Interim report on the first half of 2022
Telephone press conference
Essen, 11 August 2022, 10:00 CET
Speech of Markus Krebber, CEO of RWE AG and
Michael Müller, CFO of RWE AG

Check against delivery

Ladies and Gentlemen,

A warm welcome from my side too.

The terrible war in Ukraine remains the dominant topic in Europe. Sadly, there is no end in sight. As a result, the energy policy situation continues to be highly tense and it's almost impossible to predict how it will develop.

Policy-makers have made many decisions that were both appropriate and correct in this unusual situation. Where we as a company are able to help, we do so directly. You can count on RWE. We are playing our part.

In the short term, we are doing so by helping to make the energy supply system as secure as possible. And in the medium and long term, by forging ahead with the transformation into a more independent and green energy world.

Ladies and Gentlemen,

Two weeks ago we released our provisional half-year figures. Today we can confirm the good results and the positive outlook.

The earnings we are generating will benefit the energy transition.

This year alone we are investing more than EUR 5 billion, which is about 30% more than originally planned.

We are investing in green technologies that are urgently needed: in the whole spectrum of renewables, and also in battery storage and projects to ramp up the hydrogen economy. These investments are the key to making our energy supply system more independent and climate-neutral.

The dividend target of 90 cents per share for fiscal 2022 remains unchanged. We are thus focusing very clearly on investing in the energy transition.

The fact RWE is in such a good position is down to having followed the right course and doing outstanding work.

My thanks go to all our employees. They are doing an excellent job of mastering the challenges we are facing in these turbulent times. It is a pleasure to be at the helm of such a motivated and awesome team.

Ladies and Gentlemen,

We have increased earnings in all segments of our core business. As expected, our earnings declined in our German coal and nuclear energy business. We have already sold forward the electricity production of these plants at significantly lower prices than the current market levels.

At EUR 2.9 billion, adjusted EBITDA at Group level for the first half of the year clearly exceeded the previous year's figure. Our adjusted net income, at EUR 1.6 billion, is also higher than the previous year's result.

Our business thus performed better than we had forecast. And we expect this positive trend to continue. We have therefore raised our outlook for fiscal 2022:

For adjusted EBITDA at Group level we are now expecting between EUR 5 billion and EUR 5.5 billion. For adjusted net income, we have raised the range to between EUR 2.1 billion and EUR 2.6 billion.

There are several reasons for these strong earnings and the positive outlook:

- First: We are growing. The continued high level of investment also leads to continuously rising earnings in the businesses we are expanding. Our Growing Green strategy is working.
- Second: We recorded a higher level of deployment of our plants this year. In terms of renewables, wind and sun conditions are better than in the previous year. And a higher level of deployment of the flexible plants in our Hydro/Biomass/Gas segment is

needed, since an unusually large amount of power station capacity is not available in Europe.

- Third: Supply & Trading once again showed a strong operating performance that was above our expectations.
- Fourth: To secure the electricity supply for the winter, we will temporarily bring additional coal-based generation capacity back to the market following the decisions by the governments in Germany and the Netherlands.
- And fifth, higher market prices are also leading to improved earnings. That applies to electricity production that is not being sold forward and particularly benefits the contributions to our earnings by renewables.

Let me go into more detail about the expansion of our business and the implementation of our growth programme, Growing Green.

In the first half of this year alone, we invested about EUR 2 billion in the green expansion of our portfolio. In those first six months we commissioned plants with a capacity of 1.2 gigawatts.

And we are continuing to expand:

In a total of 11 countries we currently have renewable energy plants with a total capacity of 4.8 gigawatts under construction.

Our largest German project is the Kaskasi offshore wind farm off Heligoland. The first turbines began feeding green electricity into the grid a few days ago.

In the near future, our portfolio will also be supplemented by the hydrogen-ready Magnum gas-fired power station in the Netherlands. We have signed the agreement to acquire this state-of-the-art facility, which has a capacity of 1.4 gigawatts.

Expanding our portfolio is about much more than just adding more megawatts. We are also driving technological innovation and are above all striving to make the construction and operation of our plants more sustainable and more efficient.

Here are two examples:

- At Kaskasi, we are equipping wind turbines with recyclable blades from Siemens Gamesa. This is a world first.
- Together with the Dutch-Norwegian firm SolarDuck, we are forging ahead with offshore floating solar farms. The plan is to

construct these between wind turbines, thus making optimal use of ocean space.

Ladies and Gentlemen,

Reliable availability of energy is the foundation of our modern society. That's why the current situation on the European energy market is all the more concerning. It is extremely tense; it is more uncertain than it has been for decades. There are overlapping causes for this.

First, let us look at the oil and gas markets. I'll come to the electricity market later.

One reason lies in the investment activity of oil and gas producers. When the industry was abruptly pared back as a result of the pandemic, that upset the global balance between supply and demand. It left a surplus of oil and gas, and led to a sharp drop in prices. In turn, producers invested less, and capacities remained limited. The gap that was created cannot be filled again as quickly now that demand has risen again significantly. That is what is driving the prices.

The second effect is that the available supply of gas has been greatly reduced as a consequence of the war in Ukraine. Whether Russia will provide supplies to Europe, and in what volumes, can no longer be predicted. Currently, large volumes of pipeline-based gas supplies are simply not being delivered. That drives demand for liquefied natural gas which, however, involves particularly lengthy lead times for investments in capacity expansion.

RWE itself is less affected by Russian gas cuts. Although we are also receiving lower volumes, we procure comparatively less gas from Russia anyway.

For other companies, the situation is much more difficult. Germany is receiving significantly less Russian gas than contractually agreed. By July of this year, the shortfalls totalled about 20 billion cubic metres.

All affected importers have to make up the shortfalls in Russian gas supplies by making replacement purchases in order to uphold their supply commitments to their customers. These replacement purchases cost substantially more, which causes heavy financial burdens on the importers.

In accordance with the German Energy Security Act, the German government will introduce a levy that will spread the losses incurred by all gas importers in obtaining replacement supplies evenly across all gas consumers in Germany.

RWE is a financially strong and robust company. Therefore, we are considering waiving our right to make a claim under this arrangement for our losses from procuring replacement supplies until further notice.

We would then carry this loss ourselves, along with the loss of EUR 750 million resulting from the sanctions on Russian coal supplies.

Ladies and Gentlemen,

In addition to coping with the economic consequences, we also need to ensure we are best prepared for the coming winter.

Saving and storing gas helps. At the beginning of the year, German gas storage was at a historically low level. Currently it is back to over 70%, the average level for this time of year. By the beginning of September, the German government hopes to reach a figure of 75%. By 1 October this should reach 85%, and 95% by 1 November.

RWE's storage facilities are currently 85% full, and we assume we will be able to achieve the statutory minimum fill levels by ourselves.

Ladies and Gentlemen,

In addition to preparing for winter, it's important to free ourselves from dependence on Russian gas supplies as quickly as possible.

Europe is therefore focusing on building up additional LNG import capacities. Besides expanding the LNG terminals already in place in Europe, additional import capacities are to be made available in Germany, the Netherlands and Italy in the short term by means of floating LNG terminals.

We are helping where we can, and are actively supporting the German government.

On behalf of and in the name of the German government, we have chartered two special ships. With these two FSRUs, between 10 and 14 billion cubic metres of gas can be made available annually.

In Brunsbüttel we are working on the onshore connection for one of these ships. The goal is to be able to feed the first gas into the German gas network by the coming winter.

We could also become active in the Baltic Sea. Together with our partner Stena Power & LNG Solutions, we are currently engaged in good discussions with the German government. The plan involves setting up a floating LNG terminal off Lubmin.

In Brunsbüttel, we are also involved in the construction of a land-based LNG terminal. The plans are at a well-advanced stage. The final investment decision is expected to be made soon in conjunction with our partners KfW and Gasunie.

We also intend to build an import terminal for green ammonia in the immediate vicinity of this plant. Green ammonia is due to arrive in Germany and to be distributed to customers from as of 2026.

Not only are we helping to develop the necessary infrastructure, we are also bringing more LNG into Europe.

In the first six months of this year we shipped four times more LNG to Europe than in the same period in 2021.

We are also entering into new additional long-term supply contracts for LNG: A supply and purchase agreement is planned with Sempra Infrastructure, with a 15-year term and covering a volume of about three billion cubic metres per year.

Ladies and Gentlemen,

Now let us have a look at the situation on the European electricity market.

The situation has greatly intensified in recent months. In France, almost half of the country's nuclear power stations are now producing no electricity. Production expectations for the coming months have also been significantly scaled back.

In recent years, our neighbouring country continuously exported an annual average of about 50 terawatt hours of electricity. That's equivalent to almost the entire electricity consumption of Switzerland.

This year, France even had to resort to electricity imports for the first time. The majority of the electricity can be provided only by making use of gas-fired power stations, and comes mainly from Germany, Spain, Benelux and the UK.

At the same time, drought and low water levels result in low hydropower production in southern Europe. And because of low hydropower reservoirs in France, Italy and Spain, lower than average electricity production from those sources is expected also in the coming months. In Scandinavia too, hydropower production is currently constrained by low water levels.

An additional factor is the slower than expected return of Germany's hard coal-fired power stations to the market. It is challenging to procure and transport hard coal. There are transport problems on the rivers due to low water levels.

Given the much more tense situation on the electricity market, a stress test is needed for security of supply and grid stability.

What counts are objective analyses. Now the key topic we must focus on is working out what is needed in Europe and in Germany.

This is already happening in the case of the coal-fired power stations. The German government has called for them to be used as an additional contribution to security of supply. That's why, beginning in October, we will bring three of our lignite-fired power stations back to the grid for a limited period. They will help to keep our country supplied with electricity.

However, this will not lead to a renaissance of fossil energy sources. For RWE, the message is clear: We are sticking to the phaseout of coal. It's the right thing to do, and it will happen.

The key factor in this regard is the addition of new, green capacities. Our investment in renewables, batteries, flexible backup capacities and in ramping up the hydrogen economy will thus help to facilitate the phaseout of coal-fired electricity generation.

And with that thought in mind, I will hand you over to Michael Müller who will explain our financial situation in more detail.

Michael Müller

Ladies and Gentlemen,

A very warm welcome from me too.

We are making great progress with the implementation of our Growing Green strategy. At the end of the first half-year, RWE has a renewables portfolio of more than 12 gigawatts. The addition of new capacities and good wind conditions led us to generate about 20% more electricity from wind and the sun in the first six months of the year than in the same period last year.

The more than EUR 5 billion that we are investing this year alone will enable us to generate even more electricity from renewables.

In parallel, we are investing in hydrogen, another element of vital importance in the green energy world. In July, two projects in which RWE is participating made it to the pre-selection stage for funding by the EU Innovation Fund – one of the largest programmes for sponsoring innovative technologies to reduce CO_2.

In our Dutch project FUREC we are working on the use of household waste to generate hydrogen for the chemical industry.

And off Germany's North Sea coast, we are working with a partner to develop an offshore wind farm that will not only use the latest 15-megawatt turbines but will also produce green hydrogen directly on-site.

Things are also moving ahead in Lingen. Construction work for our 14-megawatt pilot electrolyser facility began in spring, and the plant will start generating its first green hydrogen at the beginning of next year.

Together with the State of Lower Saxony, we are investing about EUR 30 million there.

Lingen plays a key role in our hydrogen strategy. As part of the GET H2 project, we intend to set up a 100-megawatt electrolyser facility there by 2024. In the next stage we will be able to triple its capacity.

We are very pleased with our earnings performance in the first six months of the year.

In our core business, comprising the segments of Offshore Wind, Onshore Wind/Solar, Hydro/Biomass/Gas and Supply & Trading, adjusted EBITDA totalled EUR 2.4 billion.

For our core business we are now expecting adjusted EBITDA of EUR 4.3 billion to EUR 4.8 billion for the year as a whole.

Now to the various segments in detail:

In the Offshore Wind segment, we achieved adjusted EBITDA of EUR 632 million. This is an increase of almost 40 percent compared to the previous year, and was due mainly to the commissioning of additional capacities as well as high wind volumes. For Offshore Wind we continue to expect adjusted EBITDA of between EUR 1.35 billion and EUR 1.6 billion for the year as a whole.

In the Onshore Wind/Solar segment, adjusted EBITDA amounted to EUR 491 million, following prior-year losses caused by the extreme cold snap in Texas. We also benefited from improved wind conditions and having new plants on the grid. We have therefore raised our outlook to between EUR 0.9 billion and EUR 1.1 billion.

Adjusted EBITDA in the Hydro/Biomass/Gas segment more than doubled to EUR 755 million. This was mainly the result of higher earnings from stronger short-term asset optimisation and higher international generation margins. Conversely, financial burdens resulted from the Dutch Claus C gas-fired power station being out of service for several months due to steam turbine damage. We have raised our forecast for the year as a whole, and we now expect adjusted EBITDA of between EUR 1.4 billion and EUR 1.7 billion.

In Supply & Trading, our adjusted EBITDA of EUR 545 million once again exceeds last year's already high figure. This was mainly attributable to our trading activities.

In our gas business, however, our closing figures were below those of the previous year. We have reduced our risks from long-term procurement contracts for Russian gas to zero in recent months by concluding financial hedges. During the first quarter we fully wrote off a Russian coal procurement contract because of British government sanctions against Russia.

The resulting loss was posted to the non-operating result. We estimate the financial loss at EUR 750 million.

For Supply & Trading, we expect adjusted EBITDA of significantly above EUR 350 million for the year as a whole.

That covers developments in our core business.

At EUR 501 million, adjusted EBITDA in the Coal/Nuclear segment was lower than in the same period last year. We had anticipated this reduction in earnings due to reduced production levels as a result of power plant closures. In addition, electricity production from German lignite-fired and nuclear power plants had already been sold forward, at prices far below current market rates. For the year as a whole, we also expect reduced earnings of between EUR 650 million and EUR 750 million.

At EUR 1.6 billion, adjusted net income at Group level was higher than in the previous year, thanks to positive developments in operational performance. For the year as a whole, we expect adjusted net income of between EUR 2.1 billion and EUR 2.6 billion.

Our financial position is robust.

It is true that RWE also has to provide substantial sureties for its forward transactions on account of the much higher prices and the high level of volatility on the energy markets. We do, however, have strong cash flows from operating activities and a range of financing options. We secured, for example, a further syndicated credit line this spring. That means we can now draw on three syndicated credit lines with a total volume of EUR 8 billion.

At our request, the conditions of all three credit lines are linked to sustainability criteria. These are the key indicators:

- The share of renewables in RWE's generation portfolio;
- The CO_2 intensity of our plants; and
- The percentage of our capex that is classed as sustainable in accordance with the EU Taxonomy Regulation.

About 90 percent of our capital investment in the first half of 2022 was already "taxonomy-eligible" based on the EU criteria.

On that note, I'll hand back to you, Markus.

Markus Krebber

Ladies and Gentlemen,

The war in Ukraine and the conflict with Russia make it starkly clear what the European energy supply system urgently needs: Speed, and decisive action, in order to become more independent.

The good news is that there is a clear will to significantly speed up the transition towards a diversified and green energy world.

And policy-makers are putting measures in place in many countries:

- In the US, after a lengthy struggle, Congress has finally got a climate protection package worth more than USD 300 billion under way. This programme will massively increase the speed of the expansion of renewables through to 2030.
- An Energy Bill is currently being debated in the British Parliament. It is intended to mobilise investment in clean technologies, bolster the expansion of renewables and place the energy supply system on a broader footing.
- Germany is also intensifying its efforts, with higher expansion targets for onshore and offshore wind power as well as photovoltaics, and a faster pace for expanding the grid. The important thing now is to ensure that the decisions from the Easter and Summer packages are implemented swiftly.

These are all powerful incentives. They all give us the courage to tackle medium- and long-term goals with determination, in addition to the immediate measures that are needed.

To make it work, we need companies that will use their financial strength and invest heavily in the energy transition.

Companies such as RWE.

We are willing to make higher investments in less time. Wherever we can, we want to build up renewables, batteries, flexible backup capacities and hydrogen even faster than we are already doing.

To spell it out clearly once again: If RWE earns good money, that's a win for the green energy world. Because we are putting all our efforts into giving the energy transition an extra push.

Thank you very much for your attention. We now look forward to taking your questions.

Forward-looking statements

This speech contains forward-looking statements. The statements reflect the current assessments, expectations and assumptions of the management and are based on the information available to the management at the current time. Forward-looking statements provide no assurance that future events or developments will occur and are subject to known and unknown risks and uncertainties. As a result of various factors, actual future events and developments may differ materially from the expectations and assumptions expressed in this publication. In particular, these factors include changes in the general economic environment and the competitive situation. Above and beyond this, developments on the financial markets, fluctuations in exchange rates, changes to national and international law, especially with regard to tax regulations, and other factors can influence the future results and performance of the Company. Neither the Company nor any of its associated companies undertake to update the statements contained in this speech.