

**Check against delivery**  
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Ladies and Gentlemen,

Welcome to our conference call. I am glad you have taken up the invitation to join us.

Our subject today is the business performance of RWE in the first quarter of fiscal 2009.

Let me give you the best news first. Despite the global financial and economic crisis, we have made a successful start to the year 2009. In the first three months of this year, our operating result was 5% up on the level of the same period last year.

On this basis, we are reaffirming our earnings targets for the current fiscal year 2009. In other words, we anticipate that EBITDA, the operating result and recurrent net income for 2009 will be in the order of that of the previous fiscal year 2008.

And we will be implementing our investment plans with no cutbacks – regardless of the crisis. By the end of 2012, we will have invested a total of €26 billion. That is an average of around €6.5 billion per annum – a strong signal given the current economic crisis!

As you can see, we are walking on solid ground and we are looking to the future with confidence. These days, that is not something to be taken for granted.

Before I come to the figures for the first quarter of 2009, let me outline the key events for RWE over the past few months.

**Essent**

On 20 February 2009, RWE presented the shareholders of the leading Dutch energy utility, Essent with a binding cash offer to purchase all shares in the company with the exception of the network and waste business. Including the net liabilities of Essent, the transaction volume amounts to €9.3 billion. Essent and RWE are an ideal match. The extent of the purchase offer shows just how attractive Essent is.

Essent is owned by six Dutch provinces and 130 municipalities. Their decision-making processes in response to our purchase offer are at an advanced stage.

The provincial governments of Overijssel, Groningen, Limburg, Drenthe and Flevoland have already decided that they wish to take up our offer. Together, they hold a total of around 43% of the shares in Essent. Added to that the shares of the municipalities that have already taken this decision, we have now achieved more than 56%. This means we have taken a considerable step forward in our bid to take over Essent.

However, the decision of the largest shareholder in Essent – Noord Brabant with 30.8% of shares – is still outstanding.

Last Tuesday we signed a "Sustainability Contract" with Essent in which RWE agreed to invest – after the acquisition of Essent – several billion euros between 2009 and 2013 to provide sustainable energy supply for the Netherlands. We are basing this on the expectation that prevailing conditions make this economically possible. An independent Foundation was set up to monitor the implementation of this development plan.

We remain confident that we will be able to conclude the acquisition of Essent in the third quarter of 2009, after separating off the grid and waste business and after anti-trust approval from the European Commission.

**Gas price decrease**

I have some good news for our customers in Germany. RWE is again decreasing its gas prices, by up to 15%, with effect from 1 July 2009. This makes it our third price reduction this year. Together with the price cuts that took effect on 1 January and 1 April of this year, the cost of gas will now be up to a third lower than before. In taking this step, we are quickly passing on the benefits of lower procurement costs to our customers. For the average residential customer (annual consumption of 20,000 kWh) – these three price cuts represent a saving of up to €450 over the whole year. This more than offsets the price increases incurred in the year 2008. As you can see, oil price indexing of natural gas works in both directions.

**Trend in customer numbers**

The positive trend of our retail business, with net growth of 80,000 electricity customers in the second half of 2008, continued in the first quarter of 2009. In the first three months of this year, we achieved a net gain of 30,000 residential and commercial customers with our electricity offers. Our discounter eprimo was primarily responsible for this growth, though our fixed price offer, ProClimate Power 2011, also continues to do well. Our customer numbers increased by 195,000 between early January and the end of March 2009 to a total of 325,000 and this positive trend seems set to continue.

**Nuclear energy in the UK**

In our view, nuclear energy makes an important contribution towards more growth and less CO<sub>2</sub>. We are making particularly good progress in the United Kingdom in this regard. In January 2009 we entered into a joint venture with E.ON to build new nuclear power plants there. Together we intend to develop, build and operate nuclear power plants in the UK with a generation capacity of at least 6,000 megawatts. At the end of April 2009, this joint venture company acquired at auction land which the UK government has earmarked for the construction of new nuclear power plants. Together with E.ON, we won the bidding there for two attractive locations – Wylfa and Oldbury.

### **Offshore wind farm in Belgium**

The expansion of renewables by RWE is also progressing at a rapid rate in 2009. Just last week, RWE Innogy acquired almost 27 percent of the shares in the Belgian company C-Power NV. C-Power is developing and building the Thornton Bank offshore wind farm some 30 kilometres off the Belgian coast. This wind farm will have up to 300 megawatts of capacity and will generate an estimated 1,000 gigawatt hours of power annually. This equates to the average annual power consumption of 600,000 people. The first six of 60 turbines in the five-megawatt range have already been installed.

### **New RWE**

We intend to complete the process of reorganising the Group in the third quarter. We are well underway with this endeavour and making swift progress. The aim is to be leaner, faster and more flexible in adapting to the growing demands of competitive markets. This is the only way for us to achieve our growth targets. Management of the Group will in future be more closely aligned with the individual national markets.

This is why we are in the process of reorganising our German retail and grid business to make it more efficient. The single biggest initiative is the merger of our two regional companies, RWE Rhein-Ruhr and RWE Westfalen-Weser-Ems into one retail and one distribution grid company. The RWE Energy sub-holding company will cease to exist.

With this reorganisation in mind, the Supervisory Board of RWE AG appointed Dr. Rolf Martin Schmitz (51) to the Executive Board of RWE AG on 24 February 2009. He took up this role on 1 May. Dr. Schmitz is responsible for our German generation, grid and retail business.

## **Business performance**

This brings me to our business performance.

We are now operating in a difficult economic environment – though the financial consequences for us are relatively minor. In Germany and the United Kingdom – our biggest markets – electricity consumption in the first quarter of 2009 declined by an estimated 5% and 4% respectively. However, the total power consumption of our 14 million residential customers remained stable overall.

In this environment, we managed to improve our EBITDA and our operating result by 5% in both cases, to €3.09 and €2.62 billion respectively. The primary reason for this growth was the unusually high earnings contribution of RWE Supply & Trading, which however cannot be extrapolated to the year as a whole.

Now to some details of the earnings trend in the individual divisions.

**RWE Power's** operating result of around €1.08 billion was slightly above the level of the previous year. The positive aspect of this result is that we managed to achieve higher prices from forward sales in previous years for our German electricity production. On the negative side, production losses due to the scheduled outage of our Biblis nuclear power plant took their toll. Higher fuel costs than in the previous year's period led to increased expenditure of around €210 million. However, this almost exclusively affected our hard-coal business. RWE Power spent €294 million on CO<sub>2</sub> emissions allowances, which was slightly less than in the same period last year (€307 million). Cost of materials and personnel costs on the other hand increased.

The earnings of **RWE Innogy** declined by €11 million to €20 million. The reason for this was its extensive investments in renewables, which included considerable run-up costs and additional workforce requirements. For the year as a whole, we are also expecting lower earnings for the same reason.

**RWE Dea** achieved an operating result of €107 million, which puts it 42% below the prior-year figure. One of the reasons for this was exchange rate effects. But the primary drivers were margin losses due to the decline in crude oil prices. However, RWE Dea managed to offset this negative trend somewhat by securing the price of some of its oil extraction business at an early stage. In its gas business, higher prices led to increased earnings, while the decline in yield had the opposite effect. Costs associated with the exploration of new oil and gas fields rose slightly. For the year as a whole, we anticipate that the price slump on the commodity markets will have a more adverse effect on RWE Dea's earnings than before. For this reason we are predicting a much greater percentage drop in earnings for fiscal year 2009 as a whole than in the first quarter.

The earnings result of **RWE Supply & Trading** was €362 million, four times higher than in the same period last year. In operational terms we achieved a similar level of success in our trading business to that of 2008. In addition, we benefited from the fact that major forward transactions concluded in the preceding years are only now being implemented and are therefore only now having a positive effect on our income statement. This includes the external marketing of electricity generated by RWE Power and RWE npower. The trading results achieved in that process generally only become effective in IFRS accounting terms when the contracted services are delivered, i.e. when the power is actually supplied.

Earnings from the gas midstream business of RWE Supply & Trading also improved substantially. The first quarter result of the previous year was adversely affected by the one-off item of minus €110 million, due to the balance sheet effect of our derivatives business. We used these derivatives transactions to secure the price of oil-price-indexed gas supply contracts. Since the first half of 2008, we have been recording the effects of market value changes in these derivatives in the non-operating result, since they do not reflect the earnings position of our operating business.

**RWE Energy** increased its operating result in comparison with the previous year's period by 7% to €917 million. This can primarily be attributed to better retail earnings and the successful continuation of our corporate energy efficiency programme. The German regional companies of RWE Energy managed to increase their operating result by 17%, partly due to cost reductions. Furthermore, the earnings position of the gas business also improved. In the previous year, margins were under pressure due to the very strong increase in oil prices. Due to regulation of the German gas network business, we experienced no additional burdens in the reporting period. However, exchange rate fluctuations did dampen the result.

The operating result of **RWE npower** dropped by 32% to €192 million. Leaving aside exchange rate effects, the decrease amounted to 20%. Our earnings position deteriorated, particularly in power generation, because the margins for our UK hard-coal and gas power plants were lower than in 2008. In our retail business, the result – although at a low level – was largely unchanged in terms of pounds sterling. For the year as a whole, we anticipate a sharper drop in earnings for RWE npower than in the first quarter – in particular because of the electricity price decrease effective 31 March 2009 which was necessary to secure sales.

Our **recurrent net income** rose by 6% over the previous year to €1.51 billion in the first quarter of 2009. For fiscal year 2009 as a whole, we expect recurrent net income to be of the order of last year.

In the first quarter of 2009, we generated €533 million in **cash flow** from operating activities. It decreased by €851 million or 61% year on year – partly due to higher cash outflows associated with the purchase of CO<sub>2</sub> emissions allowances. Due to the stricter framework conditions of the European emissions trading system for the period 2008 to 2012, we were forced to purchase a much higher number of allowances for the preceding year. For the most part, the associated payments for the entire year of 2008 were not made until early 2009.

**Free cash flow**, or cash flow from operating activities minus capital expenditure on property, plant and equipment, amounted to €320 million – making it €1.05 billion less than in the same period of 2008. The reasons for this were the decline in cash flow from operating activities and the rise in capital expenditure on property, plant and equipment.

The **total investments** of the RWE Group increased three-fold in the first quarter to €2.05 billion.

**Capital expenditure on property, plant and equipment** rose by 30% to €853 million. All divisions within the Group recorded increases in this area.

**RWE Power** accounted for over 40% of this expenditure. The single most-important project is the construction of a 2,100-megawatt lignite twin unit at the Neurath site. In addition, RWE Power is building an 875-megawatt combined cycle gas turbine power plant in Lingen and a 1,530-megawatt hard-coal twin unit in Hamm.

**RWE Innogy** is experiencing a particularly dynamic trend in capital expenditure on property, plant and equipment. The main focus is on wind power projects such as the construction of the 90-megawatt Rhyl Flats offshore wind farm off the Welsh coast, which we intend to complete in the current fiscal year.

For **RWE Dea** the investment focus is on further development of existing fields. This applies in particular to Egypt and Norway.

At **RWE Energy** a large part of capital expenditure on property, plant and equipment is devoted to maintaining and enhancing our grid infrastructure.

**RWE npower** is pushing forward with the construction of a 2,000-megawatt combined cycle gas turbine power plant (CCGT) located in Pembroke – now that the UK Energy Minister has given us the necessary approval. Another CCGT power plant is currently being built in Staythorpe. This facility, with 1,650 megawatts of capacity, is scheduled for full commissioning in 2010.

When all is said and done, it is clear that we have acquitted ourselves well in an economic climate that has unquestionably become more difficult. We are very satisfied with the results of the first quarter of 2009. And – just as important – we are confident that we will also achieve the performance targets we have set ourselves for 2009 as a whole.

That's it from me on the business performance of RWE in the first quarter of 2009. I now look forward to your questions.