Interim statement on the first quarter of 2019

- Group adjusted EBITDA up 48 % year on year thanks to outstanding trading performance
- RWE confirms earnings outlook for fiscal 2019
- European Commission gives RWE clearance for asset swap with E.ON
- RWE preferred shares will be converted to common shares

RWE

Powering. Reliable. Future.

AT A GLANCE

RWE Group – key figures[1]		Jan – Mar 2019	Jan – Mar 2018	+/– %	Jan – Dec 2018
Power generation	billion kWh	41.4	49.2	–15.9	176.0
External revenue (excluding natural gas tax/electricity tax)	€ million	3,869	3,685	5.0	13,298[2]
Adjusted EBITDA	€ million	824	555	48.5	1,538
Adjusted EBIT	€ million	570	345	65.2	619
Income from continuing operations before taxes	€ million	453	356	27.2	49
Net income	€ million	961	620	55.0	335
Earnings per share	€	1.56	1.01	54.5	0.54
Cash flows from operating activities of continuing operations	€ million	–1,777	1,308	–235.9	4,611
Capital expenditure	€ million	225	165	36.4	1,260
Property, plant and equipment and intangible assets	€ million	210	99	112.1	1,079
Financial assets	€ million	15	66	–77.3	181
Free cash flow	€ million	–1,932	1,121	–272.3	3,439
		31 Mar 2019	31 Dec 2018		
Net debt of continuing operations	€ million	8,079	4,389	84.1	
Workforce[3]		17,908	17,748	0.9	

1 Change in reporting; see explanation on page 40 of the 2018 RWE Annual Report.
2 Figure adjusted due to changes in the recognition of revenues from derivative transactions.
3 Converted to full-time positions.

CONTENTS

MAJOR EVENTS

In the period under review

European Commission approves RWE's part of the planned asset swap with E.ON

We have continued to make progress on implementing the asset swap agreed with E.ON in March 2018. On 22 January 2019, we registered the acquisition of the relevant business activities and equity interests with the European Commission and received clearance from Brussels on 26 February. This was preceded by a preliminary review lasting several months, in the course of which the Commission was able to gain an in-depth understanding of how the transaction could affect competition. National competition authorities also gave us their approvals. In this regard, the main point was the acquisition of a financial stake in E.ON as part of the transaction: Germany's Federal Cartel Office and the UK's Competition and Markets Authority (CMA) gave us the go-ahead for this on 26 February and 8 April 2019, respectively. Now approval is being sought from the antitrust authority in the USA. The corresponding applications were filed by RWE and E.ON on 1 May 2019. For E.ON's part of the transaction, clearance by the EU Commission is still pending.

As soon as all of the necessary approvals from the relevant competition and supervisory authorities have been obtained, the transaction will be completed in two steps: first, E.ON will receive our 76.8 % stake in innogy and a payment of €1.5 billion, while we will acquire a financial investment in E.ON (16.67 %) and take over E.ON's minority share in the Gundremmingen (25 %) and Emsland (12.5 %) nuclear power plants. This is expected to occur in the third quarter. In the second step, E.ON will then transfer its own renewable energy activities and those belonging to innogy to RWE. From innogy's portfolio we will also receive the gas storage business and the minority interest in the Austrian energy utility Kelag (37.9 %). Additional information on the transaction can be found on pages 18 and 35 et seq. of RWE's 2018 Annual Report.

RWE acquires stake in Czech grid business from innogy for resale to Macquarie

At the end of February, we purchased the majority interest in the Czech gas network operator innogy Grid Holding (IGH) held by innogy SE, as we had committed to do so in the framework of the asset swap with E.ON. We had also undertaken to sell on the stake in IGH to E.ON. However, the MIRA consortium led by the Australian financial service provider and infrastructure investor Macquarie, who already held the minority interest in IGH, decided to exercise a right of first refusal for the remaining shares in IGH. Accordingly, instead of E.ON, MIRA will now acquire the 50.04 % equity interest. The sale price is around €1.8 billion. We acquired the stake at the same conditions and would have transferred it to E.ON at these conditions. The IGH transaction is still subject to competition approval. Another prerequisite is that E.ON's acquisition of our investment in innogy is completed according to plan.

Commission for structural change proposes roadmap for German coal phase-out

An accelerated coal phase-out is materialising in Germany, our most important generation market. In January 2019, following lengthy consultations, the Growth, Structural Change and Employment Commission established by the German government presented a concept for the country achieving its climate protection goals in the energy sector avoiding structural upheaval, social hardship or jeopardising security of supply. The body, consisting of representatives from industry, trade unions, the scientific community, associations, civic initiatives and environmental organisations, recommends that Germany phase out electricity generation from coal by no later than 2038. However, it envisages reviewing the feasibility of this goal in 2032 and possibly bringing the exit date forward to 2035.

In addition, the Commission has set milestones for the coal phase-out: it envisages the total capacity of lignite and hard coal-fired power stations on the market being reduced to 15 GW each by the end of 2022 through shutdowns or conversions. Compared to the end of 2017, this represents a decrease of at least 12.5 GW, with 7.7 GW of this coming from hard coal and nearly 5 GW from lignite. These figures include shutdowns that have already occurred or have been announced as well as lignite-fired units which had not yet been placed on security standby at the end of 2017. By 2030, the objective is to have lignite and hard coal-fired power stations with a total capacity of only 9 GW and 8 GW on the market (excluding back-up capacity).

Moreover, the Commission recommends removing emission allowances matching the additional CO_2 savings from the national auction budget, as otherwise the certificates no longer needed for the decommissioned power plants would be available to other participants in the European Emissions Trading System, enabling additional emissions from their assets. The Commission further proposes that the German government conduct reviews in 2023, 2026 and 2029 involving an analysis of the effects of measures taken by then on security of supply, climate protection, electricity prices and structural development in the affected regions and that countermeasures be initiated if necessary. It is also recommended that policymakers implement the phase-out roadmap in agreement with the operators and grant them appropriate compensation. Layoffs and undue social and economic disadvantages for the workers should be prevented, in part by paying them an adjustment allowance. In addition, the Commission deems it desirable that Hambach Forest be preserved. With respect to relocations in the opencast mining regions, the states are being asked to enter into dialogue with the affected residents in order to avoid social and financial hardship.

By and large, the Commission's proposals met with the approval of politicians and stakeholder groups. It was viewed positively that widespread consensus has now been reached, which can serve as a basis for policymakers in order to establish planning certainty for companies, employees and regions. Observers therefore anticipate that the German government will implement the main points of the Commission's concept. This would have serious ramifications for our Rhenish lignite business. RWE has already taken four power plant units offline prematurely under the security standby scheme, with a further block to follow at the end of September 2019. Additional shutdowns are therefore all the more difficult and result in burdens going far beyond the lost electricity revenue. For instance, we would have to implement substantial job cuts and introduce redundancy programmes for the affected workers at short notice. If opencast mines are closed early, new recultivation concepts would have to be developed and the mining provisions would have to be increased as they would be used earlier. Additional costs would be incurred if Hambach Forest were preserved, provided that this is at all technically feasible. In addition, substantial investments are needed in order to adapt opencast mines and power plants to a new operating concept. We can only reliably estimate the burdens we will face when the government presents specific plans following talks with us. We welcome the fact that the Commission has recognised the need to pay power plant operators adequate compensation and has also considered the knock-on costs for the opencast mines.

Decision on Hambach Forest: Cologne Administrative Court rejects lawsuit by BUND

On 12 March, the Cologne Administrative Court ruled that Hambach Forest is not a potential special area of conservation according to the Habitats Directive. Consequently, the lawsuit filed by Bund für Umwelt und Naturschutz Deutschland e. V. (BUND) was rejected. In the opinion of the judges, approval of the 2018-2020 main operational plan for the Hambach opencast mine by the Arnsberg District Council was legal. This plan includes the clearance of Hambach Forest. Clearance will not occur, however, because the ruling of the Cologne court does not affect the preliminary injunction against clearance issued by the Münster Higher Administrative Court on 5 October 2018. In the next step, the court in Münster will have to reach its own decision on the conservation status of Hambach Forest. Furthermore, RWE Power announced that it would not proceed with clearance until the autumn of 2020. In view of the sometimes violent protests at Hambach Forest, this is our contribution to de-escalating the situation.

Dutch government presents draft legislation for phasing out coal

An early exit from coal is also highly likely in the Netherlands. In mid-March, the Dutch government submitted draft legislation on this subject to Parliament, according to which, by 2025 at the latest, hard coal may no longer be used as fuel in power stations built in the 1990s. For plants constructed later than this, the ban would come into effect five years later. As a result, the Netherlands would cease using coal from 2030. Compensation payments for the power generators affected are not foreseen in the draft. At present, there are five hard coal-fired power stations still operating in the Netherlands. Two of these belong to RWE: Amer 9 and Eemshaven. The former plant has a net capacity of 631 MW and would have to stop firing coal at the end of 2024 according to the draft, and the same would hold true for Eemshaven (1,554 MW) at the end of 2029. After that, these stations could only be operated with other fuels. At the moment, we are retrofitting them for co-firing with biomass. We are receiving subsidies for this to finance the capital expenditure and additional costs incurred in fuel procurement. Conversion to 100 % biomass-firing would involve significant additional expenses. In dialogue with policymakers, we are proposing compensation for the financial disadvantages we will suffer from phasing out coal use and will also initiate legal action if necessary.

EU limits participation of coal-fired power plants in capacity mechanisms

The European Parliament passed a reform of the EU legislation on the electricity market on 26 March 2019. The approval of the Council of Ministers is purely a formal matter and should be received soon. Some of the new rules will take effect from 1 January 2020 (Electricity Market Regulation). Other provisions (Electricity Market Directive) will have to be transposed into national law by the Member States by the end of 2020. One core component of the reform is guidelines on designing capacity market mechanisms. The new Electricity Market Regulation envisages that power stations with CO_2 emissions of more than 550 g/kWh will only be able to participate in such mechanisms to a very limited degree. One prerequisite for this is that they do not emit more than 350 kg of CO_2 per kilowatt of installed capacity per year. Consequently, coal-fired power plants can no longer participate in a general capacity market with full utilisation, but can participate in reserve schemes which only involve a low number of operating hours. Consequently, Germany's security standby scheme for lignite would still be permissible. The upper limit of 550 grams for new power stations will enter into effect on 1 January 2020. Transitional regulations apply to existing generation facilities until the middle of 2025. Existing capacity contracts and contracts that are concluded this year would remain completely unaffected by the threshold values.

RWE ends hard coal firing at Werne power station

On 29 March 2019, we decommissioned the hard coal-fired part of the combined unit K at the Gersteinwerk station in Werne (Westphalia), meaning that hard coal is no longer used for electricity generation at this plant. The shutdown was motivated by economic considerations: the investments needed as part of regular maintenance would not have paid off. Unit K consists of a topping gas turbine (K1) with a net capacity of 112 MW and the (decommissioned) steam turbine (K2), which was operated using steam generated by firing hard coal and had a capacity of 620 MW. Electricity is still being produced at Gersteinwerk: along with the aforementioned K1 turbine, two natural gas combined units and another topping gas turbine with a total capacity of around 1,000 MW are still in operation.

STEAG acquires majority stake in Bergkamen hard coal-fired power plant from RWE

As of 1 January 2019, we sold our 51 % shareholding in the Bergkamen hard coal-fired power station to the Essen-based energy utility STEAG. The buyer previously owned 49 % of the plant and exercised a contractual purchase option. The parties agreed to keep the price confidential. This power station has been in operation since 1981, with a net capacity of 720 MW. RWE was responsible for the commercial management of this plant, while STEAG handled technical operations. Disposal of the stake goes hand in hand with the termination of a contract that obliged us to purchase electricity produced by the station.

RWE sells Belgian CHP station

We sold the Inesco CHP station in Belgium to the UK chemicals group INEOS at the end of February 2019. This eleven-year-old gas-fired power plant has a generation capacity of 133 MW and is located in a chemical park operated by INEOS near Antwerp. In addition to electricity it also supplies steam and demineralised water to the companies in the chemical park. One of the reasons for our decision to sell the station was its tight integration in the business activities of INEOS.

German government takes over interim storage for highly radioactive waste from RWE

As of 1 January 2019, we transferred the interim storage facilities for highly radioactive waste on the sites of our Emsland, Biblis and Gundremmingen nuclear power plants to BGZ, the state-owned company responsible for interim storage. The legal basis for this is the law on the reassignment of responsibility for nuclear waste disposal which was passed at the end of 2016, pursuant to which the government assumed responsibility for processing and financing interim and final nuclear waste storage. German power plant operators gave the government €24.1 billion for this. In the middle of 2017, these funds were paid into a public-law fund for financing nuclear waste disposal. Responsibility for shutting down and safely dismantling the stations remains with the companies. They are also responsible for packaging the radioactive waste properly before it is handed over to BGZ. A total of eleven decentralised interim storage facilities were transferred from the nuclear power plant operators to BGZ as of 1 January 2019. The interim storage facilities for low- and medium-level radioactive waste are to follow at the beginning of 2020, including two at RWE’s Biblis site.

RWE cancels £750 million hybrid bond

We cancelled a hybrid bond with a volume of £750 million on 20 March 2019, without issuing new hybrid capital. The bond had been issued seven years earlier with a 7 % coupon and a theoretically perpetual tenor. RWE exercised its right to cancel the hybrid bond on the first call date, in a move that reflects the company’s solid financial standing and its improved earnings outlook due to the planned asset swap with E.ON.

After the period under review

Shareholders approve conversion of RWE preferred shares into common shares

RWE AG will convert its 39,000,000 preferred shares into common shares, in accordance with a decision made by the Annual General Meeting on 3 May 2019. The shareholders accepted the proposal made by the Executive Board and the Supervisory Board. On the same day, a separate meeting of the preferred shareholders also approved the proposal. The preferred shares without voting rights will now be converted at a 1:1 ratio into common shares with voting rights, without a cash adjustment. The number of common shares thereby increases from 575,745,499 to 614,745,499. Beforehand, however, the Company's Articles of Incorporation must be amended, and the amendment must be entered into the Commercial Register. The conversion of the shares is expected to be completed in June 2019.

RWE pays a dividend of €0.70 per share for fiscal 2018

The Annual General Meeting of RWE AG approved the dividend proposal by the Executive Board and the Supervisory Board for fiscal 2018. We therefore paid a dividend of €0.70 per common and preferred share on 8 May. For fiscal 2019, the Executive Board is targeting a dividend of €0.80.

innogy pays dividend of €1.40 per share

On 30 April 2019, the Annual General Meeting of innogy SE voted for a dividend of €1.40 per share for the past fiscal year. Based on the adjusted net income of €1,026 million generated by our subsidiary in 2018, the payout ratio was 76 %.

Banks increase RWE's credit line to €5 billion

In mid-April 2019, we cancelled our syndicated credit line of €3 billion early and replaced it with an agreement for €5 billion. This was motivated by the planned restructuring of the RWE Group, as a result of which our operating business will be expanded to include the renewable energy activities of E.ON and innogy. The increased credit line is being granted by a consortium of 27 international banks. It consists of two tranches: one with a volume of €3 billion and a term of five years and one with a volume of €2 billion and a two-year term. If the banks agree, the first tranche can be extended twice, by one year each time. For the second tranche this option is available once for one year; the banks' approval is not necessary. Syndicated lines of credit help us to ensure liquidity. So far, we have not drawn on them.

RWE rules out construction of new coal-fired power stations – BoAplus project cancelled

We announced at the end of April that we will no longer be pursuing plans for a new, highly efficient lignite-fired power station to replace older, more emissions-intensive plants. Looking ahead, RWE will focus on investing in renewables and will not build new coal-fired power stations. Since 2012 there had been discussions about investing in a lignite-fired unit using optimised plant engineering (BoAplus) at the site in Niederaußem. The plant would have had a net capacity of 1,100 MW and featured the most modern technology. In return, older units with a total capacity of 1,200 MW would have been retired. However, coal-fired power stations are no longer part of our strategy. RWE is committed to European and national climate protection targets. In the last six years, the company has already lowered its CO_2 emissions by one third.

COMMENTARY ON REPORTING

Group structure featuring four segments

In our current financial reporting, the RWE Group is divided into the following segments: (1) Lignite & Nuclear, (2) European Power, (3) Supply & Trading and (4) innogy – continuing operations. The last segment contains the assets of innogy which will remain with RWE following completion of the asset swap with E.ON. The interim statement on the first quarter of 2018, which we published on 15 May 2018, still included the segment 'innogy', which covered our subsidiary as a whole. To ensure the comparability of the current figures to those of the previous year, we have restated the latter in the new reporting structure. Further details on the methodological changes can be found on page 40 of the 2018 Annual Report.

The individual segments consist of the following business activities and equity holdings:

- Lignite & Nuclear: This segment encompasses our German electricity generation from lignite and nuclear power as well as our lignite mining operations in the Rhineland. These activities are managed by our subsidiary RWE Power. Lignite & Nuclear also includes our investments in the Dutch nuclear power plant operator EPZ (30 %) and the German company URANIT (50 %), which holds a 33 % stake in Urenco, a uranium enrichment specialist. Our 51 % stake in the Hungarian lignite-based power producer Mátra, which we sold in March 2018, was also part of this segment.

- European Power: Here we cover our electricity production from gas, hard coal and biomass, which is concentrated in Germany, the United Kingdom and the Benelux region. It also includes our 70 % stake in the Turkish gas-fired power station Denizli, some hydroelectric power plants in Germany and Luxembourg and RWE Technology International, which specialises in project management and engineering services. All these activities are overseen by RWE Generation.

- Supply & Trading: This segment comprises the activities of RWE Supply & Trading, which specialises in independent commodity trading. In addition, it acts as an intermediary for gas, supplies large industrial and corporate customers with energy and makes short to medium-term investments in energy assets and energy companies with which attractive returns can be achieved after taking value-enhancing measures and selling them on (principal investments). Moreover, RWE Supply & Trading markets RWE's electricity generation and commercially optimises power plant dispatch. However, earnings achieved through the latter activities are reported in the Lignite & Nuclear and European Power segments.

- innogy – continuing operations: The main component of this segment is innogy's renewables business. Our subsidiary is a leading producer of electricity from renewable sources, with a regional focus on Europe, especially Germany and the United Kingdom, as well as starting positions in the USA and Australia. E.ON will transfer these operations back to us following the acquisition of innogy, after which we will be responsible for managing them. The same applies to innogy's gas storage facilities, which are located in Germany and the Czech Republic. innogy's 37.9 % interest in the Austria-based energy utility Kelag will also remain in the Group and is therefore part of this segment.

Companies with cross-segment tasks, such as the Group holding company RWE AG, are stated under 'other, consolidation'. This segment also includes our 25.1 % stake in the German electricity transmission system operator Amprion.

Adoption of IFRS 16: Higher net debt, higher depreciation

In fiscal 2019, we began applying the new accounting standard IFRS 16 'Leases'. According to the standard, leases are reported on the balance sheet, unless they are short-term (up to twelve months) or relate to low value assets. Consequently, the lessee must recognise a right-of-use asset and a corresponding lease liability in the amount of the present value of the future lease payments for all leased assets. Further details on this can be found on page 107 of the 2018 Annual Report. This methodological change leads to an increase in the balance-sheet total and net debt. On the income statement, depreciation increases and the financial result declines, but these effects are offset by fairly similar changes in EBITDA, leaving net income almost unchanged. Prior-year figures were not adjusted.

Forward-looking statements

This interim statement contains forward-looking statements regarding the future development of the RWE Group and its companies as well as economic and political developments. These statements are assessments that we have made based on information available to us at the time this document was prepared. In the event that the underlying assumptions do not materialise or unforeseen risks arise, actual developments can deviate from the developments expected at present. Therefore, we cannot assume responsibility for the correctness of these statements.

BUSINESS PERFORMANCE

External revenue[1] € million	Jan – Mar 2019	Jan – Mar 2018	+/– %	Jan – Dec 2018
Lignite & Nuclear	250	294	–15.0	1,132
European Power	218	274	–20.4	925
Supply & Trading	3,048	2,808	8.5	10,100
innogy – continuing operations	347	298	16.4	1,124
Other, consolidation	6	11	–45.5	17
RWE Group (excluding natural gas tax/electricity tax)	**3,869**	**3,685**	**5.0**	**13,298**
Natural gas tax/electricity tax	39	35	11.4	141
RWE Group	**3,908**	**3,720**	**5.1**	**13,439**

1 Changes in the recognition of revenue from derivative transactions resulted in an adjustment of the prior-year figures.

External revenue by product[1] € million	Jan – Mar 2019	Jan – Mar 2018	+/– %	Jan – Dec 2018
Electricity revenue	**2,989**	**2,835**	**5.4**	**10,090**
of which:				
Lignite & Nuclear	69	106	–34.9	303
European Power	163	175	–6.9	542
Supply & Trading	2,469	2,306	7.1	8,447
innogy – continuing operations	288	247	16.6	799
Gas revenue	**531**	**486**	**9.3**	**1,565**
of which:				
Supply & Trading	510	470	8.5	1,502
innogy – continuing operations	12	11	9.1	47
Other revenue	**349**	**364**	**–4.1**	**1,643**
RWE Group (excluding natural gas tax/electricity tax)	**3,869**	**3,685**	**5.0**	**13,298**

1 Changes in the recognition of revenue from derivative transactions resulted in an adjustment of the prior-year figures. Electricity revenue under 'other, consolidation' and gas revenue in the European Power segment is not stated separately because it is immaterial.

External revenue rises 5 % year on year

In the first quarter of 2019, RWE recorded external revenue of €3,869 million from continuing operations (without taxes on natural gas and electricity), representing an increase of 5 % compared to the same prior-year period. Revenue from our main product, electricity, amounted to €2,989 million, and therefore also rose by 5 %, as RWE Supply & Trading realised higher prices in its sales of electricity generated by RWE and in its electricity sales to large industrial customers and distributors. However, volume effects had an opposite impact, as we generated substantially less electricity from lignite and hard coal. Our gas revenue rose by 9 % to €531 million, mainly because RWE Supply & Trading was able to expand gas sales to major customers.

Internal revenue € million	Jan – Mar 2019	Jan – Mar 2018	+/– %	Jan – Dec 2018
Lignite & Nuclear	613	661	–7.3	2,340
European Power	1,024	1,003	2.1	3,768
Supply & Trading	1,403	1,633	–14.1	3,434
innogy – continuing operations	104	119	–12.6	386

Adjusted EBITDA € million	Jan – Mar 2019	Jan – Mar 2018	+/– %	Jan – Dec 2018
Lignite & Nuclear	188	180	4.4	356
European Power	63	159	–60.4	334
Supply & Trading	255	–24	–	183
innogy – continuing operations	314	254	23.6	699
Other, consolidation	4	–14	128.6	–34
RWE Group	**824**	**555**	**48.5**	**1,538**

Adjusted EBITDA up 48 % year on year

Our adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) amounted to €824 million, representing an increase of €269 million, or 48 %, compared to last year's corresponding figure. This was driven by RWE Supply & Trading's outstanding performance in trading activities. The following developments were observed in the individual segments:

- Lignite & Nuclear: Adjusted EBITDA rose by €8 million to €188 million. One positive factor here was that we realised higher wholesale prices for electricity produced by our lignite-fired and nuclear power plants compared to 2018. We had already sold forward almost all of the production of these plants in previous years. However, a negative effect was felt from maintenance-related plant outages and the suspension of clearance operations at Hambach Forest: these were two major factors that caused us to generate less electricity from lignite compared to 2018.

- European Power: This segment's adjusted EBITDA declined by €96 million to €63 million, in part because we generated less electricity from hard coal. We also recorded lower earnings from the commercial optimisation of our power plant dispatch. Moreover, we no longer received any capacity market payments for our UK power plants. The reason for this was that the approval for the capacity market issued by the EU Commission at the end of 2018 was declared invalid by the European Court of Justice, and consequently no payments may be made to the power plant operators until the conclusion of new approval proceedings. In the same period last year we received a payment of €19 million. Despite the weak first quarter, we maintain our outlook for this segment's full-year earnings (see page 83 et seq. of the 2018 Annual Report). However, EBITDA is likely to be at the lower end of the projected range of €250 million to €350 million.

- Supply & Trading: This segment's adjusted EBITDA was exceptionally high at €255 million (previous year: –€24 million). This was due to the strong performance of the trading business, which improved considerably compared to the weak first quarter of 2018. RWE Supply & Trading also increased earnings in its gas business. Despite the robust performance in Q1, we maintain our forecast for 2019 as a whole, which calls for EBITDA in a range of €100 million to €300 million. In doing so, we recognise that the results of the trading business can fluctuate strongly during the year. However, we see a good chance that this segment's EBITDA will be at the upper end of the projected range.

- innogy – continuing operations: Adjusted EBITDA posted by the innogy business remaining with RWE rose €60 million to €314 million. One reason for this was that overall capacity utilisation at innogy's wind farms was higher compared to 2018, due to better weather conditions. Moreover, green energy assets which are not subsidised with fixed feed-in compensation benefited from higher wholesale electricity prices. The ongoing expansion of innogy's wind generation capacity also had a positive impact on earnings.

Adjusted EBIT € million	Jan – Mar 2019	Jan – Mar 2018	+/– %	Jan – Dec 2018
Lignite & Nuclear	107	114	–6.1	77
European Power	–13	85	–115.3	37
Supply & Trading	252	–25	–	177
innogy – continuing operations	219	171	28.1	349
Other, consolidation	5	–	–	–21
RWE Group	**570**	**345**	**65.2**	**619**

Adjusted EBIT amounted to €570 million, representing an increase of €225 million, or 65 %, compared to 2018. This figure differs from adjusted EBITDA in that it does not include operating depreciation and amortisation, which amounted to €254 million in the reporting period (previous year: €210 million).

Non-operating result € million	Jan – Mar 2019	Jan – Mar 2018	+/– € million	Jan – Dec 2018
Disposal result	21	–46	67	–25
Impact of derivatives on earnings	–47	181	–228	–146
Other	8	–16	24	10
Non-operating result	**–18**	**119**	**–137**	**–161**

The non-operating result, in which we recognise certain non-operating and aperiodic effects, deteriorated by €137 million to –€18 million. This was driven by negative effects from the valuation of derivatives, which had positive effects in the previous year. We use derivatives to hedge price risks. Pursuant to IFRS, these types of financial instruments are recognised at fair value at the corresponding balance-sheet date, whereas the transactions which are hedged with them are only recognised as a profit or loss when they are realised. This results in temporary effects on earnings, which are neutralised over time. The negative impact from derivatives was partially offset by an increased result from the disposal of investments and assets (€21 million). In the first quarter of 2019, we realised book gains from the sale of our Belgian gas-fired power plant Inesco (see page 4). By contrast, in last year's interim statement, we reported a negative disposal result (–€46 million), mainly due to deconsolidation of our 51 % stake in the Hungarian lignite-based power producer Mátra.

Financial result € million	Jan – Mar 2019	Jan – Mar 2018	+/– € million	Jan – Dec 2018
Interest income	37	34	3	166
Interest expenses	–52	–43	–9	–180
Net interest	**–15**	**–9**	**–6**	**–14**
Interest accretion to non-current provisions	–136	–52	–84	–264
Other financial result	52	–47	99	–131
Financial result	**–99**	**–108**	**9**	**–409**

Our financial result improved by €9 million to –€99 million. During the reporting period we achieved capital gains on our securities portfolio, after suffering a loss in the previous year. This led to a sharp improvement in the 'Other financial result'. An opposite effect was felt from an increase in interest accretion to non-current provisions. In this regard, one factor was the decline in the discount rate which we use to calculate nuclear provisions. The resulting increase in the net present value of the obligations was partially reflected as an expense in interest accretion.

Reconciliation to net income		Jan – Mar 2019	Jan – Mar 2018	+/– %	Jan – Dec 2018
Adjusted EBITDA	€ million	**824**	**555**	**48.5**	**1,538**
Operating depreciation, amortisation and impairment losses	€ million	–254	–210	–21.0	–919
Adjusted EBIT	€ million	**570**	**345**	**65.2**	**619**
Non-operating result	€ million	–18	119	–115.1	–161
Financial result	€ million	–99	–108	8.3	–409
Income from continuing operations before taxes	€ million	**453**	**356**	**27.2**	**49**
Taxes on income	€ million	–78	–61	–27.9	–103
Income from continuing operations	€ million	**375**	**295**	**27.1**	**–54**
Income from discontinued operations	€ million	1,013	651	55.6	1,127
Income	€ million	**1,388**	**946**	**46.7**	**1,073**
of which:					
Non-controlling interests	€ million	412	311	32.5	679
RWE AG hybrid capital investors' interest	€ million	15	15	–	59
Net income/income attributable to RWE AG shareholders	€ million	**961**	**620**	**55.0**	**335**
Earnings per share	€	1.56	1.01	54.5	0.54
Number of shares outstanding (average)	millions	614.7	614.7	–	614.7
Effective tax rate	%	17	17	–	–

At €453 million, income from continuing operations before tax was much higher than the comparable figure for 2018 (€356 million). Taxes on income amounted to €78 million, corresponding to a tax rate of 17 %. The fact that we received tax-exempt dividends was one of the reasons for this fairly low figure. Another reason was that we generate a portion of our earnings in countries with relatively low tax rates. After taxes, our continuing operations generated income of €375 million (previous year: €295 million).

Income from discontinued operations amounted to €1,013 million, showing a sharp rise compared to Q1 2018 (€651 million). This largely resulted from IFRS accounting regulations, according to which we may no longer apply depreciation, amortisation and impairments to discontinued operations since their separate reporting from 30 June 2018. By contrast, these items were still included in the quarterly result for the previous year.

Non-controlling interests in income increased by €101 million to €412 million. The main reason for this was that we reported substantially higher income for innogy in RWE's consolidated financial statements, due to the effect related to depreciation, amortisation and impairments as discussed above. Consequently, there was also an increase in non-controlling interests in income, attributable to the 23.2 % interest held by minority shareholders in our subsidiary.

The portion of earnings attributable to RWE hybrid capital investors amounted to €15 million, as in the previous year. This sum corresponds to the finance costs related to our £750 million hybrid bond, which was called on 20 March 2019 (see page 4). As this bond did not have a predefined maturity, the proceeds we recorded from it were classified as equity pursuant to IFRS. RWE's other hybrid capital is classified as debt, and we recognise the interest accrued on it in the financial result.

The developments presented above are the reason why the net income of €961 million was significantly higher than in 2018 (€620 million). Based on the 614.7 million RWE shares outstanding, earnings per share amounted to €1.56 (previous year: €1.01).

Capital expenditure on property, plant and equipment and on intangible assets € million	Jan – Mar 2019	Jan – Mar 2018	+/– € million	Jan – Dec 2018
Lignite & Nuclear	53	43	10	230
European Power	42	24	18	245
Supply & Trading	2	1	1	13
innogy – continuing operations	113	31	82	592
Other, consolidation	–	–	–	– 1
RWE Group	**210**	**99**	**111**	**1,079**

Capital expenditure on financial assets € million	Jan – Mar 2019	Jan – Mar 2018	+/– € million	Jan – Dec 2018
Lignite & Nuclear	–	–	–	–
European Power	1	2	– 1	4
Supply & Trading	–	26	– 26	37
innogy – continuing operations	13	39	– 26	141
Other, consolidation	1	– 1	2	– 1
RWE Group	**15**	**66**	**– 51**	**181**

Capital expenditure up 36 % on 2018

RWE's capital expenditure amounted to €225 million in the first quarter of 2019, rising by €60 million, or 36 %, compared to 2018. Our capital expenditure on property, plant and equipment totalled €210 million, more than twice as much as in the same period the previous year. A strong increase was registered in innogy's continuing operations, mainly due to the construction of the British offshore wind farm Triton Knoll. An increase was also registered for investment in property, plant and equipment in conventional power generation. Among other things, we spent more on maintenance at our UK power stations and on relocations in the Rhenish lignite mining region. At €15 million, investment in financial assets was not significant. In the previous year, we had invested €66 million, in part due to the acquisition of onshore wind projects in the USA.

Cash flow statement[1] € million	Jan – Mar 2019	Jan – Mar 2018	+/– € million	Jan – Dec 2018
Funds from operations	386	750	–364	138
Change in working capital	–2,163	558	–2,721	4,473
Cash flows from operating activities of continuing operations	**–1,777**	**1,308**	**–3,085**	**4,611**
Cash flows from investing activities of continuing operations	**2,047**	**–944**	**2,991**	**–2,999**
Cash flows from financing activities of continuing operations	**1,277**	**–328**	**1,605**	**–1,559**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	15	21	–6	13
Total net changes in cash and cash equivalents	**1,562**	**57**	**1,505**	**66**
Cash flows from operating activities of continuing operations	–1,777	1,308	–3,085	4,611
Minus capital expenditure[2]	–194	–177	–17	–1,246
Plus proceeds from divestitures/asset disposals[2]	39	–10	49	74
Free cash flow	**–1,932**	**1,121**	**–3,053**	**3,439**

1 All items solely relate to continuing operations.
2 Only related to items with an effect on cash.

Operating cash flow: large burdens due to variation margins paid

In the first quarter of 2019, we generated cash flows from operating activities of –€1,777 million. This was substantially lower than the figure for the previous year (€1,308 million), mainly due to effects linked to working capital. For example, there was a substantial outflow of variation margins related to forwards with electricity, commodities and CO_2 certificates during the reporting period. Variation margins are payments with which transaction partners offset profit and loss positions resulting from the daily revaluation of active contracts. Their influence on cash flows is temporary, however, and reverses once the transactions are realised. In the previous year, we had received a large amount of margin payments as a result of changes in commodity prices. Some of the contracts were realised during the reporting period, which had an additional negative impact on cash flow.

Investing activities of our continuing operations resulted in a cash inflow of €2,047 million. This stemmed from proceeds from sales of securities, while our capital expenditure on property, plant and equipment and on financial assets had an opposite effect. During the same period of the previous year, an outflow of €944 million was recorded, as we made significant purchases of securities.

Financing activities of our continuing operations led to a cash inflow of €1,277 million. In the first quarter of 2019, we issued financial debt of €3,502 million and redeemed debt amounting to €1,279 million. We also redeemed a hybrid bond with a volume of £750 million, as a result of which there was an outflow of €869 million (see page 4). €69 million was used to make interest payments to hybrid capital investors and co-owners of fully consolidated RWE companies.

On balance, the aforementioned cash flows from operating, investing and financing activities increased our cash and cash equivalents by €1,562 million.

The development of free cash flow was also driven by the effects from variation margins discussed above. Free cash flow amounted to –€1,932 million in the first quarter and was therefore significantly lower than the figure for the previous year (€1,121 million).

Net debt € million	31 Mar 2019	31 Dec 2018	+/– € million
Cash and cash equivalents	4,384	3,523	861
Marketable securities	2,423	3,863	–1,440
Other financial assets	2,565	2,809	–244
Financial assets	**9,372**	**10,195**	**–823**
Bonds, other notes payable, bank debt, commercial paper	4,613	1,657	2,956
Hedge transactions related to bonds	7	12	–5
Other financial liabilities	1,351	1,107	244
Financial liabilities	**5,971**	**2,776**	**3,195**
Net financial debt	**3,401**	**7,419**	**–4,018**
Provisions for pensions and similar obligations	3,199	3,287	–88
Surplus of plan assets over benefit obligations	–117	–213	96
Provisions for nuclear waste management	6,040	5,944	96
Mining provisions	2,535	2,516	19
Provisions for dismantling wind farms	389	362	27
Adjustment for hybrid capital	–566	–88	–478
Plus 50% of the hybrid capital stated as equity	–	470	–470
Minus 50% of the hybrid capital stated as debt	–566	–558	–8
Net debt of continuing operations	**8,079**	**4,389**	**3,690**
Net debt of discontinued operations	**17,768**	**14,950**	**2,818**
Net debt	**25,847**	**19,339**	**6,508**

Net debt: Sharp rise due to negative operating cash flows and adoption of IFRS 16

As of 31 March 2019, net debt amounted to €25.9 billion, up €6.5 billion compared to the end of 2018.

The net debt of continuing operations rose by €3.7 billion to €8.1 billion, in part due to the negative operating cash flow. The acquisition of innogy's 50.04% stake in IGH had an impact of €1.8 billion, but at the Group level the effect was neutral, as it resulted in a corresponding inflow of funds recorded for discontinued operations. First-time application of IFRS 16 increased the net debt of continuing operations by €0.4 billion. Redemption of the £750 million hybrid bond also generated an increase of €0.4 billion as one half of the hybrid capital is qualified as equity in the calculation of net debt. At the same time, however, innogy repaid a loan, which roughly corresponded to the amount redeemed. This occurred as part of an agreement reached with us by our subsidiary prior to its IPO in 2016 (see the 2016 Annual Report, page 52).

The net debt of discontinued operations amounted to €17.8 billion, up €2.8 billion compared to the end of 2018. First-time application of IFRS 16 was responsible for €1.9 billion of this. Other factors included the seasonally-induced negative operating cash flow of –€1.3 billion and the aforementioned loan repayment to RWE AG, while the proceeds from the sale of IGH increased financial assets.

OUTLOOK FOR 2019

RWE confirms the outlook for 2019

Our outlook for the current fiscal year published on page 83 et seq. of the 2018 Annual Report remains unchanged. At the Group level, we forecast adjusted EBITDA of €1.4 billion to €1.7 billion (previous year: €1.5 billion). With depreciation, amortisation and impairment losses estimated at around €1 billion, this results in adjusted EBIT in the range of €0.4 billion to €0.7 billion. We also confirm our earnings outlook for the individual segments. An overview of the anticipated development of EBITDA can be found in the following table.

Forecast for adjusted EBITDA € million	2018 actual	Outlook for 2019
RWE Group	1,538	1,400–1,700
of which:		
Lignite & Nuclear	356	300–400
European Power	334	250–350
Supply & Trading	183	100–300
innogy – continuing operations	699	800–900

We also confirm the outlook for capital expenditure, which should be substantially higher than in 2018 (€1.3 billion). Among other things, construction of the British offshore wind farm Triton Knoll and the Australian solar farm Limondale will lead to significant outlays. More detailed information on the two large-scale projects can be found on page 38 of the 2018 Annual Report. Due to the stronger investment activity, we expect that the net debt of the Group's continuing operations will be significantly higher at the end of 2019 compared to the previous year (€4.4 billion). Another reason for this is that in 2018 we received a large amount of variation margins related to commodity forward transactions and the positive cash effects will be reversed upon realisation of the contracts, some of which mature in 2019.

RWE figures with innogy as a purely financial investment: earnings forecast remains unchanged

For financial planning purposes, we also use Group figures which include innogy as a purely financial investment. On the income statement, our subsidiary is only included with the dividend due to RWE. Additional information on how these figures are calculated can be found on page 58 of the 2018 Annual Report. Employing this methodology for fiscal 2019, RWE's adjusted EBITDA is expected to amount to €1.2 billion to €1.5 billion (previous year: €1.5 billion). Adjusted net income, which excludes aperiodic and non-operating effects, is forecast at €0.3 billion to €0.6 billion (previous year: €0.6 billion). These forecasts also correspond to the previous expectations.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement

€ million	Jan – Mar 2019	Jan – Mar 2018[1]
Revenue (including natural gas tax/electricity tax)	**3,908**	**3,720**
Natural gas tax/electricity tax	−39	−35
Revenue[2]	**3,869**	**3,685**
Cost of materials	−2,819	−2,508
Staff costs	−523	−471
Depreciation, amortisation and impairment losses	−254	−210
Other operating result	188	−82
Income from investments accounted for using the equity method	62	48
Other income from investments	29	2
Financial income	200	176
Finance costs	−299	−284
Income from continuing operations before tax	**453**	**356**
Taxes on income	−78	−61
Income from continuing operations	**375**	**295**
Income from discontinued operations	1,013	651
Income	**1,388**	**946**
of which: non-controlling interests	412	311
of which: RWE AG hybrid capital investors' interest	15	15
of which: net income/income attributable to RWE AG shareholders	**961**	**620**
Basic and diluted earnings per common and preferred share in €	**1.56**	**1.01**
of which: from continuing operations in €	0.52	0.39
of which: from discontinued operations in €	1.04	0.62

1 Prior-year figures adjusted.
2 A presentation of revenue by product and segment can be found on page 8.

Statement of comprehensive income

Amounts after tax – € million	Jan – Mar 2019	Jan – Mar 2018[1]
Income	**1,388**	**946**
Actuarial gains and losses of defined benefit pension plans and similar obligations	−82	−186
Fair value of equity instruments	104	−27
Income and expenses recognised in equity, not to be reclassified through profit or loss	**22**	**−213**
Currency translation adjustment	105	101
Fair valuation of debt instruments	34	−5
Fair valuation of financial instruments used for hedging purposes	−1,344	935
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**−1,205**	**1,031**
Other comprehensive income	**−1,183**	**818**
Total comprehensive income	**205**	**1,764**
of which: attributable to RWE AG shareholders	−158	1,433
of which: attributable to RWE AG hybrid capital investors	15	15
of which: attributable to non-controlling interests	348	316

1 Prior-year figures adjusted.

Balance sheet

Assets € million	31 Mar 2019	31 Dec 2018
Non-current assets		
Intangible assets	2,214	2,193
Property, plant and equipment	12,988	12,409
Investments accounted for using the equity method	1,487	1,467
Other non-current financial assets	402	400
Receivables and other assets	1,129	1,302
Deferred taxes	931	824
	19,151	**18,595**
Current assets		
Inventories	1,179	1,631
Trade accounts receivable	1,789	1,963
Receivables and other assets	10,334	10,291
Marketable securities	2,165	3,609
Cash and cash equivalents	4,384	3,523
Assets held for sale	43,520	40,496
	63,371	**61,513**
	82,522	**80,108**

Equity and liabilities € million	31 Mar 2019	31 Dec 2018
Equity		
RWE AG shareholders' interest	7,456	8,736
RWE AG hybrid capital investors' interest		940
Non-controlling interests	5,090	4,581
	12,546	**14,257**
Non-current liabilities		
Provisions	15,442	15,863
Financial liabilities	2,418	1,998
Other liabilities	556	508
Deferred taxes	884	1,638
	19,300	**20,007**
Current liabilities		
Provisions	2,731	2,615
Financial liabilities	3,546	766
Trade accounts payable	2,546	2,429
Other liabilities	7,743	7,238
Liabilities held for sale	34,110	32,796
	50,676	**45,844**
	82,522	**80,108**

Cash flow statement

€ million	Jan – Mar 2019	Jan – Mar 2018[1]
Income from continuing operations	375	295
Depreciation, amortisation and impairment losses/write-backs	255	210
Changes in provisions	–97	74
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	–147	171
Changes in working capital	–2,163	558
Cash flows from operating activities of continuing operations	**–1,777**	**1,308**
Cash flows from operating activities of discontinued operations	–1,278	–944
Cash flows from operating activities	**–3,055**	**364**
Capital expenditure on non-current assets/acquisitions	–194	–177
Proceeds from disposal of assets/divestitures	39	–10
Changes in marketable securities and cash investments	2,202	–757
Cash flows from investing activities of continuing operations[2]	**2,047**	**–944**
Cash flows from investing activities of discontinued operations	–200	119
Cash flows from investing activities	**1,847**	**–825**
Cash flows from financing activities of continuing operations	**1,277**	**–328**
Cash flows from financing activities of discontinued operations	200	699
Cash flows from financing activities	**1,477**	**371**
Net cash change in cash and cash equivalents	269	–90
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	15	21
Net change in cash and cash equivalents	**284**	**–69**
Cash and cash equivalents at beginning of reporting period	5,225	3,958
of which: reported as 'Assets held for sale'	1,702	25
Cash and cash equivalents at beginning of reporting period as per the consolidated balance sheet	3,523	3,933
Cash and cash equivalents at end of reporting period	**5,509**	**3,889**
of which: reported as 'Assets held for sale'	1,125	
Cash and cash equivalents at end of reporting period as per the consolidated balance sheet	**4,384**	**3,889**

1 Prior-year figures adjusted.
2 After the initial/subsequent transfer to plan assets in the amount of €42 million (prior-year: €41 million).

Financial Calendar 2019/2020

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 for fiscal 2019
28 April 2020	Annual General Meeting
4 May 2020	Dividend payment
14 May 2020	Interim statement on the first quarter of 2020
13 August 2020	Interim report on the first half of 2020
12 November 2020	Interim statement on the first three quarters of 2020

This document was published on 15 May 2019. It is a translation of the German interim statement on the first quarter of 2019. In case of divergence from the German version, the German version shall prevail.

RWE Aktiengesellschaft
Altenessener Strasse 35
45141 Essen
Germany

www.rwe.com

RWE