Report on Q1–Q3 2018

Press conference call

Essen, 14 November 2018, 10:30 (CET)

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Please check against delivery!

Ladies and gentlemen,

Good morning from Essen! Let me begin by welcoming you to our conference call on our business performance for the first nine months of 2018.

I'd like to start with the most important message:
RWE continues to look to the future with optimism. And there are two main reasons for this.

First:

With the transaction with E.ON – which will transform RWE into one of the leading green and conventional power producers in Europe – we have made the right decision for the future. The process is going according to plan. We are confident that we will receive competition clearance in the summer of 2019 and then quickly wrap up the transaction as a whole.

Joint integration teams have started work and are preparing the integration of the renewables operations into the RWE Group.

Second:

We are very satisfied with the performance of our core business in the first nine months of the year. We will be able to achieve our operational goals for 2018.

We had predicted the drop in earnings above all in the Lignite & Nuclear division at the beginning of the year. As anticipated, the European Power and Supply & Trading segments were on a par year on year in operational terms.

At the end of the third quarter, RWE stand alone's **adjusted EBITDA**, i.e. its adjusted earnings before interest, taxes, depreciation and amortisation, amounted to 1.3 billion euros.
By the same point in time last year, this figure was 1.7 billion euros.

Adjusted net income reached 645 million euros, compared to 930 million euros for last year's corresponding period.

We confirm our outlook for fiscal 2018 without any changes:

- For RWE stand alone, we project **adjusted EBITDA** of between 1.4 and 1.7 billion euros and
- **adjusted net income** of between 500 and 800 million euros.

Taking this as a basis, we also confirm our outlook for the dividend: For 2018, we are planning a significant increase in the ordinary dividend to 70 cents per share, compared to 50 cents last year.

Ladies and gentlemen,

The completion of the transaction with E.ON will put the new RWE in a good position.

- Firstly, thanks to a renewables portfolio which will immediately make us the third-largest renewables player in Europe.
- Secondly, thanks to a fleet of conventional power plants that we can deploy with great flexibility to compensate for fluctuations in feed-ins from renewables.
- And thirdly, thanks to our top-notch trading business which is active on the world's most important markets.

On the strength of this setup we will be able to live up to our ambition: ensuring security of supply during the energy transition. And we intend to further strengthen this excellent basis.

For example, on completion of the transaction, we will be providing approximately 1.5 billion euros annually for new renewables projects.

The transaction continues to be implemented as planned.

In early May, the basic collective wage policy statement was agreed upon between E.ON, RWE and innogy, the respective group works councils, and the two unions ver.di and IG BCE.

In mid-July, an agreement was reached with innogy on the execution of the transaction.

The fact that work is being done to ensure a speedy execution is good news. This creates clarity and a sense of certainty, which is important for the employees.

We are already working together to prepare the transfer of innogy's and E.ON's renewables businesses. Joint integration teams have begun working to this end.

In co-operation with the co-determination bodies, we are developing joint solutions which are acceptable for all of the participating companies in terms of the planned integration as well as the successful development of the business areas and employees involved in the transaction.

Right now, we are working hard with both E.ON and innogy to go through the merger control procedures as quickly as possible. We still expect to receive competition clearance by the summer of 2019, after which we intend to swiftly complete the entire transaction.

Ladies and gentlemen,

There are two indicators which underline just how strongly this transaction will transform RWE:

After its completion, renewables will account for roughly 60% of RWE's EBITDA. Another 20% will come from conventional power generation, 10% from trading and 10% from financial assets.

Sixty percent of our generation portfolio will produce electricity with low or absolutely no carbon emissions.

- And this ratio will continue to rise due to the substantial annual investments in renewables and because the phase-out of coal-fired generation started a long time ago at RWE.2017 saw the decommissioning of the Voerde hard coal-fired plant, which was allocated to RWE on the basis of delivery contracts. And at the Frimmersdorf power station, two 300 MW units were placed on security standby.

- On 30 September this year, two more units at the Niederaussem plant were placed on security standby. They will be followed by another unit at the Neurath station in the autumn of 2019.

We will continue to resolutely pursue our plan to phase out coal and reduce our fleet's carbon emissions by up to 50% by 2030 compared to the 2015 level.

As you can see, we are making a significant contribution to hitting the energy sector's climate targets for 2020 and 2030.

We are very interested in seeing the ideas that will be developed by the German Commission for Growth, Structural Change and Employment.

At the same time, it is important to keep security of supply in mind. We are all familiar with the shortage scenarios of the Federal Network Agency and the transmission system operators.

Ladies and gentlemen,

Now let's turn to the results by segment:

Lignite & Nuclear posted adjusted EBITDA of 240 million euros for the first three quarters, as opposed to 551 million euros in the same period last year.

Revenue declined due to shrinking margins and lower production volumes. As a result of the shutdowns due to standby operations and the decommissioning of unit B of Gundremmingen, we generated 11 billion kWh less electricity than in the same period last year. This and the lower realised electricity prices had been expected at the start of the year.

In this division, we still anticipate adjusted EBITDA to total between 350 and 450 million euros for 2018 as a whole.

Developments in relation to the opencast mine at Hambach have been a major focus of attention in recent weeks.

We were surprised by the ruling handed down by the Münster Higher Administrative Court, which has put an immediate halt to the clearance of Hambach Forest. We continue to be convinced that the principal proceedings will end in our favour. However, it is unlikely that a final decision will be reached before the end of 2020.

This is why we are reducing coal production at Hambach by 10 to 15 million metric tons annually, and lowering the utilisation of the power plants and coal processing operations.

As a result, our electricity generation from lignite will decline by an annual 9 to 13 terawatt hours. We therefore expect that starting from 2019, our adjusted EBITDA will be curtailed by 100 to 200 million euros annually.

Naturally, we are looking at all our options to make adjustments to the overall system in order to minimise the economic damage.

The decision has also unsettled our employees. They know that this forced reduction in production will have ramifications for employment. A total of 4,600 jobs are directly related to the Hambach opencast mine, with another 10,000 being affected at suppliers and service providers.

I can certainly sympathise with the employees who were very vocal in expressing their concerns on 24 October at a major demonstration in the Rhenish coal mining region.

RWE

The fact that 30,000 people – including many from energy-intensive companies and the region – came out in support of a sensible energy transition shows that the employees of RWE are not alone with their concerns.

On the contrary, there are increasingly vocal demands that the interests of employees also be taken into consideration during the energy transition. After all, along with the energy sector, energy-intensive industries will be affected by the consequences as well.

I hope that the Commission for Growth, Structural Change and Employment has heard and understood these concerns, because we are now reaching a crucial juncture. By the end of the month, the interim report on climate and energy will be finalised, with the final report due to be presented by the middle of December.

For us, the Commission still offers an opportunity to bring more calm into the public debate and to establish planning security for the energy sector in particular and for industry in general. The results will also have to take into account security of supply, electricity prices and social matters, along with issues relating to climate protection.

It is important to keep in mind that the Commission is dealing with very long time frames.

Consequently, its findings must consider a wide range of conditions in the economy and the energy sector, as well as the physical possibilities.

In terms of how quickly coal can be phased out, in the end, one decisive factor will always be the pace of the expansion of renewables and grids. In this field, the German government has set the very ambitious goal of having renewables account for 65% of total electricity generation by 2030.

The findings of the Commission will subsequently be debated in the Cabinet and Parliament, because the government has announced a climate protection act, to ensure that Germany achieves its climate protection goals for 2030.

Let me return to the figures and the other segments:

In the **European Power** segment, we recorded an adjusted EBITDA of 234 million euros, compared to 324 million euros in the first nine months of last year.

In contrast to the first nine months of last year, there were no capital gains from the sale of properties. Disregarding this exceptional effect, operating earnings were on a par year on year. Lower electricity margins were contrasted by income from the UK capacity market and reduced costs.

RWE

For the year as a whole, we continue to forecast earnings for this division of between 300 and 400 million euros.

Ladies and gentlemen,

We intend to reinforce our position in the conventional business, in particular in gas-based power generation, where we are already the fourth-largest producer in Europe in terms of capacity.

Considering the foreseeable shortfalls on the European markets, the prospects for these kinds of plants have improved.

To this end, we plan on recommissioning our Dutch Claus C gas-fired power station in Maasbracht, which was mothballed in 2014. This process is expected to take two years.

The plant is only six years old and has a net installed capacity of 1,304 MW. At 58%, it meets the highest efficiency standards.

This power station’s return to operation is made possible not only thanks to the improvement in market conditions and mounting demand for flexible generation capacity.

We also see opportunities emerging in Belgium. The country wants to phase out nuclear power and therefore needs additional generation capacity.

Thanks to its location close to the border, it will not be difficult to connect Claus C to the Belgian power grid.

Whether this can be done or not depends on the capacity compensation mechanism that the Belgian government opts for.

In the United Kingdom, our gas-fired power station in Great Yarmouth will go back online by the end of the month, following extensive upgrades. We boosted its capacity by 21 MW to around 420 MW, increased its efficiency by more than 2% and significantly reduced the time needed to ramp up generation. We invested nearly 30 million pounds in these efforts to adapt the station to the changing market conditions.

Looking at our options also means assessing new information and drawing the correct conclusions from it. This is what we did regarding our plans for the CCGT power station at Tilbury in the UK, and we have decided to put the project on hold for now.

Presently, the project cannot be implemented due to the uncertain market conditions.

Ladies and gentlemen,

In our third division, **Supply & Trading**, adjusted EBITDA came in at 183 million euros for the first nine months of 2018, following a very good third quarter. For the year as a whole, we continue to expect EBITDA to be between 100 and 300 million euros.

Along with trading in pipeline gas, we are also focusing on the growing business in liquefied natural gas in this segment. With this in mind, we secured capacities at the planned LNG terminal in Brunsbüttel. Just a few days ago, we joined forces with Tokyo Gas, as another LNG trading partner.

In addition to being used for power generation, LNG can also be used for transportation, for example as a fuel for ships and heavy goods vehicles. In the Netherlands, lorries are starting to be retrofitted to run on LNG. We are also exploring possible uses for LNG in a pilot project at Duisburg Harbour.

Our financial investment, **innogy SE**, is our fourth segment. In the second quarter, we received a dividend in the same amount as last year. You received details on its business performance from innogy itself yesterday.

As of the reporting date at the end of September, the **net debt of RWE stand alone** amounted to 2.1 billion euros, down by about 2.4 billion euros compared to the end of 2017.

Ladies and gentlemen,

Thanks to the good operating results, the considerable drop in debt and the strong improvement in the financing structure along with our clear strategy for the future, we have every reason to be optimistic about the future. And we will continue to tackle the tasks at hand with this sense of optimism and confidence.

Now, we look forward to your questions.

Forward-looking statements

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