

# RWE – A Sustainable Investment

Company Presentation  
Summer 2011

# News from 2010

- > RWE is one of the first companies in the DAX to link executive board remuneration directly to the achievement of sustainability goals.
- > Concrete CR targets for 2011 – 2013 have been defined
- > In 2010, specific CO<sub>2</sub> emissions improved by 8%
- > Share of renewables in generation increased by 14%
- > Our power plant modernization and replacement programme is on the home stretch. In 2010, we managed to complete the first two large-scale facilities: our combined-cycle gas turbine power plants in Lingen and at Staythorpe. Their efficiency of nearly 60% makes them technologically world class.

# Our corporate responsibility (CR) strategy: Ten areas of action (I)

Area for action	We are committed	KPIs	Target	Status: 31 Dec 2010
Climate protection	... to significantly reducing the CO <sub>2</sub> intensity of our generation portfolio. Our goal is to use physical and financial measures to lower our CO <sub>2</sub> exposure to the average level of competitors in our markets no later than 2020.	CO <sub>2</sub> emissions after allowing for CERs from CDM/JI and savings from portfolio optimisation in metric tons per megawatt hour of electricity generated (mt CO <sub>2</sub> /MWh)	Customary emission factor in 2020: (0.45 mt CO <sub>2</sub> /MWh based on what we know today)	Specific emission factor in 2010 (without CDM/JI): 0.732 mt CO <sub>2</sub> /MWh
Energy efficiency	... to increasing both our own energy efficiency and that of our customers.	Increase in energy efficiency in %	<ul style="list-style-type: none"> <li>&gt; RWE real estate: 5% by 2014<sup>1)</sup></li> <li>&gt; RWE fleet of vehicles: 20% by 2012<sup>1)</sup></li> <li>&gt; RWE customer projects: 8% by 2012<sup>2)</sup></li> <li>&gt; RWE power plants: 11% by 2013<sup>2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>&gt; 19% reduction in specific fuel consumption</li> <li>&gt; 17% energy savings from modernising buildings</li> <li>&gt; 8.3% energy savings in households</li> </ul>
Innovations	... to ensuring the availability of the best solutions for our purposes in our core processes through innovations.	Degree of coverage and communication of strategically relevant R&D questions	> min. 95% coverage	> R&D projects all along the value chain

1) Applies only to companies based in Germany.

2) Applies only to companies based in Germany and the UK. RWE organises contests for customers (residential, commercial and industrial), municipalities and the public and provides them with advice and assistance with a view to improving energy efficiency. Some of these activities are evaluated to determine how beneficial they are in terms of saving money and the climate. Energy savings are calculated on the basis of a before-and-after comparison.

# Our CR strategy: Ten areas of action (II)

Area for action	We are committed	KPIs	Target	Status 31 Dec 2010
Security of supply	<p>... to ensuring system security across our transmission grids at all times.</p> <p>... to supplying our customers with the energy they need at all times.</p>	<p>&gt; (n-1) criterion<sup>1)</sup> for electricity transmission</p> <p>&gt; System Availability Interruption Duration Indicator (SAIDI) in minutes per year and customer</p>	<p>&gt; Compliance with the (n-1) criterion<sup>2)</sup></p> <p>&gt; SAIDI &lt; 25 minutes<sup>2)</sup></p>	<p>&gt; Power transmission grid 100% available</p> <p>&gt; SAIDI (2009)<sup>2),3)</sup>: 20.4 min per customer per year</p>
Supply chain	<p>... to avoiding reputational risks by making compliance with internationally recognised social and environmental standards an integral part of our supply contracts.</p>	<p>Supplier management coverage in all procurement areas in %</p>	<p>&gt; 95% of the procurement volume</p>	<p>&gt; Terms and conditions for health and safety and environmental protection in place</p> <p>&gt; Counter party risk assessments conducted for hard coal suppliers</p> <p>&gt; Biomass policy in preparation</p>
Pricing and marketplace	<p>... to having satisfied and hence loyal customers.</p>	<p>Customer Loyalty Index<sup>4)</sup></p>	<p>&gt; Customer Loyalty Index score of at least 73 by 2013</p>	<p>&gt; Customer Loyalty Index score of 71</p>

- 1) Meeting the n-1 criterion ensures that the fault-induced outage of a major network component (such as a line, transformer or generator) does not cause the entire network to fail.
- 2) Applies only to companies based in Germany.
- 3) The data for the year 2010 will only be available in 08/2011.
- 4) The Customer Loyalty Index is based on surveys conducted among business and residential customers who are asked to score RWE on a scale of 0 to 100 points. Satisfaction is rated low for scores of 70 or less, moderate for scores of 70 to 79 and high for scores of 80 and over.

# Our CR strategy: Ten areas of action (III)

Area for action	We are committed	KPIs	Target	Status 31 Dec 2010
Demographic change	... to ensuring the long-term availability of sufficient numbers of suitably qualified personnel.	> Demography Index <sup>1)</sup>	> Demography Index score of at least 84	> Demography Index score of 83.8
Occupational health and safety	... to ensuring that all our own and our sub-contractors' employees return home just as healthy at the end of the day as they were when they arrived for work.  ...to maintaining our employees' productivity.	> Number of accidents leading to the loss of at least one person day per million working hours (LTIF: X/1,000,000 h) <sup>2)</sup>  > Access to the Work Ability Index <sup>3)</sup> (WAI) in %	> LTIF: max. 2.5 in 2013 > Most employees of companies based in Germany have access to some means of measuring their personal WAI.	> LTIF: max. 3.5 > WAI introduced in Germany
Environmental protection	... to operating our plants safely at all times and in compliance with licensing regulations.  ... to implementing our environmental management system permanently at 100% in order to supervise the safe operation of our plants and networks in compliance with statutory regulations	> Compliance with licensing requirements in %  > Group-wide environmental management coverage in %	> 100% compliance > 100% coverage	> No significant deviations from licensing regulations  > Environmental management system covers 98% of operations
Community engagement	... to strengthening our regional reputation by making efficient use of resources.	Reputation Index	> Best reputation in our peer group	> Best reputation in our peer group

1) The Demography Index (DEX) measures the age structure of the RWE workforce. The DEX is based on the percentage of employees aged under 30 and over 55, the age coefficient, average age and age variance among our employers. The higher the DEX rating, the more evenly distributed the age groups in the companies in the Group. There is a maximum score of 100.

2) Excluding employees of third-party companies.

3) The Work Ability Index is a standardised yardstick that reveals the degree to which an employee is capable of doing his or her work, determined on the basis of individual skills and work conditions.

# ESG and financial data at RWE Group

Financial				
		2010	2009	2008
External revenue	€million	53,320	47,741	48,950
EBITDA	€million	10,256	9,165	8,773
Operating result	€million	7,681	7,090	6,826
Recurrent net income	€million	3,752	3,532	3,367

Environmental				
		2010	2009	2008
Specific CO <sub>2</sub> emissions	mt/MWh	0.732	0.796	0.768
Share of renewables <sup>1)</sup>	%	4.0	3.5	2.4
Net water consumption <sup>2)</sup>	m <sup>3</sup> /MWh	1.41	1.70	1.49

- 1) Share of Group's electricity production accounted for by renewables  
 2) Difference between power plant water withdrawals and returns to rivers and other surface waters; excluding power plants with sea water cooling.

Social				
		2010	2009	2008
Employees	FTEs	70,856	70,726	65,908
Lost-time incident frequency <sup>3)</sup>	LTIF	3.5	4.3	5.3
Share of women in executive positions	%	10.8	9.0	8.9

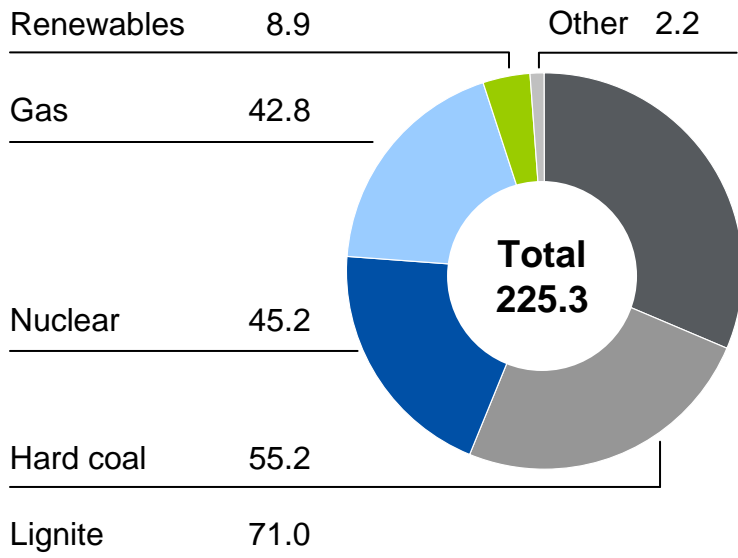
Governance				
		2010	2009	2008
Share of RWE Group revenue earned in countries with high or very high risk of corruption <sup>4)</sup>	%	12.0	12.7	12.9
- UN Global Compact member since 2004 - RWE Code of Conduct assured by compliance audits - No contributions to political parties				

- 3) Sum of all accidents for every million hours worked. Excluding employees of third-party companies.

- 4) Countries rated lower than six on a scale of zero to ten in the Corruption Perception Index by Transparency International, with ten corresponding to the lowest risk of corruption.

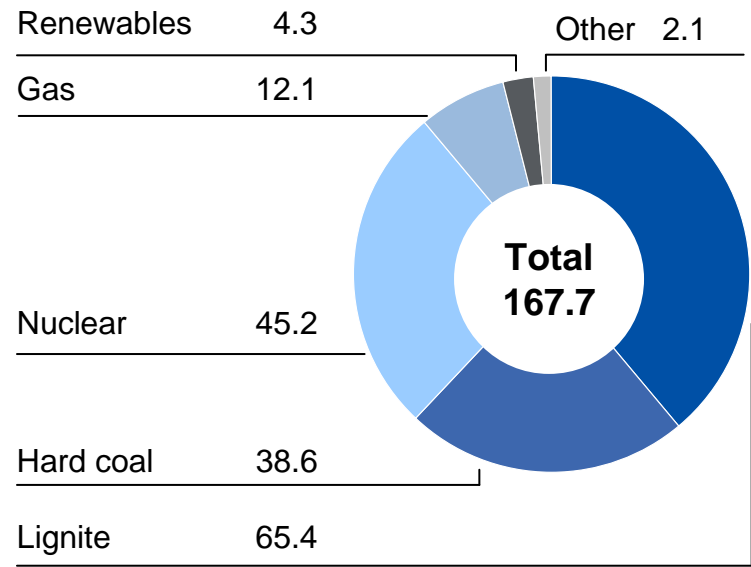
# RWE: A leading European power generator using a broad mix of energy sources

**RWE Group:**  
Power produced in 2010<sup>1)</sup> in TWh



164.9 million tonnes of CO<sub>2</sub> emissions in 2010

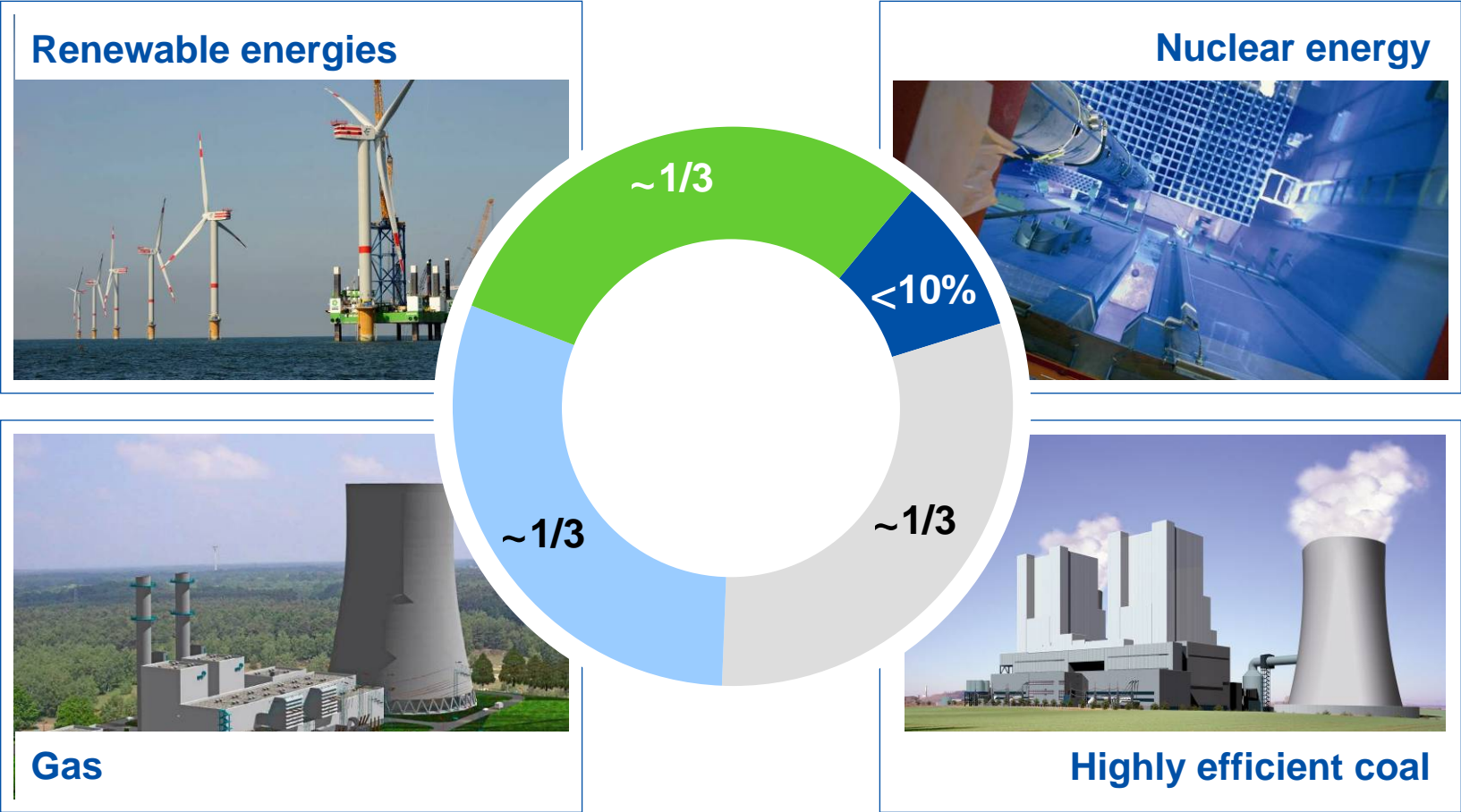
**Germany (country):**  
Power produced in 2010<sup>1)</sup> in TWh



130.6 million tonnes of CO<sub>2</sub> emissions in 2010

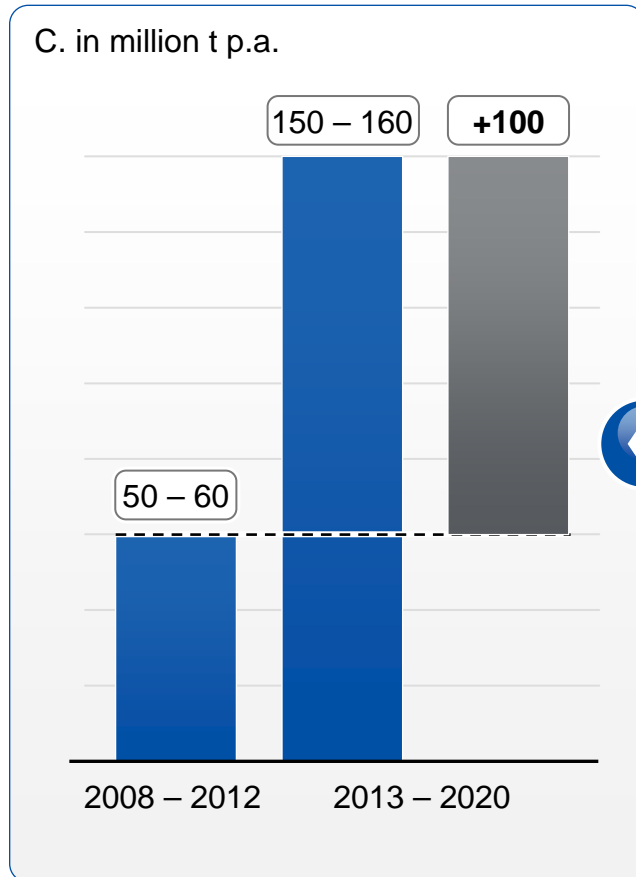
1) Including electricity procured from power plants not owned by RWE that we can deploy at our own discretion on the basis of long-term agreements, totalling 25.6 TWh, of which 23.4 TWh was generated from hard coal.

# Prepared for post-Kyoto: Two thirds of our generation portfolio are set to be “zero or low carbon” by 2025



# Our strategy to reduce the financial impact of CO<sub>2</sub>

## Certificates to be purchased



## Mitigating factors

### Organic growth

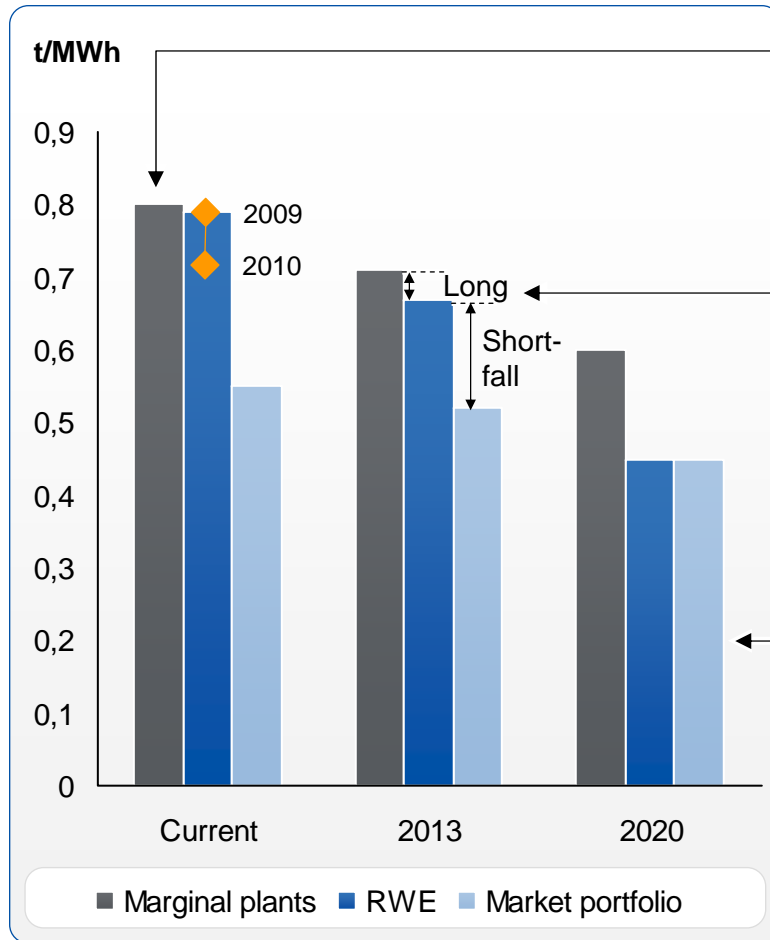
- > Commissioning of new build projects (bulk before or in 2013)
- > Increase in profits from renewable energies
- > Increase in profits from upstream gas & oil
- > Stable contribution from retail and grid business

CO<sub>2</sub> reduction in own plants, CDM/JI

Portfolio measures like asset swaps or long-term electricity generation products

Increased efficiency programme 2012

# Compared to the marginal plant RWE's portfolio is already today financially slightly long CO<sub>2</sub>



## Pass-through factor

- > Factor by which CO<sub>2</sub> price is reflected in power price
- > Set by marginal plants which on average have a higher emission factor than the market portfolio

## RWE specific emission factor

- > RWE's portfolio is financially long CO<sub>2</sub>
- > Target to compensate shortfall to market portfolio via financial measures

## Market average emission factor

- > Emissions factor of total market portfolio

# Physical measures: New-build projects can reduce our CO<sub>2</sub> exposure significantly

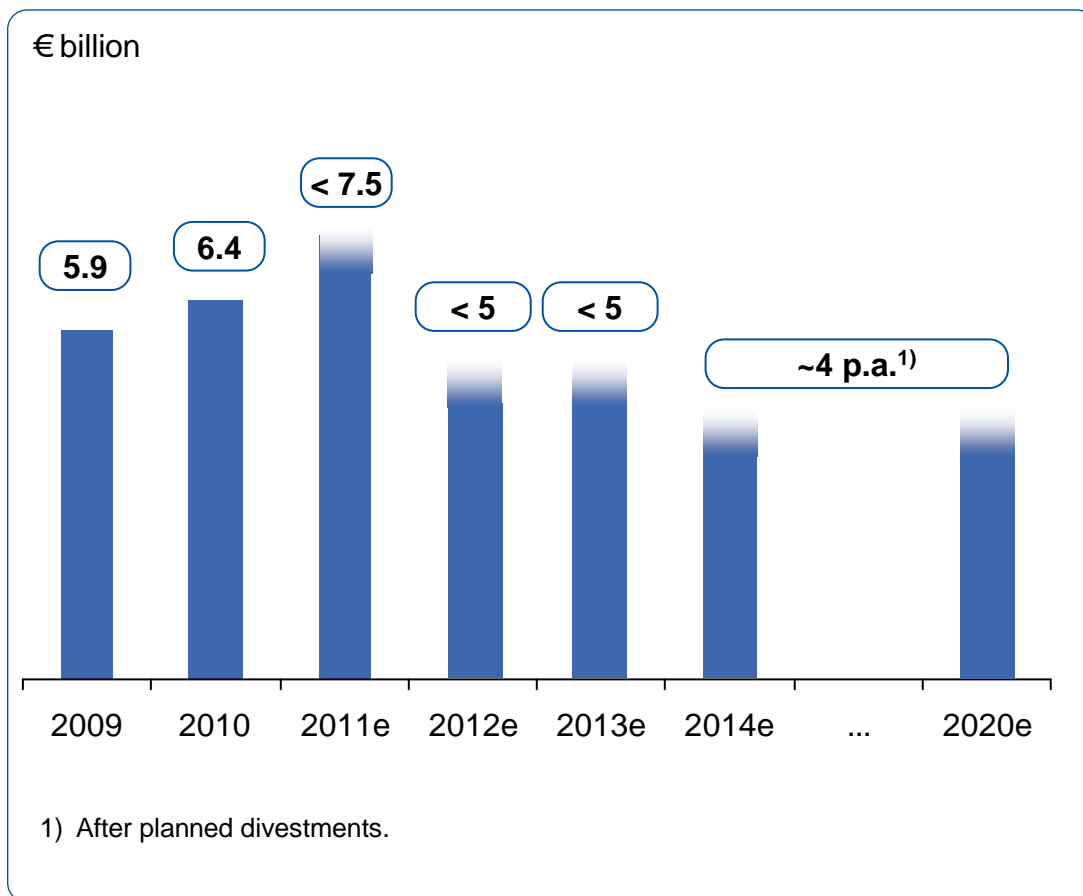
New-build projects			Shutdowns / load factor reductions			CO <sub>2</sub> reduction	
						Relative	Absolute
Lingen	876 MW	0.34t/MWh	Fossil mix	4 TWh	0.75t/MWh	-0.41 t/MWh	-2 m t p.a.
BoA Neurath	2,100 MW	0.95t/MWh	Lignite	2,160 MW	1.35t/MWh	-0.40 t/MWh	-6 m t p.a.
Hamm	1,528 MW	0.74t/MWh	Fossil mix	10 TWh	0.75t/MWh	>0 t/MWh	>0 m t p.a.
Staythorpe	1,650 MW	0.35t/MWh	Fossil mix	8 TWh	0.75t/MWh	-0.40 t/MWh	-3 m t p.a.
Pembroke	2,188 MW	0.34t/MWh	Fossil mix	10 TWh	0.75t/MWh	-0.41 t/MWh	-4 m t p.a.
Moerdijk	426 MW	0.35t/MWh	Fossil mix	2 TWh	0.75t/MWh	-0.40 t/MWh	-1 m t p.a.
Claus C	1,304 MW	0.35t/MWh	Fossil mix	6 TWh	0.75t/MWh	-0.40 t/MWh	-2 m t p.a.
Eemshaven	1,560 MW	0.59t/MWh <sup>1)</sup>	Fossil mix	11 TWh	0.75t/MWh	-0.16 t/MWh	-2 m t p.a.
Renewables	2,000 MW	0.00t/MWh	Fossil mix	7 TWh	0.75t/MWh	-0.75 t/MWh	-5 m t p.a.
<b>Total CO<sub>2</sub> emissions reduction</b>							<b>-25 m t p.a.</b>

1) Assumes 20% biomass co-firing



Including the gas-fired power stations commissioned in 2010 (Lingen / Staythorpe), our new plants may save an estimated 25 million metric tons of CO<sub>2</sub> emissions – each and every year! This is a quarter of the total emissions produced by cars in Germany.

# Capex programme: limited flexibility short-term – focused growth mid- to long-term



- > Peak of investment programme in 2011
- > Reduced capex to less than € 5 bn by 2013

Finalising huge conventional power generation programme mainly in 2012 and 2013

- > Sustainable long-term capex level of c. € 4 bn p.a. of which day-to-day capex c. € 2 bn p.a.
  - > Committed capex (including day-to-day, approx.):
- | Year            | 2012 | 2013 | 2014 | 2015 |
|-----------------|------|------|------|------|
| Committed capex | 90%  | 70%  | 60%  | 50%  |

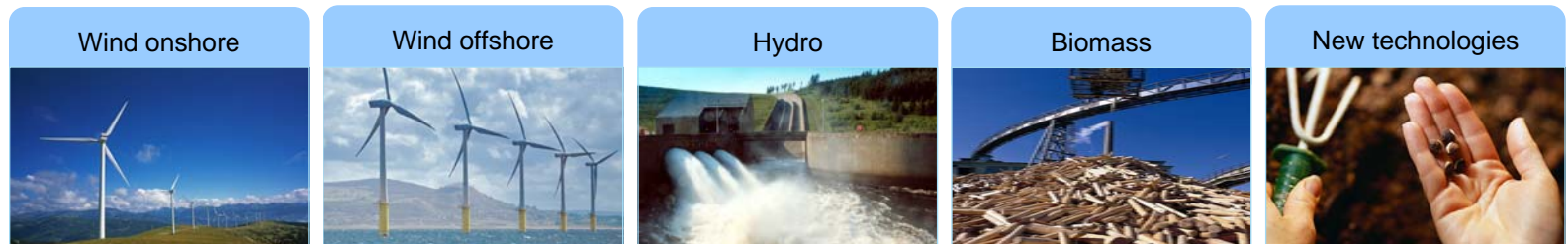
# Focus on wind, hydro and biomass while also supporting new technologies

## RWE Innogy

### Overview

- > Established in February 2008
- > Bundling renewables activities and competencies across RWE Group
  - Focus on capacity growth in commercially mature renewable technologies, i.e. wind, biomass and hydro
  - Research & Development and Venture Capital to drive the development of emerging technologies, e.g. solar, geothermal, marine
- > European focus
- > Asset portfolio of 2.4GW in operation and 1.1GW under construction mainly located in United Kingdom, Germany, Spain, Netherlands, Italy, France and Poland (Accounting view + PPA as of 31 March 2011)
- > Project pipeline of 17.6GW consisting mainly of wind, hydro and biomass (Accounting view + PPA as of 31 March 2011)

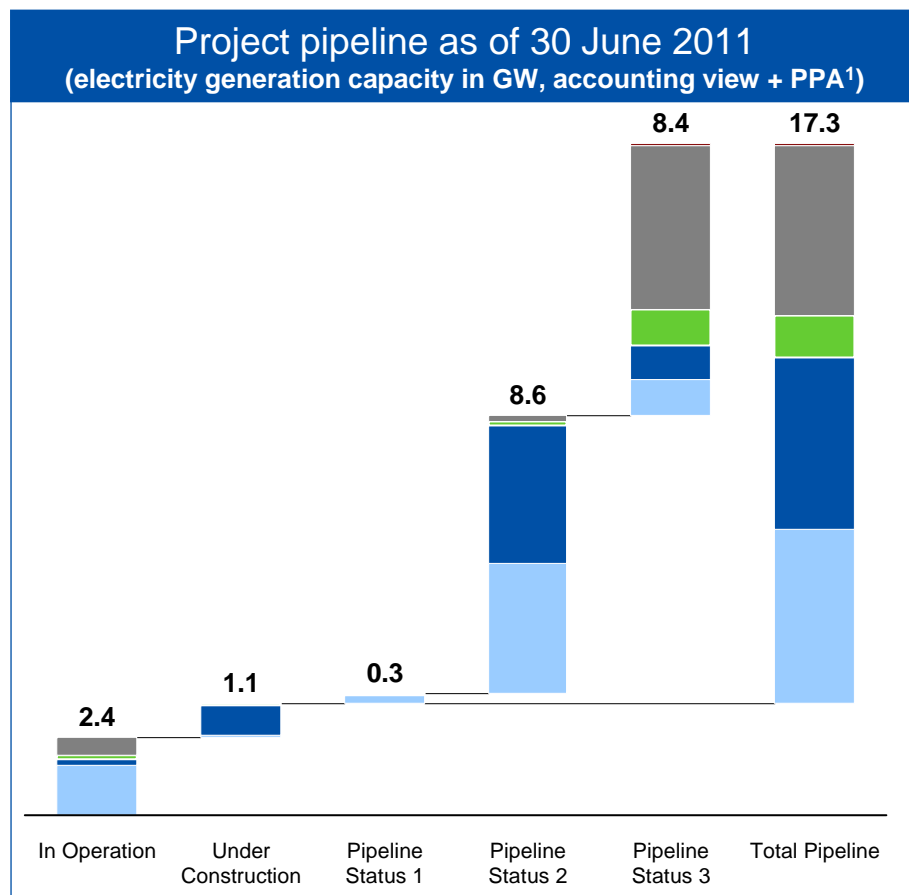
### Business Area



### Focus and Strategy

<p>Key technology for capacity growth</p> <p>Focus on organic growth</p> <p>Focus markets include Germany, UK, Spain, Italy, Netherlands, France and Central- and South-Eastern Europe</p>	<p>Key technology for capacity growth</p> <p>Organic growth strategy leveraging strong position in UK</p> <p>Focus markets include UK, Germany and Netherlands</p>	<p>Run-of-river projects and storage plants</p> <p>Development of hydro power projects</p> <p>Focus areas are Central- and South-Eastern Europe and Turkey</p>	<p>Development of biomass plants (&gt; 5 MW)</p> <p>Regional focus on RWE core markets and Central- and South-Eastern Europe</p>	<p>Driving innovative renewable technologies to commercial applications through Venture Capital, Demonstration plants and R&amp;D</p>
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# RWE Innogy's basis for organic growth: Our project pipeline

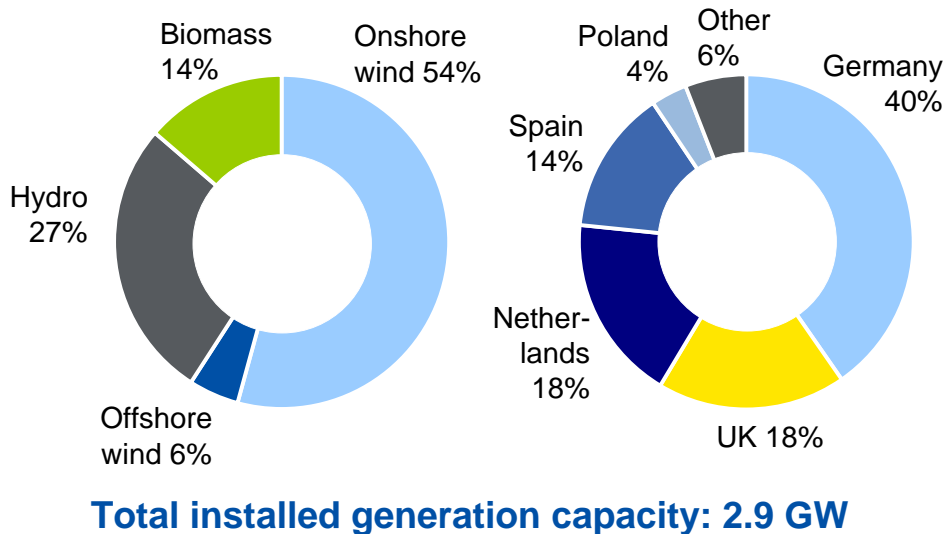


- > Total pipeline with projects until 2020 amounts to **17.3 GW<sub>el</sub>**
- > Strongly geared towards **hydro** (30%), **onshore** (31%) and **offshore wind** (30%)
- > We are concentrating on technologies which promise to become largely independent of subsidies in the foreseeable future

1) For pipeline projects no power purchase agreement (PPA) is assumed. Pipeline projects with <50% ownership of RWE Innogy are consolidated to 0 MW, pipeline projects with 50% ownership are consolidated to 50% of capacity, and pipeline projects with >50% ownership are consolidated to 100% of capacity.

# Renewable energy in RWE Group today: A leading renewables generation position in Europe

RWE Group renewable energy capacity in operation by technology and country  
(Accounting view<sup>1</sup> + PPA, as of December 31, 2010)



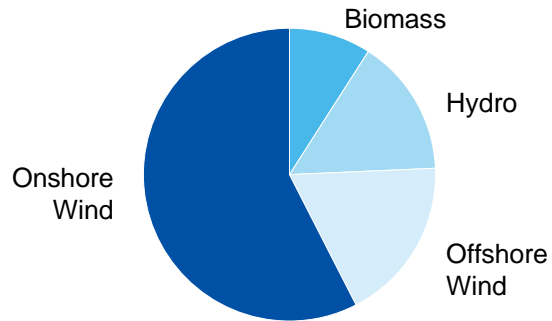
- > 2.9 GW operational renewables assets (end 2010) account for roughly
  - 6% of the Group's power generation capacity and
  - 4% of electricity production
- > The vast majority of 2.3 GW is operated by RWE Innogy, in which RWE pooled its renewable energy activities
- > Further 1.1 GW are currently under construction (mainly offshore wind farms).
- > Total project pipeline amounts to 17.6 GW

1) Pipeline projects with <50% ownership of RWE Innogy are consolidated to 0 MW, pipeline projects with 50% ownership are consolidated to 50% of capacity, and pipeline projects with >50% ownership are consolidated to 100% of capacity.

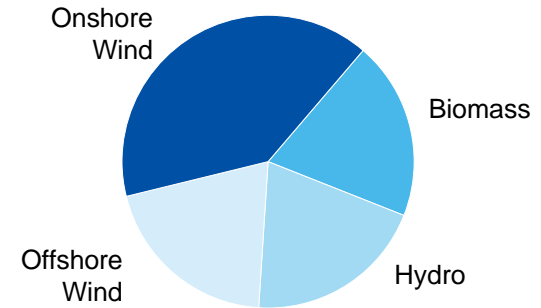
# Risk diversification across technologies, regions and support mechanisms

RWE Innogy target portfolio (2014) by ...

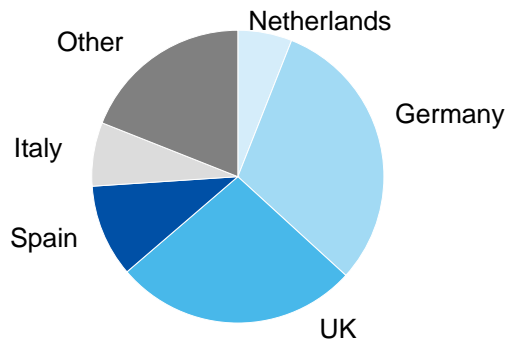
... generation capacity



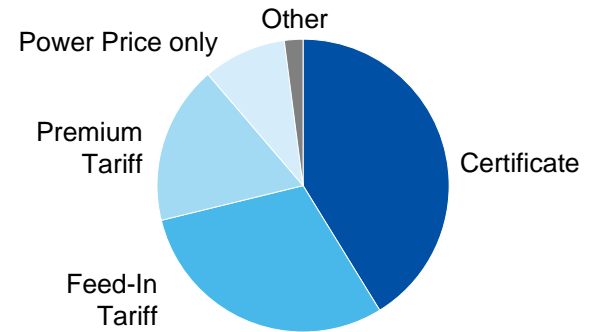
... electricity generation



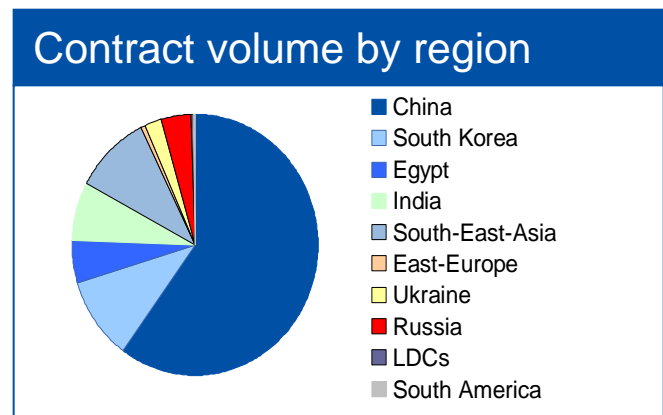
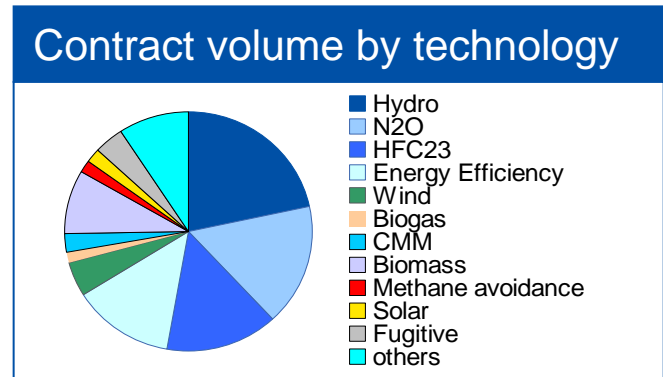
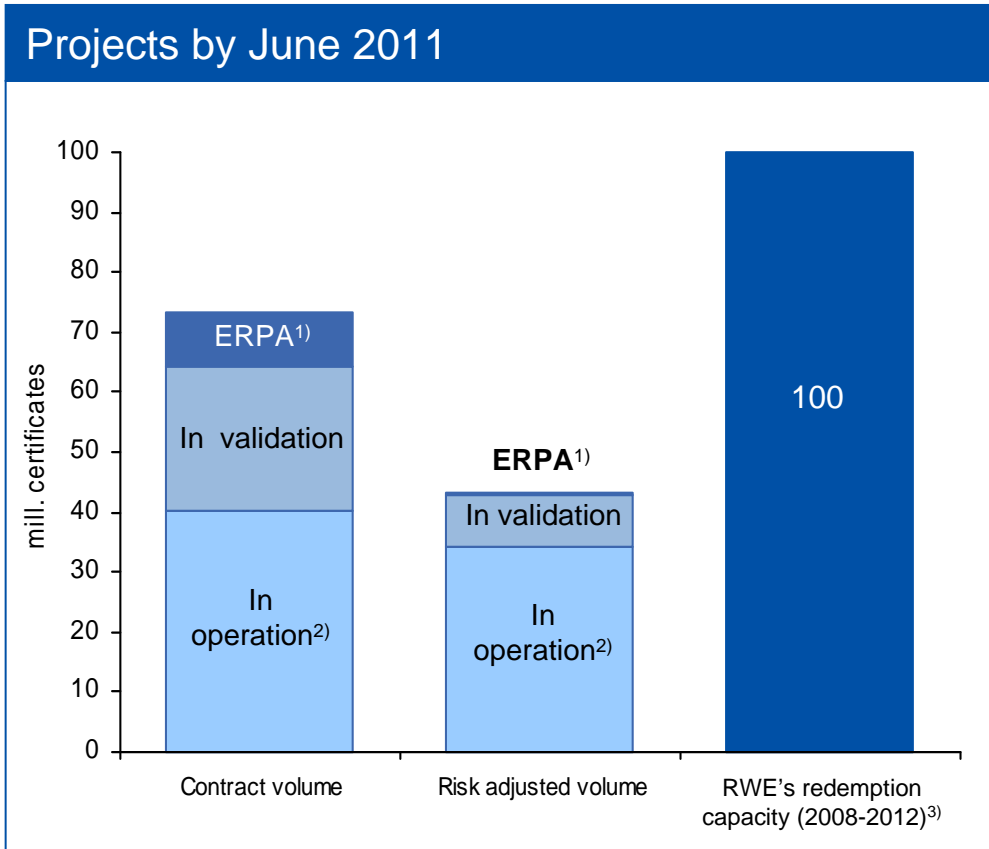
... country (electricity generation)



... support mechanism (electricity generation)



# RWE's current Kyoto credit portfolio



1) ERPA: Emission reduction purchase agreement

2) In Operation: All projects which have already issued certificates

3) Latest EU-directive for certificates implies no additional redemption capacity for RWE Power concerning the years 2013 til 2020, but usage of certificates is still enabled post 2012

# Increasing energy efficiency – three examples

## “5,000 Town Halls” project

- > RWE assists municipalities in its German sales regions by bearing the costs of analyzing their energy consumption in these properties.
- > Our aim is to encourage municipalities to modernize their town halls and other public buildings to make them more efficient.
- > Similar measures for hospitals and other communal facilities are already being planned.
- > RWE also wants to help reduce the amount of electricity consumed for street-lighting by accelerating the switch to more efficient fluorescent-tube streetlights.

## Smart metering

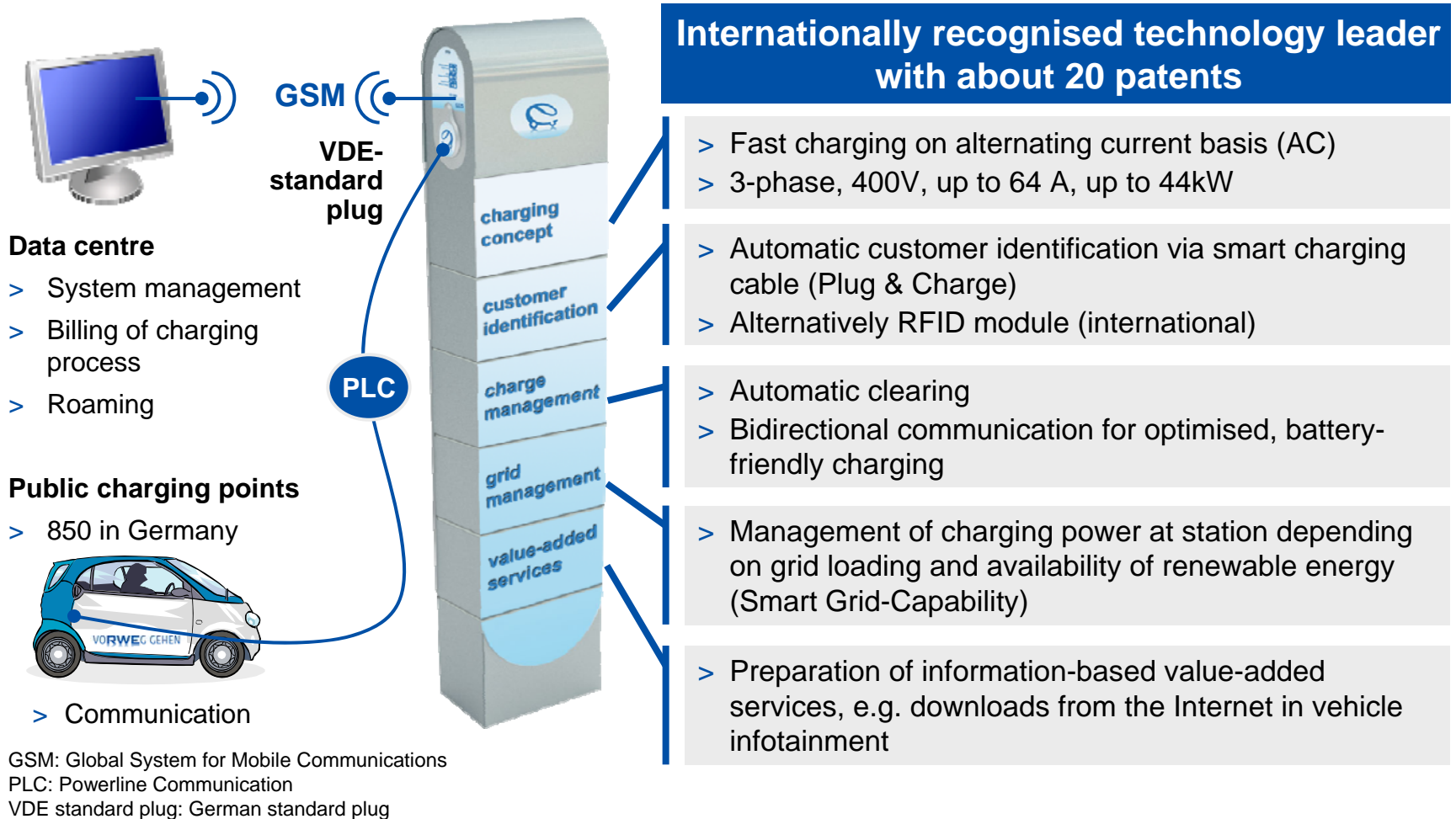
- > Pilot scheme in Mülheim (Germany) started in July 1, 2008
- > More than 100,000 smart meters to be installed by 2011
- > More transparency for the customer and more potential to save energy

## Energy consultancy

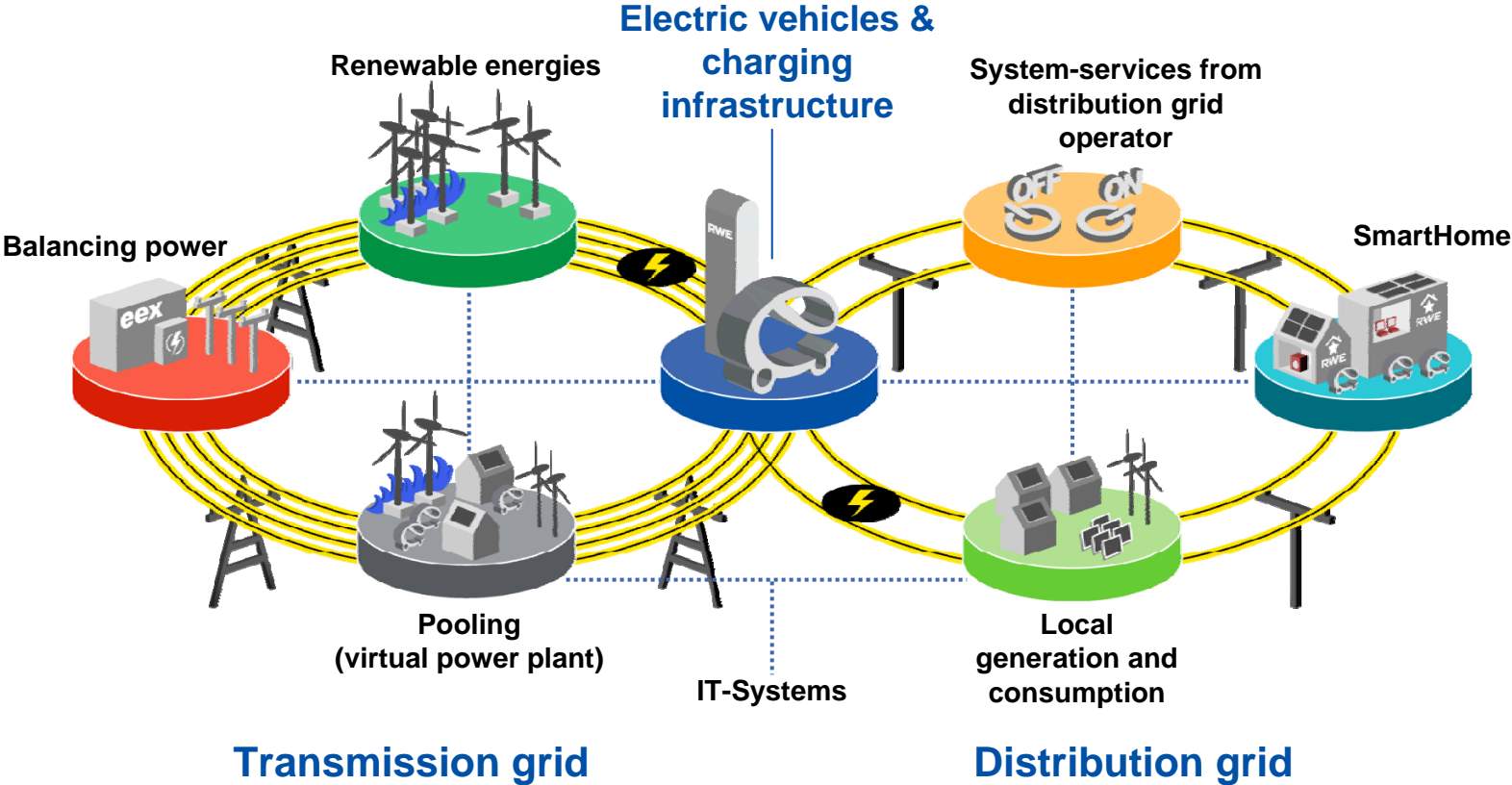
- > RWE supports and advises customers in both Germany and the UK to reduce their energy consumption. RWE has set up a German internet portal at [www.energiewelt.de](http://www.energiewelt.de) providing information of all aspects of energy saving.

# Smart and mass-market capable charging infrastructure system developed

## OVERVIEW OF THE RWE E-MOBILITY TECHNOLOGY CONCEPT



# Our vision: E-mobility to play a vital role in the smart grid of the future

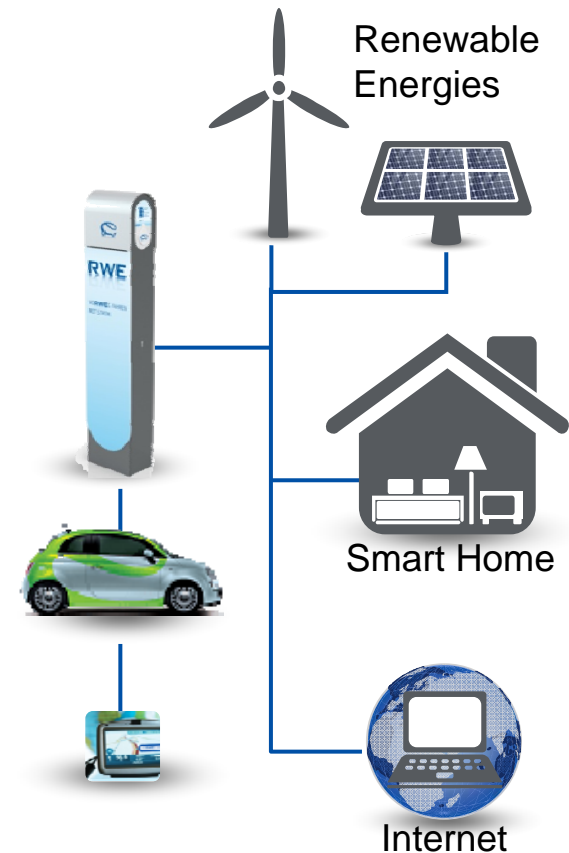


E-mobility as a key building block in an intelligent energy system of the future.

# RWE is preparing the future today: E-mobility, renewable energies and add-on services

## INTELLIGENT INFRASTRUCTURE FOR FUTURE SERVICES ALREADY IN DEVELOPMENT

- > Intelligent control as prerequisite for optimum use of renewable energies (Vehicle-to-grid)
  - Charging batteries on over-supply of renewable energies
  - Possibility of integration in smart grid structures
- > Option to integrate in Smart Home products
  - Demand side management
  - Optimised distributed generation
- > Possibility to couple the vehicle infotainment system with
  - Private network (e.g. music, travel data)
  - Remote diagnosis system of auto manufacturer

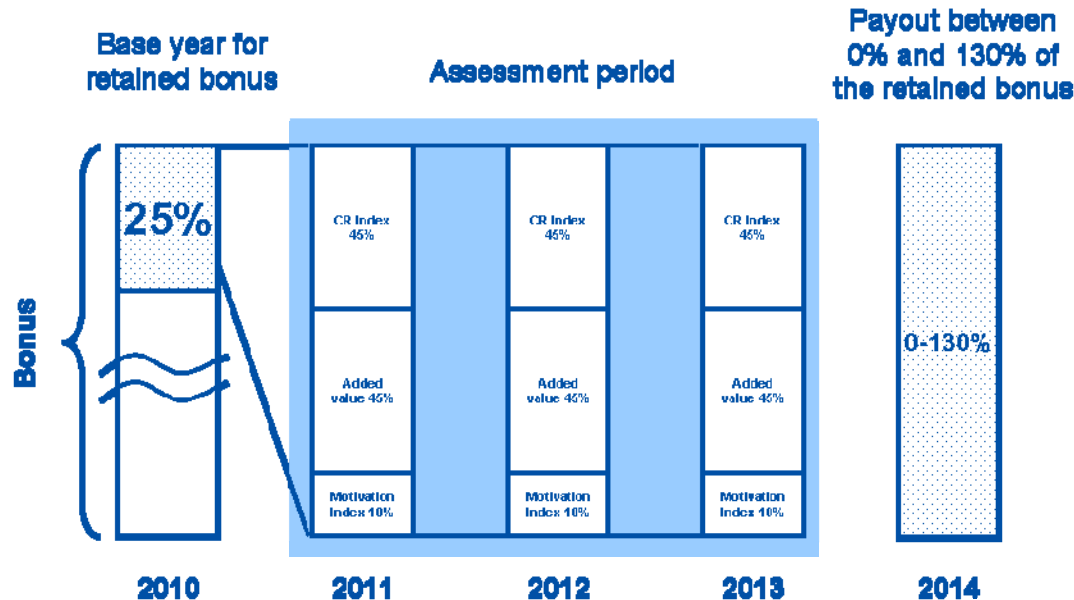


# We attach great importance to effective and transparent corporate governance

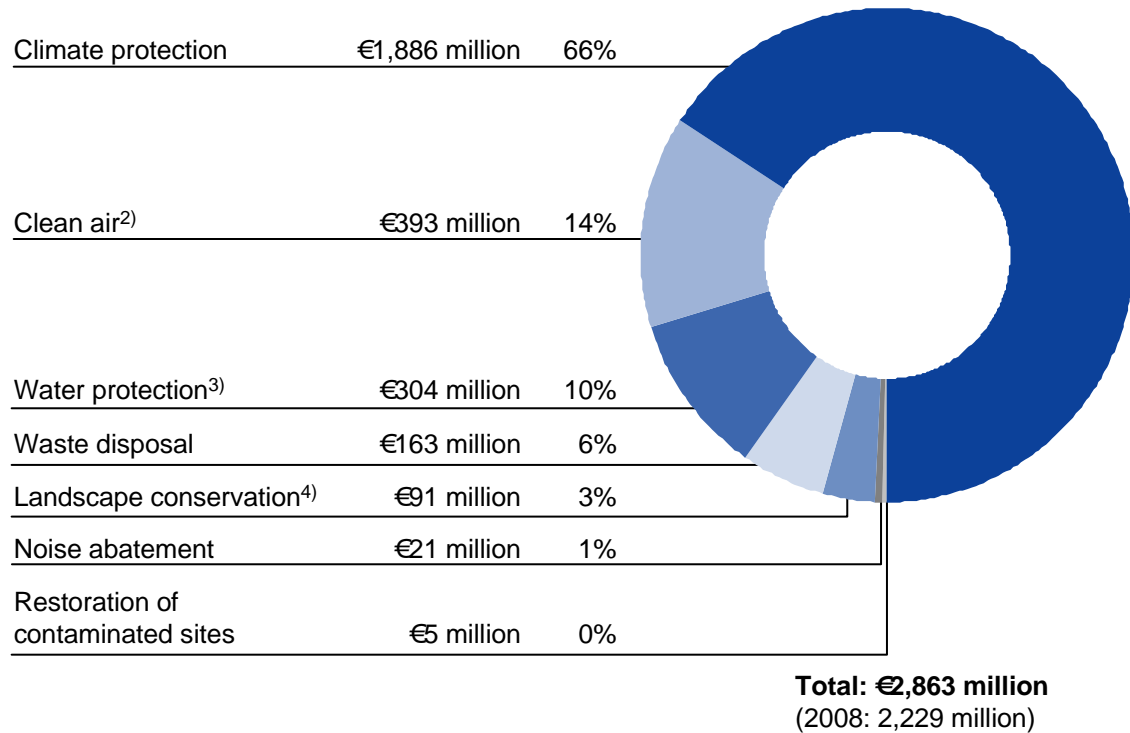
- > Our guiding principle is always the most up-to-date version of the German Corporate Governance Code, which was introduced in 2002. In recent years, we have always issued an unconditional statement of compliance. New recommendations were included in the Code in May 2010; we intend to continue complying with all of them in the future.
- > An overall concept for achieving diversity goals when staffing the Executive Board and the Supervisory Board is yet to be created.
- > Ca. 1,500 management staff incentivized by a high proportion of variable pay that can reach 50% of targeted total cash compensation depending on management level (and country), comprising two building blocks:
  - company bonus 2010 (50% based on value added of the operating company, 50% based on value added of the group)
  - individual bonus that depends on achievements versus individual targets, agreed once a year
- > Regulations and control mechanisms to prevent corruption
- > Directors' dealings disclosed on the Internet
- > High transparency and fair disclosure, e.g. investor conferences and the annual general meeting are broadcast live on the Internet and can thus be followed by the public at large, investors and analysts simultaneously.

# Sustainability is part of executive board compensation

- > In light of the German Act on the Appropriateness of Management Board Compensation (VorstAG), the compensation structure has been brought more in line with sustainable business development.
- > Payment of 25% of the bonus is withheld for three years. This corresponds to nearly 15% of the total cash compensation.
- > A review based on what is termed a bonus malus factor is conducted at the end of the three-year period to determine whether the business has been developed sustainably.
- > The bonus-malus factor is determined based on the development of the value added (accounts for 45%), the Corporate Responsibility (CR) Index (accounts for 45%) and the Motivation Index (accounts for 10%) over a period of three years.
- > In 2010, binding targets have been established for the period 2011 – 2013.



# In 2010, RWE has spent €2,863 million<sup>1)</sup> on environmental protection

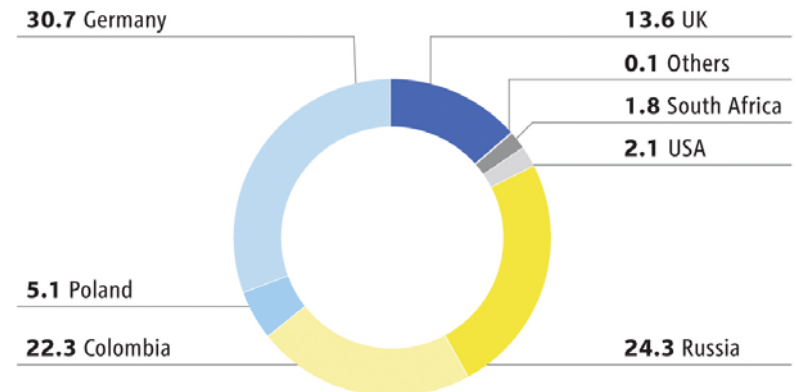


- 1) Including capital expenditure.
- 2) E.g. operation of flue gas desulphurisation systems.
- 3) Mainly wastewater treatment.
- 4) E.g. reclamation projects at Rhenish opencast mines.

# Our responsibility for the supply chain of hard coal

- > Total volume of hard coal purchased in 2010: 10,540,266 metric tonnes
- > The hard coal needed to fire the RWE power stations is imported through RWE Supply & Trading, which buys it on the international coal markets, in many cases from coal merchants.
- > The RWE Code of Conduct is anchored in the entire sourcing process from RWE Supply & Trading and formalised in a so-called Counterparty Risk Assessment<sup>1)</sup>.
- > Hard coal is purchased in different countries. RWE Supply & Trading representatives undertake periodic visits to coal mines.
- > To enhance influence on the extraction practices of coal mines in respect of compliance with social and environmental standards, RWE has entered into talks with other European energy utilities.

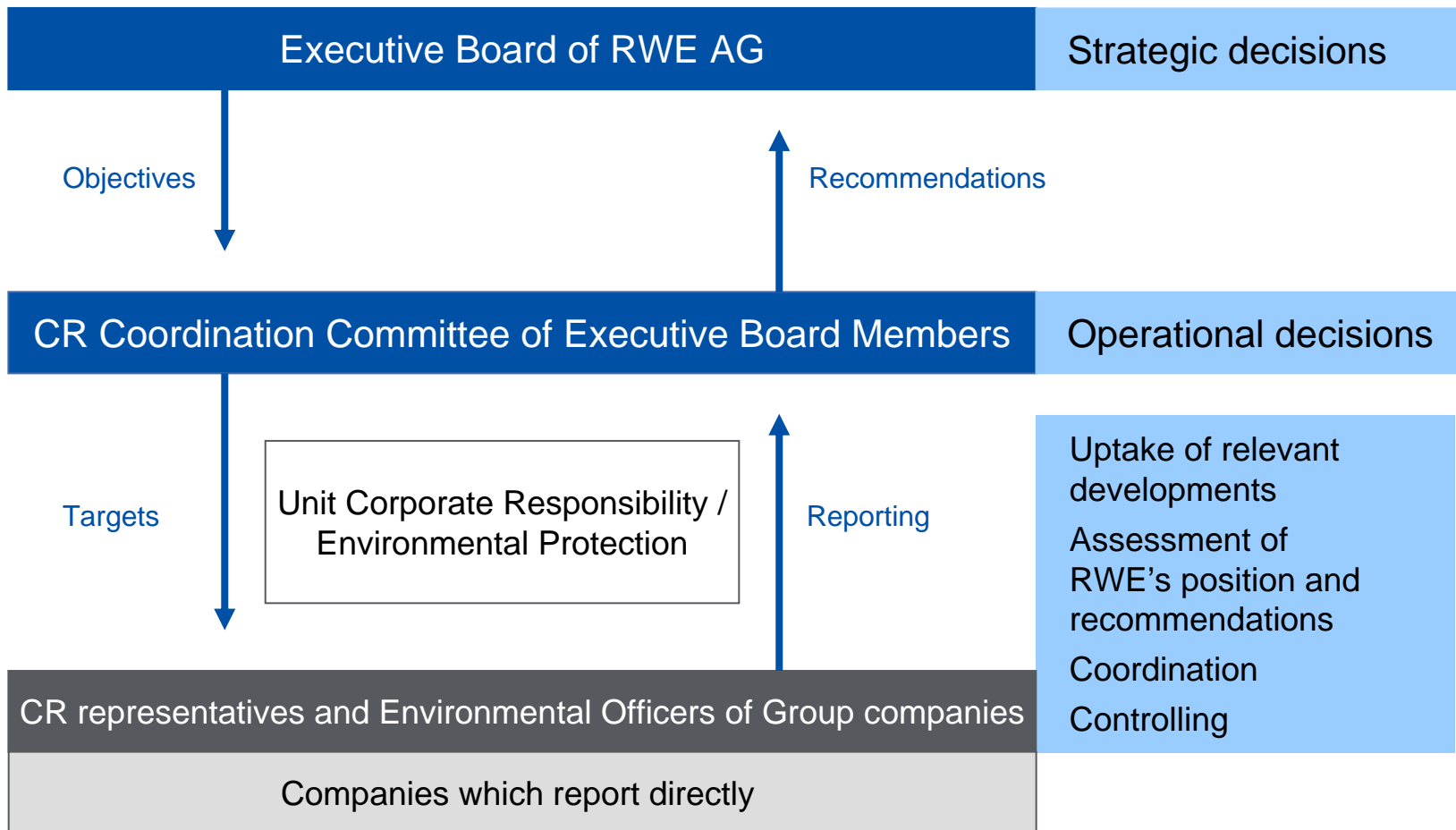
Hard coal purchases by country of origin 2010  
in %



1) Counterparty risk assessment comprises check in terms of anti-corruption, environmental and social issues, labour conditions including abolition of child labour



# Structure of CR management at RWE



# Further Information



RWE Annual Report 2010

[www.rwe.com/ir](http://www.rwe.com/ir)



RWE Corporate Responsibility Report 2010

and key figures for the period 2006 – 2010 online available at:

[www.rwe.com/cr-report](http://www.rwe.com/cr-report)