Annual Press Conference of RWE AG
on Fiscal 2020
Dr Rolf Martin Schmitz and Dr Markus Krebber
16 March 2021

Check against delivery

Rolf Martin Schmitz:

Ladies and Gentlemen,

From me too, a very good morning from Essen. Welcome to our Annual Press Conference.

Last year was a very good one for RWE, despite the challenging environment due to the coronavirus crisis. We already presented our preliminary results a good six weeks ago. And today we can confirm them. 2020 was an excellent year. We clearly exceeded our forecast.

- Our adjusted EBITDA amounted to EUR 3.2 billion. In March 2020, we had forecast a figure of between EUR 2.7 and EUR 3.0 billion. Adjusted EBITDA at Group level thus grew by about seven per cent compared to the pro-forma result for the prior year.
- Our adjusted EBIT, at EUR 1.8 billion, was also much higher than the expected range. The increase here was about 16 per cent compared to 2019.
- Our third indicator, adjusted net income, reached EUR 1.2 billion – again that's higher than the range we had announced.

We confirm our dividend target, and plan to recommend to the Annual General Meeting on 28 April that a dividend of 85 euro cents per share be paid for the last fiscal year. My colleague Markus Krebber will provide details and background information on these figures.

Covid-19 continues to rule our lives. But it has had much less of a financial impact on RWE than on many other companies. Even so, we too are not completely protected from the effects of the pandemic.

Our employees in the power stations, at our plants and facilities are doing great work to ensure that electricity is securely available at all times. Those who aren't deployed on site are working from home to keep the business running.

Everyone knows how challenging that can be over such an extended period, especially if children or parents have to be looked after at the same time.

I'd like to express my thanks to every one of them.

The pandemic will be with us for a while yet, even if vaccinations give us great cause for hope. What scientists have achieved in such a short period of time is amazing. For me, there's no question about it: As soon as I'm eligible, I will get myself vaccinated, no matter who the manufacturer of the vaccine is. Getting vaccinated is the best possible way to protect health – our own and everyone else's. A quick jab that saves lives.

If vaccinations become available via company doctors in Germany, RWE will, of course, be ready, and can draw on the many years of experience its medical department has had in delivering annual flu vaccinations.

It's now 1,100 days since Markus Krebber and I, together with our colleagues from E.ON, announced one of the largest transactions in the history of German industry at Messe Essen.

That laid the foundation for RWE as it is today. An RWE that has plenty to show for itself:

- It's one of the world's leading companies in renewables, especially in on- and offshore wind as well as photovoltaics.
- It's a company with a powerful fleet of gas-fired power stations and storage facilities for which green gas offers strong prospects.
- It's a company that's reliably and responsibly phasing out nuclear power and coal.

In just three years, RWE has reinvented itself. We have a clear strategy, a strong financial base and, very importantly: an outstanding workforce. Our employees stand fully behind the company and its goals, as reflected in our statement of purpose:

"Our energy for a sustainable life."

Renewables, storage facilities and hydrogen are key for the energy supply of tomorrow. In 2020, more than USD 300 billion were invested in renewable energies world-wide. Again an increase. If we add in investment in energy storage facilities, eMobility and climate-friendly heat generation, this totals more than USD 500 billion. That's nine per cent more than in 2019. And this trend will continue.

The world has set itself new standards with the Paris Agreement. It paves the way for a society that lives more sustainably. And an industry that's climate-friendly. Both of these require a total reorganisation of many aspects of our lives: building, heating, work and transportation. It amounts to the start of a new era in technology. This decade will be key in terms of moving towards carbon-neutrality. Two things are particularly important in this regard:

First:
Further huge and rapid expansion of renewables, grids and storage facilities, so that green electricity can be used directly wherever possible. To give new impetus to this expansion in Germany, policy-makers have reformed the Renewable Energy Act. These were appropriate and necessary steps. But Germany can't afford to slow down – nor do our policy-makers intend to. Quite the opposite: The federal government has already announced it wants to re-regulate additional areas before the end of its current term. This includes setting a higher expansion target for renewables in particular. That's the logical consequence of more stringent CO_2 targets in the European Union.

The coalition in Berlin has also set itself the task of gradually reducing the Renewable Energy Act levy. In addition, an extensive refinement of the regulatory framework is required if we are to remain internationally competitive and thus be able to organise the expansion of renewables reliably, at a reasonable cost, and based on market principles.

The topic of bilateral contracts for difference, or CfDs, should be put forward once again as a means of efficiently hedging renewable energy projects. This applies in particular to capital-intensive technologies such as offshore wind. CfDs have now become standard in Europe. Let me repeat: Germany should do the same and also make use of CfDs, because it makes sense for the economy.

They are being used more and more in Europe to expand onshore wind energy. This is precisely where it's important to speed up the planning and approval processes, which can often take five years.

The EU prescribes a maximum of three years for new onshore wind power projects, and two years for repowering.

The second key point:
A hydrogen industry and the associated infrastructure needs to be set up quickly and energetically so that we can use hydrogen where the direct use of renewable electricity is not possible – in industry, in heavy goods transport, and in aviation.

We saw plenty of positive activity last year with regard to hydrogen. The policy-makers acted, and set out key markers. The hydrogen strategies of Germany and the EU are sending out the right signals. Far-reaching goals have been set, and the prospect of extensive subsidisation has been raised.

The industry is ready. Hydrogen generators, grid operators and hydrogen consumers have formed a network and coordinated their plans. They are ready to start. To move from intention to action, framework conditions now need to be put in place quickly, so that economically viable green hydrogen can actually be generated, transported and used.

A clear legal framework is required, as well as subsidy arrangements to support projects covering the entire value chain for the first few years in particular. One important element is a legal framework for the transportation of hydrogen. Without it, it will be impossible to ramp up the hydrogen industry in Germany and the EU in general. The EU has announced it will put forward proposals in this regard by the end of the year. The German government wants to lead the way here.

But the amendment to the Energy Industry Act currently being discussed does not go far enough, because it requires natural gas and hydrogen networks to be designed, regulated and financed separately, instead of extending the existing gas network regulations to cover hydrogen. That means integrated planning is out of the question.

There are also uncertainties regarding the extent of the expected grid fees and investment security for the network operators. We are counting on the Bundestag to make further improvements in this area.

Renewables and hydrogen – investments are being made in both technologies worldwide. And RWE is among the leaders in both fields.

That puts us in a good starting position for the next few years:

- Our business model is designed for the future
- We have excellent expertise that's in global demand
- We are extremely willing to innovate
- and we have an excellent financial base for growth

For renewables and storage facilities alone, we are investing a net EUR 5 billion between 2020 and 2022, a net EUR 1 billion of that in Germany. Last year, we put a total of around 800 megawatts of new wind and solar capacity into operation. Our capacity now amounts to 9.4 gigawatts. A further 3 gigawatts are under construction. That means we're well on the way to achieving our announced capacity of more than 13 gigawatts by 2022.

The growth path we have set with renewables is supported by our investors. Our capital increase of about EUR 2 billion last year was oversubscribed three times. I was very pleased to see that. We've obtained additional financial flexibility to expand our project pipeline.

A well filled project pipeline is essential in continuing to make progress on the expansion of renewables. Our pipeline now comprises 34 gigawatts. This includes Nordex's development pipeline, which we purchased in summer 2020 and which has projects mainly in France and Poland. This year, additional projects were added in the UK.

We have sped up fast when it comes to the megatrend of hydrogen. For RWE, too, it also offers huge potential. We can get the most out of it because we're positioned at every point along the value chain:

- We can supply the green electricity needed for production.
- We have the expertise to generate green hydrogen and can take charge of constructing electrolysers on behalf of our customers.
- We have the capability to temporarily store hydrogen in our gas storage facilities, and our Supply & Trading people can make the fuel available to meet the needs of industrial consumers.
- And lastly, our own gas-fired power stations are potential customers for green hydrogen in the longer term.

This unique selling point makes us an attractive partner. We are currently involved in 30 innovative projects in Germany, the Netherlands and the UK, in collaboration with powerful companies in European industry: BP, Evonik, Siemens, Gasunie, to name just a few.

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To pool our skills within the Group, to drive projects forward and forge alliances, just a few weeks ago we established a dedicated hydrogen portfolio within the Board of RWE Generation. That gives us more punch to deal with one of the challenges of the energy transition: the decarbonisation of industry.

At the beginning of March, the German government reached a mutual agreement with nuclear power station operators regarding compensation provisions for the faster phaseout of nuclear energy.

Previously, Germany's Constitutional Court had repeatedly called for a definitive compensation arrangement for companies. RWE welcomes this agreement. We believe this represents an important step towards achieving legal certainty for all parties involved. It's also a good signal for bolstering confidence in Germany as an industrial location and thus to encourage the substantial investments that are now needed to transform the energy system.

In addition to nuclear energy, RWE is also rigorously and reliably phasing out coal. This is an important element in our transformation process. In connection with this, we closed our last hard coal-fired power plant in the UK in the spring of 2020.

And at the end of December, our last two hard coal-fired power stations in Germany followed. We're also phasing out coal in the Netherlands. As part of the process of phasing out lignite in Germany, we signed an agreement under public law with the Federal Government in February, as planned. Our first lignite unit at Niederaussem already went offline in December. Another three units will follow this year.

By 2030 we will have decommissioned two-thirds of our lignite-fired power station capacity. Two out of every three of our opencast mines will have been closed by then. So we are taking a responsible approach to the phaseout of coal. In this process, we will observe our responsibility both towards our employees who will lose their jobs and with regard to our obligations to recultivate the land.

Our word is our bond. You can count on RWE.

Our carbon emissions have declined significantly as a result of these activities. Between 2012 and the end of 2020, we already reduced them by more than 60 per cent. By 2030, that figure will be 75 per cent. And by 2040, we will be carbon-neutral. That's ten years faster than both Germany and the EU have set as their target.

In other words, our company walks the talk. And that is being acknowledged. For example, the renowned Science Based Targets initiative has certified that our strategy is in line with the Paris Agreement.

This independent initiative is backed by the WWF, UN Global Compact, the World Resources Institute und the Carbon Disclosure Project (CDP). We have also received a positive assessment from the Transition Pathway Initiative, a global initiative of financial institutions and asset managers.

In other words, the path we are following is also acknowledged by the capital market. And that brings us to the figures. So now I'll hand you over to Markus Krebber.

<u>Markus Krebber</u>

Ladies and Gentlemen,

I'd also like to welcome you all today.

All of us at RWE are delighted that we were able to exceed our expectations for 2020 – in spite of all the challenges presented by coronavirus. Throughout the company, our employees did an outstanding job.

Let's take a look at the details.

In the Offshore Wind segment, adjusted EBITDA increased last year to EUR 1.1 billion. Compared to the pro-forma result for 2019, that's an increase of 11 per cent, which can be attributed mainly to very good wind conditions at the beginning of the year.

The Onshore Wind/Solar segment also performed well, with adjusted EBITDA of EUR 472 million. Compared to the pro-forma result for the prior year, we recorded growth of seven per cent, although this was below our expectations. Covid-19 delayed the commissioning of a number of plants, and therefore the expected increase in the result.

In our third segment, Hydro/Biomass/Gas, adjusted EBITDA was EUR 621 million. This was towards the upper end of the forecast range and thus slightly below the previous year's level, as expected.

In 2019, we benefited in particular from the one-off payment from the reinstatement of the UK capacity market during that year.

And in Supply & Trading, our performance in 2020 was once again much better than expected. Adjusted EBITDA, at EUR 539 million, was much higher than the forecast range. In our core business, we thus exceeded our forecast by far overall, with a result of EUR 2.7 billion.

In the Coal/Nuclear segment, we recorded an increase of EUR 219 million compared to 2019. We had expected this improvement due to higher forward-hedged wholesale prices for the electricity from our lignite-fired and nuclear power stations.

So those were the results, now let’s come to a brief overview of the RWE Group’s financial situation. It continued to improve last year, thanks to strong growth in income from operating activities and also as a result of our capital increase.

With net debt of EUR 4.4 billion at the end of 2020, our leverage factor – which is based on the ratio of net debt to adjusted EBITDA of the core business – was just 1.7. Our aim is for net debt not to exceed three times the adjusted EBITDA for our core business. We also saw an improvement in our equity ratio once again. At the end of 2020 it was at a comfortable 29 per cent.

The excellent financial situation enables us to move forward with a robust investment programme for long-term successful development. We are investing heavily – and almost exclusively in “green energy”. In 2020, investments amounted to about EUR 2.3 billion in property, plant and equipment. 84 per cent of our capital expenditure meets the criteria for environmentally sustainable investment, based on a draft EU taxonomy.

This also shows we are working hard to ensure RWE becomes more and more sustainable. When we promise something, we make it happen. We have come a long way in the past three years. But we are not resting on our laurels. Quite the opposite: We aim for long-lasting growth. 2021 is an important year in this regard. Especially for our offshore wind business.

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Here are a few examples:
In the UK we won out against strong competitors at the last auction and secured the rights to develop two neighbouring offshore locations with a total potential capacity of three gigawatts. The Doggerbank locations fit perfectly into our UK portfolio. Also in the UK, we were able to sign lease agreements and are now expanding four existing offshore wind farms in which RWE has a total pro rata share of 1.3 gigawatts.

And we are well within our schedule on our two large-scale offshore construction projects:

- Triton Knoll, which is one of our largest projects at 857 megawatts, started feeding electricity into the UK grid at the end of February. The wind farm will be completed in 2022.
- Kaskasi, now our third offshore wind farm off Heligoland, will also start commercial operations next year.

And in Poland, the government put the legal framework in place in January to subsidise wind farms in the Baltic Sea. That smooths the way for our Baltic II project, for which we have already contractually secured the network connection.

Onshore too, we are expanding fast: Over 20 projects are currently under construction in the US as well as in our European core markets. And we are backing new technologies: This summer, construction work will begin on our first floating photovoltaic system on a lake next to our Amer power station in the Netherlands. In addition, in three pilot projects off the Norwegian, Spanish and US coasts we are researching how floating offshore can be used.

That brings me to our outlook for the current year.

We expect adjusted EBITDA of between EUR 2.65 billion and EUR 3.05 billion in 2021. Our target for adjusted EBIT is between EUR 1.15 billion and EUR 1.55 billion, and for adjusted net income between EUR 0.75 billion and EUR 1.1 billion.

We expect our earnings situation to be good again in 2021. However, we will probably close below the previous year. This is due to the already announced burdens on the result owing to the extreme cold snap in Texas. I'll say more about that in a moment. Furthermore, we do not expect Supply & Trading to repeat its extraordinary performance of 2020.

Rolf just talked about the agreement between the federal government and nuclear power plant operators. The expected compensation is not included in this outlook.

Now let's come to the individual segments:

In the Offshore Wind segment, we are forecasting adjusted EBITDA of between EUR 1.05 billion and EUR 1.25 billion.

In the Onshore Wind/Solar segment, the extremely cold snap in Texas in February is impacting the outlook. The icy temperatures, which were extremely unusual for the region, resulted in substantial outages in electricity generation across all technologies. Solar and wind power systems were also out of action because of ice and grid problems, and frozen gas pipelines as well as outages at a nuclear power station and a number of coal-fired power stations added to the problems. The strong demand for electricity, combined with reduced electricity production and plant availability, led to a massive increase in electricity market prices.

We had already sold forward parts of our plants' expected generation volumes, and we therefore had to buy in electricity to meet our supply obligations. Due to the difficult supply situation and prices set by the regulators, up to 9,000 US dollars per megawatt hour had to be paid for the third-party purchases.

According to current estimates the resulting losses amount to slightly above EUR 400 million. These losses are reflected in the outlook for the current year. For the Onshore Wind/Solar segment, we expect adjusted EBITDA of between EUR 50 million and EUR 250 million.

In the Hydro/Biomass/Gas segment, we are expecting adjusted EBITDA of between EUR 500 million and EUR 600 million. And for Supply & Trading, we are expecting a normal result of between EUR 150 million and EUR 350 million.

Adjusted EBITDA for our core business in 2021 should therefore reach around EUR 1.8 billion to EUR 2.2 billion. To this we must add the Coal/Nuclear segment, for which we are forecasting adjusted EBITDA of between EUR 800 million and EUR 900 million.

For fiscal 2021, the dividend is to be raised from the current 85 euro cents to 90 euro cents per share. And with this positive outlook, I'll hand you back to Rolf Martin Schmitz.

Rolf Martin Schmitz:

Thank you, Markus.

Ladies and Gentlemen,

We've basically said everything there is to be said with the good figures and the positive outlook. I'd therefore like to take this opportunity to say a few personal words.

This is my last Annual Press Conference. Following the Annual General Meeting, my term as CEO will come to an end, and I'll hand over the reins to Markus Krebber. That will bring my time at RWE to a close.

During my professional career, I've probably seen all the different forms of electricity generation – and all the debates for and against various technologies.

I've always been driven by curiosity and an enthusiasm for the new. For me that's key when it comes to making progress. I don't relate to discussions that revolve mainly around bans and abstention. I can't imagine billions of people around the world giving up their prosperity and mobility just like that. That doesn't sound like a clever approach.

That's why I'm calling for a competition for clever ideas and innovations. And I'm campaigning for dialogue between industry and policy-makers. The goal is to find the best way to make innovations and investments happen, to make the energy transition a success, and at the same time to keep Germany as an industrial location both competitive and attractive.

For me, it's all about new departures – in the economy, in technology and in society. And it's also about understanding that what's environmentally necessary can be organised in such a way that it leads to new opportunities for the economy and for society.

This approach is possibly based on my nature. I'm an optimist, a combination of an engineer and a Rhinelander. The Rhinelander in me loves to succeed. And the engineer immediately looks for a technical solution to every challenge. That makes my fundamentally positive attitude come easily. It's all in the mixture.

The important thing is to know where you come from, and where you want to go. That’s a necessary guiding principle that we follow here at RWE.

One thing we do know is that all forms of energy have their time. The age of renewables has now begun. We have had to face new frontiers without forgetting or losing touch with our roots. After all, there’s one constant at RWE: We produce electricity. Using the best technology available. And in harmony with society.

At RWE we’re building a world of energy that’s clean, secure and affordable – and driving the energy transition forward. Some of you might think that sounds disruptive, but it isn’t. It’s evolutionary. We have moved with the times – for more than 120 years. And that’s precisely what makes our company a success.

RWE is growing – while maintaining its consistency and value. We’re well equipped for the future. Strategically, financially – and in terms of our workforce. RWE will have an excellent future with Markus Krebber as CEO and Nanna Seger and Michael Müller as Board members. I’m absolutely sure of it.

Now we look forward to your questions.

Forward-looking statements