

# *Report on the First Quarter of Fiscal Year 2007*

Essen, May 15, 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 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.

# Key messages

## Performance Q1 2007

- Operating result +35%
- Recurrent net income +28%
- New € 600 m efficiency enhancement programme started

## Financial Position

- Net debt reduced to € 6.2 bn
- Contractual Trust Arrangement (CTA) implemented

## German Regulation

- National Allocation Plan II: Tighter allocation expected
- 2nd round of grid fee reviews
- Special antitrust law for utility sector in preparation

## Outlook 2007

- Strong fundamentals persist
- Positive outlook for 2007 confirmed

# RWE Group results Q1 2007



January – March € million	2007	2006*	change in %
EBITDA	3,216	2,500	+28.6
Operating result	2,816	2,092	+34.6
Non-operating result	23	-56	+141.1
Financial result	-307	-535	+42.6
Income from continuing operations before tax	2,532	1,501	+68.7
Taxes on income	-871	-487	-78.9
Income from continuing operations	1,661	1,014	+63.8
Income from discontinued operations	0	100	-100.0
Minority interest	91	66	+37.9
Net income	1,570	1,048	+49.8
Recurrent net income	1,381	1,083	+27.5
Average No. of shares (million)	562.4	562.4	–
EPS (€)	2.79	1.86	+50.0

\* Adjusted figures: See interim report page 12.

# Divisional performance

January - March € million	Operating Result			EBITDA		
	2007	2006	Change in %	2007	2006	Change in %
RWE Power	1,544	1,029	+50.0	1,697	1,207	+40.6
Power Generation <sup>1</sup>	1,361	824	+65.2	1,463	931	+57.1
RWE Dea	183	205	-10.7	234	276	-15.2
RWE Energy <sup>2</sup>	981	1,013	-3.2	1,115	1,143	-2.4
German regions	535	664	-19.4	623	740	-15.8
International regions	239	272	-12.1	265	307	-13.7
Supraregional operations	241	223	+8.1	263	239	+10.0
Other / consolidation	-34	-146	+76.7	-36	-143	+74.8
RWE npower	270	38	+610.5	303	65	+366.2
Water Division	57	88 <sup>3</sup>	-35.2	124	150 <sup>3</sup>	-17.3
Other / consolidation	-36	-76	+52.6	-23	-65	+64.6
<b>Total</b>	<b>2,816</b>	<b>2,092<sup>3</sup></b>	<b>+34.6</b>	<b>3,216</b>	<b>2,500<sup>3</sup></b>	<b>+28.6</b>

<sup>1</sup> Including RWE Trading.

<sup>2</sup> Regional structure adjusted; see interim report page 12.

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

## *Non-operating result*

January – March € million	2007	2006	Change (absolute)
Capital gains	96	7	+89
Impairment losses	0	0	0
Restructuring / other	-73	-63	-10
<b>Total</b>	<b>23</b>	<b>-56</b>	<b>+79</b>

■ Capital gains: sale of a 25% stake in rhenag

■ Restructuring / other:

- Amortization of RWE npower's customer accounts (€ -83 m),
- Income from change of nuclear provisions (€ +41 m).

# Financial result



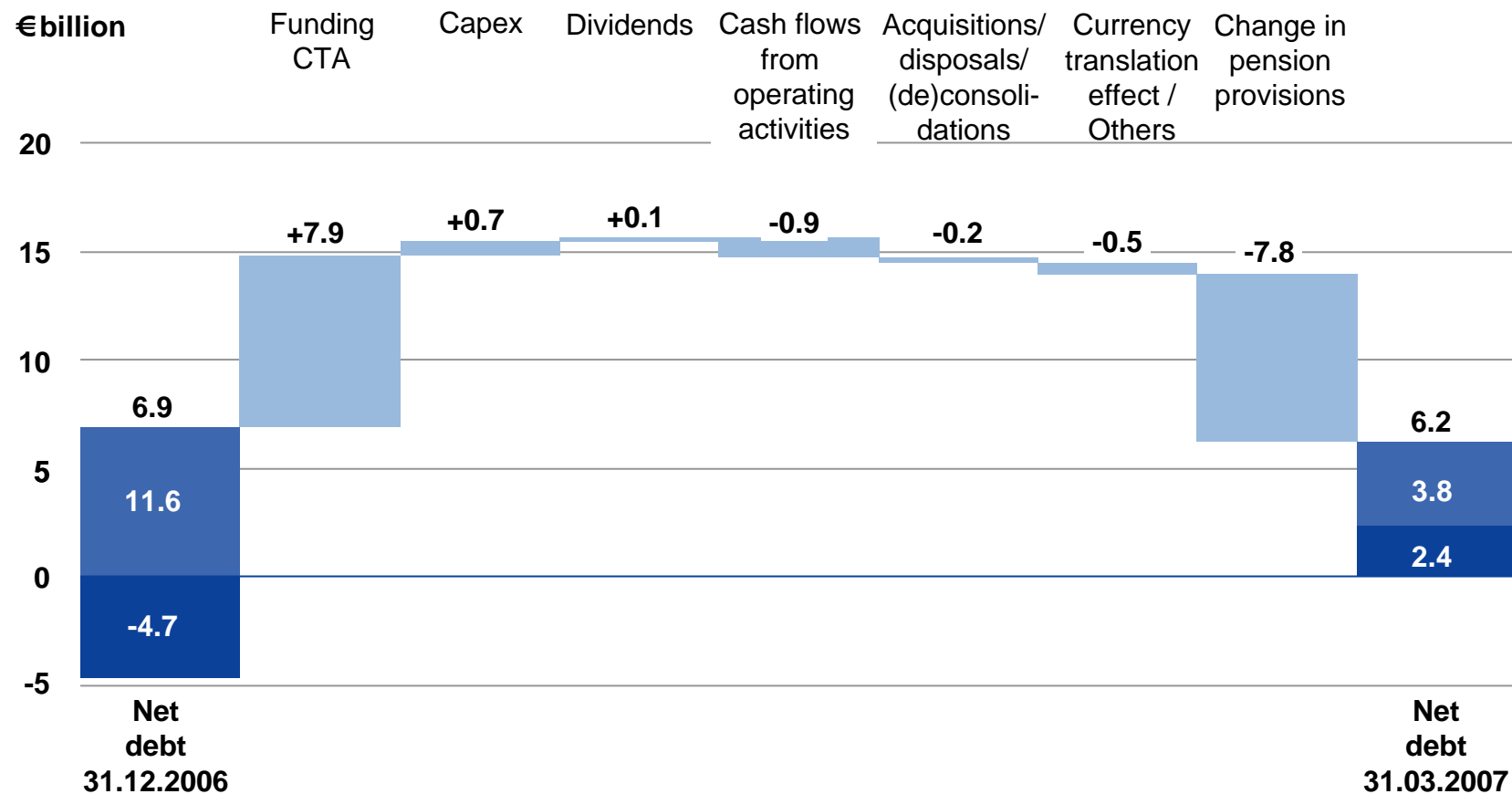
January – March € million	2007	2006	Change in %
Net interest result	-166	-206	+19.4
Interest accretion to non-current provisions	-289	-292	+1.0
Other financial result	148	-37	-
<b>Total</b>	<b>-307</b>	<b>-535</b>	<b>+42.6</b>

- Net interest result: lower debt resulting from the sale of Thames Water
- Other financial result: book gain from the transfer of securities to the new CTA (+ € 155 m)

# Cash flow statement

January – March € million	2007	2006	Change (absolute)
Income	1,661	1,114	547
Depreciation, amortization, impairment losses and write-backs	577	714	-137
Changes in provisions	-251	1	-252
Changes in deferred taxes	422	-32	454
Disposal gains	-280	-144	-136
Other non-cash items	-15	30	-45
<b>Funds from operations</b>	<b>2,114</b>	<b>1,683</b>	<b>431</b>
Changes in working capital and other balance sheet items	-1,206	-348	-858
<b>Cash flows from operating activities</b>	<b>908</b>	<b>1,335</b>	<b>-427</b>
Capex on fixed assets	-661	-720	59
<b>Free cash flow</b>	<b>247</b>	<b>615</b>	<b>-368</b>

# Development of net debt



- Pension provisions
- Net financial debt

# Outlook for 2007

	Reported 2006 <sup>1</sup> € million	Pro forma 2006 <sup>2</sup> € million	2007 forecast <sup>2, 3</sup>
External revenue	44,256	42,554	↗
Operating result	6,106	5,681	ca. +10%
Net income	3,847	3,847	↘
Recurrent net income	2,466	2,466	ca. +10%
Capex on fixed assets	4,494	2,910 <sup>4</sup>	ca. € 4 bn <sup>4</sup>

<sup>1</sup> Exchange rates of (€1 =) USD 1.26; GBP 0.68.

<sup>2</sup> Pro forma: Water Division discontinued operations (DCO).

<sup>3</sup> Based on exchange rates of (€1 =) USD 1.30 ; GBP = 0.70.

<sup>4</sup> Adjusted for Water capex.

# Outlook for 2007



	Reported 2006 <sup>1</sup> € million	Pro forma 2006 <sup>2</sup> € million	2007 forecast <sup>2, 3</sup>
EBITDA	7,861	7,172	+5% - 10%
Operating result	6,106	5,681	ca. +10%
RWE Power	2,744	2,744	↗
RWE Energy	2,506	2,506	↘
RWE npower	512	512	↗
Water Division	425	DCO <sup>2</sup>	DCO <sup>2</sup>

<sup>1</sup> Exchange rates of (€ 1 =) USD 1.26; GBP 0.68.

<sup>2</sup> Pro forma: Water Division discontinued operations (DCO).

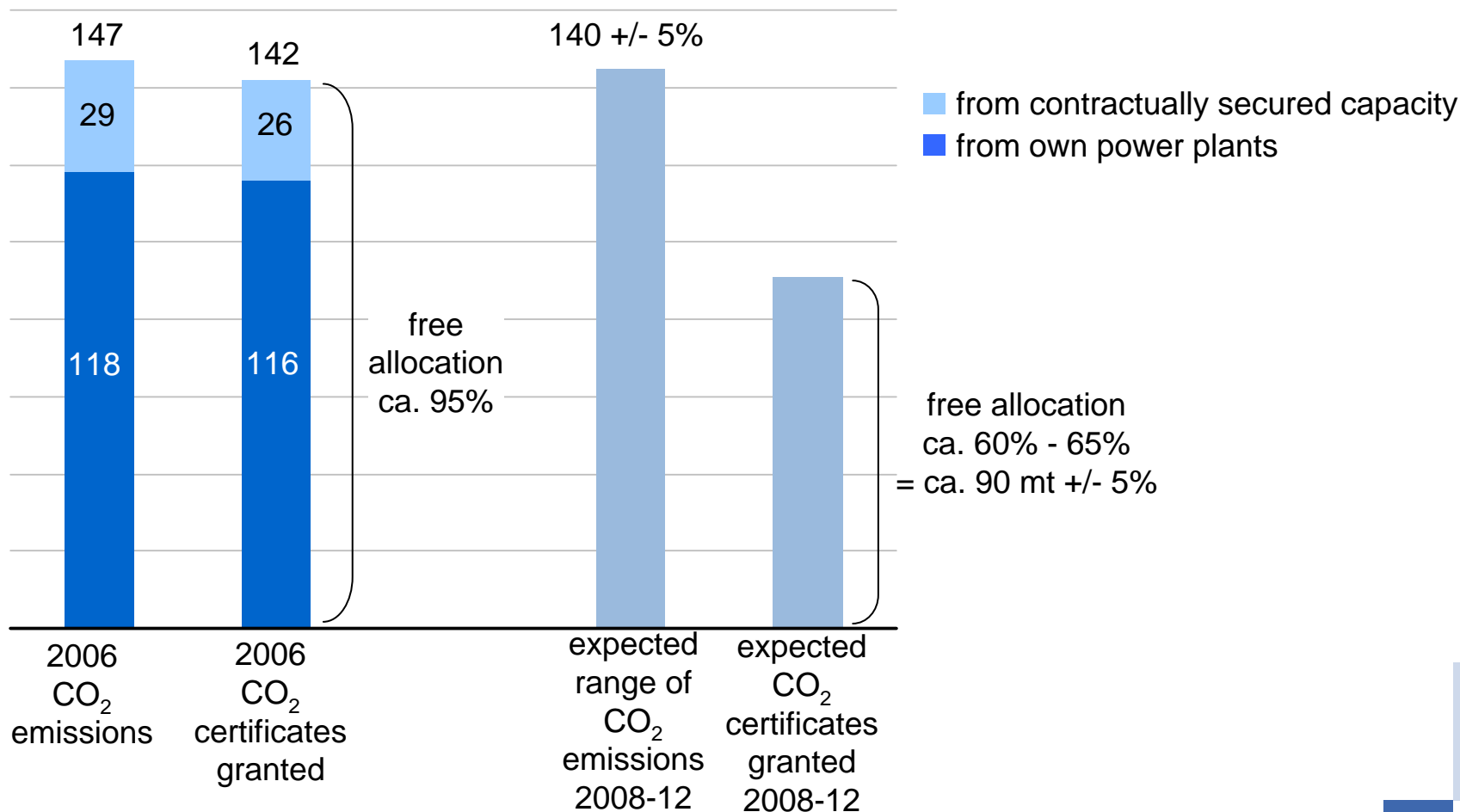
<sup>3</sup> Based on exchange rates of €/GBP = 0.70.

# ***Update on Emissions Trading (I): The new German National Allocation Plan (NAP II)***

- Mid February 2007, the Federal Environment Ministry drafted an adjusted proposal for NAP II:
  - New proposed emissions cap: 453 million t p.a. + 3 million t for gas by-products
  - Transfer rule will be replaced by a benchmark system; two best available technology (BAT) benchmarks are envisaged: 750 g CO<sub>2</sub>/kWh for coal and 365 g CO<sub>2</sub>/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
  - Only general commitment to continue the benchmark system beyond 2012
  - CDM/JI cap increased to 20%
  
- On April 18, 2007 the Federal Cabinet agreed on the draft law, readings on Lower and Upper House of Parliament are ongoing.
  - Introduction of a malus rule: Old plants with thermal efficiency below 41% (lignite), 45% (hard coal) and 55% (gas) are allocated significantly less certificates
  - Auctioning is not part of the draft law but in the political discussion
  
- Possible end of legislation process: beginning of August 2007

# Update on Emissions Trading (II): Expected impact on RWE from German NAP II

CO<sub>2</sub> emissions and free allocation of RWE in Germany (in million tons; annualized)



# ***German regulation: Antitrust legislation and network regulation***

## **Proposed amendment to the law against restraint of competition (GWB)**

- Enables cartel office to more strictly monitor energy prices for market abuse. Further key changes: reversal of burden of proof (utilities have to prove appropriateness of prices), immediate effect of interventions by the cartel office
- Draft amendment approved by German cabinet on April 25, 2007
- Decision by Parliament (Bundestag and Bundesrat) expected by summer/autumn 2007

## **Regulation of electricity and gas networks**

- Final tariff review before onset of incentive regulation: Utilities to submit filings for 2008 electricity tariffs by June 30 and gas tariffs by September 30
- Draft scheme for incentive regulation published by Federal Ministry of Economics in April, 2007
- Joint decision by Federal Government and Bundesrat (upper house of parliament) expected by autumn 2007

# *Back-ups*



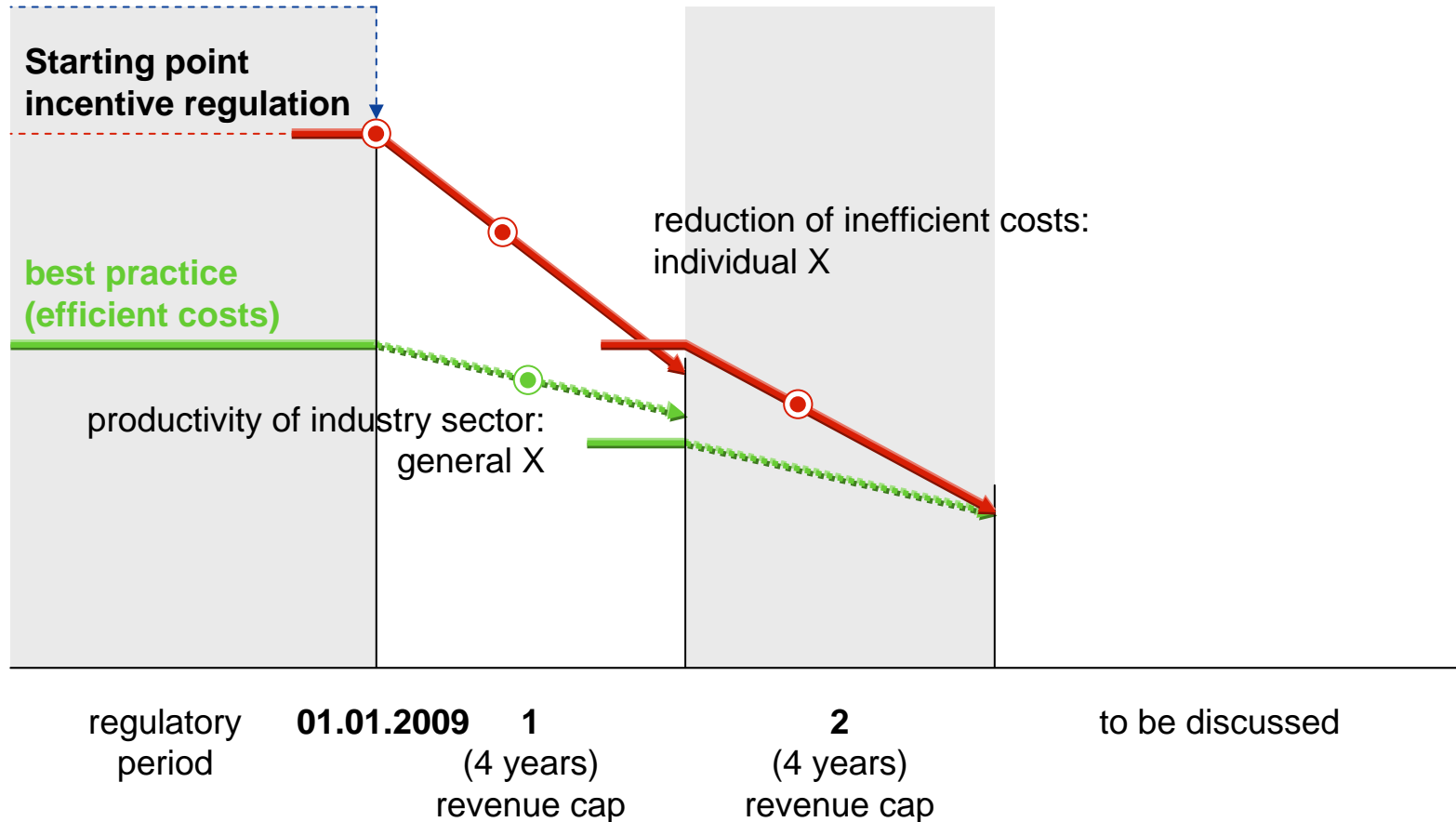
# Adjusted\* 2006 quarterly numbers

€ 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

\* See interim report page 12 for adjustments.

# Introduction of incentive regulation in Germany

Cost reduction for  
2008 based on 2006 costs



# ***Update on Emissions Trading: Current status of UK Governmental draft (NAP II)***

- The UK published a drafted NAP II in March 2006; following public consultation, the Government announced further details of the NAP at the end of June and submitted it to the EU Commission on August 21.
- On November 29 the EU Commission announced that it accepted the UK NAP II with only minor adjustments. A revised installation-level allocation list was published on December 18.
- Key elements:
  - Emission cap for CO<sub>2</sub> certificates: 237 mil t p.a. from 2008 – 2012 compared with 245 mil t p.a. in phase I
  - Auctioning is set at 7% of total allocation, all of which will be taken from the electricity sector
  - Allocations to individual sectors will be in line with business as usual except for the electricity sector which will bear the entire shortfall in the total allocation
  - 8% cap on utilisation of certificates derived from CDM/JI
  - The allocation to the electricity sector, including the new entrant reserve, is 107.4 mil t p.a. compared with 136.9 mil t p.a. in phase I
  - Allocation to RWE npower is 12.4 mil t p.a. compared with 15.8 mil t p.a. in phase I (excl. CHP)

# RWE Group electricity production



January – March in TWh	Germany	UK	Other Internat.	Total 2007	Total 2006
Lignite	18.4		1.4	19.8	19.7
Nuclear	8.4			8.4	13.9
Hard coal	13.9	4.9		18.8	20.9
thereof contracts	8.8			8.8	9.2
Gas	2.5	4.1		6.6	5.8
Hydro, oil, other	1.6	0.3	0.1	2.0	2.2
thereof contracts	0.7			0.7	0.6
<b>Subtotal</b>	<b>44.8</b>	<b>9.3</b>	<b>1.5</b>	<b>55.6</b>	<b>62.5</b>
Electricity purchased from third parties*	21.4	6.3	6.0	33.7	27.5
<b>Total</b>	<b>66.2</b>	<b>15.6</b>	<b>7.5</b>	<b>89.3</b>	<b>90.0</b>

\* 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	Other	Total 2007	Total 2006
Private and commercial customers	8.5	6.4	1.0	1.5	0.2	17.6	18.6
Industrial and corporate customers	13.2	8.3	0.8	1.7	0.1	24.1	24.1
Distributors	22.3		0.2	1.4	0.1	24.0	20.1
Electricity trading <sup>1</sup>	18.7					18.7	22.4
<b>Total</b>	<b>62.7</b>	<b>14.7</b>	<b>2.0</b>	<b>4.6</b>	<b>0.4</b>	<b>84.4<sup>2</sup></b>	<b>85.2<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, in-house consumption by lignite production and pumped storage

# RWE Group gas sales volume

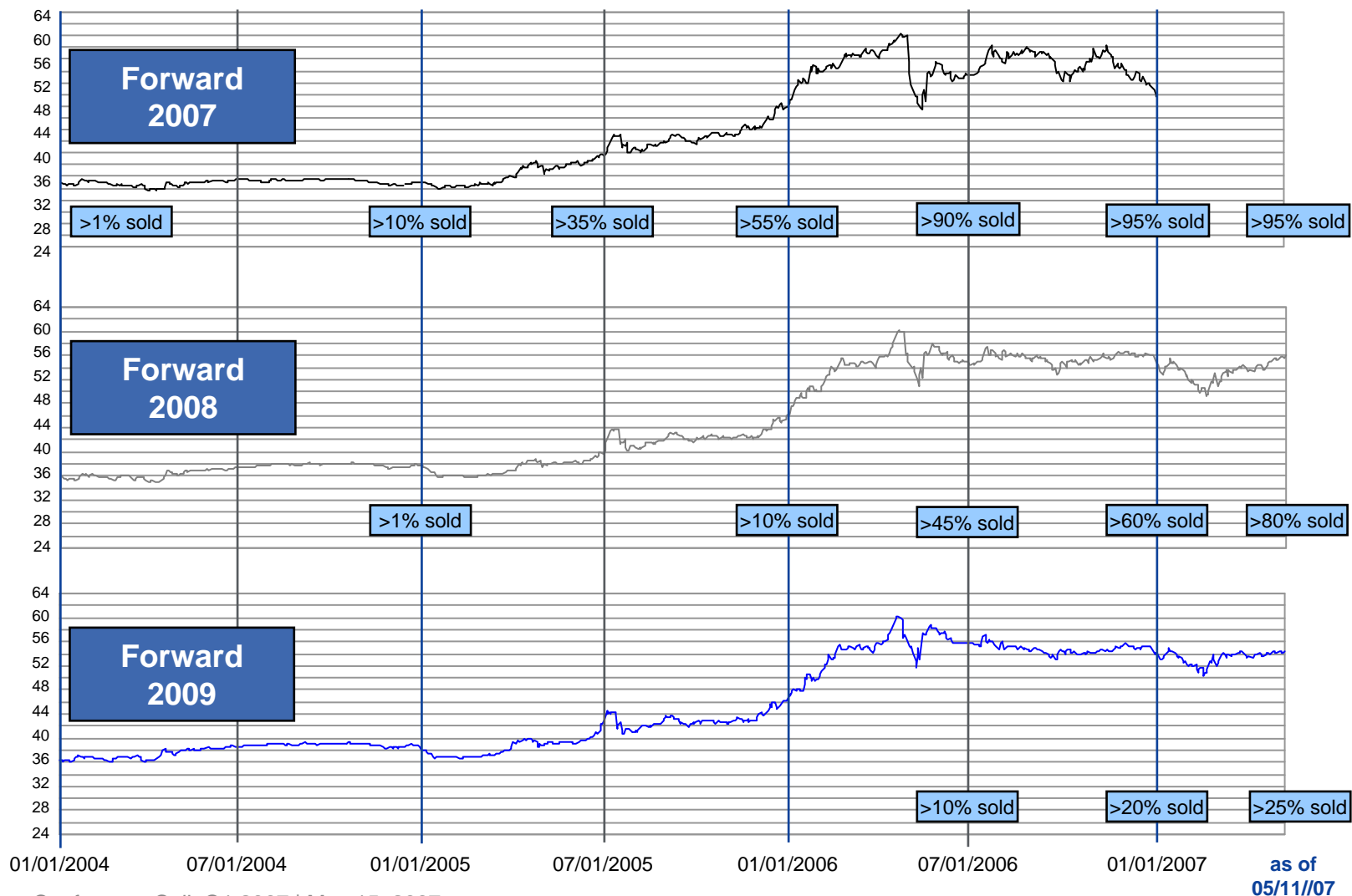


January – March in TWh	Ger- many	Czech Rep.	UK	Other	Total 2007	Total 2006
Private and commercial customers	10.2	14.7	18.2	3.0	46.1	55.2
Industrial and corporate customers	13.1	11.5	3.3	5.8	33.7	39.8
Distributors	35.8	5.3	0.0	0.0	41.1	52.8
<b>Total</b>	<b>59.1</b>	<b>31.5</b>	<b>21.5</b>	<b>8.8</b>	<b>120.9</b>	<b>147.8</b>

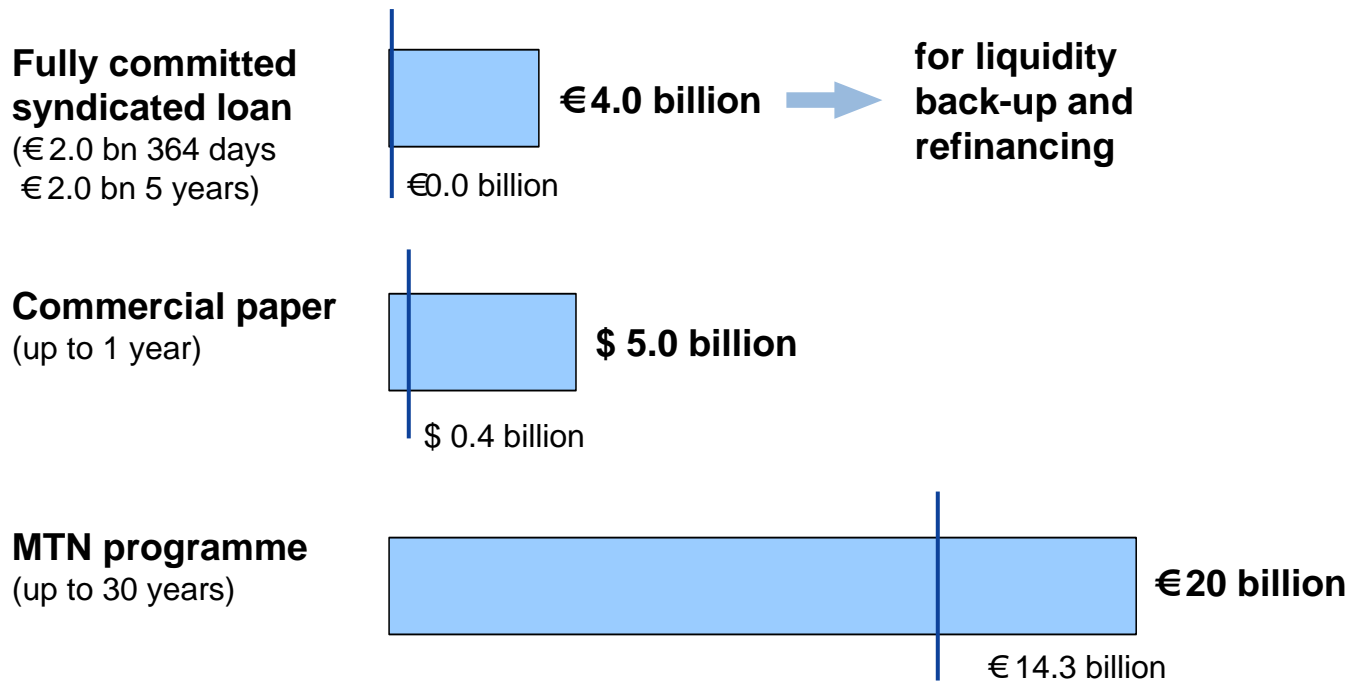
# RWE Power: Attractive spreads locked in



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

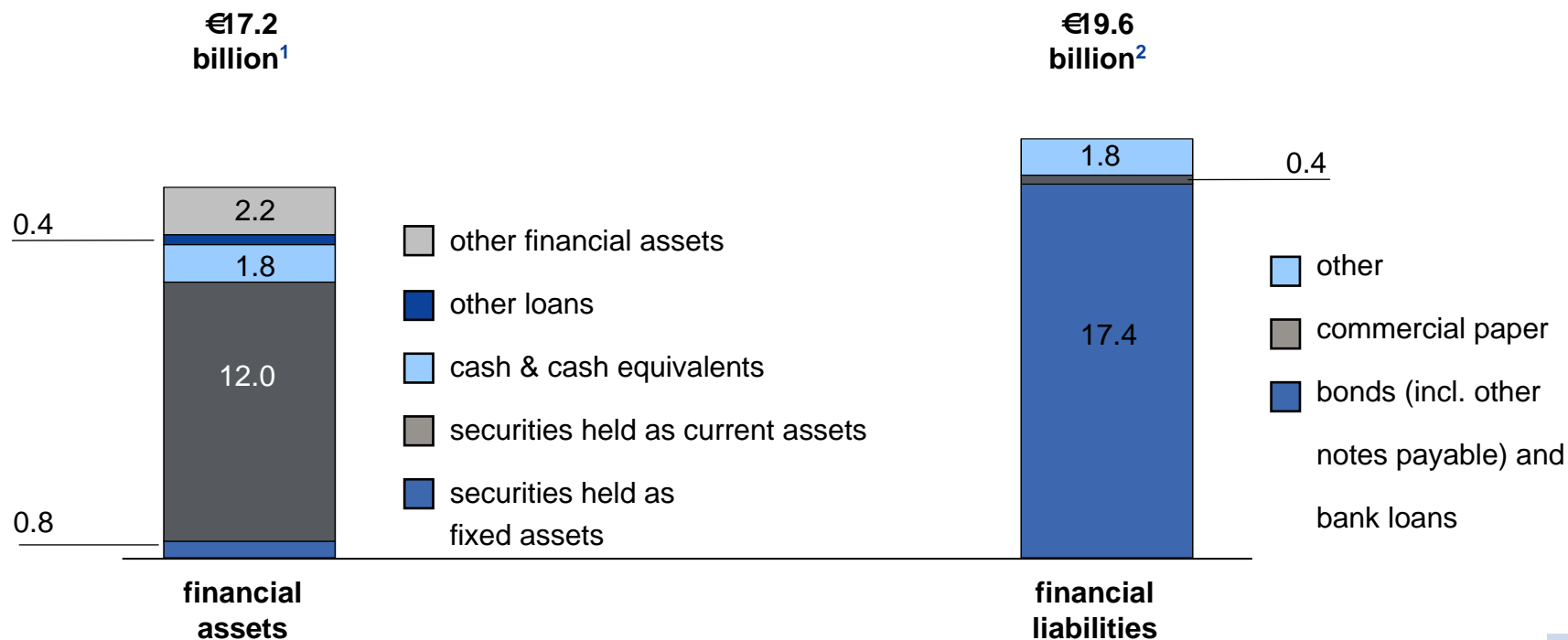


# RWE AG: flexible funding structure



Amounts used as of 03/31/2007.

# Financial assets and liabilities (as at 03/31/2007)

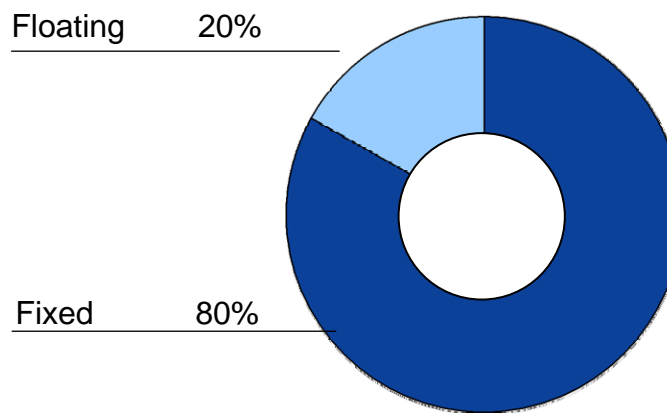
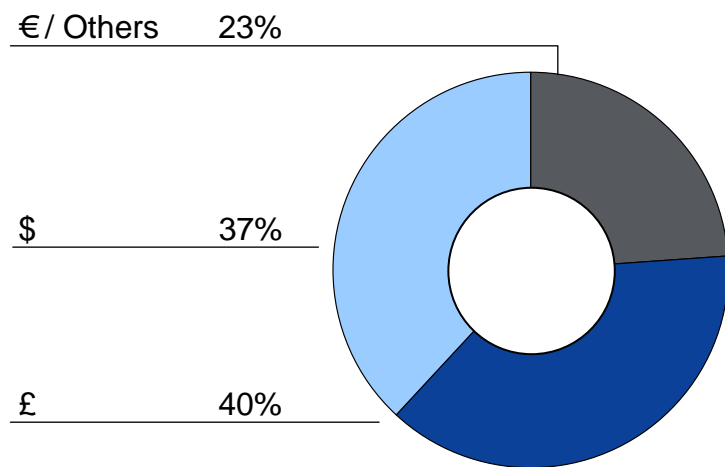


<sup>1</sup> December 31, 2006: €24.1 billion.

<sup>2</sup> December 31, 2006: €19.4 billion.

# Gross financial debt currency and interest exposure\*

Gross financial debt as of March 31, 2007: €19.6 billion

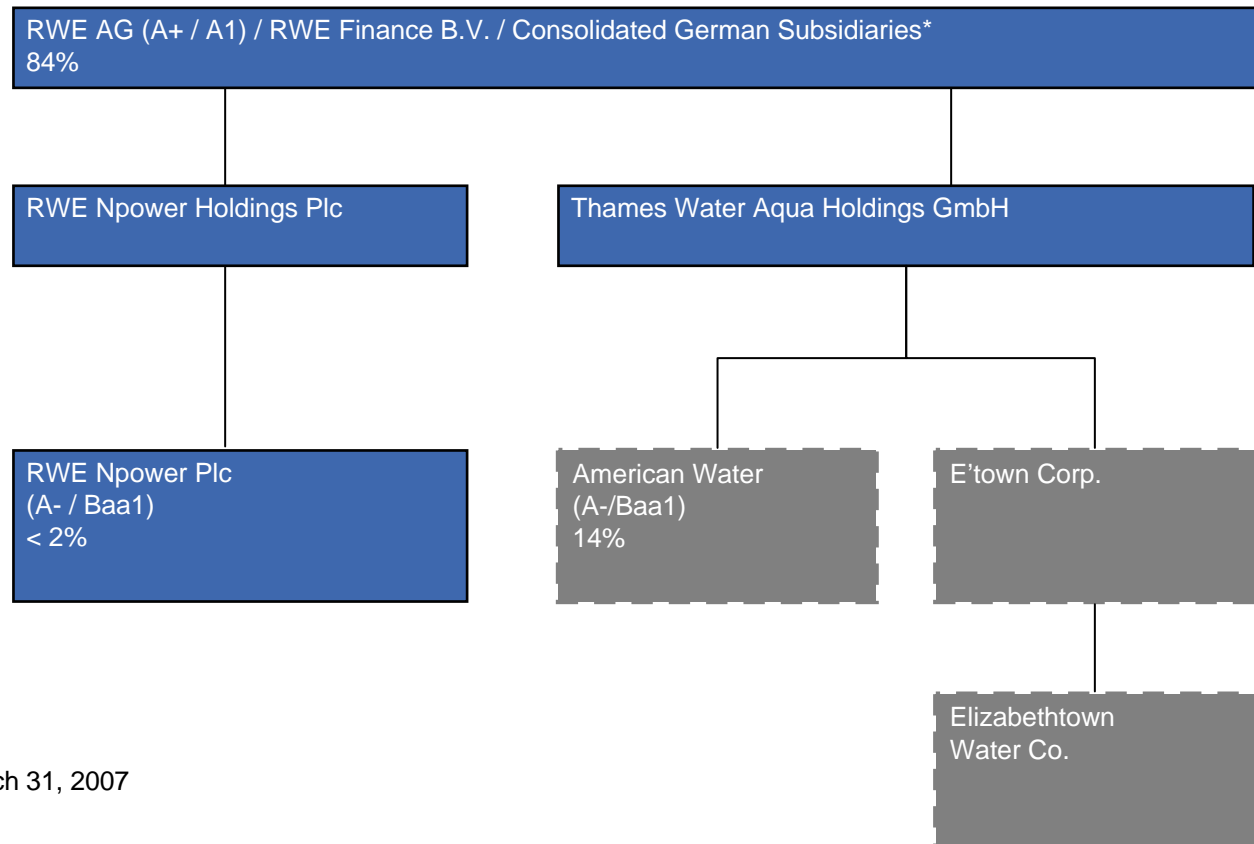


Long term financed (> 1 Year): 82% of gross financial debt  
 Short term financed (< 1 Year): 18% of gross financial debt

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

\* Including cross-currency swaps.

# Structural subordination in the RWE Group



As of March 31, 2007

For sale

\* 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.

## Reminder...

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Investor Relations > Financial Reports > Interim Reports
- **Factbook (300 pages on our company and its divisions)**  
Investor Relations > Presentations > Factbook > RWE Facts & Figures
- **RWE as seen by analysts (overview of latest analyst earnings estimates)**  
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Investor Relations > Bonds > Credit Analyst's Estimates