

# Investor and Analyst Conference Call Q1-Q3 2011

Essen, 10 November 2011

Rolf Pohlig  
Chief Financial  
Officer

Stephan Lowis  
Vice President  
Investor Relations



# 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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# Main messages



Q1-Q3 operating performance: EBITDA: -21%, operating result -30%, recurrent net income -44%; 2011 earnings outlook confirmed



First successful structural changes of long-term gas supply contracts with international oil and gas majors



Memorandum of Understanding with Gazprom extended to December 2011



Successful hybrid bond issuance of CHF 250m

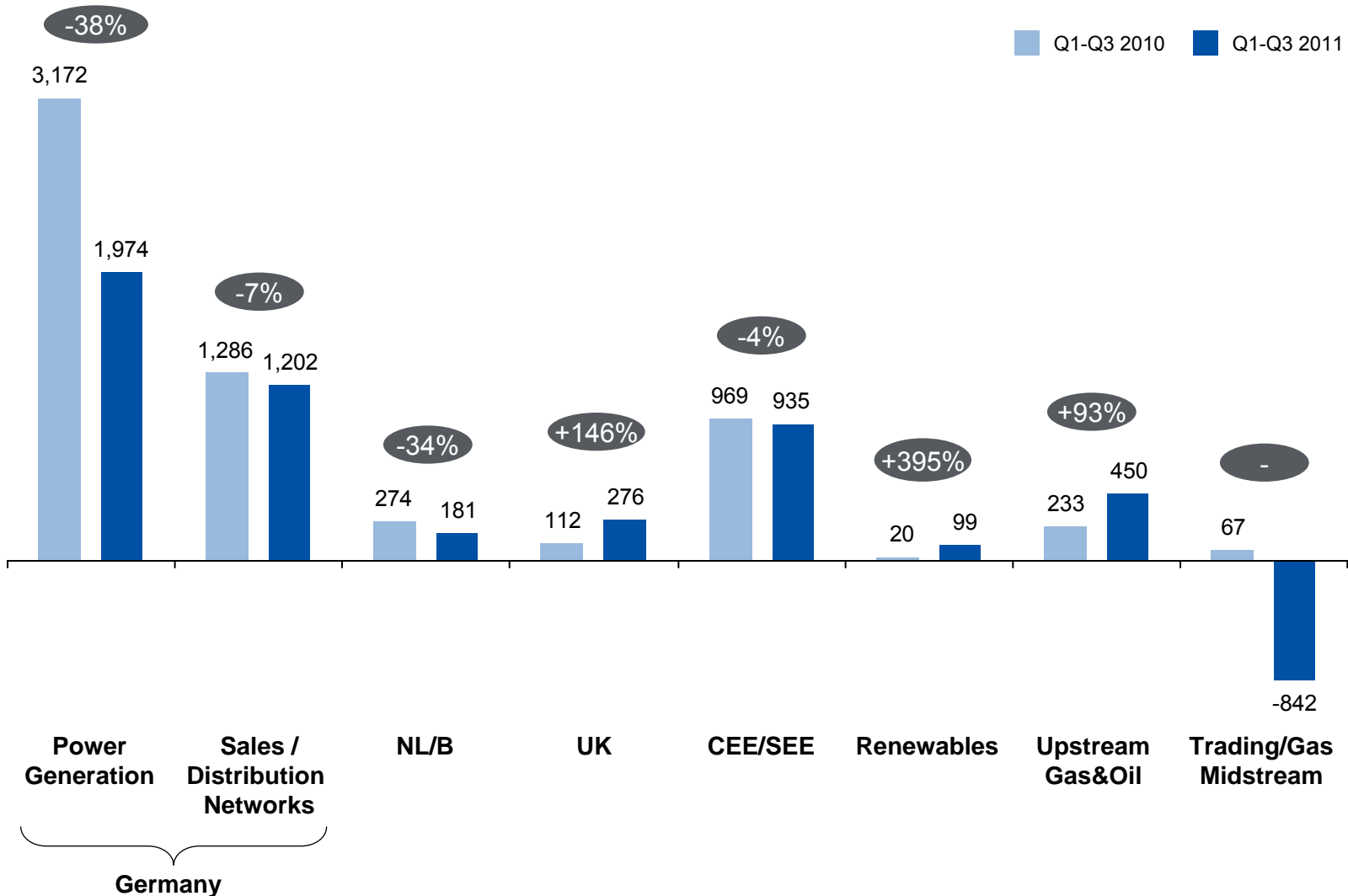


Tax courts question the legality of the German nuclear fuel tax: no immediate cash-out

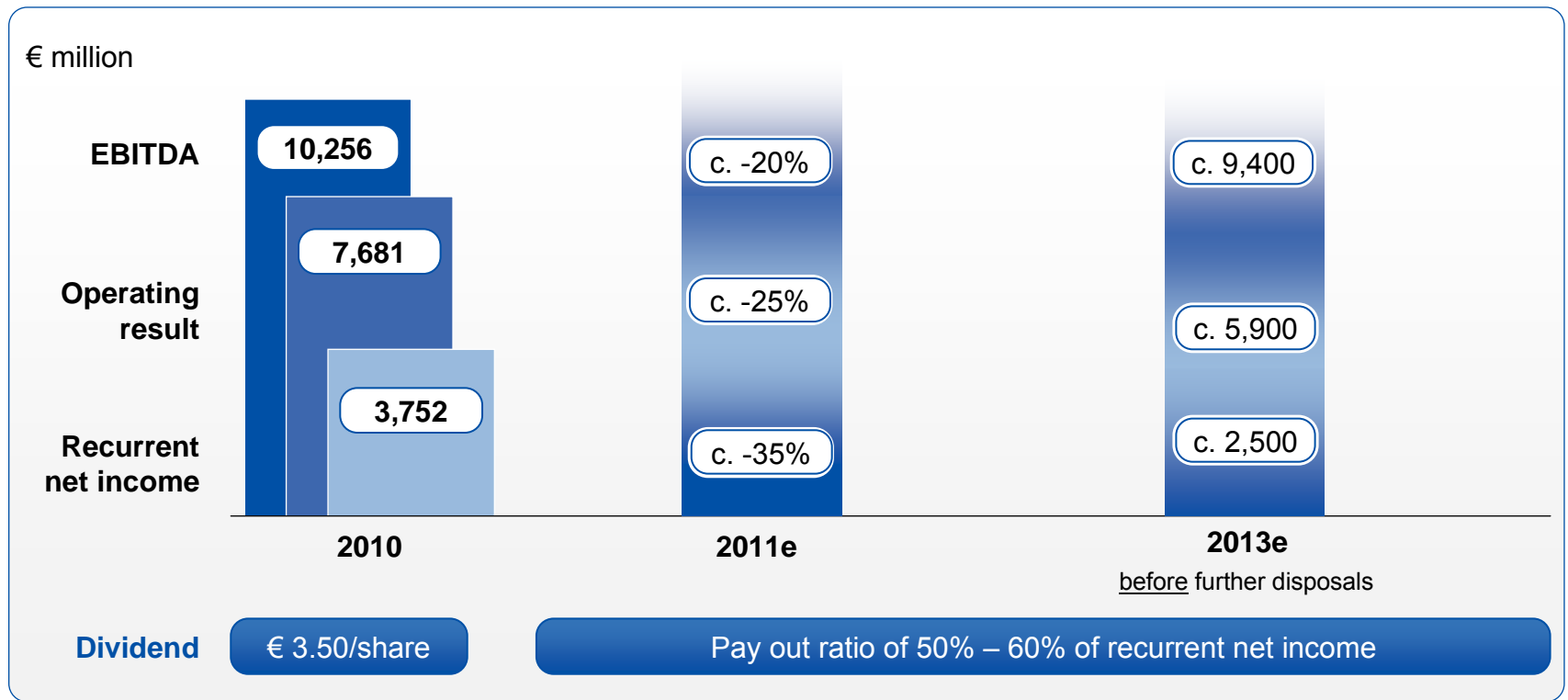
# RWE Group key performance indicators

<b>January – September</b> <b>€million</b>	<b>2011</b>	<b>2010</b>	<b>Change in %</b>
External revenue	38,167	38,510	-0.9
Cash flows from operating activities	4,540	4,404	+3.1
EBITDA	6,244	7,914	-21.1
Operating result	4,270	6,129	-30.3
Non-operating result	-596	-777	+23.3
Financial result	-1,170	-1,226	+4.6
Taxes on income	-802	-1,274	+37.0
Minorities	242	215	+12.6
Hybrid investors' interest	44	-	-
Net income	1,416	2,637	-46.3
Recurrent net income	1,782	3,175	-43.9
Average number of shares (million)	533.6	533.6	
Recurrent net income per share (€)	3.34	5.95	-43.9

# Operating Result by Divisions (in € million)



# Outlook for 2011 – 2013



The outlook for 2013 includes the divestment of Thyssengas, a stake in the Rostock hard coal power plant and Amprion. These assets account for approx. € 1.5 bn of the total up to € 11 bn divestment programme. For the residual programme of approx. € 9.5 bn we expect on a full year basis an effect of approx. € 1.8 bn for EBITDA, approx. € 1.1 bn for operating result and approx. € 0.6 bn for recurrent net income. As the timing and the process of the divestment programme are still open it is not possible to give an explicit guidance for 2013 after disposals.

The outlook for 2013 is based on commodity prices on a marked-to-market base as of June 2011.

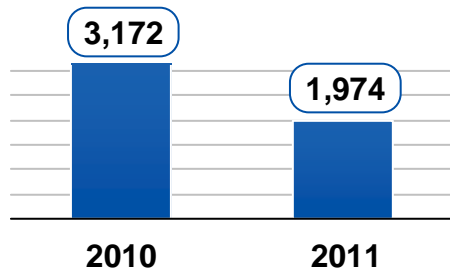
# Back-up

# Performance of the Germany Division (I)

## Power Generation Business Area (RWE Power)

January – September: operating result: -37.8%

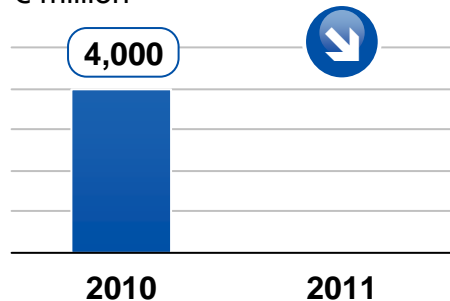
€ million



- Lower realised electricity prices and lower volumes (c. -970 million), inter alia, due to new energy policy and shut down of nuclear power plants
- Higher fuel costs (c. -140 million) partly offset by lower costs associated with CO<sub>2</sub> certificates (c. +€80 million)
- Nuclear fuel tax (c. -€210 million)
- Higher fixed operating and maintenance costs
- + Impact from change in nuclear and mining provisions

Guidance for fiscal year 2011: significantly below previous year

€ million



- Lower realised electricity prices
- Burdens from the new energy policy and shut down of nuclear plants
- Nuclear fuel tax
- Higher fixed operating and maintenance costs
- + Impact from change in nuclear and mining provisions

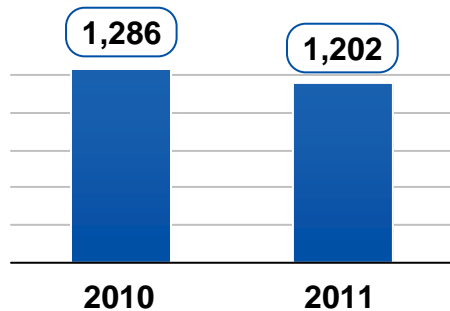


# Performance of the Germany Division (II)

## Sales/Distribution Networks Business Area

January – September: operating result: -6.5%

€ million



- + First-time full consolidation of regional sales and distribution company NVV

### Sales

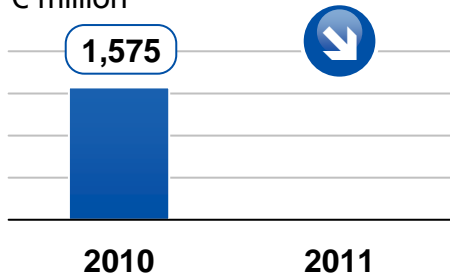
- Lower gas sales volumes resulting from milder weather conditions

### Distribution networks

- Negative volume effect due to milder weather conditions
- Higher cost to improve the quality of our network infrastructure
- + Lower costs for refunding of excess proceeds

Guidance for fiscal year 2011: below previous year

€ million



- + First-time full consolidation of NVV

### Sales

- Lower gas sales volumes assuming normalised weather conditions

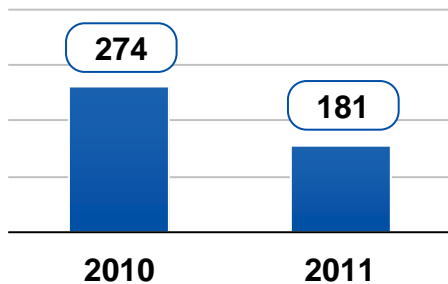
### Distribution networks

- + Lower costs for refunding of excess proceeds
- Higher cost to improve the quality of our network infrastructure
- Negative volume effect due to normalised weather conditions

# Performance of the Netherlands/Belgium Division (Essent)

January – September: operating result: -33.9%

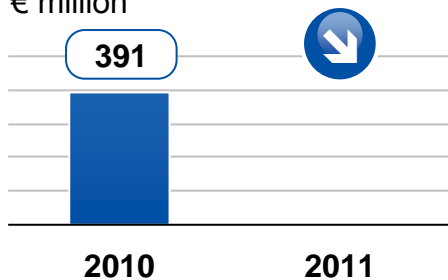
€ million



- Parts of gas midstream business now reported in Trading/Gas Midstream
- Lower electricity generation spreads
- + Efficiency improvements and synergies

Guidance for fiscal year 2011: significantly below previous year

€ million

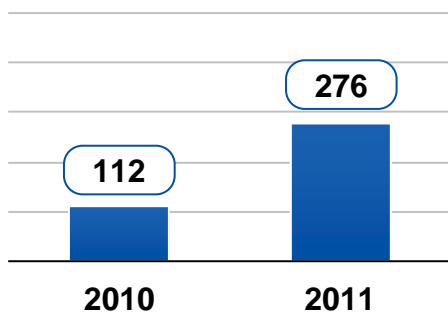


- Parts of gas midstream business now reported in Trading/Gas Midstream
- Lower electricity generation spreads
- Lower gas margins assuming normalised weather conditions
- + Efficiency improvements and synergies

# Performance of the United Kingdom Division (RWE npower)

January – September: operating result: +146%

€ million



+ Cost reductions / efficiency improvements

Power generation:

+ First time contribution from Staythorpe CCGT

+ Settlement of claims relating to major investment projects and legacy claims

Retail:

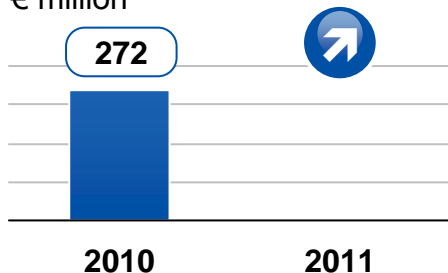
+ Improved commodity cost management

+ Lower bad debt costs

+ Growth in large customer business segment

Guidance for fiscal year 2011: significantly above previous year

€ million



+ Cost reductions / efficiency improvements and some positive one-offs

Power generation

- Decline of generation spreads only partly offset by contribution of Staythorpe CCGT

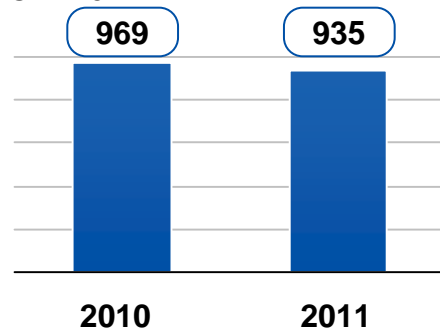
Retail:

+ Continuing progress in the retail business, including improved commodity cost management

# Performance of the Central Eastern and South Eastern Europe Division

January – September: operating result: -3.5%

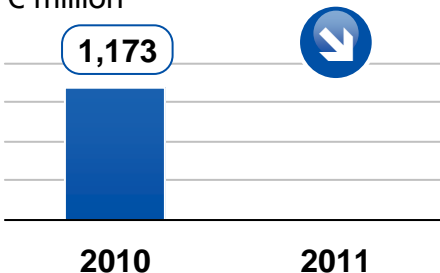
€ million



- + Positive f/x effects
- Czech Republic:
  - Lower gas sales volumes
  - Lower income in gas transport business due to increased regulatory pressure
- Hungary: Lower electricity retail margins and burden from crisis taxation
- + Poland: Improved electricity network margins

Guidance for fiscal year 2011: below previous year

€ million

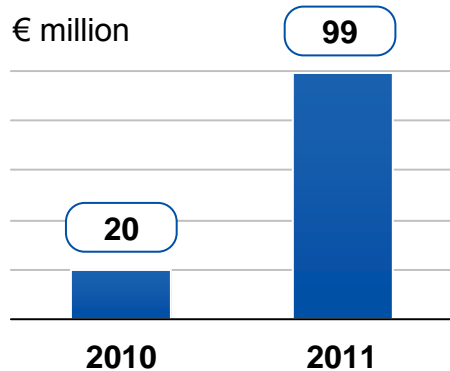


- Czech Republic: Lower gas sales margins
- Hungary: Slightly lower electricity sales and generation margins and burdens from crisis taxation
- + Poland: Improved electricity network margins

# Performance of the Renewables Division (RWE Innogy)

January – September: operating result: +395%

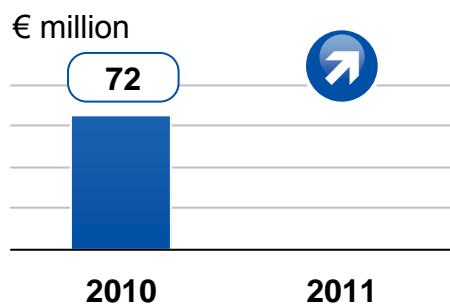
€ million



- + Increased generation volumes (partly driven by improved wind conditions and our growth investments) and improved electricity prices
- + Liquidated damages associated with the Greater Gabbard project
- Upfront costs of large investment programme including higher staff costs

Guidance for fiscal year 2011: significantly above previous year

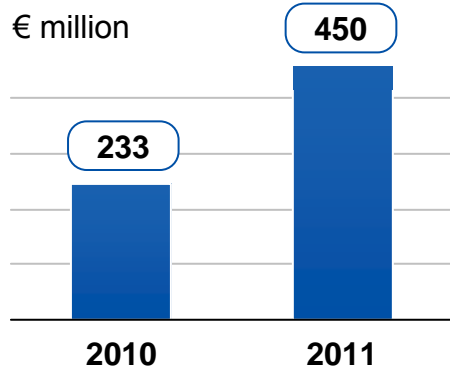
€ million



- + Volume effects from growth investment programme
- + Improved wind conditions assumed
- + Liquidated damages associated with the Greater Gabbard project
- Upfront costs of large investment programme including higher staff costs

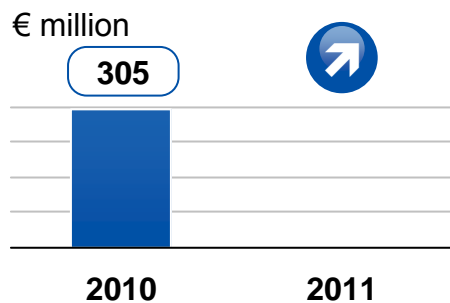
# Performance of the Upstream Gas & Oil Division (RWE Dea)

January – September: operating result: +93.1%



- + Significantly higher realised oil and gas prices
- + Higher oil production
- Negative f/x effects and lower natural gas production
- Increased royalties in Germany as well as cost of production
- + Lower exploration expenditures

Guidance for fiscal year 2011: significantly above previous year

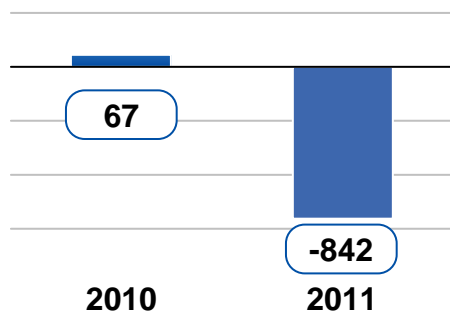


- + Significantly higher realised oil and gas prices
- + Higher oil production
- Negative f/x effects and lower natural gas production
- Increased royalties in Germany as well as cost of production
- + Lower exploration expenditures

# Performance of the Trading/Gas Midstream Division (RWE Supply & Trading)

January – September: operating result: n.m.

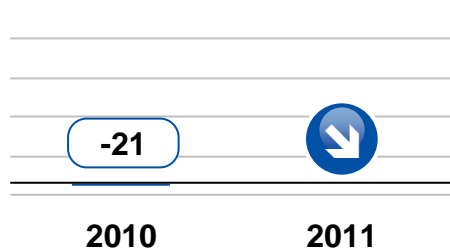
€ million



- Trading
  - Negative development partly driven by market disturbance as a result of the events in North Africa and the changed German energy policy
- Supply
  - Burdens from long-term oil-indexed gas contracts
  - + Parts of gas midstream business from Essent now reported in Trading/Gas Midstream

Guidance for fiscal year 2011: significantly below previous year

€ million



- Trading
  - Negative development partly driven by market disturbance as a result of the events in North Africa and the changed German energy policy
- Supply
  - Burdens from long-term oil-indexed gas contracts
  - + Parts of gas midstream business from Essent now reported in Trading/Gas Midstream

# Non-operating result

January – September €million	2011	2010	Change (absolute)
Capital gains	378	17	+361
Impact of commodity derivatives on earnings	50	-793	+843
Restructuring, other	-1,024	-1	-1,023
<b>Total</b>	<b>-596</b>	<b>-777</b>	<b>+181</b>



## Capital gains:

Mainly from the sale of Thyssengas, our 24.6% stake in the Rostock hard coal power plant, and of a majority stake in Amprion



## Impact of commodity derivatives on earnings (timing differences)

Mainly related to derivatives to hedge our gas forward sales in our Trading/Gas Midstream division and in our German Sales/Distribution Networks business area



## Restructuring, other

- > Impairment of Essent power plant portfolio (c. -€270m)
- > Impairment of gas storage business (c. -€200m)
- > Provisions for restructuring programmes mainly at RWE Power and RWE Deutschland (c. -€290m)
- > Amortisation of RWE npower's customer accounts (c. -€190m)



# Financial result

January – September  
€million

	2011	2010	Change (absolute)
Net interest	-447	-526	+79
Interest accretion to additions to non-current provisions	-617	-678	+61
Other financial result	-106	-22	-84
<b>Total</b>	<b>-1,170</b>	<b>-1,226</b>	<b>+56</b>



## Net interest

- > Release of provisions, among other things



## Interest accretion to additions to non-current provisions

- > Revaluation of long-term other provisions as a result of higher discount rates



## Other financial result

- > Decline driven by lower earnings from the sale of securities

# Cash flow statement

January – September €million	2011	2010	Change (absolute)
Funds from operations (FFO)	4,168	5,285	-1,117
Change in working capital of which variation margins	372 -884	-881 -814	+1,253 -70
Cash flow from operating activities	4,540	4,404	+136
Minus capex on fixed assets	-4,406	-3,999	-407
Free cash flow	134	405	-271



## FFO

- > Mainly a result of negative operating earnings trends



## Change in working capital

- > Only minor expenses on CO<sub>2</sub> certificates in Q1-Q3 2011, as the certificates for 2010 for the most part had already been paid in late 2010
- > Temporarily improved liquidity at Amprion



## Capex on fixed assets

- > Mainly for the extension and modernisation of our electricity generation fleet

# RWE Group electricity production (by geographic regions)

January – September in TWh	Germany	UK	NL/BE	Other Internat.	Total 2011	Total 2010
Lignite	49.6			4.4	54.0	52.3
Nuclear	27.2				27.2	33.9
Hard coal	24.6	4.8	3.7	0.3	33.2	37.8
thereof contracts	14.8				14.8	16.4
Gas	8.9	16.4	3.7	0.1	29.2	30.0
Renewable energy	2.9	1.0	1.3	1.0	6.2	6.3
thereof contracts	0.4	0.5			0.9	0.8
Pumped storage, oil, other	1.3				1.3	1.7
thereof contracts	0.9				0.9	1.3
<b>Subtotal</b>	<b>114.4</b>	<b>22.2</b>	<b>8.7</b>	<b>5.8</b>	<b>151.1</b>	<b>162.0</b>
Electricity purchases <sup>1</sup>	47.4	17.8	7.6	14.0	86.8	76.2
<b>Total</b>	<b>161.8</b>	<b>40.0</b>	<b>16.3</b>	<b>19.8</b>	<b>237.9</b>	<b>238.2</b>

<sup>1</sup> Net, excluding trading. Purchases for physical deliveries to customers only

# RWE Group electricity sales volume (by geographic regions)

January – September in TWh	Germany	UK	NL/BE	Poland	Hungary	Other	Total 2011	Total 2010
Residential and commercial customers	18.8	12.6	7.8	2.1	4.1	0.1	45.5	46.5
Industrial and corporate customers	41.7	24.4	12.5	2.6	3.9	0.4	85.5	84.9
Distributors	72.4				4.3	1.0	77.7	75.1
Electricity trading <sup>1</sup>	15.3						15.3	18.3
<b>Total</b>	<b>148.2</b>	<b>37.0</b>	<b>20.3</b>	<b>4.7</b>	<b>12.3</b>	<b>1.5</b>	<b>224.0<sup>2</sup></b>	<b>224.8<sup>2</sup></b>

<sup>1</sup> Net of electricity purchased from third parties

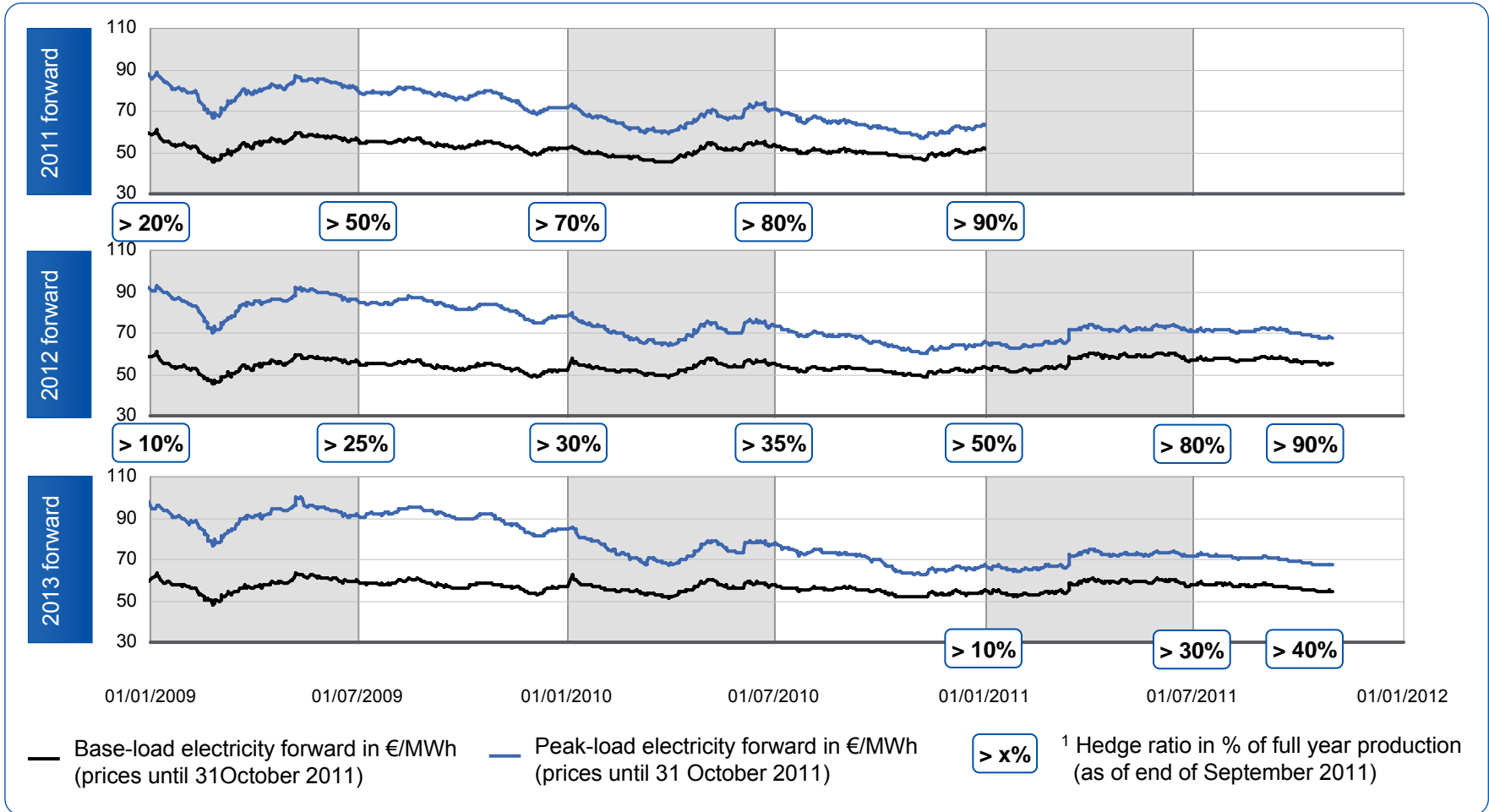
<sup>2</sup> Difference between electricity production and electricity sales volume due to grid losses, operating consumption by lignite production and pumped-storage power plants

# RWE Group gas sales volume (by geographic regions)

January – September in TWh	Germany	Czech Rep.	NL	UK	Other	Total 2011	Total 2010
Residential and commercial customers	18.0	17.9	25.2	25.8	0.6	87.5	104.1
Industrial and corporate customers	29.9	11.6	39.6	1.8	9.7	92.6	109.5
Distributors	43.2	2.3	0.0	0.1	2.2	47.8	60.4
<b>Total</b>	<b>91.1</b>	<b>31.8</b>	<b>64.8</b>	<b>27.7</b>	<b>12.5</b>	<b>227.9</b>	<b>274.0</b>

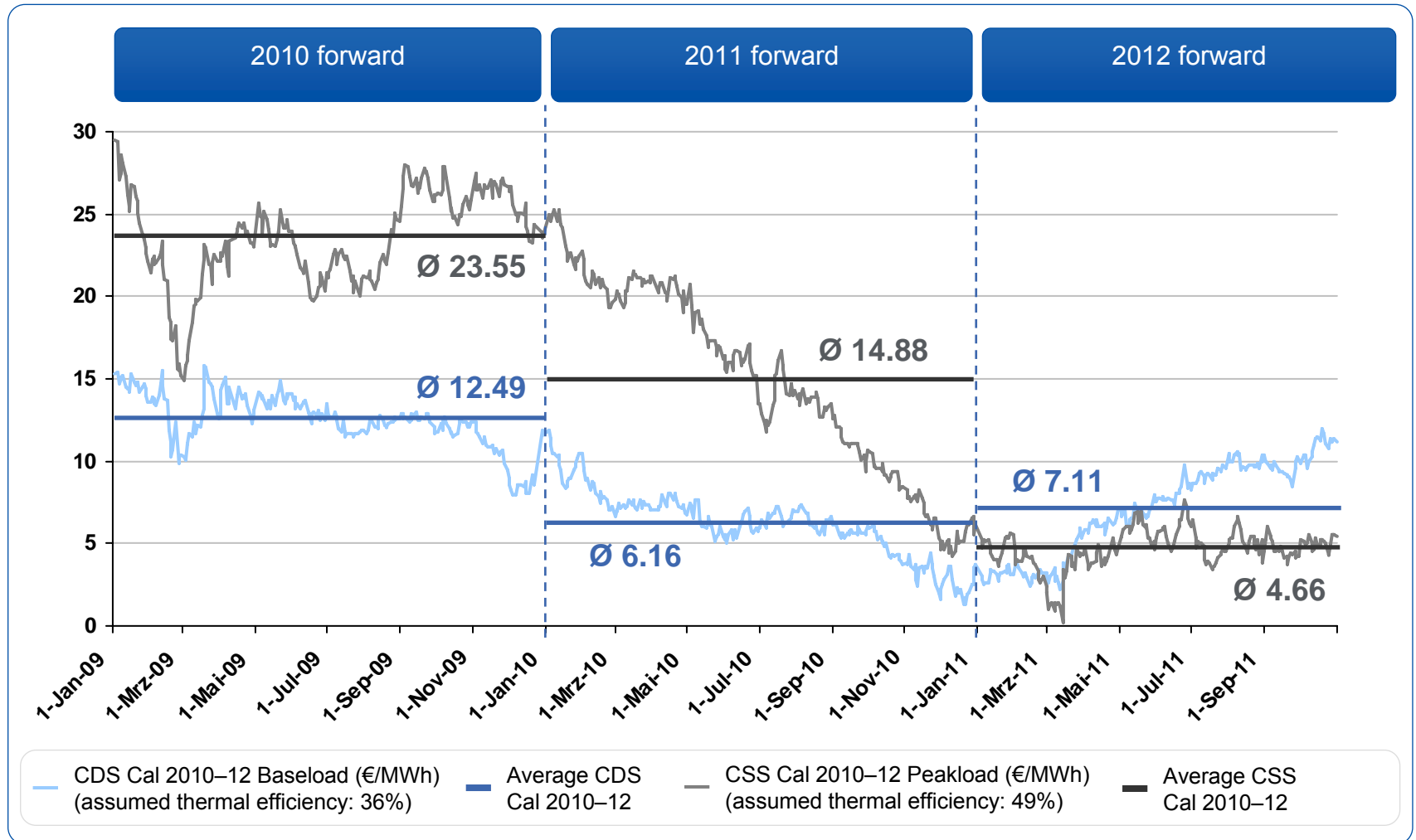
# Forward selling<sup>1</sup> by RWE Power in the German market

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



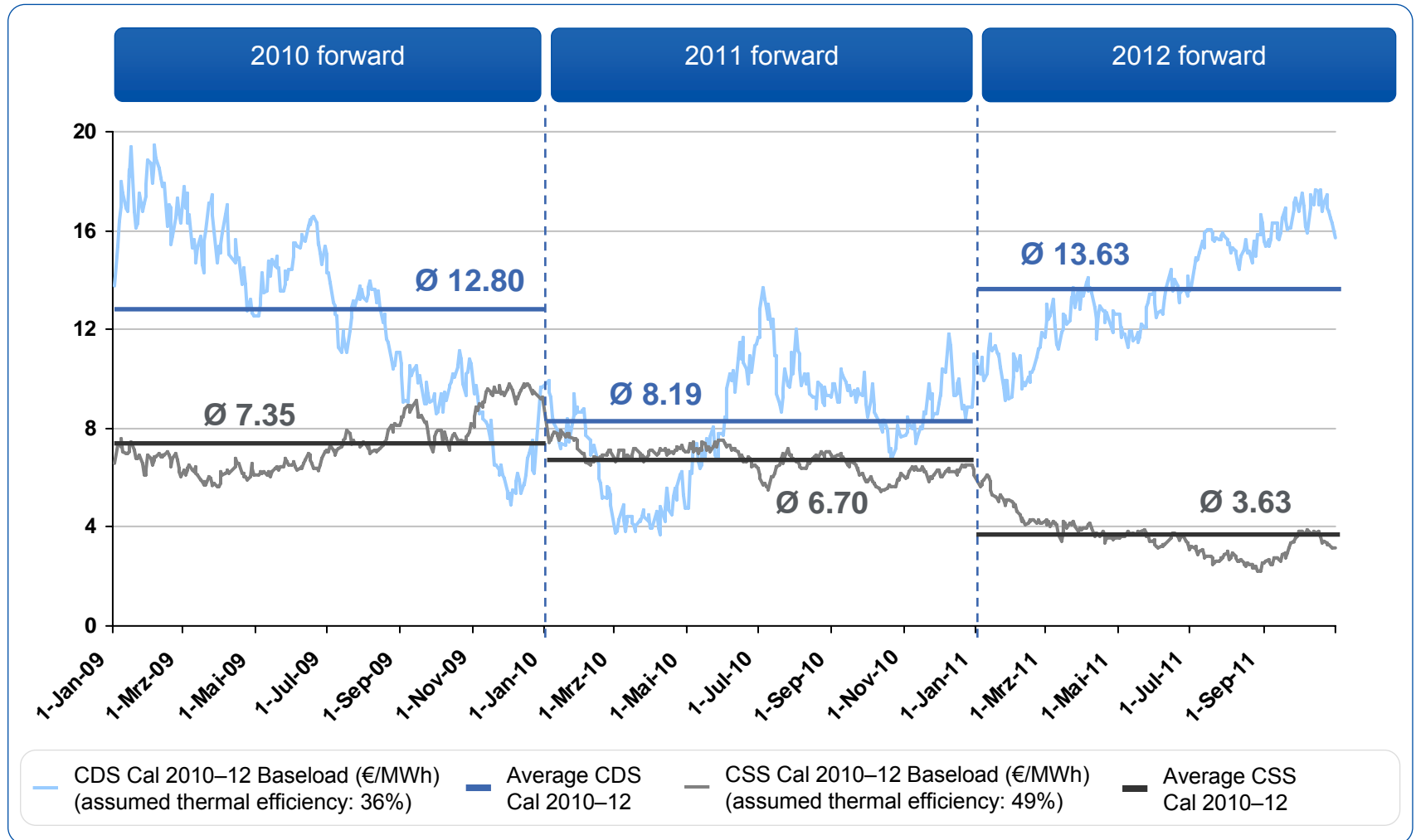
(Average realised price for 2010 forward: €67/MWh)

# Germany: Clean Dark and Spark Spreads (CDS/CSS)



Source: RWE Supply & Trading, prices until 31 October 2011

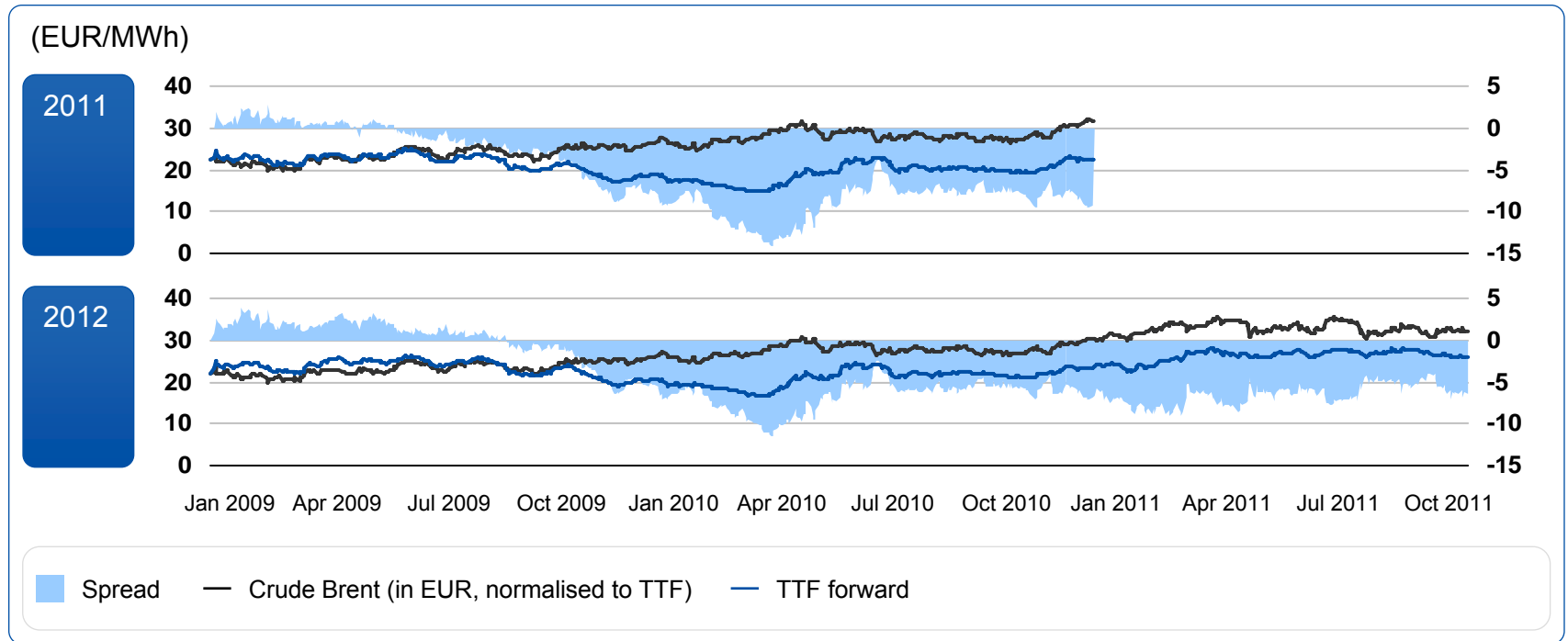
# UK: Clean Dark and Spark Spreads (CDS/CSS)



Source: RWE Supply & Trading, prices until 31 October 2011



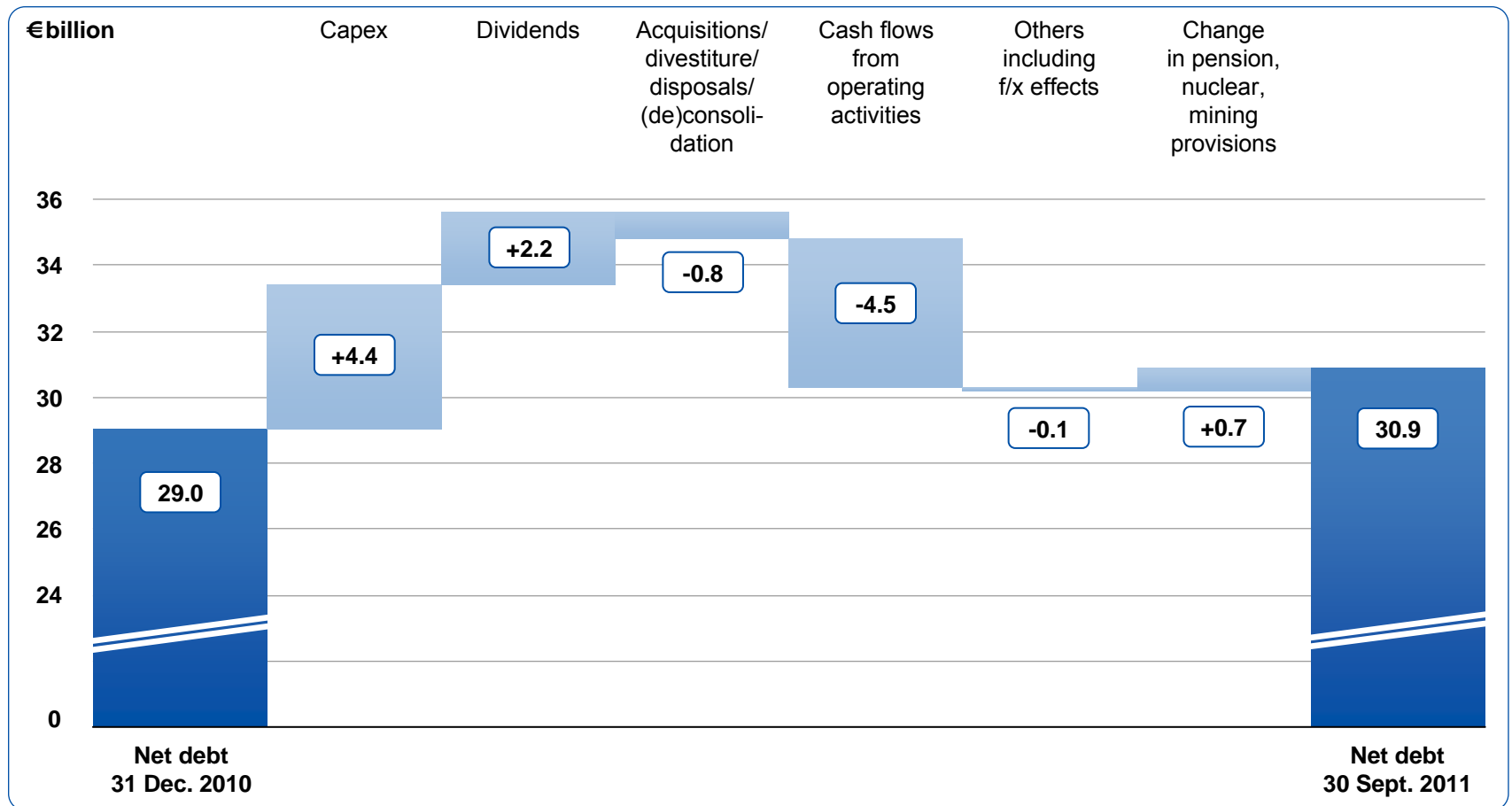
# Development of TTF gas price and brent oil price since January 2009



Relative development of the TTF and brent forwards for the years 2011 and 2012 since 1 January 2009. To compare both, the brent oil price is normalised to the TTF gas price as of 1 January 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.

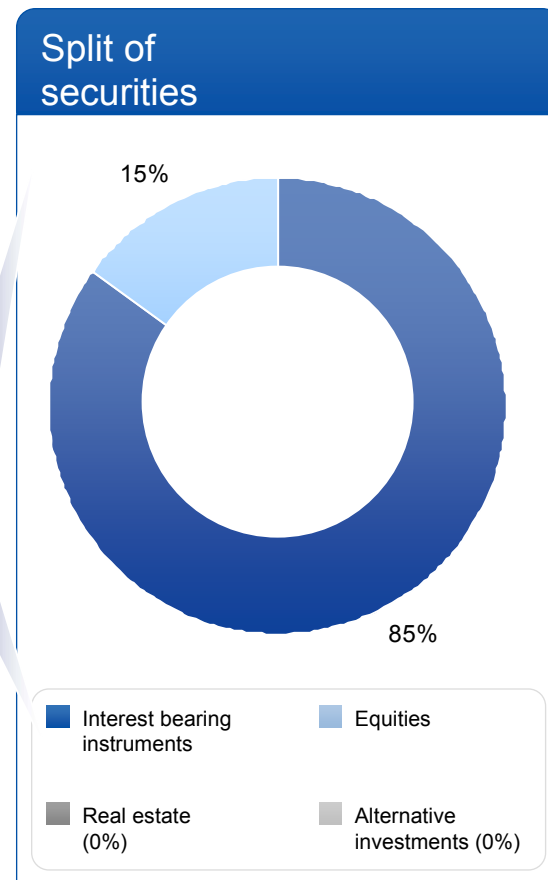
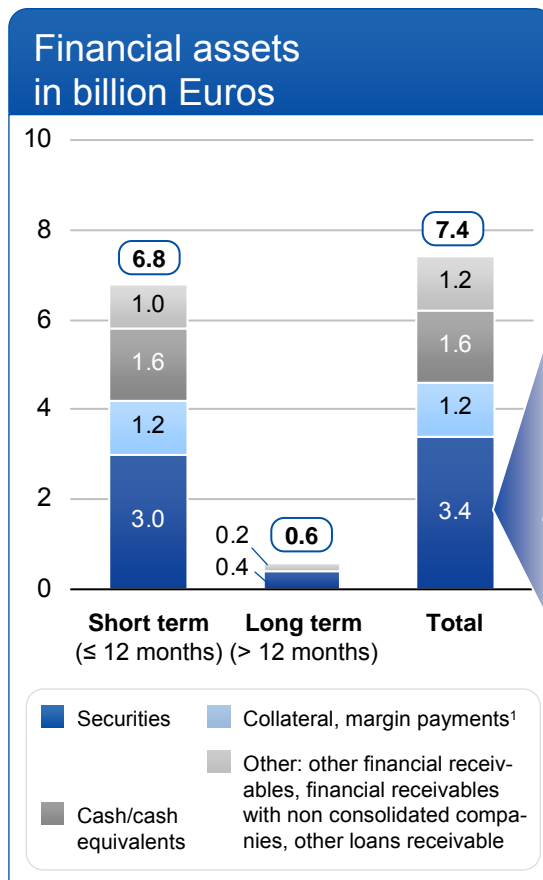
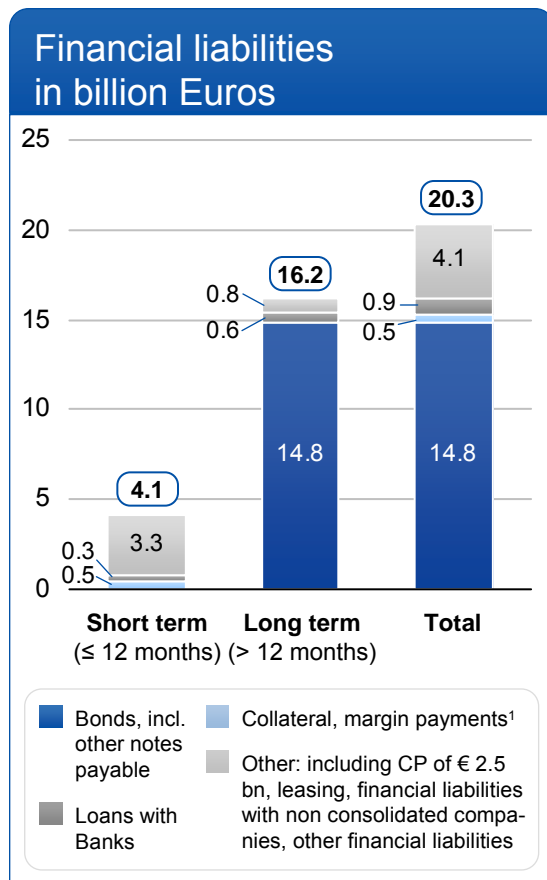
Source: RWE Supply & Trading, prices until 31 October 2011

# Development of net debt



# Financial liabilities and assets

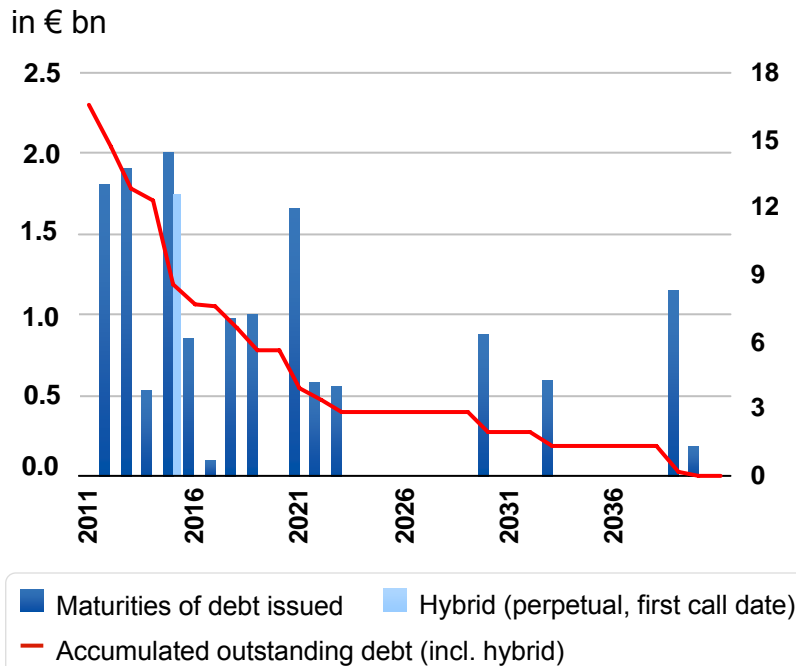
(excluding hybrid capital, as of 30 September 2011)



<sup>1</sup> Excluding variation margins under EEX based commodity contracts which are accounted for in the cash flow statement under 'change in working capital' and which are netted against the fair values of the respective derivatives at any point in time.

# Capital market debt maturities and sources of financing

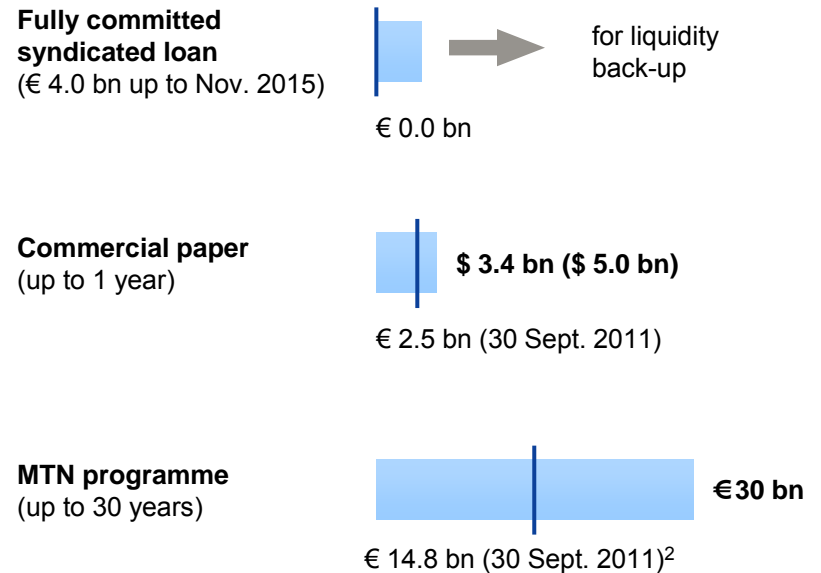
## Capital market debt maturities<sup>1</sup>



**Balanced profile with limited maturities up to end of 2013 (~€ 3.7 billion)**

<sup>1</sup> RWE AG and RWE Finance B.V., as of 30 September 2011

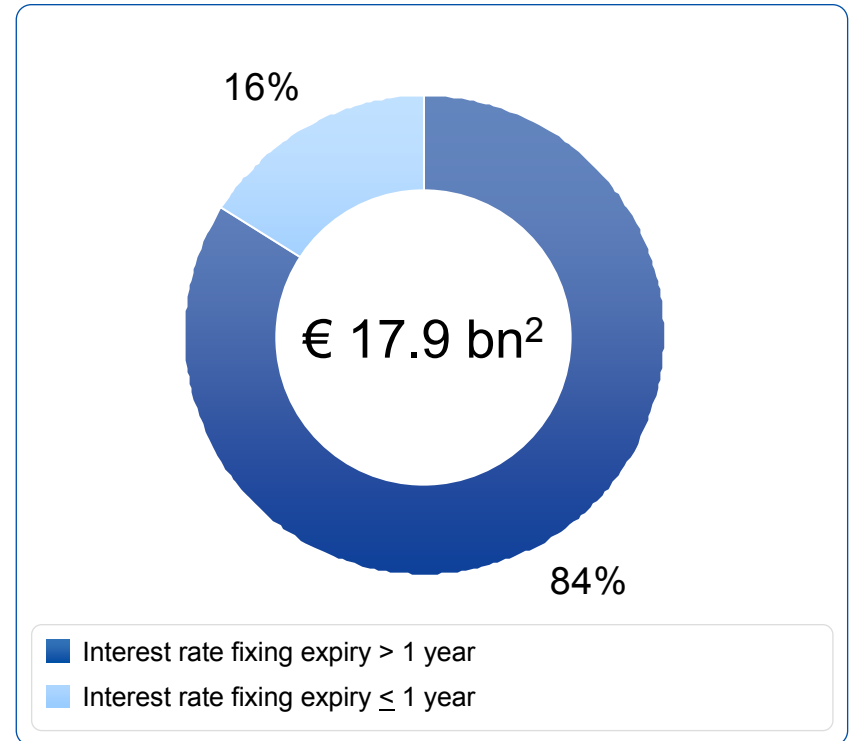
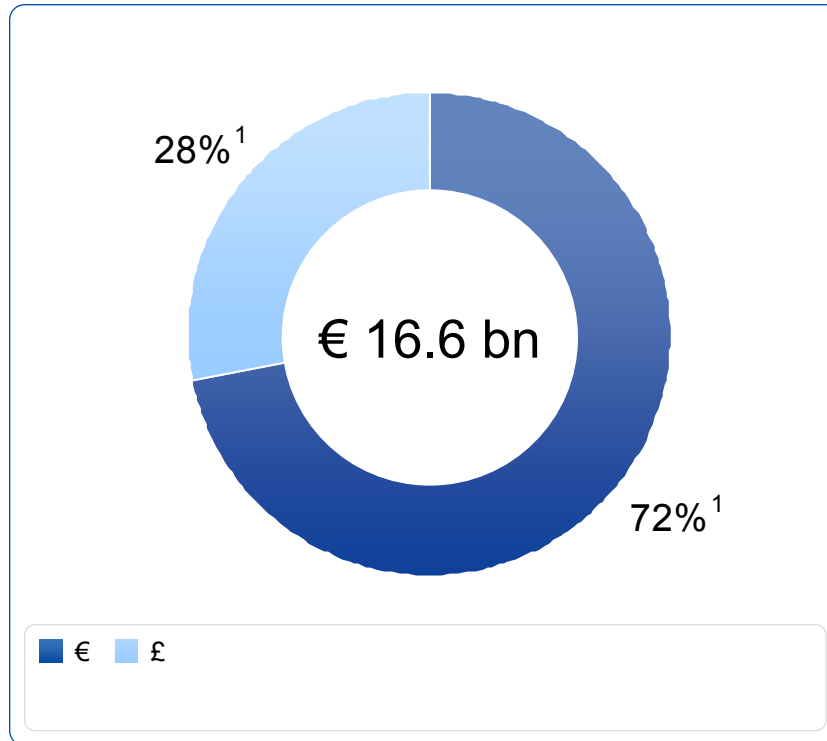
## Strong sources of financing



<sup>2</sup> Bonds outstanding under the MTN-programme, i.e. excluding hybrid. Including hybrid: € 16.6 bn

# Capital market debt currency and interest exposure

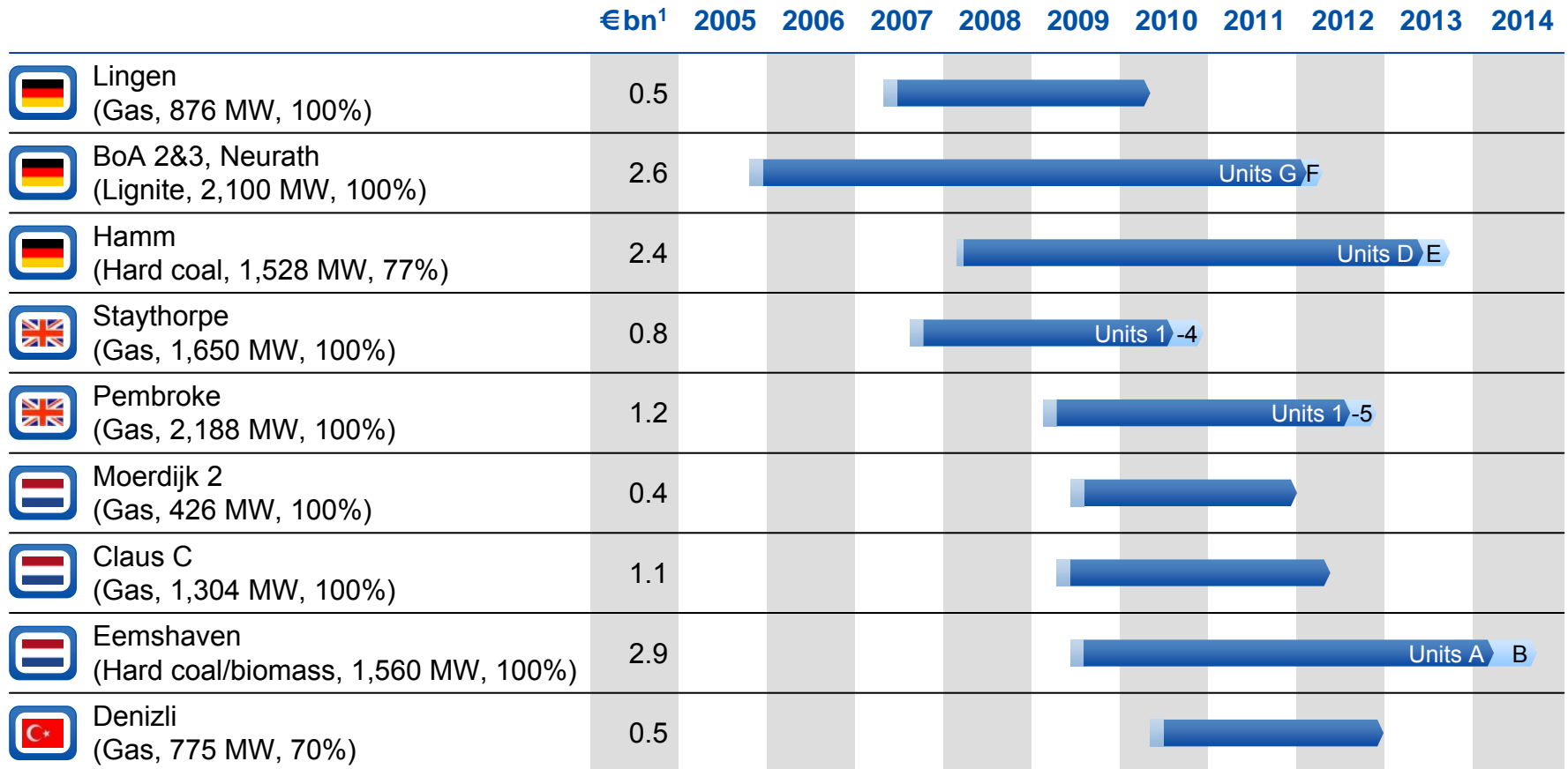
(as of 30 September 2011)



<sup>1</sup> Capital market debt = bonds of € 14.8 bn and hybrid of € 1.75 bn; split into currencies includes cross-currency swaps





<sup>2</sup> Capital market debt plus other interest rate-related positions such as commercial paper and cash; including interest and cross-currency swaps

# Conventional power plant new build programme



<sup>1</sup> Capex at 100% share








# RWE Innogy major project portfolio

	€bn <sup>1</sup>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
 Gwynt y Môr (Wind offshore, 576 MW, 60%)	2.4										
 Greater Gabbard (Wind offshore, 504 MW, 50%)	1.9										
 Markinch (Biomass CHP) 45 MW <sub>e</sub> , 88 MW <sub>th</sub> , 100%	0.3										
 Nordsee Ost (Wind offshore, 295 MW, 100%)	0.9										

- 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 in achieving 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

<sup>1</sup> Capex at 100% share

# RWE Dea's largest field developments

Production start	RWE share	Capex <sup>1</sup> (€bn)	2011	2012	2013	2014	2015	2016
 West Nile Delta (Egypt)	40%	2.6						
 Breagh (UK)	70%	0.4						
 Reggane (Algeria)	19.5%	0.4						
 Luno (Norway)	20%	0.5						
 Knarr (Norway) <sup>2</sup>	10%	0.2						
 NC193 (Libya) <sup>3</sup>	100%	0.3						
 NC195 (Libya) <sup>3</sup>	100%	0.2						

<sup>1</sup> RWE's share in capex

<sup>2</sup> Formerly "Jordbær"

<sup>3</sup> The political situation in Libya has caused delays.



# Always be informed about RWE...

To always be up-to-date, please have a look at our website  
[www.rwe.com/ir](http://www.rwe.com/ir)

- **Calendar**

*<http://www.rwe.com/web/cms/en/110614/rwe/investor-relations/calendar/>*

- **Annual and Interim Reports**

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- **Results and Roadshow Presentations**

*<http://www.rwe.com/web/cms/en/213092/rwe/investor-relations/events-presentations/archive/>*

- **Facts & Figures - The Guide to RWE and the Utility Sector – as well as various Factbook specials**

*<http://www.rwe.com/web/cms/en/114404/rwe/investor-relations/events-presentations/factbook/>*

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

*<http://www.rwe.com/web/cms/en/109506/rwe/investor-relations/shares/rwe-as-seen-by-analysts/>*

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

*<http://www.rwe.com/web/cms/en/113984/rwe/investor-relations/bonds/credit-analysts-who-follow-rwe/>*