



Annual Press Conference of RWE AG
on Fiscal 2019

Dr. Rolf Martin Schmitz and Dr. Markus Krebber
March 12, 2020

Check against delivery!

Ladies and gentlemen,

Good afternoon from Essen. Welcome to the press conference on our business performance in fiscal 2019 and our forecast for the years ahead.

We wanted to present our results from London, as this year, the Capital Market Day and the Annual Press Conference are being held on the same day. However, due to the incessant spread of the coronavirus, we changed our plans and decided to hold our press conference using video and audio conferencing instead. Thank you for dialling in.



Ladies and gentlemen,

Last year, our main focus was on two things: the transaction with E.ON and the coal compromise in Germany. These are two issues which are hugely important for the future of our company.

Both of them represented unique challenges for all of us at RWE, both employees and management. And that's why we are very happy to report the following:

- These challenges have been almost completely mastered.
- The path forward is clear for the new RWE.

Our operating activities posted an excellent result for the year. We beat our targets. My colleague, Markus Krebber, will discuss the numbers in just a minute.

First though, let me express my gratitude to everyone who made this possible. It was an outstanding feat, one that could only be accomplished with real teamwork.

And that's important. Because what lies ahead of us in the future will be no less exciting or intense. We will tackle these challenges with the same spirit.



Ladies and gentlemen,

Last year, RWE began a new chapter. We laid the foundations for this three years ago:

- by consolidating our finances,
- by making important strategic decisions,
- and by realigning our business.

The result of this is that our asset swap with E.ON has transformed us into a global player in the field of renewable energy. In terms of offshore wind power, we are the world's second largest operator.

Our goal is to generate electricity in a manner that enables a sustainable life in a society that consumes increasing amounts of electricity – electricity that is clean, secure and affordable.

Carbon neutral by 2040 – that's our goal.

This is what we channel all of our energy into here at RWE: 'Our energy for a sustainable life.'



Ladies and gentlemen,

Our company is not the only thing that has changed fundamentally. The environment in which we do business as a power producer is also changing in

- economic,
- political and
- social terms.

Climate protection is one of the most important issues of our day and age. Society wants electricity generation to be as carbon-neutral as possible.

And renewable energy makes this possible. Renewables are booming all around the world. Global investments totalled some 282 billion US dollars in 2019, almost doubling over the course of the last 10 years.

That's great news for the struggle to protect our climate. And for RWE as well. Because this robust demand for carbon neutral electricity opens up outstanding opportunities for value-accretive growth. And that's exactly what we want.

We are planning net global investments of 5 billion euros through to 2022. Contributions by partners can drive up this expenditure considerably.



We have earmarked 20 percent of our net investments for projects in Germany, corresponding to approximately 1 billion euros.

One current example is the Jüchen wind farm, which we are building with municipal partners on the recultivated parts of the Garzweiler opencast mine, right in the middle of our home region. Another example is the Kaskasi offshore wind farm, located off Germany's North Sea coast, and on which an investment decision will be reached soon.

Ladies and gentlemen,

Through to 2022 we intend to boost our installed wind and solar capacity by almost 50 percent, from around 9 gigawatts to more than 13 gigawatts. Assets with a capacity of 2.7 gigawatts are already under construction right now. And our project pipeline looks good, too, with more than 20 gigawatts in store.



Let me give you two current examples:

- The Triton Knoll wind farm off the east coast of England is scheduled to go online in 2021, with a planned capacity of around 860 megawatts.
- And the Big Raymond onshore wind farm in the US state of Texas is RWE's largest onshore wind farm in the USA, with a capacity of 440 megawatts. It is due to start operation this year.

The new additions are easy to see. What's less visible, but equally crucial for us as a company, is the research and development of new technologies.

For instance, in the Bay of Biscay, we are testing new ways to build and operate offshore wind farms in deep waters. Starting in 2021, we will be working with a partner to test a floating platform for wind turbines there.

We have a clearly defined focus: we want to maintain and expand upon our strong position in renewables.



Ladies and gentlemen,

On that note, let me turn to the second major challenge we faced last year: negotiating Germany's exit from coal with the federal government. RWE agreed to the compromise in exchange for regaining planning security for the company and its employees.

We adopted a constructive attitude to the negotiations and went to the extreme limits of what was feasible. We will bear the biggest burdens from abandoning coal.

Let me just briefly summarise the agreement:

- By 2030, around 5 gigawatts of generation capacity in the Rhenish lignite mining region will be decommissioned, in addition to the standby reserve.
- This means that, including the standby reserve, on the whole roughly two-thirds of the current generation capacity will be shut down.
- RWE alone will be responsible for almost all of the capacity reduction in Germany through to 2023. As early as this year, the first 300 MW unit will cease operation.



- Of course, shutting down the power plants also has major consequences for our opencast mines. More than 1.1 billion metric tons of coal reserves approved for mining, representing more than half of our coal, will remain in the ground. The Inden and Hambach opencast mines will be closed much earlier than originally planned. And Hambach Forest will be preserved.

In the meantime, we have submitted to the state government of North Rhine-Westphalia a mining plan which has been adjusted to reflect the aforementioned changes, as this requires completely new planning procedures. This is our contribution to developing a new set of guidelines for the Rhenish coal-mining region, which the state government announced for this year.

The agreement negotiated with the federal government will lead to significant redundancies at RWE. We believe that over the short term more than 3,000 jobs will be lost, and in total more than 6,000 jobs will disappear by 2030. As a result of this, the total number of employees in our lignite operations will decline by more than 60 percent in just 10 years. This underlines the huge impact that this agreement will have on RWE and its employees.



We want to ensure that its implementation at RWE is socially responsible and that no one is left in the lurch.

We are very pleased that the federal government intends to facilitate a socially responsible reduction of the workforce with statutory regulations for an adjustment allowance and compensation for pension-related disadvantages, thanks in part to the good work done by the unions.

So, what happens now?

Legislation on exiting coal is moving through the parliamentary process. The assumption is that it will be passed before the summer break. For us, one binding prerequisite for this is the conclusion of a public law contract with the Federal Republic of Germany. This is necessary, so that planning certainty is not limited to individual legislative periods.



Ladies and gentlemen,

We have planning certainty for our conventional generation. And it's full steam ahead for renewables.

As you can see, we are pressing forward with our realignment. We are in great shape, strategically, operatively and financially.

Consequently, the Executive Board and the Supervisory Board will propose to the Annual General Meeting a dividend of 80 cents per share for our shareholders for the past fiscal year. In doing so, we confirm the increase of 10 cents per share, which we presented as a target a year ago. You can rely on RWE.

For the current fiscal year, the Executive Board is targeting another dividend increase to 85 cents.

Ladies and gentlemen,

Starting this year, our financial reporting will be clearly oriented towards our strategic focus. This approach to reporting enables transparent financial management. It does not lead to any changes in the corporate structures of our subsidiaries.



We have organised our segments as follows:

- Offshore Wind – this covers our global offshore wind farms.
- Onshore Wind/Solar – this encompasses our wind and solar farms in North America, Europe and the Asia-Pacific region.
- Hydro/Biomass/Gas – we report on our pumped storage and run-of-river power stations, biomass-fired power stations and gas-fired power plants in this segment, along with the minority interest in the Austrian energy utility Kelag.
- Supply & Trading – this segment includes our trading activities, the key account business, and income from managing the gas storage facilities which we are taking over from innogy.

These four segments represent our core business in which we want to grow both sustainably and profitably.

But what does this really mean?



We are focusing on three regions:

- In Europe, our first core region, we are already active in nine countries. Germany and the United Kingdom are important markets. The ambitious European climate protection targets are a strong driving force for the continued expansion of wind and solar power. In order to hit them, more than 50 gigawatts of capacity needs to be added annually until 2030. We intend to partake in this growth. We already have projects with a volume of approximately 12 gigawatts in planning.
- Around one third of our renewables capacity is located in the USA and Canada, our second core region. The overall market there consisted of more than roughly 180 gigawatts of capacity at the end of 2020. By 2030, it should be more than 340 gigawatts. With around 10 gigawatts in prospective projects, our pipeline in North America is well filled.

RWE

- Our third core geographic area is Asia-Pacific. By 2030, the volume of installed capacity in this region is forecast to nearly triple, to around 530 GW. We want to participate in this growth and have taken the first steps to enter this market. For instance, we have concluded initial co-operation agreements in Japan. Countries such as Taiwan and Korea are also focal points.

These markets of our core business are very promising, offering good opportunities for RWE to achieve value-added growth.

In the fifth segment, Coal/Nuclear, we have pooled generation from our German hard coal-fired and lignite-fired power plants, as well as nuclear energy, for which well-defined deadlines are in place.

Besides electricity generation, which will decrease over the years, the focus here lies above all on dismantling assets and recultivating opencast mining areas.

So, that's all for now on the structure of our new financial reporting. Let's turn to our excellent business results for 2019, which will be presented in more detail by our CFO, Markus Krebber.

Markus, the floor is yours.



Markus Krebber

Ladies and gentlemen,

I'd also like to welcome you to our annual press conference today.

The past year was a very special one – also in financial terms.

- We made two upward corrections to our operating targets for 2019 and still ended up exceeding them.
- Our balance sheet has changed substantially as a result of the transaction with E.ON. We deconsolidated the innogy operations we sold and included the activities we acquired from E.ON for the first time.
- And last but not least, we had to account for the consequences of the German and Dutch coal phaseouts on our balance sheet.

Another novelty at RWE is that, for the first time in years, we have regained the confidence to publish a longer-term outlook on our financial development.

First things first. Let us start with the encouraging business performance in 2019.

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Today, we will comment on the development of our operating activities based on the results for RWE stand-alone for the last time. From 2020 onwards, the new RWE will be presented completely in our financial figures, eliminating the need for the RWE stand-alone perspective.

RWE posted excellent results in 2019, beating our forecast from March of last year by quite a large margin. Last March, we projected adjusted EBITDA of 1.2 to 1.5 billion euros. We achieved 2.1 billion euros. In 2018, we earned 1.5 billion euros.

Adjusted net income amounted to 1.2 billion euros, doubling the previous year's figure of 591 million euros.

First and foremost, the positive development was due to an exceptional trading performance and the strong gas and LNG business. Supply & Trading closed 2019 with an adjusted EBITDA of 702 million euros, up from 183 million euros the year before.

Good business performance was also registered in the other segments.



European Power generated adjusted EBITDA of 453 million euros, up from 334 million euros in the previous year.

The main reason for this was the resumption of payments from the British capacity market.

In the Lignite & Nuclear segment, we also did slightly better than in the previous year, despite the halt to the clearance of Hambach Forest. The result was improved by the acquisition of minority interests in the Gundremmingen and Emsland nuclear power plants from E.ON at the end of September 2019. Somewhat higher electricity margins were another factor. The segment posted an adjusted EBITDA of 374 million euros, up from 356 million euros in 2018.

Now let us take a look at the balance sheet. In 2019, we had to account for the coal phaseout and the execution of the transaction with E.ON.

We published information on the accounting treatment of the transaction with E.ON, which was implemented in September, as part of our reporting on the third quarter.



The coal phaseout is reflected in our figures for the fourth quarter.

The German coal phaseout has driven up our mining provisions by about 2 billion euros, our personnel provisions by about 350 million euros and has resulted in impairments of power plants and opencast mines of about 500 million euros. This represents a major portion of the total damage, which we estimate will amount to 3.5 billion euros. These burdens are contrasted by the 2.6 billion euro compensatory payment from the federal government, which is scheduled to be made over the next 15 years.

The coal phaseout in the Netherlands caused us to recognise impairments of some 700 million euros. These primarily relate to the Eemshaven power plant. This state-of-the-art station was only commissioned in 2014.

Our balance sheet bore the brunt of these burdens well – above all because our strategic realignment strengthened us financially.

Our net debt declined substantially over the course of the year and has hit an all-time low.

RWE

Based on our definition after our realignment it totals 7 billion euros. This corresponds to a leverage factor of 2.6 relative to the pro forma adjusted core business EBITDA for 2019. We intend to keep this factor below 3 in the medium term. We believe that this corresponds to a rating of BBB or better.

This does not include the mining provisions, which rose by 2 billion to 4.6 billion euros as a result of the coal phaseout. We will back them with a separate financial portfolio in the future. It includes the 2.6 billion euro compensation award and the 15 percent stake in E.ON. As a result, the long-term lignite obligations are directly contrasted by a portfolio of financial receivables and assets. This does not change our Group's additional total liability.

Our equity ratio improved considerably. It was approximately 27 percent as of the end of 2019. This corresponds to an increase of about ten percentage points over the year.



Ladies and gentlemen,

This strong performance has created an excellent basis for us to continue growing sustainably and profitably in the future.

In our renewables business, we already have a regionally and technologically well-diversified portfolio with a stable earnings profile: 70 percent of our earnings in the Offshore Wind and Onshore Wind/Solar segments can be calculated in advance, as they come from contracted or regulated business.

And we want to continue growing this business with resolve. We are planning to make net investments of about 5 billion euros in wind and solar energy in the next three years. This capital expenditure will be the driver of our expected positive earnings performance.

Now I'd like to turn to our outlook for each of the segments.

In order to facilitate comparison, we are presenting our forecast in relation to the pro forma results for 2019. These figures show the business performance including the operations acquired from E.ON for the year as a whole.



In the Offshore Wind segment, we are targeting adjusted EBITDA of 0.9 billion to 1.1 billion euros.

On a pro forma basis, we posted 961 million euros last year. The slight improvement is mainly due to the fact that we our outlook is based on a normal wind year whereas the wind volume in 2019 was lower, especially in the United Kingdom.

In the Onshore Wind/Solar segment, we project adjusted EBITDA of between 500 million and 600 million euros. In 2019, we achieved 442 million euros, in pro forma terms. The increase is mainly due to the addition of new capacities.

In the Hydro/Biomass/Gas segment, we recorded adjusted EBITDA of 671 million euros on a pro forma basis in 2019.

This included the payments from the British capacity market for 2019 including a back-payment of around 50 million for 2018. For this year, we expect a figure of between 550 million and 650 million euros.

This will also include the first contribution from our King's Lynn gas-fired power station, which was added to our fleet in February, with a capacity of 382 megawatts.



After its exceptional performance in 2019, we expect the Supply & Trading segment to return to earnings within the long-term average. Including the acquired gas storage activities, we anticipate adjusted EBITDA in the order of approximately 250 million euros.

In sum, we expect the core business to achieve adjusted EBITDA of approximately 2.15 to 2.45 billion euros.

We expect the Coal/Nuclear segment to post adjusted EBITDA of between 500 and 600 million euros in 2020. The pro forma figure for last year was 340 million euros. The improvement will in particular be the result of higher secured electricity margins.

On the back of these figures, as a Group, RWE thus aims to record adjusted EBITDA of between 2.7 and 3.0 billion euros in the current fiscal year.

Our adjusted EBIT for 2020 should come in between 1.2 and 1.5 billion euros, with adjusted net income estimated to close the year at between 0.85 billion and 1.15 billion euros.



For the first time in many years, we are confident enough to make a longer-term forecast and expect being able to increase our key earnings figures by between roughly 7 and 10 percent from 2020 to 2022.

Ladies and gentlemen,

As you can see, RWE is set to start growing again, based on a strong starting position. Because we have delivered what we promised:

- Thanks to our strict cost management, we have always maintained our profitability, even during periods of low prices on the wholesale electricity market.
- Over the last three years, we consistently met or exceeded our forecast results.
- We have bolstered our balance sheet, stabilised our rating and improved our risk profile.

This forms an excellent basis for the new RWE.

Which is good for our shareholders as well. They benefit from a more valuable company, the share price of which has displayed outstanding development in the last three years.



On top of that, we are aiming to steadily increase the dividend. For 2018, we paid 70 cents, for 2019 we want to pay 80 cents and for this year, we are targeting 85 cents. Our goal is to continuously increase the dividend in 2020 and beyond as a result of the positive development of our core business.

On that note, let me hand the floor back to Rolf Martin Schmitz.



Rolf Martin Schmitz:

Thank you very much, Markus.

Ladies and gentlemen,

Change has been part of our DNA for the last 120 years and more. We know that every energy has its time.

The goal today is to generate electricity in a carbon neutral manner. The energy sector is making great progress towards achieving this goal and the industry's carbon dioxide emissions continue to fall.

In Germany, the energy sector will significantly exceed the sectoral targets for CO₂ in 2020. At RWE, we are making an important contribution to this progress.

Since 2012, RWE has lowered its CO₂ emissions by more than 50 percent. In seven years, we cut emissions by 90 million metric tons of CO₂, equivalent to roughly as much as all of the passenger cars in Germany emit in a single year. This helps achieve the goals of the Paris Climate Agreement.



We are not taking a breather though. On the contrary.

In the Netherlands, we are in the process of retrofitting our hard coal-fired power plants to use biomass. And in the United Kingdom, our last coal-fired power station stopped generating electricity in December. In the UK, our future portfolio will consist mainly of wind farms and gas-fired power plants.

In the years to come, natural gas will be increasingly important in bridging the gap to the age of renewables. Over the long run, we intend to use ‘green gas’, which can be produced and used in a carbon-neutral manner.

Hydrogen is also high on the agenda for many. I can only agree with this. As a fuel source and raw material, hydrogen can help to significantly reduce carbon dioxide emissions far beyond the electricity sector. In the quest for a carbon-neutral industry, there is no way around hydrogen.

With this in mind, we are participating in three innovative hydrogen projects in Germany, the Netherlands and the United Kingdom.



Ladies and gentlemen,

When it comes to investments, countries face global competition. Companies invest in places where they can best grow and prosper.

That's why it is very important for us that countries establish attractive market conditions for the expansion of wind and solar energy. In Europe, the Green Deal may create new incentives and set key standards.

The President of the European Commission, Ursula von der Leyen, presented her initial proposals for this last December.

Many details remain unknown, but the goal has been defined: cut CO₂ emissions as much as possible and as quickly as possible, by harnessing technological progress. And do this in such a way that the economy and society benefit as well.

This is a good idea. Europe can and should play a pioneering role in development. This would be a decisive step for Europe as a technology hotspot. And it is a symbol for change. Instead of getting bogged down in worries, the debate could be revitalised with a positive, pioneering spirit.

RWE

Along with more optimism, sometimes I would also like to see a much stronger commitment to the greater good from politicians and society.

Because this is not always the case, and the greater good is increasingly eclipsed by individual interests, which are frequently advanced with great vigour, but a lack of willingness to compromise. Often without even being able to listen to what the other side is saying.

Protests can often lead to a stalemate. In Germany, we are seeing this in particular with regard to the expansion of wind power in rural areas, which almost came to a complete standstill last year.

If 90 percent of Germans support the expansion of wind power, but are absolutely not willing to actually see wind turbines when they look out of the window, it will be very difficult to make progress in transforming the energy landscape in our densely populated country.

Even the construction of a Tesla factory to produce electric cars is no longer possible without lawsuits and occupations by activists.

Sometimes it seems to me that the genie conjured up by this kind of approach to things cannot be put back into the bottle.

RWE

For far too long, this kind of confrontation has been euphemised as ‘civil disobedience’ and even promoted in some political circles. Take for example the illegal actions in Datteln, even if they were intended to support a presumably good cause.

The ripple effect abroad is devastating. Each and every time. Because more and more, Germany is viewed as a location where investing makes no sense. And this comes at a moment of industrial transformation, when we need inspiration and entrepreneurial spirit, in particular from outside Germany.

I am convinced that the best way we can improve the world is to shift our focus back to a pioneering spirit and appetite for innovation.



Ladies and gentlemen,

Let me just summarise RWE's excellent results for 2019:

1. We have positioned the new RWE for a new beginning. Now, we are growing and delivering.
2. Our operating activities beat the targets.
3. Our financial basis is robust. We will propose to our shareholders the payment of an increased dividend of 80 cents per share.

It takes expertise, financial strength and a desire to forge ahead to put these kinds of results on the table.

And these qualities will serve us in good stead as we move towards a bright future. Because these qualities are what make us RWE.

Now, we look forward to 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.