RWE

Essen, 13 Mar 2018

Successful 2017 Financial Year–

Outlook for Fiscal 2018

2017 fiscal year

RWE is on track operationally and back in good shape financially. We have a solid financing structure, a substantially lower level of debt and a stabilised rating.

In 2017, our two most important earnings figures, EBITDA and net income, were at the upper end of our forecast range.

We delivered on the promises we made at the beginning of last year.

- Our adjusted EBITDA, i.e. earnings before interest, taxes, depreciation and amortisation, came in at EUR 5.8 billion. We had forecast a figure between EUR 5.4 billion and 5.7 billion.
- Adjusted net income, excluding all extraordinary effects, was EUR 1.2 billion and thus at the upper end of our guidance of EUR 1.0 billion to 1.3 billion.

Since 2017, our conventional power generation has been reported in two segments in our segment reporting. The segment ‘European Power’ broadly corresponds to RWE Generation, while the segment ‘Lignite & Nuclear’ essentially corresponds to RWE Power.

Lignite & Nuclear generated adjusted EBITDA of EUR 671 million in 2017, down from around EUR 1.1 billion (*EUR 1,079 million*) in the previous year.

This anticipated decline was mainly caused by lower wholesale electricity prices, while the abolition of the nuclear fuel tax and the efficiency-enhancement programme had an opposite effect to some degree.

European Power recorded adjusted EBITDA of EUR 463 million, compared to EUR 377 million in the previous year. At the start of the year, we were still expecting a setback in this division, and so we are extremely pleased with this increase of more than 20%.

The reasons for this included:

- above-average earnings from the commercial optimisation of our power plant dispatch,
- efficiency improvements,
- and a higher-than-expected book gain on the sale of our Littlebrook power plant site in the UK.

Energy Trading, as third segment, also put in a good performance, posting adjusted EBITDA of EUR 271 million. Following the losses in the previous year, the trading business made a strong contribution, posting earnings which were even higher than the long-term average of around EUR 200 million, as trading returned to normal and very strong performance was registered in gas and LNG trading.

The results of our subsidiary **innogy** rose by a modest 3% compared to the previous year, as reported in detail yesterday.

The progress we made in terms of financial strength was even better than expected. In part this was of course due to the refund of the nuclear fuel tax, but lower provisions for pensions also came to bear. We also benefited from the good conditions on the capital market and our successful asset management.

By consequence, the RWE Group’s net debt fell by EUR 2.5 billion to EUR 20.2 billion, whereas we had been expecting net debt to remain essentially unchanged.

Our improved financial strength was clearly reflected in equity, which increased by EUR 4 billion to EUR 12 billion. As a result of this, the Group’s equity ratio improved from around 11% to more than 17%.

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RWE stand alone

The 2017 Annual Report relates to the fully consolidated RWE Group, including innogy. For a detailed overview of the developments in our core businesses, namely power generation and energy trading, we would now like to present additional figures for **'RWE stand alone'**.

These figures also form the basis for managing RWE and reaching decisions on the dividend. innogy is not fully consolidated in these figures; instead, only our subsidiary's dividend payments are included.

- For 'RWE stand alone', adjusted EBITDA amounted to EUR 2.1 billion; we had projected a figure of EUR 1.6 billion to EUR 1.9 billion.
- Adjusted net income came in at EUR 973 million, at the upper edge of our projection of EUR 0.7 billion to EUR 1.0 billion.

Net debt directly attributable to RWE fell by EUR 2.3 billion to EUR 4.5 billion as of 31 December 2017. The equity ratio for 'RWE stand alone' also underlines the progress in sustainable consolidation, as this figure improved from 21% to 35%.

We also continued to optimise our financial structure in 2017. After just one year we were able to make good on our plans to halve the volume of hybrid bonds to a target level of around EUR 2 billion, as announced a year ago. The volume of these bonds currently amounts to EUR 1.9 billion, down from EUR 3.9 billion at the end of 2016.

We called three of the bonds at the first possible date and used another EUR 585 million from the refund of the nuclear fuel tax for a bond buyback programme.

Our rating stabilised due to the improvements in our operating performance and our financial position. We have an investment grade rating from Moody's, Fitch and Standard & Poor's. All three of the rating agencies improved the outlook to stable. Due to our limited activities on the capital markets, we currently do not need three ratings and consequently in mid-February of this year we decided to discontinue our rating by Standard & Poor's.

Based on the good business performance, for fiscal 2017 the Executive and Supervisory Boards will propose to the Annual General Meeting in April the payment of a ordinary dividend of EUR 0.50 to holders of common and preferred shares, plus a special dividend of EUR 1.0.

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Outlook for fiscal 2018

For the current fiscal year, we anticipate that our earnings will decline compared to 2017. Since we sell our power forward, the low registered in wholesale electricity prices two to three years ago will now be fully reflected.

Therefore, our adjusted EBITDA should be between EUR 4.9 billion and EUR 5.2 billion, and adjusted net income should be in the range of EUR 700 million to EUR 1.0 billion.

Taking a medium-term perspective, we are optimistic thanks to the economic prospects. Consequently, we want to raise the ordinary dividend for 2018 to EUR 0.70. We also plan on further increases in the following year.

All details on the Group´s earnings and financial situation in the Annual Report 2017 of RWE.

Forward-looking statements

This speech contains forward-looking statements. The statements reflect the current assessments, expectations and assumptions of the management and are based on the information available to the management at the current time. Forward-looking statements provide no assurance that future events or developments will occur and are subject to known and unknown risks and uncertainties. As a result of various factors, actual future events and developments may differ materially from the expectations and assumptions expressed in this publication. In particular, these factors include changes in the general economic environment and the competitive situation. Above and beyond this, developments on the financial markets, fluctuations in exchange rates, changes to national and international law, especially with regard to tax regulations, and other factors can influence the future results and performance of the Company. Neither the Company nor any of its associated companies undertake to update the statements contained in this speech.