

Ready to invest in organic growth

Investor and Analyst Conference
H1 2007
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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.

Today's agenda

A

Harry Roels

Highlights of H1 2007, Update on Group topics

B

Rolf Pohlig

**Group results H1 2007 and divisional performance,
Outlook 2007**

Key messages

Performance H1 2007

- Operating result +18%
- Net income +58%
- Recurrent net income +16%

Regulation

- Clarity on German National Allocation Plan II
- More clarity on cornerstones of incentive based regulation for German networks

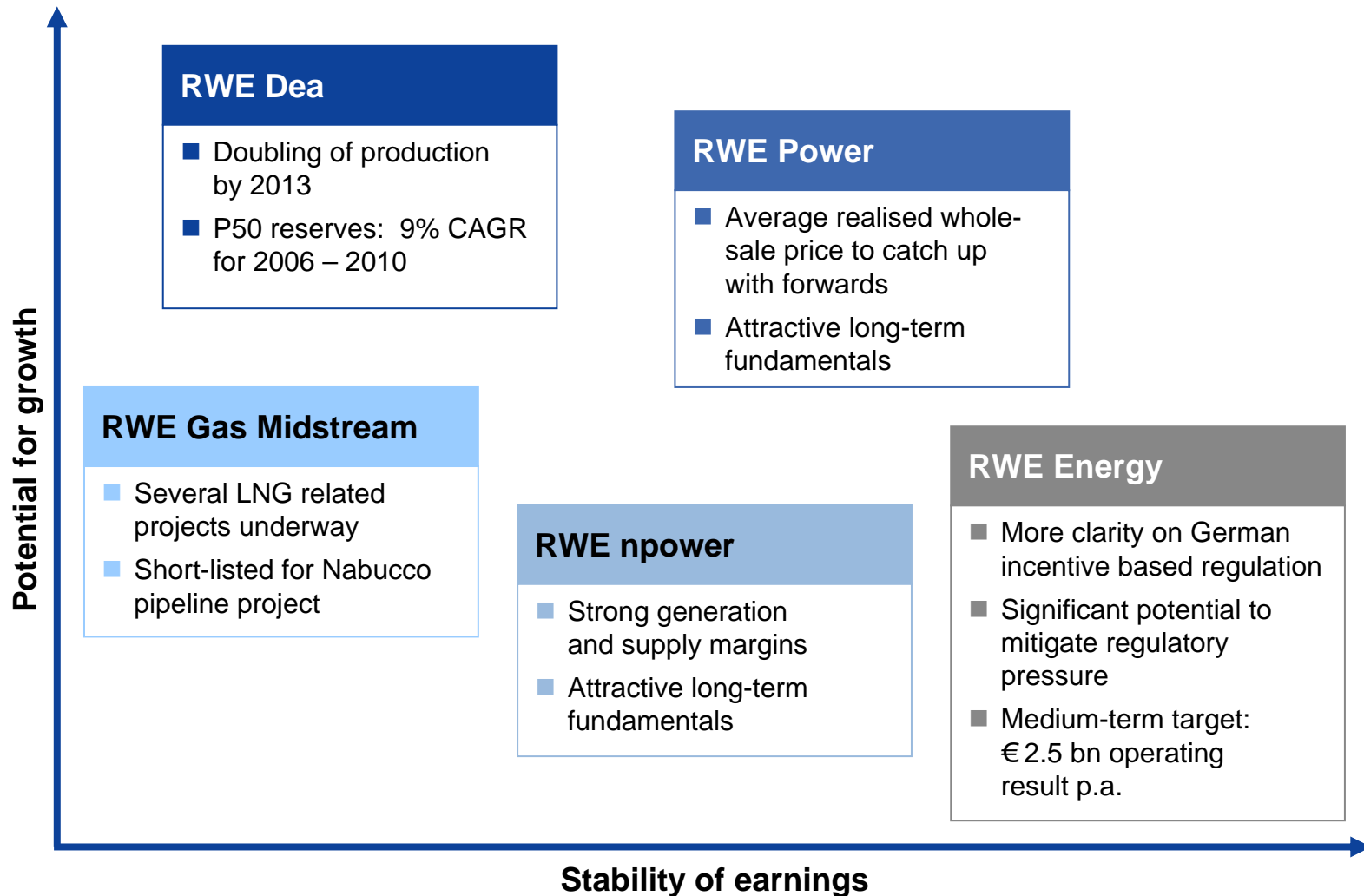
Strategy

- “Go ahead” for major organic growth projects
- Ambitious targets to offset increasing cost of carbon
- American Water – all necessary state approvals received

Outlook

- Outlook for 2007 raised
- Update on medium-term outlook for RWE Energy earnings
- Strong increase in production of RWE Dea

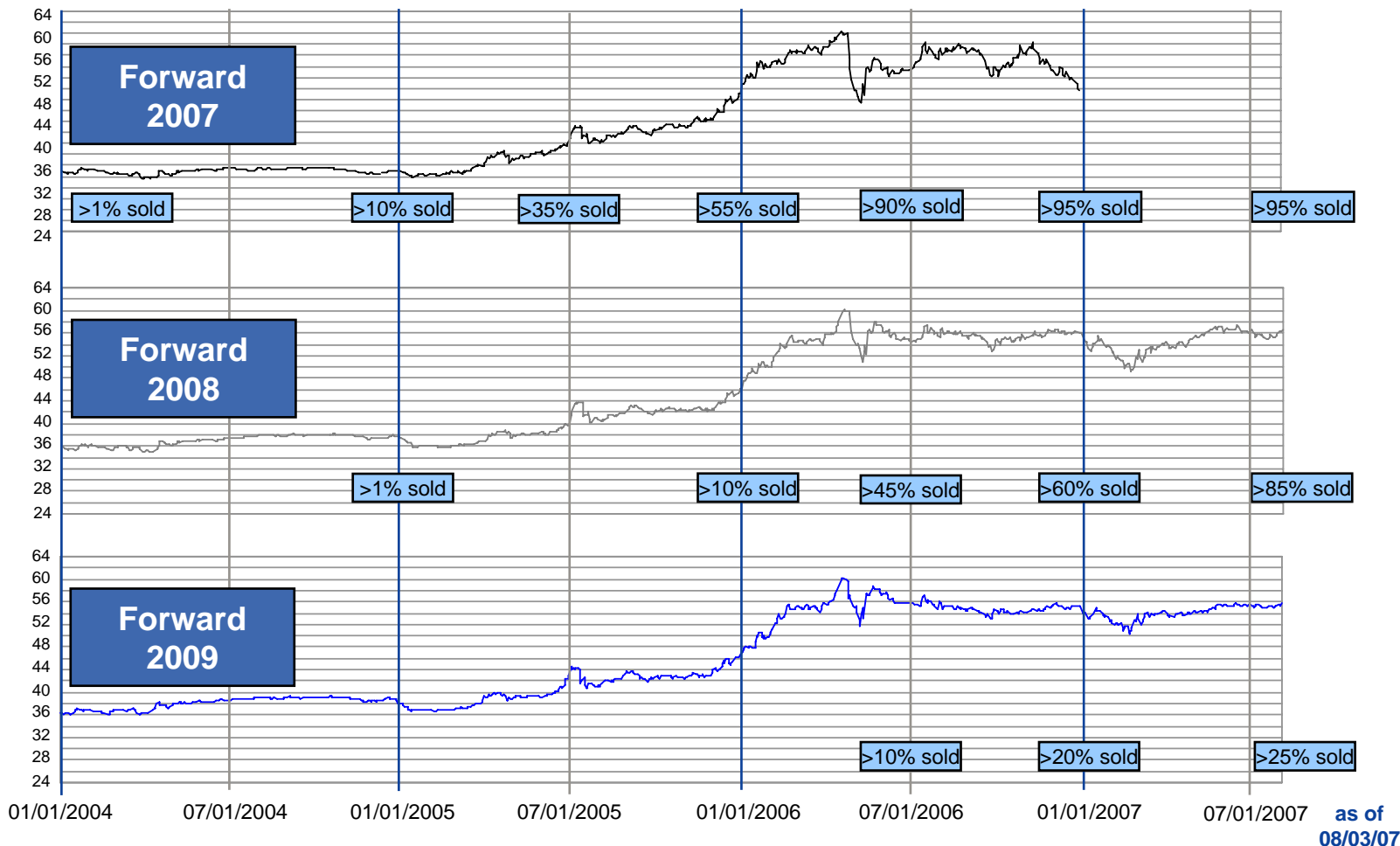
Paving the way for further organic profit growth



RWE Power: Still more than € 15/MWh¹⁾ to catch up with current market price



Forward selling of RWE Power in the German market (base load forwards in €/MWh)



¹⁾ compared to average realised price of € 38/MWh for forward 2006

RWE Power: Upgrading our hard coal based power plant portfolio in Continental Europe



	Hamm (Germany)	Ensdorf (Germany)	Eemshaven (Netherlands)
Capex	2.0 € bn	2.0 € bn	2.2 € bn
Capacity (net)	1,530 MW	1,530 MW	1,560 MW
Commissioning	2012	2012	2012
Thermal Efficiency	46%	46%	46%
CO ₂ reduction (compared to average old coal plant)	20%	20%	20%
Special items	Participation of municipalities (350 MW)	–	–
Strategic rationale	<ul style="list-style-type: none"> ■ Replacement 	<ul style="list-style-type: none"> ■ Replacement 	<ul style="list-style-type: none"> ■ Growth, market entry ■ Attractive spreads (gas is mainly marginal plant in NL) ■ Seaside location (attractive cooling and logistics) ■ Tight capacity in NL
Additional advantages	<ul style="list-style-type: none"> ■ Synergies from building a convoy of plants ■ Carbon Capture and Storage possible for all plants 		

RWE Power: Coal is an attractive option in the German market even with tight CO₂ allocation (I)

Site and components

- Consented brown-field sites available
- Secured favourable contracts for plants which may not be available in the foreseeable future (tight market for critical power plant components)
- Synergies from building a convoy of plants

Capacity bottleneck

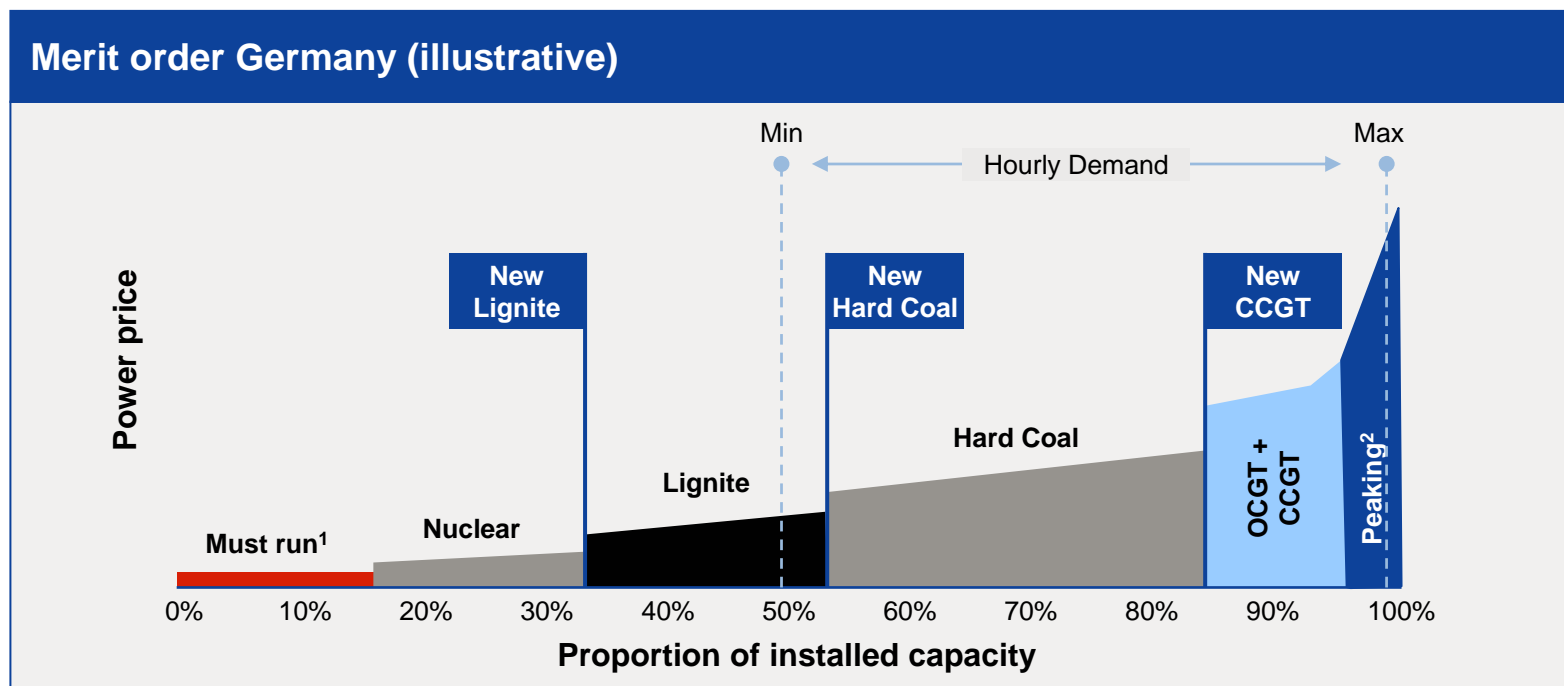
- Tight reserve margins should lead to long-run, firm power prices in Germany and adjacent markets
- By 2020, Germany will need at least 35 GW of new build (excl. phase-out of nuclear plants). So far, construction of only 6 GW has been started.

Fuel prices and CO₂

- We assume that future gas and coal prices as well as CO₂-prices will ensure a base load position for new hard coal in the German merit order
 - We assume that clean dark spreads will accommodate new hard coal
- ➔ **As a result of these favourable conditions we are able to build even under a scenario including 100% auctioning and CO₂ prices of up to 30€/t**

RWE Power: Coal is an attractive option in the German market even with tight CO₂ allocation (II)

- New hard coal plants benefit from price setting by less efficient, older, hard coal and gas plants



¹) Including renewables and CHP, ²) Oil, OCGT, Hydro, etc.

RWE npower: Doubling of our gas-fired new-build in the UK



Staythorpe (CCGT)

Pembroke (CCGT)

	Staythorpe (CCGT)	Pembroke (CCGT)
Capex	0.9 €bn	1.1 €bn
Capacity (net)	1,650 MW	2,000 MW
Commissioning	2010	2011
Thermal Efficiency	58%	59%
CO ₂ reduction (compared to average old coal plant)	60%	60%
Special items	-	Pending Section 36 consent

Strategic rationale

- Early mover advantage to gain market share within the pending "gap" in UK generation base
- CCGTs are likely to be the main plant type built (and also price-setting plant) out to 2020

RWE npower: Gas is the most attractive option for new-build in the UK market (I)

Site and components

- Brown-field sites available; Staythorpe already consented
- Secured favourable contracts for plants which may not be available in the foreseeable future (tight market for critical power plant components)

Capacity bottleneck

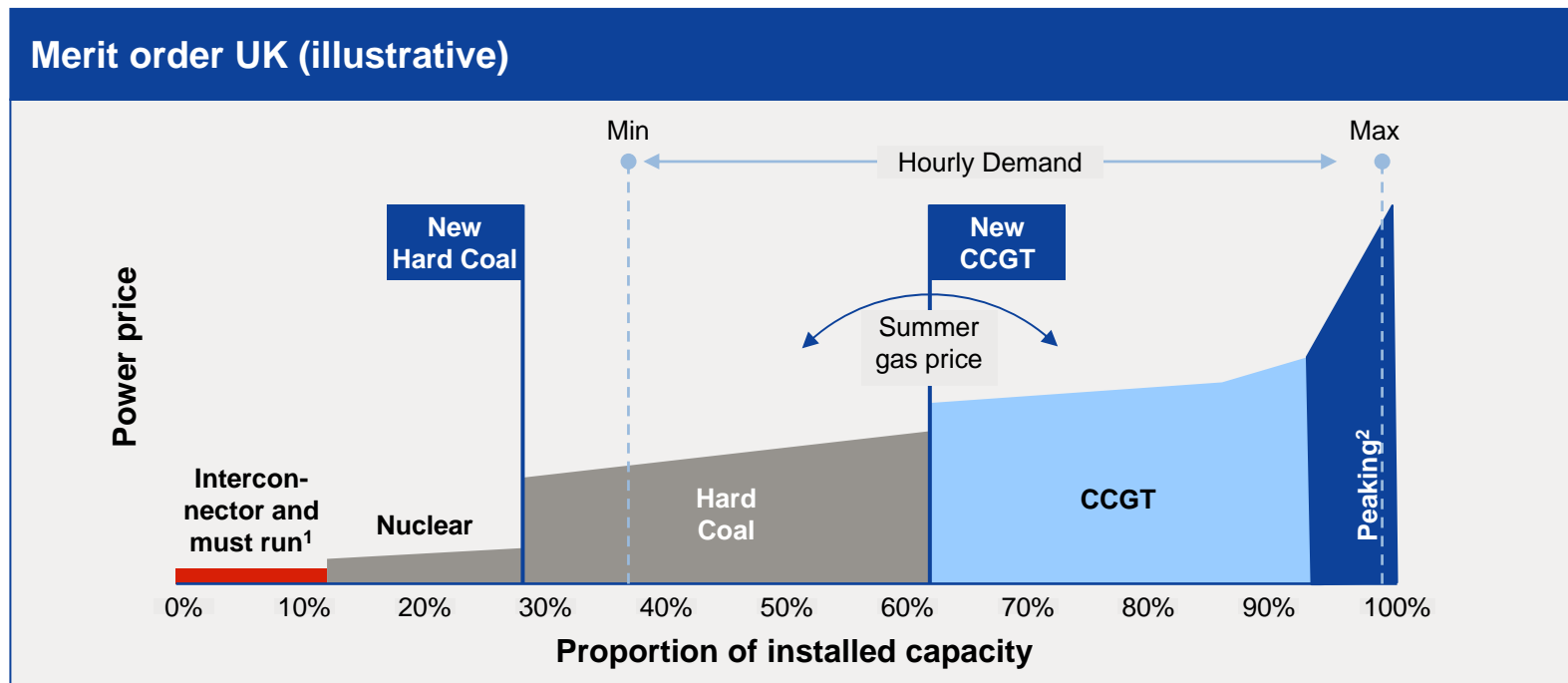
- Tight reserve margins should lead to long-run, firm power prices
- By 2020, UK will need some 35 GW of new build. So far, construction of only 2 GW has been started
- Coal plants could not be built in the UK before 2014/15 because of consenting and procurement constraints

Fuel prices and CO₂

- Clean spark spreads are broadly in the range to remunerate new CCGTs

RWE npower: Gas is the most attractive option for new-build in the UK market (II)

- Gas benefits from price setting of less efficient, older, hard coal and gas plants and from high load factors (gas runs base load)



¹) Including renewables and CHP, ²) Oil, OCGT, Hydro, etc.

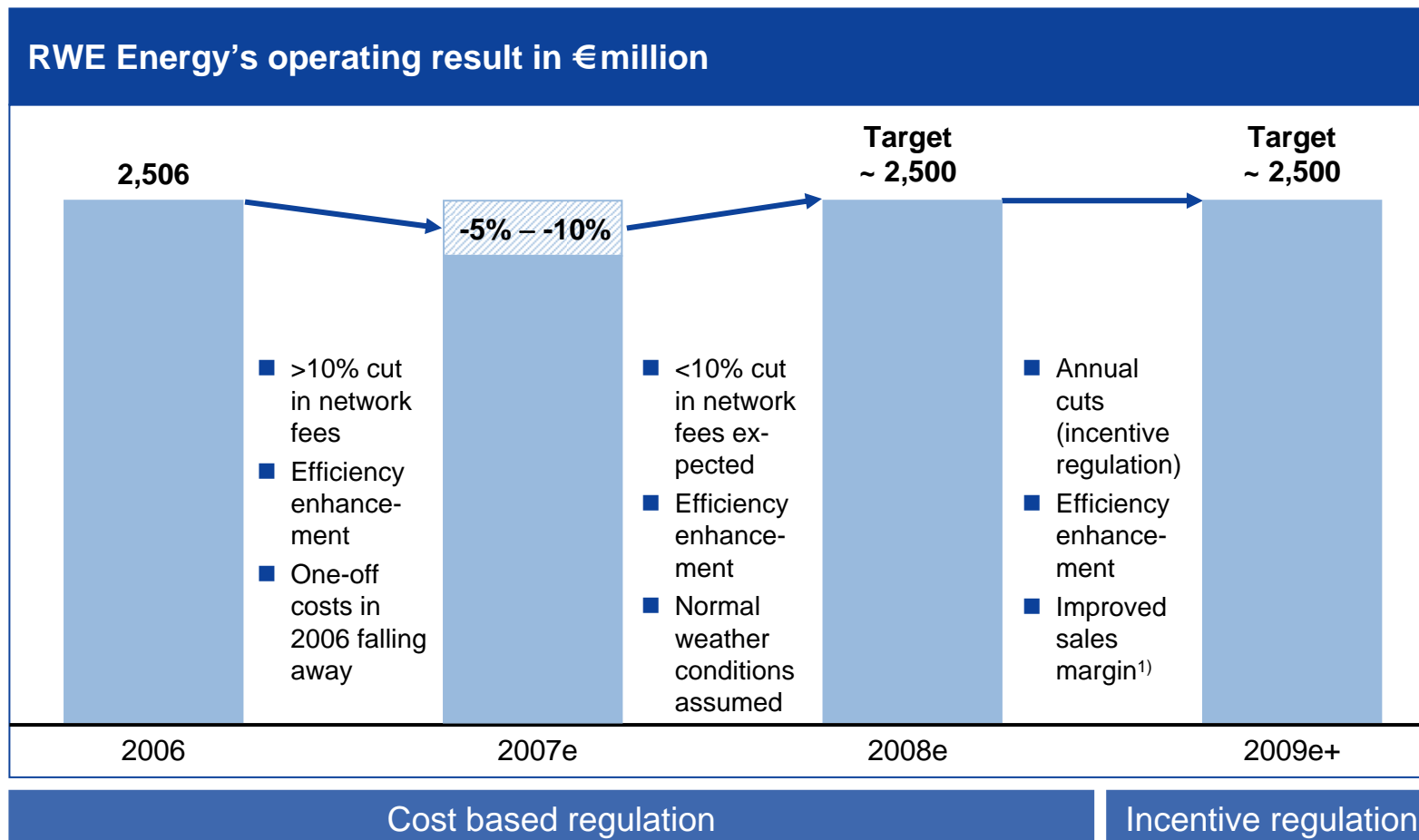
RWE Energy: More clarity on incentive network regulation leads to higher earnings visibility

- Last cost-based tariff review (2008) before 2013 for German electricity and gas grids
- We have filed all our electricity network tariffs, filing for gas tariffs by September 30 (all based on 2006 costs)
- Introduction of incentive based regulation (2009); decision by the Bundesrat (Upper House of Parliament) possible on September 21, 2007

Key elements of incentive based regulation in the draft approved by the Federal Government:

- Two regulatory periods, each five years
- Revenue cap, general efficiency factor for first five years 1.25% p.a.; second five years 1.5% p.a.
- Minimum efficiency level set at 60% (electricity and gas)
- Most efficient grid operators remain the benchmark (= 100% efficiency)
- Surcharge for capex (cost of capital of 1% of asset replacement value)

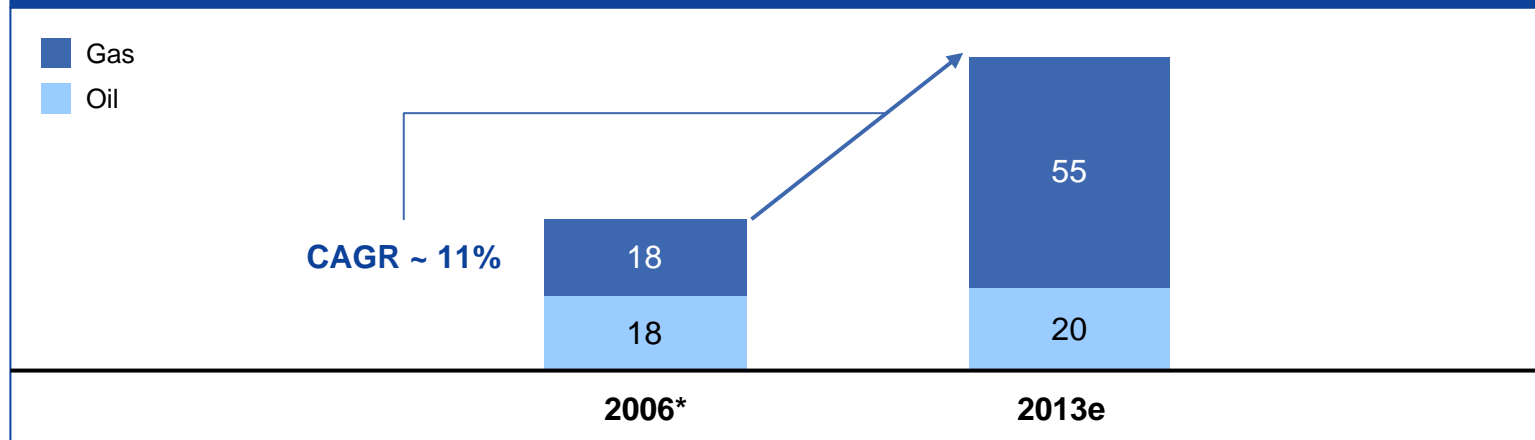
RWE Energy: Medium-term earnings stability on a high level



¹⁾ Subject to increase in sales margin to average standards in liberalized supply markets

RWE Dea: Ambitious new targets

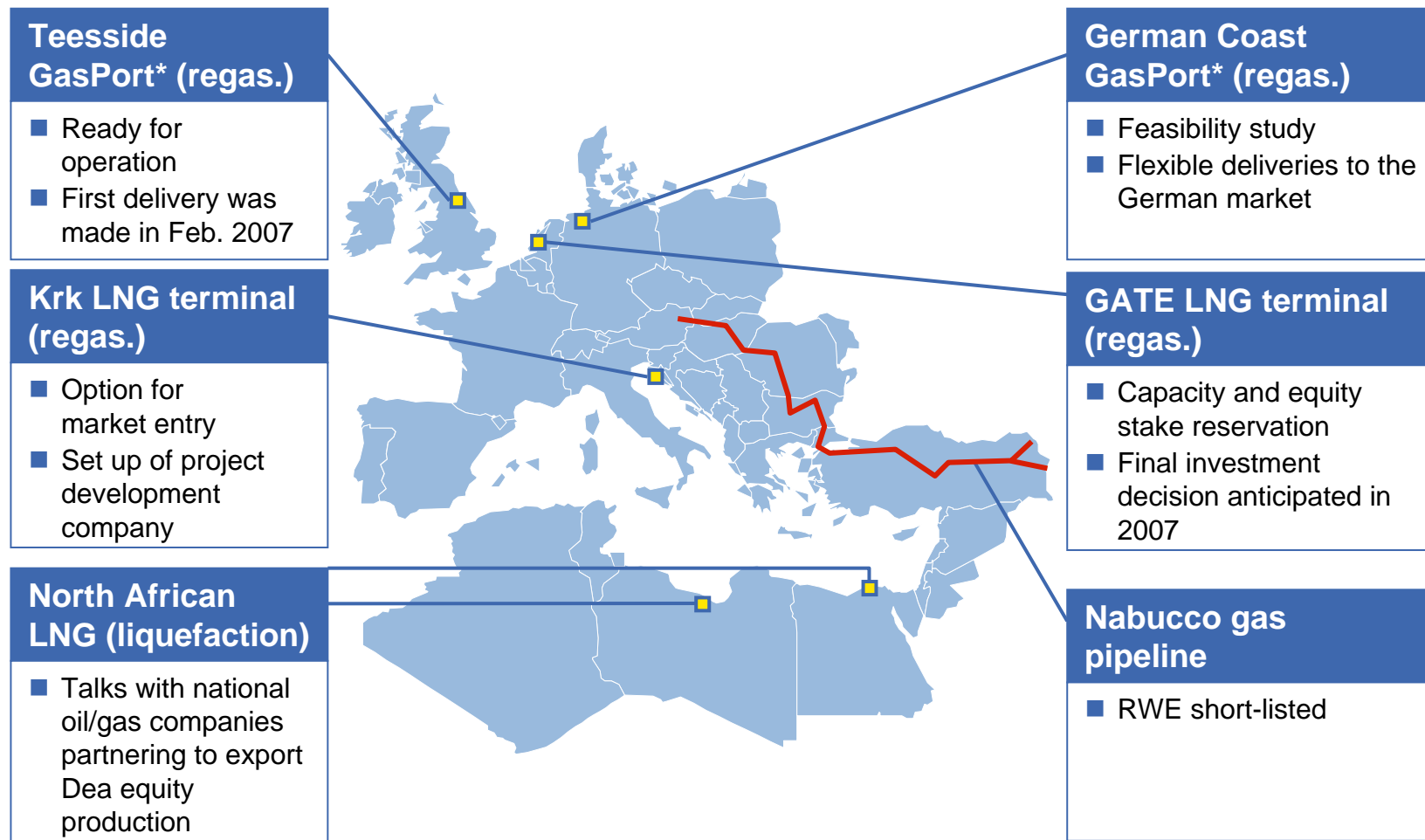
Target: Doubling of annual production by 2013 (million boe)



- Organic growth through defined development projects
- Growth of P50 reserves (9% CAGR 2006-2010) through conversion of existing resources
- Growth of resources by stepping up exploration in all core areas
- Number of exploration/appraisal wells quadrupled since 2005 (10 → ca. 40 wells)
- High exploration/appraisal success ratio maintained (ca. 60%)

*) Excl. Dubai and Kazakhstan production volumes

RWE Gas Midstream: Various projects in preparation



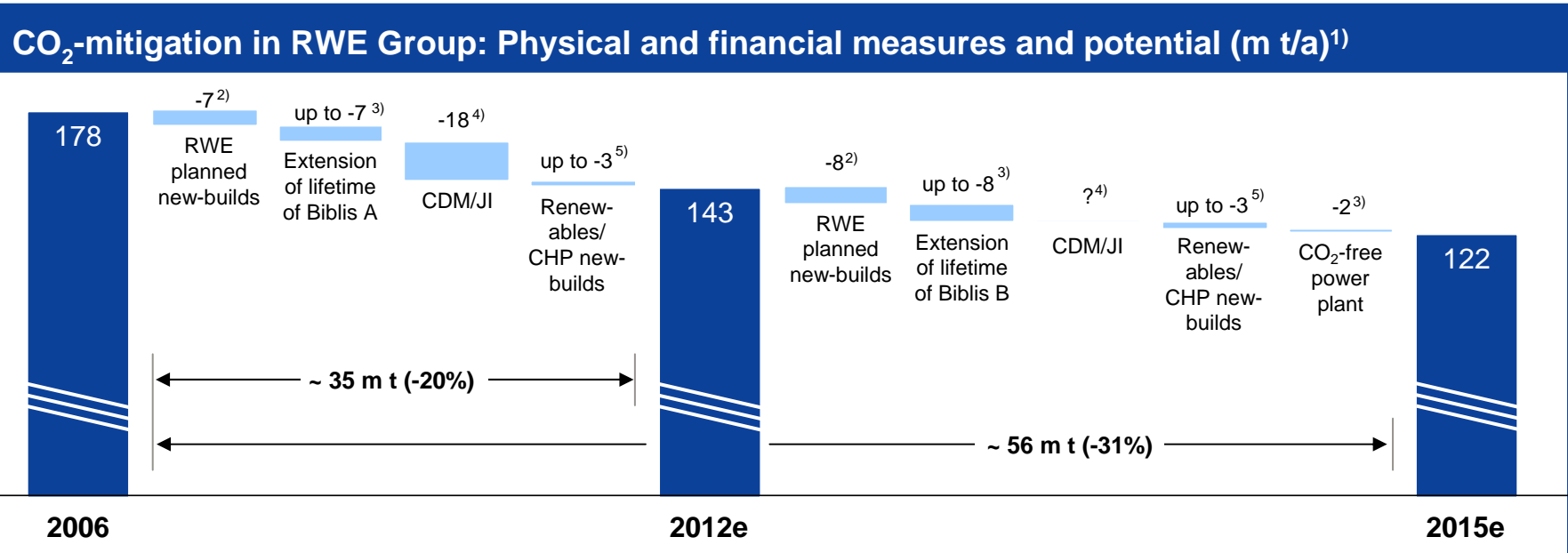
* LNG entry point with regasification on board LNG vessel; no onshore LNG storage tanks required

Clarity on Emissions Trading: German National Allocation Plan (NAP II) finalised

- On July 6, 2007, the Upper House of Parliament agreed on NAP II:
 - Emissions cap: 453 million t p.a. + 3 million t for gas by-products
 - Benchmark system; two best available technology (BAT) benchmarks: 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
 - Malus rule: Old plants with thermal efficiency below 41% (lignite), 45% (hard coal) and 55% (gas) are allocated significantly less certificates
 - Only general commitment to continue the benchmark system beyond 2012
 - CDM/JI cap increased to 22%
 - Auctioning of 8.8% (= 40 million t p.a.) of the 453 million t p.a. allocation

- See RWE fact book on CO₂ emissions trading in Europe for further details (www.rwe.com > investor relations)

We aim to significantly reduce our physical and financial exposure to carbon



Requirements for economically and ecologically reasonable CO₂-mitigation

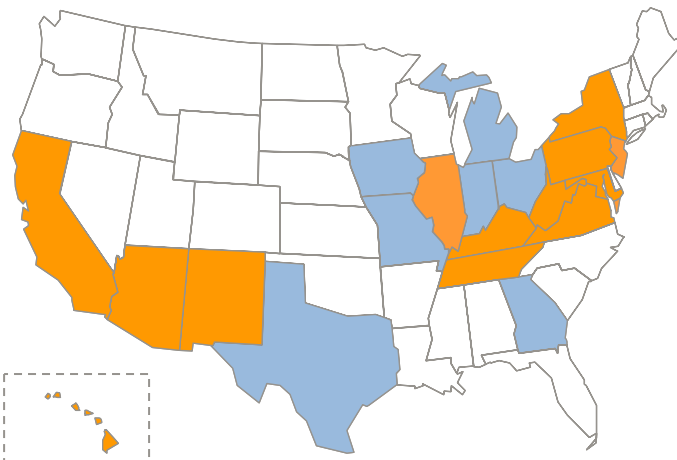
- Political framework allows for extension of lifetimes of nuclear power plants, an economic use of renewables and CO₂-free coal technology
- Power plants with above average CO₂ emissions will be decommissioned, as long as it is economic and security of supply will not be endangered

Comments

- 1) Excl. growth investments and market induced load factor changes
- 2) New-builds with decommissioning and lower load factors of old plants (depending on market conditions)
- 3) Depending on political framework; avoidance of emissions from old coal plants
- 4) CDM / JI-projects for covering a maximum of 22% of CO₂-allocation in Germany and 9% in UK (avg. 10-12€/t mix of price and costs); framework post 2012 not clear yet
- 5) Avoidance of emissions from coal- and gas-fired plants

Update on the planned disposal of American Water

States in which American Water has regulated operations



- Disposal approval granted
- No disposal approval necessary

Status quo

- All state approvals (13) received
- Necessary post IPO corporate functions established
- Successful private placement of \$ 1.1 billion senior unsecured notes
- We are striving to launch an IPO of at least the majority of American Water in 2007. However, the timing is subject to market conditions, the implementation of Sarbanes Oxley Act requirements, and the SEC registration process

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**Group results H1 2007 and divisional performance,
Outlook 2007**

RWE Group results H1 2007



January – June € million	2007	2006*	change in %
EBITDA	5,187	4,520	+14.8
Operating result	4,449	3,758	+18.4
Non-operating result	-94	-395	+76.2
Financial result	-551	-873	+36.9
Income from continuing operations before tax	3,804	2,490	+52.8
Taxes on income	-1,052	-853	-23.3
Income from continuing operations	2,752	1,637	+68.1
Income from discontinued operations	–	129	-100.0
Minority interest	123	107	+15.0
Net income	2,629	1,659	+58.5
Recurrent net income	2,226	1,920	+15.9
Average No. of shares (million)	562.4	562.4	–
EPS (€)	4.67	2.95	+58.3

* Adjusted figures: See interim report page 14.

Divisional performance



January - June € million	Operating Result			EBITDA		
	2007	2006	Change in %	2007	2006	Change in %
RWE Power	2,429	1,690	+43.7	2,698	1,979	+36.3
Power Generation ¹	2,139	1,338	+59.9	2,314	1,543	+50.0
RWE Dea	290	352	-17.6	384	436	-11.9
RWE Energy ²	1,522	1,723	-11.7	1,762	1,984	-11.2
German regions	780	1,019	-23.5	954	1,167	-18.3
International regions	335	386	-13.2	366	460	-20.4
Supraregional operations	456	471	-3.2	496	505	-1.8
Other / consolidation	-49	-153	+68.0	-54	-148	+63.5
RWE npower	395	274	+44.2	463	331	+39.9
Water Division	181	209 ³	-13.4	312	342 ³	-8.8
Other / consolidation	-78	-138	+43.5	-48	-116	+58.6
Total	4,449	3,758³	+18.4	5,187	4,520³	14.8

¹ Including RWE Trading.

² Regional structure adjusted; see interim report page 14.

³ Adjusted figures: Thames Water and the other water activities sold in 2006 are not included.

Non-operating result

January – June € million	2007	2006*	Change (absolute)
Capital gains	262	29	+233
Impairment losses	-	-	-
Restructuring / other	-356	-424	+68
Total	-94	-395	+301

■ Capital gains: sale of Dutch gas grid assets and a 25% stake in rhenag

■ Restructuring / other:

- Amortization of RWE npower's customer accounts (€ -165 m)
- Income from change of nuclear provisions (€ +89 m)
- Settlement of pending tax issues at RWE npower (€ -138m)

* Adjusted figures: See interim report page 14.

Financial result



January – June € million	2007	2006*	Change in %
Net interest result	-307	-316	+2.8
Interest accretion to non-current provisions	-466	-584	+20.2
Other financial result	222	27	+722.2
Total	-551	-873	+36.9

■ Other financial result:

- Book gain from the transfer of securities to the new CTA (€ +155 m)
- Positive effect due to the redemption of our Heidelberger Druckmaschinen exchangeable and the selling of Heidelberger Druckmaschinen shares (€ +142m)

* Adjusted figures: See interim report page 14.

Cash flow statement



January – June € million	2007	2006	Change (absolute)
Income	2,752	1,766	986
Depreciation, amortization, impairment losses and write-backs	1,152	1,443	-291
Changes in provisions	-337	348	-685
Changes in deferred taxes	362	105	257
Disposal gains	-589	-266	-323
Other non-cash items	146	52	94
Funds from operations	3,486	3,448	38
Changes in working capital and other balance sheet items	-935	-89	-846
Cash flows from operating activities	2,551	3,359	-808
Capex on fixed assets	-1,484	-1,590	106
Free cash flow	1,067	1,769	-702

Outlook for 2007 (I)

	Reported 2006 ¹ € million	Pro forma 2006 ² € million	2007 forecast ^{2,3}
EBITDA	7,861	7,172	+5 – 10%
Operating result	6,106	5,681	+10 – 15%
RWE Power	2,744	2,744	↗
RWE Energy	2,506	2,506	-5 – -10%
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)

³ Based on exchange rates of €/GBP = 0.70

Outlook for 2007 (II)

	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	+10 – 15%
Net income	3,847	3,847	↘
Recurrent net income	2,466	2,466	≥ +15%
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

Back-ups



Classification of reserves & resources

← Range of uncertainty →

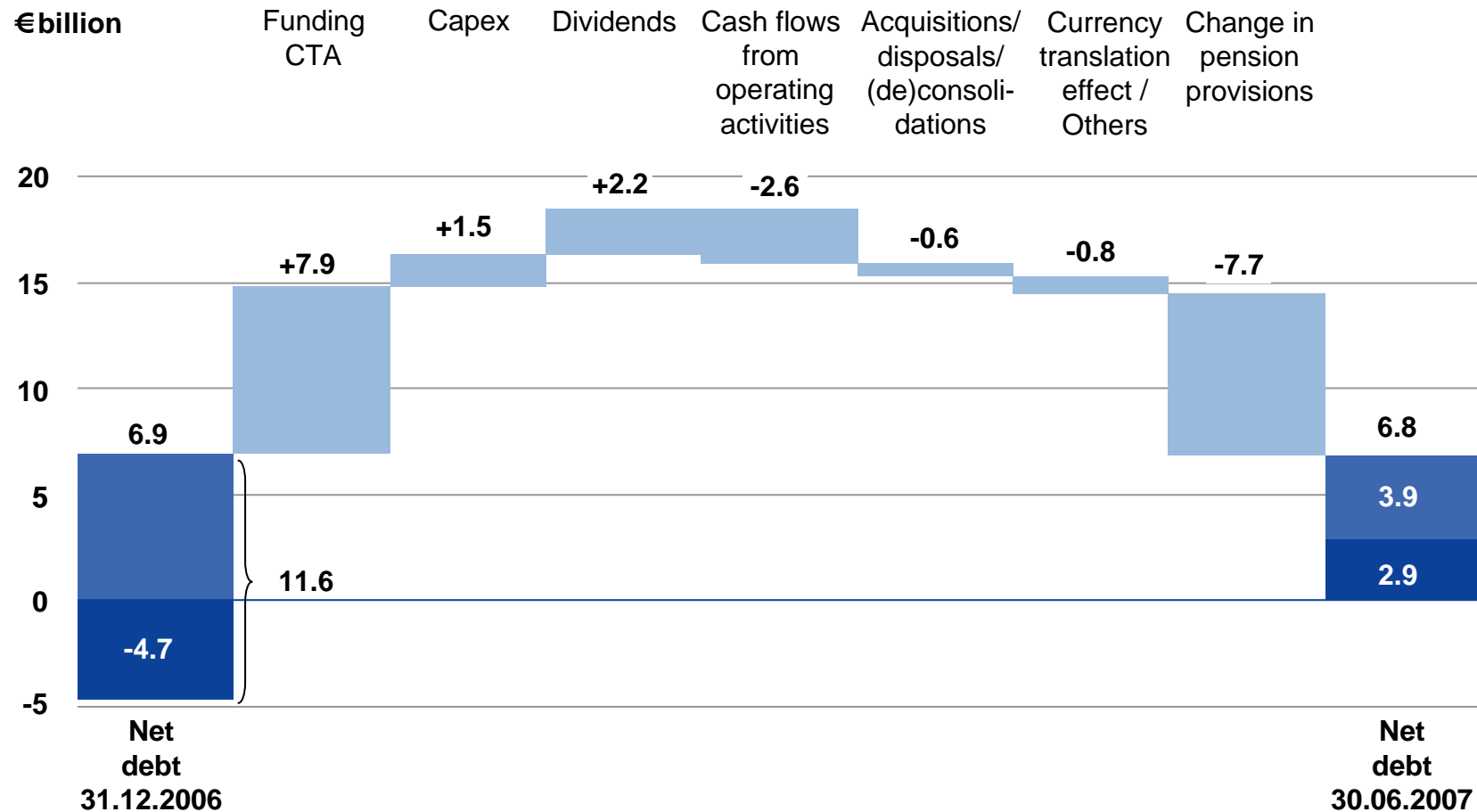
P 90
90% chance of more than the estimate

P 50
50% chance of more than the estimate

P 10
10% chance of more than the estimate

			P 90 90% chance of more than the estimate	P 50 50% chance of more than the estimate	P 10 10% chance of more than the estimate	
Reserves	Commercial	C1	1P Proved	2P Proved + Probable	3P Proved + Probable + Possible	On pro-duction
		C2				Under Develop-ment
		C3				Planned for Develop-ment
Resources	Sub-commercial	S1	Low estimate	Best estimate	High estimate	Discovered (Contingent)
		S2				
	E1	Low estimate	Best estimate	High estimate	Undiscovered (Prospective)	
						E2

Development of net debt



- Pension provisions
- Net financial debt

RWE Group electricity production



January – June in TWh	Germany	UK	Other Internat.	Total 2007	Total 2006
Lignite	35.5		2.5	38.0	37.3
Nuclear	15.9			15.9	26.0
Hard coal	26.1	7.4		33.5	36.5
thereof contracts	16.4			16.4	15.4
Gas	4.9	8.3		13.2	10.7
Water and others	3.1	0.4	0.3	3.8	4.2
thereof contracts	1.4			1.4	1.2
Subtotal	85.5	16.1	2.8	104.4	114.7
Electricity purchases*	37.0	13.0	11.2	61.2	52.2
Total	122.5	29.1	14.0	165.6	166.9

* Net, excluding trading. Purchases for physical deliveries to customers only.

RWE Group electricity sales volume



January – June in TWh	Germany	UK	Poland	Hungary	Other	Total 2007	Total 2006
Private and commercial customers	14.5	11.2	1.7	3.0	0.3	30.7	32.1
Industrial and corporate customers	27.0	16.4	1.5	3.3	0.2	48.4	46.7
Distributors	40.1		0.5	2.4	0.4	43.4	37.8
Electricity trading ¹	34.2					34.2	41.7
Total	115.8	27.6	3.7	8.7	0.9	156.7²	158.3²

¹ Net of electricity purchased from third parties.

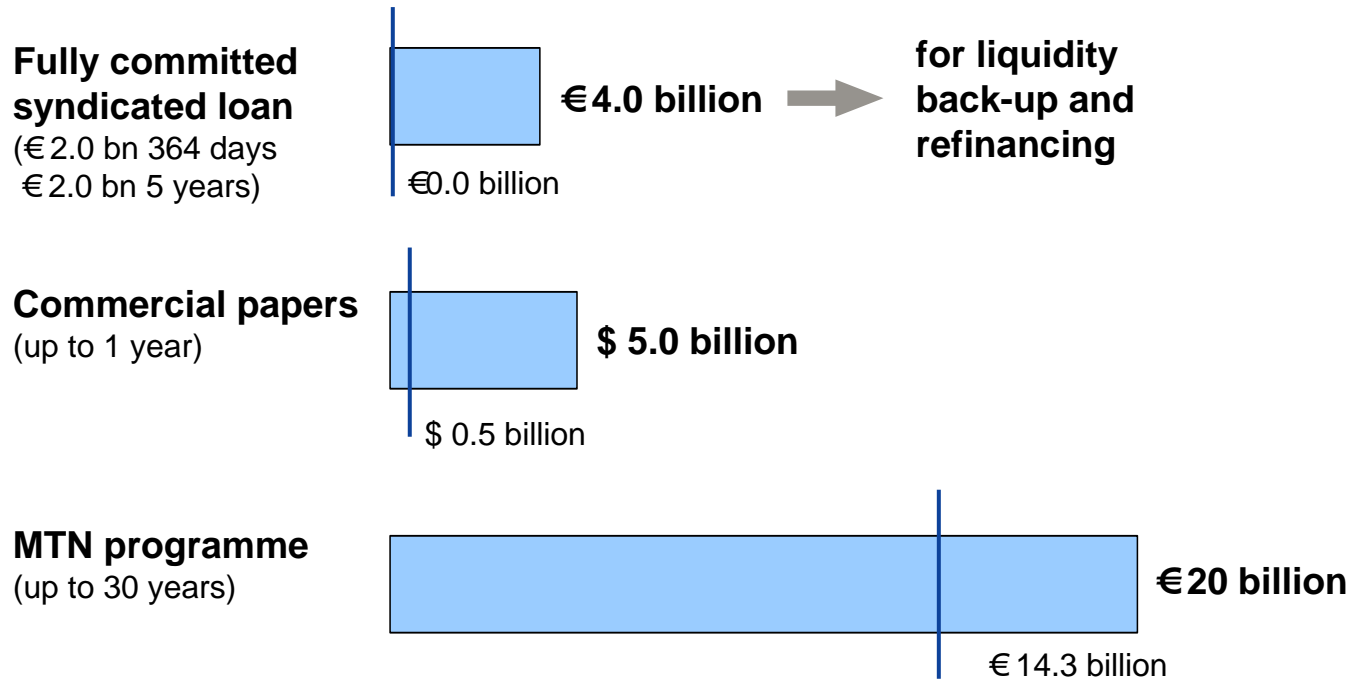
² Difference between electricity production and electricity sales volume due to grid losses, own consumption of lignite mines and pumping electricity

RWE Group gas sales volume



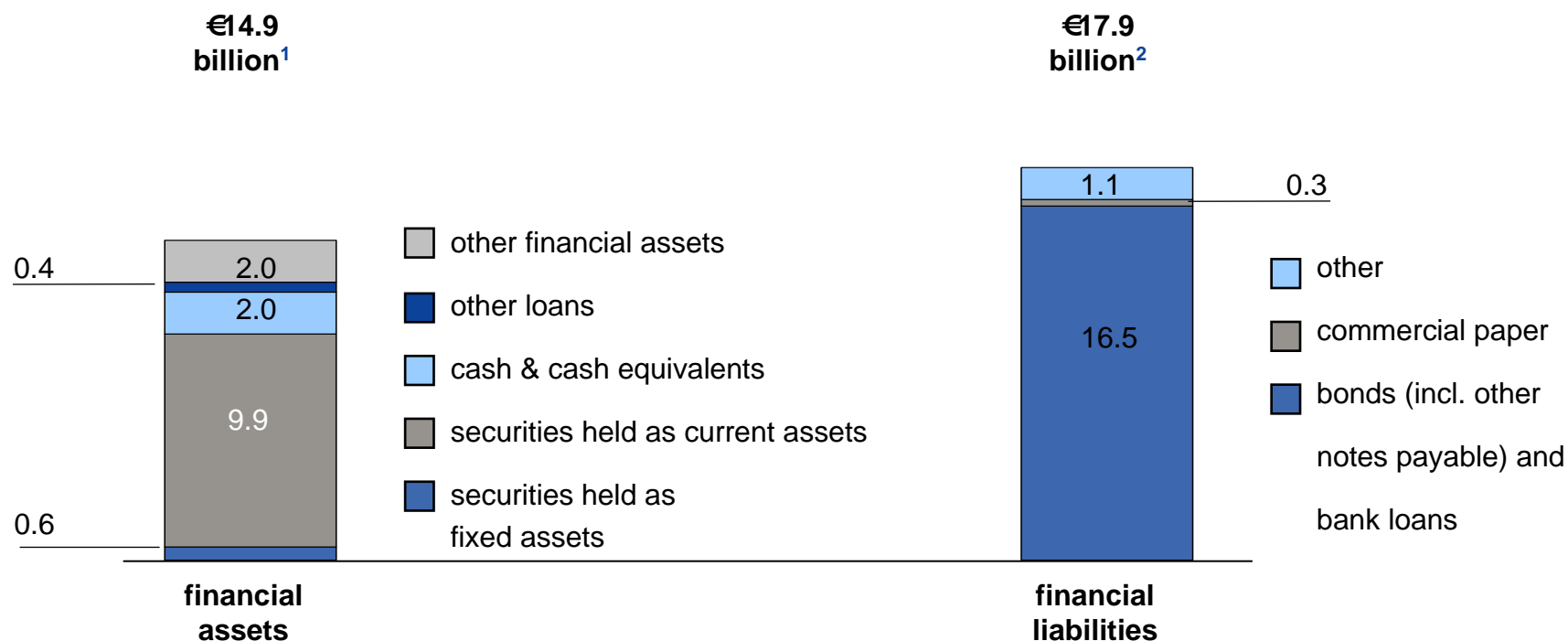
January – June in TWh	Ger- many	Czech Rep.	UK	Other	Total 2007	Total 2006
Private and commercial customers	13.1	16.8	25.1	3.6	58.6	72.3
Industrial and corporate customers	23.5	20.3	5.7	9.8	59.3	66.8
Distributors	51.5	7.2	0.0	0.0	58.7	77.5
Total	88.1	44.3	30.8	13.4	176.6	216.6

RWE AG: flexible funding structure



Amounts used as of 06/30/2007.

Financial assets and liabilities (as of 06/30/2007)

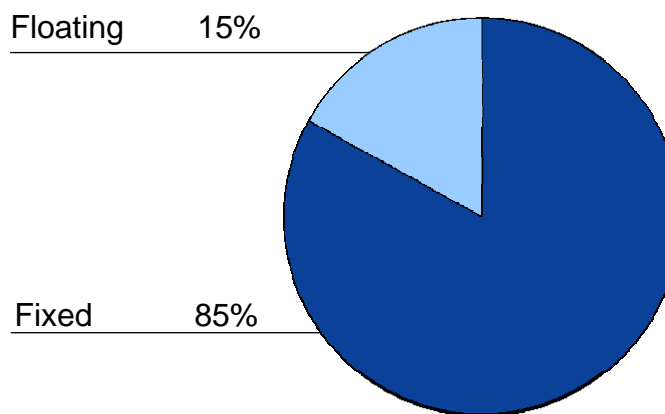
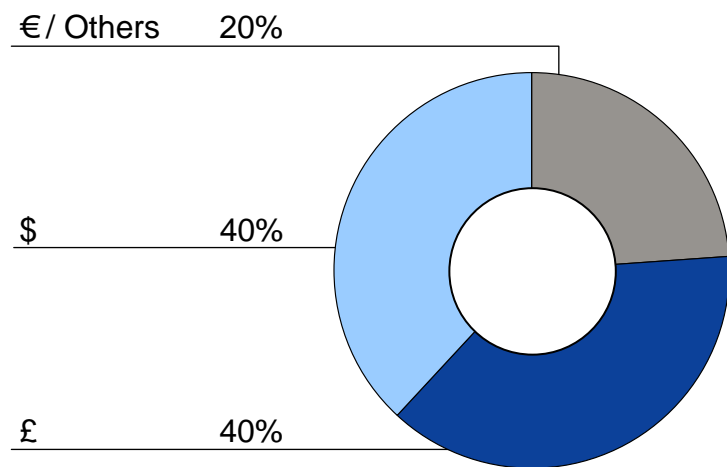


¹ December 31, 2006: €24.1 billion.

² December 31, 2006: €19.4 billion.

Gross financial debt currency and interest exposure¹

Gross financial debt as of June 30, 2007: €17.9 billion

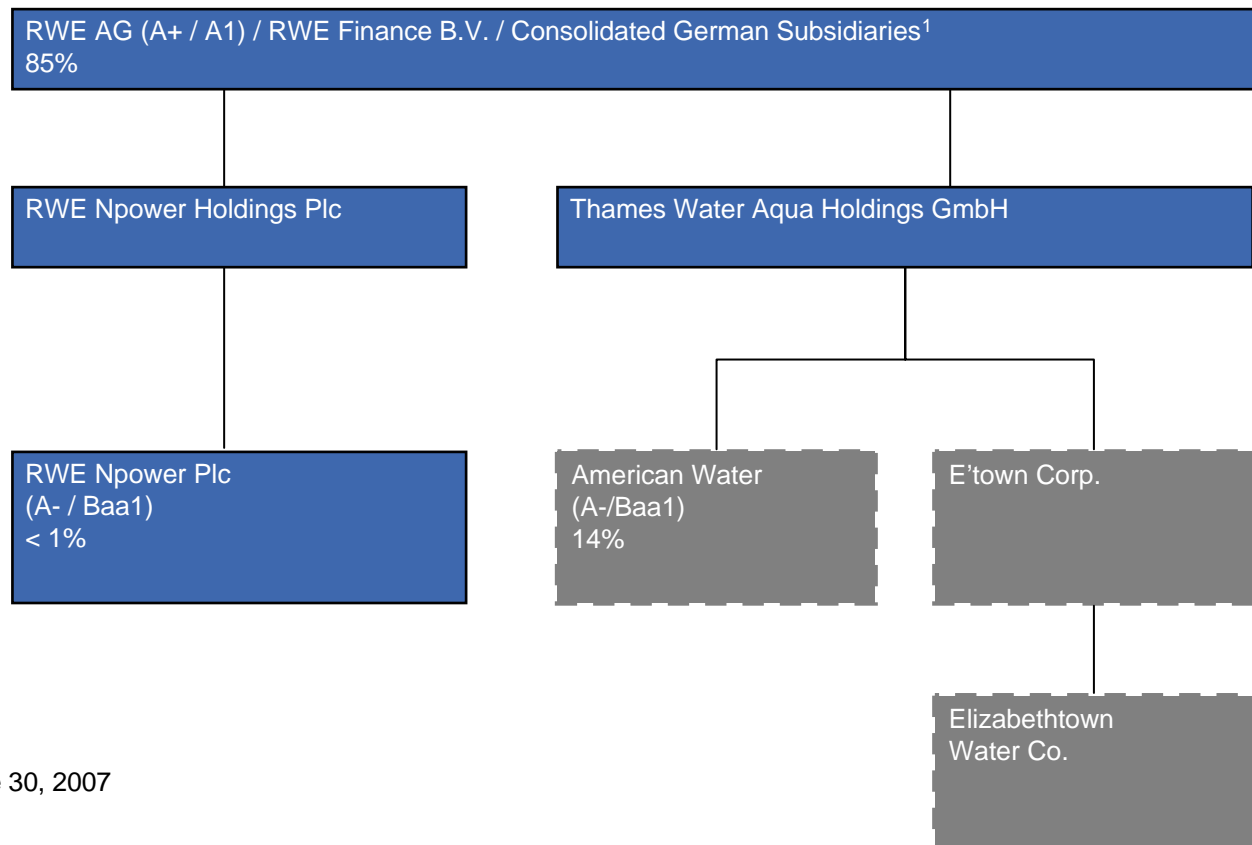


Long term financed (> 1 Year): 77% of gross financial debt
 Short term financed (< 1 Year): 23% of gross financial debt

With debt in foreign currencies we hedge the translation risk of our international activities.

¹ Including cross-currency swaps.

Structural subordination in the RWE Group



As of June 30, 2007

For sale

¹ Associated by profit & loss sharing agreement.

Note: Structure simplified; percentages indicate quantity of group external gross financial debt held at entity/group of entities (highlighted in light blue) including bonds, bank loans, leases.

Adjusted* 2006 quarterly numbers

€ million	Q1 2006	Q1-Q2 2006	Q1-Q3 2006	FY 2006 reported
EBITDA	2,500	4,520	5,955	7,861
Operating result	2,092	3,758	4,837	6,106
RWE Power	1,029	1,690	2,284	2,744
RWE Energy	1,013	1,723	2,063	2,506
RWE npower	38	274	379	512
Water Division	88	209	350	425
Others/consolidation	-76	-138	-239	-81
Non-operating result	-56	-395	-141	-414
Financial result	-535	-873	-1,410	-2,035
Income from continuing operations before tax	1,501	2,490	3,286	3,657
Taxes on income	-487	-853	-1,274	-982
Income from continuing operations	1,014	1,637	2,012	2,675
Income from discontinued operations	100	129	195	1,338
Minority interest	66	107	115	166
Net income	1,048	1,659	2,092	3,847
Recurrent net income	1,083	1,920	2,068	2,466

* Adjusted figures: See interim report page 14.
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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:

Generation capacity Europe: Investor Relations > Presentations > Factbook

Emissions trading: Investor Relations > Presentations > Factbook

Fixed income: 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