After the Generation split, the retail business has been fully aligned with our core customer segments…

…allowing us to better focus on our customer needs and build trust
RWE npower has improved its operating result by €121m in 2012

npower operating result

2011: €359m
2012: €480m

Retail: €286m
Generation: €194m

npower has performed well - operating result is 34% higher than 2011
RWE npower’s retail business has started to build a profitable business across all of its customer segments.

Despite a challenging environment we will continue this positive momentum.
All suppliers face a challenging environment due to changing socio-economic & regulatory pressures

- **Market Challenges**
  - **Socio-economic**
    - Media pressure
    - „Political Football“
    - Rising prices
    - Slower economy
    - Ageing population
    - Focus on Fuel Poor
  - **Regulatory Intervention**
    - Retail Market Review
      - Tariff Simplification
      - Bill simplification
    - SMART roll-out
    - Green Deal & ECO
    - Warm Homes Discount
    - Electricity Market Reform
The impact of these challenges are also felt by our customers

Average Domestic Customer Dual Fuel Bill, £

Source: RWEn Internal projections of UK market average

As prices rise, customers will increasingly seek energy solutions to reduce their bills – we need to ensure it is RWE npower they trust to deliver these
However, we acknowledge the challenge is even more acute for us…

Example: Domestic opex per account vs Which? Customer satisfaction scores

- Improve quality and decrease costs
- Reduce costs while maintaining quality
- Best in class

… and our response WILL be robust - we are strategically repositioning!
How are we going to get it right?
Between 2013 and 2015 we are undergoing a customer transformation programme across our entire business.

CTP will embed the core competencies to grow our business in a sustainable way.

<table>
<thead>
<tr>
<th>Workstream</th>
<th>Leadership &amp; Direction</th>
<th>End to End</th>
<th>Operational Excellence</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Creating a high performance, customer oriented culture</td>
<td>E2E customer journey excellence</td>
<td>Redefining the target operating model</td>
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<tr>
<td>Activity</td>
<td>- Change leadership</td>
<td>- Focus on customer journeys</td>
<td>- De-layering</td>
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<tr>
<td></td>
<td>- Performance dialogues</td>
<td>- Improving customer experience driving out bad costs</td>
<td>- Re-defining property portfolio</td>
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<td></td>
<td>- Vision and compelling</td>
<td>- Drive to e-commerce</td>
<td>- Out sourcing low value transactional activities</td>
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<tr>
<td></td>
<td>- Improve steering model</td>
<td>- Portfolio balance of initiatives</td>
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<tr>
<td></td>
<td>- Driving performance</td>
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</tbody>
</table>

RWE npower
## B2C Focus: on achieving £100m cost base reduction and improving customer numbers through the build up of ‘trust’

<table>
<thead>
<tr>
<th>Strategic Priorities</th>
<th>Initiatives and Expected Benefits</th>
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</thead>
<tbody>
<tr>
<td><strong>Customer transformation</strong></td>
<td>- Improved customer experience and processes delivered through CTP, building customer trust</td>
</tr>
<tr>
<td><strong>Programme / Atlas</strong></td>
<td>- Efficiency improvements through Atlas and CTP to reduce cost base by £100m</td>
</tr>
<tr>
<td>- Improve customer satisfaction ranking from 6th to 4th</td>
<td></td>
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<tr>
<td>- Reduced cost base to improve market competitiveness</td>
<td></td>
</tr>
<tr>
<td><strong>Write-off reduction</strong></td>
<td>- Improved debt management processes to reduce debt cost by 26%</td>
</tr>
<tr>
<td>- Reduce write-off through revenue leakage initiatives and improved debt management</td>
<td>- Decrease debt exposure through product optimisation – increase Direct Debit % from 65% to 67% of base</td>
</tr>
<tr>
<td><strong>Commercial targets</strong></td>
<td>- Implement RMR tariff simplification and improved customer experience from CTP</td>
</tr>
<tr>
<td>- Reduce churn</td>
<td>- Reduce churn from 11.6% to 10.9% and maintain core base of c6.4m accounts</td>
</tr>
<tr>
<td>- Maintain customer base</td>
<td>- Cross sell 50% more boiler cover sales to core energy base</td>
</tr>
<tr>
<td>- Increase ES product holding</td>
<td></td>
</tr>
</tbody>
</table>
B2B SME: Focus on re-balancing portfolio towards higher value customers & reducing debt

**Strategic Priorities**

- **Re-positioning of SME portfolio to increase share of higher consuming customers**
- **Increase acquisition rates to grow customer numbers**
- **Reduce debt as a proportion of turnover**

**Initiatives and Expected Benefits**

- Growth in average consumption by 20% and in high volume retention by 1.8% through improved acquisition supported by better data, and in retention, supported by smarter renewal journeys.
- Increase customer numbers by 10,000 a year (MPAN basis) through better data procurement and tailored marketing activities to identify and focus on sectors with a significant proportion of the >10MWh market.
- Reduce core power debt by 12.7% through process improvements in late billing, query management and collections.
- Reduce power and gas bad debt charges from 6.5% and 4.1% in 2012 to 4.1% and 3.3% by 2015 respectively.
I&C: Focus on retention of key power accounts and building up capabilities to compete in Gas

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<td>Retention of key power contracts and identification of opportunities for post sales contract optimisation</td>
<td>▪ Increased understanding of customer universe and where value is created (pricing insight)</td>
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<td></td>
<td>▪ Better sharing of customer insight across teams to allow more focused targeting and cross-sell (sales insight)</td>
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<td></td>
<td>▪ More refined segmentation and customer value modelling permitting greater focus on highest value customers</td>
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<tr>
<td>Build MM Gas position</td>
<td>▪ Gas Pilot/Diversification Project: Grow market share, delivering additional margin p.a. from 2014, equating to an additional +13% EBITDA in 2014 and +12% in 2015</td>
</tr>
</tbody>
</table>
“BY 2015 WE’LL BECOME THE MOST TRUSTED AND HIGH PERFORMING PROVIDER OF ENERGY SOLUTIONS TO OUR CUSTOMERS’ HOMES, BUSINESSES AND COMMUNITIES”
RWE npower’s strategic vision promotes sustainable energy, through optimal balance between people, planet & profits

We will be known as the company that...

- **Delivers on its promises** to customers, employees, shareholders and government
- **Provides energy at a fair price** but with exceptional service
- **Is trusted** – has honest conversations – so that people will buy energy solution products and services from us
- **Provides information and tariffs in a clear and simple manner**, enabling customers to capture greater control of their energy usage
- **Provides energy solutions that are customer-focused** and that help people to manage their energy costs and risks
- **Invests and supports a high performance culture** where all of our people are able to make a visible contribution to the success of our business

Above all we will be getting it right for our customers
Our strategic response will go beyond previous initiatives, delivering sustainable growth for RWE npower

We will be looking to evolve our business model using a capital light structure, to avoid unnecessary risks.
Outlook Performance of RWE npower for 2013

Guidance for fiscal year 2013*: above last year

- Efficiency improvements
- Growth of business with commercial customers
- Higher burdens from governmental programmes

* 2012 results are pro forma result due to the change in the reporting structure
Source: Full year 2012 analyst and investor conference call on 5 March 2013
Outlook post-2013

Our aim is to become Number 1 in customer experience of the energy industry’s biggest players by end 2015

- RWE npower is fully included in the ‘RWE 2015’ programme to deliver efficiencies across the Group
- Customer Transformation Programme – enduring programme and shift in culture
- Final implementation of a new billing and CRM system will improve customer experience and support operating cost reductions
- Energy efficiency obligations will become an increasingly relevant part of the cost of supply to domestic customers – and potentially business customers