

# Investor and Analyst Conference Call Q1 2010

Essen, May 12, 2010

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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 amortization 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 the Frankfurt Stock Exchange or SIX Swiss Exchange and to information available on the Internet at [www.rwe.com](http://www.rwe.com).

# A good start to 2010

- Strong operating performance: EBITDA +16%, operating result +14%, recurrent net income +15%
- Successful integration of Essent – strong earnings contribution in Q1 2010
- With the commissioning of the Lingen CCGT in April the first of our major power plant projects has been finished
- “Green GECCO” cooperation between RWE Innogy and 26 municipal utilities and regional electricity companies
- Purchase of 4.8 TWh generation rights from decommissioned Stade nuclear power station for our Biblis A nuclear plant
- Outlook for 2010 confirmed – good prospects for an attractive dividend

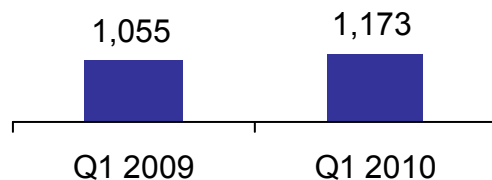
# RWE Group key performance indicators

January – March € million	2010	2009	change in %
External revenue	15,267	14,516	+5.2%
Cash flows from operating activities	1,509	533	+183.1%
EBITDA	3,574	3,090	+15.7%
Operating result	2,987	2,624	+13.8%
Non-operating result	-244	424	-
Financial result	-402	-510	+21.2%
Taxes on income	-667	-703	+5.1%
Net income	1,557	1,745	-10.8%
Recurrent net income	1,739	1,507	+15.4%
Average number of shares (thousands)	533.6	531.9	+0.3%
Earnings per share (EPS) (€)	2.92	3.28	-11.0%
Recurrent EPS (€)	3.26	2.83	+15.2%

# Performance of the Germany Division (I) Power Generation Business Area (RWE Power)

## Q1 operating result: +11.2 %

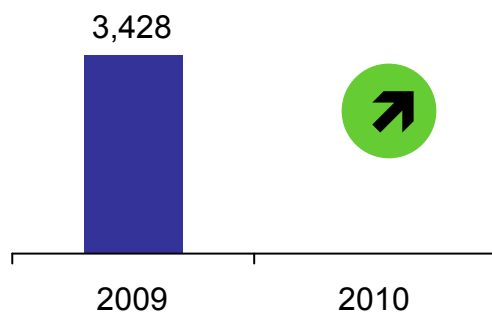
€ million



- ⊕ Lower fuel costs (+€ 233 million) and costs for CO<sub>2</sub> certificates (+€ 101 million)
- ⊖ Lower realised electricity prices and higher volumes (-€ 103 million) including positive margin impact of Biblis (+€ 97 million)
- ⊖ Higher staff costs (-€ 24 million)

## Guidance for 2010: significantly above previous year

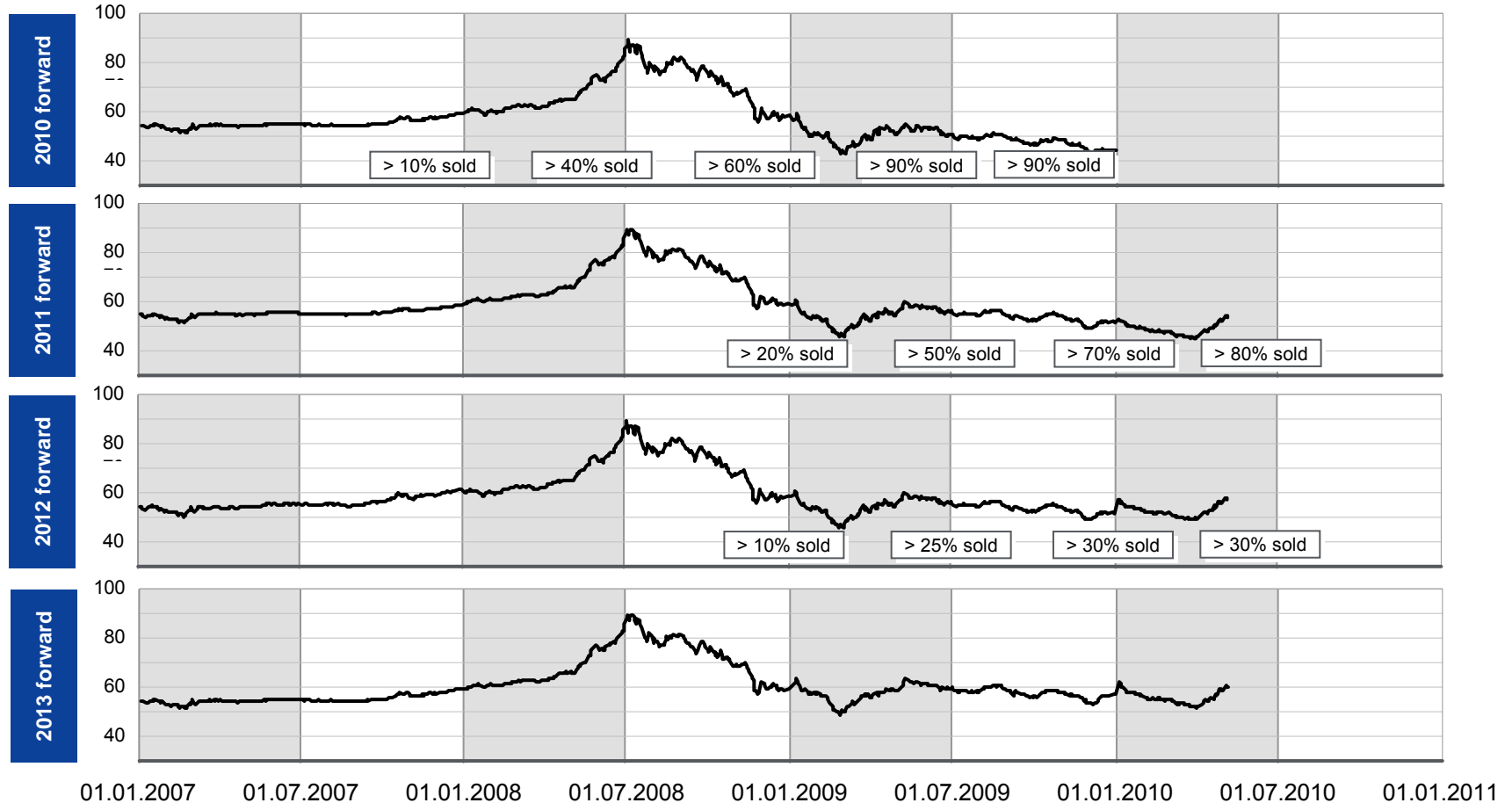
€ million



- ⊕ Higher availability of Biblis nuclear power plant
- ⊕ Lower fuel costs and costs for CO<sub>2</sub> emission certificates
- ⊕ Lower fixed operating and maintenance costs
- ⊖ Lower realised electricity prices
- ⊖ Higher staff costs

# Forward selling by RWE Power in the German market

(Base load forwards in €/MWh)



(average realised price for forward 2008: €58/MWh, for forward 2009: €70/MWh)

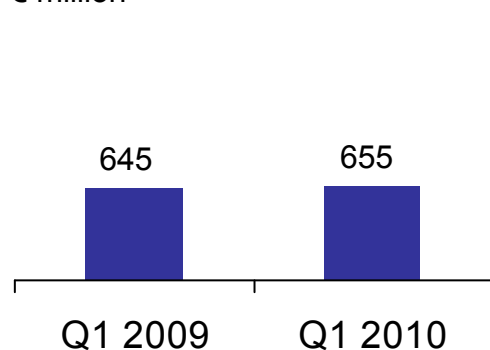
<sup>1</sup> Forward selling as of 01.05.2010; price data as of 07.05.2010

# Performance of the Germany Division (II)

## Sales and Distribution Networks Business Area

Q1 operating result: +1.6%

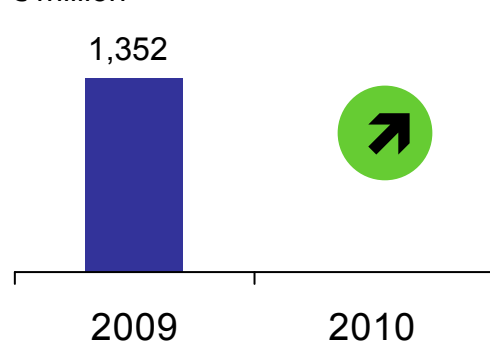
€ million



- Sales
- ⊕ Slightly higher gas sales volumes, mainly due to weather effects
  - ⊖ Reduced electricity margins
- Distribution networks
- ⊕ Lower maintenance work and costs due to weather effects
  - ⊖ Refunding of excess proceeds (“Mehrerlösabschöpfung”)

Guidance for 2010: above previous year

€ million

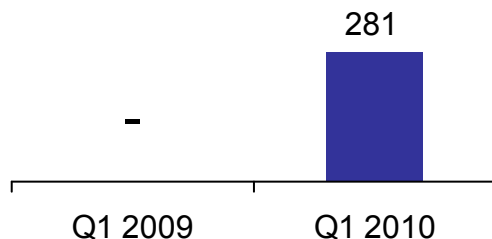


- ⊕ Efficiency enhancements
- Sales
- ⊕ Absence of negative impact of gas-to-oil spread in year-earlier period
  - ⊕ Improved gas margins and positive volume effects for gas and electricity
- Distribution networks
- ⊕ Allowed costs for growth capex in network fees
  - ⊖ Refunding of excess proceeds (“Mehrerlösabschöpfung”), partly offset by lower costs for network losses

# Performance of the Netherlands/Belgium Division (Essent)

## Q1 operating result:

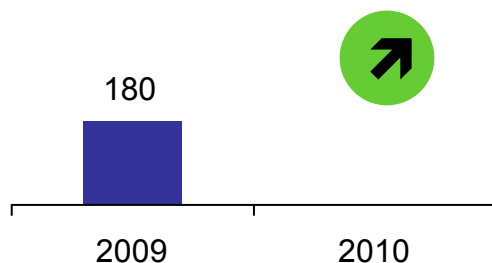
€ million



- + First-time consolidation of Essent
- + RWE Energy Nederland (REN) included in “other/consolidation” in Q1 2009
- + Operating performance: Higher gas sales mainly due to weather effects

## Guidance for 2010: significantly above previous year

€ million



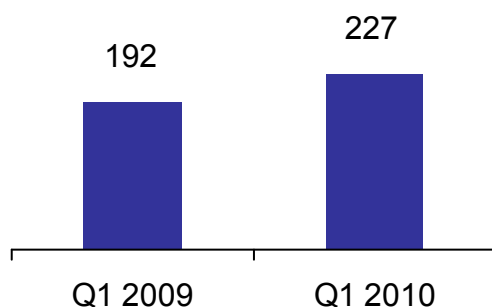
- + Full-year consolidation of Essent in 2010
- Earnings of Essent’s proprietary trading activities will be reported in the Trading/Gas Midstream division. Earnings of Essent’s wind activities will be reported in the Renewables division.
- + Q1-Q3 2009 earnings of REN are part of “other, consolidation”



# Performance of the United Kingdom Division (RWE npower)

## Q1 operating result: +18.2%

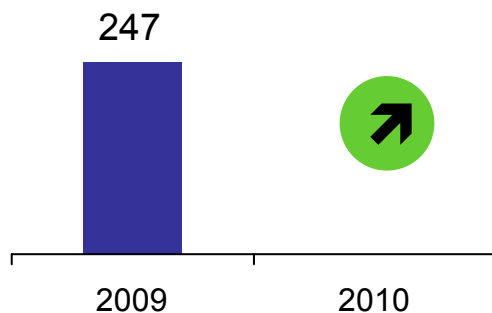
€ million



- ⊕ Positive f/x effects (+€ 6 million)
- Power generation
- ⊖ Reduced generation margins and lower income from short-term markets
- Retail
- ⊕ Higher gas volumes (residential & commercial) due to weather effects
- ⊕ Slightly lower purchasing costs, mainly for gas
- ⊖ Electricity margins declined due to price cut as of 31.03.2009

## Guidance for 2010: slightly above previous year

€ million

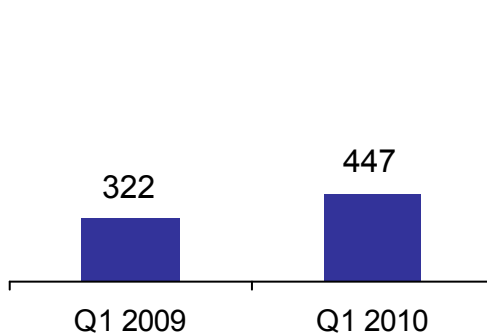


- ⊕ Sustained cost & efficiency improvements
- Power generation
- ⊕ Commissioning of Staythorpe CCGT in H2 2010
- ⊖ Lower generation spreads
- Retail
- ⊕ Slight reduction in energy purchasing costs mainly offset by electricity (31.03.09) and gas price (26.03.10) reductions
- ⊖ Higher electricity network charges

# Performance of the Central & Eastern Europe Division

## Q1 operating result: +38.8 %

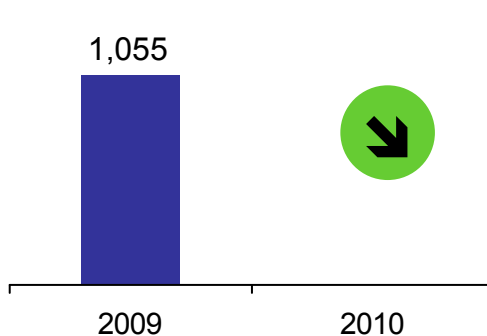
€ million



- Czech Republic
- + Higher margins in the Czech gas sales business but
  - lower gas sales volumes and transit revenues
  - + Improved electricity sales margins in Hungary and Poland
  - + Positive f/x effects

## Guidance for 2010: below previous year

€ million

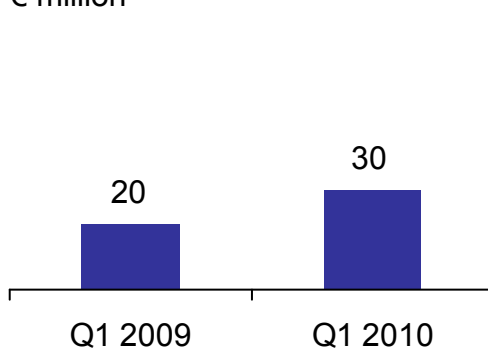


- Lower gas margins in the Czech gas sales business
- + Higher earnings contribution from our regional Czech gas network business
- Lower electricity generation and sales margins in Hungary

# Performance of the Renewables Division (RWE Innogy)

## Q1 operating result: +50.0 %

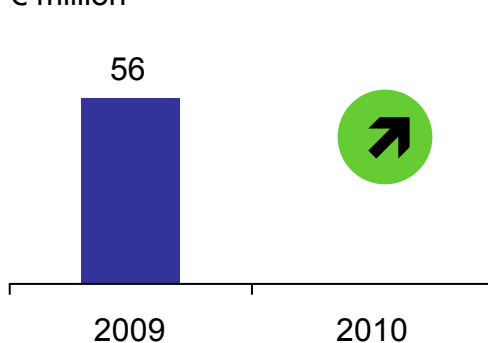
€ million



- + First-time consolidation of Essent wind activities (+€ 6 million)
- + First-time consolidation effect from Danta de Energias
- + Commissioning of Rhyl Flats wind farm (90 MW) in December 2009
- Upfront costs of large investment programme
- Reduced electricity prices and lower wind volumes

## Guidance for 2010: significantly above previous year

€ million

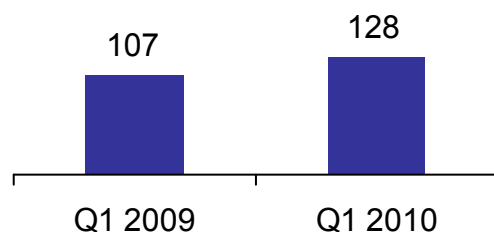


- + First-time consolidation of Essent's wind activities
- + Further results from growth investment programme
- Upfront costs of large investment programme
- Lower electricity prices

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

## Q1 operating result: +19.6%

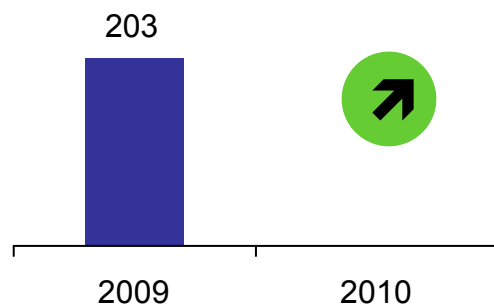
€ million



- ⊕ Higher oil prices
- ⊖ Lower gas prices
- ⊖ Lower production volumes
- ⊕ German business: lower royalties plus production and operating costs
- ⊕ North Africa: reduced exploration costs due to end of seismic activities in Libya in 2009

## Guidance for 2010: significantly above previous year

€ million

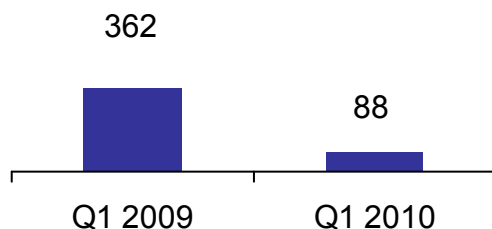


- ⊕ Improved oil prices
- ⊖ Lower gas prices and volumes

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

## Q1 operating result: -75.7%

€ million



### Trading

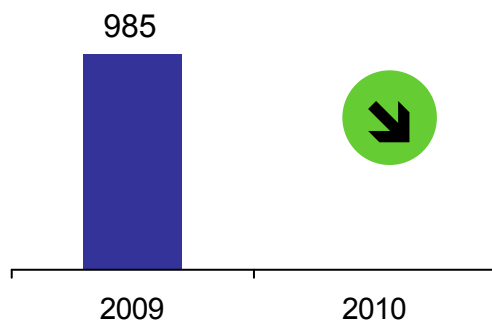
- + First-time consolidation of Essent's trading activities (+€ 86 million)

### Supply

- Extraordinarily high profit contribution in Q1 2009
- Czech portfolio: write down of gas storage inventories

## Guidance for 2010: significantly below previous year

€ million



### Trading

- Lower trading margins
- + Consolidation of Essent's trading activities

### Supply

- Absence of one-offs (successful conclusion of price revisions) we had in the previous year
- Burdens from oil-indexed gas contracts

# Non-operating result

January – March € million	2010	2009	Change (absolute)
Capital gains	-3	4	-7
Impairment losses	-	-	-
Earnings impact of commodity derivatives	-443	382	-825
Restructuring, other	202	38	164
<b>Total</b>	<b>-244</b>	<b>424</b>	<b>-668</b>

- Capital gains: No major capital gains in 2009 and 2010.
- Earnings impact of commodity derivatives: Mainly related to derivatives to secure our gas forward sales in our Sales and Distribution business area and Trading/Gas Midstream division. In Q1 2010 also the first-time marked-to-market valuation of our German gas purchase portfolio.
- Restructuring, other:
  - Adjustment of provisions for loss-making contracts
  - Amortisation of RWE npower's customer accounts (-€ 63 million; Q1 2009: -€ 63 million)

# Financial result

January – March € million	2010	2009	Change (absolute)
Net interest	-199	-114	-85
Interest accretion to non-current provisions	-218	-221	3
Other financial result	15	-175	190
<b>Total</b>	<b>-402</b>	<b>-510</b>	<b>108</b>

## ➤ Net interest

- Higher interest expenses due to increased debt used to finance our growth investment programme, especially the Essent acquisition
- Lower interest income due to disposal of securities

## ➤ Interest accretion to non-current provisions

- No major changes compared to the year-earlier period

## ➤ Other financial result

- Gains from the sale of securities in Q1 2010 and absence of losses realised by the sale of securities and write-downs of securities in Q1 2009

# Cash flow statement

January – March € million	2010	2009	Change (absolute)
Funds from operations (FFO)	2,362	1,940	422
Change in working capital	-853	-1,407	554
of which variation margins	173	900	-727
Cash flows from operating activities	1,509	533	976
Capex on fixed assets	1,175	853	322
Free cash flow	334	-320	654

## ➤ FFO

- Mainly positive operating earnings trend and Essent consolidation

## ➤ Change in working capital

- Among other things increased build-up of accounts payable related to OTC purchase contracts which are settled at later payment dates

## ➤ Capex on fixed assets

- Increased mainly due to Essent consolidation



# Outlook for 2010

	2009 € million	2010 forecast
EBITDA	9,165	+ 5 – 10%
Operating result	7,090	+ ca. 5%
Recurrent net income	3,532	+ ca. 5%
Dividend €	3.50	Payout ratio 50% – 60% <sup>1</sup>
Capex on fixed assets €bn	5.9	ca. 7.0

<sup>1</sup> Based on recurrent net income

# Back-up

# RWE Group electricity production (by geographic regions)

January – March in TWh	Germany	UK	NL	Other Internat.	Total 2010	Total 2009
Lignite	17.0	-	-	1.5	18.5	18.3
Nuclear	11.3	-	-	-	11.3	9.9
Hard coal	11.0	3.7	1.7	0.2	16.6	15.0
thereof contracts	6.9				6.9	5.2
Gas	3.6	5.3	2.1	0.1	11.1	6.1
Renewable energies	1.1	0.3	0.5	0.5	2.4	1.5
thereof contracts	0.1	0.2			0.3	0.3
Pumped storage, oil, other	0.5	-	-	-	0.5	0.6
thereof contracts	0.4				0.4	0.4
<b>Subtotal</b>	<b>44.5</b>	<b>9.3</b>	<b>4.3</b>	<b>2.3</b>	<b>60.4</b>	<b>51.4</b>
Electricity purchases <sup>1</sup>	13.0	5.7	2.0	5.7	26.4	31.1
<b>Total</b>	<b>57.5</b>	<b>15.0</b>	<b>6.3</b>	<b>8.0</b>	<b>86.8</b>	<b>82.5</b>

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

# RWE Group electricity sales volume (by geographic regions)

January – March in TWh	Germany	UK	NL	Poland	Hungary	Other	Total 2010	Total 2009
Private and commercial customers	8.5	5.9	4.6	0.7	1.5	-	21.2	17.1
Industrial and corporate customers	13.2	8.1	1.5	1.2	1.5	-	25.5	23.5
Distributors	23.6	-	-	0.2	1.6	0.4	25.8	25.9
Electricity trading <sup>1</sup>	8.9	-	-	-	-	-	8.9	10.9
<b>Total</b>	<b>54.2</b>	<b>14.0</b>	<b>6.1</b>	<b>2.1</b>	<b>4.6</b>	<b>0.4</b>	<b>81.4<sup>2</sup></b>	<b>77.4<sup>2</sup></b>

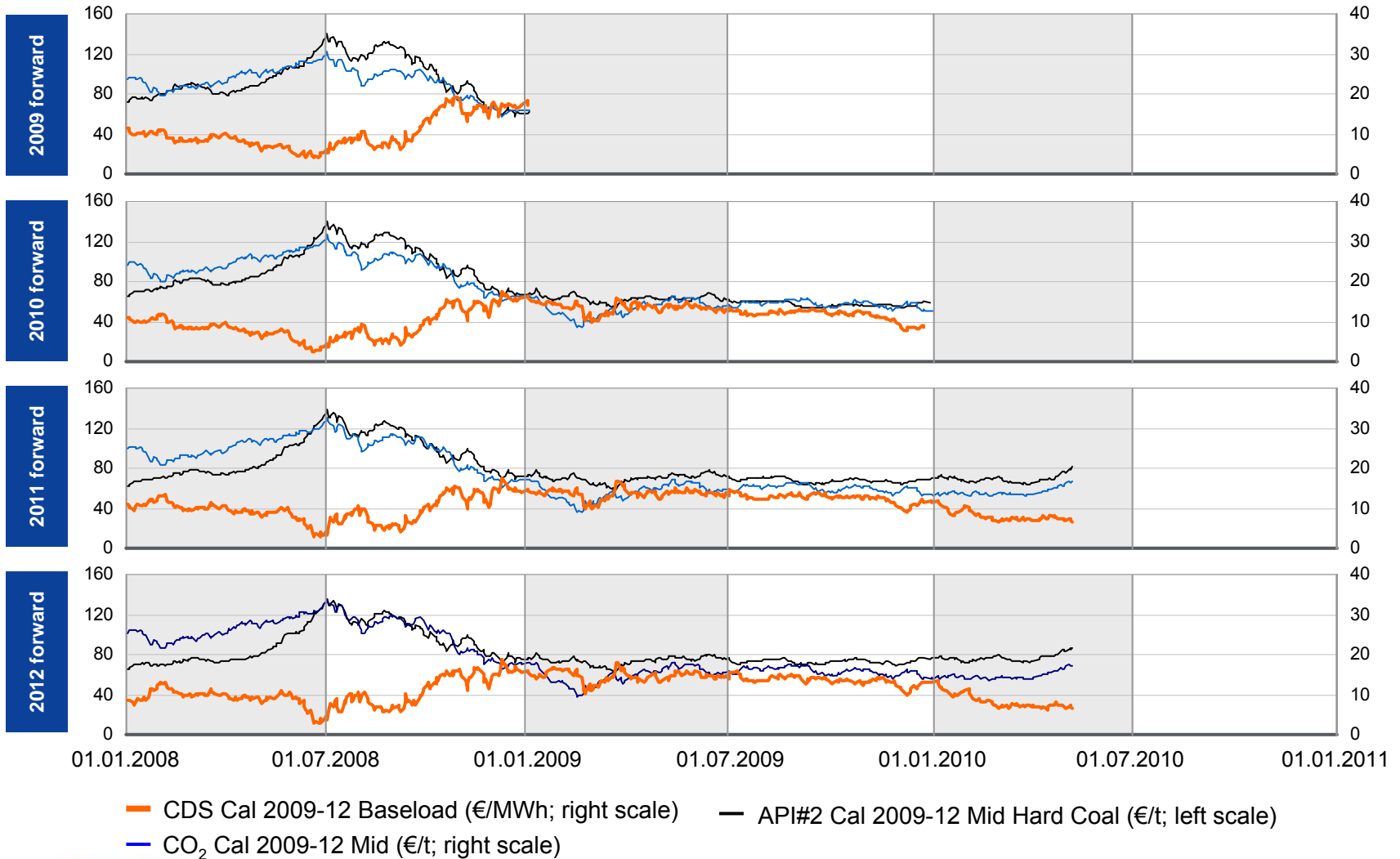
<sup>1</sup> Net of electricity purchased from third parties.

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

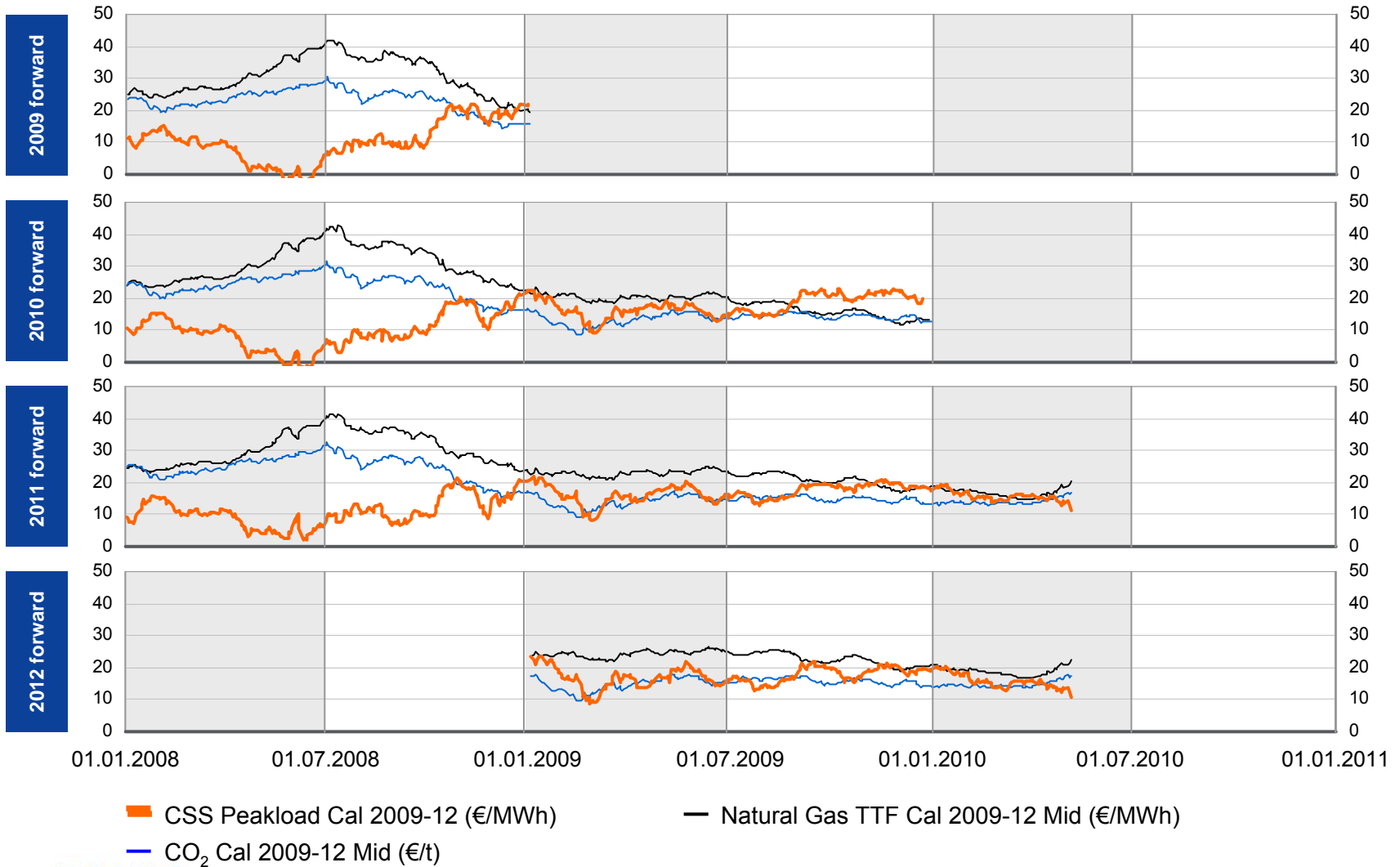
# RWE Group gas sales volume (by geographic regions)

January – March in TWh	Ger- many	Czech Rep.	NL	UK	Other	Total 2010	Total 2009
Private and commercial customers	12.0	16.7	31.5	20.1	0.8	81.1	52.9
Industrial and corporate customers	13.0	7.6	15.4	1.9	3.4	41.3	33.2
Distributors	30.5	3.5	4.1	0.0	0.0	38.1	36.1
<b>Total</b>	<b>55.5</b>	<b>27.8</b>	<b>51.0</b>	<b>22.0</b>	<b>4.2</b>	<b>160.5</b>	<b>122.2</b>

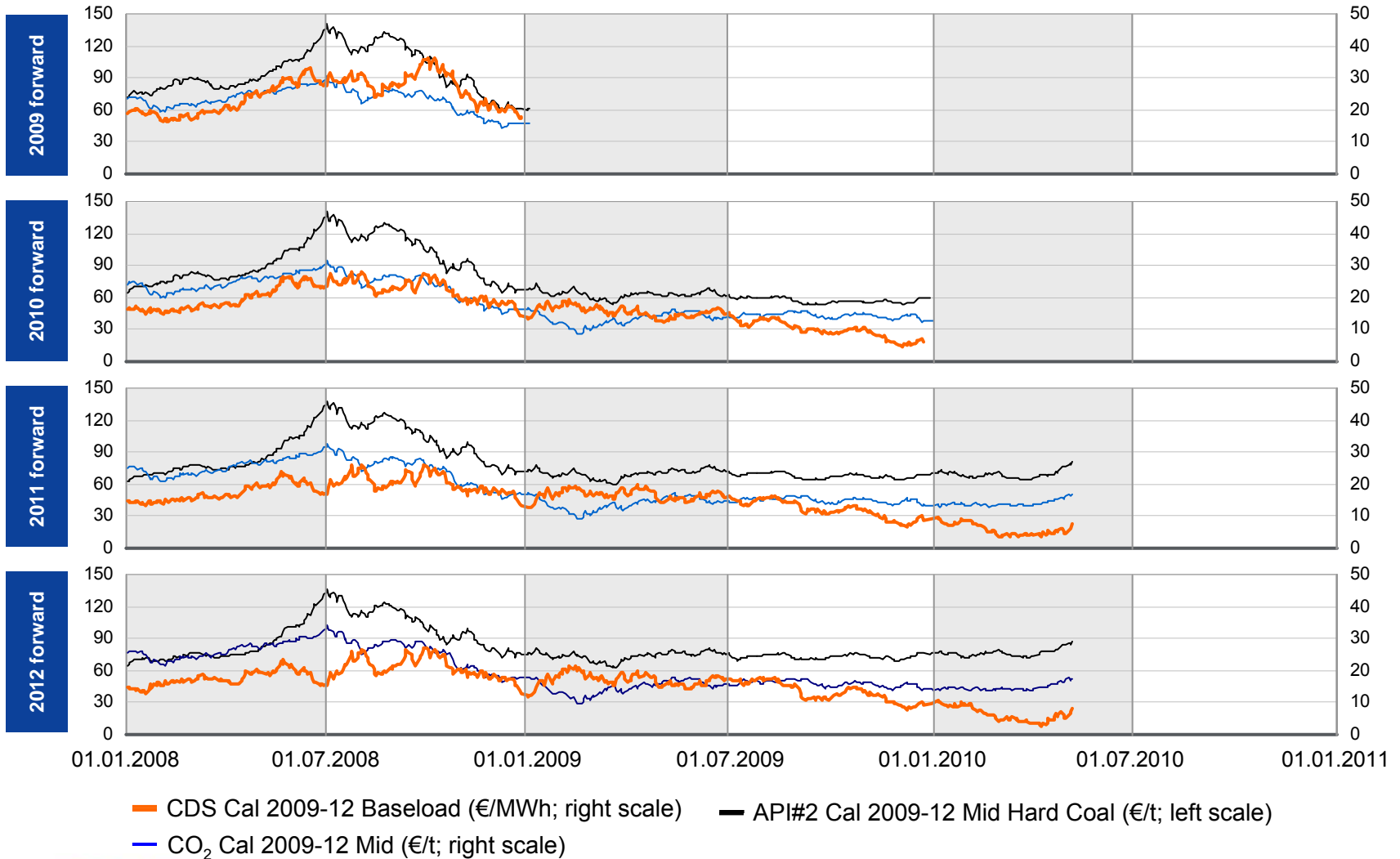
# Germany: Clean Dark Spread (CDS) versus hard coal and CO<sub>2</sub> prices



# Germany: Clean Spark Spread (CSS) versus natural gas and CO<sub>2</sub> prices

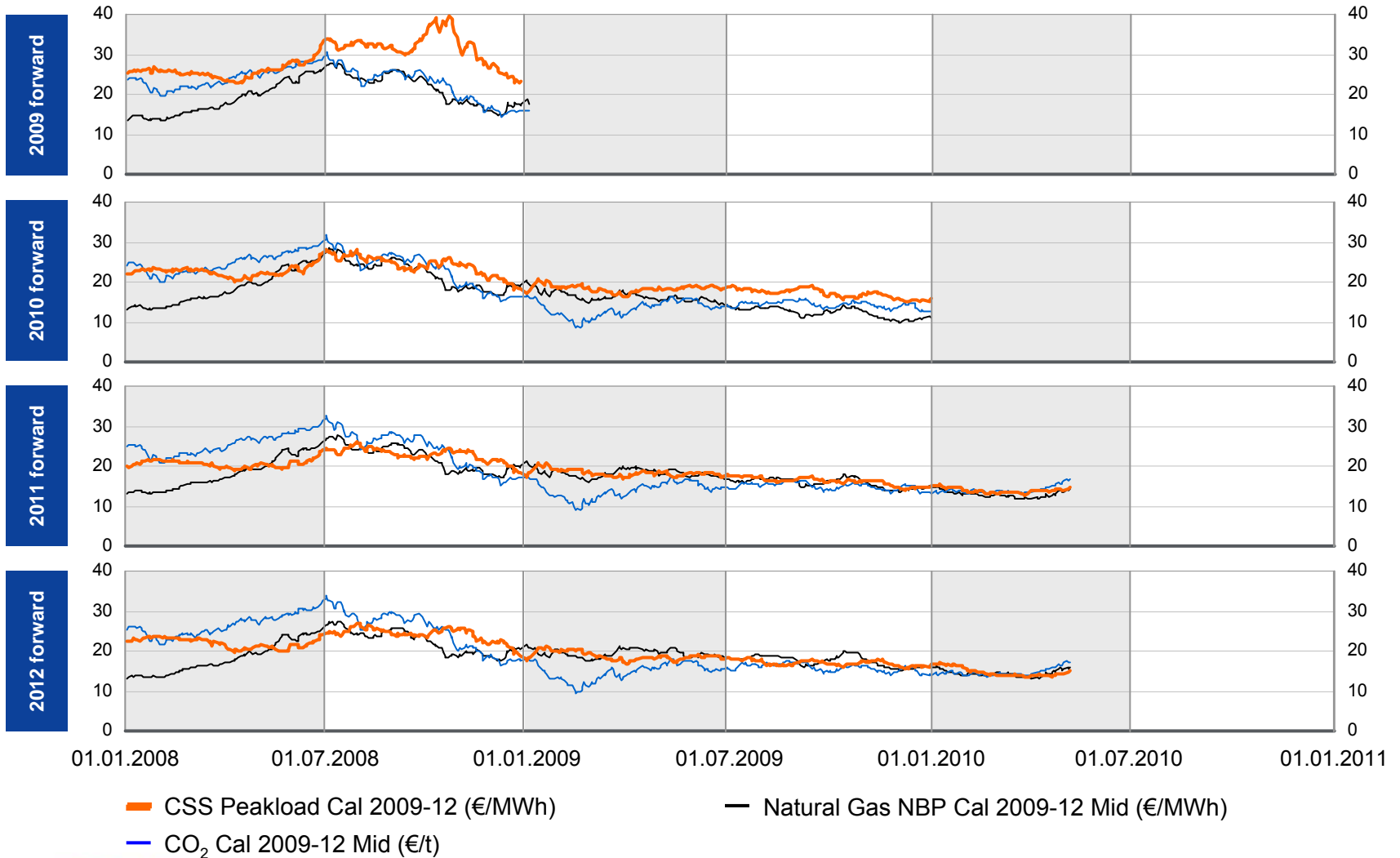


# UK: Clean Dark Spread (CDS) versus hard coal and CO<sub>2</sub> prices

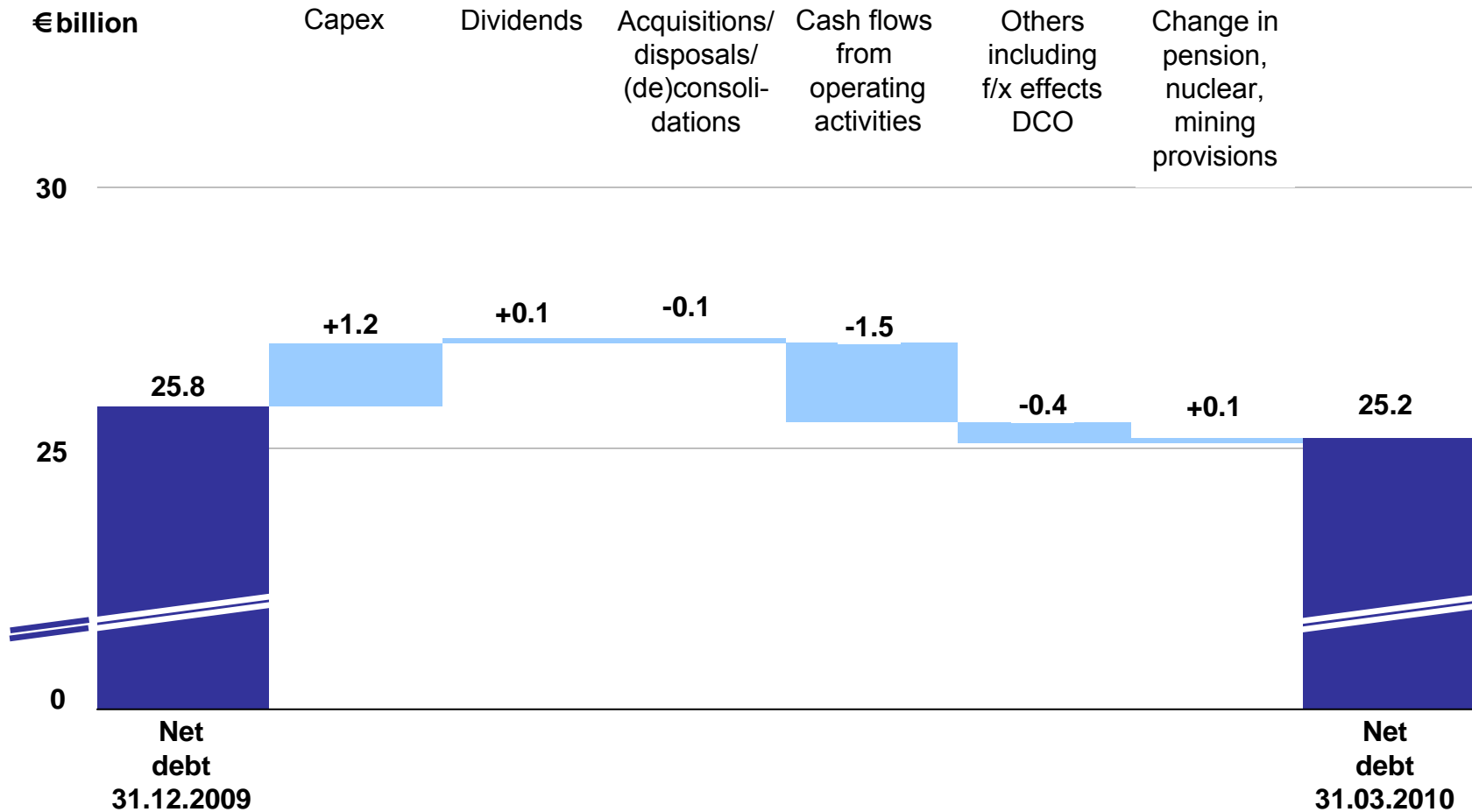




# UK: Clean Spark Spread (CSS) versus natural gas and CO<sub>2</sub> prices

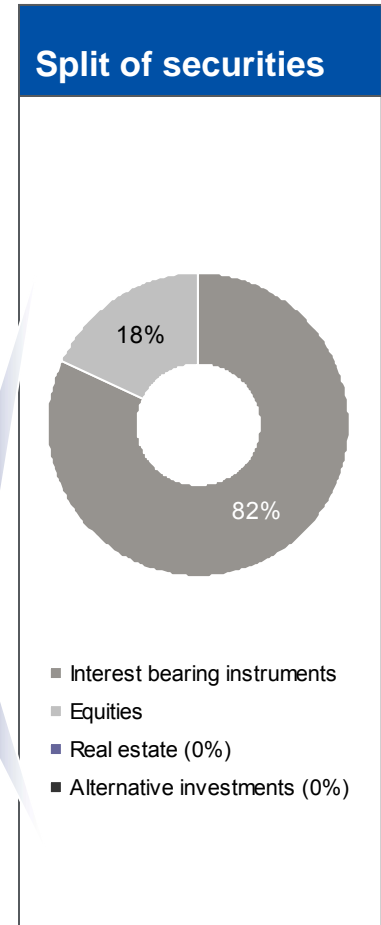
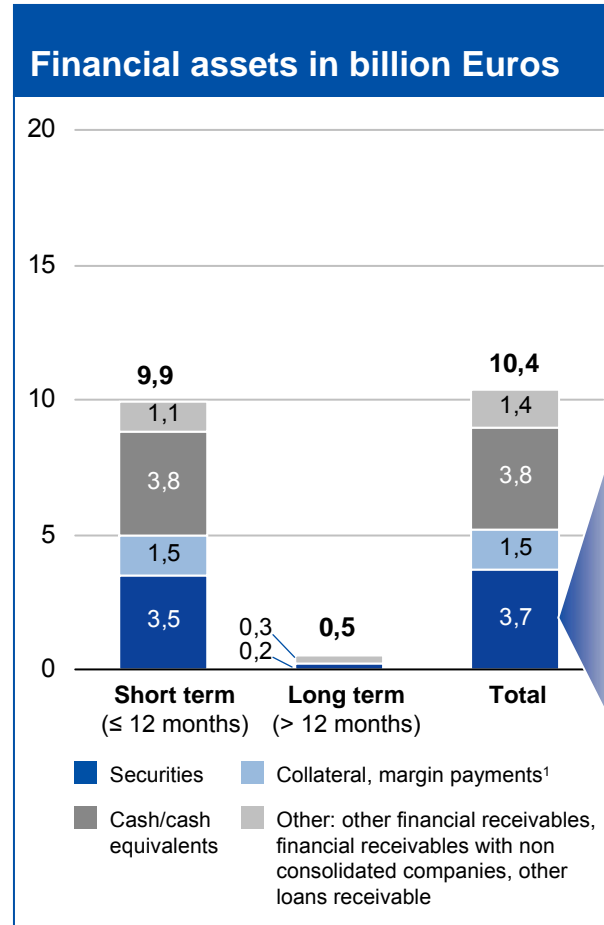
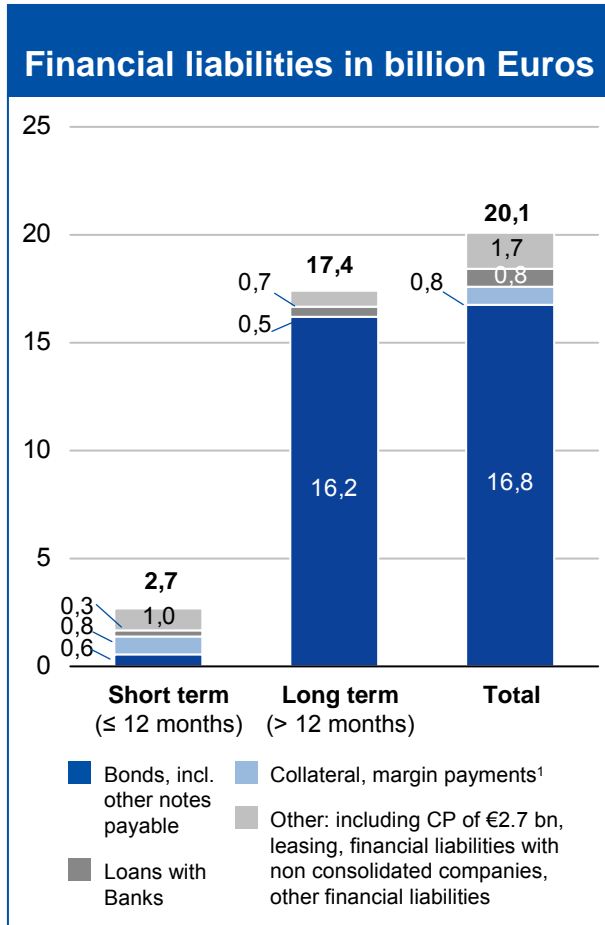


# Development of net debt



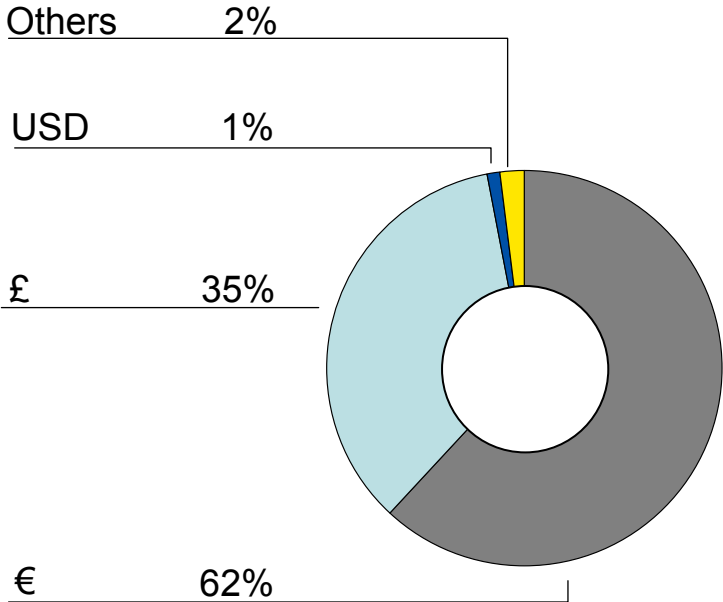
# Financial liabilities and assets

(as of 31.03.2010)

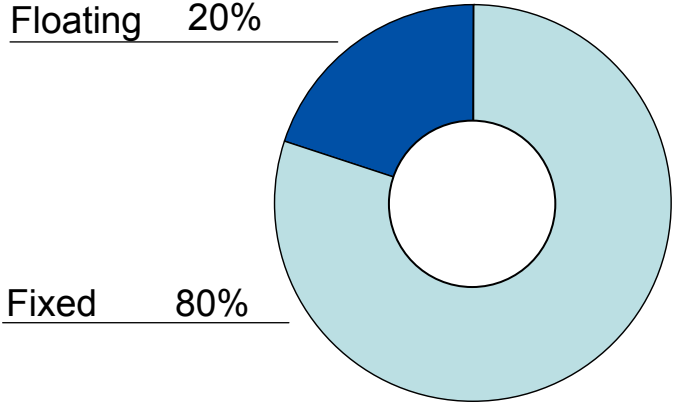


<sup>1</sup> Excluding variation margins under EEX based commodity contracts which are accounted for in the cash flow statement under 'change in working capital' and which are netted against the fair values of the respective derivatives at any point in time.

# Gross financial debt currency and interest exposure<sup>1</sup>



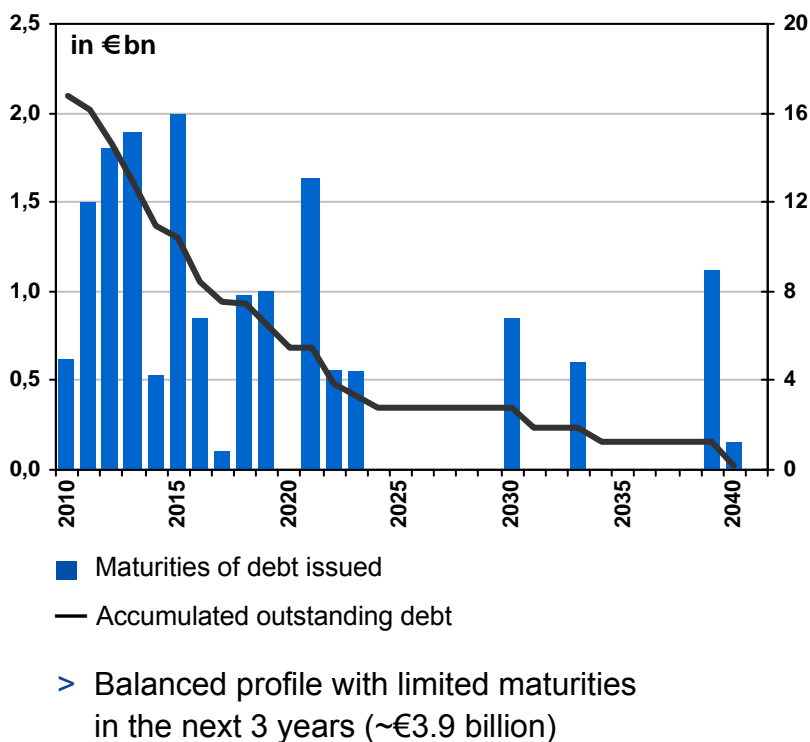
As of March 31, 2010



<sup>1</sup> Including cross-currency swaps.

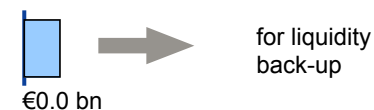
# Capital market debt maturities and sources of financing

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



## Strong sources of financing

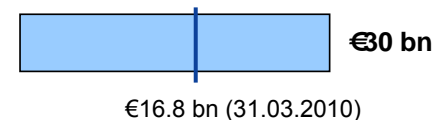
**Fully committed syndicated loan**  
(€4.0bn up to Oct. 2011)



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



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



<sup>1</sup> RWE AG and RWE Finance b.v., as of 31.03.2010