

Annual Press Conference of RWE AG
on Fiscal 2018
Dr. Rolf Martin Schmitz and Dr. Markus Krebber
Essen, 14 March 2019

Please check against delivery!

Rolf Martin Schmitz

Ladies and gentlemen,

Good morning! Welcome to the press conference on our business performance in fiscal 2018 and our outlook for the current year.

This year marks the start of a new chapter in RWE's history. We're turning a new page and turning into a 'new RWE' with excellent prospects for today's new, global markets. The transaction with E.ON opens up great opportunities for us, both strategically and financially. In order to seize these opportunities, we're restructuring our company from the ground up. This is a huge, very exciting job that we are pursuing vigorously with great confidence and enthusiasm.

And we are making great progress with this new orientation. The European Commission has already granted its approval for the transaction between E.ON and RWE without any conditions. And Germany's Federal Cartel Office agreed to the 16.7% financial investment in E.ON. So, we've already passed two very important milestones on the way to creating the 'new RWE'.

The good news from Brussels and Bonn helps to confirm our timeline for the transaction. We also recently contacted the UK authorities. Furthermore, in due course we will notify the anti-trust authorities in the USA about the acquisition of the US assets.

Essentially, we are proceeding right on schedule with the transaction and hope to have completed it in the second half of the year.

Ladies and gentlemen,

So, what is the 'new RWE'?

- It will be a global leader in renewables.
- It will immediately become Europe's third largest producer of green electricity.
- At the global level, RWE will be the second biggest company in offshore wind.

- We are using our fleet of flexible conventional power stations to support the transition to electricity generation that is increasingly carbon free. Natural gas will play an increasingly important role in this transformation, and we are also well prepared for this. In terms of capacity, we already have the fourth largest portfolio of gas-fired power plants in Europe.
- Additionally, RWE Supply & Trading is one of the leading energy traders in Europe and functions as an important link between our generation activities as a whole and the markets.

All of this takes dedicated employees, who really have their work cut out for them right now. They have to be flexible and open to new responsibilities, while at the same time shaping the current changes and pressing forward with integration. In the years ahead, we will all face the challenge of transforming our ways of thinking and working, so that we can become the 'new RWE' together.

With this goal in mind, together with the employer representatives, we want to send an important signal to the RWE companies in terms of personnel policy in the next few days.

We intend to extend the Switch collective wage agreement early to 31 December 2024, and make the general



collective agreement, which governs our terms of employment, non-cancellable for this period.

Our intention is to give everyone who works at RWE a safeguard and an early point of orientation. In so doing, we hope that we can take on the challenges of the market and the political environment in the energy sector with a highly motivated workforce and one face to the market represented by employees and their employer alike – both today and hopefully also tomorrow and beyond. We expect both trade unions to endorse this course completely and approve the proposals that have been presented to extend the collective wage agreements in the very near future. In addition, this will send an important message to the renewable energy teams joining us from innogy and E.ON, which we will integrate into their new home. And this will prove that RWE is and will remain a trustworthy employer.

Ladies and gentlemen,

We are building the 'new RWE' with our own resources and our own vision. We generate power – taking into account the overall social and political framework and conditions on the markets. And we keep a very close eye on the markets. When we see opportunities to improve RWE's prospects for the future, we take action.

This is what we are doing right now, because the markets are changing, along with the political conditions for the energy sector.

In 2018, global investment in renewables exceeded US\$ 300 billion for the fifth time in a row. Particularly strong growth was seen in offshore wind, recording an increase of 14 percent. More and more, the focus is shifting to industrial-scale production. And RWE will be among the front-runners in this regard.

Germany has made great strides in transforming its electricity market. Almost 40 percent of the country's power production comes from renewable sources. The transformation of the electricity market is in full swing. And the electricity market itself is a crucial catalyst for the increased use of electricity in other sectors such as transportation, industry and buildings.

This is the only way that the changes in the electricity market can blossom into a real transformation of the energy sector. Overarching industrial solutions are needed: more efficiency in restructuring the energy sector and better integration into the European single market.

Ladies and gentlemen,

My colleague Markus Krebber will now discuss the excellent conditions for the 'new RWE'. Markus.

Markus Krebber:

Ladies and gentlemen,

I'd like to start by also welcoming you to today's press conference on RWE's results.

2018 was an exciting year for RWE. And 2019 promises to be just as interesting.

We are preparing to integrate the renewables divisions of innogy and E.ON into a single organisation at RWE. At the same time, we want to keep the profitability of our conventional generation business stable, which will be a tour de force in view of the variety of challenges we are facing.

Now let's move on to our results for fiscal 2018:

our three operating segments, Lignite & Nuclear, European Power and Supply & Trading all developed in line with expectations in 2018.

In 2018, RWE generated adjusted EBITDA – earnings before interest, taxes and depreciation and amortisation – of 1.5 billion euros on a stand-alone basis. We had forecast a figure between 1.4 and 1.7 billion euros. In the previous year, we posted a result of 2.1 billion euros.

'RWE stand-alone' recorded adjusted net income of EUR 591 million in 2018, compared to EUR 973 million in the

preceding year. This was also in line with the guidance of 500 to 800 million euros.

So, we hit the bullseye of our two most important indicators.

The declines compared to the previous year were anticipated, since electricity generation was down as planned and lower margins were realised, because we secure our electricity production several years in advance.

Our efficiency-enhancement programme for the Lignite & Nuclear and European Power divisions had an opposite effect. Our goal was to consistently reduce our costbase by 300 million euros annually by 2019 compared to 2016. This was already achieved in 2018 for the most part, and we are thus slightly ahead of schedule.

We are therefore right on track in operating terms.

And we have a good financial position.

In the last two years, we have reduced our debt and called or redeemed hybrid bonds early.

We will continue on this path in 2019: at the end of January we announced that we would be redeeming another hybrid bond at the earliest possible date. After that, the volume of hybrid bonds outstanding will be 1.1 billion euros, down from 3.9 billion euros at the end of 2016.

Our ratings are also stable. As before, we have an investment-grade rating. Over the course of 2018, the two rating agencies, Moodys and Fitch, confirmed the 'stable' outlook.

Ladies and gentlemen,

Now let's turn to the results by division and the major events.

Lignite & Nuclear recorded adjusted EBITDA of 356 million euros in 2018, compared to 671 million euros in the previous year. We were targeting a result between 350 and 450 million euros.

This decline was mainly due to two factors: the lower realised margins I mentioned earlier and a reduction in the volume of electricity production, primarily stemming from shutting down Unit B at the Gundremmingen nuclear power plant at the end of 2017.

Our cost-reduction measures helped to cushion these burdens somewhat.

Due to the injunction of the Higher Administrative Court of Münster which suspended clearance of Hambach Forest, we had to curtail lignite production at the Hambach opencast mine, along with the utilisation of power plants

and refining operations. As a result, our generation from lignite will decline further this year.

On the first of January, we transferred our intermediate storage facilities for radioactive waste including the containers there in perfect condition to the federal government, as required by the law on the reassignment of responsibility for nuclear waste disposal which was passed at the end of 2016.

At the moment, we are still generating zero-carbon electricity at two units in Gundremmingen and Lingen.

In parallel with this, extensive dismantling work is underway at our facilities in Mülheim-Kärlich and Biblis, as well as at the old plant in Lingen. As regards Gundremmingen, we expect that the permit to begin dismantling parts of Unit B that are no longer needed will be issued in the near future.

Our many years of experience, strong cooperation between all of our facilities and procedures which are designed with a systematic, industrial approach are all key factors in our successful efforts to responsibly meet our obligations to dismantle our facilities safely and efficiently.

The European Power division posted adjusted EBITDA of 334 million euros in 2018, after 463 million euros in the previous year. We had forecast a result of between 300 and 400 million euros.

Electricity margins for our gas and hard coal-fired power plants were slightly lower. Furthermore, the previous year also included approximately 80 million euros in income from property sales.

Although payments from the UK capacity market had a positive effect, we only received about one half of the 100 million euros planned for 2018, because in November 2018 the General Court of the Court of Justice of the European Union repealed the EU Commission's approval for state aid for the UK capacity market. In the meantime, the Commission has launched a comprehensive investigation. Along with the UK government, it wants to reinstate the capacity market as quickly as possible.

We would also like to see this happen. Since November we have not had any revenues, even though we still have to provide the services. This situation must be remedied as soon as possible.

In the Netherlands, we made progress in converting our two hard coal-fired plants to biomass co-firing last year. The Amer power station is now using 50 percent certified biomass from sustainable forestry for its power generation. We want to boost this ratio to 80 percent this year. Compared to using only hard coal, co-firing allows us to reduce CO₂ emissions by around 2.5 million metric tons annually.

Conversion work at the Eemshaven station started this year. Here, we will start with 15% biomass, a share we intend to increase gradually. These efforts help to protect the climate and at the same time they contribute to security of supply, as the plants can be dispatched flexibly at any time. At the moment, politicians in the Netherlands are considering how the market should be designed in the future. In our opinion, promoting the use of biomass should continue to be a key element.

Ladies and gentlemen,

In the European Power segment, we have pooled our gas-fired power plants, which have a capacity of around 14 gigawatts that is now far higher than that of our lignite-fired plants.

In light of the foreseeable shortfalls in Europe, the prospects for this type of fuel are improving.

Consequently, by no later than 2020, we plan to recommission our Claus C gas-fired plant in the Dutch city of Maasbracht, which has been mothballed since 2014.

This six-year old station has a net capacity of 1,300 MW and meets the highest efficiency standards, with a rating of 58 percent.

Thanks to its location, Claus C can easily be connected to the Belgian power grid.

Whether this will be possible depends on the capacity compensation mechanism which the Belgian government intends to determine in the near future.

Now, let's turn to our third segment, Supply & Trading, which registered adjusted EBITDA of 183 million euros in 2018, after 271 million euros in the previous year. On average, we expect earnings of 200 million euros in this division.

In particular, the gas and LNG business was able to continue with last year's very good performance.

Gas, also its in liquefied form known as LNG, will play an increasingly important role in energy supply.

This is also reflected in the latest LNG Outlook published by Shell, which once again forecasts strong growth in LNG consumption. Consumption is expected to rise in Asia especially, leading to stronger demand for LNG.

With this in mind, we are reinforcing our position. Last year, we secured significant capacities at a possible LNG terminal in Brunsbüttel.

In parallel with this, we continue to expand our LNG portfolio. Since November, we have been cooperating with Tokyo Gas, one of the world's largest purchasers of LNG.

We have similar cooperation agreements with African, Australian and US partners.

In 2018, we traded nearly 10 million metric tons of LNG and thus more than doubled volume within 2 years.

Another interesting area of business for our trading unit is the marketing of green electricity. As you may know, we have been supplying large customers, such as the German railways, with green electricity for quite some time already. And we also sell the green electricity from large installations on the market.

For example, we recently concluded an exclusive marketing agreement with the Belgian partner Parkwind to sell the entire production of the Northwester 2 wind farm on the wholesale market or to large customers. Following completion of the wind farm next year, production will be around 800 GWh annually.

The fourth segment is our financial investment innogy SE, from which we received a dividend of 683 million euros in the second quarter of 2018. innogy presented details on its performance yesterday.

As of the end of December 2018, net debt for 'RWE stand-alone' amounted to 2.3 billion euros and was thus about 2.2 billion euros lower than at the end of 2017.



This was due to a front-loading effect, which will balance out in the coming years.

Ladies and gentlemen,

We put in a good operating and financial performance, along with an excellent outlook due to the planned acquisition of the renewables activities of both E.ON and innogy. And the capital market is also clearly happy about this. For the second time in a row, the RWE share was among the top 3 performers in the DAX in 2018.

And on that positive note, I'd like to hand back to Rolf Martin Schmitz.

Rolf Martin Schmitz

Thank you very much, Markus.

Despite the difficult conditions, we were able to achieve our operating targets for 2018. The Executive Board and the Supervisory Board will propose to the Annual General Meeting a dividend of 70 cents for common and preferred shares for fiscal 2018.

Last spring, at the Annual General Meeting we presented the goal of increasing the regular dividend from 50 cents per share to 70 cents per share for our shareholders. As you see, RWE is a reliable partner in this regard as well.

Looking to 2019, we anticipate a slight decline in adjusted EBITDA for 'RWE stand-alone', which is expected to come in at 1.2 to 1.5 billion euros. We are forecasting adjusted net income of 300 to 600 million euros.

On the one hand, our guidance reflects the mild recovery in wholesale electricity prices. On the other hand, the effects of the production cut at the Hambach opencast mine and the suspension of the UK capacity market are also tangible.

For the current year, we want to raise our dividend again, this time to 80 cents. This underlines our goal of paying a sustainable dividend with upside potential. At the same time, 2019 will be the last year in which our dividend is based on the distributable cash flow.

Following completion of the transaction, we will be modifying our dividend policy and returning to a defined payout ratio for the 'new RWE'. One thing is already clear: even then, we want to keep the dividend at least at the 2019 level.

The 'new RWE' has a clear strategy for the future, which is reliable, growth-centred and will roughly double our EBITDA. Our shareholders should also profit from this.

Ladies and gentlemen,

The 'new RWE' is already growing and thriving. Because after completion of the transaction, not only will we have the existing portfolio of E.ON and innogy with a capacity of around 9 GW, we will also have an attractive pipeline of projects.

The provisions of the transaction stipulate that, regardless of when it is completed from a legal point of view, we will be entitled to the economic results of the swapped assets from 1 January 2018 onwards. As a result, all of the deals that E.ON and innogy are making in the field of renewables are going into the 'new RWE'.

So, our future employees know that their hard work will continue to pay off at RWE.

I think the achievements in this area in the last twelve months are really impressive.

- In Sweden, E.ON is currently building one of the largest onshore wind farms in Europe, which will have a capacity of 475 MW.
- Project Arkona has been producing renewable energy since as early as September 2018. The wind farm off the shore of Rügen, which was built in record time, will take its full capacity of 385 MW online this year.
- In Texas, E.ON has started construction of the Stella wind farm, which will have an installed capacity of 201 MW. This will be E.ON's 23rd wind farm in North America. And innogy has launched a large-scale project in Ohio, called Scioto Ridge, with a capacity of 242 MW.
- innogy is building the Triton Knoll wind farm off the east coast of England, with a planned capacity of 860 MW. Theoretically, it will be able to supply around 800,000 UK households annually with green electricity.
- In the autumn of 2018, innogy made the final investment decision for a solar panel array with an installed capacity of 349 MW: Limondale is currently the largest solar project in Australia and is being built in the state of New South Wales.

Ladies and gentlemen,

I could keep listing more examples, which all serve to demonstrate one thing: RWE's future renewables portfolio is growing dynamically.

Another reason it is growing is because the employees of E.ON and innogy are working hard on these projects with great motivation.

- They know that RWE will keep running these businesses after the transaction.
- They know that starting from 2020 RWE will be investing a net sum of 1.5 billion euros, aiming to grow its renewables capacity by 2 to 3 GW annually.
- And they know that their commitment, their knowledge and their experience will be needed at RWE.

Ladies and gentlemen,

We are all looking forward to a new era, with exciting new challenges. This is true for the future CEO of the Renewables business Anja-Isabel Dotzenrath and her management team, just as it is for the employees. We welcome them all with open arms. Their hard work and dedication will support their new company with the name 'RWE Renewables'.

This is clearly evidenced by the great progress we have already achieved together in integrating the employees of E.ON and innogy.

With an eye to the future, we have set out a forward-looking strategy for our business. It concentrates on global activities, mainly in three leading technologies:

- onshore and offshore wind,
- photovoltaics,
- and storage.

RWE's renewables business will focus on the Americas continent, the core markets in Europe and on new markets in the Asia-Pacific region.

'RWE Renewables' will follow the approach of integrated value chains:

- develop,
- design,
- build,
- operate,
- and market.

Everything from one source, everything from us.



Ladies and gentlemen,

As one of the largest suppliers in the field of renewable energy, RWE will be a major force in achieving the common goals set by politics, the business world and society in general: meeting the climate objectives of the Paris agreement.

RWE is also doing a great deal to make this happen. In 2017, we reduced our CO₂ emissions by 16 million metric tons, with another cut of around 14 million metric tons in 2018.

We are a reliable partner for society, producing a vital product: electricity. Electricity, which we generate on an industrial scale, using a wide variety of sources.

We employ a wide range of technologies to produce electricity and we are actively involved in the development of new technologies as well.

One of our current projects, for example, is to add a thermal storage unit based on molten salt to an existing power plant. The storage unit uses electricity during low price phases or surplus electricity to store electrical energy in the form of heat.

We are doing this in the Rhenish coal mining region, working together with partners such as the German Aerospace Centre.

The state has committed funding of 1.3 million euros for this. Our experts are now getting to work.

Storage solutions are an integral part of the energy transition. And they are a building block for the structural changes in the Rhenish coal mining region. Because it is clear that – according to the recommendations of the Commission for Growth, Structural Change and Employment – innovative solutions with an impact on the labour market have to be found for the affected regions.

In order for the energy transition to succeed, other important conditions must be satisfied. The transformation of the energy sector can only be successful if the large number of wind turbines and PV installations are flanked by the development of the necessary networks. These networks are needed to transport the massive amounts of green electricity. So, the decision to accelerate the exit from coal should result in environmental groups withdrawing their objections to wind turbines and grid development. Because without an expansion of the grids, we can forget the energy transition and the exit from coal.

The German Wind Energy Association has complained that 80 percent of all new onshore wind projects in Germany are bogged down by litigation for far too long.

Environmental groups bear some of the responsibility for this.

It simply doesn't work when people are against coal, against wind farms, and against new networks. Basically against everything.

We are happy that the Commission on structural change reached an almost unanimous conclusion at the end of January. This has the effect of making it more binding and requires everyone, including the NGOs, to comply with the recommendations.

The Chancellor was right to warn that cherry-picking represents a threat to the energy transition as a whole.

At RWE, we are committed to this transition. And I expect this commitment from others as well.

Ladies and gentlemen,

According to the Commission's proposals, there should be some deep cuts to lignite even in the near future, starting with the Rhenish coal mining region in particular. This is not an easy job for RWE, for our employees, for our partner companies or for the region.

We are ready to do our part. But we are also ready to take more lignite-fired power plants offline by 2023, as the first major step. It is clear to us that RWE will be responsible for most of the roughly 3 GW that is to be taken offline from lignite production alone. We have to accept this.

However, it is also clear that RWE cannot do all the work by itself. One of the necessary prerequisites is that policymakers support these efforts as effectively and reliably as the Commission recommends.

Over the short term, we need a clear view of what the political decisions mean specifically for our power plants and opencast mining operations. So it is important for policymakers to quickly engage the companies in negotiations and ensure that the recommendations are followed entirely.

In this process, neither the employees nor RWE should have to bear the brunt of political decisions. We owe this to our employees and our shareholders.

The Commission is correct to propose socially-acceptable solutions for job cuts and compensation measures resulting from infringements of our ownership rights. It is clear that compensation for shutting down additional power plants will have to be much higher than in the past. In contrast to the situation with stand-by reserves, mining operations are also now affected by this, as the decommissioning of more lignite-fired power plants will have a direct impact on our opencast mining.

Consequently, we assume that compensation should be at least twice as high as for stand-by operations.

Let's put the figures into perspective: a full exit from coal will probably not cost more than one half year of government subsidies for renewables. This should function as an incentive to clarify this issue in a quick and mutually agreeable manner.

As for Hambach Forest, the Commission found it desirable for it to be left standing.

We will review the technical options, with regard to site safety, recultivation and water management aspects. A whole new lignite plan will be necessary for this. At any rate, it is already clear that preserving the remainder of the forest will cost a great deal of money, so it does not make any sense from an economic or operational point of view. But symbols are costly things.

According to the moratorium that we agreed with the government of North Rhine-Westphalia, there will be no further clearing of the Hambach Forest until the autumn of 2020. We really hope that the violent attacks against the police, our employees and our operations will finally come to an end. And that the illegal occupation of the forest will also cease.

There's one other point I'd like to mention: the Commission did not call into question the upcoming relocation plans.

And that's good, because it gives the people who are affected a sense of security. The resettlement process started years ago and is far advanced.

For example, in the communities around Garzweiler people who are being resettled are currently planning or building their new homes, or have already moved into them. We are currently in talks with about 80 percent of the people affected. Many contracts have already been concluded.

We have been getting more and more calls from people who now want to quickly wrap up their cases with us. We also want to proceed swiftly, but with the necessary care and prudence. Nevertheless, it's clear that the people in the area are voting with their feet. We are reacting to this and therefore spent much more on resettlement activities last year and we have increased our staff. And we will make an increased budget available again this year.

The resettlement process cannot be stopped without creating situations that would have grave social consequences.

Relocation in Garzweiler has to be carried out completely and according to the plans, taking matters of energy policy into consideration. The coal in these areas will already be needed in the early 2020s to supply the remaining power plants with fuel.

Let me just say one more thing on this subject: In my opinion, the Commission achieved a good result, which has positive and negative ramifications for all of the parties involved, as is always the case with compromises. It shows how the energy sector can achieve its climate targets for 2030. This creates clarity for the companies.

Ladies and gentlemen,

Let me summarise our annual results in three key points:

1. Our operating business is on track and contributing to our good results for the year.
2. We have a very good financial basis. Consequently, we will propose to our shareholders the payment of a higher dividend of 70 cents per share.
3. We have passed some important milestones in the transaction with E.ON and we want to close the deal in the second half of 2019. We are now starting the final push to create the 'new RWE', which will continue the successful work that has been underway for more than 120 years now. The 'new RWE' will be a major contributor to the success of renewables on an industrial scale.

Our success is driven by our highly motivated workforce. And I'd like to thank all of the company's employees for the excellent work they do.

And now Markus and I 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.