

Report on the first 3 quarters of 2009
Conference call for journalists
12 November 2009, 10.00 a.m. CET
Speech notes for Dr. Pohlig

Check against delivery

Ladies and Gentlemen,

Good morning and welcome to our conference call.

I am glad you have chosen to join us today. And now let's get straight down to business.

The highlight of the past few months was our acquisition of Essent. More on that in just a moment.

In financial terms, the first three quarters of fiscal 2009 were also successful for RWE.

We were only affected to a limited extent by the general decline in energy consumption in Germany. All of our electricity production for 2009 was already sold before the onset of the economic crisis – and at prices, I might add, that were much higher than the current market rate.

Yet the operating result was 4% lower and recurrent net income 7% lower than the level of the previous year. One reason for this was the disappointing earnings situation at RWE npower. The other was the negative effect of the sharp decline in oil prices on RWE Dea.

However, over the next three months of this year, we will be able to regain some good ground – thanks to the ongoing positive trend of RWE Power and RWE Supply & Trading, and to further cost-cutting measures, in particular at RWE npower in the UK.

Our efficiency-enhancement programme to reach our cost- reduction and increased-revenue target of €1.2 billion by 2012 is on track. This year, as planned, we will achieve a cumulative earnings contribution of €450 million.

With this in mind, we now confirm our previous earnings targets for 2009. This means we anticipate that the operating result and recurrent net income – not including Essent – will be in the order of the previous year. We are confident of this, despite the economic crisis, and despite the fact that we will not have our two Biblis power plant units on the grid for a further two months. The inclusion of Essent for the first time will add around €100 million to the operating result in the fourth quarter of the year.

We upped our investment in property, plant and equipment in the first three quarters of 2009 by almost 50 percent to €3.7 billion. RWE is one of the largest investors in Germany and 2009 is another record year for us. By the end of the year we will have invested over €6 billion. In the process, we are securing tens of thousands of jobs with subcontractors and service providers. We also managed to slightly increase the headcount within our own Group. This is an important signal to be sending at a time of general economic stagnation.

Before I go into more detail on our performance in the first three quarters, I would like to highlight some of the key events for RWE over the past few months.

Essent

The first, very pleasing point I want to make is that on 30 September 2009 we completed the acquisition of Essent. As planned from the very beginning, we are taking over the company 100% – without the environmental division of Essent and its DSOs. Essent's 50% share in EPZ, the operator of the Borssele nuclear power plant, is currently not part of the transaction and will remain with the previous shareholders of Essent for now, pending further legal clarification.

In accordance with the condition set by the European Commission, we divested Essent's 51% share in the municipal utility, Stadtwerke Bremen (swb) at the end of October to the City of Bremen. Taking into account the sale of the swb stake and the carve-out of the EPZ holding, the value of the Essent transaction amounts to a total of €7.3 billion.

In the past few weeks immediately following the closure of this deal, we began with the integration of Essent into the RWE Group. Teams comprising employees from Essent, RWE Energy Nederland, RWE AG and other companies within the Group are working hard to implement the integration plans forged over the past 9 months. Not only our geographical proximity, but also the genuinely constructive teamwork of our counterparts at Essent are of great help in this respect. There is a healthy climate of cooperation between us, and that is certainly not something to be taken for granted when one company acquires another.

American Water

In August of this year, we further reduced our share in American Water. Around 40 million shares were placed on the market at a price of USD19.25 per share. This resulted in net proceeds for RWE of around USD750 million (€525 million). Our current share in American Water is 23.5%. Our plans to divest this remaining share in the company remain unchanged.

Customer numbers

From the start of the year until the end of September, we managed to increase the number of our German electricity customers by 58,000. Our discounter, eprimo in particular made significant headway in the first three quarters of the year – increasing the number of power customers from 422,000 to 600,000 by the end of September. Our fixed-rate product, “ProClimate Power 2011” is proving particularly popular. The 130,000 customers who had already opted for this product by the end of 2008 were joined by a further 270,000 “ProClimate” customers by September of this year. Incidentally, since April of this year, eprimo has also been offering an electricity product with a price guarantee. By 30 September, 138,000 customers had taken up this new offer.

“New RWE”

As previously announced, the “New RWE” was launched as planned on 1 September of this year. The merger of RWE Rhein-Ruhr with RWE Westfalen Weser Ems and the resulting formation of one retail and one grid company is a key feature of the “New RWE”. Our former holding company, RWE Energy has been dissolved. Its role has now largely been assumed by the Group holding company.

RWE Technology GmbH

Another very important step forward for us: the construction of new RWE power plants will in future be organised across all countries. RWE Technology is a new company designed to pool our expertise and create synergy effects in the implementation of new-build projects. The new company will take up operation on 1 January 2010. Matthias Hartung, currently a member of the Executive Board at RWE Power, has been appointed CEO of this new corporate entity.

Inclusion of RWE in the Dow Jones STOXX 50

And I have another piece of good news for you. On 21 September, RWE was included in the prestigious Dow Jones STOXX 50 index for the first time. This index comprises the 50 European companies with the highest free-float market capitalisation. Our inclusion is a real coup, because any funds tracking the STOXX 50 will now contain RWE shares.

Ladies and Gentlemen,

Allow me now to touch briefly on some events that may lie outside the reporting period but are nevertheless worthy of special mention.

End to EU proceedings against RWE

In October, the EU Commission ceased its investigation into RWE for alleged breaches of the anti-trust law in its German electricity operations. This confirms the opinion also expressed by independent auditors that RWE conforms to market rules and in particular that we do not hold back any power plant capacity and do not manipulate the wholesale market price. Back in 2006, the Commission launched

proceedings against several European energy suppliers following an electricity sector inquiry. The fact that the Commission had launched proceedings generated much wider media attention at the time than the fact that these investigations have now ceased.

Transparency

On the subject of competition, I would like to point out that, since mid-2007, for the purpose of creating market transparency, we have been publishing information on the Internet in real time about our electricity production, grid load factors and the availability of our power plant capacity. With this comprehensive information service, we are leading the way in Europe. This is why we welcome the information platform, “Transparency in Energy Markets” launched on 30 October 2009 by the Leipzig energy exchange EEX and the four German transmission system operators. It is a further important step towards providing over 200 players in the electricity trading market with even more detailed information about supply and demand on that market. We actively supported the EEX in this transparency initiative and hope that this step will inspire the rest of Europe to follow suit.

ENEA

In mid-October, after careful consideration, we decided not to make a binding offer for the Polish energy utility, ENEA that was up for sale. The reason was that the price expected by the government was not going to be in line with current market expectations. Nevertheless, Poland remains a highly promising growth market. We want to expand our involvement there, particularly in the generating sector – but, as you can see, not at any price.

CCGT power plant in Turkey

As you know, we regard Turkey as an attractive long-term growth market and we are planning to enter the market by initially taking a number of small steps in this direction. At the end of October, we provisionally commissioned the construction of a combined-cycle gas turbine power plant in Denizli (West Turkey). The plant will be owned and operated as a joint venture between RWE (70%) and Turcas (30%). Turcas is a Turkish conglomerate with business activities in the areas of petrochemicals, petrol station operation and gas retail. The planned CCGT plant is expected to have a capacity of 775 MW. The final decision to invest in this venture will probably be made in the first quarter of 2010, once construction approval is granted. The aim is for the plant to be commissioned in 2012.

Belene nuclear power plant project

At the end of October, we terminated the joint venture agreement with Bulgarian state energy provider NEK to develop a nuclear power project in Belene (Bulgaria). Financing of NEK's share of this project could not be finalised within the agreed timeframe. Safety considerations were not a factor in this decision.

That's enough for the moment, ladies and gentlemen, about the important events of recent months. I'd now like to talk about the key points of our business performance.

Business performance

First let me give you a little background information on our electricity sales. In the first nine months of this year, we sold 12% less electricity than in the previous year. However, this figure must be seen in relative

terms, as this decrease is primarily attributable to an accounting effect: when you take a closer look, you will see the decline in electricity sales is largely due to the trading business of RWE Supply & Trading, which sold more externally procured electricity this year than in the previous year. Such trading of external purchases is not reflected in our electricity sales figures. And why did we sell more electricity purchased from external sources? Because it was often more economical for us to purchase power at the lower market rates of the time than to produce electricity at our own power plants. “Make or buy” decisions are what the experts call this, and you will be familiar with it from other sectors. Taking the electricity trading activities of RWE Supply & Trading out of the equation, we actually sold more electricity than in the same period last year, despite the economic crisis. The reason is that we were able to attract new customers in Germany, particularly in the distributor segment.

Operating result

EBITDA at €6.97 billion and our operating result at €5.53 billion, were 3% and 4% lower, respectively, than in the previous year. However, these figures must also be put into perspective. Firstly, for our continental European generation, grid and retail companies, business is going well, and in the case of the energy trading and gas midstream business of RWE Supply & Trading, very well indeed. The fact that we posted a slight decrease in the first three quarters essentially stems from the fact that RWE Dea and RWE npower, as predicted, suffered a sharp decline in earnings. In the first half of the year, we were able to compensate for this negative trend with an above-average earnings increase from RWE Supply & Trading. However, in the third quarter of 2009, Supply & Trading was not able to achieve anything like the previous year’s excellent result. In spite of this, as I mentioned earlier,

our outlook for 2009 for the Group as a whole – not including Essent – remains unchanged. I have already mentioned the main reasons for this: positive trends at RWE Power and RWE Supply & Trading as well as further cost reductions, particularly in the UK.

The breakdown for the individual companies of the Group is as follows:

The operating result of RWE Power of €2.79 billion was 4% above that of last year. The main reason for this was the fact that we were able to achieve higher prices for our German electricity production from forward sales in preceding years. However, by comparison with last year, we were affected by some substantial additional burdens – particularly as a result of the maintenance-related outage of both units of our Biblis nuclear power plant (€821 million) and due to price effects in fuel procurement (€327 million). Personnel costs also rose during the reporting period. On the other hand, the €709 million cost of purchasing the required CO₂ emission certificates was lower than in the same period last year (€861 million) due to the lower volume of electricity generated.

The operating result of RWE Innogy decreased by €20 million to €30 million. The reason for this was the need for additional manpower and the high overall start-up costs associated with our extensive investment programme in the field of renewables.

RWE Dea closed the period with an operating result of €153 million. This was 65% less than in the previous year. Margin losses resulted primarily from the greatly reduced crude oil prices. In the company's gas operations, slightly higher prices could not compensate for the

decline in production volumes.

All in all, therefore, the earnings situation deteriorated in this area.

The operating result of RWE Supply & Trading doubled to €760 million. In energy trading we benefited from the fact that successful forward transactions concluded in earlier years did not take effect on the profit and loss account until 2009. This factor also applies to the external marketing of electricity generated by RWE Power and RWE npower. The trading margins achieved are generally only accounted for in the operating result on realisation of such transactions, in other words, when the power is actually delivered.

In its gas midstream operations, RWE Supply & Trading was able to make major gains. However, special effects played a significant role here, including the release of provisions we had made in previous years to cover the contractual uncertainty of our purchasing agreements. In addition, we achieved high earnings contributions from the continual optimisation of our international gas procurement portfolio.

RWE Energy posted an operating result of €1.8 billion, which was about equal to last year's level. For one thing, Energy benefited from the successful continuation of our efficiency-enhancement programme.

Another factor was the absence of previous burdens from derivative transactions that were originally made to secure the price of forward contracts. Set against these positive effects were margin declines in retail sales of electricity in Germany and Hungary. Negative exchange rate effects also took their toll.

The operating result of RWE npower declined by €232 million to €147 million. This represents a drop of 61%. Adjusted for exchange rate effects, the decrease amounts to 56%.

The UK market is currently a disappointment to us. The underlying conditions of this market have substantially deteriorated. In our electricity production, the achievable margins were lower than in the previous year. However, in the UK end-customer market in particular, we experienced a substantial decline in earnings. As already reported mid-year, RWE npower had to lower its electricity prices at the end of March 2009 for competitive reasons, even though our electricity purchasing costs had increased. Added to this was the extra expense caused by measures to promote energy savings in UK households. UK power suppliers are required by law to take such measures, and energy suppliers have to bear the additional costs. RWE npower introduced some comprehensive cost-reduction measures in the course of the year, which should result in a positive impact of around €120 million on earnings in 2009. The majority of these savings will not take effect until the final quarter of the year.

Recurrent net income – the key determinant of our dividend – amounted to €2.87 billion in the first three quarters of 2009. That was 7% less than in the same period last year. For the year 2009 as a whole, as I said earlier, we expect to match the figure of the full year 2008.

In the first three quarters of 2009, we generated cash flow from operating activities totalling €4.13 billion. This was €223 million or 5% less than in the previous year. We had a considerably higher outlay for the purchase of CO₂ emission allowances. As a result of the stricter

framework conditions of the European Emissions Trading Scheme, we had to acquire far more CO₂ allowances on the open market for 2008. However, this did not put any additional burden on cash flow until 2009, since the required emission rights for a calendar year typically do not have to be paid until the start of the following year. The relevant extra expenditure in this case totalled €1 billion.

Cash flow from operating activities, minus any capital expenditure on property, plant and equipment, determines the amount of free cash flow. This totalled €425 million, making it €1.4 billion less than in the same period of 2008. The reason for this was the significant rise in capital expenditure on property, plant and equipment.

All companies within the Group recorded increases in this area. More than a third of all capital expenditure on tangible assets was attributable to RWE Power. The key individual investments were for power plant projects at Neurath, Hamm and Lingen and the Dutch location of Eemshaven. RWE Innogy showed particularly dynamic growth, with its investments more than doubling, from €143 million in 2008 to €290 million in 2009.

When CAPEX and financial investments are both taken into account, RWE invested a total of €13.15 billion in the first nine months of this year. Our expenditure on financial investments of €9.45 billion increased more than tenfold over the previous year. The largest single item here was our aforementioned acquisition of Essent.

So much for now on our business performance.

Summary

Let me close now by summarising that, in the interests of our shareholders, customers and employees, we are happy to say that our business

has proved to be largely robust. Our business is built on a stable foundation and, despite the persistently difficult economic environment, we have every reason to look to the future with confidence.

Thank you very much for your attention. I now look forward to hearing your questions.