

Laying the foundation for RWE's transformation

FY 2018 results presentation

14 March 2019

Rolf Martin Schmitz, Chief Executive Officer
Markus Krebber, Chief Financial Officer
Gunhild Grieve, Head of Investor Relations



Powering. Reliable. Future.

RWE

Disclaimer

This document contains forward-looking statements. These statements are based on the current views, expectations, assumptions and information of the management, and are based on information currently available to the management. Forward-looking statements shall not be construed as a promise for the materialisation of future results and developments and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those described in such statements due to, among other things, changes in the general economic and competitive environment, risks associated with capital markets, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, affecting the Company, and other factors. Neither the Company nor any of its affiliates assumes any obligations to update any forward-looking statements.

All figures regarding the renewables business are based on pro forma combined innogy and E.ON publicly available data. The implementation of the transaction is still subject to conditions, including merger control clearances.

AGENDA



Rolf Martin Schmitz

Strategy update



Markus Krebber

Financial performance and outlook for 2019

Powering. Reliable. Future.

RWE

Laying the foundation for RWE's transformation

- > Agreement on asset swap with E.ON will transform RWE into a leading renewables player
- > Execution of transaction and preparation for swift integration is well on track
- > Final report of German Commission on 'Growth, Structural Change and Employment' serves as good basis to achieve planning certainty for lignite operations
- > Continued reduction of CO₂ emissions through further measures on coal-fired power plant portfolio
- > Strengthening of Corporate Governance with proposal to convert preferred shares into common shares #oneshareonevote



Major filings
submitted



RWE Renewables
management team
announced



High level
strategy
formulated

Closing of innogy transaction expected for summer 2019

2018

Q1
2019

Q3

Q4

◆ Announcement of transaction (12 March 2018)

◆ Merger Control Proceedings

- > RWE's acquisitions of E.ON and innogy renewables operations approved by EU Commission on 26 Feb 19
- > E.ON's innogy acquisition filed with the EU Commission on 31 Jan 19; opening of Phase 2 investigation on 7 March 19
- > Filing of transaction with US antitrust authorities in due course
- > RWE's financial shareholding in E.ON of 16.67%:
 - Approved by *Bundeskartellamt* (German competition authority) on 26 Feb 19
 - Filing with CMA (UK competition authority) on 25 Feb 19

◆ Closing I

- > RWE sale of 76.8% innogy stake
- > E.ON issuance of 440m shares to RWE
- > RWE purchase of E.ON minority stakes in nuclear power plants Gundremmingen (25.0%) and Emsland (12.5%)
- > RWE cash payment of ~€1.5 bn to E.ON

◆ Closing II

- > RWE purchase of E.ON renewables¹
- > RWE purchase of innogy renewables²
- > RWE purchase of innogy Gas Storage and 37.9% in Kelag³

¹ Excluding German and Polish onshore wind assets belonging to e.dis (151 MW) and 20% stake in Rampion offshore wind farm (80 MW). | ² After legal integration measures by E.ON, accelerated closing currently under investigation. | ³ After legal integration measures by E.ON.

Nomination of highly experienced future management team for combined renewables business

RWE Renewables

CEO



Anja-Isabel
Dotzenrath

CFO



Holger
Himmel

CCO



Tom
Glover

COO Offshore
Global



Sven
Utermöhlen

COO Onshore
& PV
Americas



Silvia
Ortín Rios

COO Onshore &
PV EU & APAC

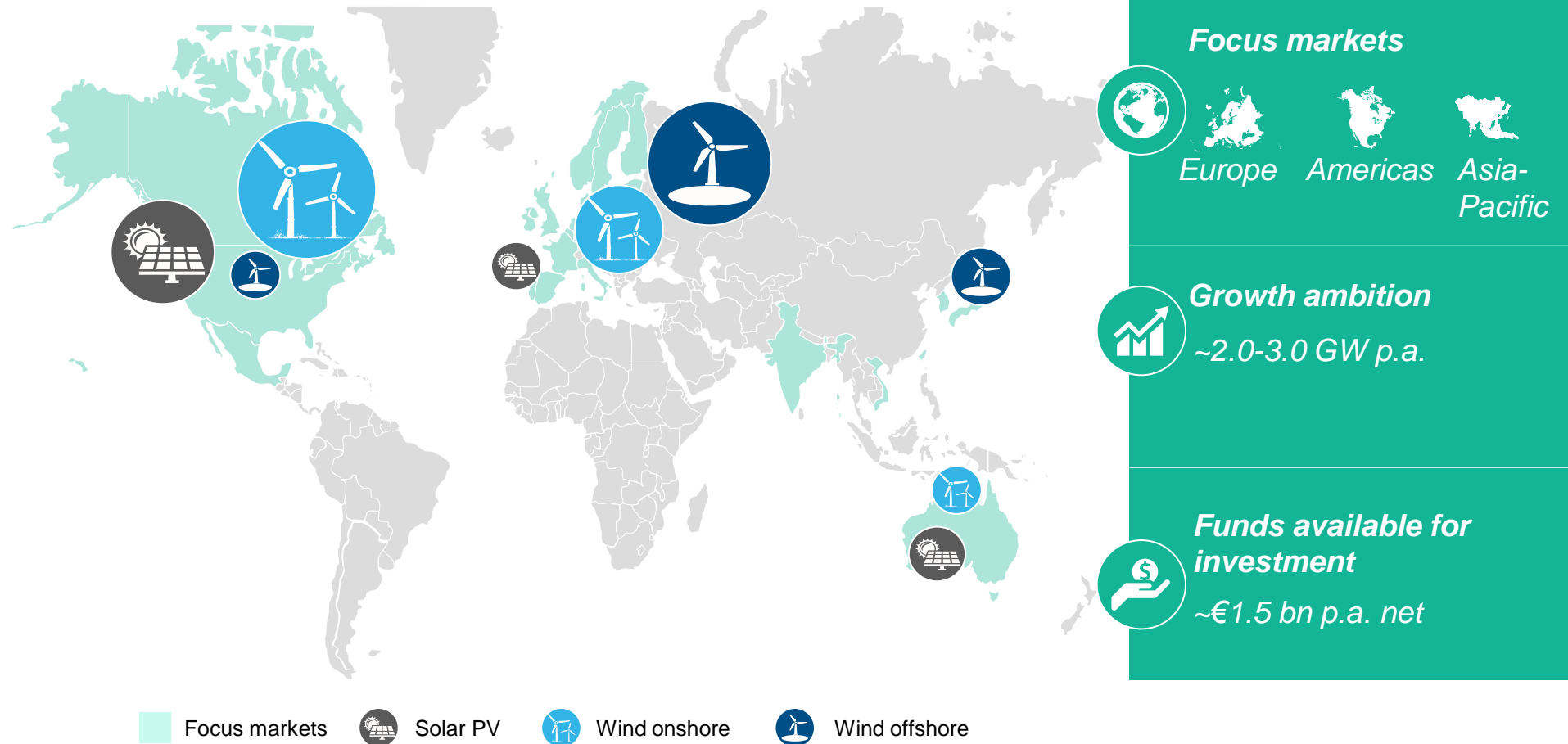


Katja
Wünschel

- > **Diversified and experienced team** with a wide variety of qualifications to drive the renewables business under the roof of RWE
- > On average **20+ years experience in the industry**
- > New management team will **take over its new responsibilities after the transaction** has been fully completed

Strategic ambition to build a global renewables player

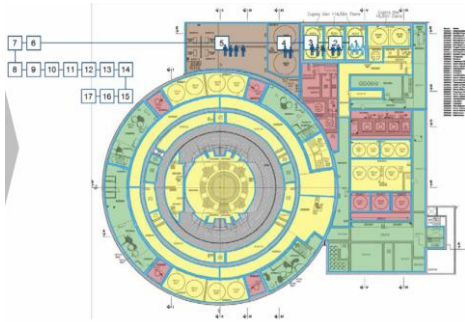
Target growth markets ¹



¹ Size of bubble indicates approximate growth ambitions in GW.

Selected focus areas of the current operational business in 2019

L&N: Nuclear decommissioning concept



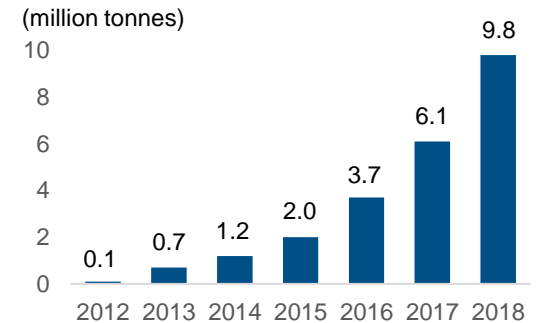
- > Steering towards safe and cost optimised dismantling of nuclear power plants
- > End-to-End dismantling approach by applying Lean principles
- > Introduction of waste minimisation and material recycling

European Power: Power fleet and energy policy



- > Prepare 1.3 GW Claus C for operations after its mothballing phase
- > Continue conversion of Amer 9 and Eemshaven to biomass co-firing and identify additional sources of biomass
- > In constant dialogue with relevant authorities and other stakeholders to manage the suspension of capacity payments

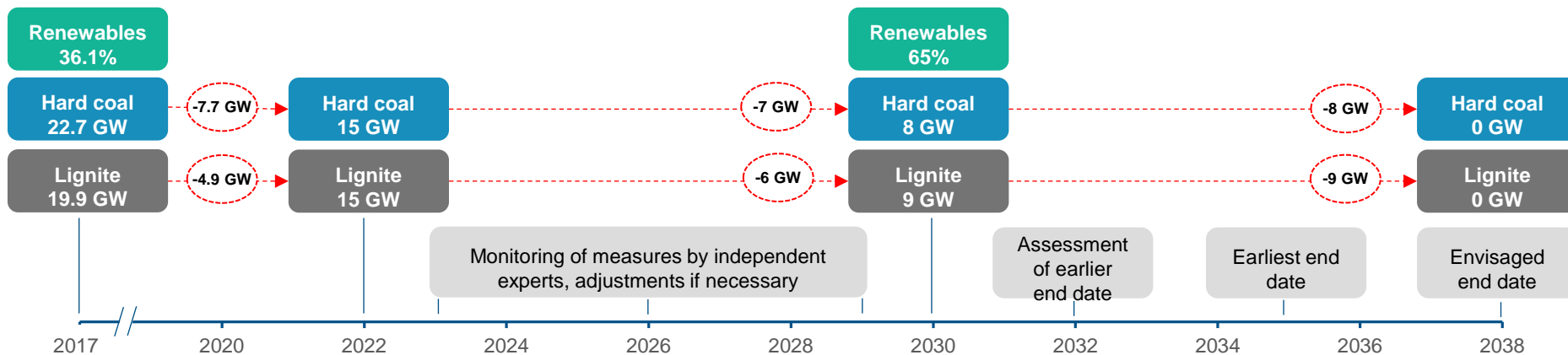
Supply & Trading: Grow LNG portfolio



- > Grow portfolio of LNG supply contracts, among others Angola LNG, Woodside Energy, Qatargas, US LNG
- > Further expand Asian trading activities

Roadmap of recommended German coal phase out

Recommendations by the Commission for Growth, Structural Change and Employment of 26 January 2019



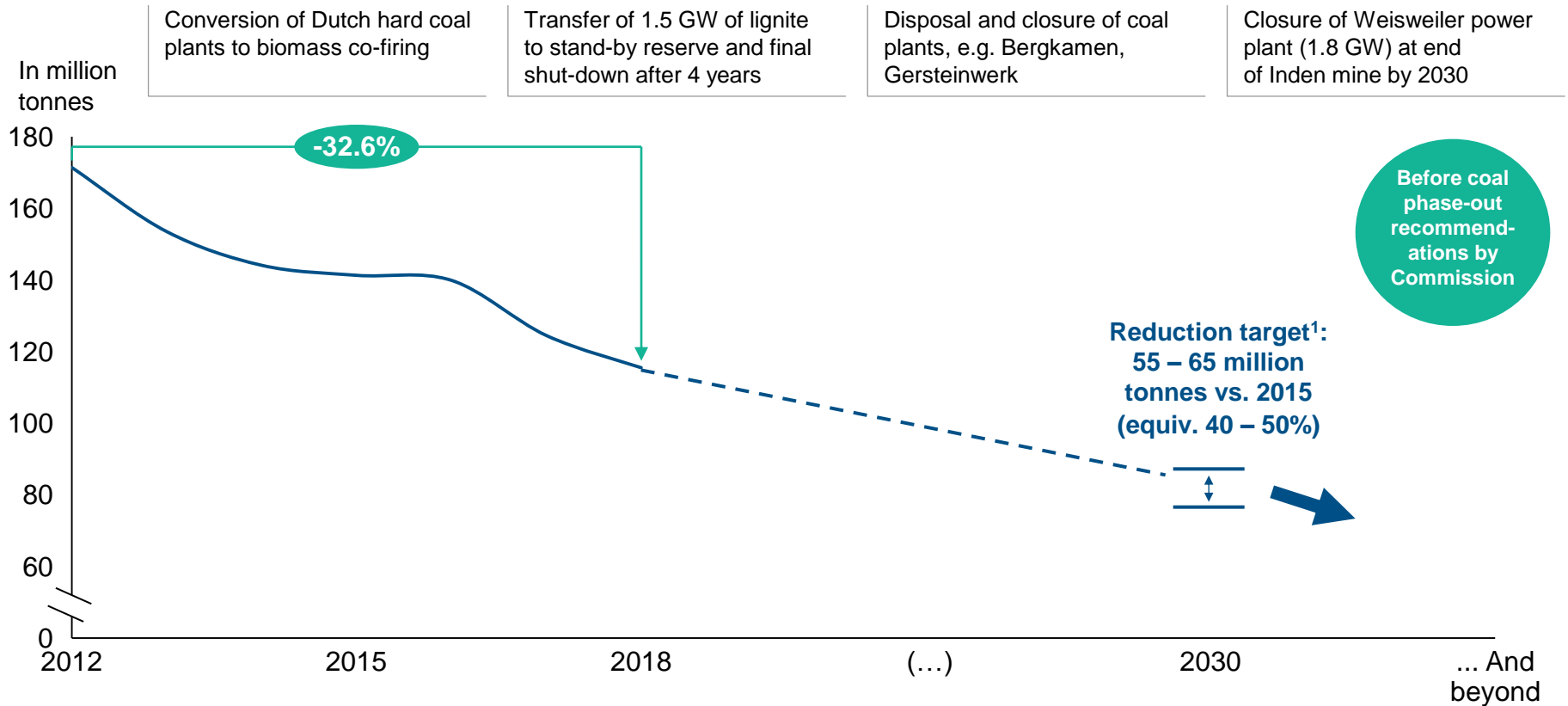
- > Net closures (on top of ongoing measures/market driven decommissioning) of ~3 GW lignite and ~3 GW of hard coal by 2022
- > By 2030 reduction to a total remaining capacity of 9 GW lignite and 8 GW hard coal
- > No new coal plants to be commissioned
- > Adequate compensation for shut downs until 2030
- > Review mechanism with regards to climate protection, security of supply, power prices, regional development and employment
- > Reduction in CO₂ auctions corresponding to redundant certificates
- > Desire to keep Hambach Forest

> Challenging recommendations for RWE which need to be adequately compensated
 > RWE scenario analysis ongoing and negotiations with the German Government expected to last for several months

Source: Final report by Growth, Structural Change and Employment Commission as of 26 Jan 2019.

RWE is on an ambitious path to reduce CO₂ emissions - huge contribution to climate protection already made

RWE's reduction path for CO₂ emissions in core markets¹ – our target before Commission recommendations



¹ Referring to RWE stand-alone portfolio, excluding Mátra in Hungary and Denizli in Turkey. Figures do not include a potential impact on the generation portfolio as a result of recommendations from the Commission on Growth, Structural Change and Employment.

2019 - a transformational year securing a prosperous long-term future for RWE



The start of the new RWE

Strong operational earnings to support future growth and attractive dividend



Agreement on coal phase out to draw up and implement revised operational lignite plan



Closing of innogy transaction to start a renewables player of scale



AGENDA



Rolf Martin Schmitz

Strategy update



Markus Krebber

Financial performance and outlook for 2019

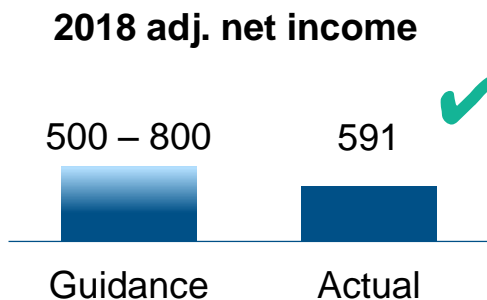
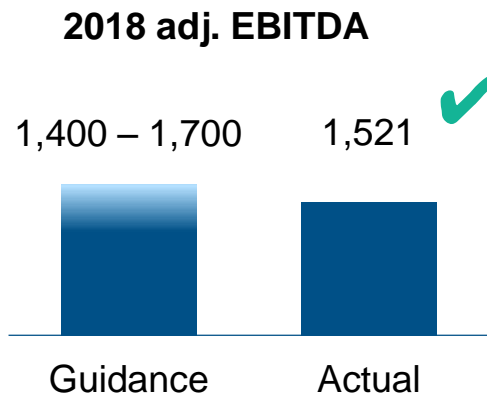
Powering. Reliable. Future.

RWE

Delivery of 2018 financial targets in a challenging environment

RWE stand-alone

(€ million)



Earnings in line with outlook for 2018 despite negative impact from suspension of UK capacity market



Ordinary dividend proposal improved from €0.50 in 2017¹ to €0.70/share for 2018



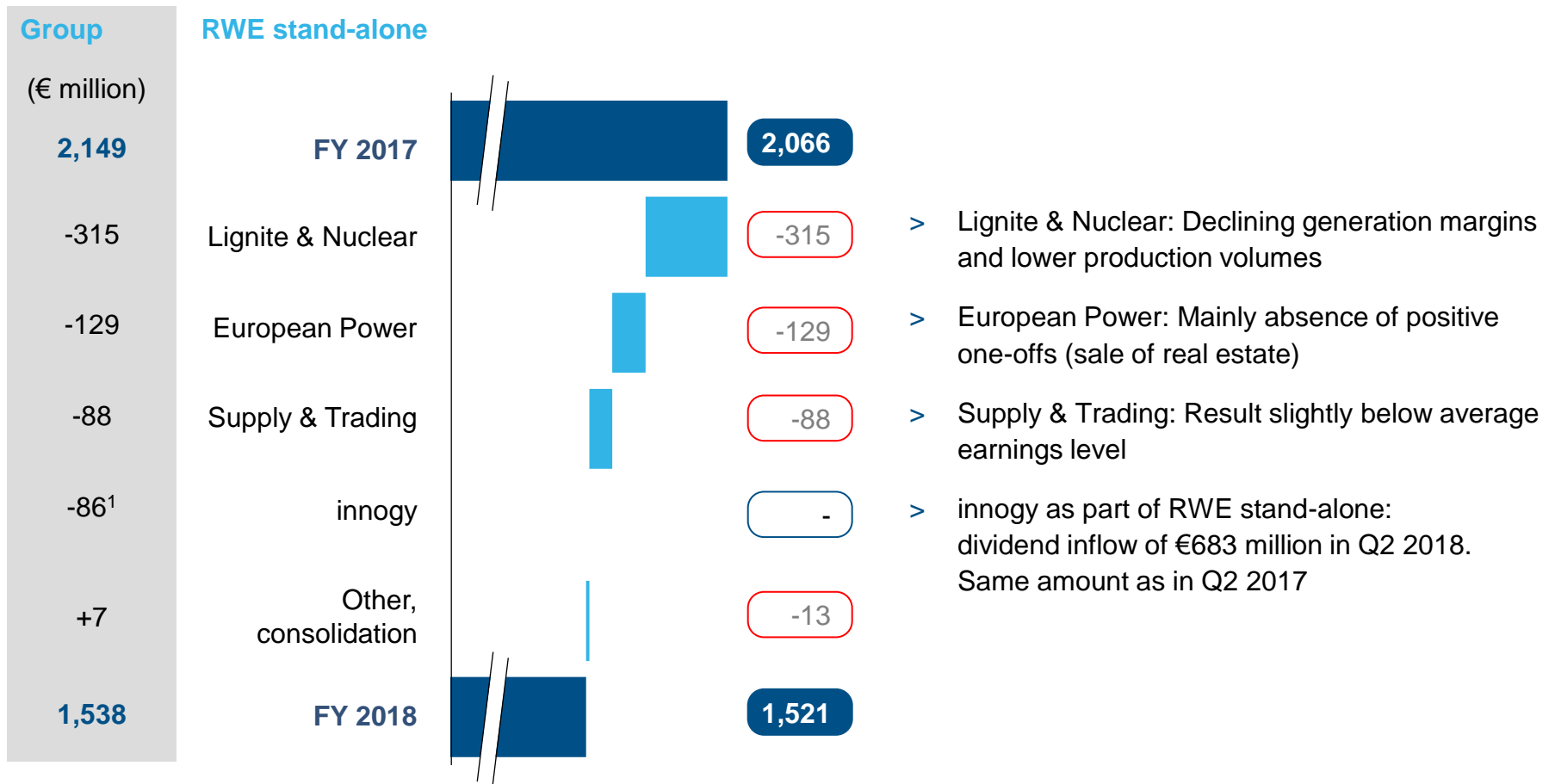
Successful hedge strategy and neutralising carbon risk until mid 2020s



Optimisation of capital structure: redemption of GBP 750 million hybrid and proposal to convert preference into ordinary shares

¹ Total dividend in 2017: €1.50/share of which €1.00/share special dividend.

Lower adjusted EBITDA mainly due to declining generation margins in conventional power generation



¹ innogy - continuing operations.

Lignite & Nuclear – earnings 2018 driven by expected decline of generation margins and volumes

Key financials

€ million	FY 2018	FY 2017	change
Adj. EBITDA	356	671	-315
t/o non-recurring items ¹	-	-1	+1
Depreciation	-279	-272	-7
Adj. EBIT	77	399	-322
t/o non-recurring items ¹	-	-1	+1
Capex	228	248	-20
Cash contribution²	128	423	-295

FY 2018 versus FY 2017:

- ⊖ Lower realised generation margins
- ⊖ Closure of Gundremmingen B nuclear unit
- ⊕ Operating cost improvements

Outlook for FY 2019 adjusted EBITDA: between €300 and €400 million

- ⊕ Slightly higher realised generation margins (hedged outright price: ~€29/MWh vs. ~€28/MWh in 2018)
- ⊖ Impact from production restrictions at Hambach lignite mine (~ -€100 million)

Outlook does not include any impact from measures proposed by the German 'Growth, Structural Change and Employment' commission

¹ Non-recurring items not included in non-operating result.

² Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions; excl. investments from assets held for sale.

European Power – operational performance suffers from suspension of UK capacity market

Key financials

€ million	FY 2018	FY 2017	change
UK	102	205	-103
Continental Europe	228	253	-25
Adj. EBITDA¹	334	463	-129
t/o non-recurring items ²	-	80	-80
Depreciation	-297	-308	+11
Adj. EBIT	37	155	-118
t/o non-recurring items ²	-	80	-80
Capex	245	147	+98
Cash contribution³	89	316	-227

FY 2018 versus FY 2017:

- ⊖ Lower realised generation margins
- ⊖ Absence of positive one-offs (e.g. land sales)
- ⊕ Higher earnings contribution from UK capacity market⁴
- ⊕ Operating cost improvements

Outlook for FY 2019 adjusted EBITDA: between €250 and €350 million

- ⊖ No income from UK capacity market assumed as long as legal situation is unclear⁴

¹ Total adj. EBITDA includes further income from other subsidiaries.

² Non-recurring items not included in non-operating result.

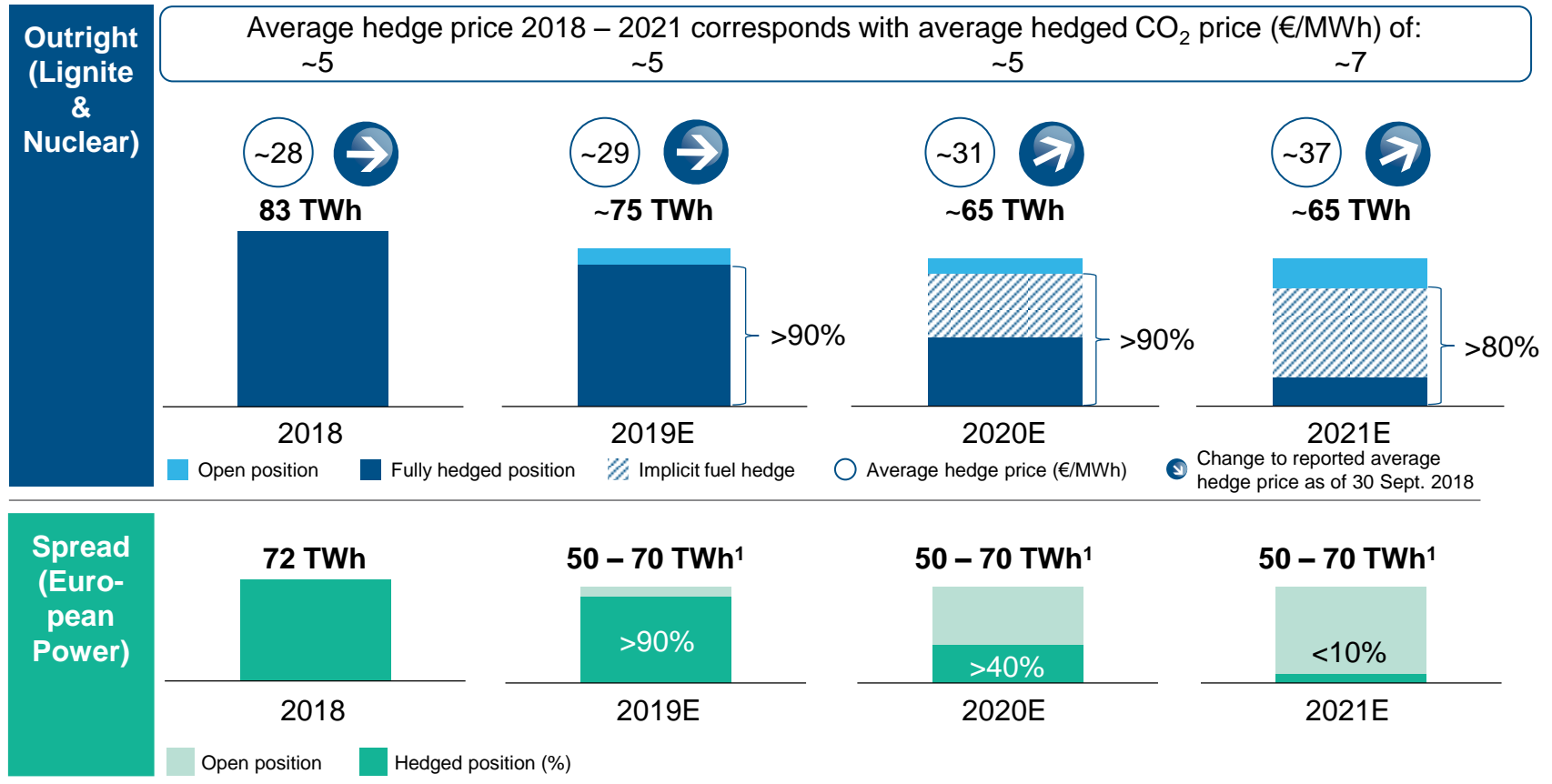
³ Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions.

⁴ Under the UK 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 have been suspended after the decision of the European Court of Justice from November 2018. For 2018, RWE has received capacity payments of c. €50 million for Q1-Q3 2018.

Hedging – increased average hedge prices in outer years but lower volumes due to restrictions at Hambach mine

Expected positions and hedge status as of 31 December 2018

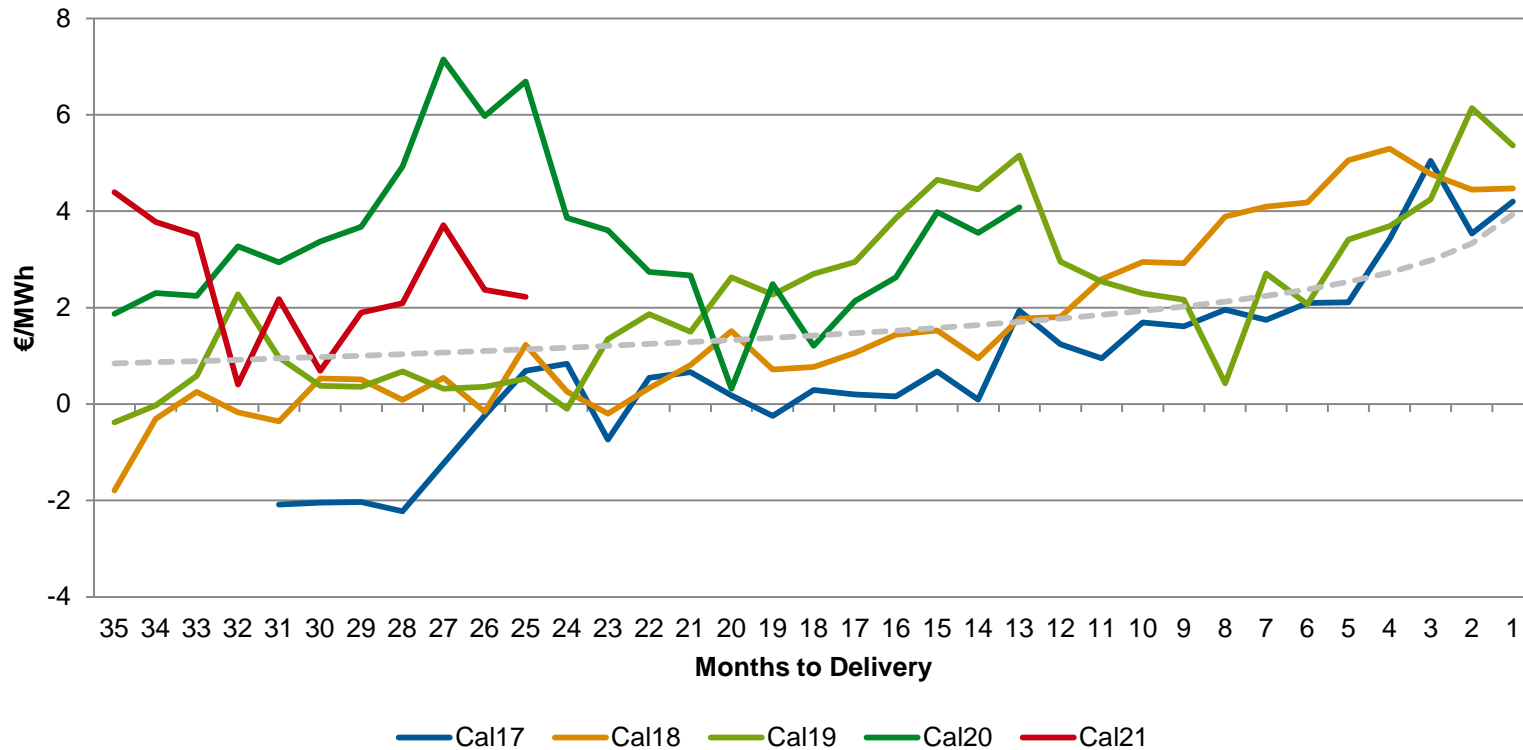
Before any measures resulting from proposals of 'Growth, Structural Change and Employment' commission



CO₂ > CO₂ position financially hedged until mid-2020s

Recovery of fuel spreads in H2 2018 after strong decline since end of 2017

Development of German fuel spreads¹



¹ 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: Shown figures based on fuel spreads per end of month (€/MWh).
 Source: Bloomberg; data until 31 Dec 2018.

Supply & Trading – Slightly below average earnings level

Key financials

€ million	FY 2018	FY 2017	change
Adj. EBITDA	183	271	-88
t/o non-recurring items ¹	-	-	-
Depreciation	-6	-6	-
Adj. EBIT	177	265	-88
t/o non-recurring items ¹	-	-	-
Capex	13	7	+6
Cash contribution²	170	264	-94

¹ Non-recurring items not included in non-operating result.

² Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions.

FY 2018 versus FY 2017:

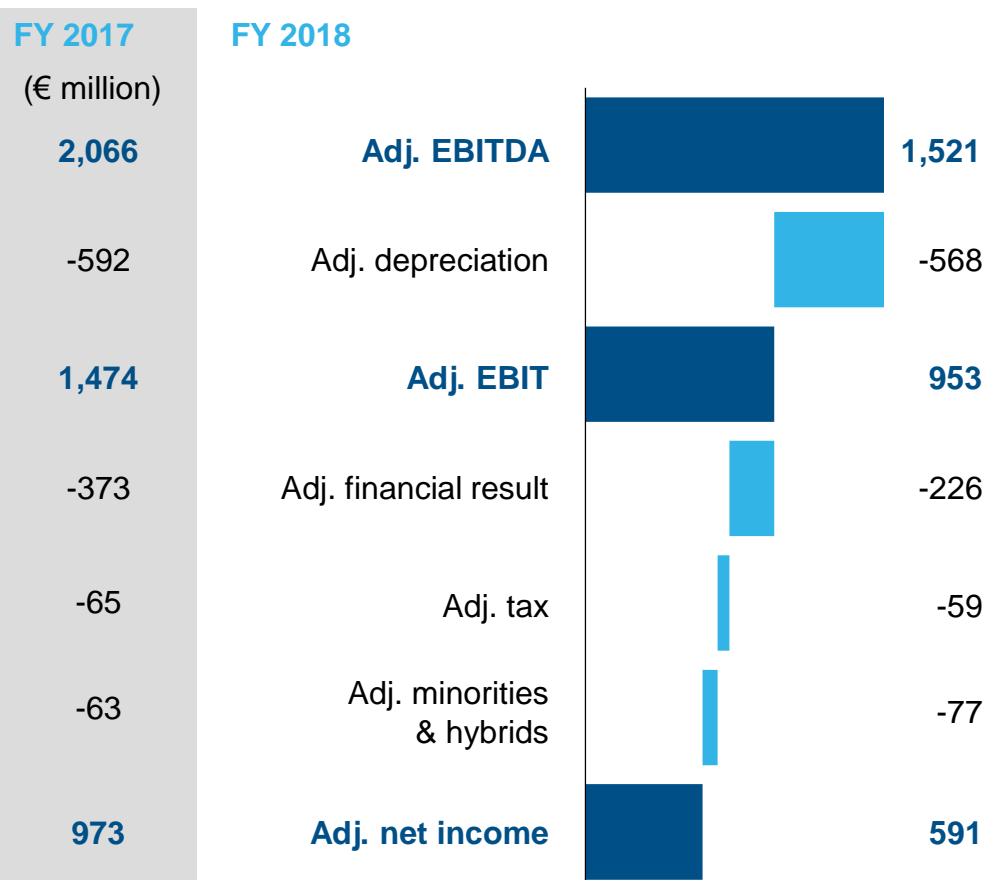
- ⊕ Good performance of gas and LNG business; earnings contribution in the order of high previous year's result
- ⊖ Trading result below last year's level
- ⊖ Value adjustment within Principal Investment portfolio in Q2

Outlook for FY 2019 adjusted EBITDA: between €100 and €300 million

- > Expected longer-term average earnings contribution of approx. €200 million

Adjusted net income for FY 2018 reaches €591 million

RWE stand-alone



- > RWE stand-alone adj. EBITDA includes adj. EBITDA from Lignite & Nuclear, European Power, Supply & Trading and dividend from innogy
- > Financial result mainly adjusted for mark-to-market valuation of securities according to IFRS 9 and impact from adjustment of discount rates for long-term provisions
- > Limited adjusted taxable earnings at RWE stand-alone
- > Adjustments of tax and minorities resulting from the adjustments in the non-operating and financial result as well as deferred taxes
- > Hybrid bonds partly classified as equity pursuant to IFRS

Distributable cash flow at € 261 million mainly driven by lower adjusted EBITDA

RWE stand-alone

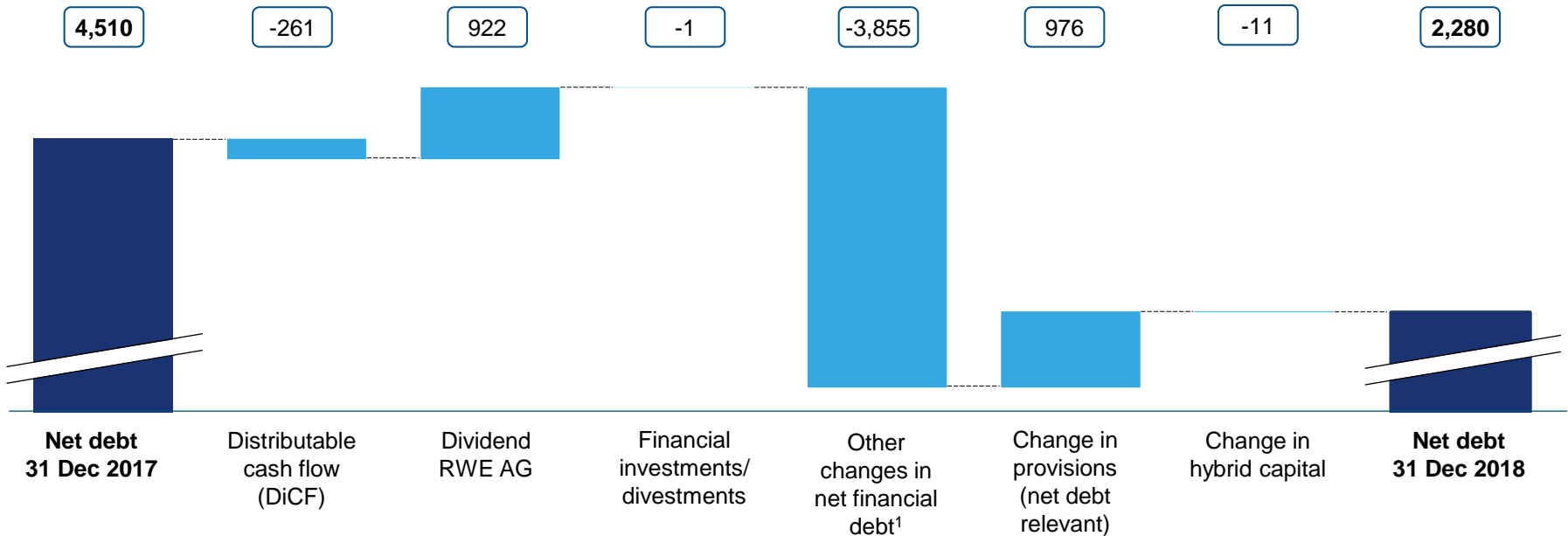
FY 2017	FY 2018	
(€ million)		
2,066		Adj. EBITDA
-639		Change in provisions & other non-cash items
-404		Capex
1,023		Cash contribution
-283		Change in operating working capital
-136		Cash interests/taxes
-72		Minorities & hybrids
533		Distributable cash flow (DiCF)
		1,521
		-586
		-485
		450
		-104
		-21
		-64
		261

- > innogy dividend of €683 million (FY 2017: €683 million) fully reflected in adj. EBITDA
- > Lower changes in provisions & other non-cash items mainly due to reduced utilisation of provisions for legacy contracts
- > Higher capex due to increased maintenance at European Power, investment in Dutch biomass co-firing and higher capex because of accelerated relocation in the lignite mining area
- > High working capital at year-end mainly driven by higher gas inventories and accruals expected to reverse in 2019. Previous year was negatively affected by phase-out of working capital optimisation measures
- > Improvement in cash interests after redemption and buy back of hybrids in 2017

Strong decline of net debt due to high inflow of variation margins

Development of net debt (RWE stand-alone)

(€ million)



¹ Includes approx. €4.4 billion from financing effects such as change of variation margins which will revert once the underlying transactions are realised or commodity trends turn around.

RWE stand-alone – outlook for 2019

FY 2018

FY 2019e

€1.5 bn

Adj. EBITDA

€1.2 bn –
€1.5 bn

-€0.6 bn

Adj. depreciation



> Slight increase among others due to implementation of IFRS 16

-€0.2bn

Adj. net financial result



> Stable development expected

-€0.1bn

Adj. taxes



> Stable development expected

-€0.1bn

Adj. minorities & hybrid



> Decline after call of hybrid in March 2019

€0.6bn

Adj. net income

€0.3 bn –
€0.6 bn

€2.3bn

Net debt

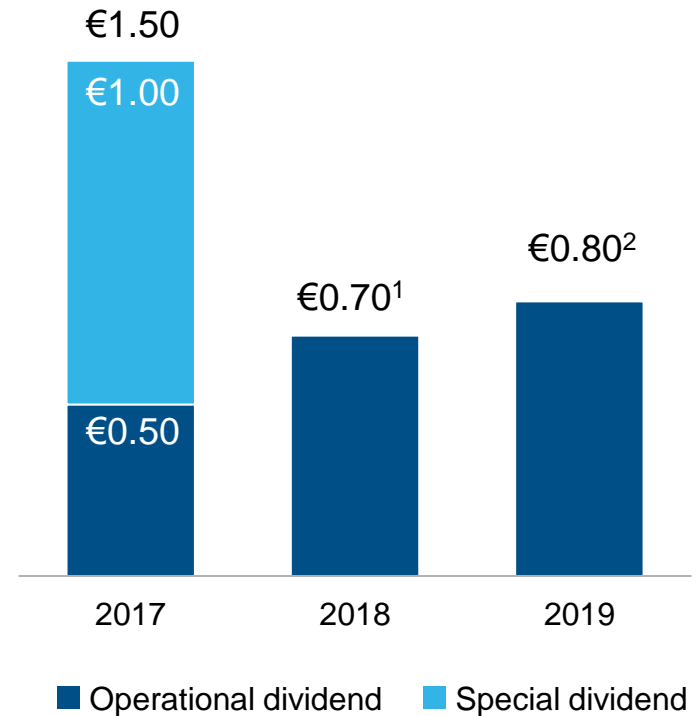
Significantly above previous year

Positive negative impact on earnings.

Target to pay attractive dividends

Elements of dividend policy

- > Dividends until 2019 driven by distributable cash flow of RWE stand-alone
- > Increase in operational dividend 2018 of 40% to €0.70¹
- > Management target to further increase dividend for 2019 to €0.80
- > After closing of innogy transaction change in dividend policy envisaged (relevant from FY 2020 onwards):
Return to pay-out ratio based on adjusted net income



¹ Dividend proposal for RWE AG's 2018 fiscal year, subject to the passing of a resolution by the 3 May 2019 Annual General Meeting

² Management target

Appendix

Reconciliation to adjusted net income

RWE stand-alone (€ million)	Fiscal year 2018			FY 2017	change
	Reported	Adjustments	Adjusted	Adjusted	Adjusted
Adjusted EBITDA	1,521	-	1,521	2,066	-545
Depreciation	-568	-	-568	-592	24
Adjusted EBIT	953	-	953	1,474	-521
Non-operating result	-275	275	-	-	-
Financial result	-373	147	-226	-373	147
Taxes on income (Tax rate)	36 (-12%)	-95	-59 (8%)	-65 (6%)	6
Income (of which:)	341	327	668	1,036	-368
Non-controlling interests	17	1	18	21	-3
Hybrid investors' interest	59	-	59	42	17
Net income¹	265	326	591	973	-382

¹ Income attributable to RWE AG shareholders.

Income statement fiscal year 2018

(€ million)

Revenue (including natural gas tax/electricity tax)

Natural gas tax/electricity tax

Revenue

Other operating result

Cost of materials

Staff costs

Depreciation, amortisation and impairment losses

Income from operating activities of continuing operations

Income from investments accounted for using the equity method

Other income from investments

of which: income from the investment in innogy

Financial result

Income of continuing operations before tax

Taxes on income

Income of continuing operations

Income discontinued operations

Income

of which: non-controlling interests

of which: RWE AG hybrid capital investors' interest

of which: net income/income attributable to RWE AG shareholders

	RWE stand-alone	RWE Group
	12,429	13,529
	-141	-141
	12,288	13,388
	8	-19
	-10,049	-10,237
	-1,703	-1,895
	-598	-948
	-54	289
	158	211
	574	-42
	683	-
	-373	-409
	305	49
	36	-103
	341	-54
	-	1,127
	341	1,073
	17	679
	59	59
	265	335

Balance sheet as at 31 December 2018

(€ million)

Assets

Intangible assets	1,038	2,193
Property, plant and equipment	6,614	12,409
Investments accounted for using the equity method	726	1,467
Other financial assets ¹	16,738	400
Inventories	1,595	1,631
Financial receivables	4,455	2,892
Trade accounts receivable	3,081	1,963
Other receivables and other assets	8,048	8,354
Income tax assets	335	347
Deferred taxes	394	824
Marketable securities	3,609	3,609
Cash and cash equivalents	3,211	3,523
Assets held for sale	-	40,496

49,844

80,108

Equity and liabilities

RWE AG shareholders' interest	17,415	8,736
RWE AG hybrid capital investors' interest	940	940
Non-controlling interests	140	4,581

Total equity

18,495

14,257

Provisions	17,661	18,478
Financial liabilities	2,227	2,764
Other liabilities	10,024	10,137
Income tax liabilities	2	38
Deferred tax liabilities	1,435	1,638
Liabilities held for sale	-	32,796

Total liabilities

31,349

65,851

49,844

80,108

¹ Includes for RWE stand-alone innogy stake of €16.4 billion according to value agreed with E.ON for transaction.

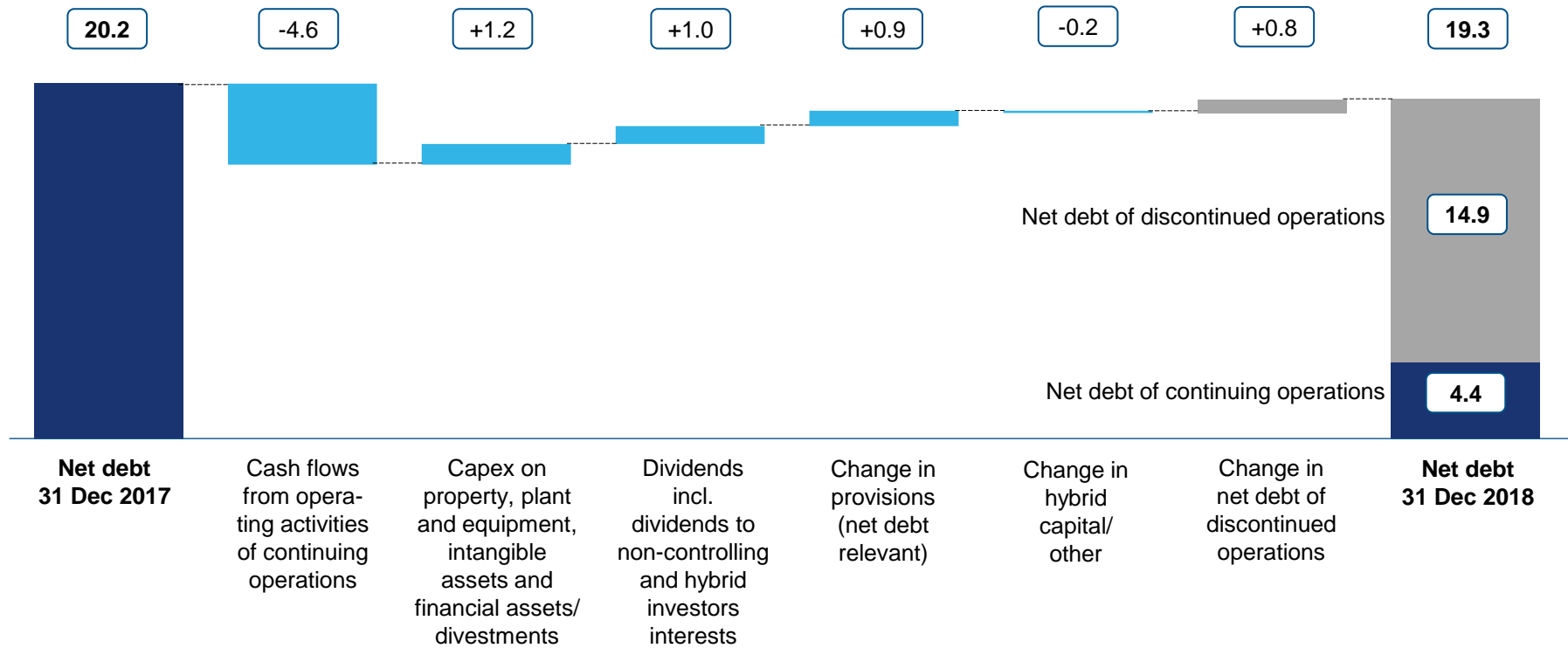
Net debt as at 31 December 2018

(€ million)	RWE stand-alone	RWE Group
Cash and cash equivalents	3,211	3,523
Marketable securities	3,863	3,863
Other financial assets	4,432	2,809
of which: financial receivables against innogy	1,662	-
Financial assets	11,506	10,195
Bonds, other notes payable, bank debt, commercial paper	1,176	1,657
Hedge transactions related to bonds	12	12
Other financial liabilities	1,052	1,107
Financial liabilities	2,240	2,776
Net financial debt	-9,266	-7,419
Provisions for pensions and similar obligations	3,174	3,287
Capitalised surplus of plan assets over benefit obligations	-	-213
Provisions for nuclear waste management	5,944	5,944
Mining provisions	2,516	2,516
Provisions for dismantling wind farms	-	362
Adjustment for hybrid capital (portion of relevance to the rating)	-88	-88
Plus 50% of the hybrid capital stated as equity	470	470
Minus 50% of the hybrid capital stated as debt	-558	-558
Net debt of continuing operations	2,280	4,389
Net debt of discontinued operations	-	14,950
Net debt	2,280	19,339

Lower RWE Group net debt mainly due to high inflow of variation margins

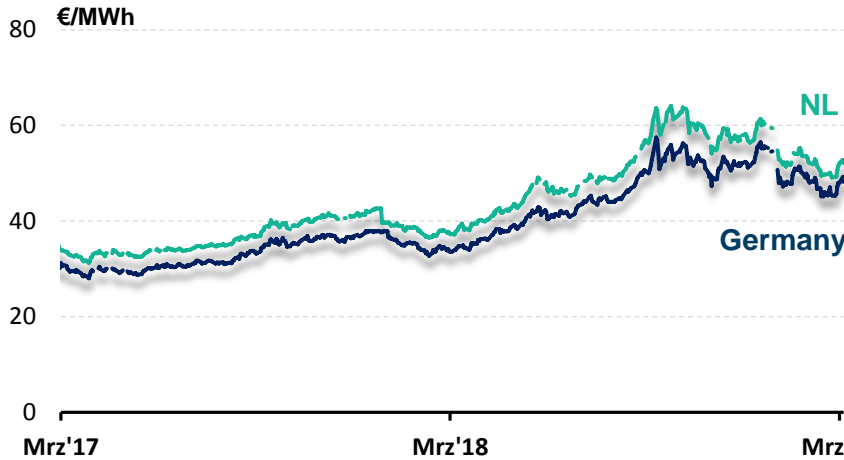
Development of net debt (RWE Group)

(€ billion)

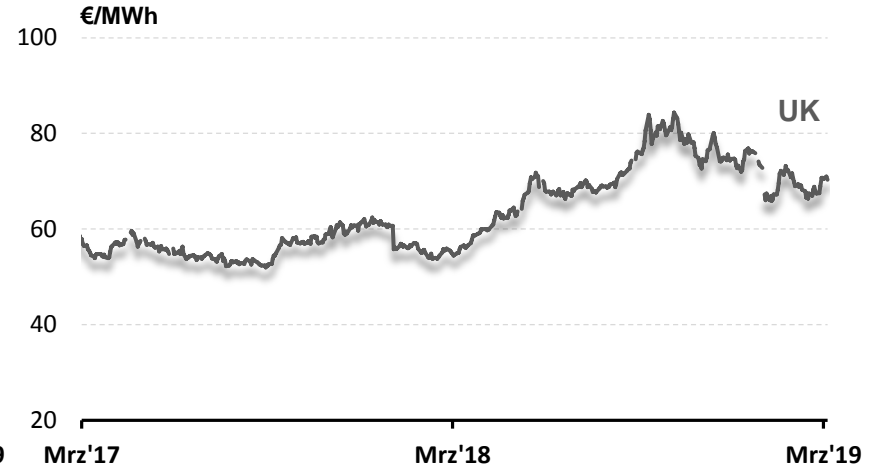


Power prices and commodities

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



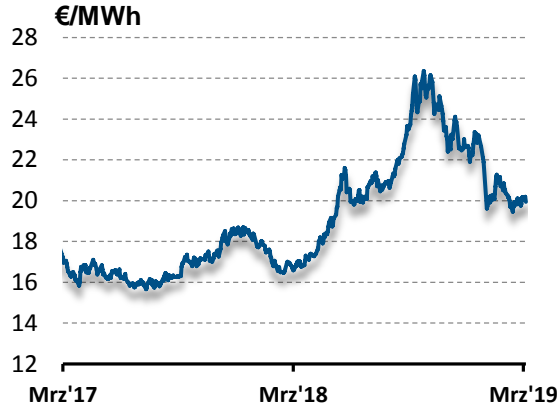
Base load power prices – UK (1 year forward)



Coal prices – API2 Cal-ahead



Gas prices – TTF Cal-ahead



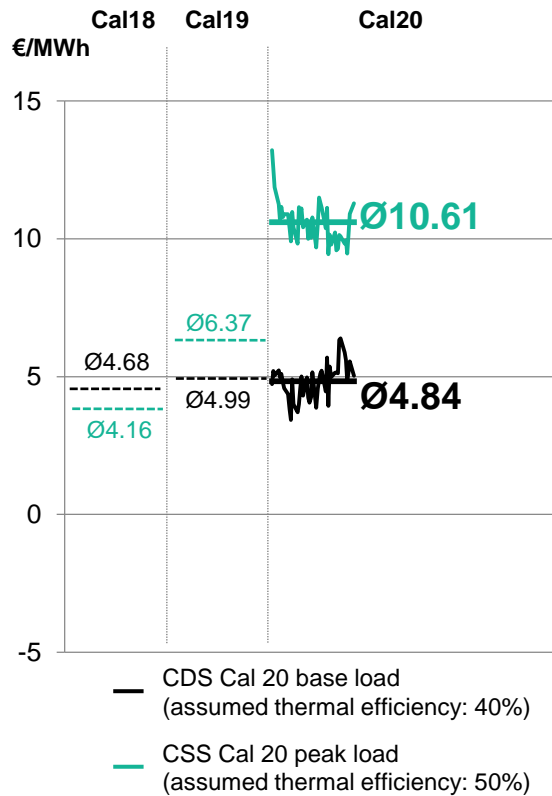
Carbon prices - EU ETS



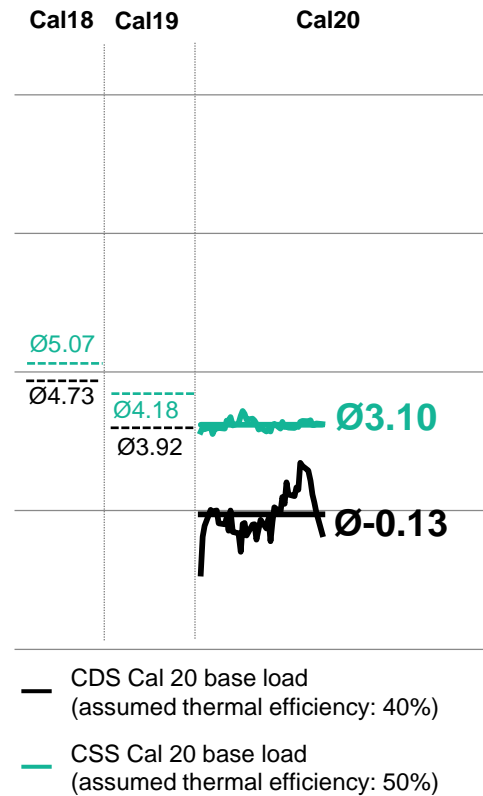
Source: Bloomberg; prices through to 4 March 2019.

Clean Dark (CDS) and Spark Spreads (CSS) – 2018 - 2020 forwards for Germany, UK and NL¹

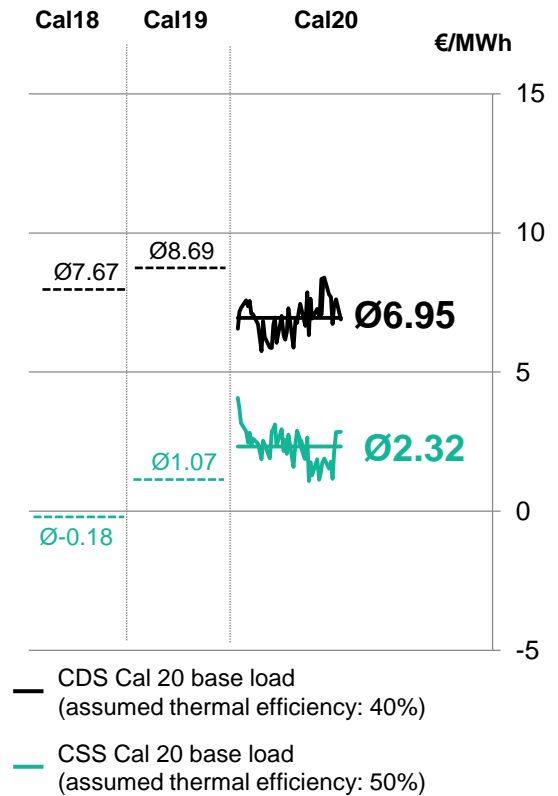
Germany



UK²



Netherlands



¹ Settlement one year ahead (Cal+1) | ² Including UK carbon tax | Source: RWE Supply & Trading, prices through to 4 March 2020.

Your contacts @RWE Investor Relations

Important Links

- > Annual and Interim Reports & Statements
<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

- > **3 May 2019**
Annual General Meeting
- > **15 May 2019**
Interim statement on the first quarter of 2019
- > **14 August 2019**
Interim report on the first half of 2019
- > **14 November 2019**
Interim statement on the first three quarters of 2019
- > **12 March 2020**
Annual report 2019



Contacts for Institutional Investors & Financial Analysts



- > **Gunhild Grieve**
Head of Investor Relations
Tel. +49 201 5179-3110
gunhild.grieve@rwe.com



- > **Martin Vahlbrock**
Tel.: +49 201 5179-3117
martin.vahlbrock@rwe.com



- > **Dr. Burkhard Pahnke**
Tel.: +49 201 5179-3118
burkhard.pahnke@rwe.com



- > **Lenka Zikmundova**
Tel.: +49 201 5179-3116
lenka.zikmundova@rwe.com



- > **Jérôme Hördemann**
Tel.: +49 201 5179-3119
jerome.hoerdemann@rwe.com



- > **Susanne Lange**
Tel.: +49 201 5179-3120
susanne.lange@rwe.com

Contact for Private Shareholders



- > **Sabine Gathmann**
Tel.: +49 201 5179-3115
sabine.gathmann@rwe.com



Powering. Reliable. Future.

RWE