Some of the above referenced information is designated as confidential and proprietary and is provided under separate cover. The Company intends to seek a protective order for this information accordance with 83 Ill. Adm. Code 285.112.

# *Focus on Organic Growth and Dividends*

**July 2007**

# Forward Looking Statement

This presentation contains certain forward-looking statements within the meaning of the US federal securities laws. Especially all of the following statements:

- Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items;
- Statements of plans or objectives for future operations or of future competitive position;
- Expectations of future economic performance; and
- Statements of assumptions underlying several of the foregoing types of statements

are forward-looking statements. Also words such as “anticipate”, “believe”, “estimate”, “intend”, “may”, “will”, “expect”, “plan”, “project” “should” and similar expressions are intended to identify forward-looking statements. The forward-looking statements reflect the judgement of RWE’s management based on factors currently known to it. No assurances can be given that these forward-looking statements will prove accurate and correct, or that anticipated, projected future results will be achieved. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Such risks and uncertainties include, but are not limited to, changes in general economic and social environment, business, political and legal conditions, fluctuating currency exchange rates and interest rates, price and sales risks associated with a market environment in the throes of deregulation and subject to intense competition, changes in the price and availability of raw materials, risks associated with energy trading (e.g. risks of loss in the case of unexpected, extreme market price fluctuations and credit risks resulting in the event that trading partners do not meet their contractual obligations), actions by competitors, application of new or changed accounting standards or other government agency regulations, changes in, or the failure to comply with, laws or regulations, particularly those affecting the environment and water quality (e.g. introduction of a price regulation system for the use of power grid, creating a regulation agency for electricity and gas or introduction of trading in greenhouse gas emissions), changing governmental policies and regulatory actions with respect to the acquisition, disposal, depreciation and amortization of assets and facilities, operation and construction of plant facilities, production disruption or interruption due to accidents or other unforeseen events, delays in the construction of facilities, the inability to obtain or to obtain on acceptable terms necessary regulatory approvals regarding future transactions, the inability to integrate successfully new companies within the RWE Group to realise synergies from such integration and finally potential liability for remedial actions under existing or future environmental regulations and potential liability resulting from pending or future litigation. Any forward-looking statement speaks only as of the date on which it is made. RWE neither intends to nor assumes any obligation to update these forward-looking statements. For additional information regarding risks, investors are referred to RWE’s latest annual report and to other most recent reports filed with Frankfurt Stock Exchange or SWX Swiss Exchange and to the material furnished to the US Securities and Exchange Commission by RWE.

# Key messages of Q1 2007

| | |
|---|---|
| Performance Q1 2007 | ■ Operating result +35%<br>■ Recurrent net income +28%<br>■ New € 600 m efficiency enhancement programme started |
| Financial Position | ■ Net debt reduced to € 6.2 bn<br>■ Contractual Trust Arrangement (CTA) implemented |
| German Regulation | ■ National Allocation Plan II: Tighter allocation expected<br>■ 2nd round of grid fee reviews<br>■ Special antitrust law for utility sector in preparation |
| Outlook 2007 | ■ Strong fundamentals persist<br>■ Positive outlook for 2007 confirmed |

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# RWE Group results Q1 2007

| January – March<br>€ million | | 2007 | 2006* | change<br>in % |
|---|---|---|---|---|
| EBITDA | | 3,216 | 2,500 | +28.6 |
| Operating result | | 2,816 | 2,092 | +34.6 |
| Non-operating result | | 23 | -56 | +141.1 |
| Financial result | | -307 | -535 | +42.6 |
| Income from continuing operations before tax | | 2,532 | 1,501 | +68.7 |
| Taxes on income | | -871 | -487 | -78.9 |
| Income from continuing operations | | 1,661 | 1,014 | +63.8 |
| Income from discontinued operations | | 0 | 100 | -100.0 |
| | | | | |
| Minority interest | | 91 | 66 | +37.9 |
| Net income | | 1,570 | 1,048 | +49.8 |
| Recurrent net income | | 1,381 | 1,083 | +27.5 |
| Average No. of shares | (million) | 562.4 | 562.4 | – |
| EPS | (€) | 2.79 | 1.86 | +50.0 |

* Adjusted figures: See interim report page 12.

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# *In 2006 we have achieved or beaten our mid-term targets*

| | Target | Achieved | |
|---|---|---|---|
| Operating result | 5%<br>organic CAGR | 11.6%<br>CAGR 2004 - 2006 | ✓ |
| Dividend | >15%<br>CAGR 2004 - 2006 | 41%<br>CAGR 2004 -2006 | ✓ |
| ROCE | 14%<br>by 2006 | 18.7% | ✓ |
| Cost reduction + synergies | € 680 m<br>by 2006 | Fully achieved | ✓ |

# New cap for net debt

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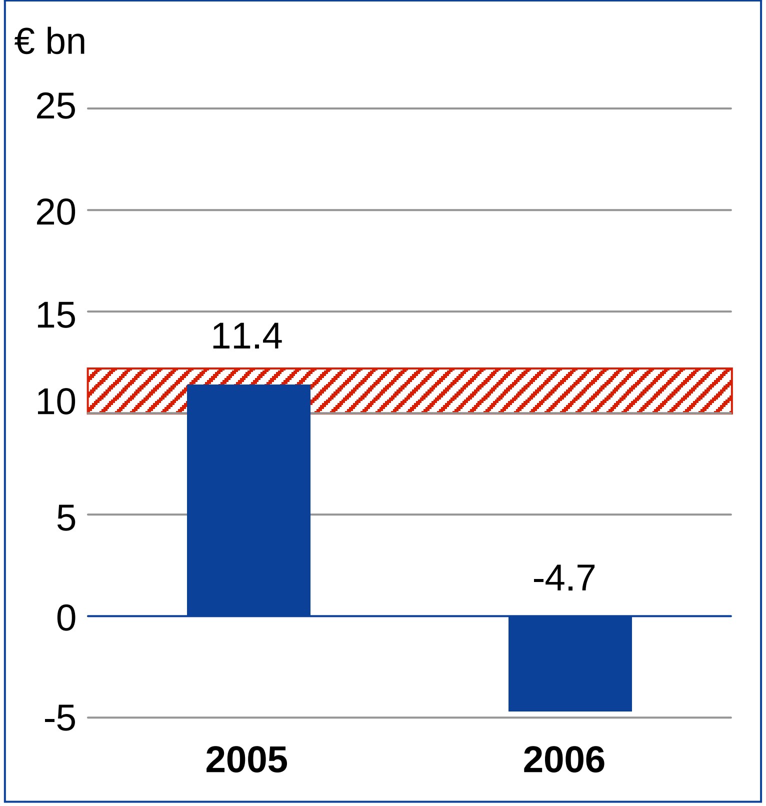
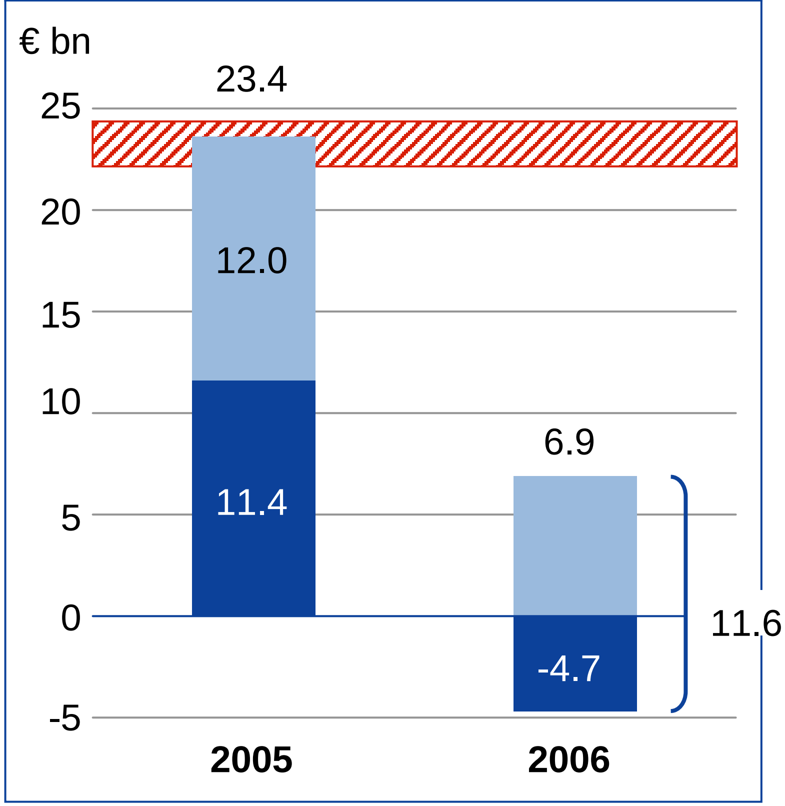
## Old cap of "net **financial** debt" at € 10 – 12 bn




## New cap of "net debt" at € 22 – 24 bn after CTA




Net financial debt (+), assets (-)

Pension provisions

# Utilisation of financial flexibility

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RWE

**The disposal of the Water Division will further enhance the financial flexibility of the Group. We aim to utilise it by way of**

- Organic growth
- Cash returns to shareholders
- Selective external growth

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# *Strong levers for organic profit growth*

## Price development

- Strong wholesale electricity prices in our core markets
- Value oriented retail strategy

## Growth & efficiency enhancing capex

- Power generation in Germany, UK, NL and CEE
- Upstream exploration & production projects for RWE Dea
- Gas grids and storage facilities

## Consumption growth

- Strong position in growing CEE markets plus catching up of wholesale prices with Western European levels

## Efficiency enhancement

- We have set up a new programme of € 600 m p.a. by 2010
- 100% accretive to operating result

# *RWE Power: Attractive spreads locked in*

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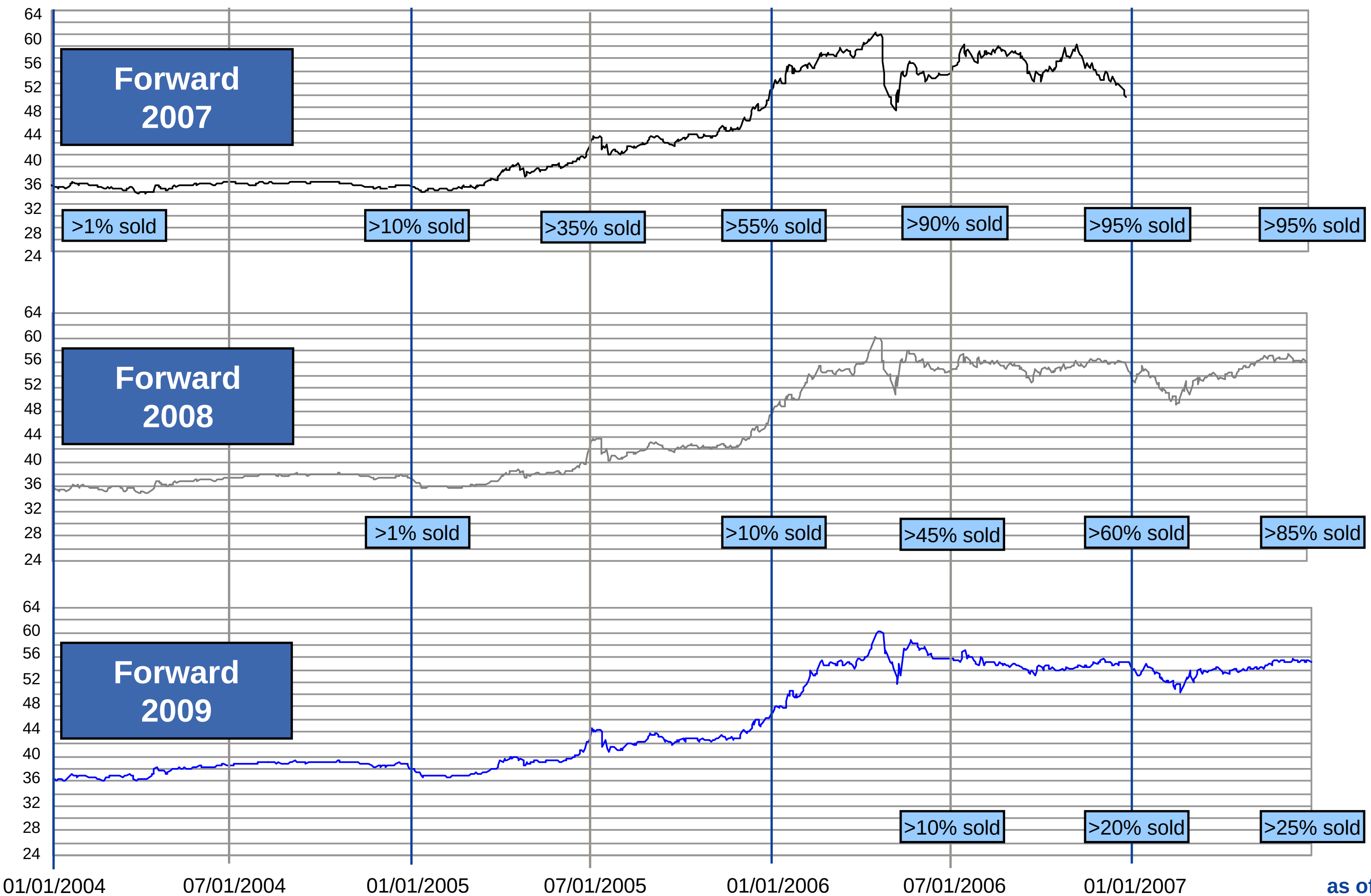
**Forward selling of RWE Power in the German market** (baseload forwards in €/MWh)




as of 07/03//07

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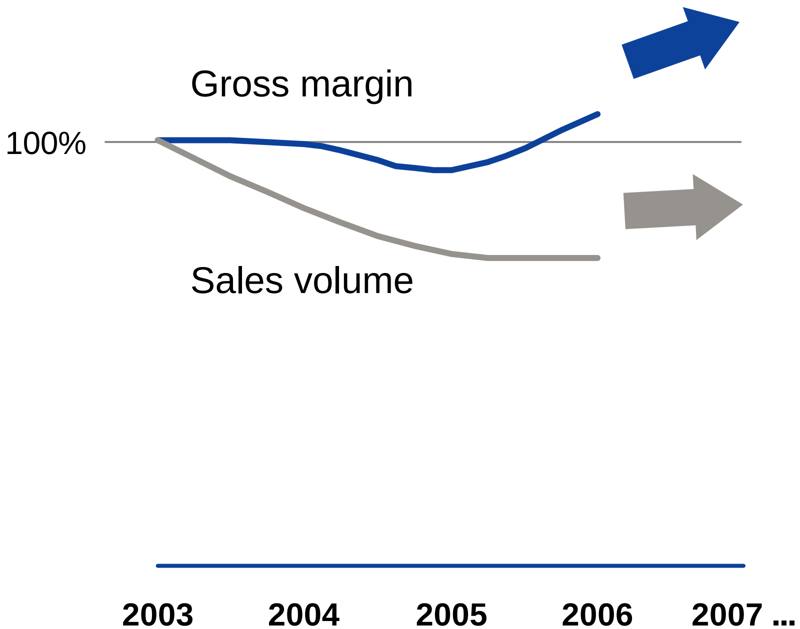
# RWE Energy has successfully implemented a value-oriented retail strategy

## Development of volume and gross margin*

– RWE Energy Electricity Germany –




## Value-oriented retail strategy

- Across all customer segments: value-orientation results in increasing total gross margin
- Stabilization of sales volumes achieved
- With the phasing out of tariff approval in July 2007, competition will increase - provided sufficient margins make customer acquisition more attractive
- The challenge for RWE Energy is to retain retail customers with attractive services/products at positive margins and in parallel to prepare the ground for acquiring new customers

* Gross margin: Revenues – (governmental charges + energy procurement + grid fees)

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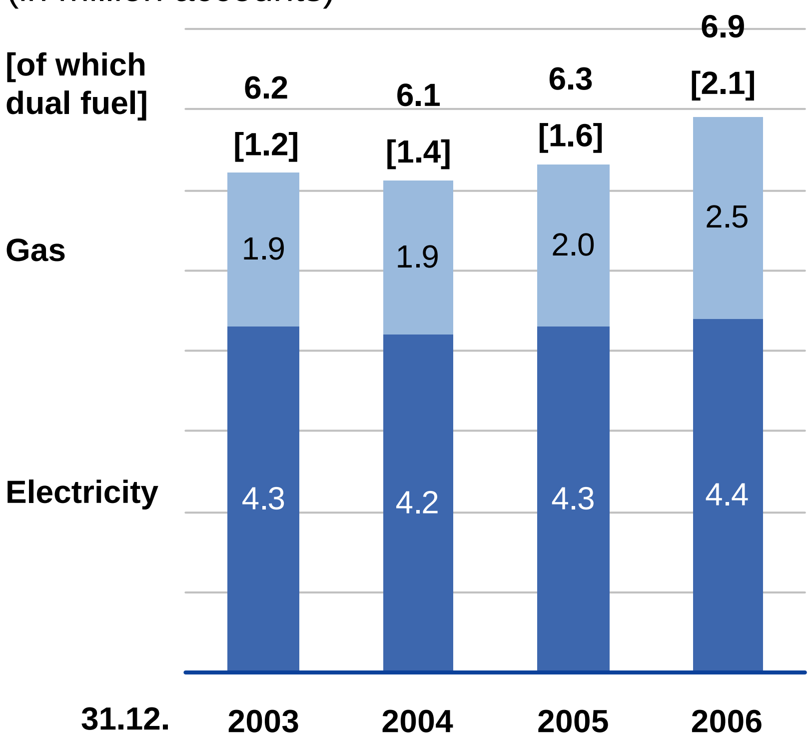
# *RWE npower: value oriented retail strategy with growing customer numbers*

## Development of customer numbers

(in million accounts)




## Value-oriented retail strategy

- Price volatility in wholesale gas and power prices has continued
- Competition remains intense
- However, RWE npower has increased customer numbers by 700,000 since Dec. 2003
- The number of dual fuel customers increased by 75% since 2003
- Successful branding and price proposition

RWE npower is continuing to build a value oriented customer portfolio

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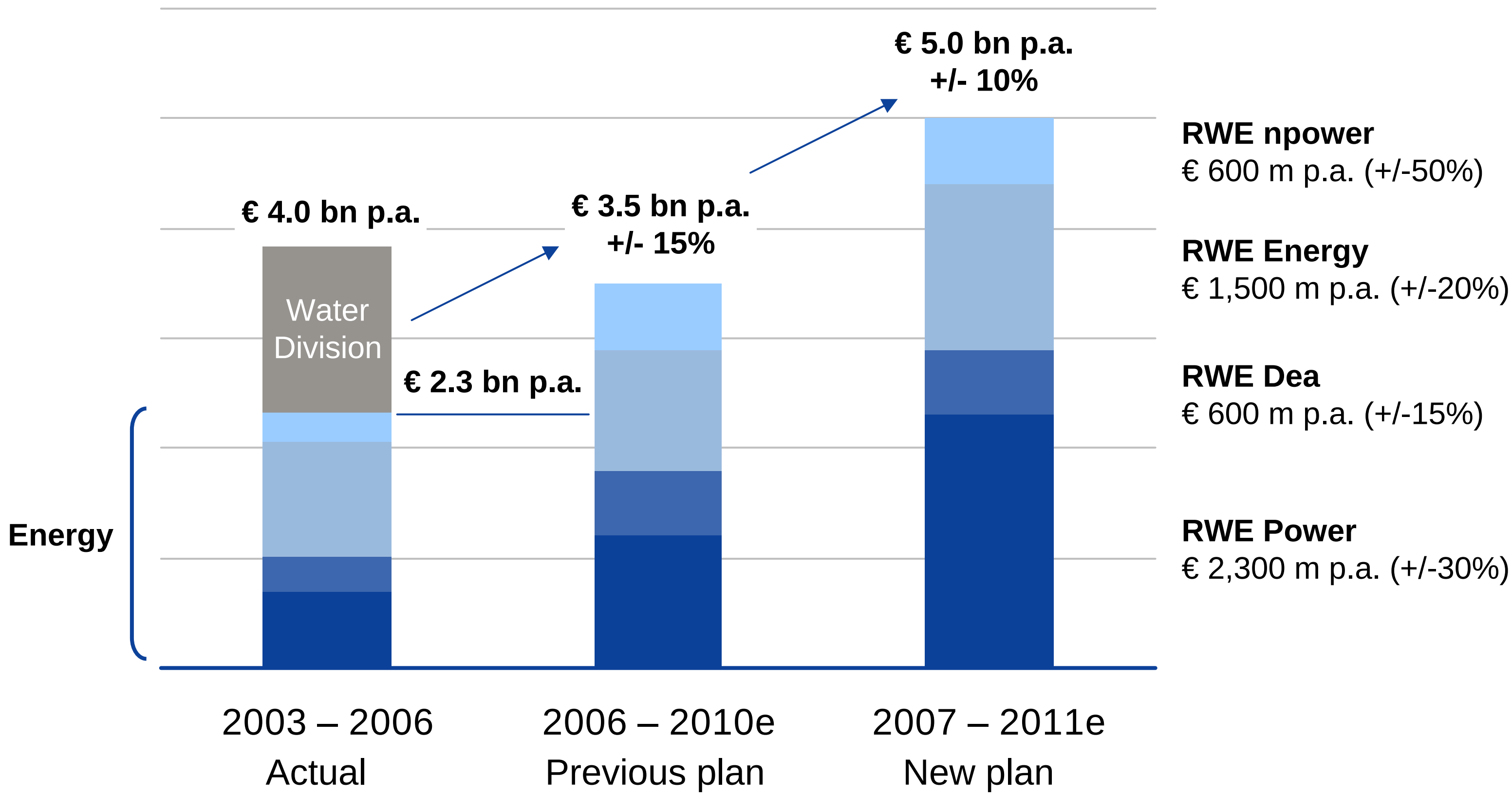
# Mid-term capex programme significantly stepped up: Growth takes centre stage




Approximately 40% of the total programme is dedicated to growth and efficiency enhancement, thereby creating additional value.

# *Major investment projects*

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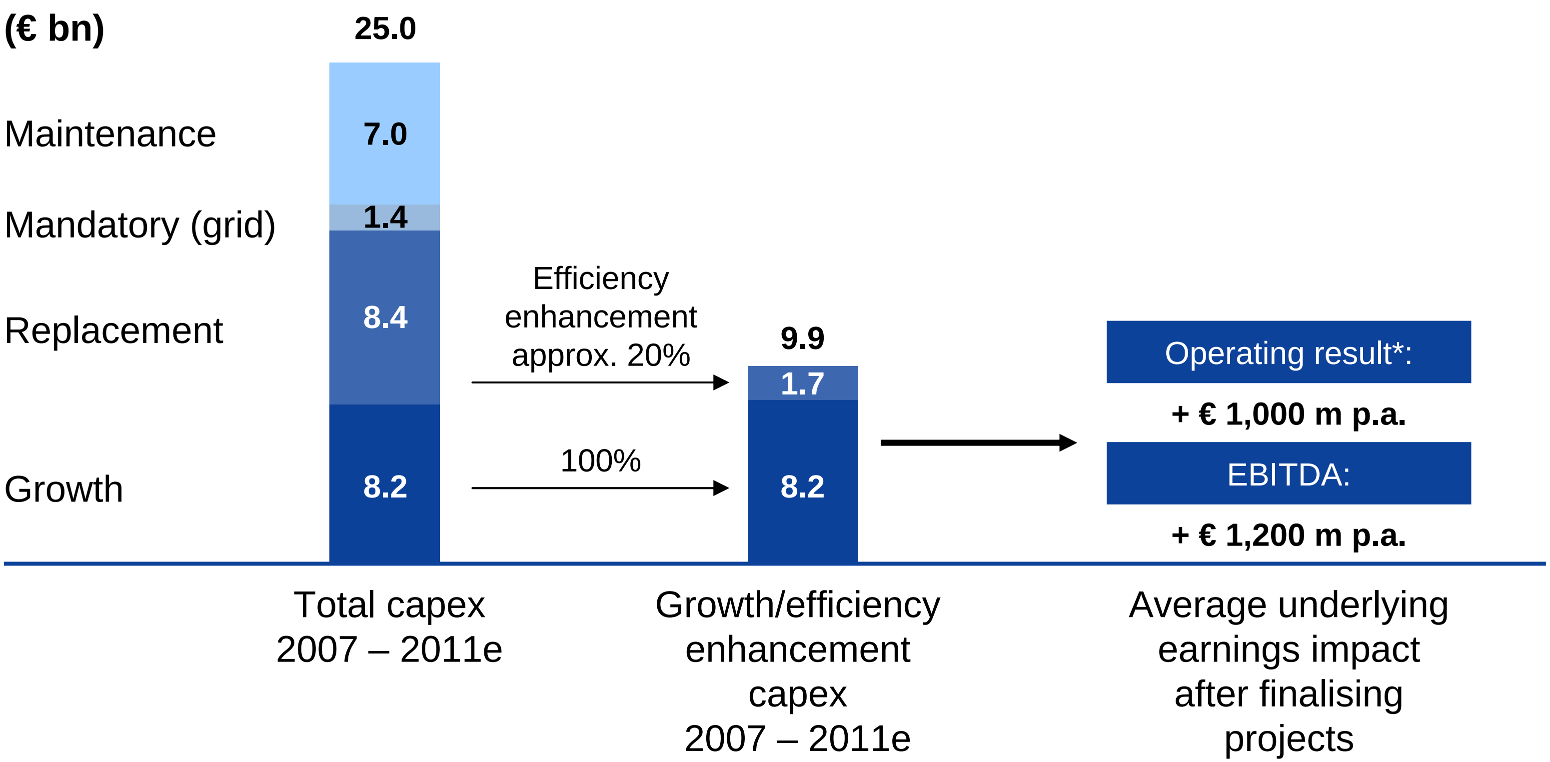
| Project (€ bn) | Horizon | Capex | of which Growth | of which Efficiency[1] |
|---|---|---|---|---|
| **Germany** | | | | |
| Power plant BoA 2/3 (lignite - 2,100 MW) | 2006 – 2010 | 2.2 | | 0.7 |
| Power plant Hamm (hard-coal – 1,530 MW) | 2008 – 2012 | 2.0 | | 0.4 |
| Power plant Ensdorf (hard-coal – 1,530 MW) | 2008 – 2012 | 2.0 | | 0.4 |
| CCGT Lingen (peak gas – 875 MW) | 2007 – 2009 | 0.5 | | 0.2 |
| $CO_2$ free power plant (450 MW) | 2011 – 2014 | 1.0 | | 0.2 |
| | | **7.7** | | **1.9** |
| **UK** | | | | |
| CCGT Staythorpe (gas – 1,650 MW) | 2007 – 2010 | 0.9 | 0.9 | |
| CCGT Pembroke (optional) | | | | |
| Renewable energies[2] | 2007 – 2011 | 0.7 | 0.7 | |
| | | **1.6** | **1.6** | |
| **Other international projects** | | | | |
| Hard-coal fired power plant NL (1,560 MW) | 2007 – 2012 | 2.2 | 2.2 | |
| Dea exploration and production projects | 2007 – 2011 | 2.2 | 0.6 | |
| Gas grids and storage projects[3] | 2007 – 2011 | 2.0 | 2.0 | |
| | | **6.4** | **4.8** | |
| **Total** | | **15.7** | **6.4** | **1.9** |

[1] Higher efficiency due to new technologies (simplified calculation)
[2] Mainly UK but also including other international projects
[3] Mainly international

# *How growth and efficiency enhancement capex will impact our underlying earnings performance*






* Average impact. Depending on depreciation period, operating result lower in early years and higher in later years

# Generation capacity in Europe will stay tight!

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- Different sources (Union for the Coordination of Transmission of Electricity (UCTE), Cambridge Energy Research Associates (CERA), IEA) expect capacity bottleneck
- Drivers for capacity bottlenecks
  - Overageing power plants
  - High gas prices (driven by high oil prices)
  - Supply constraints for power plant components
  - Lengthy approval procedures for interconnector extensions
  - Political risks threatening investment plans for power plants and networks
  - Special drivers:
    - Nuclear phase out in Germany
    - Large Combustion Plant Directive (LCPD) in UK
    - Increased peak-load demand in France
    - Volatile hydro reservoir levels in Spain, Scandinavia, Austria, Switzerland

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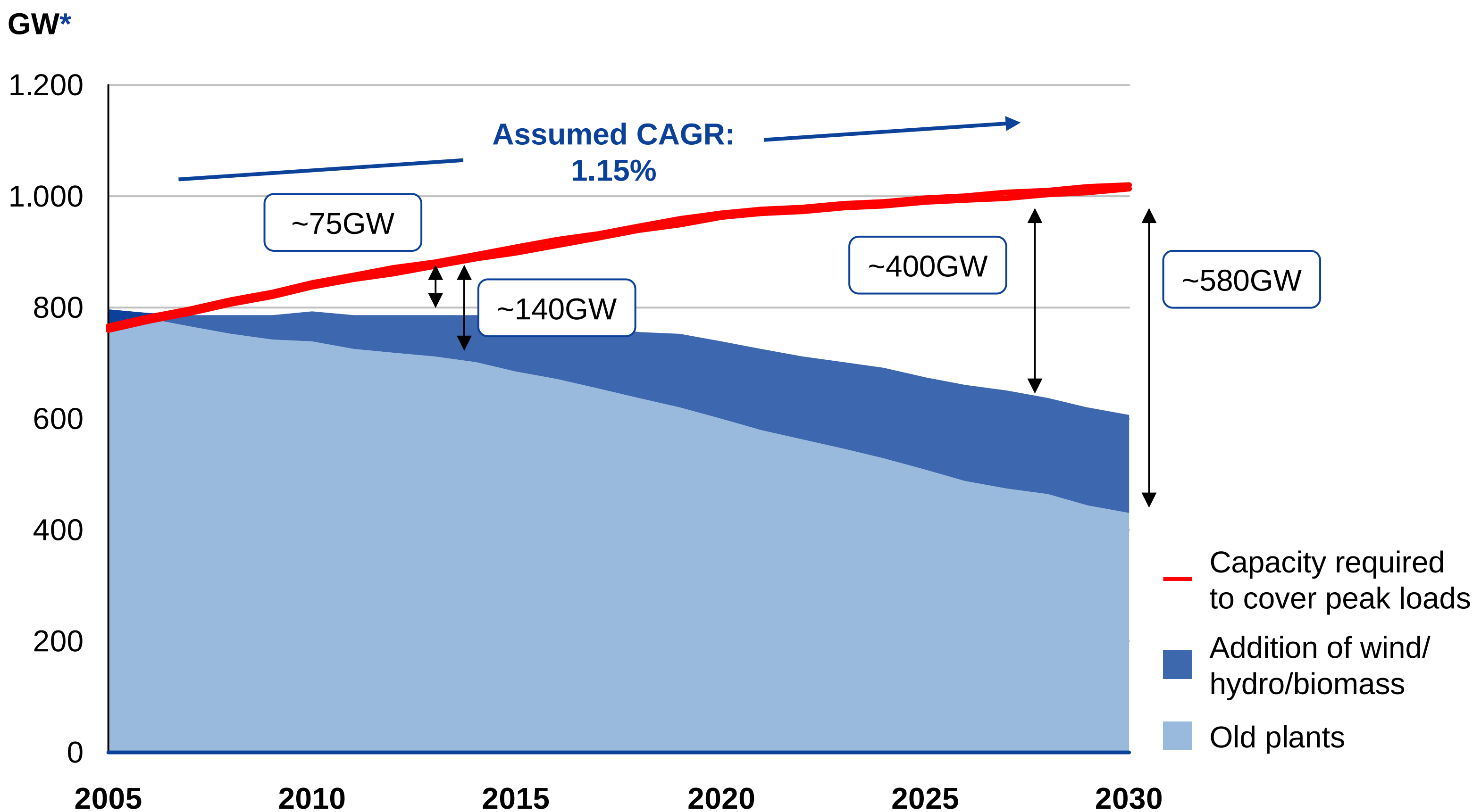
# *Old power plants throughout Europe result in a massive need for new build by 2030*




* EU 27, Norway, Switzerland
Source: Boston Consulting Group, EURPROG, UCTE, RWE, 2006

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# *Selective investment in hard coal plants attractive despite increasing carbon risks*

- If the current oil /gas and CO2 price levels prevail hard coal plants (HC) are likely to operate in base load. New CCGTs will only operate profitably in a mid merit / peak load position. Therefore new HC benefits from price setting, less efficient, older HC and gas plants. The impact of higher CO2 prices will be dampened by increasing power prices.
- Power prices will be supported by high demand for newly built capacity; renewables unable to replace conventional generation capacity reliably. Currently, HC is the best option for replacement in terms of availability, efficiency and cost.
- Balanced fuel mix: Coal prices are much less volatile than oil/gas prices, therefore HC supports a sustainable power price level. Furthermore, fuel cost for new HC accounts for a much smaller part of full production cost than for a CCGT.
- Free allocation of CO2 emission rights likely to decrease over time – early mover advantage for current HC projects likely.
- Site specific advantages (e.g. synergies with existing infrastructure, grid connection, coal logistics, cooling) also play a key role for HC new build – not all sites are economically feasible.

# Exploiting attractive market opportunities – Our new CCGT power plant project in Lingen

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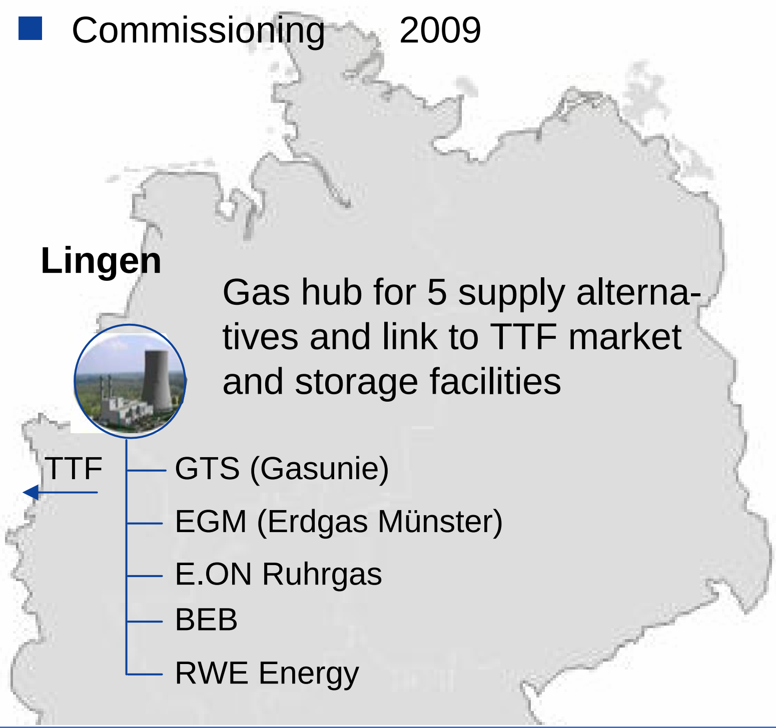
## Peak load CCGT project Lingen

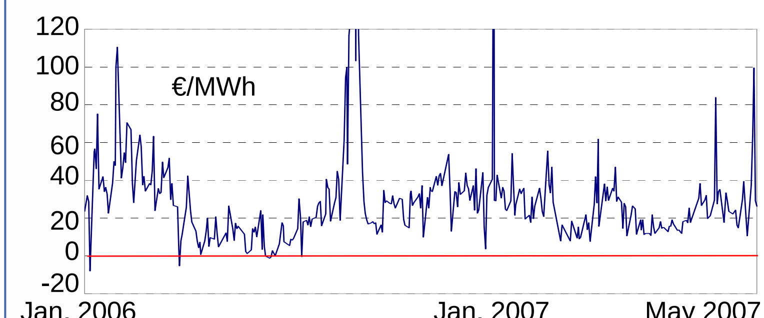
- Net capacity 875 MW
- Efficiency > 58%
- Investment € 0.5 bn
- Commissioning 2009




**German clean spark spreads – Cal 07/08 power baseload vs. Cal 07/08 TTF gas in 2006/07**


Spreads not sufficient for base load CCGTs in Germany.

**German clean spark spreads – Daily power peakload vs. daily TTF gas**




Spot market volatility provides options for flexible peak load CCGTs in Germany.

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RWE

# CEE markets show opportunities for attractive growth

| | Electricity | | Gas | |
|---|---|---|---|---|
| **CEE markets** | Volume[1] (TWh) | Growth[2] % p.a. | Volume[1] (bcm) | Growth[2] % p.a. |
| Poland RWE | 145 | 2.8% | 15 | 1.2% |
| Czech Rep. RWE | 75 | 2.7% | 10 | 1.6% |
| Romania | 59 | 2.5% | 18 | 1.4% |
| Bulgaria | 42 | 2.7% | 5 | 5.1% |
| Slovakia RWE | 28 | 0.0% | 7 | 3.7% |
| Hungary RWE | 35 | 2.1% | 15 | 1.6% |
| Slovenia | 13 | 2.3% | 1 | 2.6% |
| Croatia | 16 | 2.0% | 3 | n/a |
| Serbia | 35 | 3.0% | 3 | n/a |
| **Other RWE core markets** | Volume[1] (TWh) | Growth[2] % p.a. | Volume[1] (bcm) | Growth[2] % p.a. |
| Germany | 562 | 0.4% | 90 | 1.9% |
| UK | 413 | 1.5% | 100 | 0.5% |
| Benelux | 209 | 2.0% | 62 | 0.9% |

1 Total sales to end customers

2 Annual expected growth 2005 – 2010

Source: European Union/CARDS (Community Assistance for Reconstruction, Development and Stabilisation), RWE estimates, VDEW/VDN

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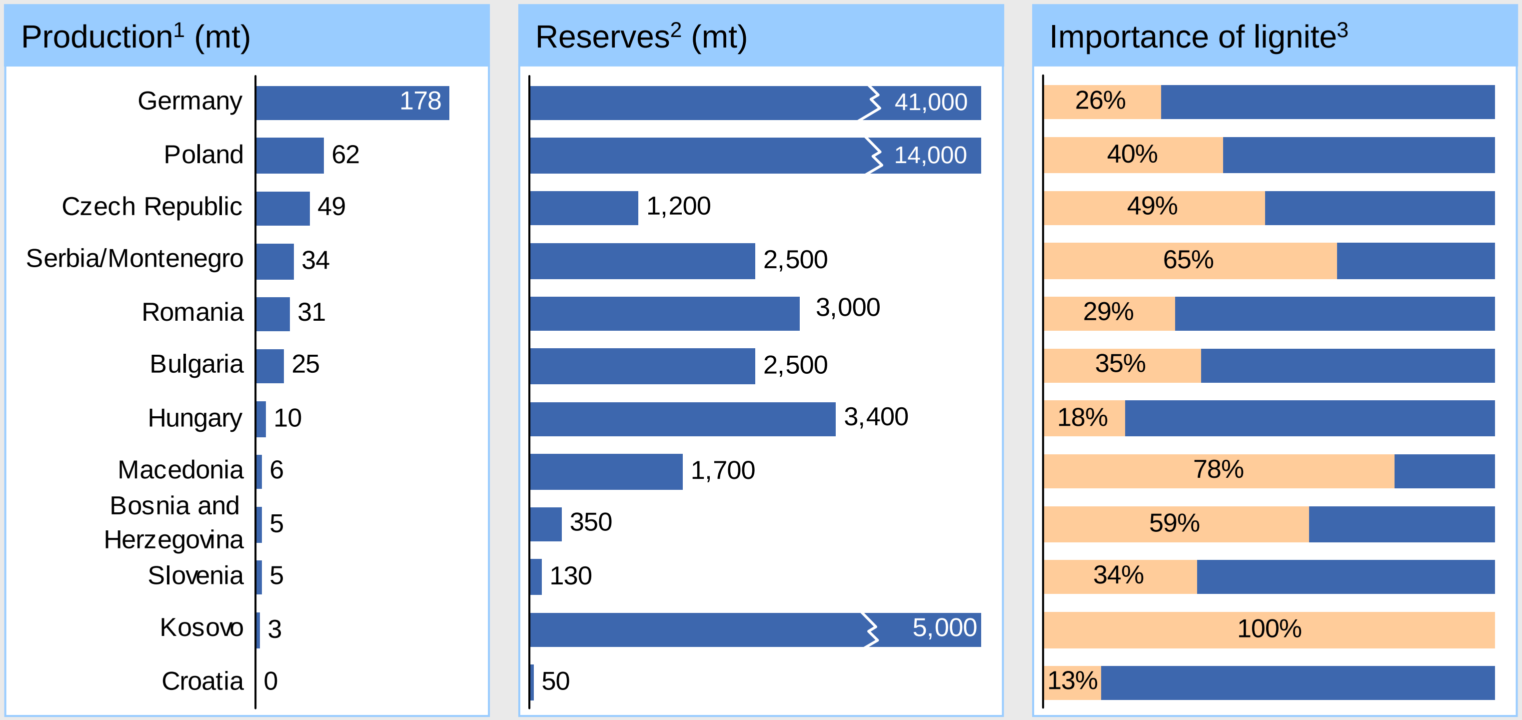
# Lignite opportunities for RWE in CEE countries

## Lignite coal in selected CEE countries and Germany, 2005




Our lignite position and experience gives us a competitive advantage for upcoming privatization projects in CEE countries.

1 Source: “Energy Statistics of OECD and Non-OECD Countries”, Edition 2006
2 Source: “Euracoal”; RWE
3 Share of lignite in total power generation; Source: VDEW, RWE

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# *RWE's integrated gas position – strong platform for growth*

## Europe's largest gas companies (2005)

(Gas sales volume in bcm)

| | |
|---|---|
| ENI (ITA) | 86 |
| E.ON (GER) | 84 |
| Gasterra (NED) | 81 |
| GdF (FRA) | 68 |
| Centrica (GBR) | 39 |
| RWE[1] (GER) | 34 |
| Wintershall (GER) | 33 |
| Gas Natural (ESP) | 29 |
| Distrigaz (BEL) | 18 |
| VNG (GER) | 15 |

## RWE's key gas figures (2006)

| | |
|---|---|
| Gas sales volume (bcm) | 33.5 |
| External gas revenue (€ bn) | 12.1 |
| Customers[2] (million) | 10.2 |
| Gas and oil reserves / resources in m bbl oe | 1,068 |
| Gas and oil production in thousand bbl oe/day | 125 |
| Storage capacity (in bcm) | 6.1 |
| Pipelines (in km) | 116,505 |

| Equity gas/oil production at RWE Dea (upstream) | | Gas fired power generation and gas sales (downstream) |
|---|---|---|
| 6.5 bcm | (17%) | 39 bcm |

1 RWE: 2006

2 Including participations ≥ 20%

Source: RWE market analysis made from annual reports

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# RWE Gas Midstream: full integration of the Group‘s midstream activities

RWE Power

RWE Dea

RWE Trading*

RWE Energy

**Economic transfer of supply arrangements** →

## RWE Gas Midstream

Consolidation, optimisation and growth platform for RWE’s unregulated gas midstream business

- Gas procurement for RWE Energy’s supply operations
- Gas procurement for RWE Power’s power plants
- Management of gas sales for RWE Dea
- Commercial responsibility for all liquefied natural gas (LNG) activities
- Non-regulated gas transport, transit and storage
- Functional responsibility for gas trading

**Medium-term**

- Merge with RWE Trading to form an all commodity midstream company

→ **Supplying**

RWE Power

RWE Trading*

RWE Energy

* RWE Trading is the outlet for Gas Midstream into the traded wholesale markets and RWE Trading sources gas for RWE npower

# Strengthening our European gas position

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RWE

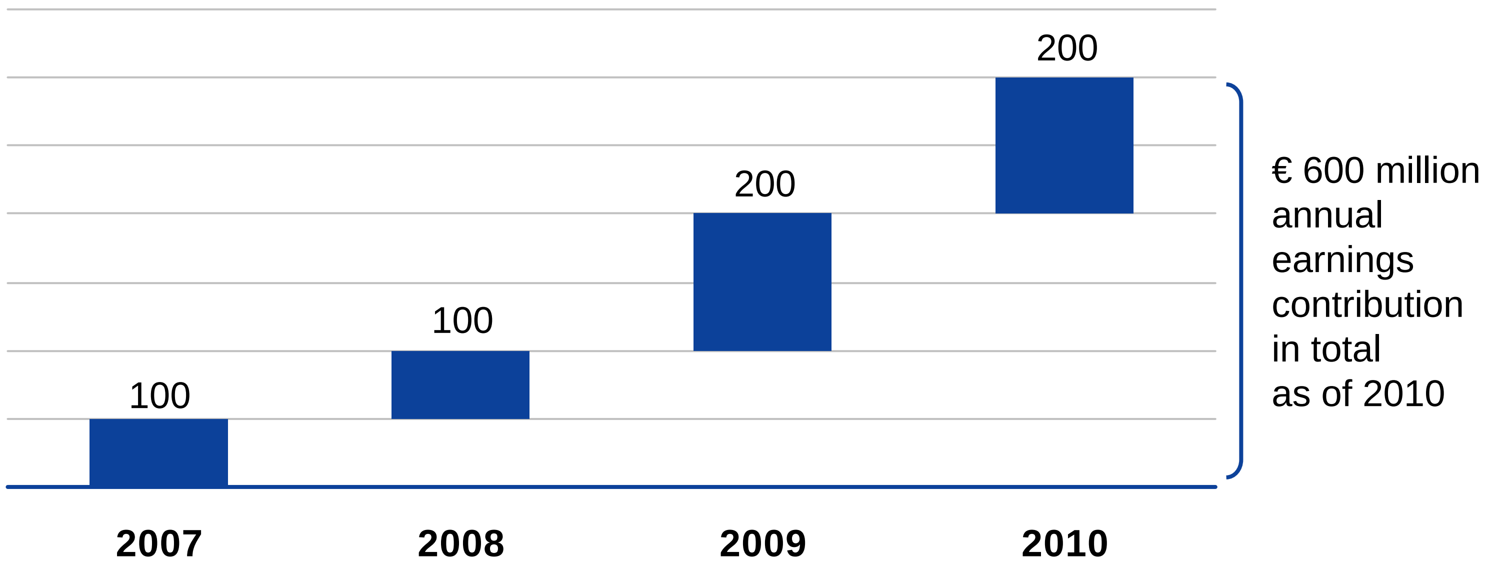
## Current initiatives

- Renewal of gas contract with Gazprom (gas supply of 9 bcm p.a. and transit through 2035)
- Working on liquefaction in Egypt to export RWE Dea's equity gas
- Substantial gas find by our joint venture with BP in Egypt (> 26 bcm for 100%)
- LNG project "Gate" (10% stake in regasification terminal in Rotterdam)
- LNG project "Adria" in Croatia (11% stake in a regasification terminal at the Croatian Adriatic coast)
- Cooperation with Excelerate Energy to exclusively market all their LNG landed in the UK
- Project to connect our German and Czech gas transportation systems

# *New efficiency enhancement targets*



Annual earnings contribution (€ million)




- Efforts will mainly focus on cost reductions from internal benchmarking processes and higher availability and increase in efficiency of our generation assets
- Efficiency gains will be fully accretive to operating result
- In addition, we aim to compensate for the cost inflation between 2007 and 2010

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# *External growth: Strategy and perspectives*

- We will stick to our strategy:
  - Targets have to make strategic sense (markets, synergies)
  - Targets have to fulfil our strict financial criteria
- M&A market is currently a sellers' market with stretched valuations, therefore patience is required
- Cash deals or asset swaps resulting from larger M&A or takeovers may be of interest

**Size is not a strategy – value is!**

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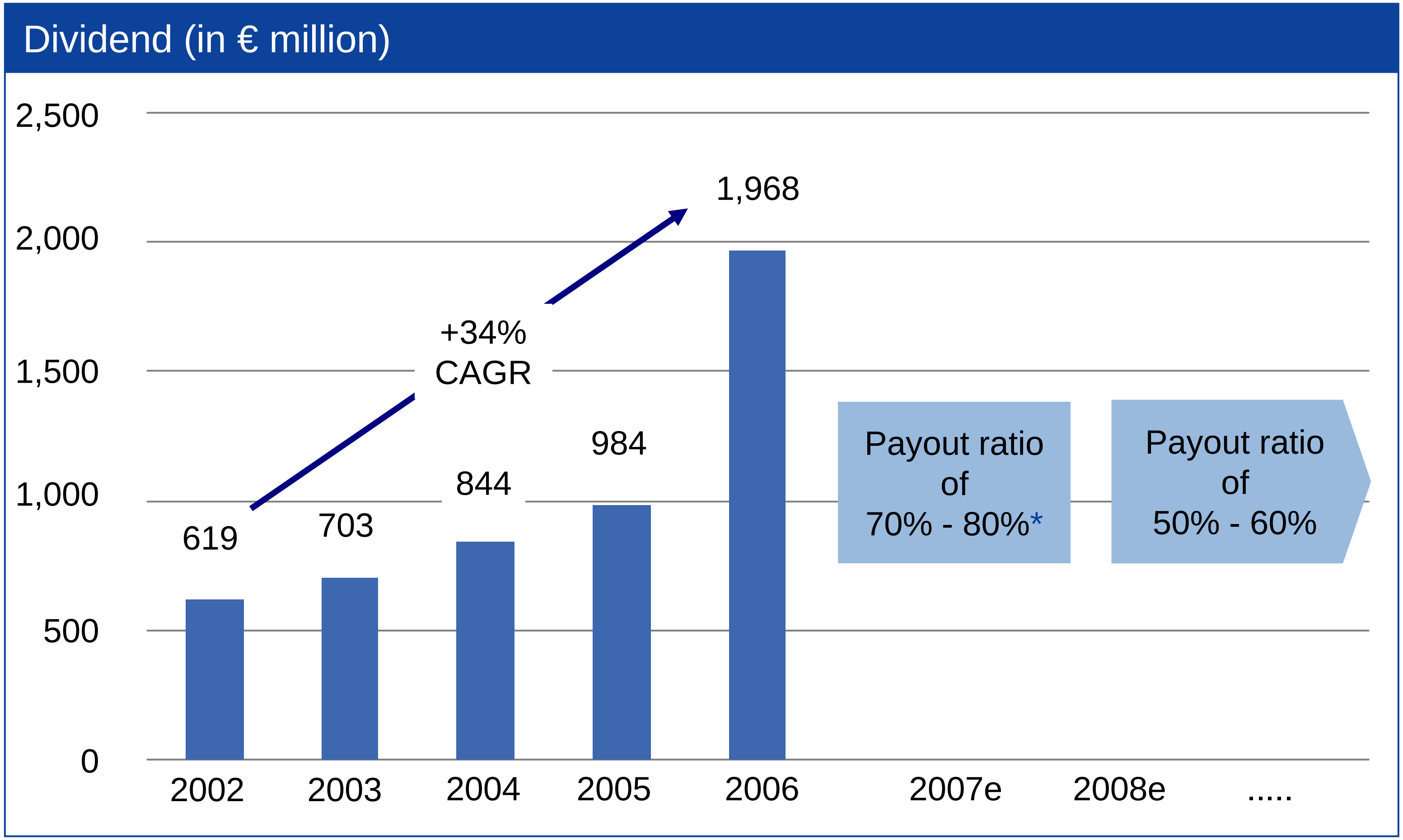
# *Shareholder-friendly dividend policy to continue*




* The prerequisite is a successful IPO of the majority of American Water

# Update on water disposal

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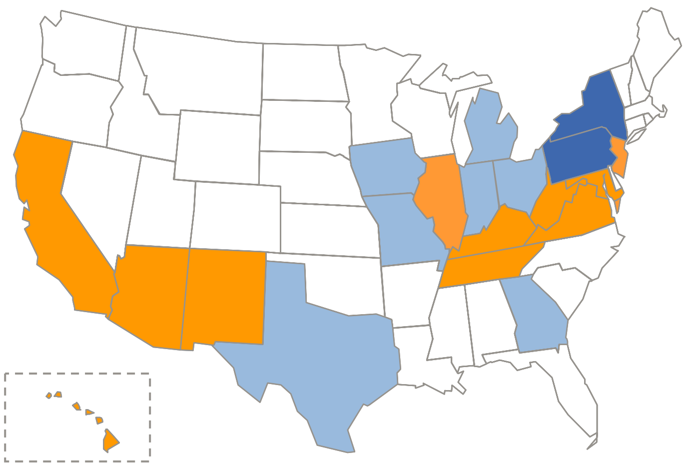
## States in which American Water has regulated operations



- Disposal approval granted
- Disposal approval pending
- No disposal approval necessary

## Update on planned disposal of American Water

- Petitions for regulatory approvals filed in 13 states – eleven approvals already received
- Necessary corporate functions (refinancing, risk management and internal control) established
- Successful private placement of $ 900 million senior unsecured notes in December 2006
- We are striving to launch an IPO of American Water in 2007. However, the timing is subject to market conditions, the regulatory approval process, the implementation of Sarbanes Oxley Act requirements, and the SEC registration process

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# German regulation: Antitrust legislation and network regulation

**Proposed amendment to the law against restraint of competition (GWB)**

- Enables cartel office to more strictly monitor energy prices for market abuse. Further key changes: reversal of burden of proof (utilities have to prove appropriateness of prices), immediate effect of interventions by the cartel office
- Draft amendment approved by German cabinet on April 25, 2007
- Decision by Parliament (Bundestag and Bundesrat) expected by summer/autumn 2007

**Regulation of electricity and gas networks**

- Final tariff review before onset of incentive regulation: Utilities to submit filings for 2008 electricity tariffs by June 30 and gas tariffs by September 30
- Draft scheme for incentive regulation published by Federal Ministry of Economics in April, 2007
- Joint decision by Federal Government and Bundesrat (upper house of parliament) expected by autumn 2007

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# *Update on Emissions Trading (I): The new German National Allocation Plan (NAP II)*

- On 22 June 2007, The German Parliament approved the NAP II:
  - New proposed emissions cap: 453 million t p.a. + 3 million t for gas by-products
  - Transfer rule will be replaced by a benchmark system; two best available technology (BAT) benchmarks are envisaged: 750 g CO2/kWh for coal and 365 g CO2/kWh for gas
  - New plants built 2003 or later will get a utilization factor of 7,500 h, lignite plants a factor of 8,250 h; older plants get historic average utilization 2000 – 2005
  - Only general commitment to continue the benchmark system beyond 2012
  - CDM/JI cap increased to 22%
  - Introduction of a malus rule: Old plants with thermal efficiency below 41% (lignite), 45% (hard coal) and 55% (gas) are allocated significantly less certificates
  - Auctioning of 40 million tonnes (8.8%) taken from the allocation to the energy sector
- Possible end of legislation process: beginning of July 2007

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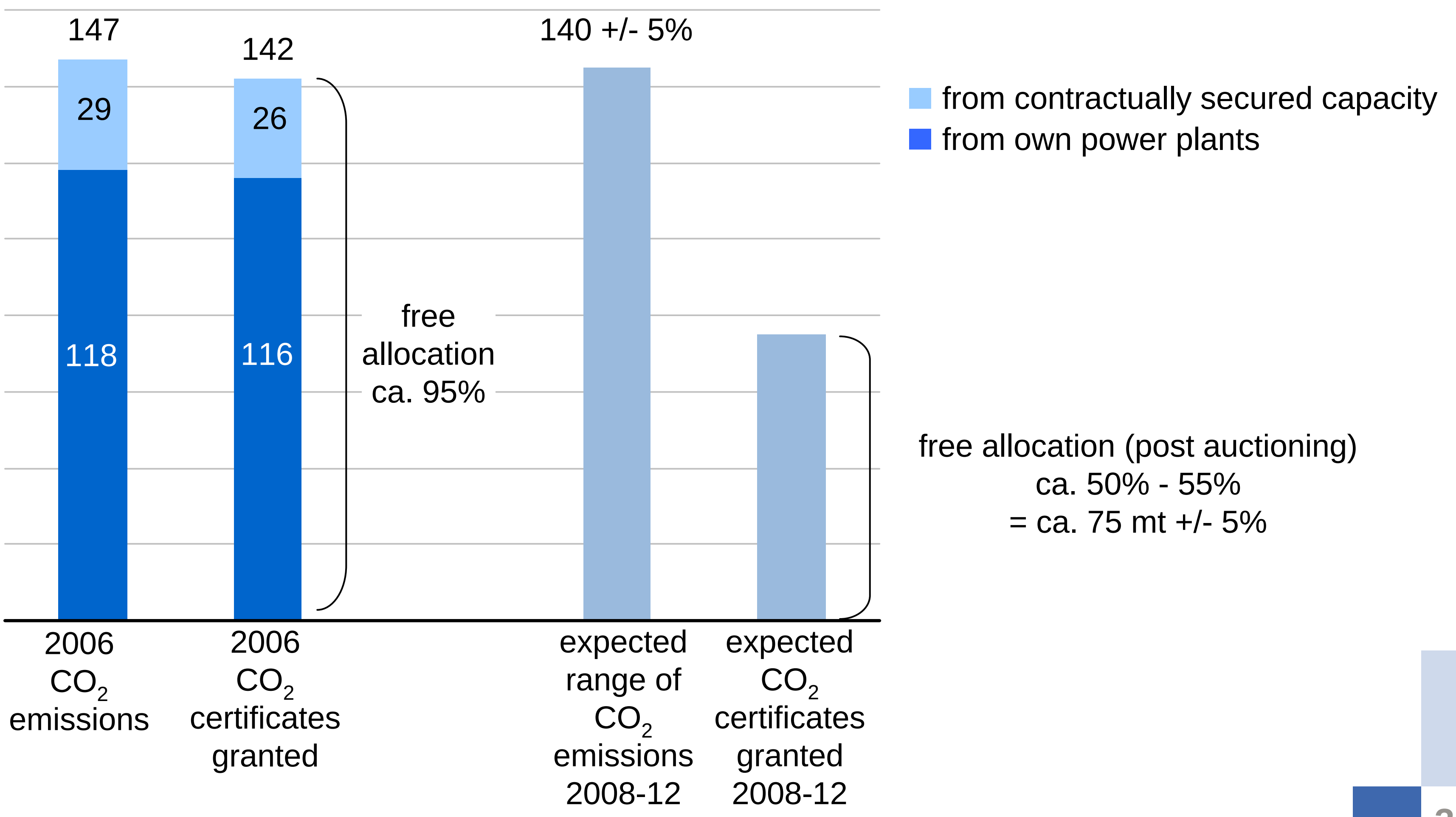
# *Update on Emissions Trading (II): Expected impact on RWE from German NAP II*

$CO_2$ emissions and free allocation of RWE in Germany (in million tons; annualized)



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# Update on Emissions Trading (III): Current status of UK Governmental draft (NAP II)

- The UK published a drafted NAP II in March 2006; following public consultation, the Government announced further details of the NAP at the end of June and submitted it to the EU Commission on August 21.
- On November 29 the EU Commission announced that it accepted the UK NAP II with only minor adjustments. A revised installation-level allocation list was published on December 18.
- Key elements:
  - Emission cap for CO2 certificates: 237 mil t p.a. from 2008 – 2012 compared with 245 mil t p.a. in phase I
  - Auctioning is set at 7% of total allocation, all of which will be taken from the electricity sector
  - Allocations to individual sectors will be in line with business as usual except for the electricity
    sector which will bear the entire shortfall in the total allocation
  - 8% cap on utilisation of certificates derived from CDM/JI
  - The allocation to the electricity sector, including the new entrant reserve, is 107.4 mil t p.a. compared with 136.9 mil t p.a. in phase I
  - Allocation to RWE npower is 12.4 mil t p.a. compared with 15.8 mil t p.a. in phase I (excl. CHP)

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# Outlook for 2007

| | Reported 2006[1] € million | Pro forma 2006[2] € million | 2007 forecast[2] |
|---|---|---|---|
| EBITDA | 7,861 | 7,172 | +5% - 10% |
| Operating result | 6,106 | 5,681 | ca. +10% |
| RWE Power | 2,744 | 2,744 | ↗ |
| RWE Energy | 2,506 | 2,506 | ↘ |
| RWE npower | 512 | 512 | ↗ |
| Water Division | 425 | DCO[2] | DCO[2] |

1 Exchange rates of (€ 1 =) USD 1.26; GBP 0.68
2 Pro forma: Water Division discontinued operations (DCO)

# *Outlook for 2007*

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RWE

| | Reported 2006[1] € million | Pro forma 2006[2] € million | 2007 forecast[2, 3] |
|---|---|---|---|
| External revenue | 44,256 | 42,554 | ↗ |
| Operating result | 6,106 | 5,681 | ca. +10% |
| Net income | 3,847 | 3,847 | ↘ |
| Recurrent net income | 2,466 | 2,466 | ca. +10% |
| Capex on fixed assets | 4,494 | 2,910[4] | ca. € 4 bn[4] |

1 Exchange rates of (€1 =) USD 1.26; GBP 0.68
2 Pro forma: Water Division discontinued operations (DCO)
3 Based on exchange rates of €/GBP = 0.70
4 Adjusted for Water capex

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# *New mid-term targets*

| Dividend | Share buy back | Operating result | Recurrent net income | Efficiency enhancements |
|---|---|---|---|---|
| For **2007:** proposal of extraordinary payout ratio 70%-80%*<br>**as of 2008:** regular payout ratio 50%-60% | Planned upon the deconsoli-dation of American Water | 5% CAGR from organic growth | 10% CAGR until 2008 | € 600 m annual earnings contribution by year-end 2010 |


* The prerequisite is a successful IPO of the majority of American Water.

# Reminder…

To be always updated, please have a look at our webpage.

Navigation around www.rwe.com

- Calendar
  Investor Relations > Calendar

- Annual Report
  Investor Relations > Financial Reports > Annual Report

- Interim Report
  Investor Relations > Financial Reports > Interim Reports

- Fact book (300 pages on our company and its divisions)
  Investor Relations > Presentations > Factbook > RWE Facts & Figures
  Fact book specials:

| | |
|---|---|
| Emissions trading: | Investor Relations > Presentations > Factbook |
| Fixed income: | Investor Relations > Presentations > Factbook |
| SRI: | Investor Relations > Presentations > Factbook |
| German network regulation: | Investor Relations > Presentations > Factbook |
| Electricity generation capacity | Investor Relations > Presentations > Factbook |

- RWE as seen by analysts (overview of latest analyst earnings estimates)
  Investor Relations > Shares > RWE as seen by analysts

- RWE bonds as seen by analysts (overview of latest analyst ratings)
  Investor Relations > Bonds > Credit Analyst's Estimates