

**RWE Dea AG**  
**Annual Press Conference**

**17 March 2010**

**VORWEG GEHEN**

**Annual press conference of RWE Dea AG, 17 March 2010**

**Presentations by Members of the Board of Management:**

**Dipl.-Ing. Thomas Rappuhn** (Chairman)  
responsible for: Chairing the Board of Management

**Dipl.-Volkswirt Lutz-Michael Liebau**  
responsible for: Finances

**Dipl.-Ing. Ralf to Baben**  
responsible for: Operations

**Please check against delivery.**

Chart 1

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**Introduction**

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**Thomas Rappuhn**

**Headlines 2009**

Good morning, ladies and gentlemen,

On behalf of my colleagues on the Board of Management, I have pleasure in extending a cordial welcome to this year's annual press conference of RWE Dea.

A turbulent year 2009 lies behind us. Our Company wasn't spared the effects of the financial markets and economic crisis either. As a result of lower prices for crude oil and natural gas and the natural decline in production, we were unable to repeat the record results of previous years. We still managed to improve significantly on our budget figures, however.

In spite of the bleak economic situation, we remained true to our growth strategy, because we believe in a positive outlook

Chart 2

for our industry, and especially for our Company.

This also explains why – contrary to prevailing trends – we did not put any jobs on the line, but instead increased the number of our employees substantially. In 2009, we welcomed 235 new employees here at RWE Dea. Almost one in five of our employees only joined us last year. These are mostly young but also experienced people, and we want to shape our common future together with them.

Our capital expenditure represents another clear indicator for the expansion unfolding in our business. In 2009, we committed a record amount of investments in the history of our upstream operations. A major proportion went towards acquisitions in successfully explored gas projects in the United Kingdom that are ready for development. In doing so, we managed to exploit opportunities arising in connection with the difficult general economic situation and laid additional foundations for future growth.

Our base of reserves and resources was strengthened not solely through acquisitions, however: it also grew as a result of highly successful exploration activities, especially in North Africa and Norway. Moreover, we also managed to expand our licence portfolio, thus creating the preconditions for further organic growth in the future.

Ultimately, we need to bring these reserves and resources into production, however, and for this reason we are stepping up our field development efforts. In 2009, good progress was achieved

in ongoing development projects especially in the UK, in Norway and in Denmark.

### **Further increase in the size of workforce despite economic crisis**

#### **Chart 3**

In the following charts, I would like to show you once again the path to growth we have been pursuing. A growing number of highly qualified staff forms the basis for the expansion of our business. For this reason, RWE Dea has increased the size of its workforce significantly for the sixth year in succession. In the year 2009 alone, the number of employees rose by a further twelve per cent year-on-year, to a total of 1,278 full-time employee equivalents. We plan to continue expanding our workforce by recruiting new employees for our German and international teams.

The cooperation between experienced and young employees has made us stronger. The combination of fresh impulses and experience is what drives our corporate culture. Our work within the team has become even more interdisciplinary, and even more international.

#### **Chart 4**

RWE Dea offers its employees attractive careers both in Germany and abroad, and targeted recruiting measures and systematic personal development programmes contribute to the success of our enterprise.

Our employees also see RWE Dea as an attractive employer, and

this was confirmed once again in our Staff Survey 2009. The high participation rate of 82 per cent and the positive results of the survey demonstrated once again the great motivation exhibited by our workforce. Our employees awarded top marks to the values lived within our Company, such as its leadership culture, and the high standards of environmental and occupational health protection. Overall, the results of the survey confirmed and even exceeded the high levels of previous surveys, and they once again surpassed the results of comparative surveys conducted elsewhere. The “investments” in good employees and their management have therefore paid dividends.

### **Record capital expenditure on the upstream business**

**Chart 5**

The same applies to our financial investments, of course. The trend here shows quite clearly that our business policy has a medium to long-term horizon, which is to say, our investment decisions are not influenced by short-term market movements.

As one of the oldest companies in the world in this industry and able to look back on a 111-year corporate history this year, this is not the first time we find ourselves confronted with a very high volatility prevailing on oil and energy markets. Just as we apply moderate prices in calculating our projects in line with prudent business principles during high-price phases, we also remain confident during low-price phases and do not assume that prices will remain at a low level permanently.

During fiscal 2009, we invested 855 million euros, which repre-

sents yet another large expansion of our capital spending budget, for the sixth year in succession – this time to a record value in the history of our upstream operations.

Compared with the already high figure of the previous year, we increased capital spending by another 40 per cent. The lion's share of these funds went into the development of existing finds in an effort to boost existing production levels. Substantial investments were made in Norway, especially in the development of the Gjøa gas and condensate field, in Egypt – in the development of the North Idku gas deposit, among other projects – in Germany, including the gas production facility at Völkersen, and in Denmark, the development of the Nini East oil deposit. Further substantial capital spending went to our successful exploration projects in Algeria, Libya, the UK and Poland.

The biggest single investment item was the acquisition of a 70-per cent stake in the Breagh field, currently the biggest undeveloped natural gas find in the southern British North Sea.

Our Chief Financial Officer Lutz-Michael Liebau will now describe to you in detail how our business developed in the year 2009.

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## **Business performance of RWE Dea in 2009**

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**Lutz-Michael Liebau**

**Crude oil prices recover slightly from their slump**

**Chart 6**

Before I talk about the development of our business in 2009, please let us take a brief look at the market conditions prevailing last year. This chart shows the trend for the monthly averages for Brent dated in U.S. dollars for the period from 2003 to the end of 2009. You can clearly see the extreme increase in the years 2007/2008, which peaked in the daily quotation of 147 U.S. dollars per barrel in July 2008. And then it shows the steep drop as result of the spreading financial crisis, leading to a record low of 33.66 U.S. dollars per barrel on Christmas Eve in December 2008.

As the financial markets steadied, and thanks to the expectations on the part of many market participants that a recovery in the global economy would prompt an increase in demand for commodities, the price for Brent recovered somewhat during the first half of 2009. There is no doubt that the cuts in production implemented by OPEC also contributed to this trend. During the second half of the year, this upward movement was temporarily halted, however. In the end result, the annual average Brent price for 2009 was 61.51 U.S. dollars per barrel, which is about 35.5 U.S. dollars per barrel below the figure for the previous year.

### **Euro exchange rate recovers in 2009**

**Chart 7**

The marked rise in the value of the U.S. dollar against the euro, which started during the second half of 2008, came to a halt at the beginning of 2009. The U.S. dollar subsequently lost ground against the euro until December 2009. And the end of the year 2009, the dollar had a recovery phase. Overall, the dollar was markedly

stronger in 2009 compared with the average for 2008. In principle, a strong U.S. dollar is good for our business since revenues in U.S. dollars exceed the current costs in U.S. dollars and capital expenditure denominated in U.S. dollars.

### **Gas prices in Germany collapse during 2009**

#### **Chart 8**

The cross-border price in Germany – which is tied to the trend of the relevant prices for light and heavy heating oil through long-term contracts and follows those prices with a certain time lag – declined in the first half of 2009 as a result of deteriorating prices in the second half of 2008. The rise in the relevant prices for light and heavy heating oil in the first half of 2009 is therefore reflected only in the gas prices for the second half of 2009. The annual average price in 2009 of 21.13 euros per MWh was about 5.7 euros per MWh below the corresponding figure for 2008.

### **Gas prices in the United Kingdom at record lows**

#### **Chart 9**

Gas prices in the UK followed a similar trend to those prevailing in Germany in 2009. Until the middle of the third quarter, decreasing oil prices, the economic slow-down as well as the seasonal drop in demand forced prices lower. The weakening of the pound sterling against the euro also contributed to this trend. By the end of the year, prices recovered slightly thanks to rising oil prices and growing demand at the start of winter, which was exceptionally cold for UK conditions. However, the annual average price in 2009 of 12.24 euros per MWh was well below the corresponding figure for 2008, by about 14 euros per MWh.

## Natural decline in production

**Chart 10**

So much for price and exchange rate factors.

In terms of production volumes, the picture is as follows:

With a total volume of 2.9 billion m<sup>3</sup>, our gas production was down by 12 per cent compared with the previous year. This was primarily due to the natural decline in production from our fields in the UK. In Norway, we recorded an improvement of 21 per cent, mainly thanks to the greater level in the availability of the LNG production capacity at Snøhvit. In Egypt, the reduced production in 2009 is almost entirely due to the re-injection of petroleum gas in order to maintain reservoir pressure at Zeit Bay in the Gulf of Suez, which in turn helped to stabilise oil production.

Our oil production declined by 7 per cent compared with 2008. In Germany, production was down by 14 per cent year-on-year. Production in Denmark only reached 46 per cent of the previous year's level due to a problem encountered with the third-party-operated Siri platform. Oil production in Norway rose by 9 per cent compared with 2008. In Egypt, the natural decline in production was almost compensated for by bringing additional production wells on stream and by using the above-mentioned method of re-injecting gas.

## Income statement

**Chart 11**

I would now like to look at a few items of our Income Statement to explain the development of our operating result year-on-year.

**Chart 11**

RWE Dea's revenue for 2009 amounted to 1,470 million euros, down by 26 per cent year on year. The drop in revenue was largely attributable to markedly lower crude oil prices and a decline in gas prices. This was compounded by lower revenue stemming mainly from declining gas sales in the United Kingdom, as well as declining sales of crude in Germany and Denmark.

The cost of materials decreased due to lower prices but also on account of the production decline; as a result, our revenue also decreased by 29 per cent, to € 709 million.

Our personnel expenditure was up by 17 per cent, to reach € 133 million. This was attributable to the expansion in the size of our workforce as well as pay increases.

The item "Other operating income" essentially includes income and expenses in connection with financial derivatives. In addition, higher burdens were imposed by partners.

These items result in EBITDA (earnings before interest, taxes, depreciation and amortisation) – reflecting the payment flow generated by our operations. In 2009 it declined by 42 per cent year-on-year, to € 436 million.

Amortisation and depreciation decreased by 8 per cent in line with falling prices, production and revenue, to € 234 million. This, ultimately, resulted in our operating profit of € 203 million, which was only just over 40 per cent of the very good result produced in the previous year.

## **Result impacted by the economic crisis**

### **Chart 12**

This chart again shows the operating result of the RWE Dea Group, along with a breakdown thereof to the three operating units and the Management Group/Group Services division.

At 547 million euros in 2009, the Production division fell substantially short of the previous year's result. This change was due mainly to the negative price effect from oil and gas sales in the order of 370 million euros, which was only partially offset by the improved result of our crude oil hedge transactions. The reduced production resulted in negative volume effects on revenue amounting to 160 million euros.

This negative impact on revenues overall was of course offset by the corresponding reductions in expense items. Domestic royalties were also down substantially as a result of price and volume effects.

A marked negative effect on operating income also stemmed from the results of currency hedging measures. In the year 2009, we were forced to prematurely close off a substantial proportion of hedging transactions entered into as the risk positions deteriorated significantly following the pronounced drop in crude prices after we had entered into these transactions. Combined with the simultaneous strong fluctuation in the U.S. dollar exchange rate as a result of the strengthening of the dollar, it means that these transactions produced a loss.

The Exploration division was again dominated by our activities in North Africa in 2009. Despite relinquishing a concession in Algeria and having to absorb the associated reduction in earnings, we managed to achieve a significant improvement in the exploration result by 101 million euros. This is especially due to a lower number of dry wells and to the reduction in our expenditure on exploration.

Compared with 2008, the Operative Services division and the Group Management/Group Services division recorded negative changes of 17 million euros. In the case of the former, this was the result of internal restructuring – along with the ensuring re-classification - , while for the latter it resulted primarily from higher personnel costs due to the increase in the size of the workforce.

The non-operating result of 9 million euros is mainly attributable to the sale of real estate considered non-essential to operations.

At -8 million euros, net financial income for 2009 is slightly negative. In particular, this was due to the low level of interest income and interest expenses associated with interest on long-term provisions.

On account of the factors outlined above, income before taxes declined by 329 million euros, to 204 million euros.

The reduced level of income before tax (s. o.) prompted a reduction in taxes year on year, to 150 million euros. Income after taxes amounted to 54 million euros, just one-fifth of the previous year's figure. Net income after deduction of minority interests was 50 million euros.

The following chart shows the development of cash flow. Overall, Free Cash Flow I was down by 585 million euros year on year. This was due on the one hand to a reduction in the inflow of funds from current business operations of 337 million euros – the reasons for which I explained earlier – and the 249-million-euro increase in capital expenditure on the other.

**Chart 14**

This chart shows the key value-related figures of the RWE Dea subgroup.

Largely due to the high level of investment, the average operating assets rose by 308 million euros, to more than 2 billion euros.

While high capital expenditure is necessary to remain on a growth path, it does have side effects, for example regarding the return on capital employed, or ROCE. This is calculated by dividing the operating profit by the average operating assets. Combined with the significantly lower operating income compared with 2008, the large increase in operating assets meant that the return on investment dropped by 18 percentage points, to 10 per cent. Consequently, after the deduction of capital costs, the value contribution by Dea to the RWE Group was in fact negative, at -3 per cent. It follows that the value contribution in absolute terms was also negative, at -72 million euros. However, these are negative figures that also reflect something positive – namely our growth strategy, which will produce increases both in returns on capital employed and in the value contributions!

Ladies and gentlemen,

**Chart 15**

I would like to sum up the performance of our Company in the year 2009 in three concise points:

RWE Dea ...

- managed to generate an acceptable result in spite of lower crude oil and natural gas prices
- produced less than in the previous year as a result of the natural decline in production but laid the foundations for future growth
- reflects its growth path as illustrated by its value ratios.

My colleague, Mr to Baben, will now describe to you how our Company developed in operational terms.

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## Operational development of RWE Dea in 2009

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### Ralf to Baben

#### Expansion targets gradually reached

Ladies and gentlemen,

**Chart 16**

RWE Dea is represented through licences and offices in fourteen countries. By acquiring stakes in concessions and through successful participation in bidding rounds, we have expanded our portfolio in the past several years. In 2009, we acquired extensive concession areas in the British North Sea that had already been explored successfully, and we relinquished other concessions in North Africa due to insufficient prospectivity or because the agreements expired. In the fiscal year under review, RWE Dea held a concessions portfolio covering approximately 185,000 square kilometres. This is the equivalent of an area more than half the size of the Federal Republic of Germany. On average, our stake in these concessions was in the region of 56 per cent.

In Europe and North Africa, we are already well positioned, and in other promising we aim to establish ourselves in the future. With this in mind, it was highly significant that in 2009 we managed to expand our exploration portfolio to include the Caspian Sea region, by entering into a commitment in Turkmenistan. Mr Rappuhn will describe to you afterwards how we are progressing in this region, and how we are expanding our presence into

new countries in order to expand our portfolio of concessions further.

### **RWE Dea know-how: the foundations for success in the long term**

**Chart 17**

We are recognised as a competent partner internationally, and this allows us to be successful in the competition for concession stakes, in bidding rounds and when entering the market in new regions.

During our 111-year corporate history, we have achieved a great deal in terms of developing new technologies and in setting new benchmarks for the industry both in Germany and on an international scale. Let me just remind of our extended-reach wells, which are amongst the longest of such wells in the world, or our expertise in running environmentally compatible operations in ecologically sensitive areas.

In 2009, we once again set the agenda with the drilling technologies we applied – for example, with multi-lateral drilling. With this technology, one or more wells branch off from an existing well, called the parent well. This allows us to reach several targets within the reservoir from a single well. The results are enhanced efficiency in crude production and more rapid field development.

Ladies and gentlemen,

Last year, we gave you a demonstration of our 3D reservoir simulation technology, using the example of the Mittelplate oil field. This year we would like to invite you to observe a demonstration of our

Real Time Operations tools, also referred to as the RTO.

What does this expression stand for? RWE Dea is becoming involved in operations in remote regions of the world with increasing frequency: in deserts or on the world's oceans. This makes communication between experts working in far-flung locations more difficult. Until now, they have been limited to communicating by telephone, e-mail or fax. The new RTO uses leading-edge technology to meet the increased demand for exchanging information. To give you an example: a drilling rig supplies us with masses of data, on the density of the drilling mud, on flow rates, etc. Making this information available at all Dea locations allows experts located elsewhere to monitor progress at the drill site live and to analyse trends extending over several days. This "Real Time Operations" solution is a further example of how the technologies we use and the expertise we have compares very well with that of the major international players.

### **RWE Dea exploration results for 2009**

**Chart 18**

Ever more refined seismic surveys produce the best possible preparatory work for successful explorations, and our high strike rate is the direct result of sophisticated geoscientific analyses carried out in the lead-up to drilling operations.

In the year 2009, we managed to continue the gratifying run of success stories with our exploration and appraisal wells. Of 32 wells in which RWE Dea had a stake, 20 proved commercially viable. This equates to a success rate of 63 per cent, exceeding the already very high level of previous years. Half of the wells were exploration wells,

the other half appraisal wells. For the exploration wells, the success rate was 56 per cent, far above the industry average of 20 to 35 per cent.

## **RWE Dea in central Europe**

### **Chart 19**

This brings me to our exploration activities and our current field development projects in individual regions.

In Germany, RWE Dea holds a strong position in gas and oil production. We carry out exploration activities on an ongoing basis in order to create the prerequisites for production at a high level for as long as possible. New finds can be developed and brought into production quickly and cost-effectively thanks to the good local infrastructure. In Schleswig-Holstein, we completed seismic surveys covering an area of 400 square kilometres in the spring of 2009. The purpose of the surveys was to use the additional information gained in the search for oil in areas surrounding depleted oil fields in the Plön district, as well as to strike new reservoirs.

Below the tidal flats of the Wattenmeer in the German North Sea, we also plan to explore for what we anticipate to be extensive oil potentials in the Heide-Büsum (Mittelplate) licence area in the state of Schleswig-Holstein and the Cuxhaven licence area in the state of Lower Saxony. The preparation of the details for the application for exploration wells during the year under review took place in the context of the current application for the Wattenmeer region to be listed as a world heritage site. To this end, we worked in close consultation with the relevant authorities and succeeded in producing con-

structive solutions. Moreover, we also made a commitment to the effect that there will be no additional production facilities inside the Wattenmeer national park in future. In the event of commercially viable finds, production from these deposits will be developed either from outside the national park or from Mittelplate Drilling and Production Island.

North of the town of Gifhorn in the German federal state of Lower Saxony, a well drilled in 2009 unfortunately did not encounter the oil reservoir suspected in the vicinity of depleted oil fields, and neither did a second well drilled this year.

In Poland, we continued our exploration activities in our concession along the Carpathian mountains with a 3D seismic survey and by drilling a further appraisal well that confirmed the oil strike by the predecessor well in the year 2007. A further appraisal well is being drilled this year, and that operation is now at the final stage of interpretation of the findings.

**Chart 20**

More than half of our total production is still based in Germany. We are contributing a growing proportion of the total natural gas and crude oil production in Germany and are one of the biggest producers in our industry in this country. In 2009, we completed and brought into production two gas production wells in our Völkersen gas field in the state of Lower Saxony using our own T 160 drilling rig; a further well will be brought on stream this year. We intend to maintain our high level of production by implementing these as well as additional measures designed to increase efficiency.

Our gas storage business is being expanded simultaneously. In October we successfully completed several years of modernisation and expansion work at the Wolfersberg natural gas storage facility near Munich. With this storage facility, now expanded to hold 365 million cubic metres of natural gas, we managed to increase our contribution towards a secure energy supply.

The development of Germany's biggest oil field at Mittelplate also continued in the year 2009. Starting with an existing production well, we drilled three deviated wells and continued the geological investigation of the reservoir structure. Drilling of a further production well is now under way. In response to a naturally occurring shift in the course of a nearby tidal inlet, we carried out work on the so-called scour protection around Mittelplate Drilling and Production Island. The relevant plans for the required measures were submitted to the authorities for approval.

The expansion of RWE Dea's activities is also resulting in greater space requirements for the storing of drill cores at our Wietze laboratory. At present, more than 20,000 boxes containing drill cores from around the world produced by RWE Dea are already in storage here. To address this need, we built a new drill core storage facility adjacent to the laboratory buildings in 2009.

**Chart 21**

In Norway, we have increased our presence gradually in recent years, and these efforts are now bearing fruit. In 2009, two out of four exploration or appraisal wells drilled proved to be commercially viable. In addition, a well that struck oil as early as the year 2007

was successfully tested, producing a flow rate of 900 cubic metres of oil per day. These finds are to be developed speedily in order to be brought into production in the next few years. This year another three wells involving RWE Dea participation have already been sunk – shown in green here. One of these is commercially viable, while the others provided good indications for the presence of oil, but further investigation will be required.

In the Snøhvit gas field in the Barents Sea (not shown in this picture), the LNG plant on Melkøya Island was operating according to plan following additional maintenance and upgrade measures, and production is now at nominal capacity. In a bidding round, RWE Dea was granted stakes of 20 and 25 per cent, respectively, in two promising licences located close to Snøhvit. These new licenses are an important strategic addition to our Norwegian exploration portfolio.

At the beginning of this year, we were granted a further two new exploration licences for the Norwegian North Sea. The first of these involves a stake of 3.6-per cent in licence PL552, located adjacent to the licence area PL089, in which we already hold a stake. The second is a 20 per cent stake in licence PL539, located near the Danish border.

**Chart 22**

An important project in Norway is the development of the Gjøa gas and condensate field in the Norwegian Sea. Development of this field proceeded on schedule. The oil pipeline and sections of a gas pipeline were put in place successfully.

In this picture, you can see impressions of the work under way on developing the Gjøa gas and condensate field in Norway. The plat-

form substructure manufactured in South Korea was fitted with the superstructure in Norway, and the drilling campaign for the production wells continued. Production is scheduled to begin as early as the year 2010.

**Chart 23**

In Denmark, the Nini-East oil find was developed during the year under review by integrating it into the existing infrastructure. This was achieved by laying a pipeline and installing the platform. In addition, two production wells and a first injection well were drilled successfully, so that production was able to commence early this year. The images show the installed platform, and the loading of the substructure and the components of the superstructure. The platform weighing 3,000 tons had to be transported over a distance of about 40 kilometres. The total length of the pipeline is 7 kilometres.

Growth surge initiated by Breagh acquisition in the UK

**Chart 24**

In addition to the current production facilities, we also have exploration licences with gas potential in the British North Sea. During the fiscal period under review, we drilled an exploration well in the central British North Sea, which unfortunately encountered only low amounts of hydrocarbons. The first exploration well in the concession located west of Ireland involving RWE Dea participation indicated the presence of oil, and investigations are continuing.

By taking over a 70 per cent stake in the Breagh gas field, we also acquired a proportionate share of resources amounting to at least 13 billion cubic metres of gas, as well as additional exploration licence options for surrounding licence areas.

We also acquired a 50 per cent share in several concession blocks in the smaller Clipper South field still to be developed, and this resulted in a considerable additional boost to our gas resources. These additional resources acquired in the United Kingdom in 2009 represent about ten per cent of total natural gas resources and reserves held by RWE Dea in the year 2008. Once production here is under way, RWE Dea's average annual gas production in the UK will probably more than double. In both these projects, RWE Dea is the operator for the development of the fields. This will establish RWE Dea as an operator of gas projects in the British North Sea for the long term.

**Chart 25**

Our Topaz gas field, located in the British North Sea, was successfully brought into production in 2009, following the laying of a general as well as a supply pipeline. This will allow us to attenuate the natural decline in production in the United Kingdom until such time as the new development projects have been completed.

The pictures show several of the special vessels deployed to assist in dredging, the laying of pipelines, inspection and dive operations.

**Egypt: successful exploration, major developments in the pipeline**

**Chart 26**

We have identified growth potentials in the region of North Africa, where RWE Dea is well positioned in Egypt as well as in Libya and Algeria. We also carrying (we carry oder we are carrying) out exploration activities in Morocco and Mauritania.

In Egypt, RWE Dea has already been operating for more than 30 years. In recent years, we managed to considerably extend our activities thanks to new major gas finds and through the acquisition of new concessions, especially in the Nile delta. In 2009, we further extended our series of success stories in that country. Of nine exploration and appraisal wells in which RWE Dea holds a stake, six proved commercially viable.

In our Disouq concession, all four wells sunk were successful. In the West Wadi El Rayan and East Yidma concessions, one well each encountered a commercially viable oil find. However, a further exploration well in the East Yidma concession and two wells in the South Mariut concession did not encounter the anticipated reservoirs. Two more wells involving RWE Dea participation have already been drilled this year.

In Egypt we also want to implement planned field developments of our extensive resources as quickly as possible. In the first offshore gas development project operated by us – North Idku in the western Nile delta – we successfully sank a first production well, which encountered two gas-bearing formations. Unfortunately, a second well did not encounter the anticipated reservoir. We are therefore re-evaluating our existing drilling data in order to adapt the technical concept.

In our three producing oil fields in the Gulf of Suez, we are bringing down new wells in an effort to counter the natural decline in production. To this end, we drilled two production wells in the Ras Fanar field, and one well in the Zeit Bay field during the period under re-

view.

### **Libya: successful exploration, finds ready for development**

#### **Chart 27**

Following the series of successes over recent years in Libya, our appraisal wells struck further encouraging finds in the year under review: out of seven wells tested, four resulted in commercially viable oil or gas finds. Three of these wells are located in our concession NC 195, and the other is in concession NC 193. We drilled an additional three wells in these license areas in order to establish the boundaries of the deposits identified. These three wells did not encounter the deposits we had hoped for, but we will be able to use them at a later stage, when they will serve as water injection wells in the yet to be developed oil production. A further well has already been sunk this year.

Preparations for a speedy field development and start of production are under way at our finds in Libya. We were already able to submit the required final reports for two finds in the concession NC 193 to the relevant authorities in 2009 already, and further reports will follow this year.

#### **Chart 28**

The exploration phase in Algeria has now been completed. Of eight wells sunk or tested in the Reggane North concession, six proved to be successful. Testing on four of these wells produced total production rates ranging from 15,000 to more than 25,000 cubic metres per hour. Two other wells had lower flow rates, but they are still earmarked for development as part of the overall development concept. Planning for the development of natural gas finds made in recent

years continued. Six fields are earmarked for development in the Reggane North licence.

The “Declaration of Commerciality“ was signed by the project partners and submitted for official approval. A decision is expected in the next quarter.

### **Preparing the way for new successes in Mauritania and Morocco**

**Chart 29**

We have been operating in Morocco and Mauritania since 2008, and we are currently in the exploration phase.

In Morocco, a 2D seismic survey covering a distance of about 1,260 kilometres was completed in the Bas Draa concession, which encompasses an area of 20,000 square kilometres.

In Mauritania, RWE Dea holds a stake in an extensive concession area in the Taoudeni Basin, where the presence of natural gas is suspected. In Block Ta10, the second exploration phase started with the acquisition of additional 2D seismic data over a distance of 1,880 kilometres in an effort to better define the underlying formations. A further block was returned during the year under review due to insufficient prospectivity.

**Chart 30**

This chart shows some images from our exploration activities in North Africa. I would like to take this cue to report to you on our successful measures to improve occupational safety. Occupational safety continued to be a focus topic in the operations of RWE Dea both in Germany and abroad throughout the year 2009.

An encouraging example I would like to mention here is that in Libya, we passed an important milestone last year in our efforts to improve health and safety: during seismic survey campaigns involving seven different contractors, there has not been a single accident or injury causing a loss of time in five successive years with a total of six million working hours. Seismic activities involving fleets of heavy vehicles operating in remote locations and difficult terrain require extreme care, and up to 400 employees may be on site simultaneously.

**Chart 31**

Ladies and Gentlemen,

We will intensify our efforts to achieve our objective, namely to double our production over the next five years based on our existing discoveries. We will be aiming to maintain this increased level of production in the long term and secure it through further successful exploration activities and by identifying additional opportunities for growth.

Our existing finds and projects that have already been launched will be sufficient to generate a production volume of 12 million m<sup>3</sup> OE by 2015. Our good portfolio, the Company's organisational structure and its personnel resources, along with the capital expenditure allocation from the Group, provide us with the necessary scope for action.

After years of preliminary work through path-finding and exploration, we now have an impressive number of projects in the pipeline. The Gjøa project in Norway will be the next one to come on stream. It will be followed by production from projects slated for development

in the United Kingdom, in Algeria, Norway and Egypt, as well as from additional projects that still require further investigation by means of appraisal wells.

Ladies and gentlemen,

**Chart 32**

I would like to sum up my presentation of our operational activities as follows: RWE Dea ...

- is broadly positioned in Europe and North Africa
- meets the highest of technological and organisational requirements on an international scale
- is both highly active and extremely successful in its exploration activities
- is intensifying field development activities

I will now hand you over to Mr Rappuhn again.

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## **Outlook**

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### **Thomas Rappuhn**

#### **Reserves and resources: the foundations for future growth**

**Chart 33**

In recent years, RWE Dea has managed to increase its total reserves and contingent resources (discovered) continually. We successfully continued this trend in the year 2009, and by the end of the year our total reserves and contingent resources (discovered) amounted to 223 million cubic metres of oil equivalents. In 2009, our

reserves increased by nine per cent year-on-year, to more than 80 million cubic metres of oil equivalents. This success was mainly attributable to projects in Algeria and the acquisition of majority stakes in gas finds in the United Kingdom that are ready for development. Contingent resources (discovered) were expanded by six per cent, to almost 143 million cubic metres of oil equivalents. The decisive factors here included successful exploration activities in Egypt, and the acquisitions in the UK.

By expanding our reserves and resources, we have laid the foundations for future production; now we need to focus on developing them as quickly as possible over the next few years. An adequately sized investment budget is available for this purpose, now and in the future. As a company belonging to the financially sound RWE Group, we have the necessary backing to allow us to continue on our path to growth.

Ladies and gentlemen,

**Chart 34**

At the same time we must ensure that we will be able to maintain the higher levels of production in the long term, and to this end, we need to broaden our base even further.

One highly prospective region with a great deal of potential are the countries of the CIS (Commonwealth of Independent States). To date, we have been concentrating on the region around the Caspian Sea and the Black Sea, where we are in talks regarding possible exploration activities, participation in existing licenses and the acquisition of new licenses.

In the Caspian region, we took decisive steps forward in 2009 and again as recently as this year. Direct access to the gas and oil fields in the Caspian Sea region could play an important role in the security of Europe's energy supply. Any gas found there could be transported directly to Central Europe through the planned Nabucco pipeline at a later stage.

In Turkmenistan, we were one of only a few western companies to be granted an exploration license in 2009. As part of a production sharing contract, RWE Dea was awarded the licence for Block 23, located in the south-eastern part of the Caspian Sea and covering about 940 square kilometres. The initial exploration phase provides for an environmental study prior to a seismic survey and the drilling of an exploration well.

To boost our presence in Azerbaijan, we also established a branch office in Baku in 2009. Last week, we and the state-owned oil company signed a memorandum of understanding in Azerbaijan to draw up an agreement to cover the search for, and subsequent development of, petroleum and natural gas deposits in the so-called Nakhichevan formation in the Azeri part of the Caspian Sea, about 50 kilometres off the coast of Azerbaijan.

An "Exploration, Development and Production Sharing Agreement" is to be drawn up in the coming months. The signing of the memorandum of understanding was the first step in this process. We plan to expand our activities in Azerbaijan gradually, and we look forward to constructive collaboration.

To allow us to sustain the higher production volumes planned for coming years in the long term, we plan to expand our country portfolio beyond the existing focus regions. For this reason, we will be scouting more intensively for opportunities to participate in attractive projects in locations outside Europe, North Africa and the Caspian region. As well as pure exploration projects, we will also consider projects already slated for development.

**Chart 35**

Our immediate objective is to maintain production at the level of recent years initially, before expanding it significantly through the realisation of defined field development projects. The projects we have already queued up will have to be implemented in a rather difficult economic environment. For this reason, our planning for the realisation of these projects will call for high levels of precision and also cost awareness. In 2010, we have some major tasks ahead of us: we plan to get the field development in Algeria under way, and in Libya, Egypt, the UK and Norway, we want to push through project approvals and step up field development projects.

These forthcoming projects will secure our future growth in earnings. A further advantage of achieving growth is that it results in cost savings due to economies of scale. Our goal is to generate 900 million euros per annum in operating income by 2013.

Ladies and gentlemen,

**Chart 36**

The forthcoming projects will have a positive impact on our key

ratios, which means that we have good prospects for 2010 and subsequent years.

We plan to increase the size of our workforce further by recruiting well-trained and committed people. We will maintain the level of investments at a high level in the next several years. In the medium term, we will have an average capital expenditure volume on a similar scale that we managed to exploit in 2009, even though we will probably not reach this volume in the current year. Our operating assets will grow accordingly. Production will initially reach roughly the previous year's level and then pick up significantly.

Thanks to our consistent cost optimisation policy – particularly in regard to project expenses with a direct impact on our income statement – and assuming a sustained upward trend in oil prices, we anticipate an improved operating result as early as the year 2010 and will gradually improve this level. Accordingly, we expect higher returns on capital employed, and hence the return to a higher value contribution.

Ladies and gentlemen,

**Chart 37**

Let me summarise the chapter "Outlook" in the following main points: RWE Dea ...

- has great potential for growth thanks to a continual expansion of its base of reserves and resources
- has the backing of the financially sound RWE Group to maintain the necessary level of investment even during difficult times

- plans to double production by 2015
- plans to extend its growth to include new countries
- and, on the whole, is very well positioned for the future!

Thank you very much for your attention.

My colleagues and I will now be glad to answer your questions.