

**Juergen Grossmann/Rolf Pohlig
Report on the 1st half of 2010
Conference call for journalists
at 10:00 a.m. CEST on 12 August 2010**

Check against delivery

Juergen Grossmann

Ladies and Gentlemen,

Good morning and welcome to our conference call. My Executive Board colleagues Leo Birnbaum, Alwin Fitting, Ulrich Jobs, Rolf Pohlig, Rolf Martin Schmitz and I would like to thank you for joining us.

The entire Executive Board is looking forward to answering your questions once Rolf Pohlig and I have presented the results of RWE's business performance in the first half of 2010.

Our key message today is this: RWE is operating on a stable foundation and maintaining its successful course in 2010. But there are also some major uncertainties that we will have to address. More about that later.

In the first six months of the current fiscal year, the operating result rose to almost €5 billion, that's up 21% on the same period last year. Recurrent net income – the basis for determining the dividend – increased by 23% to €2.7 billion.

Among the reasons for our improved financial performance were the first-time consolidation of Essent, higher availability of our Biblis nuclear power station and our Eastern European activities.

On the basis of these trends, we confirm our earnings forecast for the year 2010.

This means:

We anticipate being able to raise both the operating result and recurrent net income by around 5% compared to the year 2009.

What other progress have we made?

Once again we increased our workforce during the first half of 2010. RWE currently employs 71,351 members of staff or 625 more people than at the start of the year 2010. For the past four years we have continually increased the size of our workforce – also in Germany.

The increase in customer numbers is also gratifying. By 30 June of this year, RWE was supplying around 6.8 million residential and commercial customers here in Germany with electricity and almost 1.1 million with gas. In total, this means we have over 14,000 more RWE customers in Germany than we did a year ago.

With our “SmartHome” product, we will be offering our customers real added value by the end of the year. “SmartHome” is a remote-controlled home automation system designed to achieve energy savings.

“SmartHome” simultaneously enhances comfort and convenience while reducing the strain on family budgets. Thanks to intelligent monitoring of energy systems like household heating, energy costs can be reduced by more than 10%.

RWE is resolutely promoting the trend towards electric vehicles. A major building block of our business model is the development and sale of suitable charging infrastructure. We want to increase the number of charging points for electric cars to around 1,000 outlets by the end of this year. There are currently around 400 charging points in Germany.

We are now stepping things up a gear by introducing an international element to this business model. For instance, we are currently involved in various requests for tender for the installation of charging points in other countries.

When it comes to electric vehicles, we have a clear goal in mind. We intend to become one of the leading suppliers of electric charging points and related services, such as billing and payment systems, not just in Germany but also in our core European markets.

Our investment programme is proceeding at full speed and is securing tens of thousands of jobs in the process.

However, to a large degree, the energy concept currently being devised by the German government will determine whether we are able to continue as planned with our huge investment programme.

In the first half of 2010, our capital expenditure on property, plant and equipment totalled €2.5 billion. That was €364 million or 17% more than in the same period last year. As this figure exceeds cash flow from operating activities, RWE is posting a negative free cash flow for the first half of 2010.

RWE Dea is poised to make the biggest single investment in its history. The company has a 40% share in the development of Egyptian natural gas fields in the concessions of North Alexandria and West Mediterranean Deep Water. The relevant agreements with the Egyptian government, the Egyptian state-owned enterprise EGPC and BP were signed on 19 July. The investment of RWE Dea in this venture amounts to USD3.6 billion over a period of two decades. The proportion of gas reserves available to RWE Dea from these two concessions is around 50 billion cubic metres. This is the equivalent of about half of Germany's annual gas consumption. The first gas from these fields is expected to be produced in 2014.

Our investments in power stations are also progressing well.

In April of this year we commissioned a new CCGT power station near Lingen.

All units of our gas-fired power station near Staythorpe in the United Kingdom (*1,650 MW*) will be on line by the end of 2010.

By mid- to late 2011, both units of our state-of-the-art (BoA) lignite-fired power station near Neurath (*2,100 MW*) will also be ready for operation. The successful pressure testing of the Block G steam generator was a recent milestone on this journey.

We are also building new gas-fired power stations in the Netherlands, where Moerdijk (*426 MW*) and Claus C (*1,300 MW*) will be commissioned at the end of 2011.

In the second half of 2012, our hard coal-fired power station at Hamm (*1,530 MW*) will be commissioned.

Completion of our gas-fired power station at Pembroke (*2,200 MW*) in Wales is also planned for 2012.

And at Denizli in Turkey, we are building a new CCGT plant (*775 MW*), which is also scheduled for completion in 2012.

Finally, commissioning of our hard coal-fired power station near Eemshaven (*1,560 MW*) is planned for 2013.

In total, RWE is currently investing some €12 billion in the construction of conventional power stations. What this represents in terms of installed capacity is a total of 11,500 megawatts.

We are also forging ahead with our rapid expansion of renewables.

RWE Innogy is pushing ahead with the construction of its first German offshore wind farm known as “Nordsee Ost”. After initially securing the turbines and the base port in Bremerhaven, the contract for supply of the foundations was signed in mid-June of this year. Construction of this 300-megawatt wind farm off the Helgoland coast is expected to commence within the coming year.

In early June, RWE Innogy (60%), Stadtwerke München [Munich municipal utility] (30%) and Siemens (10%) formed a joint venture to build the Gwynt y Môr offshore wind farm, off the coast of Wales.

It will have a capacity of almost 580 megawatts. We will be investing over €2 billion in this project.

Examples such as Gwynt y Môr show that partnerships make sense, especially in these economically challenging times. RWE has a great deal of experience with such business models and they could also be beneficial in the future. These examples show that RWE is serious about expanding its renewables activities.

We also continue to be a driving force behind the Nabucco Pipeline project. Nabucco is the link between our projects in Europe, the Caspian Region and Turkey. Nabucco is the vital link between the exploration and production activities of RWE Dea and our customers and gas-fired power stations en route and, via the transit pipelines in the Czech Republic, all the way through to North-West Europe. In addition, compared to competing projects, Nabucco is the more economically efficient initiative for diversifying pipeline gas imports to Europe. It is also a means of stimulating more competition within the European markets. This is why the EU is also strongly in favour of this project.

RWE is currently conducting intensive and constructive talks with potential gas suppliers in Azerbaijan, Turkmenistan and Northern Iraq. We have already received an invitation from Azerbaijan to engage in detailed negotiations. The initiative of Northern Iraq to make gas available to the Nabucco Pipeline is also a positive sign. Our staff are now actively involved in detailed negotiations there, and also in Turkmenistan. The bottom line for Nabucco, too, is: the project must make economic sense.

With that, I would now like to hand over to Rolf Pohlig, who will shed some more light on our business performance in the first half of 2010.

Rolf Pohlig

Ladies and Gentlemen,

As Juergen Grossmann already mentioned, our business performance in the first half of the year was good.

The operating result improved by 21% to nearly €5 billion. Net of some major consolidation and exchange rate effects, this represents an increase of 10%.

And now for a brief look at the individual divisions.

Our Germany division achieved an operating result of €3.2 billion, which was 16% up on the previous year.

As part of that increase, the operating result of our electricity generating business in Germany improved by 25% to €2.2 billion. Higher electricity production from the two units of our Biblis nuclear power station and our contractually secured hard coal-fired power stations were major factors in this growth.

Our German Sales and Distribution Networks division posted an increase in its operating result of nearly 1% to €985 million. The rise in electricity volumes in the wake of the economic recovery led to higher fees in our grid operations. Our grid companies also incurred lower costs to compensate for energy losses and for construction and maintenance measures, as some work had to be postponed due to the severity of the winter. Burdens also arose from excess network fees that must be refunded.

The Netherlands/Belgium division achieved an operating result of €345 million in the first half of the year. Essent posted high earnings from its gas operations in particular, partly as a result of the cold weather during the winter months.

The operating result of RWE npower also improved significantly. It rose by 14% to €154 million. Net of exchange rate effects, the increase amounted to 11%. This growth primarily stemmed from gas sales, where margins improved due to lower procurement costs. Since we lowered our gas tariffs for residential customers in March 2010, this effect will, however, lessen over the course of the year.

In the Central-Eastern and South-Eastern European region – which now also includes our activities in Turkey – we managed to improve our operating result by 39% to €722 million. Exchange rate effects were one of the contributing factors here.

Net of currency effects, the increase in this division amounts to 30%, primarily attributable to our gas operations in the Czech Republic. Lower procurement costs brought some relief to our regional sales companies in that country. However, we also recorded some loss of earnings in the Czech Republic due to declining gas sales volume in the key account segment and lower transit revenues.

In our Renewables division, the operating result totalled €26 million. Compared to 2009, this is an increase of 13%. First-time inclusion of Essent's wind farm activities had an effect of €9 million on earnings. However, their contribution to earnings lagged behind expectations, due to the extremely low wind levels experienced in Germany. Burdens resulted from RWE Innogy's comprehensive investment programme, with its inherent run-up costs.

The Upstream Gas & Oil division managed to increase its result by 48% to €192 million. The basis for this was the achievement of higher than expected oil prices, along with a decline in both royalties in Germany and exploration costs incurred in North Africa.

The operating result of the Trading/Gas Midstream division of €278 million was 62% below the high level of the previous year. This drop is primarily attributable to our Gas Midstream operations, where we had previously benefited in 2009 from some positive one-off effects. In addition, the earnings situation deteriorated due to the fact that sales prices for gas were in some cases considerably lower than procurement costs, which were indexed to oil prices. One of the consequences of this was that we had to make some provisions for our Czech gas operations.

The non-operating result decreased substantially. At minus €1,009 million, it was more than €1.2 billion below the level of the previous year. The crucial factor in this decline was the accounting of commodity derivative transactions. We use these for the purpose of hedging the prices of forward contracts such as gas forward sales by RWE Supply & Trading. In accordance with prevailing accounting rules, certain derivatives used to hedge such underlying transactions are accounted for at fair value at the respective balance sheet date, whereas the underlying transactions (which show the exact opposite reaction) are only recognised as a profit or loss when they are realised. In other words, such short-term effects on earnings will be neutralised later.

The financial result improved by €129 million to minus €787 million. The main reason for this was the lack of charges incurred in the previous year in connection with the financial market crisis, amongst other things. In the first half of 2009, we had to incur write-downs on securities and book losses on the sales of securities, whereas in 2010 we achieved earnings from such sales.

The effective tax rate was 30%, on a par with last year. For the year as a whole, however, we are expecting a somewhat higher figure.

As you know, the key determinant of our dividend policy is recurrent net income, adjusted to exclude any one-off effects. In the first half of the year it was around €2.7 billion and thus 23% higher than in the same period last year.

Capital expenditure on property, plant and equipment rose by 17% to around €2.5 billion. The first-time consolidation of Essent was one of the main reasons for the increase in investments. The majority of this was devoted to the construction of the combined-cycle gas turbine power plants of Moerdijk 2 and Claus C. Expansion and modernisation of our electricity generation capacity continue to be the main focus of our investment activities.

With that, I now hand you back to Juergen Grossmann.

Juergen Grossmann

Thank you, Rolf, for your comments.

Ladies and Gentlemen,

Describing the status quo is a relatively simple task. But it is much more difficult to predict the future. This is true for us as well. Things are more

complicated these days, in particular due to the many proposals for political intervention. In addition, the general situation in the energy industry is also uncertain.

As you all know, the energy industry has an extremely long-term planning cycle. Added to that is the high-capital intensity of our projects. We are thus dependent on stable political framework conditions – conditions that make investment possible rather than obstructing it. We need clear signals. And we need trust. But that is what is lacking. The German government's much-vaunted energy concept has yet to materialise.

Without a doubt: zero-emission energy technologies are the way of the future. They are undergoing huge expansion for very good reason and RWE is one of the driving forces behind this. But the supply of energy must remain affordable and reliable. This is why coal and nuclear energy are indispensable in the foreseeable future. Both energy sources are a sensible and necessary adjunct to the continued expansion of renewables.

We see a total of four political uncertainty factors.

First: the planned nuclear fuel tax

Second: Unclear climate protection targets

Third: The coalition agreement of the state of North Rhine-Westphalia

And fourth: Too much inefficient promotion of renewables.

Point 1: The nuclear fuel tax

Even without consideration of any European legal and constitutional reservations, such a tax would be fundamentally the wrong approach –

irrespective of whether it was coupled with a retraction of the current phase-out of nuclear power stations.

Why?

In the case of the nuclear fuel tax, it is not about skimming off profit from a retraction of the phase-out of nuclear power stations. It is rather a new form of tax on the use of nuclear energy. Generating profit from longer lifetimes or a fundamental tax on nuclear energy – there is a huge difference between the two – not only from the affected companies' point of view, but also from an economic, regulatory and climate policy perspective.

The German government currently plans to extract some €2.3 billion from nuclear energy generating companies in Germany as an annual nuclear fuel tax from 2011. Based on the tax rates quoted in the draft bill, this would amount to a gross annual burden of almost €4 billion.

This does not include the additional investments in safety that would also be required.

We are talking here about money that would no longer be available for new projects. This would substantially weaken the investment power of the affected companies, and considerably limit their ability to act and perform at full capacity.

But even the operation of nuclear power stations is not infinitely profitable!

After all, before any profits can materialise, they first have to be generated.

The detailed repercussions such a tax would have on RWE cannot be predicted with any certainty at this point. Which is why we are compelled to review our medium-term earnings and investment outlook. We will now

have to take a long, hard look at whether we will be able to go forward with all of the investments we currently plan to make.

In particular, if no extension to the lifetime of nuclear power stations is forthcoming – which is not the current assumption – we would have to go back to the drawing board with our investment planning. This also applies to our ongoing expansion of renewable power generation. For nuclear energy contributes to the very cash flow that we currently draw on to finance our expansion of renewables. If such cash flow declines, there will be an inevitable impact on our investments.

Now maybe this is of no great concern to you. After all, it only affects the big four energy providers who are the right target – you may well think.

This is not the case. From an economic perspective, dispensing with nuclear energy prematurely would be a massive waste of capital and ultimately wipe out a huge portion of our assets as an economy. Various research institutes confirm that extending the lifetime of nuclear power stations would safeguard national assets of up to €300 billion.

A large proportion of this figure trickles down in the form of lower electricity prices to the consumer. The International Energy Agency (IEA) correctly pointed out this fact only recently.

Imposing a financial burden on the nuclear energy industry would also be misguided from a regulatory policy perspective, because it would undermine our international competitiveness. A nuclear fuel tax is simply not compatible with fair and equal competition in Europe.

A nuclear fuel tax would also do nothing for climate protection – on the contrary. After all, the very energy source that is required to ensure Germany meets its climate protection targets would be severely compromised. Just how important nuclear energy is to the task of meeting

our ambitious climate protection targets was recently underlined by the German research institutes RWI (Rheinisch-Westfälisches Institut fuer Wirtschaftsforschung), ZEW (Centre for European Economic Research) and IER (Institut fuer Energiewirtschaft und Rationelle Energieanwendung at the University of Stuttgart) in a study commissioned by the German Federal Economics Ministry.

I hope that our legal and economic reservations about a nuclear fuel tax will convince the responsible politicians to rethink. However, we are keeping an open mind on the option of legal action.

We have always said that we are prepared to share the profits derived from the extended lifetime of nuclear power stations. We stand by that claim. However, the method applied must be fair and make economic sense.

With this in mind, provided there is a service-life extension of 15 years, we propose as an alternative to a nuclear fuel tax a fund financed by nuclear operators. This would do justice to the financial interests of the German government, while also eliminating the huge disadvantages of a nuclear fuel tax. Such a fund, in our view, would be a sensible and sustainable adjunct to a retraction of the nuclear moratorium.

Second political uncertainty factor:

Unclear climate protection targets

It is counterproductive to an environment of political trust if we keep being threatened with new and more stringent climate protection targets. The latest example of this is the proposal to raise the CO₂ reduction target of the EU from 20% to 30% by 2020. It is of particular concern when – consciously or unconsciously – dubious figures are quoted to describe the economic costs of additional CO₂ reduction. In total, it is not about an extra €11 billion in 2020, but at least €33 billion. And that does not even include the annual costs for the years 2011 to 2019. The negative economic effects in the form

of rising energy prices and lower market competitiveness have also been rather irresponsibly neglected as part of this equation.

And things get even more complicated than that: we talk about the pioneering role of Germany and Europe in the area of climate protection without considering the reality at international level at all. It is more than doubtful that we will achieve a new climate protection agreement in the near future. The recent failure of the preparatory negotiations in Bonn means that the next World Climate Summit in Cancun, Mexico, and the following summit in South Africa in 2011 will probably follow suit. The situation is this: the US is not on board, India is in the process of doubling its power station capacity and its CO₂ emissions and China will have almost tripled its power station capacity by 2030. There is no prospect of globally aligned concepts at the moment.

Third political uncertainty factor:

The coalition agreement of the state of North Rhine-Westphalia

We do welcome the fact that the SPD and the Greens in North Rhine-Westphalia not only pledge to expand renewable energy sources in their coalition agreement, but also to adopt a “sustainable perspective for lignite” and modernisation of the conventional power station fleet.

However, we are sceptical of their dismissive attitude towards nuclear energy. It is also regrettable that the new state government of the state of North Rhine-Westphalia plans to gradually reduce lignite mining and impose absolute CO₂ reduction targets for the state.

Such targets are questionable to say the least. With its integration into the European emissions trading system, lignite energy generation is already part of a system for absolute CO₂ reduction. In view of this, additional absolute CO₂ reduction targets for the state of North Rhine-Westphalia would be an economically untenable form of double regulation. The

pointless side-effect of this would be that less efficient coal-fired power stations outside North Rhine-Westphalia would have more scope to emit more CO₂! Such a policy would definitely not be in the interests of climate protection.

At the same time, CCS research (Carbon Capture and Storage) is left to the industry. The new state government sees no future for CCS as part of coal-fired electricity generation over the next few years.

I can only say that “a sustainable perspective for lignite” looks quite different. This policy does the Number 1 industrial state, a term often used to describe North Rhine-Westphalia, no favours at all.

So there is much for us to discuss. For the new government of the state of North Rhine-Westphalia wants to reach an agreement with us over the future of the Rhineland lignite mining region.

Fourth political uncertainty factor:

Promotion of renewables is frequently based on feel-good factors and not on cost and efficiency criteria

Photovoltaics is a particularly dramatic example here. With a share of only 1% of electricity generation, around 50% of the additional costs imposed by the Renewable Energy Sources Act (EEG) are attributable to solar power. In 2009, this amounted to €2.5 billion – and the trend is rising. The recently passed reduction of subsidy rates will not change anything in this regard. The stimulus packages applicable to existing plants alone will place a long-term financial burden on electricity customers of more than €50 billion. A huge amount of effort and expenditure is being devoted to the most inefficient form of energy generation.

In other words: too much money for too little power.

Ladies and Gentlemen,

Added to these political risks are volatile trends in the electricity and gas markets that are hard to predict.

One thing is clear: competition is intensifying. This means that, even without factoring in the political burdens of electricity pricing, the pressure on power prices will continue.

How fast the wholesale price for electricity will increase in the wake of economic recovery is an open question. We are assuming there will be a tendency for electricity prices to rise. The question is how fast that occurs and how those prices eventually level off.

Increasing competition and ongoing price pressure, particularly in the key account segment, are also fundamental characteristics of the European gas markets. Despite rising oil prices, the future trend in gas prices is also hard to predict. With the demand for gas growing in the wake of the economic recovery, we are anticipating a modest rise in gas prices.

We are meeting all these challenges with our ongoing efficiency programme. It will amount to €1.2 billion by 2012. We are currently on track with this programme. A further €250 million have been earmarked for improvements in 2010, bringing the total up to €700 million since 2006.

Furthermore, we are continually adapting our organisational structure to the changing market conditions. I know this subject is one in which you have a great interest, but please forgive me for not providing you with any more details of this today, as we are not ready to make any further announcements at this point.

Ladies and Gentlemen,

This brings me to the outlook. Our positive forecast continues to apply. The year 2010 will be a good one for RWE. From today's vantage point, we will be able to improve both the operating result and recurrent net income by about 5%. This means the chances of once again surpassing the high performance of the previous year are also good. The key reasons for this are: full-year consolidation of Essent for the first time, higher availability of our Biblis nuclear power station, our efficiency enhancement programme with savings of €700 million since 2006, plus – in the aftermath of the economic crisis – reduced costs for fuels and CO₂ emission allowances.

This means our shareholders can look forward to another attractive dividend, since we still plan to pay out between 50 to 60% of recurrent net income.

That's about it, ladies and gentlemen, from our side. It's over to you now. We look forward to your questions.