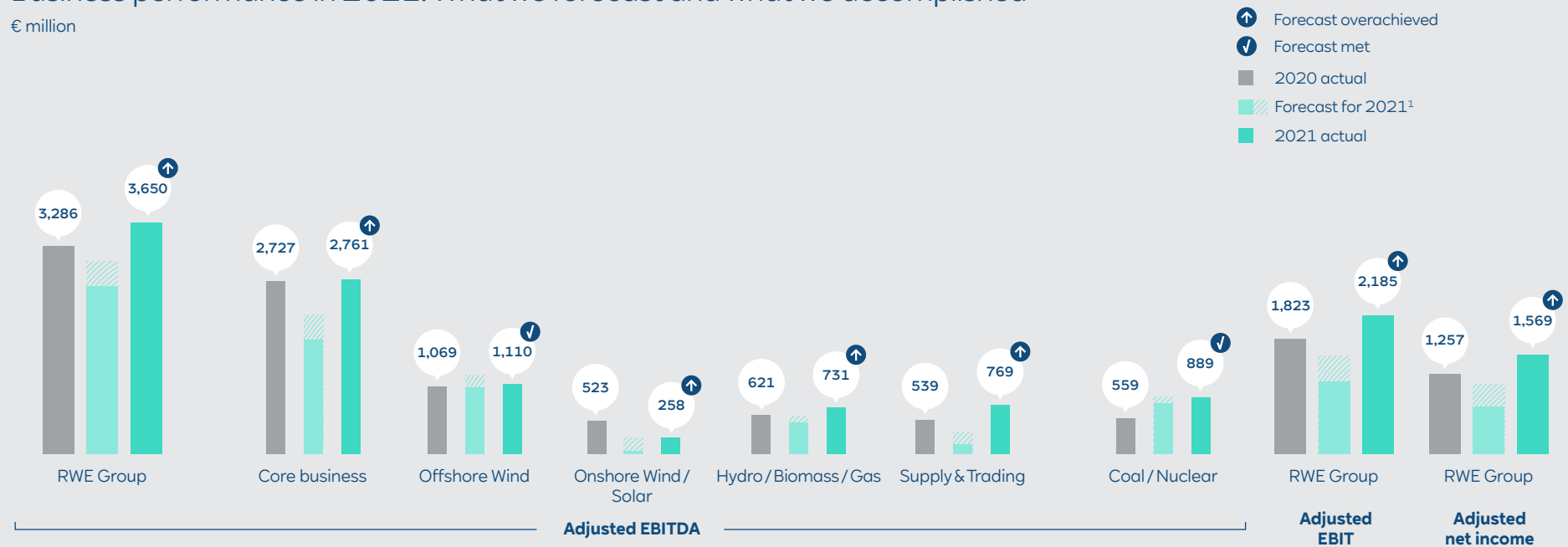
2.6 Business performance

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

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

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

€ million



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

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

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

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

3 Adjusted figure.

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

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

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

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

2 Adjusted figure.

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

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

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

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

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

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

Installed capacity ¹	Renewables		Pumped storage, batteries		Gas		Lignite		Hard coal		Nuclear		Total ²	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As of 31 December, MW														
Offshore Wind	2,318	1,918	-	-	-	-	-	-	-	-	-	-	2,318	1,918
Onshore Wind/Solar	7,082	6,858	28	20	-	-	-	-	-	-	-	-	7,110	6,877
Hydro/Biomass/Gas	1,285	1,319	168	172	13,901	13,901	-	-	1,469	1,474	-	-	17,115	17,158
of which:														
Germany	393	389	168	172	3,807	3,807	-	-	-	-	-	-	4,407	4,407
United Kingdom	139	137	-	-	6,984	6,984	-	-	-	-	-	-	7,376	7,374
Netherlands/Belgium	753	748	-	-	2,323	2,323	-	-	1,469	1,474	-	-	4,545	4,545
Turkey	-	-	-	-	787	787	-	-	-	-	-	-	787	787
Coal/Nuclear	12	7	-	-	400	400	7,638	8,548	-	-	1,482	2,770	9,559	11,752
RWE Group³	10,697	10,102	199	194	14,301	14,301	7,638	8,548	1,469	1,474	1,482	2,770	36,104	37,708

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

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

3 Including insignificant capacity at RWE Supply & Trading.

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

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

CO₂ emissions rise due to low wind speeds. Last year, our power stations emitted 80.9 million metric tons of carbon dioxide, 13.9 million metric tons more than in 2020. This represents the first increase after eight years of emissions reductions totalling 62%, and despite the fact that we closed further coal power plants. In 2021, a series of factors drove up usage of our lignite-fired power stations: besides a recovery of demand for electricity, lower generation volumes from wind farms also played a part. In addition, gas-fired power plants were less competitive, due to soaring fuel costs. We expect to return back to our ambitious emission reduction path in 2022.

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

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

1. No longer considers CO₂ emissions from generation assets in which RWE does not own the majority, but which we have long-term usage rights to. Prior-year figures adjusted accordingly.

62.6 million metric tons of lignite produced. Our generation companies procure the fuel they need either directly on the market or via RWE Supply & Trading, except for lignite, which we source from proprietary opencast mines. In our Rhenish mining area west of Cologne, we produced 62.6 million metric tons of lignite last year. This was 11.2 million metric tons more than in the preceding year, owing to the higher utilisation of our power plants. We used the lion's share, or 53.2 million metric tons, of lignite to generate electricity. The remainder was used to manufacture refined products (e.g. lignite powder, hearth furnace coke and briquettes) and, to a limited extent, to generate process steam and district heat.

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

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

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

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

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

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

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

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

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

The following developments were observed in the segments:

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

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

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

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

Reconciliation to net income: Exceptional effects overshadow operating development.

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

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

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

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

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

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

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

- At €21 million, income from the disposal of investments and assets was essentially immaterial, as in the previous year (€13 million). It largely resulted from the sale of small run-of-river power stations in France and Portugal (see page 43).
- Effects from the valuation of derivatives reduced earnings by €503 million, after increasing them by €1,886 million in the preceding year. Such impacts are only temporary and are primarily due to the fact that, pursuant to IFRS, financial instruments used to hedge price risks are accounted for at fair value at the corresponding balance-sheet date, whereas the hedged underlying transactions are only recognised as a profit or loss when they are realised.
- In the 'other' line item, we reported a loss of €168 million, which was much smaller than in the previous year (€2,003 million). Income in 2020 was curtailed by about €1.8 billion in impairments recognised for power plants and opencast lignite mines. Impairments relating to our lignite business were also recognised in the year being reviewed. They amounted to €780 million and are explained in more detail in the Notes on pages 112 et seq. Income benefited from the €880 million compensation for the nuclear phaseout in Germany we received from the government in November 2021.

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

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

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

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

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

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

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

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

Capital expenditure on property, plant and equipment and on intangible assets ¹ € million	2021	2020	+/-
Offshore Wind	1,683	756	927
Onshore Wind / Solar	1,404	1,154	250
Hydro / Biomass / Gas	294	153	141
Supply & Trading	47	43	4
Other, consolidation	2	-	2
Core business	3,430	2,106	1,324
Coal / Nuclear	259	183	76
RWE Group	3,689	2,285²	1,404

1 Table only shows cash investments.

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

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

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

1 Table only shows cash investments.

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

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

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

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

1 Converted to full-time positions.

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

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

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

2.7 Financial position and net worth

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

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

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

- Our Debt Issuance Programme (DIP) gives us latitude in raising debt capital for the long term. Our current DIP allows us to issue bonds with a total face value of up to €10 billion. By issuing three green bonds, we exercised this financing option in 2021 for the first time in six years.

- For short-term refinancing, we have a Commercial Paper Programme, which was updated in 2021. It allows us to raise funds equivalent to up to €5 billion on the money market. During the past fiscal year, we accessed a large portion of this funding volume: at times, a total of up to €3 billion in commercial paper was outstanding.
- To secure our liquidity, we also have access to a €5 billion syndicated credit line extended by a consortium of 27 international banks. It consists of two tranches: one of €2 billion, which expires in April 2022, and one of €3 billion, which is available through to April 2026. At our initiative, sustainability criteria were added to the conditions of the second tranche last year. Among other things, the conditions now depend on the development of the following three indicators: the share of renewables in RWE's generation portfolio, the CO₂ intensity of our plants and the percentage of our capex that is classified as sustainable in accordance with the EU taxonomy regulation. We have set goals for all three of these criteria. If we do not achieve the targets, we will have to pay higher interest and commitment fees. Half of the additional expenses would be directed to non-profit organisations. This new structure for the credit line underlines our commitment to our emissions reduction strategy.

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

Bond volume rises to €2.4 billion. RWE bonds with a total face value equivalent to €2.4 billion were outstanding at the end of 2021, versus €0.6 billion in the previous year. The significant increase was due to the aforementioned issues. Along with the three green bonds, RWE still has two outstanding hybrid bonds: one of €282 million with a 3.5% coupon and one of US\$317 million with a 6.625% coupon. Due to early buybacks in October 2017, the outstanding amounts are below the issuance volumes of €550 million and US\$500 million. The earliest redemption dates for the two hybrid bonds are in April 2025 and March 2026, respectively.

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

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

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

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

Robust improvement in operating cash flow. Our cash flows from operating activities of continuing operations amounted to €7,274 million, clearly exceeding the prior-year figure (€4,125 million). The good earnings situation and the compensation paid to us in November 2021 by the German Federal government for the phaseout of nuclear energy had positive effects. The main reason for the increase, however, were high margin payments for forward contracts for electricity, fuel and CO₂ certificates. RWE concludes contracts of this kind to reduce earnings risk exposure. For exchange-traded derivatives, we first have to provide an initial margin. Additionally, over the term of the contract, we receive or pay variation margins, depending on how the market value of the derivative changes. So-called collateral has to be provided for over-the-counter derivative transactions.

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

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

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

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

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

Net assets / net debt¹	31 Dec 2021	31 Dec 2020	+/-
€ million			
Cash and cash equivalents	5,825	4,774	1,051
Marketable securities	8,347	4,517	3,830
Other financial assets	12,403	2,507	9,896
Financial assets	26,575	11,798	14,777
Bonds, other notes payable, bank debt, commercial paper	-10,704	-2,160	-8,544
Hedging of bond currency risk	-9	-31	22
Other financial liabilities	-7,090	-3,038	-4,052
Financial liabilities	-17,803	-5,229	-12,574
Plus 50% of the hybrid capital stated as debt	290	278	12
Net financial assets (including correction of hybrid capital)	9,062	6,847	2,215
Provisions for pensions and similar obligations	-1,934	-3,864	1,930
Surplus of plan assets over benefit obligations	459	172	287
Provisions for nuclear waste management	-6,029	-6,451	422
Provisions for dismantling wind farms	-1,198	-1,136	-62
Net assets (+) / net debt (-)	360	-4,432	4,792

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

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

Leverage factor below zero. One of our key management parameters is the ratio of net debt to the adjusted EBITDA of the core business, also referred to as the leverage factor. This figure is more indicative than total liabilities, as it also reflects earning power and therefore our ability to meet our debt obligations. We set the upper limit for the leverage factor at 3.0 in order to secure our financial flexibility. As the RWE Group did not have any net debt as of the balance-sheet date and posted a net asset position, this indicator was below zero. However, the leverage factor should increase in the medium term, above all due to growth investments in our green core business, which we will also finance using debt capital.

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

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

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

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