

# Q1 2017 Results Presentation

Investor and Analyst Conference Call 15 May 2017

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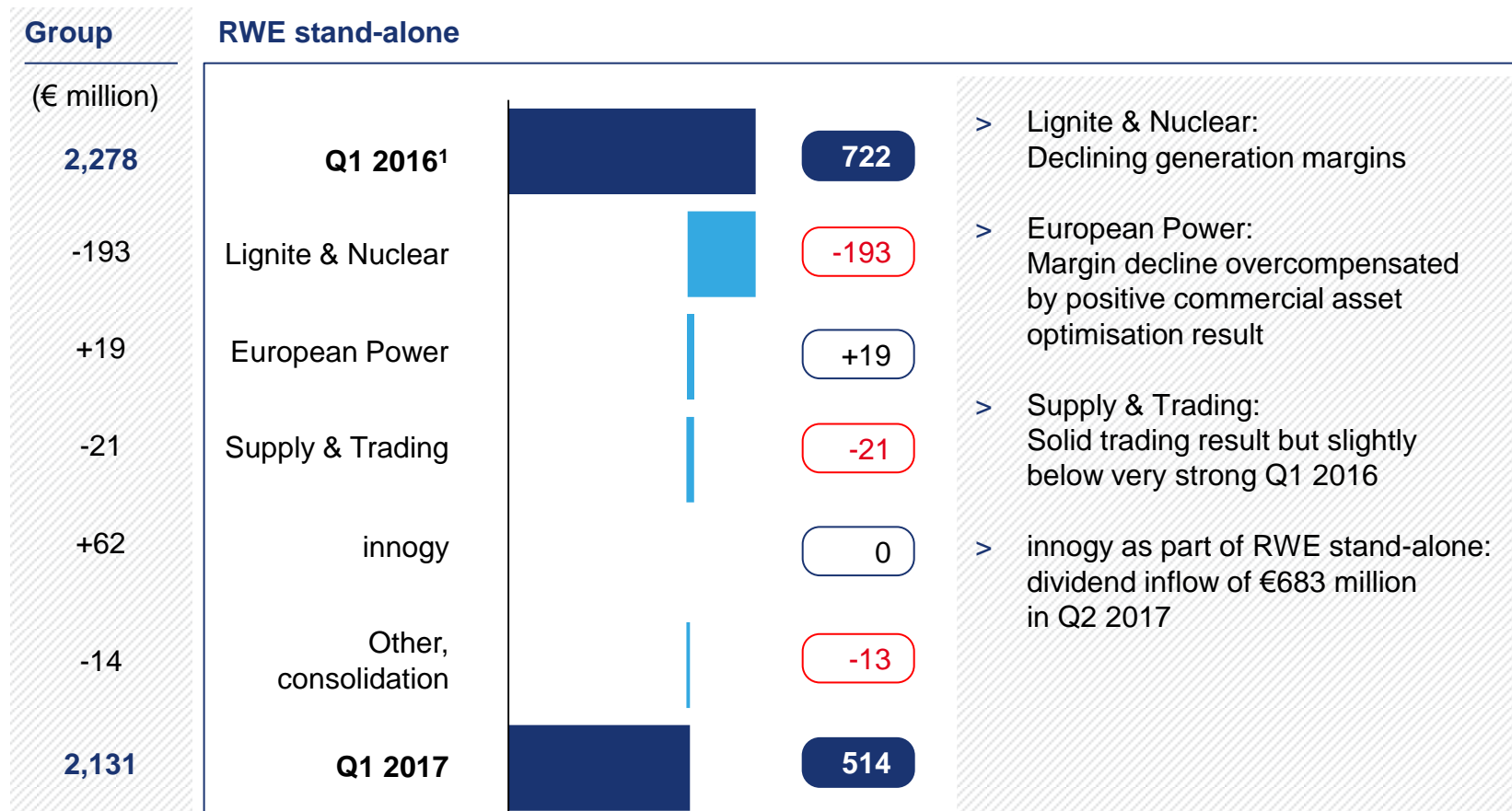
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# Q1 2017 – key messages

- > RWE consolidated Group's Q1 2017 operational performance in line with expectations at moderately below previous year. Outlook for 2017 confirmed.
- > RWE stand-alone: Solid start to 2017 and guidance for 2017 confirmed
- > Successful participation in UK capacity auction for 2017/18
- > Transfer of senior bonds to innogy finalised
- > Call of hybrid bonds with a first call date in 2017 intended
- > Fitch confirms stand-alone BBB rating and upgrades outlook to stable

# Development of EBITDA dominated by lower generation margins in Lignite & Nuclear



<sup>1</sup> Pro forma financial

# Lignite & Nuclear – Driven by lower realised generation margins

## Key financials

€ million	Q1 2017	Q1 2016	change
<b>Adj. EBITDA</b>	<b>213</b>	<b>406</b>	<b>-193</b>
t/o non-recurring items <sup>1</sup>	-1	10	-11
Depreciation	-74	-100	26
<b>Adj. EBIT</b>	<b>139</b>	<b>306</b>	<b>-167</b>
t/o non-recurring items <sup>1</sup>	-1	10	-11
<b>Capex</b>	<b>-55</b>	<b>-46</b>	<b>-9</b>
<b>Cash contribution<sup>2</sup></b>	<b>158</b>	<b>360</b>	<b>-202</b>

## Q1 2017 versus Q1 2016:

- ⊖ Lower realised generation margins
- ⊖ Lower nuclear generation volumes due to maintenance cycle
- ⊖ Weather related lower income at Mátra
- ⊕ Operating cost improvements

## EBITDA outlook for 2017: significantly below previous year

- ⊖ Lower realised generation margins (hedged outright price: ~€31/MWh vs. €35/MWh in 2016)
- ⊖ Absence of non-recurring items (€0.15 bn)
- ⊕ Absence of nuclear fuel tax (€0.15 bn)
- ⊕ Operating cost improvements

<sup>1</sup> Non-recurring items (not included in non-operating result) | <sup>2</sup> Adj. EBITDA minus capex (before changes in provisions)

# European Power – Good start to 2017 due to high contribution from commercial asset optimisation

## Key financials

€ million	Q1 2017	Q1 2016	change
UK	101	128	-27
Continental Europe	65	25	40
<b>Adj. EBITDA</b>	<b>167</b>	<b>148</b>	<b>19</b>
t/o non-recurring items <sup>1</sup>	20	26	-6
Depreciation	-76	-101	25
<b>Adj. EBIT</b>	<b>91</b>	<b>47</b>	<b>44</b>
t/o non-recurring items <sup>1</sup>	20	26	-6
<b>Capex</b>	<b>-11</b>	<b>-17</b>	<b>6</b>
<b>Cash contribution<sup>2</sup></b>	<b>156</b>	<b>131</b>	<b>25</b>

## Q1 2017 versus Q1 2016:

- ⊕ Significantly higher income from commercial asset optimisation
- ⊕ Operating cost improvements
- ⊖ Lower realised generation margins

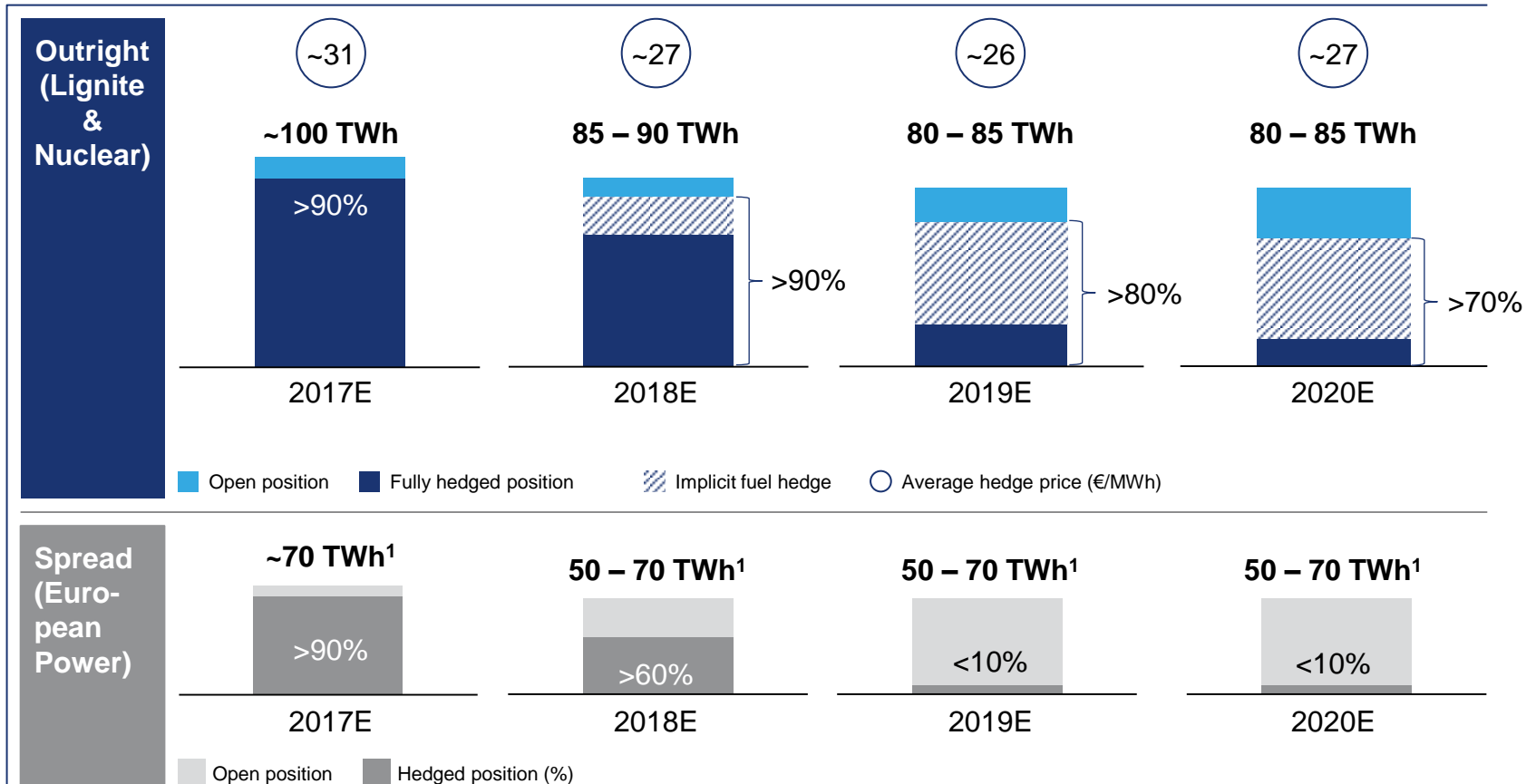
## EBITDA outlook for 2017: significantly below previous year

- ⊖ Lower realised spreads
- ⊕ Operating cost improvements

<sup>1</sup> Non-recurring items (not included in non-operating result) | <sup>2</sup> Adj. EBITDA minus capex (before changes in provisions)

# Hedging – Fully hedged position for 2018 and implicit fuel hedge for 2019 and 2020 increased

Expected positions and hedge status as of 31 March 2017



<sup>1</sup> Total in-the-money spread

# Supply & Trading – Solid start to the year based on good trading result

## Key financials

€ million	Q1 2017	Q1 2016	change
<b>Adj. EBITDA</b>	<b>146</b>	<b>167</b>	<b>-21</b>
t/o non-recurring items <sup>1</sup>	0	-28	+28
Depreciation	-1	-1	0
<b>Adj. EBIT</b>	<b>145</b>	<b>166</b>	<b>-21</b>
t/o non-recurring items <sup>1</sup>	0	-28	+28
<b>Capex</b>	<b>-1</b>	<b>0</b>	<b>-1</b>
<b>Cash contribution<sup>2</sup></b>	<b>145</b>	<b>167</b>	<b>-22</b>

## Q1 2017 versus Q1 2016:

- ⊖ Good trading result but below very strong Q1 2016
- ⊖ Absence of disposal of Lynemouth power plant in Q1 2016
- ⊕ Adjustment of long-term gas storage contracts to market prices in Q2 2016 (non-recurring items)

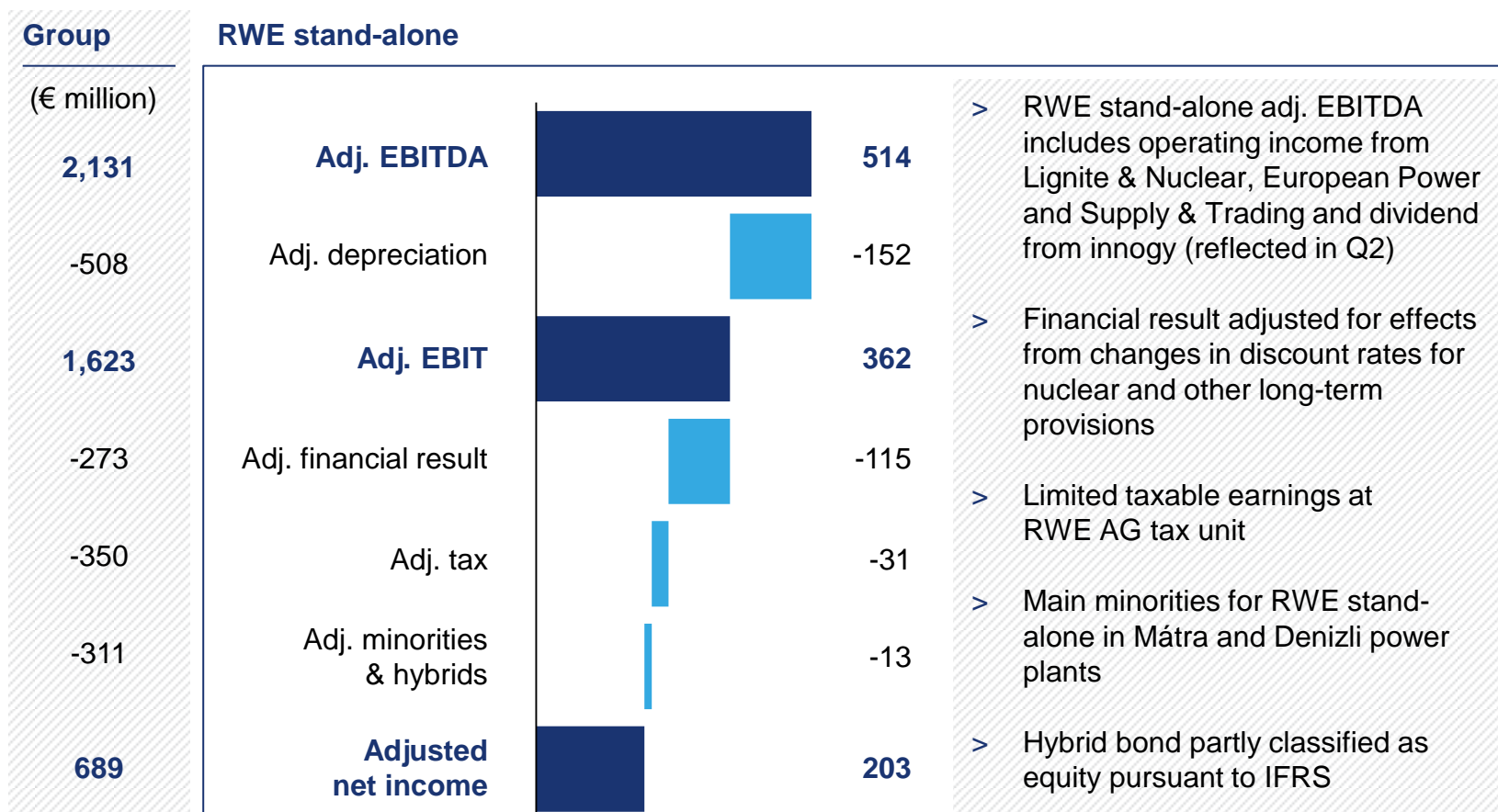
## EBITDA outlook for 2017: significantly above previous year

- ⊕ Normalisation of trading performance

<sup>1</sup> Non-recurring items (not included in non-operating result) | <sup>2</sup> Adj. EBITDA minus capex (before changes in provisions)

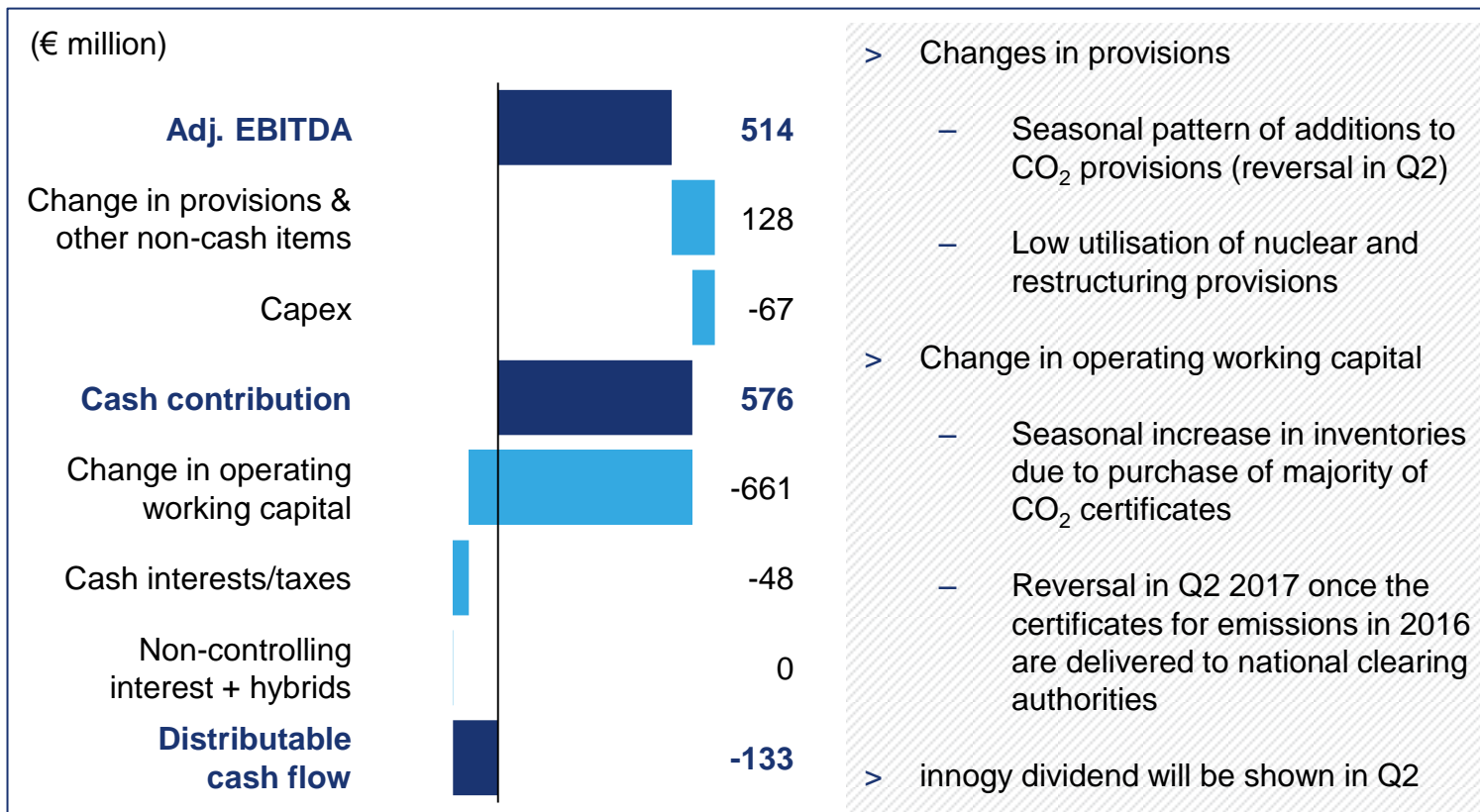


# Adjusted net income Q1 2017 reaches €0.2 billion



# Q1 2017 distributable cash flow still excluding innogy dividend

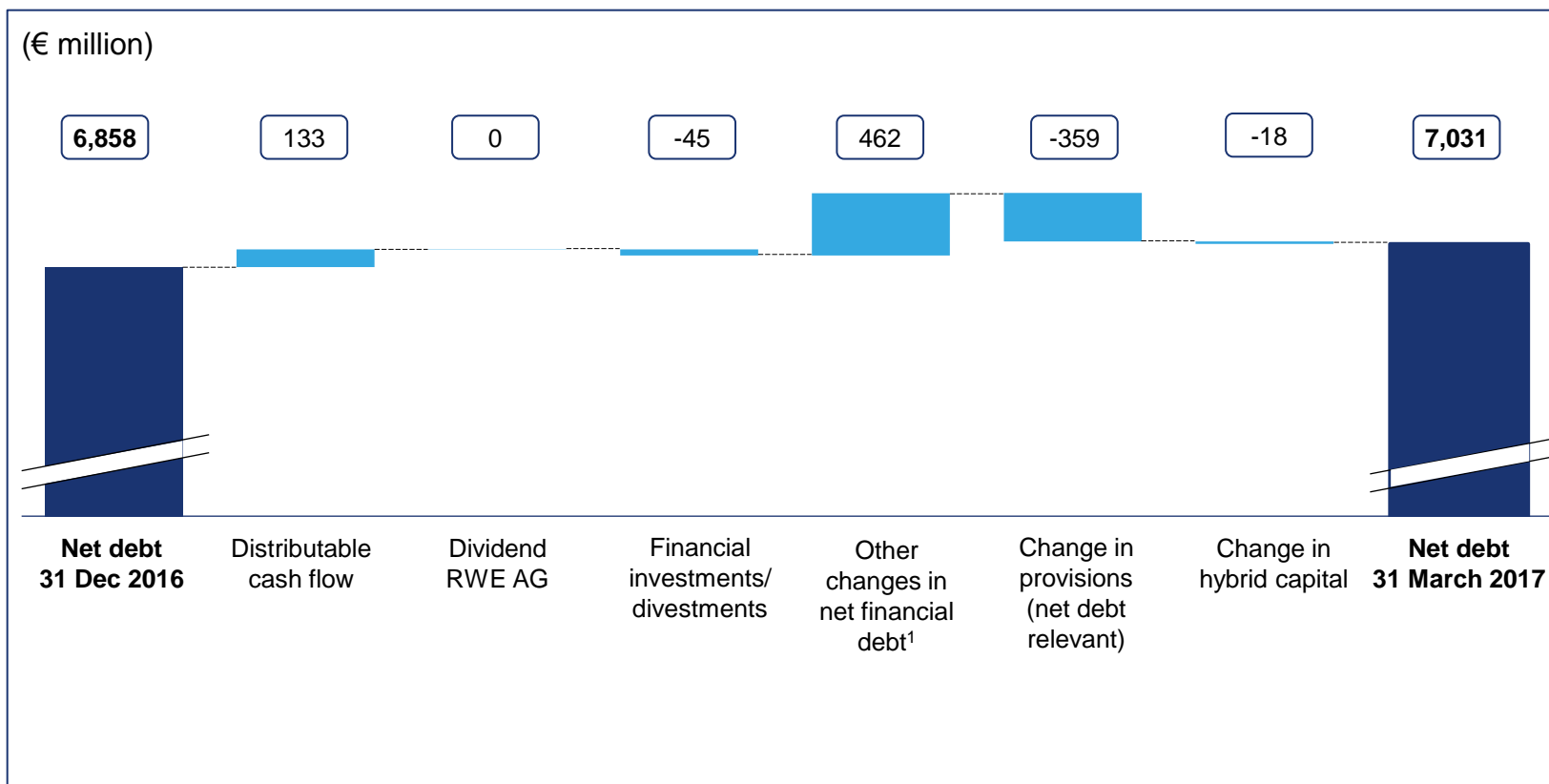
## RWE stand-alone<sup>1</sup>



<sup>1</sup> Pro forma financial

# RWE stand-alone net debt nearly unchanged compared to end of 2016

## Development of net debt (RWE stand-alone)



<sup>1</sup> Includes mainly variation margins and tax account receivables/payable, tax provisions.

# RWE stand-alone – Outlook for 2017 confirmed

2016		2017	
€1.9 bn	<b>Adjusted EBITDA</b>	€1.6 bn – €1.9 bn	
-€0.9 bn	Adj. depreciation	↘	> Reduction by ~€0.3 bn from impairments
-€1.0 bn	Adj. net financial result	↘	> Reduction in interest accretion to provisions (€0.4 – 0.5 bn) > Lower losses from sale of securities and impact from lower discount rates on non-current provisions (€0.2 bn)
€0.0 bn	Adj. taxes	→	> Principally 95% tax exemption for innogy dividend > Potential utilisation of tax assets in German tax unit
-€0.1 bn	Adj. minorities & hybrids	→	> Stable development expected
-€0.0 bn	<b>Adjusted Net Income</b>	€0.7 bn – €1.0 bn	
	<b>Dividend (per share)</b>	€0.50	> Management target for ordinary and preferred shares; further goal to maintain at least this level in the years thereafter

# Appendix

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# Income statement Q1 2017

(€ million)	RWE stand-alone	RWE Group
<b>Revenue (including natural gas tax/electricity tax)</b>	<b>5,162</b>	<b>13,294</b>
Natural gas tax/electricity tax	-36	-762
<b>Revenue</b>	<b>5,126</b>	<b>12,532</b>
Other operating result	55	-249
Cost of materials	-4,103	-8,794
Staff costs	-437	-1,156
Depreciation, amortisation and impairment losses	-170	-527
Income from investments accounted for using the equity method	19	66
Other income from investments	8	28
Financial result	-88	-226
<b>Income before tax</b>	<b>410</b>	<b>1,674</b>
Taxes on income	-31	-390
<b>Income</b>	<b>379</b>	<b>1,284</b>
of which: non-controlling interest	1	-323
of which: RWE AG hybrid capital investors' interest	-14	-14
<b>of which: net income/income attributable to RWE AG shareholders</b>	<b>366</b>	<b>946</b>

# Balance sheet Q1 2017

(€ million)	RWE stand-alone	RWE Group
<b>Assets</b>		
Intangible assets	1,041	12,770
Property, plant and equipment	6,884	24,655
Investment property	43	59
Investments accounted for using the equity method	640	2,936
Other financial assets <sup>1</sup>	15,335	1,060
Inventories	1,233	1,649
Financial receivables	5,401	2,097
Trade accounts receivable	2,742	6,521
Other receivables and other assets	5,245	6,704
Income tax assets	344	535
Deferred taxes	521	2,763
Marketable securities	7,523	10,225
Cash and cash equivalents	2,245	3,696
	<b>49,197</b>	<b>75,670</b>
<b>Equity and liabilities</b>		
RWE AG shareholders' interest	10,620	3,729
RWE AG hybrid capital investors' interest	896	896
Non-controlling interests	296	4,576
	<b>11,812</b>	<b>9,201</b>
Provisions	24,804	32,843
Financial liabilities	6,055	19,449
Other liabilities	6,365	13,401
Income tax liabilities	63	147
Deferred taxes	98	629
	<b>37,385</b>	<b>66,470</b>
	<b>49,197</b>	<b>75,670</b>

<sup>1</sup> Includes innogy stake at market value as at 31 March 2017

# Net debt Q1 2017

(€ million)	RWE stand-alone	RWE Group
Cash and cash equivalents	2,245	3,696
Marketable securities	7,644	10,437
Other financial assets	1,522	1,834
Financial receivables against innogy	3,856	-
<b>Financial assets</b>	<b>15,267</b>	<b>15,967</b>
Bonds, other notes payable, bank debt, commercial paper	4,770	17,114
Hedge transactions related to bonds	-237	-249
Other financial liabilities	1,285	2,335
<b>Financial liabilities</b>	<b>5,818</b>	<b>19,200</b>
<b>Net financial debt</b>	<b>-9,449</b>	<b>3,233</b>
Provisions for pensions and similar obligations	2,521	6,169
Surplus of plan assets over benefit obligations	0	-29
Provisions for nuclear waste management	12,653	12,653
Mining provisions	2,402	2,402
Provisions for decommissioning of wind farms	0	384
Adjustments for hybrid capital (portion of relevance to the rating)	-1,095	-1,095
Plus 50% of the hybrid capital stated as equity	448	448
Minus 50% of the hybrid capital stated as debt	-1,543	-1,543
<b>Total net debt</b>	<b>7,031</b>	<b>23,717</b>

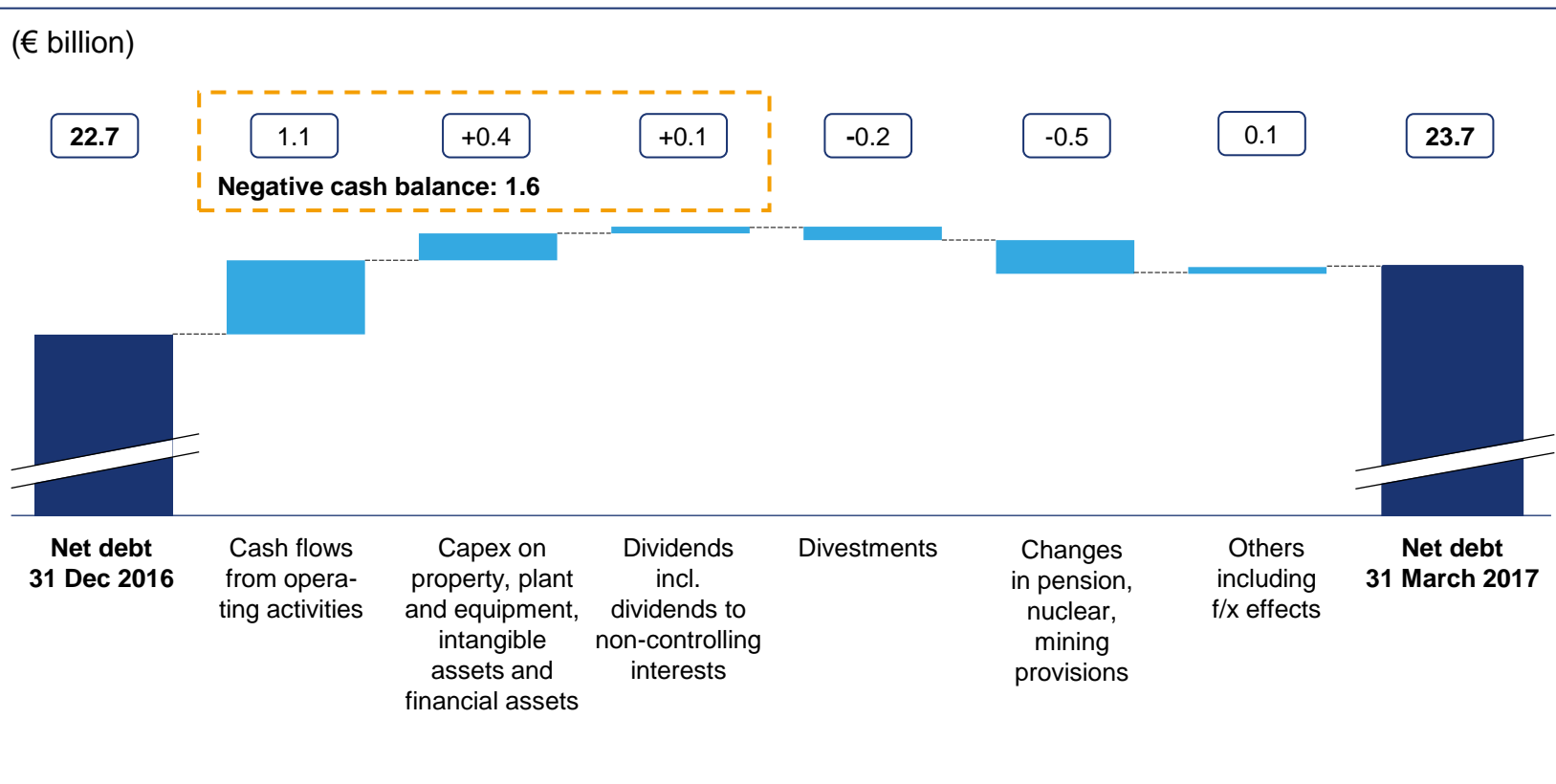


# Reconciliation to Q1 2017 adjusted net income

(€ million)	RWE stand-alone			RWE Group		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
<b>Adjusted EBITDA</b>	<b>514</b>	<b>0</b>	<b>514</b>	<b>2,131</b>	<b>0</b>	<b>2,131</b>
Depreciation	-152	0	-152	-508	0	-508
<b>Adjusted EBIT</b>	<b>362</b>	<b>0</b>	<b>362</b>	<b>1,623</b>	<b>0</b>	<b>1,623</b>
Non-operating result	136	-136	0	277	-277	0
Financial result	-88	-27	-115	-226	-47	-273
Taxes on income (Tax rate)	-31 (8%)	0	-31 (13%)	-390 (23%)	+40	-350 (26%)
<b>Income</b>	<b>379</b>	<b>-163</b>	<b>216</b>	<b>1,284</b>	<b>-284</b>	<b>1,000</b>
- Non-controlling interests	1	0	1	-324	27	-297
- Hybrid investors' interest	-14	0	-14	-14	0	-14
<b>Net income</b>	<b>366</b>	<b>-163</b>	<b>203</b>	<b>946</b>	<b>-257</b>	<b>689</b>

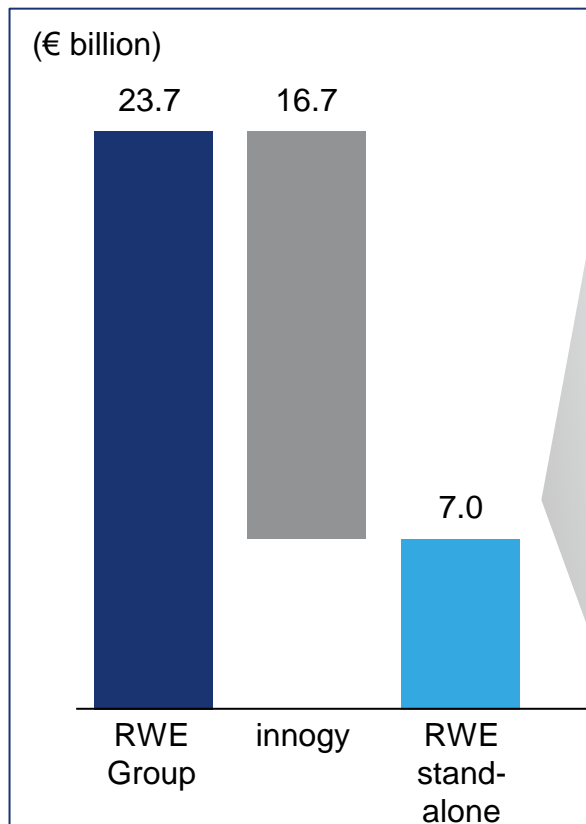
# Higher Group net debt due to seasonal negative cash balance

## Development of net debt (RWE Group)



# Net debt for RWE stand-alone significantly lower than market value of RWE's stake in innogy

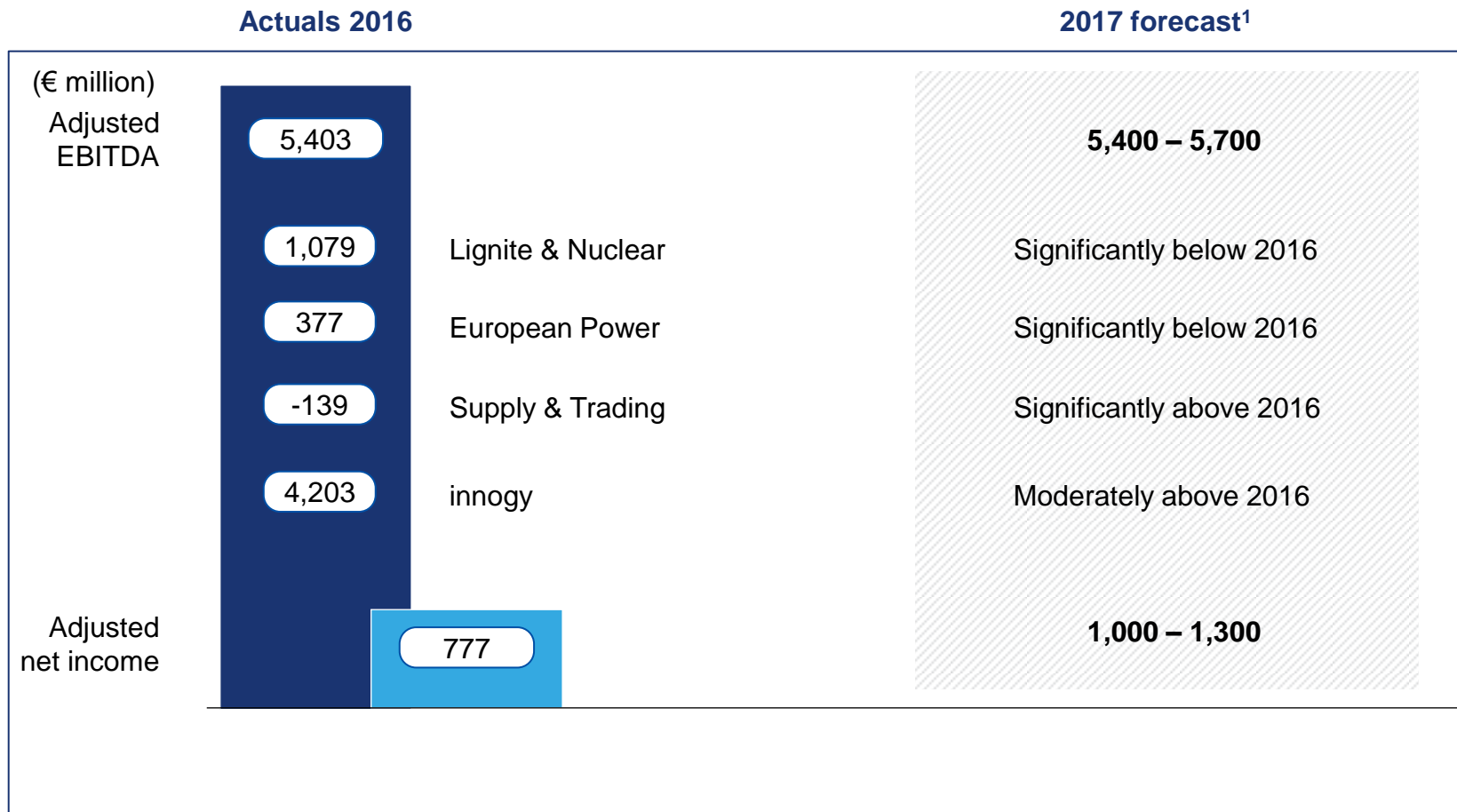
As of 31 March 2017



<b>Financial assets and receivables</b>	<b>15.3</b>
> Financial receivables against innogy	3.9
> Financial assets	11.4
<b>Financial liabilities</b>	<b>11.7</b>
> Bonds, bank debt, commercial paper	4.5
> Other financial liabilities	1.3
> Hybrid adjustments	-1.1
> Nuclear energy fund (consolidated stake) <sup>1</sup>	7.0
<b>Net financial assets</b>	<b>3.6</b>
<b>Long-term liabilities</b>	<b>10.6</b>
> Nuclear provisions <sup>2</sup>	5.7
> Mining provisions	2.4
> Pension provisions	2.5
<b>Total net debt</b>	<b>7.0</b>

<sup>1</sup> Includes base amount and risk premium; RWE's economic stake: €6.8 bn | <sup>2</sup> Excludes nuclear energy fund base amount and risk premium

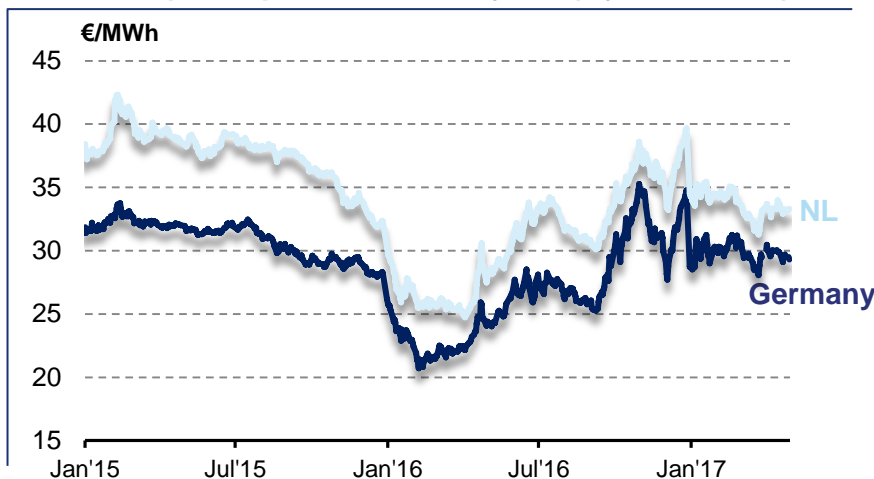
# RWE Group: Outlook for 2017 confirmed



<sup>1</sup> Qualifiers such as 'moderately', and 'significantly' indicate percentage deviations from the previous year's figures.

# Power prices and commodities

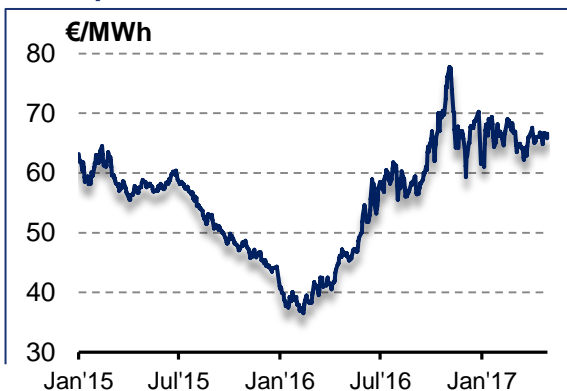
Base load power prices – Germany, NL (1 year forward)



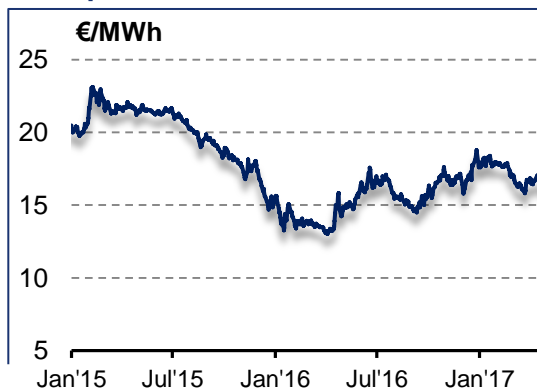
Base load power prices – UK (1 year forward)



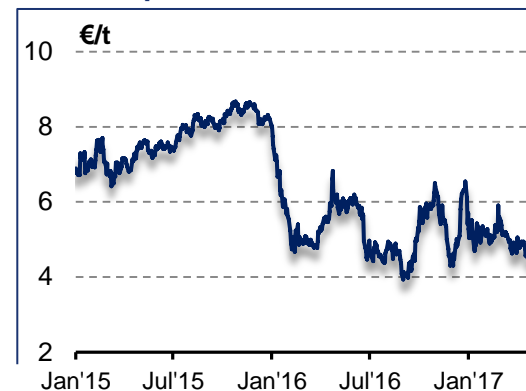
Coal prices – API2 Cal-ahead



Gas prices – TTF Cal-ahead



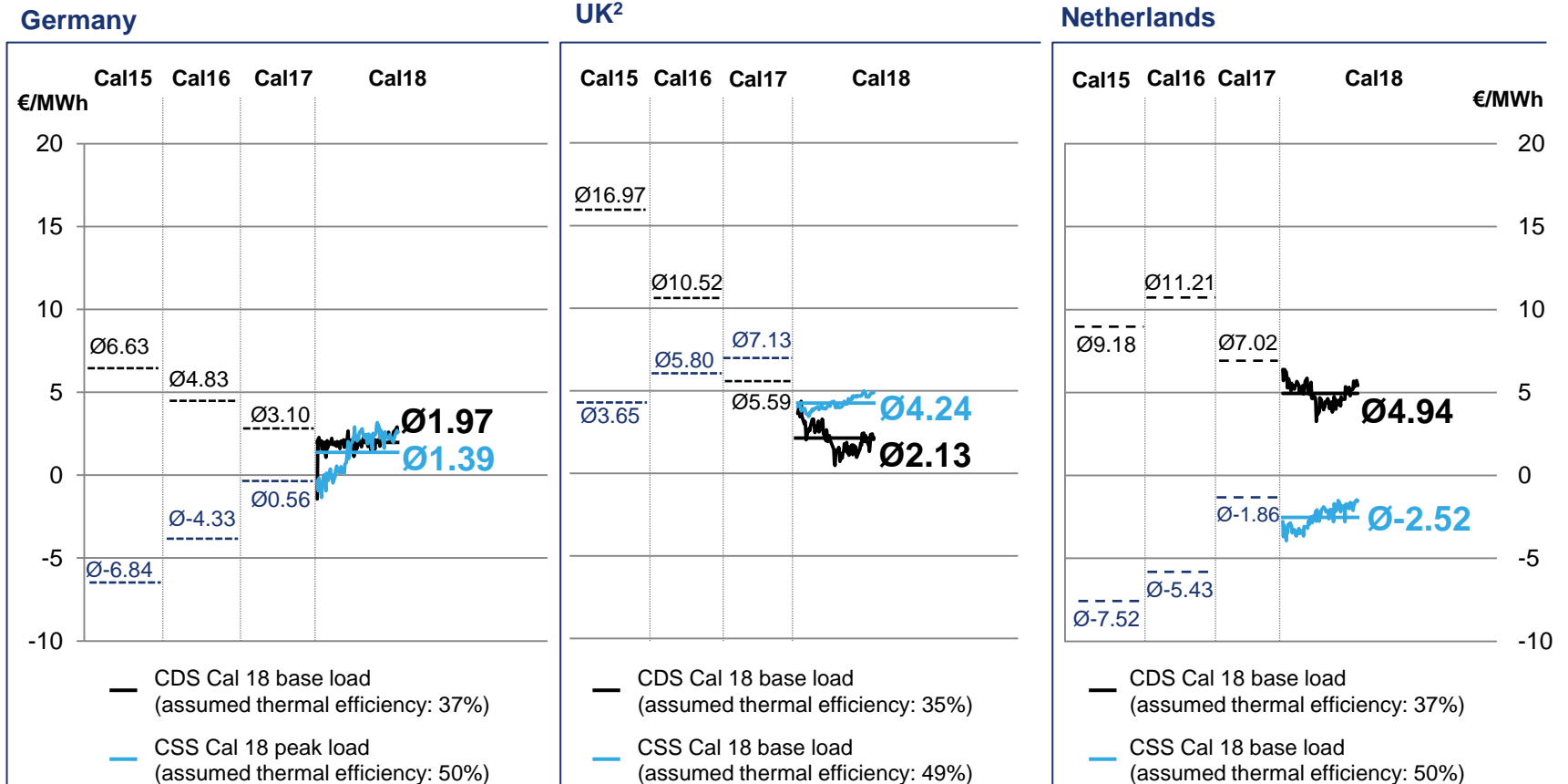
Carbon prices - EU ETS



Source: Bloomberg



# Clean Dark (CDS) and Spark Spreads (CSS) – 2015 - 2018 forwards for Germany, UK and NL<sup>1</sup>








<sup>1</sup> Settlement one year ahead (Cal+1) | <sup>2</sup> Including UK carbon tax | Source: RWE Supply & Trading, prices through to 10 May 2017

# RWE Investor Relations – contacts

## Important Links

-  Annual and Interim Reports  
<http://www.rwe.com/ir/reports/>
-  Investor and Analyst Conferences  
<http://www.rwe.com/ir/investor-and-analyst-conferences/>
-  IR presentations & further factbooks  
<http://www.rwe.com/ir/presentations/>
-  IR videos  
<http://www.rwe.com/ir/videos/>
-  Consensus of analysts' estimates  
<http://www.rwe.com/ir/consensus-estimates>

## Financial Calendar

-  14 August 2017  
Interim report on the first half of 2017
-  14 November 2017  
Interim statement on the first three quarters of 2017
-  13 March 2018  
Annual Report 2017
-  26 April 2018  
Annual General Meeting
-  2 May 2018  
Dividend payment

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