

Dr. Juergen Grossmann/Dr. Rolf Pohlig
Half year results press conference by telephone
13 August 2009

Check against delivery

Ladies and Gentlemen,

Good morning and welcome to our conference call. On behalf of the entire RWE Executive Board, I would like to welcome you all and thank you for joining us today.

After presenting our half-year results, Rolf Pohlig and I will be joined by our Executive Board colleagues, Leo Birnbaum, Alwin Fitting, Ulrich Jobs and – for the first time here today – Rolf Martin Schmitz to answer your questions.

The first thing to stress is that, despite the financial and economic crisis, RWE has successfully held its own in the first half of 2009. The secret to our success is that we have a solid financial base and a prudent approach. A sensible mix of regulated and non-regulated business is another key factor.

It means we are staying on course – even in stormy seas.

Once again, we were able to increase our customer numbers by a considerable margin. But there'll be more on that later.

On the generating side, we have sold almost all of our electricity production for this year, having used forward sales to secure over 90% of our electricity supply for 2010 at prices of more than €60 per megawatt hour.

Electricity sales may seem to have decreased considerably. But if we take a closer look at the figures we can see that the drop mainly resulted from the trading business where we sold more externally sourced electricity on the wholesale market. This is not recorded in the electricity sales figures. In fact, we even achieved a 2% increase in our sales to end customers and distributors in Germany.

Thanks to the forward sales of the past two years, we were spared any major impact on our earnings. Company insolvencies have also had a negligible effect on our business to date.

Our operating result improved by 4% in the first six months of this year compared to the same period last year.

Recurrent net income – the basis for determining our dividend – improved by 5%.

For 2009 as a whole we also remain optimistic. We anticipate that the operating result and recurrent net income – not counting Essent – will be of the same order as last year.

We are on track with our programme to save €450 million in 2009 through enhanced efficiency and cost reduction.

We are also sticking to our plans to invest a total of around €26 billion by 2012.

In doing so, we are making a considerable contribution towards stabilising the labour market.

By 2010, our power plant construction site at Neurath in Germany alone will secure 7,500 jobs annually with subcontractors and service providers. In the case of our new hard-coal power plant in Hamm, the figure is 5,800 new jobs per year. Once both projects are completed, some 1,700 jobs at RWE and with subcontractors and service providers will be secured in the long term.

We were able to increase the size of our workforce in the first half of 2009 by around 900 employees compared to the end of 2008, bringing the total headcount to almost 67,000. In the second half of the year, we expect our workforce to grow even further.

In the midst of a recession, that is good news for Germany as a business location.

The strategic and organisational realignment of the RWE Group is proceeding well.

The unanimous agreement of all shareholders and approval by the EU Commission have cleared the way for RWE's acquisition of Essent. The issue of how to proceed with Essent's 50% share of the Borssele nuclear power plant has not yet been fully clarified. Everyone involved is currently working towards finding an acceptable solution. Therefore, we are confident that we can complete the acquisition of Essent – as previously announced – in the third quarter of 2009.

The “New RWE” project will be fully implemented as

planned by 1 September 2009 – and without our staff having to worry about the future of their jobs.

With effect from 1 July 2009 we have already repositioned our transmission system operator for power, *Transportnetzgesellschaft Strom*. It will now come under my direction. With effect from 1 September, the company will operate under the name “Amprion”. We are separating our ultra-high voltage transmission grid legally and financially from our other operations – as is required by the EU.

In the gas business, we are sticking to our commitment to the EU Commission to sell our transmission network. To this end, we have renamed RWE Transportnetz Gas “Thyssengas”. This new yet familiar name stands for the expansion of this company into a fully functioning gas transmission company. In doing this, we are putting in place one of the essential conditions for the sale of our German long-distance gas network.

A few weeks ago, some key progress was made towards making the Nabucco gas pipeline a reality.

In mid-July, the Nabucco transit countries of Austria, Hungary, Romania, Bulgaria and Turkey signed an

agreement in Ankara that forms the legal basis for construction of the pipeline. In addition, this agreement determines the method of calculating the transmission tariff and the modalities of network access.

This government-to-government agreement means we are a good step closer to implementing the Nabucco pipeline.

The same applies to the involvement of two Nabucco consortium partners (OMV, MOL) in a company in Northern Iraq which has considerable gas reserves at its disposal. This, together with Azerbaijan's agreement to supply gas to Nabucco, means that keeping the Nabucco pipeline supplied with gas will not be an issue, even beyond the initial phase. Apart from Iraq, other potential supply nations include Azerbaijan, Turkmenistan, Egypt and, in the long term, Kazakhstan. Despite all the pessimism surrounding this issue, Iran's participation will not be necessary to keep the Nabucco pipeline working at full capacity.

And I'd like to point out that Nabucco is not an anti-Russian project. Rather, it simply offers Turkey and Europe greater security of supply. Furthermore,

Nabucco will foster increased competition within the gas market and create additional investment incentives in the relevant supply regions.

This project is extraordinarily important for Europe's gas supply. Just how unreliable that supply can be was evident from the alarming gas dispute between Russia and the Ukraine, which flared up yet again this summer.

I am confident that the 3,300 km-long Nabucco pipeline will be commissioned in 2014.

In April this year, we signed an agreement with Turkmenistan, a potential gas supplier for the Nabucco pipeline, to create a long-term partnership in the energy sector.

In July, RWE Dea received the go-ahead for an exploration licence that covers a 940-square-km area of Turkmenistan territory in the Caspian Sea. It is quite probable that we will find gas or oil in this region.

Also in July, RWE Dea spent some €280 million on the purchase of a 70% share in the Breagh gas field, 65 kilometres off the north-east coast of England.

Breagh and the surrounding fields are currently the largest untapped natural gas find in the southern reaches of the UK North Sea.

It is anticipated that volumes will equal about 10% of all of RWE Dea's 2008 natural gas resources and reserves. Extraction of natural gas is planned to begin at the end of 2012. With Breagh's contribution, our average annual gas production in the UK is likely to more than double.

Such successes mean we are much closer to achieving our strategic goal of expanding our upstream position and doubling our gas and oil production.

In our retail business, we are also experiencing continued success, particularly in the electricity market.

In the first half of 2009, we achieved a net gain of 60,000 new residential and commercial customers on the electricity market in Germany. This means the positive trend of the second half of 2008 and the first quarter of 2009 has continued. Since mid-2008, we have acquired more than 140,000 residential electricity customers. As a result, we are well on the way to making up for the customer downturn experienced in the first half of 2008.

This was what I had previously indicated to be our objective and, step by step, we are now approaching this target.

Our retail company eprimo is primarily responsible for this success. By the end of June 2009, eprimo had 577,000 electricity customers. The number of eprimo gas customers – 28,000 – was twice as high as at the end of 2008. This makes eprimo one of the fastest growing “energy discounters” of the entire country.

But our products that offer fixed long-term prices are also proving to be real “hits”.

Our “RWE ProClimate 2011” tariff has sold out. Some 350,000 customers opted for this offer. I also regard this as a vote of confidence for nuclear energy.

A further 500,000 customers have opted for our “RWE Treuestrom” offer. Here again, as with the ProClimate tariff, we are successfully addressing customer demand for stable electricity prices.

Even though the earnings trend of RWE npower is less pleasing at the moment – more on that in a moment

from Rolf Pohlig – there are also some positive signs in this area. In the first six months of the current year, npower achieved a net gain of 22,000 new residential electricity customers in the UK. We now supply 4.2 million household and commercial customers with electricity. This gives us a market share of 15% in the UK household electricity market.

In the gas market we have also acquired new customers, both in Germany and the United Kingdom: 14,000 in Germany and 83,000 for npower.

I can see no indication that these positive trends will not continue.

With that, I will now hand over to Rolf Pohlig, who will explain our business performance in each company.

Rolf Pohlig

Ladies and Gentlemen,

As Juergen Grossmann just said: we cannot complain about our business performance in the first half of this year.

The operating result improved by 4% to nearly €4.1 billion. Adjusted for currency effects, this represents an increase of 5%.

And now a brief look at the individual companies.

Our electricity generator, RWE Power managed to improve its result by 4% to over €1.8 billion. As mentioned, we were able to sell most of our electricity production for this year in 2007 and 2008 at prices of more than €60 per megawatt hour. This allowed us to realise higher prices than we were able to achieve for last year's production. But we also faced severe additional burdens, particularly the maintenance-related outage of both units of our Biblis nuclear power plant.

That alone cost us around half a billion euros compared to the previous year.

For RWE Innogy, earnings dropped by €21 million to €23 million. Our future growth in the renewables segment is initially associated with some high start-up costs.

The upstream gas and oil business of RWE Dea closed with an operating result of €130 million. That is less than half the figure achieved last year and is primarily due to lower crude oil prices.

RWE Supply & Trading achieved an exceptionally good result from its energy trading and gas midstream operations. It totalled €738 million, as opposed to €43 million in the previous year. We did have a special situation in our energy trading business this year, as the proportion of forward transactions concluded in previous years that only affected the income statement this year was very high. Last year, this share was unusually low.

About half of the improved performance of RWE Supply & Trading stemmed from its gas midstream operations. On the one hand, we were able to further optimise our

international gas sourcing activities. Our expertise in gas trading is of considerable help to us in this regard. This is why merging the two businesses into Supply & Trading made so much sense. Moreover, there were also some special effects at work here, for example due to the release of provisions we had made in previous years to provide for uncertainties in gas procurement contracts.

Our grid and retail company RWE Energy posted an operating result of €1.4 billion. This roughly corresponds to the adjusted figure of the previous year. In operating terms, we improved here as a result of the ongoing efficiency enhancement programme. We incurred no additional burdens from German grid regulators. On the other hand, we experienced a decrease in margins in the German and Hungarian electricity retail markets.

The operating result of RWE npower declined by 60% to €135 million. Adjusted for exchange rate effects, the decrease amounted to 54%. Margins declined in the electricity generation business of our UK hard-coal and gas power plants. In the electricity and gas retail market, RWE npower closed below the already weak level of the

previous year. A fall in electricity prices at the end of March 2009 had an impact on earnings. Measures to promote energy savings in UK households also entailed additional expenditure. UK power suppliers are required by law to do this. To offset this loss, we launched an additional cost-saving programme in the UK that is already having an effect in the current year.

I don't normally go into any detail about the item "Other, consolidation". However, in the past six months, it deteriorated to €-185 million. Among other things, we anticipate having to make much higher payments to the German pension assurance association as a result of the poor economic climate.

The non-operating result improved considerably. At around €216 million it was almost €700 million higher than that of the previous year. The effects of recording derivative transactions in the accounts were the main reason for this. In doing so, we secure such things as the forward sale price of stored gas purchases held by RWE Supply & Trading. Depreciation on our stake in Excelebrate to the value of €187 million had the opposite effect. The market for liquefied natural gas (LNG) is currently developing more slowly than expected, in part

due to the economic crisis, so we have not yet been able to achieve the planned results.

The financial result deteriorated by around €300 million to €916 million. The key reason for this was our increased debt level as a result of growth investments and the refinancing of the Essent acquisition.

The effective tax rate was 30% or slightly lower than before. However, we are anticipating a slightly higher rate for the year as a whole.

The key determinant of our dividend policy is recurrent net income adjusted to exclude special effects. In the first half of the year this amounted to around €2.2 billion or 5% more than in 2008.

Capital expenditure on property, plant and equipment rose by 36% to €2.1 billion. All companies within the Group invested more than in the previous year. Our investments in financial assets doubled to around €1.6 billion. RWE Energy accounted for the majority of these. The largest transaction of €800 million was for the takeover of a 20% stake in RWE Westfalen-Weser-Ems, which was previously held by municipal shareholders.

On that note, I would now like to hand back to Juergen Grossmann.

Juergen Grossmann

Thank you for your comments, Rolf.

Ladies and Gentlemen,

In just over six weeks – on 27 September – the German Federal elections will be held. The outcome of these elections will also decide the future direction of German energy policy. You see, in some areas the energy policy positions of the political parties are worlds apart. Just think of the controversy over the future of nuclear energy.

So there is a lot at stake here – not only for the energy industry, but for Germany as business location. Different positions on energy policy are not infrequently the expression of different economic visions and models of society. It is also what makes an objective debate so difficult.

Which is why I am strongly in favour of putting the ideological trench warfare behind us once and for all. What is required in its place is “energy realism”, to echo the words of historian Arnulf Baring.

The key element of this realism is an energy mix in electricity generation that includes substantially more renewables, nuclear power and coal – complemented by gas at peak load – coupled with innovative ideas and new technologies to improve energy efficiency.

Only on such a balanced basis can the challenging climate change targets be met at an economically sustainable cost and without jeopardising security of supply.

Nuclear energy will be the cornerstone of this approach for some time to come. It contributes nearly a quarter of electricity generation in Germany – in an environmentally clean and economical way. One very important point here is that nuclear power plants in Germany are safe. All of them – even the reactors that have been operating the longest – meet the highest international safety standards. And they are subject to a

strict inspection regime, which is exactly as it should be.

It is against this background that we are lobbying hard for an extension to the operating life of German nuclear power plants, including of course our own nuclear power plant, Biblis.

I consider it unscrupulous and politically untenable to single out individual “events” of no or negligible significance in terms of safety, (Step 0 on the INES Scale), and to use them as the justification for a general phase-out of nuclear power.

Please excuse my use of technical language. But in this case it is important to make it clear that an abnormal incident is simply not the norm. This is why I am vehemently opposed to the idea of technical faults being consciously misrepresented and coined “abnormal incidents”. There are absolutely no grounds for making an argument for the phase-out of nuclear energy on this basis!

It is not only in Germany that we want to persist with nuclear energy. We are also stepping up our

involvement in the international arena. Our nuclear energy projects abroad are an integral part of our strategy for more growth and less CO₂.

For instance, we plan to join forces with E.ON to build new nuclear power plants in the UK – with a capacity of at least 6,000 megawatts. As part of an auction process at the end of April this year, the two companies placed winning bids for two UK locations.

RWE is also undertaking a massive expansion of renewables.

With an installed capacity of 1,400 megawatts, RWE Innogy is well underway in this regard. Another 500 megawatts are under construction and Essent will contribute more than 600 megawatts of installed capacity.

RWE Innogy's project pipeline until 2020 amounts to a total of 16,900 megawatts. That constitutes an increase of one third in the first half of 2009. It is our objective to be one of the top 5 players in Europe in the renewables market within the next few years.

In mid-May 2009, Innogy increased its stake in the Spanish wind power operator, Danta de Energías S. A. from 44% to nearly 94%. This means our installed wind power capacity in Spain now totals 400 megawatts.

In late June of this year, RWE Innogy was granted planning permission to construct the offshore wind farm, Tromp Binnen. It is situated 75 kilometres off the Dutch coast and will have a capacity of 300 megawatts.

A few days earlier, the offshore wind farm Thornton Bank was officially launched in Belgium. RWE Innogy is the largest shareholder in this venture with a stake of nearly 27%. With nominal capacity of 5 megawatts each and a rotor blade diameter of 126 metres, these turbines are some of the largest and most powerful in the world. By the time it is completed, Thornton Bank will also have a capacity of 300 megawatts and an annual output of one terawatt hour of electricity.

In March of this year, RWE Innogy commissioned an onshore wind farm in England. “Little Cheyne Court” has 60 megawatts of capacity and supplies 33,000

households in the UK with electricity.

In the South of Spain, Innogy has acquired a minority share of the solar thermal power plant, Andasol 3.

In Germany, utilisation of solar energy would be economically counter-productive. In Spain the situation is quite different. What this means is that we are investing in renewables wherever they are economically sustainable – in the interests of our customers and our shareholders.

As you can see, we are making rapid progress with our expansion of renewables and with wind power in particular.

I also mention this to demonstrate to you that we are investing in renewables here and now. We are not just talking about it; we are doing it.

By contrast, the Desertec project that caused a sensation over the past few weeks is a long way off in the future. Desert power is a fascinating idea – a visionary project we are happy to be part of. But we will not neglect our present opportunities because of it. What we can do, we do without delay. Admittedly, this is not quite as spectacular as the Desertec concept, but it

has a much more immediate impact.

We also need coal as one of the other cornerstones of our future electricity supply – but with one important proviso, that our coal-fired generation of the future is cleaner. We can achieve this by building state-of-the-art power plants with higher efficiency rates and CO₂ separation and underground storage – otherwise known as CCS (carbon capture and storage).

We are currently building a highly efficient lignite power plant in Neurath, and in Hamm we are involved in a joint project with 23 municipal utilities to construct a new hard-coal power plant with cutting-edge technology.

CCS remains one of RWE's key goals. We are planning one such power plant in Huerth with CO₂ capture and storage in Schleswig-Holstein. The legal framework for such a facility, however, is not yet in place. At the end of June, the CCS bill planned by the German Federal Government was postponed to the next legislative period. For this reason, the €2.2 billion project is now on ice. Not only that, the already ambitious timeline, which was also geared to the criteria for EU financial support

for CCS projects, is under threat. In order to receive this assistance, we have to have our CCS projects on the grid by 2015. Due to the legislative delay, that deadline will now be very difficult to meet for our CCS power plant.

My plea to the incumbent Federal Government is therefore to lobby vigorously via the existing process at an EU level for a more flexible approach to the allocation of CCS subsidies. For without this financial support, we will be unable to realise this key investment in our efforts to stem climate change.

You can see how serious we are about CCS by the fact that we are commissioning a pilot plant for CO₂ scrubbing this coming week. German Federal Minister of Economics Theodor zu Guttenberg and NRW Prime Minister Juergen Ruettgens will both be present at the launch. Naturally you are also warmly invited to attend.

The charm of this technology lies not least in the fact that it can be incorporated into existing production facilities. It is not by chance that we are working with BASF and Linde on this venture. After all, the capture and storage of CO₂ is a promising option for many other

branches of industry – far beyond the energy sector.

However, it is by no means just about technology or money. CCS is also about political support and social acceptance. There is unfortunately a lack of both at present, as we recently found to our cost in Schleswig-Holstein. Some work is required to enlighten the public in this area.

Enhancing energy efficiency is the fourth pillar – if you like – of electricity supply.

You can tell how much importance we attach to this issue by the fact that we recently set up a new company for this very purpose. RWE Effizienz GmbH officially began its work on 1 July of this year.

One key focus of this company is “e-mobility” or the “filling station of the future”. A good 120 years after the invention of the motor car, the electric car is set to be the next revolution. You may remember hearing from me about our “e-mobility Berlin” project back in February of this year. We are now ready to take the next step. In mid-July of this year in Berlin, we launched “Autostrom”, a nationwide road show on electric cars.

We will be showcasing the filling station of the future in seven major German cities: Berlin, Essen, Duesseldorf, Hamburg, Frankfurt, Munich and Mainz.

You may have already seen the advertisements featuring our electric sprinter “Super-Ingo”.

At the same time we will be installing permanent electricity charging points in these major cities and also in Dortmund. Joining us on this road show will be the ADAC automobile club, Siemens and car rental company, Sixt. Germany’s largest car park operator, APCOA is another partner in this initiative.

The thrust of this public campaign is to underline the importance of developing a uniform infrastructure for electric vehicles across all sectors.

You can see, ladies and gentlemen that, wherever we can, we are driving the trend for a clean, safe and economical energy supply for the future. However, what we are able to achieve depends to a large degree on political constraints and government decisions. We cannot always do what we want. For this reason, I would ask the Federal Government to give us greater scope to

maximise the potential within the energy industry triangle. By that I mean we need a new direction in our energy policy, which not only addresses climate change and security of supply but also has due regard for the economic repercussions.

Ladies and Gentlemen,

This brings me to our outlook for the future. Our forecast is the same as in May. The year 2009 will be a good one for RWE. From today's perspective, we will be able to keep the operating result and recurrent net income at about the level of last year – despite all the uncertainties of the financial and economic crisis, the unfavourable market situation for our UK business, the major price fluctuations in gas and oil extraction and the extension by two months of the official safety inspections of Biblis. Let me repeat the main reasons, then, why we are confident that we can remain optimistic: our sensible precaution of forward contracts for German electricity generation, our efficiency enhancement programme worth €450 million, our stable regulated grid business and the successful performance trend of RWE Supply & Trading.

This is also good news for our shareholders. After all, we intend to pay out between 50 to 60% of recurrent net income. And not just this year, but also in the future. This is also typical of the challenge we have set ourselves, ladies and gentlemen, of continuing – even in times of crisis – to invest in what is important to us: in power plants and transmission grids for our customers, in future-proof jobs and training for our staff, and in attractive long-term returns on investment for our capital backers. And finally, but no less importantly, in environmentally sound plants and our active involvement in society. Here, the RWE Foundation is working in the areas of schools and higher education as well as being active in the cultural and social spheres. In this way, we can promote the education and social integration of young people. And we must also keep in mind that we provide vocational training to more young people than we actually need!

That is enough from me in the meantime, ladies and gentlemen. Now it's your turn. We look forward to your questions.