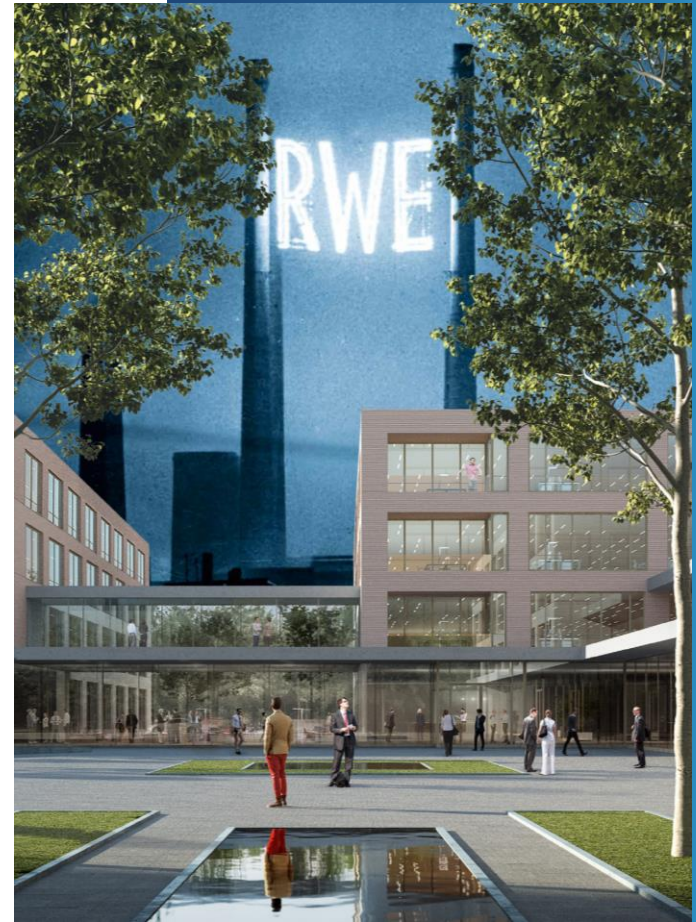


# Q1 2018 Results Presentation

Investor and Analyst Conference Call  
15 May 2018

**Markus Krebber**  
Chief Financial Officer

**Gunhild Grieve**  
Head of Investor Relations



Powering. Reliable. Future.

# RWE

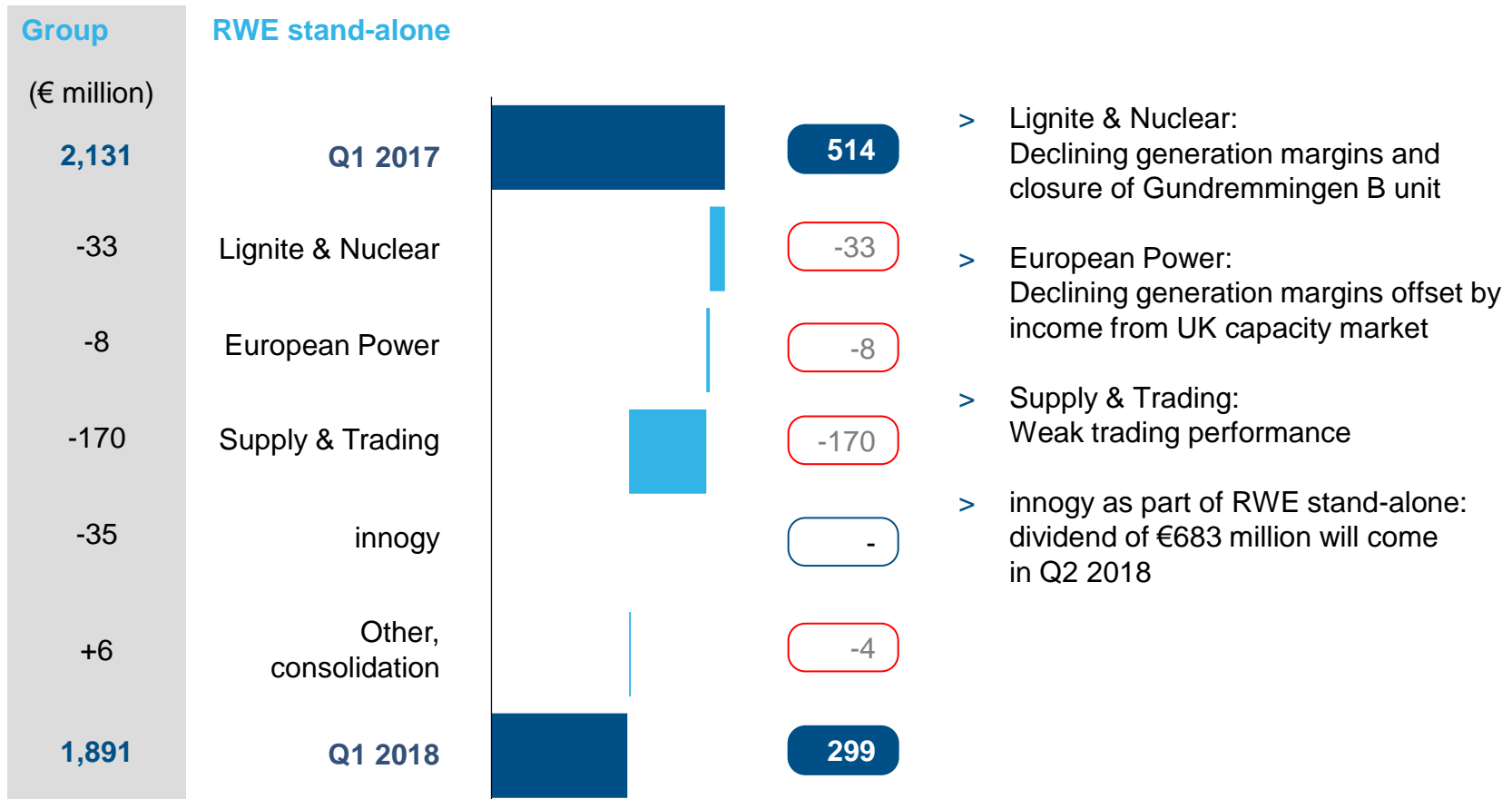
# Disclaimer

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.

# Key messages of Q1 2018

- ✓ Good start to fiscal year 2018 despite weak trading performance in Q1 – RWE stand-alone earnings outlook for 2018 confirmed
- ✓ Strong decline in net debt for RWE stand-alone following inflow of variation margins – outlook for year end net debt improved to moderately below last year's level
- ✓ RWE Group figures to change in the course of 2018 due to classification of innogy's grid and retail businesses as 'discontinued operations'
- ✓ Execution of innogy transaction with E.ON well on track: E.ON's takeover offer for innogy minority shareholders launched and merger control proceedings kicked off
- ✓ Closing of disposal of Hungarian lignite power generator Mátra
- ✓ Draft law for compensation of damages from early nuclear exit

# Declining adjusted EBITDA mainly due to volatile trading business



# Lignite & Nuclear – driven by lower realised generation margins and closure of Gundremmingen B unit

## Key financials

€ million	Q1 2018	Q1 2017	change
<b>Adj. EBITDA</b>	<b>180</b>	<b>213</b>	<b>-33</b>
t/o non-recurring items <sup>1</sup>	-	-1	+1
Depreciation	-66	-74	+8
<b>Adj. EBIT</b>	<b>114</b>	<b>139</b>	<b>-25</b>
t/o non-recurring items <sup>1</sup>	-	-1	+1
<b>Capex</b>	<b>-41</b>	<b>-55</b>	<b>+14</b>
<b>Cash contribution<sup>2</sup></b>	<b>139</b>	<b>158</b>	<b>-19</b>

## Q1 2018 versus Q1 2017:

- ⊖ Lower realised generation margins
- ⊖ Closure of Gundremmingen B nuclear unit
- ⊕ Operating cost improvements

## Outlook for FY 2018 adjusted EBITDA: 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

<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.

# European Power – strong start into FY 2018

## Key financials

€ million	Q1 2018	Q1 2017	change
UK	85	101	-16
Continental Europe	74	65	+9
<b>Adj. EBITDA<sup>1</sup></b>	<b>159</b>	<b>167</b>	<b>-8</b>
t/o non-recurring items <sup>2</sup>	-	20	-20
Depreciation	-74	-76	+2
<b>Adj. EBIT</b>	<b>85</b>	<b>91</b>	<b>-6</b>
t/o non-recurring items <sup>2</sup>	-	20	-20
<b>Capex</b>	<b>-24</b>	<b>-11</b>	<b>-13</b>
<b>Cash contribution<sup>3</sup></b>	<b>135</b>	<b>156</b>	<b>-21</b>

<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.

## Q1 2018 versus Q1 2017:

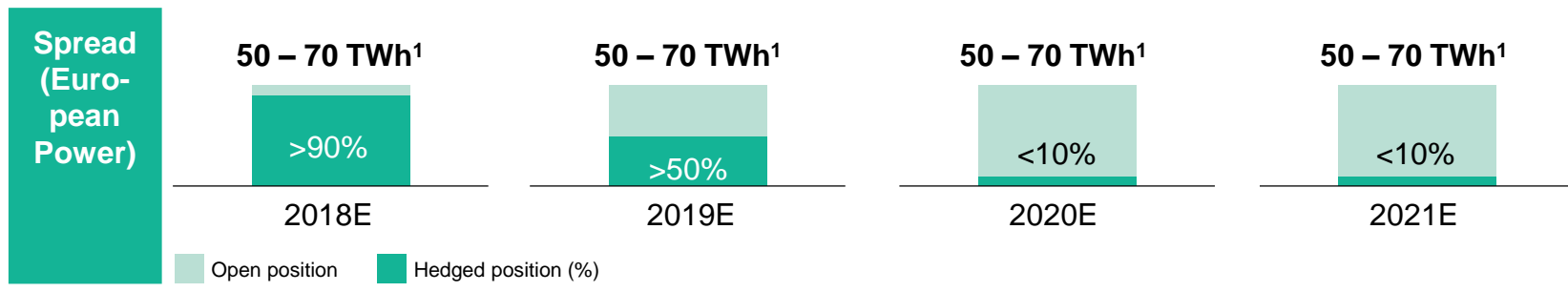
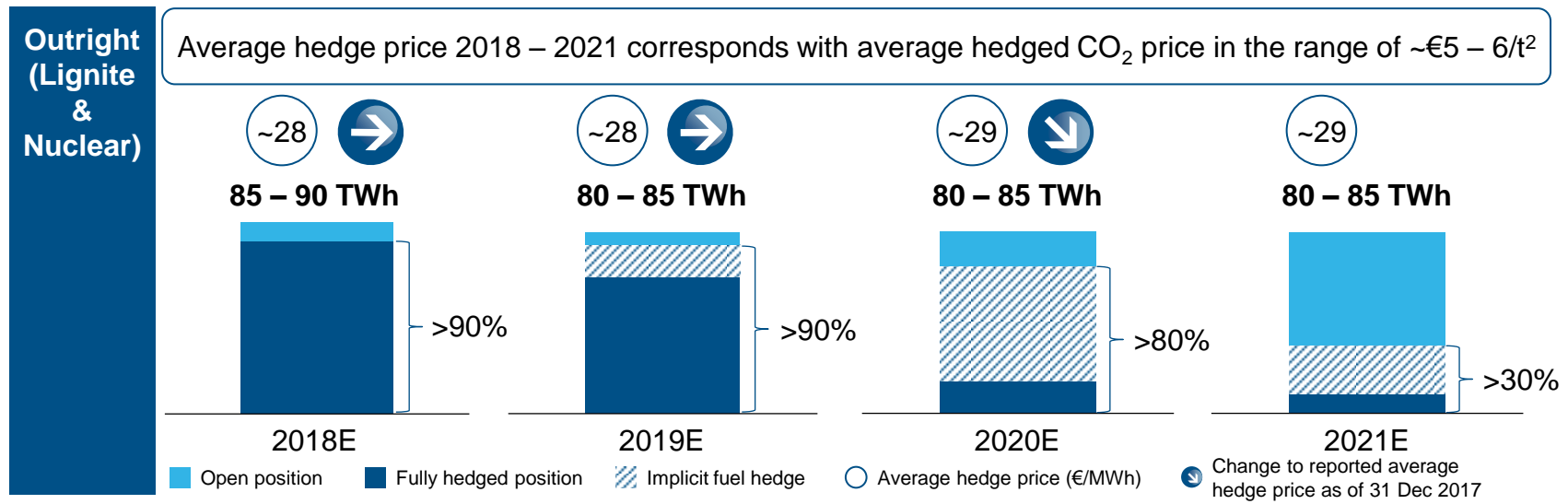
- ⊖ Lower realised generation margins
- ⊖ Absence of positive one-offs from 2017
- ⊕ Earnings contribution from UK capacity market

## Outlook for FY 2018 adjusted EBITDA: 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

# Hedging – lower average hedge price for 2020 due to strong decline of spreads since beginning of 2018

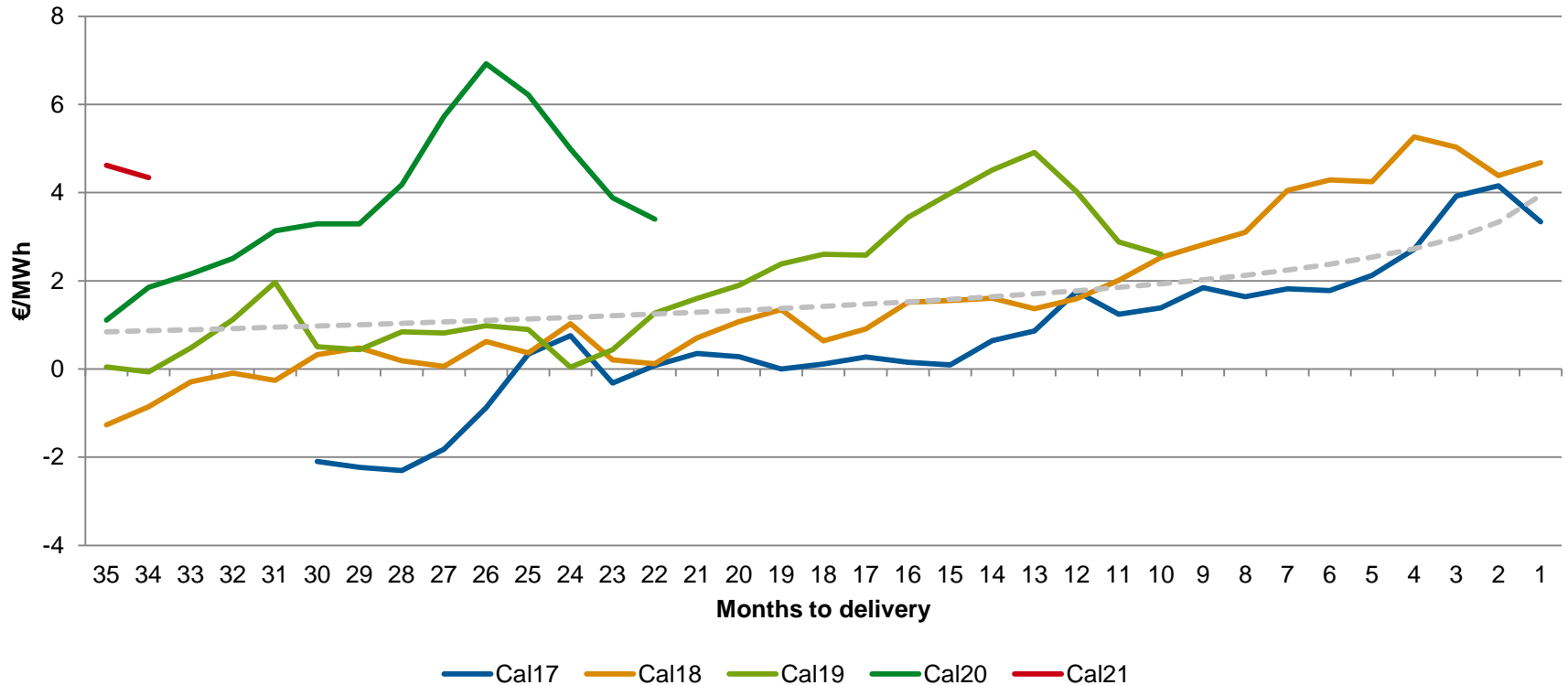
## Expected positions and hedge status as of 31 March 2018



**CO<sub>2</sub>** > **CO<sub>2</sub> position financially hedged until end of 2022**

# Significant decline of fuel spreads since end of 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 March 2018.



# Supply & Trading – weak start into FY 2018

## Key financials

€ million	Q1 2018	Q1 2017	change
<b>Adj. EBITDA</b>	<b>-24</b>	<b>146</b>	<b>-170</b>
t/o non-recurring items <sup>1</sup>	-	-	-
Depreciation	-1	-1	-
<b>Adj. EBIT</b>	<b>-25</b>	<b>145</b>	<b>-170</b>
t/o non-recurring items <sup>1</sup>	-	-	-
<b>Capex</b>	<b>-1</b>	<b>-1</b>	<b>-</b>
<b>Cash contribution<sup>2</sup></b>	<b>-25</b>	<b>145</b>	<b>-170</b>

## Q1 2018 versus Q1 2017:

- ⊖ Weak trading performance in line with normal volatility of trading business

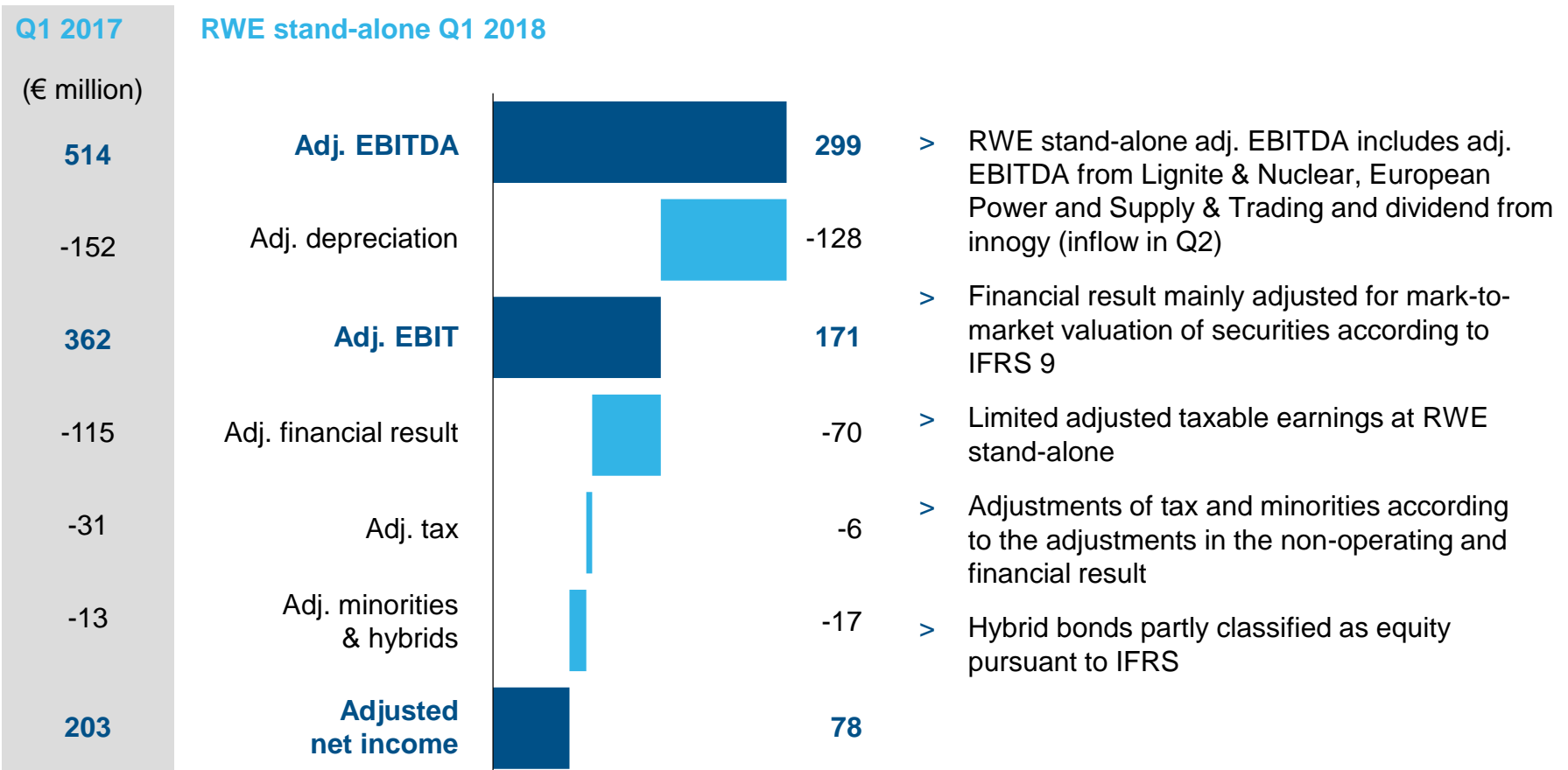
## Outlook for FY 2018 adjusted EBITDA: between €100 and €300 million

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

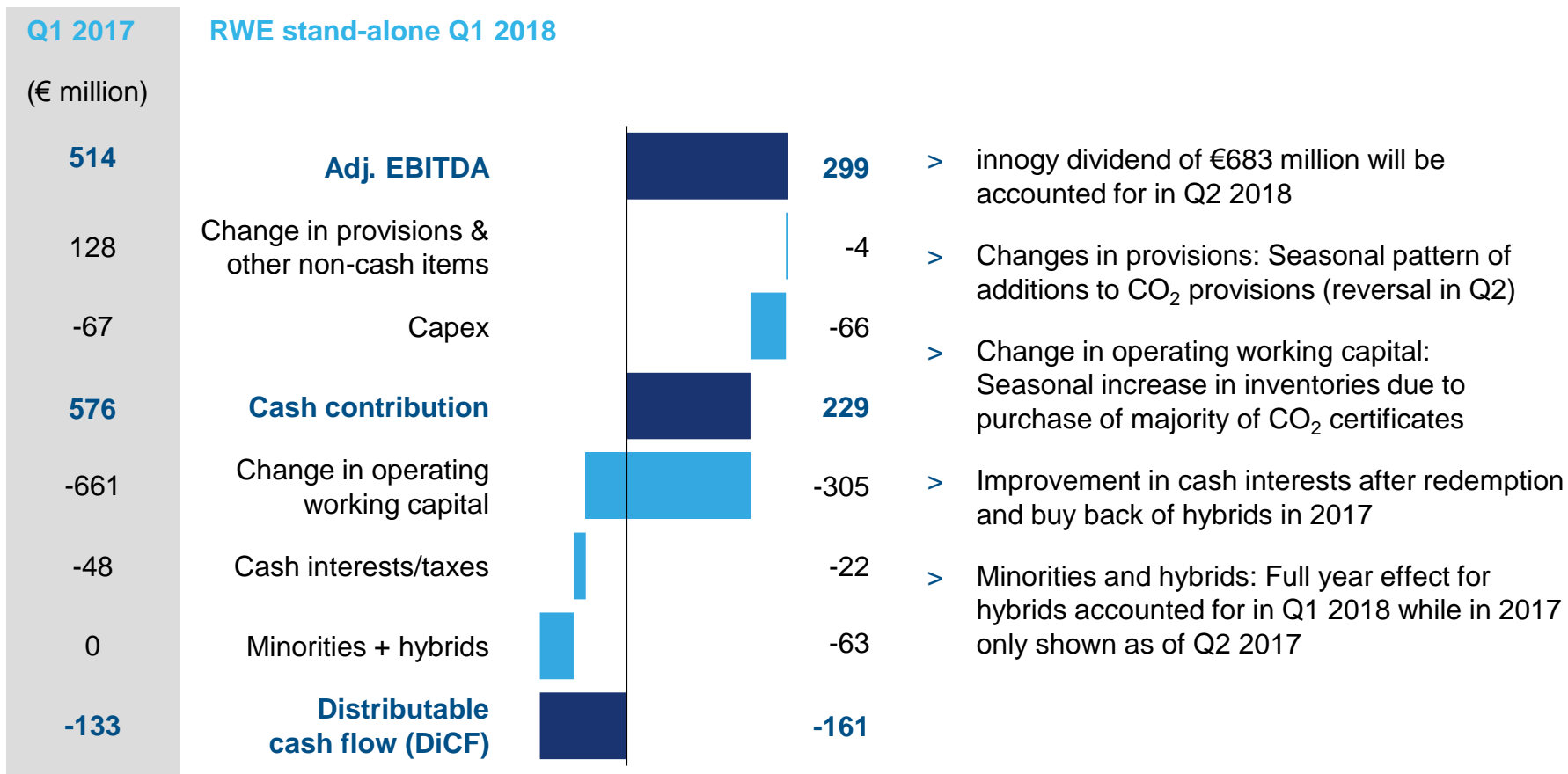
<sup>1</sup> Non-recurring items (not included in non-operating result).

<sup>2</sup> Cash contribution = adj. EBITDA minus capex with effect on cash; before changes in provisions.

# Adjusted net income Q1 2018 reaches €78 million



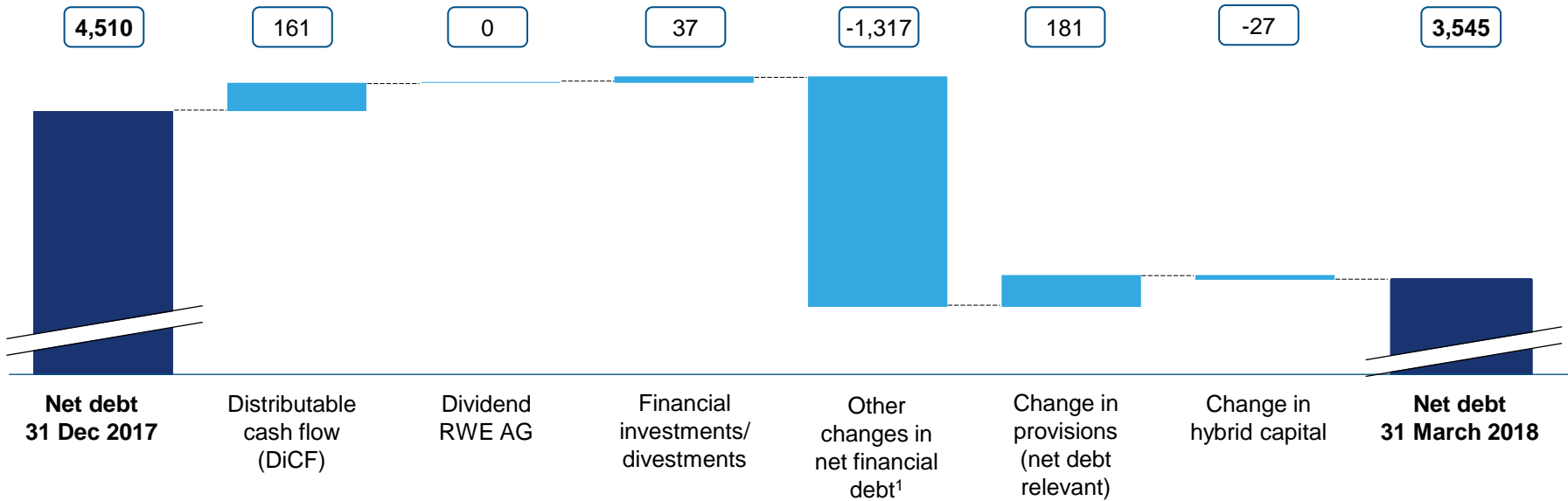
# Q1 2018 DiCF still excluding innogy dividend and with seasonal effects in working capital



# Strong decline of net debt due to high inflow of variation margins

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

(€ million)



<sup>1</sup> Includes approx. €1 billion from change in variation margins which will revert once the underlying transaction will be realised or commodity trends revert.

# RWE stand-alone – outlook for 2018 confirmed

FY 2017

FY 2018e

€2.1 bn

**Adjusted EBITDA**

€1.4 bn –  
€1.7 bn

-€0.6 bn

Adj. depreciation



> Stable development expected

-€0.4 bn

Adj. net financial result



> Significant improvement after redemption and buy back of hybrids in 2017 and impact from settlement of nuclear energy fund in July 2017

-€0.1bn

Adj. taxes



> Stable development expected

-€0.1bn

Adj. minorities & hybrid



> Stable development expected

€1.0 bn

**Adjusted Net Income**

€0.5 bn –  
€0.8 bn

**Dividend (per share)**

€0.50

> Ordinary dividend

€0.70

> Management target

+

€1.00

> Special dividend

# Appendix

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# Reconciliation to Q1 2018 adjusted net income

(€ million)

	RWE stand-alone			RWE Group		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
<b>Adjusted EBITDA</b>	<b>299</b>	-	<b>299</b>	<b>1,891</b>	-	<b>1,891</b>
Depreciation	-128	-	-128	-475	-	-475
<b>Adjusted EBIT</b>	<b>171</b>	-	<b>171</b>	<b>1,416</b>	-	<b>1,416</b>
Non-operating result	84	-84	-	198	-198	-
Financial result	-97	27	-70	-310	41	-269
Taxes on income (Tax rate)	-18 (11%)	12	-6 (6%)	-358 (27%)	36	-322 (28%)
<b>Income (of which:)</b>	<b>140</b>	<b>-45</b>	<b>95</b>	<b>946</b>	<b>-121</b>	<b>825</b>
Non-controlling interests	3	-1	2	311	-18	293
Hybrid investors' interest	15	-	15	15	-	15
<b>Net income<sup>1</sup></b>	<b>122</b>	<b>-44</b>	<b>78</b>	<b>620</b>	<b>-103</b>	<b>517</b>

<sup>1</sup> Income attributable to RWE AG shareholders.

# Income statement Q1 2018

(€ 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
	4,951	12,409
	-35	-794
	<b>4,916</b>	<b>11,615</b>
	-104	-292
	-4,031	-8,169
	-434	-1,190
	-127	-474
	35	87
	0	37
	-97	-310
	<b>158</b>	<b>1,304</b>
	-18	-358
	<b>140</b>	<b>946</b>
	3	311
	15	15
	<b>122</b>	<b>620</b>



# Balance sheet as at 31 March 2018

(€ million)

## Assets

Intangible assets	1,035	12,456
Property, plant and equipment	6,596	25,055
Investments accounted for using the equity method	634	2,856
Other financial assets <sup>1</sup>	16,772	1,223
Inventories	893	1,309
Financial receivables	3,247	2,298
Trade accounts receivable	2,816	6,959
Other receivables and other assets	4,961	7,024
Income tax assets	428	716
Deferred taxes	400	2,615
Marketable securities	3,079	5,163
Cash and cash equivalents	2,836	3,889

**43,697** **71,563**

## Equity and liabilities

RWE AG shareholders' interest	16,743	8,295
RWE AG hybrid capital investors' interest	895	895
Non-controlling interests	137	4,633
	<b>17,775</b>	<b>13,823</b>

Provisions	17,461	25,285
Financial liabilities	2,044	17,830
Other liabilities	6,237	13,791
Income tax liabilities	5	104
Deferred tax liabilities	175	730
	<b>25,922</b>	<b>57,740</b>
	<b>43,697</b>	<b>71,563</b>

<sup>1</sup> Includes innogy stake at market value of €16.4 billion as at 31 March 2018.

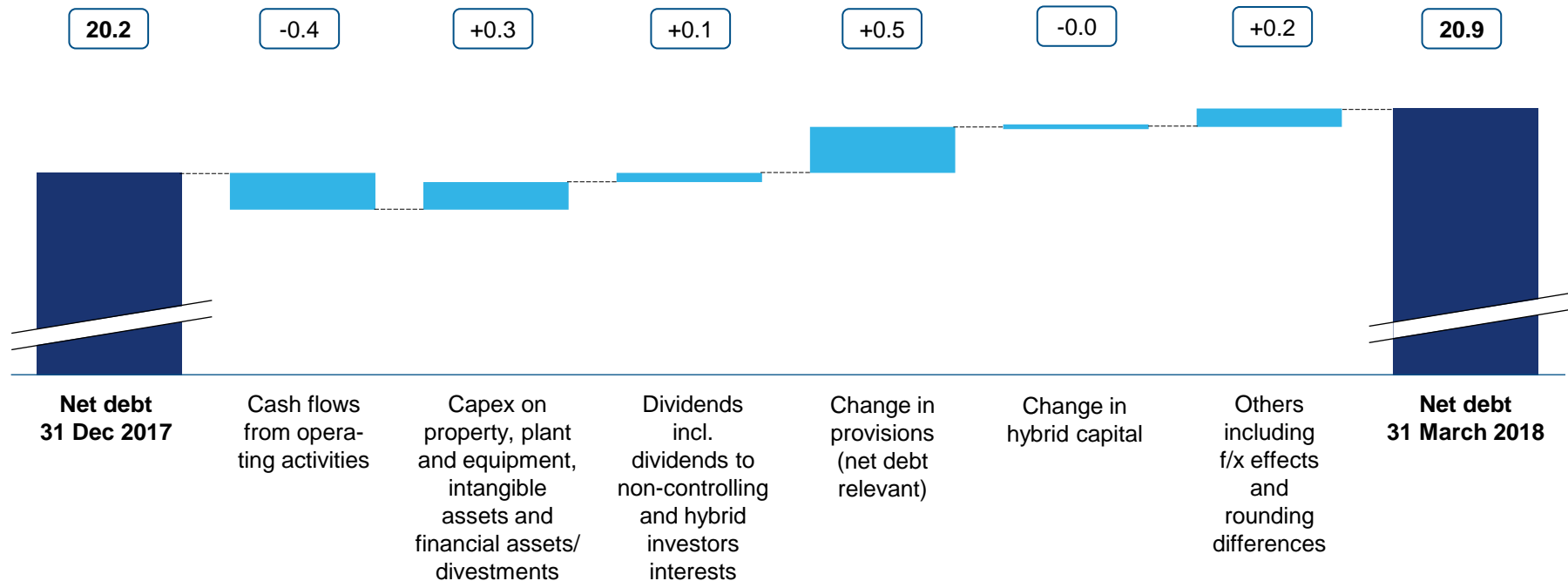
# Net debt as at 31 March 2018

(€ million)	RWE stand-alone	RWE Group
Cash and cash equivalents	2,836	3,889
Marketable securities	3,207	5,416
Other financial assets	3,223	2,063
t/o financial receivables against innogy	1,665	-
<b>Financial assets</b>	<b>9,266</b>	<b>11,368</b>
Bonds, other notes payable, bank debt, commercial paper	1,147	15,746
Hedge transactions related to bonds	32	20
Other financial liabilities	896	2,083
<b>Financial liabilities</b>	<b>2,075</b>	<b>17,849</b>
<b>Net financial debt</b>	<b>-7,191</b>	<b>6,481</b>
Provisions for pensions and similar obligations	2,440	5,914
Capitalised surplus of plan assets over benefit obligations	-	-142
Provisions for nuclear waste management	5,984	5,984
Mining provisions	2,416	2,416
Provisions for dismantling wind farms	-	359
Adjustments for hybrid capital (portion of relevance to the rating)	-104	-104
Plus 50% of the hybrid capital stated as equity	448	448
Minus 50% of the hybrid capital stated as debt	-552	-552
<b>Net debt</b>	<b>3,545</b>	<b>20,908</b>

# RWE Group net debt increases mainly due to change in pension provisions

## Development of net debt (RWE Group)

(€ billion)

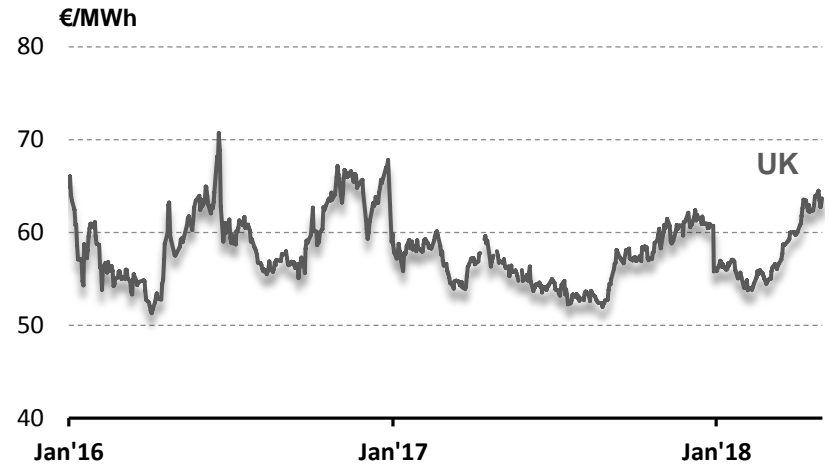


# Power prices and commodities

### 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

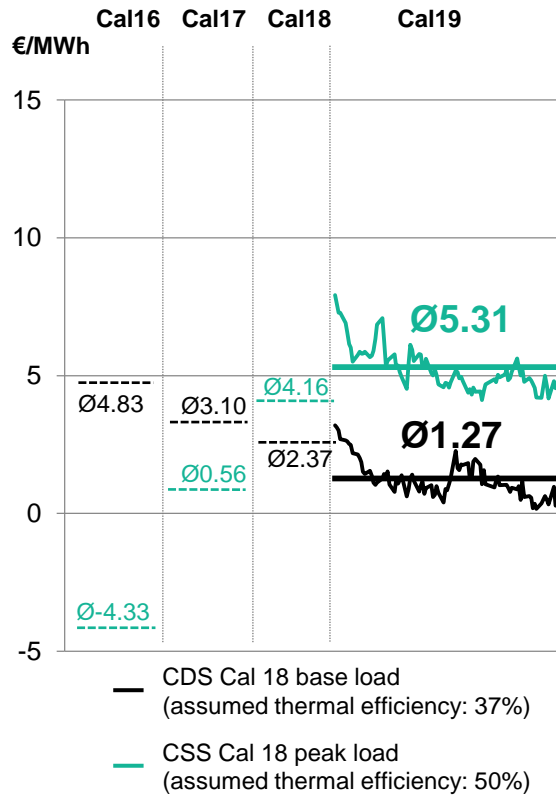


### Carbon prices - EU ETS

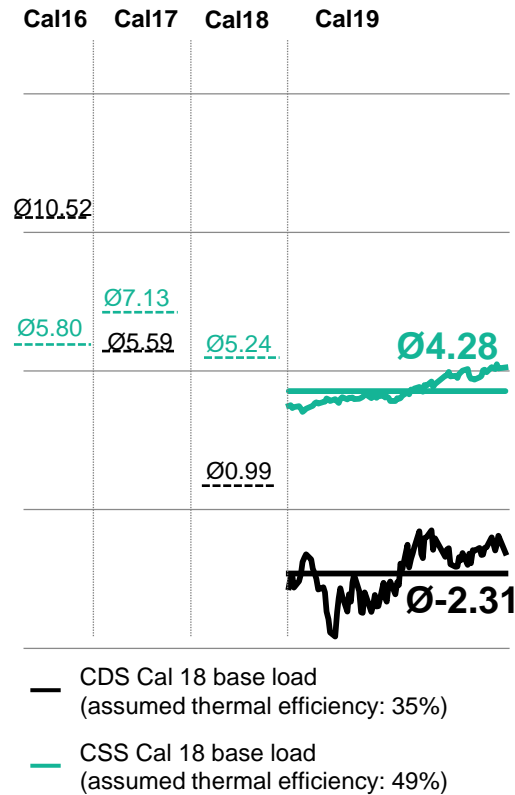


# Clean Dark (CDS) and Spark Spreads (CSS) – 2016 – 2019 forwards for Germany, UK and NL<sup>1</sup>

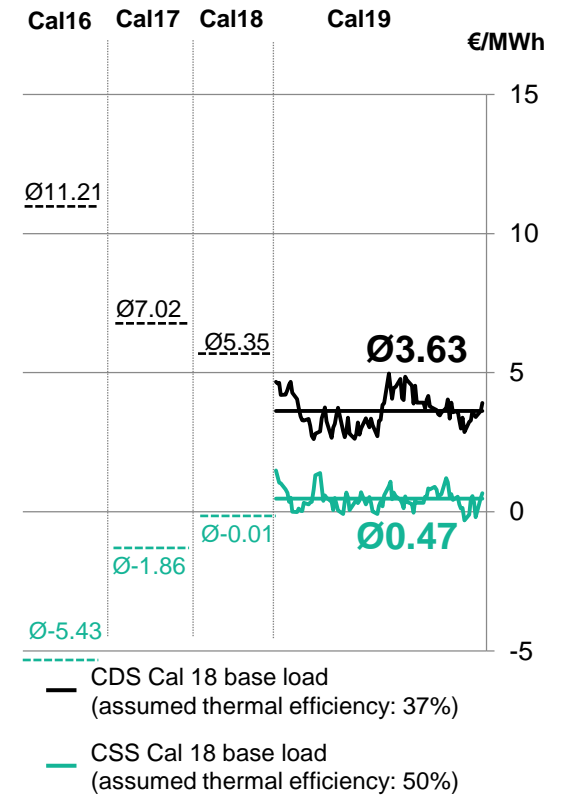
## Germany



## UK<sup>2</sup>








## Netherlands



<sup>1</sup> Settlement one year ahead (Cal+1) | <sup>2</sup> Including UK carbon tax | Source: RWE Supply & Trading, prices through to 8 May 2018

# 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 August 2018  
Interim report on the first half of 2018
-  14 November 2018  
Interim statement on the first three quarters of 2018
-  14 March 2019  
Annual report 2018
-  3 May 2019  
Annual general meeting
-  15 May 2019  
Interim statement on the first quarter of 2019

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