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2 October 2024

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RATINGS

RWE AG

Domicile	Essen, Germany
Long Term Rating	Baa2
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the *ratings section* *at the end of this report* *for more information. The ratings and outlook shown reflect information as of the publication date.*

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RWE AG

Update to credit analysis

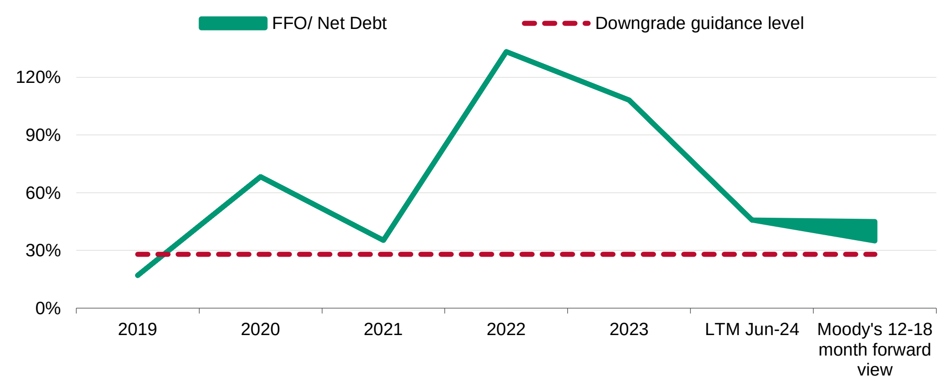
Summary

RWE AG's (RWE) Baa2 issuer rating reflects the size and diversification of its generation portfolio; progress in executing the strategy of growing renewables capacity; the phase-out of its conventional thermal coal-based capacity through 2030; and solid financial metrics, underpinned by a balanced financial policy and solid operating performance.

RWE's credit profile is constrained by its sizeable capital spending programme of €55 billion in net cash investments through 2030, with some degree of execution risk; its exposure to inherently volatile trading activities and wholesale commodity prices; and the relatively short remaining life of its coal and lignite conventional generation earnings, in the context of long-term provisions.

Exhibit 1

We expect RWE's funds from operations (FFO)/net debt to stay comfortably above our guidance through 2025 at least



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
The forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Large and diversified generation portfolio with a growing focus on renewables (RES)

» Lower-risk contracted renewables to account for most of the cash flow

» Flexible generation capacity such as gas complements volatile RES output

» Balanced financial policy and commitment to maintaining a strong investment-grade rating

Credit challenges

» Sizeable investment programme will exert pressure on leverage metrics

» High exposure to commodity prices

» Long-term decommissioning and mining provisions associated with legacy nuclear and thermal coal generation lead to extended period of cash outflows, which is only partly matched by earnings from generation sales

Rating outlook

The stable rating outlook reflects our expectation that RWE will continue to transform its renewables pipeline into earnings, allowing for its funds from operations (FFO)/net debt to remain at least in the high-20s in percentage terms. Moreover, the stable outlook also incorporates our expectation that RWE will act to protect its credit metrics should this become necessary.

Factors that could lead to an upgrade

Given RWE's focus on growth expenditure and the company's expectation that leverage will increase after 2025, a rating upgrade is not currently anticipated.

Factors that could lead to a downgrade

The Baa2 issuer rating could be downgraded should RWE persistently fail to maintain its FFO/net debt at least in the high-20s in percentage terms. A return of high price volatility in the commodity markets could also lead to downward pressure on the rating, should RWE's liquidity deteriorate sharply.

Key indicators

Exhibit 2
RWE AG (consolidated)

	2019	2020	2021	2022	2023	LTM Jun-24	Moody's 12-18 month forward view
FFO / Net Debt	17.0%	68.4%	35.2%	133.3%	108.2%	45.7%	33% - 37%
RCF / Net Debt	10.2%	58.6%	25.1%	114.5%	95.2%	38.2%	25% - 28%
(FFO + Interest Expense) / Interest Expense	3.2x	6.7x	5.0x	6.6x	6.1x	5.2x	4.5x - 4.9x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

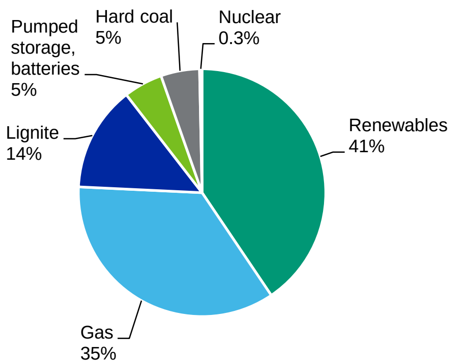
Profile

RWE AG, headquartered in Essen, is a holding company for a group that is mainly involved in power generation. With nearly 130 terawatt hours (TWh) of electricity output (2023 data), it is one of the largest generators in Europe.

As of 30 June 2024, the group operated around 45.0 gigawatts (GW) of generation capacity on a pro rata basis[1], including 18.1 GW of RES (excluding pumped storage hydro), 15.7 GW of gas plants, 8.4 GW of coal and lignite-fired plants, and 2.3 GW of pumped storage hydro and batteries. Following the complete exit from nuclear generation in Germany in April 2023, RWE's residual nuclear capacity amounts to around 0.1 GW (share in Dutch nuclear plant).

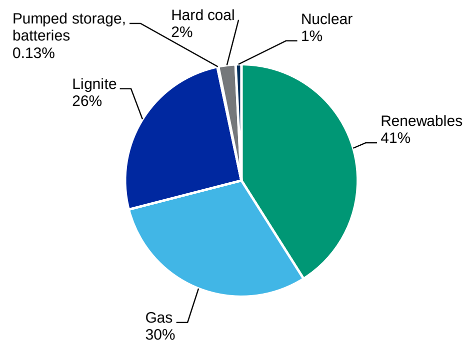
While RWE is pursuing investment opportunities worldwide, its current geographical footprint is focussed on Germany (Aaa stable) with around 16 GW, the United Kingdom (Aa3 stable, 10 GW) and the United States (Aaa negative, 9.7 GW). The presence in the US is mainly driven by the acquisition of Con Edison Clean Energy Businesses, Inc (CEB) in March 2023.

Exhibit 3
RWE has diversified installed capacity ...
Breakdown of installed capacity by fuel type (as of June 2024)



Total installed pro rata capacity of 45.0 GW.
Sources: Company filings and Moody's Ratings

Exhibit 4
... with most of its output being generated by RES
Breakdown of output by technologies/fuels (as of June 2024)



Total output of 121 TWh (accounting view) as of the 12 months that ended June 2024.
Sources: Company filings and Moody's Ratings

RWE is listed on the Frankfurt Stock Exchange. As of 1 October 2024, the company had a market capitalisation of around €27 billion.

Detailed credit considerations

Strategy 2030: Focus on build-out of renewables (RES) and exit from remaining coal and lignite plants

At its November 2023 capital markets day (CMD), RWE presented an update of its strategy, reflected in planned capital expenditures (CAPEX) through 2030. Key targets include:

» CAPEX, defined as net cash investments, at a level of €55 billion over 2024-30

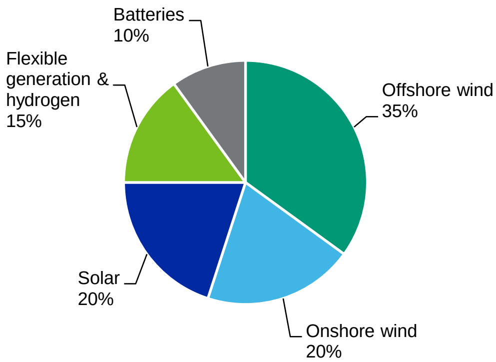
» Installed generation capacity to reach at least 65 GW by 2030, with no coal/lignite plants, up from 45 GW currently (see above)

» Geographic capacity mix to remain broadly unchanged, with the US, Germany and the UK accounting for around 80% in aggregate

» EBITDA to reach more than €9 billion by 2030, with a 75% earnings contribution from RES, compared with €7.7 billion (excluding earnings from coal and nuclear) in 2023, with a 38% share coming from RES

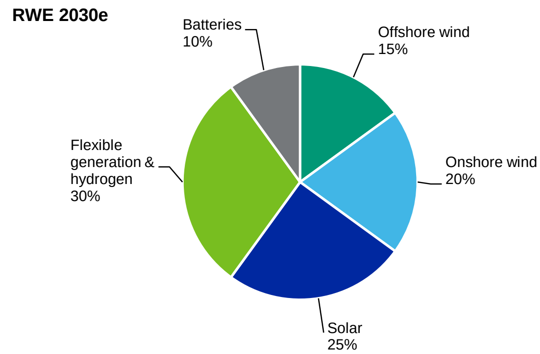
To accommodate the ambitious growth plans, RWE has somewhat loosened its leverage target — defined as net debt/adjusted EBITDA as calculated by the company — from a maximum level of 3.0x to 3.5x after 2025. Despite last year's acquisition of CEB adding more than 3 GW of capacity in operation and a 7 GW pipeline, each largely focused on photovoltaics, adding some 4 GW of RES annually to reach the 65 GW target will be tough due to still-inadequate auction prices at times; lengthy permitting processes; and potential supply-chain disruptions from geopolitical or trade frictions.

Exhibit 5
Net cash CAPEX of €55 billion through 2030 are focussed on wind and solar



Sources: Company filings and Moody's Ratings

Exhibit 6
RWE's plans for more than 65 GW of renewables capacity by 2030 display a balanced mix of technologies



Sources: Company filings and Moody's Ratings

Offshore wind: Sizeable pipeline of new projects to come online over the next five years, underpinned by long-term contracted earnings

RWE's offshore capacity currently stands at 3.3 GW and is concentrated in the UK (1.9 GW) and Germany (1.2 GW) and is meant to increase to 10 GW by 2030. In 2023, the segment contributed around €1.7 billion to group EBITDA. We expect this segment's earnings to remain within a +/-10% corridor of the 2023 result through 2026, given that no new capacity is planned to be commissioned overt the period; and existing capacities continue to benefit from the support schemes currently in place, although with some downward adjustment of feed-in tariffs (FiT) for some German installations. In the six months to June 2024, segment EBITDA amounted to €828 million, up from €762 million in the same period last year due to better wind conditions. It, therefore, appears to be well on track to meet RWE's 2024 guidance of the lower end of €1.45 billion-€1.85 billion.

Offshore wind earnings growth will be largely driven by newly commissioned capacity. If implemented as planned, projects commissioned through 2029 would add around 5.7 GW of net installed capacity, including Sofia (UK, 1.4 GW); Thor (Denmark, Aaa stable; 1.1 GW); OranjeWind (Netherlands, Aaa stable; 0.8 GW); North Sea Clusters A+B (Germany, 1.6 GW) and Dublin Array (Ireland, Aa3 positive; 0.8 GW).

While RWE's existing offshore capacity for the most part benefits from government-based support schemes such as Renewables Obligation Certificates in the UK or FiT in Germany, upcoming projects (Sofia and Dublin Array) are remunerated through auction-based contracts-for-difference (CfD); or are exposed to power price risk (merchant basis), mitigated through power-purchase agreements (PPA) with utilities or corporates (Thor, OranjeWind and North Sea Clusters) or hedging. Demand for RES-based PPAs from energy-intensive sectors and companies like Amazon.com, Inc. (A1 stable), Microsoft Corporation (Aaa stable) or Alphabet Inc. (Aa2 stable), grew significantly to around 42 GW in 2023 from less than 20 GW in 2019, driven by the desire to decarbonize their footprint.

The company's project pipeline with commission dates in 2030 and beyond comprises around 6 GW in the UK, including the Norfolk sites (4.2 GW) bought from Vattenfall AB (A3 stable) in late 2023 for GBP963 million; around 6 GW (seabed leases) in the US spread across New York (2.4 GW), California (1.6 GW) and the Gulf of Mexico (2 GW); 5.7 GW in South Korea (Aa2 stable), Japan (A1 stable) and Australia (Aaa stable); and two sites in the German North Sea (4 GW), which were awarded to RWE together with TotalEnergies SE (A1 positive) in an auction in August 2024.

While offshore wind CAPEX bears a higher execution risk than other RES investments, RWE has set robust hurdle rates — expressed as an internal rate of return (IRR; post-tax, unlevered, nominal) of 7%-11% — for new offshore projects and seeks to lock in the vast majority of costs on projects where the final investment decision (FID) has been taken. In contrast to its peers including Vattenfall and Orsted A/S (Baa1 negative) in 2023, RWE has not incurred any impairments to date on new projects.

In addition, the company reduces exposure to single projects by selling down significant minority stakes, exemplified by its recent disposal in the UK project Dogger Bank South, where RWE sold 49% to Abu Dhabi Future Energy Company PJSC (Masdar; A2 stable).

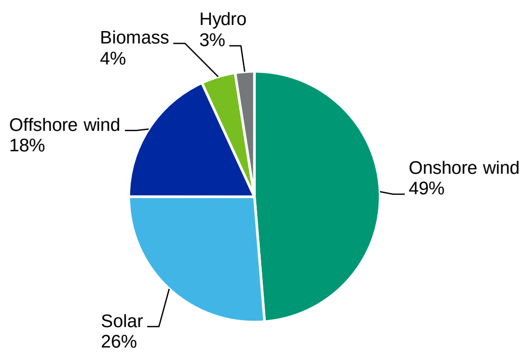
Therefore, we view RWE as well positioned to successfully balance risks and returns of its offshore wind business, underpinned by long-term earnings predictability through existing support schemes, CfDs or PPAs, all of which provide a high degree of insulation from wholesale power price volatility. The long-term contracted cash flow under supportive and well-established regulatory regimes benefits RWE's credit quality albeit the company remains exposed to volume risk.

Onshore wind and solar: Steady capacity growth trajectory to result in higher segment earnings with short time-lag, subject to resource risk

As of 30 June 2024, RWE's installed capacity of onshore wind, solar and batteries amounted to 14.3 GW, mainly onshore wind (8.8 GW) and solar (4.8 GW), and located primarily in the US (9.7 GW), largely a result of the CEB acquisition in 2023. The aggregate capacity target for 2030 is 36 GW (14 wind, 16 solar, 6 batteries), mainly spread across the US and various countries in Europe, with 28 GW installed capacity to be reached through 2027.

Exhibit 7

Acquisition of CEB has contributed to a more balanced renewables portfolio, although some concentration in onshore wind persists
Installed renewables capacity (as of June 2024)



Total pro rata capacity of 18.1 GW.
Sources: Company filings and Moody's Ratings

In contrast to offshore wind, this segment is marked by a multitude of smaller projects, with battery storage frequently complementing the build-out of wind and solar. RWE's portfolio will thus continue to be geographically diversified, with relatively short lead times between project development and earnings, especially for solar. Based on RWE's goal to nearly double the current capacity by 2027, we estimate EBITDA to increase to slightly under €2.5 billion through 2026, up from €1.25 billion in 2023, assuming similar load factors to current installations. For EBITDA in 2024, RWE has guided towards the lower end of €1.5 billion-€1.9 billion, which is supported by half-year earnings of €730 million (same period in 2023: €519 million), driven by capacity growth; the consolidation of CEB for the full period (only from 1 March in 2023); benign weather conditions; and positive hedging effects.

However, resource risk — the availability of wind and solar radiation — is higher than offshore wind and can lead to significant output volatility year over year (see our Sector In-Depth report "Resource risk brings earnings volatility to renewables" from November 2023).

Onshore wind and battery developments have lower development risk than offshore wind whilst flexibility in project implementation allows RWE to fine-tune its CAPEX program and, potentially, mitigate cost and timing variations in larger offshore wind or flexible generation projects (see below). The somewhat lower risk than offshore is reflected in an IRR target range of 6%-10%.

Considerations of earnings sources discussed for offshore wind also apply for onshore wind and solar, and we estimate for 2024-26 that well above 70% of EBITDA of the RES portfolio (including offshore wind) will be made up of supported or contracted (CfD, PPA) earnings, which are not exposed to merchant power risk, which in addition is mitigated through hedging. RWE estimates the remaining life of contracted earnings to be around 14 years.

Flexible generation and hydrogen: EBITDA is highly correlated with commodity price volatility but medium-term capacity payments provide an earnings floor

This segment currently comprises 18.5 GW of installed capacity, mainly gas (15.7 GW) and pumped hydro storage (1.6 GW) plus some biomass and other hydro plants. The business model of this segment rests on the need to balance system supply and demand, a task that has become more challenging with the growing share of intermittent RES.

Segment EBITDA comes from three main sources:

» System services, where RWE receives capacity payments from the transmission system operators (TSO) in the UK and Germany in exchange for making flexible power plants available at short notice under short- to medium-term contracts awarded under capacity auctions

» Intraday and day-ahead optimisation, mainly resulting from short-term RES output volatility, when RWE earns margins from the short-term dispatch of its flexible generation fleet to balance the grid

» Running the asset fleet, whereby RWE profits from the widening of the clean spreads in the forward markets, partly locked in through hedges, as well as from volatility in commodity prices

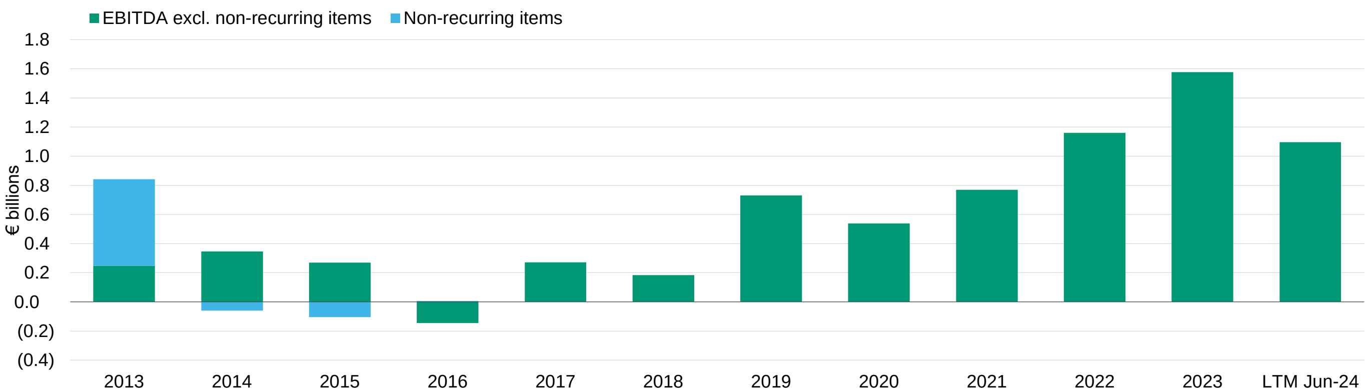
The last source above explains the record EBITDA earnings of €3.2 billion in this segment in 2023. However, as price volatility has reduced and favorable hedges will run off, RWE has indicated 2024 earnings at the lower end of €1.8 billion to 2.2 billion, which is supported by the half-year earnings drop in 2024 to €1 billion from €1.95 billion in the first half of 2023, largely caused by much lower earnings from running the asset fleet in a less volatile price environment. Unless price volatility is to return, we expect earnings in 2025 and 2026 to not surpass €1.5 billion.

Structural growth in this segment is likely to come from electrolyzer capacity, namely the H2ercules and GET H2 projects in Germany (among them planned is 1.3 GW of electrolysis capacity) and around 0.6 GW of capacity in the UK (Pembroke, Teesside and Grangemouth), all of which are planned to be commissioned in 2027-30 and partly funded with grants. Further opportunities could arise from Germany's government plans to support the installation of 12.5 GW of gas-fired and, at least partly, hydrogen-ready power plants with capacity payments to ensure controllable capacity as a complement to the country's ambitious RES expansion. Initial tenders are planned for 2025, but the capacity mechanism is still under discussion.

Supply and trading: High earnings volatility, which may be accompanied by working capital swings

RWE has a significant trading business that focuses on proprietary trading and on maximising earnings from its extensive and globally diversified positions and understanding of the commodity and power markets. The company trades both physical and financial products in liquid markets. Trading activities account for most of this segment's gross margin, with the remainder generated by supply. On average, about 75% of the gross margin is likely to come from physical and financial trading, and the remaining 25% from management of gas supply and infrastructure products, and business-to-business operations for large industrial customers and municipalities.

Exhibit 8
Supply and trading earnings can be volatile
Adjusted EBITDA



Periods are financial year-end unless indicated. LTM = Last 12 months. EBITDA in 2022 includes a negative €748 million non-recurring effect from gas supplies in the context of the cessation of Russian gas pipeline imports.
Non-recurring items include mainly legacy gas midstream contracts.
Sources: Company filings and Moody's Ratings

By nature, supply and trading can be very volatile. RWE guides to mid-point earnings of €300 million per annum through 2030, a threshold that was last missed in 2018. The trading activities may increase the volatility of RWE's operating cash flow because of associated working capital swings.

CAPEX requirements for supply and trading are typically low. However, we expect outlays of €400 million-€500 million through 2026 related to RWE's 10% share in the liquefied natural gas (LNG) import terminal and the company's role as sponsor of an adjacent ammonia import facility in Brunsbuettel (Germany); and the hydrogen storage project Gronau-Epe.

Phaseout technologies coal/lignite and nuclear: Long-term cash outflows from mining provisions are partly funded from government subsidies

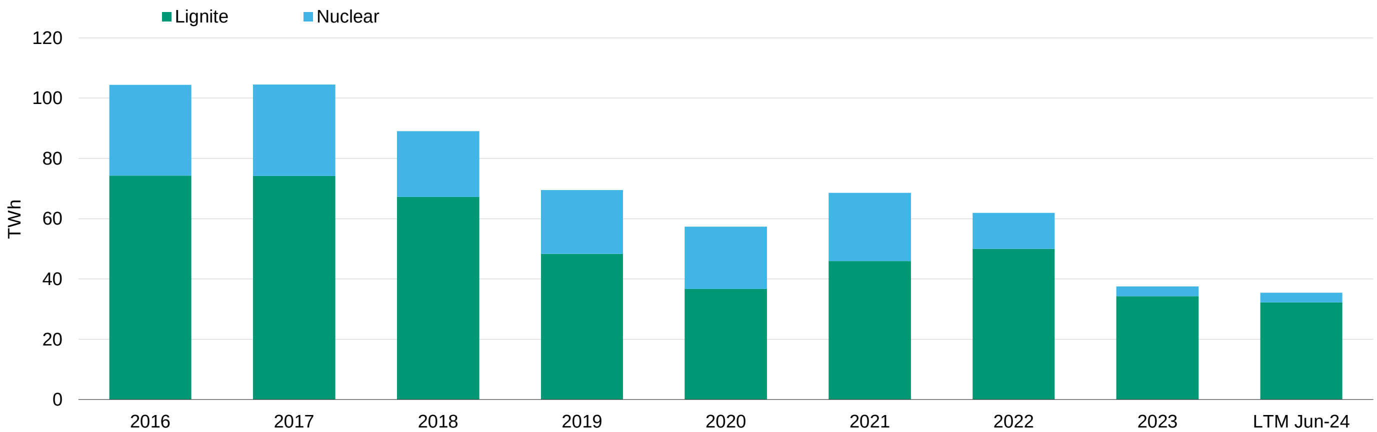
From 2024, RWE's residual coal, lignite and nuclear capacities are designated as "phaseout technologies", underlining the company's intention to exit the activities by 2030; as for nuclear, the company's remaining exposure is a 30% share in the Dutch plant EPZ (around 150 megawatts [MW]). Hard coal capacities amount to 2.3 GW, primarily Dutch plants Eemshaven A and B (together 1.4 GW), which are to be converted to biomass, and RWE's 40% stake (0.8 GW) in the German plant GKM (32% co-owner EnBW Energie Baden-Wuerttemberg AG, Baa1 stable), which is to be phased out by 2028.

Lignite, with around 6.2 GW, accounts for the largest capacity share after five blocks totalling 2.1 GW were closed down at the end of March 2024. The remaining units will be closed by March 2030, in accordance with a 2022 agreement between RWE and the German government. The agreement included €2.6 billion in compensation payments from the government to account for the accelerated exit (instead of a possible latest end date of 2038), which was approved under state aid rules by the EU Commission in December 2023.

Given the exit route, RWE announced its plan to operate the lignite generation on a cash flow-neutral basis through 2030, implying that revenue is meant to cover fuel, carbon, other operating costs and CAPEX, but excluding the closure of mining operations. The re-cultivation costs of the open-cast lignite mines in Germany are reflected in mining provisions that amounted to around €7 billion at the end of 2023. Apart from the compensation payments from the German government, RWE had previously declared its 15% stake in the German utility E.ON SE (Baa2 stable) to be virtually "ring-fenced" to offset the mining obligations (market value of around €39 billion as of 1 October 2024) but confirmed in its half-year earnings call in August 2024 that the shareholding in E.ON was not strategic.

Given RWE's growing earnings from supported and contracted RES operations in conjunction with a long-term horizon for cash outflows from the mining provisions, we view a potential sale of the E.ON shares as credit neutral. This assessment assumes proceeds would be predominantly invested in growing RWE's renewables portfolio with largely contracted earnings while noting that E.ON derives around 75% of its EBITDA from regulated distribution networks in Germany and other European countries.

Exhibit 9
Lignite output has declined as electricity prices have come down and concerns about security of gas supply have receded
Output (in TWh)



Periods are financial year-end unless indicated. LTM = Last 12 months.
Sources: Company filings and Moody's Ratings

Leverage metrics will likely meet rating guidance despite large CAPEX spending

For 2024, RWE confirmed at the half-year results presentation its initial guidance for adjusted EBITDA at the lower end of €5.2 billion-€5.8 billion (this does not include earnings from phaseout technologies), a significant drop from €7.75 billion achieved in 2023. The lower expected earnings are mainly a reflection of lower power prices and less price volatility in Europe observed since early 2023, when gas prices started to revert towards pre-crisis levels on the back of less dependence on Russian pipeline gas, as a result of increased LNG imports and well-filled gas storages.

RWE hedges its baseload (outright) generation and the merchant tail of RES output, which has enabled it to lock in the high prices and lucrative spreads observed in 2022 and 2023, that is the gross margin of revenue less fuel and carbon costs, underpinned by the early hedging of its carbon exposure through 2030. However, the positive hedging effects on EBITDA will largely have run off through 2025.

Assuming power prices remain largely aligned to current forward prices through 2026, we estimate Moody's-adjusted FFO over this period to range between €4 billion and €5 billion. This is compared with €2.6 billion in 2021, the last year before the energy crisis triggered by Russia's invasion of Ukraine (Ca stable), which led to sharply higher energy prices and the high profits observed in 2022 and 2023 of €6.6 billion and €8 billion, respectively. The main driver of FFO will be the capacity growth of RES. Given that net CAPEX per RWE's 2030 strategy amount to around €8 billion per annum and assuming annual dividends (including minority interests) of around €1.1 billion-€1.2 billion, RWE is likely to consistently record negative free cash flow over the coming years.

Moody's-adjusted net debt levels are further driven by adjustments for nuclear decommissioning liabilities; and unfunded pension obligations (around €1.2 billion as of half-year 2024). As both items are recorded at their net present values, they are subject to some volatility depending mainly on the evolution of discount rates. As of 30 June 2024, nuclear provisions were around €5.2 billion, with an estimated annual cash outflow of €450 million-€650 million, as the plants are fully decommissioned. As these pay-outs are akin to the repayment of debt, we add these back to FFO to properly reflect RWE's debt capacity. While the development of net debt is also influenced by the cash inflows and outflows associated with margin and collateral payments, we do not include these in our FFO calculations, as they do not contribute to RWE's earnings.

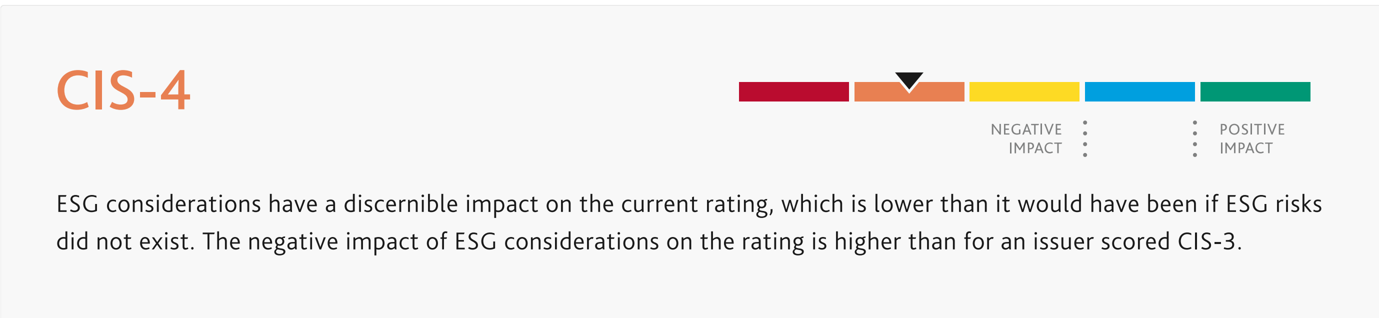
We expect RWE to meet our guidance levels of FFO/net debt in the high-20s through 2026 despite the accumulation of CAPEX-related debt. While CAPEX amounts are sizeable, its distribution across multiple projects allows the company some flexibility to cancel or defer investments without suffering a significant drop in earnings. Furthermore, the company has intentionally guided to net cash investments rather than gross CAPEX, as this opens the possibility to farm down or entirely sell assets. Finally, we continue to view positively the company's commitment to maintaining a solid investment-grade credit rating and its track record of a balanced financial policy, as exemplified by the issuance of around €2.4 billion of mandatory convertible bonds to preserve sound credit metrics of funding the CEB acquisition.

At its CMD presentation in 2023, RWE re-iterated its intention to tolerate a higher net leverage, measured as RWE-adjusted net debt/ EBITDA, of 3.5x after 2025, which compares with the previous target of maintaining net leverage below 3.0x (actual 2023 leverage was 0.9x, 12 months to June 2024 was around 1.8x). In its calculation of net leverage, the company excludes liabilities related to its coal operations[2], having set aside assets intended to cover these liabilities. These include RWE's stake in E.ON and certain other assets such as its stake in Kelag, an Austrian utility, and its 25.1% holding in German TSO Amprion GmbH (Baa1 stable). It also no longer includes EBITDA derived from its coal and nuclear operations.

ESG considerations

RWE AG's ESG credit impact score is CIS-4

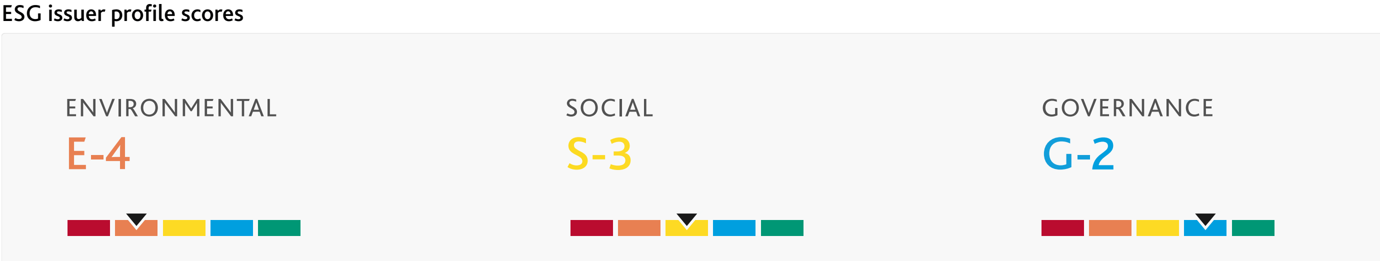
Exhibit 10
ESG credit impact score



Source: Moody's Ratings

RWE is **CIS-4**, indicating that its ESG attributes are overall considered to have a negative impact on the current rating. The scoring reflects a high degree of environmental risks, moderately negative social risks and neutral to low governance risks.

Exhibit 11
ESG issuer profile scores



Source: Moody's Ratings

Environmental

RWE is **E-4**, reflecting its reflects its still high carbon transition risk associated with the company's exposure to coal fired generation in Germany though the company has announced its intention to fully phase out coal capacity through 2030. RWE no longer has any obligations with regards to interim and final storage of its nuclear waste, but is responsible for nuclear decommissioning which is in progress. The profile score also captures the substantial investment programme that RWE is currently undertaking in renewables in order to replace its nuclear and coal fired generation. Given some exposure of the power plants and their grid connections to weather-related incidents, the company is also somewhat exposed to physical climate risk. We view risks associated with water management and natural capital as low.

Social

RWE is **S-3**, reflecting the risk that demographics and societal trends could include public concerns over energy affordability, which may lead to clawbacks of generators' profits as observed during the energy crisis in 2022. We view risks associated with customer relations, responsible production, human capital and health & safety as low, noting that RWE still has mining operations associated to its lignite operations.

Governance

RWE is **G-2**, reflecting the company's sound financial policy with leverage (net debt/EBITDA) target below 3x, to be raised to 3.5x after 2025 and also has confirmed its target to retain a strong investment grade rating, underpinned by a balanced approach regarding interests of creditors and shareholders. The company has also built a track record of regular and cautious earnings guidance.

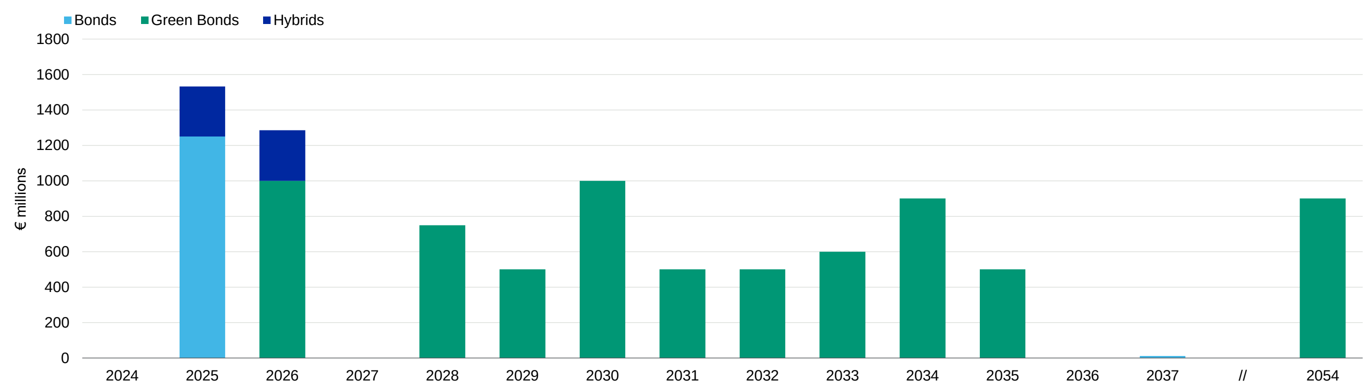
ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

As of 30 June 2024, RWE had close to €5.5 billion of cash and €6.2 billion of marketable securities, complemented by €10 billion of undrawn, syndicated and freely available committed credit lines, of which €5 billion will mature in June 2025 and the rest in April 2026. Together with operating earnings (EBITDA) of at least €5 billion, the company is comfortably positioned to cover net CAPEX, dividends, a €1.25 billion senior bond maturity in August 2025, and a hybrid bond of around €300 million whose call date is in April next year.

Exhibit 12

Debt maturity profile as of 30 June 2024



Periods are financial year-end unless indicated.
Sources: Company filings and Moody's Ratings

While commodity prices and electricity prices have come down substantially from the peak observed in the summer of 2022, RWE's cash flow and liquidity will be sensitive to future evolution of margin calls or the unwinding of these. In addition to potentially causing temporary pressure on liquidity, the evolution of margin calls and collaterals will ultimately also affect RWE's net debt level and Moody's-adjusted credit metrics.

Structural considerations

RWE's capital structure includes a mix of bank debt and hybrid securities. As of December 2023, RWE had two outstanding hybrids with a total carrying amount of €587 million. The two bonds can be called in April 2025 and March 2026 at the earliest. The Ba1 rating on the hybrid securities is two notches below RWE's senior unsecured rating, reflecting the features of the hybrids that receive a 50% equity credit for financial leverage calculations.

RWE generally funds any debt requirements centrally on the holding level of RWE AG, lately complemented by $2 billion of senior bond issuances through its newly established, fully guaranteed financing vehicle RWE Finance US, LLC, which will likely be the main source of dollar funding for RWE's growing US RES portfolio.

However, the acquisition of CEB came with some $2 billion of project finance debt to be assumed by RWE. We understand that scheduled repayments will reduce the balance to around $1 billion through 2028. RWE also has project finance debt of around GBP1.1 billion in place at its Triton Knoll wind farm, which will be amortised through 2036. Together, debt from CEB and Triton Knoll accounts for around 15%-20% of RWE's gross financial debt. Future debt maturities, unless fully repaid, will be refinanced at the level of RWE AG.

Consequently, we deem the structural subordination in the company's capital structure manageable and do not apply notching at this time but note that there is currently limited space for incremental amounts of priority debt.

Methodology and scorecard

RWE is assessed in accordance with our Unregulated Utilities and Unregulated Power Companies rating methodology. The score is based on the unregulated power companies grid, which is part of the same rating methodology.

Exhibit 13
Rating factors
RWE (consolidated)

Unregulated Utilities and Unregulated Power Companies Industry	Current LTM Jun-2024		Moody's 12-18 Month Forward View	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale (USD Billion)	Aa	Aa	Aa	Aa
Factor 2 : Business Profile (35%)				
a) Market Diversification	A	A	A	A
b) Hedging and Integration Impact on Cash Flow Predictability	A	A	A	A
c) Market Framework & Positioning	Ba	Ba	Ba	Ba
d) Capital Requirements and Operational Performance	Ba	Ba	B	B
Factor 3 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	5.2x	Baa	4.5x - 4.9x	Baa
b) (CFO Pre-W/C) / Debt (3 Year Avg)	19.9%	Ba	16% - 18%	Ba
c) RCF / Debt (3 Year Avg)	16.2%	Baa	12% - 14%	Ba
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa3
b) Actual Rating Assigned				Baa2

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
The forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 14

Peer comparison

RWE AG (consolidated)

	RWE AG Baa2 Stable			ENEL S.p.A. Baa1 Stable			Orsted A/S Baa1 Negative			Fortum Oyj Baa2 Stable		
(in $ millions)	FY Dec-22	FY Dec-23	LTM Jun-24	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-22	FY Dec-23	LTM Jun-24	FY Dec-22	FY Dec-23	LTM Jun-24
Revenue	40,487	30,891	26,951	96,901	142,969	100,442	16,790	11,651	10,762	8,193	7,257	6,867
EBITDA	6,045	8,262	8,306	18,259	18,079	20,107	3,469	2,185	3,179	3,638	2,392	2,368
Total Assets	147,816	117,639	104,581	237,939	237,108	217,456	45,001	41,593	41,103	26,506	21,967	20,302
Total Debt	27,099	24,341	26,819	89,807	102,649	90,848	12,105	14,892	15,065	9,600	7,825	7,014
Net Debt	5,267	8,167	14,733	79,733	90,866	83,335	6,278	9,015	9,267	5,683	3,204	2,664
FFO / Debt	25.9%	36.3%	25.1%	13.5%	11.5%	18.5%	1.6%	9.8%	5.2%	19.1%	22.7%	22.9%
RCF / Debt	22.3%	32.0%	21.0%	7.1%	6.3%	12.1%	-5.3%	3.5%	4.6%	7.7%	11.1%	8.7%
(FFO + Interest Expense) / Interest Expense	6.6x	6.1x	5.2x	5.3x	5.0x	5.1x	1.4x	3.1x	2.0x	7.8x	6.5x	6.9x
Debt / Book Capitalization	44.8%	36.2%	38.9%	61.5%	65.9%	62.2%	47.7%	58.5%	57.8%	53.3%	44.3%	42.0%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 15

Overview on select historical Moody's-adjusted financial data

RWE AG (consolidated)

(in € millions)	2019	2020	2021	2022	2023	LTM Jun-24
INCOME STATEMENT						
Revenue	14,683	13,688	24,571	38,415	28,566	24,915
EBITDA	3,731	4,605	3,599	5,736	7,641	7,679
EBIT	2,537	3,183	2,180	4,106	5,739	5,806
Interest Expense	651	670	642	1,166	1,562	1,511
Net income	9,245	1,899	736	4,221	1,570	2,119
BALANCE SHEET						
Net Property Plant and Equipment	19,016	17,841	19,904	23,703	28,809	33,402
Total Assets	64,005	61,578	142,226	138,502	106,494	97,579
Total Debt	14,833	14,529	21,239	25,392	22,035	25,024
Cash & Cash Equivalents	6,450	8,993	13,865	20,456	14,641	11,277
Net Debt	8,383	5,536	7,374	4,936	7,394	13,747
Total Liabilities	46,495	44,437	126,748	110,669	74,642	65,021
CASH FLOW						
Funds from Operations (FFO)	1,428	3,785	2,598	6,581	7,999	6,288
Cash Flow From Operations (CFO)	(1,600)	4,134	6,439	2,705	4,687	3,062
Dividends	(574)	(541)	(744)	(928)	(957)	(1,033)
Retained Cash Flow (RCF)	854	3,244	1,854	5,653	7,042	5,255
Capital Expenditures	(1,765)	(2,224)	(3,609)	(3,257)	(5,146)	(6,999)
Free Cash Flow (FCF)	(3,939)	1,369	2,086	(1,480)	(1,416)	(4,970)
INTEREST COVERAGE						
(FFO + Interest Expense) / Interest Expense	3.2x	6.7x	5.0x	6.6x	6.1x	5.2x
LEVERAGE						
FFO / Debt	9.6%	26.1%	12.2%	25.9%	36.3%	25.1%
RCF / Debt	5.8%	22.3%	8.7%	22.3%	32.0%	21.0%
Debt / EBITDA	4.0x	3.2x	5.9x	4.4x	2.9x	3.3x
Net Debt / EBITDA	2.2x	1.2x	2.0x	0.9x	1.0x	1.8x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 16

Category	Moody's Rating
RWE AG	
Outlook	Stable
Issuer Rating -Dom Curr	Baa2
Senior Unsecured -Dom Curr	Baa2
Subordinate	Ba1
Commercial Paper	P-2
Other Short Term -Dom Curr	(P)P-2
RWE FINANCE US, LLC	
Outlook	Stable
Bkd Senior Unsecured	Baa2

Source: Moody's Ratings

Endnotes

1 Capacity values stated in this report are always pro rata with RWE's ownership in the plants, unless explicitly stated otherwise.

2 Our calculation of adjusted net debt already excludes mining provisions, and we do not include provisions related to the dismantling of wind farms.

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