

Q1 2019 Results presentation

Investor and Analyst Conference Call

15 May 2019

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Powering. Reliable. Future.

RWE

Disclaimer

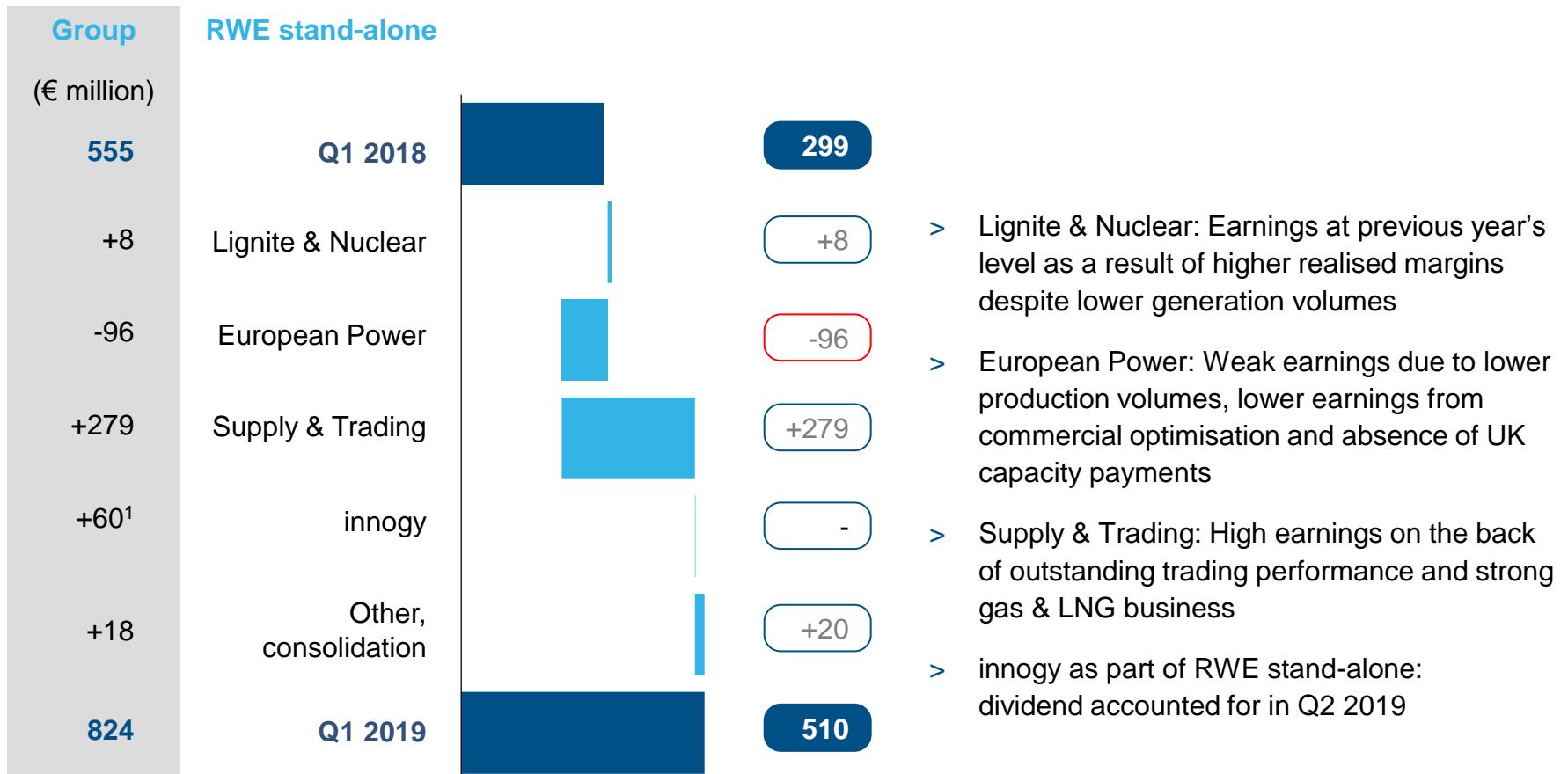
This document contains forward-looking statements. These statements are based on the current views, expectations, assumptions and information of the management, and are based on information currently available to the management. Forward-looking statements shall not be construed as a promise for the materialisation of future results and developments and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those described in such statements due to, among other things, changes in the general economic and competitive environment, risks associated with capital markets, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, affecting the Company, and other factors. Neither the Company nor any of its affiliates assumes any obligations to update any forward-looking statements.

All figures regarding the renewables business are based on pro forma combined innogy and E.ON publicly available data. The implementation of the transaction is still subject to conditions, including merger control clearances.

Key messages of Q1 2019: Good start into FY 2019

- > Good first quarter for RWE on the back of an outstanding trading performance which overcompensated a weak Q1 for the European Power division
- > Strong distributable cash flow supported by expected reversal in working capital
- > Increase in net debt due to outflow and expected reversal of variation margins as well as call of GBP 750 million hybrid bond
- > Outlook for RWE Group and RWE stand-alone confirmed; dividend target of €0.8 per share for FY 2019
- > Preparation for swift integration of both renewable businesses continuing according to plan
 - > Wider leadership team recently announced
 - > Syndicated credit line renewed and increased

High adjusted EBITDA of €510 million mainly supported by strong earnings from Supply & Trading



¹ innogy - continuing operations.

Lignite & Nuclear – earnings on comparable level to Q1 2018 in spite of the effect from Hambach restriction

Key financials

€ million	Q1 2019	Q1 2018	change
Adj. EBITDA	188	180	+8
t/o non-recurring items ¹	-	-	-
Depreciation	-81	-66	-15
Adj. EBIT	107	114	-7
t/o non-recurring items ¹	-	-	-
Capex	-50	-41	-9
Cash contribution²	138	139	-1

Q1 2019 versus Q1 2018:

- ⊕ Slightly higher realised generation margins
- ⊖ Lower production volumes, among others due to restrictions at Hambach mine and outages

Outlook for FY 2019 adjusted EBITDA: between €300 and €400 million

- ⊕ Slightly higher realised generation margins (hedged outright price: ~€29/MWh vs. ~€28/MWh in 2018)
- ⊖ Impact from production restrictions at Hambach lignite mine (~ -€100 million)

Outlook does not include any impact from measures proposed by the German 'Growth, Structural Change and Employment' commission

¹ Non-recurring items not included in non-operating result.

² Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions; excl. investments from assets held for sale.

European Power – after weak first quarter, full year guidance expected at lower end of the range

Key financials

€ million	Q1 2019	Q1 2018	change
UK	40	85	-45
Continental Europe	26	74	-48
Adj. EBITDA¹	63	159	-96
t/o non-recurring items ²	-	-	-
Depreciation	-76	-74	-2
Adj. EBIT	-13	85	-98
t/o non-recurring items ²	-	-	-
Capex	-35	-24	-11
Cash contribution³	28	135	-107

¹ Total adj. EBITDA includes further income from other subsidiaries.

² Non-recurring items not included in non-operating result.

³ Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions.

⁴ Under the UK capacity market regime RWE had secured capacity payments of c. €100 million for fiscal year 2018 and c. €180 million for fiscal year 2019. The payments have been suspended after the decision of the European Court of Justice from November 2018. For 2018, RWE has received capacity payments of c. €50 million for Q1-Q3 2018.

Q1 2019 versus Q1 2018:

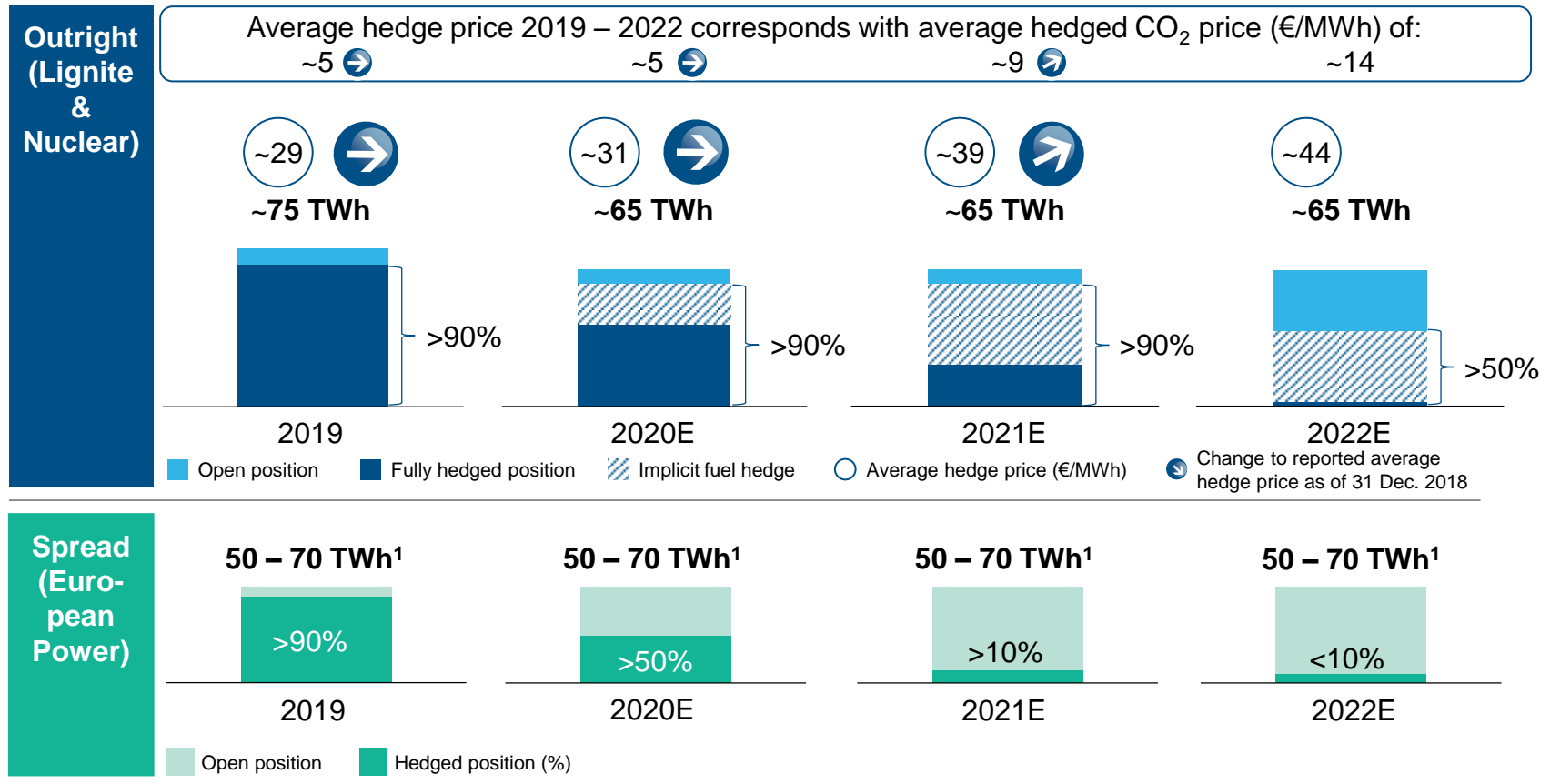
- ⊖ Lower production volumes
- ⊖ Less earnings from commercial optimisation
- ⊖ Absence of capacity payments by suspension of UK capacity market (-€19 million y-o-y)⁴

Outlook for FY 2019 adjusted EBITDA: between €250 and €350 million

- ⊖ No income from UK capacity market assumed as long as legal situation is unclear⁴
- ⊖ Less earnings from commercial optimisation after weak Q1

Hedging – no changes in hedged spread levels

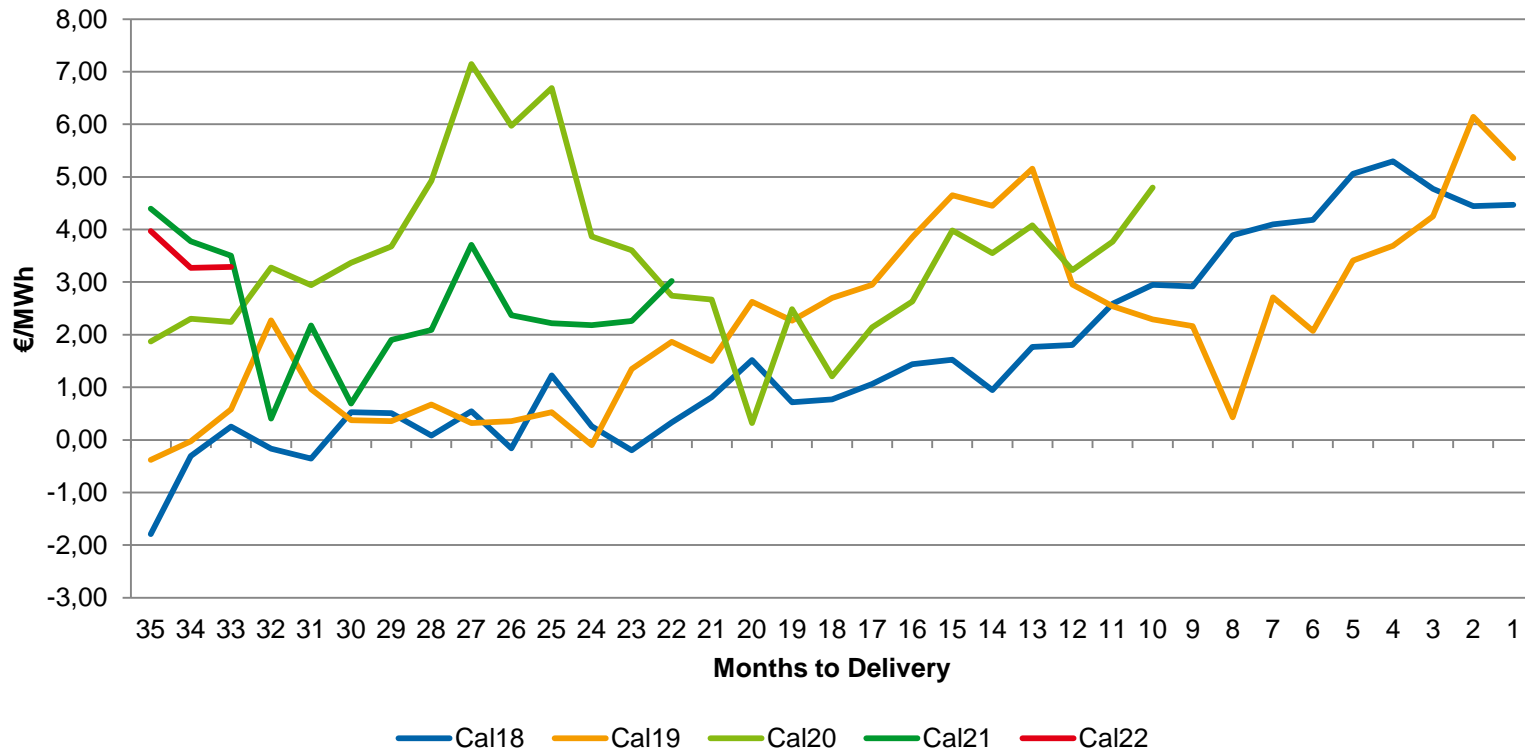
Expected positions and hedge status as of 31 March 2019 (including Hambach restrictions)
 Before any measures resulting from proposals of 'Growth, Structural Change and Employment' commission



CO₂ > CO₂ position financially hedged until mid-2020s

No major changes in the development of fuel spreads

Development of German fuel spreads¹



¹ Fuel spread defined as: Power price – (pass-through-factor carbon × EUA price + pass-through-factor coal × coal price + pass-through-factor gas × gas price).
 Note: Shown figures based on fuel spreads per end of month (€/MWh).
 Source: Bloomberg; data until 31 March 2019.

Supply & Trading – after outstanding performance in Q1, optimistic to end full year at upper end of the range

Key financials

€ million	Q1 2019	Q1 2018	change
Adj. EBITDA	255	-24	+279
t/o non-recurring items ¹	-	-	-
Depreciation	-3	-1	-2
Adj. EBIT	252	-25	+277
t/o non-recurring items ¹	-	-	-
Capex	-2	-1	-1
Cash contribution²	253	-25	+278

Q1 2019 versus Q1 2018:

- ⊕ Outstanding trading performance
- ⊕ Strong earnings from gas and LNG business

Outlook for FY 2019 adjusted EBITDA: between €100 and €300 million

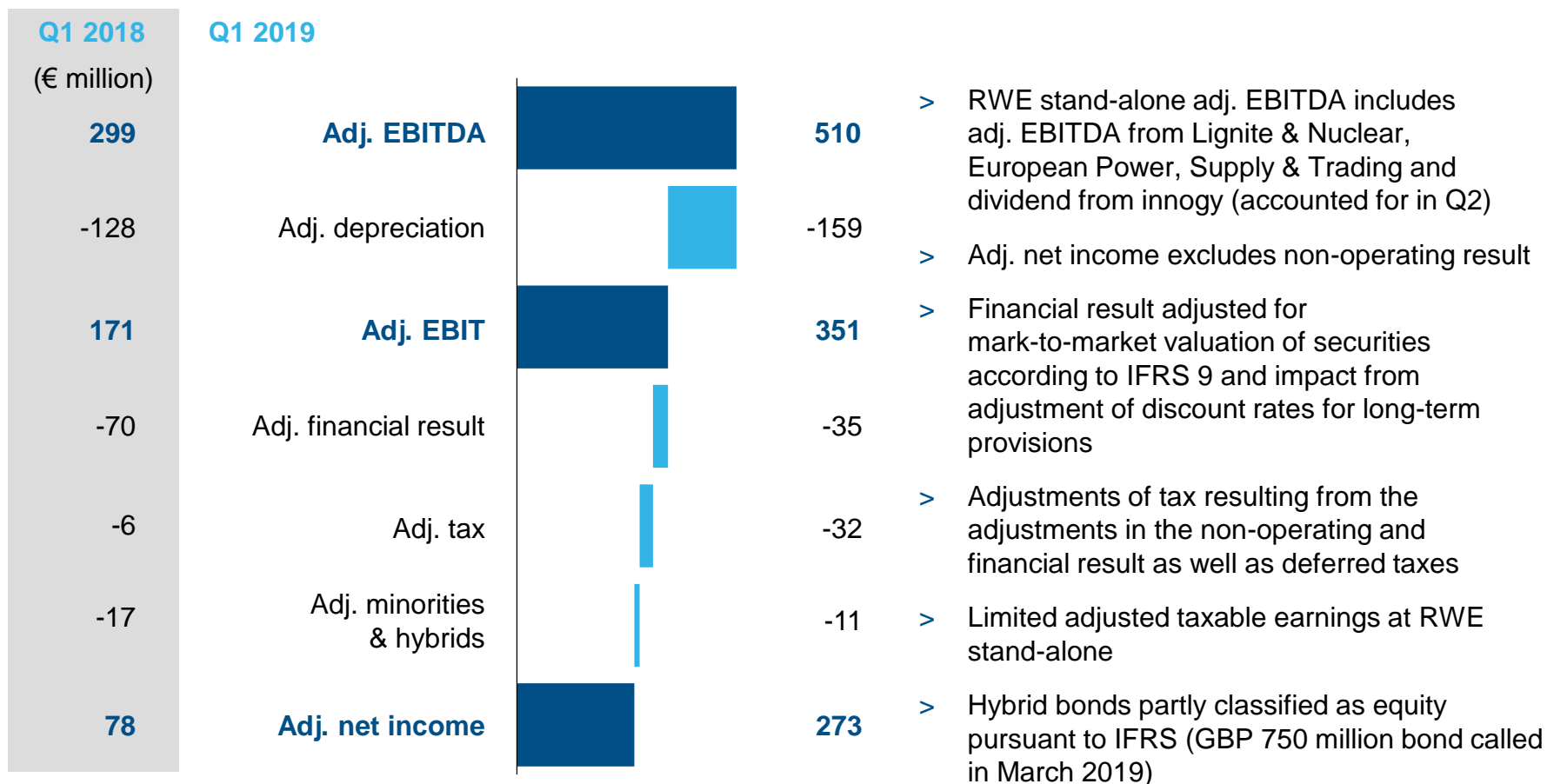
- > Expected longer-term average earnings contribution of approx. €200 million

¹ Non-recurring items not included in non-operating result.

² Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions.

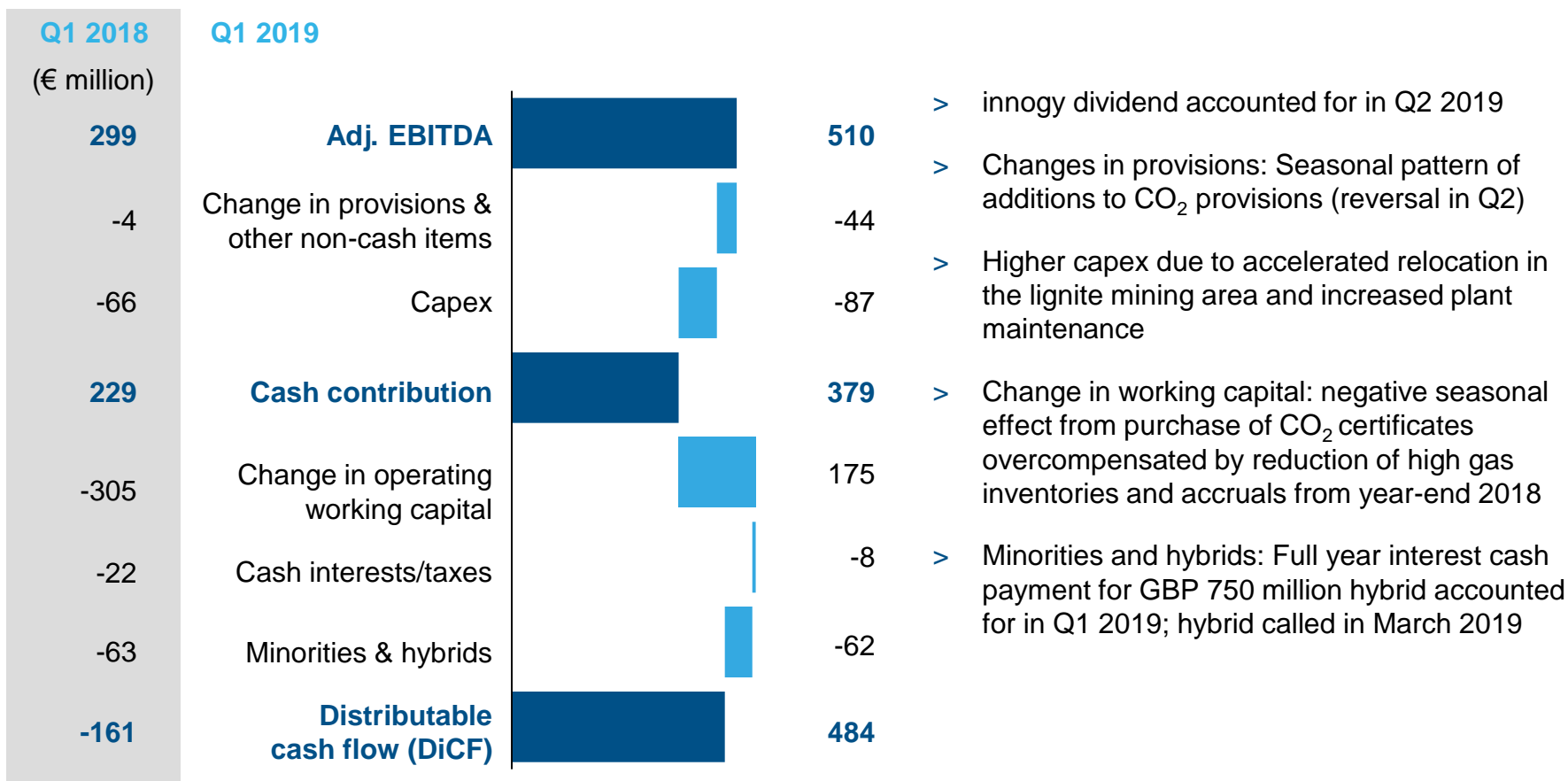
Adjusted net income for Q1 2019 reaches €273 million

RWE stand-alone



High distributable cash flow of €484 million mainly driven by strong adj. EBITDA and positive effects in working capital

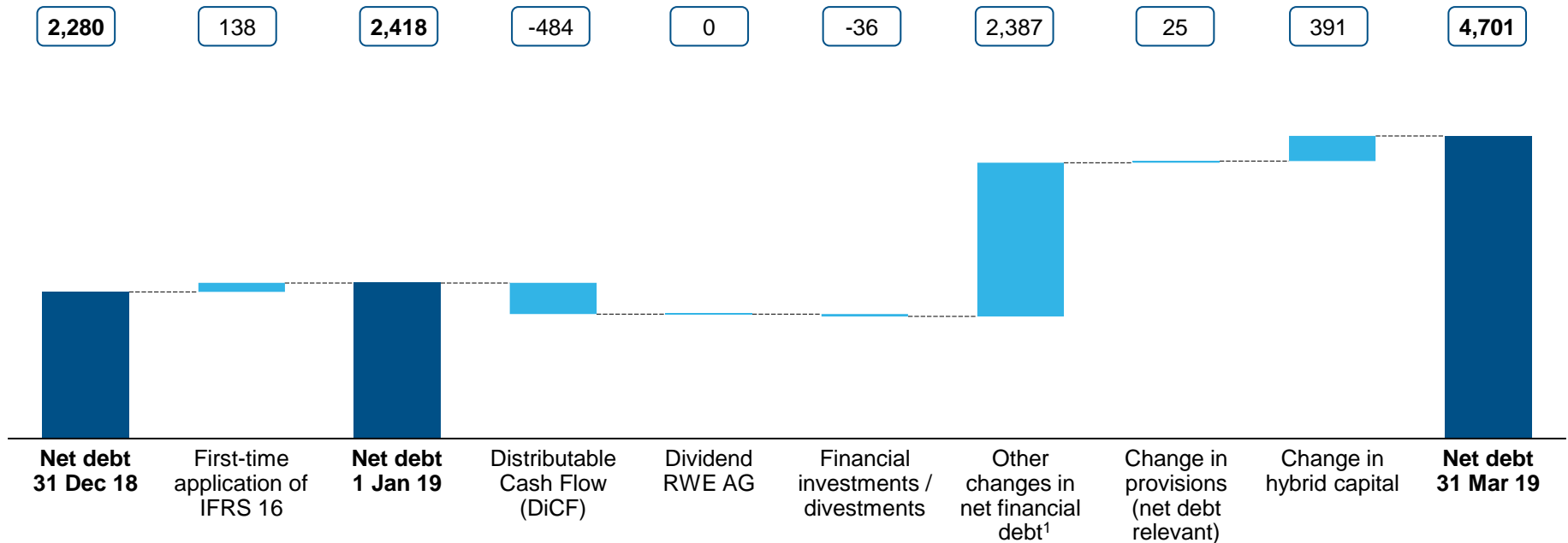
RWE stand-alone



Increased net debt mainly due to outflow of variation margins and call of GBP hybrid

Development of net debt (RWE stand-alone)

(€ million)







¹ Includes an outflow of approx. €2.9 billion from financing effects such as change in variation margins (full year 2018: inflow of €4.4 bn).

RWE stand-alone – outlook for 2019

FY 2018

FY 2019e

 Positive  negative impact on earnings.

€1.5 bn	Adj. EBITDA	€1.2 bn – €1.5 bn	
-€0.6 bn	Adj. depreciation		> Slight increase among others due to implementation of IFRS 16
-€0.2 bn	Adj. net financial result		> Stable development expected
-€0.1 bn	Adj. tax		> Stable development expected
-€0.1 bn	Adj. minorities & hybrid		> Decline after call of hybrid in March 2019
€0.6 bn	Adj. net income	€0.3 bn – €0.6 bn	
€2.3 bn	Net debt	Significantly above previous year	
€0.70	Dividend (per share)	€0.80 ¹	

¹ Management target.

Appendix

Reconciliation to adjusted net income

RWE stand-alone (€ million)	Q1 2019			Q1 2018	change
	Reported	Adjustments	Adjusted	Adjusted	Adjusted
Adjusted EBITDA	510	-	510	299	211
Depreciation	-159	-	-159	-128	-31
Adjusted EBIT	351	-	351	171	180
Non-operating result	-11	+11	-	-	-
Financial result	-79	+44	-35	-70	+35
Taxes on income (Tax rate)	-34 (13%)	+2	-32 (10%)	-6 (6%)	-26
Income (of which:)	227	+57	284	95	189
Non-controlling interests	-4	-	-4	2	-6
Hybrid investors' interest	15	-	15	15	-
Net income¹	216	+57	273	78	195

¹ Income attributable to RWE AG shareholders.

Income statement Q1 2019

(€ million)

Revenue (including natural gas tax/electricity tax)

Natural gas tax/electricity tax

Revenue

Other operating result

Cost of materials

Staff costs

Depreciation, amortisation and impairment losses

Income from operating activities of continuing operations

Income from investments accounted for using the equity method

Other income from investments

of which: income from the investment in innogy

Financial result

Income of continuing operations before tax

Taxes on income

Income of continuing operations

Income discontinued operations

Income

of which: non-controlling interests

of which: RWE AG hybrid capital investors' interest

of which: net income/income attributable to RWE AG shareholders

	RWE stand-alone	RWE Group
	3,566	3,908
	-40	-39
	3,526	3,869
	172	188
	-2,793	-2,819
	-481	-523
	-159	-254
	265	461
	47	62
	28	29
	-	-
	-79	-99
	261	453
	-34	-78
	227	375
	-	1,013
	227	1,388
	-4	412
	15	15
	216	961

Balance sheet as at 31 March 2019

(€ million)

Assets

Intangible assets	1,040	2,214
Property, plant and equipment	6,793	12,988
Investments accounted for using the equity method	727	1,487
Other financial assets ¹	16,740	402
Inventories	1,127	1,179
Financial receivables	5,081	2,650
Trade accounts receivable	2,733	1,789
Other receivables and other assets	8,294	8,516
Income tax assets	284	297
Deferred taxes	491	931
Marketable securities	2,165	2,165
Cash and cash equivalents	4,036	4,384
Assets held for sale	-	43,520

49,511

82,522

Equity and liabilities

RWE AG shareholders' interest	15,649	7,456
RWE AG hybrid capital investors' interest	-	-
Non-controlling interests	123	5,090

Total equity

15,772

12,546

Provisions	17,334	18,173
Financial liabilities	5,119	5,964
Other liabilities	10,567	10,765
Income tax liabilities	30	80
Deferred tax liabilities	689	884
Liabilities held for sale	-	34,110

Total liabilities

33,739

69,976

49,511

82,522

¹ Includes for RWE stand-alone innogy stake of €16.4 billion according to value agreed with E.ON for transaction.

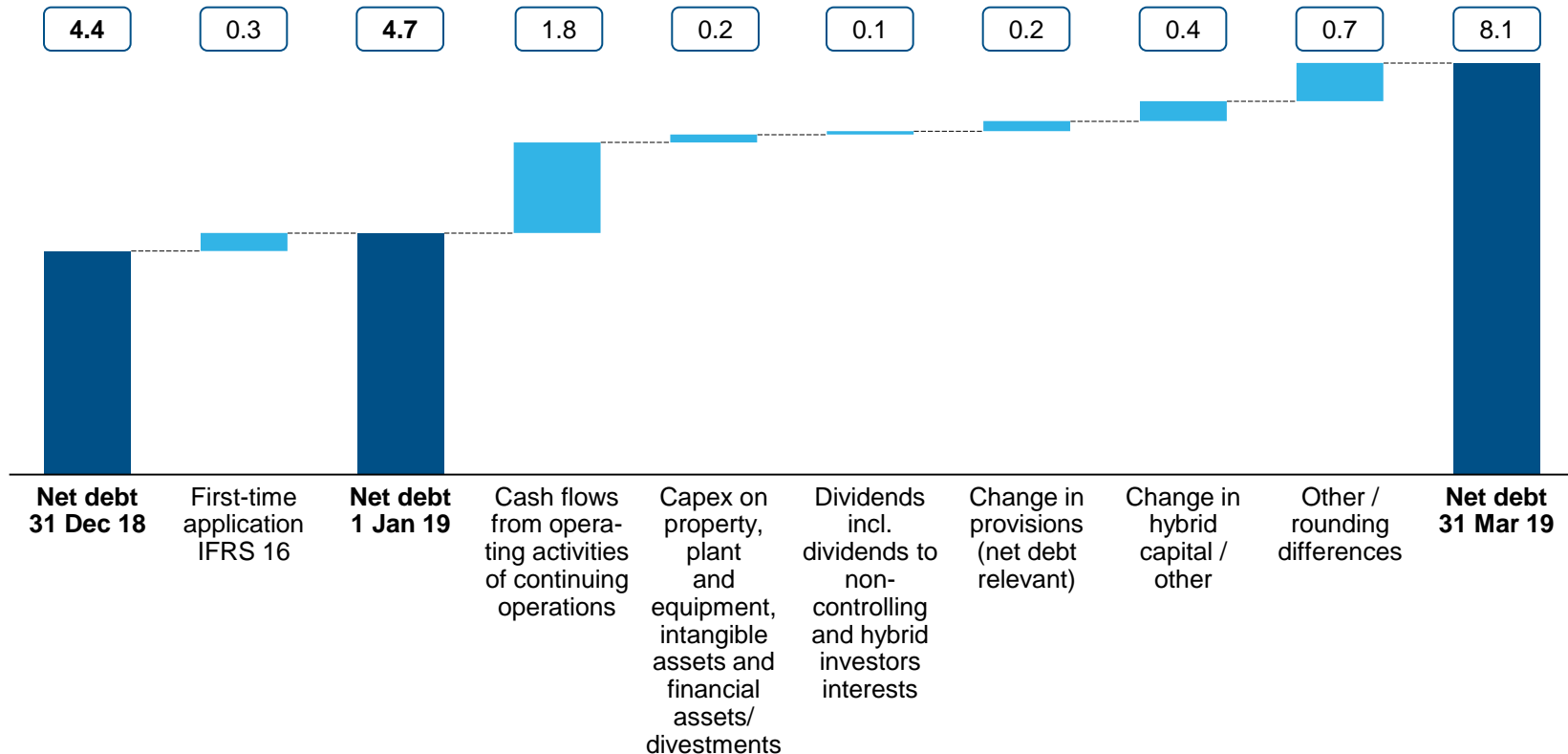
Net debt as at 31 March 2019

(€ million)	RWE stand-alone	RWE Group
Cash and cash equivalents	4,036	4,384
Marketable securities	2,423	2,423
Other financial assets	5,059	2,565
of which: financial receivables against innogy	705	-
Financial assets	11,518	9,372
Bonds, other notes payable, bank debt, commercial paper	4,065	4,613
Hedge transactions related to bonds	7	7
Other financial liabilities	1,055	1,351
Financial liabilities	5,127	5,971
Net financial debt	-6,391	-3,401
Provisions for pensions and similar obligations	3,083	3,199
Capitalised surplus of plan assets over benefit obligations	-	-117
Provisions for nuclear waste management	6,040	6,040
Mining provisions	2,535	2,535
Provisions for dismantling wind farms	-	389
Adjustment for hybrid capital (portion of relevance to the rating)	-566	-566
Plus 50% of the hybrid capital stated as equity	-	-
Minus 50% of the hybrid capital stated as debt	-566	-566
Net debt of continuing operations	4,701	8,079
Net debt of discontinued operations	-	17,768
Net debt	4,701	25,847

Net debt of continuing operations increased by €3.4 billion due to negative free cash flow and purchase of IGH

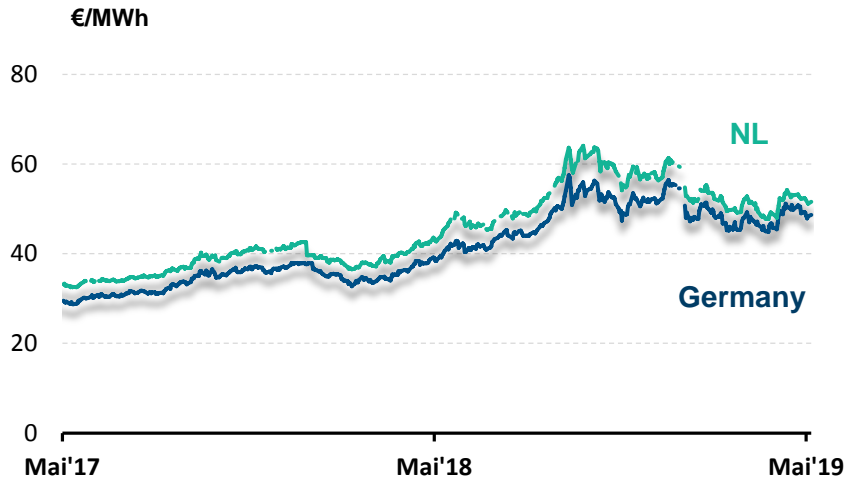
Development of net debt (RWE Group) – continuing operations only

(€ billion)

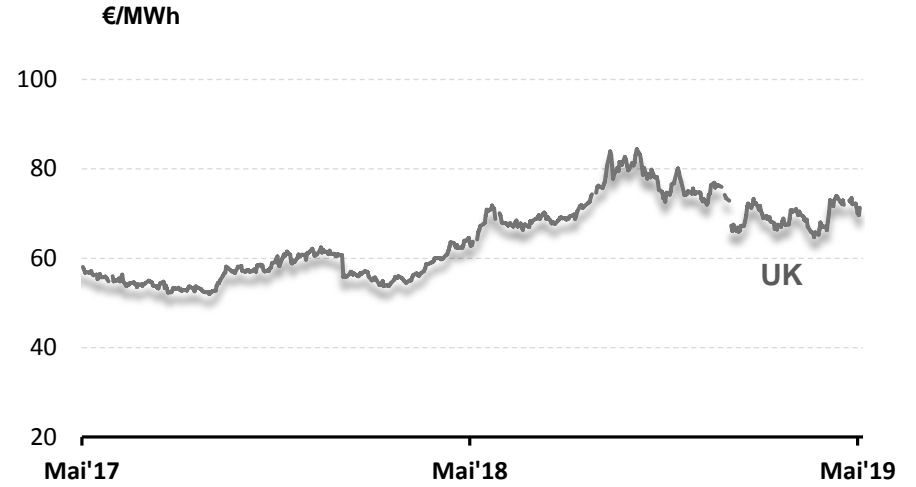


Power prices and commodities

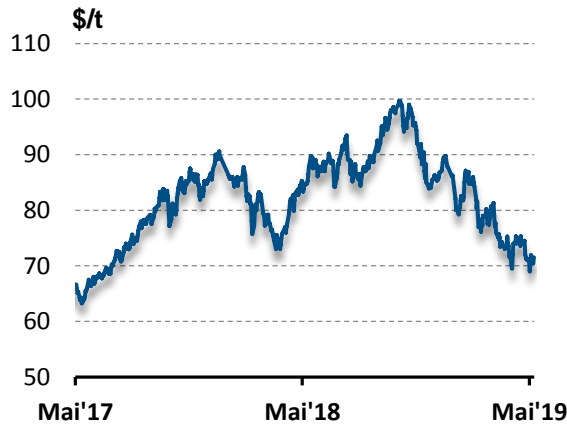
Base load power prices – Germany, NL (1 year forward)



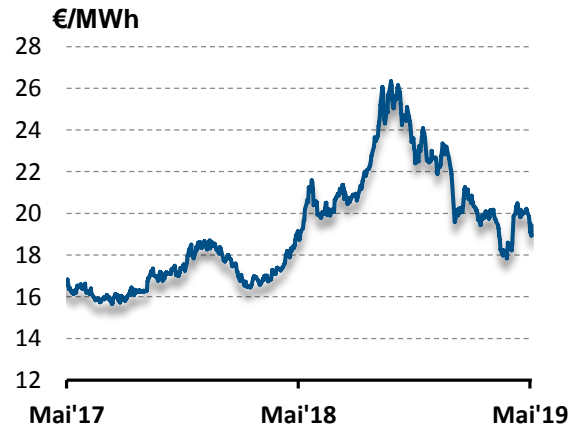
Base load power prices – UK (1 year forward)



Coal prices – API2 Cal-ahead



Gas prices – TTF Cal-ahead

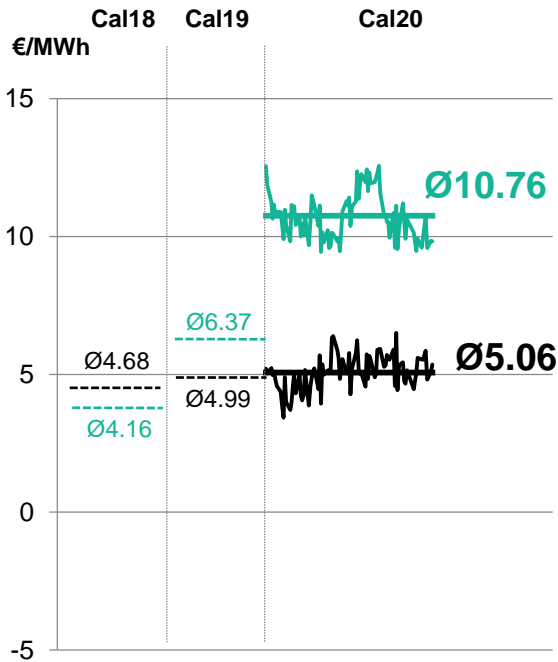


Carbon prices - EU ETS



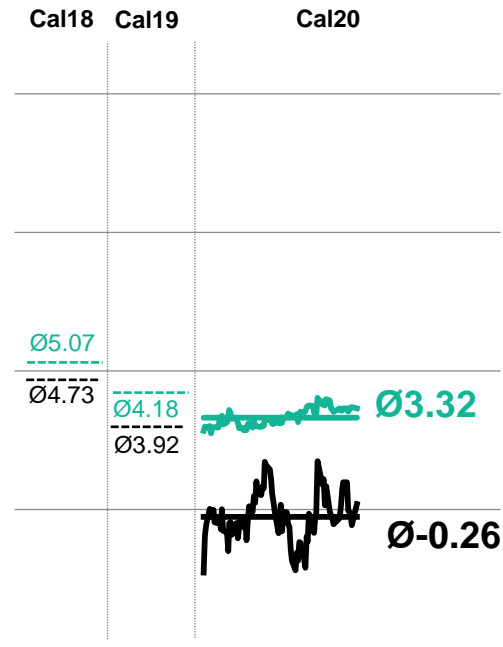
Clean Dark (CDS) and Spark Spreads (CSS) – 2018 - 2020 forwards for Germany, UK and NL¹

Germany



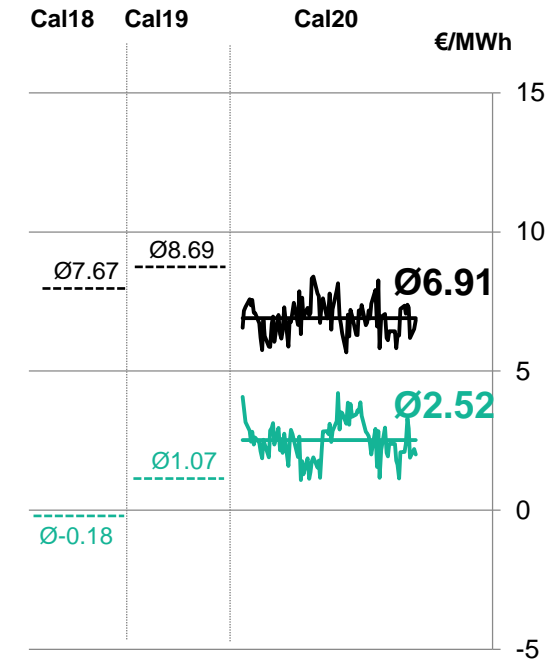
- CDS Cal 20 base load (assumed thermal efficiency: 40%)
- CSS Cal 20 peak load (assumed thermal efficiency: 50%)

UK²



- CDS Cal 20 base load (assumed thermal efficiency: 40%)
- CSS Cal 20 base load (assumed thermal efficiency: 50%)

Netherlands



- CDS Cal 20 base load (assumed thermal efficiency: 40%)
- CSS Cal 20 base load (assumed thermal efficiency: 50%)

¹ Settlement one year ahead (Cal+1). | ² Including UK carbon tax. | Source: RWE Supply & Trading, prices through to 7 May 2019.

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+1 201 680-6255 (outside from the US)
1-888-269-2377 (within the US)

Financial Calendar

- > **14 August 2019**
Interim report on the first half of 2019
- > **14 November 2019**
Interim statement on the first three quarters of 2019
- > **12 March 2020**
Annual report 2019
- > **28 April 2020**
Annual General Meeting
- > **14 May 2020**
Interim statement on the first quarter of 2020

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