



Interim statement on the first quarter of 2020

Press conference call

Essen, 14 May 2020, 10:00 a.m. CEST

Speech by Dr. Markus Krebber

Check versus delivery!

Ladies and gentlemen,

Welcome to our press conference call. Today, we're speaking to you from our new RWE Campus here in Essen. Two years after laying the cornerstone, we're in the process of moving into our new offices. Our campus was finished on schedule despite the corona crisis. It was a fantastic feat by everyone involved.

Eight weeks ago when we had to hold our balance-sheet press conference as a virtual meeting, one could imagine the scope of this pandemic. Now, we know how radically the world has changed in just a matter of a few weeks.

Borders have been closed and international supply chains have partially collapsed. The economic consequences are massive for many companies, from the local corner bookstore to major international automobile companies. Indeed, for many companies the situation is grave. Uncertainty is running high.



The virus has had significant, sometime tragic impacts, on all of our lives. The dramatic images have shocked all of us.

But we've also seen so much courage, thanks to the many everyday heroes in our society. I'd like to express my gratitude to them. They are the ones who are keeping our infrastructure and healthcare system functioning, despite all of the challenges.

As a power producer, RWE is part of this critical infrastructure. Consequently, there are two key aspects that we are focusing on: the health and safety of our employees, and ensuring an uninterrupted supply of electricity.

These things go hand in hand. We are doing everything we can to maintain generation at our plants to help ensure security of supply. We were quick to take action by

- cancelling events;
- introducing social distancing rules;
- cancelling business travel; and
- shifting administrative work to the home office.



Strict hygiene measures were enacted in areas where this was not possible, such as power stations, opencast mines, wind and solar farms as well as on the trading floor.

We introduced separated shifts, to minimise direct contact between workers. Social distancing is the key right now, regardless of whether it's for colleagues running the power stations or for employees returning to their desk jobs.

This poses immense challenges for our employees, but they are conscious of their responsibility and are doing a great job providing a vital service to our society. I'd like to take this opportunity to thank them, too.

As most of you know from your own experience, this unusual situation is difficult: working from home instead of at the office, doing video chats instead of face-to-face meetings. And for many, looking after your children and home schooling at the same time. It's certainly not easy.

Our constant contact with all of you is important to us. With this in mind, in the months ahead we will be creating



additional virtual opportunities to strengthen this contact.

Ladies and gentlemen,

Many companies are in a very difficult situation: they need liquidity assistance, or have to shift their employees to short-time work. Fortunately, RWE is not facing these kinds of problems. We do not need any financial help. And none of our employees are on reduced hours.

It's clear that in the months ahead the main focus will have to be on rebuilding the economy and providing direct support for those who are struggling. Discussions about how this should happen are underway and include talks about how to integrate climate protection into these efforts.

These important debates need to be approached with a sense of prudence and moderation. Europe needs industry. And industry needs to follow the path of reducing CO₂ emissions. These needs are inextricably linked. That was the case before the coronavirus, and will continue to be the case after it as well.



So, ladies and gentlemen, that brings me to RWE itself.

How have we fared so far in the corona crisis?

Even though demand for electricity has declined in recent weeks, this development has hardly had any impact on our financial indicators. As you know, we sell a large proportion of our generation in advance. Our business model is resilient to sudden fluctuations in demand, based on the existing take-or-pay contracts in the field of renewables, and – over the short to medium term – thanks to hedging transactions in conventional generation.

In terms of prices and volumes, this gives us a good deal of security for this year and beyond. We will have to wait and see how the situation develops.

The corona crisis hardly had any impact on our performance in Q1 2020:

- Thanks to the strong performance in renewables, reinstatement of the GB capacity market and higher earnings contributions from optimising our power plant dispatch, our operating result improved substantially compared to the same period of last year.

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- Our liquidity position remains comfortable. Our good position has recently been confirmed by the rating agencies. Moody's changed the outlook to positive, and Fitch confirmed our stable outlook during the corona crisis.
- As of the reporting date, our equity ratio remained at a solid 25 percent.

We have felt the consequences of the corona crisis for our net debt and financial result:

Our net debt increased by 1.7 billion euros to 8.7 billion euros, mainly due to temporary effects of our hedging transactions.

The realisation of these transactions, for which we received variation margins in the last few years, and payments for collateral owing to the drop in commodity prices resulted in substantial cash outflows. In addition, there was an increased need for liquidity throughout the first quarter as a result of purchases of CO₂ certificates for the previous year.



The adjusted financial result was negative above all due to the significant drops in share prices on the capital markets.

Looking at the first three months, we can say that RWE has had a good start to the year.

Adjusted EBITDA amounted to 1.3 billion euros, exceeding last year's pro-forma Q1 figure of 1.1 billion euros by around 19 percent.

We also saw a strong increase in adjusted EBIT, which advanced to 955 million euros, up from the pro-forma result of 749 million euros from Q1 2019. We reported adjusted net income of 603 million euros.

Based on these figures, we confirm our forecast for fiscal 2020:

- For the current fiscal year, we want to achieve adjusted EBITDA of between 2.7 billion and 3.0 billion euros.
- We are targeting a range of 1.2 to 1.5 billion euros for adjusted EBIT, with a goal of 850 million to 1.15 billion euros for adjusted net income.
- We stand by our planned dividend of 85 cents for fiscal 2020.

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- Our dividend proposal of 80 cents per share for 2019 remains unchanged. This proposal will be voted on at the Annual General Meeting on 26 June, which will be held as a virtual AGM due to the pandemic.

Ladies and gentlemen,

At our press conference in March, we discussed the changes to our financial reporting. Starting from this year, our reporting will be oriented sharply towards our strategic focus.

Our operating core business, which is at the heart of our plans for profitable, sustainable growth, is composed of four segments: Offshore Wind, Onshore Wind/Solar, Hydro/Biomass/Gas and Supply & Trading.

In sum, we recorded adjusted EBITDA of 1.0 billion euros for these core operations in the first three months of the year. This represents a 16 percent increase compared to the pro-forma figure for the prior-year period. For the current fiscal year, our target is between 2.15 and 2.45 billion euros.

We want to expand strongly on RWE's solid position as one of the world's leading companies in renewables. By



2022 we intend to make a net investment of around 5 billion euros, developing our current portfolio from around 9 gigawatts to more than 13 gigawatts.

Our progress in expanding our renewables portfolio this year is shown by the following examples:

- Construction work at sea for the Triton Knoll offshore wind farm has been underway since January. With a total capacity of 857 megawatts, in 2022 this wind farm will produce enough to supply around 800,000 households in the UK with green electricity.
- In April, we made the final investment decision for the Kaskasi offshore wind farm in Germany. This wind farm in the North Sea with a capacity of 342 megawatts is scheduled to go online in 2022.
- Outside of Europe, we are pushing to enter the Asian offshore wind market. Following Japan, our focus is now also on Taiwan. Working with our local partner, Asia Cement, we are planning a project of up to 448 megawatts off the north-west coast of Taiwan.



Progress is also being made in the Onshore Wind/Solar segment.

- In Morcone, near Naples, we opened our largest onshore wind farm in Italy, with a capacity of 57 megawatts. We now have a total capacity of around 440 megawatts there.
- In the USA, our 24th wind project started production at Peyton Creek, with a capacity of 151 megawatts. As a result, we now operate installed wind capacity of more than 4,000 megawatts in the USA, with RWE's share in this amounting to around 3,400 megawatts.
- In Germany, construction recently started on our co-operative wind farm in Jüchen, located on a recultivated part of the Garzweiler opencast mine. This plant will have a capacity of 27 megawatts.

Ladies and gentlemen,

With the purchase of the UK gas power station King's Lynn we have further reinforced our position as the second-largest electricity producer in the United Kingdom. With an efficiency of 57 percent, this plant



perfectly compliments our existing portfolio, which now consists of 11 gas-fired power stations with a capacity of around 7 gigawatts.

Gas-fired power stations are a key element for security of supply with the rising amount of power generation by volatile wind and solar farms.

Another part of our efforts to ensure security of supply is the use of Master+, which was developed by our Supply & Trading division. It integrates the existing battery systems of data centres into the electricity network to help balance fluctuations in the grid.

In light of the spread of digitisation and trends such as cloud computing and big data, there is good potential for this approach. According to latest analyses, the 5 largest European data centres alone had a capacity of 1,600 megawatts in 2019. And the trend is rising.

Ladies and gentlemen,

Now, let's turn our attention to the performance of the four segments in our core business.

In Offshore Wind, very strong wind volumes were the main factor that drove a more than 30 percent increase in earnings compared to the same quarter of last year:

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during the first three months of 2020, we generated adjusted EBITDA of 431 million euros. In the previous year, this figure was 329 million euros on a pro-forma basis. We are targeting a result of between 0.9 and 1.1 billion euros for this operating segment in 2020.

Onshore Wind/Solar also saw good performance, with a result of 209 million euros, marking an increase of 20 percent on the 174 million euros posted for Q1 2019. Along with the commissioning of new capacities amounting to some 380 megawatts, positive weather effects – i.e. plenty of wind – also played a role. In this segment, we want to achieve adjusted EBITDA of between 500 and 600 million euros in 2020.

Our operating performance in Hydro/Biomass/Gas was also substantially better than in Q1 2019, as adjusted EBITDA reached 217 million euros, compared to last year's figure of 112 million. One key factor here was higher income from the optimisation of our power plant dispatch.

In addition, the British capacity market was reinstated. We received capacity payments of 42 million euros in the first quarter of 2020, whereas payments were

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suspended during this quarter last year. For the current fiscal year, we project adjusted EBITDA of between 550 and 650 million euros.

The segment Supply & Trading generated adjusted EBITDA of 170 million euros. Despite the turbulent developments on the commodity markets triggered by the corona crisis, trading results developed very well. For fiscal 2020, we are projecting adjusted EBITDA in the order of around 250 million euros. This is on a par with the average levels for previous years.

So that's the four segments which form our new core business.

Our activities in the field of coal and nuclear are pooled together in the fifth segment. State-mandated exit plans are in effect for these two technologies, and as a result of which plant decommissioning and opencast mine recultivation will become more important in the future compared to power production.

In the segment Coal/Nuclear, we posted adjusted EBITDA of 282 million euros in the first quarter, compared to a pro-forma result of 210 million euros for the same period last year. The increase was mainly driven by the realisation of higher wholesale prices.



Almost all of the generation of these plants had already been sold forward in previous years. For the year as a whole, we still expect adjusted EBITDA to be between 500 and 600 million euros.

Ladies and gentlemen,

RWE has a clear-cut target: we will be carbon neutral by 2040. Part of this involves a disciplined, responsible phaseout from the use of coal for electricity generation.

We're already well on the way: between 2012 and 2019 we cut our annual CO₂ emissions by 90 million metric tons, or 50 percent in just seven years.

Our efforts have also been recognised by ESG agencies: for example, CDP, which is short for the Carbon Disclosure Project, awarded us a B rating, which is higher than the average for the group of participating companies.

And more steps have been taken: in March, RWE closed Aberthaw, its last coal-fired power station in the United Kingdom. In the Netherlands, we continue to retrofit our plants to use biomass.

And in Germany, by the summer the parliamentary process on phasing out coal should be completed and



the public-law contracts between the Federal Republic and the companies should be negotiated.

As early as December, in just over seven months, the first 300-megawatts lignite-fired unit, Niederaußem D, will be decommissioned. This marks the beginning of an ambitious schedule of shutdowns which RWE will have to complete.

In 2021 alone, three more 300-megawatts assets are slated for decommissioning.

This is all happening extremely quickly for the energy sector.

And so there is no time to be lost and RWE is working hard on the planning. We submitted our revised mining plan to the state government of North Rhine-Westphalia, which means that completely new planning procedures are necessary. This is our contribution to developing a new set of guidelines for the Rhenish coal-mining region, which the state government wants to release this year.

It also underlines our intention to implement the agreement without delay, working closely with the federal and state authorities.



Ladies and gentlemen,

These shutdowns will have to be offset by adding new capacity. In the context of the energy transition, this means that an appropriate framework for the expansion of wind and solar plants must be quickly elaborated, if we are to reach the goal of boosting the share of renewables in Germany to 65 percent by 2030.

The expansion of offshore wind power is one aspect which receives less attention right now, but which is crucial for achieving this goal. The Federal Ministry of Economics is currently working on amending the relevant law.

Along with the German Association of Energy and Water Industries (BDEW), suppliers and our competitors such as Vattenfall and Orsted, we believe that 'two-sided Contracts for Difference' are the most suitable instrument for achieving a reliable, competitive expansion of offshore wind power in Germany.

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Why?

- These Contracts for Difference are awarded in tenders in the form of a market premium. In the case of low electricity prices, they stabilise the operator's revenue. But in the case of high electricity prices, the additional revenue flows back to the consumers, as the operators are not allowed to keep any surplus revenue.
- The United Kingdom is leading the way, as 'subsidy-free' CfDs are now being discussed there. Because the bids in the last tender were so low that the British government no longer expects to pay subsidies for the projects that were successful in the auctions.
- Contracts for Difference lower the risks for everyone involved: for investors, they increase planning security, and for electricity consumers, because cheaper generation facilities mean lower costs under the Renewable Energy Act. They offer a reasonable solution for both sides.

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- And thanks to CfDs, the expansion targets can be reached in a reliable, predictable manner. Because the tenders will not be dominated by bidders with the highest prices, but rather by those who expect the lowest electricity generation costs over the long term.
- This increases the likelihood that projects will be economically viable over the long run and will thus be implemented.

CfDs have proven their value on the international stage and represent a good way forward for the energy transition in Germany. We are hopeful that this proposal will be considered by the political decision-makers.

Offshore, onshore and solar: right now, Germany needs to see a surge in construction in all three of these fields. We are ready to do our part. Over the next 3 years, we plan on making a net investment of around 1 billion euros in our home market.



Ladies and gentlemen,

Along with the expansion of renewables, green hydrogen is another important topic for RWE. We are working with international partners on projects in Lingen, Eemshaven and Pembroke.

Working together, we want to optimise the process of electrolysis and gain valuable experience for day-to-day production operations.

Unfortunately, the hydrogen strategy announced by the federal government has still not been published.

It's a long way behind schedule. This means that it is unclear what role hydrogen will play in Germany's future energy landscape, and what the regulatory conditions will look like.

This is unfortunate. Because from a technical perspective, the production of clean hydrogen using electrolysis is no problem. But the economic issues are.

One of the main reasons that it is not economically viable in Germany is that the levies under the Renewable Energy Act must be paid on the electricity used in electrolysis. As a result, green hydrogen currently costs between 6 and 8 euros per kilogramme, which is four times as much as hydrogen that is produced without using renewable electricity.



Politicians could improve these conditions and help pave the way for the carbon neutral production of hydrogen.

Ladies and gentlemen,

Let me summarise:

- In terms of operating performance, RWE had a good start to the year. We posted adjusted EBITDA of around 1.3 billion euros for the first three months, an increase of roughly 19 percent versus the pro-forma result from last year.
- We have confirmed our outlook for this year, and are sticking with our dividend proposal of 85 cents per share for fiscal 2020. For fiscal 2019, we still plan to propose a dividend of 80 cents per share at the Annual General Meeting.
- We are making good progress in the expansion of renewables and have reinforced our position as one of the world's leading renewable power producers. We are pursuing our goal of being climate neutral by 2040 with great diligence and commitment.

Our strategy is paying off: the 'new RWE' is growing, and flourishing. We remain resilient, even in the face of the



coronavirus pandemic. And this is good news for our shareholders, our partners and our employees.

And now I will be happy to take your questions.

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.