

Steering RWE through a challenging environment

Summer 2010



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

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Good start to 2010 continued

- Strong operating performance: EBITDA +22%, operating result +21%, recurrent net income +23%
- Solid earnings contribution from German Power Generation, Central Eastern / South Eastern Europe and Essent
- Joint Venture established for construction and operation of 576 MW Gwynt y Môr wind farm with Munich municipal utility and Siemens
- Bio coal production plant shared with Topell Energy kicked off
- Investment decision made for RWE Dea gas production project in Egypt to secure about 50 bcm natural gas reserves
- Outlook for 2010 confirmed – good prospects for an attractive dividend

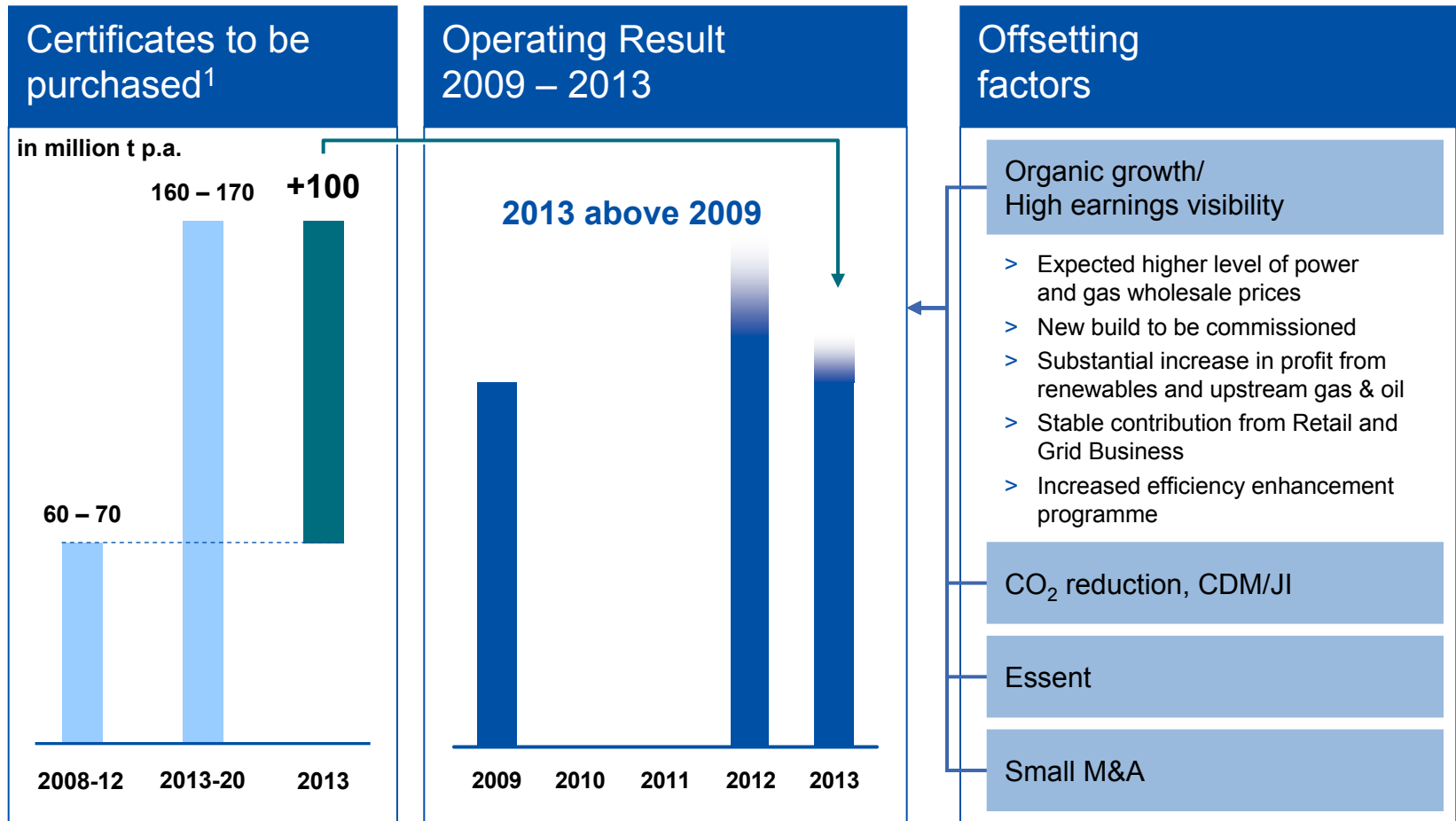
Uncertainties from nuclear debate put our mid-term outlook for 2012/13 under review

	2008 reported € million	forecast 2012 versus 2008	2009 reported € million	forecast 2013 versus 2009
EBITDA		No guidance	9,165	above 2009
Operating result	6,826	CAGR + ca. 5%	7,090	above 2009
Recurrent net income	3,367	CAGR + ca. 5%	3,532	above 2009
			Dividend target 2010 – 2013	
Dividend	€ 3.50	Payout ratio 50% – 60% with goal to at least match the previous year's dividend for each fiscal year from 2010 to 2013		

- > We expect the nuclear fuel tax to have a significant impact on our EBITDA, operating result and recurrent net income
- > Our financial headroom for investments would be consequently reduced to stay in line with our leverage target which we assume corresponds to an A-flat rating
- > Therefore, the introduction of a nuclear fuel tax would significantly influence our earnings and cash flows and hence, our dividend, CAPEX and growth potential

Our strategy to reduce the impact of CO₂ on our P&L in 2013

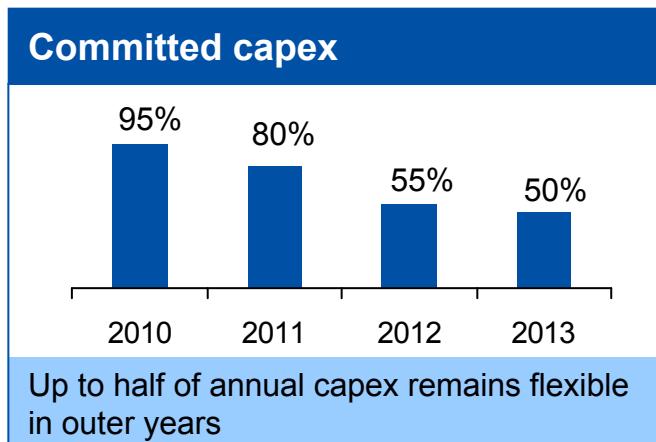
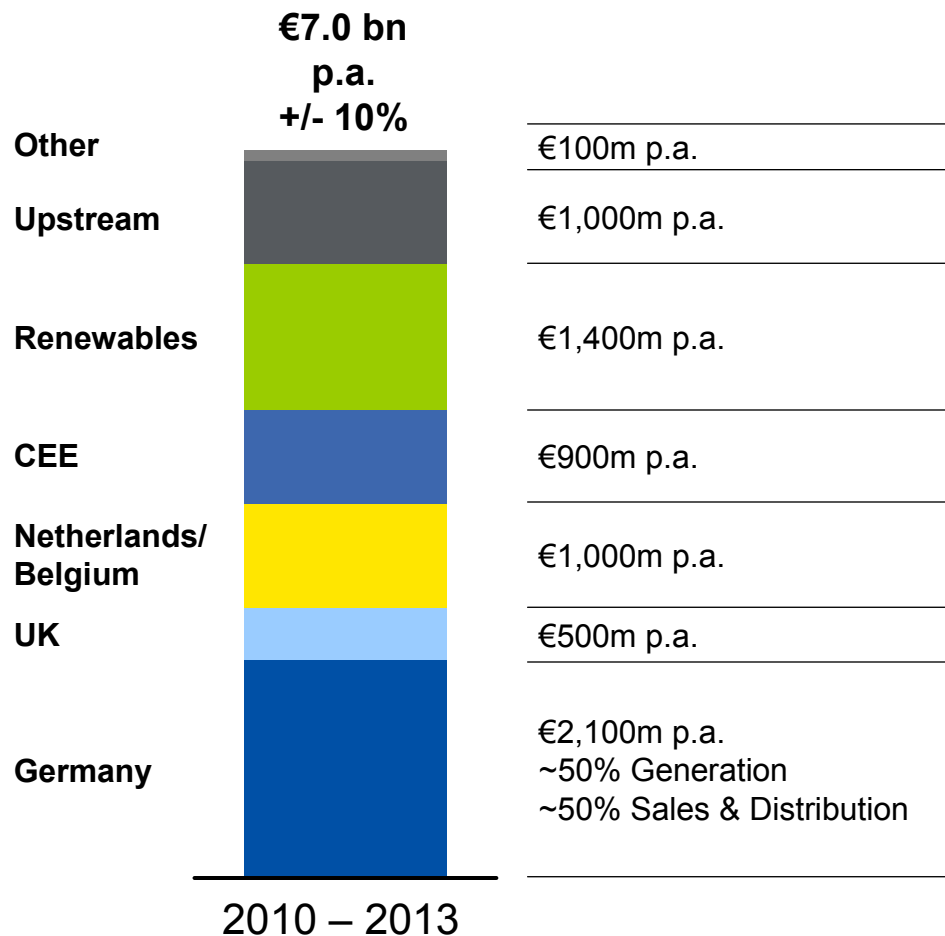
(As of February 2010. Mid-term targets are under review; announced in August 2010)



¹ Excluding Essent; Essent has CO₂ emissions of approx. 8 to 10 million tons p.a.

Continuous investment commitment: €28 bn capex programme 2010 – 2013

(As of February 2010. Mid-term targets are under review; announced in August 2010)



- > **Mid-term guidance under review:**
- All discretionary capex projects under review
 - Increase of internal hurdle rates

Essent further increases robustness of our portfolio – integration is well underway

Generation

- > Increased exposure to flexible mid-merit portfolio
- > Transfer of Eemshaven project to Essent
- > Application of biomass co-firing expertise to RWE power plants

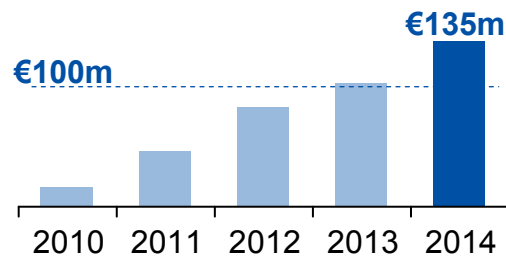
Renewables

- > Joint operation of wind assets by RWE Innogy
- > Streamlining of combined development pipeline
- > Leveraging of RWE Innogy's component framework agreements for Essent projects

**Essent's stand-alone
EBIT and EBITDA CAGR
2008 – 2012 of
approximately 10%**

**ROCE \geq 9.5%
from 2012 onwards**

Gross synergies



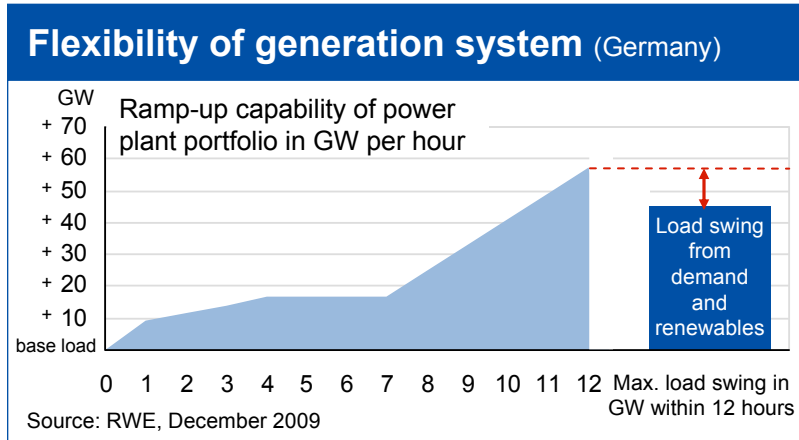
Retail

- > Integration of RWE's Dutch customer portfolio into Essent
- > Elimination of parallel client service systems
- > Cost savings from combined marketing and branding efforts

Supply & Trading

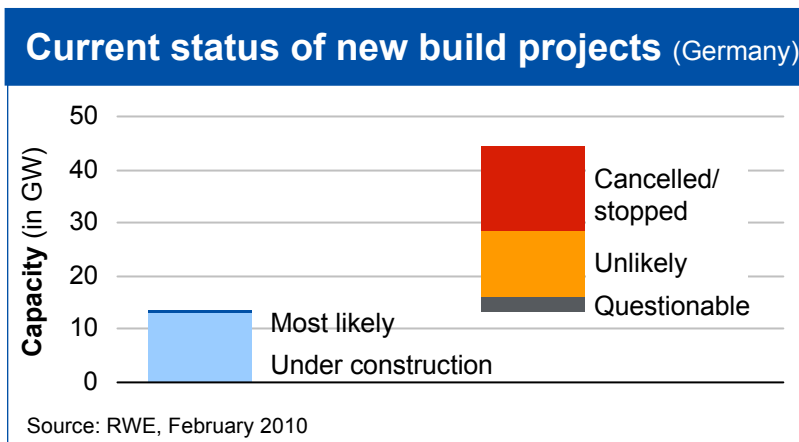
- > Standardisation of trading and risk management systems
- > Central management of gas procurement portfolios and storage flexibility

Growing number of cancellations increases efficiency gap and value of our new-build projects



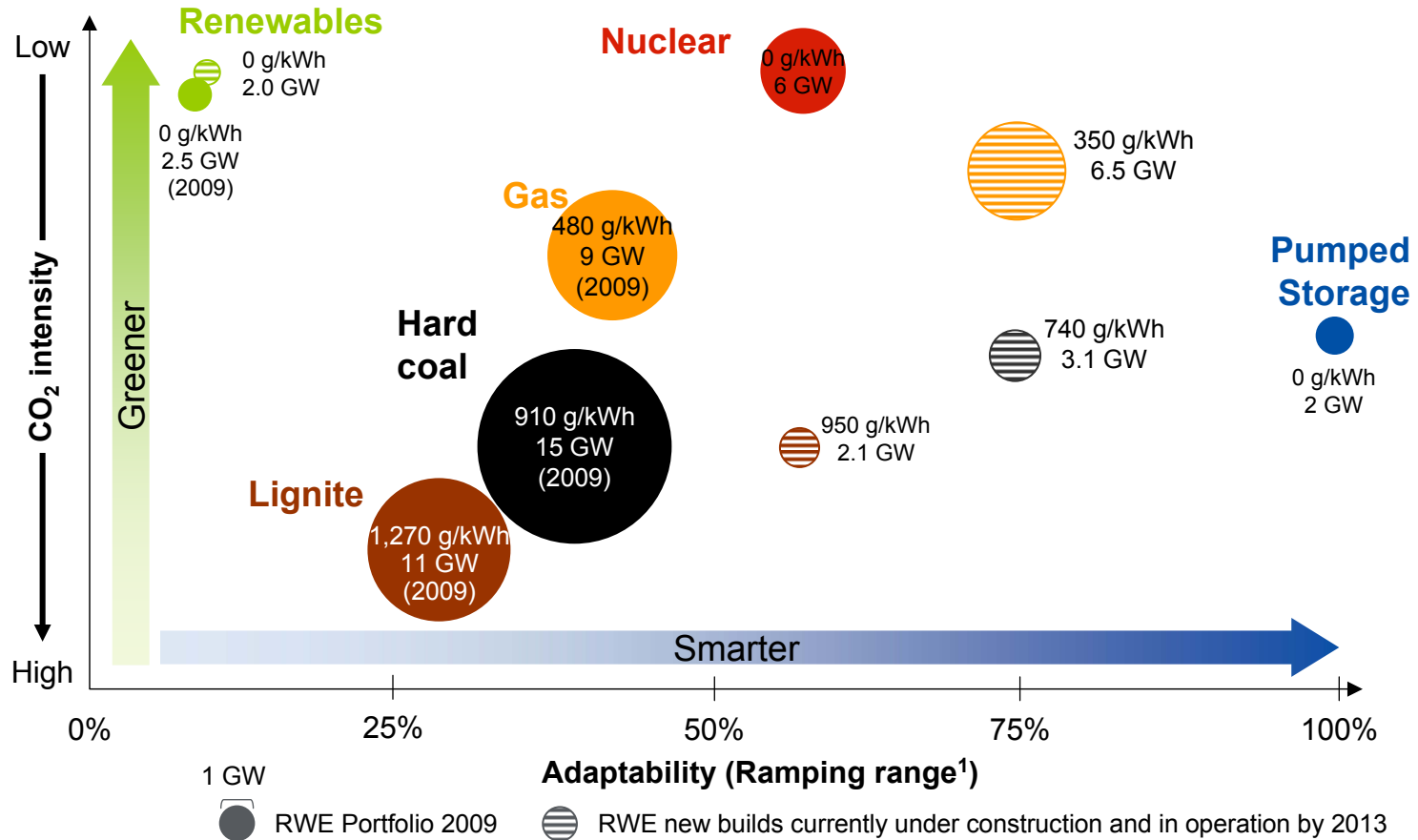
- > Rising share of renewables generation will lead to:
 - Increase of load swings in the system
 - Price spikes and negative prices due to lack of flexibility in current power plant portfolio
 - Shut downs of old inefficient and inflexible power plants

- > The efficiency gap is amplified by increasing number of cancellations and delays of new-build projects
 - Eight large power plant projects with a combined capacity of 8.6 GW cancelled in the last 12 months
 - Local public opposition and quality problems cause delays in projects under construction



Diverse new-build programme will enhance flexibility and reduce specific CO₂ exposure

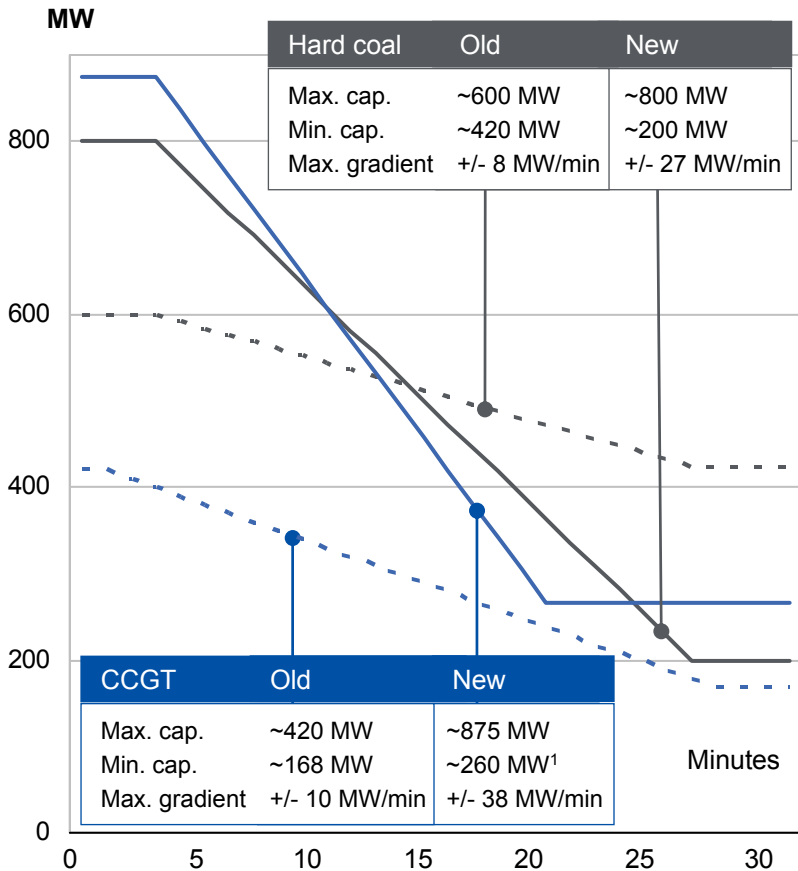
Generation portfolio 2009 vs. power plants under construction



¹ Δ between min and max load

Strategy for fossil fired generation: growth, higher flexibility, less CO₂ emissions

Comparison of ramp capacities
(old and new hard coal / CCGT)



New hard coal-fired 1,600 MW plant –
2 flexible 800 MW units for mid-merit regime



New gas-fired 875 MW plant,
> 58% efficiency for peak times



Source: RWE.

¹ One turbine gets turned off.

Power plant new build programme: making good progress

Renewables Projects (RWE Innogy)

Offshore Wind Germany

- > Nordsee Ost (295 MW): Bremerhaven chosen as offshore base port in May 2010; contract for supply of foundations signed in June 2010, construction due to start in 2011



Offshore Wind UK

- > Greater Gabbard (504 MW; 50% share): first electricity production expected to start by August 2010, fully operational by end of 2011
- > Gwynt y Môr (576 MW; 60% share): onshore works started, offshore construction begins in 2011, completion in 2014



Biomass USA

- > Construction started on the world's largest biomass pellet production plant in Georgia/USA, production capacity of 750,000 t/year



Conventional New Builds (Power, npower, Essent)

Germany

- > Neurath (2 x 1,050 MW): First compression test in June successfully completed, BoA 2&3 will go online mid/end of 2011
- > Hamm (1,560 MW): Problems with steel construction of boiler solved



UK

- > Staythorpe (1,650 MW): The four units of the CCGT will be commissioned successively between end of August and end of November 2010



Netherlands

- > Moerdijk (426 MW): CCGT project on track for completion and within budget
- > Claus C (1,304 MW): Project ahead of schedule, important milestone of physically connecting the greenfield gas turbines and the brownfield steam turbine reached



...as are our projects in gas upstream and midstream

Upstream Gas & Oil (RWE Dea)

Algeria

- > Reggane (n/a¹): approval of Declaration of Commerciality from authorities expected for third quarter of 2010



UK

- > Breagh (7.0 mmmboe²): project on track, development intensified to take up production in 2012



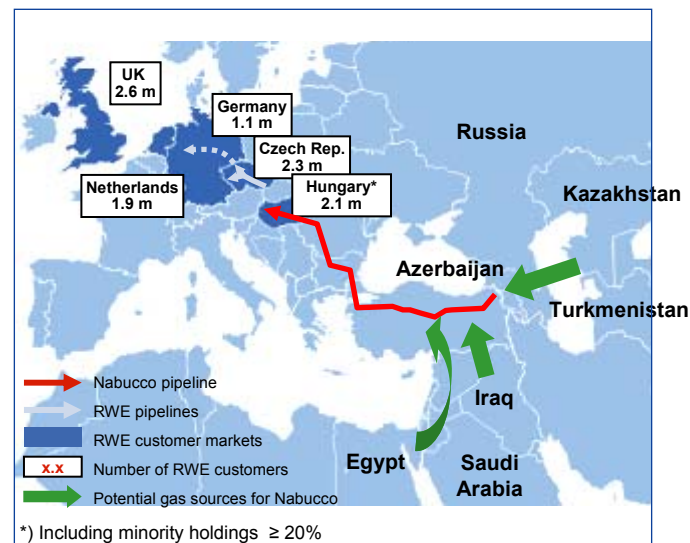
Norway

- > Gjøa (2.2 mmmboe²): start of production as planned by the end of year 2010
- > Luno (5.3 mmmboe²): field development approval by Norwegian authorities expected by the end of this year



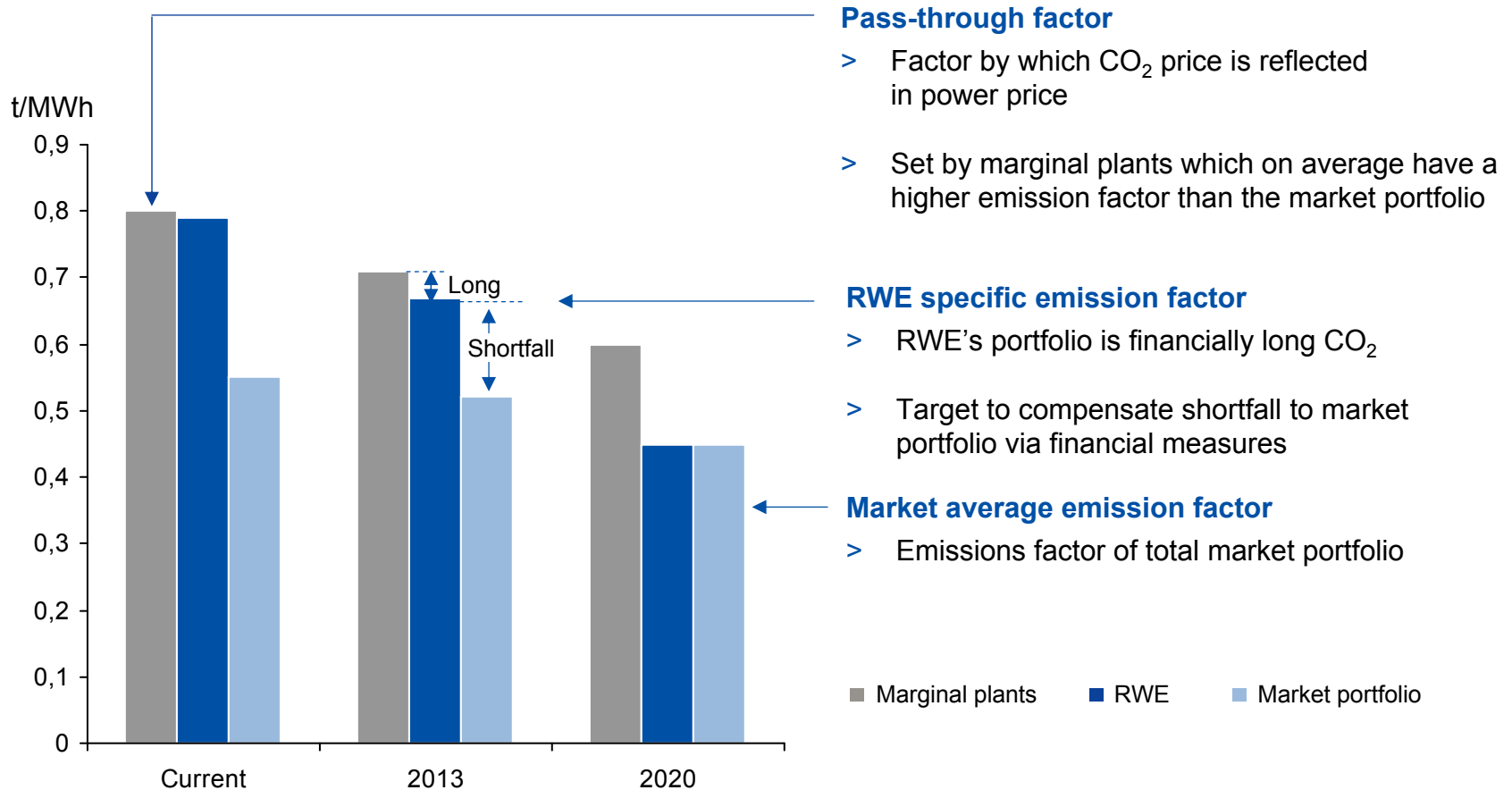
¹ Production target confidential
² Production target by 2016

Gas Midstream (Nabucco)



- > Intensive talks with potential supply countries like Azerbaijan, Turkmenistan, and Northern Iraq
- > We received an invitation to concrete negotiations from Azerbaijan

Compared to the marginal plant RWE's portfolio is already today financially slightly long CO₂



Pass-through factor

- > Factor by which CO₂ price is reflected in power price
- > Set by marginal plants which on average have a higher emission factor than the market portfolio

RWE specific emission factor

- > RWE's portfolio is financially long CO₂
- > Target to compensate shortfall to market portfolio via financial measures

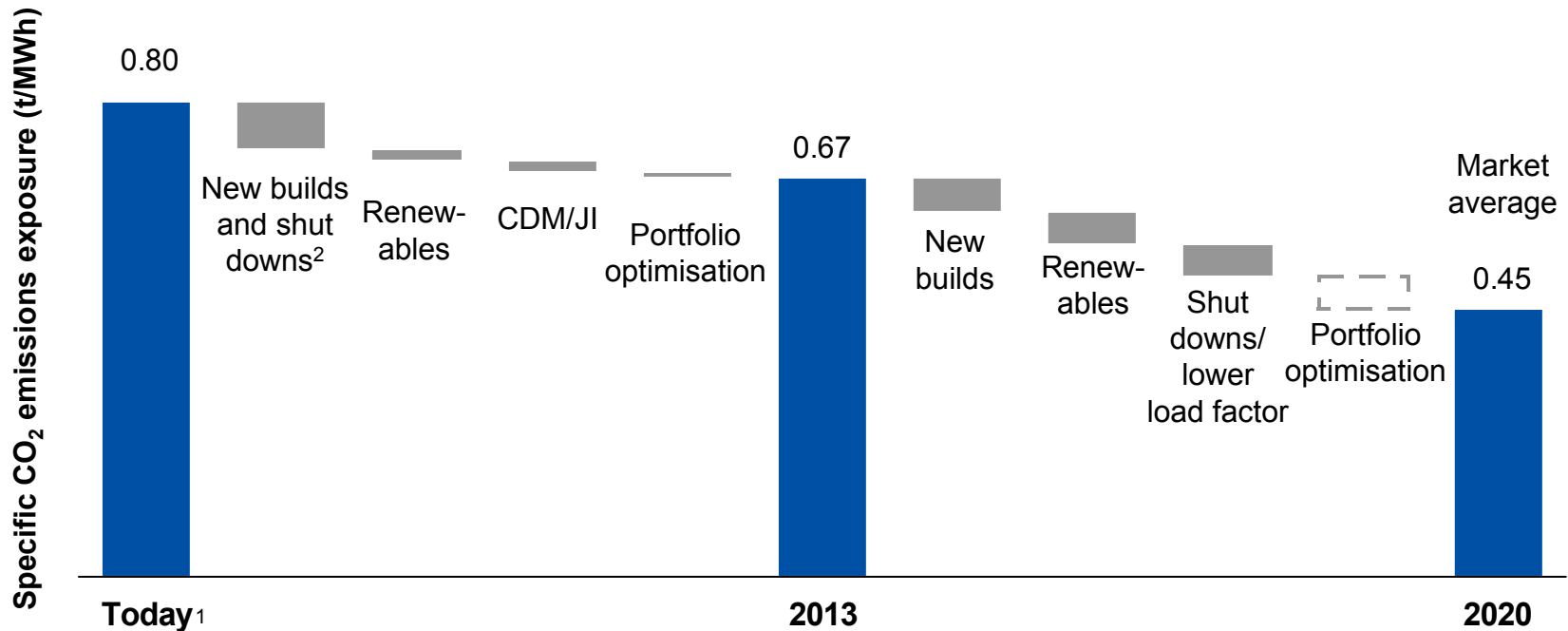
Market average emission factor

- > Emissions factor of total market portfolio

■ Marginal plants ■ RWE ■ Market portfolio

Managing CO₂: We complement physical measures by comprehensive financial optimisation

- > Our large low carbon new-build programme as well as our investments in renewables will lead to substantial improvement of our CO₂ intensity until 2013
- > For phase 3 (2013-2020) we aim to reach a “market average” position in terms of our exposure to changes in CO₂ prices



¹ Assumes standardised load factors for RWE portfolio including Essent based on commodity price levels and power demand in 2007-2009

² Conventional new builds currently under construction and agreed plant shut down; assumes nuclear lifetime extension

Physical measures: New-build projects can reduce our CO₂ exposure by some 14 % by 2013

New-build projects			Shutdowns / load factor reductions			CO ₂ reduction by 2013	
						Relative	Absolute
Lingen	887 MW	0.34t/MWh	Fossil mix	4 TWh	0.75t/MWh	-0.41 t/MWh	-2 m t p.a.
BoA Neurath	2,100 MW	0.95t/MWh	Lignite	2,160 MW	1.35t/MWh	-0.40 t/MWh	-6 m t p.a.
Hamm	1,528 MW	0.74t/MWh	Fossil mix	10 TWh	0.75t/MWh	>0 t/MWh	>0 m t p.a.
Staythorpe	1,650 MW	0.35t/MWh	Fossil mix	8 TWh	0.75t/MWh	-0.40 t/MWh	-3 m t p.a.
Pembroke	2,188 MW	0.34t/MWh	Fossil mix	10 TWh	0.75t/MWh	-0.41 t/MWh	-4 m t p.a.
Moerdijk	426 MW	0.35t/MWh	Fossil mix	2 TWh	0.75t/MWh	-0.40 t/MWh	-1 m t p.a.
Claus C	1,304 MW	0.35t/MWh	Fossil mix	6 TWh	0.75t/MWh	-0.40 t/MWh	-2 m t p.a.
Eemshaven	1,560 MW	0.59t/MWh ¹	Fossil mix	11 TWh	0.75t/MWh	-0.16 t/MWh	-2 m t p.a.
Renewables	2,000 MW	0.00t/MWh	Fossil mix	7 TWh	0.75t/MWh	-0.75 t/MWh	-5 m t p.a.
Total CO₂ emissions reduction							-25 m t p.a.
Reduction compared to current average yearly emissions of 180 m t p.a.							>14%²

¹ Assumes 20% biomass co-firing

² Assumes constant electricity generation output of 220 TWh per annum

Non-physical measures: Balancing CO₂ risks

CDM/JI	<ul style="list-style-type: none"> > Allowance to cover up to 100 million tons via CDM/JI projects > Secured projects to procure 75 million tons of CO₂ (44 million tons of CO₂ adjusted for project risks) > Average achieved project price below current market price for Certified Emission Reductions (CERs) 	
Portfolio optimisation	Asset swaps	<ul style="list-style-type: none"> > Swap of generation assets to improve fuel and load mix: <ul style="list-style-type: none"> – e.g. swap of lignite/hard coal capacity against hydro capacity
	Long term supply contracts	<ul style="list-style-type: none"> > Long-term supply contracts with full transfer of CO₂ position: <ul style="list-style-type: none"> – 2013 – 2020 lignite based supply contract (264 MW) – 2013 – 2037 lignite based supply contract (110 MW)
	Procurement of CO₂ certificates	<ul style="list-style-type: none"> > Building of position in CO₂ certificates (EUAs) to support our move towards market average CO₂ exposure in next compliance period (2013 – 2020)

Maximising commercial value through asset optimisation of generation capabilities



RWE AG

- > Overall hedge strategy and policy

Asset companies

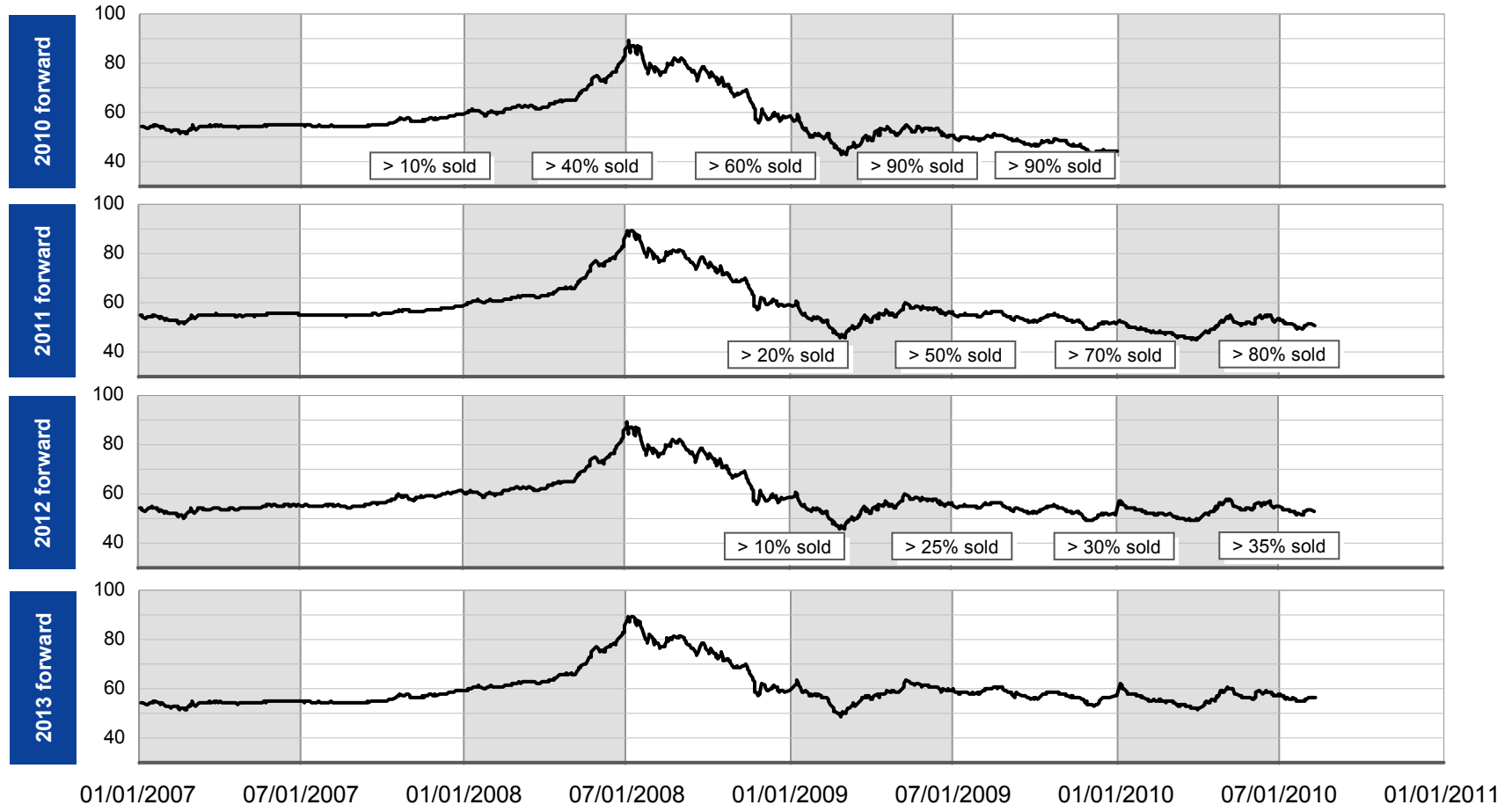
- > Optimise commercial availability of plants
- > Maximise efficiencies and minimise cost
- > Position gradually transferred to RWE Supply & Trading

RWE Supply & Trading

- > Integrated optimisation of power plant flexibility
- > Asset-backed trading team working alongside proprietary desks
- > Daily "make or buy" decision depending on spot prices and spreads

Forward selling: Prudent hedging secures predictable returns of our generation fleet

(Base load forwards in €/MWh)



(average realised price for 2008 forward: €58/MWh, for 2009 forward: €70/MWh)

Asset optimisation: Realising a premium to the forward price

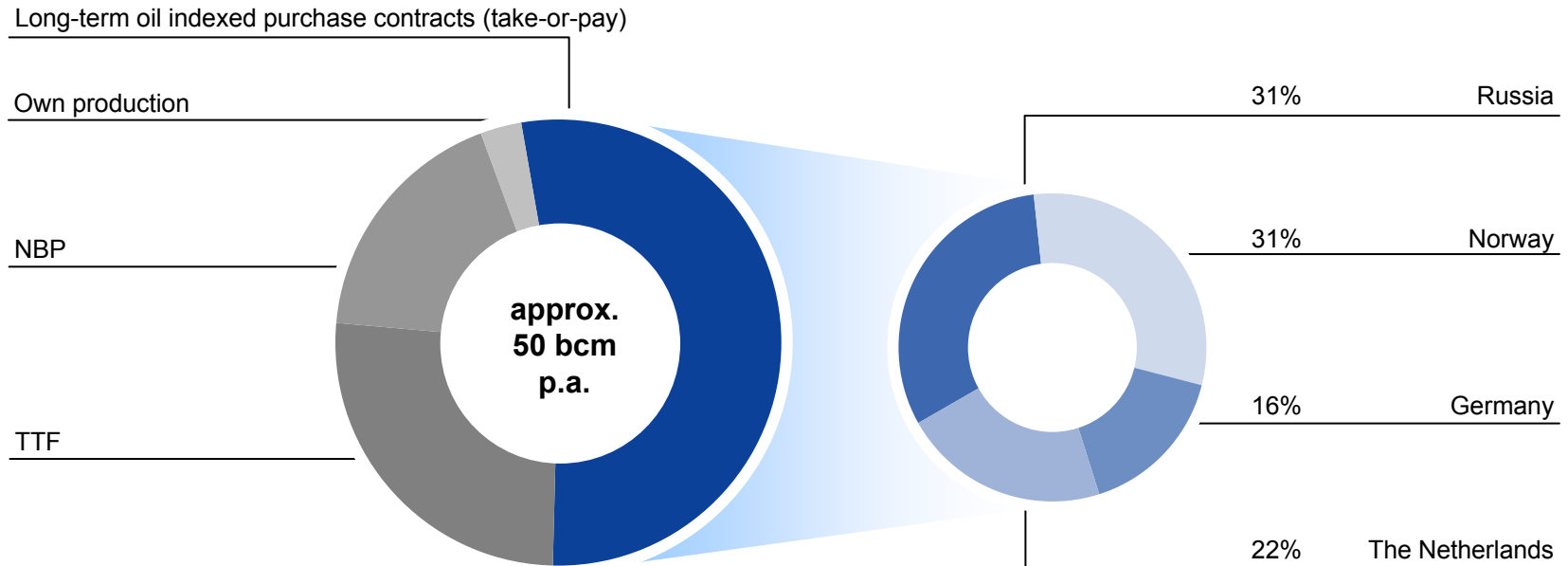
As the generation fleet margin has already been secured via forward selling, we can decide every day if we produce the contracted power at the locked-in spread or buy the power in the market instead

An illustrative example

RWE sold forward Q1 2010 power generation from hard coal units in Q2 2008		Now, in Q1 2010 the prices of power and fuels have changed	
Power sold forward at	70€/MWh	Power price	40€/MWh
Hard coal costs locked in at	40€/MWh	Hard coal costs	30€/MWh
CO ₂ costs locked in at	20€/MWh	CO ₂ costs	15€/MWh
Locked-in Clean Dark Spread	+10€/MWh	Spot Clean Dark Spread (power plant is out of the money)	-5€/MWh

In this example RWE would opt for “buying instead of making”	
Power sold forward at 70€/MWh is covered by power bought today at 40€/MWh	+30€/MWh profit
Hard coal bought at 40€/MWh is sold at 30€/MWh	-10€/MWh loss
CO ₂ bought at 20€/MWh is sold at 15€/MWh	-5€/MWh loss
Realised Clean Dark Spread	+15€/MWh

RWE's gas procurement portfolio is only partly exposed to the gas-to-oil spread



- > Our gas procurement portfolio is solely managed by RWE Supply & Trading
- > ~54% or 27 bcm of overall gas procurement based on long-term oil-indexed purchase contracts
 - thereof ~16 bcm carry a gas-to-oil spread exposure in 2010 which is expected to increase to ~20bcm in the coming years

Outlook for 2010

		2009 € million	2010 forecast
EBITDA		9,165	+ 5 – 10%
Operating result		7,090	+ ca. 5%
Recurrent net income		3,532	+ ca. 5%
Dividend	€	3.50	Payout ratio 50% – 60% ¹
Capex on fixed assets	€bn	5.9	ca. 7.0

¹ Based on recurrent net income

Always be informed about RWE...

To be always updated, please have a look at our webpage www.rwe.com/investorrelations

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<http://www.rwe.com/web/cms/en/110614/rwe/investor-relations/calendar/>
- > **Annual and Interim Reports**
<http://www.rwe.com/web/cms/en/110822/rwe/investor-relations/financial-reports/>
- > **Fact book (220 pages on our company and its divisions)**
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- > **Furthermore you can find more Fact book specials under the above link:**
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 - > Incentive Regulation
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