

# Investor and Analyst Conference Call Q1-Q3 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

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# Key messages

## Performance Q1-Q3 2008

- Operating result +5% mainly due to German electricity generation
- Recurrent net income +20%

## Strategy

- Further steps taken to grow our renewable energy portfolio
- Preferred bidder for Bulgarian nuclear power plant project
- Acquisition of Russian TGK-2 stopped

## Financing

- Little need for refinancing over the short to mid-term
- Well balanced long-term maturity profile
- Strong position to finance investment programme

## Efficiency Enhancement

- Target of €100 m for 2008 well on track

## Outlook

- 2008: Outlook confirmed
- Dividend: Payout ratio 2008 of 70% - 80% confirmed

# RWE Group key performance indicators

January – September € million	2008	2007 <sup>1</sup>	change in %
External revenue	34,454	30,272	+13.8
Cash flows from operating activities	4,349	4,801	-9.4
EBITDA	6,844	6,432	+6.4
Operating result	5,788	5,505	+5.1
Non-operating result	-506	-85	-
Financial result	-1,019	-838	-21.6
Income from discontinued operations	-598	141	-
Net income	2,211	2,834	-22.0
Recurrent net income	3,077	2,572	+19.6
Average number of shares (million)	541.1	562.4	-3.8
Earnings per share (EPS) (€)	4.09	5.04	-18.8
Recurrent EPS (€)	5.69	4.57	+24.5

<sup>1</sup> Adjusted figures: see Interim Report page 13.

# Performance of RWE Power

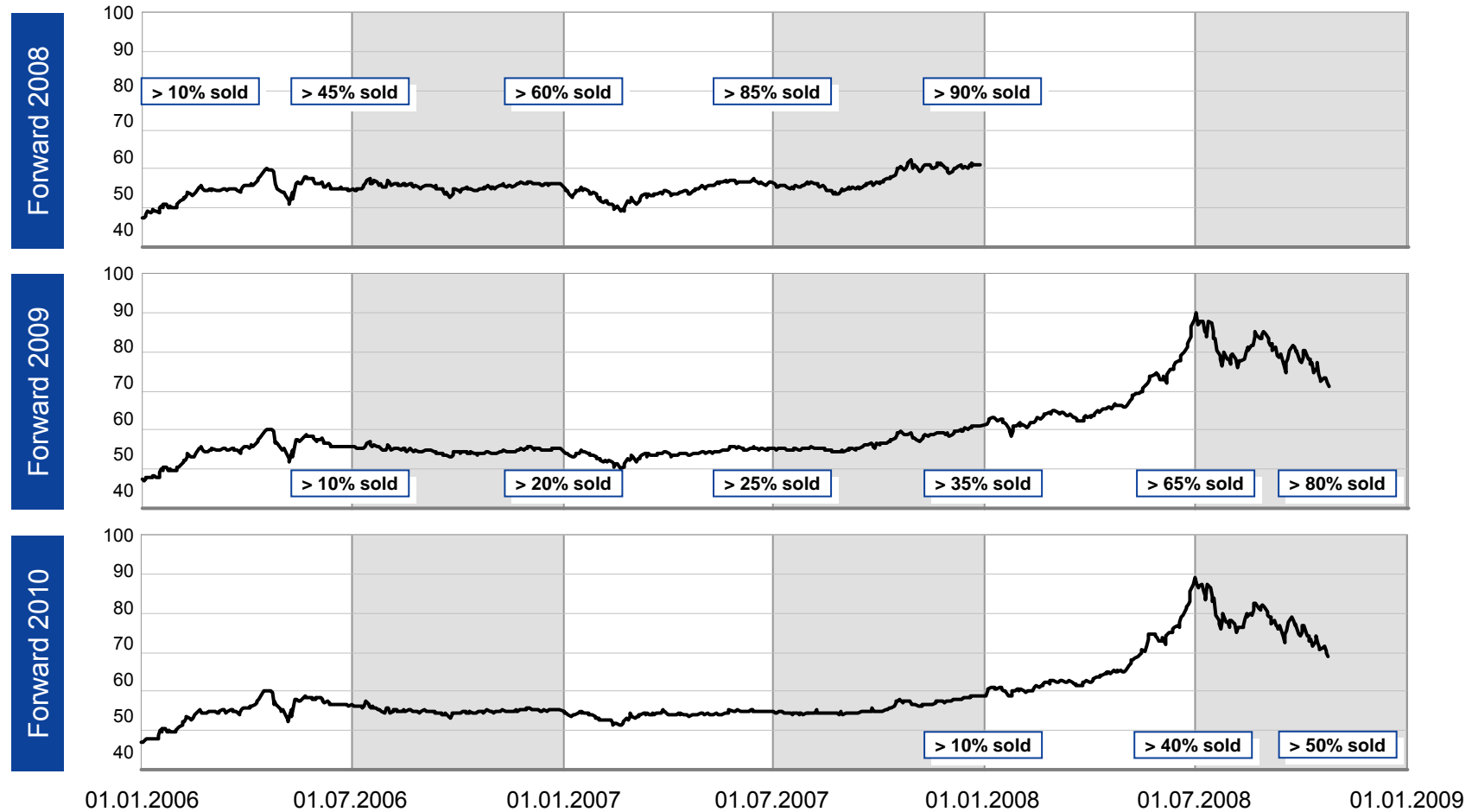
January – September € million	Operating Result			EBITDA		
	2008	2007 <sup>1</sup>	Change in %	2008	2007 <sup>1</sup>	Change in %
	2,678	2,189	+22.3	2,943	2,469	+19.2

- Higher realised electricity prices and higher volumes (+€1.5 bn)
- Increased costs due to higher fuel prices (-€300 million)
- Higher costs for CO<sub>2</sub> certificates (increase of -€750 million to approx. -€860 million)
- Higher staff and maintenance costs and negative earnings impact from asset transfer to RWE Innogy

<sup>1</sup> Adjusted figures: see Interim Report page 13.

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

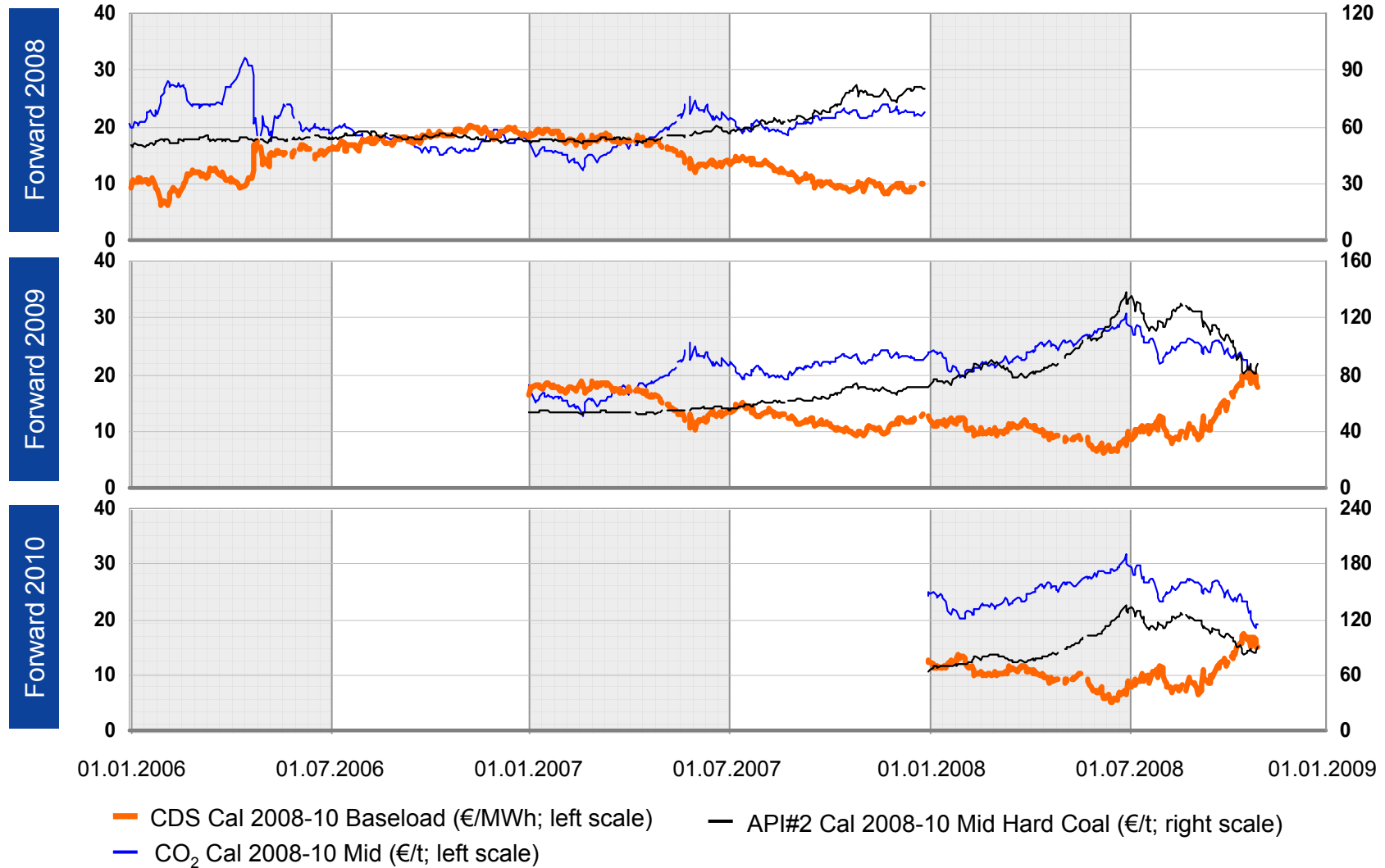
Forward selling of RWE Power in the German market (base load forwards in €/MWh)



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

as of 01.11.2008

# Germany: Higher Clean Dark Spreads (CDS) due to lower hard coal and CO<sub>2</sub> prices



# Performance of RWE Dea

January – September € million	Operating Result			EBITDA		
	2008	2007	Change in %	2008	2007	Change in %
	436	394	+10.7	620	546	+13.6

- 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 and production costs

# Performance of RWE Supply & Trading

January – September € million	Operating Result			EBITDA		
	2008	2007 <sup>1</sup>	Change in %	2008	2007 <sup>1</sup>	Change in %
	341	647	-47.3	369	648	-43.1

- Despite operational performance in line with last year, reported IFRS relevant trading performance lower due to
  - in 2008 higher portion of performance which will be realized in later periods
  - in 2007 higher portion of realized performance from previous periods
- Supply business improved driven by gas midstream activities of RWE Transgas which are now reported under RWE Supply & Trading

<sup>1</sup> Adjusted figures: see Interim Report page 13.

# Performance of RWE Energy

January – September € million	Operating Result			EBITDA		
	2008	2007 <sup>1</sup>	Change in %	2008	2007 <sup>1</sup>	Change in %
	<b>1,971</b>	<b>1,867</b>	<b>+5.6</b>	<b>2,344</b>	<b>2,213</b>	<b>+5.9</b>
German regions	1,075	995	+8.0	1,334	1,242	+7.4
International regions	512	475	+7.8	569	530	+7.4
Supraregional operations	518	629	-17.6	610	679	-10.2
Other / consolidation	-134	-232	+42.2	-169	-238	+29.0

- Negative impact from German grid regulation (approx -€350 million) but improved electricity retail results and cost reduction measures
- Customer losses in Germany stopped. Q3 shows net gain of 10,000 customers.
- International regions: Improved margins, positive f/x effect
- Supraregional operations: Mainly reduced grid fees and higher costs for balancing power

<sup>1</sup> Adjusted figures: see Interim Report page 13.

# Performance of RWE npower

January – September € million	Operating Result			EBITDA		
	2008	2007	Change in %	2008	2007	Change in %
	379	535	-29.2	506	635	-20.3

- Negative impact from currency exchange rate changes (-€60 million)
- Power generation:
  - Higher plant availability and improved short term position management
  - Growing costs of CO<sub>2</sub> (increase of -€92 million to -€156 million)
- Supply:
  - Price increases this year were not sufficient to offset higher purchasing costs, gas transportation fees and costs for bad debt
  - The UK's government programmes for increasing energy efficiency and reducing CO<sub>2</sub> from households and for fuel poor have become significantly more costly

# Non-operating result

January – September € million	2008	2007 <sup>1</sup>	Change (absolute)
Capital gains	47	327	-280
Impairment losses	-	-	-
Restructuring / other	-553	-412	-141
<b>Total</b>	<b>-506</b>	<b>-85</b>	<b>-421</b>

- Capital gains: disposal of a further 8% stake in rhenag. Q1-Q3 2007 dominated by the disposal of the Dutch gas grid assets.
- Restructuring / other:
  - Negative impact from result of commodity derivatives, mainly to hedge purchased gas volumes that we sell in later periods (-€320 million). Effect will be reversed with the realization of the underlying business transactions.
  - Amortization of RWE npower's customer accounts (-€214 million, Q1-Q3 2007: -€247 million)
  - Income from change of nuclear provisions (+€69 million, Q1-Q3 2007: +€125 million)

<sup>1</sup> Adjusted figures: see Interim Report page 13.

# Financial result

January – September € million	2008	2007 <sup>1</sup>	Change in %
Net interest	-36	-377	+90.5
Interest accretion to non-current provisions	-561	-629	+10.8
Other financial result	-422	168	-
<b>Total</b>	<b>-1,019</b>	<b>-838</b>	<b>-21.6</b>

- Net interest: Among other reasons better due to improved net financial position and in 2008 absence of one-off costs for buying back bonds in 2007
- Interest accretion to non-current provisions: Lower pension provisions after setting up a Contractual Trust Arrangement (CTA) 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 write downs and book losses from the sale of securities

<sup>1</sup> Adjusted figures: see Interim Report page 13.

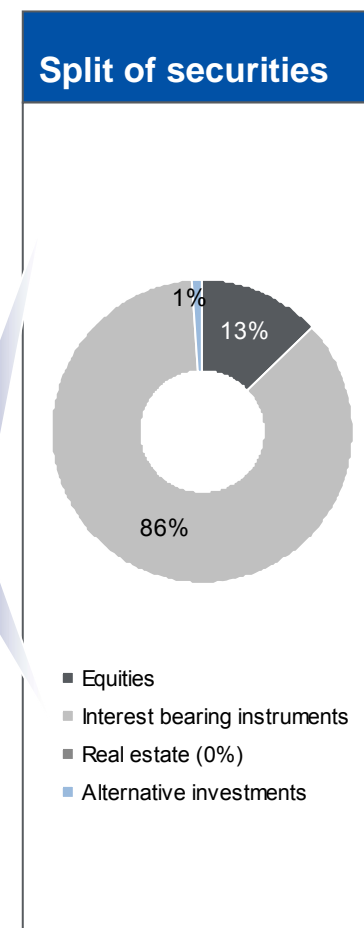
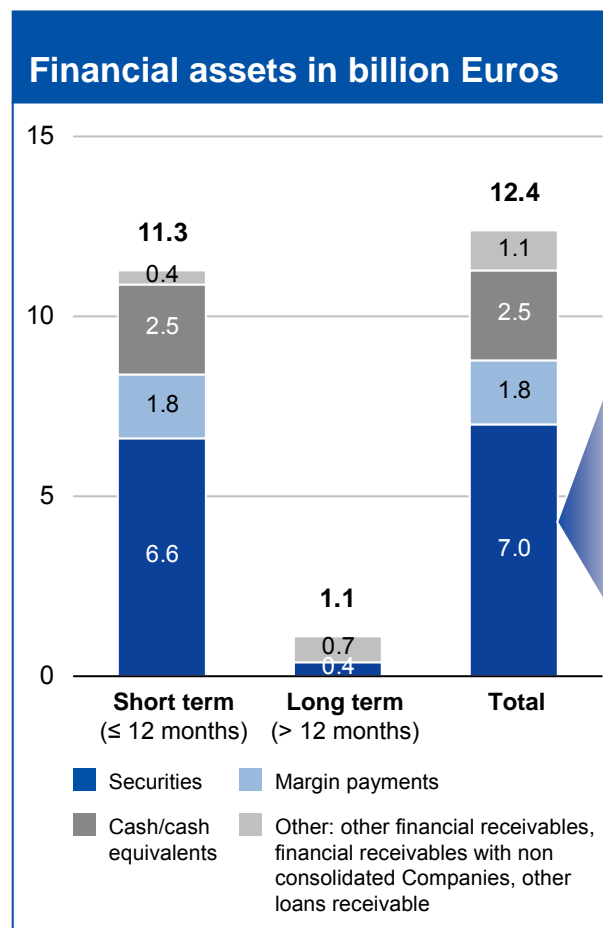
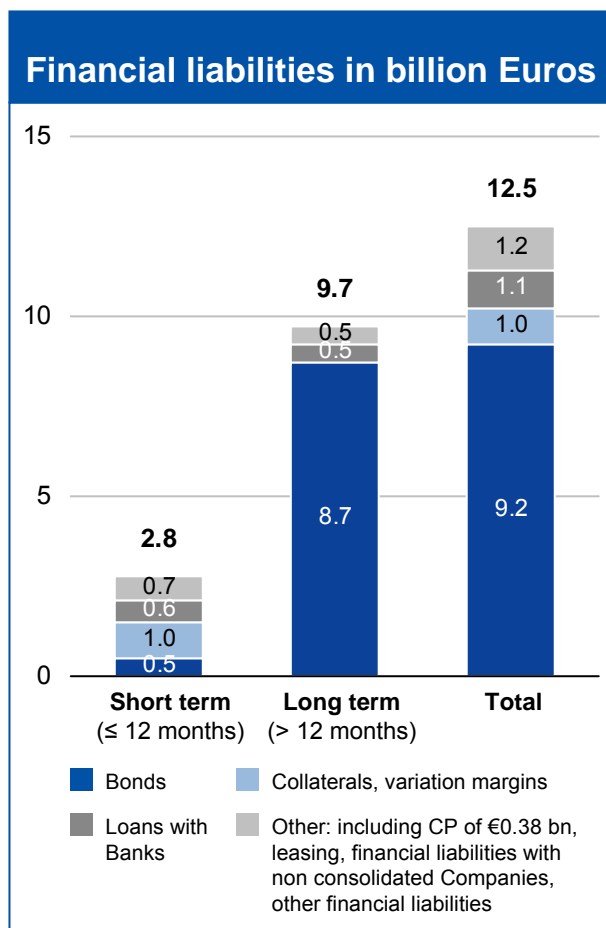
# Cash flow statement

January – September € million	2008 <sup>1</sup>	including American Water	
		2007 <sup>1</sup>	Change (absolute)
Income	2,459	2,972	-513
Depreciation, amortization, impairment losses and write-backs	1,612	1,746	-134
Changes in provisions	-123	-236	+113
Changes in deferred taxes, disposal gains and other non cash items	1,577	111	1,466
<b>Funds from operations</b>	<b>5,525</b>	<b>4,593</b>	<b>+932</b>
Changes in working capital	-1,176	208	-1,384
<b>Cash flows from operating activities of continuing operations</b>	<b>4,349</b>	<b>4,801</b>	<b>-452</b>
Capex on fixed assets	-2,525	-2,413	-112
<b>Free cash flow</b>	<b>1,824</b>	<b>2,388</b>	<b>-564</b>

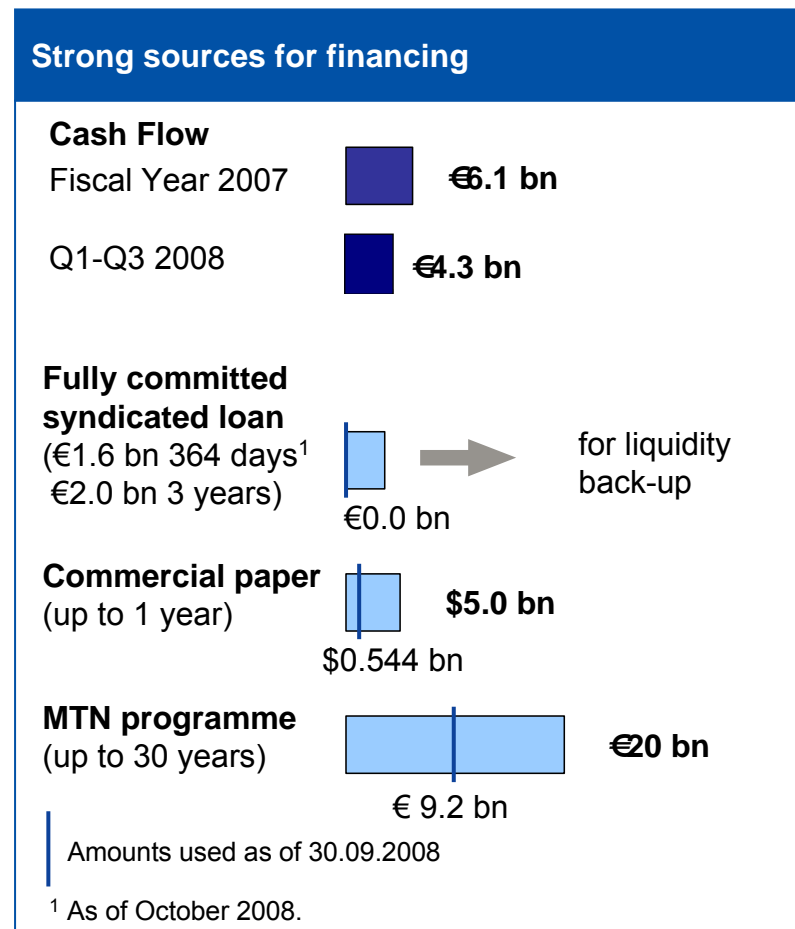
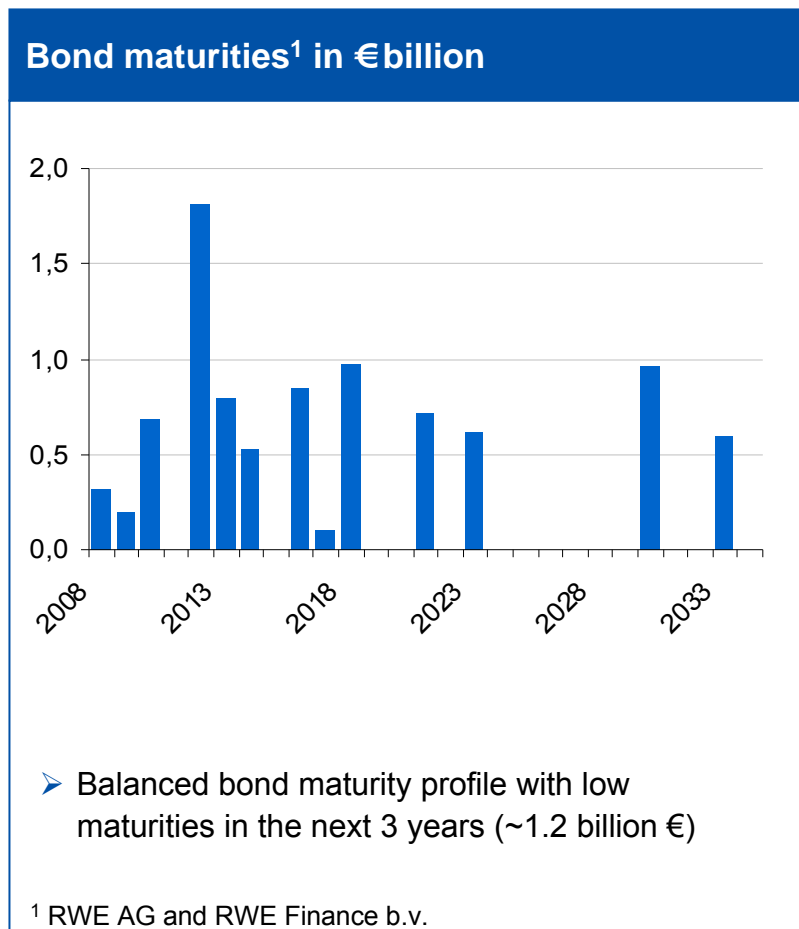
<sup>1</sup> Adjusted figures: see Interim Report page 13.

# Financial liabilities and assets: Solid financing in place

(as of 30.09.2008)



# Limited need for refinancing and sufficient sources to finance future investment programmes



# Outlook for 2008

	2007 <sup>1</sup> € million	2008 <sup>1</sup> forecast
External revenue	42,507	Up by more than 10%
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 <sup>2</sup>
Recurrent net income	2,985	Up by more than 10%
Dividend	€ 3.15	payout ratio 70% - 80% <sup>3</sup>
Capex on fixed assets	4,065	ca. €5.0 bn

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

<sup>2</sup> Subject to American Water's share price development.

<sup>3</sup> Based on recurrent net income.

# Back-up Charts

# RWE Group electricity production

January – September in TWh	Germany	UK	Other Internat.	Total 2008	Total 2007
Lignite	50.9	-	4.2	55.1	56.4
Nuclear	37.1	-	-	37.1	23.7
Hard coal	33.5	11.9	0.3	45.7	49.5
thereof contracts	22.1	-	-	22.1	25.0
Gas	9.5	14.9	0.1	24.5	20.3
Renewable energies	2.9	0.6	0.5	4.0	3.7
thereof contracts	0.4	0.5	-	0.9	1.3
Pumped storage, oil, other	1.5	0.3	-	1.8	1.8
thereof contracts	1.1	-	-	1.1	1.3
<b>Subtotal</b>	<b>135.4</b>	<b>27.7</b>	<b>5.1</b>	<b>168.2</b>	<b>155.4</b>
Electricity purchases*	50.7	12.9	16.4	80.0	84.7
<b>Total</b>	<b>186.1</b>	<b>40.6</b>	<b>21.5</b>	<b>248.2</b>	<b>240.1</b>

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

# RWE Group electricity sales volume

January – September in TWh	Germany	UK	Poland	Hungary	Other	Total 2008	Total 2007
Private and commercial customers	19.3	15.6	2.4	4.4	0.5	42.2	43.0
Industrial and corporate customers	44.6	22.8	2.4	5.4	0.4	75.6	72.8
Distributors	60.3	-	0.3	4.0	0.7	65.3	62.3
Electricity trading <sup>1</sup>	52.7	-	-	-	-	52.7	50.0
<b>Total</b>	<b>176.9</b>	<b>38.4</b>	<b>5.1</b>	<b>13.8</b>	<b>1.6</b>	<b>235.8<sup>2</sup></b>	<b>228.1<sup>2</sup></b>

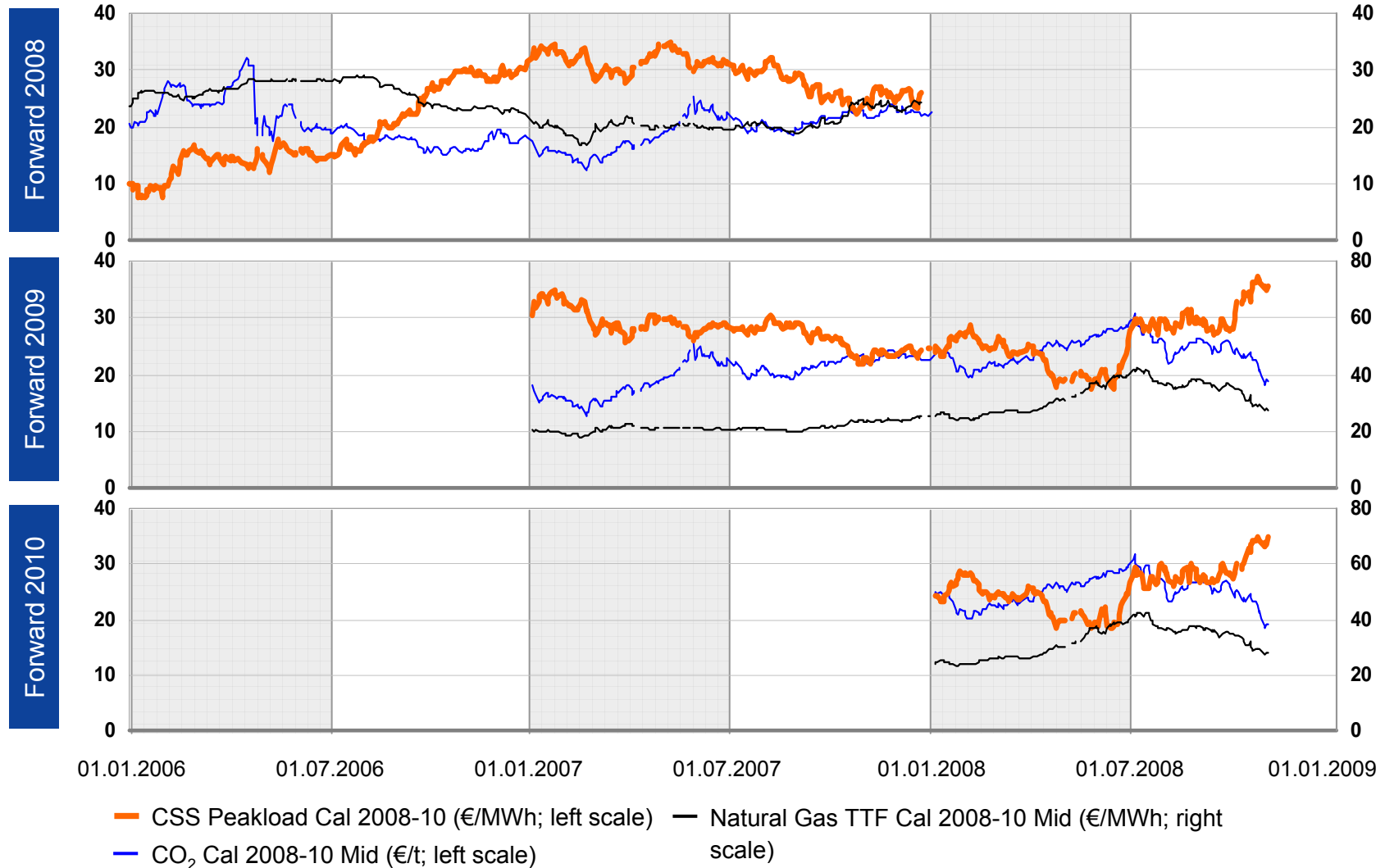
<sup>1</sup> Net of electricity purchased from third parties.

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

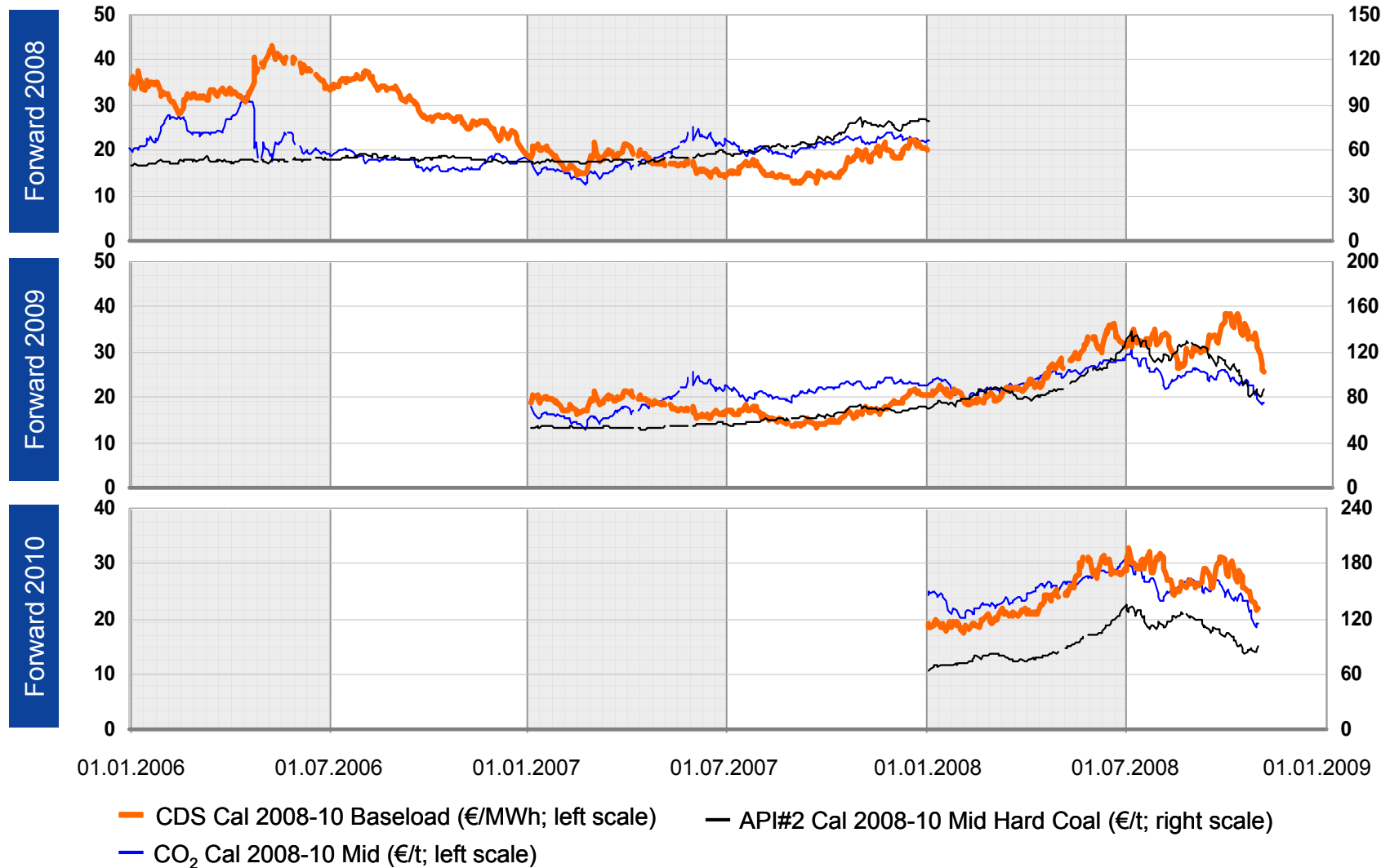
## RWE Group gas sales volume

January – September in TWh	Ger- many	Czech Rep.	UK	Other	Total 2008	Total 2007
Private and commercial customers	12.7	21.4	32.0	5.1	71.2	67.2
Industrial and corporate customers	28.9	22.9	7.0	16.5	75.3	83.1
Distributors	69.3	10.1	-	-	79.4	72.3
<b>Total</b>	<b>110.9</b>	<b>54.4</b>	<b>39.0</b>	<b>21.6</b>	<b>225.9</b>	<b>222.6</b>

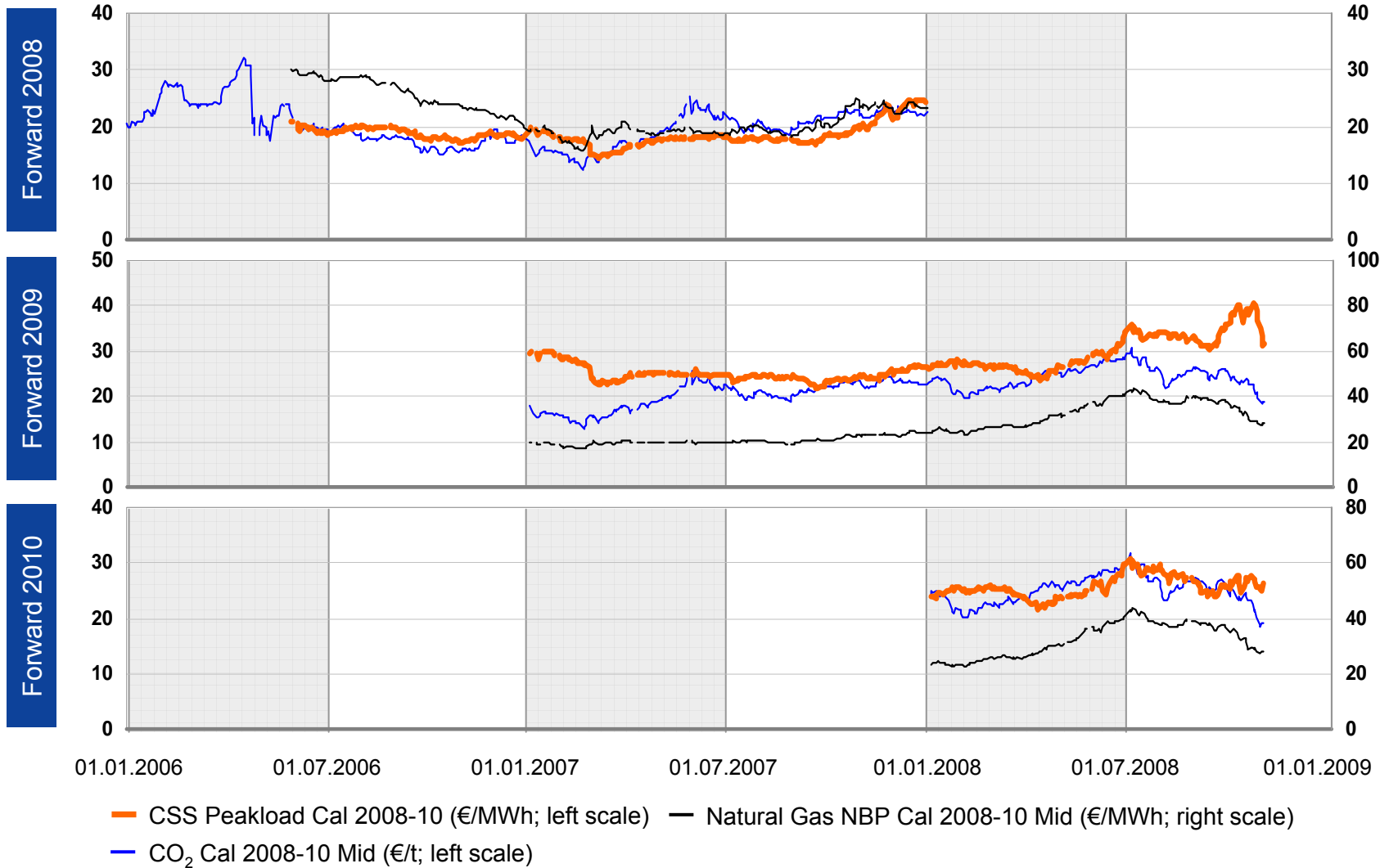
# Germany: Clean Spark Spread (CSS) versus natural gas and CO<sub>2</sub> prices



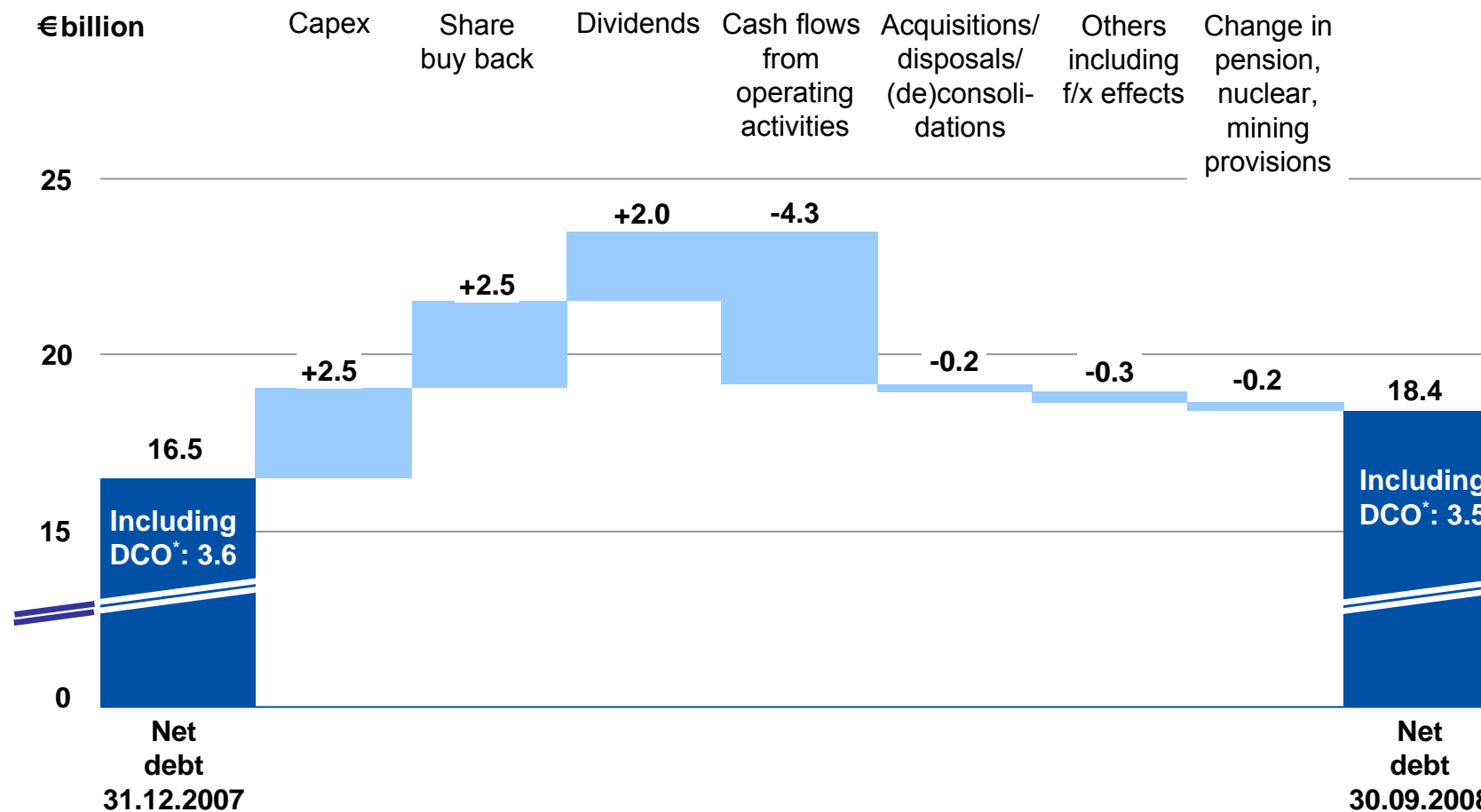
# UK: Clean Dark Spread (CDS) versus hard coal and CO<sub>2</sub> prices



# UK: Clean Spark Spread (CSS) versus natural gas and CO<sub>2</sub> prices







# Development of net debt

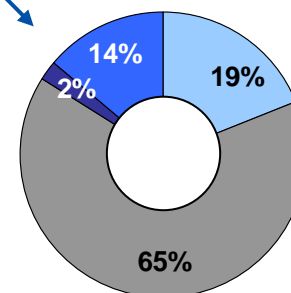
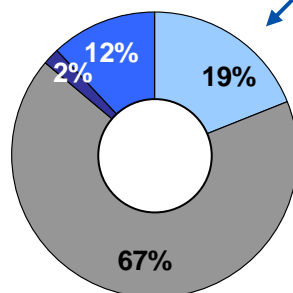


\* Net debt of discontinued operations (DCO).

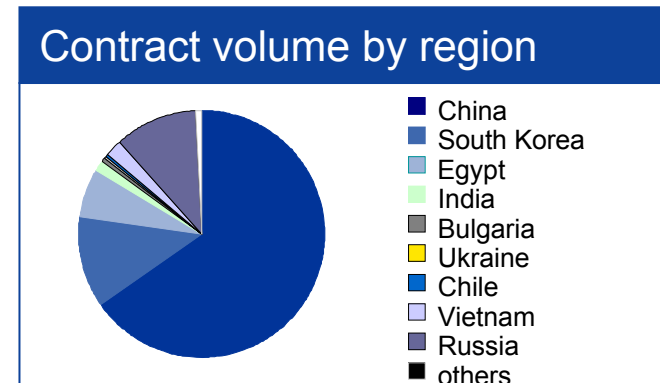
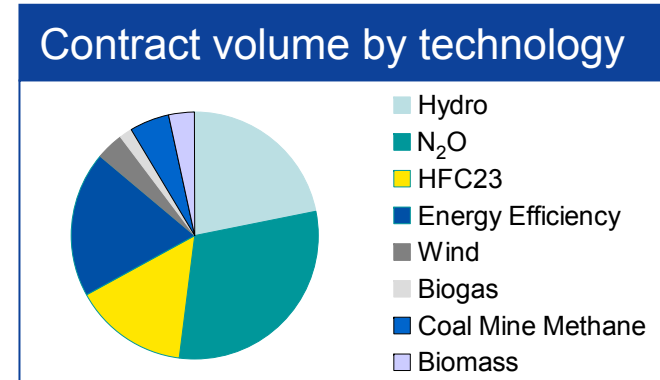
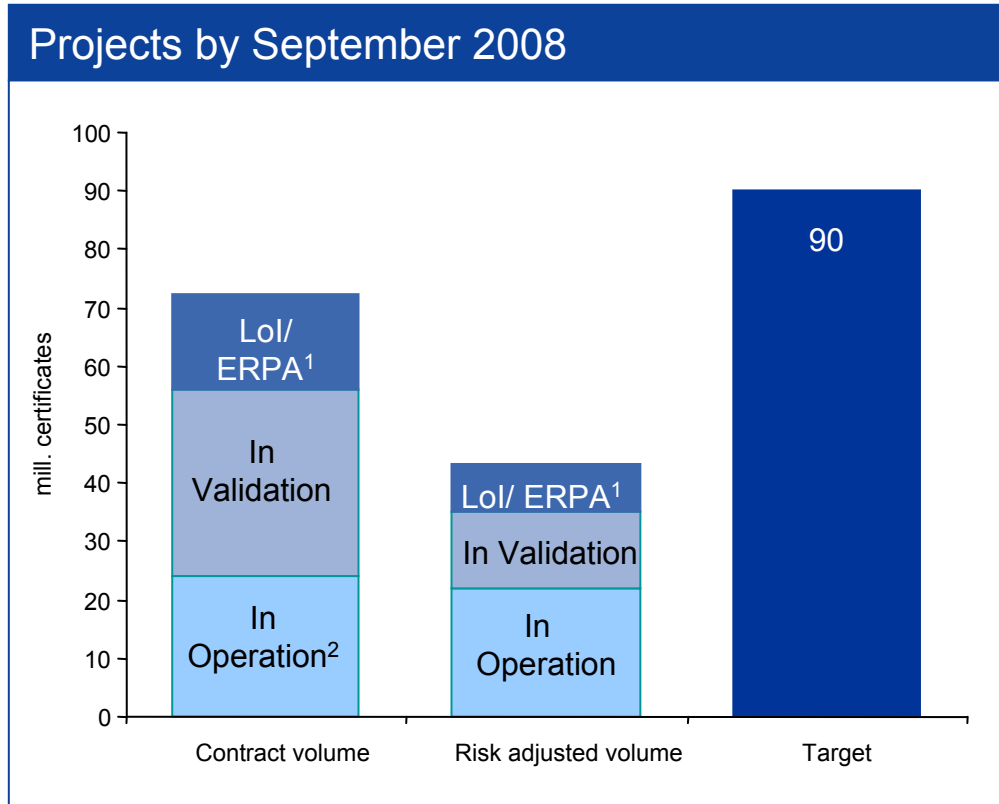
# Development of pension liabilities, plan assets and provisions

€ million	30.09.2008	31.12.2007	change absolute
Present value of funded benefit obligations	10,794	12,298	-1,504
Fair value of plan assets	11,095	12,675	-1,580
Net amount for funded plans	-301	-377	+76
Capitalized surplus of plan assets over benefit obligations	376	507	-131
Provision recognized for funded plans	75	130	-55
Provision recognized for unfunded plans	3,038	3,435	-397
Total provisions	3,113	3,565	-452

-  Equities
-  Interest bearing instruments
-  Real Estate
-  Alternative Investments



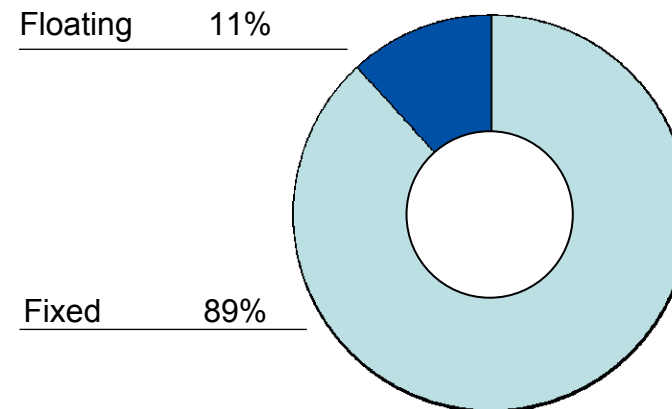
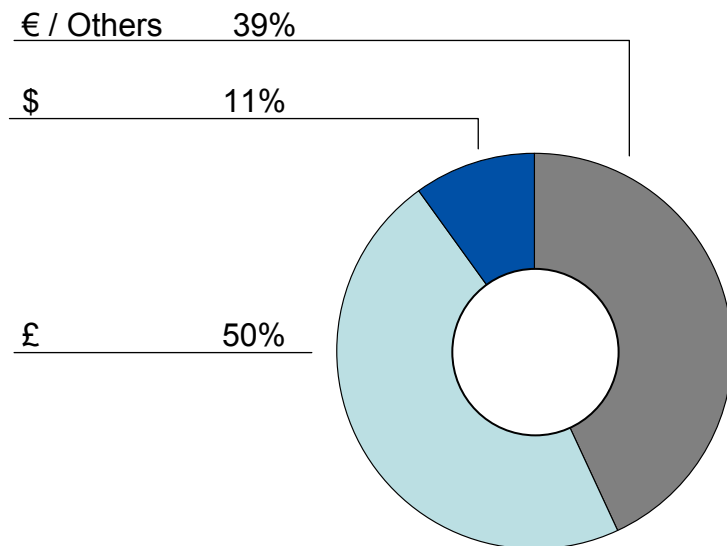
# RWE's current Kyoto credit portfolio for 2008 – 2012



- <sup>1</sup> ERPA: Emission Reduction Purchase Agreement  
<sup>2</sup> 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.

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



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

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