

Investor and Analyst Conference Call H1 2008

Essen, August 14, 2008

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Forward Looking Statement

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- 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

Jürgen Großmann

Highlights of H1 2008, Update on Group topics

B

Rolf Pohlig

**Group results H1 2008 and divisional performance,
Outlook 2008**

Key messages

Performance H1 2008

- Solid performance, on track to deliver full year forecast
- Operating result -8% due to significantly lower reported IFRS-trading result despite strong trading performance
- Recurrent net income -4% for the same reason

Strategy

- Increase in power prices drives value of existing and new generation assets
- New build power station projects on track
- Expanding footprint in renewable energies
- Sales offensive launched to grow market shares in German retail business

Efficiency Enhancement

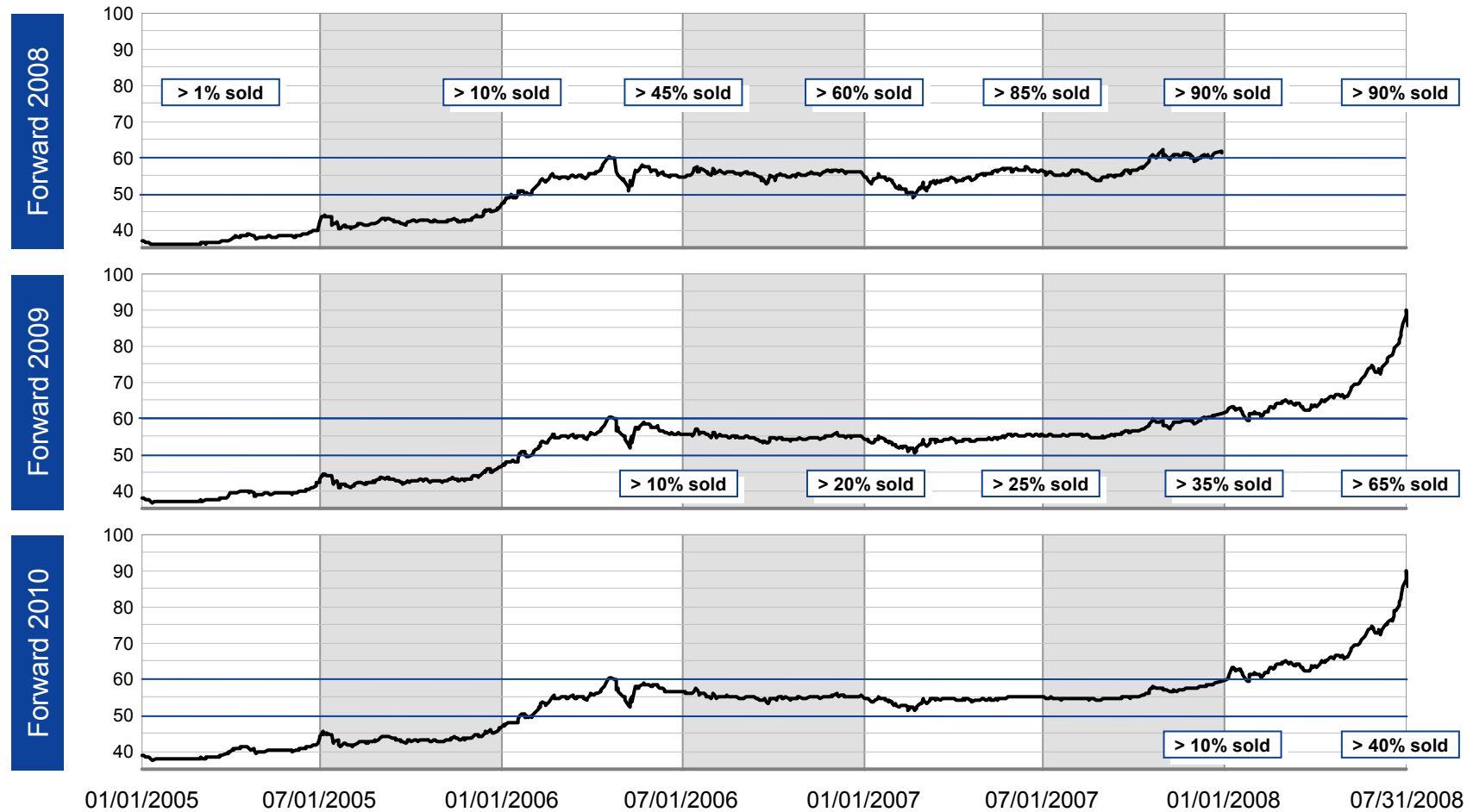
- Efficiency enhancement programme expanded from €600 million by 2010 to €1.2 billion by 2012

Outlook

- 2008: Outlook confirmed
- Mid-term (2012): Upgrade of outlook in February 2009

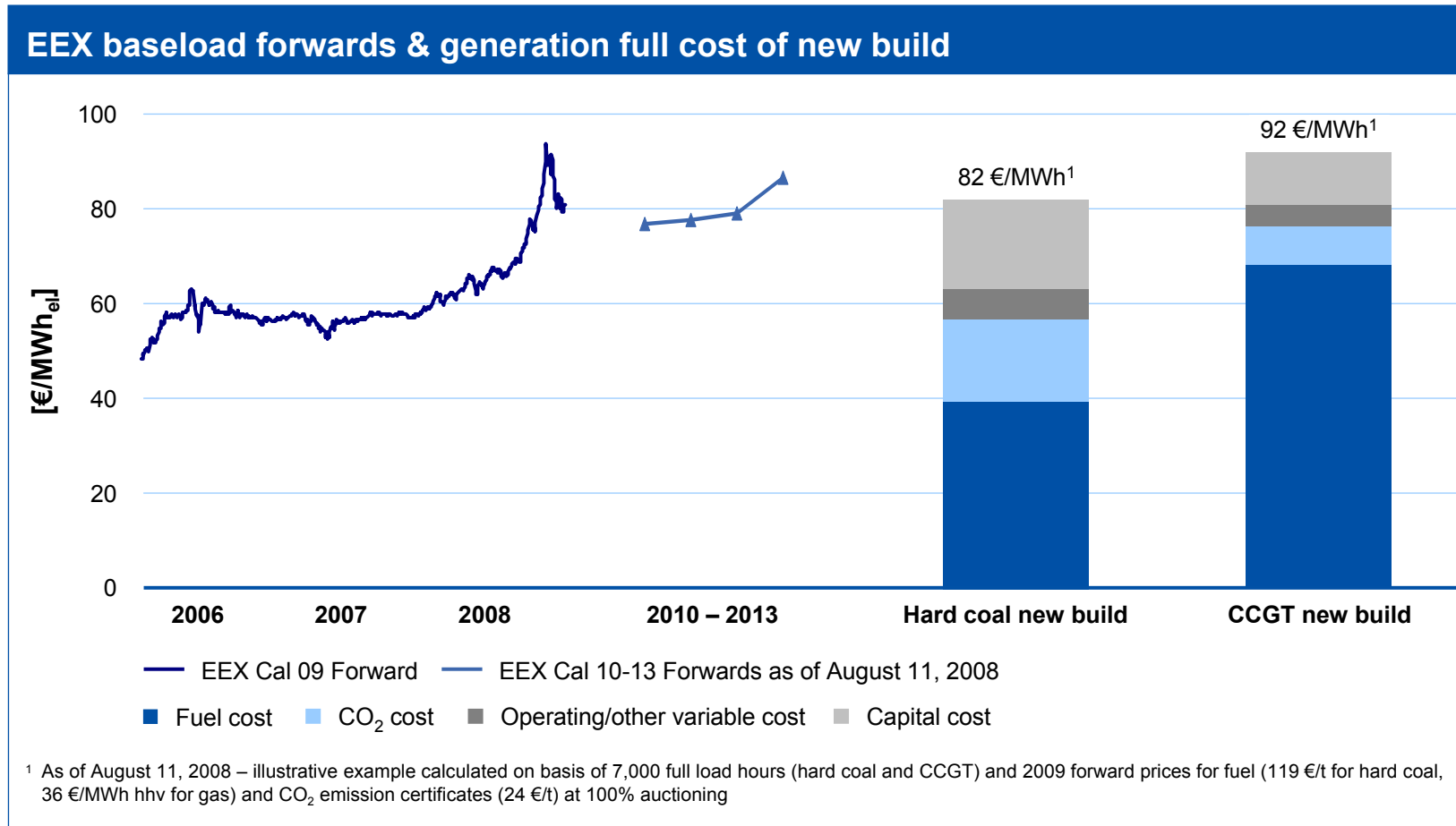
RWE Power: ca. €30/MWh¹⁾ to catch up with current market price

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

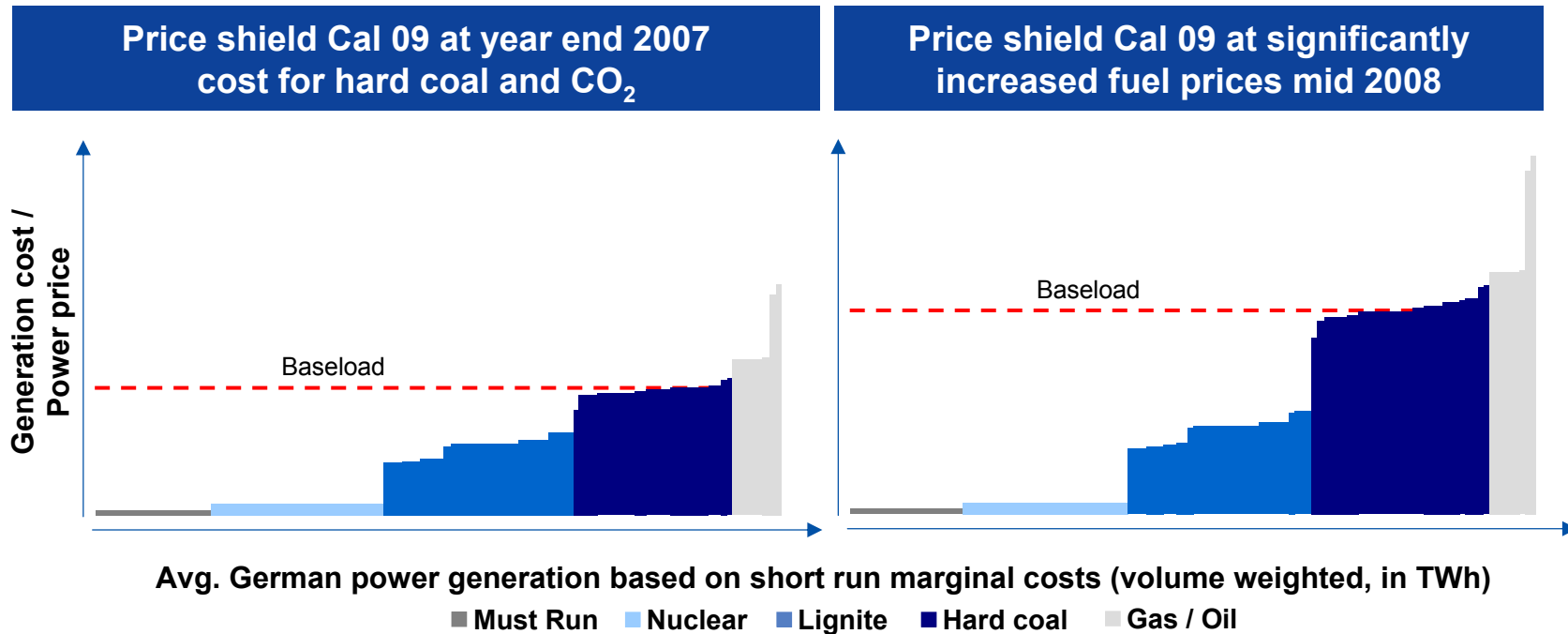


¹⁾ Compared to average realised price of €47/MWh for forward 2007

Germany - High power prices are needed to attract investments in new build

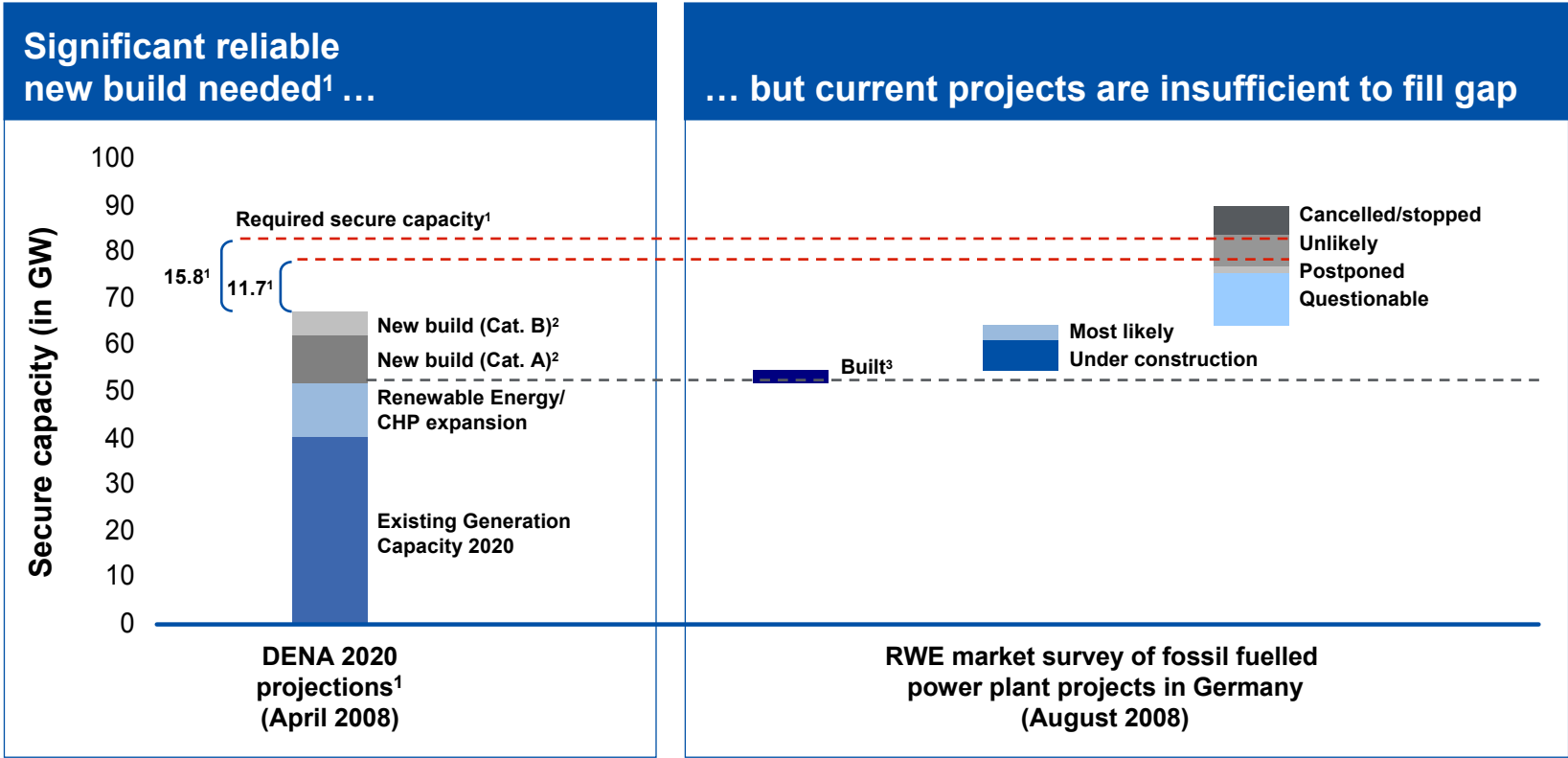


Rising fuel cost for marginal plant offers attractive price shield for lignite and nuclear



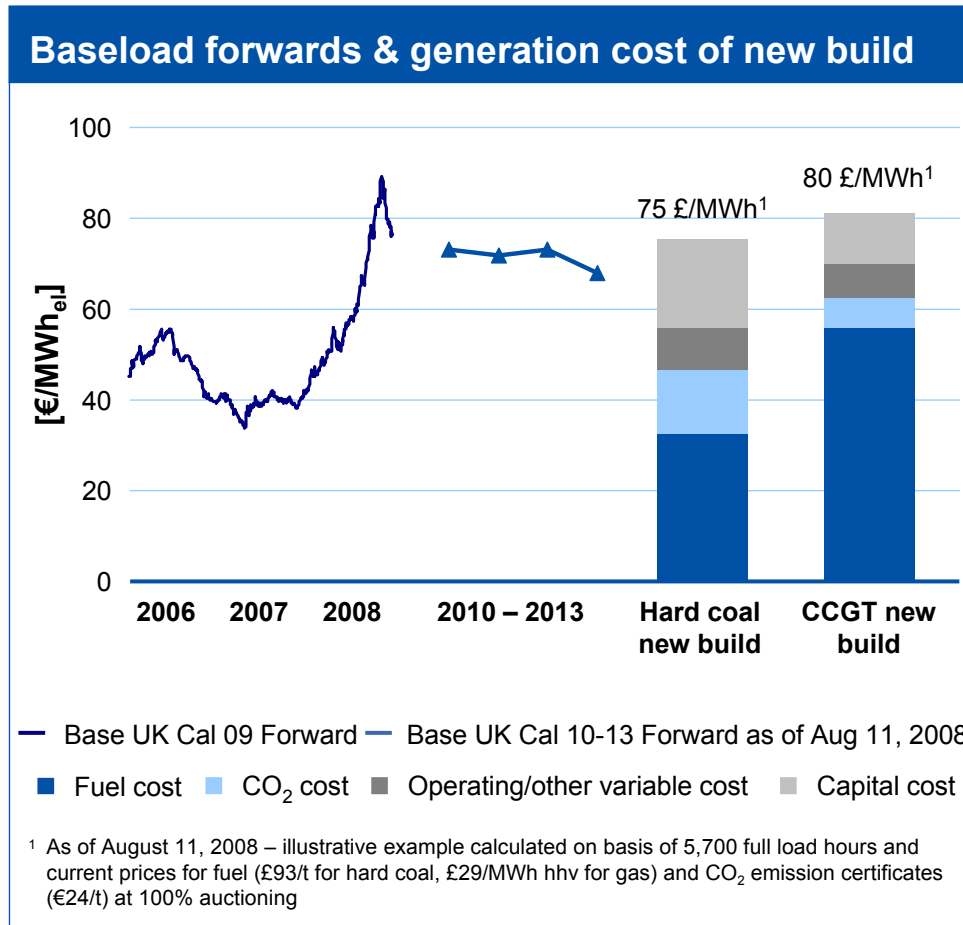
➤ Upswing in coal prices is leading to increased baseload power price levels offering significant leverage for our nuclear and lignite based power generation.

Scarce generation capacity increases value of existing and future asset base



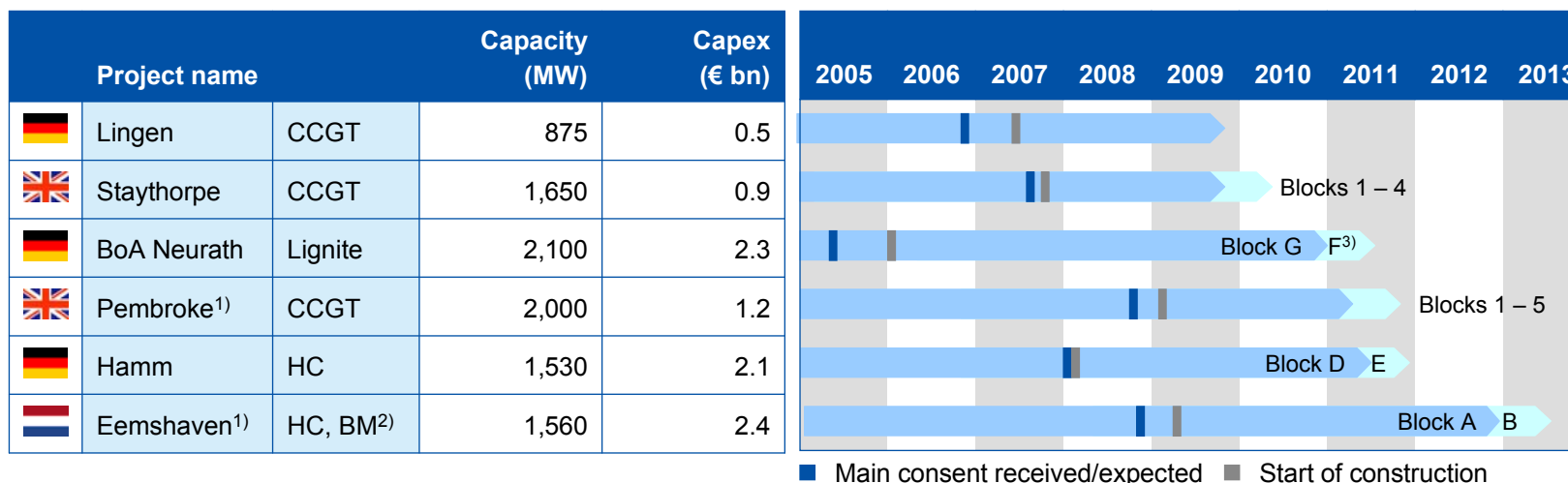
¹ Source: DENA, April 2008. Basis: nuclear phaseout, full achievement of government targets in renewable energy and CHP, flat consumption (15.8 GW) or reduction in consumption by 0.5% p.a. (11.7 GW),
² Category A: projects under construction or operating after 2005, Category B: projects with high probability of execution
³ Power plant projects already operating since 2005 included in DENA new build category A (2.7 GW secured capacity)

RWE npower has headstart with CCGT new build in a compelling environment



- The UK requires in total 20 – 40 GW of firm new generation capacity by 2020
- Currently >5 GW of new plant is under construction with further projects in the consenting phase
 - This is expected to be sufficient to meet capacity requirements until 2012
 - From 2012 we expect more new plant to be required in order to replace coal plant that will begin to close under LCPD
 - We expect market prices to fully remunerate this and further required plant
- We aim to take a lead by building 3.6 GW of gas plant by 2011 and by developing possible sites for further gas, (clean) coal & nuclear

Our new build projects are on track – and increasingly attractive



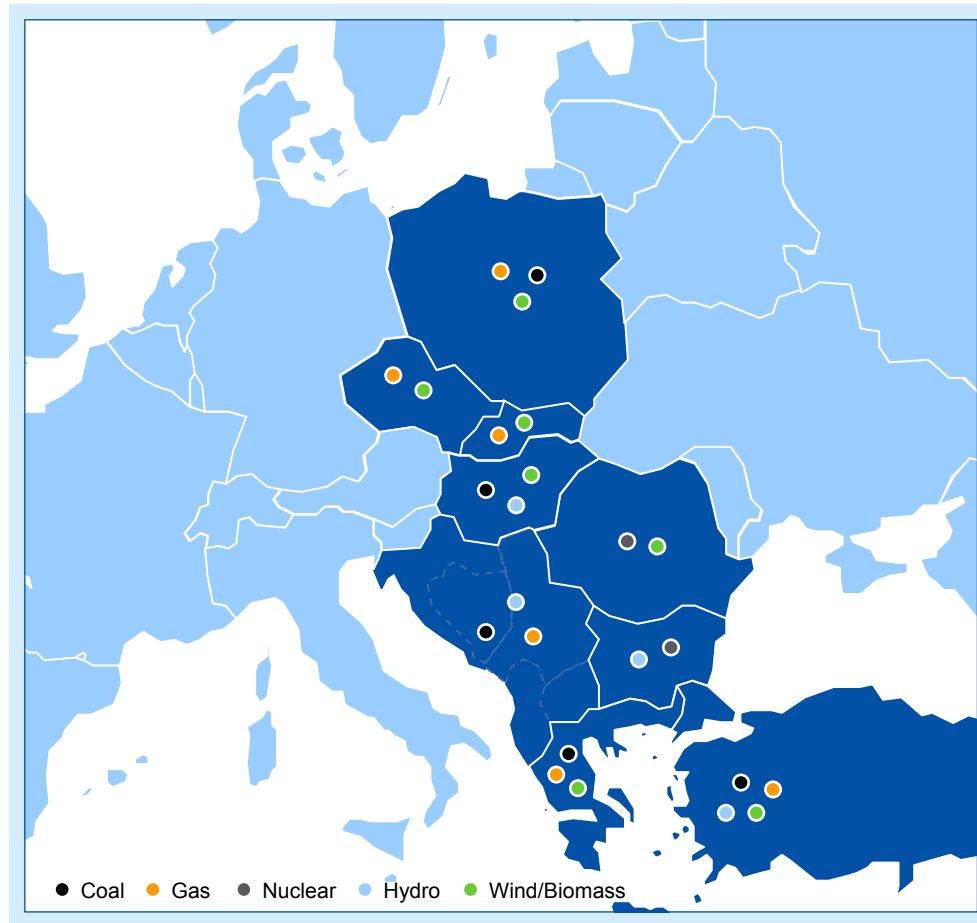
- Projects with total generation capacity of 10 GW are currently under construction or in approval process
- Subject to final approval, construction of Eemshaven hard coal project is scheduled to start in 2008
- With components secured at early stages, current commodity and wholesale electricity price trends further increase attractiveness of our power plant projects

¹⁾ Consent for Pembroke CCGT and Eemshaven HC/BM plants still pending

²⁾ Biomass

³⁾ Data on start of full commercial operation is preliminary and cannot be finally determined yet due to an accident

We are evaluating new opportunities to expand our position in Central / South Eastern Europe



Poland

- 800 MW hard coal fired power plant
- JV with coal producer Kompania Węglowa (25%)
- Start of operation scheduled for 2015
- Final investment decision in 2009

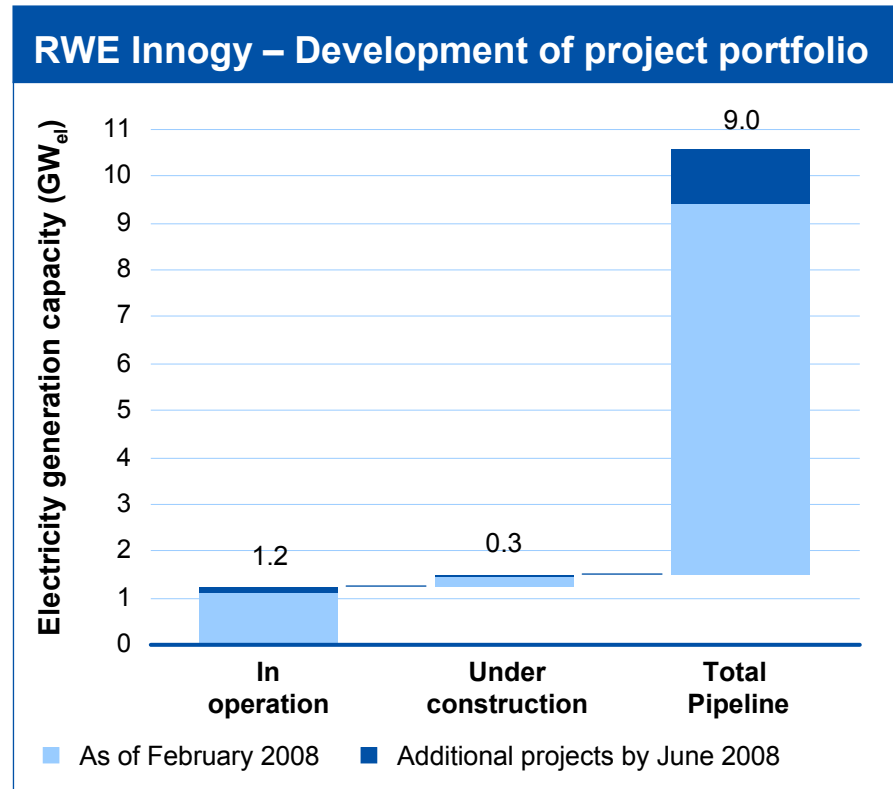
Cernavoda/Romania

- 1.4 GW nuclear power plant project (Canadian Candu 6 technology by AECL)
- RWE, Enel, GDF SUEZ, CEZ, Iberdrola and ArcelorMittal selected as co-investors by state owned SNN (Societatea Nationala Nuclearelectrica).
- Final investment decision mid of 2010

Belene/Bulgaria

- 2.0 GW nuclear power plant project (construction by consortium Atomstroyexport, Areva and Siemens)
- State owned power utility NEK will retain 51% stake
- Final investment decision end of 2009

Expanding footprint in renewable energy



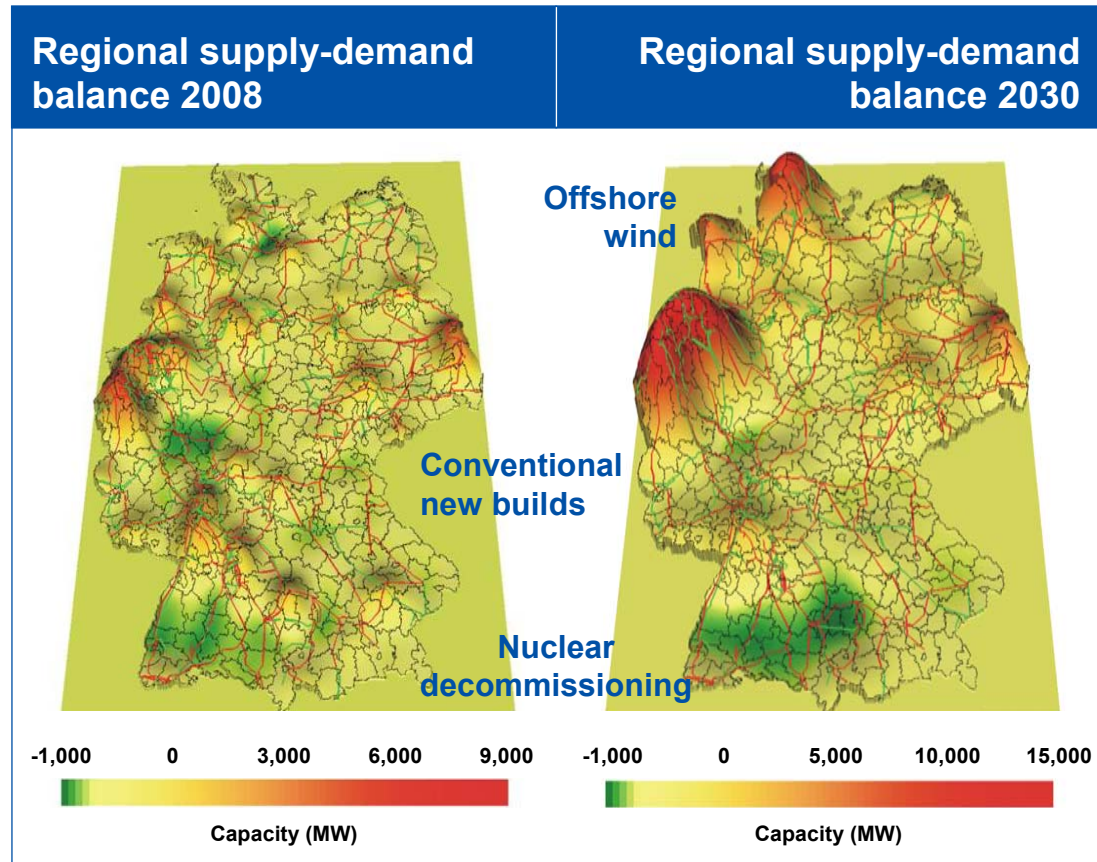
- **Dynamic** when it comes to growth:
 - 1.5 GW_{el} assets in operation or under construction
 - Pipeline expanded to 9.0 GW_{el}
- **Disciplined** when it comes to investments/acquisitions:
 - Urvasco/Spain (150 MW assets in operation)
 - Fri-El/Italy (pro rata 16 MW under construction; 969 MW pipeline)
 - Project pipeline in Poland (200 MW pipeline)
- **Dependable** – We confirm our targets:
 - Installed capacity of 4.5 GW_{el} in 2012
 - More than 10 GW_{el} in 2020



We remain focused on value creation by developing own or acquired project pipelines.

Grid constraints will add to the problem of scarce German generation capacity

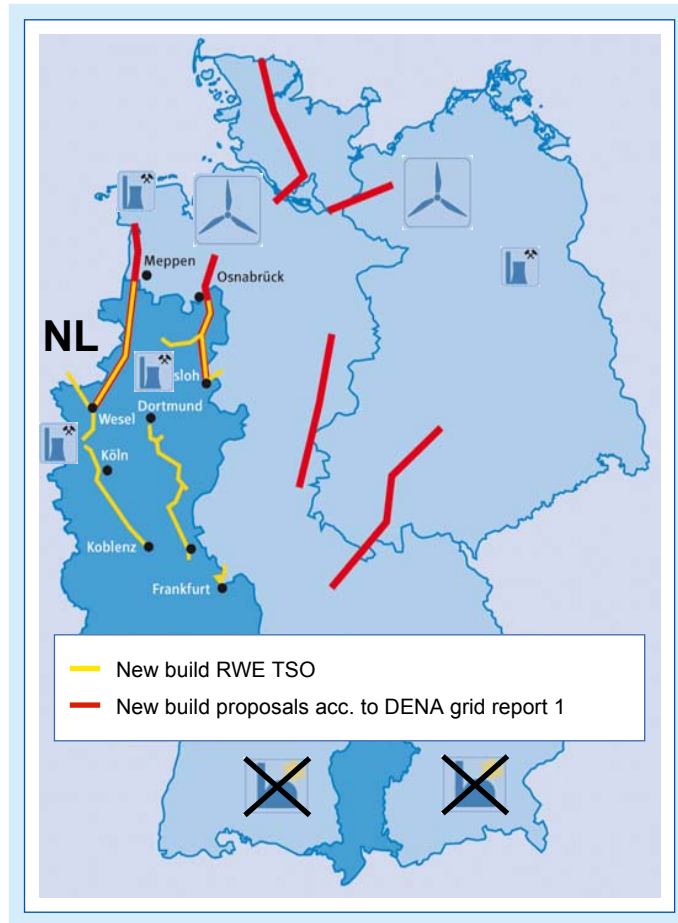
- Increasing need for new investment in the transmission network
- But: The extension of the electricity transmission network is not progressing as planned
- To date, 38 out of 159 projects in Germany are behind schedule due to
 - Time consuming approval procedures
 - Increasing public resistance
 - Legal constraints (e.g. underground cables)
 - Supply bottlenecks regarding components and 380 kV cables



Source: Bundesnetzagentur (BNA) June 2008

Source: RWE internal estimates

German electricity transmission business is of strategic and economic value to RWE



- Improved regulatory framework underpins economic feasibility of network investments
- RWE has an interest in further expansion of the transmission grids in Germany and Europe, in line with both German and EU political agendas
 - Securing the connection of wind and preventing bottlenecks
 - Strengthening the interconnection of European transmission networks
- RWE is best equipped to take responsibility for merging and operating the German control zones

German networks: Improved conditions for upcoming incentive based regulation

Improved returns on equity

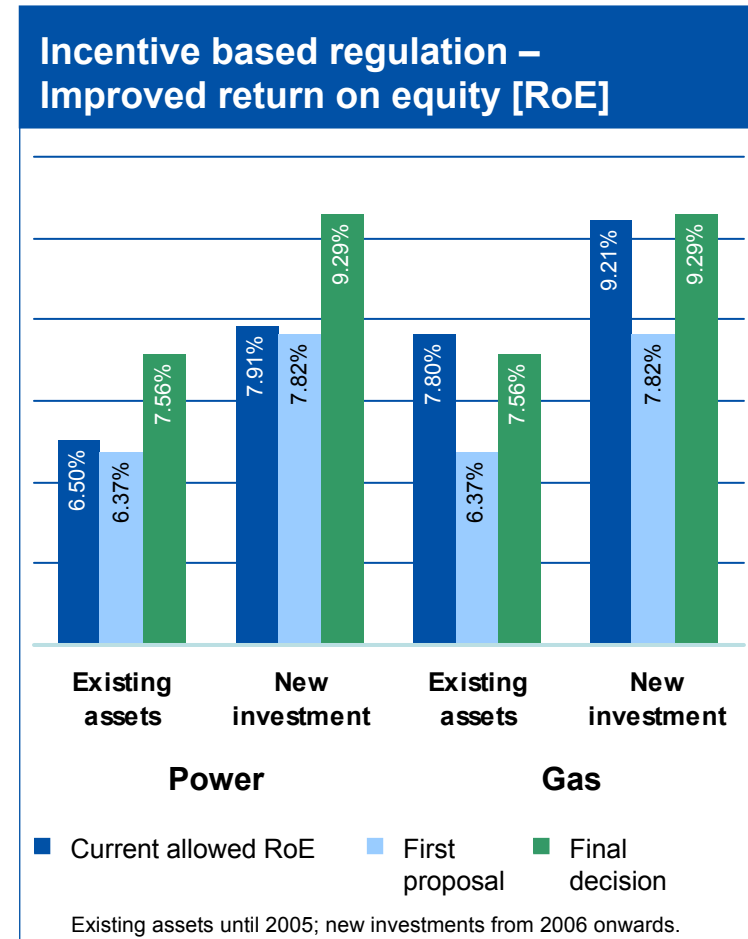
- 7.56% for existing electricity and gas assets and 9.29% for new investments

Special treatment of investment in growth and restructuring

- Fast track treatment of large budgeted growth investment projects by the regulator to ensure adequate and timely remuneration for utilities

Increase of expected average efficiency

- Average efficiency of German electricity distribution companies estimated 90% indicating average company-specific efficiency targets of only 1.0% p.a. ("individual X factor")



German Retail: Net loss of electricity customers stopped

Electricity

RWE has stopped customers loss

- On a net basis, RWE lost 200,000 residential customers in H1 2008 (300,000 in 2007)
- In Q2 2008 RWE compensated losses with gains, e.g. through eprimo

We expect to regain market share

- Potential to grow in the second half of 2008

Innovative product offering

- Over 400,000 of our customers have signed our innovative loyalty product 2010 (3 year lock-in)

Gas

Competition increasingly dynamic

- On a net basis, RWE lost approx. 30,000 residential customers from January to June 2008 (1,000 in 2007)
RWE offers gas to new customers in more and more market areas

Innovative product offering

- Over 75,000 of our customers have signed our innovative loyalty product 2011 (3 year lock-in)

Regaining market share: Our product and service offensive

Increase customer retention



Loyalty products
electricity and
gas (fixed tariffs)

CO₂-free tariff
(mix nuclear and
renewable energy)



Online
products



Germany's first energy
catalogue



365 Tage freundlich und zuvorkommend

New service guarantees



"CO₂-free heating"
RWE heat pump

Gain new clients

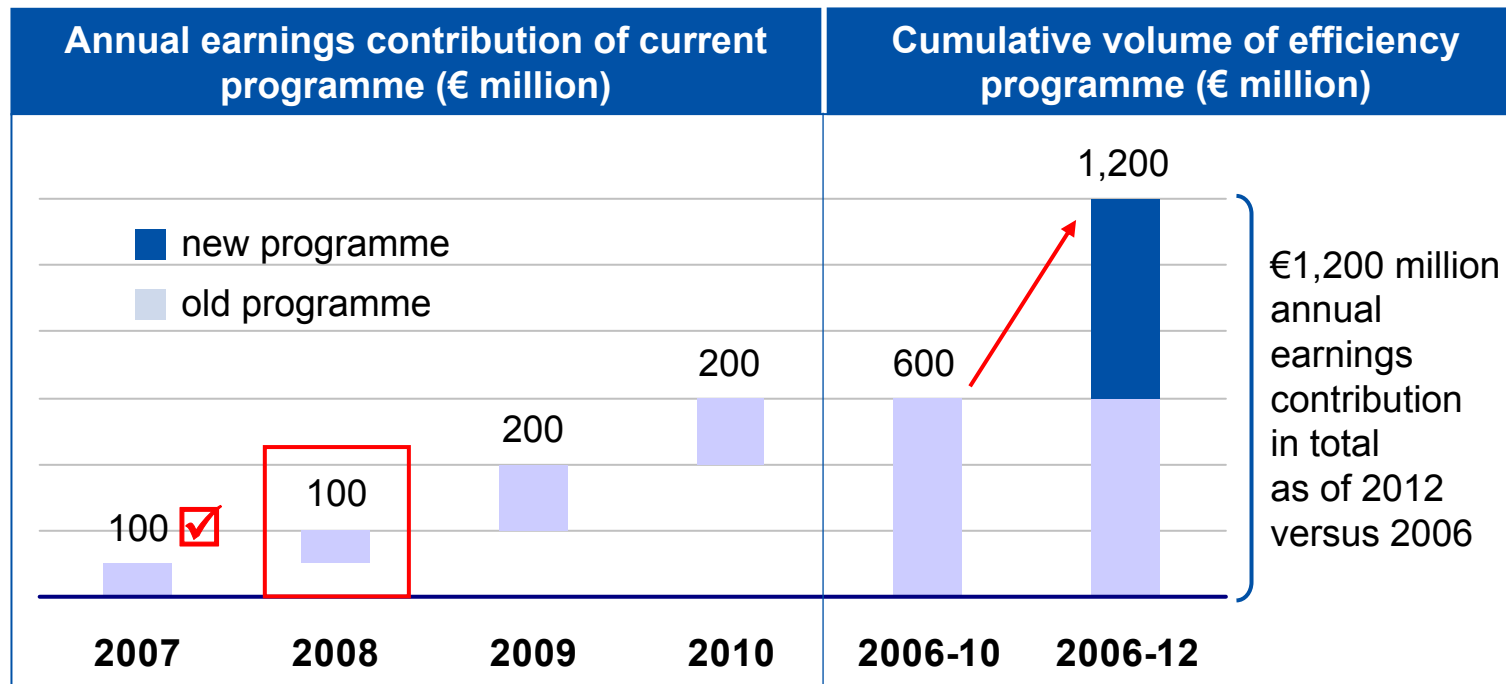
Growth strategy for new sales channel eprimo
(internet based):

- Collecting over 750,000 switchers in the next three years; serving over 1 million customers in 2011
- Utilization of existing sales platforms from B2C retailers (e.g. telecommunication companies)
- White-label for municipalities which do not have an own "collecting pond" for customers who are ready to switch

Upselling / potential for value enhancement

New products and ideas to develop customers from "soft discount" (eprimo) to "premium" products (regional energy companies and eprimo)

Efficiency enhancement: Stepped up from €600 million by 2010 to €1.2 billion by 2012



- Efficiency gains will be fully accretive to operating result (i.e. post cost inflation and one-off cost of programme)
- Additional programme will become effective from 2009 onwards

Two main levers to enhance efficiency

A Cost reduction measures, especially from benchmarking processes mainly focusing on:

- Reduction of overhead functions and general streamlining of personnel and material costs thereby reallocating up to 700 staff members to other, more efficient tasks
 - Benchmarking of power plants and setting new cost targets for lignite mining
 - Outperforming the regulator and achieving cost leadership in the grid business
 - Retail, including call/billing: standardizing processes and products and making use of economies of scale
- IT-cost reductions (e.g. consolidation of data centres, service providers, outsourcing)
- Cost reduction in procurement (e.g. by further centralization)

B Efficiency enhancements (turnover increase)

- Improvement of power plant availability at RWE Power (mainly lignite) and RWE npower
- Retrofit measures to increase capacity
- Fuel replacement

➤ Approximately €1 bn of the programme has been secured bottom up.
Additional €0.2 bn top down to be detailed in the coming months.

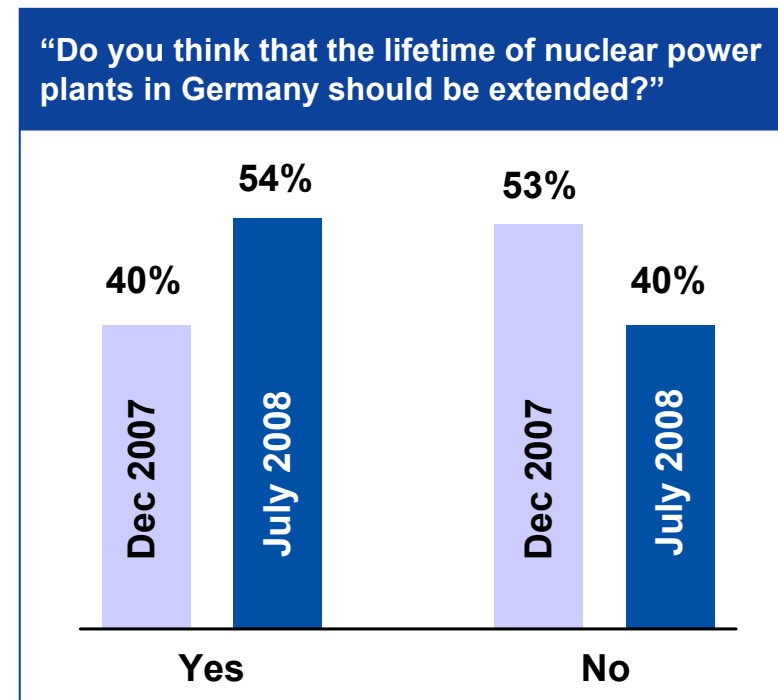
Update on current political topics

Nuclear lifetime extension

- Hottest political and public debate on the future of nuclear power since 2000
- Change of current regime before next election in September 2009 not expected
- Public sentiment changing

NAP III (EU Emissions Trading)

- Full EU directive ready by end of 2008
- Ongoing discussion on further utilisation of JI/CDM projects as well as support of free allocation for new build and for Central-Eastern European markets.



Source: ZDF 2008

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**Group results H1 2008 and divisional performance,
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RWE Group key performance indicators

January – June € million	2008	2007 ¹	change in %
External revenue	24,721	21,841	+13.2
Cash flows from operating activities	1,383	2,551	-45.8
EBITDA	4,628	4,884	-5.2
Operating result	3,933	4,276	-8.0
Non-operating result	-471	-78	-503.8
Financial result	-618	-480	-28.8
Income from discontinued operations	-628	55	-
Net income	1,156	2,632	-56.1
Recurrent net income	2,131	2,229	-4.4
Average number of shares (million)	546.3	562.4	-2.9
Earnings per share (EPS) (€)	2.12	4.68	-54.7
Recurrent EPS (€)	3.90	3.96	-1.5

¹ Adjusted figures: see Interim Report page 13.

Performance of RWE Power

January – June € million	Operating Result			EBITDA		
	2008	2007 ¹	Change in %	2008	2007 ¹	Change in %
	1,769	1,538	+15.0	1,961	1,713	+14.5

- Higher realised electricity prices and higher volumes (+€1.0 bn)
- Increased costs due to higher fuel prices (-€190 million)
- Higher costs for CO₂ certificates (increase of -€546 million to -€583 million)
- Higher staff and maintenance costs and negative earnings impact from asset transfer to RWE Innogy

¹ Adjusted figures: see Interim Report page 13.

Performance of RWE Dea

January – June € million	Operating Result			EBITDA		
	2008	2007	Change in %	2008	2007	Change in %
	325	290	+12.1	448	384	+16.7

- Significant increase in crude oil prices not fully reflected due to the dollar's weakness and our hedge policy. Oil production declining.
- Increased gas volumes and improved gas prices
- Higher exploration expenses

Performance of RWE Supply & Trading

January – June € million	Operating Result			EBITDA		
	2008	2007 ¹	Change in %	2008	2007 ¹	Change in %
	68	604	-88.7	73	604	-87.9

- Extraordinarily high earnings contribution from energy trading in 2007 could not be repeated
- IFRS relevant trading performance much more geared to H2 2008 while in the previous year transactions were reported especially in H1
- Supply business improved driven by gas midstream activities of RWE Transgas which are now reported under RWE Supply & Trading

¹ Adjusted figures: see Interim Report page 13.

Performance of RWE Energy

January – June € million	Operating Result			EBITDA		
	2008	2007 ¹	Change in %	2008	2007 ¹	Change in %
	1,441	1,516	-4.9	1,688	1,756	-3.9
German regions	834	780	+6.9	1,011	954	+6.0
International regions	386	335	+15.2	417	366	+13.9
Supraregional operations	274	456	-39.9	319	496	-35.7
Other / consolidation	-53	-55	+3.6	-59	-60	+1.7

- Negative impact from German grid regulation (approx -€220 million) but improved electricity retail results and efficiency measures
- International regions: Improved margins, positive f/x effect
- Supraregional operations: Mainly reduced grid fees and higher costs for balancing power; negative impact from transfer of contracting activities to RWE Innogy

¹ Adjusted figures: see Interim Report page 13.

Performance of RWE npower

January – June € million	Operating Result			EBITDA		
	2008	2007	Change in %	2008	2007	Change in %
	334	395	-15.4	416	463	-10.2

- Negative impact from currency exchange rate changes (-€51 million)
- Power generation:
 - Higher generation margins
 - Growing costs of CO₂ (-€36 million to -€92 million)
- Supply:
 - Price increases from January 2008 not sufficient to offset higher purchasing costs and gas transportation fees
 - The UK's state programme for increasing energy efficiency and reducing CO₂ from households has become significantly more costly

Non-operating result

January – June € million	2008	2007 ¹	Change (absolute)
Capital gains	45	260	-215
Impairment losses	-	-	-
Restructuring / other	-516	-338	-178
Total	-471	-78	-393

- Capital gains: disposal of a further 8% stake in rhenag. H1 2007 dominated by the disposal of the Dutch gas grid assets.
- Restructuring / other:
 - Negative impact from result of commodity derivatives to hedge purchased gas volumes that we sell in later periods (-€430 million). Effect will be reversed with the realisation of the gas sales.
 - Amortization of RWE npower's customer accounts (-€143 million, H1 2007: -€165 million)
 - Income from change of nuclear provisions (+€85 million, H1 2007: +€89 million)

¹ Adjusted figures: see Interim Report page 13.

Financial result

January – June € million	2008	2007 ¹	Change in %
Net interest	-32	-239	+86.6
Interest accretion to non-current provisions	-375	-463	+19.0
Other financial result	-211	+222	-195.0
Total	-618	-480	-28.8

- Net interest: Among other reasons better due to improved net financial position
- Interest accretion to non-current provisions: Lower pension provisions after setting up a Contractual Trust Arrangement in March 2007 led to lower interest accretion
- Other financial result: One-off gain in 2007 of €155 million due to the funding of the CTA and €142 million from the disposal of Heidelberger Druckmaschinen shares while in 2008 we incurred book losses from the sale of securities

¹ Adjusted figures: see Interim Report page 13.

Cash flow statement

January – June € million	2008 ¹	2007 ¹	Change (absolute)
Income	1,326	2,755	-1,429
Depreciation, amortization, impairment losses and write-backs	1,090	1,152	-62
Changes in provisions	-289	-342	+53
Changes in deferred taxes, disposal gains and other non cash items	1,174	-79	+1,253
Funds from operations	3,301	3,486	-185
Changes in working capital and other balance sheet items	-1,918	-935	-983
Cash flows from operating activities of continuing operations	1,383	2,551	-1,168
Capex on fixed assets	-1,563	-1,484	-79
Free cash flow	-180	1,067	-1,247

¹ Figures for 2007 still include American Water. Figures for 2008 excluding American Water.
Adjusted figures: see Interim Report page 13.

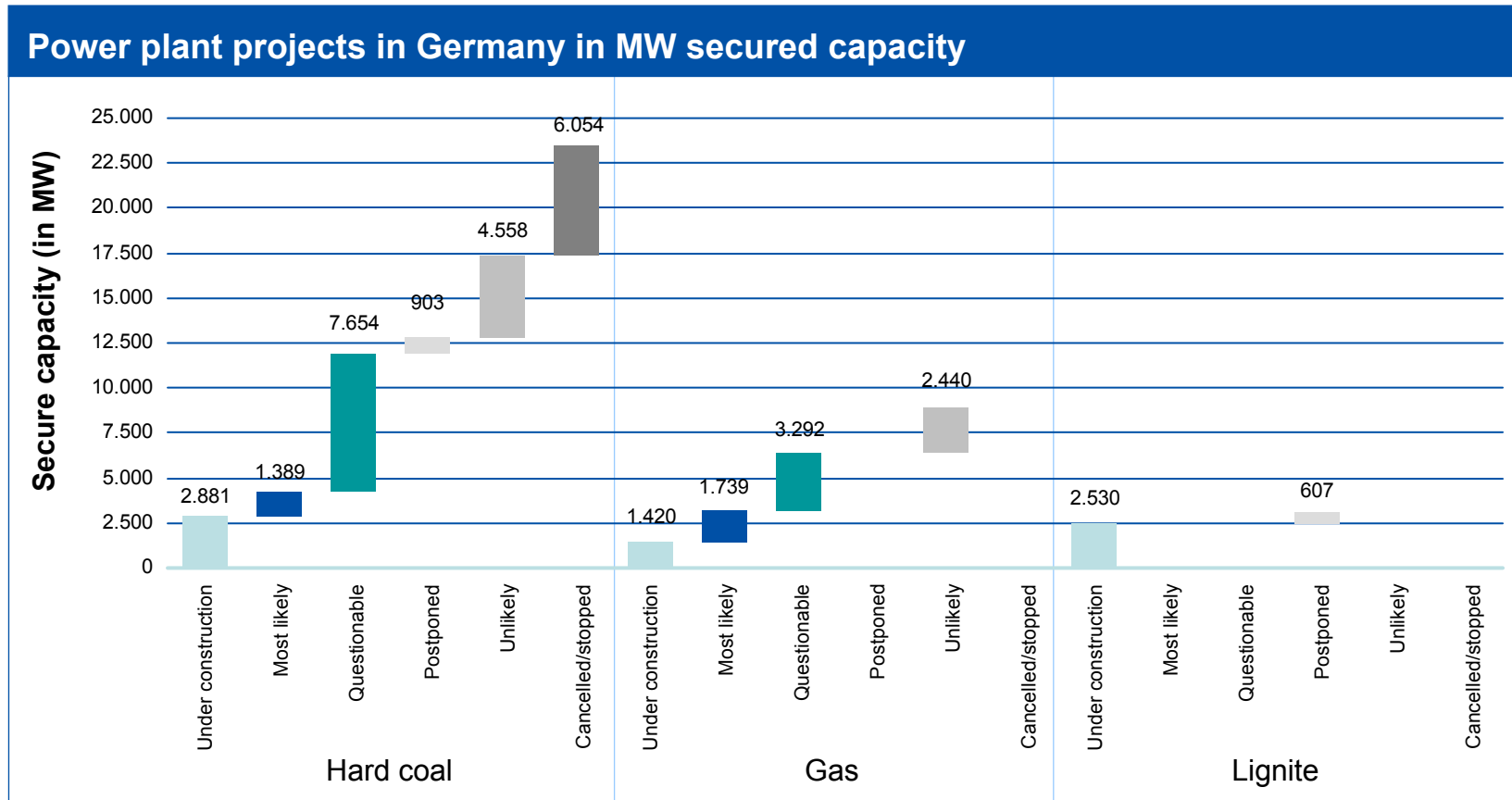
Outlook for 2008

	2007 ¹ € million	2008 ¹ forecast
External revenue	42,507	Above previous year
EBITDA	7,915	At least matching previous year
Operating result	6,533	At least matching previous year
RWE Power	2,617	Up by more than 10%
RWE Dea	492	Up by more than 10%
RWE Supply & Trading	532	Below previous year
RWE Energy	2,355	Single-digit percent gain
RWE npower	724	Below previous year
Net income	2,667	Slightly below previous year
Recurrent net income	2,985	Up by more than 10%
Capex on fixed assets	4,065	€5.0 to €5.5 bn

¹ Water Division reported as discontinued operations. Capex 2007 including Water Division, 2008 excluding Water Division.

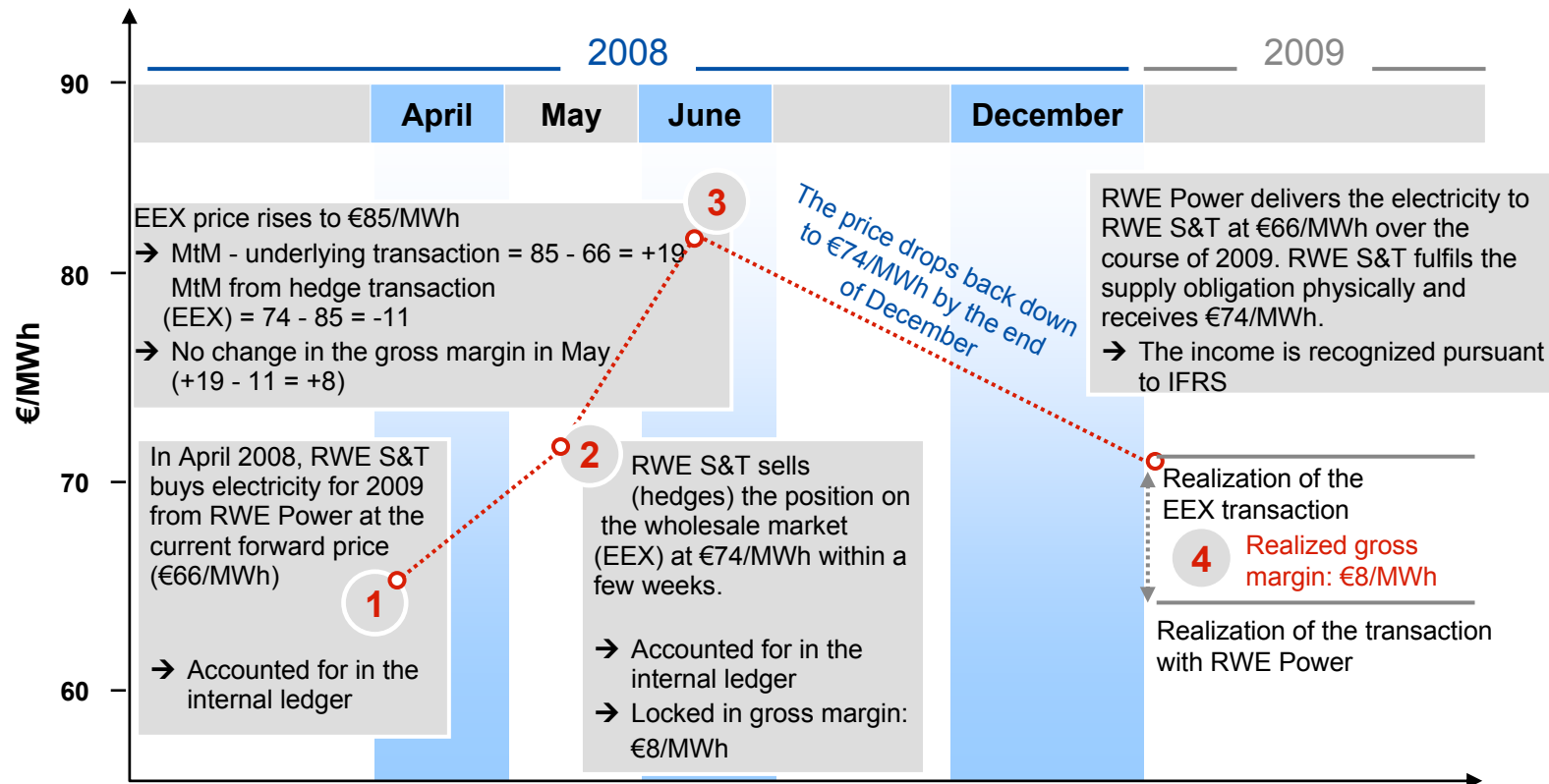
Back-up Charts

Latest market survey of fossil fuel power plant projects in Germany (August 2008)



Source: RWE, August 2008

Mark to market versus hedge accounting under IFRS at RWE Supply & Trading

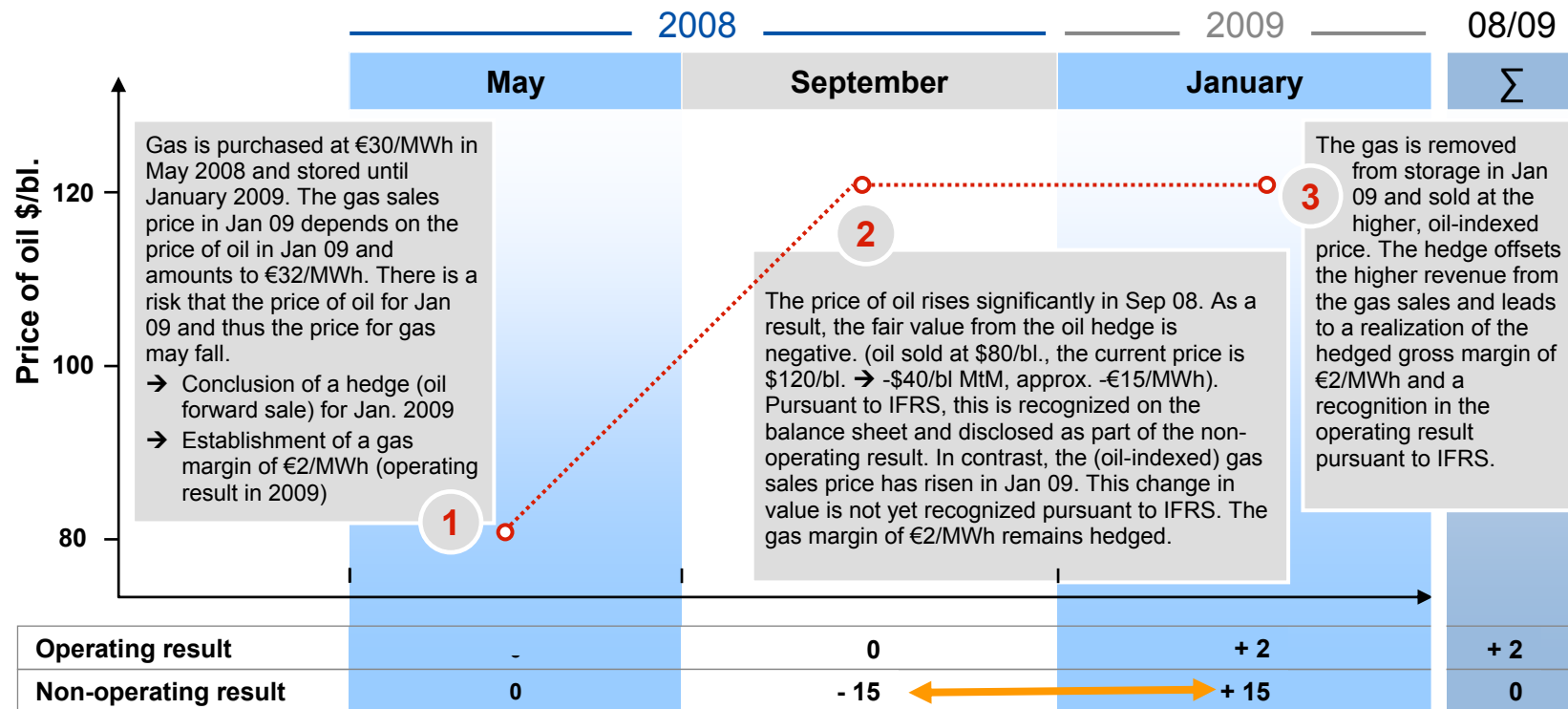


RWE S&T = RWE Supply & Trading
MtM = mark to market

Impact of oil hedges for our gas supply business on the non-operating result

Assumptions:

- Gas purchases and sales are oil-indexed (here without time offset)*
- The price of gas depends on the price of oil at every point in time
- Gas is stored in summer and removed from storage in winter

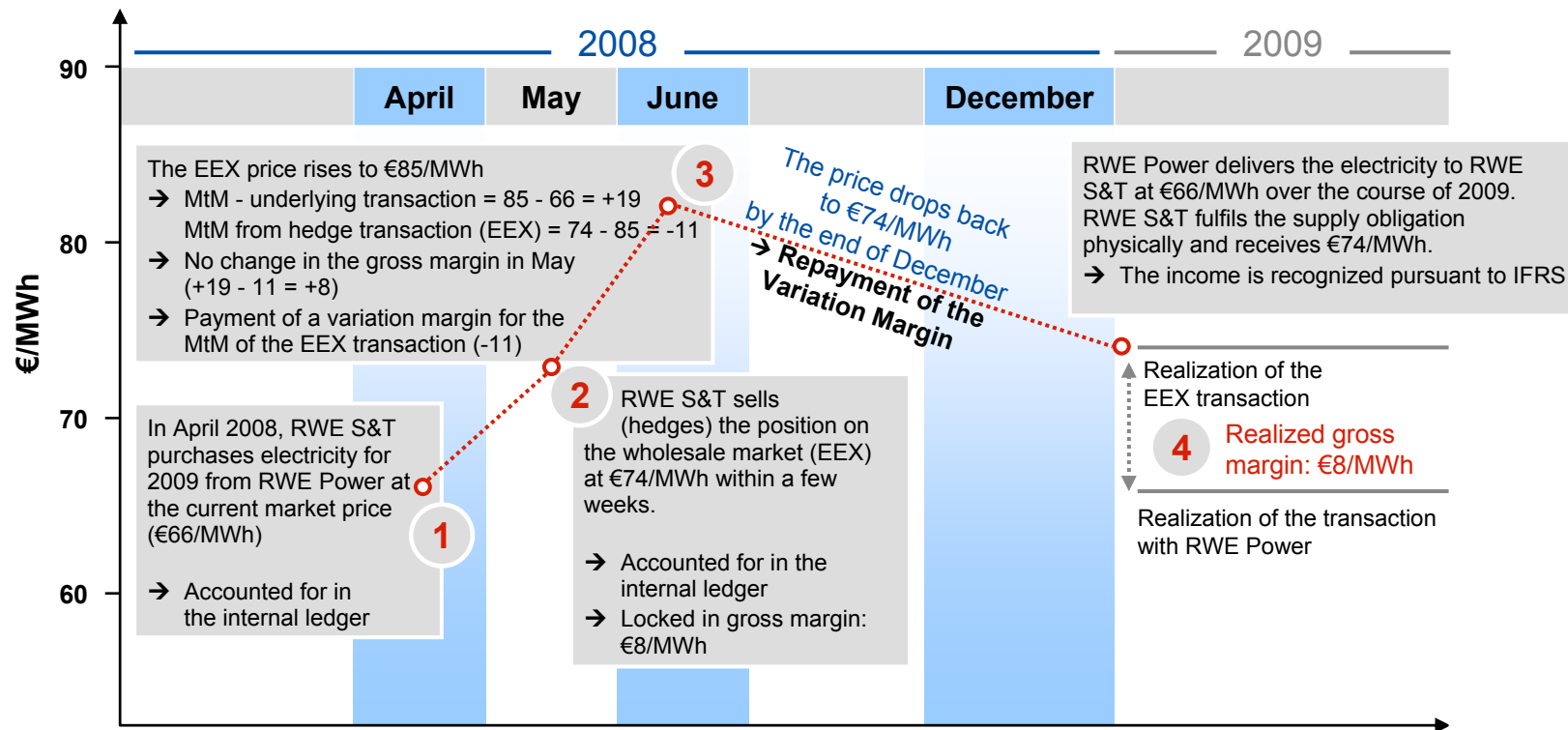


RWE S&T = RWE Supply & Trading

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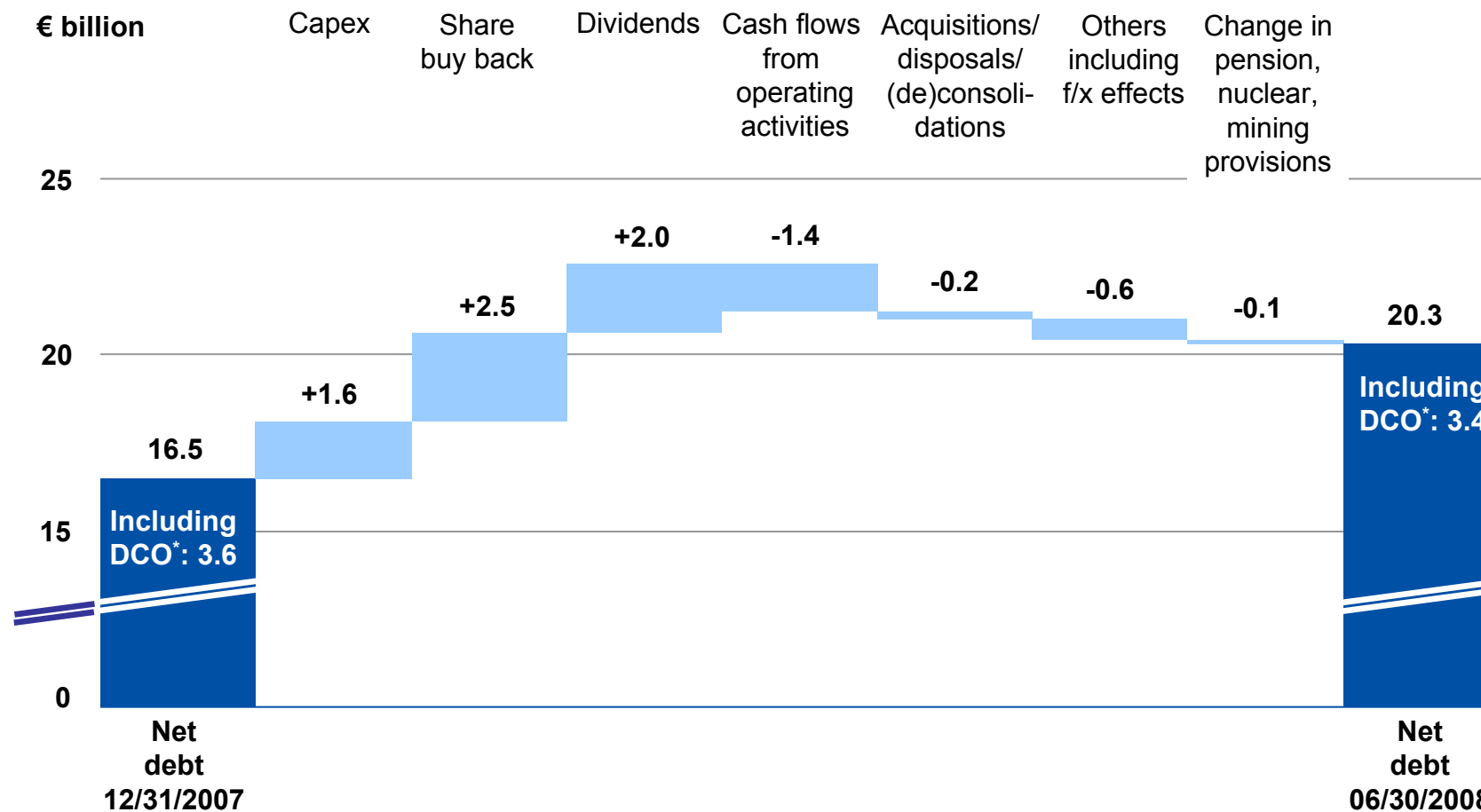
* Simplified by the linkage to the price of crude oil and excluding the time offset (customary in real life). Agreements are generally indexed to various oil products (e.g. light/heavy heating oil)

Effect of “variation margins” on our cash flow



RWE S&T = RWE Supply & Trading
MtM = mark to market

Development of net debt



* Net debt of discontinued operations (DCO).

RWE Group electricity production

January – June in TWh	Germany	UK	Other Internat.	Total 2008	Total 2007
Lignite	34.1		2.7	36.8	38.0
Nuclear	24.7			24.7	15.9
Hard coal	24.2	8.9	0.2	33.3	33.5
thereof contracts	15.7			15.7	16.4
Gas	6.5	9.8		16.3	13.2
Renewable energies	2.0	0.5	0.2	2.7	2.6
thereof contracts	0.3	0.4		0.7	0.7
Pumped storage, oil,	1.1	0.1		1.2	1.2
thereof contracts	0.8			0.8	1.0
Subtotal	92.6	19.3	3.1	115.0	104.4
Electricity purchases*	35.5	8.8	11.3	55.6	61.2
Total	128.1	28.1	14.4	170.6	165.6

* 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 2008	Total 2007
Private and commercial customers	14.2	11.3	1.7	2.9	0.4	30.5	30.7
Industrial and corporate customers	29.2	15.2	1.6	3.4	0.3	49.7	48.4
Distributors	42.1		0.2	2.6	0.4	45.3	43.4
Electricity trading ¹	36.4					36.4	34.2
Total	121.9	26.5	3.5	8.9	1.1	161.9²	156.7²

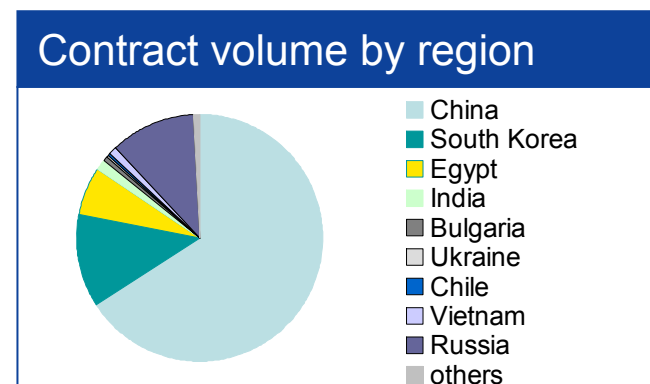
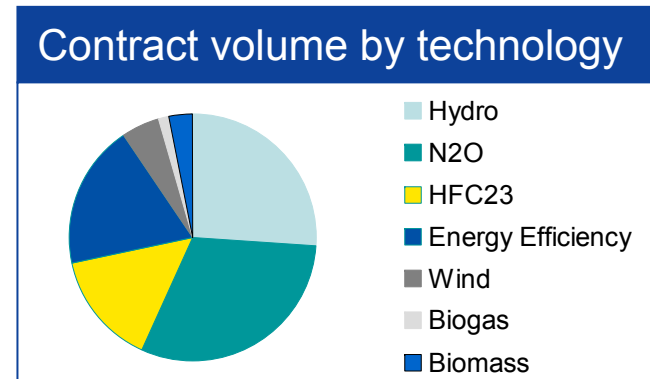
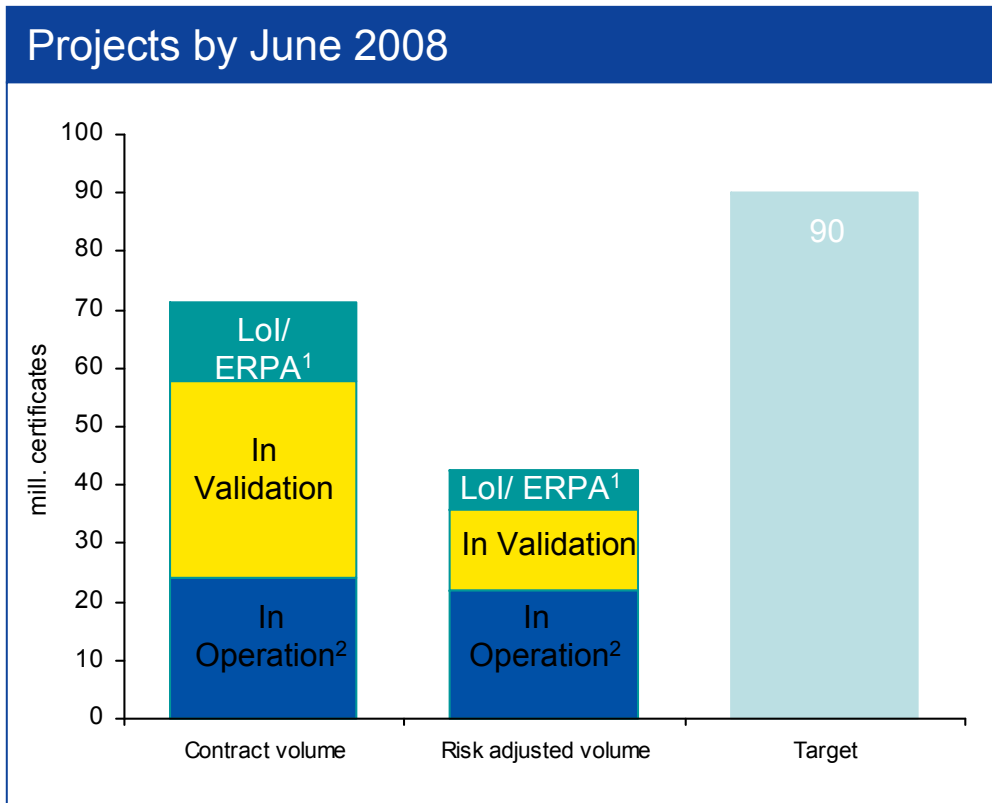
¹ Net of electricity purchased from third parties.

² Difference between electricity production and electricity sales volume due to grid losses, own consumption by lignite production and pumped-storage power plants.

RWE Group gas sales volume

January – June in TWh	Ger- many	Czech Rep.	UK	Other	Total 2008	Total 2007
Private and commercial customers	14.1	19.1	27.8	4.5	65.5	58.6
Industrial and corporate customers	22.7	17.3	5.6	12.2	57.8	59.3
Distributors	51.6	8.5			60.1	58.7
Total	88.4	44.9	33.4	16.7	183.4	176.6

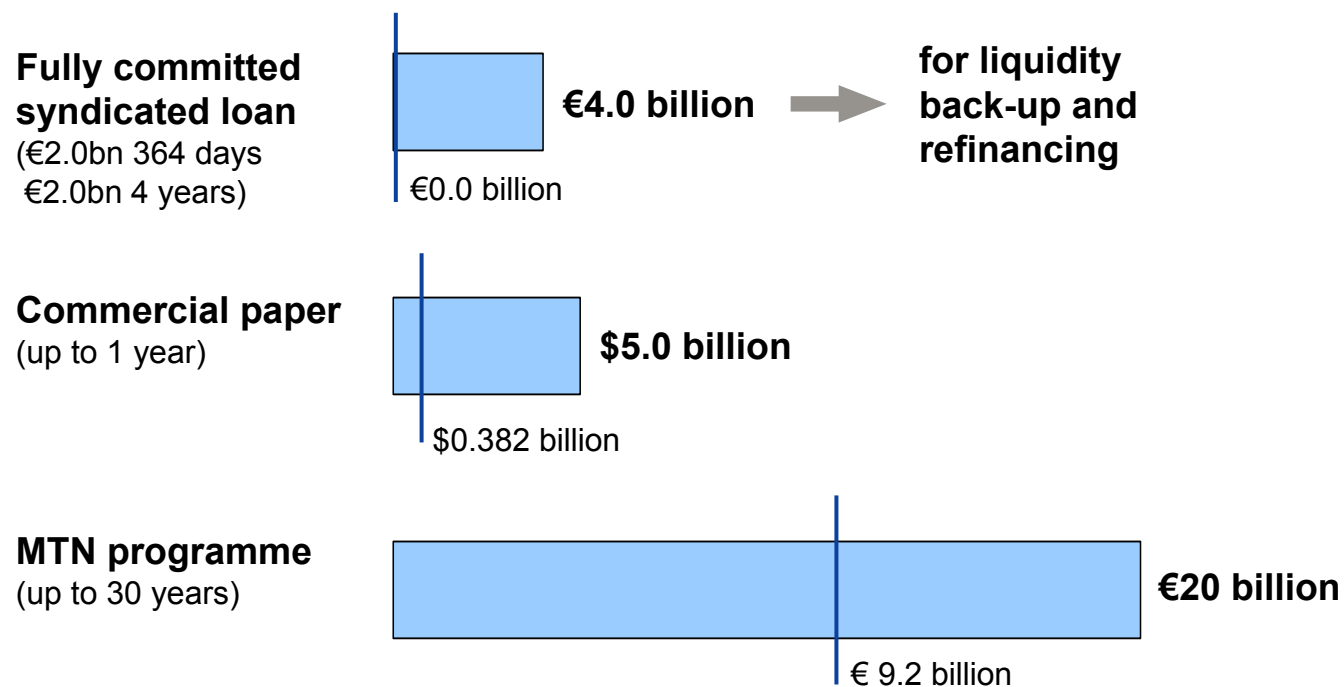
RWE's current Kyoto credit portfolio for 2008 – 2012



¹ ERPA: Emission Reduction Purchase Agreement
² In Operation: All projects which have already issued certificates

➤ The average price per contracted certificate is < €10.
 We expect to reach the target volume at €10 – €12 per certificate.

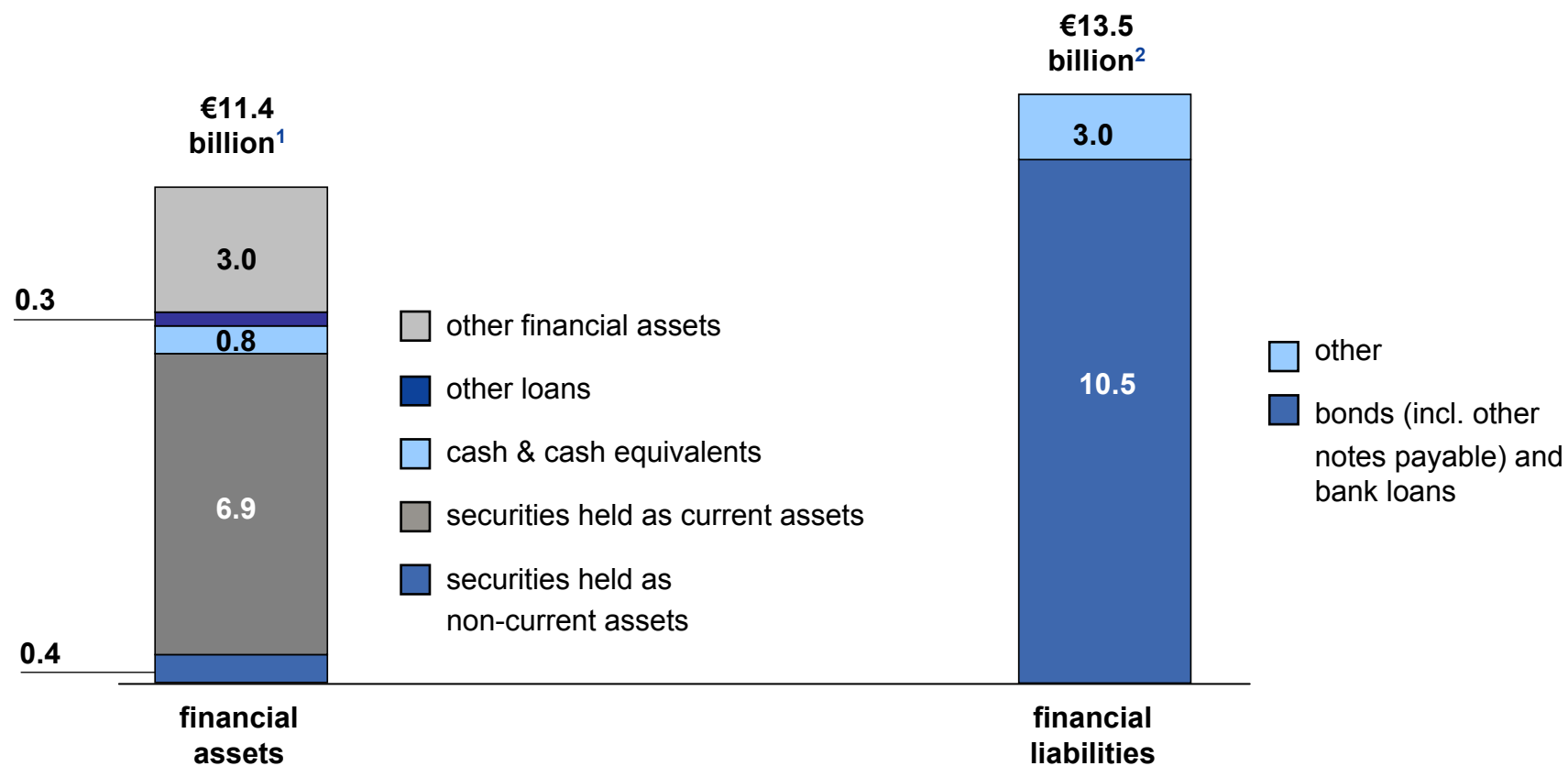
RWE AG: Flexible funding structure



Amounts used as of 06/30/2008.

Financial assets and liabilities

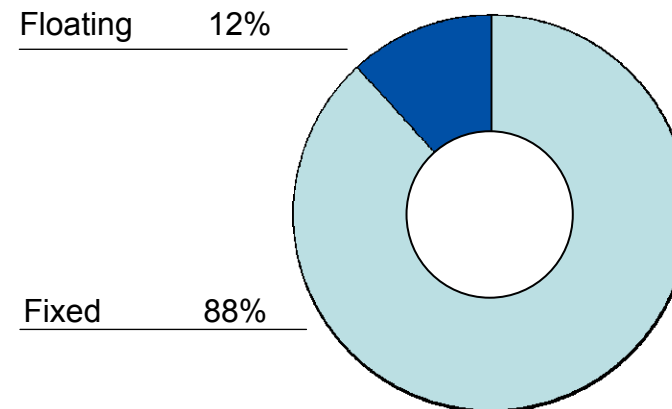
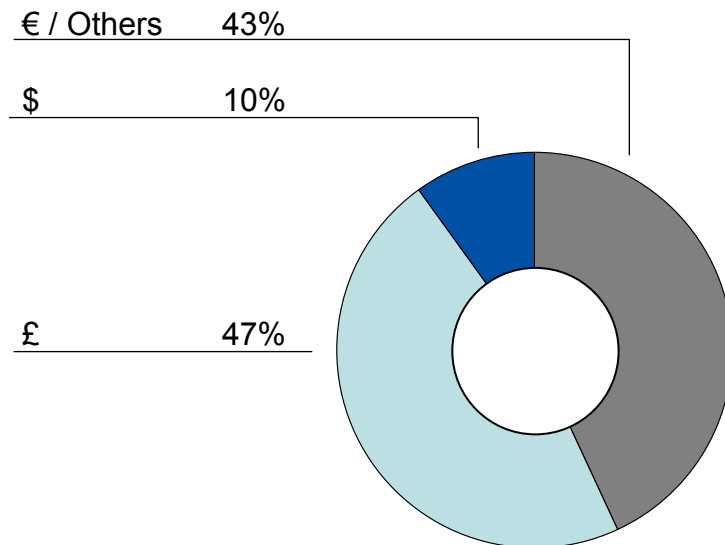
(as of 06/30/2008)



¹ December 31, 2007: € 15.3 billion.

² December 31, 2007: € 13.3 billion.

Gross financial debt currency and interest exposure¹



Long term financed (> 1 Year): 95% of gross financial debt
Short term financed (< 1 Year): 5% of gross financial debt

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

¹ Including cross-currency swaps