

# H1 2018 Results Presentation

Investor and Analyst Conference Call  
14 August 2018

**Markus Krebber**  
Chief Financial Officer

**Gunhild Grieve**  
Head of Investor Relations



Powering. Reliable. Future.

# RWE

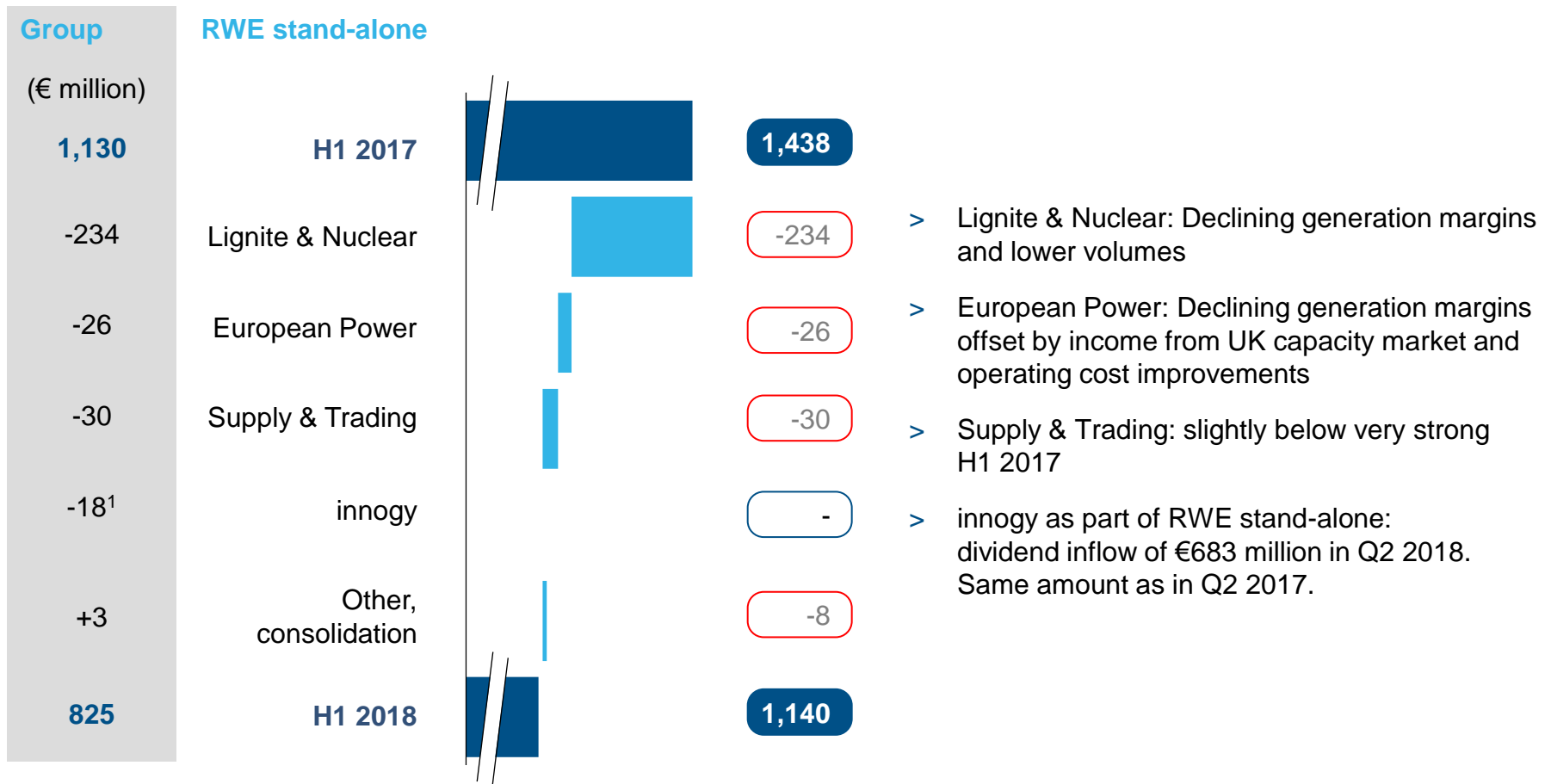
# Disclaimer

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 H1 2018

- ✓ Good first half of fiscal year 2018 – RWE stand-alone earnings outlook confirmed
- ✓ RWE Group figures and outlook amended after classification of innogy's grid and retail businesses as 'discontinued operations'
- ✓ Transaction with E.ON well on track: agreement reached with innogy on principles of integration and support of transaction
- ✓ Moody's confirmed RWE's rating at Baa3 and restored outlook to stable
- ✓ German Commission 'Growth, Structural Change and Employment' started work to submit concept to achieve climate protection goals in the energy sector

# Lower adjusted EBITDA mainly due to declining generation margins in conventional power generation



<sup>1</sup> innogy continuing operations.

# Lignite & Nuclear – earnings driven by lower realised generation margins and volumes

## Key financials

€ million	H1 2018	H1 2017	change
<b>Adj. EBITDA</b>	<b>167</b>	<b>401</b>	<b>-234</b>
t/o non-recurring items <sup>1</sup>	-	-1	+1
Depreciation	-134	-139	+5
<b>Adj. EBIT</b>	<b>33</b>	<b>262</b>	<b>-229</b>
t/o non-recurring items <sup>1</sup>	-	-1	+1
<b>Capex</b>	<b>-102</b>	<b>-98</b>	<b>-4</b>
<b>Cash contribution<sup>2</sup></b>	<b>65</b>	<b>303</b>	<b>-238</b>

## H1 2018 versus H1 2017:

- ⊖ Lower realised generation margins
- ⊖ Closure of Gundremmingen B nuclear unit
- ⊖ Longer outages and higher overhaul costs
- ⊕ 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 – operational performance on a par with previous year's level

## Key financials

€ million	H1 2018	H1 2017	change
UK	99	135	-36
Continental Europe	95	88	+7
<b>Adj. EBITDA<sup>1</sup></b>	<b>196</b>	<b>222</b>	<b>-26</b>
t/o non-recurring items <sup>2</sup>	-	20	-20
Depreciation	-147	-153	+6
<b>Adj. EBIT</b>	<b>49</b>	<b>69</b>	<b>-20</b>
t/o non-recurring items <sup>2</sup>	-	20	-20
<b>Capex</b>	<b>-67</b>	<b>-38</b>	<b>-29</b>
<b>Cash contribution<sup>3</sup></b>	<b>129</b>	<b>184</b>	<b>-55</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.

## H1 2018 versus H1 2017:

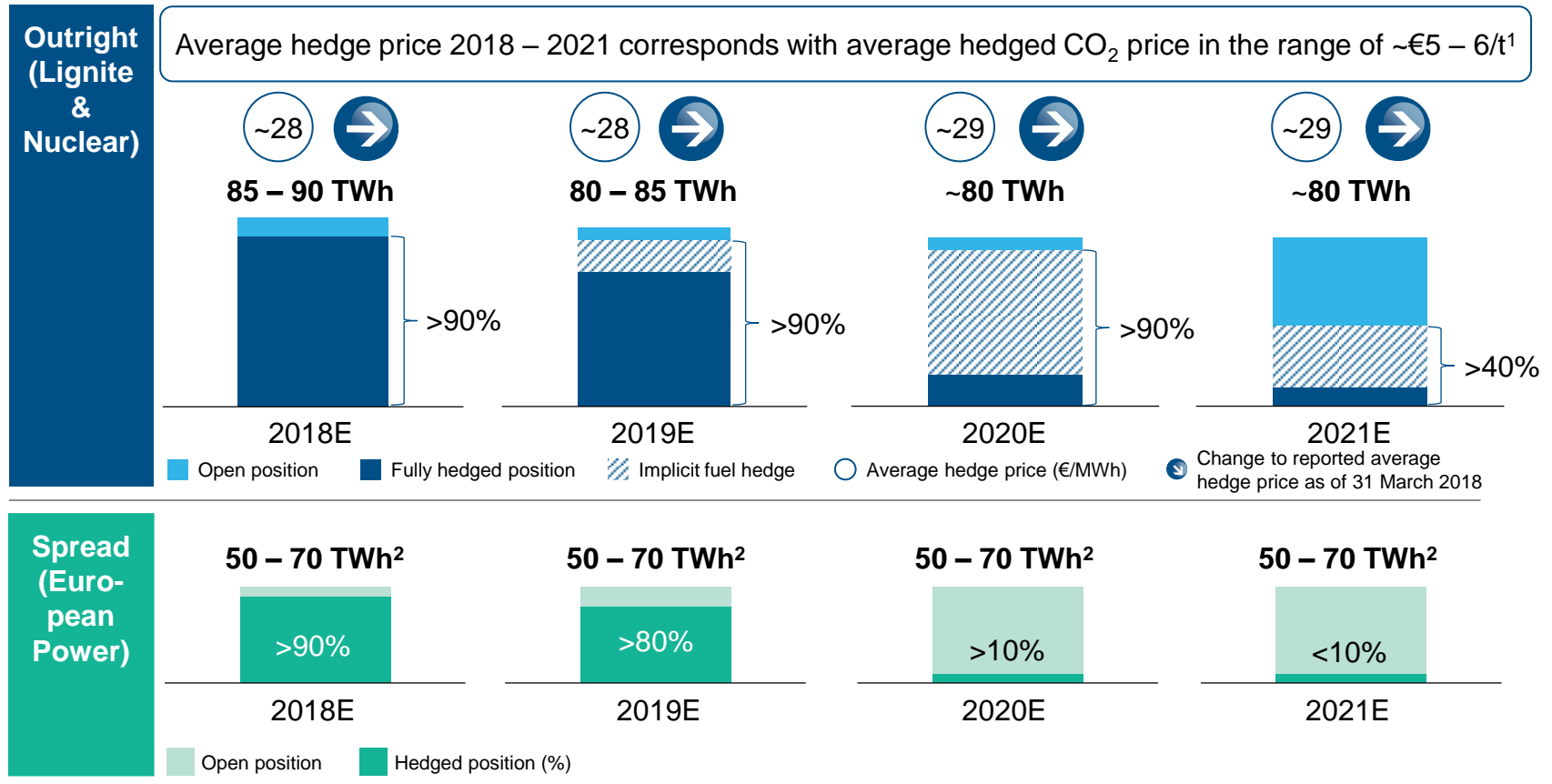
- ⊖ Lower realised generation margins
- ⊖ Absence of positive one-offs (e.g. land sales)
- ⊕ Earnings contribution from UK capacity market
- ⊕ Operating cost improvements

## 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 (e.g. land sales)
- ⊕ Higher earnings contribution from UK capacity market

# Hedging – stable average hedge prices

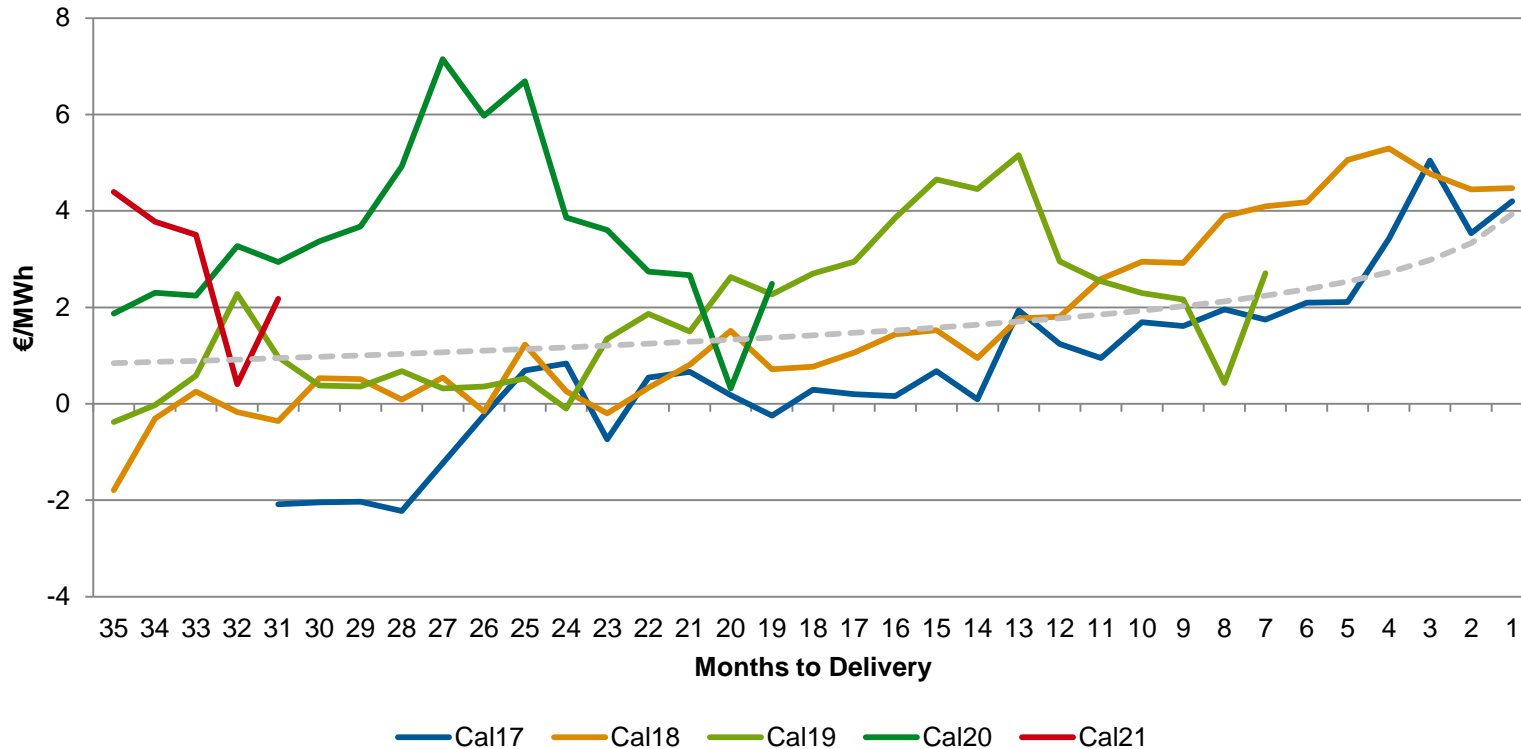
## Expected positions and hedge status as of 30 June 2018



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

# Recovery of fuel spreads at the end of Q2 2018 after strong decline 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).  
 Note: Shown figures based on fuel spreads per end of month (€/MWh).  
 Source: Bloomberg; data until 30 June 2018.



# Supply & Trading – Strong performance in Q2 2018

## Key financials

€ million	H1 2018	H1 2017	change
<b>Adj. EBITDA</b>	<b>101</b>	<b>131</b>	<b>-30</b>
t/o non-recurring items <sup>1</sup>	-	-	-
Depreciation	-2	-2	-
<b>Adj. EBIT</b>	<b>99</b>	<b>129</b>	<b>-30</b>
t/o non-recurring items <sup>1</sup>	-	-	-
<b>Capex</b>	<b>-4</b>	<b>-1</b>	<b>-3</b>
<b>Cash contribution<sup>2</sup></b>	<b>97</b>	<b>130</b>	<b>-33</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.

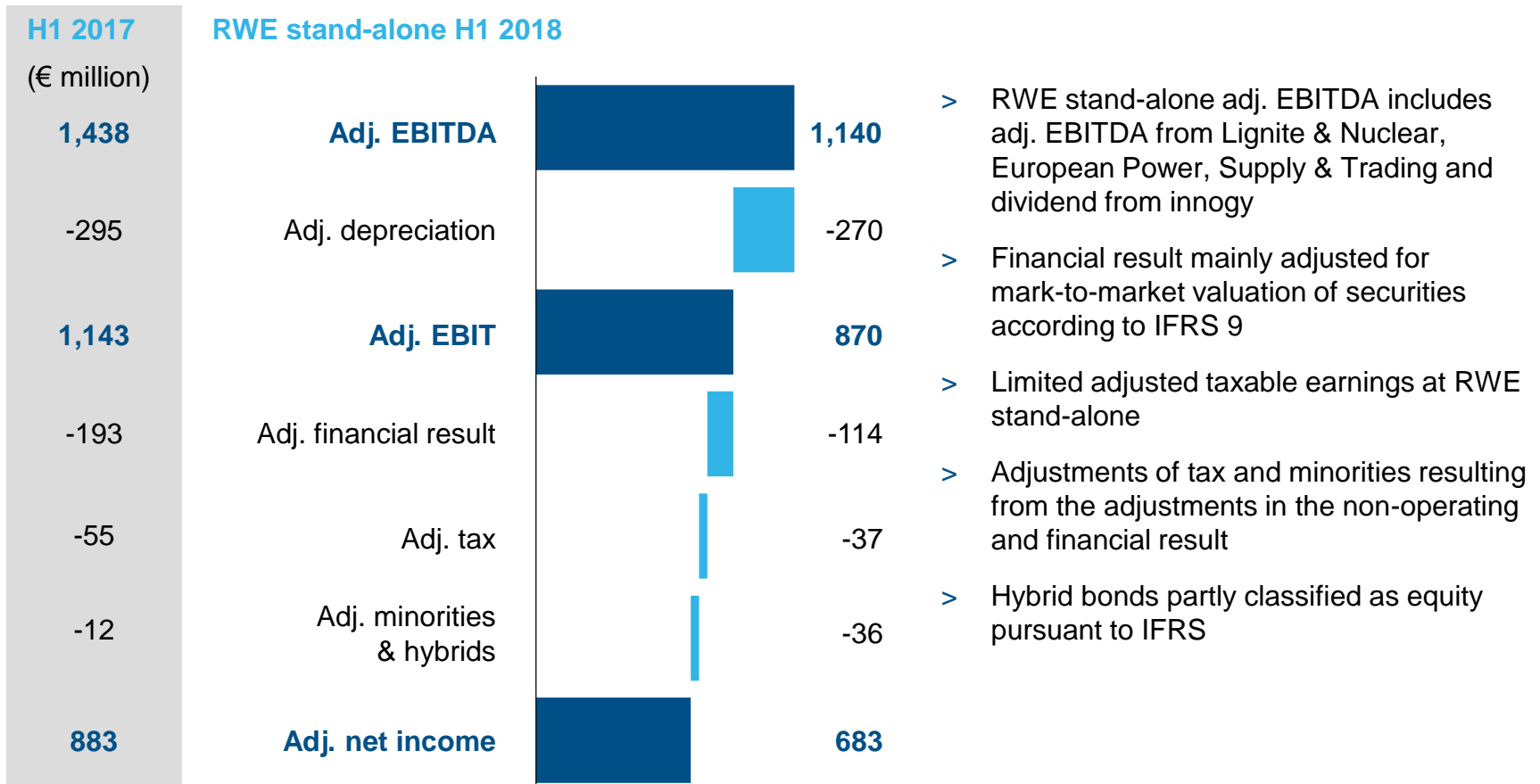
## H1 2018 versus H1 2017:

- ⊕ Very good trading performance in Q2 2018
- ⊖ Good performance of gas and LNG business; however, earnings contribution below high previous year's result
- ⊖ Value adjustment within Principal Investment portfolio

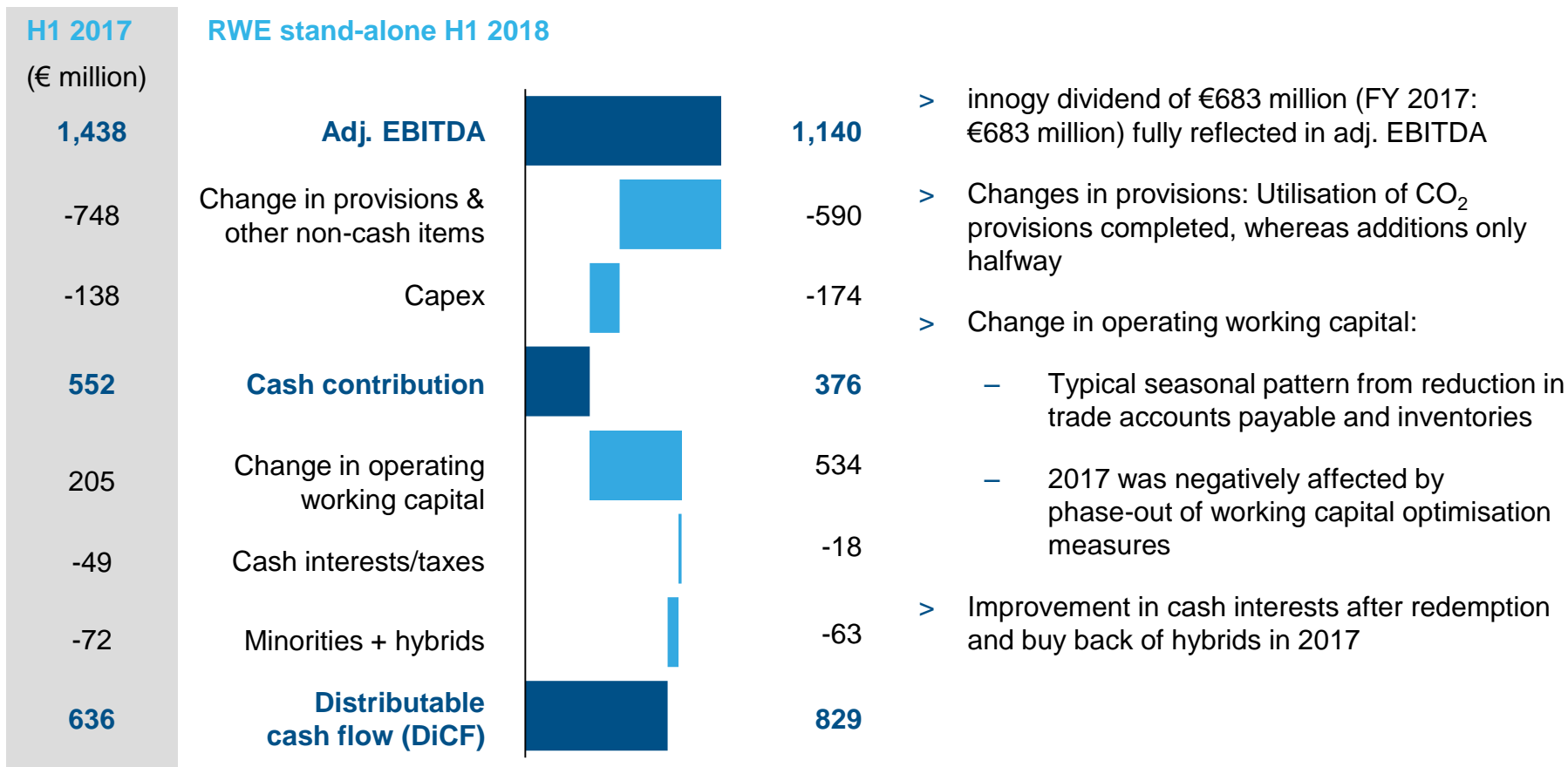
## Outlook for FY 2018 adjusted EBITDA: between €100 and €300 million

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

# Adjusted net income for H1 2018 reaches €683 million



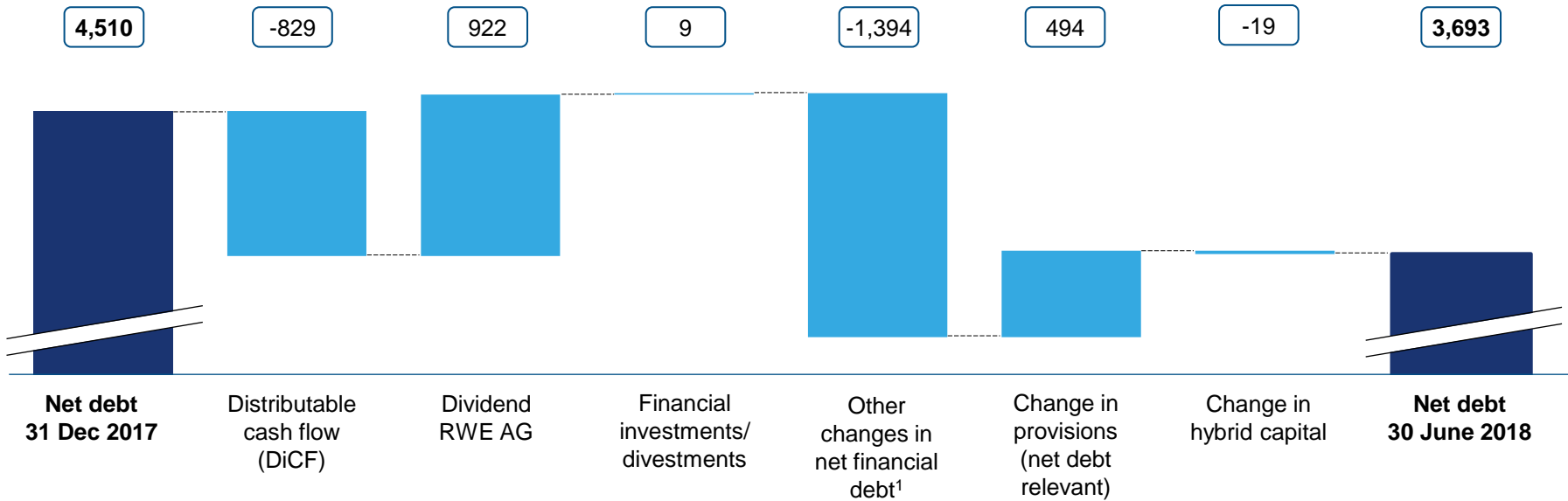
# High H1 2018 distributable cash flow due to full amount of innogy dividend and cyclical working capital development



# 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. €1.5 billion from change in variation margins which will revert once the underlying transactions will be realised or commodity trends turn around.

# RWE stand-alone – outlook for 2018 confirmed

FY 2017

FY 2018e

€2.1 bn

**Adj. 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

**Adj. net income**

€0.5 bn –  
€0.8 bn

**Dividend (per share)**

€0.50

> Ordinary dividend

€0.70

> Management target

+

€1.00

> Special dividend

# RWE Group: Amended outlook for 2018 after classification of innogy's grid and retail businesses as DCO<sup>1</sup>

(€ million)

Actuals 2017

2018 forecast

Adjusted EBITDA

2,149

1,500 – 1,800

671

Lignite & Nuclear

350 – 450

463

European Power

300 – 400

271

Supply & Trading

100 – 300

785

innogy – continuing operations

700 – 800

Capex continuing operations

685

1,200 – 1,400

30 June 2018

Net debt continuing operations

5,447

Moderately below  
30 June 2018

<sup>1</sup> Discontinued operations.

# Appendix

---

# Reconciliation to adjusted net income

RWE stand-alone (€ million)	H1 2018			H1 2017	change
	Reported	Adjustments	Adjusted	Adjusted	Adjusted
<b>Adjusted EBITDA</b>	<b>1,140</b>	-	<b>1,140</b>	<b>1,438</b>	<b>-298</b>
Depreciation	-270	-	-270	-295	25
<b>Adjusted EBIT</b>	<b>870</b>	-	<b>870</b>	<b>1,143</b>	<b>-273</b>
Non-operating result	-226	226	-	-	-
Financial result	-164	50	-114	-193	79
Taxes on income (Tax rate)	-38 (8%)	1	-37 (5%)	-55 (6%)	18
<b>Income (of which:)</b>	<b>442</b>	<b>277</b>	<b>719</b>	<b>895</b>	<b>-176</b>
Non-controlling interests	5	1	6	-12	18
Hybrid investors' interest	30	-	30	24	6
<b>Net income<sup>1</sup></b>	<b>407</b>	<b>276</b>	<b>683</b>	<b>883</b>	<b>-200</b>

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



# Income statement H1 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 operating activities of continuing operations**

Income from investments accounted for using the equity method

Other income from investments

of which: income from the investment in innogy

Financial result

**Income before tax**

Taxes on income

**Income of continuing operations**

Income discontinued operations

**Income**

of which: non-controlling interests

of which: RWE AG hybrid capital investors' interest

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

	RWE stand-alone	RWE Group
	<b>6,304</b>	<b>6,827</b>
	-69	-69
	<b>6,235</b>	<b>6,758</b>
	6	-16
	-5,090	-5,138
	-895	-974
	-270	-440
	<b>-14</b>	<b>190</b>
	75	102
	583	-40
	683	-
	-164	-184
	<b>480</b>	<b>68</b>
	-38	-86
	<b>442</b>	<b>-18</b>
	-	539
	<b>442</b>	<b>521</b>
	5	329
	30	30
	<b>407</b>	<b>162</b>

# Balance sheet as at 30 June 2018

(€ million)

## Assets

Intangible assets	1,034	2,121
Property, plant and equipment	6,534	11,988
Investments accounted for using the equity method	655	1,406
Other financial assets <sup>1</sup>	15,937	365
Inventories	1,363	1,415
Financial receivables	2,990	1,484
Trade accounts receivable	1,948	1,399
Other receivables and other assets	8,595	8,926
Income tax assets	602	611
Deferred taxes	376	851
Marketable securities	3,301	3,301
Cash and cash equivalents	3,037	3,253
Assets held for sale	-	38,838

**46,372**

**75,958**

## Equity and liabilities

RWE AG shareholders' interest	15,790	7,384
RWE AG hybrid capital investors' interest	910	910
Non-controlling interests	134	4,176

## Total equity

**16,834**

**12,470**

Provisions	17,190	17,940
Financial liabilities	2,135	2,241
Other liabilities	9,977	9,949
Income tax liabilities	2	45
Deferred tax liabilities	234	449
Liabilities held for sale	-	32,864

## Total liabilities

**29,538**

**63,488**

**46,372**

**75,958**

<sup>1</sup> Includes innogy stake at market value of €15.6 billion as at 30 June 2018.

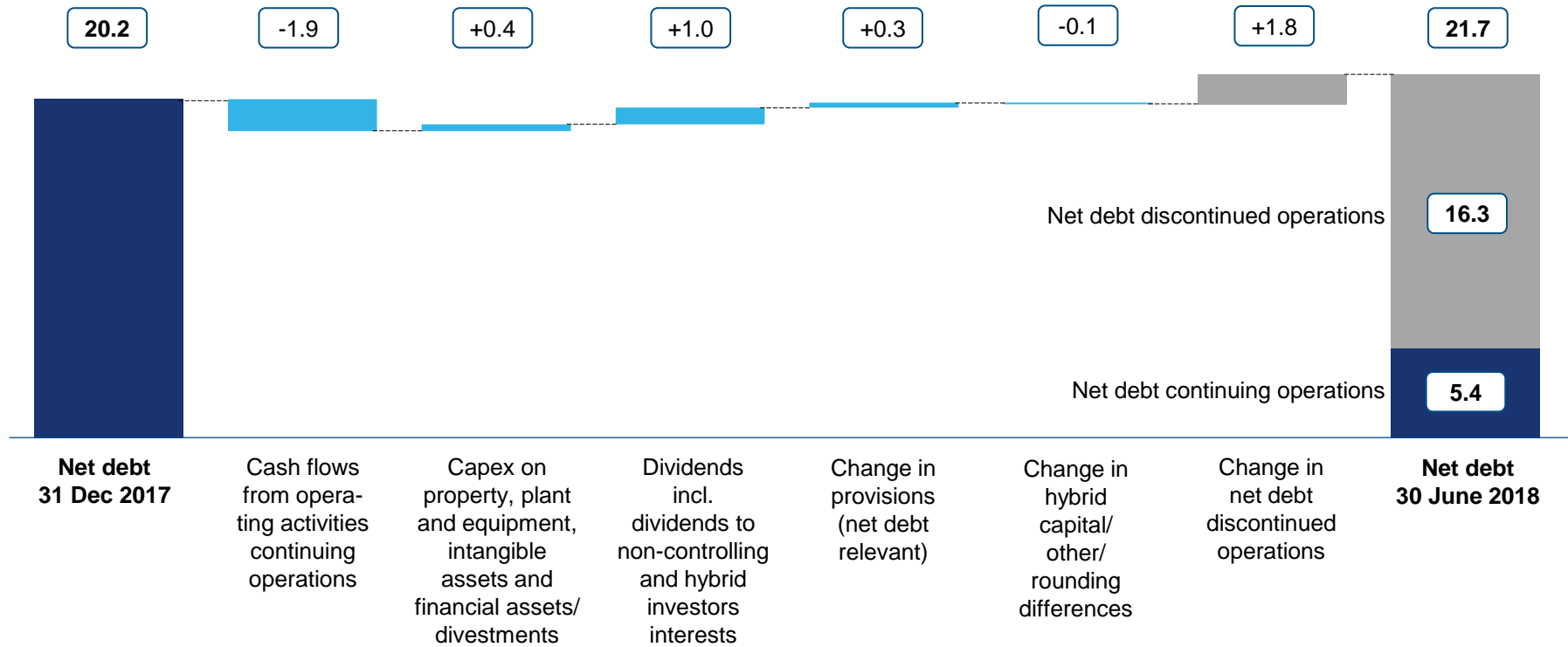
# Net debt as at 30 June 2018

(€ million)	RWE stand-alone	RWE Group
Cash and cash equivalents	3,037	3,253
Marketable securities	3,506	3,506
Other financial assets	2,970	1,337
t/o financial receivables against innogy	1,656	-
<b>Financial assets</b>	<b>9,513</b>	<b>8,096</b>
Bonds, other notes payable, bank debt, commercial paper	1,314	1,366
Hedge transactions related to bonds	17	17
Other financial liabilities	820	875
<b>Financial liabilities</b>	<b>2,151</b>	<b>2,258</b>
<b>Net financial debt</b>	<b>-7,362</b>	<b>-5,838</b>
Provisions for pensions and similar obligations	2,775	2,880
Capitalised surplus of plan assets over benefit obligations	-	-233
Provisions for nuclear waste management	5,951	5,951
Mining provisions	2,425	2,425
Provisions for dismantling wind farms	-	358
Adjustment for hybrid capital (portion of relevance to the rating)	-96	-96
Plus 50% of the hybrid capital stated as equity	455	455
Minus 50% of the hybrid capital stated as debt	-551	-551
<b>Net debt from continuing operations</b>	<b>3,693</b>	<b>5,447</b>
Net debt from discontinued operations	-	16,300
<b>Net debt</b>	<b>3,693</b>	<b>21,747</b>

# Higher RWE Group net debt mainly due to increase in net debt of discontinued operations

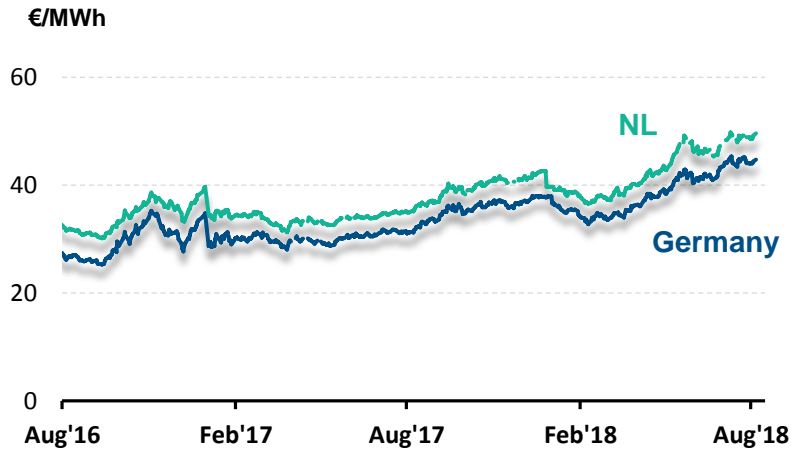
## Development of net debt (RWE Group)

(€ billion)



# Power prices and commodities

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



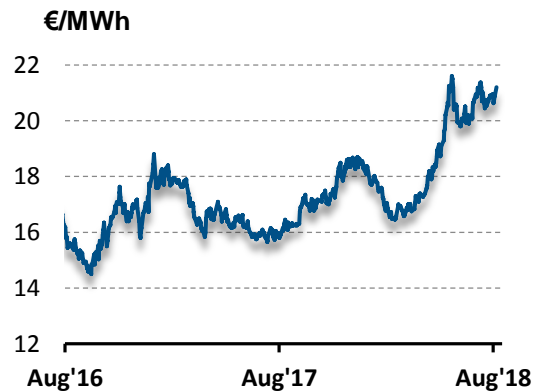
### Base load power prices – UK (1 year forward)



### Coal prices – API2 Cal-ahead



### Gas prices – TTF Cal-ahead

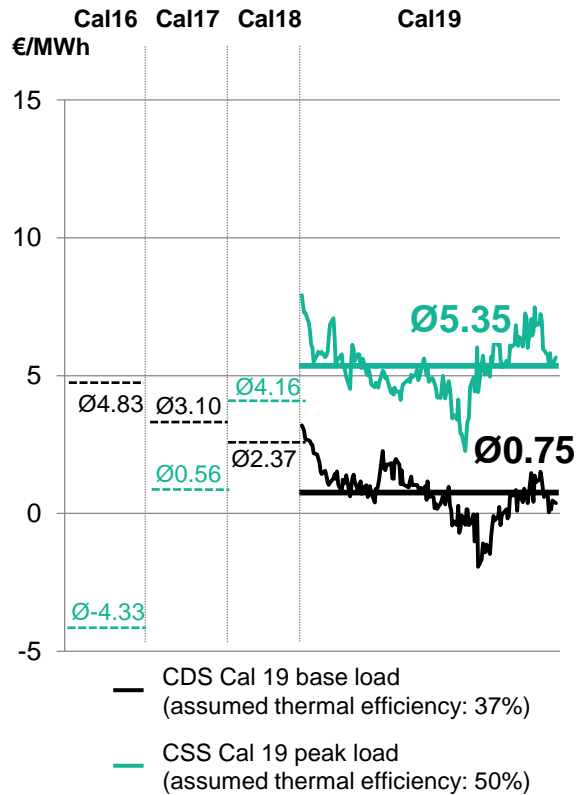


### Carbon prices - EU ETS

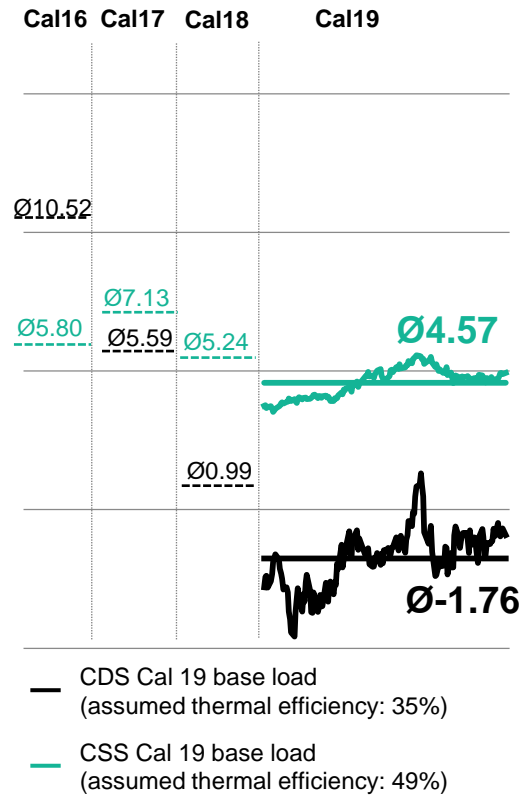


# Clean Dark (CDS) and Spark Spreads (CSS) – 2016 - 2019 forwards for Germany, UK and NL<sup>1</sup>

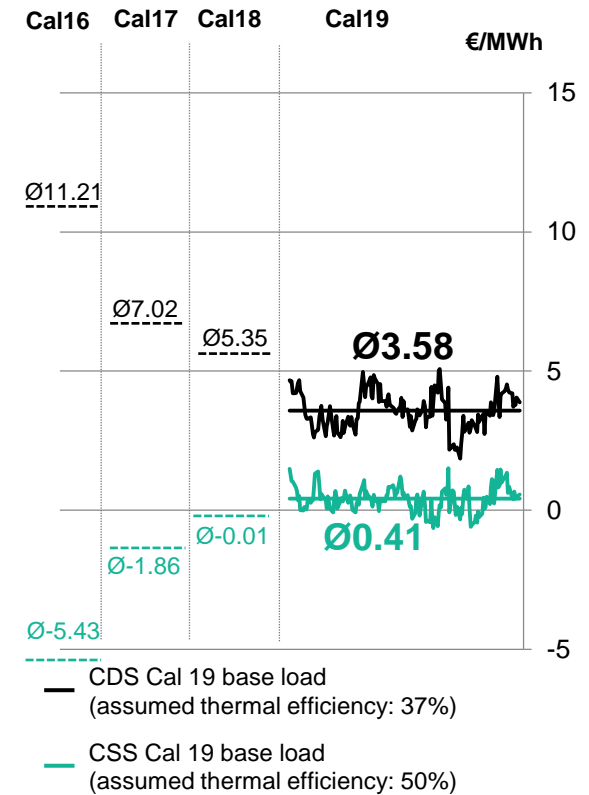
## Germany



## 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 6 August 2018

# Your contacts @RWE Investor Relations

## 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



## Contacts for Institutional Investors & Financial Analysts



- > **Gunhild Grieve**  
Head of Investor Relations  
Tel. +49 201 5179-3110  
[gunhild.grieve@rwe.com](mailto:gunhild.grieve@rwe.com)



- > **Martin Vahlbrock**  
Tel.: +49 201 5179-3117  
[martin.vahlbrock@rwe.com](mailto:martin.vahlbrock@rwe.com)



- > **Dr. Burkhard Pahnke**  
Tel.: +49 201 5179-3118  
[burkhard.pahnke@rwe.com](mailto:burkhard.pahnke@rwe.com)



- > **Lenka Zikmundova**  
Tel.: +49 201 5179-3116  
[lenka.zikmundova@rwe.com](mailto:lenka.zikmundova@rwe.com)



- > **Jérôme Hördemann**  
Tel.: +49 201 5179-3119  
[jerome.hoerdemann@rwe.com](mailto:jerome.hoerdemann@rwe.com)



- > **Susanne Lange**  
Tel.: +49 201 5179-3120  
[susanne.lange@rwe.com](mailto:susanne.lange@rwe.com)

## Contact for Private Shareholders



- > **Sabine Gathmann**  
Tel.: +49 201 5179-3115  
[sabine.gathmann@rwe.com](mailto:sabine.gathmann@rwe.com)



# RWE

Powering. Reliable. Future.

**RWE**