

# H1 2017 Results Presentation

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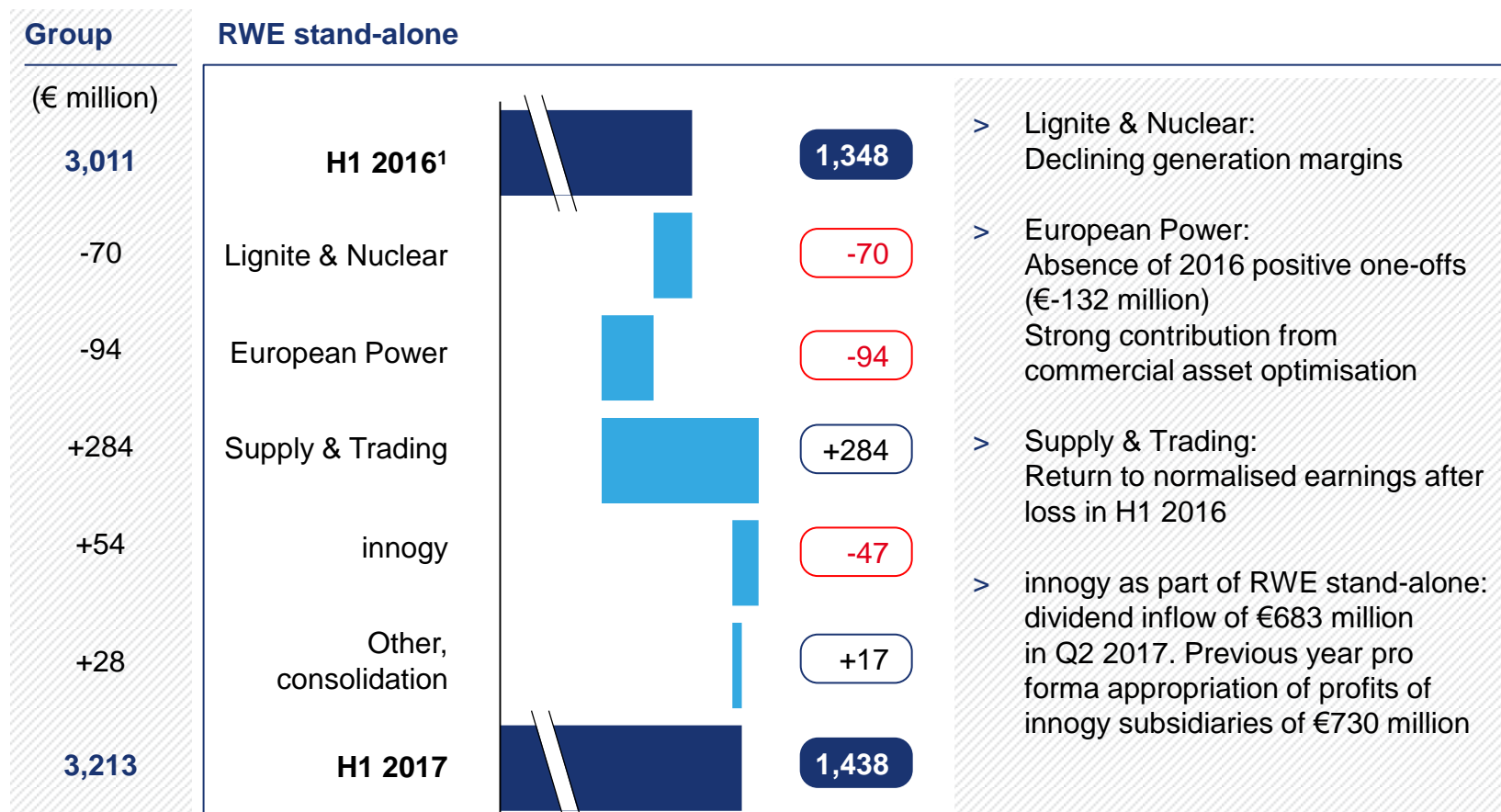
# Disclaimer

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# H1 2017 – key messages

- > RWE consolidated Group: Good start to H1 2017, in line with expectations. EBITDA +7%; adjusted net income +35%. Outlook for 2017 confirmed.
- > RWE stand-alone: Improved earnings in H1 2017 due to normalised trading result. Outlook for 2017 confirmed; divisional outlook for European Power improved.
- > Reimbursement of nuclear fuel tax. Special dividend of €1/share on top of fiscal year 2017 dividend target of €0.50/share proposed. Predominant part of refund used to improve RWE's financial strength.
- > Restructuring of responsibilities for nuclear waste disposal concluded: New law in force, public contract with Government signed, money transferred on 3 July.
- > Rating updates confirm investment grade rating for RWE with stable outlook.

# Development of EBITDA dominated by recovery of earnings at Supply & Trading



<sup>1</sup> Pro forma financial

# Lignite & Nuclear – Driven by lower realised generation margins

## Key financials

€ million	H1 2017	H1 2016	change
<b>Adj. EBITDA</b>	<b>401</b>	<b>471</b>	<b>-70</b>
t/o non-recurring items <sup>1</sup>	-1	1	-2
Depreciation	139	196	-57
<b>Adj. EBIT</b>	<b>262</b>	<b>275</b>	<b>-13</b>
t/o non-recurring items <sup>1</sup>	-1	1	-2
<b>Capex</b>	<b>98</b>	<b>110</b>	<b>-12</b>
<b>Cash contribution<sup>2</sup></b>	<b>303</b>	<b>361</b>	<b>-58</b>

## H1 2017 versus H1 2016:

- ⊖ Lower realised generation margins
- ⊖ Lower income at Mátra and classification as asset held for sale as of Q2 2017; i.e. earnings contribution from Q2 2017 onwards in non-operating result
- ⊕ Higher technical availability of lignite plants
- ⊕ Phase out of nuclear fuel tax in 2016 (+€0.1 bn)
- ⊕ Operating cost improvements

## EBITDA outlook for 2017: significantly below previous year

- ⊖ Lower realised generation margins (hedged outright price: ~€31/MWh vs. €35/MWh in 2016)
- ⊖ Absence of non-recurring items (-€0.15 bn)
- ⊖ Unplanned outage at Neurath lignite plant and reclassification of Mátra as asset held for sale
- ⊕ Absence of nuclear fuel tax (€0.15 bn)
- ⊕ Operating cost improvements

<sup>1</sup> Non-recurring items (not included in non-operating result) | <sup>2</sup> Adj. EBITDA minus capex (before changes in provisions)

# European Power – Lower earnings due to absence of non-recurring items

## Key financials

€ million	H1 2017	H1 2016	change
UK	135	187	-52
Continental Europe	88	134	-46
<b>Adj. EBITDA</b>	<b>222</b>	<b>316</b>	<b>-94</b>
t/o non-recurring items <sup>1</sup>	20	152	-132
Depreciation	153	201	-48
<b>Adj. EBIT</b>	<b>69</b>	<b>115</b>	<b>-46</b>
t/o non-recurring items <sup>1</sup>	20	152	-132
<b>Capex</b>	<b>38</b>	<b>27</b>	<b>11</b>
<b>Cash contribution<sup>2</sup></b>	<b>184</b>	<b>289</b>	<b>-105</b>

## H1 2017 versus H1 2016:

- ⊖ Absence of positive non-recurring items in 2016
- ⊖ Lower realised hard coal generation margins
- ⊕ Higher realised gas generation margins
- ⊕ Significantly higher income from commercial asset optimisation
- ⊕ Operating cost improvements

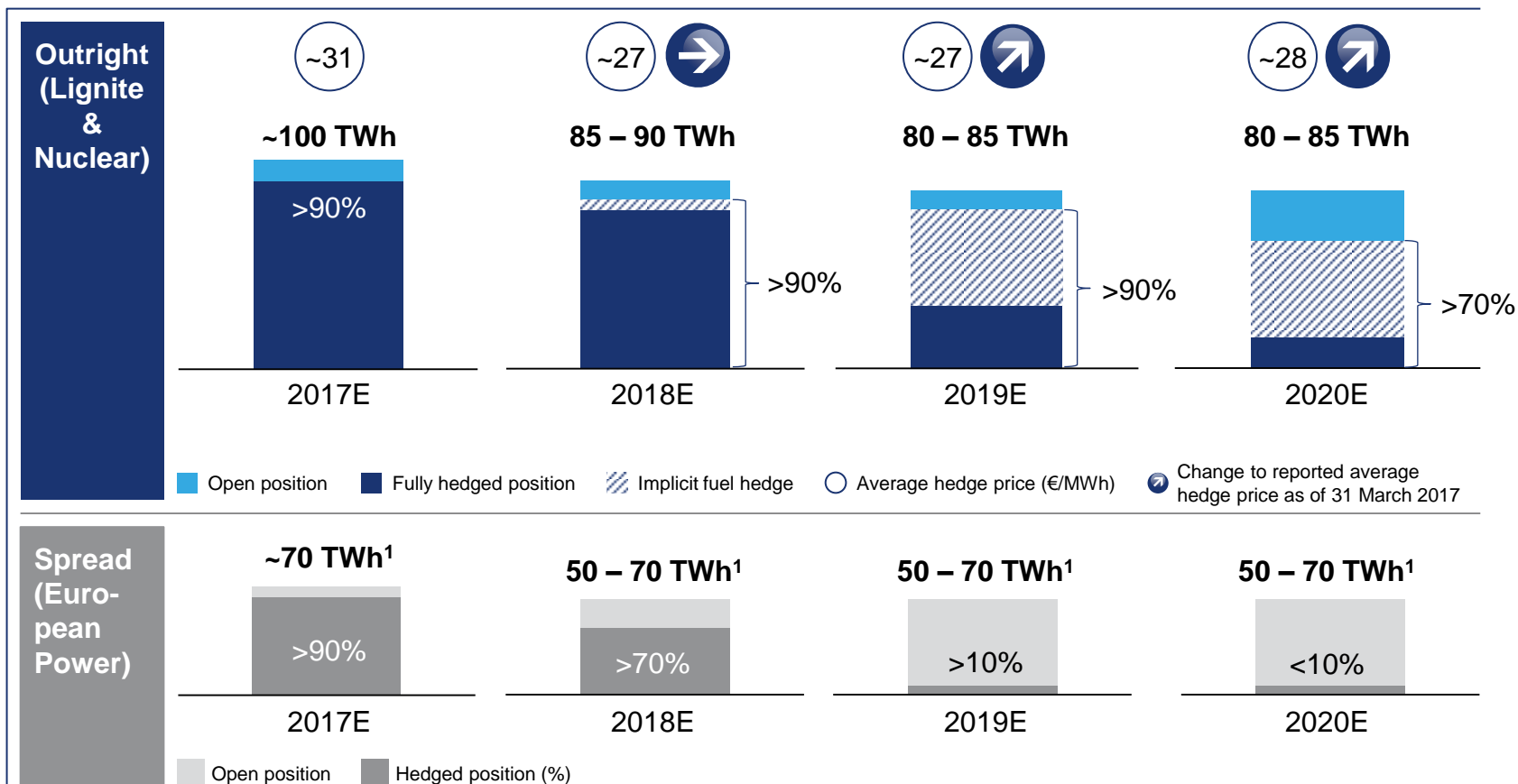
## EBITDA outlook for 2017: significantly above previous year

- ⊕ Significantly higher income from commercial asset optimisation
- ⊕ Operating cost improvements
- ⊕ Higher realised gas generation margins
- ⊖ Lower realised hard coal generation margins

<sup>1</sup> Non-recurring items (not included in non-operating result) | <sup>2</sup> Adj. EBITDA minus capex (before changes in provisions)

# Hedging – Improved average hedge prices as a result of our implicit fuel hedge strategy

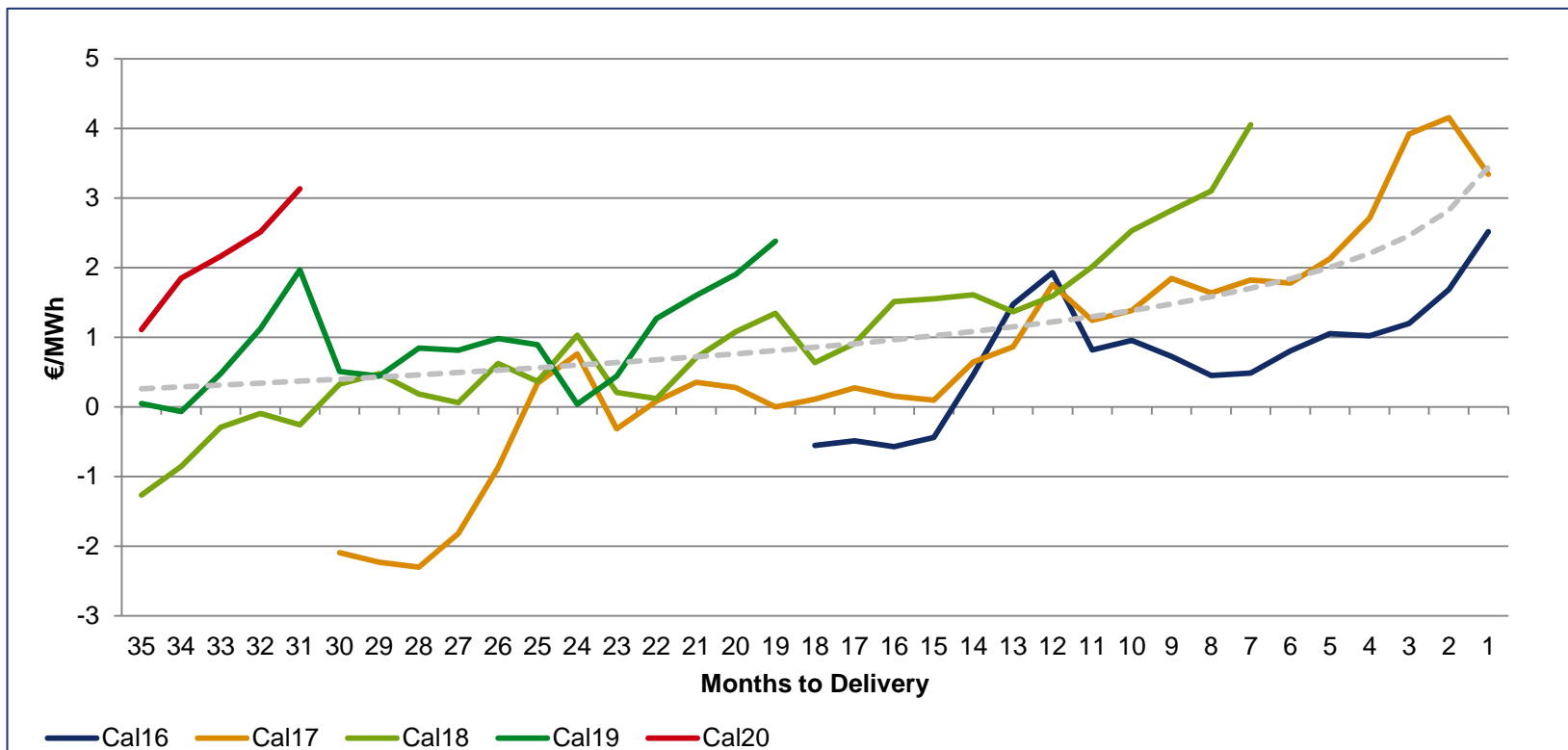
Expected positions and hedge status as of 30 June 2017



<sup>1</sup> Total in-the-money spread

# Significant improvement of fuel spreads since March 2017

Development of German fuel spreads<sup>1</sup>



<sup>1</sup> Fuel spread defined as: Power price – (pass-through-factor carbon × EUA price + pass-through-factor coal × coal price + pass-through-factor gas × gas price)  
 Source: Bloomberg; data until 30 June 2017



# Supply & Trading – Positive earnings development due to a return to normalised trading result

## Key financials

€ million	H1 2017	H1 2016	change
<b>Adj. EBITDA</b>	<b>131</b>	<b>-153</b>	<b>284</b>
t/o non-recurring items <sup>1</sup>	-	-23	23
Depreciation	2	3	-1
<b>Adj. EBIT</b>	<b>129</b>	<b>-156</b>	<b>285</b>
t/o non-recurring items <sup>1</sup>	-	-23	23
<b>Capex</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>Cash contribution<sup>2</sup></b>	<b>130</b>	<b>-154</b>	<b>284</b>

## H1 2017 versus H1 2016:

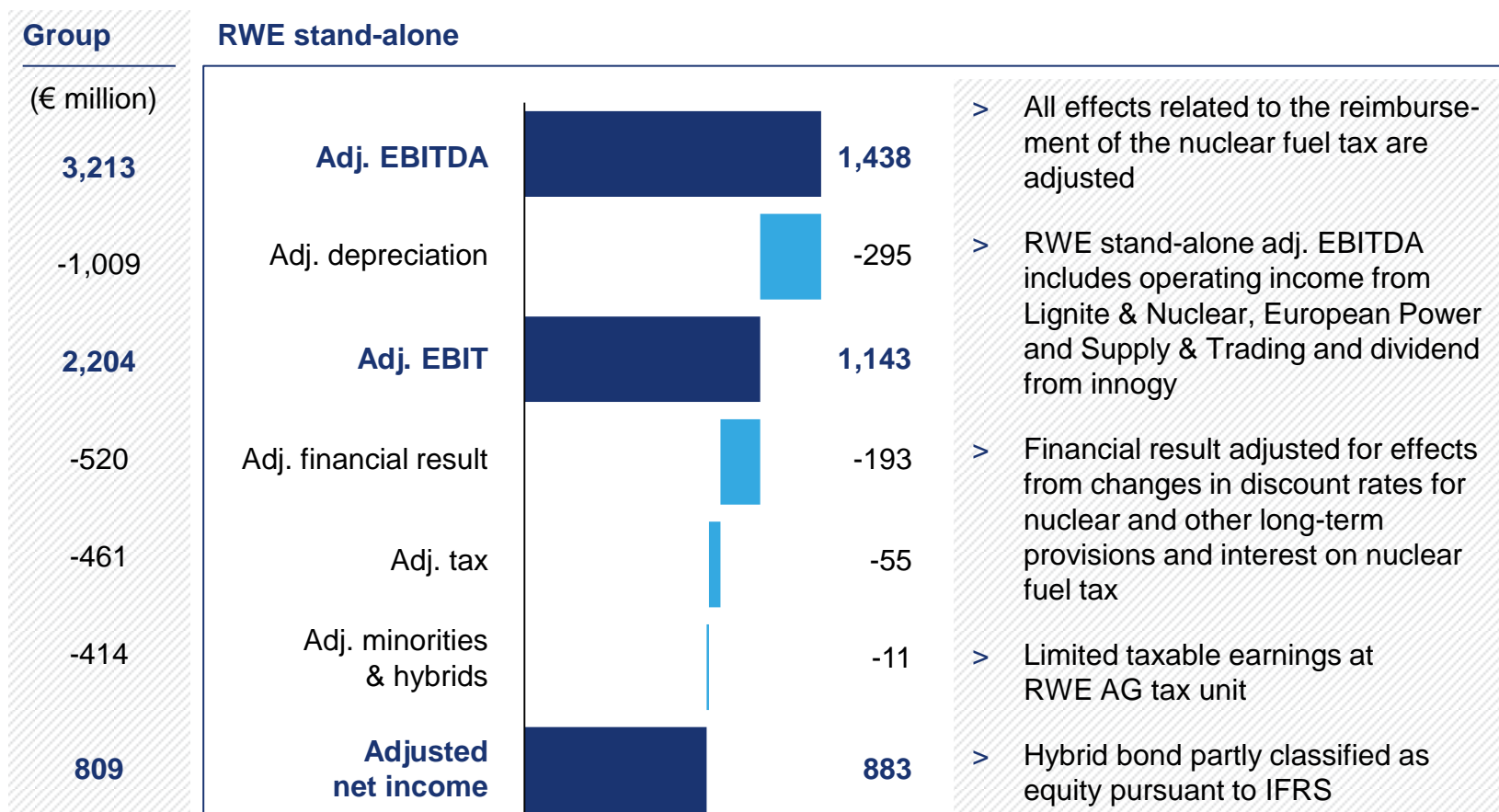
- ⊕ Normalised trading result after losses in 2016
- ⊕ Adjustment of long-term gas storage contracts to market prices in Q2 2016 (non-recurring items)
- ⊖ Absence of income from disposal of Lynemouth power plant in Q1 2016

## EBITDA outlook for 2017: significantly above previous year

- ⊕ Normalisation of trading performance

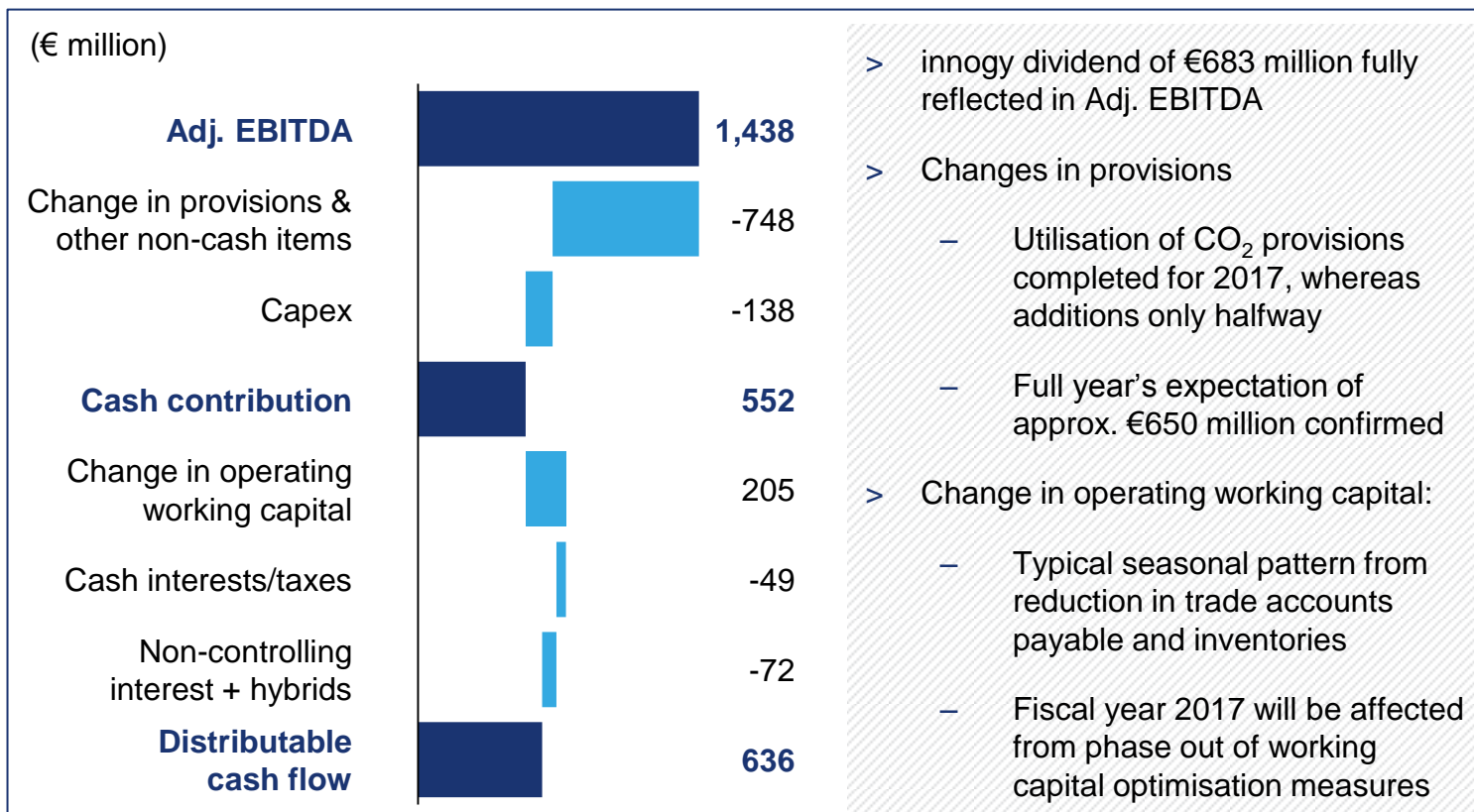
<sup>1</sup> Non-recurring items (not included in non-operating result) | <sup>2</sup> Adj. EBITDA minus capex (before changes in provisions)

# Adjusted net income H1 2017 reaches €0.9 billion



# High H1 2017 distributable cash flow due to full amount of innogy dividend in Q2 2017

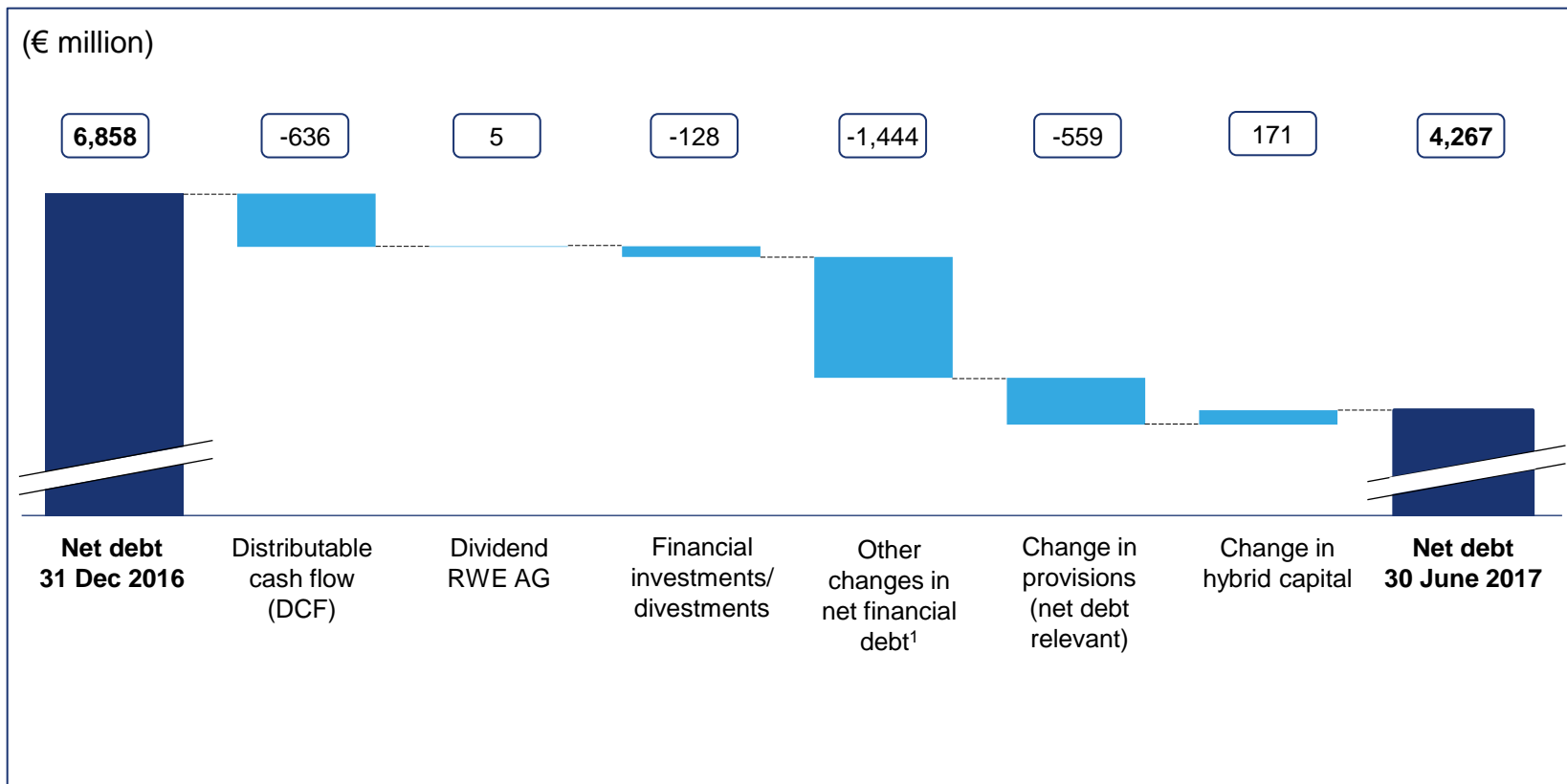
## RWE stand-alone<sup>1</sup>



<sup>1</sup> Pro forma financial

# Strong decline of net debt due to positive DCF, nuclear fuel tax refund and reduction of provisions

## Development of net debt (RWE stand-alone)



<sup>1</sup> Includes €1.7 bn of nuclear fuel tax refund. Furthermore it includes tax account receivables/payable, tax provisions and variation margins.

# RWE stand-alone – Outlook for 2017 confirmed

2016		2017	
€1.9 bn	<b>Adjusted EBITDA</b>	€1.6 bn – €1.9 bn	
-€0.9 bn	Adj. depreciation	↘	> Reduction by ~€0.3 bn from impairments
-€1.0 bn	Adj. net financial result	↘	> Reduction in interest accretion to provisions (€0.4 – 0.5 bn) > Lower losses from sale of securities and impact from lower discount rates on non-current provisions (€0.2 bn)
€0.0 bn	Adj. taxes	→	> Principally 95% tax exemption for innogy dividend > Utilisation of deferred tax assets in German tax unit
-€0.1 bn	Adj. minorities & hybrid	→	> Stable development expected
-€0.0 bn	<b>Adjusted Net Income</b>	€0.7 bn – €1.0 bn	
	<b>Dividend (per share)</b>	€0.50	> Management target for ordinary and preferred shares; > further goal to maintain at least this level in the years thereafter
		+	
		€1.00	> Special dividend from reimbursement of nuclear fuel tax

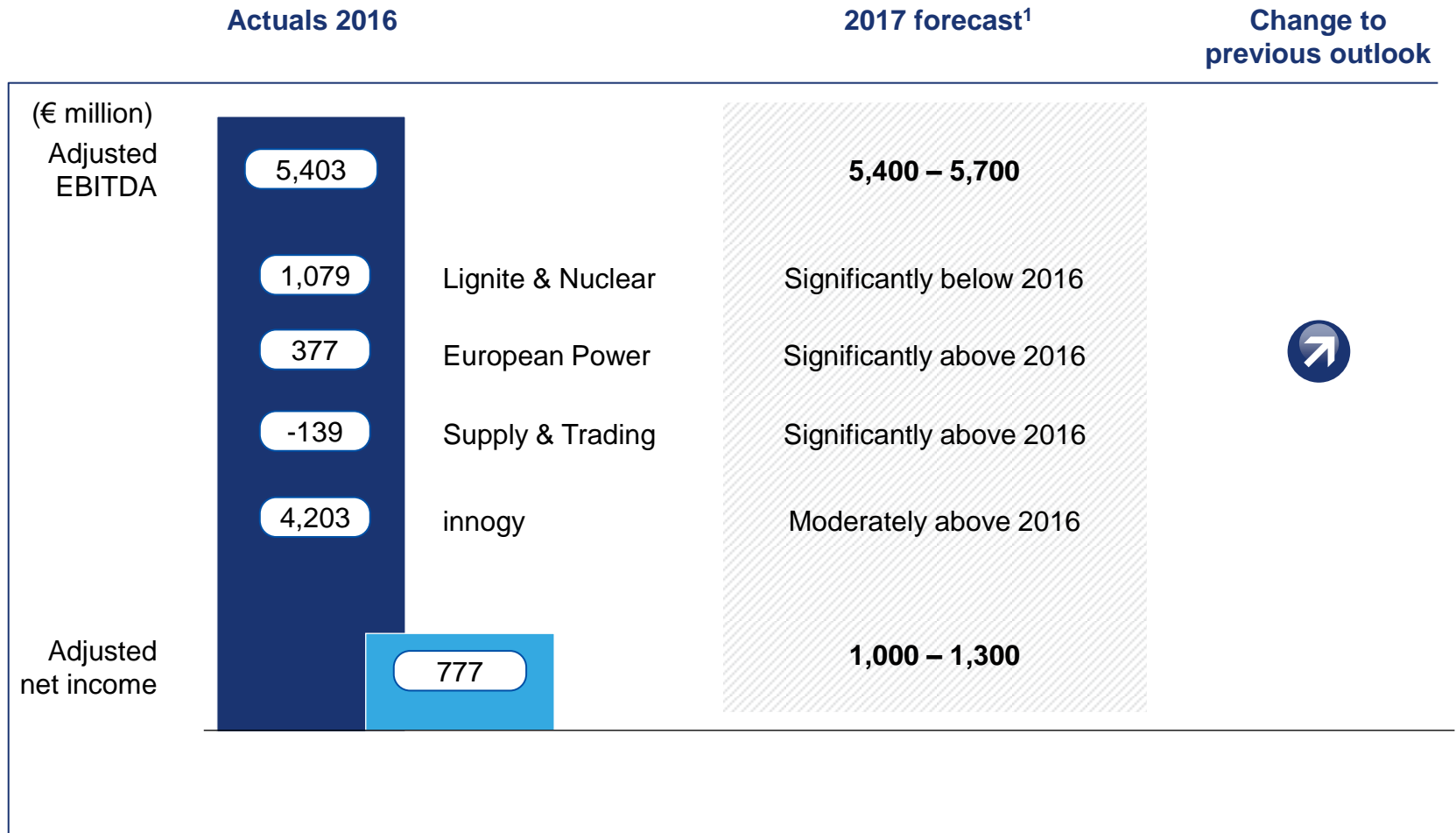
# Appendix

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# Reconciliation to H1 2017 adjusted net income

(€ million)	RWE stand-alone			RWE Group		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
<b>Adjusted EBITDA</b>	<b>1,438</b>	-	<b>1,438</b>	<b>3,213</b>	-	<b>3,213</b>
Depreciation	-295	-	-295	-1,009	-	-1,009
<b>Adjusted EBIT</b>	<b>1,143</b>	-	<b>1,143</b>	<b>2,204</b>	-	<b>2,204</b>
Non-operating result	1,500	-1,500	-	1,617	-1,617	-
Financial result	147	-340	-193	-150	-370	-520
Taxes on income (Tax rate)	-269 (10%)	214	-55 (6%)	-711 (19%)	250	-461 (27%)
<b>Income</b>	<b>2,521</b>	<b>-1,626</b>	<b>895</b>	<b>2,960</b>	<b>-1,737</b>	<b>1,223</b>
- Non-controlling interests	160	-147	13	-267	-123	-390
- Hybrid investors' interest	-24	-	-24	-24	-	-24
<b>Net income</b>	<b>2,657</b>	<b>-1,774</b>	<b>883</b>	<b>2,669</b>	<b>-1,860</b>	<b>809</b>

# RWE Group: Outlook for 2017 confirmed – Divisional outlook for European Power improved



<sup>1</sup> Qualifiers such as 'moderately', and 'significantly' indicate percentage deviations from the previous year's figures.



# Income statement H1 2017

(€ million)	RWE stand-alone	RWE Group
<b>Revenue (including natural gas tax/electricity tax)</b>	<b>8,486</b>	<b>23,321</b>
Natural gas tax/electricity tax	-67	-1,148
<b>Revenue</b>	<b>8,419</b>	<b>22,173</b>
Other operating result	1,723	1,110
Cost of materials	-6,762	-15,999
Staff costs	-866	-2,328
Depreciation, amortisation and impairment losses	-620	-1,335
Income from investments accounted for using the equity method	53	147
Other income from investments	696 <sup>1</sup>	53
Financial result	147	-150
<b>Income before tax</b>	<b>2,790</b>	<b>3,671</b>
Taxes on income	-269	-711
<b>Income</b>	<b>2,521</b>	<b>2,960</b>
of which: non-controlling interest	-160	267
of which: RWE AG hybrid capital investors' interest	24	24
<b>of which: net income/income attributable to RWE AG shareholders</b>	<b>2,657</b>	<b>2,669</b>

<sup>1</sup> Includes innogy dividend of €683 million.

# Balance sheet as at 30 June 2017

(€ million)	RWE stand-alone	RWE Group
<b>Assets</b>		
Intangible assets	1,040	12,727
Property, plant and equipment	6,395	24,112
Investment property	41	55
Investments accounted for using the equity method	608	2,895
Other financial assets <sup>1</sup>	15,171	1,099
Inventories	1,351	1,804
Financial receivables	4,646	1,523
Trade accounts receivable	1,814	5,241
Other receivables and other assets	4,864	6,832
Income tax assets	124	420
Deferred taxes	492	2,656
Marketable securities	2,825	5,067
Cash and cash equivalents	9,978	10,904
Assets held for sale	105	105
	<b>49,454</b>	<b>75,440</b>
<b>Equity and liabilities</b>		
RWE AG shareholders' interest	12,922	5,757
RWE AG hybrid capital investors' interest	910	910
Non-controlling interests	121	4,162
	<b>13,953</b>	<b>10,829</b>
Provisions	16,619	24,520
Financial liabilities	5,440	18,733
Other liabilities	13,207	20,509
Income tax liabilities	47	132
Deferred taxes	78	607
Liabilities held for sale	110	110
	<b>35,501</b>	<b>64,611</b>
	<b>49,454</b>	<b>75,440</b>

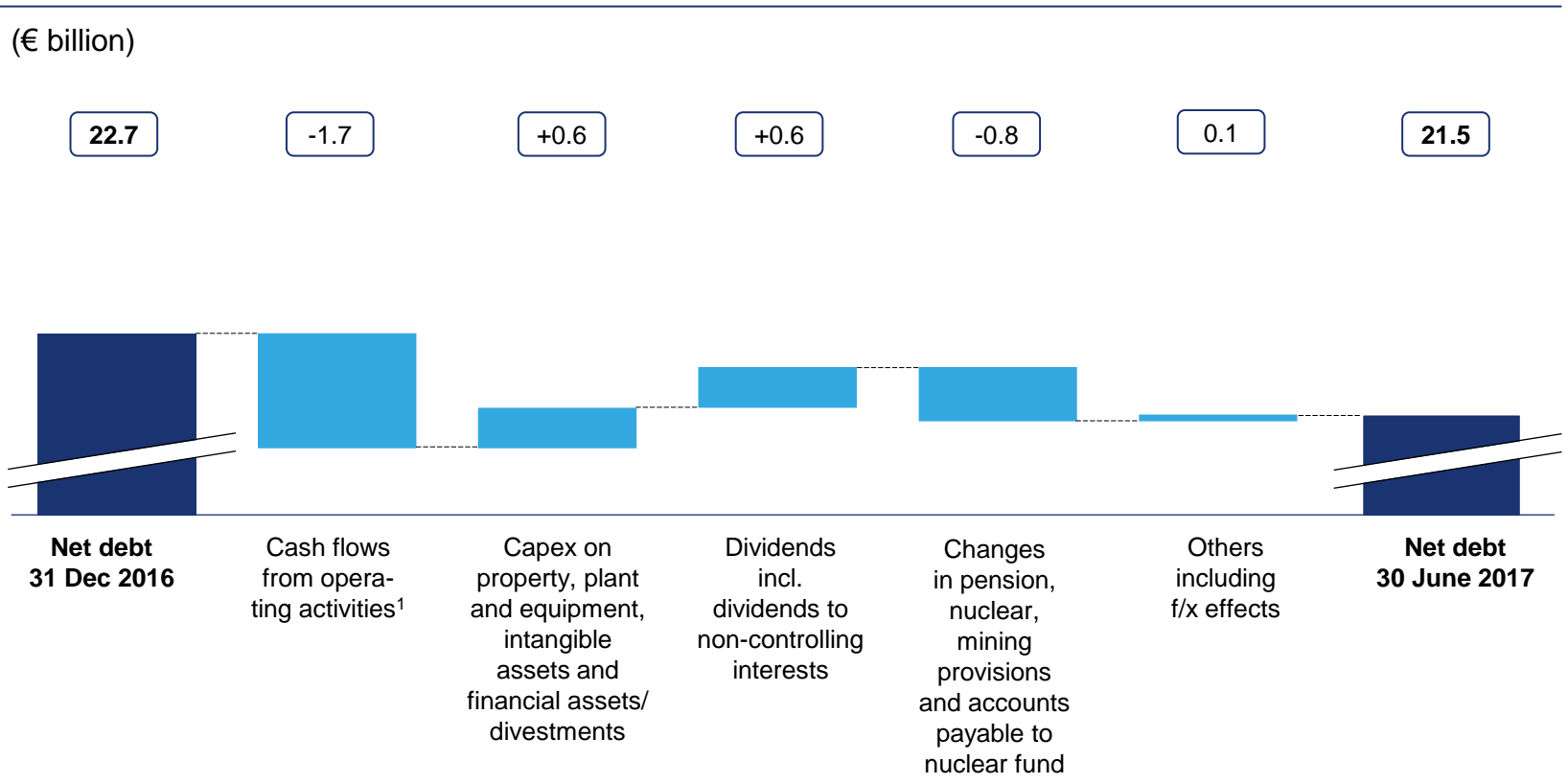
<sup>1</sup> Includes innogy stake at market value of €14.9 billion as at 30 June 2017

# Net debt as at 30 June 2017

(€ million)	RWE stand-alone	RWE Group
Cash and cash equivalents	9,978	10,904
Marketable securities	2,943	5,278
Other financial assets	4,623	1,251
t/o financial receivables against innogy	3,634	-
<b>Financial assets</b>	<b>17,544</b>	<b>17,433</b>
Bonds, other notes payable, bank debt, commercial paper	4,459	16,651
Hedge transactions related to bonds	-99	-97
Other financial liabilities	982	2,082
<b>Financial liabilities</b>	<b>5,342</b>	<b>18,636</b>
<b>Net financial debt</b>	<b>-12,202</b>	<b>1,203</b>
Provisions for pensions and similar obligations	2,424	5,900
Surplus of plan assets over benefit obligations	-	-54
Provisions for nuclear waste management	5,547	5,547
Liabilities to the nuclear energy fund	7,035	7,035
Mining provisions	2,370	2,370
Provisions for decommissioning of wind farms	-	382
Adjustments for hybrid capital (portion of relevance to the rating)	-907	-907
Plus 50% of the hybrid capital stated as equity	455	455
Minus 50% of the hybrid capital stated as debt	-1,362	-1,362
<b>Total net debt</b>	<b>4,267</b>	<b>21,476</b>

# RWE Group net debt improved due to positive cash flow and change in provisions

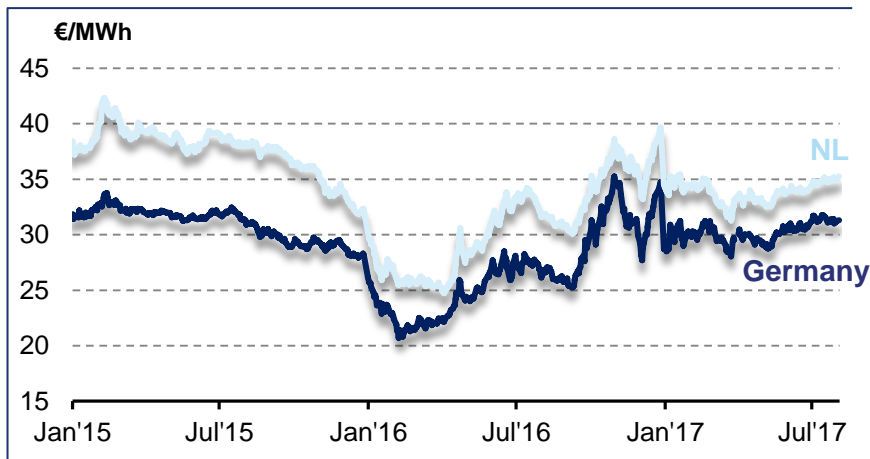
## Development of net debt (RWE Group)



<sup>1</sup> Includes €1.7 bn of nuclear fuel tax refund.

# Power prices and commodities

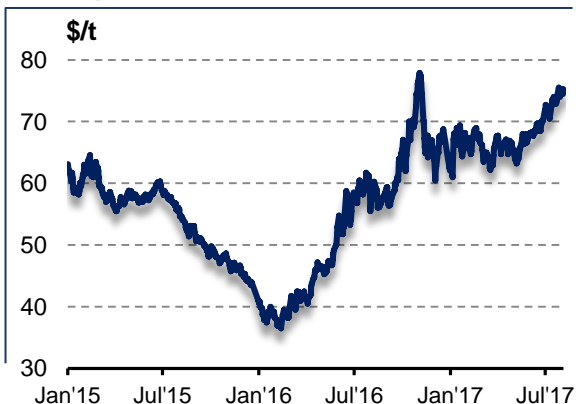
Base load power prices – Germany, NL (1 year forward)



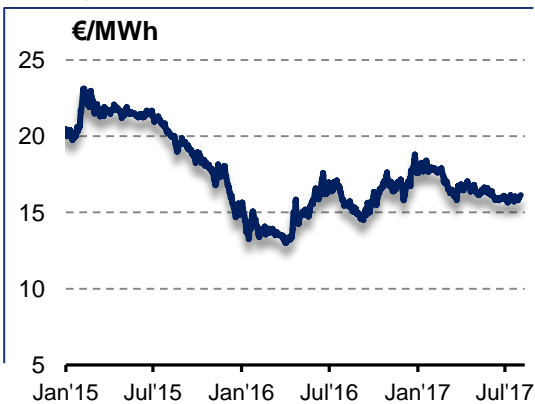
Base load power prices – UK (1 year forward)



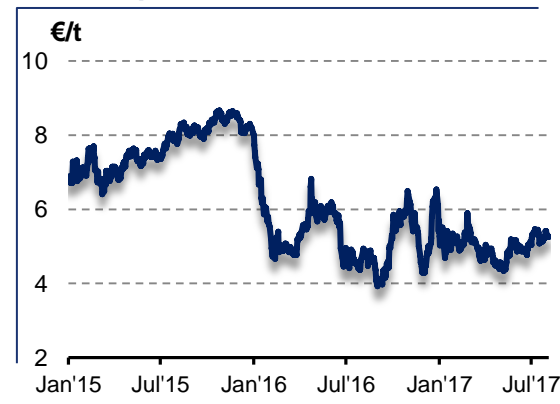
Coal prices – API2 Cal-ahead



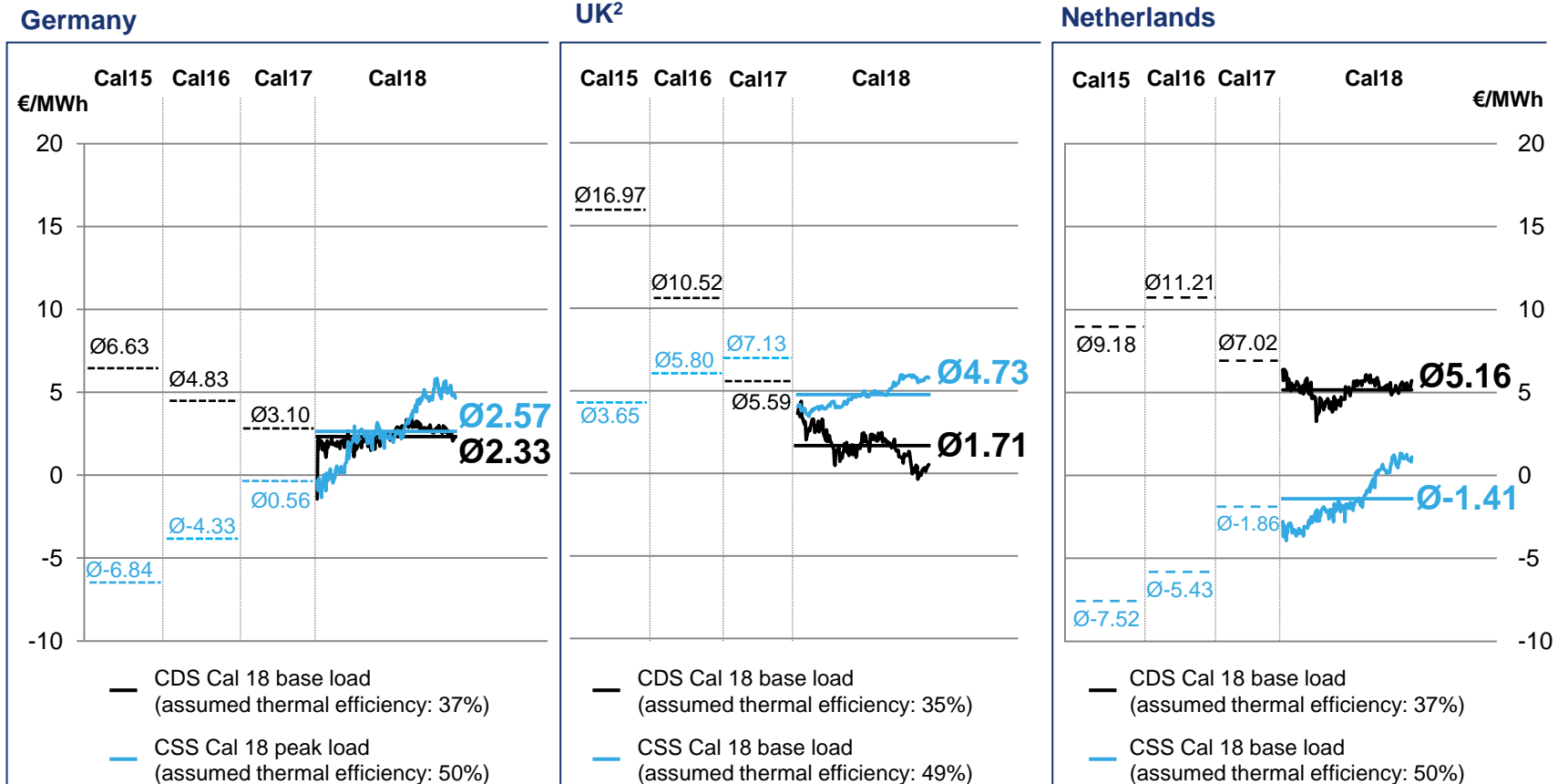
Gas prices – TTF Cal-ahead



Carbon prices - EU ETS



# Clean Dark (CDS) and Spark Spreads (CSS) – 2015 - 2018 forwards for Germany, UK and NL<sup>1</sup>







<sup>1</sup> Settlement one year ahead (Cal+1) | <sup>2</sup> Including UK carbon tax | Source: RWE Supply & Trading, prices through to 9 August 2017

# RWE Investor Relations – contacts

## Important Links

-  Annual and Interim Reports  
<http://www.rwe.com/ir/reports/>
-  Investor and Analyst Conferences  
<http://www.rwe.com/ir/investor-and-analyst-conferences/>
-  IR presentations & further factbooks  
<http://www.rwe.com/ir/presentations/>
-  IR videos  
<http://www.rwe.com/ir/videos/>
-  Consensus of analysts' estimates  
<http://www.rwe.com/ir/consensus-estimates>

## Financial Calendar

-  14 November 2017  
Interim statement on the first three quarters of 2017
-  13 March 2018  
Annual Report 2017
-  26 April 2018  
Annual General Meeting
-  2 May 2018  
Dividend payment

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