

POWERING. RELIABLE. FUTURE.

“POWERING. RELIABLE. FUTURE. – THIS IS RWE”

Interview with the CEO of RWE AG, Rolf Martin Schmitz (extract)

Mr. Schmitz, 2017 was year one after innogy's public listing and your appointment as CEO of RWE. What would you say looking back on 2017?

We can be quite proud of our accomplishments last year. We gave RWE a strategy that is clear to and accepted by the public and the capital market. Our motto is 'Powering. Reliable. Future.' – this is RWE. This is what we're about. Things also went well in operating terms. Adjusted EBITDA, our most important earnings indicator, was even better than forecast, amounting to 5.8 billion euros. Our share also performed well. RWE's common stock increased by 44 percent in 2017, making it the third-strongest share in the DAX. Last but not least, teamwork across the new RWE is blossoming and I'm extremely happy about that. This is a very good basis for 2018.

The government is obviously considering determining a fixed date for putting a halt to electricity generation from coal. What do you think of this?

Not much. No one can predict how the world will have changed by 2040 or 2050. Just consider the change we have experienced in the last 20 years alone. Politicians should set realistic emission-reduction goals and create a framework which ensures that these goals are achieved. It should be left up to the companies how they adapt to this framework and which technologies they use. Over-regulation is always counterproductive.

One of the positive developments last year was the turnaround in German wholesale electricity forwards after the record lows in the beginning of 2016.

When will we see this reflected in our books?

I wouldn't speak of a turnaround yet: electricity prices slipped again at the beginning of 2018. What is true is that 2017 was a good year with regard to the development of electricity forwards. However, it will take a while for this to become visible in our earnings. We sell the electricity from our power stations up to three years in advance. As a result, changes in market prices are reflected in our books with a significant time lag. This was very advantageous to us when electricity prices plummeted from 2008 to the beginning of 2016. Now we face the opposite situation.

Does this mean that the RWE Group's earnings will decline this year?

Yes, it's safe to assume that. We realised an average price of 31 euros per megawatt hour with our German lignite-fired and nuclear power stations for 2017. The comparable figure for 2018 is three euros below that. We forecast adjusted EBITDA of 4.9 billion to 5.2 billion euros for the RWE Group, much less than in 2017. However, I hope that we have reached the low point in conventional electricity generation and that things will pick up no later than 2020.

RWE Group key figures – at a glance		2017	2016	+/- in %
Power generation	billion kWh	202.2	216.1	-6.4
External electricity sales volume	billion kWh	261.1	264.6	-1.3
External gas sales volume	billion kWh	254.1	265.1	-4.1
External revenue	€ million	44,585	45,833	-2.7
Adjusted EBITDA	€ million	5,756	5,403	6.5
Adjusted EBIT	€ million	3,646	3,082	18.3
Income before taxes	€ million	3,056	-5,807	152.6
Net income	€ million	1,900	-5,710	133.3
Adjusted net income	€ million	1,232	777	58.6
Cash flows from operating activities	€ million	-1,754	2,352	-174.6
Capital expenditure	€ million	2,629	2,382	10.4
Property, plant and equipment and intangible assets	€ million	2,260	2,027	11.5
Financial assets	€ million	369	355	3.9
Free cash flow ¹	€ million	-3,849	809	-575.8
Number of shares outstanding (annual average)	thousands	614,745	614,745	-
Earnings per share	€	3.09	-9.29	133.3
Adjusted net income per share	€	2.00	1.26	58.7
Dividend per common share	€	1.50 ²	-	-
Dividend per preferred share	€	1.50 ²	0.13	-
		31 Dec 2017	31 Dec 2016	
Net debt	€ million	20,227	22,709	-10.9
Workforce ³		59,547	58,652	1.5

1 Changed term; see explanation on page 56 in the 2017 Annual Report.

2 Dividend proposal for RWE AG's 2017 fiscal year, subject to the passing of a resolution by the 26 April 2018 Annual General Meeting.

3 Converted to full-time positions.

Forward-looking statements

This document 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.

Upcoming events:

26 April 2018
Annual General Meeting, Essen, Germany

02 May 2018
Dividend payment

15 May 2018
Interim statement on the first quarter of 2018

Contact:

RWE AG
Investor Relations
Altenessener Straße 27
45141 Essen
Germany

T +49 201 5179-3115
F +49 201 12-15033
E invest@rwe.com
I www.rwe.com /ir

A RELIABLE PARTNER FOR THE ENERGY TRANSITION

RWE POSTS GOOD PERFORMANCE IN FISCAL 2017 – AND PLANS HIGHER DIVIDEND FOR 2018

Lignite & Nuclear Division:

In Lignite & Nuclear, adjusted EBITDA declined as expected, falling to €671 million (previous year: €1,079 million), due to lower realised wholesale electricity prices compared to the previous year. This decline was partially offset by the fact that we no longer had to pay a nuclear fuel tax and the ongoing efficiency-enhancement programme.

European Power Division:

The adjusted EBITDA amounted to €463 million (previous year: €377 million). At the start of 2017 we were still expecting a decline in this division. The increase of around 23% resulted from the above-average earnings of the commercial optimisation of our power plant fleet, improvements in efficiency and an extraordinary book gain on the sale of our former power plant site Littlebrook.

Supply & Trading Division:

The adjusted EBITDA of the Supply & Trading division rose to €271 million (previous year: –€139 million), a strong rebound compared to 2016 and well above the expected average level of around €200 million. The main reason for this was the normalisation of our trading performance compared to the extremely weak performance in the prior year.

innogy:

Our financial investment, innogy, recorded an increase of 3% in its adjusted EBITDA (€4,331 million). This met our forecast. Details on its earnings were published on 12 March 2018.

Operating cash flows: significant decline due to contribution to the German nuclear energy fund:

As of 31 December 2017, the net debt of the RWE Group amounted to €20.2 billion, down €2.5 billion on the figure recorded by the end of 2016. This was mainly due to the good earnings development, the refund of the nuclear fuel tax and lower pension obligations.

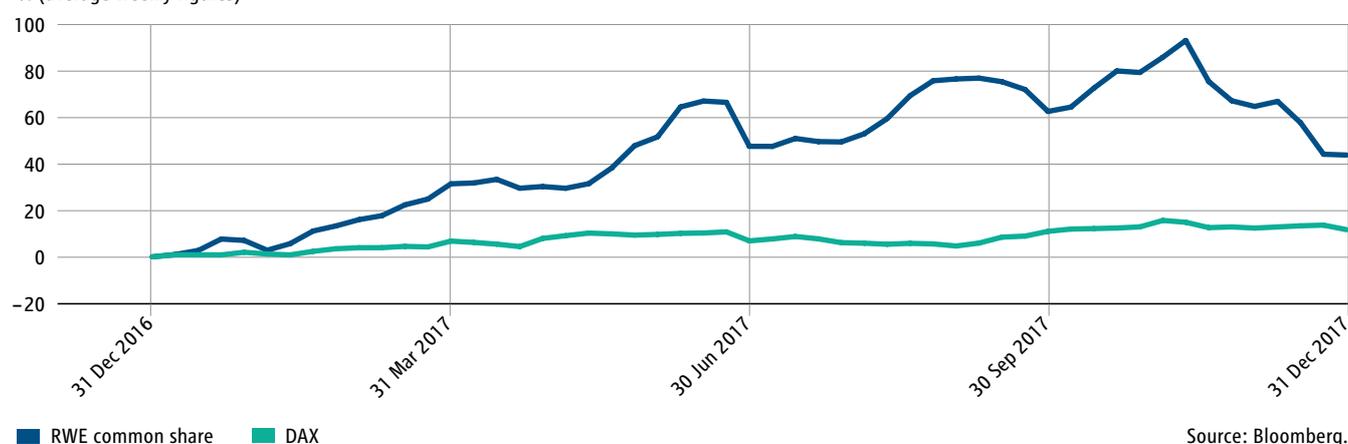
Dividend proposal for fiscal 2017 and fiscal 2018:

The Supervisory and Executive Boards of RWE AG will propose to the Annual General Meeting on 26 April 2018 the payment of a dividend of €1.50 per common and preferred shares. The sum is made up of the regular dividend of €0.50 and a special payment of €1.00 through which we want to enable our shareholders to benefit from the nuclear fuel tax refund.

For 2018, the goal is to increase the ordinary dividend to €0.70.

RWE COMMON SHARES UP 44%

Performance of the RWE common share compared with the DAX
% (average weekly figures)



Source: Bloomberg.

RWE shares - good performance. RWE investors benefited from an especially strong return in 2017. Our common stock increased in price by 44% to €17.00 over the course of the year. RWE preferred shares rose to €14.33; including the preferred dividend of €0.13, they achieved a total return of 66%. Our stock therefore clearly outperformed the STOXX Europe 600 Utilities sector index (+10%). They fared well in part due to the reorganisation of the RWE Group and the successful IPO of our subsidiary innogy in October last year. Since then, investor trust in the financial solidity of RWE AG and the future viability of its key business

areas has improved considerably. The increase in German wholesale electricity prices also contributed to this. RWE shares gained additional momentum when the German Constitutional Court ruled in early June that the nuclear fuel tax was null and void. After the elections to the German Lower House of Parliament in September, the talks to form the coalition unsettled RWE investors because calls for an accelerated coal phase-out were voiced. The RWE share experienced a severe setback in December due to the profit warning issued by innogy, which made a downward correction to its earnings outlook for 2017 and 2018.

Ticker symbols of RWE shares		Common share	Preferred share
Reuters: Xetra		RWEG.DE	RWEG_p.DE
Reuters: Frankfurt Stock Exchange		RWEG.F	RWEG_p.F
Bloomberg: Xetra		RWE GY	RWE3 GY
Bloomberg: Frankfurt Stock Exchange		RWE GR	RWE3 GR
German Securities Identification Number (WKN)		703712	703714
International Securities Identification Number (ISIN)		DE0007037129	DE0007037145
American Depositary Receipt (CUSIP Number)		74975E303	-