



Report on the interim report on the first half of 2020  
Press conference call  
Essen, 13 August 2020, 11:30 a.m. CEST  
Speech by Markus Krebber, CFO of RWE AG

*Check versus delivery!*

Ladies and gentlemen,

I'd like to welcome you all to our press conference on the results for the first half of this year.

The coronavirus continues to cast a shadow over the global economy. There's hardly anyone who is not affected by this and the virus will continue to present challenges for all of us.

Consequently, RWE continues to put great emphasis on the health of its employees. Our top priority is still to ensure that social distancing and hygiene measures are strictly adhered to. My very special thanks go to our employees, as they are doing a great job under these difficult circumstances.

Fortunately, the effects of Corona on our operating business have so far been limited: Some of our construction projects in the field of renewables have been delayed, especially in the USA. By year-end, we will be commissioning wind and solar farms with a total capacity of around 1.3 gigawatts, which is less than we had planned. As a result of the coronavirus, the commissioning of some new assets will be postponed until early next year.



Ladies and gentlemen,

So far, RWE has weathered these challenging times well. This is reflected by the developments in the first six months and underpinned by the following points:

1. Business performance was good, as RWE posted for the first half adjusted EBITDA of 1.8 billion euros, representing an increase of some 18%. For the same prior-year period, this figure stood at 1.5 billion euros on a pro-forma basis. Adjusted EBIT increased by one third, rising to around 1.1 billion euros. Our adjusted net income amounted to roughly 800 million euros. I'll get into details of the results later.
2. We successfully completed the transaction with E.ON. As of the end of 30th June, innogy's activities in the fields of wind, solar and hydro power, its biomass and biogas operations and its gas storage assets were transferred back to RWE, along with the stake in Kelag. Our team has been reinforced with the 2,700 employees from these areas. The new RWE is now complete.
3. The latest news is that we have reached an agreement with Nordex to acquire its European onshore wind and solar development business. This deal involves a project pipeline of 2.7 gigawatts, with 1.9 gigawatts of this in France, along with other future sites in Spain, Sweden and Poland. Around 15 percent of the pipeline is close to the final investment decision or at an advanced stage of development.

This acquisition will give us a strong market presence in France, one of our target markets. The large, very attractive project pipeline and the strong development team of around 70 employees offer excellent growth opportunities for RWE. The transaction underlines our ambition to further strengthen our position among the world's leading companies in the field of renewables. The purchase price is around 400 million euros.

The acquisition of Nordex's project pipeline and the further development and construction of these projects will result in an expansion of our capex programme. We had already announced our plans to invest a net total of 5 billion euros by the end of 2022, further expanding our portfolio of wind and solar assets to more than 13 gigawatts. Of this, 1 billion is earmarked for projects in Germany.



Ladies and gentlemen,

At RWE we are working with great determination to further strengthen our core business:

- We are investing in new assets.
- We continue to develop our attractive pipeline of projects.
- We are investigating innovative, cutting-edge technologies.

Let me cite some examples:

- At 1.4 gigawatts, the Sofia wind farm off the UK coast will be one of the world's largest offshore wind farms. We have chosen the preferred suppliers for the high voltage direct current electrical transmission system and turbines, bringing us one step closer to realising this project. At Sofia, we will install 100 of the latest wind turbines made by Siemens Gamesa.
- In Ireland, we are building a 30 megawatt-hour battery storage system in County Monaghan. Due to the strong expansion of renewables, Irish grid operators are faced with the task of compensating fluctuations in the distribution and transmission networks. Battery storage is a particularly efficient way of handling this. These systems are a core element of our strategy. We are already planning, building and operating battery storage systems in the USA. For instance, we will be adding a 80 megawatt-hour battery system to our 196 megawatt Hickory Park solar project. I'd also like to present the future of the offshore business: we are now involved in our third demonstration project for floating offshore wind. This project off the Eastern US seaboard is being carried out with the University of Maine and Mitsubishi. We are relying on floating offshore wind, because we believe that this technology has great potential, especially for countries with deeper coastal waters, such as the USA.
- We will supply Bosch with solar power in Germany. The agreed supply volume totals 50 megawatts. Our energy trading company will source this power from several new plants in southern Germany, developed by its sister company RWE Renewables and other providers. These solar farms can be built thanks to the power purchase agreements and thus do not rely on subsidies under the German Renewable Energy Act.



- Outside of Europe, in addition to North America, we are in particular focused on the Asia-Pacific region. Together with our cooperation partner Kyuden Mirai, we have initiated feasibility studies in Japan to look at the possibility of building an offshore wind farm off the coast of Akita Prefecture. Up to now, the expansion of renewables in Japan has mostly been driven by solar power. The government now wants to promote wind power and last summer presented 11 areas for offshore wind.
- Our energy trading business is now represented in Tokyo. The new office complements our five existing locations in Asia. We already have excellent relations with Japanese utilities and trading companies, especially in the field of LNG. We intend to further develop these relationships.

Ladies and gentlemen,

Hydrogen is the great hope for the decarbonisation of the industrial sector. It has enormous potential for the energy transition, and for RWE as well.

- We can supply the clean electricity needed for its production.
- We have the know-how to produce green hydrogen ourselves.
- Furthermore, we can store hydrogen in our gas storage facilities temporarily and supply it to industrial customers as needed.
- And finally, our own gas-fired power stations may someday be potential customers for green hydrogen.

In view of all this, the European hydrogen strategy that was presented in July comes at the right time. The goal of developing initial hydrogen production capacities of 6 gigawatts in Europe by 2024 is noteworthy. And by 2030, the target is 40 gigawatts.

Another positive aspect is that the European strategy considers the entire value chain, from hydrogen production and transportation, through to demand-side issues.

The national hydrogen strategy presented by Germany's federal government also represents an important step in the right direction. Similar to the EU plans, quick implementation is crucial. Some questions still need to be answered.



For example, what framework conditions are planned for the production of green hydrogen? Or what incentives will be offered to industry for using hydrogen?

Ladies and gentlemen,

On the whole, the developments are very positive. Hydrogen technology needs this kind of strong support. RWE will be involved, that's certain.

So we are not sitting still. We are already involved in innovative hydrogen projects in Germany, the Netherlands and the United Kingdom. Of course, the general framework, for example for production and transport, needs to be clarified before these projects will be realised. Hopefully, the hydrogen strategies will help to quickly provide clarity.

Our projects include:

- The GETH2 project, in which we are planning the development of hydrogen infrastructure at our power station in Lingen with partners. The goal here is to link up the entire value chain through the sectors of energy, industry, transport and heating. We could begin building the first large-scale electrolysis unit in Lingen as early as next year.
- We are participating in the AquaVentus Initiative off Heligoland, a concept for the production of hydrogen using offshore wind, with the island as a central hub. Our wind farms on site – Nordsee Ost, Amrumbank West and in the future Kaskasi – are ideal for this.
- Working with German LNG, we are investigating the opportunities to temporarily store imported hydrogen at the planned LNG terminal in Brunsbüttel. Existing gas pipelines which are connected to the LNG terminal would then be able to distribute the hydrogen.
- In the Netherlands, we are developing a project for the construction of an electrolysis unit at our Eemshaven power plant, with a direct connection to our Westereems wind farm. We have already identified possible customers for the hydrogen in the region's chemical industry and transport firms.
- In the United Kingdom, together with partners we are also looking at how hydrogen infrastructures can be used jointly.



Furthermore, we support the recently founded European Clean Hydrogen Alliance.

Ladies and gentlemen,

Consistent expansion of renewables, high innovative strength and dedicated involvement in hydrogen technologies – this is what the new RWE stands for. And what grows our company value and pays off for the energy transition.

Now let me turn to the figures for the first half of the year:

We posted adjusted EBITDA of around 1.8 billion euros for the first six months, clearly surpassing our pro-forma result of roughly 1.5 billion euros for the same prior-year period. Adjusted EBIT rose by around one third, increasing to 1.1 billion euros. In the first half of the previous year, this figure was around 820 million euros on a pro-forma basis. Our adjusted net income came in at about 800 million euros for the first half of 2020.

This result was borne by good performance in all of the segments: On this basis, we confirm our forecast for 2020 as a whole:

- We are aiming for adjusted EBITDA of between 2.7 and 3.0 billion euros in current fiscal year.
- Our target for adjusted EBIT is a range of 1.2 to 1.5 billion euros.
- For both adjusted EBITDA and adjusted EBIT, we currently project that our results will be at the upper end of the forecast range.
- Our target for adjusted net income is 850 million to 1.15 billion euros.
- And we confirm our dividend plan to pay out 85 euro cents per share for fiscal 2020.



Ladies and gentlemen,

Now I'd like to turn to the performance of our core business, which consists of the segments Offshore Wind, Onshore Wind/Solar, Hydro/Biomass/Gas, and Supply & Trading. All in all, we achieved adjusted EBITDA of 1.5 billion euros in our core business in the first six months.

To the details on these four segments:

In Offshore Wind, mainly very strong wind volumes early in the year drove a more than 20 percent increase in earnings compared to the same period last year. During the first six months of 2020, we posted adjusted EBITDA of 585 million euros in this segment. In the same period of the previous year, this figure was 490 million euros on a pro-forma basis. For 2020, our target for the segment's operating result is 0.9 to 1.1 billion euros.

Onshore Wind/Solar also posted a very solid performance with earnings of 273 million euros, up by around 12 percent on the pro-forma figure of 244 million euros for H1 2019. Along with the commissioning of new generation capacities, this performance was driven by the higher wind volumes compared to the same period last year. In this segment, we are targeting adjusted EBITDA of between 500 and 600 million euros in 2020.

Our operating performance in Hydro/Biomass/Gas was also substantially better than in the first half of 2019, as adjusted EBITDA reached 324 million euros, compared to last year's pro-forma figure of 221 million in the same period. The reinstatement of the British capacity market was an important factor. For the current fiscal year, we project adjusted EBITDA of between 550 and 650 million euros.

The Supply & Trading segment generated adjusted EBITDA of 322 million euros. Despite the turbulent developments on the commodity markets due to the corona crisis, our trading business was strong and profitable. For fiscal 2020, we project adjusted EBITDA of 150 to 350 million euros. We expect to end at the upper end or even above.

This rounds up my commentary on the segments which form our core business.



Our coal and nuclear activities are pooled in the fifth segment. Due to the state exit roadmaps for these two technologies, plant decommissioning and opencast mine recultivation will become more important in the future compared to power generation. In the Coal/Nuclear segment, adjusted EBITDA was 310 million euros in the first half, roughly doubling the pro-forma result of 148 million euros for the prior-year period. This was mainly due to higher hedged wholesale prices. For the year as a whole, we still expect adjusted EBITDA to be between 500 and 600 million euros for this segment.

Let me also say just a few words about the balance sheet: by the mid-year point, RWE's equity ratio was more-or-less unchanged, at a solid 27 percent. As anticipated, net debt had increased by around 860 million euros to 7.8 billion euros as of 30 June 2020. In part this was due to cash outflows from our hedging transactions, which had resulted in opposite cash flows in earlier years.

Ladies and gentlemen,

In Germany, energy policy is currently focusing on phasing out coal. This was preceded by a long, heated debate. It's good that we have finally brought this to a conclusion after more than 2 years. The path to phasing out coal represents a challenge for Germany as an industrial centre, and especially for our employees and our company. One step that still needs to be taken is parliamentary approval of the public-law contract with the operators, following expert consultations, and approval by the European Commission in accordance with state aid regulations.

In December, in just over 4 months, the first 300-megawatt lignite-fired unit will be decommissioned. And three more 300-megawatt units are scheduled to be taken offline in 2021. RWE will shoulder the main burden of Germany's coal phaseout until 2030. By then, we will have decommissioned two thirds of our lignite-fired generation capacities. This impacts our workforce. Out of 10,000 jobs, some 6,000 will be lost during this period.

It's a huge challenge. But we are ready for it.

According to the Act, phasing out coal-fired electricity generation should be completed by 2038. If possible, the use of coal is to be ended by 2035, or some time between these two dates.





This requires the following:

- ideal conditions for the expansion of renewables and storage capacities, along with the absolutely necessary expansion of the grid;
- gas-fired power stations, which may be operated with green gas in the future;
- and a hydrogen strategy formulated by the German federal government which is quickly put into action.

Only if all of these pieces are in place will it be possible to exit coal already by 2035, an option provided for in the coal phase-out act. RWE will play its part. Our path to carbon neutrality is defined. It is up to Germany's political decision-makers to establish the framework conditions for this to happen, in addition to setting respectable targets. They must also consider what they believe to be reasonable in terms of energy policy.

Ladies and gentlemen,

For many years now, the energy sector has been the only sector in Germany that has achieved its CO<sub>2</sub> reduction targets, thanks in part to RWE's efforts. Actually, the targets have been exceeded. And this will continue, if favourable framework conditions are once again able to facilitate the expansion of renewables. Offshore wind has great potential. But almost the entire industry is worried about investment conditions. The envisaged auction rules for the planned Offshore Wind Act aim to draw zero-price bids. And if several such bids are submitted, one is expected to bid even more in order to actually obtain a construction permit.

This will not work unless one speculates on electricity prices rising. If prices don't rise, it is doubtful whether the wind farms will ever be built. The good news is that the model of two-sided Contracts for Difference (known as CfDs) offers a reasonable alternative. In the CfD model, the bidder sets a price in its bid at which it would sell the electricity.

If the market price of electricity is lower than the bid price, it is paid the difference. If the market price is higher, the operator has to relinquish any profits. This provides all players involved with a reliable framework. It works and it also prevents excessive subsidisation.



This is why almost all of Germany's neighbours with significant development goals in the field of offshore wind are using this model, including the United Kingdom, France and Poland. Germany can learn from this. And apparently it wants to learn as well. At least, the German Federal Council has taken this position. Its resolution to open up the Act for CfDs is the right move.

Ladies and gentlemen,

Before wrapping up, I'd like to summarise: so far, RWE has weathered the difficult corona crisis quite well.

- We achieved excellent business results in the first half of this year.
- We confirm our forecast for the current fiscal year and our dividend target for 2020.
- We are consistently developing our business activities in renewables.
- We are driving forward with our involvement in the hydrogen business.
- And we have the clear goal of being carbon neutral by 2040.

This is what the new RWE stands for and is summarised in our purpose 'Our energy for a sustainable life.' And now I will be happy to take your questions.

#### *Forward-looking statements*

*This speech contains forward-looking statements. These statements reflect the current views, expectations and assumptions of management, and are based on information currently available to management. Forward-looking statements do not guarantee the occurrence of future results and developments and are subject to known and unknown risks and uncertainties. Actual future results and developments may deviate materially from the expectations and assumptions expressed in this document due to various factors. These factors primarily include changes in the general economic and competitive environment. Furthermore, developments on financial markets and changes in currency exchange rates as well as changes in national and international laws, in particular in respect of fiscal regulation, and other factors influence the company's future results and developments. Neither the company nor any of its affiliates undertakes to update the statements contained in this speech.*