

### **Rating Action: Moody's Ratings assigns Baa3 rating to RWE's hybrid instruments**

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10 Jun 2025

Frankfurt am Main, June 10, 2025 -- Moody's Ratings (Moody's) has today assigned a Baa3 long-term rating to the proposed dual tranche Green Subordinated Fixed to Reset Rate Instruments (the "Hybrids") to be issued by RWE AG ("RWE"). The size and completion of the Hybrids are subject to market conditions. The outlook is stable.

The Hybrids are expected to be issued in two tranches, each featuring a fixed interest rate with periodic resets. We expect the interest rates on both tranches will reset at five-year intervals, commencing 5.25 years and 8 years, respectively, following the initial issuance date.

#### **RATINGS RATIONALE**

The Baa3 ratings assigned to the Hybrids are one notch below RWE's issuer rating of Baa2, reflecting the features of the Hybrids. These instruments (1) rank junior to all senior debt obligations, but senior to all classes of share capital as well as the outstanding junior subordinated hybrid (the USD hybrid issued in July 2015 with outstanding amount of USD 317 million); (2) have a 5-year limit to coupon deferability; and (3) have a contractual maturity of 30 years.

In our view, the Hybrids have equity-like features that allow them to receive Basket 'M' treatment (please refer to our Hybrid Equity Credit methodology published in February 2024), i.e. 50% equity credit and 50% debt for financial leverage purposes. The features of the Hybrids include (1) the optional coupon deferral with mandatory settlement of arrears of interest following a period of five years; (2) a contractual maturity of 30 years; and (3) no step-up in coupon before year 10.25 and the step up will not exceed a total of 100 basis points thereafter.

As the Hybrids' ratings are positioned relative to another rating of RWE, a change in either (1) our relative notching practice; or (2) the Baa2 issuer rating of RWE, could affect the ratings of the Hybrids.

RWE's ratings are underpinned by (1) the company's large and diversified, both in terms of geography and technology, power generation portfolio; (2) the ongoing successful implementation of its strategy to build out renewables capacity; (3) the clear exit path for its conventional thermal coal-based plants through 2030, thus reducing its carbon footprint; and (4) strong financial metrics, underpinned by a sound financial policy and solid operating performance.

RWE's ratings are constrained by (1) the company's large investment programme over 2024-30, which comes with some execution risk; (2) its exposure to commodity prices, especially in relation to its supply & trading activities; and (3) the relatively short residual timespan to generate earnings from its coal and lignite generation, implying the need to cover associated long-term provisions from other segment cash earnings.

#### **RATIONALE FOR STABLE OUTLOOK**

The stable rating outlook reflects our expectation that RWE will continue to transform its renewables pipeline into earnings, allowing for its funds from operations (FFO)/net debt to

remain at least in the high-20s in percentage terms. Moreover, the stable outlook also incorporates our expectation that RWE will act to protect its credit metrics should this become necessary.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Given RWE's focus on growth expenditure and the company's expectation that leverage will increase after 2025, a rating upgrade is not currently anticipated.

The Baa2 issuer rating could be downgraded should RWE persistently fail to maintain its FFO/net debt at least in the high-20s in percentage terms. A return of high price volatility in the commodity markets could also lead to downward pressure on the rating, should RWE's liquidity deteriorate sharply.

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Unregulated Utilities and Unregulated Power Companies published in December 2023 and available at <https://ratings.moody.com/rmc-documents/412151>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

Headquartered in Essen, Germany, RWE AG is a large power generator with reported EBITDA of around EUR5.7 billion in 2024.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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