

# Report on the First Quarter of Fiscal Year 2008

Essen, May 15, 2008

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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.

# Key messages

## Performance Q1 2008

- Operating result -9%
- Net profit -49% due to one-off costs for American Water
- Recurrent net income +3%

## Strategy

- First 36.25% shares of American Water placed
- €2.5 bn share buy back almost completed
- Hard coal power plant project in Hamm well on track
- 500 MW onshore wind projects acquired in CEE

## Efficiency Enhancement

- Existing programme on track; target upgrade in August

## Outlook for 2008

- Recurrent net income up by > 10%
- Net income slightly below last year due to one-off costs for American Water

# RWE Group key performance indicators

January – March € million	2008	2007 <sup>1</sup>	change in %
External revenue	13,395	12,995	+3.1
Cash flows from operating activities	1,384	908	+52.4
EBITDA	2,855	3,094	-7.7
Operating result	2,499	2,761	-9.5
Non-operating result	15	33	-54.5
Financial result	-301	-260	-15.8
Income from discontinued operations	-634	-1	-
Net income	809	1,571	-48.5
Recurrent net income	1,423	1,382	+3.0
Average number of shares (million)	558.4	562.4	-0.7
Earnings per share (EPS) (€)	1.45	2.79	-48.0
Recurrent EPS (€)	2.55	2.46	+3.7

<sup>1</sup> Adjusted figures: see Interim Report page 11.

# Performance of RWE Power

January – March € million	Operating Result			EBITDA		
	2008	2007 <sup>1</sup>	Change in %	2008	2007 <sup>1</sup>	Change in %
	1,062	989	+7.4	1,166	1,091	+6.9

- Higher realised electricity prices and higher volumes (+€450 million), including a positive impact from the restart of our Biblis nuclear power plant
- Increased costs due to higher fuel prices (-€100 million)
- Higher costs for CO<sub>2</sub> certificates (-€280 million)
- Higher staff costs and negative earnings impact from asset transfer to RWE Innogy

<sup>1</sup> Adjusted figures: see Interim Report page 11.

# Performance of RWE Dea

January – March € million	Operating Result			EBITDA		
	2008	2007	Change in %	2008	2007	Change in %
	185	183	+1.1	247	234	+5.6

- Higher oil prices offset by a weakening US-Dollar and reduced oil production
- Increased gas volumes and slightly improved gas prices
- Higher exploration expenses

# Performance of RWE Supply & Trading

January – March € million	Operating Result			EBITDA		
	2008	2007 <sup>1</sup>	Change in %	2008	2007 <sup>1</sup>	Change in %
	81	371	-78.2	82	372	-78.0

- Extraordinarily high earnings contribution from energy trading in 2007 could not be repeated
- Gas Midstream business improved, amongst others because of the transfer of activities from RWE Transgas and improved gas margins

<sup>1</sup> Adjusted figures: see Interim Report page 11.

# Performance of RWE Energy

January – March € million	Operating Result			EBITDA		
	2008	2007 <sup>1</sup>	Change in %	2008	2007 <sup>1</sup>	Change in %
	<b>930</b>	<b>982</b>	<b>-5.3</b>	<b>1,057</b>	<b>1,116</b>	<b>-5.3</b>
German regions	512	535	-4.3	598	623	-4.0
International regions	201	239	-15.9	222	265	-16.2
Supraregional operations	190	241	-21.2	211	263	-19.8
Other / consolidation	27	-33	+181.8	26	-35	+174.3

- Negative impact from German grid regulation (-€100 million)
- International regions: Asset disposal and transfer of assets to RWE Supply & Trading
- Supraregional operations: Beside reduced grid fees negative impact from transfer of contracting activities to RWE Innogy

<sup>1</sup> Adjusted figures: see Interim Report page 11.

# Performance of RWE npower

January – March € million	Operating Result			EBITDA		
	2008	2007	Change in %	2008	2007	Change in %
	283	270	+4.8	322	303	+6.3

## ■ Power generation:

- Higher generation margins but reduced availability of Aberthaw power plant
- Growing costs of CO<sub>2</sub> (-€8 million to -€44 million)

## ■ Supply:

- The positive earnings development reflects a change in our contract structure for B2B accounts. We now price our contracts to reflect seasonality in our purchasing cost
- The performance after adjusting for changed contract structure was negative due to reduced margins in the retail household business, higher gas transport fees and increased burdens from a state programme for energy efficiency measures.

# Non-operating result

January – March € million	2008	2007 <sup>1</sup>	Change (absolute)
Capital gains	31	96	-65
Impairment losses	-	-	-
Restructuring / other	-16	-63	+47
<b>Total</b>	<b>15</b>	<b>33</b>	<b>-18</b>

- Capital gains: disposal of a further 8% stake in rhenag. Q1 2007 dominated by the disposal of the first 25% of rhenag.
- Restructuring / other:
  - Amortization of RWE npower’s customer accounts (-€73 million, Q1 2007: -€83 million)
  - Income from change of nuclear provisions (+€34 million, Q1 2007: +€41 million)

<sup>1</sup> Adjusted figures: see Interim Report page 11.

# Financial result

January – March € million	2008	2007 <sup>1</sup>	Change in %
Net interest	-24	-120	+80.0
Interest accretion to non-current provisions	-190	-287	+33.8
Other financial result	-87	+147	-159.2
<b>Total</b>	<b>-301</b>	<b>-260</b>	<b>-15.8</b>

- 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 much lower interest accretion
- Other financial result: One-off gain of € 155 million in 2007 due to the funding of the CTA

<sup>1</sup> Adjusted figures: see Interim Report page 11.

# Cash flow statement

January – March € million	2008 <sup>1</sup>	2007 <sup>1</sup>	Change (absolute)
Income	894	1,662	-768
Depreciation, amortization, impairment losses and write-backs	529	577	-48
Changes in provisions	-57	-252	+195
Changes in deferred taxes	363	422	-59
Disposal gains	7	-280	+287
Other non-cash items	667	-15	+682
<b>Funds from operations</b>	<b>2,403</b>	<b>2,114</b>	<b>+289</b>
Changes in working capital and other balance sheet items	-1,019	-1,206	+187
<b>Cash flows from operating activities</b>	<b>1,384</b>	<b>908</b>	<b>+476</b>
Capex on fixed assets	-657	-661	+4
<b>Free cash flow</b>	<b>727</b>	<b>247</b>	<b>+480</b>

<sup>1</sup> Figures for 2007 still include American Water. Figures for 2008 excluding American Water.

# Outlook for 2008

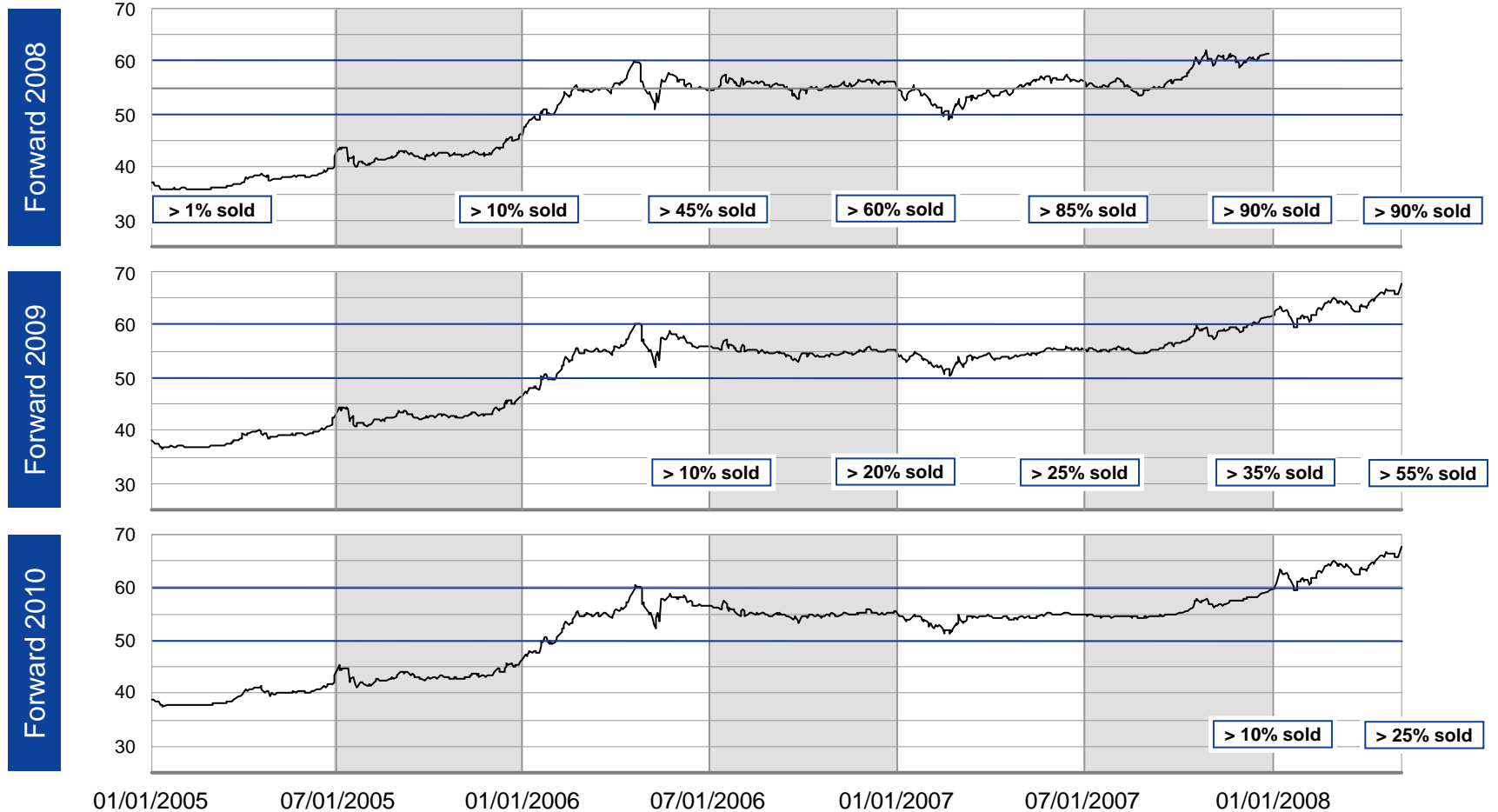
	2007 <sup>1</sup> € million	2008 <sup>1</sup> forecast
External revenue	42,507	Above previous year
EBITDA	7,915	At least matching previous year
Operating result	6,533	At least matching previous year
RWE Power	2,617	Up by more than 10%
RWE Dea	492	Up by more than 10%
RWE Supply & Trading	532	Below previous 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	approx. €6 bn

<sup>1</sup> Water Division reported as discontinued operations. Capex 2007 including Water Division, 2008 excluding Water Division.

# Back-up Charts

# RWE Power: Still more than €20/MWh<sup>1)</sup> to catch up with current market price

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



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

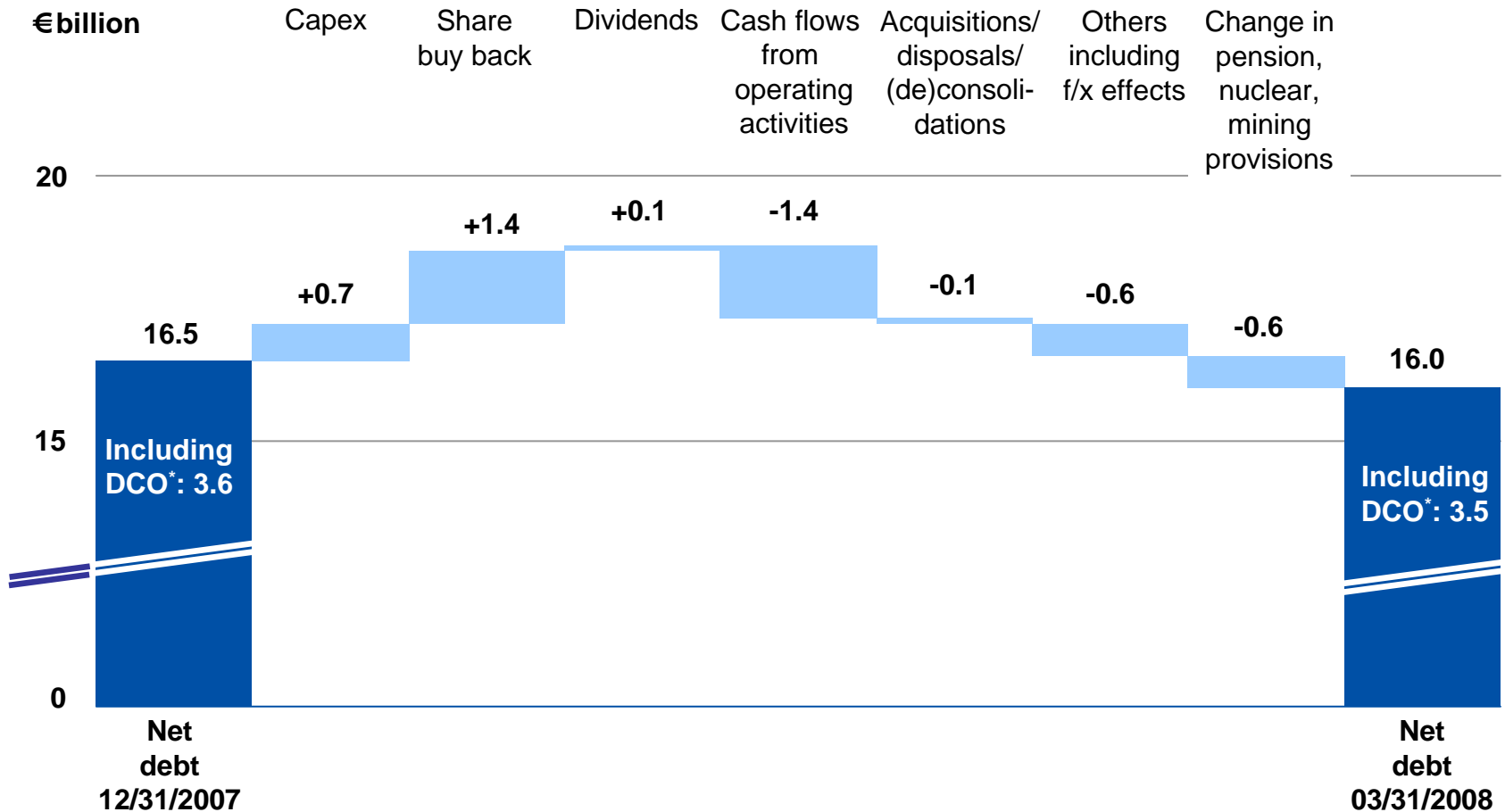
as of 05/05/2008

# Reconciliation of net debt

€ million	03/31/2008	12/31/2007 <sup>1</sup>	Absolute change
Cash and cash equivalent	4,366	1,922	2,444
Marketable securities	8,857	11,302	-2,445
Other financial assets	2,160	2,125	35
<b>Gross financial assets</b>	<b>15,383</b>	<b>15,349</b>	<b>34</b>
Bonds, notes payable, bank debt, cp	12,148	12,005	143
Other financial debt	1,398	1,280	118
<b>Gross financial debt</b>	<b>13,546</b>	<b>13,285</b>	<b>261</b>
<b>Net financial debt (+) / assets ('-') from continuing operations</b>	<b>-1,837</b>	<b>-2,064</b>	<b>227</b>
Provisions for pensions and similar obligations	3,288	3,565	-277
Surplus of plan assets over benefit obligations	-790	-507	-283
Provisions for nuclear obligations	9,053	9,053	0
Provisions for mining and recultivation	2,833	2,822	11
Net debt (+) / assets ('-') from DCO	3,454	3,645	-191
<b>Net debt (+) / assets ('-') of RWE Group</b>	<b>16,001</b>	<b>16,514</b>	<b>-513</b>

<sup>1</sup> Adjusted figures: see Interim Report page 11.

# Development of net debt



\* Net debt of discontinued operations (DCO).

# RWE Group electricity production

January – March in TWh	Germany	UK	Other Internat.	Total 2008	Total 2007
Lignite	17.6		1.3	18.9	19.8
Nuclear	12.4			12.4	8.4
Hard coal	12.9	4.7	0.1	17.7	18.8
thereof contracts	8.3			8.3	8.8
Gas	3.5	4.7		8.2	6.6
Renewable energies	1.0	0.2	0.2	1.4	1.3
thereof contracts	0.1	0.2		0.3	0.4
Pumped storage, oil,	0.6			0.6	0.7
thereof contracts	0.5			0.5	0.5
<b>Subtotal</b>	<b>48.0</b>	<b>9.6</b>	<b>1.6</b>	<b>59.2</b>	<b>55.6</b>
Electricity purchases*	19.8	5.6	6.4	31.8	33.7
<b>Total</b>	<b>67.8</b>	<b>15.2</b>	<b>8.0</b>	<b>91.0</b>	<b>89.3</b>

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

# RWE Group electricity sales volume

January – March in TWh	Germany	UK	Poland	Hungary	Other	Total 2008	Total 2007
Private and commercial customers	8.2	6.5	1.0	1.5	0.2	17.4	17.6
Industrial and corporate customers	14.7	7.9	0.8	2.3	0.1	25.8	24.1
Distributors	22.3		0.1	1.2	0.2	23.8	24.0
Electricity trading <sup>1</sup>	19.2					19.2	18.7
<b>Total</b>	<b>64.4</b>	<b>14.4</b>	<b>1.9</b>	<b>5.0</b>	<b>0.5</b>	<b>86.2<sup>2</sup></b>	<b>84.4<sup>2</sup></b>

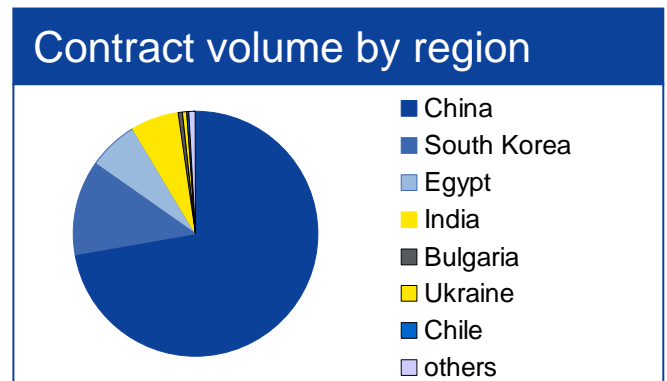
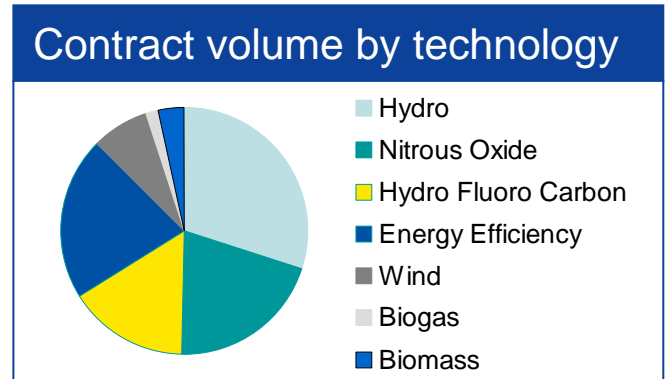
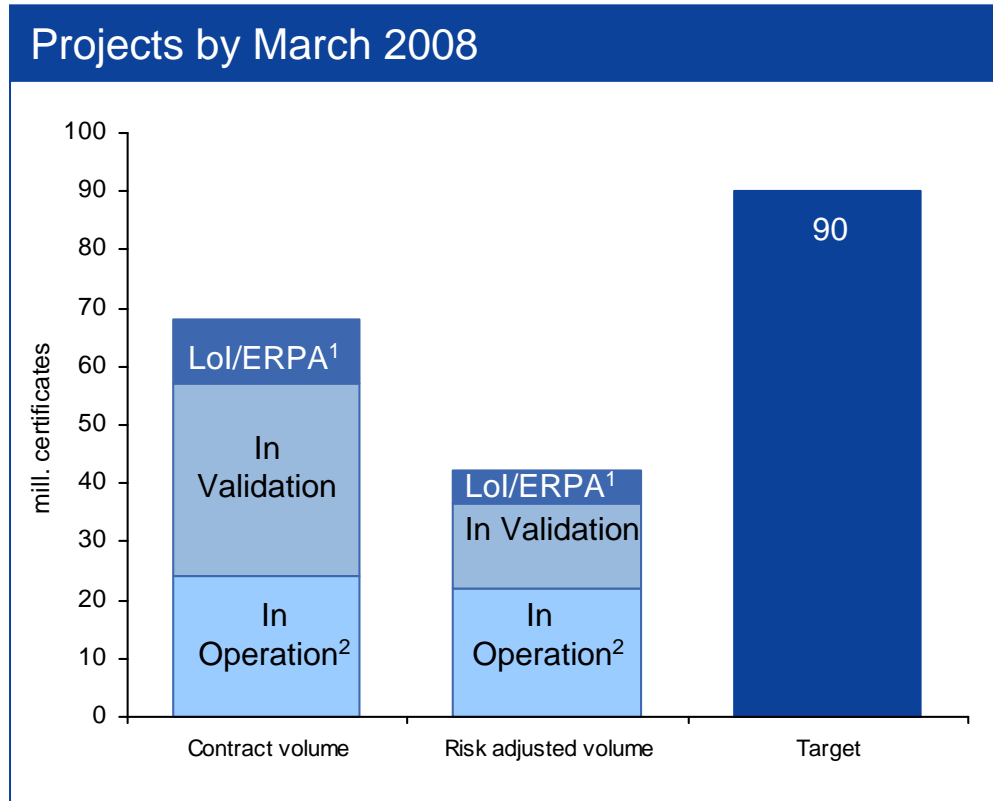
<sup>1</sup> Net of electricity purchased from third parties.

<sup>2</sup> 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 – March in TWh	Ger- many	Czech Rep.	UK	Other	Total 2008	Total 2007
Private and commercial customers	8.7	15.0	19.7	3.1	46.5	46.1
Industrial and corporate customers	11.2	10.9	3.3	7.2	32.6	33.7
Distributors	37.6	5.8			43.4	41.1
<b>Total</b>	<b>57.5</b>	<b>31.7</b>	<b>23.0</b>	<b>10.3</b>	<b>122.5</b>	<b>120.9</b>

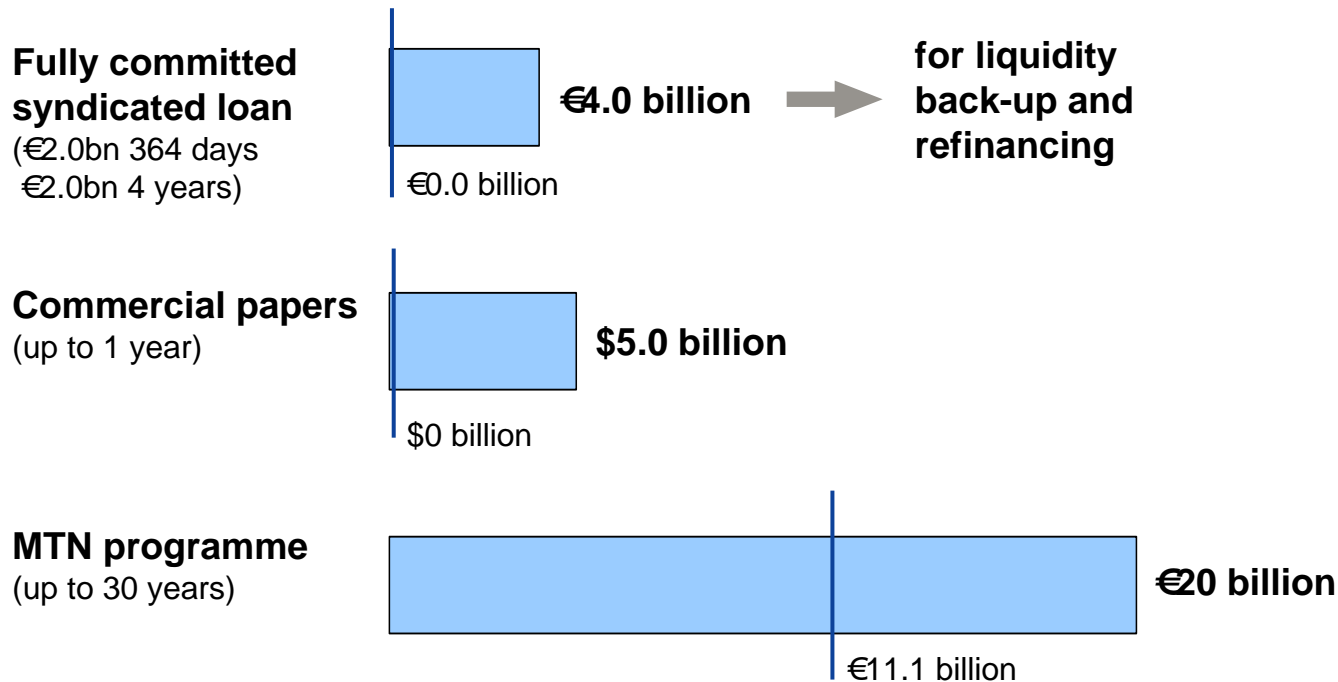
# RWE's current Kyoto credit portfolio for 2008 – 2012



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.

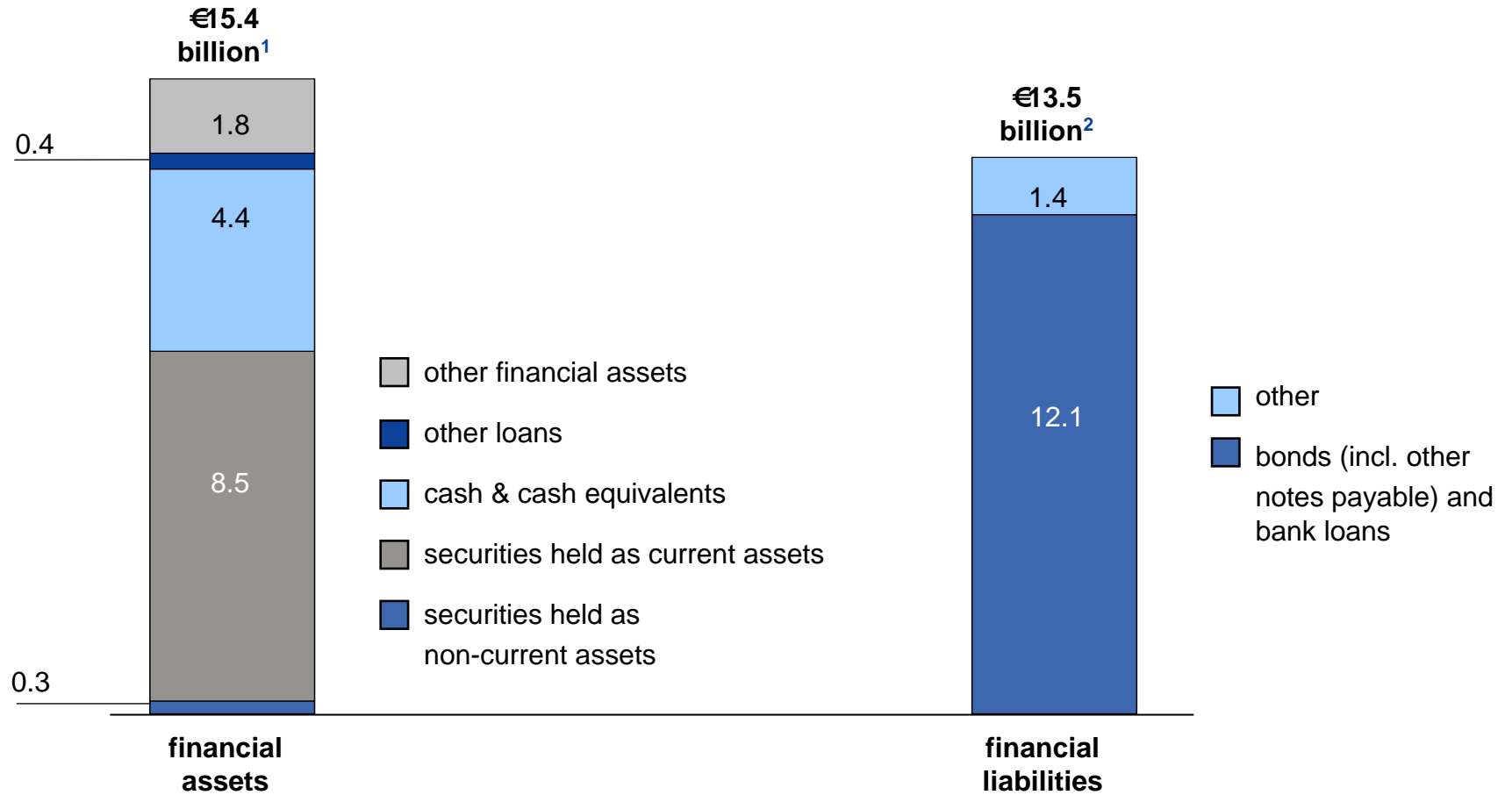
# RWE AG: Flexible funding structure



Amounts used as of 03/31/2008.

# Financial assets and liabilities

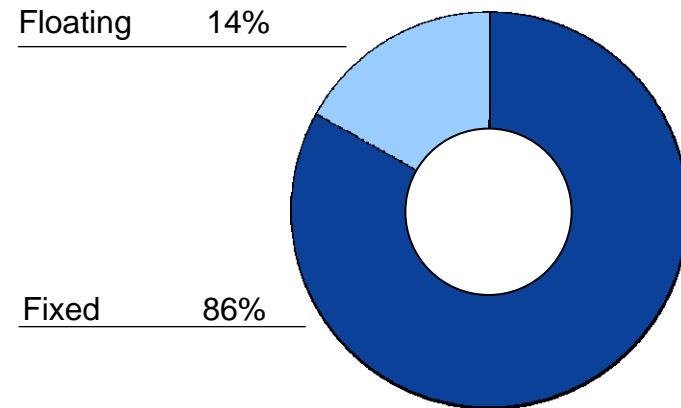
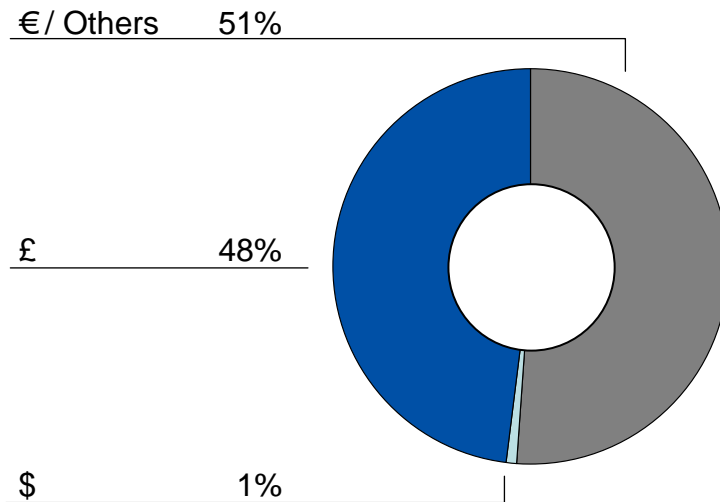
(as of 03/31/2008)



<sup>1</sup> December 31, 2007: €15.3 billion.

<sup>2</sup> December 31, 2007: €13.3 billion.

# Gross financial debt currency and interest exposure<sup>1</sup>



Long term financed (> 1 Year): 75% of gross financial debt  
Short term financed (< 1 Year): 25% of gross financial debt

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

<sup>1</sup> Including cross-currency swaps