



# Q1-Q3 2019 Results Presentation

**Investor and Analyst Conference Call, 14 Nov 2019**

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Gunhild Grieve, Head of Investor Relations

# Disclaimer

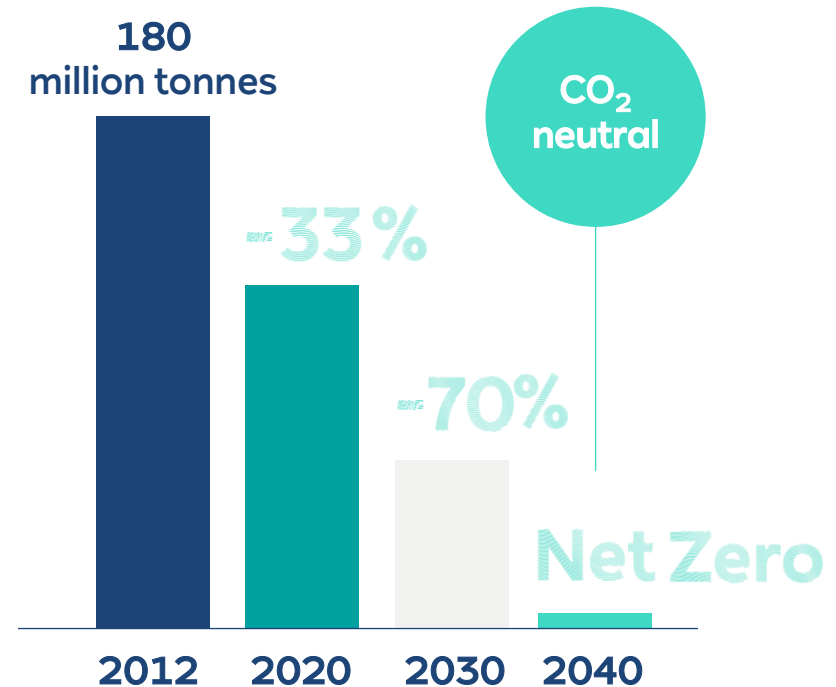
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# Successful launch of the 'new' RWE rounds off very good first nine months of 2019

- Successful execution of transaction and launch of RWE Renewables business operations
- Progress in Renewables growth plans – construction of 2.6 GW under way. Recent contract awarded to Sofia offshore wind farm in the UK (~1.4 GW) and development pipeline further progressing by acquisition of 1.5 GW offshore pipeline in Poland and preparation of full market entry in Japan
- Ambitious CO<sub>2</sub> reduction plan at centre of our purpose 'Our energy for a sustainable life'
- Very good Q1-Q3 earnings with an adj. EBITDA of €1.5 bn on the back of an extraordinary Supply & Trading performance
- Full-year outlook revised upwards as a result of the announcement regarding reinstatement of GB capacity market, new scope of activities and extraordinary contribution by Supply & Trading

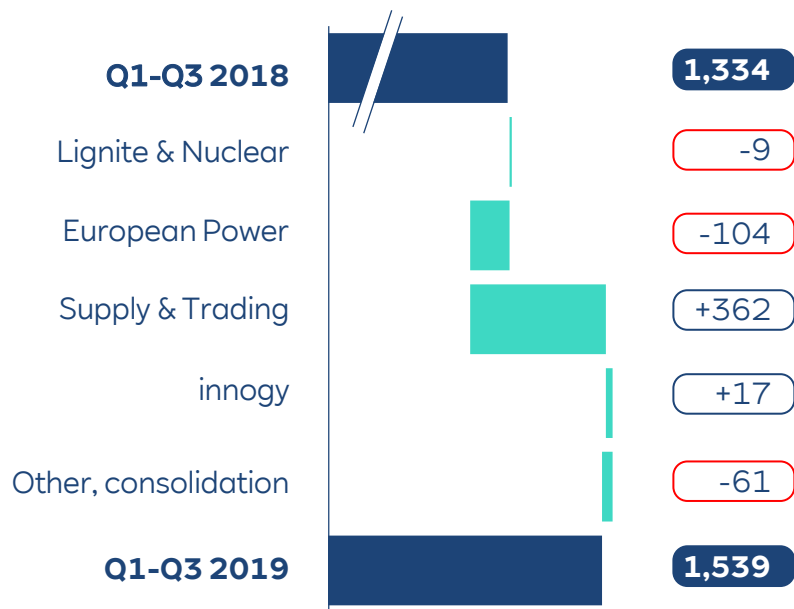
# Ambitious CO<sub>2</sub> reduction path with target to be carbon neutral by 2040

- Reduction of **60 million tonnes** by 2018 compared to 2012 already achieved
- Further reduction based on:
  - Achievement of target share of **65% renewables** in Germany by 2030
  - **Full implementation** of the recommendations of the Commission on Growth, Structural Change and Employment
  - **Closure** of RWE's Inden lignite mine and Weisweiler power plant site by 2030
  - Biomass conversion and **coal exit** in the Netherlands completed by 2030
  - **Closure of Aberthaw** power station in the UK in 2020



# Strong adj. EBITDA of €1.5 billion driven by continued extraordinary earnings from Supply & Trading

## RWE stand-alone: Adj. EBITDA 2019 vs 2018 (€ million)



- **Lignite & Nuclear:** Earnings at previous year's level as a result of higher realised margins despite lower generation volumes
- **European Power:** Weak earnings due to lower production volumes, lower earnings from commercial optimisation and absence of GB capacity payments
- **Supply & Trading:** Extraordinary earnings on the back of outstanding trading performance and strong gas & LNG business
- **innogy** as part of RWE stand-alone: dividend of €700 million<sup>1</sup> in Q2 2019
- **Other, consolidation:** Mainly project costs, e.g. execution of transaction and separation from innogy IT

<sup>1</sup> innogy dividend as contractually agreed with E.ON.

# Lignite & Nuclear – earnings at comparable level to Q3 2018 in spite of the effect from Hambach restriction

## Key financials

| € million                            | Q1 – Q3<br>2019 | Q1 – Q3<br>2018 | change     |
|--------------------------------------|-----------------|-----------------|------------|
| <b>Adj. EBITDA</b>                   | <b>231</b>      | <b>240</b>      | <b>-9</b>  |
| t/o non-recurring items <sup>1</sup> | -               | -               | -          |
| Depreciation                         | -251            | -202            | -49        |
| <b>Adj. EBIT</b>                     | <b>-20</b>      | <b>38</b>       | <b>-58</b> |
| t/o non-recurring items <sup>1</sup> | -               | -               | -          |
| <b>Capex</b>                         | <b>-201</b>     | <b>-138</b>     | <b>-63</b> |
| <b>Cash contribution<sup>2</sup></b> | <b>30</b>       | <b>102</b>      | <b>-72</b> |

## Q1 – Q3 2019 versus Q1 – Q3 2018:

- ⊕ Slightly higher realised generation margins
- ⊖ Lower production volumes, among others due to restrictions at Hambach mine and outages

## Outlook for FY 2019 adj. EBITDA<sup>3</sup>: between €300 and €400 million

- ⊕ Slightly higher realised generation margins (hedged outright price: ~€29/MWh vs. ~€28/MWh in 2018)
- ⊕ Outlook includes earnings contribution from acquired nuclear minorities of ~€35 million in Q4
- ⊖ Impact from production restrictions at Hambach lignite mine (~ -€100 million)

<sup>1</sup> Non-recurring items not included in non-operating result. | <sup>2</sup> Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions; excl. investments from assets held for sale. |

<sup>3</sup> Outlook does not include any impact from measures proposed by the German Growth, Structural Change and Employment commission.

# European Power – new FY 2019 outlook of €450 to €550 million includes suspended GB capacity payments

## Key financials

| € million                            | Q1 – Q3<br>2019 | Q1 – Q3<br>2018 | change      |
|--------------------------------------|-----------------|-----------------|-------------|
| UK                                   | 79              | 88              | -9          |
| Continental Europe                   | 52              | 144             | -92         |
| <b>Adj. EBITDA<sup>1</sup></b>       | <b>130</b>      | <b>234</b>      | <b>-104</b> |
| t/o non-recurring items <sup>2</sup> | -               | -               | -           |
| Depreciation                         | -235            | -220            | -15         |
| <b>Adj. EBIT</b>                     | <b>-105</b>     | <b>14</b>       | <b>-119</b> |
| t/o non-recurring items <sup>2</sup> | -               | -               | -           |
| <b>Capex</b>                         | <b>-129</b>     | <b>-132</b>     | <b>+3</b>   |
| <b>Cash contribution<sup>3</sup></b> | <b>1</b>        | <b>102</b>      | <b>-101</b> |

## Q1 – Q3 2019 versus Q1 – Q3 2018:

- ⊖ Lower production volumes
- ⊖ Less earnings from commercial optimisation
- ⊖ Absence of capacity payments due to suspension of GB capacity market (-€47 million y-o-y)<sup>4</sup>

## Outlook for FY 2019 adj. EBITDA: between €450 and €550 million (prev. €250 – €350 million)

- ⊕ Income from GB capacity payments of c. €230 million<sup>4</sup> after announcement of planned reinstatement of GB capacity market
- ⊖ Less earnings from commercial optimisation

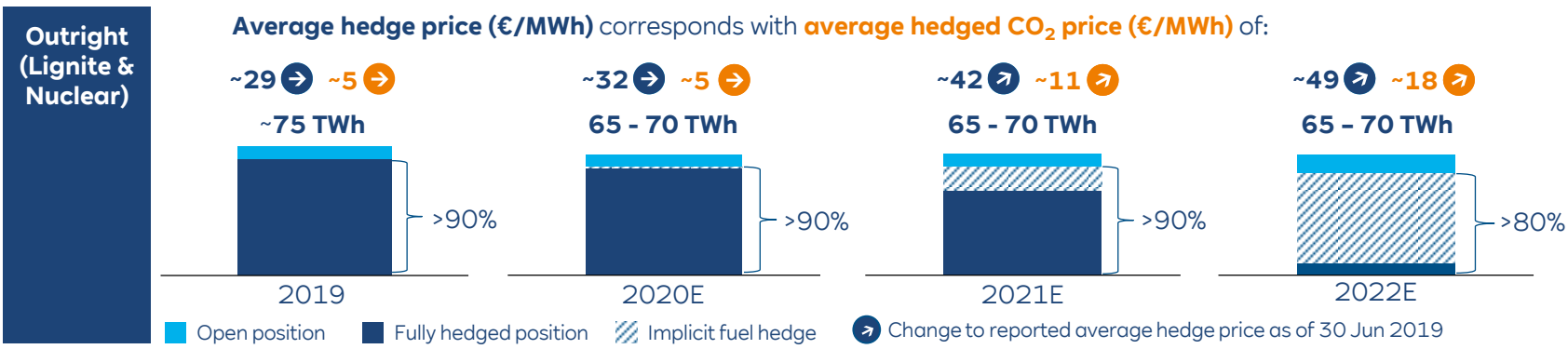
<sup>4</sup> Under the GB capacity market regime RWE had secured capacity payments of c. €100 million for fiscal year 2018 and c. €180 million for fiscal year 2019. The payments had been suspended after the decision of the General Court of the European Court of Justice from November 2018. For 2018, RWE has received capacity payments of c. €50 million for Q1-Q3 2018. The EC has concluded that the GB capacity market is compliant with State Aid rules as of 24 Oct 2019. Given the planned reinstatement, guidance for 2019 is updated accordingly. The figures still include the Aberthaw plant for which we have two transfer agreements in place starting 1 Oct 2019.

<sup>1</sup> Total adj. EBITDA includes further income from other subsidiaries. | <sup>2</sup> Non-recurring items not included in non-operating result. | <sup>3</sup> Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions.

# Stable margins and increased volumes from transfer of minority stakes in nuclear plants

Expected positions and hedge status as of 30 September 2019 (including Hambach restrictions in 2019 - 2021)

Before any measures resulting from proposals of Growth, Structural Change and Employment commission



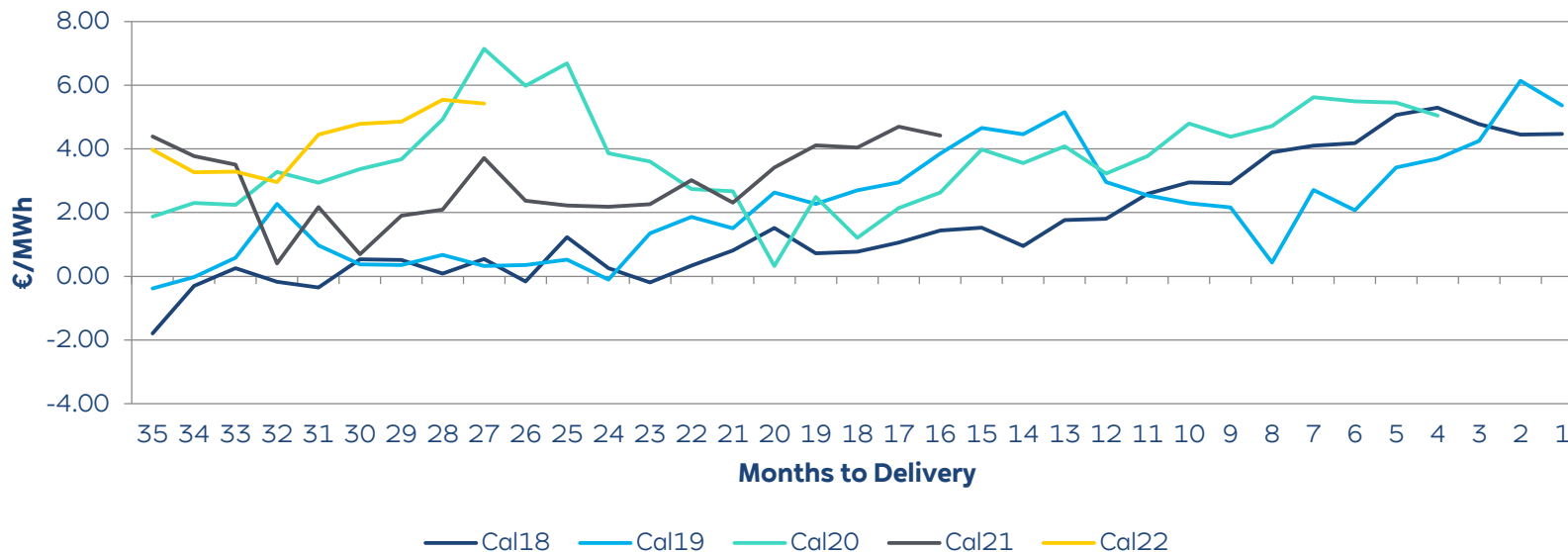
**CO<sub>2</sub>** • CO<sub>2</sub> position financially hedged until mid-2020s

<sup>1</sup> Total in-the-money volumes.



# Fuel spreads mostly developed sideways in Q3

## Development of German fuel spreads<sup>1</sup>



<sup>1</sup> Fuel spread defined as: Power price - (pass-through-factor carbon × EUA price + pass-through-factor coal × coal price + pass-through-factor gas × gas price).  
Note: Data based on fuel spreads per end of month (€/MWh). | Source: Bloomberg; data until 30 September 2019.

# Supply & Trading – exceptional earnings contribution continued with another good performance in Q3

## Key financials

| € million                            | Q1 – Q3<br>2019 | Q1 – Q3<br>2018 | change      |
|--------------------------------------|-----------------|-----------------|-------------|
| <b>Adj. EBITDA</b>                   | <b>545</b>      | <b>183</b>      | <b>+362</b> |
| t/o non-recurring items <sup>1</sup> | -               | -               | -           |
| Depreciation                         | -8              | -4              | -4          |
| <b>Adj. EBIT</b>                     | <b>537</b>      | <b>179</b>      | <b>+358</b> |
| t/o non-recurring items <sup>1</sup> | -               | -               | -           |
| <b>Capex</b>                         | <b>-6</b>       | <b>-6</b>       | <b>-</b>    |
| <b>Cash contribution<sup>2</sup></b> | <b>539</b>      | <b>177</b>      | <b>+362</b> |

## Q1 – Q3 2019 versus Q1 – Q3 2018:

- ⊕ Outstanding trading performance
- ⊕ Gas & LNG above previous year's result
- ⊕ Absence of value adjustment within Principal Investment portfolio in Q2 2018

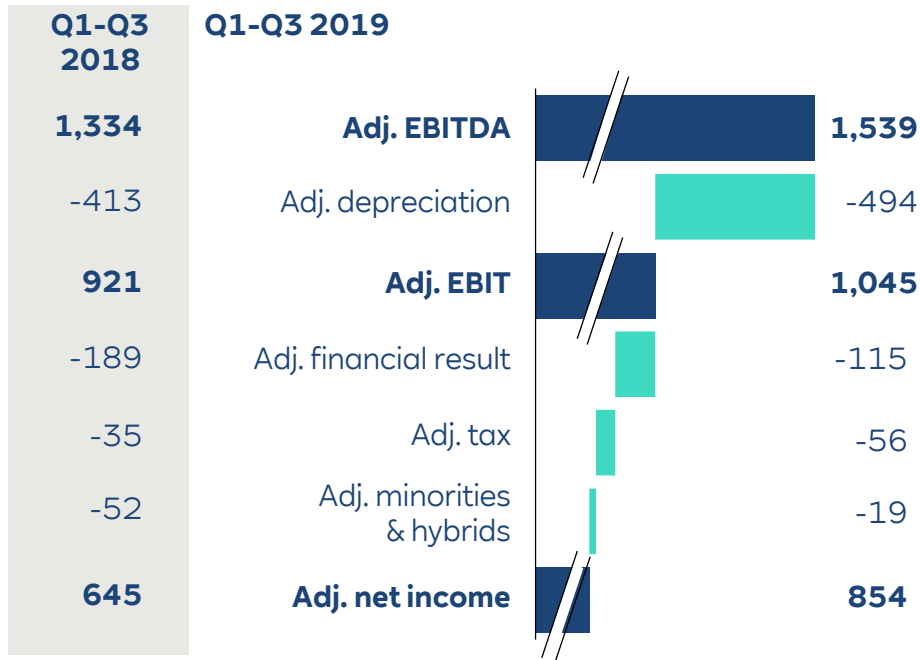
## Outlook for FY 2019 adj. EBITDA: Significantly above €300 million

- ⊕ Outstanding trading performance
- ⊕ Strong Gas & LNG business
- ⊕ Absence of value adjustment within Principal Investment portfolio in Q2 2018
- **Long-term average earnings contribution of approx. €250 million expected incl. acquired gas storage activities**

<sup>1</sup> Non-recurring items not included in non-operating result. <sup>2</sup> Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions.

# Adj. net income for Q1-Q3 2019 reaches €854 million

## Adj. net income (€ million)



- **Adj. EBITDA** excludes non-operating result
- **Financial result** adjusted for impact from lower discount rates for long-term provisions, adjustment of provisions for interest on taxes referring to previous years as well as mark-to-market valuation of securities according to IFRS 9
- **Adjustments of tax resulting** from the adjustments in the non-operating and financial result as well as deferred taxes. Furthermore, adjustment of provisions for tax and tax refunds for previous periods
- **Limited adjusted taxable earnings** at RWE stand-alone
- **Hybrid bonds** partly classified as equity pursuant to IFRS (GBP 750 million bond called in March 2019)

# High distributable cash flow mainly driven by strong adj. EBITDA

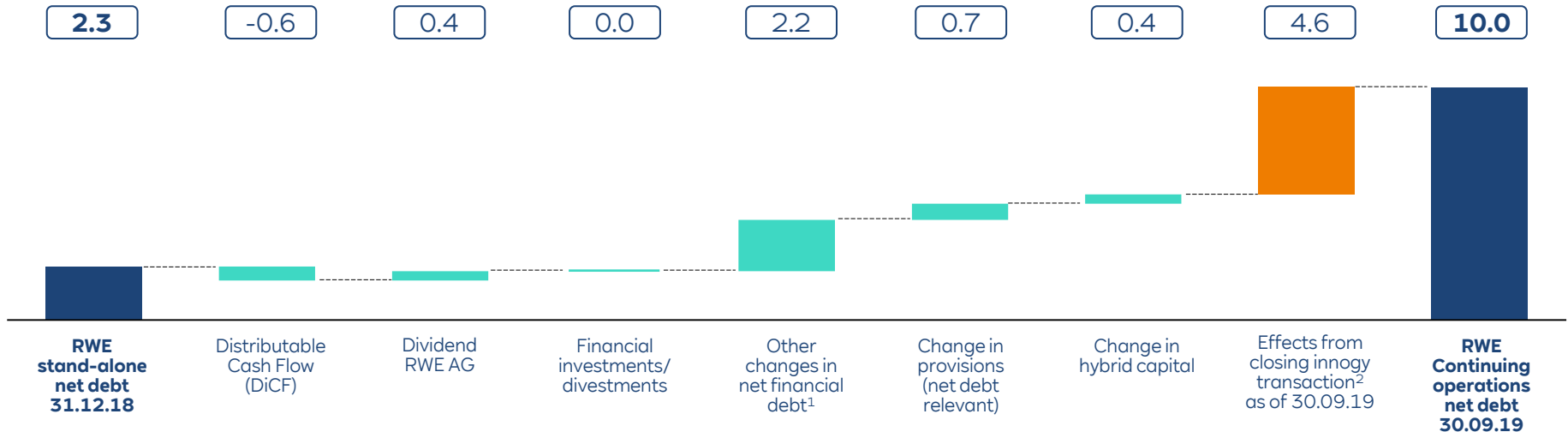
## Distributable cash flow (€ million)

| Q1-Q3 2018   | Q1-Q3 2019 |   |              |
|--------------|------------|---|--------------|
| <b>1,334</b> |            | <b>Adj. EBITDA</b>                          | <b>1,539</b> |
| -409         |            | Change in provisions & other non-cash items | -555         |
| -276         |            | Capex                                       | -335         |
| <b>649</b>   |            | <b>Cash contribution</b>                    | <b>649</b>   |
| 28           |            | Change in operating working capital         | 65           |
| -10          |            | Cash interests/taxes                        | -59          |
| -63          |            | Minorities & hybrids                        | -70          |
| <b>604</b>   |            | <b>Distributable cash flow (DiCF)</b>       | <b>585</b>   |

- **Changes in provisions:** Slightly above of full year expectations following CO<sub>2</sub> cyclicity. Main drivers for full year are nuclear, legacy and restructuring provisions
- **High capex level:** Mainly due to accelerated relocation in the lignite mining area and increased plant maintenance
- **Change in operating working capital:** Positive impact by reversal of year-end effects from 2018 (high level of accounts receivables) partly offset by typical seasonal effects such as increase of gas inventories
- **Minorities and hybrids:** Full year interest cash payment for GBP 750 million hybrid accounted for in Q1 2019; hybrid called in March 2019

# Reconciliation of net debt from RWE stand-alone to RWE continuing operations

Development of net debt (RWE stand-alone and effects from closing of innogy transaction with E.ON)  
(€ billion)

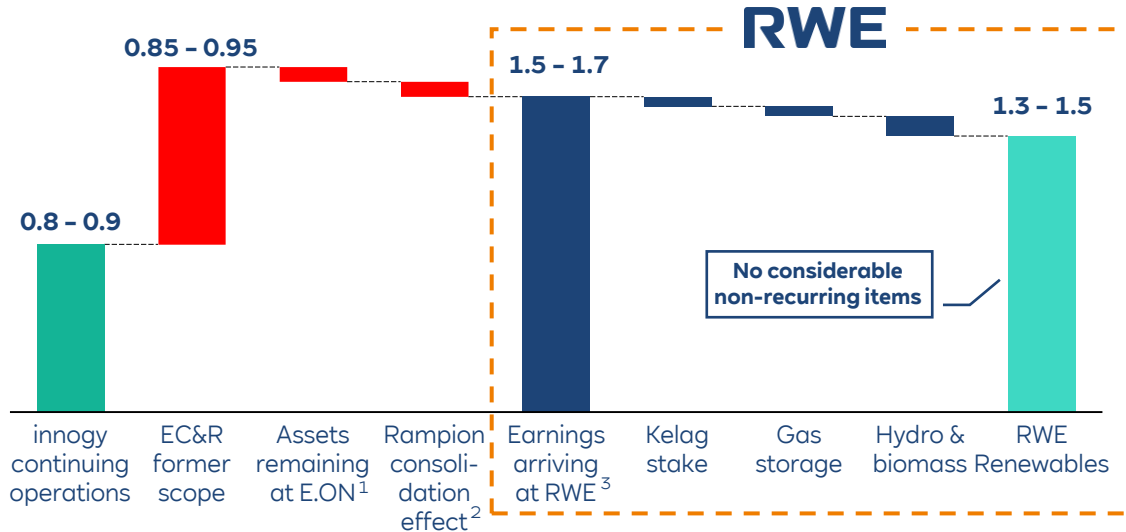


<sup>1</sup> Includes an outflow of approx. €2.1 bn from financing effects such as change in variation margins (full year 2018: inflow of €4.4 bn).

<sup>2</sup> Assumed debt, thereof nuclear provisions: €0.7 bn, provisions for wind asset dismantling: €1.0 bn, pension provisions: €0.04 bn, tax equity liabilities: €0.8 bn, lease liabilities €0.5 bn.

# Pro forma RWE Renewables would contribute €1.3 – €1.5 bn to adj. EBITDA in FY 2019

## Pro forma adj. EBITDA RWE Renewables FY 2019 (€ bn)



- RWE Renewables pro forma EBITDA of €1.3 – €1.5 bn for FY 2019 reflects following organisational effects, with effect from Jan 2020:
  - Kelag stake will be allocated to Other, consolidation (~€45 million)
  - Gas storage activities will be allocated to Supply & Trading (~€35 million)
  - Hydro & biomass will be allocated to European Power (~€100 million)
- Additional earnings from E.ON stake and nuclear minorities not included in the presented numbers

<sup>1</sup> Including renewable portfolio of E.DIS and 20% of Rampion. | <sup>2</sup> At equity consolidation of 30% stake of Rampion at RWE (fully consolidated at EC&R) | <sup>3</sup> Not considered are earnings from E.ON dividend and nuclear minorities.

# Outlook for RWE increased due to GB capacity market and for acquired operations

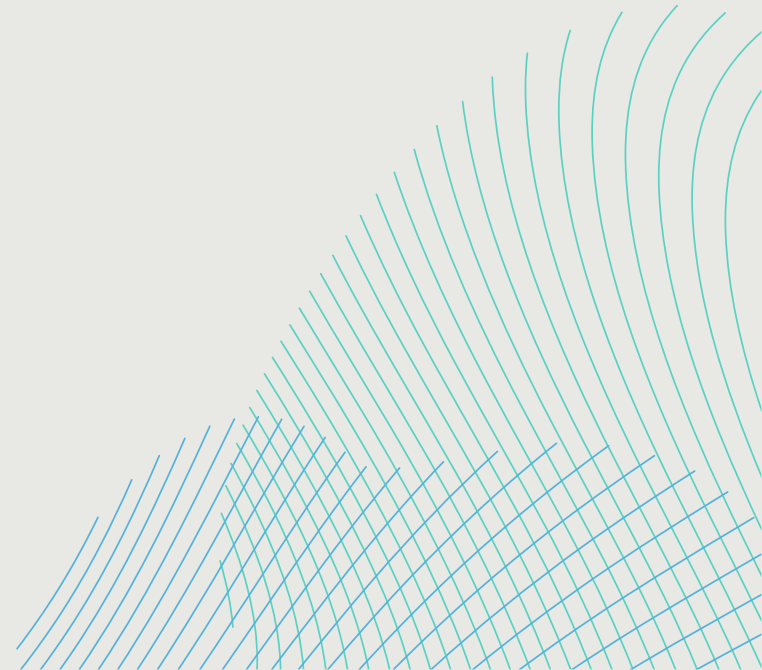
|                                 | RWE stand-alone         |  | RWE Group                       |  |
|---------------------------------|-------------------------|--|---------------------------------|--|
|                                 | 2019 forecast           | Previous forecast <sup>2</sup><br>(if changed to H1) | 2019 forecast                   | Previous forecast <sup>2</sup><br>(if changed to H1) |
| <b>Adj. EBITDA</b>              | <b>1,800 – 2,100</b>    | 1,400 – 1,700  | <b>2,200 – 2,500</b>            | 1,600 – 1,900  |
| • Lignite & Nuclear             | 300 – 400               |  | 300 – 400                       |  |
| • European Power                | 450 – 550               | 250 – 350  | 450 – 550                       | 250 – 350  |
| • Supply & Trading              | Significantly above 300 |  | Significantly above 300         |  |
| • innogy dividend <sup>1</sup>  | 700                     |  | --                              |  |
| • innogy Continuing operations  | --                      |  | 800 – 900                       |  |
| • Operations acquired from E.ON | --                      |  | 200 – 300 <b>New!</b>           |  |
| <b>Adj. net income</b>          | <b>900 – 1,200</b>      | 500 – 800  | --                              |  |
| <b>Net debt</b>                 | --                      | Significantly above 2018                             | <b>Significantly above 2018</b> |  |

**Dividend (per share)**

**€0.80 Management target**

<sup>1</sup> innogy dividend based on our agreement with E.ON as part of the transaction. Different to dividend paid by innogy in 2019. | <sup>2</sup> Only where changes occur to the published forecast at H1.

# Appendix

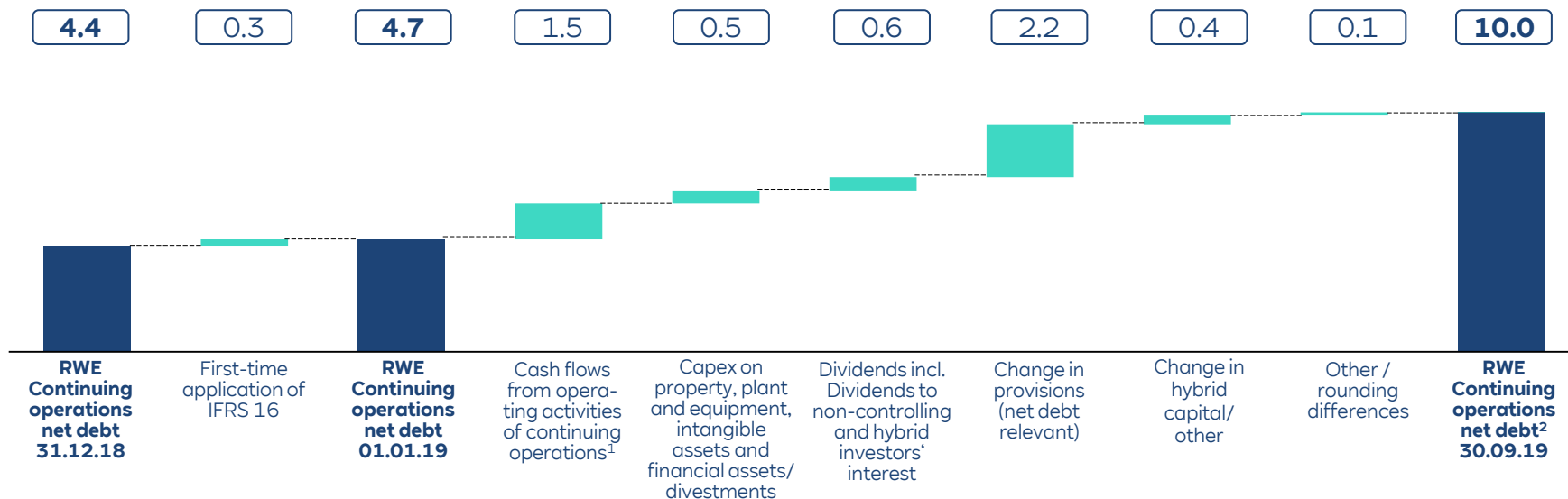




# Net debt of continuing operations increased mainly due to innogy-transaction and change in variations margins

## Development of net debt (RWE Group) – continuing operations

(€ billion)



<sup>1</sup> Includes an outflow of approx. €2.1 bn from financing effects such as change in variation margins (full year 2018: inflow of €4.4 bn).

<sup>2</sup> Includes effects from transaction such as, nuclear provisions: €0.7 bn, provisions for wind asset dismantling: €0.6 bn, pension provisions: €0.02 bn, tax equity liabilities: €0.8 bn, lease liabilities €0.3 bn.

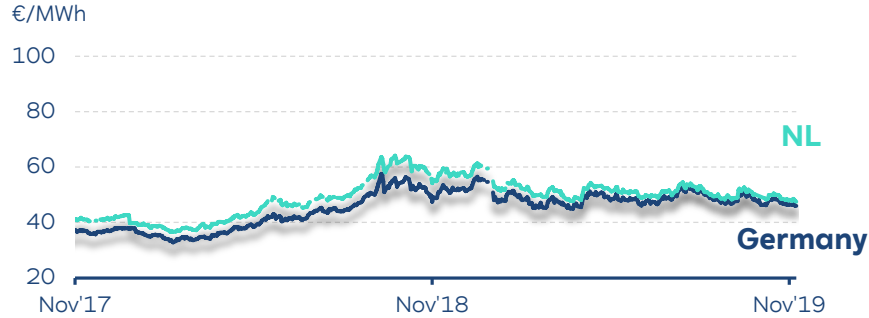
# Reconciliation to adj. net income

| RWE stand-alone<br>(€ million) | Q1 - Q3 2019  |             |              | Q1 - Q3<br>2018 | change     |
|--------------------------------|---------------|-------------|--------------|-----------------|------------|
|                                | Reported      | Adjustments | Adjusted     | Adjusted        | Adjusted   |
| <b>Adj. EBITDA</b>             | <b>1,539</b>  | -           | <b>1,539</b> | <b>1,334</b>    | <b>205</b> |
| Depreciation                   | -494          | -           | -494         | -413            | -81        |
| <b>Adj. EBIT</b>               | <b>1,045</b>  | -           | <b>1,045</b> | <b>921</b>      | <b>124</b> |
| Non-operating result           | -302          | +302        | -            | -               | -          |
| Financial result               | -267          | +152        | -115         | -189            | 74         |
| Taxes on income<br>(Tax rate)  | 202<br>(-42%) | -258        | -56<br>(6%)  | -35<br>(5%)     | -21        |
| <b>Income (of which:)</b>      | <b>677</b>    | <b>+196</b> | <b>873</b>   | <b>697</b>      | <b>176</b> |
| Non-controlling interests      | 4             | -           | 4            | 7               | -3         |
| Hybrid investors' interest     | 15            | -           | 15           | 45              | -30        |
| <b>Net income<sup>1</sup></b>  | <b>658</b>    | <b>+196</b> | <b>854</b>   | <b>645</b>      | <b>209</b> |

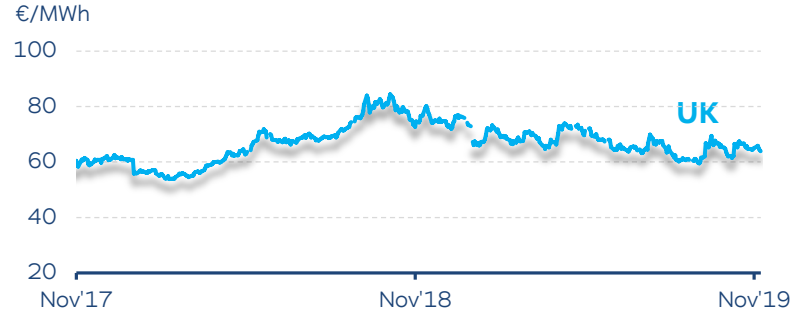
<sup>1</sup> Income attributable to RWE AG shareholders. | Note: Rounding differences may occur.

# Power prices and commodities

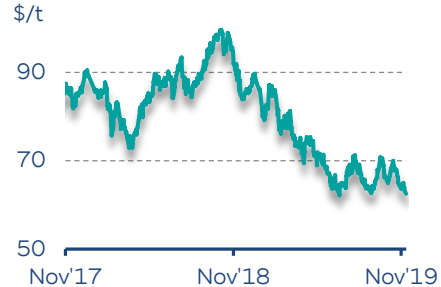
## Base load power prices – Germany, NL (1 year forward)



## Base load power prices – UK (1 year forward)



## Coal prices – API2 Cal-ahead



## Gas prices – TTF Cal-ahead

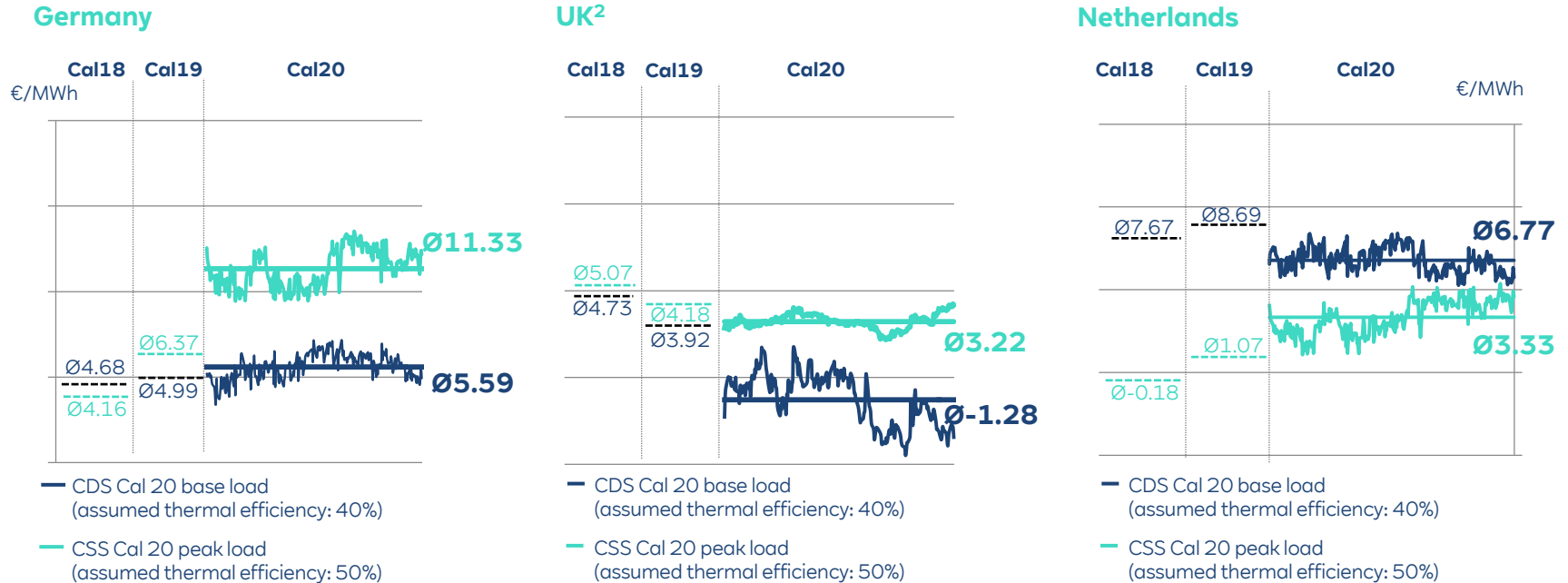


## Carbon prices - EU ETS



Source: Bloomberg; prices through to 11 Nov 2019.

# Clean Dark (CDS) and Spark Spreads (CSS) – 2018 – 2020 forwards<sup>1</sup> for Germany, UK and NL



<sup>1</sup> Settlement one year ahead (Cal+1). | <sup>2</sup> Including UK carbon tax. | Source: RWE Supply & Trading, prices through to 7 Nov 2019.

# Your contacts in Investor Relations

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+1 201 680-6255 (outside from the US)  
1-888-269-2377 (within the US)

## Financial Calendar

- **11 March 2020**  
FY 2019 results
- **12 March 2020**  
Capital Market Day
- **28 April 2020**  
Annual General Meeting
- **04 May 2020**  
Dividend payment
- **14 May 2020**  
Q1 2020 results
- **13 August 2020**  
H1 2020 results
- **12 November 2020**  
Q1-Q3 results

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**RWE**

