Value in uncertain times

January 23, 2013

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Head of Investor Relations
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- Statements of plans or objectives for future operations or of future competitive position;
- Expectations of future economic performance; and
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RWE:
One of the leading integrated European utilities

- Integrated business model: strong presence in all parts of the energy value chain
- Stability and growth: well balanced portfolio of leading market positions in mature and growing markets in Europe

1 Gas transmission system operator in the Czech Republic (unbundled).
RWE – an attractive value proposition

<table>
<thead>
<tr>
<th>Attractive portfolio</th>
<th>Stable financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; Leading market position and regionally focused strategy</td>
<td>&gt; Progress in strengthening balance sheet</td>
</tr>
<tr>
<td>&gt; Balanced asset portfolio – most diversified generation mix in sector</td>
<td>&gt; Streamlined and disciplined investment approach</td>
</tr>
<tr>
<td>&gt; Highly cost-efficient and modernised power plant portfolio by 2013/14</td>
<td>&gt; Three main long-term growth areas: Renewables, Upstream and CEE/SEE</td>
</tr>
<tr>
<td>&gt; CO₂ neutral position already achieved</td>
<td>&gt; Further efficiency enhancements and operational excellence</td>
</tr>
<tr>
<td>&gt; Successful structural changes to long-term gas supply contracts</td>
<td></td>
</tr>
</tbody>
</table>

Outlook for 2012 improved and for 2013 confirmed in November 2012
In European energy markets a lot revolves around power prices.

**Fuel Markets**
- CO₂ prices
- Gas prices
- Crude prices
- Coal prices

**Supply**
- Reservoir/Run-of-River Hydro Plants
- Wind generators
- PV & Solar
- Revisions
- Technical outages
- Cross border exchange balance
- School Holidays
- Bank Holidays
- Time of day

**Demand**
- Lighting
- Power demand

**Weather Impacts**
- Precipitation/Snow melt
- Wind
- Solar radiation
- Cloud cover
- Temperature
- Climatization, Electric Heating

**Long-term influences**
- Regulatory Decisions
- Capacity Changes (Plant/Grid New builds & Shutdowns)
- Macroeconomic Developments
A very special product: Electric power

> Cannot be stored
> Needs to be produced at time of consumption
> High fluctuation of demand
> No short term price elasticity of demand
> 100% homogenous
> Can be produced in a variety of ways
Pricing in electricity markets: Principles

1. Short-run marginal cost of power plants primarily include fuel cost and the cost of certificates for CO₂ emissions.
2. Order of power plant dispatch
   - Run of river
   - Nuclear
   - Lignite
   - Hard Coal
   - Gas
   - Oil

3. To cover electricity demand, power plants will be dispatched in the order of their marginal cost (merit order).
4. Marginal power plant is the last plant in operation to cover current demand.
5. Marginal cost of marginal power plant determine the market price and therefore the price for all power plants in operation.
Pricing in electricity markets: Merit Order

Pricing at full availability of existing power plants

Euro/MWh

Demand (load)

Market price p*

Types of power stations required to cover demand

MW
Pricing in electricity markets: Price effects of change in demand

Pricing at reduction in demand

Euro/MWh

Market price $p^*$

Market price $p^{\text{new}}$

Demand new

Demand old

MW

Types of power stations required to cover demand

Price effects of change in demand
Pricing in electricity markets: Merit Order impacted by station outage

Types of power stations required to cover demand

Euro/MWh

Demand (Load)

Market price $p^{\text{new}}$

Market price $p^{\text{old}}$
What price is needed for a German gas or hard coal power plant?

<table>
<thead>
<tr>
<th>Category</th>
<th>Value 1</th>
<th>Value 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas price [EUR / MWh]</td>
<td>26.9</td>
<td></td>
</tr>
<tr>
<td>Hard coal price [USD / ton]</td>
<td>99.8</td>
<td></td>
</tr>
<tr>
<td>CO₂ costs [EUR / ton]</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>Exchange rate [USD / EUR]</td>
<td>1.33</td>
<td></td>
</tr>
<tr>
<td>CAPEX [EUR / kW]</td>
<td>1.500</td>
<td>800</td>
</tr>
<tr>
<td>Load factor [h]</td>
<td>5.000</td>
<td>4.500</td>
</tr>
<tr>
<td>New entrant price [EUR / MWh]</td>
<td>66.57</td>
<td>81.36</td>
</tr>
</tbody>
</table>
Photovoltaics create „peak shaving effect“ – negative for gas fired power stations

Hourly Contract EEX Phelix (in €/MWh) and production photovoltaics (in MW) at 20.02.2012

1) Source: EEX.
European forward power prices

1) Source: EEX, as of January 2013
RWE’s strategic challenges in the medium-term

Severe margin pressure within conventional power generation business

Focused investments in renewables ("value over megawatt")

Increase financial flexibility and identify attractive organic growth options in Europe

Foster asset-light growth opportunities, especially in the downstream business

Balanced cash profile with ‘cash flow from operating activities’ > (capex + dividends)

Accelerate efficiency enhancements
Key priorities for next 12 – 24 months

<table>
<thead>
<tr>
<th>Disposal programme</th>
<th>Gas supply contracts</th>
<th>Efficiency enhancement</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; Divestments of up to €7 bn by the end of 2013; over €1.8 bn achieved so far</td>
<td>&gt; Completion of gas price reviews envisaged for 2013 at the latest</td>
<td>&gt; 2012 programme on track to be completed</td>
</tr>
<tr>
<td>&gt; Majority of sales processes underway</td>
<td>&gt; Structural solutions to eliminate gas-to-oil spread</td>
<td>&gt; Measures of new programme fully identified</td>
</tr>
<tr>
<td>&gt; Disposal of Berlinwasser, Horizon Nuclear Power the upstream concession Edvard Grieg and KEVAG</td>
<td>&gt; Ongoing arbitration for remaining contract with Gazprom far advanced</td>
<td>&gt; “RWE 2015” is laying the foundation for further efficiencies post 2014</td>
</tr>
</tbody>
</table>
RWE 2015 – four action fields to align RWE with changing market environment

- **Strategy**
  - Identify opportunities of energy market transformation
  - Align execution of strategy to changing market environment

- **Structures/Roles**
  - Eliminate structural and operational duplications and clarify interfaces
  - Establish European generation company

- **Functional Excellence**
  - Drive efficiency enhancements and operational excellence
  - Realise efficiencies of €1bn by 2014 compared to 2012

- **Cultural Change**
  - Align management and employees across all parts of RWE
  - Foster high performance culture
Continued execution of measures to support financial strength

Expected development of leverage factor (Net debt\(^1\)/EBITDA)

- **2010**: 2.8
- **2011**: 3.5
- **2012e**: 

Target of ≤ 3.0

Measures to improve financial headroom

- **Capital measures**: completed
- **Divestments**: up to €7bn by 2013 progressing, over €1.8 bn achieved
- **Focused long-term capex programme**: €4 – 5 bn/a from 2013
- **Efficiency programme**: €1bn by 2014

\(^1\) Net debt = net financial debt + pension, mining and nuclear provisions + 50% of hybrid capital; (at year end).
Streamlined and disciplined investment programme

- Peak of investment programme in 2010/2011
- Finalising conventional power generation programme mainly in 2012 and 2013
- More than 60% of our capex will be spent in our international businesses
- Sustainable long-term capex level of up to €5bn p.a. of which day-to-day capex up to €2.5bn p.a.
- Approx. €16bn capex programme for 2012 – 2014 of which c. €8bn for growth/efficiency enhancement, thereof c. €6bn in our growth areas Renewables, CEE/SEE and Upstream Gas & Oil
- Capex programme might be reduced even further than previously planned as a means to support our de-leveraging process

<table>
<thead>
<tr>
<th>Year</th>
<th>Capex (bn)</th>
<th>Growth</th>
<th>Efficiency</th>
<th>Day-to-Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>5.9</td>
<td>~7.6</td>
<td>~1.9</td>
<td>~6.5</td>
</tr>
<tr>
<td>2010</td>
<td>6.4</td>
<td>~6</td>
<td>~20%</td>
<td>~6.5</td>
</tr>
<tr>
<td>2011</td>
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</tbody>
</table>

1 After planned divestments.
By 2014 we will have renewed more than 25% of our electricity generation fleet

BoA Neurath 2.1 GW lignite

Staythorpe 1.7 GW CCGT
Moerdijk 2 0.4 GW CCGT

Lingen 0.9 GW CCGT
Claus C 1.3 GW CCGT
Pembroke 2.2 GW CCGT
Denizli 0.8 GW CCGT

Hamm 1.5 GW Hard coal
Eemshaven 1.6 GW Hard coal

RWE has one of the most balanced generation portfolios of European electricity generators

The fuel mix of European electricity generators 2011 (installed capacity)

Share in power plant capacity of own generation by fuel type. Source: Annual reports 2011, company presentations, RWE
Strict investment discipline provides platform for sustainable dividends

- Capex level will normalise beyond 2013
- Pay-out ratio of 50% - 60% of recurrent net income
- Flexibility to adjust investments to meet cash flow, if necessary
Further efficiency enhancements of €1bn initiated

- €1bn programme backed bottom-up by operational measures
- Several hundred individual measures across the whole RWE group
- Programme includes c. €300m from workforce reduction in 2013/14
- Fully accretive to operating result (i.e. post cost inflation and one-off cost of programme)

In € million

- 2013: 750
- 2014: 250
- Total: 1,000

- ~250 Reduced IT-spending
- ~300 Staff reduction
- ~450 Other cost reductions and efficiency improvements
Outlook for 2012 – 2013

<table>
<thead>
<tr>
<th>€ million</th>
<th>2011</th>
<th>2012e after further disposals¹</th>
<th>2013e after further disposals¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>8,460</td>
<td>at least at last year’s level</td>
<td>~9,000</td>
</tr>
<tr>
<td>Operating result</td>
<td>5,814</td>
<td>at least at last year’s level</td>
<td>in the order of 2011</td>
</tr>
<tr>
<td>Recurrent net income</td>
<td>2,479</td>
<td>in the order of 2011</td>
<td>in the order of 2011</td>
</tr>
</tbody>
</table>

Dividend: €2.00/share
Pay out ratio of 50% – 60% of recurrent net income

¹ Expected earnings dilution from the remaining up to €7 bn divestment programme:

<table>
<thead>
<tr>
<th>in € bn</th>
<th>EBITDA</th>
<th>Operating result</th>
<th>Recurrent net income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>~0.5</td>
<td>no major dilution effect expected</td>
<td></td>
</tr>
<tr>
<td>Full year effect (after 2013)</td>
<td>~0.5</td>
<td>~0.4</td>
<td>~0.3</td>
</tr>
</tbody>
</table>
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- Annual and Interim Reports

- Investor and Analyst Conferences

- Facts & Figures - The Guide to RWE and the Utility Sector – as well as further fact books

- Consensus of analysts‘ estimates of RWE‘s key performance indicators

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

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