Awel y Môr Offshore Wind Farm

Category 4: Compulsory Acquisition

Funding Statement (Tracked)

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Contents

1 Introduction

1 This Funding Statement has been prepared by and on behalf of Awel y Môr Offshore Wind Farm Limited (AyMOWFL) (the Applicant). This Funding Statement is one of a series of documents which accompanies the application to the Secretary of State for a Development Consent Order (DCO) submitted in accordance with Section 37 of the Planning Act 2008 and Regulations 5 and 6 of the Infrastructure Planning (Application: Prescribed Forms and Procedures) Regulations 2009 (the Application). This Funding Statement should be read in conjunction with the full suite of Application documents.

2 Purpose of Document

2 The proposed Awel y Môr project (AyM) will comprise an array of offshore Wind Turbine Generators (WTGs) located in Welsh waters with an overall capacity greater than 350 Megawatts (MW) and therefore constitutes a Nationally Significant Infrastructure Project (NSIP) under Sections 14 and 15(3B) of the Planning Act 2008. Such projects require a DCO to be granted by the relevant UK Secretary of State (SoS); in this case, the SoS for Business, Energy and Industrial Strategy (BEIS).

3 Marine planning is a matter which is devolved to the Welsh Ministers, and therefore separate marine licence(s) are also required under the Marine and Coastal Access Act 2009. Parallel applications are being made to the SoS for BEIS and Natural Resources Wales (NRW) on behalf of the Welsh Ministers, respectively. Further information about the process of these applications can be found in Volume 1, Chapter 2: Policy and Legislation of the Environmental Statement (application ref: 6.1.2).

4 The purpose of this Funding Statement is to demonstrate that the development of AyM will be adequately funded and therefore that funding is not an impediment to the delivery of AyM.

5 Additionally, as it will be necessary to compulsorily acquire land and rights over land for the purposes of developing AyM, and such powers have been included in the draft DCO, this Funding Statement explains how the Applicant will provide for the payment of compensation to those affected by compulsory acquisition, temporary possession, or blight claims.

6 This Funding Statement has been prepared in accordance with the requirements of Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (APFP Regulations) and the Department for Communities and Local Government (now the Department for Levelling Up, Housing and Communities) guidance 'Planning Act 2008: Guidance related to procedures for compulsory acquisition' (September 2013).

3 Project Description

7 AyM is a proposed sister project to the operational Gwynt y Môr Offshore Wind Farm (GyM) which is located off the coast of north Wales. GyM has been operational since 2015. RWE has invested £90m in Wales during construction, and has since created more than 100 long-term, skilled jobs at the Port of Mostyn in Flintshire, Wales.

8 AyM will comprise up to 50 WTGs and all associated infrastructure required to transmit the electricity generated to shore where it will be transmitted by the onshore infrastructure to the existing National Grid Bodelwyddan substation, as well as all infrastructure required to operate and maintain the wind farm. The transmission voltage will be up to 400 kV, with a maximum of two export circuits, and will use High Voltage Alternating Current (HVAC) technology.

9 At AyM, offshore WTGs will be connected via subsea cables to Offshore Substation Platforms (OSPs) that will transform the voltage and transmit the power generated via subsea cables within the offshore Export Cable Corridor (ECC) to shore east of Rhyl.

10 At this stage in the AyM development process, decisions on exact locations of infrastructure and the precise technologies and construction methods employed cannot be made. Therefore, a design envelope approach (often referred to as the 'Rochdale Envelope') has been used to provide certainty that the final project as built will not exceed these parameters, whilst providing the necessary flexibility to accommodate further project refinement during the detailed design phase post-consent.

11 Two indicative WTG scenarios are considered. These scenarios are based on the physical dimensions of individual WTGs at either end of the design envelope.

- Larger WTG: The largest WTGs within the design envelope. For the purposes of assessment this is assumed to be up to 34 of the largest possible WTGs with a Rotor Diameter (RD) of up to 306 m; and
- Smaller WTG: The greatest number of WTGs within the design envelope. For the purposes of assessment this is assumed to be up to 50 smaller WTGs with a RD of up to 250 m.

12 For onshore aspects, flexibility is required in terms of options for the number of export circuits, layout and technology requirements for the proposed Onshore Substation (OnSS), precise siting of onshore infrastructure and construction methods.

13 Connection to the National Grid will be made at Bodelwyddan in Denbighshire via onshore export cables installed underground between the landfall and the grid connection. The onshore export cable configuration will include up to two cable circuits connecting the offshore substation to the proposed OnSS and existing National Grid Bodelwyddan substations via a Landfall to the east of Rhyl and underground cables within an onshore ECC.

14 The Landfall denotes the location where the offshore export cables are brought ashore and jointed to the onshore export cables in Transition Joint Bays. The AyM Landfall location is within Ffrith beach, located to the east of Rhyl and adjacent to Rhyl Golf Club, extending to an area to the south of the North Wales Coast Line railway.

15 One OnSS (HVAC) will be required for AyM and will be sited to the west of St Asaph Business Park in order to facilitate ease of connection to the National Grid.

16 The onshore cable corridor will be approximately 12 km in length from the Transition Joint Bays to the existing National Grid Bodelwyddan substation.

17 More information on the project design and location figures can be found in Volume 2, Chapter 1: Offshore Project Description (application ref: 6.2.1) and Volume 3, Chapter 1: Onshore Project Description of the Environmental Statement (application ref: 6.3.1).

4 The Project Companies

4.1 The Applicant and the DCO undertakers

4.1.1 The Applicant

18 Awel y Môr Offshore Windfarm Limited (incorporated under company number 12270928 and having its registered office at Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, United Kingdom, SN5 6PB) is the "Applicant" for the purposes of the Application and this Funding Statement. The Applicant has signed an Agreement for Lease with The Crown Estate as the owner of the seabed in order to develop AyM.

19 The Applicant is owned by three entities:

- Siemens Project Ventures GmbH (10%)
  - Siemens Project Ventures GmbH is registered in Erlangen, Germany (Fuerth commercial register number HRB 5812)
  - Siemens Project Ventures GmbH is ultimately owned by Siemens AG, a company incorporated in Germany with registered offices in Berlin (registry number HRB 12300) and Munich (registry number HRB 6684).
- SWM UK Wind ONE Limited (30%)
  - SWM UK Wind ONE Limited is registered in the UK with company number 07110700.
  - SWM UK Wind ONE Limited is owned by Stadtwerke München
  - GmbH, a company established in Munich, Germany, registered with the commercial register of the local court in Munich under HRB 121920. Its ultimate parent is Landeshauptstadt München (City of Munich).
- RWE Renewables UK Swindon Limited (60%)
  - RWE Renewables UK Swindon Limited is registered in the UK with company number 02550622.
  - RWE Renewables UK Swindon Limited is ultimately owned by RWE Aktiengesellschaft which is registered in Germany with company number HRB 14525.

20 RWE Renewables UK Swindon Limited has substantial financial resources in its own right, plus, as a wholly owned subsidiary, it has the financial backing of RWE AG. RWE AG is one of Europe's five leading electricity and as companies, with significant expertise in oil, gas and lignite production, in electricity generation from gas, coal, nuclear and renewables, and in energy trading as well as electricity and gas distribution and supply. Moody's and Fitch rated RWE AG as Baa2 and BBB+ respectively as of December 2022~~at 11 May 2021~~, with a stable outlook across both ratings agencies. As at 30~~1~~ ~~October~~ September 2022~~1~~ RWE AG had total assets of €220.9~~145.6~~billion (Interim statement on the first three quarters of 2022~~1~~ – see Appendix 1).

21 Siemens Project Ventures GmbH is a global investor in infrastructure projects with a significant asset base and adequate financial resources at its disposal. Siemens Project Ventures GmbH, as a 100% subsidiary of Siemens AG, also enjoys strong financial and liquidity support from its parent. Siemens AG is one of the largest global technology conglomerates with a focus on energy, healthcare, mobility and infrastructure sectors. Siemens AG is rated as A1 and A+ by Moody's and S&P respectively with a Stable outlook by both agencies. As at 30 September 2021, Siemens AG had total assets of €140 billion with cash and cash equivalents of €9.5 billion.

22 SWM UK Wind One Limited has substantial financial resources, plus, as a wholly owned subsidiary, it has the vast financial backing of Stadtwerke München GmbH. Stadtwerke München GmbH is one of the largest municipal companies in Germany and manages its business across all segments of the value chain: Energy - subdivided into Generation, Networks, Sales, and Trade -, Water, Mobility, Telecommunications, and Public Pools. As at 31 December 2020 SMW GmbH had total assets of €10.7billion

23 The Applicant will also be the undertaker (as defined in Article 2 of the DCO; application document 3.1) for the purposes of exercising the compulsory purchase powers under the DCO.

5 Funding

24 There will be funding available to meet the costs associated with compulsory acquisition for AyM.

25 As explained above, the Applicant is a joint venture indirectly owned by three large companies, each with a sound financial standing: RWE AG listed in Germany, Siemens AG listed in Germany and Stadtwerke München GmbH.

26 The Applicant has taken professional advice regarding the estimated cost of acquiring the land and interests required to deliver AyM and is satisfied that the requisite amount of funding is available to meet this cost.

27 The funding required in relation to land assembly will be provided by the Applicant. It will not be necessary to obtain any third party funding in respect of the land assembly requirements of AyM. This is because as RWE AG, Siemens AG and Stadtwerke München GmbH have made allowances for these costs, as they would with any large infrastructure project they undertake, and will ensure that the necessary funds will be available when they are due.

28 As such, barring any unprecedented and currently unforeseen circumstances, no funding shortfalls are anticipated. The possibility of either Siemens AG, Stadtwerke München GmbH or RWE AG being unable to meet its financial commitments in respect of land assembly is extremely remote as demonstrated by the sound credit ratings of the companies.

29 The Applicant has included in Article 31 of the DCO a provision which requires the Applicant to refrain from exercising the powers of compulsory acquisition granted by the DCO until guarantees or alternative forms of security in respect of the liability of the undertakers to pay compensation are in place. The form of guarantee or security and the amount of these must be approved by the Secretary of State. It will be for the SoS to satisfy himself/herself that the guarantee or security provided is sufficient to cover the compensation liabilities.

30 The Applicant is confident that AyM will be commercially viable based on the assessments it has undertaken. The SoS can be confident that funding will be available to meet the compulsory acquisition costs as they fall due.

6 Estimated Project Cost

31 The current cost estimate for AyM is approximately ~~£1.81bn~~ £2.26bn. This includes the costs of construction, development, project management, financing, land acquisition and operation.

~~31~~32 The updated cost has been calculated using the Producer Price Inflation index to reflect the change in the likely cost between the production of the ES and the present time.

7 Compensation Claims

~~32~~33 The DCO will grant the Applicant powers to acquire land and interests over land as necessary to develop AyM. These can be used in the event it has not been possible to acquire the necessary interests and rights by agreement.

~~33~~34 The Applicant has sought advice from Dalcour Mclaren (DM) who are expert chartered surveyors with experience of OWF development. DM have provided possible heads of liability for:

- compulsory acquisition of land and rights,
- compensation arising out of temporary works,
- blight,
- severance,
- injurious affection,
- claims arising under Part 1 of the Land Compensation Act 1973,
- Business Loss Claims,
- Part 1 claims and
- Third Party Professional Fees.

~~34~~35 See further details at Appendix 2.

~~35~~36 DM have considered blight in relation to AyM and have concluded that the project will not blight any properties so the quantum of liability under this head of claim is £0. See further details at Appendix 2.

~~36~~37 Overall DM estimate the costs associated with compulsory acquisition and potential compensation claims to be in the region of £11.2m.

~~37~~38 Article 31 of the DCO provides that the Applicant may not exercise a number of powers until it has put in place a guarantee or security equal to its potential liability to compensation payable under the DCO. The guarantee or security must be approved by the SoS.

8 Conclusions

~~38~~39 The Applicant will be responsible for providing funding to cover the costs of the delivery of and the compulsory acquisition associated with AyM. This funding will be provided by the project partners: Siemens Project Ventures GmbH, SWM UK Wind ONE Limited and RWE Renewables UK Swindon Limited with the backing from their parent companies Siemens AG, Stadtwerke München GmbH and RWE AG (respectively). Each of these companies have substantial assets in their own right and considerable experience in infrastructure development.

~~39~~40 The DCO secures that powers of compulsory acquisition cannot be exercised unless and until the SoS is satisfied that funding for the potential liability for compensation has been secured.

41 The SoS can accordingly be satisfied that sufficient funding will be available to develop AyM and any liability arising from the exercise of compulsory acquisition powers under the DCO will be met.

9 Appendix 1 – RWE Interim Statement

RWE

Interim statement on the first three quarters of 2022

Adjusted net income rises to €2.1 billion in first three quarters // Earnings forecast for full year confirmed // Strong expansion in USA with acquisition of Con Edison's renewables business // Agreement with German government on socially acceptable, early phaseout of lignite power generation in 2030

Contents

At a glance

RWE Group – key figures		Jan – Sep 2022	Jan – Sep 2021	+/–	Jan – Dec 2021
Power generation[1]	GWh	115,276	115,205	71	160,753
External revenue (excl. natural gas tax/electricity tax)	€ million	26,932	13,253	13,679	24,526
Adjusted EBITDA	€ million	4,127	2,397	1,730	3,650
Adjusted EBIT	€ million	2,965	1,339	1,626	2,185
Income before tax	€ million	2,593	3,459	-866	1,522
Net income/income attributable to RWE AG shareholders	€ million	2,102	2,808	-706	721
Adjusted net income[2]	€ million	2,118	1,025	1,093	1,554
Cash flows from operating activities	€ million	1,254	3,421	-2,167	7,274
Capital expenditure	€ million	3,169	2,800	369	3,769
Property, plant and equipment and intangible assets	€ million	2,099	2,763	-664	3,689
Financial assets	€ million	1,070	37	1,033	80
Proportion of taxonomy-eligible investments[3]	%	83	–	–	88
Free cash flow	€ million	-1,833	1,213	-3,046	4,562
Number of shares outstanding	thousands	676,220	676,220	–	676,220
Earnings per share	€	3.11	4.15	-1.04	1.07
Adjusted net income per share[2]	€	3.13	1.52	1.61	2.30
		30 Sep 2022			31 Dec 2021
Net assets (+)/net debt (–)	€ million	-360	–	–	360
Workforce[4]		18,382	–	–	18,246

1 Adjusted prior-year figures (see commentary in footnote 1 in table on page 8).
2 Adjusted prior-year figures (see commentary on page 7).
3 Taxonomy-eligible economic activity consists of operations which are subject to criteria under the EU Taxonomy Regulation – irrespective of whether the criteria are met (see commentary on pages 34 et seq. of the 2021 Annual Report).
4 Converted to full-time positions.

Major events

RWE steps up growth in USA with purchase of Con Edison's renewable energy business. In early October, we reached an agreement with energy company Con Edison to acquire all shares in its subsidiary Con Edison Clean Energy Businesses (Con Edison CEB), a leading operator and developer of renewable energy plants in the United States. Con Edison CEB boasts 3.1 GW of power generation capacity, around 90 % of which comes from solar systems. The portfolio is complemented by a development pipeline which could contribute more than 7 GW. This transaction adds further momentum to our growth in the USA: with the addition of Con Edison CEB's portfolio, RWE will be the fourth-largest renewables player in the USA and the second-largest in the field of photovoltaics. The United States is one of the fastest-growing renewables markets in the world. The Biden Administration recently laid the groundwork to maintain attractive, stable conditions for investments in green technologies in this market.

The acquisition of Con Edison CEB is subject to regulatory approval and is expected to be completed in the first half of 2023. The two parties have agreed on a purchase price, based on a valuation of US$6.8 billion. The acquisition will be financed in part by the issuance of a mandatory convertible bond to a subsidiary of the Qatar Investment Authority (QIA). The bond has a nominal value of €2,428 million and will have to be converted into new RWE shares within twelve months. QIA will then own a 9.1 % stake in RWE AG. The capital increase will not affect our dividend policy. The RWE AG Executive Board is still targeting a dividend of €0.90 per share for fiscal 2022.

Successful entry into Polish photovoltaics market. At the end of August, we acquired Alpha Solar, a Polish photovoltaic power plant developer. It was agreed that the purchase price would not be made public. The acquisition will add a 3 GW solar project pipeline to our portfolio. Alpha Solar's projects are located throughout Poland and are in various stages of development. In addition to the projects, we are also taking on a team of 60 and will harness their unique insights into the local market to help deliver our ambitious expansion plans in Poland.

RWE and German government agree on coal phaseout for 2030. In early October, we reached an agreement with the German government and the state of North Rhine-Westphalia to phase out our Rhenish lignite power generation by 2030. That is eight years earlier than provided for under the current statutory phaseout schedule. We will receive no additional financial compensation. The sum of €2.6 billion set out in the 2020 Coal Phaseout Act will therefore remain unchanged. However, this payment first needs to be approved by the EU Commission. By bringing our phaseout of lignite forward, approximately 280 million metric tons of coal will remain in the ground and will not be used for power generation. This represents a significant contribution to meeting both German and international climate protection targets. At the 2015 Climate Change Conference in Paris, the global community committed to limiting global warming to well below two degrees Celsius compared to pre-industrial levels. Our efforts to date were already consistent with this goal, as officially confirmed by the independent Science Based Targets initiative in late 2020. However, by expediting our phaseout of lignite-fired power generation, we are laying the foundations to operate in line with the Paris Climate Conference's more ambitious target of limiting the temperature increase to 1.5 °C.

In order to expedite the phaseout of coal, it is vital to accelerate the expansion of wind power, solar systems, storage solutions and secure capacity in the form of state-of-the-art gas-fuelled power stations, which can one day run on hydrogen. We want to grow our renewables portfolio in North Rhine-Westphalia to 1 GW. Potential sites include recultivated opencast mining areas in the Rhenish region. We also intend to build hydrogen-capable gas-fired power plants with a total capacity of 3 GW, provided this proves to be economically viable. The majority of the stations are to be built on North Rhine-Westphalian sites that were once used for coal-fired power generation. Depending on the situation in the energy sector, the German government can also decide by 2026 to put our three most modern lignite-fired plants with a combined capacity of 3 GW on standby in March 2030, before they are completely shut down at the end of 2033.

In conjunction with the agreement to speed up the phaseout of lignite, the German government has also deferred the decommissioning of two power plant units, Neurath D (607 MW) and Neurath E (604 MW), originally scheduled for 31 December 2022. In taking this decision, the government wishes to reduce the amount of gas needed for electricity generation. Closure of the units has been postponed until 31 March 2024. Additionally, up until the end of 2023 the German government can also decide to extend their lifetimes again or transfer the units to a power plant reserve. Both measures would be limited to 31 March 2025.

The decision to bring the lignite phaseout forward will have far-reaching consequences for many RWE employees. While we will need more staff in the short term to operate additional lignite power stations during the present energy crisis, downsizing will accelerate towards the end of the decade. A range of compensatory measures have been planned for those impacted, e.g. early retirement plans and a statutory adjustment allowance. Younger employees will have the opportunity to receive further training, allowing them to take on new roles within or outside the company.

Legally mandated gas savings: RWE returns three lignite units to the market. In early October, our three lignite units, Niederaussem E and F along with Neurath C, resumed operation. The plants, which have a total capacity of 0.9 GW, had been put on standby in 2018 and 2019 respectively, and had not generated any electricity since. The decision to return them to the market was taken within the context of the Substitute Power Stations Act, which entered into force in July 2022. The scheme is designed to temporarily bring coal and oil-fired plants back online, reducing the use of natural gas. This involves stations with a total capacity of 10 GW that were once operational but have since been put on standby or been scheduled to close. The reactivation of the lignite units is regulated by an ordinance passed at the end of September and is initially limited to mid-2023.

Germany extends lifespan of nuclear plants by three and a half months. In light of an impending energy shortage this winter, German Chancellor Olaf Scholz has announced that Germany's three remaining nuclear power stations will stay online until mid-April 2023. They had been due to be shut down at the end of 2022 in accordance with the Nuclear Energy Act. The decision will affect Neckarwestheim 2 and Isar 2 as well as RWE's Emsland power plant. As the extension is limited to a few months, the plants will not be fitted with new fuel rods. Our Emsland power station could generate approximately 1.7 TWh of power over the period in question.

German government U-turns on gas surcharge. At the end of September, the German government cancelled the Gas Price Adjustment Ordinance, which had introduced a temporary 2.4 cent surcharge per kWh for gas users. The ordinance was originally intended to come into force on 1 October. The revenues were earmarked for companies facing much higher wholesale costs for alternative gas supplies due to the interruption of Russian imports. RWE would also have been eligible for support. However, we announced that we would not be submitting a claim. The government is now planning to replace the surcharge with targeted measures for the affected companies.

EU agrees outline for extraordinary levy on energy companies. EU policymakers continue to focus on energy and commodities prices, which have soared due to the war in Ukraine. At the end of September, the European Commission and the Council of Ministers agreed an initial outline for an additional levy on power generators' market revenues, which have recently been significantly higher. This is limited to mid-2023 and creates the framework for individual member states to introduce national measures. The proceeds are to be redirected to finance support measures for households and businesses struggling with soaring energy bills. The EU model provides for state-specific price caps, with excess revenues entirely or largely taxable. However, the measures will be limited to generation technologies with low variable costs and corresponding high margins. These include run-of-river, lignite-fired and nuclear stations, in particular, as well as wind and solar farms. Electricity generated using hard coal can also be taxed by the individual states, if they deem it appropriate. Gas-fired plants, however, are exempt, owing to the very high fuel costs for these stations. The EU has proposed capping power revenues at €180 / MWh, but the states can choose to introduce technology-specific caps that deviate from this. Many EU states, including Germany and the Netherlands, have since begun working on national regulations. Concrete decisions had not yet been published when this report was finalised.

RWE partners up to deliver LNG to floating terminals off the coast of Germany. RWE, Uniper and EnBW subsidiary VNG will be responsible for LNG deliveries to the new Brunsbüttel and Wilhelmshaven floating terminals, pursuant to the memorandum of understanding signed with the German government in mid-August. The floating storage and regasification units (FSRUs) are specially designed ships that convert the LNG deliveries back into their gaseous state, before being fed into the grid. The German government commissioned RWE to charter the two FSRUs, which should contribute to security of German gas supply as early as this winter. RWE, Uniper and VNG have committed to sourcing the required supplies. For now, RWE (Brunsbüttel) and Uniper (Wilhelmshaven) will be responsible for operating the terminals, but this will later be passed on to a special-purpose entity. The two 300-metre-long FSRUs will be able to import more than 10 billion cubic metres of natural gas annually, helping to make Germany's energy supply more independent of natural gas imports via pipelines and thus more secure. The first LNG delivery, with a volume of 137,000 cubic metres, will be supplied by Abu Dhabi National Oil Company (ADNOC) and is due to arrive in Brunsbüttel at the end of December. In September, we signed a memorandum of understanding with ADNOC, which will be delivering the gas as part of an agreement to supply LNG to Germany over several years.

Other major events. Major events in the period from January to early August 2022 were presented in the interim report on the first half of 2022.

Commentary on reporting

Group structure features five segments. We distinguish between five segments when reporting RWE's business performance, the first four of which constitute the core business. In June, we reassigned operating responsibility for our renewables activities: it is now no longer centralised at RWE Renewables, but rather distributed between three organisational units (see below). This change does not affect our reporting segments, which continue to be defined as follows:

1. **Offshore Wind:** We present our offshore wind business here. It is now overseen by RWE Offshore Wind.

2. **Onshore Wind / Solar:** This is the segment in which we report on our onshore wind and solar business as well as parts of our battery storage operations. Responsibility for these activities is assumed by either RWE Renewables Europe & Australia or RWE Renewables Americas, depending on the continent.

3. **Hydro / Biomass / Gas:** This segment encompasses our run-of-river, pumped storage, biomass and gas power stations. It also includes the hard coal and biomass-fired Dutch Amer 9 and Eemshaven power plants as well as some battery storage systems. Furthermore, the project management and engineering consulting company RWE Technology International and our 37.9 % stake in Austrian energy utility KELAG are assigned to this segment. All of these activities are overseen by the management company RWE Generation, which is also responsible for the design and implementation of our hydrogen strategy.

4. **Supply & Trading:** The main business in this segment is proprietary trading of energy commodities. This activity is overseen by the Group company RWE Supply & Trading, which also acts as an intermediary for gas, supplies key accounts with energy, and undertakes a number of additional trading-related activities. Our German and Czech gas storage facilities also form part of this segment.

5. **Coal / Nuclear:** This is where we report our non-core business. This primarily consists of our German electricity generation from coal and nuclear fuel as well as our lignite production in the Rhenish mining region to the west of Cologne. Our stakes in Dutch nuclear power plant operator EPZ (30 %) and Germany-based URANIT (50 %), which holds a 33 % share in uranium enrichment specialist Urenco, are also subsumed in this segment. The aforementioned activities and investments are mainly overseen by RWE Power.

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

Transition to 'adjusted financial result'. Effective from the current fiscal year, we have adjusted the methodology for the presentation of the financial result. In the past, this indicator only contained unadjusted components. As a result, however, the financial result was affected by special items, which hindered the assessment of business developments. One example of this is one-off effects from the adjustment of discount rates, which we use to determine nuclear or mining provisions. These effects are now assigned to the non-operating result instead of the financial result, corresponding to the methodology applied to (adjusted) EBIT. We will use the term 'adjusted financial result' to express this in the future. In the table presenting the non-operating result, we now include the item 'Adjustments to the financial result'. To enable comparability, we also present prior-year figures using the new methodology.

Reclassification of valuation effects from currency derivatives to non-operating result. For reasons of consistency, temporary gains and losses resulting from the valuation of currency derivatives used for hedging purposes are no longer reported as part of the adjusted financial result. Instead they form part of the non-operating result, where they are considered under 'Adjustments to the financial result'. This interim financial statement is the first time this change has been applied. To enable comparability, we have recalculated the previous year's figures accordingly. In addition to the adjusted financial result and the non-operating result, adjusted net income is also affected by this.

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

Business performance

Power generation[1] January – September	Renewables		Pumped storage, batteries		Gas		Lignite		Hard coal		Nuclear		Total[2]	
GWh	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Offshore Wind	6,572	4,683	–	–	–	–	–	–	–	–	–	–	6,572	4,683
Onshore Wind / Solar	13,902	11,823	–	–	–	–	–	–	–	–	–	–	13,902	11,823
Hydro / Biomass / Gas	4,699	5,486	18	39	38,474	38,227	–	–	5,329	5,110	–	–	48,678	48,992
of which:														
Germany	1,046	1,273	18	39	3,829	4,573	–	–	–	–	–	–	5,051	6,015
United Kingdom	371	352	–	–	29,532	25,905	–	–	–	–	–	–	29,903	26,257
Netherlands	3,282	3,824	–	–	3,388	4,727	–	–	5,329	5,110	–	–	11,999	13,661
Turkey	–	–	–	–	1,725	3,022	–	–	–	–	–	–	1,725	3,022
Coal / Nuclear	13	15	–	–	72	96	37,118	32,133	–	187	8,756	17,126	46,124	49,707
RWE Group	**25,186**	**22,007**	**18**	**39**	**38,546**	**38,323**	**37,118**	**32,133**	**5,329**	**5,297**	**8,756**	**17,126**	**115,276**	**115,205**

1 Figures no longer include purchases from generation assets in which RWE does not own the majority, even if we have long-term usage rights to them. Prior-year figures including such purchases have been adjusted accordingly.
2 Including production volumes not attributable to any of the energy sources mentioned (e.g. electricity from waste-to-energy plants).

Power generation on a par year on year – major rise in renewable energy. In the first three quarters of 2022, RWE produced 115,276 GWh of electricity, roughly the same as in 2021. The contribution of renewables to our generation volumes rose considerably. Wind power production posted a gain of 22 %, benefiting amongst other things from the commissioning of new generation capacity and improved weather conditions compared to the low wind speeds last year. Another driving factor was that we increased our stake in the Rampion offshore wind farm in the UK (400 MW) from 30.1 % to 50.1 % as of 1 April 2021 and have fully consolidated Rampion since then. Our German lignite-fired power stations also generated more electricity despite capacity reductions in line with the German coal phaseout. The backdrop to this was an improvement in market conditions for this generation technology. We recorded a significant decline in nuclear power because we shut down the Gundremmingen C unit at the end of last year as per the German nuclear phaseout. Utilisation of our gas-fired power stations experienced a market-driven year-on-year drop in Germany and the Netherlands, whereas it rose in the UK. From 3 January to 19 April 2022, an outage due to steam turbine damage at Claus C, which is located near the Dutch city of Roermond, had a negative impact.

Power generation from renewables[1] **January – September**	Offshore Wind		Onshore Wind		Solar		Hydro		Biomass		Total	
GWh	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Germany	1,368	1,213	793	646	4	2	1,046	1,273	–	–	3,211	3,134
United Kingdom	5,069	3,333	1,301	1,093	–	–	93	99	277	253	6,740	4,778
Netherlands	–	–	609	504	23	15	14	19	3,267	3,805	3,913	4,343
Poland	–	–	839	748	1	1	–	–	–	–	840	749
Spain	–	–	614	661	69	80	6	26	–	–	689	767
Italy	–	–	735	693	–	–	–	–	–	–	735	693
Sweden	135	137	219	201	–	–	–	–	–	–	354	338
USA	–	–	7,606	6,642	607	252	–	–	–	–	8,213	6,894
Australia	–	–	–	–	334	153	–	–	–	–	334	153
Rest of the world	–	–	86	16	71	72	–	70	–	–	157	158
RWE Group	**6,572**	**4,683**	**12,802**	**11,204**	**1,109**	**575**	**1,159**	**1,487**	**3,544**	**4,058**	**25,186**	**22,007**

1 Figures no longer include purchases from generation assets in which RWE does not own the majority, even if we have long-term usage rights to them. Prior-year figures including such purchases have been adjusted accordingly.

External revenue reflects substantial rise in energy prices. Our revenue from customers outside the RWE Group amounted to €26,932 million compared to €13,253 million in the same period last year. These figures exclude natural gas tax and electricity tax. Revenue from our main product, electricity, nearly doubled to €21,801 million although generation volumes were essentially unchanged. This was due to the massive increases in prices on the energy markets. For the same reason, our gas revenue rose to €3,616 million, roughly three-and-a-half times last year's figure.

Sustainable investors in particular attach importance to the share of coal-fired generation and other coal products in revenue. In the period being reviewed, this quota was 18 % (previous year: 21 %).

External revenue € million	Jan – Sep 2022	Jan – Sep 2021	+ / –	Jan – Dec 2021
Offshore Wind	809	383	426	688
Onshore Wind / Solar	1,545	1,672	- 127	2,324
Hydro / Biomass / Gas	1,253	879	374	1,315
Supply & Trading	22,606	9,664	12,942	19,296
Other	1	3	- 2	4
Core business	**26,214**	**12,601**	**13,613**	**23,627**
Coal / Nuclear	718	652	66	899
RWE Group (excl. natural gas tax / electricity tax)	**26,932**	**13,253**	**13,679**	**24,526**

External revenue by product € million	Jan – Sep 2022	Jan – Sep 2021	+ / –	Jan – Dec 2021
Electricity revenue	**21,801**	**11,103**	**10,698**	**20,476**
of which:				
Offshore Wind	807	382	425	688
Onshore Wind / Solar	1,522	1,538	- 16	2,107
Hydro / Biomass / Gas	872	577	295	877
Supply & Trading	18,433	8,405	10,028	16,540
Core business	**21,634**	**10,902**	**10,732**	**20,212**
Coal / Nuclear	167	201	- 34	264
Gas revenue	**3,616**	**1,007**	**2,609**	**2,142**
Other revenue	**1,515**	**1,143**	**372**	**1,908**
RWE Group (excl. natural gas tax / electricity tax)	**26,932**	**13,253**	**13,679**	**24,526**

Internal revenue € million	Jan – Sep 2022	Jan – Sep 2021	+ / –	Jan – Dec 2021
Offshore Wind	487	538	- 51	808
Onshore Wind / Solar	422	186	236	361
Hydro / Biomass / Gas	7,291	3,310	3,981	5,361
Supply & Trading	7,103	3,429	3,674	5,214
Other, consolidation	- 14,021	- 6,789	- 7,232	- 10,986
Core business	**1,282**	**674**	**608**	**758**
Coal / Nuclear	3,914	2,910	1,004	4,116

Adjusted EBITDA € million	Jan – Sep 2022	Jan – Sep 2021	+ / –	Jan – Dec 2021
Offshore Wind	859	656	203	1,110
Onshore Wind / Solar	649	36	613	258
Hydro / Biomass / Gas	1,164	430	734	731
Supply & Trading	942	609	333	769
Other, consolidation	- 120	- 54	- 66	- 107
Core business	**3,494**	**1,677**	**1,817**	**2,761**
Coal / Nuclear	633	720	- 87	889
RWE Group	**4,127**	**2,397**	**1,730**	**3,650**

Adjusted EBITDA much higher than last year. In the first three quarters of 2022, we registered adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) of €4,127 million. This was €1,730 million, or 72 %, more than in the same period in 2021. In the core business, adjusted EBITDA more than doubled, advancing to €3,494 million. This was partially due to the substantial hit to last year's result caused by the extreme cold snap in Texas (see page 10 of the interim statement on the first three quarters of 2021). In addition, a number of factors had a positive impact during the period being reviewed, e. g. the commissioning of new wind farms, more favourable weather conditions, higher generation margins and additional income from the short-term optimisation of power plant dispatch. We clearly exceeded last year's strong result in energy trading. Outside of the core business, adjusted EBITDA in the Coal / Nuclear segment dropped to €633 million (previous year: €720 million). This can be traced back to the decrease in generation capacity, in particular the closure of the Gundremmingen C nuclear power station as of 31 December 2021.

The following is a breakdown of earnings by segment:

- **Offshore Wind:** We achieved adjusted EBITDA of €859 million here. This was a big gain on the figure for the first three quarters of last year (€656 million), primarily thanks to increased generation capacity, higher wind levels and improved generation margins. A further positive effect was felt from an increase in our stake in the Rampion offshore wind farm in the UK to a majority interest as of 1 April 2021 and its full consolidation since then.

- **Onshore Wind / Solar:** Adjusted EBITDA in this segment totalled €649 million. This clearly exceeded the low figure recorded in the same period last year (€36 million), which reflected the aforementioned exceptional burdens in Texas. The commissioning of new capacity, higher generation margins and more favourable wind conditions also contributed to the encouraging earnings trend. A counteracting effect came from the prior-year figure containing capital gains on the sale of majority interests in the Stella, Cranell, East Raymond and West Raymond wind farms in Texas, whereas there were no comparable sale proceeds in the first nine months of 2022.

- **Hydro / Biomass / Gas:** Another considerable increase in adjusted EBITDA was recorded here, as this figure jumped from €430 million to €1,164 million. This growth was largely driven by a rise in electricity margins and a significant improvement in income from the short-term optimisation of our power plant dispatch. Burdens resulted from the Dutch Claus C gas-fired power station being out of service for several months due to steam turbine damage. Furthermore, we received lower payments from the British capacity market.

- **Supply & Trading:** At €942 million, adjusted EBITDA in this segment clearly exceeded the high figure registered in the same period last year (€609 million). RWE Supply & Trading once again posted a very good result in international energy trading, with regard to almost all commodities and regions.

- **Coal / Nuclear:** This segment's adjusted EBITDA fell to €633 million (previous year: €720 million). Power plant closures as part of the German coal and nuclear phaseouts played a major role in this. Our Gundremmingen C nuclear power station (1,288 MW) closed at the end of 2021. Furthermore, we shut down the following lignite-fired units: Neurath A (294 MW) as of 1 April 2022, Neurath B (294 MW), Niederaussem C (295 MW) and Weisweiler E (321 MW) at the end of 2021 as well as Frimmersdorf P (284 MW) and Q (278 MW) as of 30 September 2021. Our interim results were also impacted by expenses for returning three lignite units to the market (see page 4), as required by law. Cost savings and a strong improvement in utilisation levels at our generation facilities had positive effects. Moreover, we earned additional income from the short-term optimisation of power plant dispatch.

Adjusted EBIT € million	Jan – Sep 2022	Jan – Sep 2021	+ / –	Jan – Dec 2021
Offshore Wind	423	325	98	636
Onshore Wind / Solar	310	-258	568	-145
Hydro / Biomass / Gas	928	202	726	418
Supply & Trading	911	574	337	721
Other, consolidation	-121	-53	-68	-106
Core business	**2,451**	**790**	**1,661**	**1,524**
Coal / Nuclear	514	549	-35	661
RWE Group	**2,965**	**1,339**	**1,626**	**2,185**

Adjusted EBIT more than twice as high as in 2021. The Group's adjusted EBIT rose by €1,626 million to €2,965 million. This figure differs from adjusted EBITDA in that it includes operating depreciation and amortisation, which amounted to €1,162 million in the period being reviewed (previous year: €1,058 million).

Reconciliation to net income € million	Jan – Sep 2022	Jan – Sep 2021	+ / –	Jan – Dec 2021
Adjusted EBIT	**2,965**	**1,339**	**1,626**	**2,185**
Adjusted financial result[1]	-282	-111	-171	-226
Non-operating result[1]	-90	2,231	-2,321	-437
Income before tax	**2,593**	**3,459**	**-866**	**1,522**
Taxes on income	-329	-632	303	-690
Income	**2,264**	**2,827**	**-563**	**832**
of which:				
Non-controlling interests	162	19	143	111
Net income / income attributable to RWE AG shareholders	**2,102**	**2,808**	**-706**	**721**

1 Redefined key performance indicators; some prior-year figures adjusted (see commentary on page 7).

Reconciliation to net income: exceptional effects eclipse operating performance.
The reconciliation from adjusted EBIT to net income is characterised by one-off effects. The decline in the non-operating result caused by these effects outweighed the positive operating performance and is reflected in a sharp reduction of net income compared to the previous year. We have presented the development of the items in the reconciliation statement in the following passages.

Adjusted financial result[1] € million	Jan – Sep 2022	Jan – Sep 2021	+ / –	Jan – Dec 2021
Interest income	274	238	36	260
Interest expenses	-380	-221	-159	-317
Net interest	**-106**	**17**	**-123**	**-57**
Interest accretion to non-current provisions	-109	-96	-13	-131
Other financial result	-67	-32	-35	-38
Adjusted financial result	**-282**	**-111**	**-171**	**-226**

1 New key performance indicator; some prior-year figures adjusted (see commentary on page 7). Except for prior-year interest income, all table items have been adjusted.

Our adjusted financial result decreased by €171 million to -€282 million. The following items experienced major changes:

- Adjusted net interest was down by €123 million to -€106 million. Additional expenses incurred to take out new credit facilities, the rise in bond volume and greater project financing needs came to bear here. Furthermore, there was an increase in costs incurred to provide sureties in energy trading. The €194 million dividend on our 15% stake in E.ON included in net interest was slightly higher than in 2021 (€186 million).
- The adjusted other financial result dropped by €35 million to -€67 million. Negative effects were felt from the valuation of financial derivatives. Moreover, the accounting treatment of high inflation in Turkey resulted in losses (see page 38 of the interim report on the first half of 2022).

Non-operating result[1] € million	Jan – Sep 2022	Jan – Sep 2021	+ / –	Jan – Dec 2021
Adjustments to EBIT	**-1,035**	**2,050**	**-3,085**	**-650**
of which:				
Disposal result	–	21	-21	21
Effects on income from the valuation of derivatives	-930	2,142	-3,072	-503
Other	-105	-113	8	-168
Adjustments to the financial result	**945**	**181**	**764**	**213**
Non-operating result	**-90**	**2,231**	**-2,321**	**-437**

1 New definition; some prior-year figures adjusted (see commentary on page 7).

The non-operating result, in which we recognise certain items which are not related to operations or the period being reviewed, amounted to -€90 million (previous year: €2,231 million). Major changes were recorded in the following:

- Effects on income from the valuation of derivatives amounted to -€930 million (previous year: €2,142 million). Such effects are temporary and are predominantly 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.

- The result recorded in 'Other' amounted to -€105 million (previous year: -€113 million). This item contains a €748 million impairment recognised for contracts for procuring hard coal from Russia. We commented on this matter on page 10 of the interim report on the first half of 2022. Further burdens stemmed from additions to mining and restructuring provisions, occasioned by bringing forward the lignite phaseout to 2030 (€1,175 million and €230 million, respectively) as well as from additions to mining and nuclear provisions due to cost increases resulting from inflation. Conversely, write-ups on lignite-fired power plants and opencast mines (€2,928 million) had a positive effect, which reflects the improved environment on the electricity markets.

- Adjustments to the financial result totalled €945 million and were thus much larger than in 2021 (€181 million). Here, the main positive factor was that we raised the real discount rates used to calculate our nuclear and mining provisions. The resulting decrease in the present value of the obligations was partially reflected as a profit.

Income before tax amounted to €2,593 million (previous year: €3,459 million). Taxes on income totalled €329 million, corresponding to an effective tax rate of 13 %. This comes close to the planned rate of 15 %, which we established for 2022 taking account of projected income in our markets, local tax rates and the use of loss carryforwards.

At €162 million, non-controlling interests were much higher than in the same period last year (€19 million), driven in part by increased earnings from offshore wind farms in which third parties own minority shareholdings. This mainly related to Rampion (400 MW), Humber Gateway (219 MW) and Rhyl Flats (90 MW) in the United Kingdom. On top of that, we started fully consolidating Rampion on 1 April 2021, and so 2022 is the first time that we have stated the 49.9 % share of income for the co-owners for the full reporting period.

The RWE Group's net income totalled €2,102 million (previous year: €2,808 million). Based on the 676.2 million RWE shares outstanding, this corresponds to earnings per share of €3.11 (previous year: €4.15).

Reconciliation to adjusted net income[1] € million	Jan – Sep 2022	Jan – Sep 2021	+/–	Jan – Dec 2021
Income before financial result and taxes	1,930	3,389	-1,459	1,535
Adjustments to EBIT	1,035	-2,050	3,085	650
Adjusted EBIT	**2,965**	**1,339**	**1,626**	**2,185**
Financial result	663	70	593	-13
Adjustments to the financial result	-945	-181	-764	-213
Taxes on income	-329	-632	303	-690
Adjustments to taxes on income to a tax rate of 15 %	-74	448	-522	396
Non-controlling interests	-162	-19	-143	-111
Adjusted net income	**2,118**	**1,025**	**1,093**	**1,554**

1 Some prior-year figures have been adjusted (see commentary on page 7).

Adjusted net income grows to €2,118 million. Adjusted net income amounted to €2,118 million (previous year: €1,025 million). To calculate this figure, we eliminate the non-operating result from the reconciliation statement and apply the aforementioned planned rate of 15 %, instead of the actual tax rate. The significant improvement relative to 2021 was mainly due to the good business performance.

Capital expenditure on property, plant and equipment and on intangible assets[1] € million	Jan – Sep 2022	Jan – Sep 2021	+/–	Jan – Dec 2021
Offshore Wind	653	1,459	-806	1,683
Onshore Wind / Solar	1,026	1,003	23	1,404
Hydro / Biomass / Gas	258	137	121	294
Supply & Trading	25	29	-4	47
Other, consolidation	–	–	–	2
Core business	**1,962**	**2,628**	**-666**	**3,430**
Coal / Nuclear	137	135	2	259
RWE Group	**2,099**	**2,763**	**-664**	**3,689**

1 Table only shows cash investments.

Capital expenditure on financial assets[1] € million	Jan – Sep 2022	Jan – Sep 2021	+/–	Jan – Dec 2021
Offshore Wind	794	-2	796	27
Onshore Wind / Solar	250	14	236	27
Hydro / Biomass / Gas	23	6	17	6
Supply & Trading	3	19	-16	20
Other, consolidation	–	–	–	–
Core business	**1,070**	**37**	**1,033**	**80**
Coal / Nuclear	–	–	–	–
RWE Group	**1,070**	**37**	**1,033**	**80**

1 Table only shows cash investments.

Investing activities: focus on renewable energy expansion. In the first nine months of 2022, our capital expenditure totalled €3,169 million (previous year: €2,800 million). We invested €2,099 million in property, plant and equipment and intangible assets. This was less than the €2,763 million recorded in the same period last year, which included substantial expenditure on the construction of the Triton Knoll wind farm. Further funds were dedicated to this project in 2022. In addition, we invested in the offshore wind farms Kaskasi near Heligoland in the German North Sea and Sofia in the UK North Sea, which are currently being built. Further focal points of expenditure were wind and solar projects in the USA as well as the construction of a gas-fired power station in Biblis, which is expected to begin operation at the end of 2022 and will help stabilise the power grid.

We spent €1,070 million on financial assets (previous year: €37 million). The single-largest item was a capital contribution of €740 million made to our US joint venture with National Grid Ventures. We used these funds to pay a one-time lease fee of US$1.1 billion for a site in the New York Bight, on which we intend to build offshore wind turbines (see page 10 of the interim report on the first half of 2022).

Of our capital expenditure in the period under review, 83 % was 'taxonomy-eligible'. This means that these funds were allocated to activities which are subject to sustainability criteria under the new EU Taxonomy Regulation. The quota was calculated based on total capital expenditure of €2,829 million. The deviation from the figure mentioned above (€3,169 million) is due to the fact that non-cash transactions are also taxonomy-relevant, whereas capital expenditure on financial assets is disregarded.

Cash flow statement € million	Jan – Sep 2022	Jan – Sep 2021	+ / –	Jan – Dec 2021
Funds from operations	9,771	6,532	3,239	7,103
Change in working capital	- 8,517	- 3,111	- 5,406	171
Cash flows from operating activities	**1,254**	**3,421**	**- 2,167**	**7,274**
Cash flows from investing activities	**472**	**- 2,446**	**2,918**	**- 7,738**
Cash flows from financing activities	**- 4,301**	**- 2,201**	**- 2,100**	**1,457**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	57	45	12	58
Total net changes in cash and cash equivalents	**- 2,518**	**- 1,181**	**- 1,337**	**1,051**
Cash flows from operating activities	1,254	3,421	- 2,167	7,274
Minus capital expenditure	- 3,169	- 2,800	- 369	- 3,769
Plus proceeds from divestitures / asset disposals	82	592	- 510	1,057
Free cash flow	**- 1,833**	**1,213**	**- 3,046**	**4,562**

Operating cash flow significantly down to €1.3 billion. Our cash flows from operating activities amounted to €1,254 million, clearly falling shy of the previous year's level (€3,421 million). One reason for this was that we purchased and stored gas at extremely high market prices. This is reflected in the change in working capital. In addition, we had to pay more to purchase CO_2 emission allowances, due to a rise in prices. A positive effect was felt from the improvement in the net amount from variation margins received and paid for commodity derivatives. These margins are sureties for exchange-traded futures contracts pledged during the term of the contracts. We recognise the resulting change in liquidity in operating cash flows. Other sureties such as initial margins and collateral are recorded in cash flows from financing activities.

Despite substantial expenditure on property, plant and equipment and financial assets, we received €472 million in cash inflows from investing activities (previous year: cash outflows of €2,446 million). This was mainly due to proceeds we received on the sale of securities.

Financing activities also led to a cash outflow, which totalled €4,301 million (previous year: €2,201 million). We had to make substantial payments for initial margins and collateral in the period being reviewed. Initial margins are sureties that are pledged once on conclusion of exchange-traded futures contracts, whereas collateral serves as a surety for over-the-counter transactions. Further cash outflows (€849 million) resulted from our dividend payments to shareholders of RWE AG and minority shareholders. These were contrasted by €3,230 million in proceeds from the issuance of bonds. Furthermore, we issued commercial paper and took out bank loans.

Due to the presented cash flows from operating, investing and financing activities, our cash and cash equivalents decreased by €2,518 million.

Deducting capital expenditure from cash flows from operating activities and adding to it proceeds on divestments and asset disposals results in free cash flow, which declined by €3,046 million to -€1,833 million.

Net debt of €360 million. As of 30 September 2022, we had €360 million in net debt on our books. By contrast, we had the same amount in net assets at the end of 2021. One major reason for this development is our negative free cash flow. A rise in market interest rates, and consequently in the discount rates we use to calculate our provisions, had a debt-reducing effect, as it resulted in a drop in the present value of our obligations. Provisions for pensions were affected the most by this, declining by €1.2 billion. The interest rates used in these interim financial statements are 3.9 % for Germany and 5.2 % for the United Kingdom compared to 1.1 % and 1.8 % at the end of last year. A market-induced decrease in the plan assets we use to cover major portions of our pension obligations had a counteracting effect on the level of provisions for pensions.

Net assets / net debt[1] € million	30 Sep 2022	31 Dec 2021	+/-
Cash and cash equivalents	3,307	5,825	-2,518
Marketable securities	4,531	8,347	-3,816
Other financial assets	25,000	12,403	12,597
Financial assets	**32,838**	**26,575**	**6,263**
Bonds, other notes payable, bank debt, commercial paper	-18,968	-10,704	-8,264
Hedging of bond currency risk	36	-9	45
Other financial liabilities	-7,756	-7,090	-666
Financial liabilities	**-26,688**	**-17,803**	**-8,885**
Plus 50 % of the hybrid capital stated as debt	310	290	20
Net financial assets (including correction of hybrid capital)	**6,460**	**9,062**	**-2,602**
Provisions for pensions and similar obligations	-783	-1,934	1,151
Surplus of plan assets over benefit obligations	656	459	197
Provisions for nuclear waste management	-5,750	-6,029	279
Provisions for dismantling wind and solar farms	-943	-1,198	255
Net assets (+) / net debt (–)	**-360**	**360**	**-720**

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 nominal amount of €2.6 billion.

Outlook for 2022

2022 forecast € million	Current outlook	2021 actual
Adjusted EBITDA	5,000 – 5,500	3,650
of which:		
Core business	4,300 – 4,800	2,761
of which:		
Offshore Wind	1,350 – 1,600	1,110
Onshore Wind / Solar	900 – 1,100	258
Hydro / Biomass / Gas	1,400 – 1,700	731
Supply & Trading	Significantly above 350	769
Coal / Nuclear	650 – 750	889
Adjusted EBIT	3,400 – 3,900	2,185
Adjusted net income	2,100 – 2,600	1,554[1]

1 Adjusted figure (see commentary on page 7).

RWE confirms earnings forecast. Our outlook on earnings for the current fiscal year is identical to the one we published in mid-August on page 28 of the interim report on the first half of 2022. Therefore, we still expect to outperform our March forecast (see pages 67 et seq. of the 2021 Annual Report). We anticipate that the Group will post adjusted EBITDA of between €5 billion and €5.5 billion, with €4.3 billion to €4.8 billion coming from the core business. Energy trading, which has been very successful to date, and more favourable market conditions in power generation play an important role in this respect. Our EBITDA forecasts for the segments are shown in the table above.

With operating depreciation and amortisation totalling around €1.6 billion, the Group's adjusted EBIT should be in a range of €3.4 billion to €3.9 billion. Due to the adjustment of our outlook at the mid-year point, along with the favourable operating developments, additional charges were also taken into account in the adjusted financial result, which we now estimate will be around – €450 million, owing to higher costs to secure liquidity and a rise in debt capital, among other things. We also anticipate higher non-controlling interests in the order of €350 million. This is due to the substantial improvement in operating income. Adjusted net income is expected to total between €2.1 billion and €2.6 billion.

Capital expenditure on property, plant and equipment clearly up on last year. Our forecast in relation to capital spending remains unchanged since March. Capital expenditure on property, plant and equipment and intangible assets will be much higher than in 2021 (€3,689 million), although it lagged behind during the first three quarters. This is because a large portion of this year's wind power investments will be made in the fourth quarter.

Leverage factor to remain below 3.0 cap. An important indicator of our financial strength is the ratio of net debt to the adjusted EBITDA of our core business, also referred to as the leverage factor. We set the upper limit for this key figure at 3.0. In fiscal 2021, the leverage factor was below zero. Despite the high level of planned capital expenditure, we expect it to remain clearly below the 3.0 cap at the end of 2022.

Stable dividend planned. The Executive Board of RWE AG aims to pay a dividend of €0.90 per share for fiscal 2022. This matches the dividend we paid for 2021.

Interim consolidated financial statements (condensed)

Income statement

€ million	Jul – Sep 2022	Jul – Sep 2021	Jan – Sep 2022	Jan – Sep 2021
Revenue (including natural gas tax / electricity tax)	**10,791**	**4,855**	**27,091**	**13,430**
Natural gas tax / electricity tax	-47	-50	-159	-177
Revenue[1]	**10,744**	**4,805**	**26,932**	**13,253**
Cost of materials	-11,739	-3,909	-27,478	-10,239
Staff costs	-961	-656	-2,286	-1,872
Depreciation, amortisation and impairment losses	-456	-362	-1,241	-1,872
Other operating result	1,940	2,114	5,750	3,767
Income from investments accounted for using the equity method	107	60	247	200
Other income from investments	59	-36	6	152
Income before financial result and tax	**-306**	**2,016**	**1,930**	**3,389**
Financial income	829	167	2,269	1,314
Finance costs	-507	-246	-1,606	-1,244
Income before tax	**16**	**1,937**	**2,593**	**3,459**
Taxes on income	56	-529	-329	-632
Income	**72**	**1,408**	**2,264**	**2,827**
of which: non-controlling interests	53	32	162	19
of which: net income / income attributable to RWE AG shareholders	**19**	**1,376**	**2,102**	**2,808**
Basic and diluted earnings per share in €	**0.03**	**2.03**	**3.11**	**4.15**

1 A presentation of revenue by product and segment can be found on pages 9 et seq.

Statement of comprehensive income

Amounts after tax – € million	Jul – Sep 2022	Jul – Sep 2021	Jan – Sep 2022	Jan – Sep 2021
Income	**72**	**1,408**	**2,264**	**2,827**
Actuarial gains and losses of defined benefit pension plans and similar obligations	234	22	1,409	827
Income and expenses of investments accounted for using the equity method (pro-rata)			2	-2
Fair valuation of equity instruments	-82	309	-1,688	609
Income and expenses recognised in equity, not to be reclassified through profit or loss	**152**	**331**	**-277**	**1,434**
Currency translation adjustment	-86	-15	-184	86
Fair valuation of debt instruments	-5	-5	-17	-17
Fair valuation of financial instruments used for hedging purposes	-9,356	-6,226	-15,257	-5,142
Income and expenses of investments accounted for using the equity method (pro-rata)	18	2	38	13
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**-9,429**	**-6,244**	**-15,420**	**-5,060**
Other comprehensive income	**-9,277**	**-5,913**	**-15,697**	**-3,626**
Total comprehensive income	**-9,205**	**-4,505**	**-13,433**	**-799**
of which: attributable to RWE AG shareholders	-9,263	-4,540	-13,614	-883
of which: attributable to non-controlling interests	58	35	181	84

Balance sheet

Assets € million	30 Sep 2022	31 Dec 2021
Non-current assets		
Intangible assets	5,733	5,884
Property, plant and equipment	24,329	19,984
Investments accounted for using the equity method	3,945	3,021
Other non-current financial assets	3,798	5,477
Receivables and other assets	4,698	3,834
Deferred taxes	1,901	663
	44,404	**38,863**
Current assets		
Inventories	9,786	2,828
Trade accounts receivable	8,830	6,470
Receivables and other assets	149,699	79,626
Marketable securities	4,271	8,040
Cash and cash equivalents	3,307	5,825
Assets held for sale	621	657
	176,514	**103,446**
	220,918	**142,309**

Equity and liabilities € million	30 Sep 2022	31 Dec 2021
Equity		
RWE AG shareholders' interest	-1,489	15,254
Non-controlling interests	1,692	1,742
	203	**16,996**
Non-current liabilities		
Provisions	15,958	16,943
Financial liabilities	10,387	6,798
Other liabilities	2,841	2,617
Deferred taxes	1,538	1,948
	30,724	**28,306**
Current liabilities		
Provisions	5,202	4,268
Financial liabilities	16,338	10,996
Trade accounts payable	7,278	4,428
Other liabilities	161,173	77,315
	189,991	**97,007**
	220,918	**142,309**

Cash flow statement

€ million	Jan – Sep 2022	Jan – Sep 2021
Income	2,264	2,827
Depreciation, amortisation and impairment losses / write-backs	-1,638	1,751
Changes in provisions	1,549	28
Deferred taxes / non-cash income and expenses / income from disposal of non-current assets and marketable securities	7,596	1,926
Changes in working capital	-8,517	-3,111
Cash flows from operating activities	**1,254**	**3,421**
Cash flows from investing activities[1]	**472**	**-2,446**
Cash flows from financing activities	**-4,301**	**-2,201**
Net cash change in cash and cash equivalents	-2,575	-1,226
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	57	45
Net change in cash and cash equivalents	**-2,518**	**-1,181**
Cash and cash equivalents at beginning of reporting period	5,825	4,774
Cash and cash equivalents at end of reporting period	**3,307**	**3,593**
of which: reported as 'Assets held for sale'		17
Cash and cash equivalents at end of reporting period as per the consolidated balance sheet	**3,307**	**3,576**

1 After initial / subsequent transfer to plan assets; in the period under review the transfer amounted to €0 million (prior-year period: €1,091 million).

Financial calendar 2023

21 March 2023	Annual report for fiscal 2022
04 May 2023	Annual General Meeting
05 May 2023	Ex-dividend date
09 May 2023	Dividend payment
11 May 2023	Interim statement on the first quarter of 2023
10 August 2023	Interim report on the first half of 2023
14 November 2023	Interim statement on the first three quarters of 2023

This document was published on 10 November 2022. It is a translation of the German interim statement on the first three quarters of 2022. In case of divergence the German version shall prevail. All events concerning the publication of our financial reports and the Annual General Meeting are broadcast live on the internet. We will keep recordings on our website for at least twelve months.

RWE Aktiengesellschaft
RWE Platz 1
45141 Essen
Germany

~~10~~ 10 Appendix 2 – Property Cost Estimate

DALCOUR MACLAREN

Property Cost Estimate Report

Client: RWE Renewables UK Limited

Project: Awel y ~~Mor~~ Môr Offshore Wind Farm

Date: ~~4th~~ 15th ~~April~~ February ~~2022~~2023

 [redacted]

Project Name:	Awel y ~~Mor~~ Môr Offshore Wind Farm
Version	v.~~2~~3

Prepared by:	
Name	Rob Lees MRICS

Contents

Introduction

Background

This Property Cost Estimate (PCE) has been produced to inform the Funding Statement in accordance with instructions from RWE Renewables UK Limited (the 'Applicant') in respect of the Awel y Môr Offshore Wind Farm Project (the "Project").

The Project is a new offshore wind farm that the Applicant is proposing to develop in the Irish Sea, off the north Wales coast. It involves a new offshore and onshore cable route to connect into the National Grid at a proposed new substation at Bodelwyddan.

During construction the onshore cable corridor will have a typical width of 40 metres. The corridor may be wider in certain locations due to complex crossings, obstructions, or storage areas, along the c. 11km onshore cable route. This equates to a total area required for construction in the region of 121 hectares (including an allowance for severed areas) with an additional 34 hectares being required for ecological mitigation. The width of the area over which permanent rights will be required for the onshore cables is typically 21 metres.

The advice relates to compensation arising from the compulsory acquisition of land and rights and imposition of restrictions, together with other statutory claim liabilities arising out of the Project and is based on a detailed assessment of anticipated claims.

Project Experience

Dalcour Maclaren ('DM') has represented the Project since our instruction in 2019. Consultations and negotiations with landowners, tenants and occupiers affected by the onshore cable route, the onshore substation and construction compounds have been ongoing since 2019. The DM team has an excellent working knowledge of the proposed cable route and associated sites and all plots have been assessed against the Funding Statement requirements.

Dalcour Maclaren Experience

DM have been working in the utilities and infrastructure sectors since 2004 and have acted for and on behalf of numerous statutory undertakers and offshore wind farm developers since then.

During this time, DM have provided strategic advice to clients relating to Compulsory Purchase Orders (CPO) and Development Consent Orders (DCO). DM have also been responsible for securing voluntary agreements for rights associated with large scale projects including Option Agreements, Deeds of Grant of Easement, Leases, and Freehold Acquisitions with a broad spectrum of land interests including owners, occupiers and third parties.

Advice has been provided to multiple offshore wind DCO projects, including:

Project Description	Location	Approximate Length (km)
Hornsea Project One	Lincolnshire	40
Hornsea Project Two	Lincolnshire	40
Hornsea Project Three	Norfolk	55
Hornsea Project Four	Humberside	38
Burbo Bank Extension	Denbighshire	11
East Anglia ONE North	Suffolk	12
East Anglia Two	Suffolk	12
Dogger Bank A&B	Humberside	32
Dogger Bank C	Teesside	10
Sofia	Teesside	10
Triton Knoll	Lincolnshire	57

Limits or Exclusions of Liability

To the best of our knowledge, all information provided within this report is accurate and has been based on information provided by the Applicant and the land take required for all plots contained within the DCO application, as well as areas temporarily and permanently impacted adjacent to the DCO plots. Should any of the information we have used to form our opinions or the scope of the work change then we reserve the right to revisit our assessment. The PCE will remain under constant review and will be updated if and when new information becomes available that suggests values may change.

Consideration has been given to any impact that the ongoing global pandemic may have on the PCE and no further funding is expected to be required as a result.

The PCE provides an indication of the compensation for the entire cable route on a holistic basis. Given the nature of the information available and enquiries made, this estimate should not be relied upon to inform the valuation of individual interests or for the purposes of negotiation.

A precautionary approach has been taken in the assessment of the required funding in light of the requirement for the Applicant to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the time period authorised in the DCO.

Update 15th February 2023

As noted above, we committed to keep the Property Cost Estimate under review following the initial drafting in April 2022. With this in mind, a review has been carried out on 15th February 2023 with the resulting updates being reflected in the report below.

Since submitting the application, there have been 2 minor updates to the Project's Order Limits which have reduced the area of land affected by the Project. Given the small scale of these changes in terms of land area affected, we have concluded that the removal of plots 26 and 69A has had a negligible effect on the overall assessment.

As noted in the Update on Negotiations with Landowners, Occupiers, Statutory Undertakers and Other Utilities (Rep5-025) discussions and negotiations with affected landowners have been ongoing. As part of these commercial discussions, detailed information has been provided by affected landowner's appointed agents in relation to recent comparable land sales in the area which has given rise to an increase in the costs associated with the acquisition of land and rights required for the Project. The initial assessment of land values was based on desktop research using resources such as HM Land Registry. Given the delays that HMLR are experiencing in updating their records (anecdotally this has been circa 6 months), details associated with recent land sales and the spike in land values was naturally limited at the time of drafting.

The assessment has further been updated to reflect the increase in the Bank of England's base rate of interest. This has been increased from 2% to 4% in the assessment. At the time of drafting the initial assessment, the rate was 1% with current rates running at 4%. Although difficult to predict rates through to 2030, it is thought that 4% represents a reasonable compromise between potential future fluctuations in the rate.

The reassessment of business losses has been assisted by the provision by landowner's appointed agents of detailed financial return information for a number of diversified farm businesses. This information was not available at the time of the original assessment because previously claimants were understandably cautious about releasing commercially sensitive information to others, including Dalcour Maclaren. However, in now doing so it has enabled more accurate analysis of the potential business loss liability which could arise as a result of the Project.

The net assessment of third party professional fees has been reduced as a result of a rationalisation in the number of transactions particularly around the various named factions of the Welsh Government. The ability to do this has emerged through discussion with affected landowners and as such could not have been known at the time of the original assessment.

Methodology

Valuation of Property Interests

For the purposes of providing this assessment we have relied on the following general methodology:

- The acquisitions of all property interests are progressed under the powers of compulsory acquisition and the Compensation Code will apply.

- Compensation is payable in accordance with the Compensation Code which includes the rules set out in Section 5 of the Land Compensation Act 1961 and other applicable legislation and case law.

- The Valuation Date for all estimates is April 2022 with an updated assessment being carried out in February 2023.

- Government guidance on the compulsory purchase process, which was updated in 2021, provides guidance to acquiring authorities and sets an expectation that compulsory purchase should only be used as a last resort. This encourages negotiation of property interests by agreement in advance of compulsory purchase. The Applicant will demonstrate its progress in this regard during the Development Consent Order process.

- Any property or interests acquired in the shadow of compulsory acquisition could still attract compensation payments and costs should be similar whether acquisition is before or after the award of compulsory acquisition powers.

Value of the Land Taken

The PCE assesses the required funding associated with the acquisition of land and rights and imposition of restrictions using extensive experience of other similar projects.

DM has advised the Applicant on the compensation arising from the compulsory acquisition of land and rights and the imposition of restriction and is based on a detailed assessment of anticipated claims. Whilst that detailed advice is confidential, the approach is explained within this report.

This report sets out an estimate of the total contingent liability for the acquisition of land and rights to be acquired and restrictions imposed by the Project for the purpose of delivering the onshore works element. This assessment outlines the likely Heads of Claim associated with a project of this nature, if land and rights are acquired via compulsory acquisition in the event that voluntary negotiations are unsuccessful and the associated financial figure that may be required as payment to all landowners, tenants, occupiers and third parties affected by the Project.

The following claim items will be considered in this assessment:

- Acquisition of freehold land and land rights (and imposition of restrictions)
- Compensation arising from ~~survey works and~~ temporary works
- Injurious Affection and Severance
- Blight
- Loss of Development
- Claims arising under Section 10 of the Compulsory Purchase Act 1965
- Claims arising under Part 1 of the Land Compensation Act 1973
- Claims arising under Section 152(3) of the Planning Act 2008
- Business Loss Claims
- Third party Professional Fees

The relevant legislation covering the claim items listed above has also been considered in this assessment including Compulsory Purchase Act 1965, Land Compensation Act 1961 and 1973 and the Planning Act 2008.

Any figures for the above claim items are based on professional judgement and experience of similar schemes.

The values provided represent a current view, rather than a projected view, and allow for existing use values and, where relevant, potential development values.

Acquisition of Freehold Land

It is proposed that the freehold interest shall be acquired in all plots associated with the substation and any associated landscaping and ecological mitigation.

The value of those plots has been assessed by reviewing the market value of the land in its existing use but disregarding the fact that the land is being compulsorily acquired. Consideration has been given as to whether any development value and hope value might exist. Disturbance costs associated with the freehold acquisitions have also been included.

Acquisition of Land Rights

It is proposed that permanent rights will be acquired to install, access, inspect, maintain, repair, alter, renew, replace and remove the cables and associated apparatus. Permanent rights will also be sought for certain mitigation land (on a time limited basis) and utility connections required to service the substation. Restrictions will also be imposed on the land so as to ensure that the rights can be exercised without impediment. Disturbance costs associated with the acquisition of Land Rights have also been included.

Compensation arising from Temporary Works

This comprises a number of Heads of Claims including:

- Compensation for loss or damage will arise as a consequence of temporary occupation of land for the undertaking of temporary works for the cable installation, substation construction, and other associated works including use of accesses, visibility splays, environmental mitigation measures and drainage.

- The compensation is assessed having measured the extent of the Order Land over each holding, the nature of the works involved and the existing land uses.

- The estimate covers loss of crops, business losses, losses associated with above ground structures, reinstatement costs and extra field workings, temporary site compounds, claimants justified time and loss of subsidies and grants. Loss of subsidies includes all losses associated with the Basic Payment Scheme (BPS), environmental schemes and any future replacement schemes, being the government's rural grants and payments in support of the farming industry

- Our understanding of the likely impact on individual businesses is still incomplete due to minimal evidence being presented to date and, in consequence, general assumptions have been made and an assessment has been included in the PCE.

- A contingency sum of 10% has been added to allow for losses sustained after the Valuation Date.

Injurious Affection

Injurious affection is the depreciation in the value of the land retained by the owner as a result of the proposed construction on, and use of, other land acquired from that owner for the Project. It is the impact of the whole of the proposed scheme that is to be considered not just the effect on the area acquired from the owner. Compensation is claimable potentially both for the construction of the works and their subsequent use.

An assessment has been made where the project may depreciate the value of property, which includes residential properties close to the substation~~ and energy balancing infrastructure~~. The valuation takes into account the market value of the relevant property and the estimated depreciated value caused directly by the Project.

It is considered that the most likely claims for injurious affection may arise from those residential properties which are in close proximity to the substation at Bodelwyddan , this assessment relates to properties where land and rights are to be acquired, where no land and rights are to be acquired, they are detailed under heading," Claims arising under Section 10 of the Compulsory Purchase Act 1965 and Part 1 of the Land Compensation Act 1973". A review of these properties has been undertaken and a general assessment made of potential impacts on a graduated basis dependent on the distance from the impact.

A review has also been undertaken of businesses which are affected~~,~~ and an assessment has ~~also~~ been made in relation to possible claims.

Severance

Severance occurs when the land, or land over which rights are to be acquired, contributes to the value of the land which is retained so that, when severed from it, the retained land loses value. In this instance, the majority of land along the route is agricultural and, once the underground cables are installed, it is considered that there should be no permanent severance of land.

An assessment has been made where land is severed either permanently or temporarily as a direct result of the Project, in particular around the proposed substation. The valuation takes into account the market value of the relevant property before and after any permanent severance.

An allowance has been made for temporary severance as a result of the Project and is included as part of the disturbance compensation figure.

Blight

Blight claims allow a qualifying interest to call for their land to be acquired early i.e., before the acquiring authority would otherwise take it.

For a blight notice to be accepted and compensation to be payable, it must be supported by evidence that the claimant has made reasonable endeavours to sell the land or property in question and that the claimant has been unable to do so or could do so only at a price substantially lower than that for which it might reasonably have been expected to sell.

Throughout the course of consultations and negotiations with all landowners and occupiers along the route, we have not been made aware of:

- any attempts to sell any of the affected land or property that has resulted in the land or property only being able to be disposed of at a significantly lower value or
- any parties intending to serve a Blight Notice.

To ensure that the funding assessment caters for any 'blight risk' properties, we have included a contingent liability for Blight claims. However, our assessment suggests the likelihood of blight claims being received is nil.

Loss of Development

It is acknowledged that certain land parcels may have development potential and the implementation of any such development which has the benefit of planning permission may be prevented or restricted as a result of rights granted and restrictions imposed under the DCO. For the avoidance of doubt, development in this context may include but is not limited to residential, commercial or mineral extraction.

Where the compulsory acquisition of rights and imposition of restrictions pursuant to the powers in the DCO restricts or prevents such development potential, any proven and mitigated loss of development value will be subject to the payment of ~~compensable~~compensation.

We have assessed compensation for loss of development and minerals on a worst-case scenario basis, for the purposes of the funding statement.

Claims arising under Section 10 of the Compulsory Purchase Act 1965 and Part 1 of the Land Compensation Act 1973

Section 10 of the Compulsory Purchase Act (CPA) 1965 provides an entitlement to compensation, subject to meeting certain criteria, to the owners of a land interest who suffer damage to their property interest as a result of the execution of works. This entitlement arises where no land is acquired from the owner and equates to a restricted form of nuisance claim.

Claimants can include those whose rights or easements over land are interfered with as a result of the works, for example, a right of way over land being occupied for the Project. Claims can also arise as a result of the effect of physical factors arising from the execution of the works such as noise, dust, light and vibration on properties. The basis of valuation is as set out in this report under the heading, General Assumptions.

Based on the information provided to date, we are only aware of a small number of rights which might give rise to a valid and quantifiable claim. We recognise that, even with detailed referencing information, no absolute guarantee can be given that there are no other rights which could be affected in such a way as to give rise to a justified claim. It is further recognised that, should rights exist, they may be interrupted during construction, e.g. a restriction or temporary interruption to a designated right of way, and as such a claim for temporary injurious affection could arise. However, it is assumed that, as far as possible, alternative arrangements will be made to mitigate the impact on any rights.

In terms of the physical elements of the works which may give rise to a claim, the risk of claims arising as a result of dust, light and vibration is considered to be very low. Our assessment of the impact of noise on properties in the vicinity of the Project's works areas has been based on a worst-case scenario with works proceeding during nighttime hours and at weekends. It is anticipated that through detailed design and further refinement of the Outline Project's Code of Construction Practice, these impacts shall be mitigated.

The view taken, therefore, is that the likelihood of valid and sustainable claims being made under s10 CPA 1965 is moderately low. We do, however, provide an allowance for such costs as a contingency within the PCE.

Responsible authorities may be liable, under Part 1 of the Land Compensation Act 1973, to pay compensation for the depreciation in the value of an interest in land which is attributable to the use of public works where no land has been taken from the claimant. Compensation is limited to depreciation in the market value of the qualifying land interest caused by the use of the land or works but only in so far as that depreciation is attributable to “physical factors”.

It is our opinion that the likelihood of successful or substantial claims is low based on the particular physical factors which will arise from the use of the works and the distance of the works from potential claimants.

Whilst the risk of such claims remains low, we have provided an allowance for such costs as part of the contingency within the PCE.

Business Loss Claims

It is acknowledged that certain business may be disrupted as a consequence of the Project. Any claims which are accepted by the Applicant will have to demonstrate that they are a natural and reasonable consequence of the Project, with the claimant evidencing they have used reasonable endeavors to mitigate their proven losses.

An assessment has been made of the businesses which could be impacted by the Project.

Third Party Professional Fees

Claimants are entitled to reimbursement of professional costs incurred in connection with the claim for compensation and transfer of their interest to the acquiring authority. Our figures include an allowance for the costs of surveyors and solicitors representing the claimants. This may vary on a case-by-case basis, but overall a 10% contingency has been applied to cover possible additional costs.

The Applicant’s professional costs are not included in the PCE.

Land Transaction Tax

The Applicant, as the Acquiring Authority, may be liable for any Land Transaction Tax (LLT) arising as a consequence of the property transactions. LLT is payable at the following rates:

Price Threshold	LTT Rate (%)
The portion up to and including £225,000	0
The portion over £225,000 up to and including £250,000	1
The portion over £250,000 up to and including £1,000,000	5
The portion over £1,000,000	6

Contingency and Interest

In view of the level of information available to us at this stage, a general contingency of 10% has been added to all items included in the estimate. Additionally, because of the deferment of the payments from the date of this assessment, compounded interest has also been added at a rate of ~~2~~4% per annum through to 2030, being the estimated timescale for consenting, programming and construction, based on the upper estimate from the forecasted Consumer Price Index (CPI), published by the Office for National Statistics.

VALUATION ASSUMPTIONS AND EXCLUSIONS

General Assumptions

- The estimate has been prepared on the basis of current market value which would be payable in the event of the Applicant acquiring land and rights and imposing restrictions under the terms of the DCO rather than by voluntary agreement. Associated disturbance is included. The disturbance costs associated with surveys which will be undertaken on a voluntary basis and compensated prior to the DCO being confirmed are excluded from this assessment.
- The estimate relies on assessments of buildings from vantage points and internal property inspections have not been undertaken. In addition, further research has been completed via the internet, media, aerial and ground photography and from investigations into comparable local valuation evidence.
- No allowance has been made for any incentive payments which would otherwise be payable for voluntary agreements (subject to meeting various criteria).
- Land values are based on market values in the region.
- We have not generally investigated planning history unless otherwise stated in this report. Our figures reflect existing use value rather than any other value although, where appropriate we have considered potential development values or values associated with potential alternative uses.
- No account has been taken in the estimate of the risk of sterilisation of Minerals which are potentially available for commercial extraction. The level of risk is considered to be low.
- We understand that there may be some closures and diversions of the public highway. No allowance has been made for any potential claims for compensation other than where there are associated losses caused to businesses.
- The assessment does not include the cost of any physical mitigation or reinstatement works which will be undertaken by the Applicant. These costs form part of the overall budget which the Applicant has allocated for the likely costs of implementing the Project under the DCO.
- A 10% contingency has been applied throughout.
- The figures, which includes the contingency, are inflated by ~~2~~4% per annum for a period of 8 years through to 2030.
- The Valuation Date for assessment of compensation is assumed to be April 2022 with an updated assessment having been carried out in February 2023. It should be noted that the figures stated in the estimate may require revision.

Exclusions

Costs associated with the following property or interest types have not been included within the PCE:

- Operational highways, railways, rivers and other infrastructure
- Utility apparatus including but not limited to substations, pipes, cables, sewage treatment works, pumping stations, masts and tanks
- The Applicant's professional fees
- Costs associated with surveys undertaken prior to the confirmation of the DCO
- No allowance is made for any VAT in this estimate.

Conclusion

Property Cost Estimate

This is an estimate carried out using the information available to date as set out earlier in this report. If required, the estimate can be revised to maintain accuracy as more information becomes available.

It is our opinion that the likely costs to secure the necessary land, interests, rights and make payment of compensation is in accordance with the figures set out in the table below:

Item	Net Value	Contingency @ 10%	Interest @ ~~2~~4%	Total
Acquisition of Freehold Land	£1,909,230 ~~£1,449,000~~	£190,923.00 ~~£144,900.00~~	£627,314 ~~£219,754~~	**£2,727,467~~£1,813,654~~**
Acquisition of Mitigation Rights	£538,017 ~~£415,042~~	£53,802 ~~£41,504~~	£176,776 ~~£62,945~~	**£768,595~~£519,491~~**
Acquisition of Easement Rights	£2,572,462 ~~£1,100,719~~	£257,246 ~~£110,072~~	£668,455 ~~£103,989~~	**£3,498,163~~£1,314,780~~**
Compensation arising out of Temporary Works	£491,057	£49,106	£161,346 ~~£74,473~~	**£701,508~~£614,636~~**
Injurious Affection & Severance	£660,000	£66,000	£216,856 ~~£100,095~~	**£942,856~~£826,095~~**
Claims arising under Section 10 of the Compulsory Purchase Act 1965	£651,000	£65,100	£213,898 ~~£98,730~~	**£929,998~~£814,830~~**
Claims arising under Part 1 of the Land Compensation Act 1973	£57,500	£5,750	£18,893 ~~£8,720~~	**£82,143~~£71,970~~**
Business Loss Claims	£2,645,040 ~~£2,679,721~~	£264,504 ~~£267,972~~	£869,078 ~~£406,405~~	**£3,778,623 ~~£3,354,098~~**
Third Party Professional Fees	£1,405,250 ~~£1,526,250~~	£140,525 ~~£152,625~~	£461,722 ~~£231,470~~	**£2,007,497 ~~£1,910,345~~**
TOTAL	£10,929,556 ~~£9,030,289~~	£1,092,956 ~~£903,029~~	£3,414,338 ~~£1,306,583~~	£15,436,849 ~~£11,239,901~~

In completing this PCE we have maintained a consistency throughout based on our methodology and valuation assumptions and exclusions. For the reasons stated in this report, we have included a contingency so that it can be stated that our estimate of property cost is **£15,436,849.~~11,239,901~~**

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