

**Check against delivery**

**Chart 1**

**Fellow shareholders,**

**Welcome to RWE, your RWE – either here in the Grugahalle in Essen or via our live webcast. I also extend a warm welcome to our guests and representatives from the media.**

**The past twelve months since the last Annual General Meeting have been very eventful. Therefore, my colleagues and I are pleased to be here with you today to address a whole range of important issues.**

**Chart 2**

**In my speech, which is on behalf of the whole Executive Board, I would like to focus on three questions:**

- 1. How has RWE's business developed over the past year and how do we rate our prospects in the medium term?**
- 2. Where do we stand today strategically, and what is RWE doing to ensure our long-term success?**
- 3. What innovative concepts do we have for future energy supply?**

## **1. Business performance 2008 and future outlook**

**I would first like to run through fiscal year 2008 with you before giving you our outlook for the next few years.**

**Let us pause for a moment to think back a little. When we met right here in the Grugahalle a year ago, could you have ever imagined how fast Germany would slide into the worst economic crisis of the post-war period? That major banks and traditional companies in the industry could begin to flounder? That our notion of the honourable businessman is no longer something to be taken for granted, but rather a term that needs to be recreated, or even redefined from scratch?**

**In this difficult environment, RWE's employees have managed to post the best fiscal year in the 111-year history of RWE. And we also feel confident about the next few years. Naturally, we too are starting to feel the first effects of the crisis, in the decline in demand for electricity, for instance. But it is not having a dramatic impact on us – at least not yet, and I am of the opinion that, if we are careful and cost-efficient, not in the future either.**

**Our gratifying business performance is keeping the RWE balance sheet extremely healthy and it will remain so. And it also helps that we have budgeted carefully in the past. While others have gone on shopping sprees in Southern and Eastern Europe, we have focused on organic growth, maintained our consolidation course and shored up our financial strength. And**

**we started before our competitors to focus on costs and organisation.**

**A total of 66,000 people in 14 different countries have contributed to the 2008 result, that's 2,500 more than in 2007 – not including some 3,000 trainees, of whom 90 are once again working for you here in the Grugahalle, either on the front lines or behind the scenes.**

**I have now been speaking for less than two minutes, and I am not looking for approval, but I would ask you nevertheless for a round of applause at this point, for our youngest colleagues!**

**Thank you.**

**And now for some hard facts.**

**RWE achieved the earnings targets we set ourselves a year ago. We managed to increase the operating result by 4 percent to €6.8 billion. EBITDA also rose by 5 percent to €8.3 billion.**

**Chart 4**

**So how did the various divisions of the company fare? Well, it was certainly much more positive than negative:**

**RWE Power posted an excellent operating result. With a 20 percent better result than last year, this division met our expectations – despite the additional burden of around €1 billion incurred as a result of CO<sub>2</sub> emissions trading. Crucial to its success was the fact that we were able to sell our generated**

capacity at much higher market prices. And we had Biblis back on the grid.

RWE Energy also progressed well. Thanks to improved electricity sales and cost reductions, we increased the operating result there by 5% – despite network regulations costing us around €500 million worth of earnings. If 2007 is included in the equation, these regulations actually exerted downward pressure of €1.2 billion on our earnings. Despite this, the grid and retail divisions are bringing in stable results at a high level.

Our UK business was disappointing, with a 26 percent decrease in earnings, though RWE npower did perform well in terms of electricity generation. But this was overshadowed by two factors in particular: the weakness of the pound and the high cost of new programmes for more energy efficiency introduced by the British government. This means we will have our work cut out for us there this year too.

Some shadows did fall over our gas and oil extraction business. While we indicated to you last year that RWE Dea seemed likely to achieve a significant increase, in reality it only matched the level of the previous year. The main reason for this was higher exploration costs related to our investments in future growth. It was mainly due to higher oil and gas prices that RWE Dea was able to match the previous year's level at all.

**RWE Supply & Trading closed 19 percent down on the previous fiscal year. But we were expecting this. For one thing, the annual result of the previous year was extraordinarily high, and then new accounting rules also had a negative effect.**

**Electricity supply agreements that we signed in 2008 but will not be delivering on until this year or the next will not appear on the balance sheet until the power has been supplied. Fiscal year 2008 was particularly hard hit by this time factor. However, in operational terms, the company exceeded our expectations.**

**The €5 million contribution made by our newest subsidiary, RWE Innogy, was relatively low – as to be expected in its first year of operation. This is attributable to our extensive investments in future growth.**

**Chart 5**

**All in all, the Group managed to raise recurrent net income by 13 percent to €3.4 billion.**

**Chart 6**

**This is good news for you, as our shareholders. For you share in our success. We are proposing a dividend payout today of €4.50 per share – more than ever before in the history of RWE. This is 43 percent more than in the previous year and represents 71 percent of recurrent net income – as promised right here last year.**

**Chart 7**

**Ladies and Gentlemen,**

**So what happens next? For many people, 2009 will be a crisis year. But we at RWE remain confident. We didn't come to this conclusion by looking into our crystal ball, but rather after casting an eye over the electricity supply agreements of RWE Power.**

**You know that we budget carefully in our business. As in the past, we have secured forward agreements for almost all of our electricity production in 2009, and at prices averaging over €60 per megawatt hour, which is significantly higher than the current price. Incidentally, this degree of forethought has also been applied to more than 80 percent of our power production in 2010, over 45 percent in 2011 and over 20 percent in 2012. What this does is give us a degree of planning certainty today. From today's perspective we do not think that the impact of the crisis will seriously threaten our result.**

**Chart 8**

**However, there will be pressure on our performance due to the following factors:**

- RWE Power will carry out comprehensive inspections of our two nuclear power units in Biblis. This will put pressure on Group earnings to the tune of €600 million.**
- RWE npower still has the added costs of statutory energy efficiency programmes to cope with and, like most of its competitors, will have to accept a sharp decline in its sales performance.**

- **RWE Dea is anticipating lower gas and oil prices, coupled with the high cost of investing in future production growth.**

Chart 9

**Overall, however, we expect that EBITDA, the operating result and recurrent net income this year will about match the level of last year.**

**So much for 2009.**

**We are also confident for the medium term through to 2012, and raised our targets accordingly in February. The following figures do not, incidentally, include our planned acquisition of Essent.**

**Until 2012 we aim to increase the operating result by an average of 5 to 10 percent per annum. We originally advised you that our target was an increase of 5 percent per annum. Our new goal is now based on the expectation that the average price for electricity supply in 2012 will be at least €60 per megawatt hour. As already mentioned, more than 20 percent of sales for the year have already been agreed, and at prices above €60. The corresponding forward price is currently around €59, which is 12 percent higher than the price of supply next year. This shows that the electricity market agrees with us on one thing: that even when the present crisis is over, the problem of limited energy resources will remain unresolved. Within that period, it is naturally possible that prices will fluctuate markedly. We can no better predict these things than you can. But at the moment we are on course.**

**In addition, we have doubled our target for efficiency gains. By introducing hundreds of measures to make savings and boost sales, we want to gradually increase the operating result by €1.2 billion by 2012 as compared to 2006. To do this, we intend to bend down and pick up every eurocent we can find. You can already see this attitude reflected here today. Compared to 2007, we have reduced the cost of our AGM by €300,000 – without depriving you of your creature comforts.**

**We also aim to increase recurrent net income significantly. Instead of the 5 to 10 percent target previously indicated, we anticipate an average increase in the order of 10 percent per annum. Around 50 to 60 percent of that will continue to be paid out to you, our valued shareholders. That puts you above the current DAX average of roughly 40 percent.**

**In summary, let me say that your company, RWE AG, is doing well.**

**In fiscal 2008, we achieved a record result. From today's perspective, we will be able to build on this level in 2009 and the subsequent years, in spite of the crisis. But who can claim to for himself? We expect a clear increase in our result in the coming years. Our balance sheet is solid as a rock, allowing us to make extensive investments in long-term growth and to continue to pay out attractive dividends.**

Chart 10

## **2. Strategic stocktake**

**Ladies and Gentlemen,**

**Let me now move from key financials to our strategy.**

**While we remain relatively unscathed by the current economic downturn, let us now use this crisis as an opportunity to put your RWE to the test. My colleagues and I here on the podium would be happy to engage with you in a lively discussion on the subject after the speeches are over.**

**I would like to begin by playing the devil's advocate and reflecting our company through the common public misconceptions that we are still confronted with on a daily basis. Unfortunately, there are quite a few of them.**

**Chart 11**

**Misconception number 1: RWE is doing too little to combat climate change**

**I believe that over the past few years we have clearly stated, time and time again, that RWE sees itself as having a particular responsibility here. You only have to glance at our investment programme to see that we are acting on this sense of responsibility. It is the largest investment programme in the history of RWE. And we have made no cutbacks in it either, despite the current crisis, unlike some other providers! We can afford to do this because our existing business generates good, robust earnings.**

**By the end of 2012, we will have invested €26 billion in capital expenditure on property, plant and equipment. This includes around €17 billion on growth and replacement investments, particularly in the power plant area. Combating climate change is the primary objective of the entire programme. Of that 17 billion, almost 40 percent is being devoted to CO<sub>2</sub>-free or low-carbon power plant technologies, i.e. in renewables, nuclear power and highly efficient combined cycle gas turbine power plants. Environmentalists should actually be pleased by this, which is why I find it a pity that neither the Federal Environment Ministry nor the Greens want to be caught in the act of backing an evil power supplier in its efforts to combat climate change.**

**A large portion of the remaining 60 percent is also earmarked for climate protection. Our new, highly efficient coal-fired power plants reduce CO<sub>2</sub> emissions by 25 to 30 percent. Our investments in grid expansion contribute towards transporting ever larger volumes of wind power to customers. And our investments at RWE Dea as well as in pipelines and storage facilities help secure the supply of the environmentally friendly fuel, gas.**

**In Germany alone, we are injecting around €5 billion worth of investments in Neurath, Hamm and Lingen. Around 4,500 megawatts of modern capacity will be installed in these locations by 2012 – sparing the environment some 8.9 million tonnes per annum of the CO<sub>2</sub> churned out by older power plants. That equates to the emissions of 3.9 million cars, or the entire motor vehicle fleet of the Hesse population. These**

**investments will allow us to switch off older 150-megawatt lignite-fired plants. Add to that some 3,000 megawatts of power in wind, biomass and hydro power plants.**

**You see, the process of combating climate change has become part of our daily business activity. We are not waiting for better times to come. We are doing things now. This is, incidentally, why we chose “DO IT” as the motto of our current Annual Report for FY 2008.**

**At a time when industrial production and capital expenditure on property, plant and equipment is on the decline, our investment drive to get things done rather than lament the state of affairs also sends an economically significant signal. This is our private policy programme to boost economic activity – and, by the way, without Chancellor Merkel or “our patron of rescue packages” Finance Minister Steinbrueck having to dip into their pockets. Quite the reverse, in fact. They will be earning tax income from these projects. After all, we will only build what makes economic sense. Our economic growth programme even has something to offer Economics Minister Theodor zu Guttenberg, as our projects will not only contribute to combating climate change and ensuring security of supply but will also safeguard thousands of existing skilled jobs and create plenty of new ones in the process. You only have to think of our three major power plant construction sites, where, in Germany alone, up to 7,500 people will be working at a time. And, by the way, if we had been allowed to, we would have one more construction site, in the Saarland.**

**And now to renewables.**

**Fritz Vahrenholt has made rapid progress with our recently formed RWE Innogy. His young team began in early 2008 with just over 1,000 megawatts. By 2012, 4,500 Megawatts should be in operation or under construction. Overall, RWE Innogy has projects in the pipeline totalling around 13,000 megawatts. We are focusing in this regard on onshore and offshore wind power and biomass, not only here in Germany but all over Europe – for example in Poland, Italy, Spain, the UK and the Netherlands. We are focussing on constructing our own plants. This takes longer than if we acquired existing plants but adds considerably more value to our business.**

**You see, as is the case with all investments, we intend to earn good money with renewables. RWE Innogy aims to achieve an operating result of more than €500 million by 2013. This is almost ten times as much as it earned last year.**

**The latest example of our strategy to combat climate change is the appointment of Stephan Kohler. He will be responsible for leading a new company focusing on the growth industry of energy efficiency and energy services. This company will develop the concepts that the people in the retail and grid divisions will then implement locally with the customers. Mr Kohler comes from the German Energy Agency, dena and is a recognised expert in this field. I am certain he will achieve similar success to that of Fritz Vahrenholt with RWE Innogy, so**

**we can look forward to hearing interesting reports at the next general meeting.**

**The fact that Mr Kohler will be working in a growing segment of our portfolio has just been confirmed by a study carried out by management consultants McKinsey and published only last week. The management consultants are working on the assumption that around 850,000 new jobs will be created in Germany by 2020 in energy technology and energy services. Energy efficiency will be one of the key factors in this. After all, with many businesses facing the need for rationalisation, they will be taking a particularly close look at their energy costs in future.**

**By the way, you can already see practical signs of real energy efficiency in action today. Here in the Grugahalle, RWE has had energy-saving spotlights installed, that use 60 percent less power than conventional ones.**

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**Chart 13**

**Let's look now at misconception number 2: RWE continues to opt for obsolete energy concepts, despite the Kyoto Protocol.**

**This misconception does not tell us the full story. RWE is building upon a balanced energy mix, where many different types of generation have their place. From coal to renewables, from major plants to local units.**

**Because the right mix is what counts – the same is true for a fine blended wine as it is for energy supply. Germany currently**

**still has a broad and balanced mix of power plant capacity. In 2008 around 44 percent of electricity was generated from hard coal and lignite, 23 percent from nuclear power, 13 percent from gas and around 15 percent from renewables. This protects us from supply risks and extreme price fluctuations.**

**But the good old blended wine is in danger of losing its balance. Conventional electricity generation today – and RWE in particular – is facing major challenges. The first is the scheduled phase-out of nuclear energy. Another is the fact that German power plants, which are on average 27 years old, are already well into the second phase of their service life or have simply become politically unpalatable. In the approval process for our new lignite-fired units in Neurath, we have agreed with the authorities that old lignite rated capacities of more than 2,200 megawatts will be decommissioned by the end of 2012.**

**Numerous competitors have already cancelled or postponed new-build projects. Of the originally planned total new-build capacity of around 45,000 megawatts – which equates to a third of Germany's installed capacity – probably more than half will not now be built. The reasons for this are political imponderables and problems with financing.**

**Security of supply cannot be taken for granted, and we at RWE realise this.**

**Renewables have their place in the energy mix. But they cannot do everything. For wind blows at irregular intervals – a howling gale one minute and non-existent the next. In 2008, for instance, German windparks worked to full capacity for 20**

**percent of the total hours of the year. To stabilise the system, flexible power plants such as our new gas power plant in Lingen are therefore needed to quickly offset such large fluctuations. And we will continue to require major power plants for base load. Incidentally, renewables plants, too, are long since major projects that need a strong investor such as RWE.**

**Doing the right thing takes time. A fleet of power plants politically desired in their day and built up over decades cannot be replaced overnight. With renewables alone, we will only ever be able to keep the country's production lines running for a few hours at a time, and even then it's difficult to predict when. Therefore, we are constantly working on the ideal energy mix for our power plant fleet, as is necessary to ensure security of supply. In addition, we offer the municipalities and customers innovative shareholding concepts for different types of generation. For example Gekko and Green Gekko, i.e. shareholdings in our new coal-fired power plant in Hamm and in plants based on renewables.**

**Chart 14**

**Our investment programme is already achieving its ends. We will be commissioning new power plant units every year from now until 2013 in Germany, the UK and the Netherlands. These will be fired by either innovative, low-carbon coal technology or gas.**

**In addition, all of the coal-fired power plants we are building will be "capture ready". This means we will be able to retrofit them with CO<sub>2</sub>-capture technology as soon as such technology**

is mature enough to go to market. In so doing, we are making our dependable coal “greener”.

And we are making green energy more efficient and more reliable. I have already mentioned our rapid progress with renewables. Here too we are opting for major plants in some places. With the 960 megawatt offshore wind farm that RWE Innogy is planning 40 kilometres off the island of Juist, we will be able to produce good volumes of electricity and leverage the economies of scale associated with operating and maintaining large-scale infrastructure. At the same time, we are investing in efficient, decentralised generators. Biogas plants are one example of this.

Chart 15

Nuclear energy is another important building block in our power plant strategy. It provides base load energy free of CO<sub>2</sub>, the ideal complement to the variable wind energy.

And we are building on it where we can.

In the UK we will work with E.ON to acquire locations for new nuclear power plants and then build and operate the plants there, generating a total of 6,000 megawatts between us.

By comparison, our nuclear power plant in Biblis is not even half that size.

In Romania, we are working with Romanian state company SNN and five other European partners to accelerate the process of expanding the Cernavoda nuclear power plant.

**In Bulgaria we signed a joint venture agreement in December with NEK, the state power generator there, on the construction and operation of a nuclear power plant in Belene.**

**Safety, transparency and economic efficiency are our top priorities here – with no compromises – which is the same principle we always apply when we operate complex, large-scale plants. Here at home we unfortunately find ourselves at a politically driven dead-end. In other countries, a long-term direction is being established. Our presence in these countries will also secure nuclear energy competencies for Germany.**

Chart 16

**Now for misconception number 3: RWE is a large municipal utility, too focussed on Germany, and can no longer keep up with top-league European energy providers.**

**Ladies and Gentlemen,**

**I think we have plenty of facts to disprove this. We are already one of the five largest providers of electricity and gas in Europe. Over the past few years, we have done our homework and concentrated first on putting our own house in order. Many have interpreted this as a lack of vision and a sign of strategic lethargy.**

**Now – as the crisis bites – we are being congratulated for our prudence. However you choose to look at it – our patience has paid off.**

**Dutch energy provider Essent is the most sensible acquisition RWE could make. We have waited many years for such an opportunity.**

**The strengths of Essent complement ours very well. This certainly applies to generation. The company has a broad-based power plant portfolio that includes gas, hard coal, renewables and nuclear energy. But it also has more mid-load and peak-load capacity than RWE to date and more low-carbon gas generation. With Essent's German wind turbines, we will become the largest wind power provider in the country.**

**The same goes for energy trading. Together with the experienced power retailers of Essent, we will become by far the largest energy trader in Europe.**

**It applies equally to sales. Essent has a strong brand. Under its umbrella, we will be able to continue our existing sales activities in the Netherlands.**

**With Essent we will become the market-leader in North-West Europe. In this region we are driving the continuing convergence of the energy markets in the coming years – more so than in other parts of Europe and in the spirit of achieving a “level playing field”. With free access at all times for all market participants, a highly liquid wholesale market and a single price.**

**With Essent, we have a market position in sales regions that range, in an uninterrupted line, from the UK right through to Slovakia. These regions not only border on each other but increasingly sell and transmit large volumes of electricity across their own borders – which means there are regional synergies to be leveraged. That is the big advantage of purchasing a Dutch company like Essent over companies situated thousands of kilometres away from our existing supply regions – not to mention the linguistic and cultural differences inherent in remote acquisitions.**

**You can drive from Essen to Arnhem, the headquarters of Essent, faster than you can get from Essen to Dortmund on the A40.**

**Incidentally, these are also all good reasons why the risks associated with integrating Essent into our group of companies are comparatively low.**

**I am pleased to be able to welcome 18 colleagues from Essent to today's Annual General Meeting, including CEO Michiel Boersma. This also indicates just how close we have already become. Welcome to RWE, valued colleagues!**

**A few more figures now. Essent, with a power plant portfolio of 6,200 megawatts, some 5.3 million customers and 7,800 employees, is the leading energy provider in the Netherlands and the fourth largest in Belgium. We will not be taking over their waste and grid business. On this basis, the company**

**achieved earnings before interest, taxes and depreciation – or EBITDA for short – of around €880 million in 2008. Essent aims to increase this through to 2012 by an average of 10% per annum. As a result of the merging of our two companies, we are expecting to leverage synergies worth an additional €100 million per annum – the full extent of which will not be felt until 2014.**

**Admittedly, the price for this takeover of €9.3 billion is substantial. But so too is the quality of Essent. No other company in Europe is such a good match for us.**

**This, ladies and gentlemen, is an essential factor of our evaluation. When you purchase a complementary company in your own vicinity, the significantly lower risk associated with such a move is worth its weight in gold.**

**But the price also meets the binding financial criteria that RWE set itself for transactions of this kind. Linking the two companies therefore makes not only strategic sense, but also adds value for you, our shareholders.**

**It is now up to at least 80% of the shareholders of Essent to say “Yes” to this takeover. Our goal from the outset was to close the deal in the third quarter of 2009 and at the moment it looks like we are going to achieve this.**

**We will also grow in other directions, but primarily in an organic way. We do not plan to make any other major acquisitions at the moment, but will continue to examine**

smaller ones on a case by case basis. The aim is to increase the share of earnings generated by our foreign activities to 40 to 50 percent by 2012. In 2008 they made up 27%, of which about half came from Eastern and South-East Europe.

The latest such example is a joint venture agreement with the Turkish company, Turcas. Together we plan to build a combined cycle gas turbine power plant with 800-megawatt capacity. This will be our first foothold in the Turkish market.

Chart 17

I now come to misconception no. 4: RWE is losing customers.

Let me refute this one by citing the facts. Competition for German consumers has become much tougher over the past few years. We have been putting our energy into new sales channels, developing new products and restructuring our organisation. And this is already paying off.

Since early 2008, over 300,000 new customers have used their mouse buttons to switch to our nationwide discount subsidiary, eprimo. In total, eprimo now has over 500,000 customers, over 80 percent of whom are outside RWE's main regions.

We are the only power supplier in Germany that guarantees its customers a fixed power price for three years – while customers retain the right to cancel their contracts on an annual basis. In fact, our current product, “ProClimate” offers both price stability and environmental protection. After all, 70

**percent of the power for this product comes from nuclear energy and 30 percent from hydropower – making it virtually CO<sub>2</sub>-free. And the initiative has proved to be a real success for us. In total, some 800,000 customers have opted for our guaranteed-price products.**

**In the second half of 2008, we made a net gain of 80,000 new residential electricity customers. This reversed the trend, for since the market liberalisation in 1998, we had been losing more customers every year than the number of new ones we were managing to attract. We also began the new fiscal year 2009 with a flourish. By the end of March, our customer numbers had risen by a further 30,000.**

**Chart 18**

**Now for misconception number 5: RWE is hampering the growth of more competition.**

**How this misconception has managed to prevail for so long is a mystery to me. Take the customer statistics I mentioned earlier.**

**Or our power generation figures. Our German power plant fleet is fully transparent. On the web, you can read how much we are producing and when, broken down by plant and on an hour-by-hour basis.**

**Or the wholesale trading market. In 2007, we had our entire spot market trading from 2005 and 2006 scrutinised by KPMG, again on an hour-by-hour basis, taking 36 sample days that the auditors selected. KPMG confirmed our position. There is no**

**evidence that RWE withheld power plant capacity in order to influence the market price. In the same year, the German Energy Exchange EEX, together with Prof. Ockenfels from the University of Cologne, examined pricing and came to the same conclusion. In addition, the EU undertook its own investigations in 2006, without any formal proceedings ever being launched against us. Now the Federal Cartel Office has stepped in to start another investigation into the entire electricity generating sector. We are confident that yet again we will be able to prove to authorities that we play by the rules, without exception.**

**We do not hinder competition. On the contrary, we promote it. Take a look at our grid business. Ask our customers or our competitors. All of them can feed their electricity into the grid with ease – and for much lower fees. Remember too the burden on earnings I mentioned earlier, which we experienced in the wake of grid regulation?**

**By building new tie lines, we are making a significant contribution to the expansion of the internal European energy market. The planning approval process for a further line into the Netherlands with a capacity of 3,600 megawatts began only a few weeks ago. And with a new 1,000-megawatt line to Belgium, we and Belgian grid operator Elia are planning to connect the transmission networks of the two countries with each other for the first time. Does that look like insular business practice to you?**

**RWE Supply & Trading is using its activities to drive the cross-border integration of the European energy market.**

**We will be divesting our gas transmission network – as we agreed with the EU Commission. And our transmission system operator, RWE Transportnetz Strom will be set up as an independent entity under RWE AG, reporting directly to me. In doing this, we are swiftly implementing a key part of the third internal European energy market package currently under discussion in Brussels. And I must now take a crash course in grid management.**

Chart 19

**And now for misconception number 6: RWE has no gas strategy.**

**Admittedly, we in Germany are not among the big players on this field. But we see this business in a European and, in some respects, a global context. And that is wholly in the interests of long-term security of supply for our customers.**

**We here in Germany source almost 40 percent of our natural gas from Russia, and the trend is rising as the reserves available to us here in Europe are running out. Four fifths of Russian gas is channelled via Ukraine. The effect this can have on us was once again graphically illustrated by the recent gas dispute between Russia and Ukraine.**

**So Germany needs a greater diversification of energy sources and new transmission channels. After all, other countries have resources too. We just have to link them to the demand in Western and Central Europe.**

**So what is RWE doing about it? We are investing –**

**for instance, in the Nabucco pipeline. By 2014 at the latest, this pipeline will give us a real alternative source of gas and a great deal more security of supply as a result. In addition, with the pipeline we are also tapping into new growth opportunities for RWE. Only last week we signed an energy partnership with Turkmenistan. One of the aims of this was to ensure a contractual source of gas for Nabucco from Turkmenistan, and also to create access to new reserves for RWE Dea.**

**RWE Dea is really “stepping on the gas” here. We want our gas and oil production to double to the equivalent of 12 million cubic metres of oil. That is equal to the annual gas consumption of Hungary.**

**We are also investing in another option, in the form of liquefied natural gas, or LNG, to help us benefit from the increasing demand for gas in Europe. A range of projects associated with liquefied gas are being pursued, in particular in Northern Africa. We are also working on regasification with our partner, Excelebrate Energy. Our tanker ships are able to convert the LNG on board back into natural gas, which is then fed into the long-range gas grid.**

**Overall, we want to increase the amount of gas procurement RWE Supply & Trading is responsible for from 40 to 60 billion cubic metres per year. By comparison, Germany currently has an annual gas consumption of around 90 billion cubic metres.**

**Chart 20**

**Misconception number 7 is that RWE no longer has a water strategy after opting out of Thames Water and American Water.**

**Let me make one thing clear: we are glad we opted out. Otherwise we would have had to make a lot of sacrifices in our current investment programme.**

**But it is not correct that we no longer have a water strategy. We now have a different strategy. Our water activities in Germany and Eastern Europe are generally located in close proximity to our power and gas businesses. RWE Aqua here in the Ruhr region is the best example of this. And then there are also regional synergies, especially when it comes to customer contact. This is the most important point and at Thames Water and American Water it was not a given.**

**We intend to continue developing our water activities in this direction, here in Germany and in Eastern Europe. Today, we already supply 13 million people with water and 6 million with waste water services. This is our platform for future growth – but regionally, in combination with power and gas.**

**Now for the last misconception: RWE is a cumbersome and slow-moving old tanker.**

**Ladies and Gentlemen,**

**We are and want to remain a tanker. That is part and parcel of our business model. On our books, you will primarily find major plants that are built to last more than one generation. Tankers are economically indispensable. You see, they may well be slow, but they are also very cost-effective in moving large quantities of goods. And they have another thing in their favour. Once they have built up a head of steam, they are hard to stop. Moreover, there is no reason why tankers cannot launch some smaller speedboats too, to explore new waterways and help determine the future direction.**

**But let us begin with the tanker. In February, we made some important decisions about the future organisation of our Group. That was important because, for one thing, we are expecting some changes in competitive conditions over the next few years and, for another thing, political trends and the integration of Essent require us to have a clear structure.**

**Our motto is: a united front, yet faster local decision-making, which means strong, autonomous companies in our national markets, from the UK and the Netherlands to Eastern Europe. In other words, in England we have to be a company with an English face and in The Netherlands a company with a Dutch face.**

**The essence of the restructuring in Germany is the merging of RWE Rhein-Ruhr and RWE Westfalen-Weser-Ems into one retail and one grid company – i.e. specialised, or “single purpose” companies. The new Retail company forms the nucleus in all of this for the nationwide, united front of RWE – even beyond our core regions. This company will be based in Dortmund, which means the location will not change. The function of the interim holding company, RWE Energy, on the other hand, will cease to exist.**

**The restructuring will allow us to make our products and processes more specialised and standardised in the sales regions and networks, and will also make them more affordable. All of this is being done to ensure we spend less time on ourselves and more on our customers.**

**Our drive for efficiency gains in internal, interface and service delivery roles – or overheads – is based on the same objectives. Every fifth staff member of our Group is employed in this area. By comparison, in the best DAX companies only every tenth employee, or half of our quota, is engaged in such roles. We will be taking this issue by the horns. The economic crisis has shown us that the age of organisational luxury has passed. What we now need is a more frugal approach. You don't turn up at your customer's in a big company limousine when their company is on short-time. For our organisation this means that we will be deploying more employees in operational activities and fewer for administrative and supporting**

**functions. This will be of benefit not only to the customer, it will also make us more dynamic. We need staff in many areas, especially in the power plant and grid business with its strong investment strategy, but also in the growth areas of RWE Innogy and in the new energy efficiency company. Based on an analysis of functions, we have developed 115 measures to slim down overheads. We are pooling tasks, simplifying processes and eliminating redundancies.**

**Now for the speedboats.**

**You will be familiar with the largest of our speedboats as it has been around a long time – energy trading. But it now has an entirely different weighting within our organisation.**

**Energy traders have their ear to the ground on a daily basis and are a crucial sensor for future changes in the market. They help us deploy our power plants in the most economical way in the marketplace and set commercial investment decisions that put us on the right track. Following the convergence of our gas midstream business, we have pooled the expertise we need in RWE Supply & Trading to achieve ideal positioning of our commodities. Who would have thought that some 800 staff would now be engaged in this field? In fact, once we add Essent's energy trading arm, this number will increase to over 1,100.**

**Chart 22**

**For this reason, RWE Supply & Trading recently moved into its new headquarters here in Essen, which we officially opened**

**yesterday with minister-president Ruetters in attendance. The largest trading floor in the European energy trading business is now installed there.**

**This suggests a bright future for the energy location of Essen.**

**I have already mentioned our other key speedboat, RWE Innogy several times today. It will become an autonomous corporate entity within the new structure.**

**A very new speedboat of ours, by comparison, is our company for energy efficiency and energy services, which I have already touched on. This company will also coordinate our activities in the field of electro-mobility. You can see in the foyer that some initial progress has already been made on this front, as we are exhibiting the electric Smart there – a vehicle developed in collaboration with Daimler. Incidentally, just as the A-Class in its day passed the “elk test”, the Smart passed the Grossmann test a few months ago.**

**The formation of these new business units is not an end in itself. For one thing, it is a clear commitment to new products and our associated growth targets. For another, it gives our staff the room for manoeuvre they need to develop a positive business performance. We have largely released them from the confines of Group bureaucracy so that they can concentrate fully on their new role.**

**In summary, with this new structure we have the opportunity to respond faster and more strategically to changing customer demands in our domestic German market. That is very**

**important in the current climate. Crucial to the success of this approach is that our municipal partners and customers are able to deal with a central contact person and decision maker. This is why we have created a new domain within our Executive Board for our German business. As of 1 May, Rolf Martin Schmitz, who is here today with us, will be responsible for this executive role. Mr Schmitz has been working in the energy business since 1986 – on the generating side and in the grid and retail area – in both the gas and electricity industries. This background and his experience with municipal utilities make him a real asset to our executive team.**

**Rolf Martin, on behalf of the Executive Board, our staff and shareholders, I warmly welcome you to the “new” RWE.**

**Ladies and Gentlemen,**

**As you can see, we have a clear vision. But simply having a vision is not enough. It is crucial for our future investments that we see a clear energy policy from the government and that we have a reliable and consistent regulatory framework, which also leaves us enough entrepreneurial freedom to make our investment decisions. This is not yet the case.**

**One thing that is making life particularly hard for us is the outcome of the EU Climate Change Package in mid-December 2008. For it is now a fact that, from 2013, CO<sub>2</sub> allowances will no longer be allocated free of charge to the German energy industry, but rather auctioned in their entirety. This will mean a**

**cash flow loss of billions that we could well do with for investments in Germany.**

**Electricity providers that will benefit from CO<sub>2</sub>-related price increases yet only have minimal CO<sub>2</sub> costs themselves will be rejoicing at the announcement. The very thing that works to the benefit of France, weakens the energy industry of Germany and also our efforts to combat climate change. Construction of further environmentally-sound power plants in Western Europe will now be put on the back burner. What is really bizarre is that old, CO<sub>2</sub>-heavy power plants will now have to continue operating for a longer period. Eastern European states running old coal-fired power stations will gain billions from the continued free-of-charge allocation of CO<sub>2</sub> allowances.**

**Let us make no mistake here. Combating climate change is a costly business. The UN Intergovernmental Panel on Climate Change has calculated that €2,000 billion must be invested annually in order to reduce global emissions to an acceptable level by the year 2030. This figure is comparable to the entire current economic performance of Germany. The important thing is that such burdens are distributed fairly – and across all markets.**

**Ladies and Gentlemen,**

**I hope this whirlwind tour through our strategy and operating environment has not only been enjoyable for you, but also**

**thrown up the occasional surprise. Your RWE will become more international, greener and more robust in the future, and in order to do this efficiently, it is reorganising.**

Chart 23

### **3. Concepts for the energy supply of the future**

**In conclusion, I would now like to invite you to come with me on a short excursion into the future of Germany's energy supply. The world behind the wall socket is fundamentally changing, even today. The question we have to ask ourselves on a daily basis is this: is your RWE innovative enough to master the challenges of the energy market in 2020? Or, to bring our logo into this for a moment: is RWE displaying enough energy to lead?**

**What will Germany's energy supply of the future look like? Nobody can say for sure today. Helmut Schmidt's government's answer to the energy crisis of the 70's was: move away from oil and towards coal. The answer to today's climate protection demands is: move away from coal and towards nuclear energy.**

**So how should energy industry companies align themselves today? Which pathways of the past would it be better to leave behind us, and which should we pursue? What direction should we take in the future and which routes should we avoid?**

Chart 24

**Our answer is to create options.**

**What do I mean by that? Well, the crux of energy supply is the eternal triangle: security of supply, climate protection and economic efficiency – today and in the future. The government is currently interested in the first two points of that triangle. We as RWE must keep all three challenges equally in our sights. Our responsibility as an energy provider, with the associated locational considerations, prohibits us from pursuing short-term political polarisation. What we build, endures – and often for longer than ten legislative periods.**

**Creating options thus means keeping a range of concepts in our top drawer for the energy mix of the future. To do so, we have to begin developing and investing long before those options are needed.**

**Today, I have already given you some examples of this. But this alone will not be enough. We also have to explore some options that from today's perspective show no signs of being ready for the market – but perhaps will be in 15 to 20 years' time.**

**Chart 25**

**We created the platform for this last year by setting up a central Research and Development arm in the Chief Strategic Officer's division. This division pools and coordinates the development projects of all Group companies and with numerous external development partners. Some 330 employees Group-wide worked on research and development tasks in 2008, or 22 percent more than in 2007. At the same time, we boosted our**

**annual budget for R&D to more than €100 million – not counting our investments in demonstration plants.**

**Chart 26**

**Right now, one of our important projects is CCS technology, or carbon capture and storage systems.**

**The International Energy Agency estimates that CCS will account for a fifth of the reduction in worldwide CO<sub>2</sub> emissions required by 2050. Without CCS – according to the same agency – the global cost of combating climate change would be €1.3 billion or 71 percent higher.**

**This is why we are forging ahead with the world's largest CCS development projects. It is the only way to ensure the technology will be market ready to a large degree by around 2020. The aim is to capture and store more than 90 percent of the CO<sub>2</sub> emitted from coal-fired electricity generation. Two projects are the focal point of such development.**

**Firstly, we plan to build a CCS power plant in Huerth near Cologne by the end of 2014. The IGCC (Integrated Gasification Combined Cycle) technology being used in this project also enables other products besides electricity, such as fuel, to be produced. At the same time, we are investigating underground storage options for CO<sub>2</sub>. There are still many scientific issues to be clarified here. For instance, to what extent the CO<sub>2</sub> in underground storage facilities will bond with the rock below ground and how permanently it can be stored in subterranean waterways. In total, some two billion euros will be required for this threefold project – power plant, plus pipeline, plus storage. One thing is clear here. Without sufficient financial assistance**

from public sources, such an undertaking will not be feasible. The EU has also acknowledged this. This is why suggestions for supporting CCS developments are included in the EU Climate Change Package.

Chart 27

Another project being pursued by our Coal Innovation Centre near Cologne is further development of CO<sub>2</sub> scrubbing. Together with BASF and Linde, and with the support of the German Economics Ministry, we are erecting a pilot plant for the purpose of testing various scrubbing solutions. Once the technology is market ready, it will allow us to begin retrofitting our existing power plants with CCS technology.

As well as CO<sub>2</sub> scrubbing, we are building a prototype plant at the same facility to take our own initiative of pre-drying lignite to the next testing stage. Once it is ready for use, it will increase the efficiency rate of lignite-fired power generation by a further four percentage points. This will enable an efficiency rate of 47 percent or more to be achieved.

In this way, we are creating options to ensure our German coal has a future in tomorrow's energy mix.

We are also setting new benchmarks in workforce size. Billions of new workers are beavering away in our innovation centre, using photosynthesis to convert the CO<sub>2</sub> created by power generation into biomass. This new staff of billions consists of particularly ravenous micro algae. We also intend to fine-tune this process to the point where it can be used in major power plants.

**Apart from these innovations for our coal-fired power plants, RWE is also demonstrating the energy to lead in renewables. For instance, RWE Innogy has taken shares in an innovative manufacturer of wind turbines, known as Quiet Revolution. This quiet revolution towards a decentralised power supply is based on vertically aligned mini wind turbines with a 6 kilowatt output that can be erected on buildings or used as free-standing units. 68 turbines of this kind have already been installed and another 44 have already been sold. With this initiative, we plan to bring the technology to the point where it is ready for mass production and make it commercially viable.**

**Another such example would be the joint venture of Voith and RWE to generate electricity from ocean currents. Over the next five years, RWE Innogy and terotechnology company, Voith Hydro will invest a total of €30 million in the development of underwater turbines. An initial test run on a 110-kilowatt plant will begin in the autumn of 2009 off the coast of South Korea. The aim of this development is to produce turbines with 1 megawatt output that will be comparable in terms of power generating costs with offshore wind farms.**

**And here's yet another innovation. While grid feeds of electricity generated from the ocean are relatively predictable, given what we know about ocean currents and tidal movements, wind power is not as reliable. If we want to further expand the use of wind power, we must also develop suitable concepts for efficient storage of electricity, to offset the strong fluctuation in wind power contributions to the grid. For this purpose, we are working with General Electric to develop**

**efficient compressed-air storage options. The technology has been around for some time, but has never been considered economical due to its low efficiency rating. By utilising both the energy of compressed air and the heat generated from the process of compression, we plan to increase its efficiency to the point that we can break the economic efficiency threshold. The first demo plant is scheduled to be built by 2012.**

**Electric cars may one day also serve as a storage medium. Once enough of them are out on the streets of Europe, millions of batteries could help offset fluctuations in the electricity grid. But first, electro-mobility has to advance to the point where its horse power really hits the road.**

**Chart 28**

**Ladies and Gentlemen,**

**With that I would like to end my digression into the future of energy supply. My aim today was to use examples and hard facts to show you that your company is facing up to the challenges of the market, government and society – not only in the short term but also for the long haul.**

**We are not being driven, we are the driver. If we live up to our goals, a few of the misconceptions I mentioned to you earlier will no doubt come to be heard less frequently.**

**If we live up to our goals, your RWE shares will continue to make you happy for many years to come. We want to be the feel-good share in your portfolio – particularly in times of crisis**

**such as these. Our dividend allows you to profit directly from the energy mega trend and also gives you reliable long-term liquidity at favourable rates. It is easier to grasp than any guarantee certificate. With no fine print and no rescue packages. My 66,000 colleagues and the RWE Executive Board can assure you of that. We are glad you have put your trust in us, especially in these challenging times. This only strengthens our resolve and our commitment to you. We will do everything in our power to ensure that RWE continues to earn your trust in the future.**