

# Investor and Analyst H1 2013 Conference Call

Essen, 14 August 2013

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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:

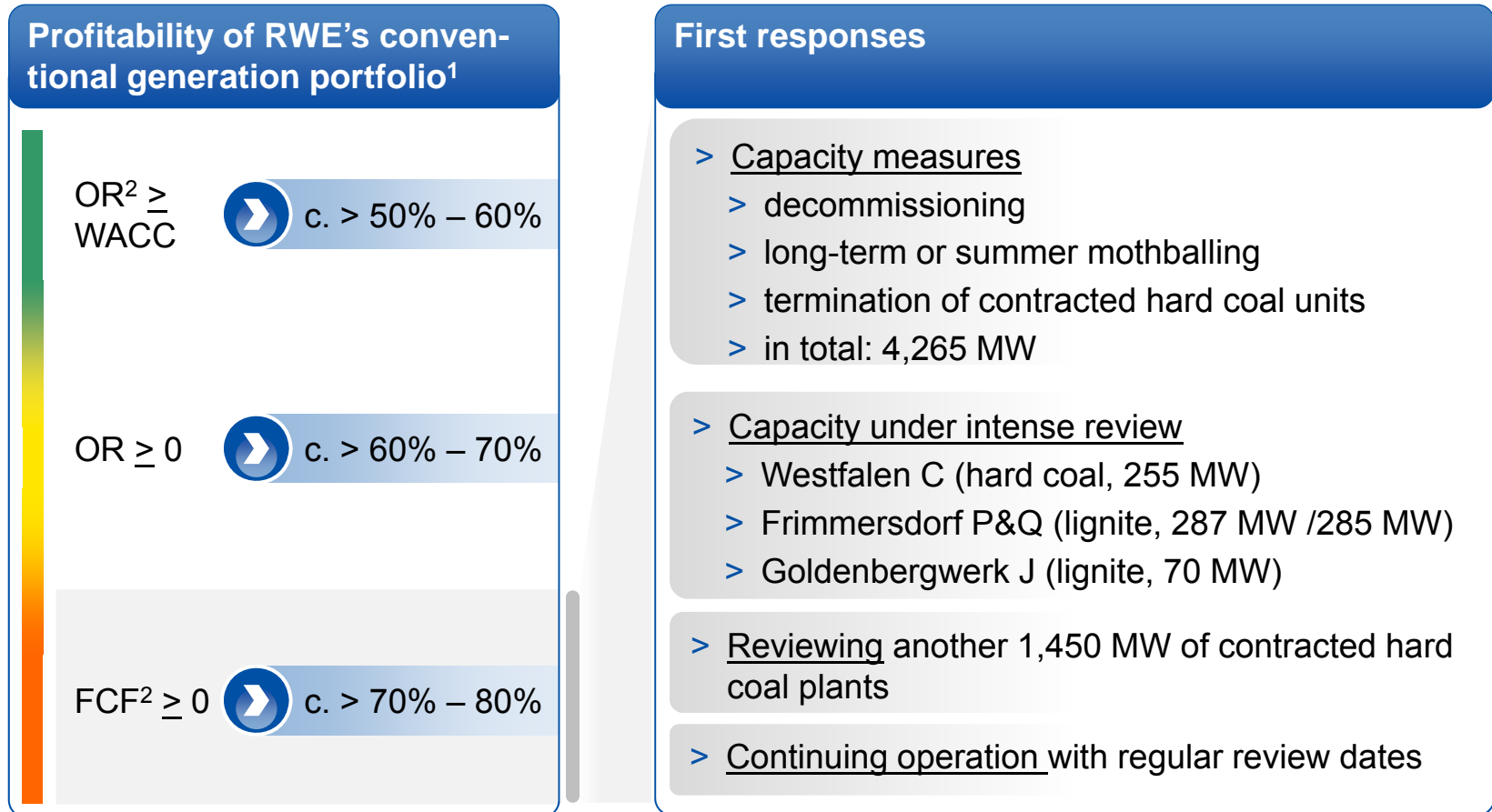
- > Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items;
- > Statements of plans or objectives for future operations or of future competitive position;
- > Expectations of future economic performance; and
- > Statements of assumptions 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 H1 2013

- Financial performance in line with expectation: EBITDA +9%, operating result +12%, recurrent net income +19%
- Successful conclusion of gas price arbitration with Gazprom; award as expected; impact on operating result approx. €1 billion
- Completion of Turkish gas-fired power plant at Denizli and Belgian offshore-wind farm Thornton Bank
- Disposal of NET4GAS finalised
- Rating downgrade by Moody's from A3/ negative outlook to Baa1 with stable outlook; S&P confirmed its BBB+/ stable outlook
- Outlook for 2013 confirmed

# RWE Generation assets under review



<sup>1</sup> Rough profitability analysis for 2013 to 2015 in % of installed capacity of RWE's conventional generation portfolio (economic stake) in Germany, UK and NL (average c. 44 GW) based on market parameters as of January 2013

<sup>2</sup> OR = operating result; WACC = weighted average cost of capital pre tax; FCF = free cash flow = revenue – cash costs

# Decision on capacity measures

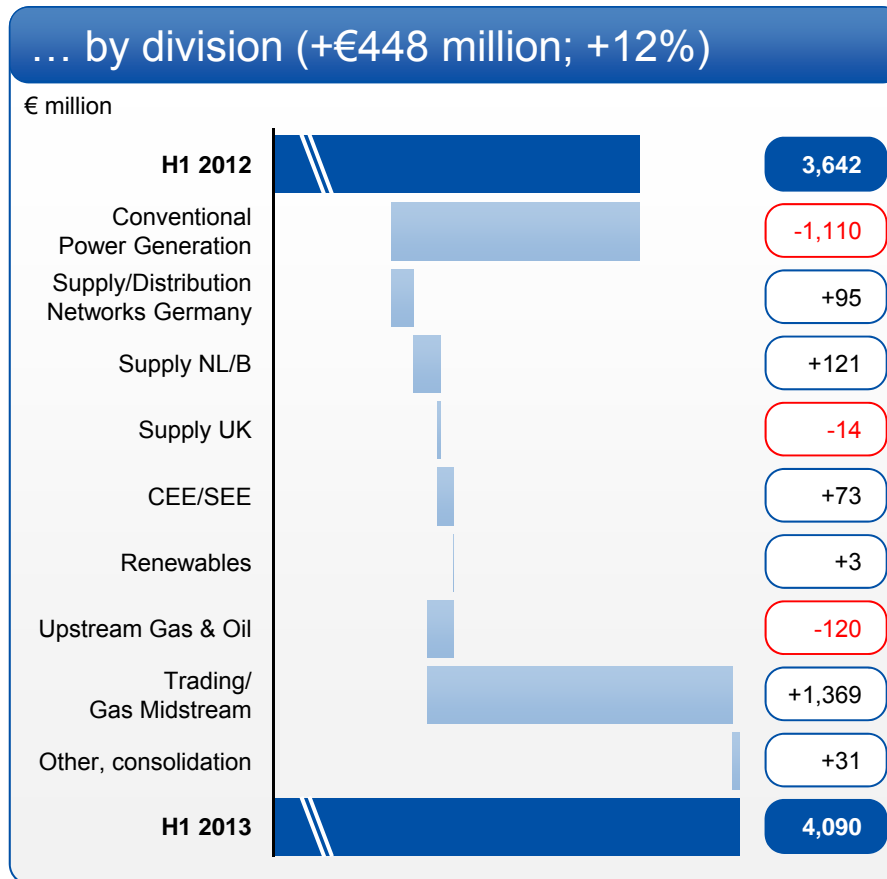
Measure	Plant	MW <sup>1</sup>	Fuel	Location	Date
Decommissioning	Amer 8	610	Hard coal	NL	Q1-2016 <sup>2</sup>
Long-term mothballing	Moerdijk 2	430	Gas	NL	Q4-2013
	Gersteinwerk F	355	Gas – steam turbine	DE	Q3-2013
	Gersteinwerk G	355	Gas – steam turbine	DE	Q2-2014
	Weisweiler H	270	Topping gas turbine <sup>3</sup>	DE	Q3-2013
	Weisweiler G	270	Topping gas turbine <sup>3</sup>	DE	Q3-2013
	2 mid-size units	85	Gas	NL	Q1-2013
Summer mothballing	Emsland B	360	Gas – steam turbine	DE	Q2-2014
	Emsland C	360	Gas – steam turbine	DE	Q2-2014
Termination of 3 contracts	Confidential	1,170	Hard coal	DE	Q4-2013 – Q4-2014
<b>Total</b>		<b>4,265 MW</b>			

<sup>1</sup> Net nominal capacity | <sup>2</sup> Depending on the final decision on the Dutch “Energieakkoord”, with a decision expected by the end of August 2013 | <sup>3</sup> At a lignite plant

# Results from arbitration with Gazprom

- Arbitration ruling comprises a price adjustment ( $P_0$ -cut) and a structural change of the pricing model (introduction of gas price indexation)
- Reimbursement for the price revision period May 2010 to May 2013
- Significant reduction of our gas-to-oil spread exposure
- ~ €1 bn positive effect on operational result in H1 2013

# Development of operating result ...



- Improved earnings in Trading/Gas Midstream Division after arbitration court ruling on our long-term oil-indexed gas contract with Gazprom
- Earnings in Conventional Power Generation Division under severe pressure, mainly due to full auctioning of CO<sub>2</sub> certificates, declining margins, closure of old 150 MW lignite blocks, provision for pending losses from electricity purchase contract and change in nuclear provisions
- Earnings trend in our sales divisions supported by the cold weather
- In our CEE/SEE Division we benefited from the positive development of f/x derivatives

# Reconciliation of (recurrent) net income

€ million	H1 2013	+/- %
<b>EBITDA</b>	<b>5,498</b>	<b>+9.1%</b>
Depreciation	-1,408	-0.7%
<b>Operating result</b>	<b>4,090</b>	<b>+12.3%</b>
Non-operating result	-1,010	-
Financial result	-931	-8.6%
Tax	-951	-8.2%
Minorities	168	+22.6%
Hybrid investors' interest	51	+18.6%
Net income	979	-38.2%
Adjustments	+1,009	-
<b>Recurrent net income</b>	<b>1,988</b>	<b>+19.4%</b>

- Non-operating result shows among others the impairment of our Dutch power generation fleet of c. €800 million
- Financial result deteriorates due to negative trend in the 'other financial result': Among others, less income from the sale of securities and significantly higher interest on tax liabilities
- Tax rate increased to 44% (previous year 33%); tax rate for recurrent net income at 30% (previous year 34%)
- Adjustments for recurrent net income comprise non-operating result including tax effects

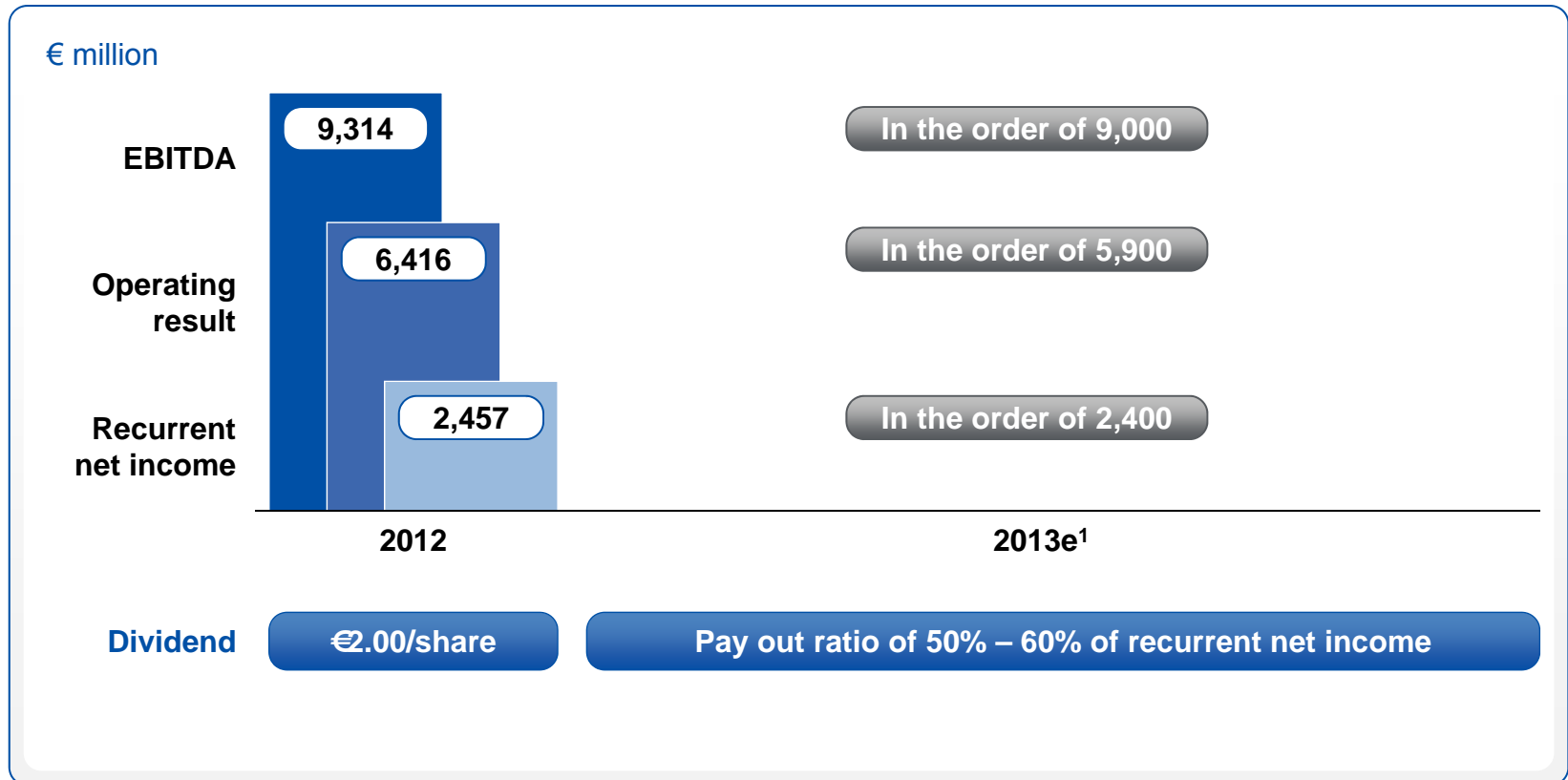


# Cash flow statement

January – June €million	2013	2012	Change (absolute)
Funds from operations (FFO)	4,078	2,451	1,627
Change in working capital of which: influence of the variation margins	-2,664 -339	-1,080 232	-1,584 -571
Cash flows from operating activities	1,414	1,371	43
Capex on fixed assets	-1,832	-2,111	279
Free cash flow	-418	-740	322

- ▶ FFO – among other things:
  - > FFO already accounts for the one-off profit from the Gazprom arbitration ruling which is offset in the change in working capital (see below). Hence, the cash flow from operating activities will only show the positive contribution in Q3
- ▶ Change in working capital – among other things:
  - > Increase of accounts receivable against Gazprom as the payment following the arbitration ruling was received after 30 June 2013
- ▶ Capex on fixed assets – among other things:
  - > Extension and modernisation of our generation fleet

# Outlook for 2013



<sup>1</sup> The outlook is after assumed disposals. In 2013 we expect this to be mainly the disposal of NET4GAS which was closed on 2 August 2013.

# Divisional outlook for the operating result

€million	2012	2013 forecast versus 2012 <sup>1</sup>
Conventional Power Generation	3,275	Significantly below last year's level
Supply/Distribution Networks Germany	1,578	In the order of last year's level
Supply Netherlands/Belgium	190	Significantly above last year's level
Supply United Kingdom	286	Above last year's level
Central Eastern and South Eastern Europe	1,052	Below last year's level
Renewables	183	In the order of last year's level
Upstream Gas & Oil	685	Below last year's level
Trading/Gas Midstream	-598	Significantly above last year's level

<sup>1</sup> The outlook is after assumed disposals. In 2013 we expect this to be mainly the disposal of NET4GAS which was closed on 2 August 2013.

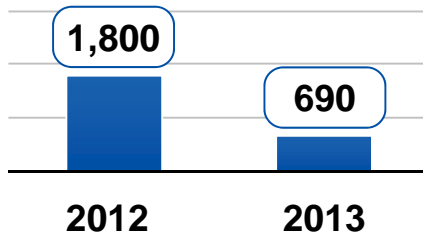
# Back-up Charts



# Performance of the Conventional Power Generation Division

January – June: operating result: -61.7% (-€1,110 million)

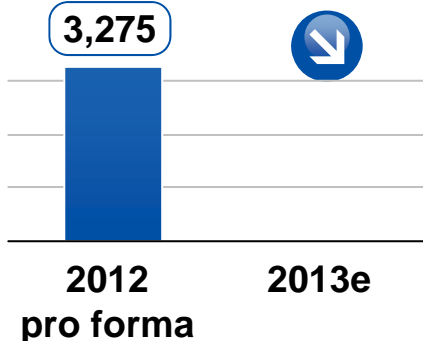
€ million



- ⊖ Full auctioning of CO<sub>2</sub>-certificates (c. -€660m)
- ⊖ Closure of 12 old lignite blocks of 150 MW class in 2012
- ⊖ Lower realised electricity generation spreads, incl. coal tax in NL
- ⊖ Adjustment of provision for pending losses from electricity purchase contract
- ⊖ Change of nuclear and mining provisions
- ⊕ Efficiency improvements and lower fixed operating and maintenance costs
- ⊕ Higher availability of Tilbury biomass plant

Guidance for fiscal 2013: significantly below last year's level

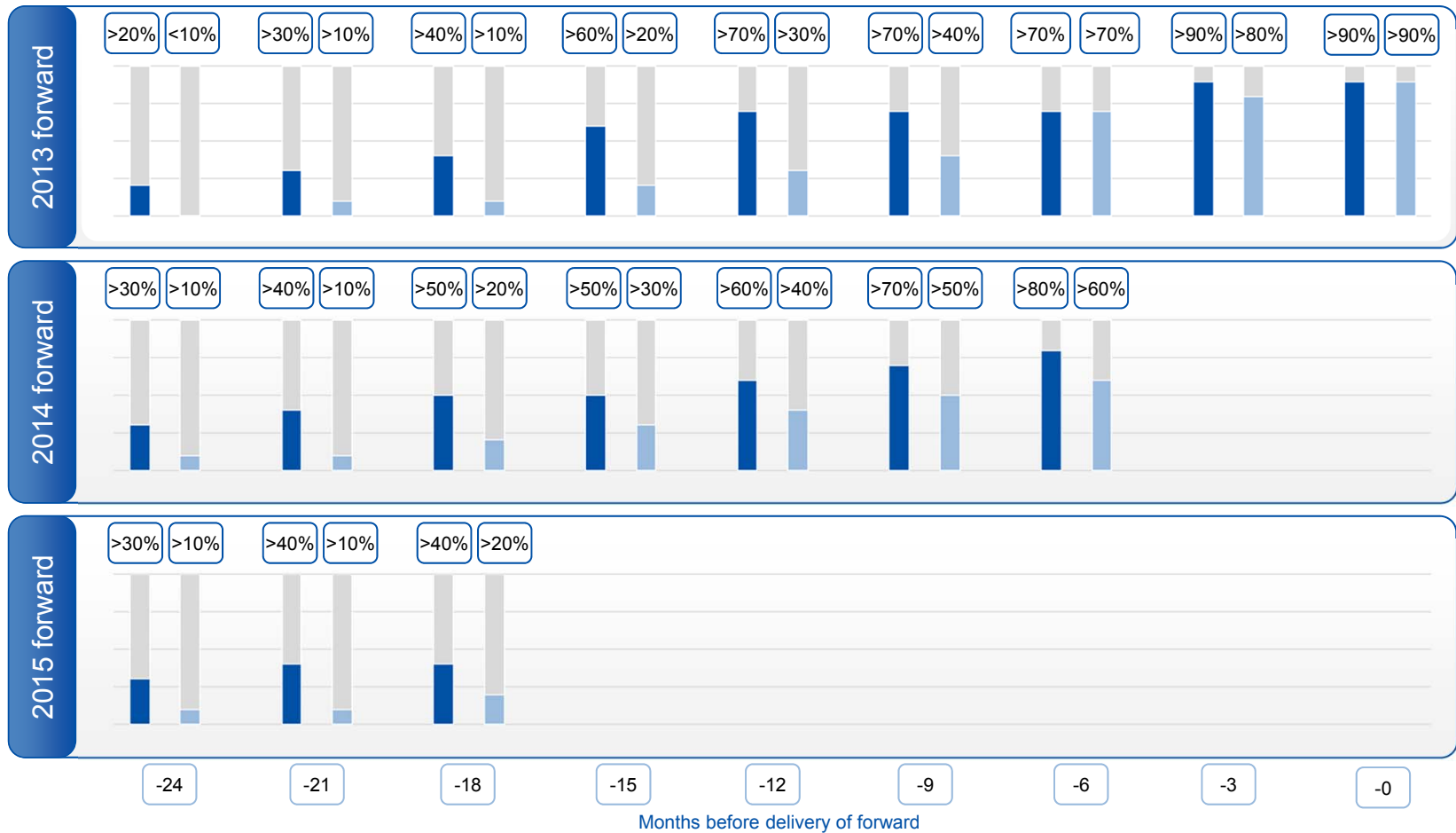
€ million



- ⊖ Full auctioning of CO<sub>2</sub>-certificates and UK carbon floor
- ⊖ Lower realised electricity generation spreads, incl. coal tax in NL
- ⊖ Closure of 12 old lignite blocks of 150 MW class in 2012
- ⊖ Adjustment of provision for pending losses from electricity purchase contract
- ⊕ Efficiency improvements and lower fixed operating and maintenance costs

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

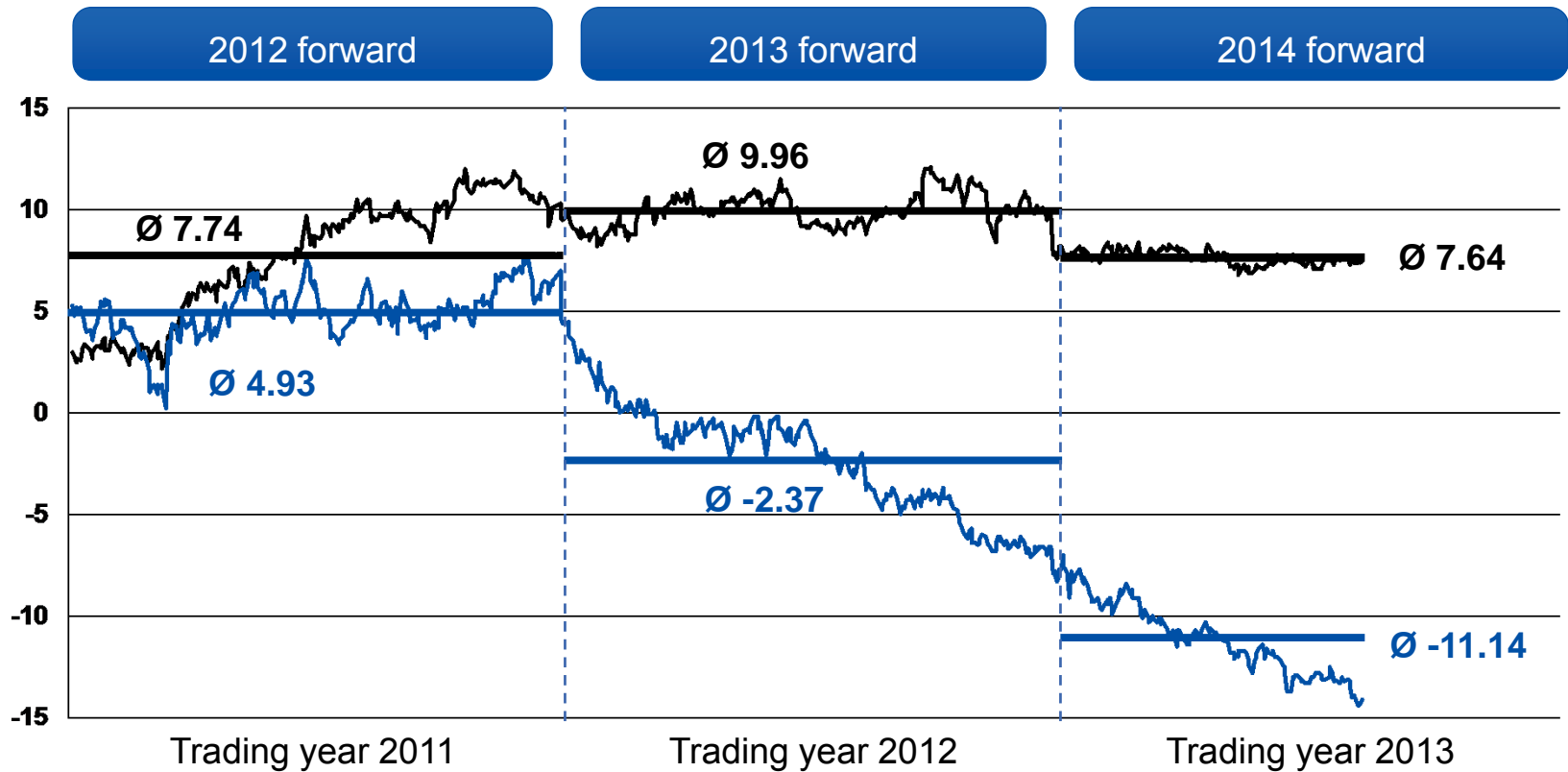
As of 30 June 2013



■ Outright (GER nuclear and lignite based power generation)

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

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



— CDS Cal 2012 – 14 Base load (€/MWh)  
(assumed thermal efficiency: 36%)

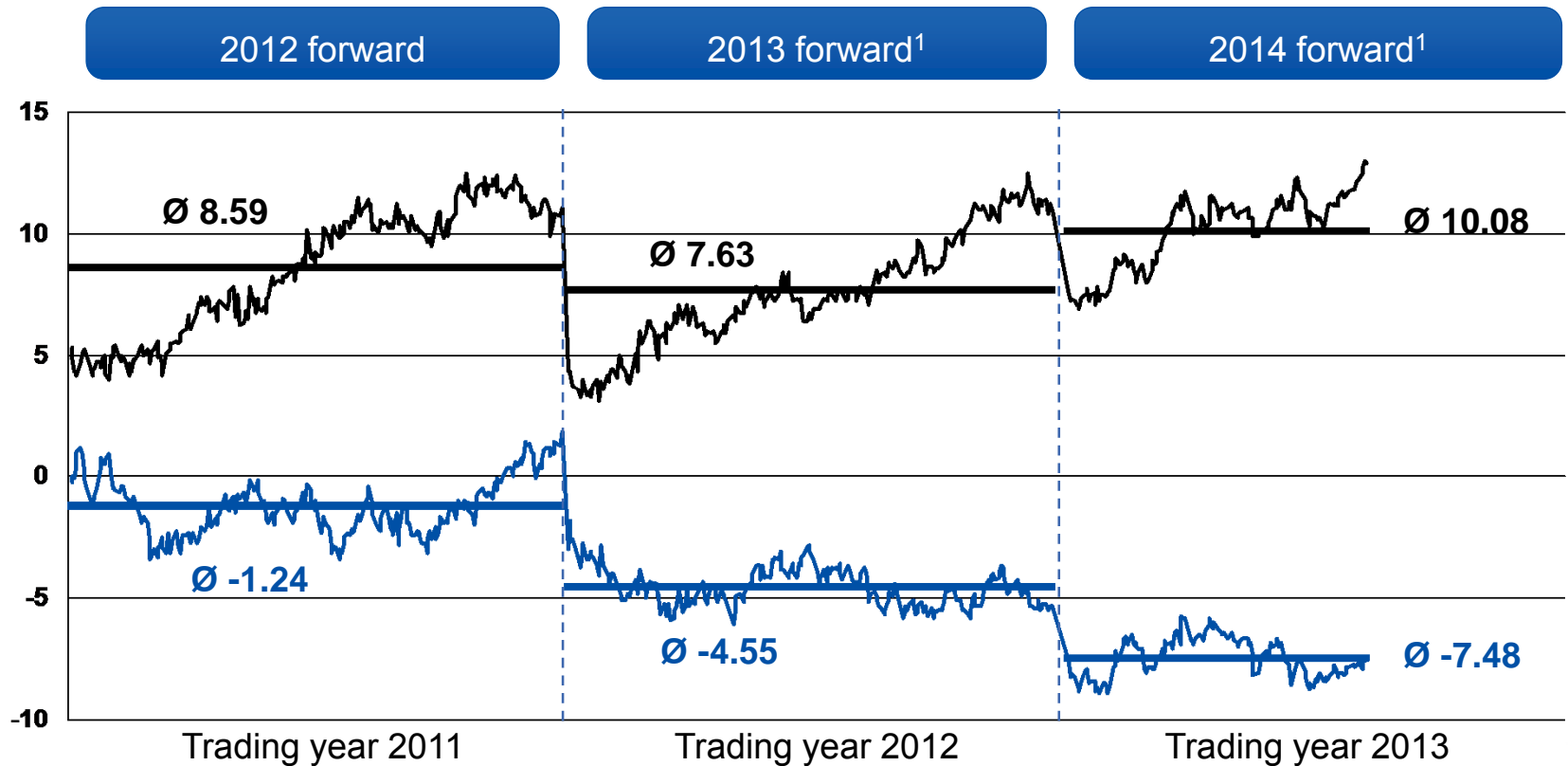
— Average CDS  
Cal 2012 – 14

— CSS Cal 2012 – 14 Peak load (€/MWh)  
(assumed thermal efficiency: 49%)

— Average CSS  
Cal 2012 – 14

Source: RWE Supply & Trading, prices until 08 August 2013

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



— CDS Cal 2012 – 14 Base load (€/MWh)  
(assumed thermal efficiency: 37%)

— Average CDS  
Cal 2012 – 14

— CSS Cal 2012 – 14 Base load (€/MWh)  
(assumed thermal efficiency: 49%)

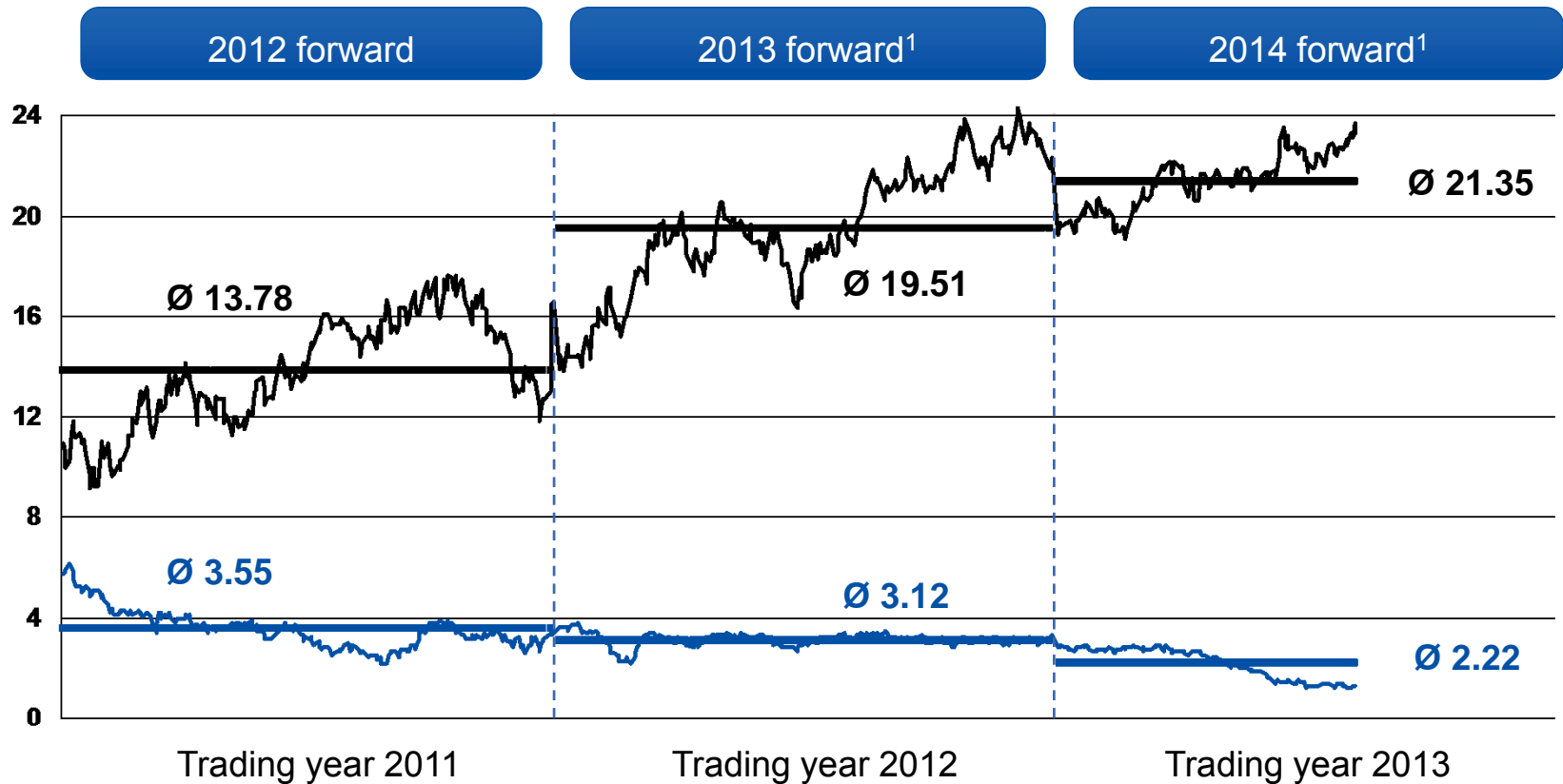
— Average CSS  
Cal 2012 – 14

<sup>1</sup> CDS: Adjusted for coal tax

Source: RWE Supply & Trading, prices until 08 August 2013



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



— CDS Cal 2012 – 14 Base load (€/MWh)  
(assumed thermal efficiency: 36%)

— Average CDS  
Cal 2012 – 14

— CSS Cal 2012 – 14 Base load (€/MWh)  
(assumed thermal efficiency: 49%)

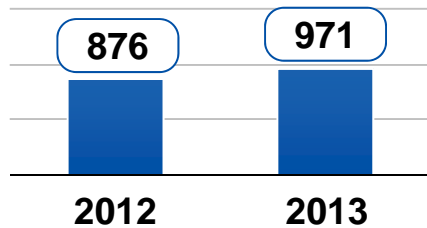
— Average CSS  
Cal 2012 – 14

<sup>1</sup> Adjusted for UK carbon tax  
Source: RWE Supply & Trading, prices until 08 August 2013

# Performance of the Supply/Distribution Networks Germany Division

January – June: operating result: +10.8% (+€95 million)

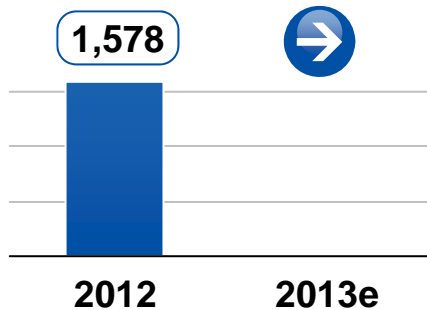
€ million



- ⊕ Efficiency improvements
- ⊕ Cold weather
- ⊖ Loss of earnings from the disposal of Berlin waterworks and KEVAG and transfer of Zagreb wastewater business to CEE/SEE

Guidance for fiscal 2013: in the order of last year's level

€ million

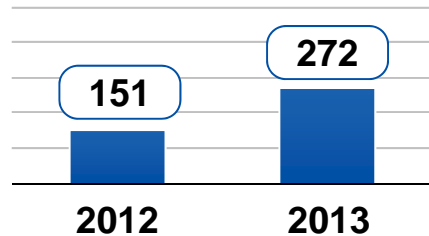


- ⊕ Efficiency improvements
- ⊖ Loss of earnings from the disposal of Berlin waterworks and KEVAG and transfer of Zagreb wastewater activities to CEE/SEE

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

January – June: operating result: +80.1% (+€121million)

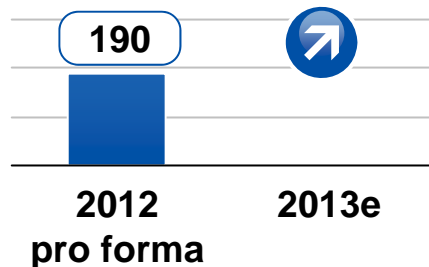
€ million



- ⊕ Positive impact from change in provisions
- ⊕ Weather induced higher gas sales
- ⊕ Efficiency improvements
- ⊖ Competition induced pressure on gas margins
- ⊖ Lower energy consumption by households

Guidance for fiscal 2013: Significantly above last year's level

€ million

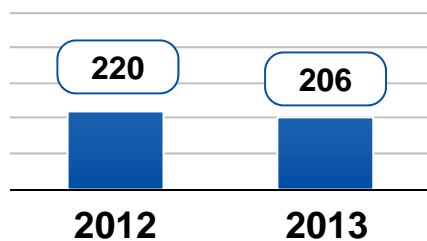


- ⊕ Positive impact from change in provisions
- ⊕ Efficiency improvements
- ⊕ Cold weather in H1 2013
- ⊕ Growing customer base in Belgium
- ⊖ Competition induced pressure on gas margins
- ⊖ Lower energy consumption by households

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

January – June: operating result: -6.4% (-€14 million)

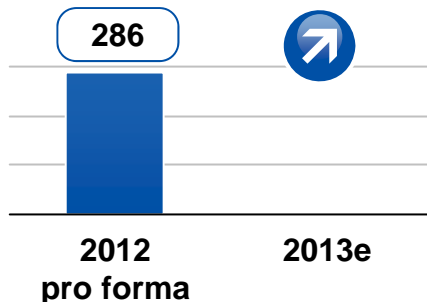
€ million



- ⊖ Negative f/x effects
- ⊖ Higher grid fees
- ⊖ Lower energy consumption due to energy efficiency improvements and customer losses
- ⊖ Higher burdens from government programmes to promote energy savings in households and tariff simplification
- ⊕ Efficiency improvements
- ⊕ Cold weather

Guidance for fiscal 2013: above last year's level

€ million

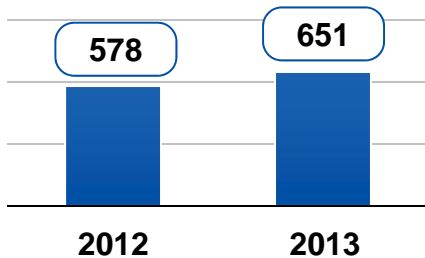


- ⊕ Efficiency improvements
- ⊕ Benefit from weather induced strong first half year
- ⊕ Growth of business with B2B clients
- ⊖ Higher grid fees
- ⊖ Higher burdens from government programmes to promote energy savings in households and tariff simplification

# Performance of the Central Eastern and South Eastern Europe Division

January – June: operating result: +12.6% (+€73 million)

€ million



⊕ Positive effect from derivatives to hedge f/x risks

**Czech Republic:**

⊕ Improved gas grid margins

**Hungary:**

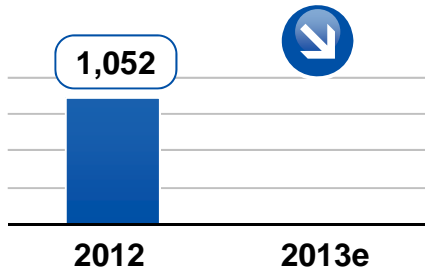
⊖ Government induced burdens for utilities

**Poland:**

⊕ Improved electricity sales business

Guidance for fiscal 2013: below last year's level

€ million



⊖ Disposal of NET4GAS

⊕ **Czech Republic:** Improved gas grid and sales margins

⊖ **Hungary:** Government induced burdens for utilities

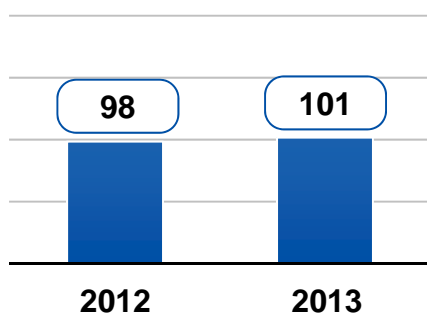
⊖ **Poland:** Absence of positive one-off seen in 2012

⊕ Transfer of Zagreb wastewater business

# Performance of the Renewables Division (RWE Innogy)

January – June: operating result: +3.1% (+€3 million)

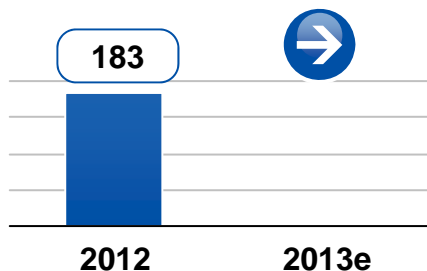
€ million



- ⊕ Increased earnings contribution from growth investments
- ⊕ Higher utilisation of hydro plants
- ⊕ One-off from compensation payments in Spanish wind business
- ⊖ Impact from new renewables support scheme in Spain and resulting adjustment of book value in Andasol 3
- ⊖ Lower market prices (power, green certificates)
- ⊖ Lower income from sale of developed projects

Guidance for fiscal 2013: in the order of last year's level

€ million

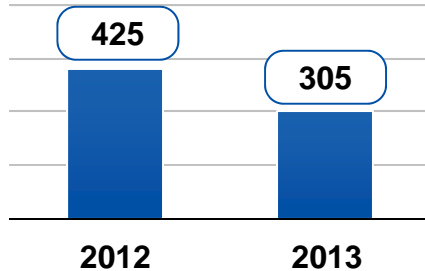


- ⊕ Commissioning of new assets
- ⊕ Higher utilisation of hydro plants
- ⊕ One-off from compensation payments in Spanish wind business
- ⊖ Impact from new renewables support scheme in Spain and resulting adjustment of book value in Andasol 3
- ⊖ Lower market prices (power, green certificates)
- ⊖ Lower income from sale of developed projects

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

January – June: operating result: -28.2% (-€120 million)

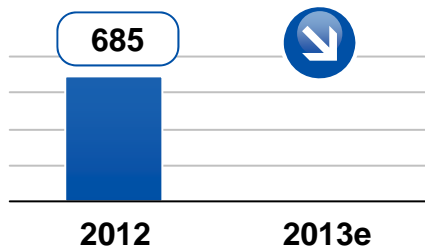
€ million



- Lower oil and gas production volumes
- Lower realised gas and oil prices
- Higher exploration costs
- Lower royalties in Germany
- Lower production costs

Guidance for fiscal 2013: below last year's level

€ million

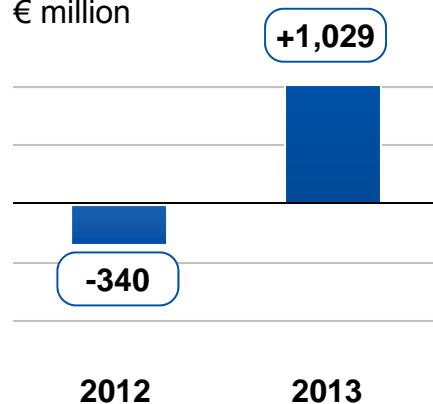


- Lower oil prices
- Higher exploration costs
- Higher gas production volumes

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

January – June: operating result: +€1,369 million

€ million



## Trading:

⊖ Lower performance in the energy trading business

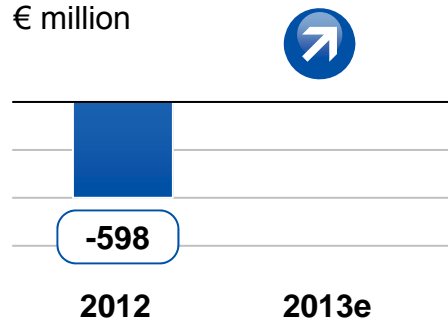
## Supply:

⊕ Arbitration court ruling on our long-term oil-indexed gas supply contract with Gazprom

⊕ Still burdens from long-term oil-indexed gas contracts but lower after commercial settlements of several contracts in previous years

Guidance for fiscal 2013: significantly above last year's level

€ million

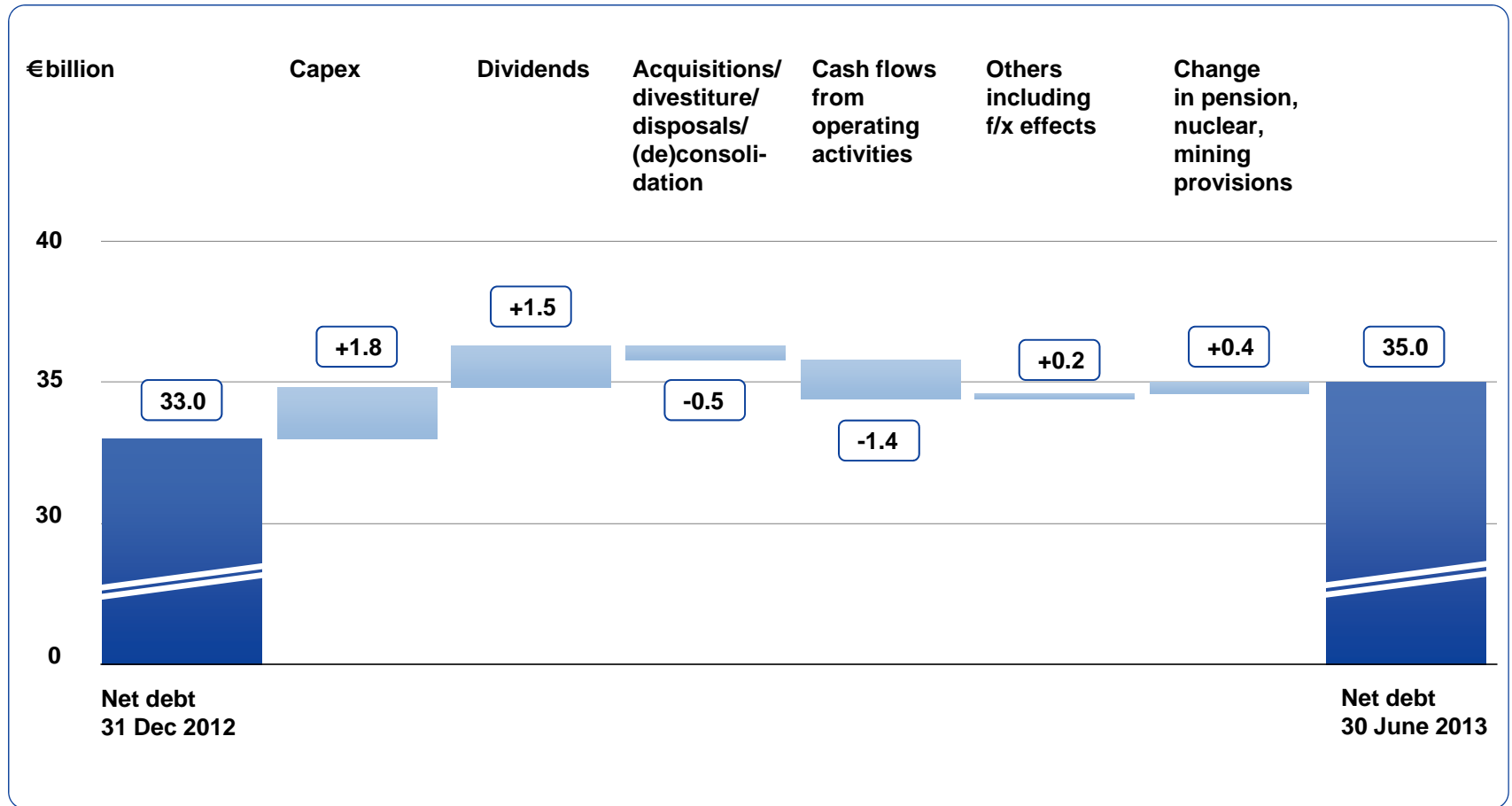


⊕ Arbitration court ruling on our long-term oil-indexed gas supply contract with Gazprom

⊕ Efficiency improvements

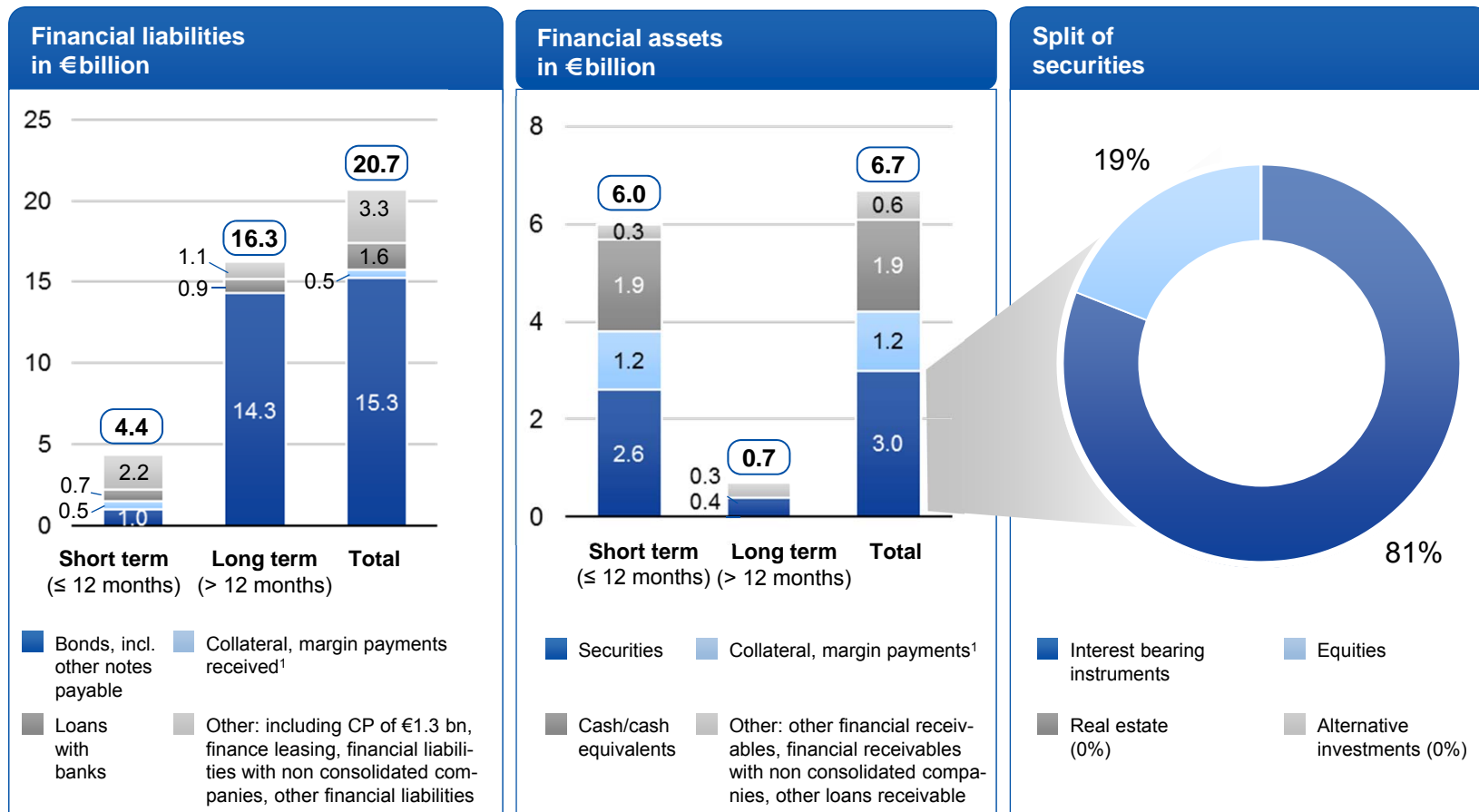


# Development of net debt



# Financial liabilities and assets

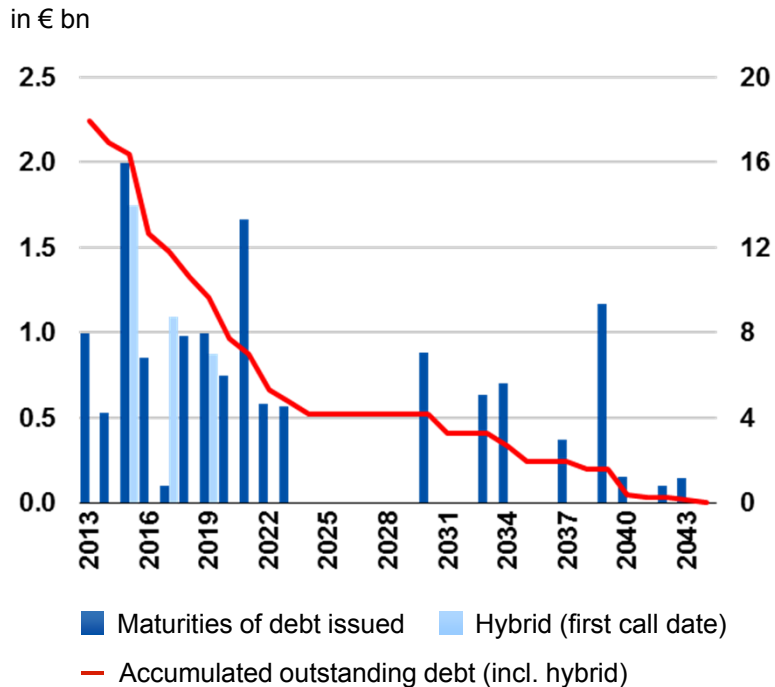
(excluding hybrid capital, as of 30 June 2013)



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

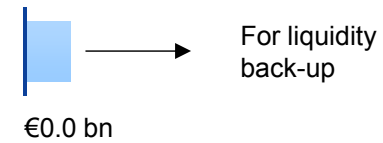
# Capital market debt maturities and sources of financing

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

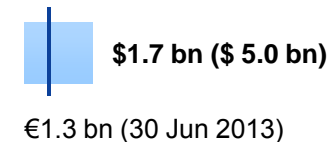


## Strong sources of financing

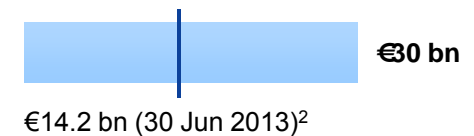
**Fully committed syndicated loan**  
(€4.0 bn up to Nov. 2017)



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



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

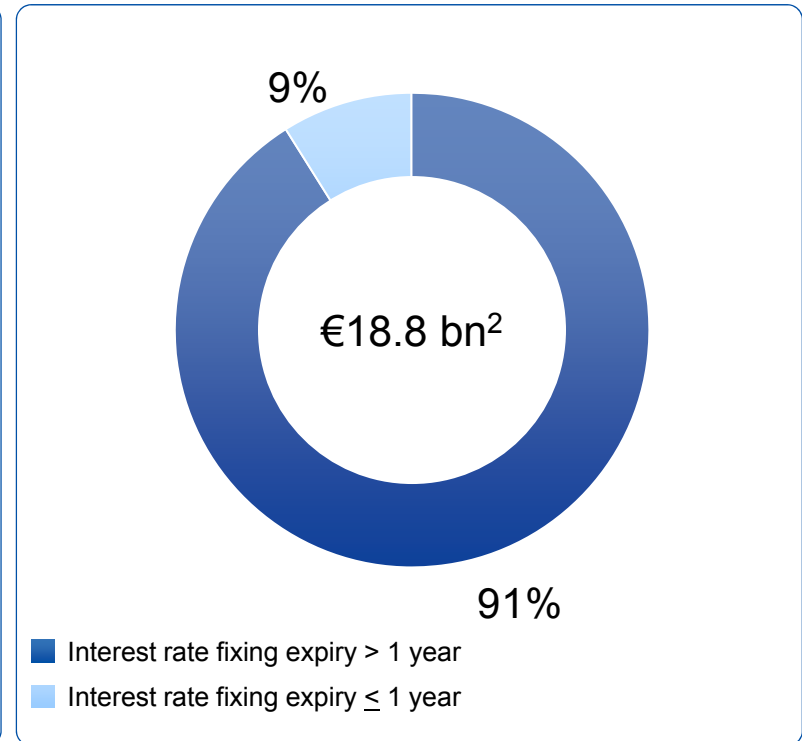
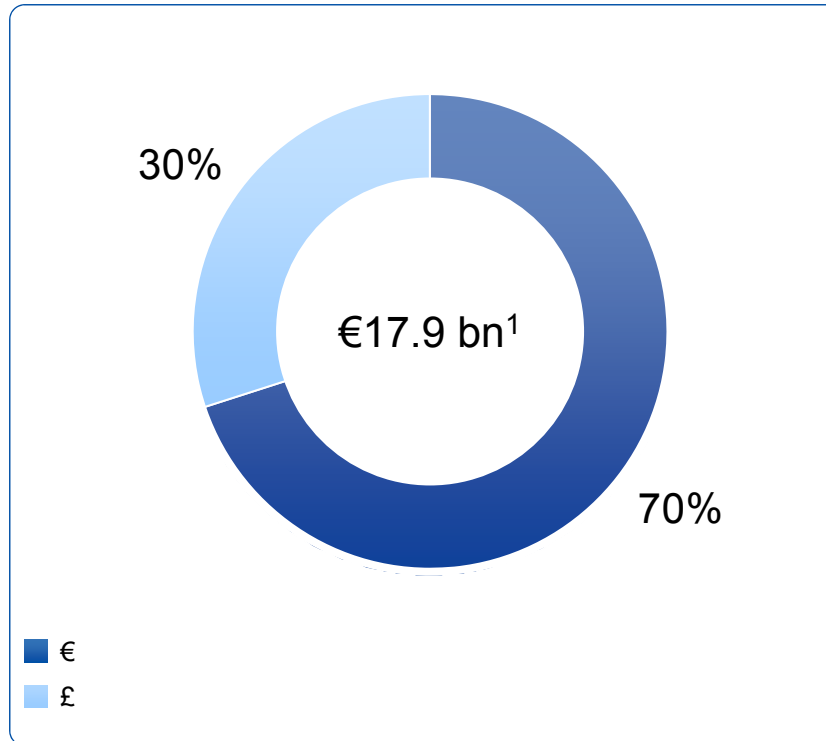


Balanced profile with limited maturities up to end of 2014 (~€1.5 billion)

<sup>1</sup> RWE AG and RWE Finance B.V., as of 30 June 2013

<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 June 2013)



<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 power plant new build programme (capex at 100% share)									
	Hamm (hard coal, 1,528 MW)	77%	2.4	Units D & E					
	Eemshaven (hard coal/biomass, 1,560 MW)	100%	3.0	Units A & B					
	Denizli (gas, 787 MW)	70%	0.5						
RWE Dea's largest field developments (RWE's share in capex) <span style="float: right;">■ Bars indicate expected start of production.</span>									
	West Nile Delta (Egypt)	NA 40% WMDW 20%	2.9						
	Disouq (Egypt)	100% (operator)	0.2		■				
	Breagh Phase 1 (GB)	70% (operator)	0.4		■				
	Reggane (Algeria)	19.5%	0.4					■	
	Knarr (formerly "Jordbær") (Norway)	10%	0.2			■			
	NC 193/195 (Libya)	100% (operator)	0.5						■
RWE Innogy major projects under construction (capex at 100% share; UK offshore includes investment for grid connections)									
	Markinch (biomass CHP, 46 MW <sub>e</sub> , 88 MW <sub>th</sub> )	100%	0.3	■					
	Gwynt y Môr (wind offshore, 576 MW)	60%	2.5	■					
	Nordsee Ost <sup>1</sup> (wind offshore, 295 MW)	100%	1.1	■					

<sup>1</sup> The construction schedule was revised several times in 2012 due to the delay in the offshore grid connection by TenneT. The first feed-in of electricity is now only expected by Mid 2014 and the commissioning of the wind farm is delayed at least until Q4 2014.

# Always be informed about RWE ...



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Calendar

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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 fact books

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



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/>