

# Report on the First Quarter of Fiscal Year 2006

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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 amortisation 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.

# Highlights of Q1 2006

## Performance

- Operating result improved by 16%
- Net profit up by 7%
- Cost reduction: € 60 million out of € 230 million achieved

## Financial Position

- Net financial debt reduced to €9.4 bn

## Strategy / Portfolio

- Planned disposal of American Water on track. Process for IPO launched.
- Dual track disposal process for Thames Water initiated.

## Outlook 2006

- Earnings guidance confirmed – German regulation a key risk

# RWE group results



January – March €million	2006	2005	change in %
EBITDA	2,768	2,427	+14.1
Operating result	2,256	1,950	+15.7
Non-operating result	-60	77	-177.9
Financial result	-587	-521	-12.7
Income from continuing operations before tax	1,609	1,506	+6.8
Taxes on income	-512	-441	-16.1
Income from continuing operations	1,097	1,065	+3.0
Income from discontinued operations	17	0	-
Minority interest	66	90	-26.7
Net income	1,048	975	+7.5
Recurrent net income	1,083	848	+27.7
Average No. of shares (million)	562.4	562.4	-
EPS (€)	1.86	1.73	+7.5

# Divisional performance

January - March €million	Operating Result			EBITDA		
	2006	2005	Change In%	2006	2005	Change In%
<b>RWE Power</b>	<b>1,029</b>	<b>707</b>	<b>+45.5</b>	<b>1,207</b>	<b>833</b>	<b>+44.9</b>
Power Generation	824	577	+42.8	931	694	+34.1
RWE Dea	205	130	+57.7	276	139	+98.6
<b>RWE Energy</b>	<b>1,013</b>	<b>852</b>	<b>+18.9</b>	<b>1,143</b>	<b>1,019</b>	<b>+12.2</b>
German regions	664	577	+15.1	740	664	+11.4
International regions	191	161	+18.6	222	193	+15.0
Electr. & Gas Transmission	263	191	+37.7	298	228	+30.7
RWE Solutions	-14	-3	-366.7	-8	5	-260.0
<b>RWE npower</b>	<b>38</b>	<b>150</b>	<b>-74.7</b>	<b>65</b>	<b>172</b>	<b>-62.2</b>
<b>Water Division</b>	<b>253</b>	<b>247</b>	<b>+2.4</b>	<b>418</b>	<b>405</b>	<b>+3.2</b>
Regulated UK business	147	126	+16.7	255	235	+8.5
North America	87	81	+7.4	149	138	+8.0
Other markets	19	40	-52.5	14	32	-56.3
<b>Others / consolidation</b>	<b>-77</b>	<b>-6</b>	<b>-</b>	<b>-65</b>	<b>-2</b>	<b>-</b>
<b>Total</b>	<b>2,256</b>	<b>1,950</b>	<b>+15.7</b>	<b>2,768</b>	<b>2,427</b>	<b>+14.1</b>

# Non-operating result

January – March €million	2006	2005	change (absolute)
Capital gains	5	206	-201
Impairment losses	0	0	-
Restructuring / others	-65	-129	+64
<b>Total*</b>	<b>-60</b>	<b>77</b>	<b>-137</b>

\* For calculating recurrent net income the non-operating result (minus a 39% lump-sum tax on restructuring/others) is subtracted from net income.

# Financial result

January – March €million	2006	2005	change in %
Net interest	-261	-222	-17.6
Interest accretion to long-term provisions	-292	-311	+6.1
Other financial result	-34	12	-383.3
<b>Total</b>	<b>-587</b>	<b>-521</b>	<b>-12.7</b>

# RWE cash flow statement



January – March €million	2006	2005	change (absolute)
Income from continuing operations after tax	1,097	1,065	+32
Depreciation, amortization, impairment losses and write-backs	714	707	+7
Changes in provisions	1	-168	+169
Changes in deferred taxes	-32	-90	+58
Disposal gains	-144	-290	+146
Other non-cash items	47	-116	+163
<b>Funds from operations</b>	<b>1,683</b>	<b>1,108</b>	<b>+575</b>
Changes in working capital and other balance sheet items	-348	441	-789
<b>Cash flows from operating activities of continuing operations</b>	<b>1,335</b>	<b>1,549</b>	<b>-214</b>
Capex on fixed assets	-720	-632	-88
<b>Free cash flow</b>	<b>615</b>	<b>917</b>	<b>-302</b>



# Outlook for 2006


Operating result	2005 <sup>1</sup> €million	2006 forecast <sup>2</sup>
<b>EBITDA</b>	8,324	↗
<b>Operating result</b>	6,201	+5% - 10%
<b>RWE Power (incl. RWE Trading)</b>	2,112	↗
<b>RWE Energy</b>	2,507	↘
<b>RWE npower</b>	437	→
<b>Water Division</b>	1,416	→ <sup>3)</sup>

<sup>1</sup> Exchange rates of (€1 =) USD 1.24; GBP 0.68

<sup>2</sup> Based on exchange rates of (€1 =) USD 1.25; GBP 0.70

<sup>3</sup> Adjusted for the transfer of the Continental European water business to RWE Energy, the change in accounting for Turkish water activities as well as deconsolidation and f/x effects.

# Outlook for 2006

	2005 <sup>1</sup> €million	2006 forecast <sup>2</sup>
<b>External revenue</b>	41,819	
<b>Operating result</b>	6,201	+5% - 10%
<b>Net income</b>	2,231	+10% - 20%
<b>Recurrent net income</b>	2,257	+10% - 20%
<b>ROCE</b>	14.7%	>14%
<b>Capex on fixed assets</b>	3,667	ca. € 4.5 – 4.8 bn

<sup>1</sup> Exchange rates of (€1 =) USD 1.24; GBP 0.68

<sup>2</sup> Based on exchange rates of (€ 1 =) USD 1.25; GBP 0.70.

# Back-ups



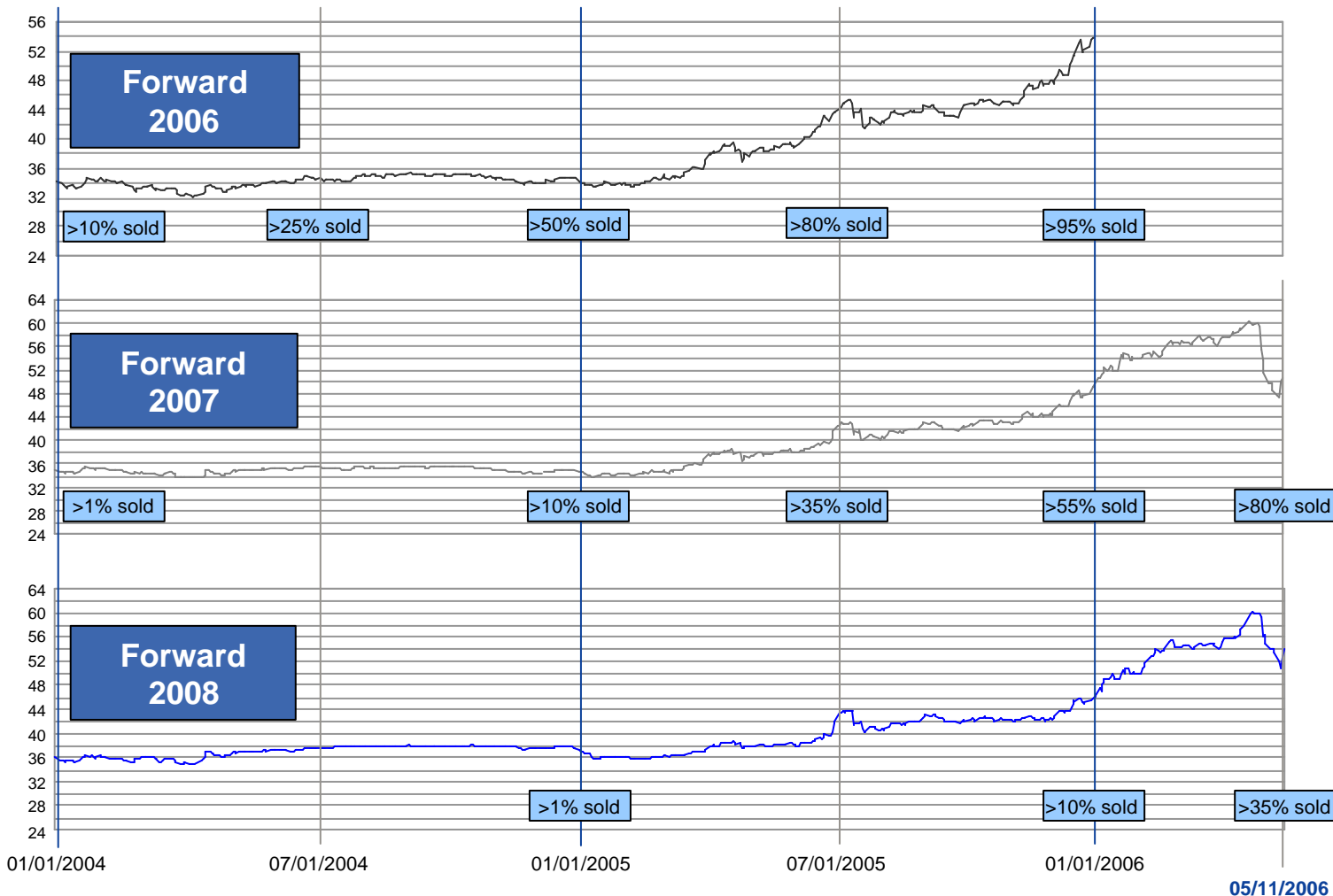
# Currency effects 2006 versus 2005

€million January - March	2006	Change to 2005	thereof currency
External revenue	13,807	+2,787	+62
EBITDA	2,768	+341	+18
Operating result	2,256	+306	+10
Net income	1,048	+73	+3

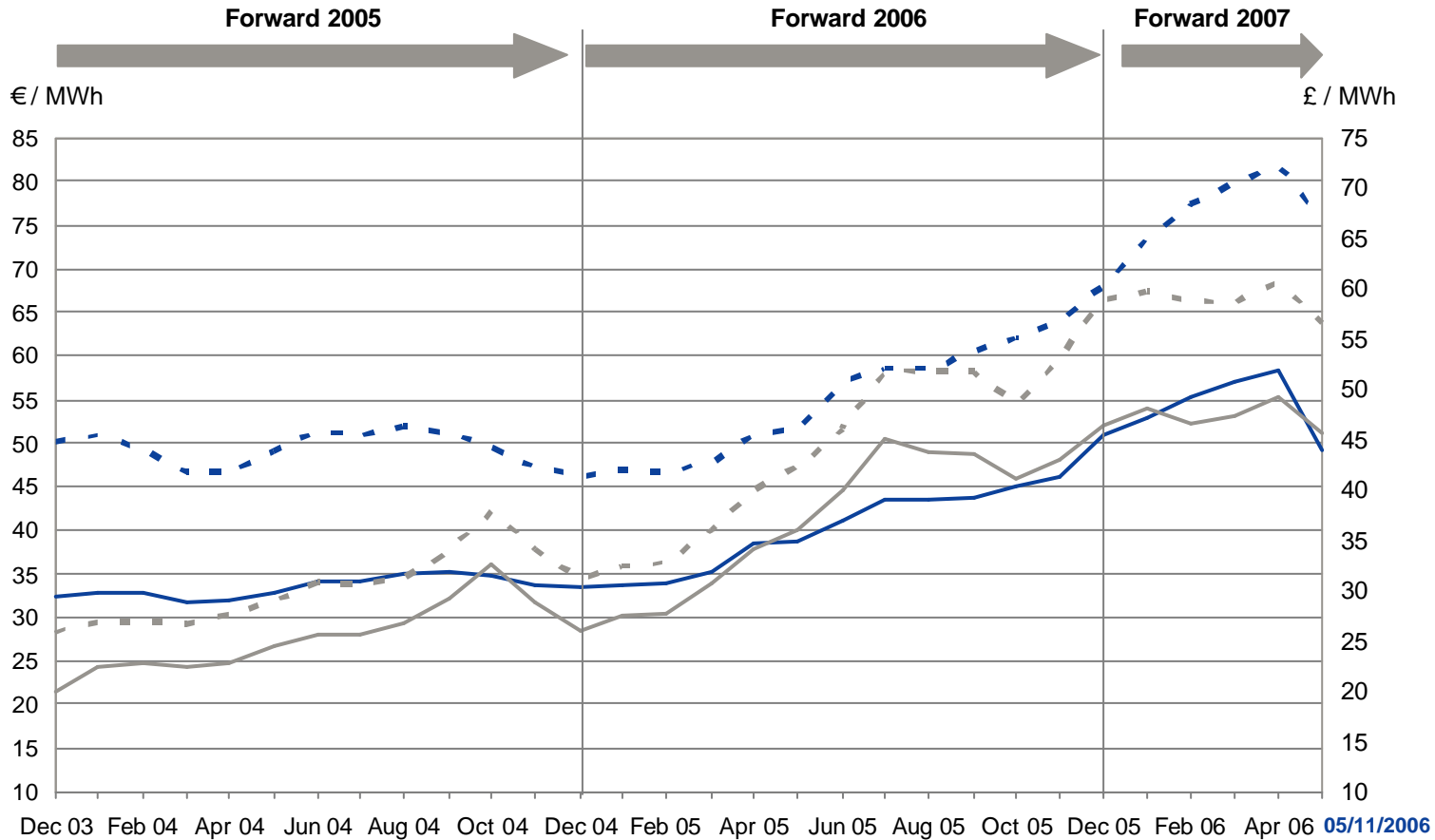
€billion	03/31/2006	Change to 12/31/2005	thereof currency
Net financial debt	9.4	-2.0	-0.2

Currency exchange rates (1 €=):	P&L (average)		Balance Sheet	
	2006	2005	03/31/2006	12/31/2005
GBP	0.69	0.69	0.70	0.69
USD	1.20	1.31	1.21	1.18

# Forward selling of RWE Power in the German market (baseload forwards)



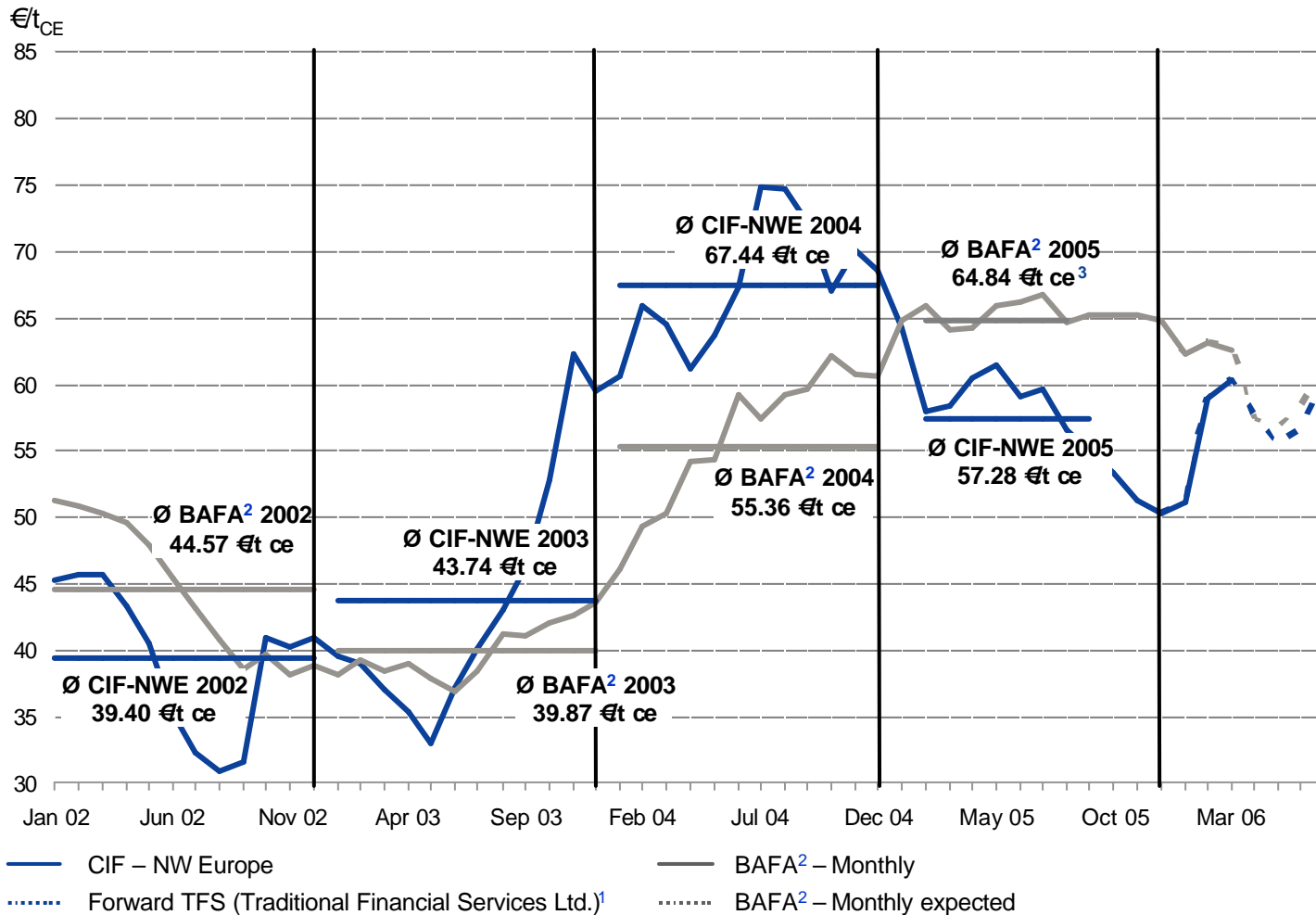
# Electricity Price in Germany and UK



- Wholesale Peak Germany in €/MWh\*
- Wholesale Base Germany in €/MWh\*
- Wholesale Peak UK in £/MWh\*
- Wholesale Base UK in £/MWh\*

\* At the end of the relevant month.

# Coal price development



<sup>1</sup> As of May 11, 2006.

<sup>2</sup> Bundesamt für Wirtschaft und Ausfuhrkontrolle (Federal Office of Economics and Export Control).

<sup>3</sup> Preliminary figures.

# RWE Group electricity production

January – March in TWh	Germany	UK	Other Internat.	Total 2006	Total 2005
<b>Lignite</b>	18.4		1.3	19.7	20.5
<b>Nuclear</b>	13.9			13.9	13.2
<b>Hard coal</b>	14.6	6.3		20.9	18.7
thereof contracts	9.2			9.2	8.0
<b>Gas</b>	3.0	2.8		5.8	5.0
<b>Water and others</b>	1.3	0.7	0.2	2.2	1.8
thereof contracts	0.6			0.6	0.7
<b>Subtotal</b>	51.2	9.8	1.5	62.5	59.2
<b>Electricity purchases*</b>	14.7	6.8	6.0	27.5	26.4
<b>Total</b>	65.9	16.6	7.5	90.0	85.6

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

# RWE Group electricity sales volume



January – March in TWh	Ger- many	UK	Po- land	Hun- gary	Others	Total 2006	Total 2005
Private and commercial	9.2	6.7	1.0	1.5	0.2	18.6	18.6
Industrial and corporate	12.9	9.0	0.7	1.5		24.1	24.5
Distributors / power utilities	18.2		0.5	1.3	0.1	20.1	16.7
Electricity trading <sup>1</sup>	22.4					22.4	20.6
<b>Total</b>	<b>62.7</b>	<b>15.7</b>	<b>2.2</b>	<b>4.3</b>	<b>0.3</b>	<b>85.2<sup>2</sup></b>	<b>80.4<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.

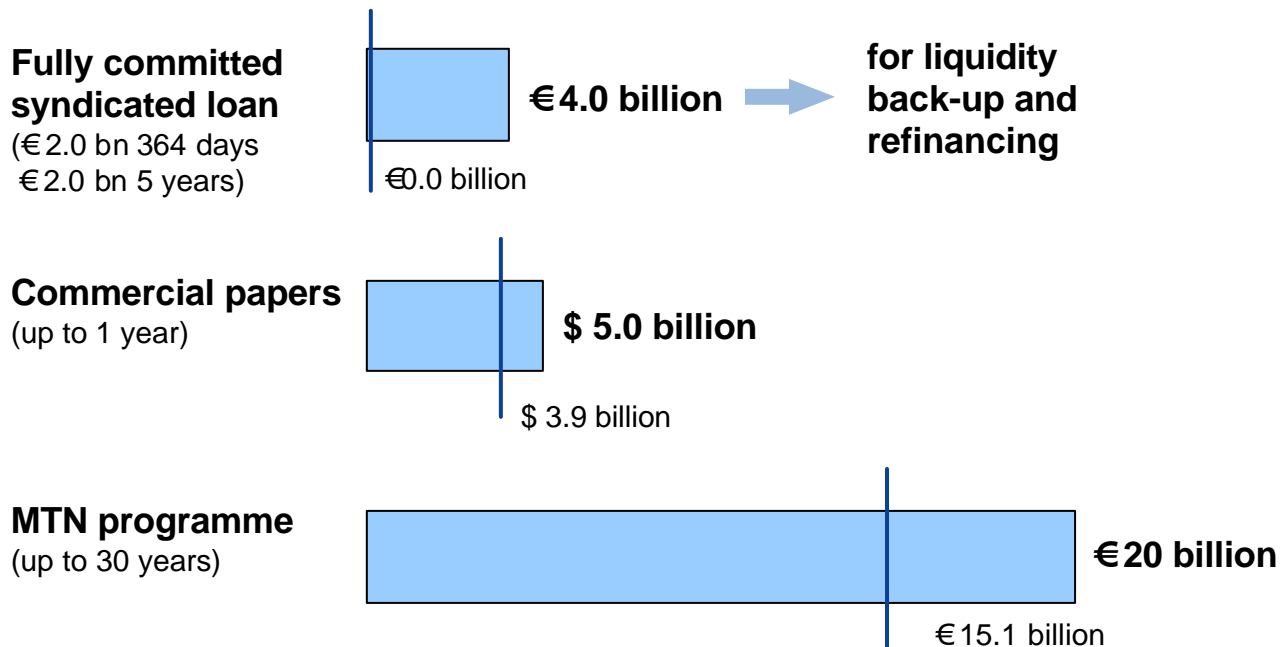
# RWE Gas sales volume



January – March in TWh	Ger- many	Czech Rep.	UK	Others	Total 2006	Total 2005
Private and commercial	13.9	20.0	18.0	3.3	55.2	50.1
Industrial and corporate	15.5	15.7	3.0	5.6	39.8	34.3
Distributors / power utilities*	44.7	7.8	0.3	0.0	52.8	48.6
<b>Total</b>	<b>74.1</b>	<b>43.5</b>	<b>21.3</b>	<b>8.9</b>	<b>147.8</b>	<b>133.0</b>

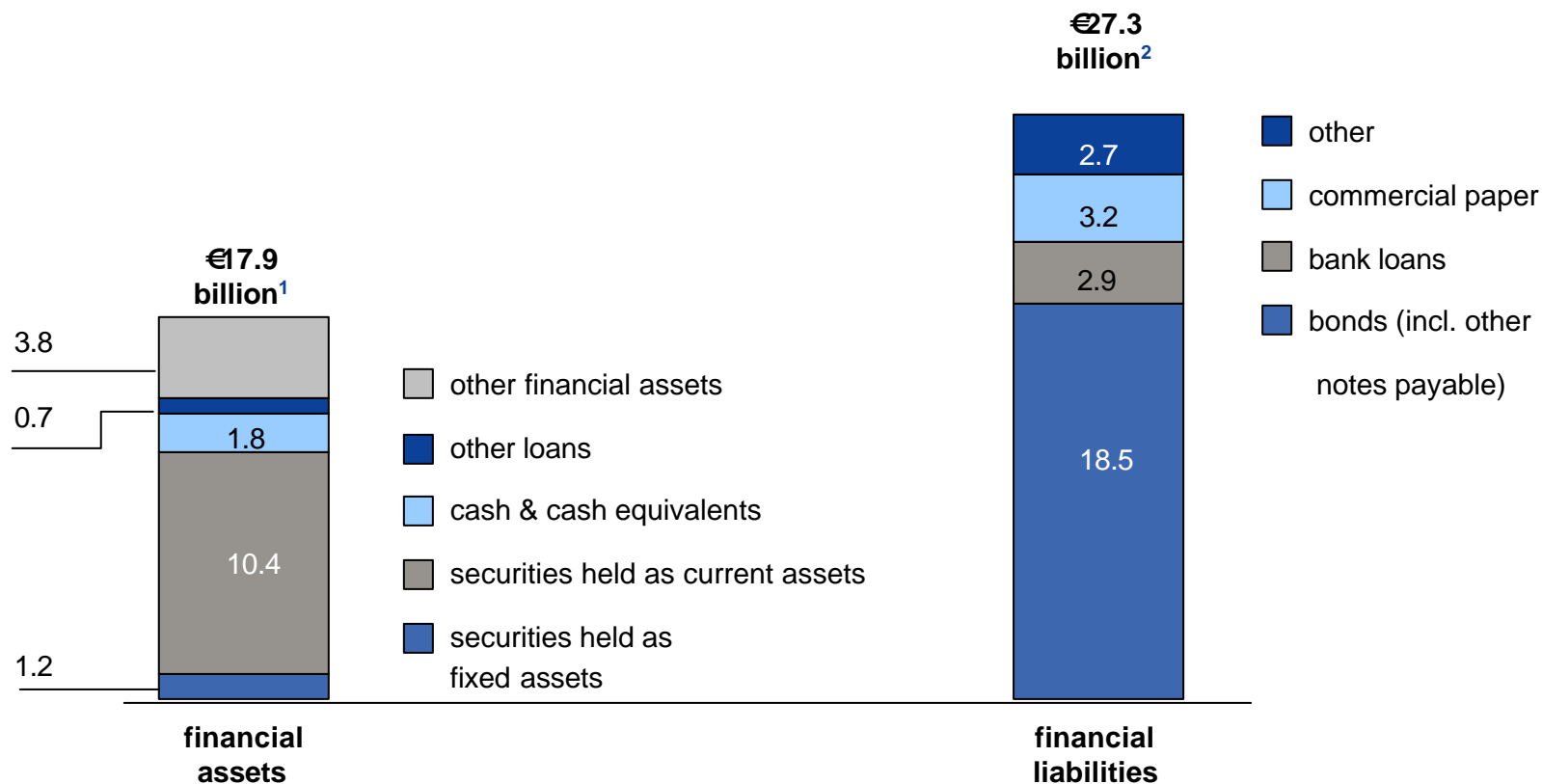
\* incl. gas-trading.

# RWE AG: flexible funding structure



Amounts used as of 03/31/2006.

# Financial assets and liabilities (as at 03/31/2006)

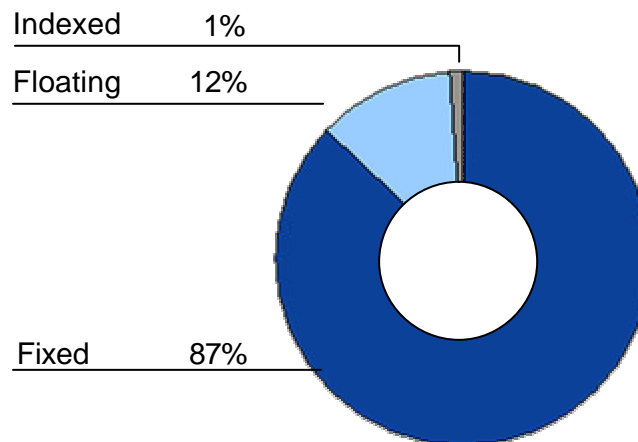
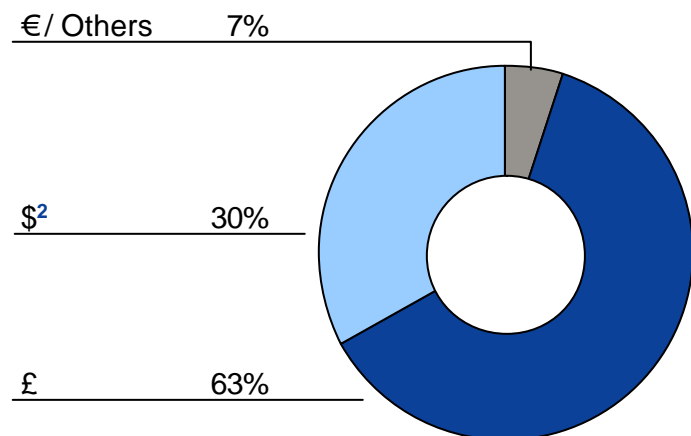


<sup>1</sup> December 31, 2005: € 16.4 billion.

<sup>2</sup> December 31, 2005: € 27.8 billion.

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

Gross financial debt as of March, 2006: €27.3 billion

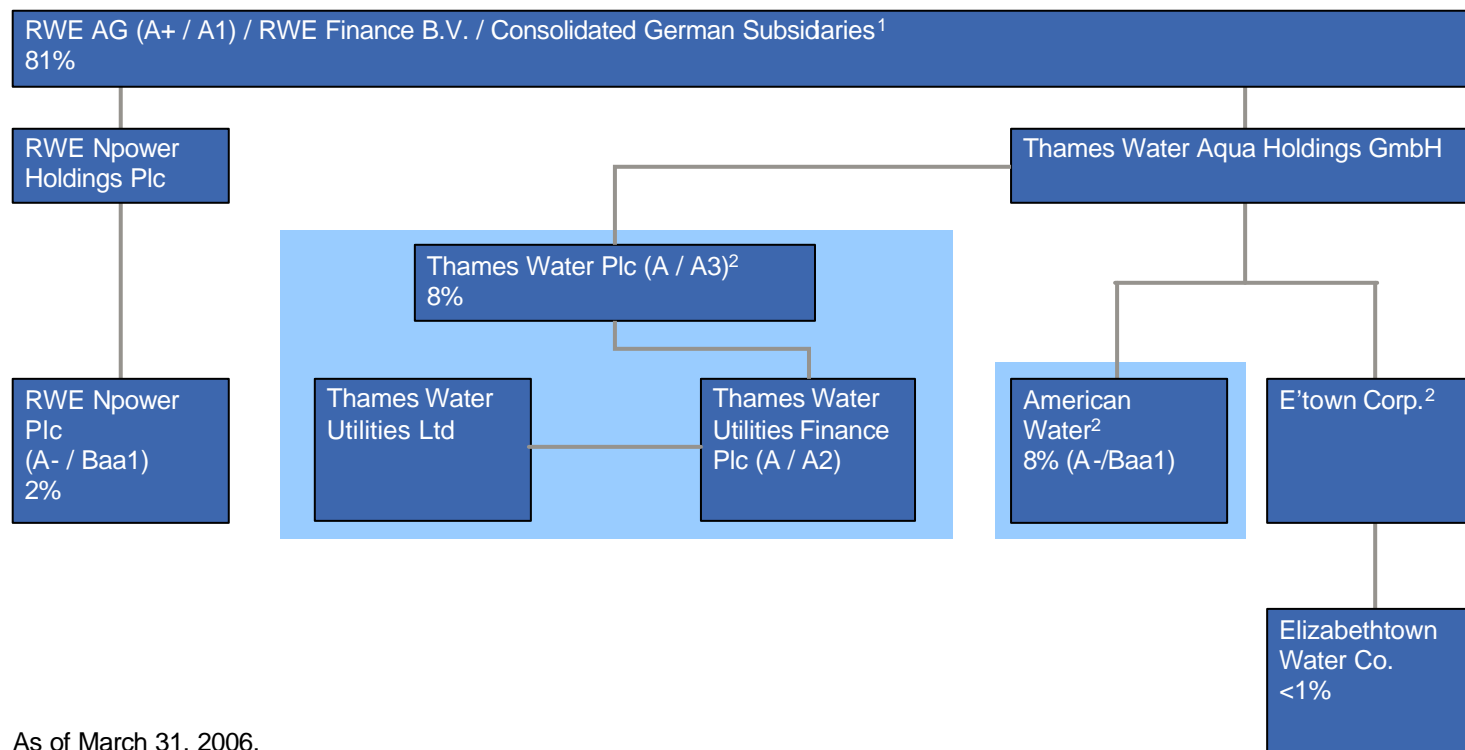


Long term financed (> 1 Year): 76% of gross financial debt  
 Short term financed (< 1 Year): 24% of gross financial debt

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

<sup>1</sup> Including cross-currency swaps.  
<sup>2</sup> Including Chilean Peso.

# Structural subordination in the RWE Group



As of March 31, 2006.

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.

2 planned sale

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