



RWE AG Annual Press Conference on Fiscal 2023
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Check against delivery

Markus Krebber:

Good morning, Ladies and Gentlemen,

Welcome to our annual press conference on last year's business performance.

Of course I am particularly pleased that many of you have also come to visit us here on the RWE Campus. It's great to see you here.

For us, 2023 was marked by:

- Very good earnings,
- Strong expansion of capacity,
- And a major reduction in carbon emissions.

In other words, we are "Growing Green". The name says it all.

We closed the past financial year with adjusted net income of EUR 4.5 billion. Adjusted EBITDA amounted to EUR 8.4 billion.

With the exception of the Coal and Nuclear segment, where we earned less than in the prior year, we were able to increase our earnings in all business areas.

At the same time, we once again invested heavily in our green core business – more than EUR 11 billion last year.

A look at the last three years shows that, in total, we invested around EUR 20 billion in expanding our international core business.

Our portfolio is growing constantly, both in size and in value.



We currently have a capacity of about 35 gigawatts, which is well distributed across different technologies and also across our core markets. That makes us resilient when it comes to dealing with regional developments.

Together with the approximately three gigawatts of capacity we gained through the acquisition of Con Edison Clean Energy Businesses in the US, our portfolio grew by more than 6,300 megawatts in 2023.

Or to put it in even clearer terms: by 164 facilities of all sizes in ten countries.

Additional facilities with a capacity of more than 8,000 megawatts are currently under construction.

So we are forging ahead rigorously with our green growth. As we presented at our Capital Markets Day at the end of November, we are increasing our investments once again. And we're stepping up the pace of expansion.

Our growth is backed by our large, comprehensive project pipeline, which we further strengthened in 2023:

- By constantly securing sites and developing projects.
- Through successes in key auctions in Germany, Europe, the US and Japan.
- And through three large wind power projects off the British coast, which we acquired from Vattenfall.

Our total project pipeline now exceeds 100 gigawatts.

That we are continuing to make such good progress is also down to our employees. Our team grew even stronger during 2023, as we welcomed about 3,500 new colleagues to RWE.



Ladies and Gentlemen,

While we are growing sustainably, we are also decarbonising our portfolio – swiftly and in line with the 1.5-degree path.

Reducing carbon emissions is an important criterion for success as we put our strategy into practice.

In this regard, too, 2023 was a good year for RWE. We made huge progress.

Last year, RWE reduced its carbon emissions from 83 million to around 60 million tonnes. That's a reduction of 27%.

The situation is even clearer if you compare our carbon emissions with the figures for 2018, when RWE completely restructured its business. Since then, we have halved our carbon emissions.

And we will continue to rigorously follow this path. In a little over two weeks we will finally shut-down the three lignite units in the Rhenish mining area that the German government brought out of standby during the energy crisis. As scheduled, we will also switch off the two 600-megawatt coal-fired units in Neurath, whose operation had been extended by law.

A brief outlook for the current year:

Times are more challenging in face of currently weak economic development. The reduced demand for energy has led to a significant drop in power prices. This is also having an impact on RWE.

Nevertheless, we can confirm the guidance we provided at the Capital Markets Day in November. This is despite the 30% drop in power prices since then.

We therefore expect to close 2024 at the lower end of the earnings range.

Now let's look at the details. As always, my colleague Michael Müller will take over to do that.



Michael Müller

Ladies and Gentlemen,

A warm welcome from me, too.

In 2023, the business performed extremely well. Adjusted EBITDA for the RWE Group amounted to EUR 8.4 billion, clearly exceeding the guidance. Adjusted net income, at EUR 4.5 billion, also exceeded the outlook.

Once again, this was predominantly due to a strong trading performance, and high earnings from the commercial optimisation of our international power plant portfolio.

Other strong earnings drivers were our acquisition in the US and the commissioning of new generation capacity based on renewables.

We are also continuing to make good progress with our transformation: 35% of our electricity last year came from renewables, with power generation from gas in second place, and power production from coal last.

Our electricity production from renewables rose by 27% last year.

We achieved strong growth in solar in particular. This was primarily due to our acquisition in the US, as a result of which RWE has become one of the leading companies in the field of renewables there as well.

The strong growth in renewables is also reflected in our figures. About 92% of our earnings came from our renewables, hydro, biomass, gas, and supply and trading businesses.

Let's take a look at the segments in detail:

In the Offshore Wind segment, we achieved adjusted EBITDA of EUR 1.7 billion last year. Wind levels were much more favourable than in 2022, especially at our UK offshore sites. In addition, our new Kaskasi wind farm in the North Sea had all its turbines online throughout last year.

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In the Onshore Wind/Solar segment, we achieved adjusted EBITDA of EUR 1.2 billion in 2023. This was a good 50% higher than in the previous year, and was due mainly to the first-time consolidation of business activities arising from the acquisition of Con Edison Clean Energy Businesses in the US. The commissioning of new assets also had a positive impact.

Last year we built 14 new onshore wind farms, 15 ground-mounted solar plants and nine storage facilities, including our largest battery storage system to date, with a capacity of 137 MW. This can discharge power into the grid over a four-hour period. The battery forms part of the Fifth Standard project in the US, which also comprises a solar farm with a capacity of 150 MW. This was completed in September 2023. The direct combination of batteries and solar facilities enables us to optimise the timings of feed-ins to the local grid. In view of the rapid growth of wind and solar projects, large-scale battery storage systems such as these are becoming increasingly important for stabilisation of the power grid.

In the international Hydro/Biomass/Gas business, adjusted EBITDA, at EUR 3.2 billion, was once again significantly higher than in the previous year. Due to the volatility of the market, we achieved high earnings from the commercial optimisation of our power plant dispatch. Higher realised generation margins were another contributing factor.

In 2023, Supply & Trading also posted an extraordinarily strong performance once again. Adjusted EBITDA, at EUR 1.6 billion, exceeded the already high figure recorded last year.

In the German coal and nuclear energy business, by contrast, we earned less than in the previous year. Adjusted EBITDA amounted to EUR 705 million, and was therefore below the forecast range. A key driver were lower margins from plants whose power production was not hedged. Prolonged outages for maintenance work also came to bear. In addition, our Emsland nuclear power station only contributed to earnings until it was shut down on 15 April 2023.



To continue pursuing our ambitious growth programme Growing Green, we need to have a robust financial and assets situation. And we have that. We can largely cover our financial needs from the cash flows from our operating activities.

Furthermore, our good credit rating enables us to raise additional funds at attractive terms. At the beginning of January we were thus able once again to issue a green bond of EUR 500 million. The two rating agencies Moody's and Fitch have reaffirmed our rating.

The solidity of our financial position can also be determined by another indicator: Despite a high level of capital expenditure, our net debt as at the reporting date at the end of 2023 – at EUR 6.6 billion – remains on a moderate level.

At the end of 2023, RWE's equity ratio was 31%. That's ten percentage points higher than one year previously.

These good key figures are all the more gratifying in view of our strong investment activity.

In the past fiscal year, we invested a record amount of more than EUR 11 billion.

A good half of this was spent on the acquisition of Con Edison Clean Energy Businesses. Further funds were spent on the acquisition of British solar developer JBM Solar and the purchase of the Dutch gas-fired power station Magnum as well as the construction of new wind, solar and battery projects.

We will continue to invest massively in the energy transition.

And now to the outlook.

We expect adjusted EBITDA within a range of EUR 5.2 billion to EUR 5.8 billion. And for adjusted net income, we envisage EUR 1.9 billion to EUR 2.4 billion. As announced, we intend to pay a dividend of EUR 1.00 per share for 2023. The dividend for the current fiscal year is expected to be 10% higher, that is EUR 1.10 per share.

You will find further details on the outlook for our segments in our Annual Report.

With that, I'll hand you back to Markus.



Markus Krebber:

Ladies and Gentlemen,

Before we launch into our discussion, let's have a look at energy policy in Germany, where a lot has been happening.

This applies in particular to the pace of expansion of renewables, which has recently accelerated considerably. We have seen that permits for new wind farms can be obtained within 12 months. That's a very positive development.

Ramping up the hydrogen economy is still a lot slower, but it's also heading in the right direction. Policymakers have by now defined the hydrogen core network, which makes it clearer where hydrogen is to be available in the 2030s.

It also took a long time to obtain a decision from the European Commission to approve IPCEI funding for our hydrogen projects in Gronau and Lingen under state aid law.

In Gronau we want to build a storage facility for about 70 million cubic metres of hydrogen. And in Lingen we're planning what is currently one of Europe's largest electrolyzers.

A few weeks ago, Brussels cleared the way for federal and state funding. Now we are waiting for the final decisions in Germany. We are confident of receiving positive news soon.

I also expressly welcome the key points from the German Federal Ministry for Economic Affairs and Climate Action regarding a carbon management strategy. This is of particularly great importance to German industry on its way towards climate neutrality.

That's why it's right that these key points provide for carbon storage in the seabed off Germany's coasts and export to other countries.

Like many other European countries, Germany should use CCS technology to decarbonise industrial production processes in particular.

In addition to the positive developments, however, there are also areas of the energy transition where there are still issues.

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This relates to all three points of the energy policy triangle: Security of supply, affordability and climate protection.

Let's look at security of supply.

The power plant strategy is to deliver the right toolbox for this purpose. So far we have only had the key points. Agreement with Brussels is pending. The specifics are still outstanding. And time is really pressing now.

Germany has a Herculean task ahead of it in order to maintain security of supply. We have to completely replace what has been the backbone of our security of supply until now – nuclear power and coal.

But at least the key points presented in February are clearly heading in the right direction. It is good that the German government is not pursuing costly ideas such as the construction of sprinter and hybrid power plants at a large scale. It is also good that no firm date has been set for the conversion to hydrogen. That makes sense. None of us can see ten or more years into the future.

The tenders for ten gigawatts of hydrogen-ready gas-fired power plants, which are planned in the short term, are a start. The first tenders must be completed during this year at the latest, so that the power plants are available to go into operation before the end of this decade. When designing the tender, it will be important to ensure that auction winners actually build.

It is well known that we want to participate in the tenders. Likewise the fact that we can imagine constructing power plants with a capacity of three gigawatts by 2030.

The planning and approval processes must be made substantially faster if hydrogen-ready power stations are to help replace coal-fired power plants from 2030 onwards. The LNG terminals and the acceleration of renewables provide a blueprint in this regard. It is good that the German government's key points expressly envision a swift pace.

The announced introduction of a capacity mechanism is the right move to make in order to ensure an efficient security of supply in the long term.

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This is expected to be operational by 2028. We know from other countries how well suited this instrument is to ensuring security of supply at reasonable prices.

Now let's look at affordability.

The grid expansion, which is reflected in electricity costs via grid fees, has very different financial dimensions than security of supply.

To ensure that costs don't get out of hand, the grid expansion and the expansion of renewables must be synchronised much more closely. But the timing here still does not line up. This applies to the transmission networks when bottlenecks cause entire wind farms to be curtailed.

But it applies to the distribution grids, too, for example new wind and solar plants which have been built and are ready to use, but can't be connected to the grid yet. Or batteries, which cannot contribute toward optimising grid stability without a grid connection. But the opposite view is also important when it comes to costs. Often the grid connection costs for renewables-based plants in the regions are disproportionate to the energy contribution the plants provide. An economic perspective is needed to optimise things here.

Specially imposed conditions are further cost drivers, and it's essential to look more deeply into these from a cost perspective. Underground cables, which are several times more expensive than overhead lines, are only the most prominent example. In a society that is becoming increasingly electrified, the total costs of electricity must not be allowed to become a social issue. Otherwise, acceptance for the energy transition will melt away.

So to put it in a nutshell once more:

- There must be greater integration between the expansion of renewables and the grid expansion process.
- And more emphasis must be placed on the economic perspective.

This brings us to the final aspect of the energy triangle – climate protection.



Here, one current development causes me concern. This relates to the European Emissions Trading System, or ETS. The ETS is the centrepiece of the European climate protection architecture. All experts agree that this price signal is the most efficient means of reducing emissions at the most effective points.

In recent weeks there has been a significant price decline for CO₂ allowances. Since the beginning of this year alone, allowance prices have come down by 30%. One reason for the decline is the additional auctions brought forward by the European Commission to generate an additional EUR 20 billion in budget funds.

Auctioning additional allowances has caused the price to fall, which means even more allowances need to be placed on the market in order to reach EUR 20 billion. The result is a downward spiral that jeopardises the European climate protection architecture. Our concern that this could affect the reliability of the ETS has unfortunately materialised. The EU ETS is by far the most important European tool for more climate protection. It has to work.

Ladies and Gentlemen,

We could discuss many more aspects of the energy transition.

Overall, I remain optimistic that policymakers, business and society will be able to overcome the challenges presented by this necessary transformation.

To do that, we need regular reviews and adjustments.

The goal is to have a sustainable industrial society.

That's worth fighting for.

- To find the smartest way.
- At the lowest costs.
- To gain the widest possible acceptance.

At RWE, we are intensely involved in this process. As discussion partners. And as active players.

And now we look forward to taking your questions.



Forward-looking statements

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