RWE East – Proven track record and promising growth opportunities

UniCredit Conference

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Head of Finance, RWE East

RWE
The energy to lead
RWE in CEE/SEE region:
One of the leading integrated utilities

RWE core markets

Leading positions in core markets

<table>
<thead>
<tr>
<th>Product Market*</th>
<th>Electricity</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>No. 1</td>
<td>No. 3</td>
</tr>
<tr>
<td>UK</td>
<td>No. 4</td>
<td>No. 4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>No. 2</td>
<td>No. 1</td>
</tr>
<tr>
<td>Central Eastern and South Eastern Europe</td>
<td>&gt; No. 2 in Hungary</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; No. 3 in Slovakia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; Presence in the Czech Republic</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; No. 6 in Poland</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt; Presence in Turkey</td>
<td></td>
</tr>
<tr>
<td>Total Europe</td>
<td>No. 3</td>
<td>No. 6</td>
</tr>
</tbody>
</table>

*) Market positions of the RWE Group in terms of sales.
RWE maintains strategic and regional focus - growth markets mainly CEE/SEE, especially Turkey

- RWE’s core business remains electricity and gas
- We build on our leading positions in our core markets to look for further growth
- Regional growth markets mainly CEE/SEE, especially Turkey
- Grow our renewables business in and around our traditional core markets


- 0.25/1.25
- 3.00/2.00
- 3.75/4.50
- 0.25/2.25

RWE East responsible for RWE activities in CEE/SEE region - Attractive region with established RWE presence and significant development opportunities
### RWE East contributing significantly to RWE Group

#### Share of RWE East (RWE Group as 100 %)

- **EBITDA**: € 1.1 billion
- **Operating Result**: € 0.9 billion

#### KPIs of RWE East (RWE Group as 100 %)

<table>
<thead>
<tr>
<th>KPI</th>
<th>Values as of 31.12.2010, consolidated</th>
<th>RWE East</th>
<th>East’s share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>€ bn</td>
<td>5.3</td>
<td>10 %</td>
</tr>
<tr>
<td>Investments</td>
<td>€ bn</td>
<td>0.4</td>
<td>6 %</td>
</tr>
<tr>
<td>Employees</td>
<td>ths</td>
<td>10.6</td>
<td>15 %</td>
</tr>
<tr>
<td>Capacity (electricity)</td>
<td>GW</td>
<td>1.0</td>
<td>2 %</td>
</tr>
<tr>
<td>Production (electricity)</td>
<td>TWh</td>
<td>6</td>
<td>3 %</td>
</tr>
<tr>
<td>Sales (electricity)</td>
<td>TWh</td>
<td>25</td>
<td>8 %</td>
</tr>
<tr>
<td>Customers (electricity)</td>
<td>million</td>
<td>3</td>
<td>19 %</td>
</tr>
<tr>
<td>Sales (gas)</td>
<td>TWh</td>
<td>74</td>
<td>19 %</td>
</tr>
<tr>
<td>Customers (gas)</td>
<td>million</td>
<td>2</td>
<td>29 %</td>
</tr>
</tbody>
</table>
RWE East regional companies have a positive track record and achieved high profitability in all countries.

**Operating result development (€ million)**

- Share 2010:
  - Slovakia: 4%
  - Poland: 8%
  - Hungary: 30%
  - Czech Republic: 58%

- + 21% p.a.

**Key value drivers**

- **Distribution:**
  - regulatory management
  - O&M costs
  - asset management

- **Sales:**
  - margins
  - customer base
  - operational costs

Notes:

- Numbers post 2006 do not include midstream gas business (allocated to RWE Supply & Trading).
RWE East proved successful business model in CEE/SEE regional companies

**Corporate culture**
- Turning state owned monopolies into competitive players
- Living responsibility for our people (career development and work safety)
- Creating transparency

**Organic growth**
- Regulatory acknowledged asset investments to ensure sustainable and reliable energy supply
- Sales growth into the “2nd commodity” and new regional markets

**Streamlined organization/processes**
- Restructuring the organization (focused, leaner, faster)
- Enabling best practice transfer within RWE Group
- Implementing efficient IT infrastructure

**Key success factors**
- Cost optimization and cost control
- Optimized structure of personal
- Focus on procurement

- Regulatory acknowledged asset investments to ensure sustainable and reliable energy supply
- Sales growth into the “2nd commodity” and new regional markets
- Cost optimization and cost control
- Optimized structure of personal
- Focus on procurement
Turkey becomes important pillar of RWE East with ambitious growth targets

Current projects in Turkey

> CCGT Denizli
  - Under construction with JV partner Turcas (30% share, RWE holds 70% majority)
  - Installed capacity 775 MW
  - Investment cost € 500 million
  - Connected to the grid by the end of 2012

> Organic sales growth (electricity)
  - Market entry into downstream in 2011

> Further value added growth considered
  - Hydro power plants
  - Other electricity generation opportunities
  - Bolt on acquisitions
RWE East businesses along the value chain – significant part regulated

<table>
<thead>
<tr>
<th>Generation (electricity)</th>
<th>Storage (gas)</th>
<th>Transmission</th>
<th>Distribution</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>(1)</td>
<td>(3)</td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td>Hungary</td>
<td>(1)</td>
<td>(2)</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Poland</td>
<td>(1)</td>
<td>(2)</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Slovakia</td>
<td>(1)</td>
<td>(2)</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Croatia</td>
<td></td>
<td>(2)</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Turkey</td>
<td>(3)</td>
<td>(2)</td>
<td></td>
<td>(2)</td>
</tr>
</tbody>
</table>

Regulated business counts for 53% of RWE East operating results.

(1) Smaller generation units
(2) Start up positions
(3) To be connected to the grid by the end of 2012
(4) Retail partially regulated (Hungary - households, SMEs and public institutions; Poland - households; Slovakia – households, CR - control due to superdominant position)
Stable grid business creating more than half of RWE East profit

€ 0.9 bn

Existing main businesses

<table>
<thead>
<tr>
<th></th>
<th>CR</th>
<th>HU</th>
<th>PL</th>
<th>SK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributed volume</td>
<td>79 TWh</td>
<td>15/49* TWh</td>
<td>7 TWh</td>
<td>4 TWh*</td>
</tr>
<tr>
<td>Position in country</td>
<td>1</td>
<td>2/1*</td>
<td>6</td>
<td>3*</td>
</tr>
<tr>
<td>Commodity</td>
<td>gas</td>
<td>el/gas</td>
<td>el</td>
<td>el</td>
</tr>
</tbody>
</table>

Chances and risks

+ Stable business
+ Increasing need for investment
+ Development of technology (smart grid)
- Regulatory risk of tightening framework in some countries

Strategic directions - Existing businesses

> Manage regulatory risk
> Focus on cost optimization in asset service

Strategic directions - Value added growth

> Bolt on acquisitions

Note: Figures 2010
In grid, regulatory management as key success factor of existing business

Overview of regulatory periods

<table>
<thead>
<tr>
<th>Year</th>
<th>SK 3rd period</th>
<th>SK 4th period</th>
<th>PL 3rd period</th>
<th>PL 4th period</th>
<th>HU 4th period</th>
<th>HU 5th period</th>
<th>CZ 3rd period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td></td>
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<td>2011</td>
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<td>2012</td>
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<td>2013</td>
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<td>2014</td>
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<td>2015</td>
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<td>2016</td>
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<td>2017</td>
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</tr>
</tbody>
</table>

Key features of regulation in CEE

- Overlapping national regulatory periods generally stabilize the EBIT from network activities of RWE East
- Regulatory regimes in CEE are not harmonized, differences also contribute to stability of operating results
- In some countries also part of supply still regulated, in general trend towards full liberalization followed in CEE, creating further opportunities
In sales, profitable existing business to be defended, growth in second commodities and new markets

Existing main businesses

<table>
<thead>
<tr>
<th></th>
<th>CR</th>
<th>HU</th>
<th>PL</th>
<th>SK</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of customers</td>
<td>2.0 m</td>
<td>2.1 m/2.1 m*</td>
<td>0.9 m</td>
<td>0.6 m*/&lt;0.1 m</td>
</tr>
<tr>
<td>Market share</td>
<td>50%</td>
<td>32%/38%*</td>
<td>5%</td>
<td>14%*/18%</td>
</tr>
<tr>
<td>Commodity</td>
<td>gas</td>
<td>el/gas</td>
<td>el</td>
<td>el/gas</td>
</tr>
</tbody>
</table>

Chances and risks

- Pressure by increasing competition & gas-to-oil spread on existing gas businesses
- Ongoing liberalization opens access to new regions / products

Strategic directions - Existing businesses

> Defend existing profitable positions
  - Retention activities
  - Cost efficiency in serving customers

Strategic directions - Value added growth

> Grow in 2nd commodity from existing positions
  - success in SK (gas)
  - start up in CR (electricity)
  - considerations in PL (gas)

> Grow in new regions
  - organic sales growth in RO and TR (both electricity)

Note: Figures 2010, for CR current status (H1 2011) due to significant development
In generation, significant growth to be delivered with focus on Turkey and Poland

**Existing main businesses**

<table>
<thead>
<tr>
<th></th>
<th>HU</th>
<th>HR (Croatia)(1)</th>
<th>TR(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installed capacity</td>
<td>951 MW</td>
<td>210 MW</td>
<td>775 MW</td>
</tr>
<tr>
<td>Market share</td>
<td>15%</td>
<td>5%</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Chances and risks**

+ Plant sites available for new builds
+ Substantial capacity needs
+ Growth in renewables and decentralized generation
  - Tighter CO₂ emission regime (across EU)

**Strategic directions - Existing businesses**

> Adapt lignite power plants in Hungary
> Finalize CCGT power plant in Turkey in time and budget

**Strategic directions - Value added growth**

> Build flexible/CO₂ light positions synergetic to existing business
> Consider Hydro power position in Turkey
> Consider gas-fired power position, eg. in Poland
> Further develop renewables (jointly with RWE Innogy)

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(1) Non-consolidated
(2) To be connected to the grid by the end of 2012

Note: Figures 2010, except for Turkey

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In storage, main focus on optimizing strong existing position in Czech Republic

### Existing main businesses

<table>
<thead>
<tr>
<th>CR</th>
<th>2.5 bcm</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>77%</td>
</tr>
<tr>
<td>CR</td>
<td>28/38 mcm/day</td>
</tr>
</tbody>
</table>

### Strategic directions - Existing businesses

- Extension of capacity concluded
- Focus on optimization of operation

### Strategic directions - Value added growth

- Develop further investment options for possible later realization (depending on regulation and price signals)

### Chances and risks

- Increasing number of shippers
- Increase of flexibility needs in the mid- and long run
  - Low seasonal summer-winter spreads
  - Competition of gas storage projects
- 460 m€
- 252 m€
- 89 m€
- 79 m€
Beside cash and CAPEX constrains RWE is willing to invest in its CEE/SEE growth region.

Implementing its investment strategy, RWE East will…

- Improve reliable supply of energy mainly by investments into existing grid businesses
- Grow within the CEE/SEE region by significantly investing in growth projects (Organic and bolt on acquisitions)
- Significantly improve earnings thanks to contribution of growth projects

<table>
<thead>
<tr>
<th>Investments per year</th>
<th>2010</th>
<th>2011</th>
<th>2012-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth projects</td>
<td>~€ 300 m investment in generation in Turkey</td>
<td>~€ 500 m investments focus on Poland and Turkey</td>
<td></td>
</tr>
<tr>
<td>Existing businesses</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(€ million)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Stable investment into existing businesses