Managing through the cycle

Deutsche Bank German and Austrian Corporate Conference
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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

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2011 outlook confirmed – future of German nuclear unclear

Operating performance:
EBITDA -4%, operating result -5%, recurrent net income -7%

Net debt reduced to € 27.5 bn

German nuclear moratorium for safety review

Outlook for 2011 confirmed despite negative impact from 3-month nuclear moratorium
Intensive debate about the future of nuclear in Germany

Level: Government

Level: BMU
Federal ministry of environment

Level: RSK
Reactor safety commission

Level: GRS
Association for plant and reactor safety

Operator Level

April 5th GRS-questionnaire to nuclear operators
April 21st (latest) operators send answers to GRS

Until May 1st (planned) queries from GRS to operators
May 2nd (planned) GRS: final report to RSK

Until May 11th (planned) queries from RSK to GRS
May 15th (planned) evaluation to BMU

Until May 31st (planned) recommendation of Ethics Commission
June 15th (planned) Gov/States: conclusions, measures, law

May 15th (planned) BMU hands over RSK evaluation

1 Decision of the “Bundesrat” (upper house) might be postponed to July 8.
Shift of German merit order as an effect of the interim decommissioning of 8 nuclear power plants under the German moratorium

1) Schematic approach does not include import demand or fluctuating feed-ins of electricity produced by wind turbines and solar panels (according to the German Renewable Energy Act—"EEG").
Shift of German merit order as an effect of the interim decommissioning of 8 nuclear power plants under the German moratorium

1) Schematic approach does not include import demand or fluctuating feed-ins of electricity produced by wind turbines and solar panels (according to the German Renewable Energy Act—"EEG").
Impact of Federal Government’s decisions on the German power market
Nuclear moratorium to cut secured available capacity down to peak-demand level

Installed capacity

- Conventional and nuclear capacity: 95 GW
- PV: 17 GW
- Wind: 28 GW
- Biomass: 4 GW
- Hydro: 4 GW
- Pumped storage: 5 GW

Secured installed capacity

- 97 GW
- 7 GW
- 8.4 GW
- < 82 GW
- ~ 80 GW

Un-secured

- 7 GW
- 8.4 GW
- ~ 153 GW
- ~ 56 GW

Source: RWE /DENA.

1 Scheduled or unscheduled outages due to e.g. disruption of operation or maintenance.
2 Reduction in generation capacity of 8.4 GW, assuming that the seven nuclear power plants commissioned before 1980 and the Krümmel power plant are offline.
Import- / Export Balance (commercial) between Germany and its neighbouring countries

Source: data provided by entsoe.net
Utilities are facing four major challenges

- Low electricity prices and pressure on generation spreads, inter alia due to unexpected strong growth of renewable energies
- German nuclear fuel tax 2011 – 2016
- Negative gas-to-oil-spread due to decoupling of oil and gas prices
- Tighter CO$_2$-regime from 2013 onwards
Our response to steady the course and safeguard future growth

Continued strategic focus ...
> Maintain strategic and regional focus
> Continue to reduce RWE’s CO₂ intensity to market average by 2020
> Pursue organic growth, especially in renewables and upstream

... combined with operational measures ...
> Reduce capex level 2011 – 2013 by c. € 3 bn
> Step up efficiency improvements by € 200 million by 2012
> Adapt asset portfolio to new market environment (revisit generation fleet; renegotiate gas supply contracts)

... and balanced financial targets
> Undertake asset disposals of up to € 8 bn by 2013
> Align dividends by maintaining pay-out ratio of 50% to 60% of recurrent net income
> Keep leverage factor below 3.0x mid-term to support solid “A” rating
Europe remains our core market

- RWE’s core business remains electricity and gas along the entire value chain
- 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
- Grow our upstream gas & oil position mainly in Europe, Caspian region, Africa and Trinidad & Tobago
Our strategy to reduce the financial impact of CO$_2$

**Certificates to be purchased**

C. in million t p.a.

- **2008 – 2012**: 50 – 60
- **2013 – 2020**: 150 – 160
- *+100*

**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
- Lifetime extension of German nuclear

**CO$_2$ reduction, CDM/JI**

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

**Increased efficiency programme 2012**

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1) The future of nuclear in Germany has become uncertain with the three month moratorium following the Japanese disaster. The calculation is based on assumptions made prior to these events.
Surpassing the peak of our investment cycle – RWE's capex programme 2011 to 2013

Capex programme 2011 – 2013 cut by approx. €3 bn compared to previous programme

Portfolios divestments

<table>
<thead>
<tr>
<th>Year</th>
<th>Others (&lt;0.1)</th>
<th>Upstream Gas &amp; Oil</th>
<th>Renewable energies</th>
<th>CEE/SEE</th>
<th>UK</th>
<th>Netherlands/Belgium</th>
<th>Sales &amp; Distribution (Germany)</th>
<th>Generation (Germany)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>5.9</td>
<td>0.8</td>
<td>&lt; 7.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6.4</td>
</tr>
<tr>
<td>2010</td>
<td>6.4</td>
<td>1.3</td>
<td>1.1</td>
<td>0.9</td>
<td></td>
<td>0.3</td>
<td>0.9</td>
<td>0.9</td>
<td>7.5</td>
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<tr>
<td>2011e</td>
<td>1.3</td>
<td>1.0</td>
<td>0.9</td>
<td></td>
<td></td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>5.9</td>
</tr>
<tr>
<td>2012e</td>
<td>1.5</td>
<td>1.4</td>
<td>1.0</td>
<td></td>
<td></td>
<td>0.7</td>
<td>0.2</td>
<td>0.5</td>
<td>8.7</td>
</tr>
<tr>
<td>2013e</td>
<td>1.5</td>
<td>1.5</td>
<td>1.4</td>
<td></td>
<td></td>
<td>0.9</td>
<td>0.2</td>
<td>0.2</td>
<td>9.5</td>
</tr>
</tbody>
</table>

1 Reduced capex as a result of portfolio divestments of up to €8 bn
RWE’s gas procurement portfolio
(As of 2011)

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

- Own production
- NBP
- TTF

approx. 47 bcm p.a.

> Our gas procurement portfolio is solely managed by RWE Supply & Trading
> ~50% or 24 bcm p.a. of overall gas procurement based on long-term oil-indexed purchase contracts
  - of which ~20 bcm p.a. have a gas-to-oil spread exposure as of 2011
RWE’s long-term oil-indexed gas purchase portfolio

> Some 50% of the volumes of our long-term oil-indexed gas purchase contracts will expire by 2017

> RWE was one of the first in 2009 and 2010 who have initiated contract revisions - also by using so-called “joker” price revisions - for more than 2/3 of our current oil-indexed purchase portfolio volumes. This is referring to 13 individual contracts out of 19

> As of February 2011 we are in the re-negotiation process for approx. 17 bcm p.a. of our contracts, many of which have meanwhile reached the official arbitration stage
Financial flexibility is key to us

**Expected development of leverage factor**

- 2008: 2.1
- 2009: 2.8
- 2010: 2.8
- **2011e: 3.0** (Target)

**Unchanged target of solid A rating**

- Leverage factor will exceed target of max. 3.0x in 2011 but we have initiated measures to bring it back below our threshold mid-term.

- **Up to €8 bn disposals between 2011 and 2013**
- **Capex cut of approx. €3 bn 2011 – 2013 compared to old programme**
- **Earnings growth through investments**
- **Upgrade of efficiency programme by €200 m in 2012**

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\[ \text{Leverage factor} = \frac{\text{Net debt}^1}{\text{EBITDA}} \]

1. Net debt = net financial debt + pension, mining and nuclear provisions + 50% of hybrid capital; (at year end)
## Outlook for 2011 – 2013

1 Portfolio divestments between 2011 and 2013 of up to €8 bn.

The Outlook is based on commodity prices on a marked-to-market base as of January 2011.

<table>
<thead>
<tr>
<th>2010</th>
<th>2011e before disposals</th>
<th>2011e after disposals</th>
<th>2013e</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td>€10,256</td>
<td>c. -15%</td>
<td>c. 9,000</td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td>€7,681</td>
<td>c. -20%</td>
<td>c. 5,700</td>
</tr>
<tr>
<td><strong>Recurrent net income</strong></td>
<td>€3,752</td>
<td>c. -30%</td>
<td>c. 2,300</td>
</tr>
</tbody>
</table>

**Dividend**: €3.50/share

Pay out ratio of 50% – 60% of recurrent net income
RWE’s threefold financial targets

Attractive dividends
Pay out ratio of 50% – 60% of recurrent net income

Balancing the stakeholders’ interests

Leverage
Keep leverage factor below ≤ 3.0x mid-term to support solid “A” rating

Ca. 9 bn growth capex ...
... 2011 – 2013
Invest in mid-term growth, especially in renewables and upstream gas & oil
Managing through the cycle

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Frankfurt, 19 – 20 May 2011

Dr. Rolf Pohlig
Chief Financial Officer, RWE AG
Back-up
Efficiency programme well on track

- Efficiency programme of €1.2 bn 2006 to 2012 stepped up by another €200 million to a total of €1.4 bn
- Additional efficiency measures by optimising cost for services and materials in our overhead functions and project costs. Introduction of new IT systems in UK
- Fully accretive to operating result (i.e. post cost inflation and one-off cost of programme)
RWE Dea: Significant earnings growth based on own field developments

> Clear commitment to grow upstream gas and oil position

> Production development of RWE Dea until 2016 is mainly driven by seven major field developments

> Shift in capex programme and project optimisation leads to slight postponement of production and earnings targets.

> 70 mm boe/a will be achieved in 2016. Indication for further production growth to up to 90 mm boe/a (2020)

> Operating result of €1 bn expected for 2016 with further growth potential thereafter
Building up CO$_2$-free generation – RWE Innogy continues with its ambitious investment programme

> Clear commitment to grow our renewable business

> Focused capex programme 2011 – 2013 leads to adjustment of targets. We expect to achieve our 4.5 GW target in 2014. This will be in line with an operational result of approx. € 500 million

> Earnings development is back-end loaded due to concentration on large-scale offshore wind projects and upfront costs for project pipeline

> Operating assets expected to cover their cost of capital already in 2011

> Divisional ROCE/WACC break even (including work in progress) is expected for 2016

1 Consolidated capacity in operation or under construction

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Compared to the marginal plant RWE's portfolio is already today financially slightly long CO₂

Pass-through factor
- Factor by which CO₂ 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 CO₂
- Target to compensate shortfall to market portfolio via financial measures

Market average emission factor
- Emissions factor of total market portfolio

![Graph showing CO₂ emissions for different years and sources: Marginal plants, RWE, and Market portfolio.](image-url)
Managing CO₂: We complement physical measures by comprehensive financial optimisation

Specific CO₂ emissions exposure (t/MWh)

- **Starting point**: 0.80
- **2013**: 0.67
- **2020**: 0.45

Our large low carbon new-build programme as well as our investments in renewables will lead to substantial improvement of our CO₂ intensity until 2013.

For NAP 3 (2013 – 2020) we aim to reach a "market average" position in terms of our exposure to changes in CO₂ prices.

1. Assumes standardised load factors for RWE portfolio including Essent based on commodity price levels and power demand in 2007 – 2009.
2. Conventional new builds currently under construction and agreed plant shut down; assumes nuclear lifetime extension.
Forward selling\(^1\) by RWE Power in the German market

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

Average realised price for 2010 forward: €67/MWh)
Development of TTF gas price and Brent oil price since January 2009

Relative development of the TTF and Brent forwards for the years 2011 and 2012 since January 1, 2009. To compare both, the Brent oil price is normalised to the TTF gas price as of January 1, 2009. The curves simply illustrate the development of the market prices which should give a rough indication about 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.

Source: RWE Supply & Trading
Set the stage for international growth

> More than 50% of our capex will be spent on growing our business and improving efficiency

> More than 60% of our capex will be spent in our international business

> Committed capex: 2011 2012 2013
  ca. 90% 90% 70%

> Hurdle rates for new investment projects increased, despite lower WACC

> Growth and efficiency enhancements will result in additional € 1.2 bn in EBITDA and € 0.9 bn in operating result, once the projects are finished

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1 After portfolio measures
2 See back-up slide 27 for more details
Conventional power plant new build programme

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</thead>
<tbody>
<tr>
<td>Lingen (Gas, 876 MW)</td>
<td></td>
<td>0.5</td>
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<tr>
<td>BoA 2&amp;3, Neurath</td>
<td>(Lignite, 2,100 MW)</td>
<td>2.6</td>
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<td></td>
<td></td>
<td>Units G, F</td>
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<tr>
<td>Hamm (Hard coal, 1,528 MW)</td>
<td></td>
<td>2.4</td>
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<td></td>
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<td>Units D, E</td>
</tr>
<tr>
<td>Staythorpe (Gas, 1,650 MW)</td>
<td></td>
<td>0.8</td>
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<td></td>
<td></td>
<td>Units 1-4</td>
</tr>
<tr>
<td>Pembroke (Gas, 2,188 MW)</td>
<td></td>
<td>1.2</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Units 1-5</td>
</tr>
<tr>
<td>Moerdijk 2 (Gas, 426 MW)</td>
<td></td>
<td>0.4</td>
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<tr>
<td>Claus C (Gas, 1,304 MW)</td>
<td></td>
<td>1.1</td>
<td></td>
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<tr>
<td>Eemshaven (Hard coal/biomass, 1,560 MW)</td>
<td></td>
<td>2.7</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Units A, B</td>
</tr>
<tr>
<td>Denizli (Gas, 775 MW)</td>
<td></td>
<td>0.5</td>
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</tbody>
</table>

1 Capex at 100% share
RWE Innogy major project portfolio

<table>
<thead>
<tr>
<th>Project</th>
<th>Capacity (MW)</th>
<th>Capacity (MWth)</th>
<th>Share</th>
<th>Capacity (MW)</th>
<th>Capacity (MWth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gwynt y Môr (Wind offshore, 576 MW, 60%)</td>
<td>2.4</td>
<td></td>
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<td></td>
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<tr>
<td>Greater Gabbard (Wind offshore, 504 MW, 50%)</td>
<td>1.9</td>
<td></td>
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</tr>
<tr>
<td>Markinch (Biomass CHP 42 MW, 80 MWth, 100%)</td>
<td>0.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nordsee Ost (Wind offshore, 295 MW, 100%)</td>
<td>1.0</td>
<td></td>
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</tr>
</tbody>
</table>

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 to achieve 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.

1 Capex at 100% share
### RWE Dea's largest field developments

<table>
<thead>
<tr>
<th>Production start</th>
<th>RWE share</th>
<th>Capex(^1) (€ bn)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Nile Delta (Egypt)</td>
<td>40%</td>
<td>2.6</td>
<td></td>
<td></td>
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<tr>
<td>Breagh (UK)</td>
<td>70%</td>
<td>0.5</td>
<td></td>
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</tr>
<tr>
<td>Reggane (Algeria)</td>
<td>19.5%</td>
<td>0.5</td>
<td></td>
<td></td>
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<tr>
<td>Luno (Norway)</td>
<td>20%</td>
<td>0.5</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Jordbær (Norway)</td>
<td>10%</td>
<td>0.2</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>NC193 (Libya)</td>
<td>100%</td>
<td>0.4</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>NC195 (Libya)</td>
<td>100%</td>
<td>0.3</td>
<td></td>
<td></td>
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</tbody>
</table>

\(^1\) RWE's share in capex
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- Calendar

- Annual and Interim Reports

- Facts & Figures - The Guide to RWE and the Utility Sector
  In addition you can find the following Fact Book specials at the above link:
  - Prospective Impact of economic downturn on electricity demand in Europe
  - Incentive Regulation
  - CO₂ Emissions Trading in Europe
  - Power Generation in Europe
  - Renewable Energy
  - RWE npower
  - SRI Company Presentation
  - The New German Energy Industry Act
  - Factbook RWE Dea

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

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