Interim report on the first half of 2023

Telephone press conference

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Speech by Markus Krebber, CEO of RWE AG

and Michael Muller, CFO of RWE AG

Check against delivery

Ladies and Gentlemen,

Welcome to our press conference on the first half of 2023.

Two weeks ago, we released preliminary half-year figures, which we confirm today. RWE achieved good results in the first six months of 2023. We generated adjusted EBITDA of EUR 4.5 billion and adjusted net income of EUR 2.6 billion.

Our earnings are thus much higher year on year.

The development in earnings was driven by three key factors:

- First: Increased earnings from international electricity generation in the Hydro/Biomass/Gas segment.
- Second: Good performance in the Supply & Trading segment and the fact that the negative one-off effect from the previous year on account of sanctions against Russia did not recur.
- And third: Additional generation capacities based on renewables generate additional earnings.

We are continuing to forge ahead at full speed with the expansion of our core business. In the first six months, our portfolio grew by 5.1 gigawatts, about 3 gigawatts of which are the result of the acquisition of Con Edison Clean Energy Businesses in the US.

On the back of the extraordinarily good first half-year, we have raised our outlook for fiscal 2023: For adjusted EBITDA at Group level we are now expecting between EUR 7.1 billion and EUR 7.7 billion. For adjusted net income, we have raised the range to between EUR 3.3 billion and EUR 3.8 billion.

My colleague Michael Müller will now report on the earnings in greater detail.

Michael Müller:

Thank you, Markus. A warm welcome from me, too.

Our Growing Green investment programme is paying off. By the end of the first half-year, our renewables portfolio had increased to 15.8 gigawatts and we were able to generate about 20% more electricity from the wind and the sun year on year, despite below-average wind speeds across large swathes of Europe and the US.

The decisive factor here was the commissioning of a number of large-scale wind farms, above all Triton Knoll and Kaskasi in the North Sea, as well as Blackjack Creek in Texas and Baron Winds in New York. The share of photovoltaics in our electricity production mix increased fivefold as a result of our acquisition in the US.

Now I'll come to the results for our segments:

In the **Offshore Wind** segment, we achieved adjusted EBITDA of EUR 762 million in the first six months of the year. The year-on-year increase can be attributed mainly to the commissioning of the offshore wind farms Kaskasi in Germany and Triton Knoll in the United Kingdom. That enabled us to more than compensate for the weaker wind conditions in the second quarter. The forecast for the year as a whole remains unchanged.

In the **Onshore Wind/Solar** segment, adjusted EBITDA reached EUR 519 million – also up year on year. There were two reasons for this:

- Firstly, the acquisition of Con Edison Clean Energy Businesses in the US.
- Secondly: the commissioning of new wind, solar and battery projects, with a total capacity of some 350 megawatts.

However, lower realised electricity prices and less favourable wind conditions had a counteracting effect. Here, too, we are maintaining our outlook for the year as a whole.

There was a strong increase in adjusted EBITDA in the **Hydro/Biomass/Gas** segment, to about EUR 1.9 billion. This was mainly the result of higher earnings from short-term power station dispatch in our international generation portfolio and higher generation margins.

Our Dutch gas fleet delivered additional contributions to earnings. Since February, the newly acquired 1.4-gigawatt Magnum gas-fired power plant has contributed to our electricity production. And Claus C, our second large-scale gas-fired power plant in the Netherlands, generated electricity throughout the first half of the year, unlike the situation in 2022, when the plant was largely out of service because of turbine damage. In addition, there were profits from land sales in the United Kingdom.

Thanks to its earnings performance, we have raised our forecast for the year as a whole in this segment. We now expect adjusted EBITDA of between EUR 2.6 billion and EUR 3 billion.

In the **Supply & Trading** segment, we achieved adjusted EBITDA of EUR 799 million. Earnings in the same period last year were negative, on account of an impairment resulting from sanctions on coal supplies from Russia. For this segment we now expect adjusted EBITDA significantly above EUR 600 million.

In the first half of 2023, the **Coal/Nuclear** segment achieved adjusted EBITDA of EUR 431 million, which is less than in the previous year. One reason for this was significantly lower lignite-based electricity production year on year and lower margins from plants whose production was unhedged. In addition, extensive maintenance work was carried out at some power plants in the reporting period, and the Emsland nuclear power station only produced electricity until it was shut down on 15 April 2023.

We are investing our strong earnings in further growth.

In the first half of 2023, our investment amounted to EUR 9 billion – that's EUR 6.9 billion more than in the same period last year. EUR 6.3 billion were attributable to our acquisition in the US.

In addition, there was the purchase of British solar developer JBM Solar and the Magnum gas-fired power station in the Netherlands. We spent about EUR 1.6 billion net on the construction of new wind and solar facilities. We will continue to invest in the energy transition in the second half of the year.

We currently have 7.2 GW in projects under construction. In addition to two large offshore wind farms in Denmark and the United Kingdom, which account for 2.5 GW, good progress is being made on 17 onshore and 36 solar projects. There are also 15 battery facilities under construction.

Despite this huge investment activity, we maintain a strong financial base. That can be seen in our balance sheet. As at the reporting date, our net debt is EUR 5.9 billion. So we are well below the upper limit of 3 for the ratio of net debt to adjusted EBITDA in the core business. And our equity ratio of 30%, which improved once again compared to the end of 2022, shows that RWE is financially very robust.

We are investing record amounts and growing profitably, and our shareholders are also benefiting from this success. For the current fiscal year, we intend to increase the dividend – to EUR 1 per share.

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

Markus Krebber:

Thank you, Michael.

Ladies and Gentlemen,

We continue to implement our Growing Green strategy with determination and vigour. We currently have more than 7 gigawatts of renewables plants under construction – that's more than ever before in the history of our company.

As you can see, we are making good progress on expansion. But in some areas we would like to move even faster. The fact that this is not always possible is not a question of capital. In most cases, the pace of expansion is determined by political framework conditions.

However, there are definitely some positive developments in this area too.

I am optimistic that the speed of expansion for onshore wind in Germany, for example, will continue to increase. We are also making good progress in terms of photovoltaics and batteries. In 12 to 18 months from now, it will become clearer whether this will already bring us on the path towards the ambitious targets, or if policy-makers will have to make further refinements.

The National Hydrogen Strategy presented by the German government at the end of July is a further positive signal. Doubling the expansion target for domestic electrolyser capacity to 10 gigawatts, creating a hydrogen core network and building up storage systems and import terminals are all setting a good course for the hydrogen economy.

The task for policy-makers in the second half of the year is to turn the strategy into concrete legislation and regulations to give us the required planning certainty, and thus enable further investment. All measures must have the objective of structuring the ramp-up in such a way that a self-supporting hydrogen market can be established as swiftly as possible.

A crucial element for the electricity sector is to build up hydrogen-ready gas-fired power stations to provide security of supply. As we all know, time is of the essence if the plants to be built are to be operational by the end of the decade. That is vital in order to enable the phase-out of coal by 2030.

The fact that the Federal Ministry for Economic Affairs and Climate Action recently reached an agreement with the European Commission on guidelines for flexible hydrogen and gas-fired power stations is therefore a very positive development. The specific suggestions for structuring the tenders for the power stations, however, can be assessed only once these are submitted following the summer parliamentary recess.

At RWE, we are planning to build hydrogen-ready gas-fired power stations primarily on the sites of former power stations, and we are working hard to prepare for the expected tenders.

Two weeks ago, we awarded a contract to an international consortium, thus creating the conditions for building a hydrogen-ready gas-fired power plant with a capacity of 800 megawatts at our Weisweiler location, near Aachen.

Approval planning for the plant will begin without delay. Ordering the power plant components and commissioning the construction are subject to a final investment decision. And for that, clarity about the framework conditions is essential – especially regarding the dimensioning of the initial hydrogen network and the tender conditions for hydrogen-ready gas-fired power plants.

And we are already looking at further locations. In addition to Weisweiler, we believe that other locations both in North Rhine-Westphalia and in Hesse and Bavaria offer good conditions for hydrogen-ready power plants.

Ladies and Gentlemen,

Now I'd like to look at our offshore business.

We are currently experiencing a challenging phase in the global offshore business. Inflation and tensions in supply chains have caused a significant rise in prices for offshore facilities. In recent weeks, some projects in Europe and the US have been stopped, with reference being made to cost increases.

That is not good news for the global energy transition.

This is the worst-case scenario for the energy transition: When large projects that have already been awarded are not implemented as planned. It will quickly call the achievement of our climate targets into question.

At RWE, we are implementing our offshore projects as planned. We are building and forging ahead with the development of projects in the United Kingdom, Ireland, Denmark, the Netherlands, Poland and the US.

In Germany, too, we are continuing to press ahead with our offshore business. We have guaranteed sites here, and step-in rights for our Nordseecluster totalling 1.6 gigawatts.

We also participated in the German offshore auction in July, and would have liked our efforts to have been successful.

But this time it didn't work out, since the prices offered at auction reached a level that was no longer compatible with keeping the projects cost-efficient, based on our criteria. So on this occasion we have to cede to our competitors, and we are looking forward to the next tenders in Germany.

Ladies and Gentlemen,

We are continuing to vigorously implement all parts of our Growing Green strategy. Sustainability is a key component here.

As early as in 2020, the independent Science Based Targets Initiative confirmed that our strategy and our CO_2 reduction targets were in line with limiting global warming to below 2 degrees Celsius.

In the meantime, our climate protection targets have become more ambitious.

We are now aiming to reduce our CO_2 emissions in line with the 1.5-degree reduction path – across all our corporate activities and all greenhouse gases.

And we are having this target scientifically certified too. At the end of May, we submitted our data to the Science Based Targets Initiative for validation. We expect the results by the end of the year.

We will present an update to our overall strategy and investment plans at our Capital Market Day on 28 November.

Thank you for your attention, and we now look forward to your questions.