Interim report on the first three quarters of 2024

Telephone press conference

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Speech of Dr Michael Müller, CFO of RWE AG

Check against delivery

Ladies and Gentlemen,

A warm welcome to our press conference.

We are very pleased with the development of our business. In the first nine months, we recorded an adjusted EBITDA of €4 billion and an adjusted net income of €1.6 billion.

We increased our renewables earnings across all businesses: in Offshore Wind due to better wind conditions, and in Onshore Wind/Solar due to commissioning of new capacity and the full recognition of Con Edison Clean Energy Businesses in the US.

Earnings in the Flexible Generation and Supply & Trading segments normalised and were, as expected, lower in the first nine months than in the extraordinarily good previous year.

Our view of the year as a whole is positive. The earnings prospects in the Flexible Generation and Supply & Trading segments have improved. We now expect adjusted EBITDA and adjusted net income to reach the middle of the respective forecast ranges. At the beginning of the year, we anticipated that we would trend toward the lower end of the guidance.

We are making good progress with the implementation of our Growing Green strategy. We are allocating our investment funds where we expect the best risk-return ratio.

In the first nine months, we have already invested €6.9 billion net in the expansion of our portfolio. The majority of the funds were allocated to offshore wind projects in the North Sea, in particular the construction of the Sofia wind farm off the UK coast and the Thor offshore wind farm in Danish waters. Both projects have reached important milestones and are progressing well. Another key area of our investment was the construction of new solar and wind farms in Europe and the US. We currently have 11.2 gigawatts of new capacity under construction – more than 100 projects in 10 countries.

We achieve an average return of 8.2 per cent on the capital employed to realise these projects. We only invest if our strict return requirements for new projects are met. Value-creating growth is the compass for all investment decision. Accordingly, we also regularly reassess our capital allocation.

Given the results of the US elections, we see higher risks than before for the timely implementation of offshore wind projects there. We have to expect that investments in our projects will come later than originally planned.

In Germany and Europe, we assume that the ramp-up of the hydrogen economy will slow down compared to the original roadmap. Here, too, we will probably invest the earmarked funds later.

In light of these risks in our market environment, we have recalibrated our capital allocation. Our annual investments over the next two years will be lower than this year, reflecting expected delays in the US offshore wind business and slower progress in the hydrogen ramp-up. In 2025 and 2026, we will invest around €7 billion net per year.

This gives us the headroom to use funds that become available for a share buyback programme. In the current stock market environment, we are thus underlining our strong commitment to creating value for our shareholders. We have announced that we will be buying back shares worth up to €1.5 billion over a period of up to 18 months. The programme will start still this year.

Let's take a look at the segment results of the first three quarters in detail:

In the Offshore Wind segment, we recorded adjusted EBITDA of €1.1 billion in the first nine months. The main reason for the increase of around 8 per cent was higher electricity production due to improved wind conditions.

In the Onshore Wind/Solar segment, we achieved an adjusted EBITDA of €990 million, an increase of around 14 per cent. This was mainly due to the commissioning of new capacity and the recognition of our acquisition in the US for a full nine months.

In the Flexible Generation segment, adjusted EBITDA reached €1.4 billion. As expected, margins on forward electricity sales and income from the short-term optimisation of power plant dispatch were lower than in the previous year.

The Supply & Trading segment recorded an adjusted EBITDA of €465 million. This was also below the exceptionally high level of the previous year.

Since this fiscal year, we have been managing our lignite-based electricity generation business and our nuclear decommissioning activities on the basis of adjusted cash flows. This business is no longer included in our key earnings figures.

Our broadly diversified development pipeline is the basis for our future growth. We were able to further strengthen this in the third quarter.

In the most recent UK auction, we were able to secure long-term contracts for difference for five onshore wind and solar projects. They have a combined capacity of 218 megawatts.

At the beginning of August, we were successful in the German offshore wind auction. We were awarded two sites north-west of the island of Borkum. Together with TotalEnergies, we will develop the sites, which both have the potential to host offshore projects with a capacity of 2 gigawatts.

We systematically hedge risks in projects.

Supply chains are critical to the timely realisation of projects. In the third quarter, we concluded another important framework agreement with Steelwind. This means that we have now also hedged risks in the area of monopile foundations for offshore wind projects. We mitigate market risks, among other things, through long-term power purchase agreements – so-called PPAs.

This year, we have already signed PPAs for 2.1 gigawatts – in August and October, further contracts were concluded with the US companies Meta and Rivian.

The market fundamentals for investments in green technologies remain supportive.

The experts at the International Energy Agency are forecasting a growing global demand for electricity, which will be met primarily by the expansion of renewable energy. In many countries, CO_2-free power generation is the most cost-effective option for adding capacity.

However, the regulatory environment in our core markets has developed differently.

In the UK, RWE's largest market, after the parliamentary elections, the new government has confirmed its support for CO_2-free electricity production. In addition to a clear commitment to offshore wind, the new government has also lifted the previous de facto ban on onshore wind farms.

In the US, the fundamentals of the energy market remain positive. Electricity demand is increasing significantly, driven by industrial growth and data centres for artificial intelligence. And the Inflation Reduction Act provides a good framework for the expansion of renewables.

However, the change of administration in the US entails risks for the timely implementation of offshore wind projects. The new Republican administration could delay specific projects. The realisation of our Community Offshore Wind project near New York, for example, depends on outstanding permits from US federal authorities.

Uncertainties in the regulatory environment are also arising in Germany following the collapse of the coalition government.

It is unclear whether the Power Plant Safety Act can still be passed this year as planned. New power plants are needed to close an impending supply gap. There is also a cross-party consensus on this. We hope that further delays can be avoided. We continue to work on preparing for the auctions for flexible power plant capacity.

We expect that the ramp-up of the hydrogen economy will take significantly longer. The ambitious expansion targets for electrolysers will be difficult to achieve. Although Germany has decided to build the hydrogen core network, there is still a lack of demand-side incentives to make green hydrogen attractive for industrial customers. However, without strong demand, investments in this technology will continue to be delayed.

Overall, we can look back on a very successful business performance in the first nine months of the year. Our earnings expectations for 2024 have improved.

We confirm our dividend target of 1.10 euros per share for the current fiscal year. We are forging ahead with our Growing Green strategy as planned. We have projects with a combined capacity of more than 11 gigawatts under construction. With the share buyback programme, we are responding to risks in the regulatory environment and increasing value for our shareholders.

RWE is well on track.

And with that, I look forward to your questions.

Forward-looking statements

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