RWE

Press release

RWE achieves targets for fiscal 2018 and presses on with transforming the company

- **Adjusted EBITDA and adjusted net income on the mark**
- **Dividend proposal of €0.70 for fiscal 2018; increase to €0.80 planned for 2019**
- **Transaction with E.ON: management team for Renewables assembled; approvals received from EU and German competition authorities**
- **Global scope of business for RWE Renewables; plans to add 2 to 3 GW per year**

Essen, 14 March 2019

Dr. Rolf Martin Schmitz, CEO of RWE AG: *"Our operating business is performing according to plan and we have a very good financial basis. We will propose a higher dividend of €0.70 per share to our shareholders. The transaction with E.ON is proceeding well and we want to complete it in the second half of 2019. This means we're on the home straight towards creating the 'new RWE', which will have excellent prospects on the global markets."*

RWE hit all of its operating targets in 2018, despite the challenging conditions. At the same time, good progress is being made with the transaction with E.ON, which will see RWE take over the renewables operations of E.ON and innogy. The European Commission granted its approval for the transaction at the end of February, without any conditions. On the same day, the German Federal Cartel Office gave clearance to the acquisition of a 16.7% interest in E.ON. Other parts of the transaction which should be completed in the second half of 2019 include the transfer of E.ON's minority interests in the Emsland and Gundremmingen nuclear power stations which are operated by RWE, innogy's gas storage business and its stake in the Austrian power utility Kelag.

At the start of the year, RWE took some important strategic and personnel-related decisions for its future renewables business. Operating as RWE Renewables, the company will focus on three key regions: the Americas, core markets in Europe and new markets in the Asia-Pacific region. In terms of technologies, the company will concentrate on onshore and offshore wind as well as on photovoltaics and storage.

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Its portfolio will have a capacity of around 9 gigawatts (pro-rated share), which will be expanded by 2 to 3 GW every year, driven by net annual investment of around €1.5 billion.

Operating targets for 2018 achieved – dividend increase proposed

In the past year, on a stand-alone basis RWE generated adjusted EBITDA (earnings before interest, taxes and depreciation and amortisation) of €1.5 billion (previous year: €2.1 billion). The forecast was between €1.4 billion and €1.7 billion. For 'RWE stand-alone', adjusted net income amounted to €591 million (compared to €973 million in the prior-year period). Here again, the forecast of €500 million to €800 million was clearly achieved. Both figures were lower than the results registered for the previous year, mainly due to the anticipated decline in wholesale electricity prices. The efficiency-enhancement programme in conventional power generation had an opposite effect. By the end of 2018, RWE had already nearly completely achieved its goal of reducing its cost base by €300 million annually by 2019 compared to 2016.

The Executive Board and the Supervisory Board of RWE AG will propose to the Annual General Meeting on 3 May an increased ordinary dividend of €0.70 for common and preferred shares for fiscal 2018. Another increase in the dividend is planned in 2019 to €0.80 per share.

For the current fiscal year, RWE projects adjusted EBITDA in a range of €1.2 billion to €1.5 billion and adjusted net income between €300 million and €600 million. While a mild recovery can be seen in electricity prices, this will be offset by the negative effects of legal decisions in relation to Hambach Forest and the UK capacity market.

Lignite & Nuclear: earnings decline as expected

In the Lignite & Nuclear division, adjusted EBITDA fell to €356 million as expected in 2018 (previous year: €671 million). The targeted range was €350 million to €450 million. Lower realised wholesale prices and lower generation volumes due to the legally mandated shut-down of Unit B at the Gundremmingen nuclear power plant were the main reasons for the decline. However, this was mitigated to some degree by savings from the efficiency-enhancement programme.

In the future, the performance of this division will mainly depend on how policymakers implement the recommendations made by the Growth, Structural Change and Employment Commission at the end of January.

European Power: lower margins for hard coal and gas

For the past fiscal year, adjusted EBITDA of the European Power division amounted to €334 million (previous year: €463 million). A figure between €300 million and €400 million had been forecast. One positive effect was the payments from the UK capacity market, but due to the ruling of the General Court of the Court of Justice of the European Union in November 2018, only €50 million was received, instead of the planned €100 million. The European Commission has appealed the ruling, which suspended the capacity market. Margins for electricity generated from gas and hard coal were lower, and an extraordinary effect from capital gains on property sales in 2017 did not recur in 2018.

Supply & Trading: business performance in line with expectations

Adjusted EBITDA posted by the Supply & Trading division amounted to €183 million in 2018 (previous year: €271 million). Earnings were therefore close to the expected average of roughly €200 million. Despite the weaker trading performance compared to the previous year, RWE's gas and LNG business continued to perform very well, as in the year before.

innogy: dividend payment on a par year on year

In the second quarter of 2018, RWE received a dividend of €683 million from its financial investment innogy SE. The company published details on its earnings on 13 March.

Stronger-than-average decline in net debt due to front-loading effects

As of 31 December 2018, RWE stand-alone had net debt of €2.3 billion, down €2.2 billion on the figure recorded for the end of 2017. This was due to a front-loading effect, which will balance out in the following years.

RWE is looking forward to this year with great confidence and enthusiasm

'2019 is an exciting year for RWE, as we prepare to integrate the renewables divisions of innogy and E.ON into a single organisation at RWE. At the same time, we want to keep the profitability of our operations in conventional generation stable. In view of the variety of challenges, this won't be an easy feat, but we are approaching it with great confidence and enthusiasm,' said Dr. Markus Krebber, CFO of RWE AG.

More information on fiscal 2018 can be found here:

- 2018 Annual Report
- 2018 financial statements of RWE AG
- Speech at the annual press conference
- Chart presentation for investor and analyst conference call

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Note on changes in financial reporting
Since the middle of 2018, the financial investment innogy has no longer been presented as a fully consolidated company. The segment is now reported as ‘innogy – continuing operations’. It contains only those parts of the company that are due to remain within the RWE Group in the long run. This pertains to the renewables business, the gas storage activities and the minority interest in the Austrian company Kelag. The other parts of innogy, which will be transferred to E.ON, are classified as ‘discontinued operations’ until they are sold. The current consolidated financial statements do not include the business of E.ON’s renewables unit or the dividend that RWE will receive on its future shareholding in E.ON. The non-controlling interests in the Gundremmingen and Emsland nuclear power plants which RWE will acquire from E.ON are not presented, either.

Based on the transaction with E.ON, RWE adjusted its financial reporting for the Group in accordance with International Financial Reporting Standards (IFRS) as of mid-year point in 2018. Due to this change, the consolidated figures for the RWE Group only have limited informational value. Consequently, the focus is on the figures for ‘RWE stand-alone’. These figures cover the Lignite & Nuclear, European Power and Supply & Trading divisions, which are the core business areas, along with the innogy dividend. They are also the figures that the company uses to manage its operating activities and to determine the dividend for its shareholders.

Forward-looking statements

This press release 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 press release.

About RWE AG
RWE AG, with its headquarters in Essen, Germany, has three operating divisions: Lignite & Nuclear, European Power based on gas, coal, hydro and biomass, and Supply & Trading. The company plays a major role in power system operations and security of supply across Europe. Its fourth pillar of business is a majority stake in innogy SE, one of the continent’s leading energy companies. In March 2018, RWE announced that it will transfer this equity holding to E.ON as part of an asset swap. In exchange, RWE will receive the renewable energy activities of innogy and E.ON as well as further assets. The transaction is expected to be executed by the end of 2019. This will turn RWE into a leading supplier of renewable energy in Europe, with a total of over 20,000 employees.