

# 2017 Full Year Results and Outlook 2018

13 March 2018

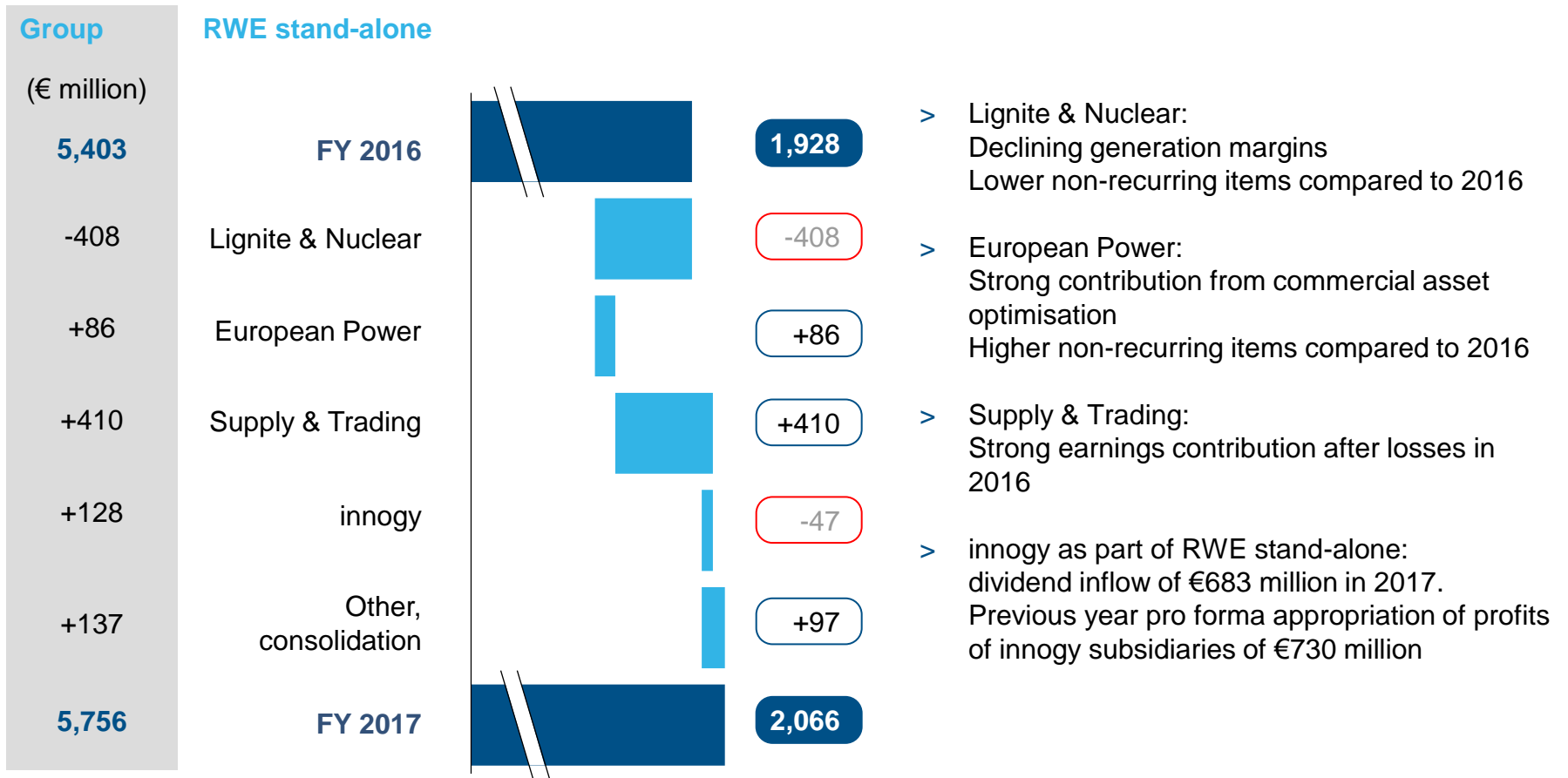
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**RWE**

# Disclaimer

This document contains forward-looking statements. These statements are based on the current views, expectations, assumptions and information of the management, and are based on information currently available to the management. Forward-looking statements shall not be construed as a promise for the materialisation of future results and developments and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those described in such statements due to, among other things, changes in the general economic and competitive environment, risks associated with capital markets, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, affecting the Company, and other factors. Neither the Company nor any of its affiliates assumes any obligations to update any forward-looking statements.

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



# Lignite & Nuclear – Driven by lower realised generation margins

## Key financials

€ million	FY 2017	FY 2016	change
<b>Adj. EBITDA</b>	<b>671</b>	<b>1,079</b>	<b>-408</b>
t/o non-recurring items <sup>1</sup>	-1	137	-138
Depreciation	272	415	-143
<b>Adj. EBIT</b>	<b>399</b>	<b>664</b>	<b>-265</b>
t/o non-recurring items <sup>1</sup>	-1	137	-138
<b>Capex<sup>2</sup></b>	<b>248</b>	<b>267</b>	<b>-19</b>
<b>Cash contribution<sup>2</sup></b>	<b>423</b>	<b>812</b>	<b>-389</b>

<sup>1</sup> Non-recurring items (not included in non-operating result).

<sup>2</sup> Cash contribution = adj. EBITDA minus capex with effect on cash (before changes in provisions), excl. investments from assets held for sale.

## FY 2017 versus FY 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
- ⊖ Lower non-recurring items
- ⊕ Phase out of nuclear fuel tax in 2016
- ⊕ Operating cost improvements

## EBITDA outlook for 2018: between €350 and €450 million

- ⊖ Lower realised generation margins (hedged outright price: ~€28/MWh vs. €31/MWh in 2017)
- ⊖ Closure of Gundremmingen B nuclear unit
- ⊕ Operating cost improvements

# European Power – Higher earnings mainly due to favourable CAO result and higher non-recurring items

## Key financials

€ million	FY 2017	FY 2016	change
UK	205	270	-65
Continental Europe	253	106	147
<b>Adj. EBITDA<sup>1</sup></b>	<b>463</b>	<b>377</b>	<b>86</b>
t/o non-recurring items <sup>2</sup>	80	24	56
Depreciation	308	414	-106
<b>Adj. EBIT</b>	<b>155</b>	<b>-37</b>	<b>192</b>
t/o non-recurring items <sup>2</sup>	80	24	56
<b>Capex<sup>3</sup></b>	<b>147</b>	<b>66</b>	<b>81</b>
<b>Cash contribution<sup>3</sup></b>	<b>316</b>	<b>311</b>	<b>5</b>

## FY 2017 versus FY 2016:

- ⊕ Significantly higher income from commercial asset optimisation (CAO)
- ⊕ Higher positive non-recurring items
- ⊕ Operating cost improvements
- ⊕ Higher realised gas generation margins
- ⊖ Lower realised hard coal generation margins

## EBITDA outlook for 2018: between €300 and €400 million

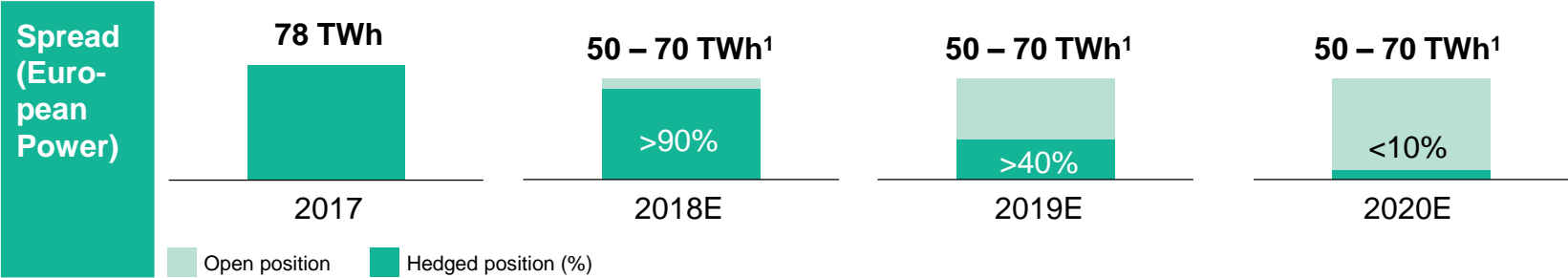
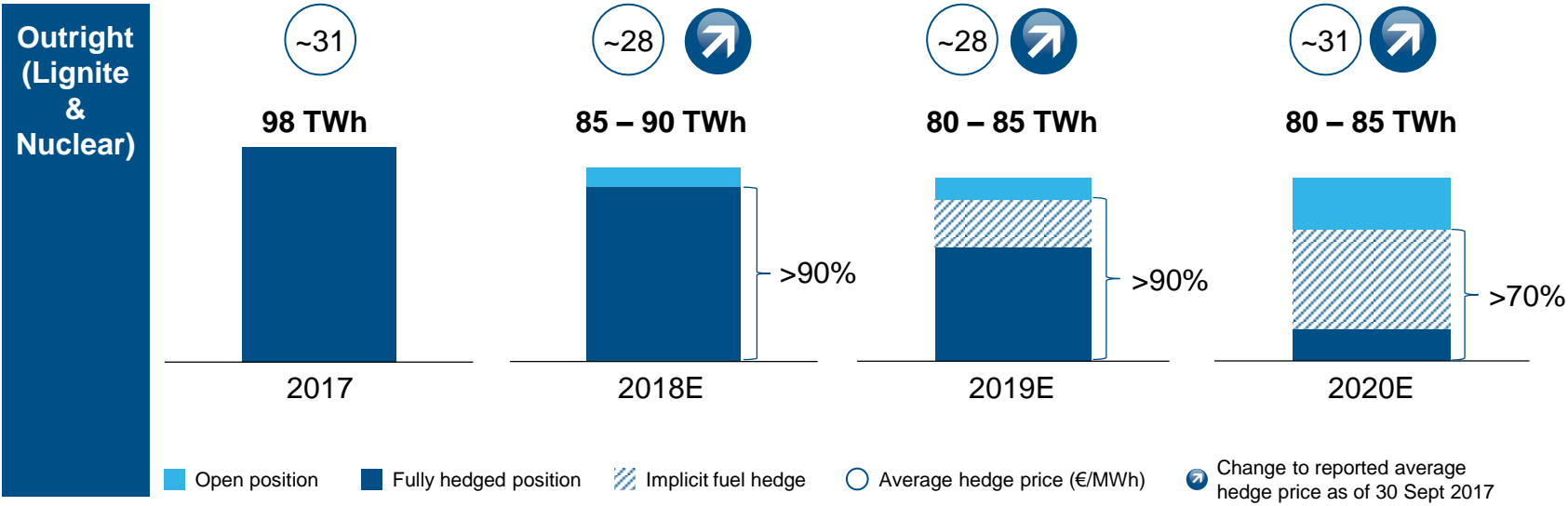
- ⊖ Lower realised generation margins
- ⊖ Return of commercial asset optimisation to normalised level
- ⊖ Absence of positive one-offs from 2017
- ⊕ Higher earnings contribution from UK capacity market

<sup>1</sup> Total adjusted EBITDA includes further income from other subsidiaries.

<sup>2</sup> Non-recurring items (not included in non-operating result). | <sup>3</sup> Cash contribution = adj. EBITDA minus capex with effect on cash (before changes in provisions).

# Hedging – Improved average hedge prices due to favourable development of spreads

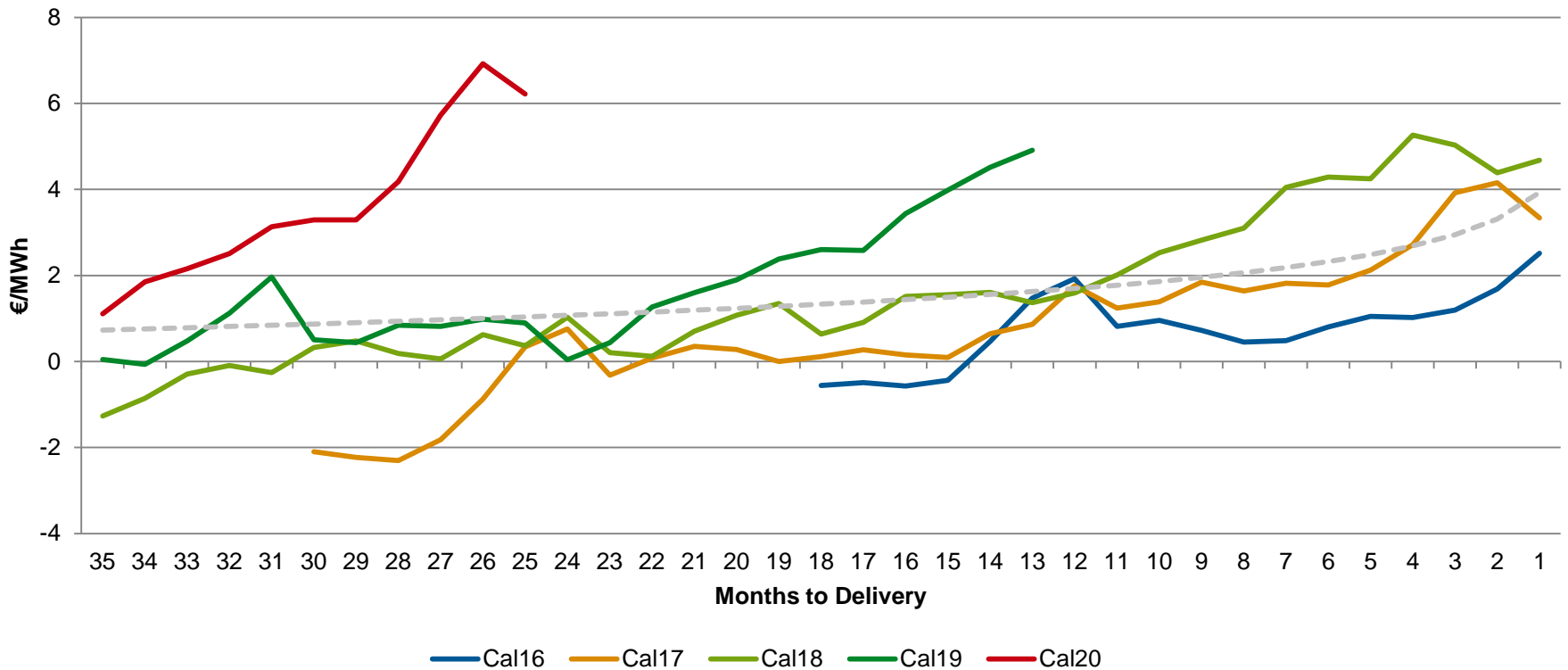
Expected positions and hedge status as of 31 December 2017



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

# Significant improvement of fuel spreads in 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 31 December 2017.

# Supply & Trading – Strong earnings contribution after losses in previous year

## Key financials

€ million	FY 2017	FY 2016	change
<b>Adj. EBITDA</b>	<b>271</b>	<b>-139</b>	<b>410</b>
t/o non-recurring items <sup>1</sup>	-	6	-6
Depreciation	6	6	-
<b>Adj. EBIT</b>	<b>265</b>	<b>-145</b>	<b>410</b>
t/o non-recurring items <sup>1</sup>	-	6	-6
<b>Capex<sup>2</sup></b>	<b>7</b>	<b>4</b>	<b>3</b>
<b>Cash contribution<sup>2</sup></b>	<b>264</b>	<b>-143</b>	<b>407</b>

## FY 2017 versus FY 2016:

- ⊕ Normalised trading result after losses in 2016
- ⊕ Strong earnings contribution of Gas & LNG
- ⊖ Absence of income from disposal of Lynemouth power plant in Q1 2016

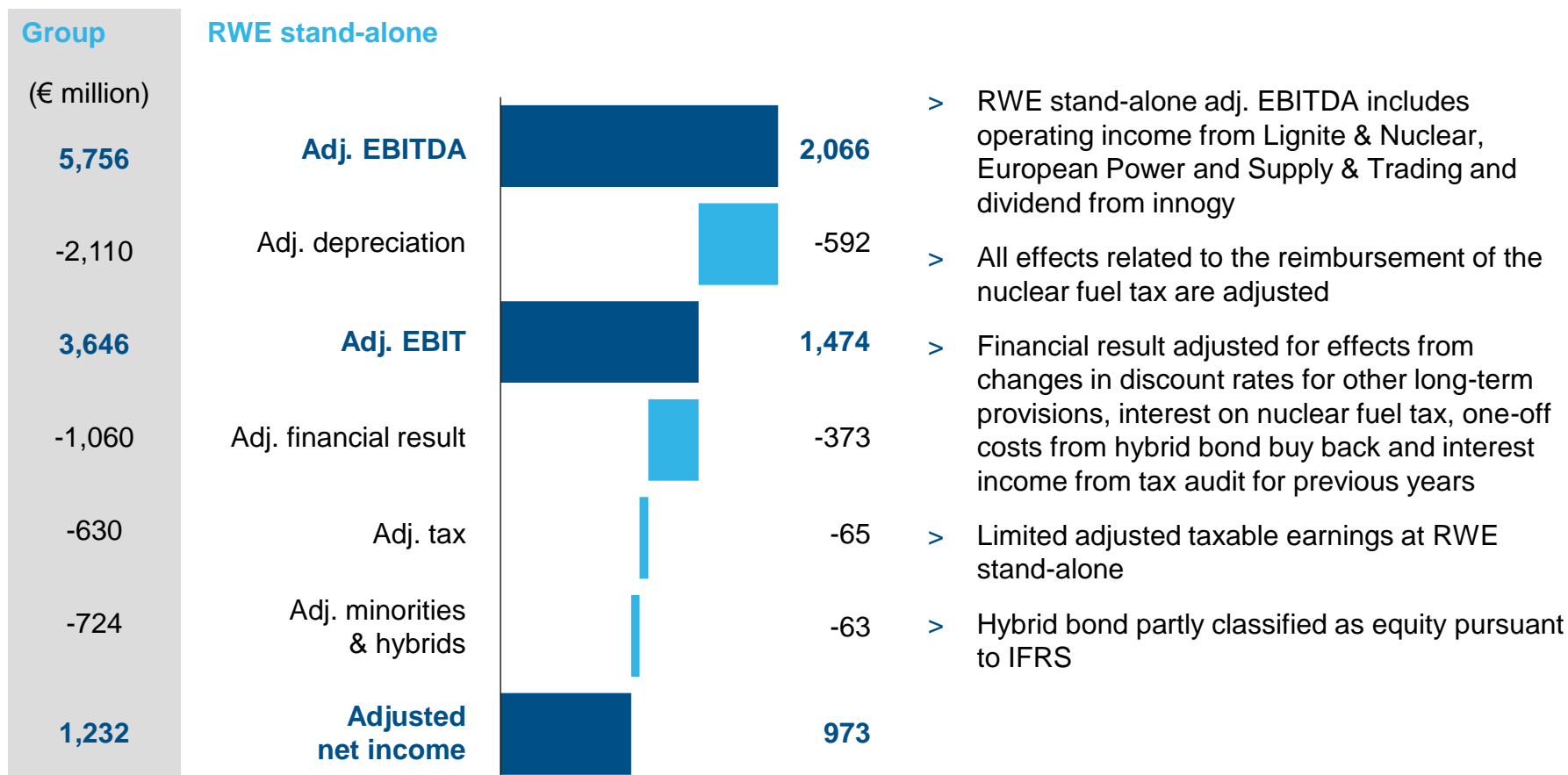
## EBITDA outlook for 2018: between €100 and €300 million

- > Expected longer-term average earnings contribution of approx. €200 million

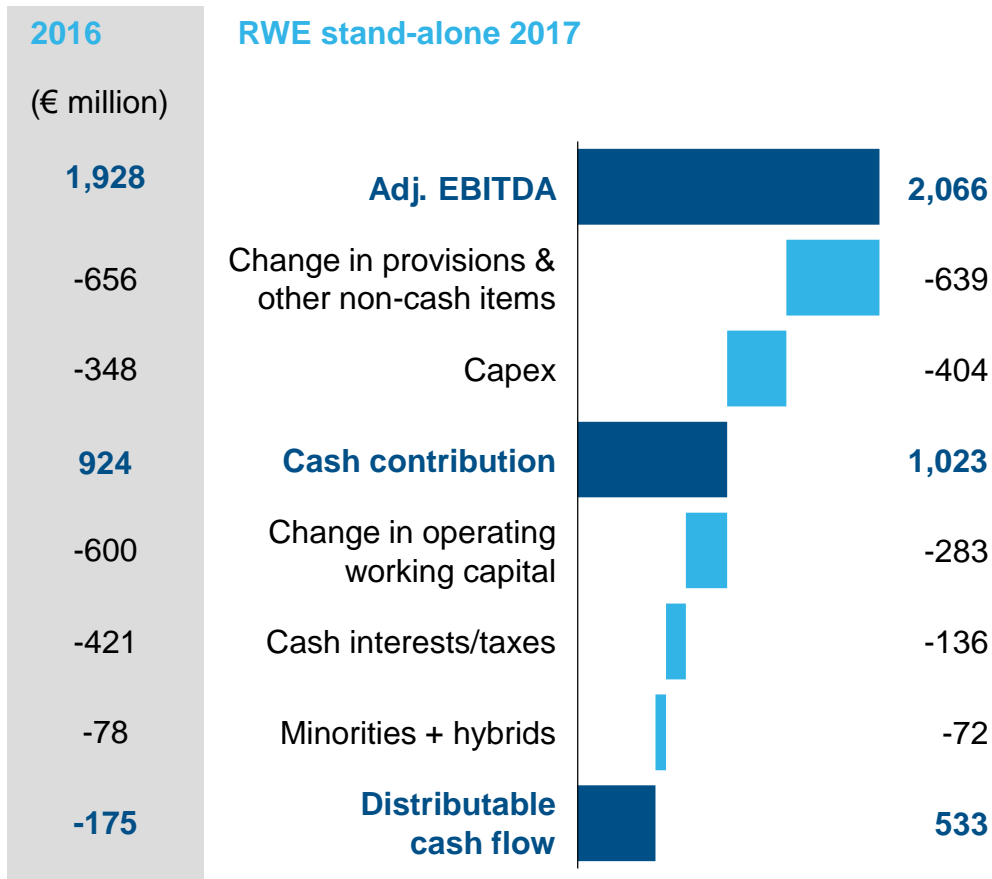
<sup>1</sup> Non-recurring items (not included in non-operating result). | <sup>2</sup> Cash contribution = adj. EBITDA minus capex with effect on cash (before changes in provisions).



# Adjusted net income FY 2017 reaches €973 million



# High FY 2017 distributable cash flow despite negative effects in working capital

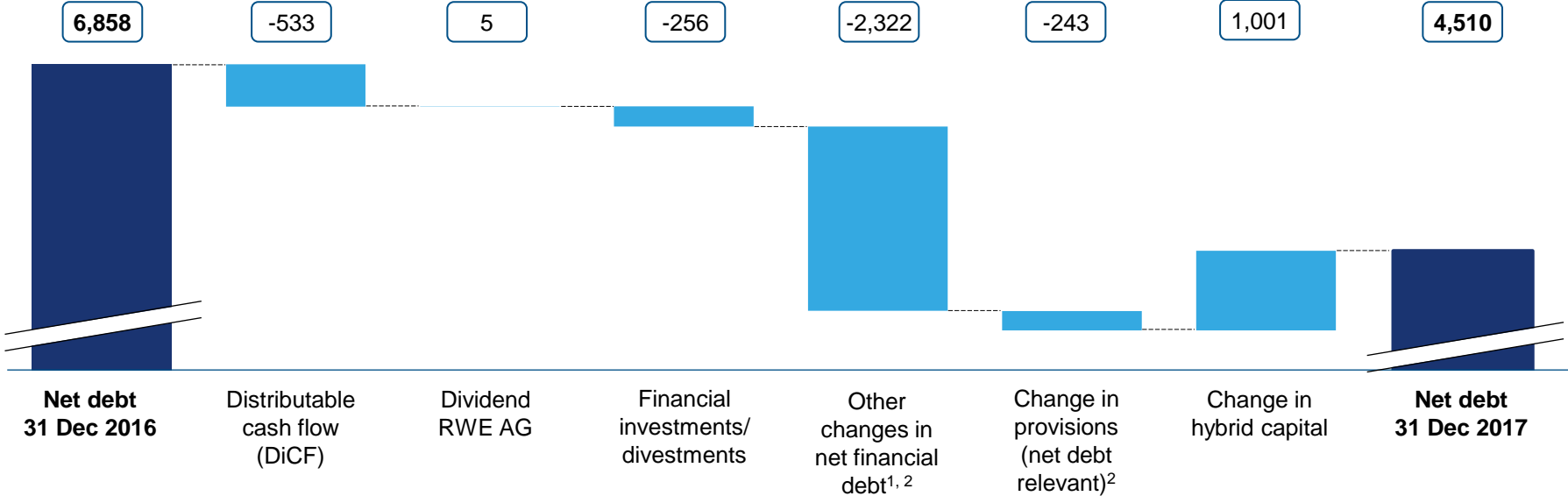


- > innogy dividend of €683 million fully reflected in Adj. EBITDA
- > Changes in provisions refer mainly to legacy provisions, nuclear provisions and restructuring provisions.
- > Change in operating working capital 2017 mainly impacted by phasing out of working capital optimisation measures from previous years and slightly higher gas inventories
- > Strong improvement in cash interest/taxes compared to FY 2016 is another main driver for higher distributable cash flow

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

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

(€ million)







<sup>1</sup> Includes €1.7 bn of nuclear fuel tax refund net of interest and tax. Furthermore it includes mainly variation margins.

<sup>2</sup> Net of contribution to nuclear energy fund (€7.0 billion).

# RWE stand-alone – Outlook for 2018

FY 2017

FY 2018e

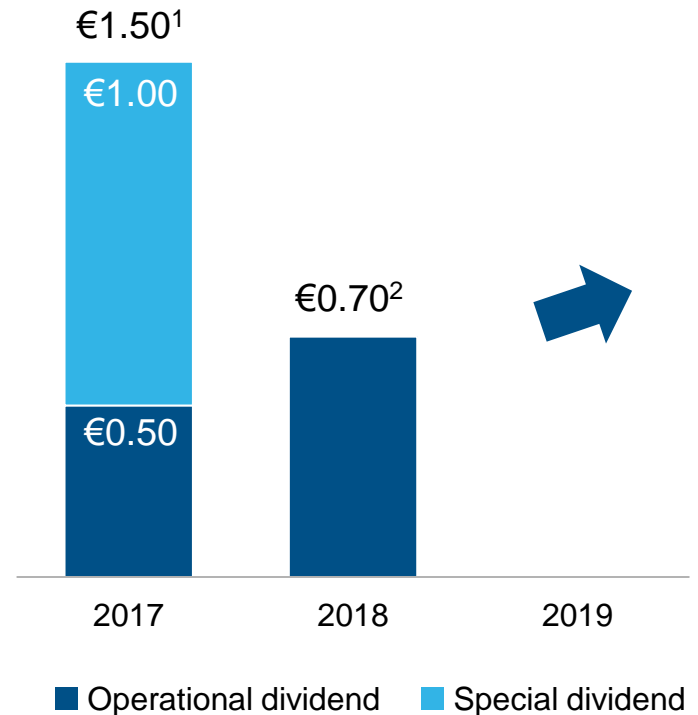
€2.1 bn	<b>Adjusted EBITDA</b>	€1.4 bn – €1.7 bn	
-€0.6 bn	Adj. depreciation		> Stable development expected
-€0.4 bn	Adj. net financial result		> Significant improvement from call and buy back of hybrids in 2017 and settlement of nuclear energy fund in July 2017
-€0.1bn	Adj. taxes		> Stable development expected
-€0.1bn	Adj. minorities & hybrid		> Stable development expected
<b>€1.0 bn</b>	<b>Adjusted Net Income</b>	<b>€0.5 bn – €0.8 bn</b>	
<b>€0.50</b>	<b>Dividend (per share)</b>	<b>€0.70</b>	
	> Normal dividend <sup>1</sup>	> Management target	
<b>+</b> <b>€1.00</b>	> Special dividend <sup>1</sup>		

<sup>1</sup> Dividend proposal of €1.50 for RWE AG's 2017 fiscal year, subject to the passing of a resolution by the 26 April 2018 Annual General Meeting.

# Clear perspective of growing dividend

## Elements of dividend policy for next two years

- > Dividends driven by distributable cash flow of RWE stand-alone
- > Target to fully pay out entire distributable cash flow over planning horizon
  - Smooth short-term volatility of trading business
- > Objective of sustainable dividend payout
  - No pay out of substance
  - Anticipate known power price developments



<sup>1</sup> Dividend proposal for RWE AG's 2017 fiscal year, subject to the passing of a resolution by the 26 April 2018 Annual General Meeting.

<sup>2</sup> Envisaged by management board.

# Appendix

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# Reconciliation to FY 2017 adjusted net income

(€ million)

	RWE stand-alone			RWE Group		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
<b>Adjusted EBITDA</b>	<b>2,066</b>	-	<b>2,066</b>	<b>5,756</b>	-	<b>5,756</b>
Depreciation	-592	-	-592	-2,110	-	-2,110
<b>Adjusted EBIT</b>	<b>1,474</b>	-	<b>1,474</b>	<b>3,646</b>	-	<b>3,646</b>
Non-operating result	940	-940	-	161	-161	-
Financial result	-94	-279	-373	-751	-309	-1,060
Taxes on income (Tax rate)	-247 (11%)	182	-65 (6%)	-741 (24%)	111	-630 (24%)
<b>Income</b>	<b>2,073</b>	<b>-1,037</b>	<b>1,036</b>	<b>2,315</b>	<b>-359</b>	<b>1,956</b>
- Non-controlling interests <sup>1</sup>	129	-150	-21	-373	-309	-682
- Hybrid investors' interest <sup>1</sup>	-42	-	-42	-42	-	-42
<b>Net income</b>	<b>2,160</b>	<b>-1,187</b>	<b>973</b>	<b>1,900</b>	<b>-668</b>	<b>1,232</b>

<sup>1</sup> Mathematical prefix.

# Income statement FY 2017

(€ million)

## Revenue (including natural gas tax/electricity tax)

Natural gas tax/electricity tax

## Revenue

Other operating result

Cost of materials

Staff costs

Depreciation, amortisation and impairment losses

Income from investments accounted for using the equity method

Other income from investments

Financial result

## Income before tax

Taxes on income

## Income

of which: non-controlling interest

of which: RWE AG hybrid capital investors' interest

**of which: net income/income attributable to RWE AG shareholders**

	RWE stand-alone	RWE Group
	<b>15,653</b>	<b>44,585</b>
	-131	-2,151
	<b>15,522</b>	<b>42,434</b>
	1,399	-78
	-12,686	-31,326
	-1,699	-4,704
	-943	-2,939
	105	302
	716 <sup>1</sup>	118
	-94	-751
	<b>2,320</b>	<b>3,056</b>
	-247	-741
	<b>2,073</b>	<b>2,315</b>
	-129	373
	42	42
	<b>2,160</b>	<b>1,900</b>

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



# Balance sheet as at 31 December 2017

(€ million)

## Assets

Intangible assets	1,036	12,383
Property, plant and equipment	6,614	24,904
Investment property	28	43
Investments accounted for using the equity method	645	2,846
Other financial assets <sup>1</sup>	14,279	1,109
Inventories	1,544	1,924
Financial receivables	3,062	2,104
Trade accounts receivable	2,495	5,405
Other receivables and other assets	4,512	6,079
Income tax assets	417	681
Deferred taxes	403	2,627
Marketable securities	2,639	4,893
Cash and cash equivalents	2,863	3,933
Assets held for sale	128	128

**40,665**

**69,059**

## Equity and liabilities

RWE AG shareholders' interest	13,105	6,759
RWE AG hybrid capital investors' interest	940	940
Non-controlling interests	149	4,292

**14,194**

**11,991**

Provisions	17,203	24,386
Financial liabilities	2,560	17,201
Other liabilities	6,410	14,552
Income tax liabilities	15	100
Deferred tax liabilities	172	718
Liabilities held for sale	111	111

**26,471**

**57,068**

**40,665**

**69,059**

<sup>1</sup> Includes innogy stake at market value of €14.0 billion as at 31 Dec 2017.

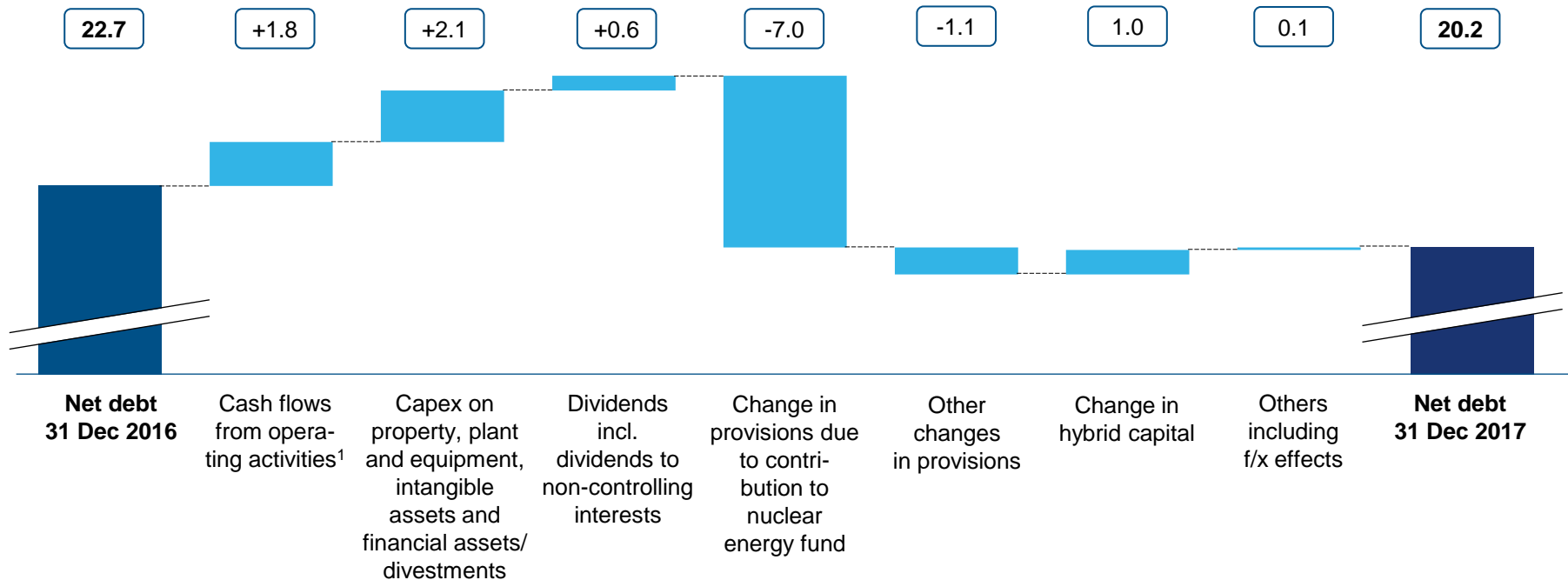
# Net debt as at 31 December 2017

(€ million)	RWE stand-alone	RWE Group
Cash and cash equivalents	2,863	3,933
Marketable securities	2,768	5,131
Other financial assets	3,038	1,863
t/o financial receivables against innogy	1,662	-
<b>Financial assets</b>	<b>8,669</b>	<b>10,927</b>
Bonds, other notes payable, bank debt, commercial paper	1,614	15,099
Hedge transactions related to bonds	39	27
Other financial liabilities	946	2,102
<b>Financial liabilities</b>	<b>2,599</b>	<b>17,228</b>
<b>Net financial debt</b>	<b>-6,070</b>	<b>6,301</b>
Provisions for pensions and similar obligations	2,330	5,420
Capitalised surplus of plan assets over benefit obligations	-	-103
Provisions for nuclear waste management	6,005	6,005
Mining provisions	2,322	2,322
Provisions for dismantling wind farms	-	359
Adjustments for hybrid capital (portion of relevance to the rating)	-77	-77
Plus 50% of the hybrid capital stated as equity	470	470
Minus 50% of the hybrid capital stated as debt	-547	-547
<b>Net debt</b>	<b>4,510</b>	<b>20,227</b>

# RWE Group net debt improved due to change in provisions and refund of nuclear fuel tax

## Development of net debt (RWE Group)

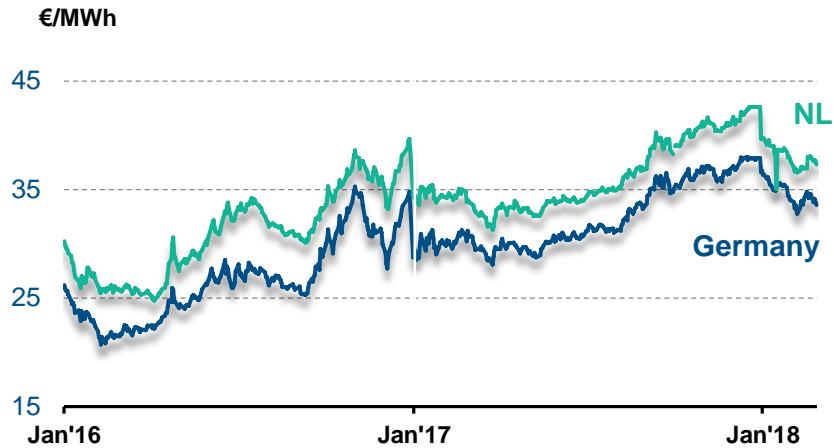
(€ billion)



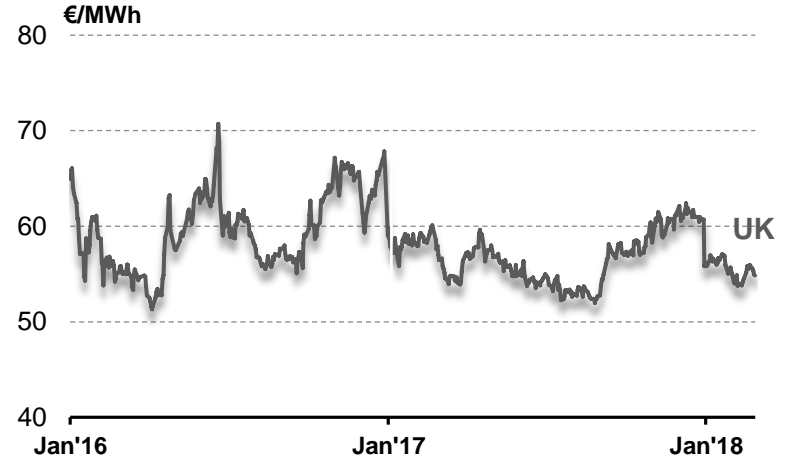
<sup>1</sup> Includes €1.7 bn of nuclear fuel tax refund and €7.0 bn contribution to nuclear energy fund.

# Power prices and commodities

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



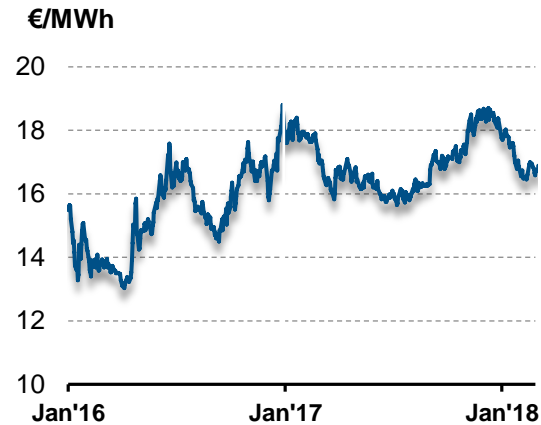
### Base load power prices – UK (1 year forward)



### Coal prices – API2 Cal-ahead



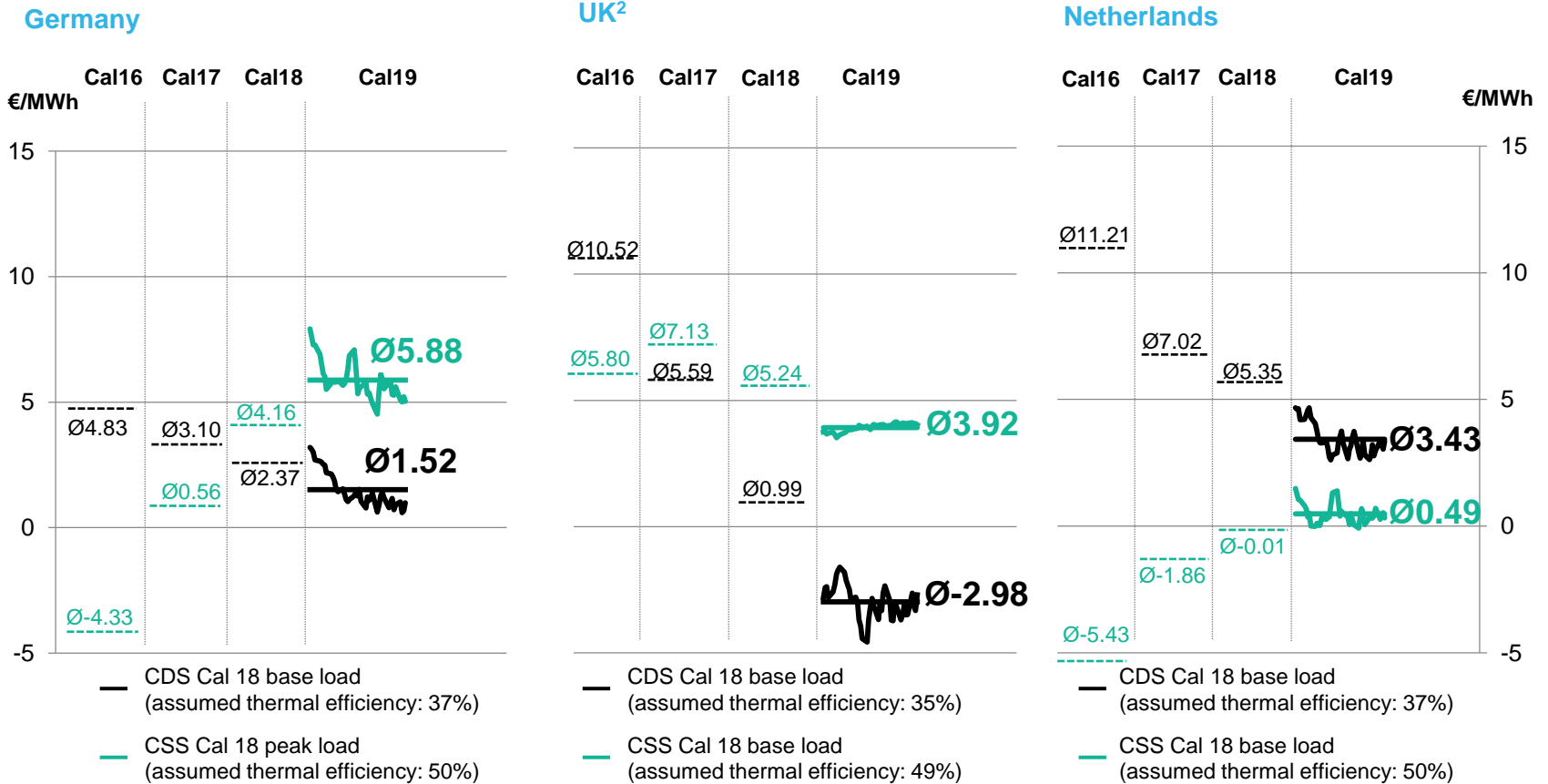
### Gas prices – TTF Cal-ahead



### Carbon prices - EU ETS








# Clean Dark (CDS) and Spark Spreads (CSS) – 2016 - 2019 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 1<sup>st</sup> of March 2018

# RWE Investor Relations - contacts

## Important Links

-  Annual and Interim Reports  
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<http://www.rwe.com/ir/videos/>
-  Consensus of analysts' estimates  
<http://www.rwe.com/ir/consensus-estimates>

## Financial Calendar

-  26 April 2018  
Annual General Meeting
-  2 May 2018  
Dividend payment
-  15 May 2018  
Interim statement on the first quarter of 2018
-  14 August 2018  
Interim statement on the first half of 2018
-  14 November 2018  
Interim statement on the first three quarters of 2018

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