



Interim report on the first half of 2021
Telephone press conference
Dr Markus Krebber and Dr Michael Müller
Essen, 12 August 2021

Check against delivery

Ladies and Gentlemen,

A warm welcome from my side too.

For some time now, we have all become quite used to working under coronavirus conditions. However, I am sure many of you feel the same as I do: face-to-face discussions and meetings are irreplaceable. It has therefore been a pleasure to meet some of you in person in recent months. Following the difficult time of the lockdown and only being able to communicate virtually, direct conversations are becoming possible once again. I hope the situation will continue to ease.

The key to getting back to normality is vaccination against COVID19. For us, it goes without saying that we are supporting the vaccination campaign with the aid of our company doctors. We are offering vaccinations not only to our employees but also to their family members.

In the coming weeks and months, we want to encourage as many people as possible who are still hesitating to get vaccinated. This will be a further, but necessary, huge effort in which we as a company want to play our part.

After having exercised restraint for such a long time, we are all longing for more normality. And I am looking forward to finally being able to visit our RWE employees at our many locations – including those in other countries – once again. Only a high vaccination rate will get us there.



Ladies and Gentlemen,

Before I move on to the results for the first half-year, there is one other subject I would like to touch on. It's something that has moved us deeply here at RWE in recent weeks: the terrible, catastrophic floods that, sadly, claimed many victims. We were also affected as a company. An employee of one of our partner companies tragically lost his life in the flood at the Inden opencast mine.

I travelled to the Rhenish mining region to form my own picture of the situation and talked to our employees. They live in the region and many have been personally affected. I was deeply touched by the level of solidarity I saw. The willingness to help out was evident everywhere, and still is. We as a company – as an employer and as a neighbour – are there to stand by the regions: with helping hands, material and machinery.

And also financially:

- To help those directly affected, we have made €1 million available as part of an emergency programme to support aid organisations and regional initiatives.
- In addition, our employees have collected more than €400,000 in donations to date. This is an impressive figure, and RWE will double it.

All this shows me that we have a great team here at RWE that is always ready to help out.

Ladies and Gentlemen,

I'd now like to come to RWE's business performance in the first half of the year. We are very satisfied with how the first six months have gone:

- The strategy is right,
- Implementation is happening at full speed,
- And our overall results even exceed our previous expectations.

Our good half-year result comes on the back of Supply & Trading's outstanding performance. At €525 million, earnings for the first half-year in this segment were well above the forecast range of €150 million to €350 million for the entire financial year.



All other segments have performed in line with our expectations – and as we presented them at our Annual Press Conference in March. In total, we achieved an adjusted EBITDA of €1.75 billion in the first half of 2021. At €870 million, our adjusted net income exceeds the previous year's figure. Against the background of the very good results for the first half-year, we have significantly raised our forecast for fiscal 2021, as we reported almost two weeks ago:

- By €350 million for adjusted EBITDA. For 2021, we are now expecting a range of €3 billion to €3.4 billion.
- And for adjusted net income, we have raised our target by €300 million, to a new range of €1.05 billion to €1.4 billion.

Ladies and Gentlemen,

We are one of the world's leading companies in renewable energies. And it is our strategy to expand our position rigorously. We are making excellent progress in this regard.

- We currently have renewable projects with an installed capacity of around 3.9 gigawatts under construction.
- Of those, we intend to commission plants with a capacity of 1.8 gigawatts this year. Another 2.1 gigawatts are to follow next year.
- As announced, by the end of 2022 we will have expanded our portfolio of wind farms, solar plants and storage systems to more than 13 gigawatts.
- With €1.8 billion in the first half of 2021, our gross capital expenditure for renewables has reached a record level. This trend will continue in the second half of the year.

The progress is there to be seen in all areas of our company. For offshore wind, for example, our highest-earning business area:

- Our 857-megawatt offshore wind farm Triton Knoll off the British coast has been producing electricity since spring.
- Onshore construction work has begun for the Sofia offshore project. At 1.4 gigawatts, this is our largest project.
- At the beginning of the year we were awarded two adjacent sites in the North Sea off Britain, with a total potential capacity of three gigawatts.

RWE

- We have also thrown our hat in the ring for the ScotWind auction.
- We are a major step closer to implementing our first Polish offshore windfarm: The government has granted us a contract for difference for the 350-megawatt Baltic II project.
- With National Grid, one of the world's largest grid operators, we want to jointly develop some initial offshore wind projects off the north-eastern coast of the USA and participate in the upcoming auction; this will be a milestone for our important and growing US business.
- And our Kaskasi offshore wind farm in the North Sea off Germany is expected to be commissioned as early as next year. At 342 megawatts, this is our largest construction project in Germany.

There's a lot going on onshore, too:

- In Ohio, in the US, our 250-megawatt Scioto Ridge wind farm has begun commercial operation.
- Construction work is now in progress on a further 240-megawatt wind farm in Texas.
- In France, the first three onshore wind farms from our acquisition last year are currently under construction.
- In the Rhenish mining region, work began about two weeks ago for our Bedburg onshore wind farm. And work will also commence next year on the construction of a solar farm at the edge of the Inden opencast mine.

Growth in our renewables business is one driver of success, innovation is another.

Ladies and Gentlemen,

We are continuing to do pioneering work in developing new solutions such as floating offshore. Hot off the press is the series of impressive images from TetraSpar, our pilot plant off the coast of Norway, which we operate together with partners. The floating wind turbine arrived safely in the test area at the end of July.



Floating solar is also a technology we consider highly promising. On a lake at our power station in Amer in the Netherlands, we are teaching 13,400 solar modules to swim – so to speak. This floating solar project is the first of its kind for RWE.

RWE has also ventured into completely new territory with an innovative battery storage system that's the largest and smartest of its kind in Germany. This plant will have a capacity of 117 megawatts, and will be built at our power station locations of Lingen and Werne. We will couple the battery virtually with our hydropower stations along the Moselle River and thus boost its capacity by a further 15%. The megabattery is expected to start operating as soon as at the end of 2022.

We are one of the most active players in setting up the newly developing hydrogen economy. We are working with partners on over 30 projects along the entire value chain. One very pleasing development is that four of our hydrogen projects have been shortlisted for funding under the European IPCEI programme.

Ladies and Gentlemen,

Green electricity, storage technologies and hydrogen are the solutions that make the decarbonisation of industry possible. That's easy to say, but in reality it's a Herculean task.

To put the challenge into perspective: German industry alone emitted about 180 million tonnes of CO₂ last year. That figure illustrates the immensity of the task for the next two decades. We want to help, and we can help to solve this huge task. In the first half of the year, RWE entered into partnerships with VW, Deutsche Bahn, and Bosch, among others. The most prominent example among our industrial partnerships is certainly our project with BASF.

Together, we want to construct one of the world's largest offshore wind farms in the North Sea to supply BASF in Ludwigshafen with green electricity and generate carbon-free hydrogen. That could save 3.8 million tonnes of carbon emissions each year. Government funding is not necessary. To be able to get going, however, we do need fast access to sites in the North Sea, and also clarity regarding grid connections. We have received a lot of positive feedback for this project. Now it's time to take our initiative swiftly forward with the relevant authorities.



One part of our transformation process involves embracing and expanding the new. The other involves phasing out existing technologies. Our last two hard coal-fired power stations in Germany have been decommissioned.

And RWE is carrying out the first wave of Germany's exit from lignite in the Rhenish mining region. Three more units will be taken off the grid there by the end of the year. And a further four will follow by the end of 2022. That represents a huge effort, especially for our employees. By the end of 2022, more than 3,000 jobs will have to be cut. We will do this in a socially responsible way, in consultation with the parties to the collective agreement.

Ladies and Gentlemen,

The transformation of our company is now progressing faster than ever before. We have a highly motivated team that is putting all its efforts into continuing the fast transformation of RWE. The results for the first half of the year speak for themselves. A big thank-you to everyone for making this happen. And now, Michael, over to you.

Michael Müller

Thank you, Markus.

Ladies and Gentlemen,

I would also like to welcome everyone here today. We have had a good half-year overall. The extraordinary burdens caused by the events in Texas and the low wind volumes were partially offset by the exceptionally strong performance of Supply & Trading.

In our core business, comprising the segments of Offshore Wind, Onshore Wind/Solar, Hydro/Biomass/Gas and Supply & Trading, adjusted EBITDA totalled €1.2 billion.

In the Offshore Wind segment, we achieved adjusted EBITDA of €459 million, compared to €585 million for the same period last year.

This decline was due mainly to the low wind volumes I mentioned just now. So far this year, these have been below the long-term average. By



contrast, 2020 was characterised by exceptionally high wind volumes. Even so, we continue to expect adjusted EBITDA of between €1.05 billion and €1.25 billion for this segment.

Adjusted EBITDA for the Onshore Wind/Solar segment was minus €42 million, after reaching €299 million in the same period last year. This was mainly due to the events resulting from the record cold snap and the freezing rain in Texas. The impact of lower wind volumes was also evident here. Our book gains from the sale of stakes in three US wind farms and earnings contributions from new projects had a positive effect. Our forecast for the segment remains unchanged, at between €50 million and €250 million.

In the Hydro/Biomass/Gas segment, adjusted EBITDA was €297 million. As expected, this is below the figure of €324 million for the same period last year. Last year's figures still included the pellet business in Georgia, which has since been sold. In addition, the earnings from biomass-to-electricity conversion in the Netherlands fluctuate during the year on account of the structure of the subsidy scheme. We expect higher income from biomass usage for the year as a whole. We therefore continue to expect adjusted EBITDA of between €500 million and €600 million for this segment.

As has already been mentioned, Supply & Trading recorded an outstanding performance. Adjusted EBITDA of €525 million exceeded last year's very good figure of €322 million by far. The key factor in this regard was the extremely good trading performance. We therefore raised our forecast for this segment at the end of July. We now expect adjusted EBITDA to be significantly above €350 million.

That's all for our core business.

Ladies and Gentlemen,

Last year, renewables accounted for about 50% of Germany's gross electricity consumption from January to June: a new record!

According to the German Association of Energy and Water Industries (BDEW) this figure was only 43% in the first half of 2021. Electricity demand, however, grew 5% during the same period thanks to the economic recovery and a relatively cool winter. Fossil-fuelled power stations had to fill the gap. This effect is also evident at RWE: Our conventional power stations in Germany were in much stronger demand.



That had only a minor impact on our earnings in the Coal/Nuclear segment. Although we achieved adjusted EBITDA of €545 million in the first half of the year compared to €310 million in the same period last year, the increase in earnings was mainly due to higher electricity margins, since we had already sold forward the production of these plants in earlier years at higher prices.

Ladies and Gentlemen,

We almost achieved last year's level for adjusted EBITDA, and moreover, we recorded a substantial increase in adjusted net income: from €816 million to €870 million. This was mainly due to our improved financial result. That's why, at mid-year, we are in a better position than was forecast at the start of the year, which is a very encouraging development.

Our financial situation at the end of the first six months remains very comfortable. The equity ratio was about 25%, and net debt declined during the first half-year to €903 million. There are three main reasons for this: a decline in pension provisions resulting from higher discount rates; very good adjusted operating cash flow; and timing effects from our hedging activities for commodities, including CO₂.

The progress being made with the transformation of RWE has also convinced the ratings agencies. Fitch and Moody's both raised our ratings by one notch in spring this year. They acknowledge the rigorous implementation of our business model. RWE is stable within the Investment Grade range.

For the capital market, RWE remains an attractive investment. That's clear from the fact that our first green bond for €500 million, issued in June, was three times oversubscribed. Sustainable investment opportunities in renewables are sought after.

Unlike conventional bonds, green bonds are intended for a specific purpose. Proceeds from the issuance must be used for projects that benefit the environment and protect the climate. We will use these funds solely for wind and solar projects.

When it was time to extend our syndicated credit line, we seized the initiative and agreed with our banks that the terms would be tied to meeting sustainability criteria.



Ladies and Gentlemen,

We are one of the drivers of the energy transition. And we can back that up with facts: 90% of our investment funds are directed towards green and sustainable projects that meet the taxonomy criteria set by the European Commission. And we want to grow even more strongly, and more quickly. What exactly we are planning will be revealed at our Capital Market Day on 15 November.

On that note, I'll hand back to you, Markus.

Markus Krebber:

Thank you, Michael.

Ladies and Gentlemen,

Here at RWE, we view “intention” and “action” as two sides of the same coin. That applies to our transformation, and to the energy transition itself. That is why we always play an active part in the energy policy debate.

Germany has set ambitious climate goals. The EU likewise. This is something we fully support. There was never a better time for such a massive transformation. Policy-makers, the economy and society as a whole are hugely in favour.

What we need now is collective efforts at all levels. Both mobility and living must be made more sustainable, while remaining affordable. And industry needs to be restructured to enable it to remain competitive.

The European Commission’s “Fit for 55” package is the perfect foundation for this: It is intended to greatly accelerate the expansion of renewables and kick-start the hydrogen economy. At the same time, it confirms the status of the Emissions Trading System as a key market-based tool. That makes sense. The task for the EU and its member states now is to make adjustments in exactly this direction.

The package opens up new opportunities to greatly accelerate the expansion of renewables and get the hydrogen economy going.

Climate protection and industrial policy are being considered in tandem. And that provides a basis for maintaining jobs and prosperity.

If policy-makers now want to increase the pace significantly, not only will fast and far-reaching decisions be needed, but a pragmatic approach will also be essential. With regard to the energy transition in Germany, the new German government will have to make some fast decisions on important policy directions. This relates to five areas in particular:

First: Additional locations and higher, binding expansion targets will be needed for renewables, to enable as much green electricity as possible to be generated. For onshore, 80 gigawatts will be needed by 2030. The State Liberalisation Clause governing the minimum distancing of wind turbines is impeding progress in this regard.

For offshore power, the target should be at least 25 gigawatts by 2030. And for the period after that, it will be necessary to establish cross-border collaborative arrangements at an early stage with our neighbouring countries who have more suitable space available than they need for themselves. And for solar power, a meaningful target for 2030 is 150 gigawatts.

Second: Planning and approval processes must be made faster. That is an essential element in the success of the energy transition.

Currently it takes five or even seven years before an onshore wind farm can be commissioned in Germany. Obviously, that is far too long. The situation is similar with regard to the need to expand the grid. Policy-makers took some steps in this area last year. A lot is moving in the right direction. But that still isn't enough.

Further changes would be helpful:

- To make it easier for authorities and project developers, by standardising the approval process, for example;
- And by introducing a uniform national technical regulation on the protection of wildlife;
- To further shorten court procedures;
- And to drive forward important energy projects more quickly by having Germany's Bundestag decide directly on infrastructure investments – with regard to grid expansion, for example, in order to transport the electricity generated on the North Sea and the Baltic to the centres of industry. This possibility already exists for the transport sector.

Third: Expand sector coupling and forge ahead with electrification.

To facilitate these processes, burdens arising from Germany's Renewable Energy Act must be reduced in the short term, and removed entirely in the medium term. Taxes and levies on electricity must be significantly reduced. And the grid fee structure must be reorganised to ensure it offers clear incentives for converting to electricity. This would reward consumers who contribute to the stabilisation of the electricity grid by making flexible use of their production facilities.

Fourth: Accelerate the set-up of the hydrogen economy.

As a first step, the expansion targets should be increased to 10 gigawatts of electrolyser capacity by 2030. A powerful pipeline network and certification for hydrogen trading are also needed to ensure that actual green hydrogen is used in green production processes. That goes hand-in-hand with ensuring a definition that is as fit for purpose as possible, to avoid the risk of preventing the ramp-up of the hydrogen economy.

And above all, more pragmatism is needed at the very beginning. There would be no harm in permitting blue or turquoise hydrogen in an initial stage; or if there is any doubt, to allow production using natural gas to begin with. The important thing is to start now.

The industry cannot wait for a period of many years until there is enough green hydrogen available. The investment decisions need to be made now. But they can only be made in a meaningful way if the hydrogen that is currently available can be used to operate new facilities. A switch to green hydrogen can take place as soon as it is available in sufficient volumes.

Fifth:

Gas-fired power stations that have been prepared for the subsequent use of hydrogen can play an important role in continuing to guarantee security of supply at the highest level. Consequently, rules to make the creation of additional, guaranteed capacity attractive are needed quickly. Two points in particular are important in this regard:

- First: Gas-fired power stations also need remuneration for the times in which they are “only” on standby. That would put a price on keeping guaranteed power station capacity available. A capacity market is a practical way of determining the price for this service as efficiently as possible.



- And second, a binding plan is needed to offer long-term prospects for long-term investments. Anyone constructing a new gas-fired power station in the middle of this decade will need to know how they can operate it later using green gas under conditions of climate neutrality.

Ladies and Gentlemen,

Those were my five specific points, short and sweet. If they are put into practice, they will give the energy transition in Germany a lot more momentum. But time is of the essence. The coming months and years will be crucial in terms of achieving the climate targets. Here at RWE, we want to suggest constructive solutions to help make the energy transition a success.

And take action too. We are prepared to turn any commercially feasible project in Germany into reality. It is not capital that is lacking when it comes to our future-oriented business.

I for one am optimistic that the energy transition can be accelerated. RWE aims to play an important part in making this happen, in all relevant areas: offshore and onshore wind, solar and storage solutions, hydrogen and security of supply. We are looking forward to the “action” part.

Thank you very much. We now look forward to taking 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.