FitchRatings

Corporates
Utilities - Non US
Germany

RWE AG

Ratings

Foreign Currency

Long-Term IDR	BBB+
Short-Term IDR	F1

Outlook

Long-Term Foreign-Currency IDR Stable

Debt Ratings

Senior unsecured debt - Long-Term Rating	BBB+
Subordinated Long-Term Rating	BBB-

2035 Climate Vulnerability Signal: 46

Click here for the full list of ratings

Applicable Criteria

Corporate Rating Criteria - (October 2022)

Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

Corporate Hybrids Treatment and Notching Criteria (November 2020)

Related Research

RWE's Ratings Unaffected by CEB Acquisition (October 2022)

Investment-Grade EMEA Generation Companies — Relative Credit Analysis (April 2023)

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The affirmation of RWE AG's ratings reflects its continuing strong position as a large generation company (genco) in Germany with exposure across Western Europe and the US, its conservative market-risk positioning, improved business profile following the acquisition of Consolidated Edison's (BBB+/Stable) clean energy businesses (CEB) and organic growth in renewables as well as the manageable impact of acquisition funding on its credit profile.

High electricity prices have benefited profits in 2022, albeit the contribution of quasi-regulated businesses to EBITDA is smaller as a result in the near term. RWE is also involved in Germany's LNG infrastructure build-up through participation in two LNG terminals, although the financial impact on the company is limited. The Stable Outlook reflects our expectation that key credit metrics, including nuclear-adjusted funds from operations (FFO) net leverage, will remain within rating guidelines until 2025.

Key Rating Drivers

CEB Acquisition Positive for Business Profile: We view the acquisition of CEB as positive for RWE's business profile as it adds around 3GW of solar capacity to RWE's total installed capacity of 44GW. The acquisition of CEB is part of RWE's "Growing Green" strategy, under which it intends to invest more than EUR50 billion gross in its green core business to end-2030.

Target investments include wind farms, photovoltaic assets, battery storage, gas-fired power plants and green hydrogen. This, along with organic growth in renewables and accelerated coal phase-out, is increasingly moving RWE towards long-term business sustainability. Typically, renewables businesses also provide longer term visibility on revenues and profits due to their long-term contracts with customers, which we assume to the case for CEB as well.

Boost to US Market Position: The CEB acquisition improves RWE's geographical diversification, share of renewable technologies in the portfolio and the market position in the US. Following the acquisition, RWE is in the top five renewables providers in the US, which becomes the third-largest geography by installed capacity after Germany and the UK. CEB also has a strong pipeline of projects in the US.

High Prices Benefiting EBITDA: The company, as a large diversified genco, is benefitting from currently very favourable electricity market conditions, net of hedging and contracted generation. This upside is only partially limited by a price cap on non-contracted renewables generation and normal spark spreads expected for the gas fleet in the medium term due to RWE's pre-existing contracted positions. RWE reported adjusted EBITDA of EUR2.8 billion in 1Q23, supported by a good performance in its Hydro/Biomass/Gas, and Supply and Trading segments.

Quasi-regulated Earnings Could Increase: We expect a higher share of quasi-regulated earnings after the CEB acquisition. However, due to market volatility, which has resulted in higher earnings from supply and trading and merchant-exposed gas power plant generation, we expect RWE's share of quasi-regulated earning to remain below 40% in the near-term. Over the medium-term growth in its renewables business and likely normalisation of gas prices should lead to better quasi-regulated earnings share (based on Fitch-calculated EBITDA).

Volatile Near-Term Free Cash Flow: We forecast free cash flow (FCF; after dividends, gross capex (excluding CEB acquisition payment) and variation margin-related cash flows) outflow of about EUR2.1 billion in 2023. Cash flows have been affected recently by margin-related payments. We assume that the fluctuations arising from net margin receivables will smooth over the forecast period, in line with RWE's assumptions.

RWE's planned increase in gross capex on average about EUR8 billion annually during 2024-2026, up from less than an annual EUR5 billion during 2022-2023, leads to increasingly negative FCF from 2024.

Leverage to Increase: RWE's leverage is set to increase as it has funded the CEB acquisition with close to two-thirds debt. We forecast nuclear-adjusted FFO net leverage to increase to 1.2x in 2025, from 0.2x at end-2022 and 0.7x at end-2021.

RWE's target leverage post 2025 has increased to 3.5x from 3.0x, which, if achieved, could translate into Fitch-calculated nuclear-adjusted FFO net leverage exceeding its negative rating sensitivity of 2.5x. This would have an adverse rating impact if not offset by a stronger business profile.

Financial Summary

(EURm)	2021	2022	2023F	2024F
EBITDA (before income from associates)	3,444	5,899	5,200	4,562
Funds flow from operations (FFO)	4,249	7,408	3,882	4,008
Free cash flow after acquisitions and divestitures	3,668	-2,983	-6,250	2,368
FFO interest coverage	14.4	10.1	5.1	5.3
FFO net leverage	-0.6	-0.5	-0.1	-0.6
Nuclear-adjusted FFO net leverage (x)	0.7	0.2	0.9	0.4

F = Forecast
Source: Fitch Ratings, Fitch Solutions, RWE AG

Rating Derivation Relative to Peers

RWE is one of the largest German utilities focusing on generation from conventional and renewable sources. RWE's closest peers are European gencos, like Fortum Oyj (BBB/Stable), Statkraft AS (A-/Stable), Orsted A/S (BBB+/Stable). RWE has a higher share of quasi-regulated business than Fortum, but remains more exposed to thermal generation, which implies a slightly lower debt capacity than that of its Finnish peer (on a standalone basis, i.e. excluding Uniper).

The Nordic utility Statkraft benefits from its low-cost, flexible hydro-asset base and lower exposure to thermal generation, which is offset by a lower proportion of quasi-regulated earnings than RWE's. The Danish utility Orsted has a greater proportion of renewables in its generation mix than RWE and benefits from long-term price support mechanisms from its offshore wind power business.

Navigator Peer Comparison

	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenues Visibility	Market Position	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
ERG S.p.A.	BBB-/Stable	a-	a-	bbb	bbb	bbb+	bbb	bbb-	bb+	a-
Fortum Oyj	BBB/Stable	aa-	a-	bbb-	bbb	bbb+	bbb	bbb	bbb	bb+
Orsted A/S	BBB+/Stable	aa	a-	bbb+	bbb+	a-	bbb+	bbb-	bbb	bbb+
RWE AG	BBB+/Stable	aa	a-	bbb-	bbb+	bbb	bbb+	bbb-	bbb+	a
Statkraft AS	A-/Stable	aa	a-	bb	bbb	a-	bbb-	a-	bbb+	a-

Source: Fitch Ratings.

Relative Importance of Factor: Higher | Moderate | Lower

Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenues Visibility	Market Position	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
ERG S.p.A.	BBB-/Stable	+3	+3	+1	+1	+2	+1	0	-1	+3
Fortum Oyj	BBB/Stable	+5	+2	-1	0	+1	0	0	0	-2
Orsted A/S	BBB+/Stable	+5	+1	0	0	+1	0	-2	-1	0
RWE AG	BBB+/Stable	+5	+1	-2	0	-1	0	-2	0	+2
Statkraft AS	A-/Stable	+4	0	-5	-2	0	-3	0	-1	0

Source: Fitch Ratings.

Factor Score Relative to IDR: Worse positioned than IDR | Within one notch of IDR | Better positioned than IDR

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

We do not anticipate an upgrade to the 'A' category. Upside is limited by RWE's business profile as an electricity generation utility with no networks, and coal among the main fuels over the rating horizon. However, signs of a quicker shift to renewables, for example, over 50% capacity installed in renewables or over 75% contribution from quasi-regulated activity to EBITDA, while keeping leverage low, could lead to positive rating action.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- Deterioration of the business profile, e.g. due to delays in execution of investments in renewables, lower-than-expected profitability of new assets or economic downturn resulting in prolonged fall in demand for electricity.
- Nuclear-adjusted FFO net leverage above 2.5x on a sustained basis.
- Negative FCF after acquisitions and divestitures through the cycle.

Liquidity and Debt Structure

Adequate Liquidity: At end-March 2023, RWE had EUR6.8 billion of cash and cash equivalents and EUR8.8 billion of marketable securities. In March 2022, RWE increased its available committed credit facilities to EUR8 billion from EUR5 billion. The credit lines include a EUR3 billion short-term tranche and two tranches (EUR3 billion and EUR2 billion) available until April 2026. This revolving credit facility is fully available.

In addition, RWE's 15% stake in E.ON (about EUR4 billion) increases its financial flexibility if it decides to divest the stake in full or in part. This compares with Fitch-projected FCF of negative EUR2.1 billion in 2023 in 2023, and no bond maturities in 2023.

ESG Considerations

RWE has ESG credit relevance scores of ‘4’ in categories "GHG Emissions & Air Quality" and "Energy Management". ESG issues impact the ratings primarily through a high share of coal in RWE’s generation fuel mix. This leads to lower debt capacity, given that restrictive environment policies create downward pressure on earnings and trigger additional capex for energy transition. However, RWE has been reducing its carbon footprint and is on a decarbonisation path with the CO_2 neutrality goal set for 2040.

Nevertheless, these factors have a negative impact on the credit profile, and are relevant to the ratings in conjunction with other factors. Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of ‘3’. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch’s ESG Relevance Scores, visit www.fitchratings.com/esg.

Climate Vulnerability Considerations

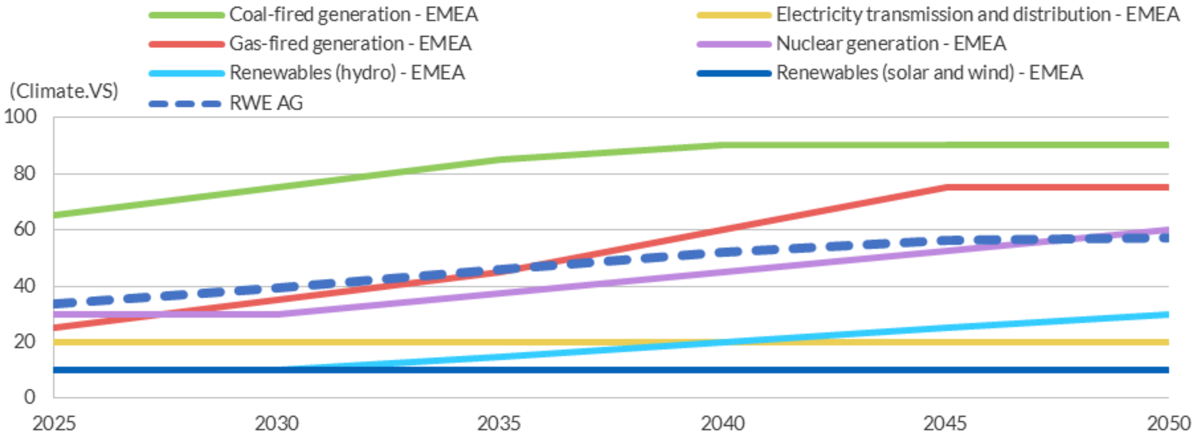
Fitch Ratings has published a Criteria Exposure Draft describing its approach to assessing Climate Vulnerability for Corporates. In this report, we describe our proposal to use Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Click here for the Criteria Exposure Draft.

Fitch invites feedback to criteria.feedback@fitchratings.com by 10 July 2023. Fitch will publish on its website any written responses it receives in full, including the name of the respondent, unless the response is clearly marked as confidential.

The FY22 revenue-weighted Climate Vulnerability Signal (Climate.VS) for RWE for 2035 is 46 out of 100, which is above average compared to sector peers due to 37% of RWE's FYE22 power generation being derived from coal-based power plants. At the moment, this exposure does not have a material impact on RWE's rating as Germany (where all of RWE coal-based power plants are located) plans to phase-out coal ideally by 2030. In addition, RWE is growing continuously its renewables portfolio and intends to invest more than EUR50 billion in its green core business until 2030.

For further information on how Fitch perceives climate-related risks in the utilities sector, see https://www.fitchratings.com/research/corporate-finance/utilities-long-termclimate-vulnerability-scores-update-09-02-2023.

Climate.VS Evolution
As of Dec. 31, 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(EURm)	2023F	2024F	2025F
Available liquidity			
Beginning cash balance	20,456	5,920	8,287
Rating case FCF after acquisitions and divestitures	-6,250	2,368	-3,883
New bonds 2023	1,000		
Total available liquidity (A)	15,207	8,287	4,404
Liquidity uses			
Debt maturities	-9,287	0	-1,245
Total liquidity uses (B)	-9,287	0	-1,245
Liquidity calculation			
Ending cash balance (A+B)	5,920	8,287	3,159
Revolver availability	8,000	5,000	5,000
Ending liquidity	13,920	13,287	8,159
Liquidity score (x)	2.4	Not meaningful	7.6

F – Forecast
Source: Fitch Ratings, Fitch Solutions, RWE AG

Scheduled debt maturities	2022
(EURm)	
2023	9,287
2024	0
2025	1,245
2026	995
Thereafter	4,858
Total	16,385

Source: Fitch Ratings, Fitch Solutions, RWE AG

Key Assumptions

Fitch's Key Assumptions within its Rating Case for the Issuer

- EBITDA to decline in 2023 compared to 2022, but to remain about 50% above 2021 levels.
- Only contracted activity in CEB included in EBITDA calculation.
- Cost of acquisition debt and all new debt at 7%.
- Dividends, capex, CEB purchase price and disposals - all based on management forecasts.

Financial Data

RWE AG

	Historical			Forecast		
(EURm)	2020	2021	2022	2023	2024	2025
Summary income statement						
Gross revenue	13,688.0	24,526.0	38,366.0	41,051.6	43,104.2	45,259.4
Revenue growth (%)	4.3	79.2	56.4	7.0	5.0	5.0
EBITDA (before income from associates)	3,105.0	3,444.0	5,899.0	5,200.0	4,561.6	4,594.4
EBITDA margin (%)	22.7	14.0	15.4	12.7	10.6	10.2
EBITDAR	3,235.0	3,444.0	5,899.0	5,200.0	4,561.6	4,594.4
EBITDAR margin (%)	23.6	14.0	15.4	12.7	10.6	10.2
EBIT	1,751.0	2,443.0	4,452.0	3,344.1	2,609.0	2,661.6
EBIT margin (%)	12.8	10.0	11.6	8.1	6.1	5.9
Gross interest expense	-261.0	-435.0	-773.0	-930.6	-871.3	-866.4
Pre-tax income (including associate income/loss)	1,196.0	1,522.0	715.0	2,519.0	1,995.3	2,038.3
Summary balance sheet						
Readily available cash and equivalents	8,990.0	13,861.0	20,456.0	15,093.6	16,260.1	15,481.5
Debt	3,194.0	11,251.0	16,385.0	14,682.3	13,501.6	16,343.6
Lease-adjusted debt	4,234.0	11,251.0	16,385.0	14,682.3	13,501.6	16,343.6
Net debt	-5,796.0	-2,610.0	-4,071.0	-411.3	-2,758.5	862.1
Summary cash flow statement						
EBITDA	3,105.0	3,444.0	5,899.0	5,200.0	4,561.6	4,594.4
Cash interest paid	-261.0	-298.0	-773.0	-930.6	-871.3	-866.4
Cash tax	122.0	150.0	-437.0	-330.0	-529.0	-672.0
Dividends deceived less dividends paid to minorities (inflow/(out)flow)	-30.0	-155.0	-304.0	-333.2	-287.9	-133.8
Other items before funds from operations (FFO)	-117.0	848.0	2,667.0	170.0	877.0	14.0
FFO	3,102.0	4,249.0	7,408.0	3,881.7	4,007.9	3,179.2
FFO margin (%)	22.7	17.3	19.3	9.5	9.3	7.0
Change in working capital	362.0	-2,126.0	-1,281.0	-2,394.7	730.4	1,003.7
Cash flow from operations (CFO) (Fitch-defined)	3,464.0	2,123.0	6,127.0	1,487.0	4,738.3	4,182.9
Total non-operating/non-recurring cash flow	586.0	4,832.0	-4,127.0	—	—	—
Capex	-2,285.0	-3,689.0	-3,303.0	—	—	—
Capital intensity (capex/revenue) (%)	16.7	15.0	8.6	—	—	—
Common dividends	-492.0	-575.0	-609.0	—	—	—
Free cash flow (FCF)	1,273.0	2,691.0	-1,912.0	—	—	—
Net acquisitions and divestitures	-708.0	977.0	-1,071.0	—	—	—
Other investing and financing cash flow items	-1,274.0	-4,804.0	-5,382.0	—	—	—
Net debt proceeds	61.0	2,371.0	7,179.0	-1,702.7	-1,180.7	2,841.9
Net equity proceeds	2,230.0	-184.0	2,349.0	2,589.7	-20.3	262.5
Total change in cash	1,582.0	1,051.0	1,163.0	-5,362.4	1,166.5	-778.7
Leverage ratios (x)						
EBITDA leverage	1.0	3.4	2.9	3.0	3.2	3.7
EBITDA net leverage	-1.9	-0.8	-0.7	-0.1	-0.6	0.2
EBITDAR leverage	1.3	3.4	2.9	3.0	3.2	3.7
EBITDAR net leverage	-1.5	-0.8	-0.7	-0.1	-0.6	0.2
EBITDAR net fixed-charge coverage	29.7	86.6	13.4	5.9	7.0	7.2
FFO-adjusted leverage	1.3	2.6	2.1	3.1	2.9	4.3
FFO-adjusted net leverage	-1.5	-0.6	-0.5	-0.1	-0.6	0.2
FFO leverage	1.0	2.6	2.1	3.1	2.9	4.3
FFO net leverage	-1.9	-0.6	-0.5	-0.1	-0.6	0.2
Nuclear-adjusted FFO net leverage (x)	0.2	0.7	0.2	0.9	0.4	1.2
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-2,899.0	1,545.0	-9,110.0	-7,736.5	-2,370.9	-8,066.0
FCF after acquisitions and divestitures	565.0	3,668.0	-2,983.0	-6,249.5	2,367.5	-3,883.1
FCF margin (after net acquisitions) (%)	4.1	15.0	-7.8	-15.2	5.5	-8.6

	Historical			Forecast		
(EURm)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Coverage ratios (x)						
FFO interest coverage	11.8	14.4	10.1	5.1	5.3	4.4
FFO fixed-charge coverage	8.2	14.4	10.1	5.1	5.3	4.4
EBITDAR fixed-charge coverage	8.2	11.0	7.2	5.2	4.9	5.1
EBITDA interest coverage	11.8	11.0	7.2	5.2	4.9	5.1
Additional metrics						
CFO-capex/debt (%)	36.9	-13.9	17.2	-22.6	-8.5	-26.7
CFO-capex/net debt (%)	-20.3	60.0	-69.4	808.2	41.7	-506.7
CFO/capex (%)	151.6	57.5	185.5	30.9	80.4	48.9

Source: Fitch Ratings, Fitch Solutions, RWE AG

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	☐ Stable

FitchRatings

RWE AG

Corporates Ratings Navigator
Global Electricity Generation

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb+	Financial Transparency	a	High quality and timely financial reporting.
bbb			

Revenues Visibility

bbb+	Contracted Position	bb	Moderate visibility under PPAs or incentives with short to medium (3 years) term residual life, with manageable merchant risk. 50% to 80% contracted or incentivised.
bbb	Contract Renewal Risk	bbb	Likely re-contracting prospects with similar to potentially moderately worse contractual terms.
bbb-	System / Capacity Payments	bbb	Less transparent or shorter duration market pricing structures with some risk of political interference proving medium term price visibility for power generators.
bb+	Degree of Supply Integration	b	Minimal supply integration. Significant long or short generation position.
bb	Resource Predictability	bbb	Stable and predictable capacity factor.

Market Position

a	Supply/Demand Dynamics	bbb	Moderately favorable outlook for prices. Balanced reserve margin with capacity addition pace matching demand growth. Supply/Demand balance aided by regulatory system mechanism.
a-	Competitive Position	bbb	Efficient generation with recurrent merit dispatch.
bbb+	Relative Size and Scale	a	Large scale operations with diverse generation asset base or company supplies more than 50% of electricity to the systems where it operates or strong competitive position in a localized market
bbb			
bbb-			

Asset Base and Operations

a-	Asset Quality and Diversity	bbb	Good single asset quality or partial diversification by geography and/or generation source.
bbb+	Exposure to Environmental Regulations	bb	Significant exposure to environmental regulations. Energy production largely deriving from thermal sources; high carbon exposure.
bbb	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bbb-			
bb+			

Commodity Exposure

a	Counterparty Risk	bbb	Diversified, medium counterparty risk or weighted average credit quality of actual and potential off-takers is in line with 'BBB' rating. Single 'BBB' rated off-taker under well-structured PPA.
a-	Costs Pass-Through and Supply Mix	bbb	Limited exposure to changes in commodity costs with ability to pass cost changes to end users. Low variable costs and moderate flexibility/certain of supply.
bbb+	Hedging Strategy	a	Strong portfolio/cash flow smoothing effects from extensive contractual hedge.
bbb			
bbb-			

Profitability

bbb+	Free Cash Flow	bb	Structurally moderately negative FCF across the investment cycle.
bbb	Cash Flow Predictability	bbb	Stability and predictability cash flow in line with peers.
bbb-			
bb+			
bb			

Financial Structure

a	EBITDA Leverage	bbb	3.3x
a-	FFO Leverage	bbb	3.5x
bbb+	FFO Net Leverage	a	<1.0x
bbb			
bbb-			

Financial Flexibility

aa-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a+	Liquidity	a	Very comfortable liquidity. No need to use external funding, except for already committed facilities, in the next 12 months even under a severe stress scenario. Well-spread debt maturity schedule. Diversified sources of funding.
a	FFO Interest Coverage	a	5.5x
a-	DSCR		n.a.
bbb+	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

RWE AG has 2 ESG rating drivers and 11 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Water used by hydro plants or by other generation plants, also effluent management
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	2	issues	4
potential driver	11	issues	3
not a rating driver	1	issues	2
	0	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings **RWE AG**

Corporates Ratings Navigator
Global Electricity Generation

Credit-Relevant ESG Derivation

RWE AG has 2 ESG rating drivers and 11 ESG potential rating drivers

- RWE AG has exposure to emissions regulatory risk which, in combination with other factors, impacts the rating.
- RWE AG has exposure to energy productivity risk which, in combination with other factors, impacts the rating.
- RWE AG has exposure to water management risk but this has very low impact on the rating.
- RWE AG has exposure to waste & impact management risk but this has very low impact on the rating.
- RWE AG has exposure to extreme weather events but this has very low impact on the rating.
- RWE AG has exposure to access/affordability risk but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	2	issues	4
potential driver	11	issues	3
not a rating driver	1	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	4	Emissions from operations	Asset Base and Operations	5
Energy Management	4	Fuel use to generate energy and serve load	Asset Base and Operations; Counterparty and Commodity Exposure; Profitability	4
Water & Wastewater Management	3	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Revenues Predictability; Profitability	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Asset Base and Operations	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability	3
Employee Wellbeing	2	Worker safety and accident prevention	Asset Base and Operations	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Revenues Predictability; Profitability; Financial Structure	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance; Financial Structure	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance; Counterparty and Commodity Exposure	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.

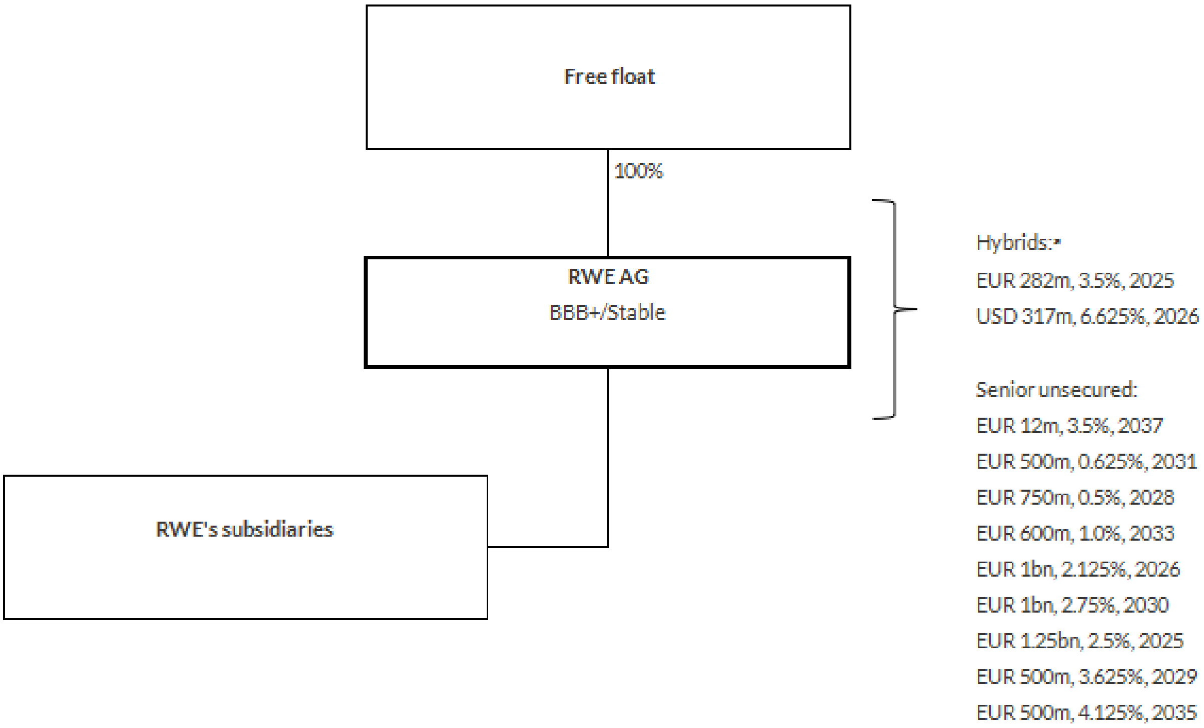
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



ᵃ For hybrids the first call date is presented
Source: Fitch, RWE as at May 2023

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	EBITDA (EURm)	FFO (EURm)	FCF (EURm)	FFO interest coverage (x)	FFO net leverage (x)
RWE AG	BBB+						
	BBB+	2`022	5,899	7,408	-1,912	10.1	-0.5
	BBB+	2021	3,444	4,249	2,691	14.4	-0.6
	BBB	2020	3,105	3,102	1,273	11.8	-1.9
Statkraft AS	A-						
	A-	2022	5,285	3,942	2,056	42.6	-0.5
	BBB+	2021	2,773	2,476	1,448	49.2	0.1
	BBB+	2020	1,141	862	-290	13.7	2.5
Orsted A/S	BBB+						
	BBB+	2021	2,079	1,240	-3,781	4.6	3.0
	BBB+	2020	2,011	1,627	-2,200	5.7	1.3
Fortum Oyj	BBB						
	BBB	2022	2,004	1,875	-582	10.0	1.7
	BBB	2021	4,501	3,012	-4,828	18.3	2.6
	BBB	2020	2538	2134	193	11.5	2.7
ERG S.p.A.	BBB-						
	BBB-	2022	502	404	-144	14.9	3.6
	BBB-	2021	581	495	-242	16.3	4.1
		2020	481	392	162	8.5	3.1

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EUR Millions)	Notes and formulas	Reported values	Sum of adjustments	CORP - lease treatment	Other adjustments	Adjusted values
12/31/2022						
Income statement summary						
Revenue		38,366				38,366
EBITDAR		6,044	-145	-145		5,899
EBITDAR after associates and minorities	(a)	5,740	-145	-145		5,595
Lease expense	(b)	0				0
EBITDA	(c)	6,044	-145	-145		5,899
EBITDA after associates and minorities	(d) = (a-b)	5,740	-145	-145		5,595
EBIT	(e)	4,302	150	-43	193	4,452
Debt and cash summary						
Other off-balance sheet debt	(f)	0				0
Debt[b]	(g)	19,076	-2,691	-1,565	-1,126	16,385
Lease-equivalent debt	(h)	0				0
Lease-adjusted debt	(i) = (g+h)	19,076	-2,691	-1,565	-1,126	16,385
Readily available cash and equivalents	(j)	20,456				20,456
Not readily available cash and equivalents		0				0
Cash flow summary						
EBITDA after associates and minorities	(d) = (a-b)	5,740	-145	-145		5,595
Preferred dividends (paid)	(k)	0				0
Interest received	(l)	356				356
Interest (paid)	(m)	-816	43	43		-773
Cash Tax (paid)		-437				-437
Other items before funds from operations (FFO)		159	2,508		2,508	2,667
FFO	(n)	5,002	2,406	-102	2,508	7,408
Change in working capital (Fitch-defined)		-2,900	1,619		1,619	-1,281
Cash flow from operations	(o)	2,102	4,025	-102	4,127	6,127
Non-operating/non-recurring cash flow		0	-4,127		-4,127	-4,127
Capital (expenditures)	(p)	-3,303				-3,303
Common dividends (paid)		-609				-609
Free cash flow		-1,810	-102	-102		-1,912
Gross leverage (x)						
EBITDAR leverage[a]	(i/a)	3.3				2.9
FFO-adjusted leverage	(i/(n-m-l-k+b))	3.5				2.1
FFO leverage	(i-h)/(n-m-l-k)	3.5				2.1
EBITDA leverage[a]	(i-h)/d	3.3				2.9
(CFO-capex)/debt (%)	(o+p)/(i-h)	-6.3%				17.2%
Net leverage (x)						
EBITDAR net leverage[a]	(i-j)/a	-0.2				-0.7
FFO-adjusted net leverage	(i-j)/(n-m-l-k+b)	-0.3				-0.5
FFO net leverage	(i-h-j)/(n-m-l-k)	-0.3				-0.5
EBITDA net leverage[a]	(i-h-j)/d	-0.2				-0.7
(CFO-capex)/net debt (%)	(o+p)/(i-h-j)	87.0%				-69.4%
Coverage (x)						
EBITDAR fixed-charge coverage[a]	a/(-m+b)	7.0				7.2
EBITDA interest coverage[a]	d/(-m)	7.0				7.2
FFO fixed-charge coverage	(n-l-m-k+b)/(-m-k+b)	6.7				10.1
FFO interest coverage	(n-l-m-k)/(-m-k)	6.7				10.1

[a]EBITDA/R after dividends to associates and minorities
[b]Includes other of- balance sheet debt
Source: Fitch Ratings, Fitch Solutions, RWE AG

For information on the solicitation status of the ratings included in this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch ratings website.

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