

# H1 2019 Results presentation

Investor and Analyst Conference Call  
14 August 2019

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**RWE**

# Disclaimer

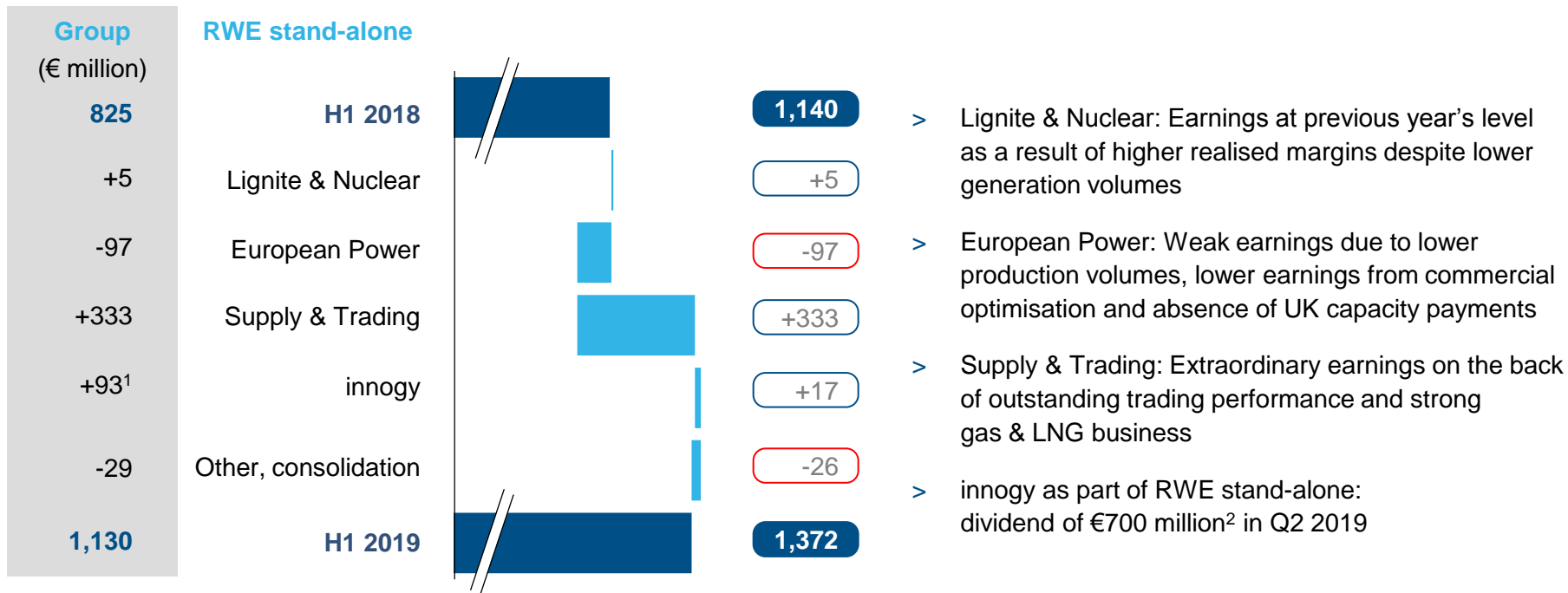
This document contains forward-looking statements. These statements are based on the current views, expectations, assumptions and information of the management, and are based on information currently available to the management. Forward-looking statements shall not be construed as a promise for the materialisation 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.

All figures regarding the renewables business are based on pro forma combined innogy and E.ON publicly available data. The implementation of the transaction is still subject to conditions, including merger control clearances.

# RWE raised outlook for FY19 after strong earnings in H1

- > Very good H1 for RWE on the back of an outstanding trading performance
- > Outlook for RWE increased; dividend target of €0.8 per share for FY 2019 confirmed
- > Conversion of preferred shares to common shares completed, preferred stock delisted; #OneShareOneVote
- > Closing of the innogy transaction between RWE and E.ON expected for September 2019
- > Aberthaw hard coal power station to be closed end of March 2020
- > Discussions with German Government on coal phase-out ongoing

# Strong adjusted EBITDA of €1,372 million driven by extraordinary earnings from Supply & Trading



<sup>1</sup> innogy - continuing operations. | <sup>2</sup> innogy dividend as contractually agreed with E.ON.

# Lignite & Nuclear – earnings at comparable level to H1 2018 in spite of the effect from Hambach restriction

## Key financials

€ million	H1 2019	H1 2018	change
<b>Adj. EBITDA</b>	<b>172</b>	<b>167</b>	<b>+5</b>
t/o non-recurring items <sup>1</sup>	-	-	-
Depreciation	-162	-134	-28
<b>Adj. EBIT</b>	<b>10</b>	<b>33</b>	<b>-23</b>
t/o non-recurring items <sup>1</sup>	-	-	-
<b>Capex</b>	<b>-116</b>	<b>-102</b>	<b>-14</b>
<b>Cash contribution<sup>2</sup></b>	<b>56</b>	<b>65</b>	<b>-9</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.

## H1 2019 versus H1 2018:

- ⊕ Slightly higher realised generation margins
- ⊖ Lower production volumes, among others due to restrictions at Hambach mine and outages

## Outlook for FY 2019 adjusted EBITDA: between €300 and €400 million

- ⊕ Slightly higher realised generation margins (hedged outright price: ~€29/MWh vs. ~€28/MWh in 2018)
- ⊖ Impact from production restrictions at Hambach lignite mine (~ -€100 million)

Outlook does not include any impact from measures proposed by the German 'Growth, Structural Change and Employment' commission

# European Power – full year guidance expected to end at the bottom of the range due to weak Q1

## Key financials

€ million	H1 2019	H1 2018	change
UK	62	99	-37
Continental Europe	36	95	-59
<b>Adj. EBITDA<sup>1</sup></b>	<b>99</b>	<b>196</b>	<b>-97</b>
t/o non-recurring items <sup>2</sup>	-	-	-
Depreciation	-154	-147	-7
<b>Adj. EBIT</b>	<b>-55</b>	<b>49</b>	<b>-104</b>
t/o non-recurring items <sup>2</sup>	-	-	-
<b>Capex</b>	<b>-85</b>	<b>-67</b>	<b>-18</b>
<b>Cash contribution<sup>3</sup></b>	<b>14</b>	<b>129</b>	<b>-115</b>

<sup>1</sup> Total adj. 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. | <sup>4</sup> Under the UK capacity market regime RWE had secured capacity payments of c. €100 million for fiscal year 2018 and c. €180 million for fiscal year 2019. The payments have been suspended after the decision of the General Court of the European Court of Justice from November 2018. For 2018, RWE has received capacity payments of c. €50 million for Q1-Q3 2018. The figures still include the Aberthaw plant for which we have two transfer agreements in place starting 1 Oct 2019.

## H1 2019 versus H1 2018:

- ⊖ Lower production volumes
- ⊖ Less earnings from commercial optimisation
- ⊖ Absence of capacity payments due to suspension of UK capacity market (-€33 million y-o-y)<sup>4</sup>

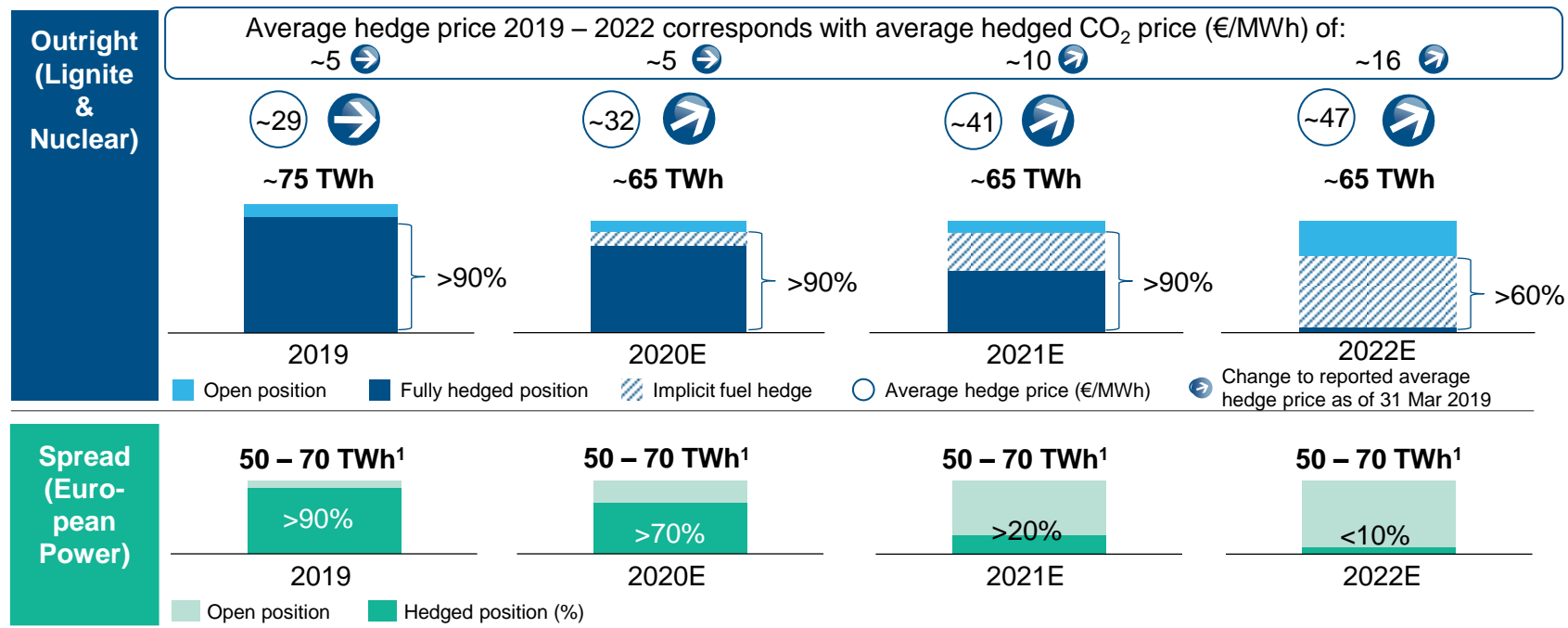
## Outlook for FY 2019 adjusted EBITDA: at the bottom of the range of €250 to €350 million

- ⊖ No income from UK capacity market assumed as long as legal situation is unclear<sup>4</sup>
- ⊖ Less earnings from commercial optimisation

# Slight improvement of hedged spread levels in 2020 - 2022

Expected positions and hedge status as of 30 June 2019 (including Hambach restrictions)

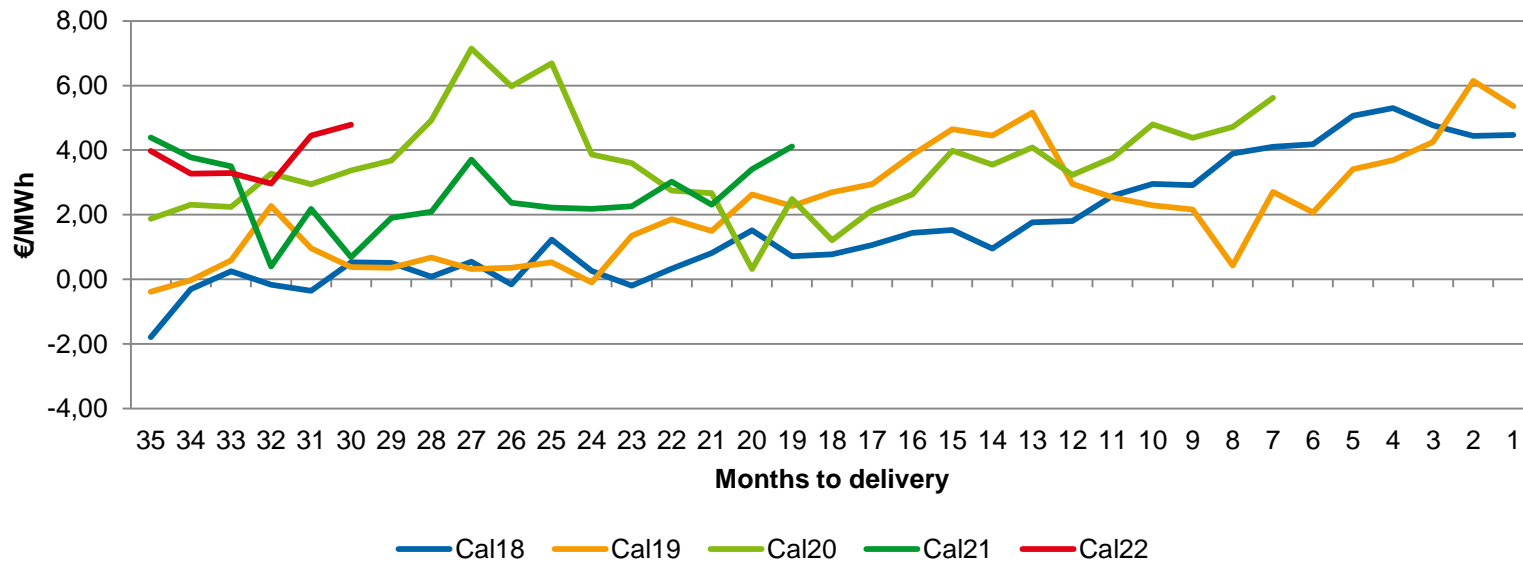
Before any measures resulting from proposals of 'Growth, Structural Change and Employment' commission



CO<sub>2</sub> > CO<sub>2</sub> position financially hedged until mid-2020s

# Improvement of fuel spreads for Cal 2020 to 2022

## 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: Data based on fuel spreads per end of month (€/MWh).

Source: Bloomberg; data until 30 June 2019.



# Supply & Trading – after outstanding performance in H1, FY19 outlook increased: significantly above €300 million

## Key financials

€ million	H1 2019	H1 2018	change
<b>Adj. EBITDA</b>	<b>434</b>	<b>101</b>	<b>+333</b>
t/o non-recurring items <sup>1</sup>	-	-	-
Depreciation	-5	-2	-3
<b>Adj. EBIT</b>	<b>429</b>	<b>99</b>	<b>+330</b>
t/o non-recurring items <sup>1</sup>	-	-	-
<b>Capex</b>	<b>-4</b>	<b>-4</b>	<b>-</b>
<b>Cash contribution<sup>2</sup></b>	<b>430</b>	<b>97</b>	<b>+333</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 2019 versus H1 2018:

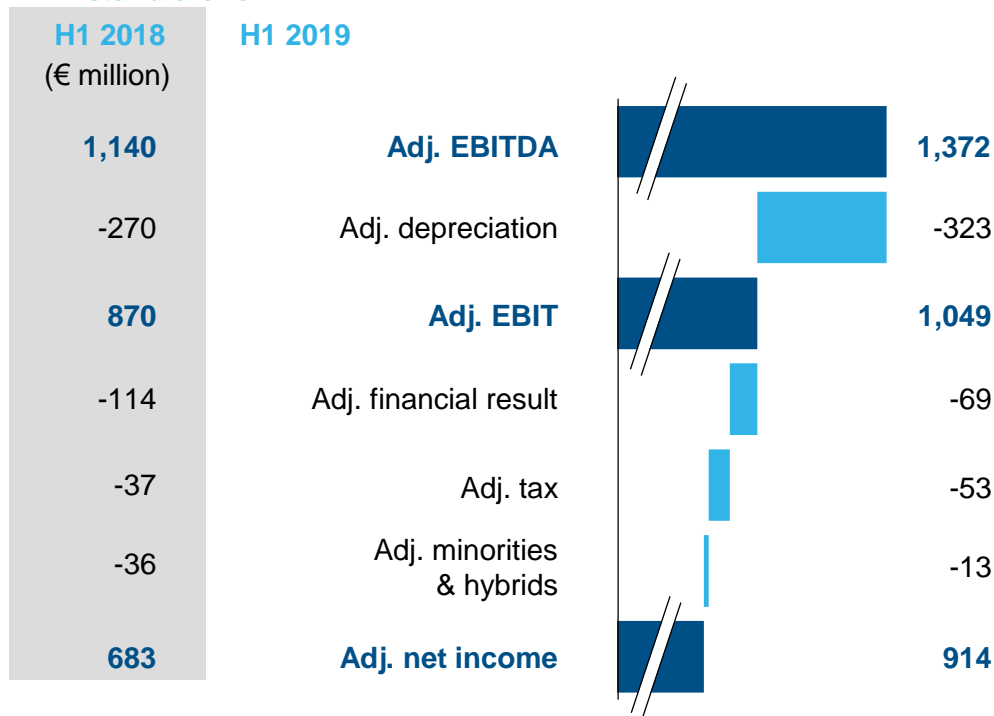
- ⊕ Outstanding trading performance
- ⊕ Gas & LNG above previous year's result
- ⊕ Absence of value adjustment within Principal Investment portfolio in Q2 2018

## Outlook for FY 2019 adjusted EBITDA: Significantly above €300 million (previously €100 - €300 million)

- ⊕ Outstanding trading performance
  - ⊕ Strong Gas & LNG business
  - ⊕ Absence of value adjustment within Principal Investment portfolio in Q2 2018
- > Long-term average earnings contribution of approx. €200 million expected

# Adjusted net income for H1 2019 reaches €914 million

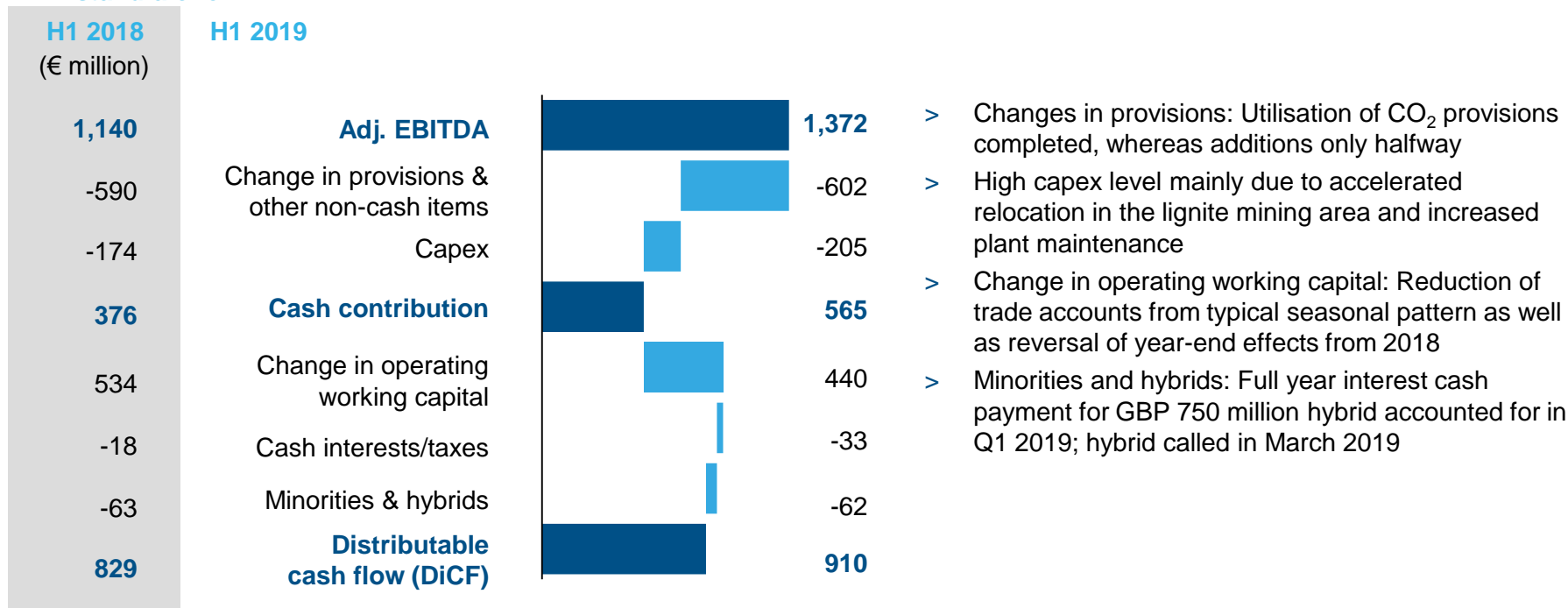
## RWE stand-alone



- > Adjusted EBITDA excludes non-operating result
- > Financial result adjusted for impact from lower discount rates for long-term provisions, adjustment of provisions for interest on taxes referring to previous years as well as mark-to-market valuation of securities according to IFRS 9
- > Adjustments of tax resulting from the adjustments in the non-operating and financial result as well as deferred taxes. Furthermore, adjustment of provisions for tax and tax refunds for previous periods
- > Limited adjusted taxable earnings at RWE stand-alone
- > Hybrid bonds partly classified as equity pursuant to IFRS (GBP 750 million bond called in March 2019)

# High distributable cash flow mainly driven by strong adj. EBITDA and cyclical working capital development

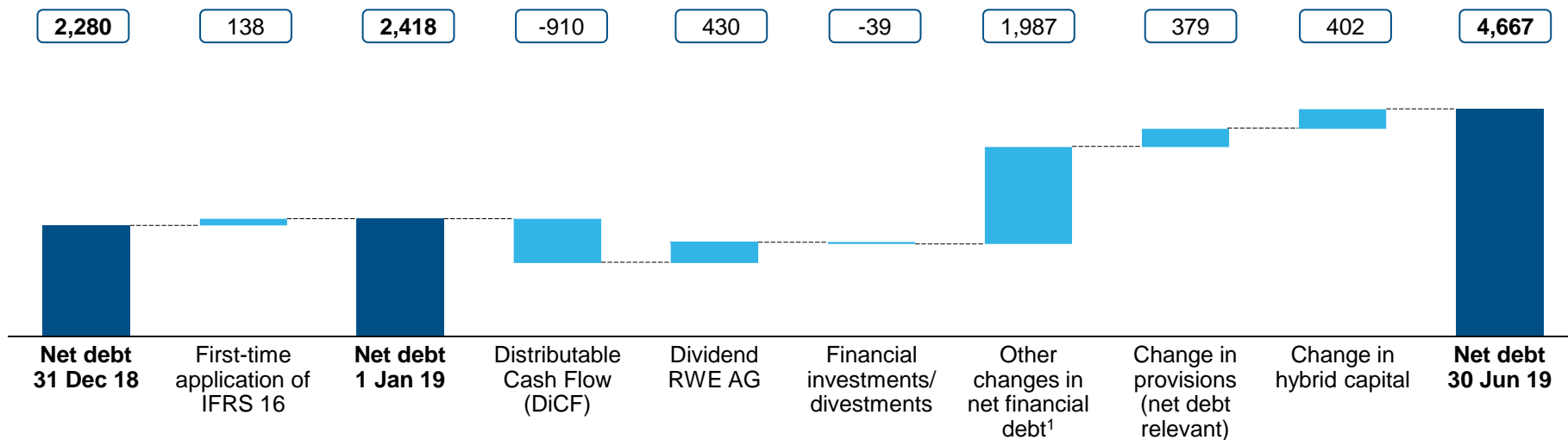
## RWE stand-alone



# Increased net debt since year end mainly due to change in variation margins

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

(€ million)



<sup>1</sup> Includes an outflow of approx. €1.8 billion from financing effects such as change in variation margins (full year 2018: inflow of €4.4 bn).

# RWE stand-alone – outlook for 2019 improved

FY 2018

€1.5 bn

**Adj. EBITDA**

-€0.6 bn

Adj. depreciation

-€0.2 bn

Adj. net financial result

-€0.1 bn

Adj. tax

-€0.1 bn

Adj. minorities & hybrid

**€0.6 bn**

**Adj. net income**

€2.3 bn

Net debt

€0.70

**Dividend (per share)**

FY 2019e

€1.4 bn -  
€1.7 bn

> Positive adjustment from €1.2bn - €1.5bn



> Slight increase among others due to implementation of IFRS 16



> Stable development expected



> Stable development expected



> Decline after call of hybrid in March 2019

€0.5 bn -  
€0.8 bn

> Positive adjustment from €0.3bn - €0.6bn

Significantly above previous year

€0.80 (management target)

↗ Positive

↘ Negative impact on earnings

# Appendix

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# Reconciliation to adjusted net income

RWE stand-alone (€ million)	H1 2019			H1 2018	change
	Reported	Adjustments	Adjusted	Adjusted	Adjusted
<b>Adj. EBITDA</b>	<b>1,372</b>	-	<b>1,372</b>	<b>1,140</b>	<b>232</b>
Depreciation	-323	-	-323	-270	-53
<b>Adj. EBIT</b>	<b>1,049</b>	-	<b>1,049</b>	<b>870</b>	<b>179</b>
Non-operating result	-445	+445	-	-	-
Financial result	-216	+147	-69	-114	45
Taxes on income (Tax rate)	219 (-56%)	-272	-53 (5%)	-37 (5%)	-16
<b>Income (of which:)</b>	<b>607</b>	<b>+320</b>	<b>927</b>	<b>719</b>	<b>208</b>
Non-controlling interests	-2	-	-2	6	-8
Hybrid investors' interest	15	-	15	30	-15
<b>Net income<sup>1</sup></b>	<b>594</b>	<b>+320</b>	<b>914</b>	<b>683</b>	<b>231</b>

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

# Income statement H1 2019

(€ 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 of continuing operations before tax

Taxes on income

## Income of continuing operations

Income from 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>6,391</b>	<b>7,040</b>
	-75	-75
	<b>6,316</b>	<b>6,965</b>
	58	105
	-5,336	-5,519
	-947	-1,040
	-323	-513
	<b>-232</b>	<b>-2</b>
	136	165
	700	2
	700	-
	-216	-232
	<b>388</b>	<b>-67</b>
	219	151
	<b>607</b>	<b>84</b>
	-	1,311
	<b>607</b>	<b>1,395</b>
	-2	550
	15	15
	<b>594</b>	<b>830</b>



# Balance sheet as at 30 June 2019

(€ million)

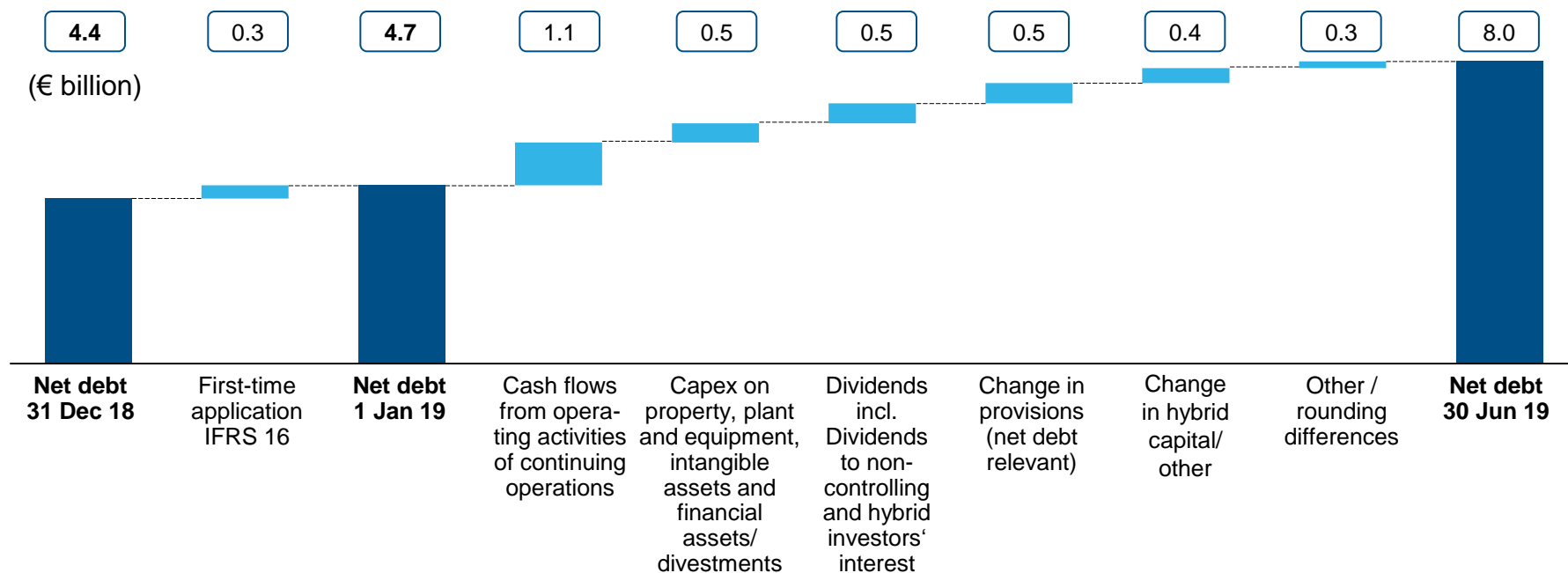
	RWE stand-alone	RWE Group
<b>Assets</b>		
Intangible assets	1,037	2,179
Property, plant and equipment	6,785	13,017
Investments accounted for using the equity method	750	1,516
Other financial assets <sup>1</sup>	16,044	404
Inventories	1,181	1,235
Financial receivables	5,086	2,698
Trade accounts receivable	2,534	1,516
Other receivables and other assets	9,754	10,009
Income tax assets	464	473
Deferred taxes	486	941
Marketable securities	2,394	2,394
Cash and cash equivalents	2,888	3,265
Assets held for sale	-	42,849
	<b>49,403</b>	<b>82,496</b>
<b>Equity and liabilities</b>		
RWE AG shareholders' interest	15,592	7,594
RWE AG hybrid capital investors' interest	-	-
Non-controlling interests	121	4,551
<b>Total equity</b>	<b>15,713</b>	<b>12,145</b>
Provisions	16,945	17,790
Financial liabilities	3,807	4,721
Other liabilities	11,822	11,963
Income tax liabilities	15	49
Deferred tax liabilities	1,101	1,305
Liabilities held for sale	-	34,523
<b>Total liabilities</b>	<b>33,690</b>	<b>70,351</b>
	<b>49,403</b>	<b>82,496</b>

# Net debt as at 30 June 2019

(€ million)	RWE stand-alone	RWE Group
Cash and cash equivalents	2,888	3,265
Marketable securities	2,656	2,656
Other financial assets	5,066	2,614
of which: financial receivables against innogy	700	-
<b>Financial assets and receivables</b>	<b>10,610</b>	<b>8,535</b>
Bonds, other notes payable, bank debt, commercial paper	2,697	3,318
Hedge transactions related to bonds	11	11
Other financial liabilities	1,111	1,404
<b>Financial liabilities</b>	<b>3,819</b>	<b>4,733</b>
<b>Net financial debt</b>	<b>-6,791</b>	<b>-3,802</b>
Provisions for pensions and similar obligations	3,413	3,540
Capitalised surplus of plan assets over benefit obligations	-	-137
Provisions for nuclear waste management	6,055	6,055
Mining provisions	2,545	2,545
Provisions for dismantling wind farms	-	389
Adjustment for hybrid capital (portion of relevance to the rating)	-555	-555
Plus 50% of the hybrid capital stated as equity	-	-
Minus 50% of the hybrid capital stated as debt	-555	-555
<b>Net debt of continuing operations</b>	<b>4,667</b>	<b>8,035</b>
Net debt of discontinued operations	-	18,798
<b>Net debt</b>	<b>4,667</b>	<b>26,833</b>

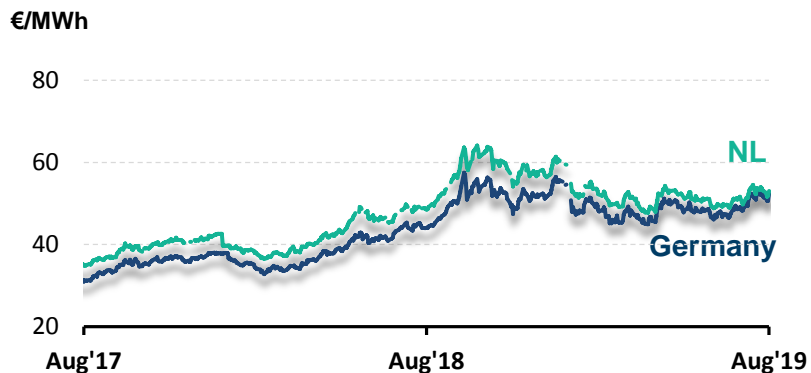
# Net debt of continuing operations increased by €3.3 billion since year end as of negative free cash flow & IGH purchase

## Development of net debt (RWE Group) – continuing operations only

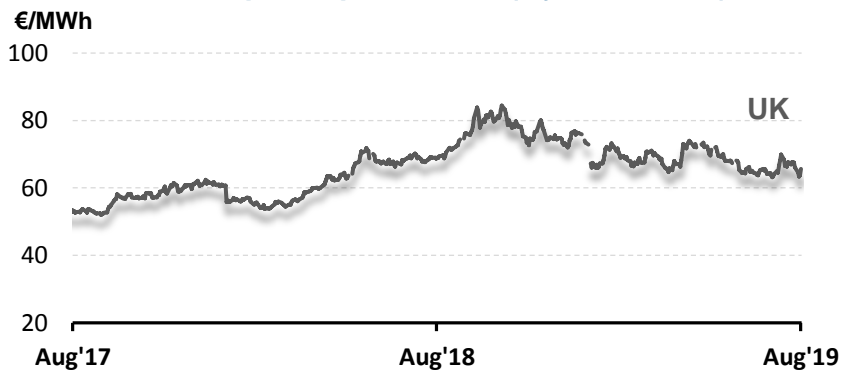


# Power prices and commodities

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



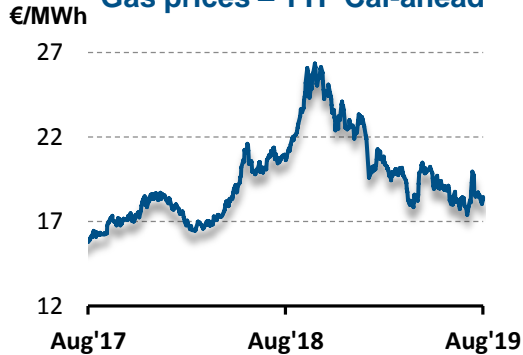
## Base load power prices – UK (1 year forward)



## Coal prices – API2 Cal-ahead



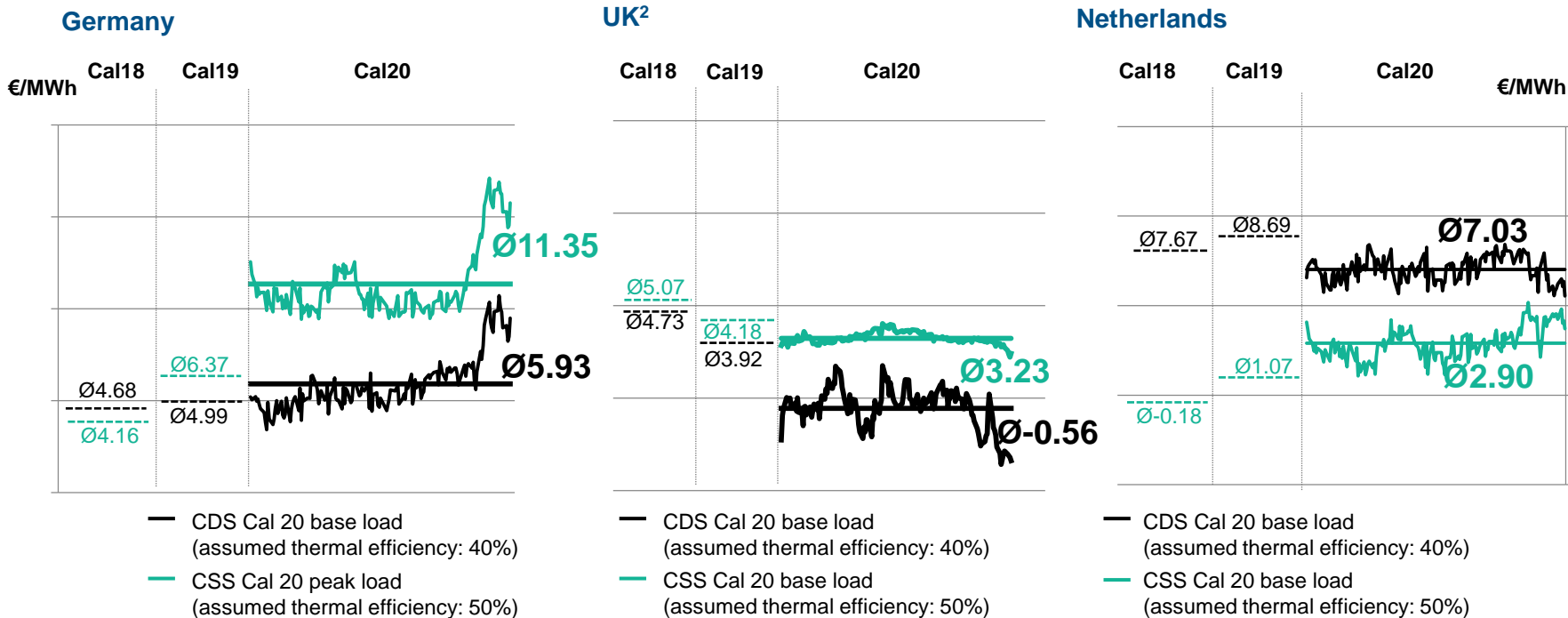
## Gas prices – TTF Cal-ahead



## Carbon prices - EU ETS



# Clean Dark (CDS) and Spark Spreads (CSS) – 2018 – 2020 forwards<sup>1</sup> for Germany, UK and NL



<sup>1</sup> Settlement one year ahead (Cal+1). | <sup>2</sup> Including UK carbon tax. | Source: RWE Supply & Trading, prices through to 1 August 2019.

# Your contacts @RWE Investor Relations

## Important Links

- > Annual and interim reports & statements  
<http://www.rwe.com/ir/reports>
- > Investor and analyst conferences  
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- > IR presentations & further factbooks  
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## Financial Calendar

- > **14 November 2019**  
Interim statement on the first three quarters of 2019
- > **12 March 2020**  
Annual report 2019
- > **28 April 2020**  
Annual General Meeting
- > **04 May 2020**  
Dividend payment
- > **14 May 2020**  
Interim statement on the first quarter of 2020

## Contact for Private Shareholders



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