

# Investor and Analyst Q1-Q3 2014 Conference Call

Essen, 13 November 2014

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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

are forward-looking statements. Also words such as “anticipate”, “believe”, “estimate”, “intend”, “may”, “will”, “expect”, “plan”, “project” “should” and similar expressions are intended to identify forward-looking statements. The forward-looking statements reflect the judgement of RWE’s management based on factors currently known to it. No assurances can be given that these forward-looking statements will prove accurate and correct, or that anticipated, projected future results will be achieved. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Such risks and uncertainties include, but are not limited to, changes in general economic and social environment, business, political and legal conditions, fluctuating currency exchange rates and interest rates, price and sales risks associated with a market environment in the throes of deregulation and subject to intense competition, changes in the price and availability of raw materials, risks associated with energy trading (e.g. risks of loss in the case of unexpected, extreme market price fluctuations and credit risks resulting in the event that trading partners do not meet their contractual obligations), actions by competitors, application of new or changed accounting standards or other government agency regulations, changes in, or the failure to comply with, laws or regulations, particularly those affecting the environment and water quality (e.g. introduction of a price regulation system for the use of power grid, creating a regulation agency for electricity and gas or introduction of trading in greenhouse gas emissions), changing governmental policies and regulatory actions with respect to the acquisition, disposal, depreciation and amortisation of assets and facilities, operation and construction of plant facilities, production disruption or interruption due to accidents or other unforeseen events, delays in the construction of facilities, the inability to obtain or to obtain on acceptable terms necessary regulatory approvals regarding future transactions, the inability to integrate successfully new companies within the RWE Group to realise synergies from such integration and finally potential liability for remedial actions under existing or future environmental regulations and potential liability resulting from pending or future litigation. Any forward-looking statement speaks only as of the date on which it is made. RWE neither intends to nor assumes any obligation to update these forward-looking statements. For additional information regarding risks, investors are referred to RWE’s latest annual report and to other most recent reports filed with Frankfurt Stock Exchange and to all additional information published on RWE’s Internet Web site.

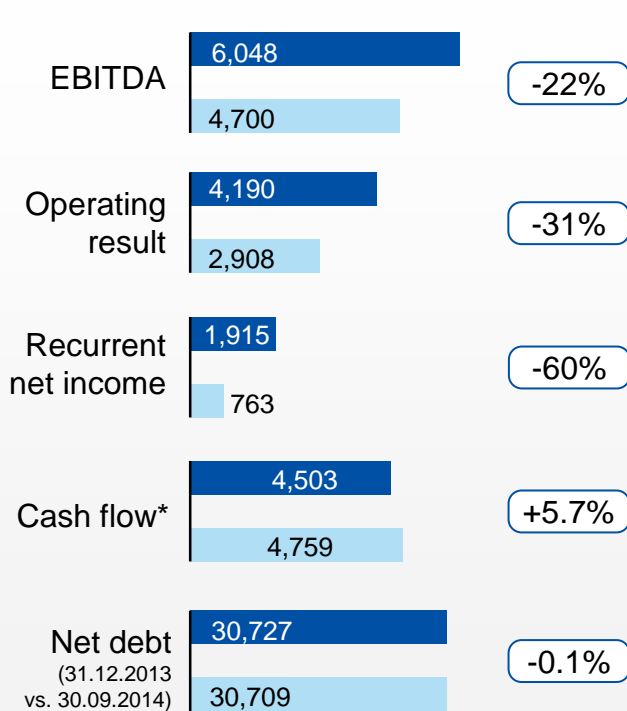
# Main messages for Q3 2014

- Financial performance for first nine months in line with our expectations: EBITDA -22%, operating result -31%, recurrent net income -60%
- Group outlook for 2014 confirmed
- RWE Dea: The parties to the transaction continue to work towards a closing of the transaction
- RWE has pre-qualified approx. 8 GW for the UK capacity market
- Sale of stakes in Nordsee One, 2 and 3 offshore wind projects to Northland Power and Enna biomass project to Fri-El Green Power
- RWE qualifies for Dow Jones Sustainability and Climate Performance Leadership indices

# Increase in cash flow despite an expected decline in earnings

## RWE key figures for Q1-Q3 2014

€ million

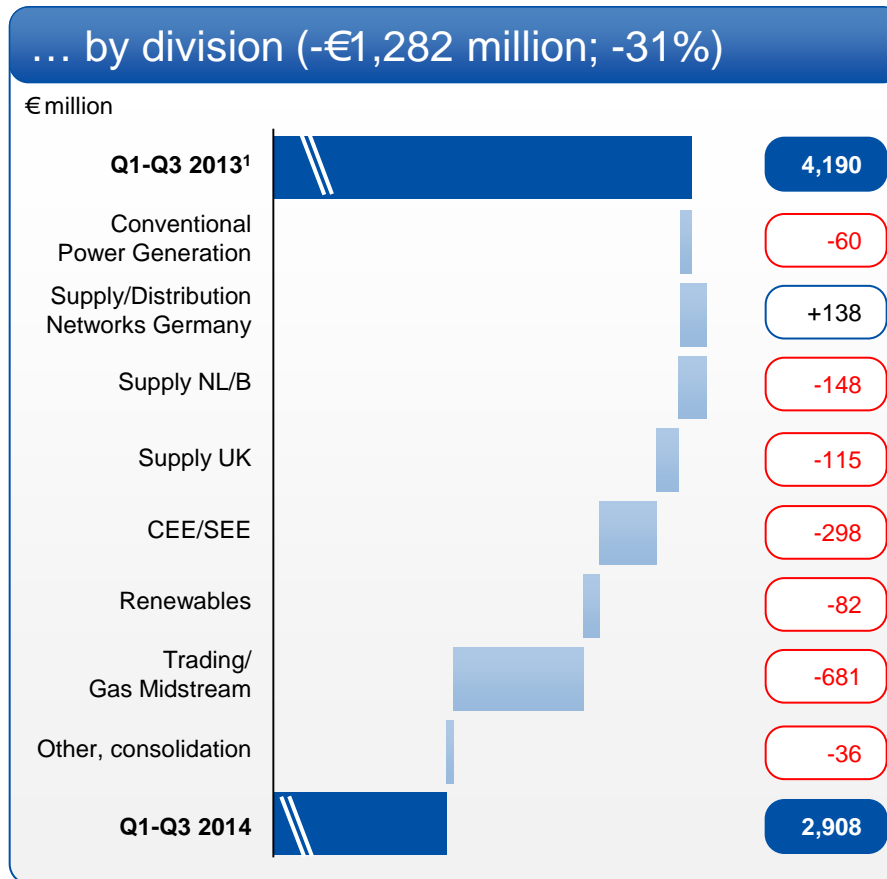


\* Cash flows from operating activities of continuing operations

■ 2013 □ 2014

- Besides margin erosion in conventional power generation and the negative weather effects, the decline of EBITDA and operating result is especially impacted because we received a one-off payment from the Gazprom arbitration court ruling in 2013
- Recurrent net income for 2013 includes the earnings contribution of RWE Dea (€209 million) while it is excluded in 2014
- Cash flows from operating activities of continuing operations up by 6%: see details on slide 6
- Net debt still includes RWE Dea and will come down significantly when the transaction closes

# Development of operating result ...



- Earnings in Conventional Power Generation under pressure due to declining generation margins
- Earnings trend in our supply divisions suffered among other things from weather effects
- Development of Supply NL/B division was also impacted by positive one-off (release of provisions) in 2013
- Development of CEE/SEE division was hampered among other things by the deconsolidation of NET4GAS
- Trading/Gas Midstream: Absence of positive one-off from arbitration court ruling on our long-term oil-indexed gas contract with Gazprom in 2013

<sup>1</sup> Partly restated figures; see Q1-Q3 2014 interim report, page 11.

# Cash flow statement

January – September €million	2014	2013	Change (absolute)
Funds from operations (FFO)	2,443	4,368	-1,925
Change in working capital	2,316	135	2,181
Cash flows from operating activities	4,759	4,503	256
Capex on fixed assets	-2,197	-2,458	261
<b>Free cash flow</b>	<b>2,562</b>	<b>2,045</b>	<b>517</b>

All figures from continuing operations.



FFO – among other things:

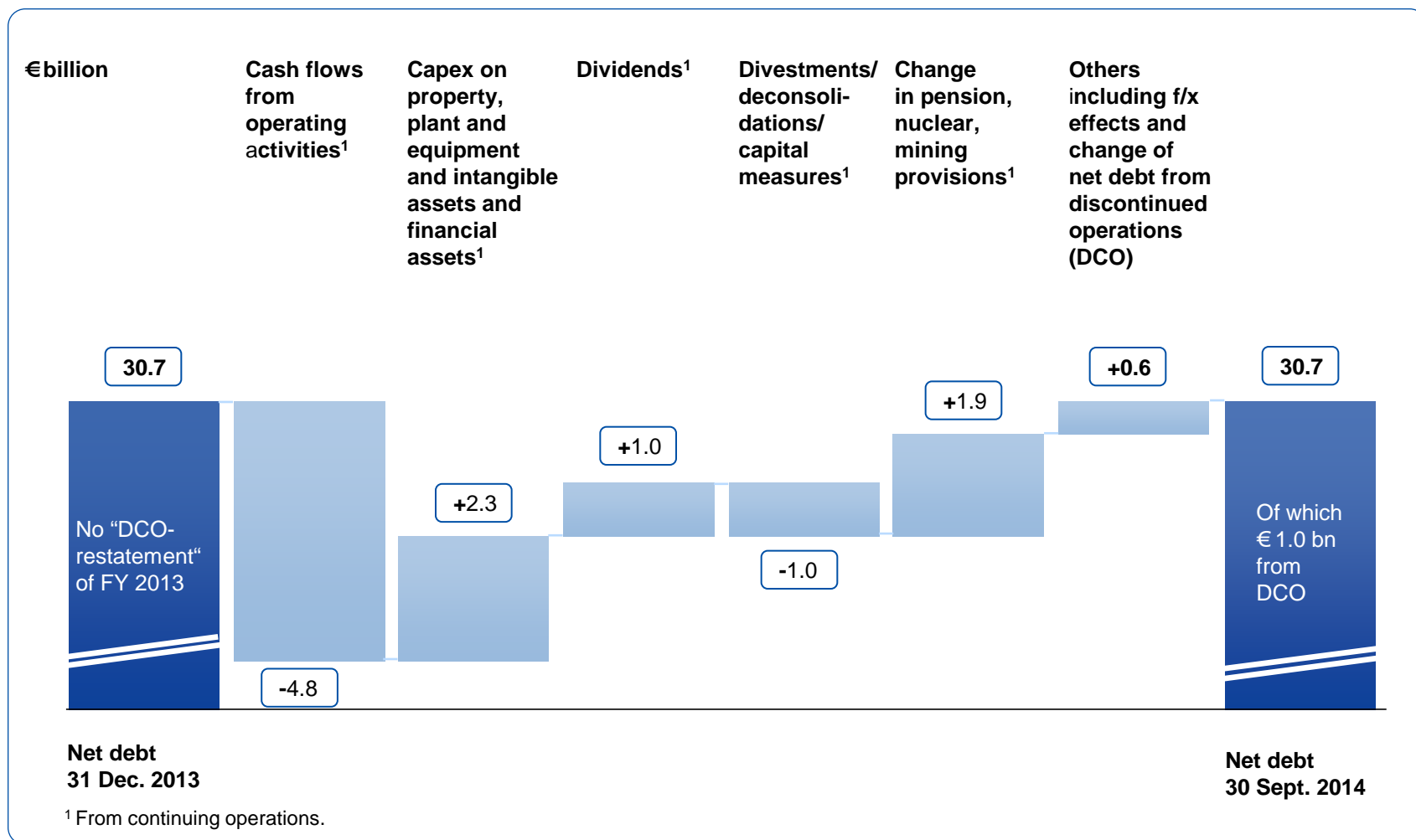
- > One-off profit from Gazprom arbitration ruling in 2013
- > Significantly higher reduction of provisions due to submission of CO<sub>2</sub> certificates for the previous year. This reflects the switch to the new compliance period with full auctioning in 2013 (see below)
- > Refund of nuclear fuel tax for our Emsland power plant



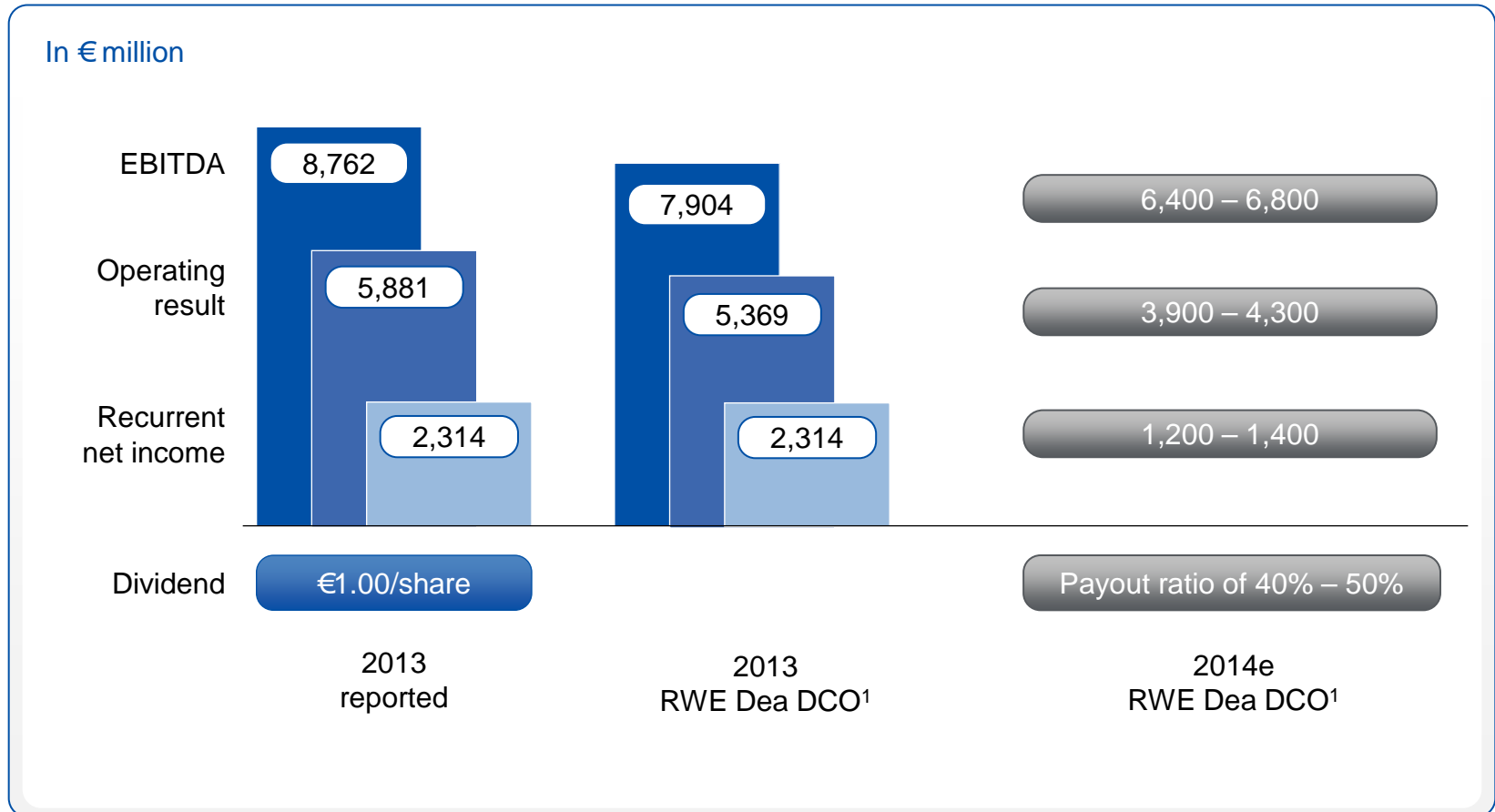
Change in working capital – among other things:

- > Significantly higher reduction in CO<sub>2</sub> inventories due to submission of certificates for the previous year (see above)
- > Lower increase of accounts receivable due to mild weather and higher advance payments

# Development of net debt



# Outlook for 2014



<sup>1</sup> Based on the sale agreement, RWE Dea will be sold with retrospective effect as of 1 Jan. 2014. Hence, RWE Dea is considered under 'discontinued operations' (DCO), i.e. not included in EBITDA and the operating result for 2013 and 2014. The recurrent net income (RNI) of RWE in 2013 still includes the RNI of RWE Dea. In 2014 RWE Dea is reflected in the RNI via the pro rata interest on the sale price. Further restatements according to IFRS 11. See page 11 of the Q1-Q3 2014 interim report.



# 2014 divisional outlook for the operating result unchanged except for Supply UK

€million	2013 <sup>1</sup>	2014 forecast versus 2013
Conventional Power Generation	1,384	Significantly below 2013
Supply/Distribution Networks Germany	1,626	Moderately above 2013
Supply Netherlands/Belgium	278	Significantly below 2013
Supply United Kingdom	290	Significantly below 2013
Central Eastern and South Eastern Europe	1,032	Significantly below 2013
Renewables	203	Significantly below 2013
Trading/Gas Midstream	831	Significantly below 2013

<sup>1</sup> Figures partly restated. For more details see Q1-Q3 2014 interim report, page 11.

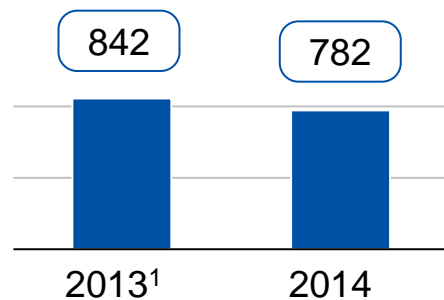
# Back-up Charts



# Performance of the Conventional Power Generation Division

January – September: operating result: -7.1% (-€60 million)

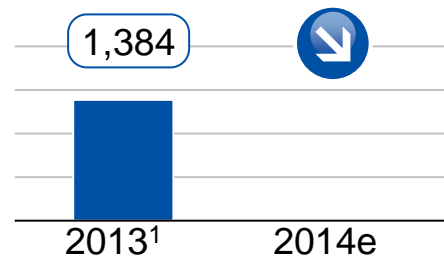
€ million



- Lower realised electricity generation spreads
- Closure of Tilbury and Didcot A power plants
- + Efficiency improvements
- + Lower operating depreciation
- + Absence of negative one-off for adjustment of provision for pending losses from an electricity purchase contract in 2013

Guidance for fiscal 2014: Significantly below last year's level

€ million

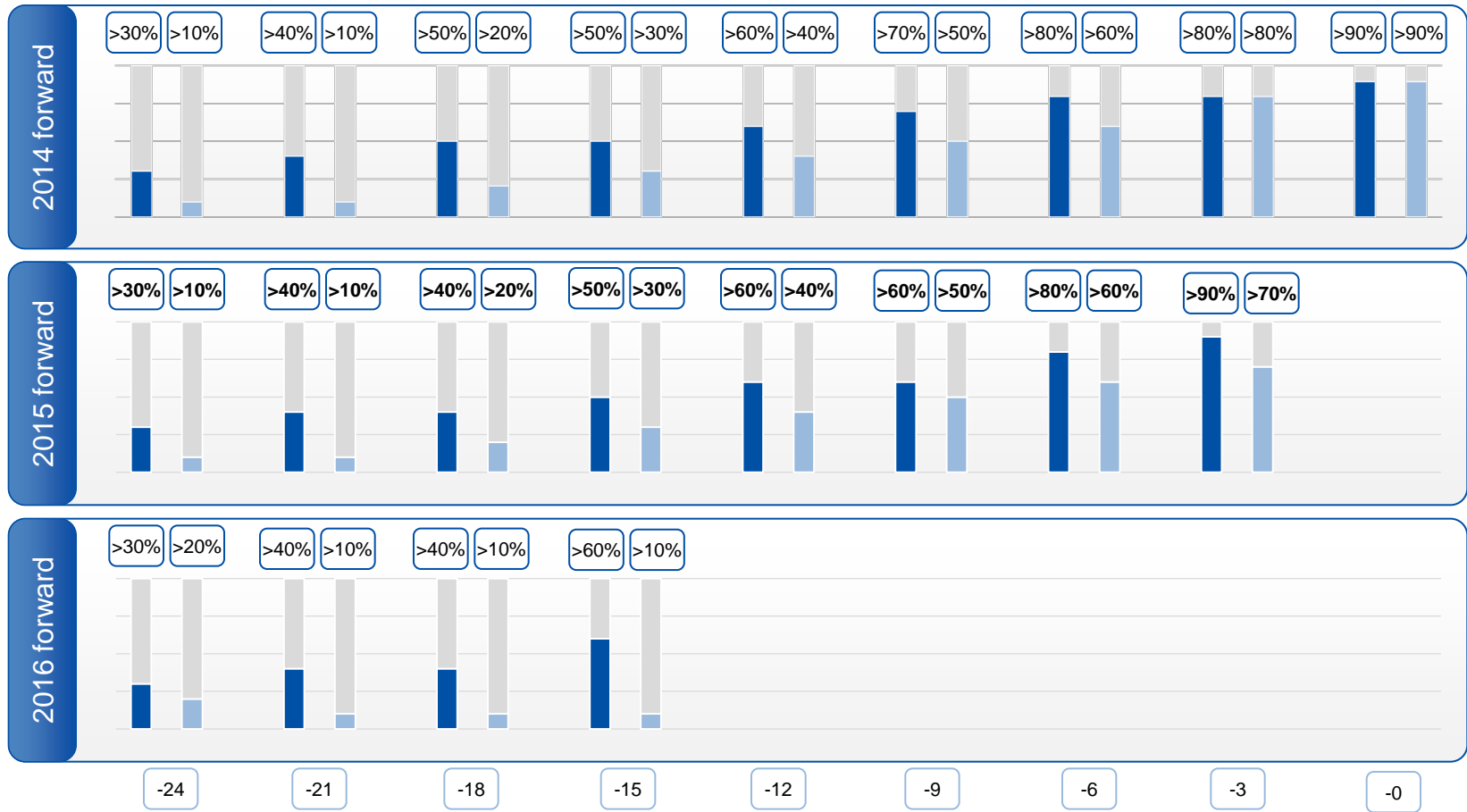


- Mainly the same value drivers as for Q1-Q3 (see above)
- plus
- Higher expenses to maintain power stations after very few plant overhauls last year

<sup>1</sup> Restated figure; see Q1-Q3 2014 interim report, page 11.

# RWE's forward hedging of conventional electricity production (German, Dutch and UK portfolio)

As of 30 September 2014



■ Outright (GER nuclear and lignite based power generation)

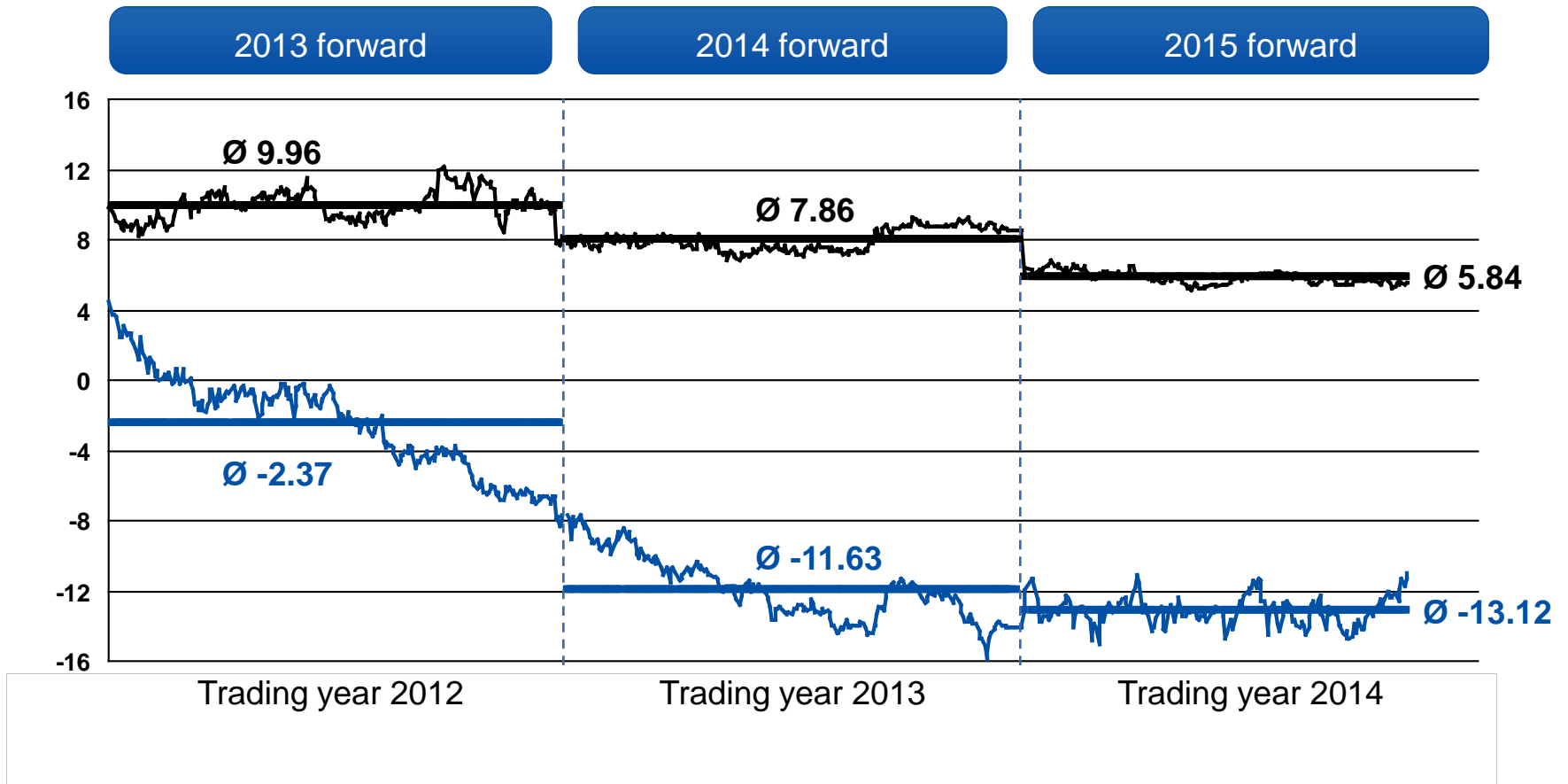
■ Spread (GER, UK and NL/B hard coal and gas based power generation)

# RWE successfully pre-qualified approx. 8 GW for the UK capacity market

Plant	MW <sup>1</sup>	Plant type
Aberthaw	1,486	Coal/OCGT
Didcot B	1.364	CCGT
Great Yarmouth	361	CCGT
Little Barford	683	CCGT
Pembroke	2.090	CCGT
Staythorpe	1.633	CCGT
Miscellaneous smaller units	407	CHP/OCGT/CCGT
	<b>8,025</b>	

<sup>1</sup> De-rated power plant capacity, i.e. capacity which effectively can participate in the auction process. Different from net generation capacity.

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

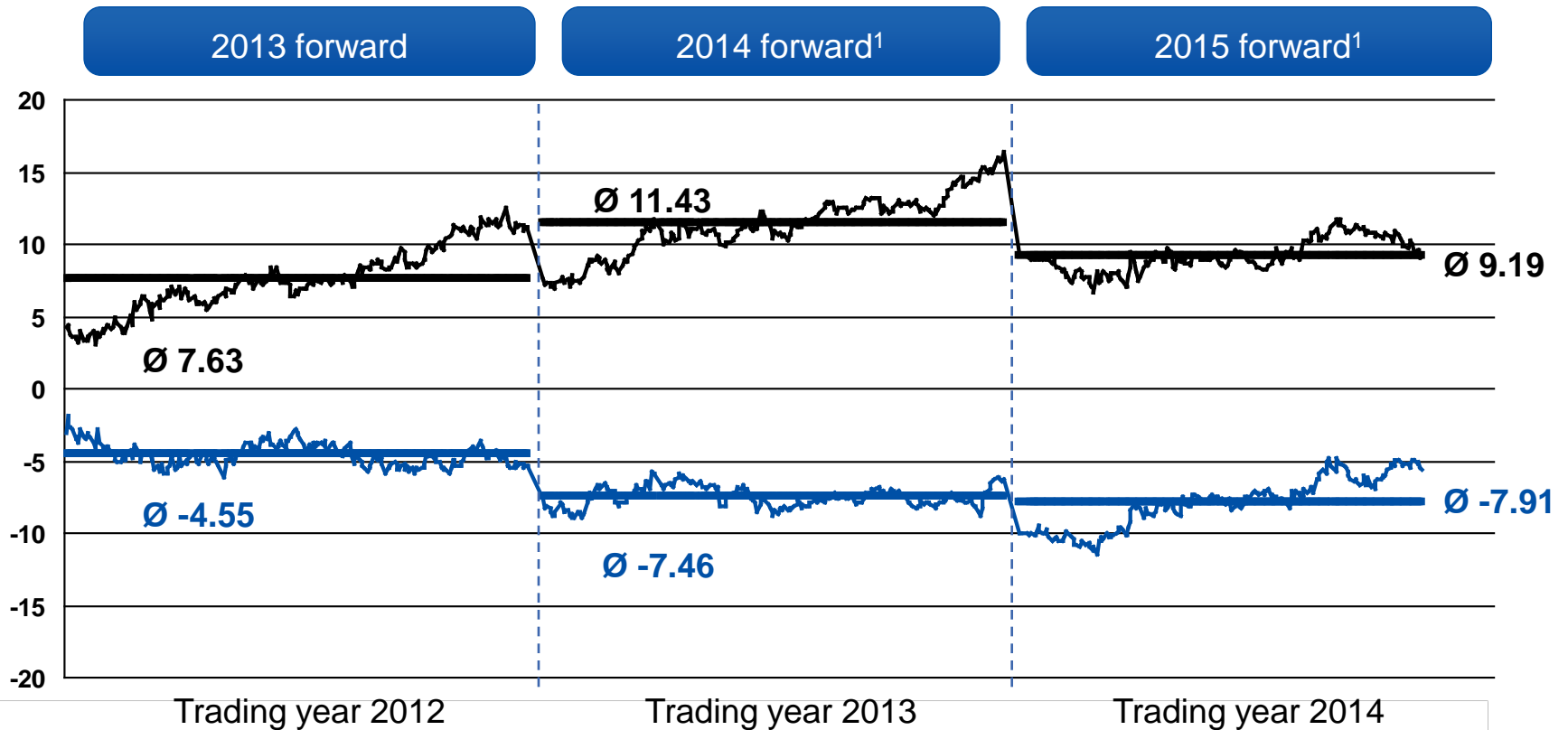


— CDS Cal 2013–15 base load (€/MWh)  
(assumed thermal efficiency: 36%)

— CSS Cal 2013–15 peak load (€/MWh)  
(assumed thermal efficiency: 49%)

Source: RWE Supply & Trading, prices through to 06 November 2014

# NL: Clean Dark (CDS) and Spark Spreads (CSS) and Spark Spreads (CSS)



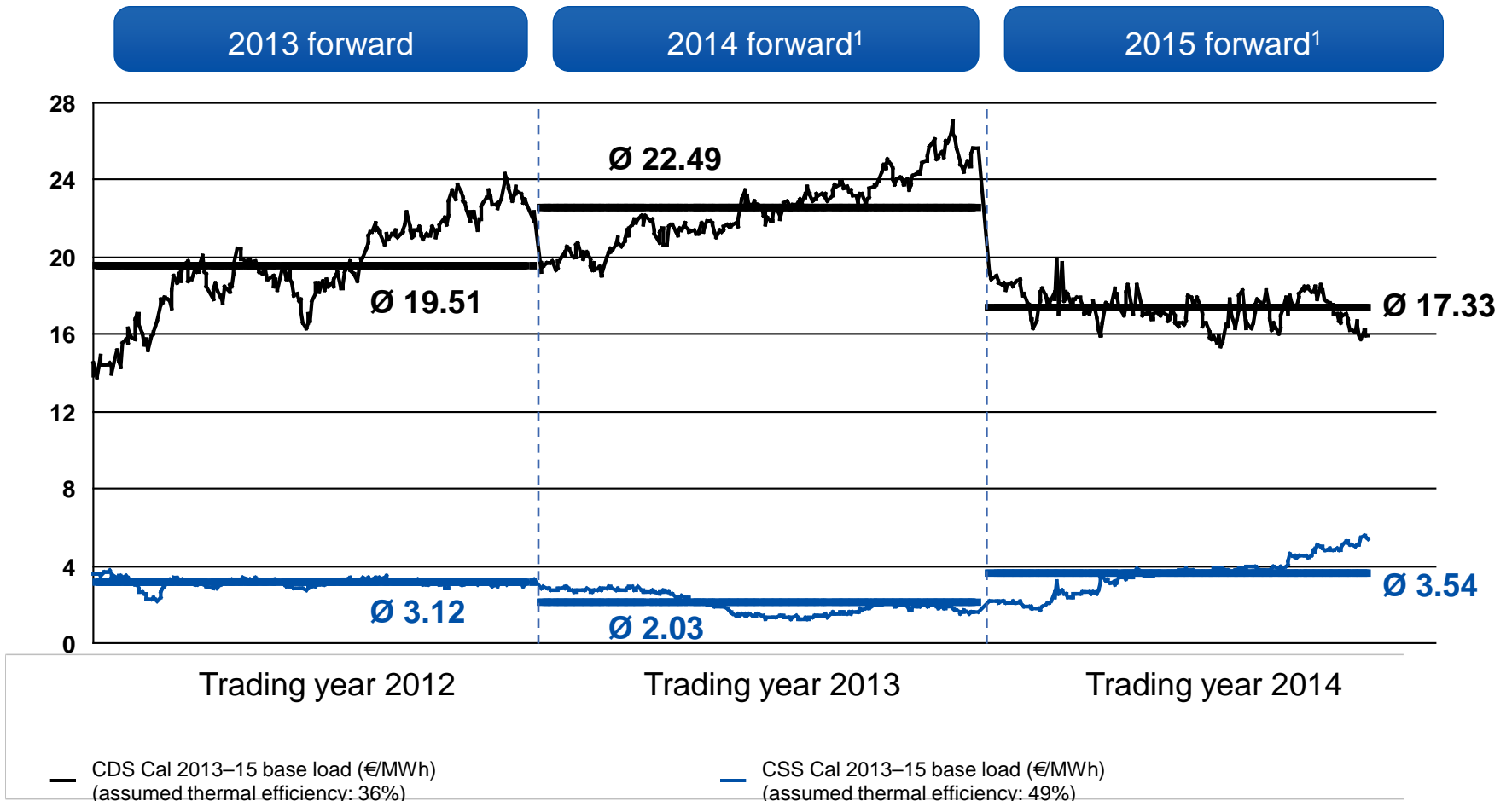
— CDS Cal 2013–15 base load (€/MWh)  
(assumed thermal efficiency: 37%)

— CSS Cal 2013–15 base load (€/MWh)  
(assumed thermal efficiency: 49%)

<sup>1</sup> CDS: Including coal tax.

Source: RWE Supply & Trading, prices through to 06 November 2014

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



<sup>1</sup> Including UK carbon tax.

Source: RWE Supply & Trading, prices through to 06 November 2014



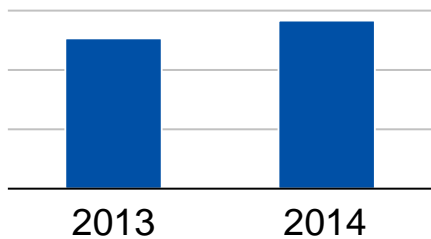
# Performance of the Supply/Distribution Networks Germany Division

January – September: operating result: +11% (+€138 million)

€ million

1,270

1,408

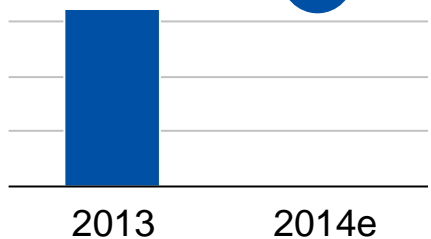


- ⊕ Efficiency improvements
- ⊕ Higher earnings from the disposal of grid assets
- ⊖ Weather-induced decline in gas earnings

Guidance for fiscal 2014: Moderately above last year's level

€ million

1,626

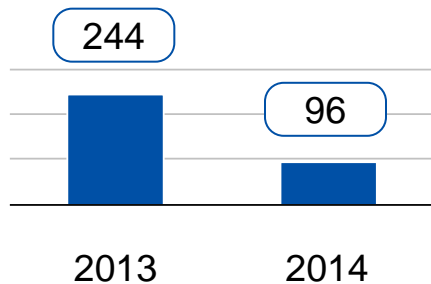


Mainly the same value drivers as for Q1-Q3 (see above)

# Performance of the Supply Netherlands/Belgium Division (Essent)

January – September: operating result: -61% (-€148 million)

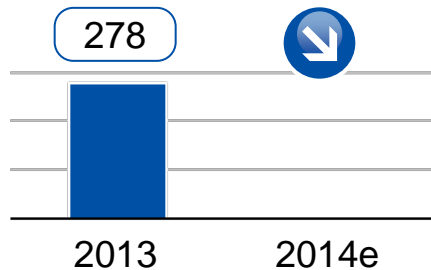
€ million



- ➖ Absence of positive impact from release of provisions in 2013
- ➖ Weather-induced reduction in gas earnings
- ➖ Competition-induced pressure on gas margins
- ➕ Marketing of new supply offerings

Guidance for fiscal 2014: Significantly below last year's level

€ million

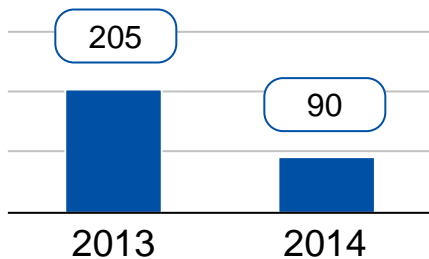


Mainly the same value drivers as for Q1-Q3 (see above)

# Performance of the Supply United Kingdom Division (RWE npower)

January – September: operating result: -56% (-€115 million)

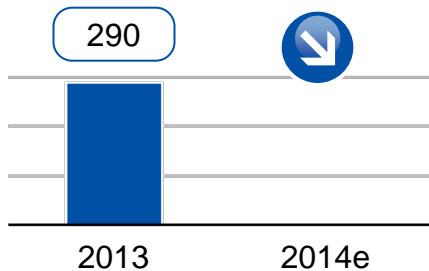
€ million



- ⊖ Higher grid fees and commodity costs and negative weather effects
- ⊖ Additional costs for customer service improvements
- ⊖ Higher burdens from government programmes to promote energy savings by households
- ⊖ Earnings dilution from sale of retail sales units to Telecom Plus
- ⊕ Price adjustments and efficiency improvements

Guidance for fiscal 2014: Significantly below last year's level

€ million



Mainly the same value drivers as for Q1-Q3 (see above)

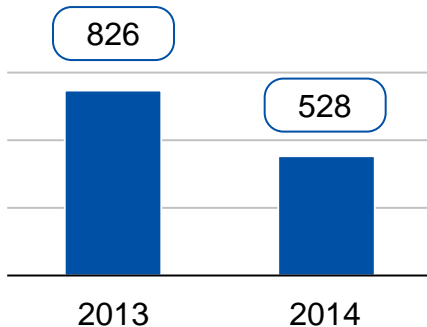
but

we expect lower burdens from government programmes to promote energy savings in households

# Performance of the Central Eastern and South Eastern Europe Division

January – September: operating result: -36% (-€298 million)

€ million



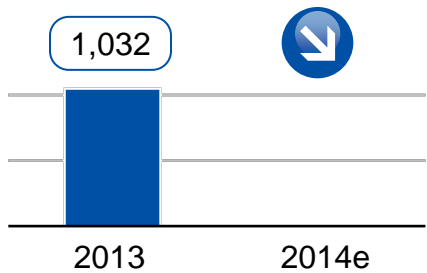
- ⊖ Disposal of NET4GAS (as of 2 August 2013)
- ⊖ Positive effects in 2013 from derivatives to hedge f/x risks

### Czech Republic:

- ⊖ Weather-induced reduction in gas earnings
- ⊖ Lower gas storage margins

Guidance for fiscal 2014: Significantly below last year's level

€ million

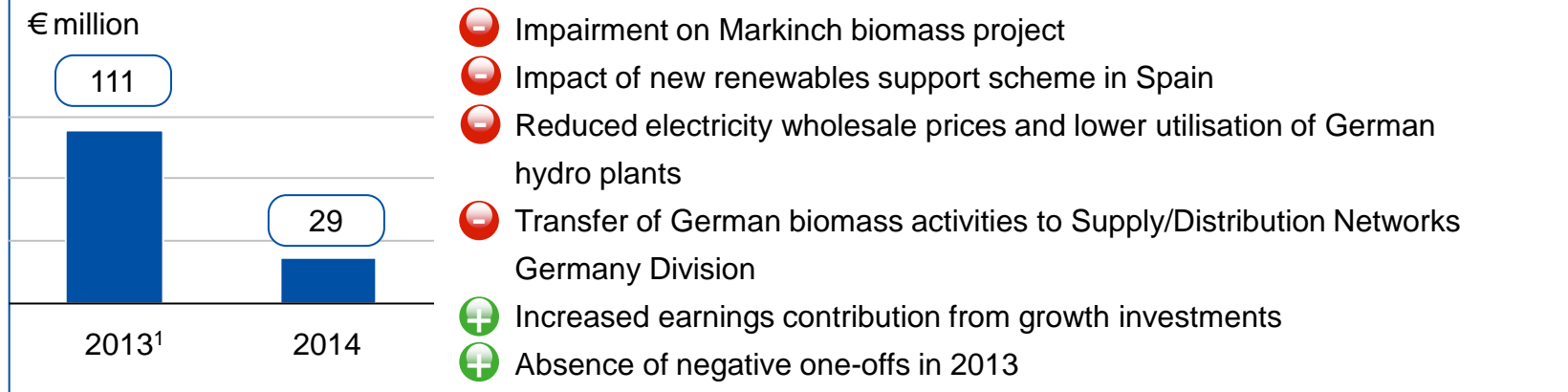


Mainly the same value drivers as for Q1-Q3 (see above)  
plus in **Hungary:**

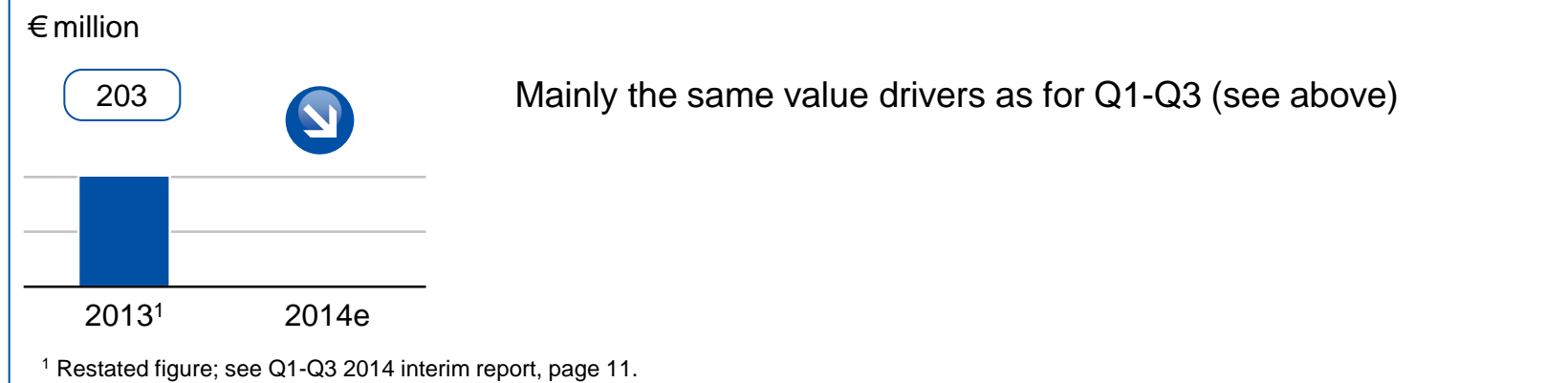
- ⊖ Reduced electricity generation margins

# Performance of the Renewables Division (RWE Innogy)

January – September: operating result: -74% (-€82million)



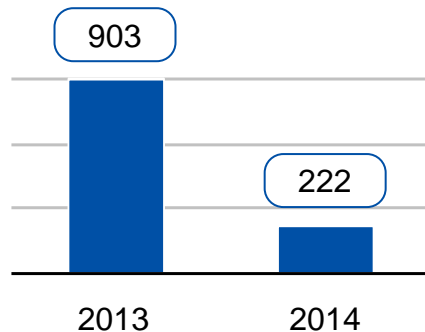
Guidance for fiscal 2014: Significantly below last year's level



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

January – September: operating result: -75% (-€681 million)

€ million



## Trading:

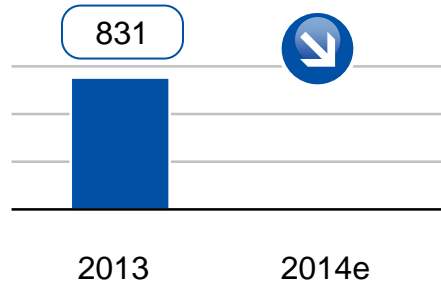
- ⊕ Significantly better performance in the energy trading business

## Supply:

- ⊖ Absence of one-off from Gazprom arbitration ruling in 2013
- ⊕ Commercial settlement with Gazprom re. our long-term gas supply contract
- ⊖ Burdens from long-term gas storage and gas transport contracts

Guidance for fiscal 2014: Significantly below last year's level

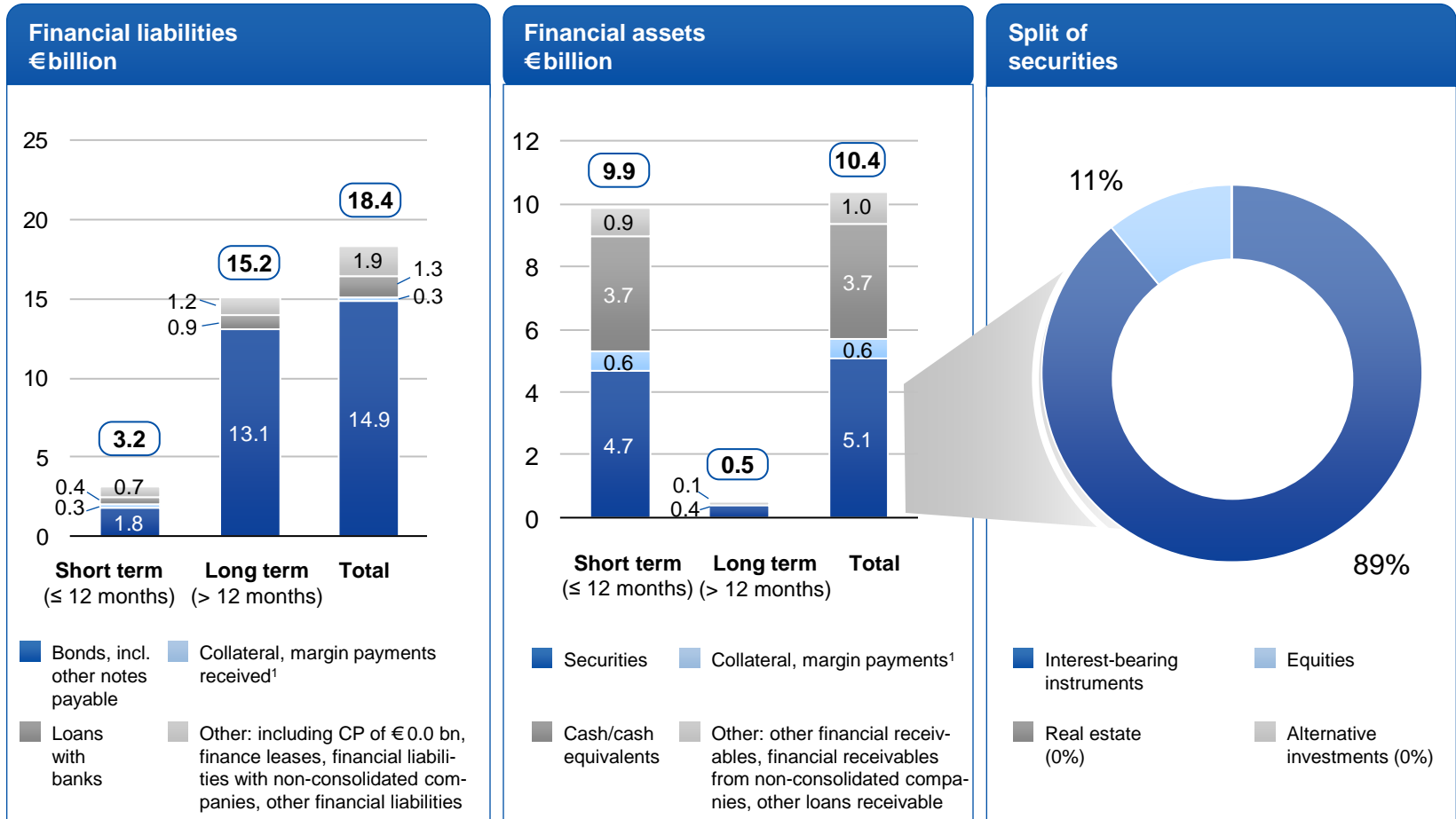
€ million



Mainly the same value drivers as for Q1-Q3 (see above)

# Financial liabilities and assets

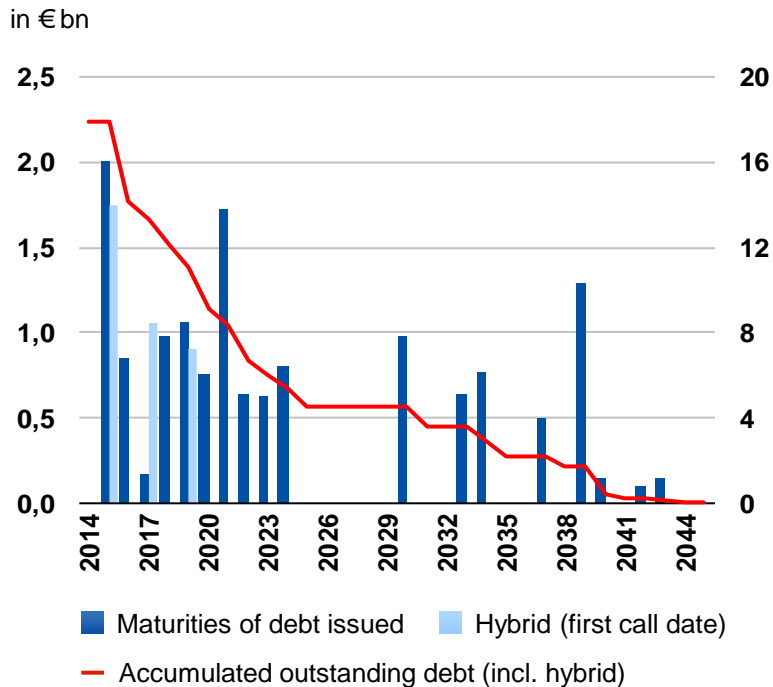
(Excluding hybrid capital and RWE Dea, as of 30 September 2014)



<sup>1</sup> Excluding variation margins which are netted against the fair values of the respective derivatives.

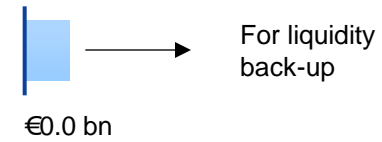
# Capital market debt maturities and sources of financing

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

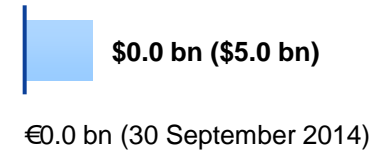


## Strong sources of financing

**Fully committed syndicated loan**  
(€4.0 bn up to March 2019)



**Commercial paper**  
(up to 1 year)



**MTN programme**  
(up to 30 years)



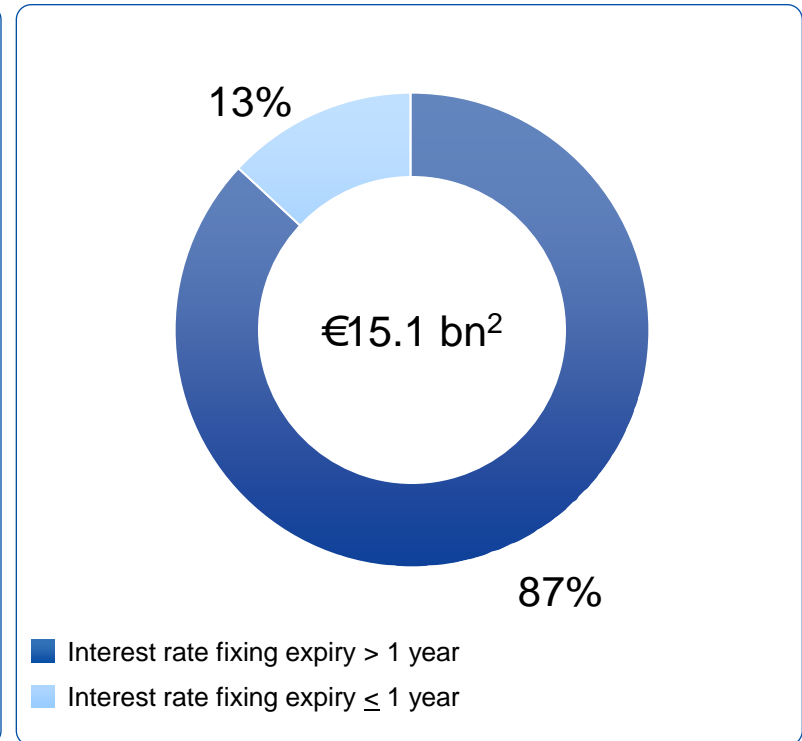
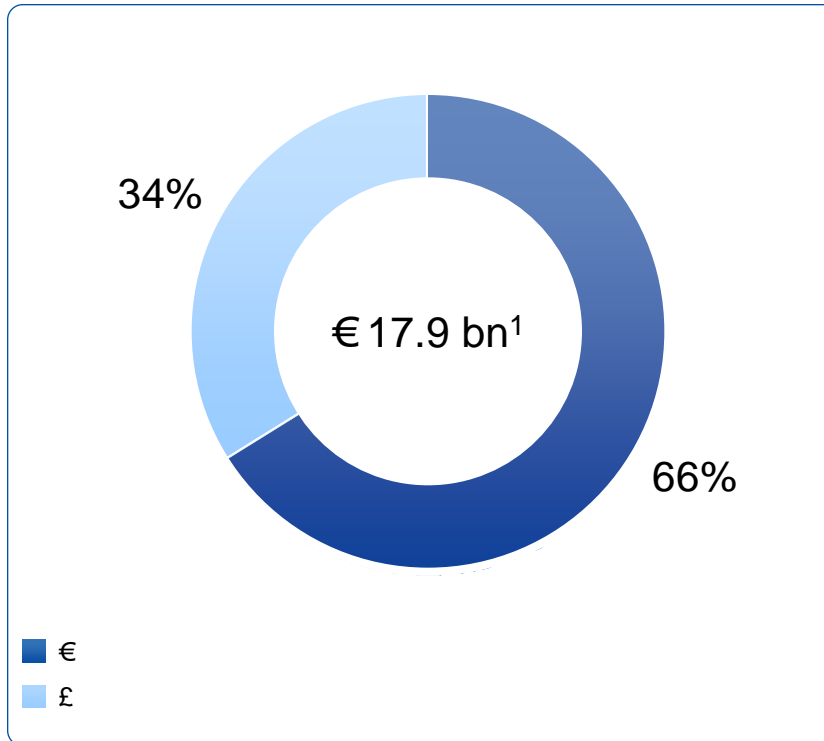
Balanced profile with limited maturities up to end of 2015 (~€3.75 billion)

<sup>1</sup> RWE AG and RWE Finance B.V. as of 30 September 2014

<sup>2</sup> Bonds outstanding under the MTN-programme, i.e. excluding hybrids. Including hybrids: €17.9 bn







# Capital market debt currency and interest exposure (as of 30 September 2014)



<sup>1</sup> Capital market debt = bonds of €14.2 bn and hybrids of €3.7 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

# RWE's major investment projects

		RWE share	Capex (€bn)	2013	2014	2015	2016	2017	2018
Conventional new build power plant programme (capex at 100% share)									
	Hamm (hard coal, 1,528 MW) <sup>1</sup>	77%	2.5	Unit E (764 MW)					
	Eemshaven (hard coal/biomass, 1,554 MW)	100%	3.1	Units A B					
<sup>1</sup> The date for bringing unit D (764 MW) into operation is pending.									
RWE Innogy: major projects under construction (capex at 100% share; UK offshore includes investment for grid connections)									
	Gwynt y Môr (offshore wind, 576 MW)	60% <sup>2</sup>	2.8						
	Nordsee Ost (offshore wind, 295 MW)	100%	1.4						
<sup>2</sup> Sale of 10% to Green Investment Bank (GIB) envisaged in 2015.									

# Keep up with RWE ...



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Financial calendar

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



Annual and Interim Reports

<http://www.rwe.com/web/cms/en/110822/rwe/investor-relations/reports/>



Investor and Analyst Conferences

<http://www.rwe.com/web/cms/en/1460144/rwe/investor-relations/events/investor-and-analyst-conferences/>



Facts & Figures – The Guide to RWE and the Utility Sector – as well as further factbooks

<http://www.rwe.com/web/cms/en/2495606/rwe/investor-relations/presentations-videos/presentations/>



Consensus of analysts' estimates of RWE's key performance indicators

<http://www.rwe.com/web/cms/en/345802/rwe/investor-relations/shares/analyst-consensus-estimates/>



IR videos and presentations

<http://www.rwe.com/web/cms/en/2495764/rwe/investor-relations/presentations-videos/videos/videos-2014/>