# RWE Investor Day

London, 25 November 2014

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- Statements of plans or objectives for future operations or of future competitive position
- Expectations of future economic performance; and
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# Conventional Power Generation

Matthias Hartung, CEO RWE Generation
Frank Weigand, CFO RWE Generation

# Conventional Power Generation: main messages

- Efficiency enhancement programme well under way and additional measures initiated; Net cash contributor to the group
- Portfolio decisions strictly driven by economic factors; 8.9 GW of capacity measures by 2017 announced
- Focus on commercial availability to maximise value contribution of portfolio and keep options for new market design
- New-build programme to be finalised: 25% of capacity renewed with strong focus on new gas-fired capacity
- $CO_2$ neutral position of RWE Group for 2013-2020
- Approx. 8 GW pre-qualified for UK capacity market
- Final decision on nuclear fuel tax expected for 2015

# Conventional Power Generation: major value drivers

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- Efficiency enhancement programme: ~€750m by 2016
- Capex reduced to maintenance level of €400m to €500m by 2016
- Recent signs for bottoming out of forward electricity prices
- UK capacity market from winter 2018/2019 onwards
- Increasing awareness of requirement for capacity mechanism in Germany
- Potential for further portfolio measures

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- Depressed wholesale prices: further decline in realised electricity margins
- Review of regulation on exemption from renewables levy for self- consumption post 2016
- Decision on final nuclear storage pending
- Uncertainty of future $CO_2$ regime

# Supply/Distribution Networks Germany

Arndt Neuhaus, CEO RWE Deutschland
Bernd Böddeling, CFO RWE Deutschland

# Supply/Distribution Networks Germany: main messages

- Leading market position in Germany, no.1 in electricity sales and no.3 in gas sales
- 330,000 km electricity and 48,000 km gas distribution networks; 6.7 million electricity and 1.3 million gas customers; > 3,000 municipalities supplied
- Single digit earnings growth with additional growth potential through capex (>5% CAGR in operating result over the last 10 years)
- In 2013, it contributed about 28% to Group operating results, about 70% of RWE Deutschland operating result is regulated
- Approx. €1 bn p.a. (2014-2016) investment into electricity and gas network with stable regulated returns – partly growing our regulated asset base
- Supply margins for tariff customers (household and small commercial) above average

# Supply/Distribution Networks Germany: major value drivers

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- Germany's "Energiewende" (new energy policy) and trend of decentralisation offers new growth potential
- Strong management track record in German grid management
- Efficiency enhancement: contributes 20% to €1.5 bn Group programme
- Potential synergies from RWE Retail best-practice transfer

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- Regulatory risk for next regulatory period (e.g. low interest rate environment)
- Competitive pressure on sales margin
- Tough competition for concession

# Supply Netherlands/Belgium

Erwin van Laethem, CEO Essent
Martin Muhr, CFO Essent

# Supply Netherlands/Belgium: main messages

- Strong customer position as largest energy company; ~2.5 million customers are supplied with electricity and ~2.2 million customers with gas
- Well-balanced brand portfolio to cover key customer segments (Essent leading customer brand in the Netherlands and only profitable attacker in Belgium)
- Established business model in energy trading platform for B2B clients (Powerhouse, market leader for horticulture sector)
- New products and service offerings, in particular established distribution/partnering network for non-commodity
- Innovative distribution channel footprint via shop-in-shop concept (e.g. cooperation with MediaMarkt and Do-It-Yourself chain Gamma)
- Lean management and customer centricity fully embedded in organisation (start in 2011) reducing cost-to-serve and enabling high quality performance management

# Supply Netherlands/Belgium: major value drivers

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- Continuous focus on margin management
- Cost base fit for purpose
- Leveraging strong brand portfolio (customer differentiation)
- Trustful relation to regulatory and political stakeholders
- Continuous launch of innovative products and services

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- High churn rates of residential customers for both electricity and gas
- Decreasing average usage per customer (energy economics and efficiency improvements)
- Increasing competition and transparency affecting margin potential
- Re-regulation in energy market (e.g. tariff sign-offs)

# Supply United Kingdom

Paul Massara, CEO RWE npower
Jens Madrian, CFO RWE npower

# Supply United Kingdom: main messages

- Total commitment to improve customer experience and achieve being #1 in customer satisfaction
- Political uncertainty will remain high until after the May 2015 election and the CMA investigation conclusion by year end 2015
- Aggressive strategy to tackle operating cost and FTE reductions, driving controllable costs towards the market average by 2015
- Outsourcing and partnering arrangements to help npower become more flexible, improve service and bring down costs
- Drive digitalisation to improve operational excellence and enhance digital offering to make it the primary interaction channel
- Tap into growth opportunities in B2C and B2B energy solutions through innovative products and services

# Supply United Kingdom: major value drivers

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- Customer Transformation Programme / reducing operating cost base
- Outsourcing and partnering arrangements
- Growth in energy solutions through innovative products and services
- Investments to become UK's most digitised energy company
- Outperformance in energy risk management

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- Intense political and media scrutiny of energy suppliers and their performance is limiting flexibility to react to market drivers
- Potential for further political intervention post general election
- B2C: Increased customer losses, in particular to small independent suppliers
- B2B segments under considerable competitive pressure with tightening margins

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# Central Eastern and South Eastern Europe

Martin Herrmann, CEO RWE East
Axel Gerhardy, CFO RWE East

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# Central Eastern and South Eastern Europe: main messages

- Leading position in core countries in electricity and gas sales: CZ (no.1 in gas); PL (no.5 in electricity); SK (no.2 in gas), HU (no. 2 in electricity)
- Stabilisation of earnings over the next few years
- More than half of the operating result is regulated
- Annual day-to-day capex of approx. €400m mainly in regulated assets
- Streamlining of organisational structures and the portfolio in all regions well advanced
- Focussed asset light growth: market entry in Romanian and Croatian supply market
- Second commodity offering in core markets: entry into gas market in Hungary, Poland and Croatia

# Central Eastern and South Eastern Europe: major value drivers

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- Strong track record in regulatory management in various countries
- Overlapping regulatory periods stabilise earnings
- Asset light entrance of new markets
- Trend of decentralisation offers new growth potential

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- Continuous pressure on revenues of gas activities (storage, grid and supply business)
- Further political interference in Hungary
- Customary regulatory risks relating to new regulatory periods
- Competitors creating pressure on existing incumbents

# Renewables

Hans Bünting, CEO RWE Innogy
Dirk Simons, CFO RWE Innogy

# Renewables: main messages

- Gwynt y Môr (576 MW) and Nordsee Ost (295 MW) fully commissioned in 2015
- Mid-term earnings growth currently unable to cover cost of capital
- Sufficient funds from operations (FFO) to sustainably finance own investments as well as deliver cash flows to Group
- Ongoing construction and further development of projects in Germany, UK, NL and CEE
- Successful implementation of capital-light approach to diversify risks in developing and financing new projects; most recently sale of 85% in Nordsee One project
- Approx. €1 billion in capex earmarked for the expansion of renewables from 2014 to 2016
- ~50% of operating result regulated (e.g. fixed feed-in tariffs)

# Renewables: major value drivers

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- Increased earnings contribution from growth investments
- Risk diversification and reduced capex through partnerships
- Exit of Biomass business due to not appropriate risk/return profile
- Ongoing improvements targeting operational excellence

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- Regulatory risks (e.g. retrospective intervention in Spain)
- Wholesale price development in Germany and Spain
- Legacy project risks in Biomass and Offshore Logistics business

# Trading/Gas Midstream

Stefan Judisch, CEO RWE Supply & Trading
Markus Krebber, CFO RWE Supply & Trading

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# Trading/Gas Midstream: main messages

- Best in class trading organisation
- Prop trading performance delivered consistently positive gross margin: RWEST reported operating result is impacted by group-wide tasks
- Funding need for trading business almost reduced to zero (negative working capital)
- Expanding into new energy-related businesses (e.g. fertiliser) and locations (Jakarta, Mumbai)
- Successful settlement with Gazprom in February eliminates any remaining risk from long-term gas supply until mid-2016
- Limited risk appetite (global VaR ≤ 40m)

# Trading/Gas Midstream: major value drivers

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- High performing
- Efficiency programme to contribute 10% to Group's overall target
- Team-oriented trading approach
- Entering new energy-related markets

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- Pressure on gas storage margins due to low winter/summer spreads
- Lower volatility in core markets
- Regulatory burdens (e.g. EMIR, MiFiD, REMIT)

# Group Finance

Markus Coenen
Head of Group Finance, RWE AG

# Group Finance: main messages

- Free Cash Flow positive target for 2015 confirmed
- Attractive regulated business profile mid-term
- Strong liquidity position (€4.5bn at 30.09.2014); maturity of €2bn senior bond in February 2015
- Hybrid 2015: intention regarding a call unchanged
- Net financial debt decreased by more than €2bn in Q3. Net debt FY2014 is expected at c €26bn (2013: €30.7bn), if Dea transaction is completed
- Leverage factor at year end expected to be significantly above last year (2013: 3.5)
- Rating unchanged with S&P and Moody's

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