

# Investor and Analyst Conference Call Q1 2012

Essen, 10 May 2012

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Investor Relations



# Forward Looking Statement

This presentation contains certain forward-looking statements within the meaning of the US federal securities laws. Especially all of the following statements:

- Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items;
- Statements of plans or objectives for future operations or of future competitive position;
- Expectations of future economic performance; and
- Statements of assumptions underlying several of the foregoing types of statements

are forward-looking statements. Also words such as “anticipate”, “believe”, “estimate”, “intend”, “may”, “will”, “expect”, “plan”, “project” “should” and similar expressions are intended to identify forward-looking statements. The forward-looking statements reflect the judgement of RWE’s management based on factors currently known to it. No assurances can be given that these forward-looking statements will prove accurate and correct, or that anticipated, projected future results will be achieved. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Such risks and uncertainties include, but are not limited to, changes in general economic and social environment, business, political and legal conditions, fluctuating currency exchange rates and interest rates, price and sales risks associated with a market environment in the throes of deregulation and subject to intense competition, changes in the price and availability of raw materials, risks associated with energy trading (e.g. risks of loss in the case of unexpected, extreme market price fluctuations and credit risks resulting in the event that trading partners do not meet their contractual obligations), actions by competitors, application of new or changed accounting standards or other government agency regulations, changes in, or the failure to comply with, laws or regulations, particularly those affecting the environment and water quality (e.g. introduction of a price regulation system for the use of power grid, creating a regulation agency for electricity and gas or introduction of trading in greenhouse gas emissions), changing governmental policies and regulatory actions with respect to the acquisition, disposal, depreciation and amortisation of assets and facilities, operation and construction of plant facilities, production disruption or interruption due to accidents or other unforeseen events, delays in the construction of facilities, the inability to obtain or to obtain on acceptable terms necessary regulatory approvals regarding future transactions, the inability to integrate successfully new companies within the RWE Group to realise synergies from such integration and finally potential liability for remedial actions under existing or future environmental regulations and potential liability resulting from pending or future litigation. Any forward-looking statement speaks only as of the date on which it is made. RWE neither intends to nor assumes any obligation to update these forward-looking statements. For additional information regarding risks, investors are referred to RWE’s latest annual report and to other most recent reports filed with Frankfurt Stock Exchange and to all additional information published on RWE’s Internet Web site.

# Main messages



Q1 2012 operating performance: EBITDA: -9%, operating result -14%, recurrent net income -20%



Further successful structural changes of long-term gas supply contracts with international oil and gas majors; focus now on remaining three major gas suppliers



Successful hybrid bonds issuance of GBP 750m and USD 500m



2012 guidance confirmed

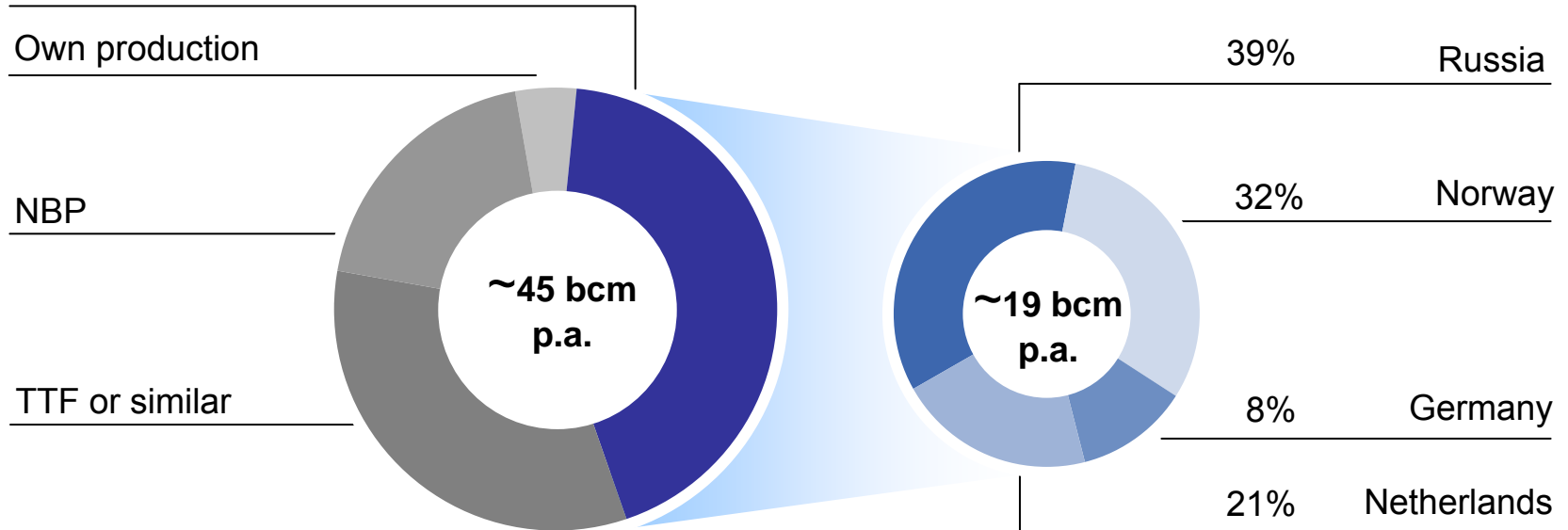
# RWE Group key performance indicators

January – March €million	2012	2011	Change in %
External revenue	15,593	15,754	-1.0
Cash flows from operating activities	298	2,284	-87.0
EBITDA	3,125	3,426	-8.8
Operating result	2,436	2,827	-13.8
Non-operating result	13	209	-93.8
Financial result	-470	-372	-26.3
Taxes on income	-555	-726	23.6
Minorities	96	104	-7.7
Hybrid investors' interest	17	15	13.3
Net income	1,311	1,819	-27.9
Recurrent net income	1,288	1,609	-20.0
Average number of shares (million)	614	534	15.0
Recurrent net income per share (€)	2.10	3.02	-30.5

# RWE's gas procurement portfolio

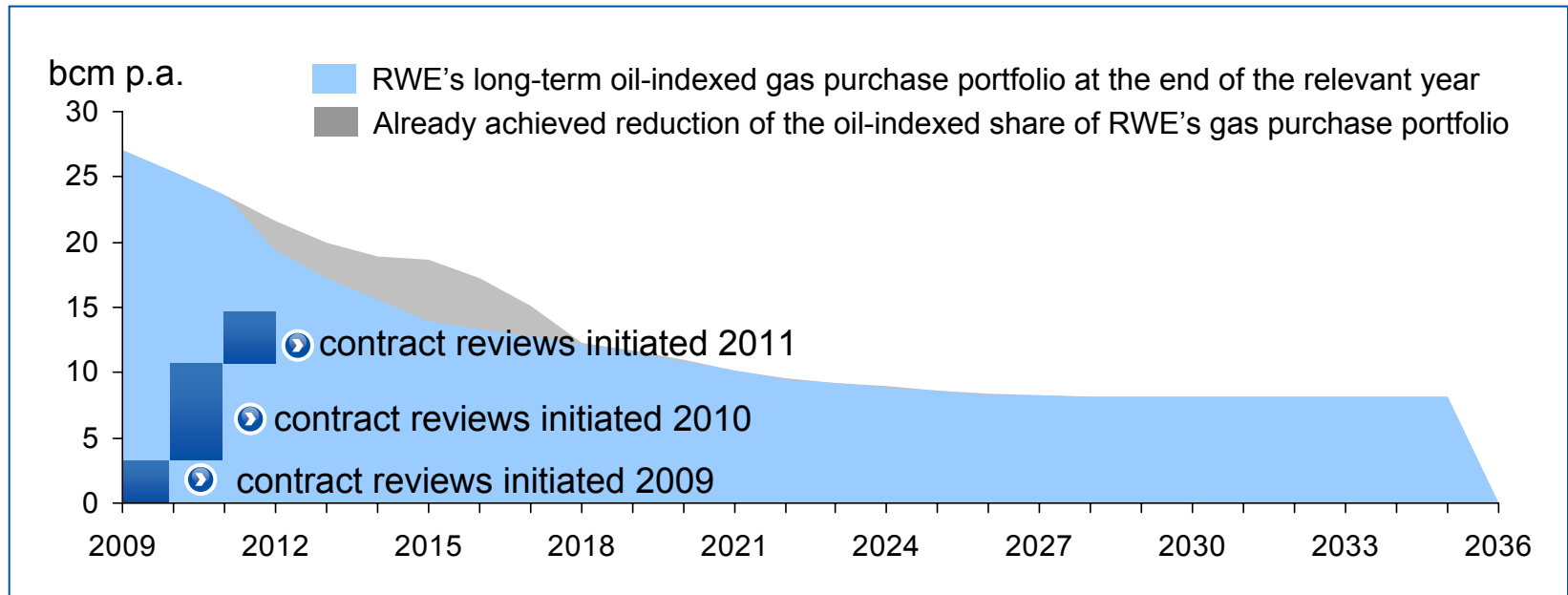
(as of April 2012)

Long-term oil-indexed purchase contracts (take-or-pay)



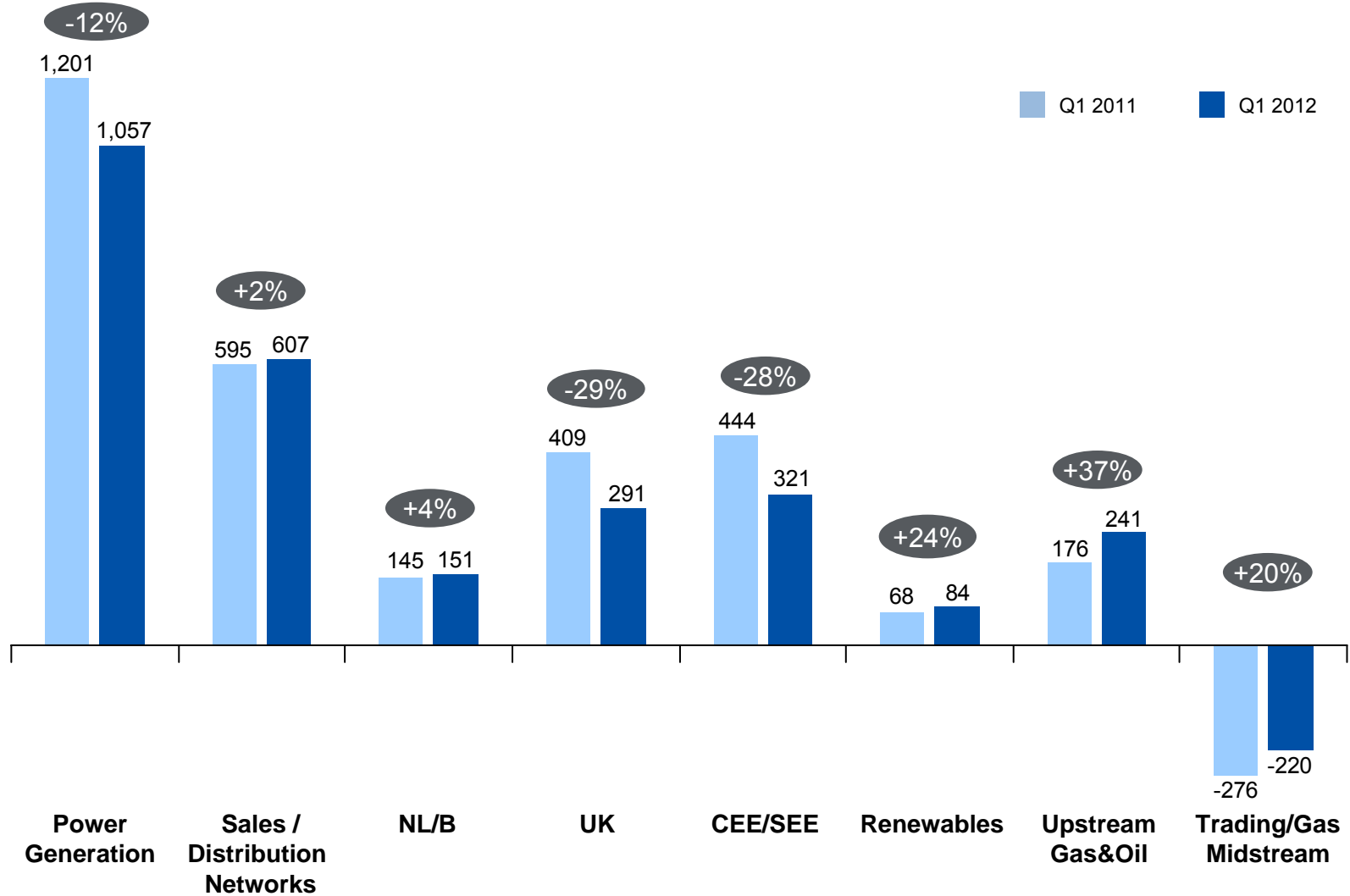
- > Our gas procurement portfolio is managed by RWE Supply & Trading
- > ~42% or 19 bcm p.a. of overall gas procurement based on long-term oil-indexed purchase contracts
  - of which ~17 bcm p.a. remain with a gas-to-oil spread exposure as of April 2012 when taking cost based sales into account

# RWE's long-term oil-indexed gas purchase portfolio



- > RWE was one of the first in 2009 and 2010 to initiate contract reviews - also by using so-called “joker” price reviews. We continue to make use of this contractual toolbox where necessary
- > As of April 2012 we are in the renegotiation process with 6 out of 17 contracts (approx. 15 bcm p.a.), many of which have meanwhile reached the official arbitration stage
- > Some negotiations have already been successfully concluded, resulting in a reduction of the future gas-to-oil spread exposure.

# Operating Result by Division (in € million)



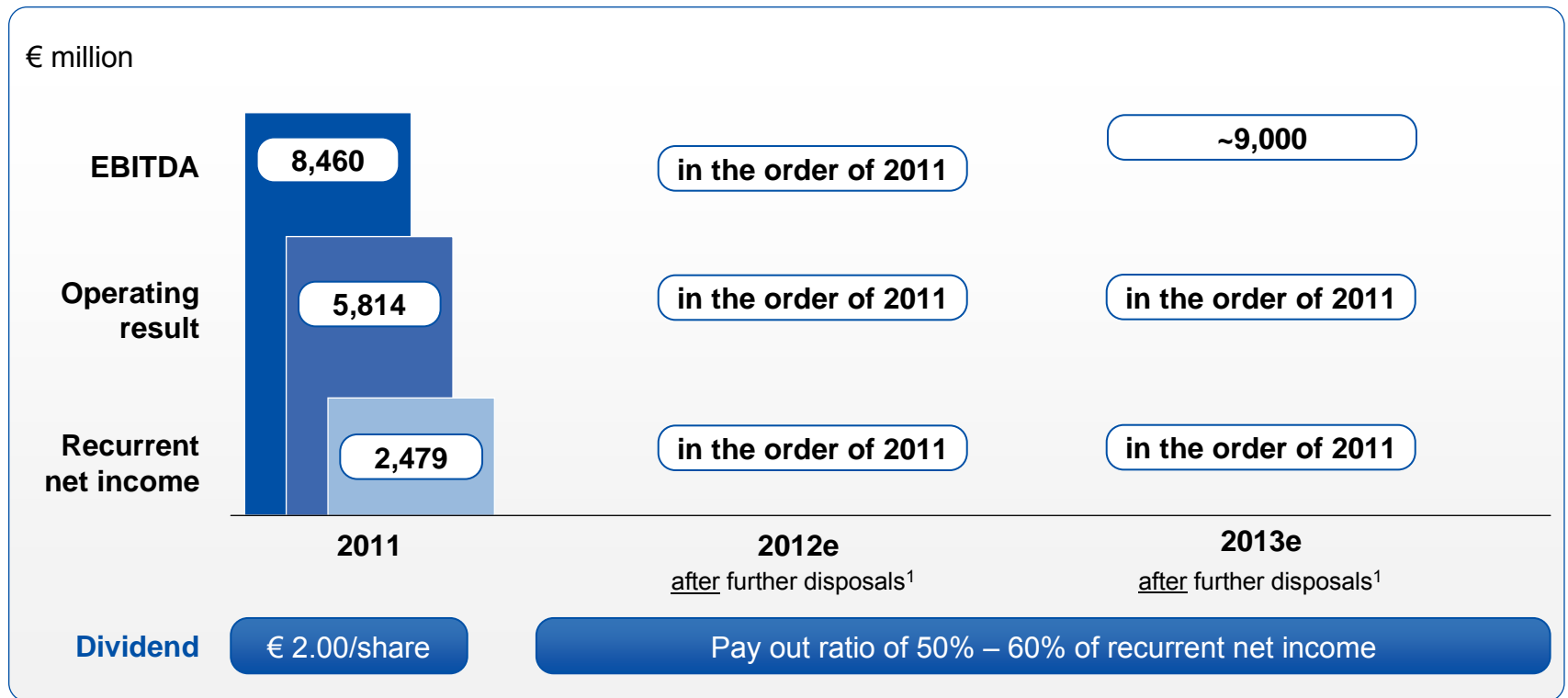
Germany

# Divisional outlook for the operating result

€ million	2011 actual	2012 forecast vs. 2011
Germany	4,205	Above last year
Power Generation	2,700	Above last year
Sales/Distribution networks	1,505	In the order of last year's level
Netherlands/Belgium	245	Significantly below last year
United Kingdom	357	Above last year
Central Eastern and South Eastern Europe	1,109	Below last year
Renewables	181	Above last year
Upstream Gas & Oil	558	Significantly above last year
Trading/Gas Midstream	-800	Significantly below last year



# Outlook for 2012 – 2013



<sup>1</sup>Expected earnings dilution from the remaining up to €7 bn divestment programme:

in € bn	EBITDA	Operating result	Recurrent net income
2012		no major dilution effect expected	
Full year effect (after 2013)	~0.5	~0.4	~0.3

The 2013 outlook is based on commodity prices as of January 2012.

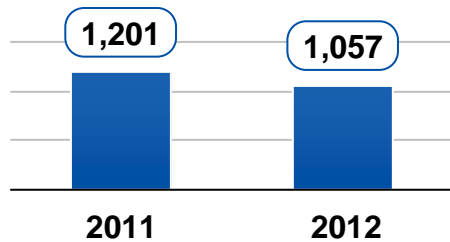
# Back-up Charts



# Performance of the Germany Division (I) Power Generation Business Area (RWE Power)

January – March: operating result: -12.0%

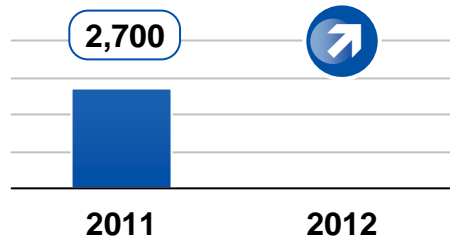
€ million



- ⊖ Lower realised electricity prices and lower volumes (c. -€50m), (including positive effects from the trial run of the new lignite-fired power plant BoA 2&3)
- ⊖ Higher fuel costs (c. -€90m) partly offset by lower costs associated with CO<sub>2</sub> certificates (c. +€20m)
- + Lower fixed operating and maintenance costs

Guidance for fiscal year 2012: above last year

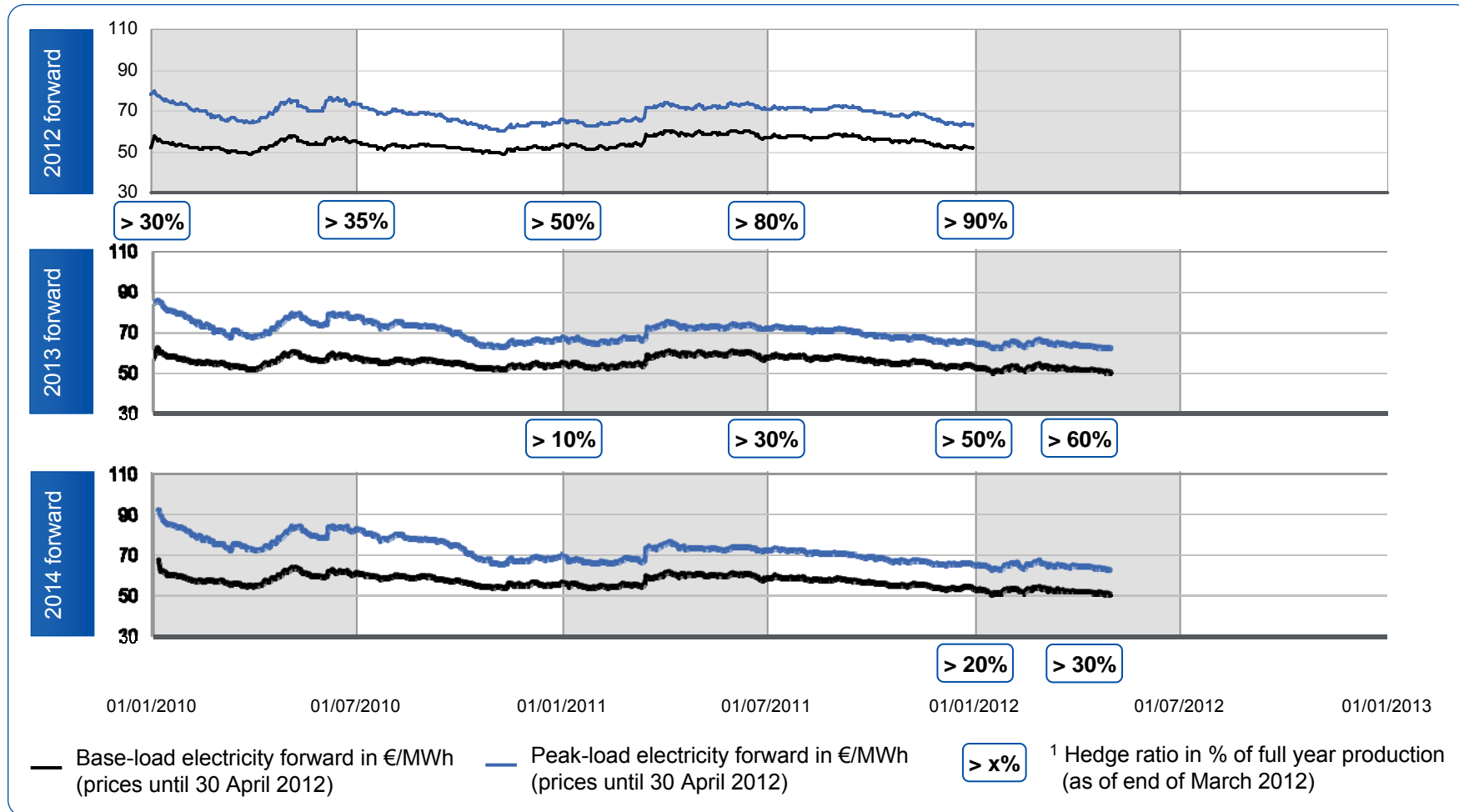
€ million



- + Commissioning of new lignite-fired power plant BoA 2&3
- + Lower fixed operating and maintenance costs
- + Impact from change in nuclear and mining provisions
- + Lower CO<sub>2</sub> costs
- ⊖ Lower realised electricity prices
- ⊖ Higher fuel costs and increased nuclear fuel tax

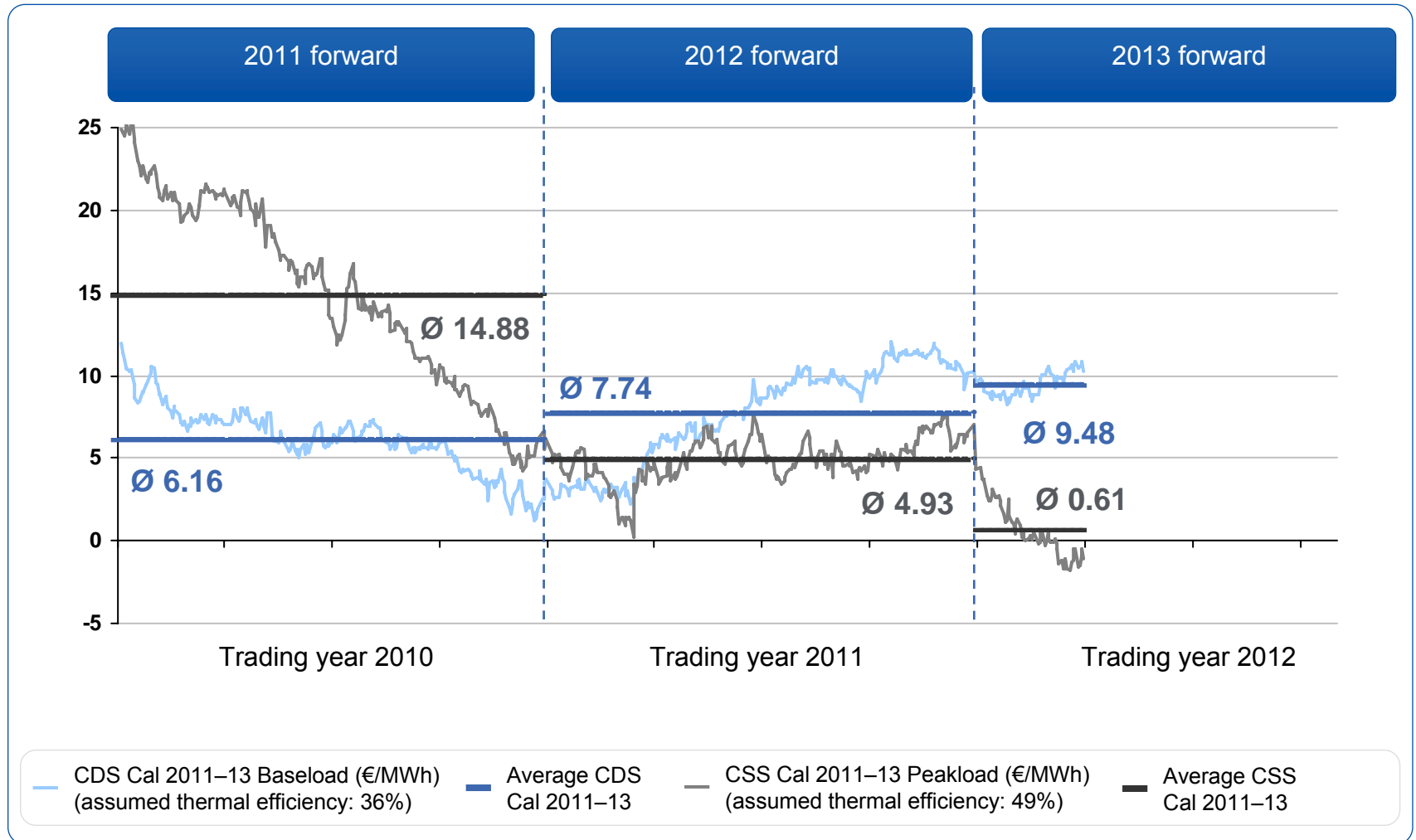
# Forward selling<sup>1</sup> by RWE Power in the German market

(Base-load & peak-load forwards in €/MWh)



(Average realised price for 2011: €63/MWh (2010: €67/MWh)).

# Germany: Clean Dark and Spark Spreads (CDS/CSS)



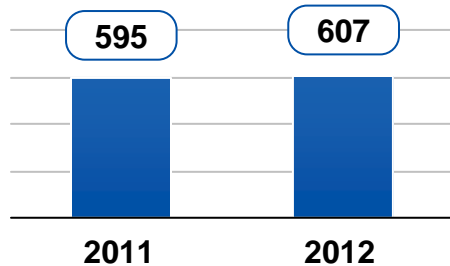
Source: RWE Supply & Trading, prices until 25 April 2012.

# Performance of the Germany Division (II)

## Sales/Distribution Networks Business Area

January – March: operating result: +2.0 %

€ million



Sales

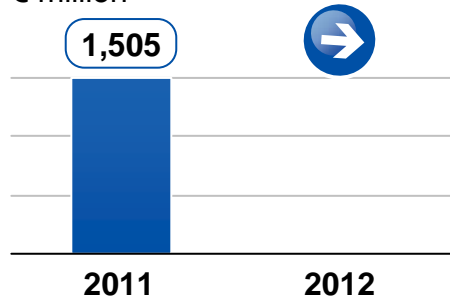
- Slightly lower margins in electricity and gas sales

Distribution networks

- + Improved cost cutting in our German business
- + Income from sale of distribution networks due to loss of concession rights

Guidance for fiscal year 2012: in the order of last year's level

€ million

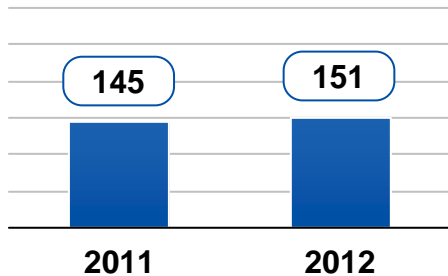


- + Improved cost cutting in German business
- Lower income from investments from participations

# Performance of the Netherlands/Belgium Division (Essent)

January – March: operating result: +4.1%

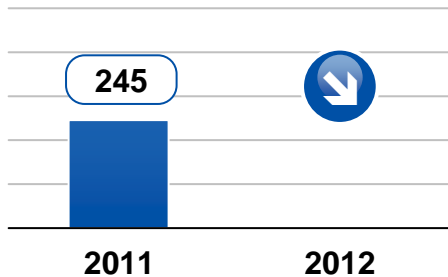
€ million



- + Improved margins in the sales business due to cost cutting and effective pricing strategy
- Lower electricity generation spreads
- + Commissioning of new gas-fired power plants Claus C and Moerdijk 2

Guidance for fiscal year 2012: significantly below last year

€ million

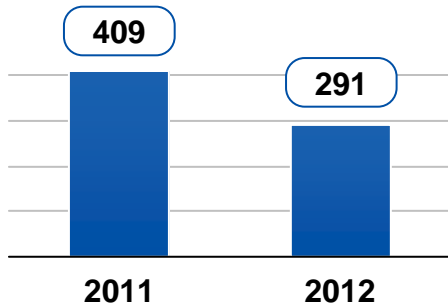


- Lower gas midstream margins
- Lower electricity generation spreads
- + Efficiency improvements

# Performance of the United Kingdom Division (RWE npower)

January – March: operating result: -28.9%

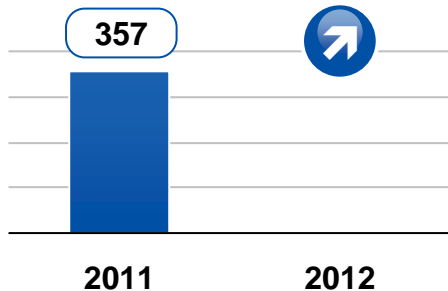
€ million



- Absence of non-recurrent item relating to settlement of claims in 2011
- Power generation
- Significantly lower margins
- Fire at biomass power plant in Tilbury
- Retail
- + Improved commodity cost management
- Lower consumption esp. with household customers
- Lower margins in business segment

Guidance for fiscal year 2012: above last year

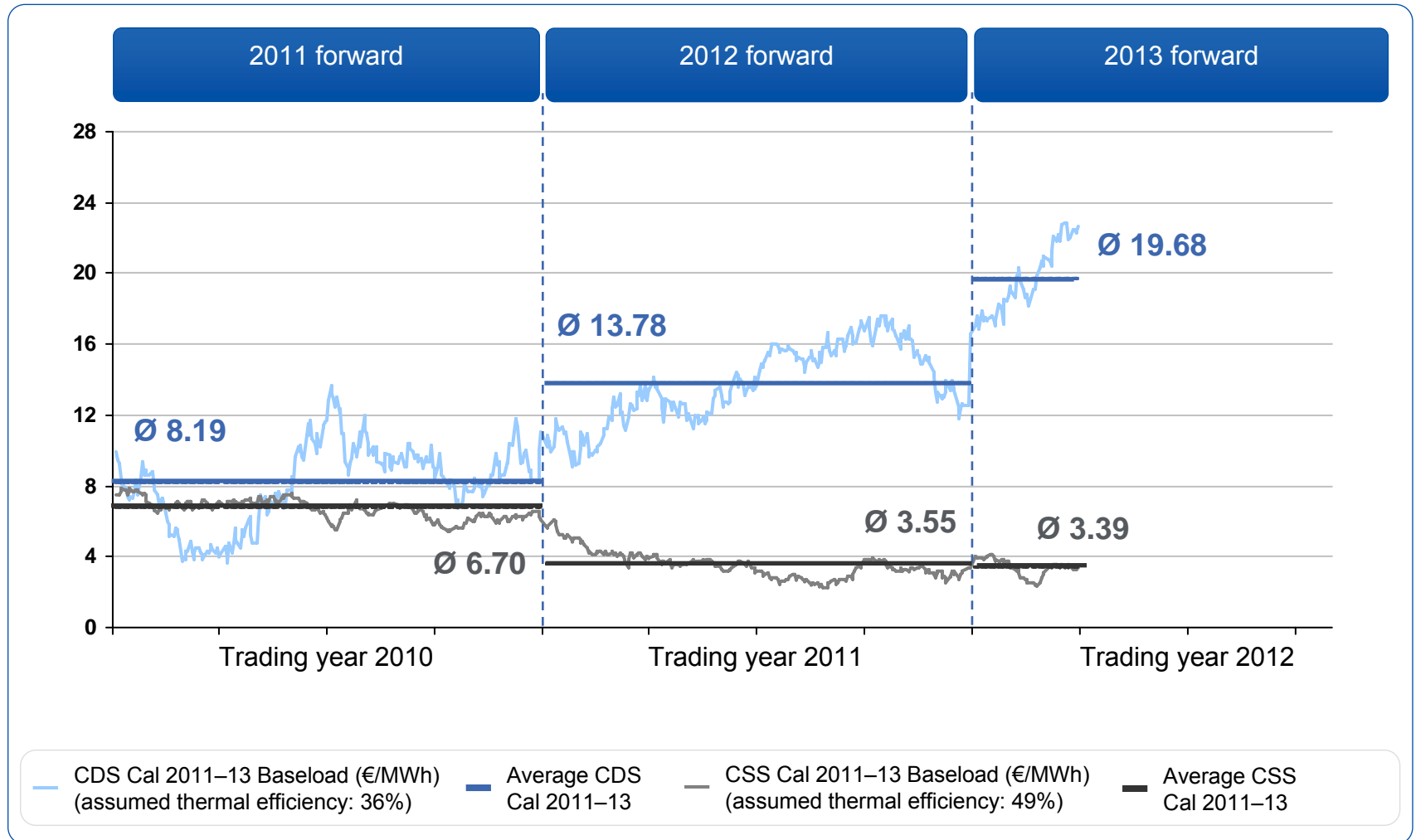
€ million



- + Further cost reductions / efficiency improvements
- + Positive f/x effects
- Power generation
- Further decline of spreads
- + Earnings contribution from Tilbury biomass
- + Commissioning of gas-fired power plant at Pembroke
- Retail
- + Progress on squeezed domestic margins



# UK: Clean Dark and Spark Spreads (CDS/CSS)

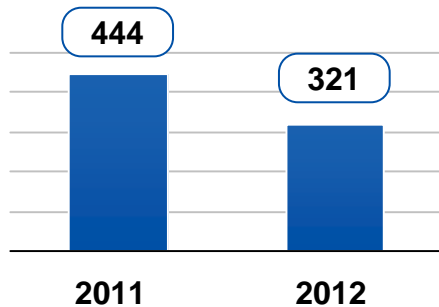


Source: RWE Supply & Trading, prices until 25 April 2012.

# Performance of the Central Eastern and South Eastern Europe Division

January – March: operating result: -27.7%

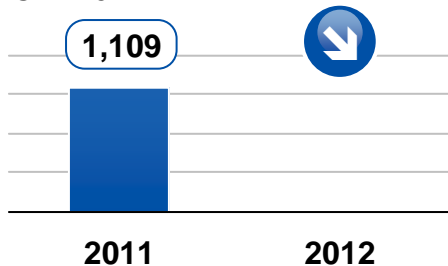
€ million



- Negative f/x-effects
- Czech Republic:
  - Lower gas distribution margins
- Hungary:
  - Lower electricity generation and retail margins

Guidance for fiscal year 2012: below last year

€ million

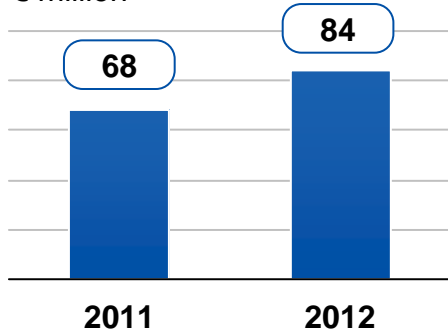


- Czech Republic:
  - Lower distribution network margins
  - Stable gas transport business
- Hungary: Lower electricity margins
- Poland: Stable earnings contribution

# Performance of the Renewables Division (RWE Innogy)

January – March: operating result: +23.5%

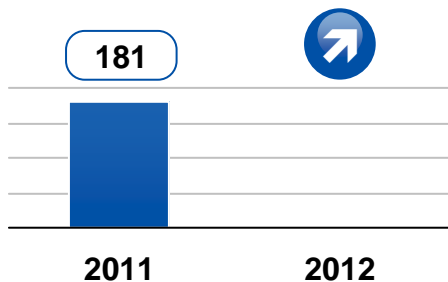
€ million



- + Increased generation volumes (partly driven by improved wind conditions and growth investments) and improved electricity wholesale prices
- + Earnings contribution from wood pellet plant at Georgia / USA
- Absence of positive one-offs in 2011 relating to liquidated damages

Guidance for fiscal year 2012: above last year

€ million

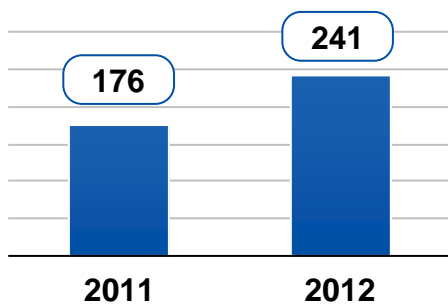


- + Commissioning of new projects
- + Normalised weather conditions assumed
- Absence of positive one-off in 2011 relating to liquidated damages
- Lower income from sale of developed projects
- Upfront costs of large investment programme including higher staff costs

# Performance of the Upstream Gas & Oil Division (RWE Dea)

January – March: operating result: +36.9%

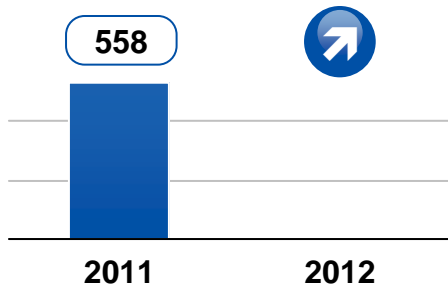
€ million



- + Higher realised oil and gas prices
- + Positive f/x effects
- Lower natural gas production

Guidance for fiscal year 2012: significantly above last year

€ million

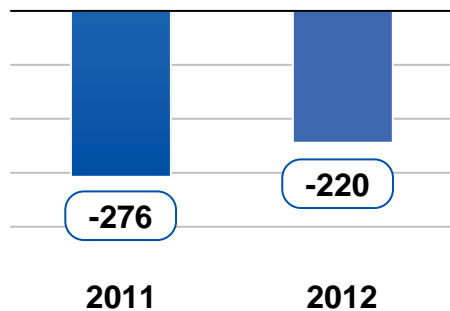


- + Higher oil and gas prices
- + Start of production in new gas fields
- + Slightly lower exploration expenditures
- Higher depreciation
- Increased cost of production

# Performance of the Trading/Gas Midstream Division (RWE Supply & Trading)

January – March: operating result: +20.3%

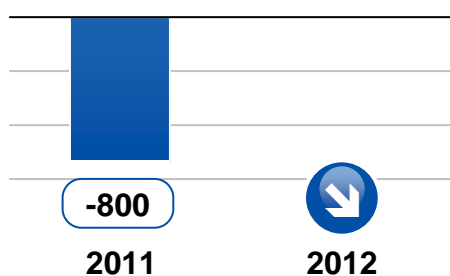
€ million



- Trading
  - + Improved performance in the energy trading business
- Supply
  - Burdens from long-term oil-indexed gas contracts
  - + Compensation from a commercial settlement

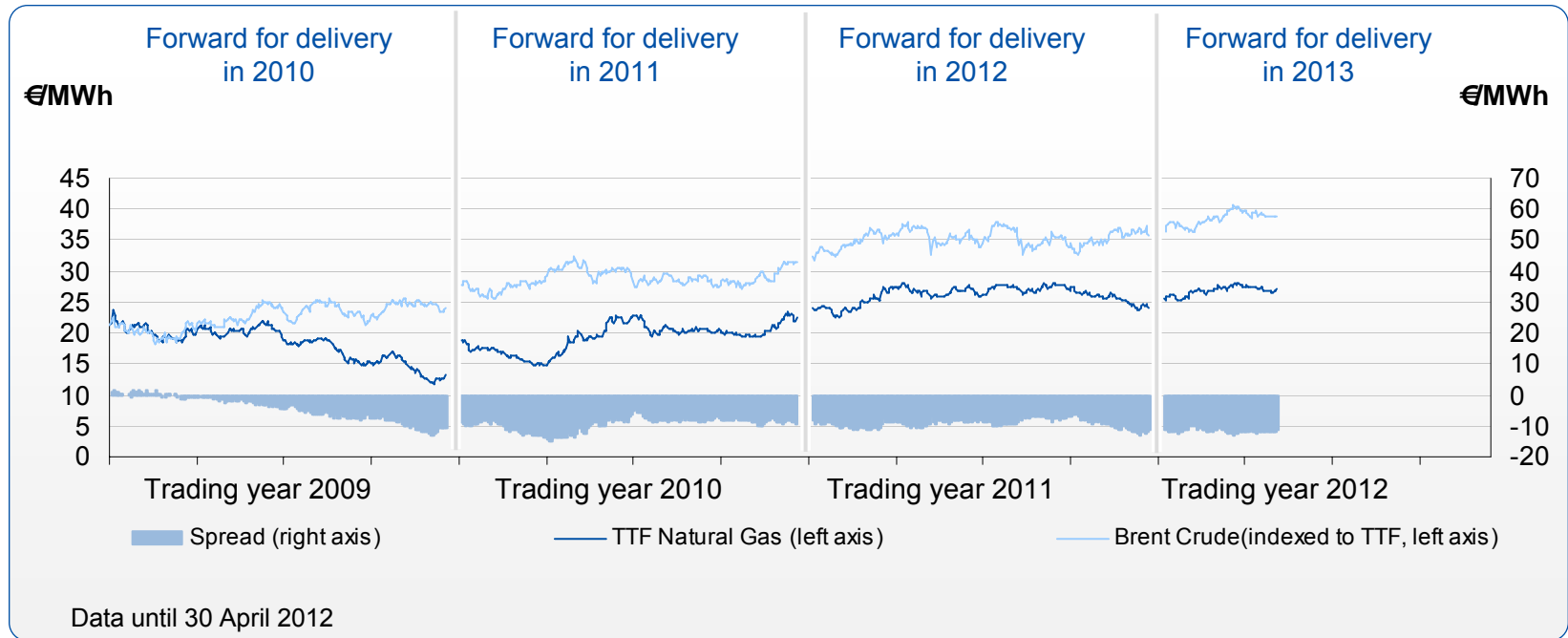
Guidance for fiscal year 2012: significantly below last year<sup>1</sup>

€ million



- Trading
  - + Improved performance compared to weak previous year
- Supply
  - Burdens from long-term oil-indexed gas contracts

# Development of TTF gas price and Brent oil price



Relative development of the TTF and Brent forwards for the years 2010, 2011, 2012 and 2013 since January 1<sup>st</sup>, 2009. To compare both, the Brent oil price is based to the TTF gas price as of January 1<sup>st</sup>, 2009. The curves simply illustrate the development of the market prices which should give a rough indication on the gas-to-oil-spread situation. The real gas-to-oil-spread exposure depends on the individual contract details and will deviate from this slide.

# Cash flow statement

January – March €million	2012	2011	Change (absolute)
Funds from operations (FFO)	2,277	3,071	-794
Change in working capital of which variation margins	-1,979 42	-787 -177	-1,192 219
Cash flows from operating activities	298	2,284	-1,986
Minus capex on fixed assets	-987	-1,144	157
Free cash flow	-689	1,140	-1,829



## FFO

- > Mainly a result of declining operating earnings



## Change in working capital

- > Absence of a temporary liquidity effect at Amprion in Q1/2011
- > Fluctuation in payments in connection with purchases and sales at our trading business



## Capex on fixed assets

- > Extension and modernisation of our generation fleet

# RWE Group electricity production (by geographic regions)

January – March in TWh	Germany	UK	NL/BE	Other Internat.	Total 2012	Total 2011
Lignite	21.0			1.3	22.3	19.0
Nuclear	8.4				8.4	12.2
Hard coal	8.9	5.2	1.9	0.1	16.1	14.9
thereof contracts	5.5				5.5	5.5
Gas	2.5	5.1	1.8	0.1	9.5	11.3
Renewables	1.3	1.1	0.6	0.5	3.5	2.5
thereof contracts	0.2	0.3			0.5	0.3
Pumped storage, oil, other	0.6				0.6	0.4
thereof contracts	0.5				0.5	0.3
<b>Subtotal</b>	<b>42.7</b>	<b>11.4</b>	<b>4.3</b>	<b>2.0</b>	<b>60.4</b>	<b>60.3</b>
Electricity purchases <sup>1</sup>					18.2	26.2
<b>Total</b>					<b>78.6</b>	<b>86.5</b>

<sup>1</sup> Net, excluding trading. Purchases for physical deliveries to customers only.



# RWE Group electricity sales volume (by geographic regions)

January – March in TWh	Germany	UK	NL/BE	Poland	Hungary	Other	Total 2012	Total 2011
Residential and commercial customers	7.8	5.2	3.1	0.7	1.5		18.3	18.4 <sup>1</sup>
Industrial and corporate customers	13.8	8.4	3.9	0.9	1.2	0.3	28.5	26.8 <sup>1</sup>
Distributors	20.0				1.4	0.5	21.9	27.1 <sup>1</sup>
Electricity trading <sup>2</sup>	5.1						5.1	9.2 <sup>1</sup>
<b>Total</b>	<b>46.7</b>	<b>13.6</b>	<b>7.0</b>	<b>1.6</b>	<b>4.1</b>	<b>0.8</b>	<b>73.8<sup>3</sup></b>	<b>81.5<sup>3</sup></b>

<sup>1</sup> Prior-year figures adjusted.

<sup>2</sup> Net of electricity purchased from third parties.

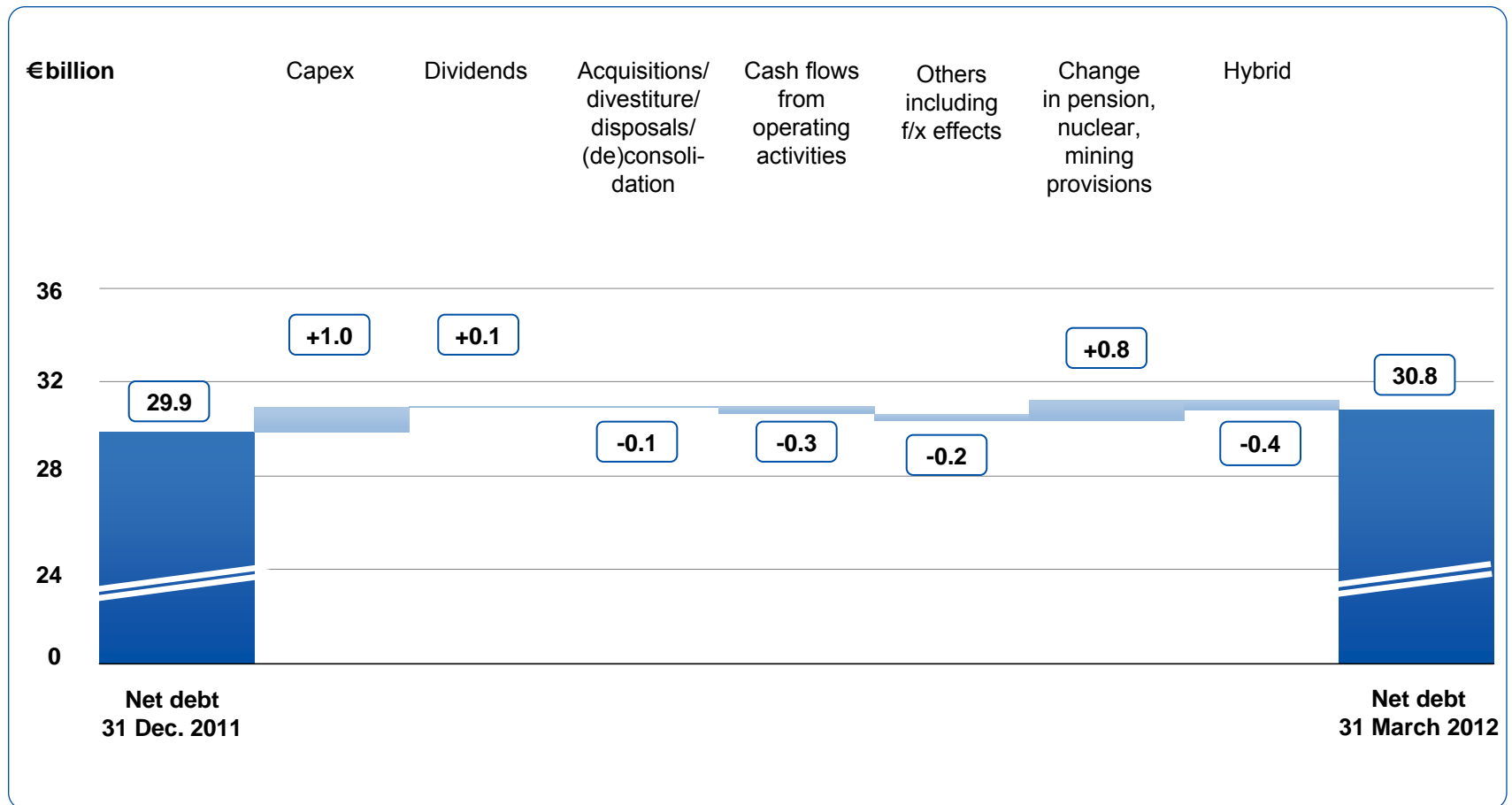
<sup>3</sup> Difference between electricity production and electricity sales volume due to grid losses, operating consumption by lignite production and pumped-storage power plants.

# RWE Group gas sales volume (by geographic regions)

January – March in TWh	Germany	Czech Rep.	NL	UK	Other	Total 2012	Total 2011
Residential and commercial customers	12.9	9.8	16.0	16.3	1.2	56.2	60.7
Industrial and corporate customers	9.0	6.3	15.4	0.8	3.9	35.4	41.3
Distributors <sup>1</sup>	15.7	5.9	0.0	0.0	0.4	22.0	27.3
<b>Total</b>	<b>37.6</b>	<b>22.0</b>	<b>31.4</b>	<b>17.1</b>	<b>5.5</b>	<b>113.6</b>	<b>129.3</b>

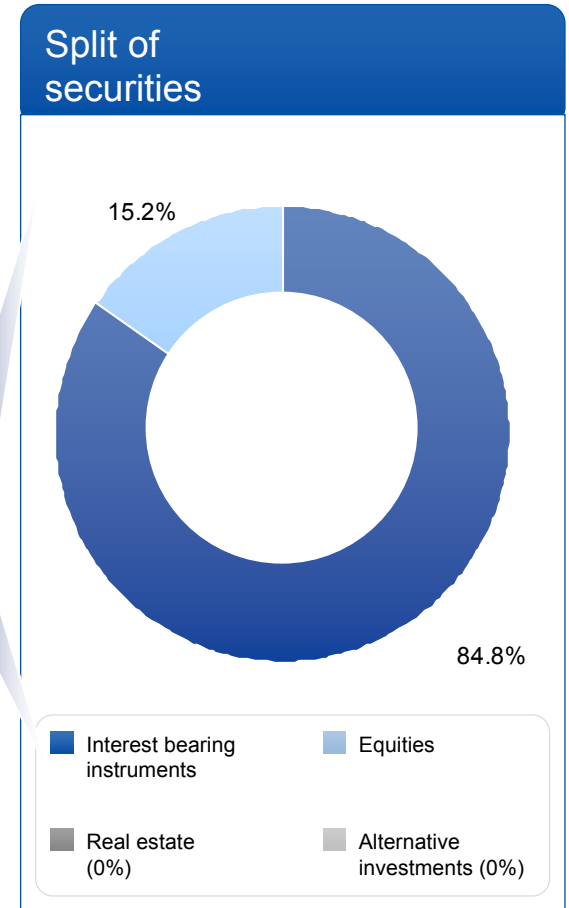
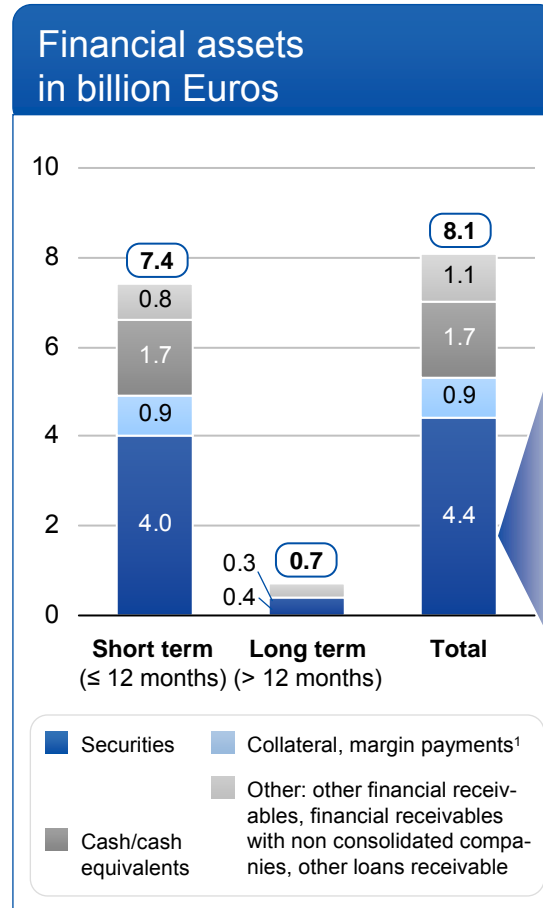
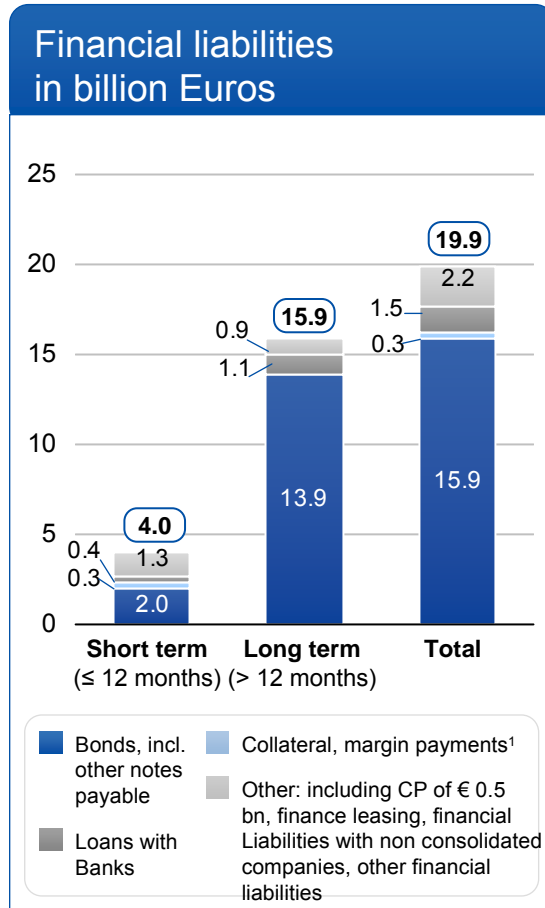
<sup>1</sup> includes gas trading in 2011

# Development of net debt



# Financial liabilities and assets

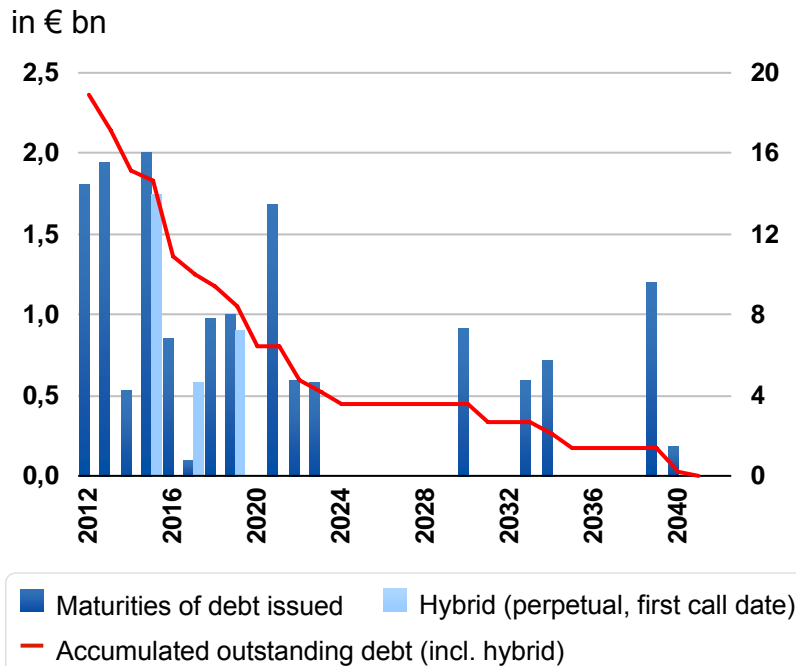
(excluding hybrid capital, as of 31 March 2012)



<sup>1</sup> Excluding variation margins which are netted against the fair values of the respective derivatives.

# Capital market debt maturities and sources of financing

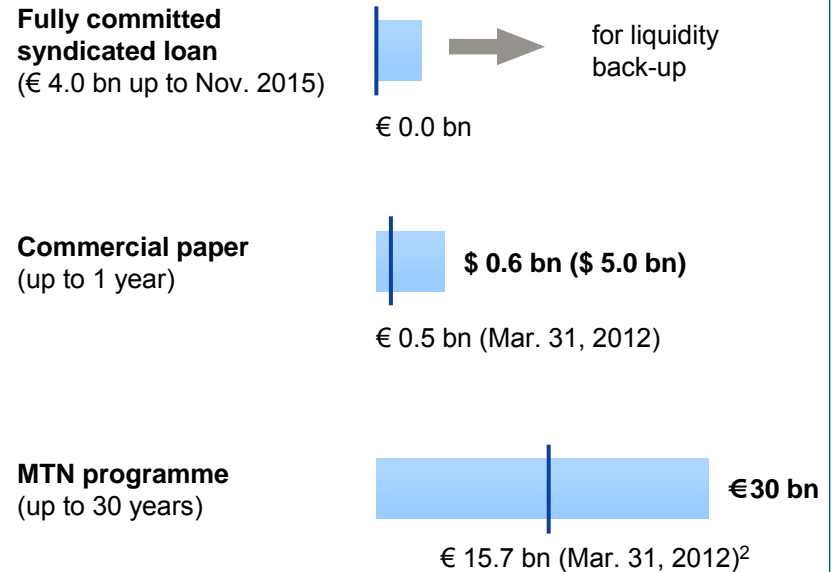
## Capital market debt maturities<sup>1</sup>



 **Balanced profile with limited maturities up to end of 2014 (~€ 4.3 billion)**

<sup>1</sup> RWE AG and RWE Finance B.V., as of Mar. 31, 2012 (incl. USD Hybrid, issued 29<sup>th</sup> of March)

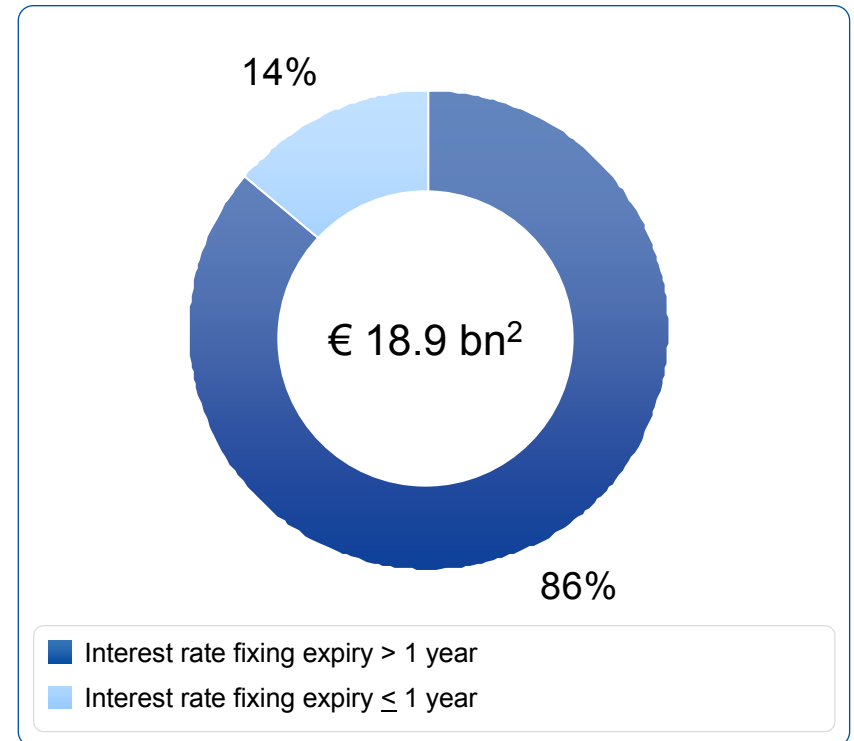
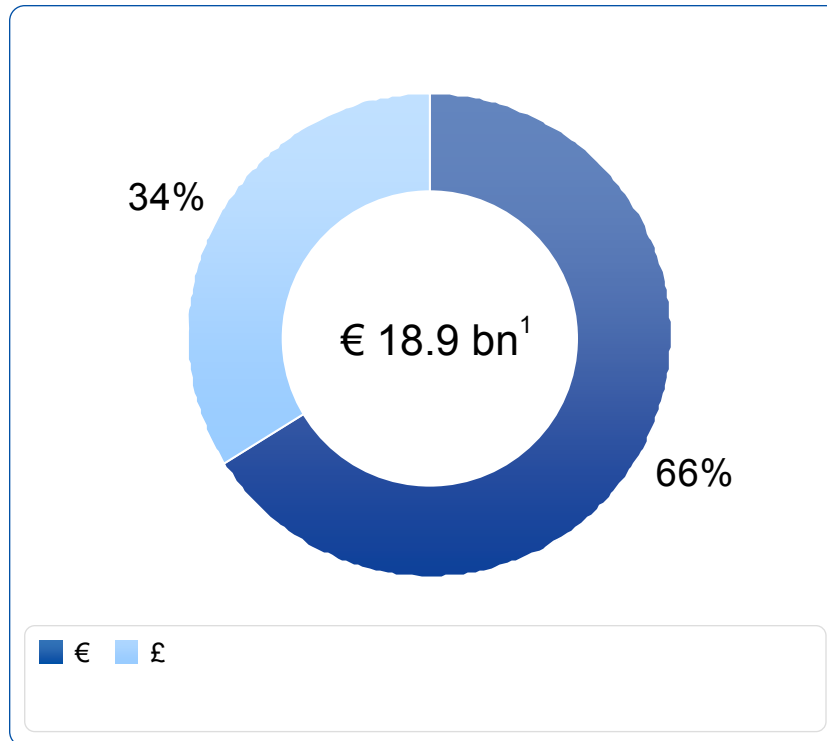
## Strong sources of financing



<sup>2</sup> Bonds outstanding under the MTN-programme, i.e. excluding hybrid. Including hybrid: € 18.9 bn

# Capital market debt currency and interest exposure

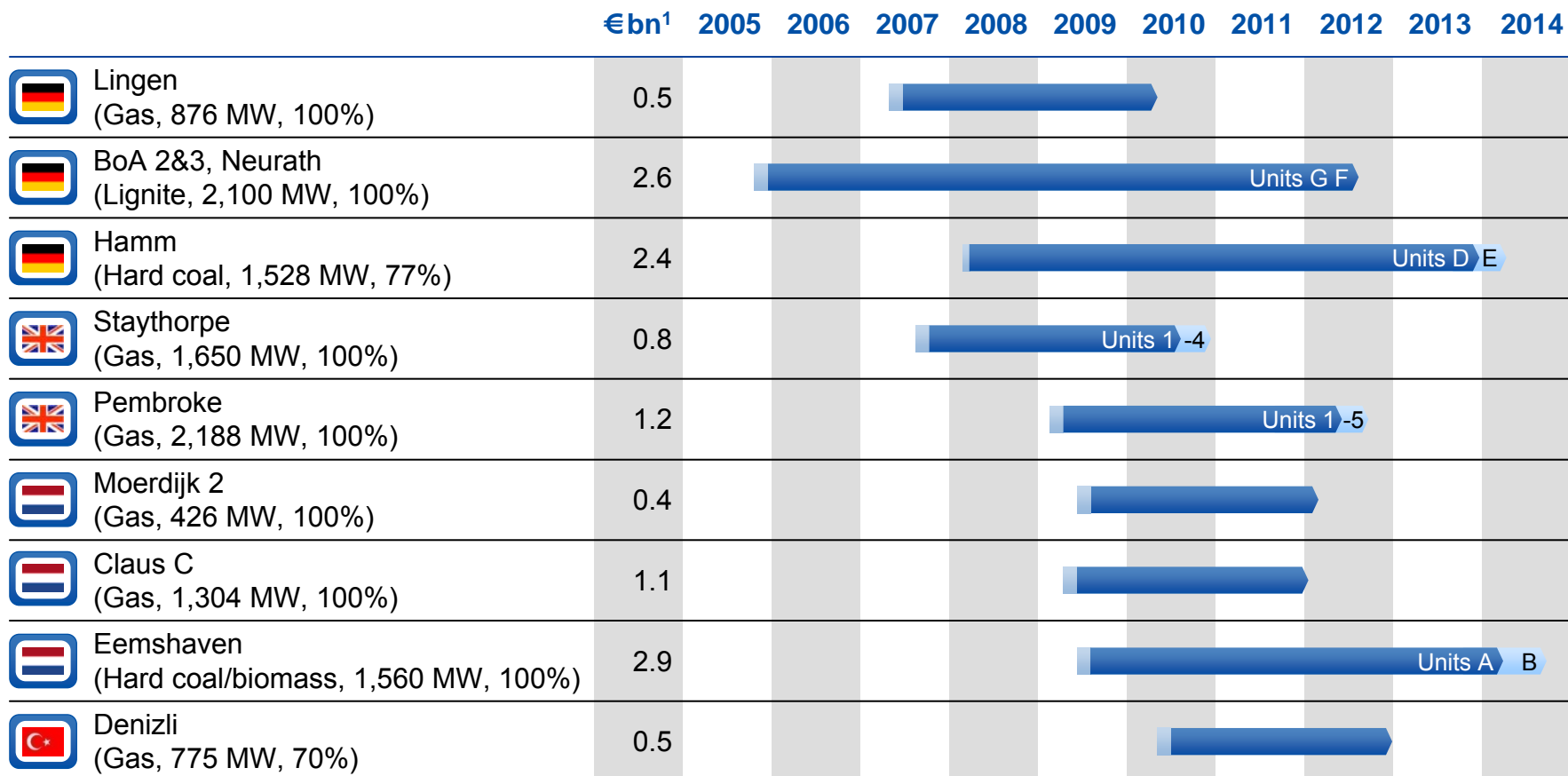
(as of 31.03.2012)



<sup>1</sup> Capital market debt = bonds of € 15.7 bn and hybrids of € 3.2 bn; split into currencies includes cross-currency swaps








<sup>2</sup> Capital market debt plus other interest rate-related positions such as commercial paper and cash; including interest and cross-currency swaps

# Conventional power plant new build programme



<sup>1</sup> Capex at 100% share

# RWE Dea's largest field developments

Production start	RWE share	Capex <sup>1</sup> (€bn)	2011	2012	2013	2014	2015	2016	2017	2018
 West Nile Delta (Egypt)	NA 40% WMDW 20%	2.8								
 Disouq (Egypt)	100% (Operator)	0.1								
 Breagh Phase 1 (GB)	70% (Operator)	0.4								
 Reggane (Algeria)	19,5%	0.4								
 Edvard Grieg (Norway) <sup>2</sup>	20%	0.7								
 Knarr (Norway) <sup>3</sup>	10%	0.2								
 NC 193 / 195 (Libya)	100% (Operator)	0.5								

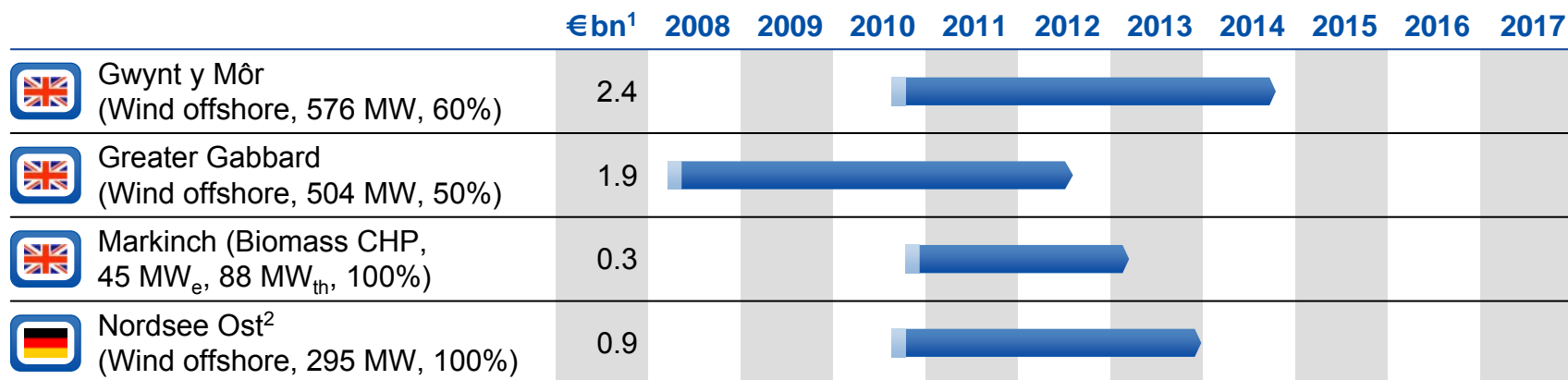
<sup>1</sup> RWE's share in capex

<sup>2</sup> Formerly "Luno"

<sup>3</sup> Formerly "Jordbær"



# RWE Innogy major projects under construction



- ▶ Capacity and earnings target for RWE Innogy until 2014 is mainly driven by 4 major projects
- ▶ Large scale projects, especially in offshore wind, play a vital role in achieving European renewable targets as growth potentials in other areas are limited
- ▶ Utilities like RWE have a competitive advantage in these large-scale projects as we can build on expert knowledge gained in our other large projects

<sup>1</sup> Capex at 100% share; UK offshore includes investment for grid connection.

<sup>2</sup> The construction schedule is currently under revision due to the delay in the offshore grid connection.

# Always be informed about RWE...

To always be up-to-date, please have a look at our website  
[www.rwe.com/ir](http://www.rwe.com/ir)

- **Calendar**

*<http://www.rwe.com/web/cms/en/110614/rwe/investor-relations/calendar/>*

- **Annual and Interim Reports**

*<http://www.rwe.com/web/cms/en/110822/rwe/investor-relations/financial-reports/>*

- **Results and Roadshow Presentations**

*<http://www.rwe.com/web/cms/en/213092/rwe/investor-relations/events-presentations/archive/>*

- **Facts & Figures - The Guide to RWE and the Utility Sector – as well as various Factbook specials**

*<http://www.rwe.com/web/cms/en/114404/rwe/investor-relations/events-presentations/factbook/>*

- **RWE as seen by analysts (overview of latest analyst earnings estimates and ratings)**

*<http://www.rwe.com/web/cms/en/109506/rwe/investor-relations/shares/rwe-as-seen-by-analysts/>*

- **RWE bonds as seen by analysts (overview of latest analyst ratings)**

*<http://www.rwe.com/web/cms/en/113984/rwe/investor-relations/bonds/credit-analysts-who-follow-rwe/>*