FitchRatings

Corporates
Utilities - Non US
Germany

RWE AG

Ratings

Long-Term IDR	BBB+
Short-Term IDR	F1
Senior Unsecured Debt - Long-Term Rating	BBB+
Senior Unsecured Debt - Short-Term Rating	F1
Subordinated Long-Term Rating	BBB-

Outlook

Long-Term Foreign-Currency IDR	Stable

Click here for the full list of ratings

2035 Climate Vulnerability Signal: 55

The affirmation of RWE AG's ratings reflects the company's resilient business profile and strong position as a large and increasingly clean power-generation company. RWE has fairly predictable cash flow, supported by a good share of quasi-regulated EBITDA in high-quality jurisdictions. Fitch Ratings views the focus on clean technologies in the medium term as positive for the company's business profile, while the coal business will be phased-off by 2030 and has been reclassified as non-operating by the company.

We expect heavily negative free cash flow (FCF) in 2024 and 2025 due to very high capex, which would lead to an increase in nuclear-adjusted funds from operations (FFO) net leverage to 2.7x by end-2025, above the negative rating sensitivity of 2.5x. However, RWE has various tools to maintain leverage within its rating sensitivities, albeit not included in our rating case, and targets maintaining the current rating, which supports the Stable Outlook.

Key Rating Drivers

Investments in Renewables Accelerated: RWE has an ambitious target of EUR55 billion net capex over 2024-2030, of which 75% will relate to renewables expansion. It aims to add more than 30 gigawatts (GW) of net capacity to reach more than 65GW in 2030. In 2030, solar should represent 25% of the portfolio, followed by onshore wind (20%) and offshore wind (15%). We expect total installed capacity in 2030 to be spread mainly across the US (30%), Germany (25%) and the UK (25%).

Increasing Leverage, No Headroom: Fitch expects leverage to increase due to the accelerated capex plan. We forecast nuclear-adjusted FFO net leverage (excluding variation margins) to rise to 2.7x in 2025 from 0.2x in 2022, above the 2.5x negative sensitivity. RWE has also revised its own leverage target (company-defined net debt/adjusted EBITDA) to 3.5x post-2025 from 3.0x currently. We estimate the company's new target of 3.5x to translate into Fitch-defined nuclear-adjusted FFO net leverage of around 2.5x-3.0x.

Target to Maintain Rating: The Stable Outlook factors in RWE's target to maintain the current rating and the various tools available for management to control leverage, including issuing hybrids and increasing asset rotation. None of these measures are currently included in our rating case. A sustained nuclear-adjusted FFO net leverage above 2.5x without any visible mitigating measure would result in a negative rating action.

Flexible Generation Still Key: Flexible generation (FlexGen) plays an important role in RWE's strategy, according to management, complementing its renewables portfolio and ensuring supply security. It will account for 15% of investments in 2024-2030 and should account for 30% of installed capacity in 2030. Batteries account for 10% of planned capex in 2024-2030 with an installed capacity of 6GW in 2030, from less than 1GW currently.

We expect EBITDA from FlexGen to normalise after a peak in 2023 on high energy prices, but to remain above historical levels in 2024-2026.

Non-Core Business to Diminish: RWE phased out nuclear in April 2023 and targets to exit coal in 2030. It expects the share of coal capacity to fall below 10% by end-2027. Starting from 2024, the non-core businesses (coal and nuclear) will be reported under non-operating results and renamed to "Phase-out technologies". This supports RWE's strategy for energy transition and is positive for its business profile in the medium term. Exposure to coal is still a weakness on the company's debt capacity, especially compared with 'BBB' category peers that mostly have a cleaner asset base.

Applicable Criteria

Sector Navigators – Addendum to the Corporate Rating Criteria (November 2023)

Corporates Recovery Ratings and Instrument Ratings Criteria (October 2023)

Corporate Hybrids Treatment and Notching Criteria (November 2020)

Corporate Rating Criteria (November 2023)

Related Research

Global Corporates Macro and Sector Forecasts (March 2024)

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Quasi-Regulated Earnings to Increase: Higher energy prices in recent years have resulted in a dilution of quasi-regulated businesses in their EBITDA share, which fell below 40% in 2021-2023. However, we expect the share to rise to 54% in 2025, with the normalisation of energy prices and the expansion of renewables. RWE derives about 70% of earnings from wind and solar under secured support schemes, with a remaining support tenor of 14 years on average. RWE also benefits from capacity payments in the UK gas segment, which represent about 25% of FlexGen earnings.

The increase in the share of quasi-regulated earnings and the gradual decrease of coal exposure will improve the business profile of RWE and could lead to a marginally higher debt capacity.

High Capex Drives Negative FCF: We expect RWE's ambitious capex plan to lead to deeply negative FCF of an estimated EUR9 billion on average in 2024-2025. We forecast a cumulative capex of EUR23.1 billion over 2024-2025, the majority of which will be on renewables. We also forecast a steady increase in dividends, in line with management's public commitment. The higher capex and dividends will lead to a gradual increase in net debt (excluding nuclear liabilities) to EUR8.7 billion by end-2025, from a net cash position of EUR2.2 billion in 2023.

Ambitious Investment Strategy: RWE has clear investment criteria, as it targets a spread of 100bp-300bp over weighted average cost of capital and an average investment return rate of 8%. This could become more challenging to achieve under recently lower electricity forward prices. RWE has 7.8GW of capacity under construction and a development pipeline of more than 100GW, ensuring flexibility in investment choices. Fitch believes that M&A is not central to the investment strategy, but it may help RWE to achieve its EUR55 billion net investments in 2030.

Financial Summary

(EURm)	2021	2022	2023	2024F	2025F
EBITDA before income from associates	3,444	5,899	7,554	4,609	4,292
FFO	4,249	7,408	7,190	4,480	3,921
FCF after acquisitions and divestitures	3,668	-2,983	-5,719	-6,116	-8,956
FFO interest coverage (x)	14.4	10.1	7.7	25.6	12.9
FFO net leverage (x)	-0.6	-0.5	-0.3	0.5	2.1
Nuclear-adjusted FFO net leverage (x)	0.7	0.2	0.4	1.3	2.7

F —Forecast
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

RWE is one of the largest German utilities focusing on generation from renewable sources as well as FlexGen (hydro, biomass and gas). RWE's closest peers are European generation companies, like Fortum Oyj (BBB/Stable), Statkraft AS (A-/Stable; Under Criteria Observation), and Orsted A/S (BBB+/Stable). RWE has a materially higher share of quasi-regulated business than Fortum, but remains more exposed to thermal generation, which ultimately leads to a broadly similar debt capacity.

RWE's rating is at the same level as the Standalone Credit Profile of Statkraft (bbb+). While both companies have comparable revenue size, the Nordic utility has a better generation mix due to its low-cost, flexible hydro-asset base and lower exposure to thermal generation. However, RWE has a higher share of quasi-regulated earnings and no emerging-market exposure, which drives an overall similar debt capacity.

Orsted has a higher debt capacity of 3.2x versus RWE's 2.5x for the same rating. This reflects Orsted's 80% quasi-regulated cash flow, a greater proportion of renewables in its generation mix and long-term price support mechanisms for its offshore wind power business, which are partially offset by its higher concentration.

Navigator Peer Comparison

	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenues Visibility	Market Position	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
ERG S.p.A.	BBB-/Stable	a-	a-	bbb	bbb	bbb+	bbb	bbb-	bb+	a-
Fortum Oyj	BBB/Stable	aa-	a-	bbb-	bbb	bbb+	bbb	bbb	bbb	bbb
Orsted A/S	BBB+/Stable	aa	bbb-	bbb+	bbb+	a-	bbb+	bbb-	bbb	bbb+
RWE AG	BBB+/Stable	aa	a-	bbb-	bbb+	bbb	bbb+	bbb-	bbb	a
Statkraft AS	A-/Stable	aa	a-	bb	bbb	a-	bbb-	bbb+	a-	a-

Source: Fitch Ratings.

Relative Importance of Factor: Higher / Moderate / Lower

Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenues Visibility	Market Position	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
ERG S.p.A.	BBB-/Stable	+3	+3	+1	+1	+2	+1	0	-1	+3
Fortum Oyj	BBB/Stable	+5	+2	-1	0	+1	0	0	0	0
Orsted A/S	BBB+/Stable	+5	-2	0	0	+1	0	-2	-1	0
RWE AG	BBB+/Stable	+5	+1	-2	0	-1	0	-2	-1	+2
Statkraft AS	A-/Stable	+4	0	-5	-2	0	-3	-1	0	0

Source: Fitch Ratings.

Factor Score Relative to IDR: Worse positioned than IDR / Within one notch of IDR / Better positioned than IDR

Rating Sensitivities

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- We currently do not anticipate an upgrade to the 'A' category. Upside is limited by RWE's business profile as an electricity generation utility with no networks and its sizeable thermal exposure. However, signs of a quicker shift to renewables, for example with over 75% contribution from quasi-regulated activities to EBITDA, while keeping leverage low, could lead to positive rating action

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Deterioration of the business profile, for example due to delays in execution of investments in renewables, lower-than-expected profitability of new assets or persistently depressed electricity prices
- Nuclear-adjusted FFO net leverage above 2.5x on a sustained basis

Liquidity and Debt Structure

Strong liquidity: RWE had about EUR14.6 billion of cash and marketable securities at end-2023, and available revolving credit facilities of around EUR10 billion. This compares with no bond maturities and forecast negative FCF (after acquisitions and divestitures) of EUR6.1 billion in 2024.

In July 2023, RWE signed a EUR5 billion syndicated credit facility with a consortium of 28 banks to support its commodity-hedging activities. The facility has a maturity of one year with extension options. The company also has credit lines of EUR3 billion and EUR2 billion, which run until April 2026. In addition, RWE's 15% stake in E.ON (around EUR4.5 billion) is a source of financial flexibility if it decides to divest the stake in full or in part.

ESG Considerations

RWE has an ESG Relevance Score of '4' for 'GHG Emissions & Air Quality' and 'Energy Management'. ESG issues impact the ratings primarily through a high share of coal in RWE's generation fuel mix. However, RWE has been reducing its carbon footprint and is on a decarbonisation path with the CO2 neutrality goal set for 2040. In addition, the company agreed to exit coal in 2030. These factors have a negative impact on the credit profile, and are relevant to the ratings in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

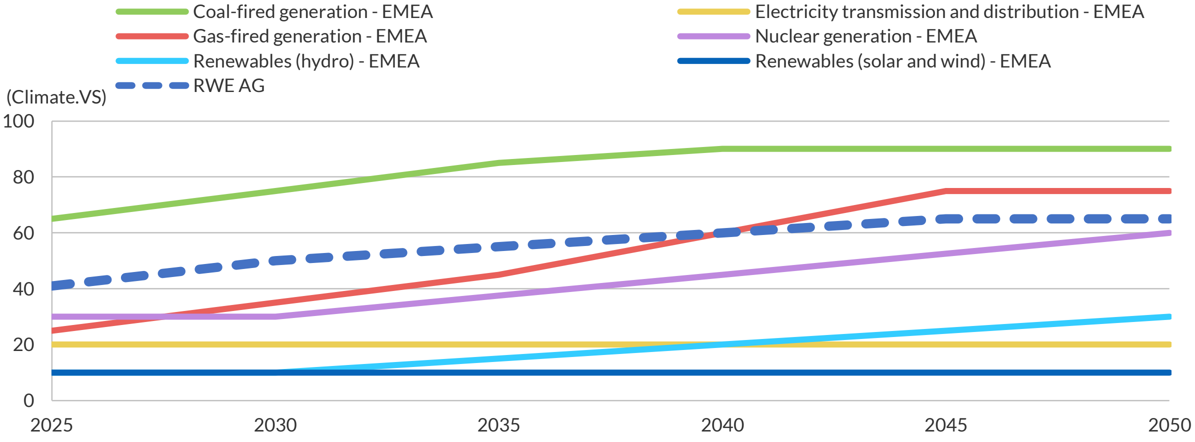
Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria.

The 2023 revenue-weighted (Climate.VS for RWE for 2035 is 55 out of 100, which is above average compared with sector peers due to 24% of RWE's 2023 power generation being derived from coal-based power plants. At the moment, this exposure does not have a material impact on RWE's rating as Germany (where all of RWE coal-based power plants are located) plans to phase-out coal, ideally by 2030. In addition, RWE is continuously growing its renewables portfolio and intends to invest EUR55 billion net capex in its green core business until 2030. Starting from 2024, the company will also start reporting its coal and nuclear segments as non-operating EBITDA.

Climate.VS Evolution

As of December 31, 2023



Source: Fitch Ratings

Liquidity and Debt Maturities

(EURm)	2024F	2025F
Available liquidity		
Beginning cash balance	14,641	8,176
Rating case FCF after acquisitions and divestitures	-6,116	-8,956
Total available liquidity (A)	**8,525**	**-780**
Liquidity uses		
Debt maturities	-349	-1,657
Total liquidity uses (B)	**-349**	**-1,657**
Liquidity calculation		
Ending cash balance (A+B)	8,176	-2,437
Revolver availability	5,000	5,000
Ending liquidity	**13,176**	**2,563**
Liquidity score (x)	38.8	2.5

F – Forecast
Source: Fitch Ratings, Fitch Solutions, RWE AG

Scheduled Debt Maturities

(EURm)	31-Dec-23
2024	349
2025	1,657
2026	1,398
2027	226
2028	1,046
Thereafter	7,776
Total	**12,452**

Source: Fitch Ratings, Fitch Solutions, RWE AG

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Installed capacity to increase to 52GW in 2025, including 22.4GW from wind and solar, 22GW from FlexGen, and 8GW from coal
- Fitch-defined EBITDA to decline in 2024-2025 compared with 2023, but to remain above historical levels on average at EUR4.5 billion per year
- Average capex of EUR11.6 billion a year in 2024-2025
- Total disposals of EUR5.1 billion in 2024-2025
- Average dividends of about EUR780 million a year in 2024-2025

Financial Data

(EURm)	2021	2022	2023	2024F	2025F
Summary income statement					
Gross revenue	24,526	38,366	28,566	29,994	31,494
Revenue growth (%)	79.2	56.4	-25.5	5.0	5.0
EBITDA before income from associates	3,444	5,899	7,554	4,609	4,292
EBITDA margin (%)	14.0	15.4	26.4	15.4	13.6
EBITDA after associates and minorities	3,289	5,595	7,280	4,314	3,992
EBITDAR	3,444	5,899	7,554	4,609	4,292
EBITDAR margin (%)	14.0	15.4	26.4	15.4	13.6
EBIT	2,443	4,452	7,642	2,813	2,328
EBIT margin (%)	10.0	11.6	26.8	9.4	7.4
Gross interest expense	-435	-773	-946	-247	-429
Pretax income including associate income/loss	1,522	715	4,006	5,176	3,918
Summary balance sheet					
Readily available cash and equivalents	13,861	20,456	14,641	12,543	7,391
Debt	11,251	16,385	12,452	14,513	16,137
Lease-adjusted debt	11,251	16,385	12,452	14,513	16,137
Net debt	-2,610	-4,071	-2,189	1,970	8,746
Summary cash flow statement					
EBITDA	3,444	5,899	7,554	4,609	4,292
Cash interest paid	-298	-773	-946	-182	-329
Cash tax	150	-437	-448	-542	-394
Dividends received less dividends paid to minorities (inflow/outflow)	-155	-304	-274	-295	-300
Other items before FFO	848	2,667	470	890	652
FFO	4,249	7,408	7,190	4,480	3,921
FFO margin (%)	17.3	19.3	25.2	14.9	12.4
Change in working capital	-2,126	-1,281	-1,209	1,140	-292
CFO (Fitch-defined)	2,123	6,127	5,981	5,620	3,629
Total non-operating/nonrecurring cash flow	4,832	-4,127	-2,214	-1,679	-570
Capex	-3,689	-3,303	-5,146	—	—
Capital intensity (capex/revenue) (%)	15.0	8.6	18.0	—	—
Common dividends	-575	-609	-669	—	—
FCF	2,691	-1,912	-2,048	—	—
FCF margin (%)	11.0	-5.0	-7.2	—	—
Net acquisitions and divestitures	977	-1,071	-3,671	—	—
Other investing and financing cash flow items	-4,804	-5,382	6,262	1,984	7,038
Net debt proceeds	2,371	7,179	-576	2,061	1,624
Net equity proceeds	-184	2,349	-38	—	—
Total change in cash	1,051	1,163	-71	-2,071	-295
Leverage ratios (x)					
EBITDA leverage	3.4	2.9	1.7	3.4	4.0
EBITDA net leverage	-0.8	-0.7	-0.3	0.5	2.2
EBITDAR leverage	3.4	2.9	1.7	3.4	4.0
EBITDAR net leverage	-0.8	-0.7	-0.3	0.5	2.2
FFO adjusted leverage	2.6	2.1	1.7	3.1	3.8
FFO adjusted net leverage	-0.6	-0.5	-0.3	0.4	2.1
FFO leverage	2.6	2.1	1.7	3.1	3.8
FFO net leverage	-0.6	-0.5	-0.3	0.4	2.1
Nuclear-adjusted FFO net leverage	0.7	0.2	0.4	1.3	2.7

(EURm)	2021	2022	2023	2024F	2025F
Calculations for forecast publication					
Capex, dividends, acquisitions and other items before FCF	1,545	-9,110	-11,700	-11,736	-12,585
FCF after acquisitions and divestitures	3,668	-2,983	-5,719	-6,116	-8,956
FCF margin after net acquisitions (%)	15.0	-7.8	-20.0	-20.4	-28.4
Coverage ratios (x)					
FFO interest coverage	14.4	10.1	7.7	25.6	12.9
FFO fixed-charge coverage	14.4	10.1	7.7	25.6	12.9
EBITDAR fixed-charge coverage	11.0	7.2	7.7	23.7	12.1
EBITDAR net fixed-charge coverage	86.6	13.4	65.0	23.7	12.1
EBITDA interest coverage	11.0	7.2	7.7	23.7	12.1
Additional metrics (%)					
CFO-capex/debt	-13.9	17.2	6.7	-29.2	-59.6
CFO-capex/net debt	60.0	-69.4	-38.1	-215.5	-109.9
CFO/capex	57.5	185.5	116.2	57.0	27.4

CFO – Cash flow from operations, F – Forecast
Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	□ Stable

FitchRatings

RWE AG

Corporates Ratings Navigator
Global Electricity Generation

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb+	Financial Transparency	a	High quality and timely financial reporting.
bbb			

Revenues Visibility

bbb+	Contracted Position	bb	Moderate visibility under PPAs or incentives with short to medium (3 years) term residual life, with manageable merchant risk. 50% to 80% contracted or incentivised.
bbb	Contract Renewal Risk	bbb	Likely re-contracting prospects with similar to potentially moderately worse contractual terms.
bbb-	System / Capacity Payments	bbb	Less transparent or shorter duration market pricing structures with some risk of political interference proving medium term price visibility for power generators.
bb+	Degree of Supply Integration	b	Minimal supply integration. Significant long or short generation position.
bb	Resource Predictability	bbb	Stable and predictable capacity factor.

Market Position

a	Supply/Demand Dynamics	bbb	Moderately favorable outlook for prices. Balanced reserve margin with capacity addition pace matching demand growth. Supply/Demand balance aided by regulatory system mechanism.
a-	Competitive Position	bbb	Efficient generation with recurrent merit dispatch.
bbb+	Relative Size and Scale	a	Large scale operations with diverse generation asset base or company supplies more than 50% of electricity to the systems where it operates or strong competitive position in a localized market
bbb			
bbb-			

Asset Base and Operations

a-	Asset Quality and Diversity	bbb	Good single asset quality or partial diversification by geography and/or generation source.
bbb+	Exposure to Environmental Regulations	bb	Significant exposure to environmental regulations. Energy production largely deriving from thermal sources; high carbon exposure.
bbb	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bbb-			
bb+			

Commodity Exposure

a	Counterparty Risk	bbb	Diversified, medium counterparty risk or weighted average credit quality of actual and potential off-takers is in line with 'BBB' rating. Single 'BBB' rated off-taker under well-structured PPA.
a-	Costs Pass-Through and Supply Mix	bbb	Limited exposure to changes in commodity costs with ability to pass cost changes to end users. Low variable costs and moderate flexibility/certain of supply.
bbb+	Hedging Strategy	a	Strong portfolio/cash flow smoothing effects from extensive contractual hedge.
bbb			
bbb-			

Profitability

bbb+	Free Cash Flow	bb	Structurally moderately negative FCF across the investment cycle.
bbb	Cash Flow Predictability	bbb	Stability and predictability cash flow in line with peers.
bbb-			
bb+			
bb			

Financial Structure

a-	EBITDA Leverage	bbb	3.3x
bbb+	FFO Leverage	bbb	3.5x
bbb	FFO Net Leverage	bbb	3.0x
bbb-			
bb+			

Financial Flexibility

aa-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a+	Liquidity		Very comfortable liquidity. No need to use external funding, except for already committed facilities, in the next 12 months even under a severe stress scenario. Well-spread debt maturity schedule. Diversified sources of funding.
a	FFO Interest Coverage	a	5.5x
a-	DSCR		n.a.
bbb+	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

RWE AG has 2 ESG rating drivers and 11 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Water used by hydro plants or by other generation plants, also effluent management
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	2	issues	4
potential driver	11	issues	3
not a rating driver	1	issues	2
	0	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

RWE AG

Corporates Ratings Navigator
Global Electricity Generation

Credit-Relevant ESG Derivation

RWE AG has 2 ESG rating drivers and 11 ESG potential rating drivers

- RWE AG has exposure to emissions regulatory risk which, in combination with other factors, impacts the rating.
- RWE AG has exposure to energy productivity risk which, in combination with other factors, impacts the rating.
- RWE AG has exposure to water management risk but this has very low impact on the rating.
- RWE AG has exposure to waste & impact management risk but this has very low impact on the rating.
- RWE AG has exposure to extreme weather events but this has very low impact on the rating.
- RWE AG has exposure to access/affordability risk but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	2	issues	4
potential driver	11	issues	3
not a rating driver	1	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	4	Emissions from operations	Asset Base and Operations	5
Energy Management	4	Fuel use to generate energy and serve load	Asset Base and Operations; Counterparty and Commodity Exposure; Profitability	4
Water & Wastewater Management	3	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Revenues Predictability; Profitability	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Asset Base and Operations	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability	3
Employee Wellbeing	2	Worker safety and accident prevention	Asset Base and Operations	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Revenues Predictability; Profitability; Financial Structure	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance; Financial Structure	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance; Counterparty and Commodity Exposure	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

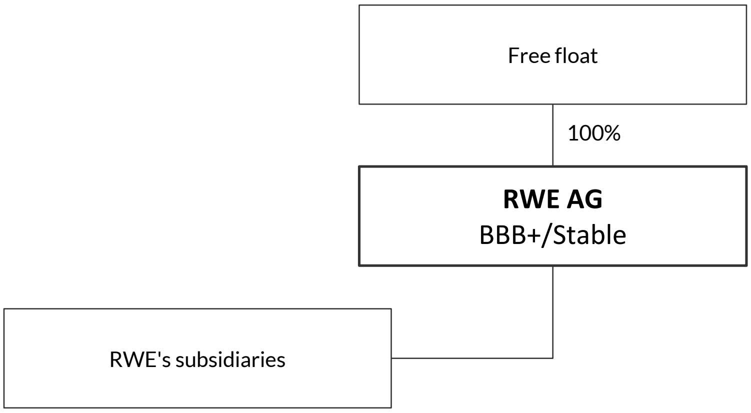
How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



Hybrids[a]:
EUR 282m, 3.5%, 2025
USD 317m, 6.625%, 2026

Senior unsecured:
EUR 12m, 3.5%, 2037
EUR 500m, 0.625%, 2031
EUR 750m, 0.5%, 2028
EUR 600m, 1.0%, 2033
EUR 1bn, 2.125%, 2026
EUR 1bn, 2.75%, 2030
EUR 1.25bn, 2.5%, 2025
EUR 500m, 3.625%, 2029
EUR 500m, 4.125%, 2035
EUR 500m, 3.625%, 2032

[a] First call date is presented for hybrids.
Source: Fitch Ratings, Fitch Solutions, RWE AG, as of April 2024

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	EBITDA (EURm)	FFO (EURm)	FCF after acquisitions and divestitures (EURm)	FFO interest coverage (x)	FFO net leverage (x)
RWE AG	BBB+						
	BBB+	2023	7,554	7,190	-5,719	7.7	-0.3
	BBB+	2022	5,899	7,408	-2,983	10.1	-0.5
	BBB+	2021	3,444	4,249	3,668	14.4	-0.6
	BBB	2020	3,105	3,102	565	11.8	-1.9
Statkraft AS	A-						
	A-	2022	5,285	3,942	2,030	42.6	-0.5
	BBB+	2021	2,773	2,476	1,520	49.2	0.1
	BBB+	2020	1,141	863	-412	13.7	2.5
Orsted A/S	BBB+						
	BBB+	2023	2,891	2,059	-1,282	3.9	2.9
	BBB+	2022	2,681	2,224	-1,029	5.8	1.8
	BBB+	2021	2,079	1,240	-1,311	4.6	3.0
Fortum Oyj	BBB						
	BBB	2023	1,881	1,498	2,063	7.0	0.8
	BBB	2022	2,004	1,875	543	10.0	1.7
	BBB	2021	4,501	3,012	-1,239	18.3	2.6
	BBB	2020	2,538	2,134	-348	11.5	2.7
ERG S.p.A.	BBB-						
	BBB-	2022	502	405	744	14.9	3.5
	BBB-	2021	581	495	-284	16.3	4.1
	BBB-	2020	481	392	160	8.5	3.1

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EURm as of 31 Dec 2023)	Notes and formulas	Standardised values	Lease treatment	Other adjustments	Adjusted values
Income statement summary					
Revenue		28,566	—	—	28,566
EBITDA	(a)	7,813	-259	—	7,554
Depreciation and amortisation		-2,029	194	1,923	88
EBIT		5,784	-65	1,923	7,642
Balance sheet summary					
Debt	(b)	15,610	-1,913	-1,245	12,452
Of which other off-balance-sheet debt		—	—	—	—
Lease-equivalent debt		—	—	—	—
Lease-adjusted debt		15,610	-1,913	-1,245	12,452
Readily available cash and equivalents	(c)	14,641	—	—	14,641
Not readily available cash and equivalents		—	—	—	—
Cash flow summary					
EBITDA	(a)	7,813	-259	—	7,554
Dividends received from associates less dividends paid to minorities	(d)	-274	—	—	-274
Interest paid	(e)	-1,011	65	—	-946
Interest received	(f)	834	—	—	834
Preferred dividends paid	(g)	—	—	—	—
Cash tax paid		-448	—	—	-448
Other items before FFO		-2,931	—	3,401	470
FFO	(h)	3,983	-194	3,401	7,190
Change in working capital		-22	—	-1,187	-1,209
CFO	(i)	3,961	-194	2,214	5,981
Non-operating/nonrecurring cash flow		—	—	-2,214	-2,214
Capex	(j)	-5,146	—	—	-5,146
Common dividends paid		-669	—	—	-669
FCF		-1,854	-194	—	-2,048
Gross leverage (x)					
FFO leverage	b / (h-e-f-g)	3.8	—	—	1.7
(CFO-capex)/debt (%)	(i+j) / b	-7.6	—	—	6.7
Net leverage (x)					
FFO net leverage	(b-c) / (h-e-f-g)	0.2	—	—	-0.3
(CFO-capex)/net debt (%)	(i+j) / (b-c)	-122.3	—	—	-38.1
Coverage (x)					
FFO interest coverage	(h-e-f-g) / (-e-g)	4.1	—	—	7.7

CFO – Cash flow from operations
Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.
Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.
Debt includes other off-balance-sheet debt.
Source: Fitch Ratings, Fitch Solutions, RWE AG

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