

Positioning for More Growth and Less CO₂

Investor and Analyst Conference
Fiscal Year 2007
Essen, February 22, 2008



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.



Today's agenda

A

Jürgen Großmann

Highlights of 2007, Strategic Roadmap 2012

B

Rolf Pohlig

Group results 2007

C

Fritz Vahrenholt

**Renewables – our new driver for growth and
CO₂ reduction**

D

Jürgen Großmann

Outlook for 2008, mid-term financial targets

Key messages

Performance FY 2007

- Operating result +15%
- Recurrent net income +21%

Strategy

- Growth investments stepped up significantly
- Renewables new key business of the Group
- Additional potential for CO₂ mitigation
- New target markets for earnings growth in Europe
- New target for future balance sheet structure
- €2.5 bn share buy back

Efficiency Enhancement

- Existing programme on track – exploring further potential
- Implementation of leaner group structure

Outlook

- Outlook for 2008: Net profit up despite higher CO₂ costs
- New mid-term targets 2012

Our vision



Ever tighter world energy supplies offer significant upside for value creation. Our shareholders will benefit from that.

Among the Top 5 European utilities we offer an attractive mix of earnings growth and stability.

We will achieve this by strongly expanding our asset base in electricity and gas in Europe while continuing to reduce our carbon exposure and become one of the leading players in renewable energy.

This forms the basis for above average cash returns to shareholders.



RWE today:

One of the Top 5 integrated European utilities



➤ We have leading positions in two of Europe's largest markets as well as in strongly growing CEE markets and own a large upstream position in both Europe and North Africa.

Key competencies that qualify us for profitable growth in Europe

- Leading expertise in commercially driven operation of power plants (e.g. Short Term Position Management, margin hedging, flexible dispatch)
- Best-in-class power plant engineering, operation and innovation
- Experience from building and operating UK's largest wind farm portfolio
- No. 1 European energy trading business
- Experienced operator of large-scale transmission and distribution networks
- Strong international equity gas niche position with track record of organic growth
- Leading positions in key CEE markets with long-standing experience in managing privatization processes and integration



It is not enough to have financial resources available for growth. We also have a leading set of skills to transfer our successful integrated business model to new markets.



Preparing for the future Pan-European utility market

The "six Cs" driving sector change

- Convergence
- Capacity shortage
- Consolidation
- Competition
- Commodities
- Carbon

Countervailing trends

- Different national energy policies
- Regulation
- Protectionism
- Interconnection constraints

➤ We believe in a Pan-European power & gas market. But many national characteristics will persist. Therefore we will be selective in our regional strategy.

Soaring global energy demand and prices offer ample opportunities for our business model

Development of key economic indicators				
GDP* Germany & UK	GDP* CEE	GDP* SEE	Electricity demand*	Gas demand*
+1 - 2%	+4 - 5%	+5 - 6%	+2.8%	ca. 2%
Oil price (Brent)	Coal price (API#2)	Electricity wholesale price Germany & UK (Base load)	Gas price (NBP & TTF)	CO ₂ price (EUA)
> 85 \$/bbl	> 100 \$/t	> 60 €/MWh	> 23 €/MW _{th}	> 20 €/t

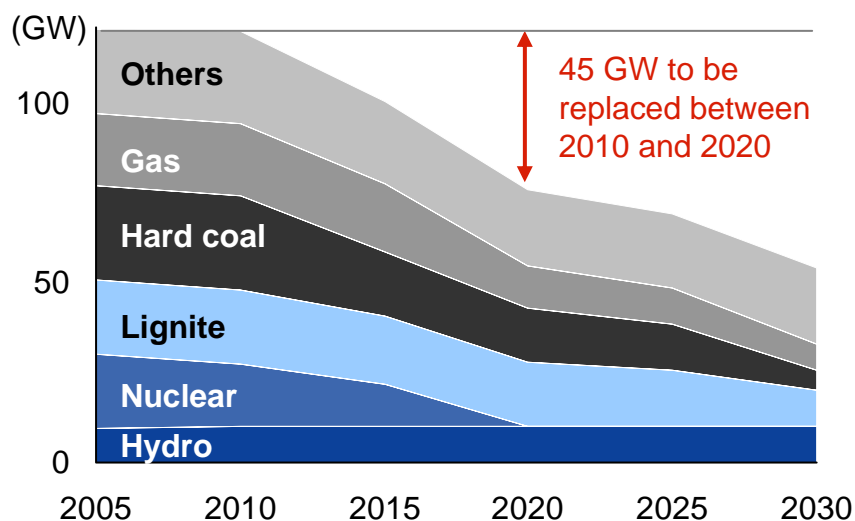
* Expected CAGR from 2008 to 2012 in the regions of Germany, UK, Central-Eastern Europe and South-Eastern Europe
 Sources: Euromonitor, The Economist Intelligence Unit, EIA, European Energy Exchange (EEX), European Climate Exchange (ECX), Bloomberg, RWE Trading.



Our earnings profile is set to continue to benefit from global trends in energy. At the same time, our integrated business model provides a hedge against price/cost volatility.

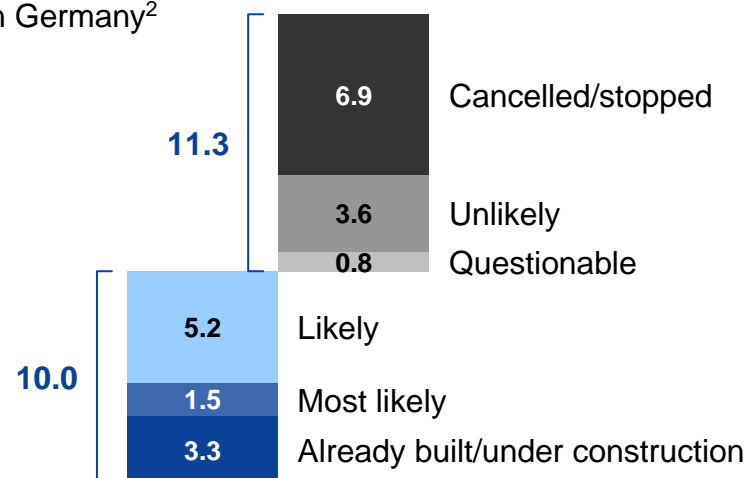
Scarce European generation capacity increases the value of our existing and future asset base

Significant reliable new build needed in Germany¹



But how much will actually come ...?

21.3 GW of hard coal generation capacity announced in Germany²



¹ Note: Including plants currently under construction. General plant lifetime is 40 years. Decommissioning of nuclear power plants under the terms of the German government's nuclear phase-out programme. Source: RWE.

² Source: RWE, January 2008.

➤ European power prices are set to rise further. Besides undercapacity in generation, increasing demand and climbing new entrant prices are the reasons.

More growth, less CO₂ - Our strategic roadmap for 2012

What we aim to do	Target for 2012
<p>➤ Defend and expand existing margins in RWE key markets Germany and UK</p>	<p>GER: defend/grow margins on current volumes UK: defend/grow volumes and profitability</p>
<p>➤ Increase level of regional diversification</p>	<p>Share of non-German operating result grows from 36% (2007) to 40 - 50%</p>
<p>➤ Boost proportion of renewables in our generation portfolio while creating value</p>	<p>More than tripling of installed base to 4,500 MW</p>
<p>➤ Reduce carbon exposure</p>	<p>Reduction by 20% (compared to 2006 emissions)</p>
<p>➤ Strengthen gas midstream activities</p>	<p>Profitably increase contracted European gas supply purchase volume from 40 to 60 bcm p.a.</p>
<p>➤ Grow equity gas business organically</p>	<p>Doubling of hydrocarbon production by 2012/2013 to 12 bcm p.a.</p>

Main strategic steps in European electricity

Germany



- Generation: maintain market share (output) of > 30%
- Supply: defend 16% market share (direct sales), improve margin to average EU level
- Networks: exceed regulatory targets in new incentive regulation
- Renewables: become one of the leading players

UK



- Generation: build more than 3 GW CCGT to lay foundation for future market share growth
- Supply: drive customer value and numbers
- Renewables: maintain leading market position in on- and offshore wind

CEE Markets



- Generation: target market share of 10% with a balanced fuel mix of coal, gas, nuclear and renewables
- Supply: grow market share from 8% to 15%
- Renewables: build positions, mainly wind and hydro

New Markets



- Build positions in South-Eastern European markets (Bulgaria, Romania, Turkey, Greece, etc.)
- Exploit options in the European part of Russia
- Build positions in renewables (wind, hydro)

Main strategic steps in European gas

Upstream



- Double hydrocarbon production by 2012/2013 to 12 bcm p.a.
- Bring development projects onstream on time and on budget
- Grow resource base and upgrade identified resources to proven reserves
- Gain resources in new markets (e.g. Caspian region, Black Sea region, Russia)

Midstream



- Grow position in European transit pipeline business
- Improve gas storage position
- Diversify European gas purchasing and reduce influence of intermediaries
- Build liquefaction position in North Africa based on RWE Dea's gas production
- Gain flexible access to global LNG market (Excelerate JV)

Downstream

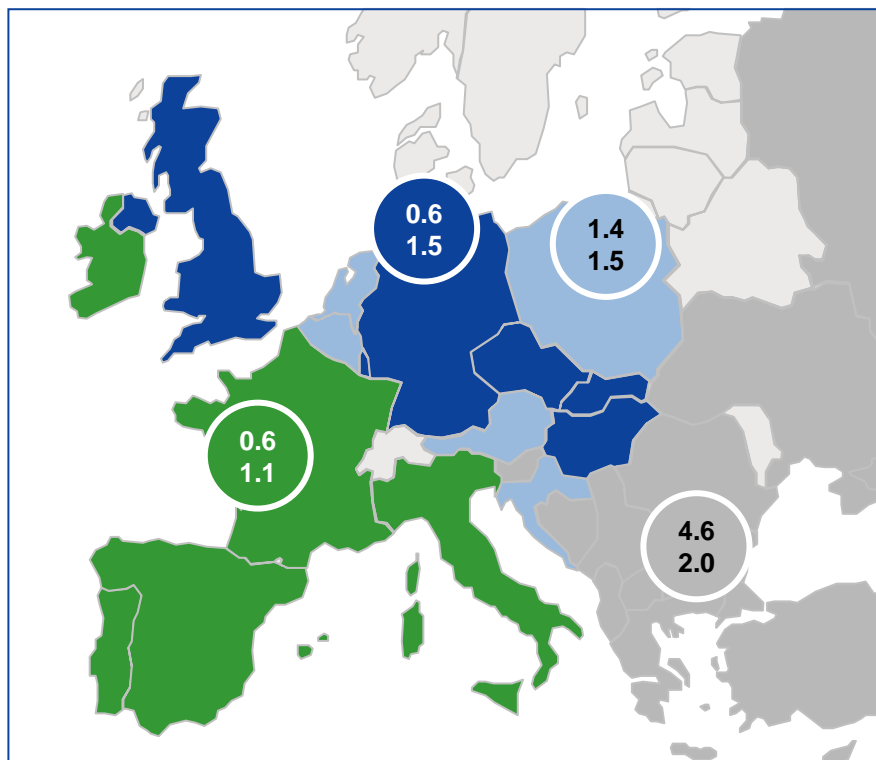


- Networks: exceed regulatory targets in Germany, Czech Republic, Hungary
- Germany: grow market share from 8% to >10%
- UK: drive gas sales through continued strong growth of dual-fuel products and through cross selling to business power users
- CSEE: defend market share in Hungary and the Czech Republic and establish footholds in new markets

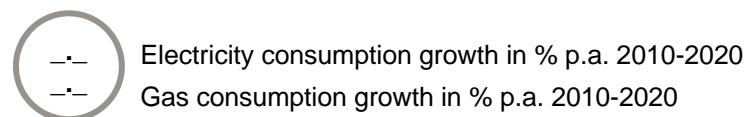
Defending / gaining market share by tailor-made and new product offerings

	Residential	Industrial, Commercial and Redistributors
Germany	<ul style="list-style-type: none"> ■ 3-year-fixed-price-tariffs: for electricity offered successfully ■ Online electricity tariffs for price-sensitive customers (eprimo) ■ Large-scale pilot project "smart meter": <ul style="list-style-type: none"> - Innovative products - Cost synergies 	<ul style="list-style-type: none"> ■ Electricity: mid/long term products <ul style="list-style-type: none"> - Asset based solutions (e.g. stakes in power plants) - Derivatives and financial services - Flexibility management ■ Power supply auctions (2009 – 2012) ■ New gas products: <ul style="list-style-type: none"> - Wholesale price deliveries - Portfolio management
UK	<ul style="list-style-type: none"> ■ Wholesale price "Tracker" for electricity and gas – to be re-launched in March 2008 ■ Fixed 2011 – a product that fixes energy price for three years to 2011 ■ Dual fuel – £80 savings for dual fuel customers compared to separate tariffs ■ npower juice – clean green electricity at no additional cost to the customer 	<ul style="list-style-type: none"> ■ E3 – product includes a free electricity monitor with access to energy experts ■ Smartsave – energy contract with: CHP energy, CO₂ offset, energy advice package and smart-meter ■ Encompass – energy management product combination with half hourly metering services or smart-metering and advanced monitoring with benchmarking software tool

Our focus remains Europe – but with a far wider remit



- In core and bridgehead markets RWE sells more than 300 TWh electricity and attains a market share in excess of 20%. In gas it is more than 330 TWh and a market share in excess of 10%.
- In growth markets under strategic monitoring RWE faces an electricity market potential of ca. 1,300 TWh and substantial market growth (ca 4% p.a.). Gas demand is ca. 450 bcm/a growing by 2% p.a.
- Additional markets for renewable energy



- RWE Core markets with established market position
- Growth markets where bridgehead positions have been attained
- Growth markets under strategic monitoring
- Additional markets for renewables business

The new RWE Innogy – on the way to become one of the leading European players in renewables



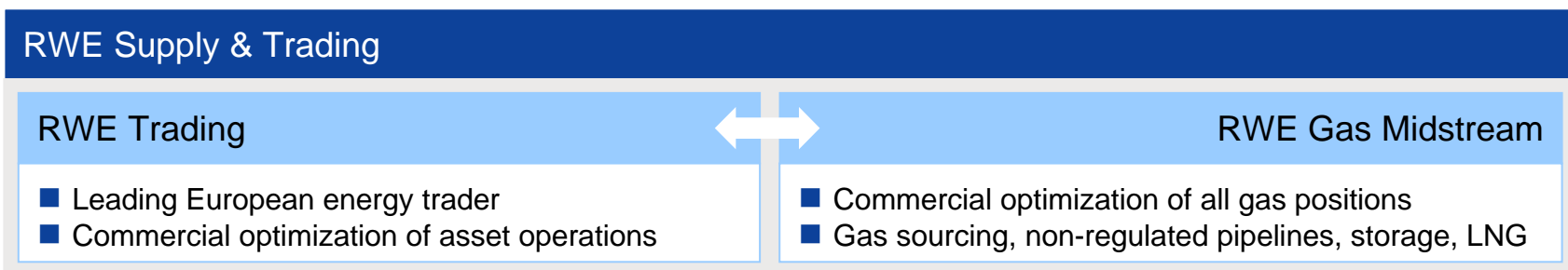
- With approx. 1,300 MW of renewable energy assets in operation or under construction we have a good starting position, especially in UK wind
- Target 2012: installed capacity of 4.5 GW
- Target 2020: more than 10 GW
- Average > €1 bn p.a. until 2012, mainly on organic projects but also on value accretive acquisitions
- Focus on onshore and offshore wind plus hydro/biomass
- RWE Innogy will also operate in European markets beyond our stated target markets, e.g. Spain, Italy or France
- Promote promising new technologies, e.g. geothermal or tidal wave technologies



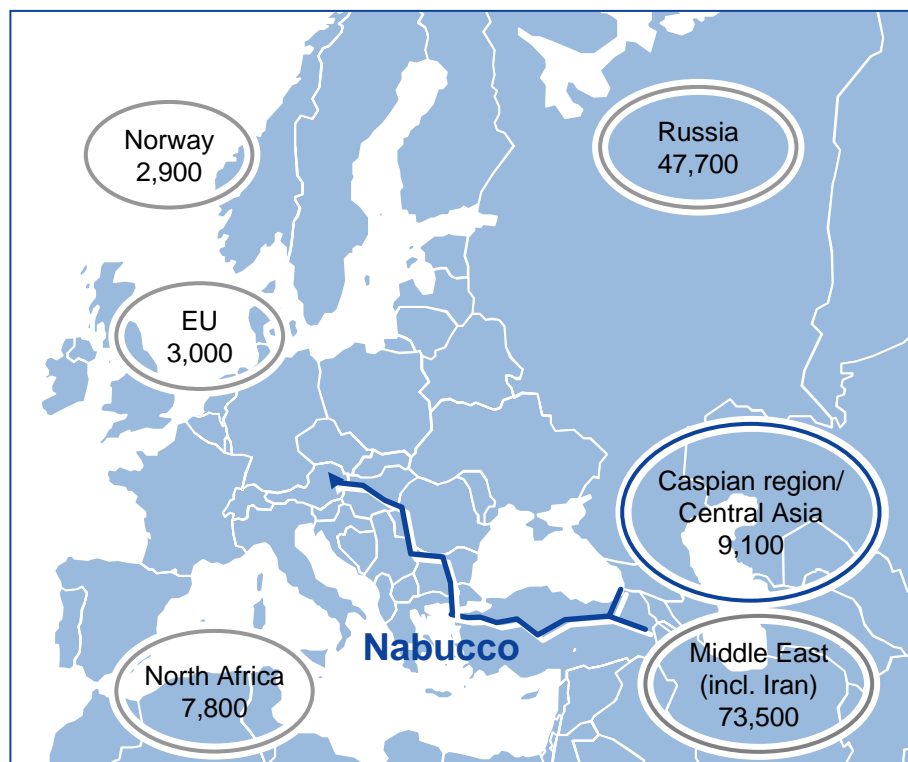
Our presence in key European markets and our financial strength provide a solid platform for boosting our presence in renewables. This also supports our CO₂ reduction strategy.

The new RWE Supply & Trading – moving into a leading role in the European gas industry

- Merger of RWE Gas Midstream and RWE Trading in April 2008
- RWE has a supply portfolio of approximately 40 bcm/a (8% of European demand)
- RWE Trading is the leading European energy trader in electricity, gas, coal and emissions certificates
- The merger is the next step in creating an all commodity midstream business responsible for risk management, commercial optimization and growth in the gas business
- Profitably growing our direct gas supply business from producers while reducing our supply from other midstream players will further strengthen the second leg of our core business
- Target supply portfolio of 60 bcm/a by 2012



RWE now part of the Nabucco consortium

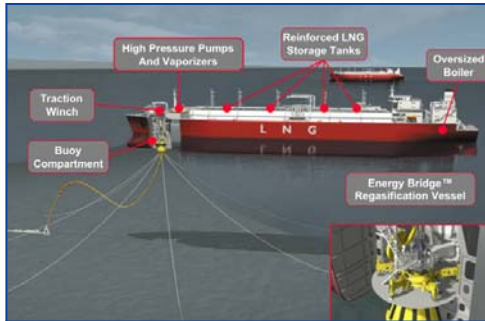


(x) Gas reserves in bcm

- 3,300 km pipeline link to large gas resources in the Caspian and Middle East
- Construction of first phase expected to be finished in 2013; €4 - 6 bn investment; final phase finished by 2018 with 31 bcm/a
- Required gas volume for the first phase is available in the western Caspian region
- Partners: BOTAS (Turkey), Bulgargaz (Bulgaria), Transgaz (Romania), OMV (Austria), MOL (Hungary) and RWE each holding 16.7%

Source: BP Statistical Review 2007

Accelerate – our asset light entry into the attractive global LNG market



Accelerate Deepwater Ports

- Gulf Gateway (USA) (since March 2005)
- Northeast Gateway (USA) (about to becoming onstream)



Accelerate GasPorts

- Teesside GasPort (since February 2007)
- German GasPort (development underway)



Ship to ship transfer (STS)

- Transfer between conventional and Accelerate ships is possible

- 50% in Accelerate JV for approx. €350 m – entry into onboard regasification
- Main assets: two US offshore deepwater ports (ca. 10 bcm/a capacity); GasPort in UK (ca. 4 bcm/a capacity), Germany (planning phase) and access to a fleet of four LNG vessels with ca. 3.8 bcm/a transport capacity
- Discharge of LNG at conventional import terminals also possible

Our nuclear strategy - more growth, less CO₂ and a regionally diversified portfolio

Goal

- Keep nuclear option in Germany
- Expansion of nuclear energy-based generation portfolio in other markets, especially UK and CSEE
- Reduce CO₂ exposure and grow more internationally

Key prerequisites

- Keep German nuclear fleet at highest safety standards
- Focus on new build abroad
- Concentration on markets with high attractiveness for nuclear energy and favourable nuclear infrastructure

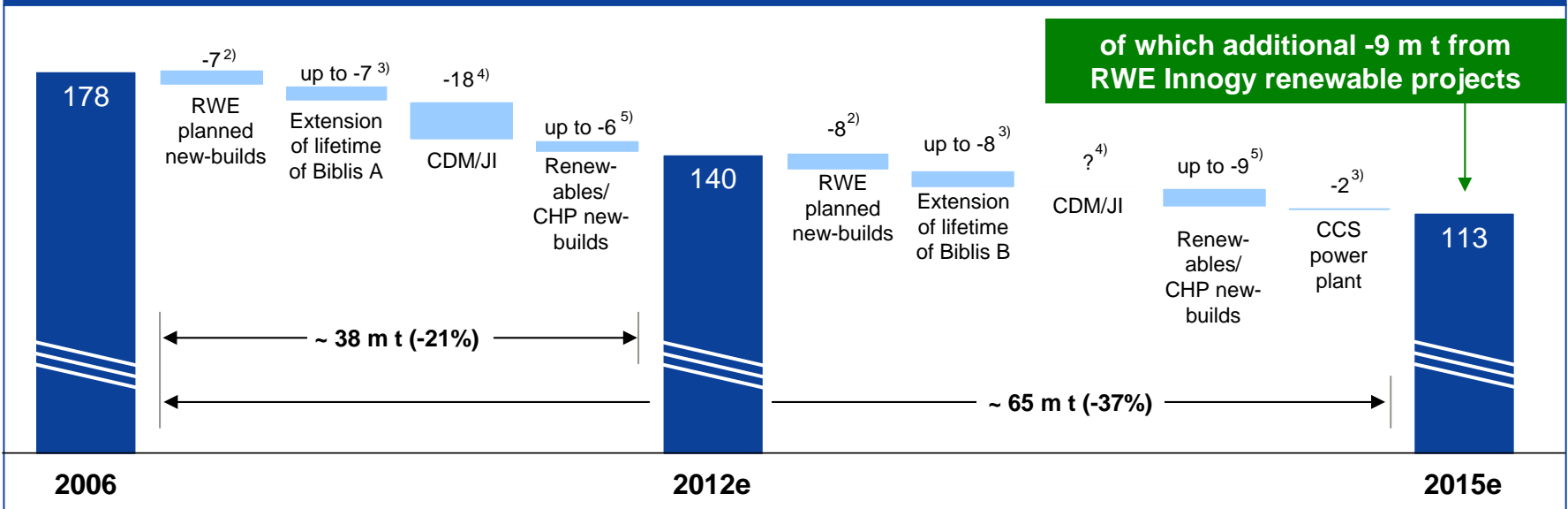
Main opportunities

- Short term: lobbying/review of nuclear phase out in Germany
- UK: our target is to participate in at least two nuclear projects
- CSEE: bidding for minority stakes in projects: Bulgaria (Belene), Romania (Cernavoda), Lithuania (Ignalina)

Less CO₂: Our strategy to reduce our exposure physically and financially



CO₂-mitigation in RWE Group: Physical and financial measures and potential (m t/a)¹⁾



Requirements for economically and ecologically reasonable CO₂-mitigation

- Political framework allows for extension of lifetimes of nuclear power plants, an economic use of renewables and CCS technology
- Power plants with above average CO₂ emissions will be decommissioned, as long as it is economic and security of supply will not be endangered

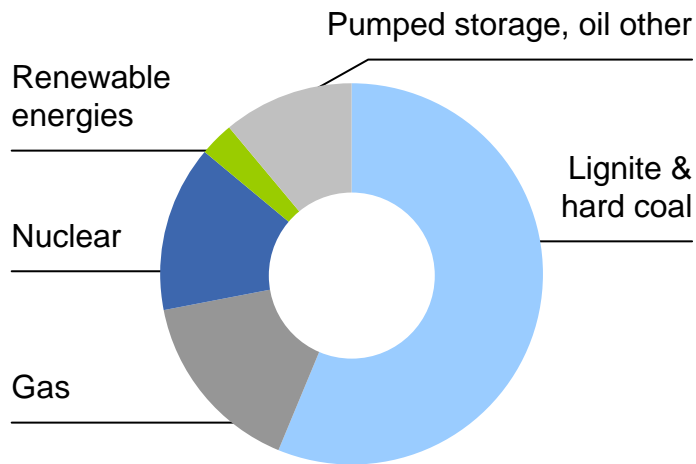
Comments

- 1) Excl. growth investments and market induced load factor changes.
- 2) New-builds with decommissioning and lower load factors of old plants (depending on market conditions).
- 3) Depending on political framework; avoidance of emissions from old coal plants.
- 4) CDM/JI-projects for covering a maximum of 22% of CO₂-allocation in Germany and 9% in UK (avg. 10-12€/t mix of price and costs); framework post 2012 not clear yet.
- 5) Avoidance of emissions from coal- and gas-fired plants.

Less CO₂: Our vision for RWE's fuel mix 2020

Fuel mix 2007 (capacity in %)

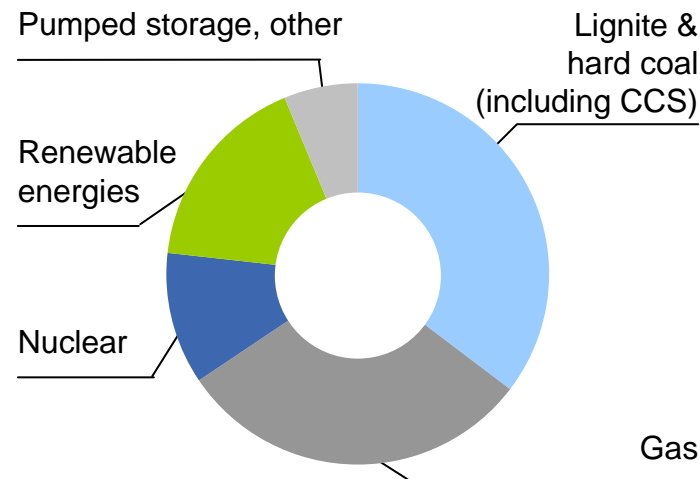
Total generation capacity 2007: 45 GW



- High proportion of CO₂-intensive coal (56%)
- Low proportion of CO₂-free stations (17%) and low CO₂ gas-fired stations (16%)

Vision fuel mix 2020 (capacity in %)*

Total generation capacity 2020e: ca. 60 - 70 GW

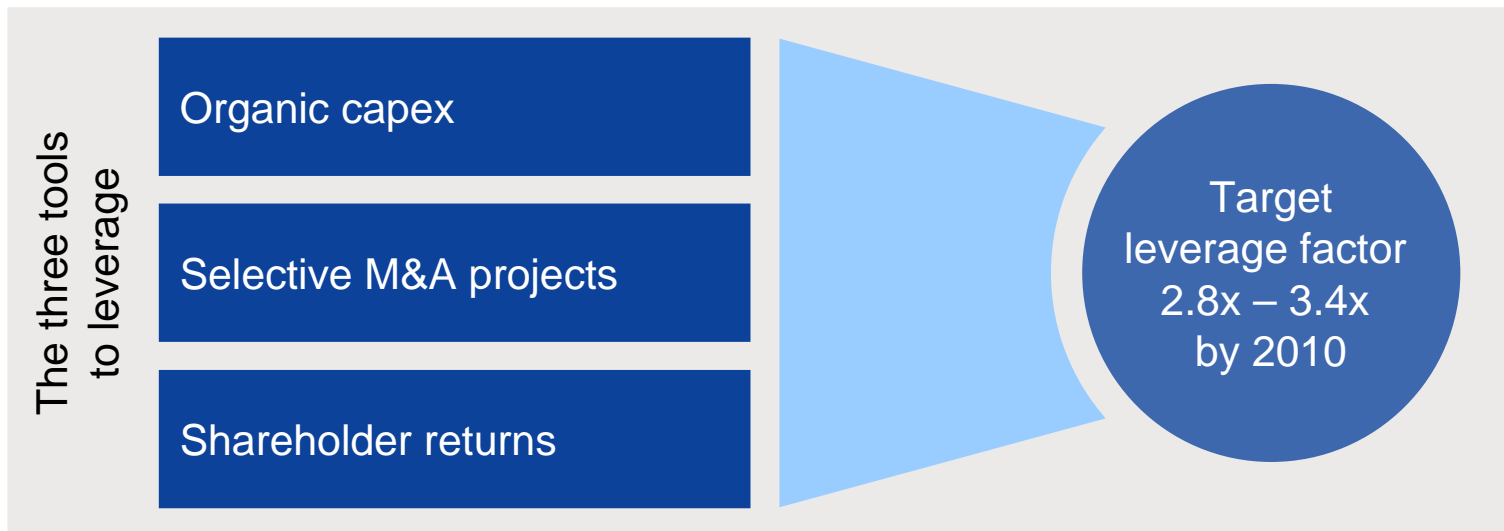


- Almost doubling CO₂-free capacity to ca. 30%
- Almost doubling low CO₂ gas-fired capacity to ca. 30%

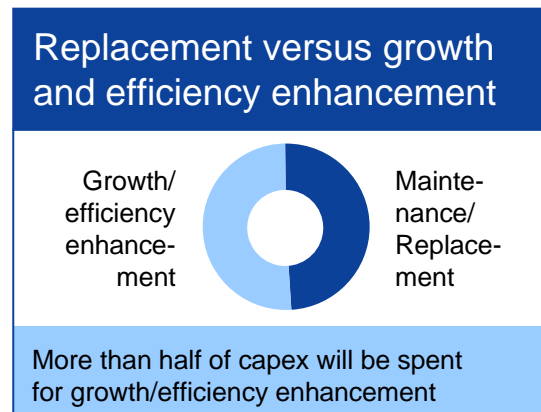
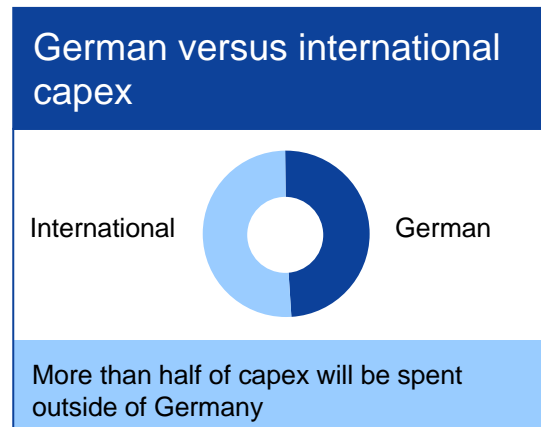
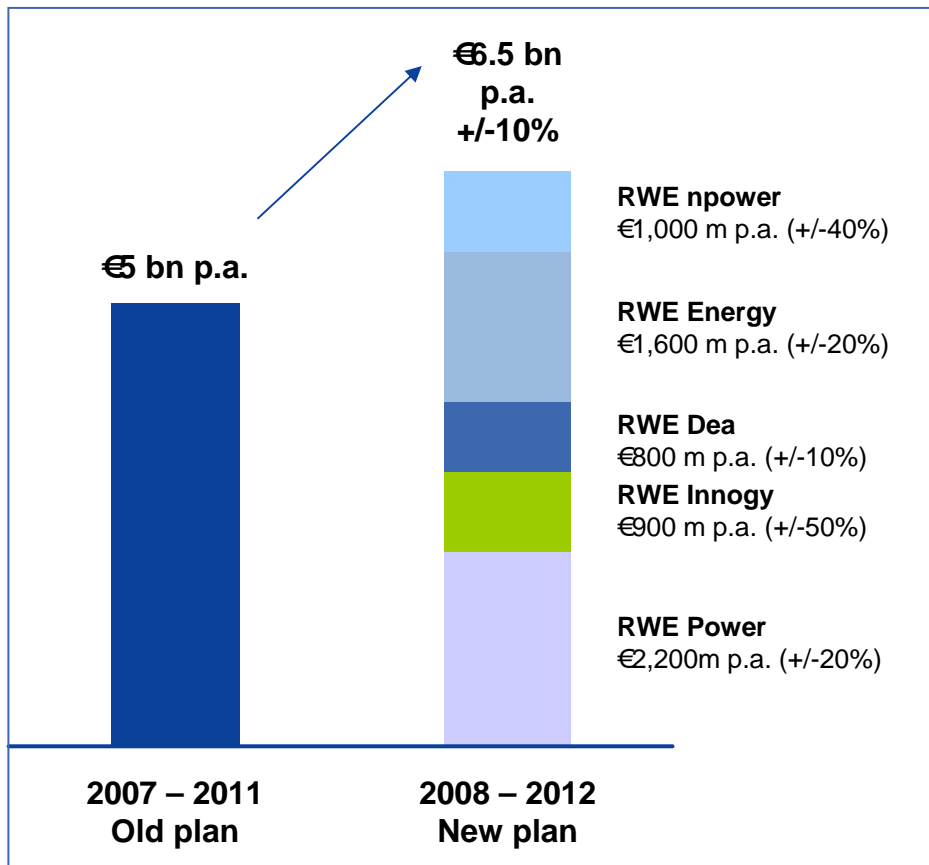
* General underlying assumptions: extension of nuclear lifetime in Germany and realizing new nuclear projects in UK and CSEE markets.

Optimizing the balance sheet

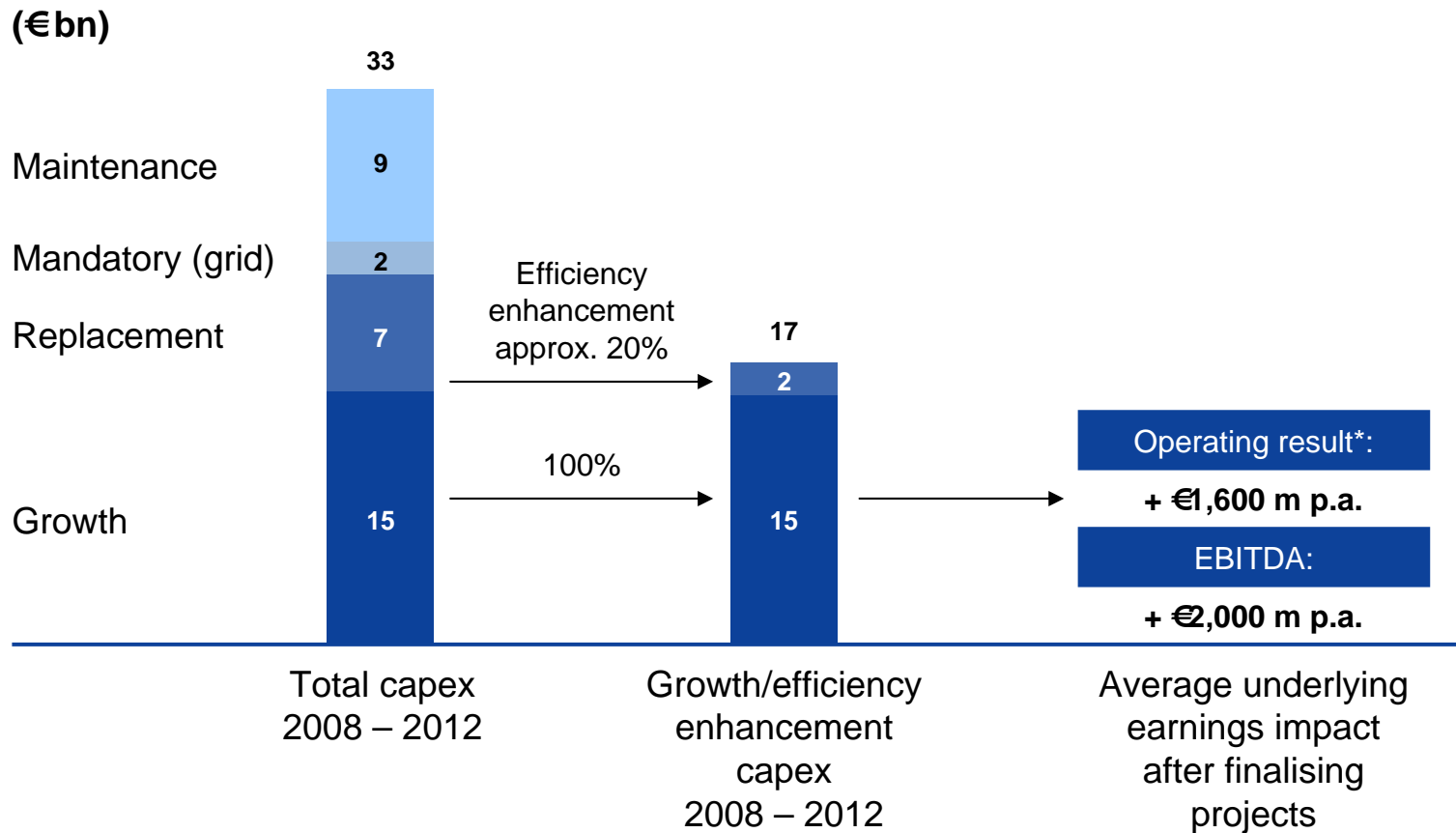
- We aim to actively manage our balance sheet via a new leverage target.
- This target is based on a new definition of net debt (including all major long-term provisions) and a leverage factor (net debt/EBITDA). This methodology will probably become sector standard.
- The targeted leverage factor is at least in line with a single A flat/A2 rating (based on current rating agencies' models).



Mid-term capex programme significantly stepped up: Growth takes centre stage



How growth and efficiency enhancement capex will impact our underlying earnings performance



* Average impact. Depending on depreciation period, operating result lower in early years and higher in later years.

We aim to spend €15 - 20 bn on capex and acquisitions by 2012 to grow outside Germany

Russia: up to €1 bn

UK: approx. €5 bn

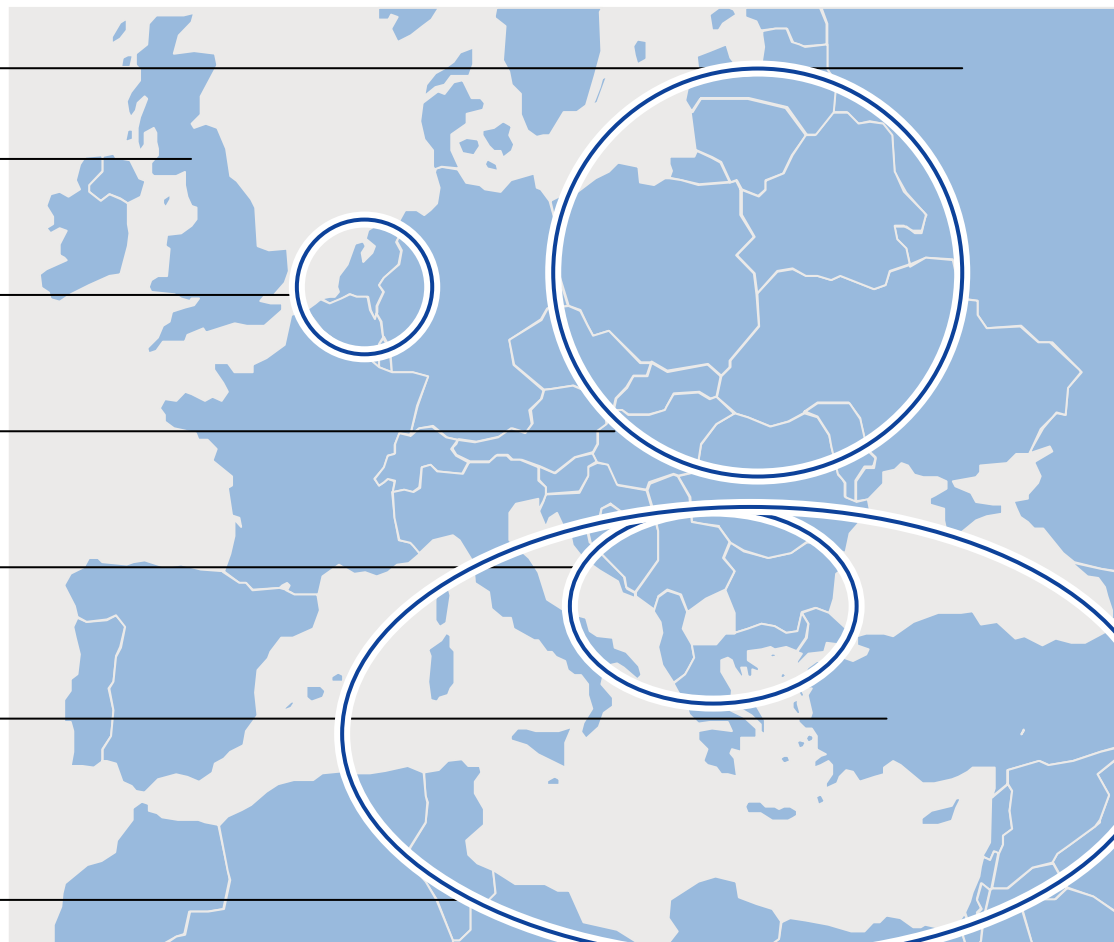
BeNeLux:
approx. €2 bn

CEE:
approx. €2 – 3 bn

SEE:
approx. €2 – 3 bn

Turkey: up to €3 bn

Upstream/Midstream
gas and LNG:
approx. €2 bn



Growth via M&A is an option – but we will remain selective and prudent

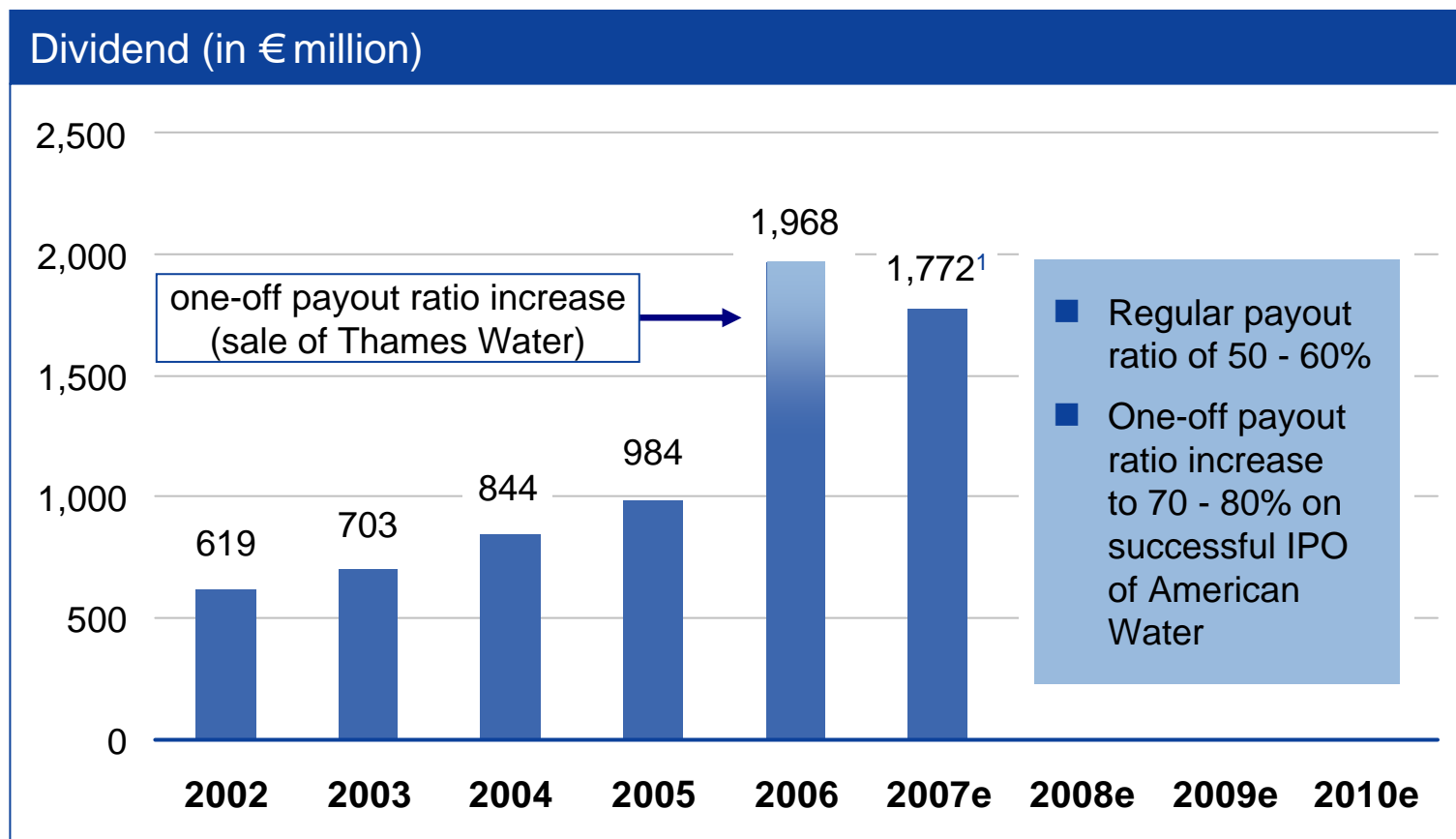
Strategic criteria

- Business complementarity
 - Products
 - Regions
 - Synergies
- Provide growth potential
- Improvement of CO₂ profile

Financial criteria

- IRR > Hurdle rate (after tax) – hurdle rate based on project specific WACC (5.5 - 6.5%, upstream 8.5%) plus value contribution and risk premium dependent on risk of the business and region
- ROCE has to match WACC in the 3rd year of full inclusion of acquired assets (including goodwill)
- Consistent with target leverage factor (2.8 – 3.4 x net debt/EBITDA)

We are committed to a shareholder friendly dividend policy



¹ Upon approval of Annual General Meeting on April 17, 2008.

We will buy back shares in 2008

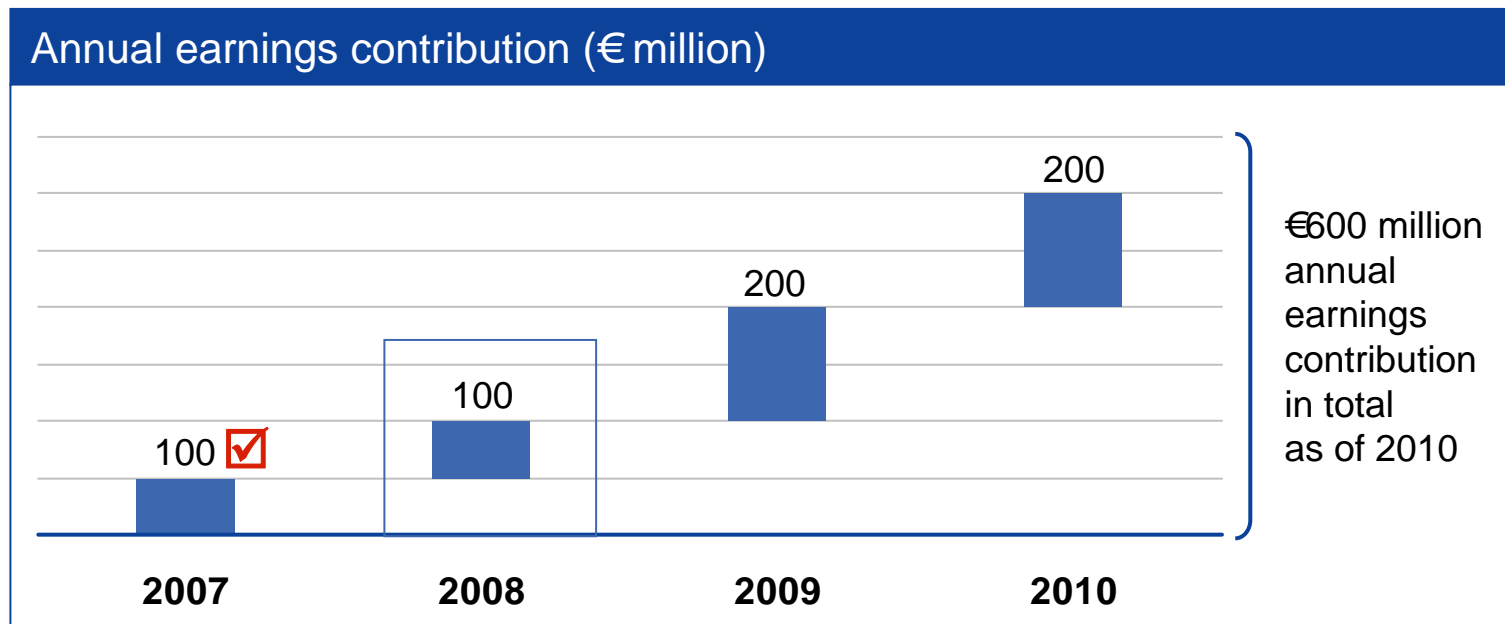
- The share buy back will be conducted without being tied to the IPO of American Water.
- The targeted volume is €2.5 bn (ca. 5% of capital).
- Share buy back programme activated as of 21.02.2008.
- The share buy back will predominantly focus on ordinary shares.



We have decoupled the planned share buy back from the sale of American Water in order to address the underlevered balance sheet as soon as possible.

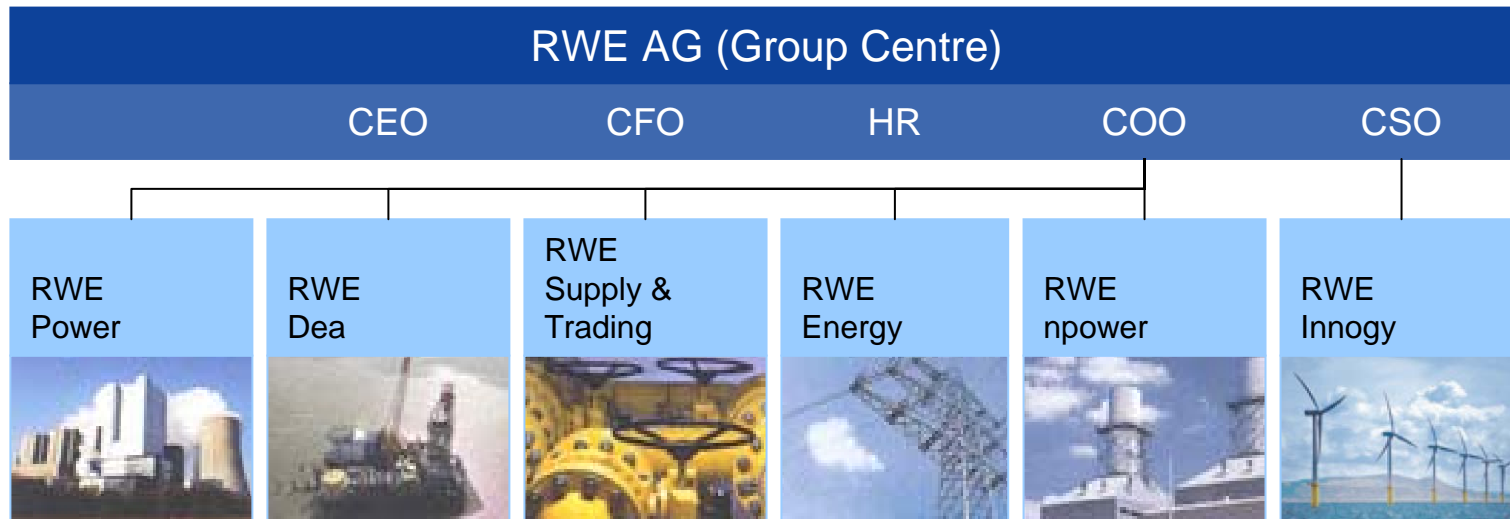


Efficiency enhancement: We are on track and will step up our programme soon



- Efforts will mainly focus on cost reductions from benchmarking processes and higher availability and increase in efficiency of our generation assets
- Efficiency gains will be fully accretive to operating result
- In addition, we aim to compensate for the cost inflation between 2007 and 2010
- We will increase our target in August 2008

Efficiency enhancement: Leaner Group Structure



- The new, leaner Group organization will become effective April 1, 2008.
- RWE Trading and RWE Gas Midstream will be merged into the new RWE Supply & Trading.
- Two new roles on the group centre board:
 - Chief Operating Officer (COO) who will be also head of the supervisory boards of the operational companies. This supports best practice operational excellence across the value chain and across all divisions.
 - Chief Strategy Officer (CSO): Concentration of strategy, M&A and R&D including renewables.

“Energy Pact for Germany” - constructive dialogue with customers and politicians

- Acceptance by politicians, customers and the general public is an essential success factor for any utility.
- The German government has welcomed our initiative to reinitiate a constructive dialogue between all stakeholders in order to jointly address important energy market issues.

Our proposals	
More market transparency by provision of real-time data on power plant availability and on grid condition and congestion management	✓
More flexible pricing models for large customers	✓
Virtual power plant auctions for large customers	✓
3-year-price-stability for residential electricity customers	✓
Energy efficiency initiative for public buildings	✓
Smart metering (price transparency and saving of energy)	✓
Cooperation with neighbouring countries – Germany, France and BeNeLux – to integrate individual regional markets into one market	✓
Strongly growing renewable energy (RWE Innogy)	✓

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Outlook for 2008, mid-term financial targets

RWE Group Key performance indicators 2007



January – December € million	2007	2006 ¹	change in %
External revenue	42,507	42,554	-0.1
Cash flows from operating activities	6,085	6,783	-10.3
EBITDA	7,902	7,172	+10.2
Operating result	6,520	5,681	+14.8
Non-operating result	-149	-330	+54.8
Financial result	-1,138	-1,814	+37.3
Income from discontinued operations	-274	1,442	-119.0
Net income	2,659	3,847	-30.9
Recurrent net income	2,977	2,466	+20.7
Earnings per share (EPS) (€)	4.73	6.84	-30.8
Recurrent EPS (€)	5.29	4.38	+20.8
Dividend per share (DPS) (€)	3.15	3.50 ²	-10.0 ²
Payout ratio	60%	80% ²	- ²

¹ Adjusted figures: see Annual Report page 60.

² Extraordinary payout ratio of 80% due to sale of Thames Water.

Performance of RWE Power



January – December € million	Operating Result			EBITDA		
	2007	2006	Change in %	2007	2006	Change in %
	3,706	2,744	+35.1	4,426	3,372	+31.3
Power Generation	3,214	2,132	+50.8	3,671	2,574	+42.6
of which RWE Trading	592	153	+286.9	594	157	+278.3
RWE Dea	492	612	-19.6	755	798	-5.4

■ Power Generation (incl. RWE Trading)

- Higher realized electricity prices and lower volumes (approx. +€1,100 million) including outage of Biblis nuclear power plant (approx. -€530 million year-on-year)
- Lower fuel costs (approx. +€90 million), higher costs for CO₂ certificates (approx. -€80 million)
- Sunk cost for cancelled Ensdorf newbuild project (approx. -€110 million)
- Disproportionately high contribution of Trading activities of €592 m

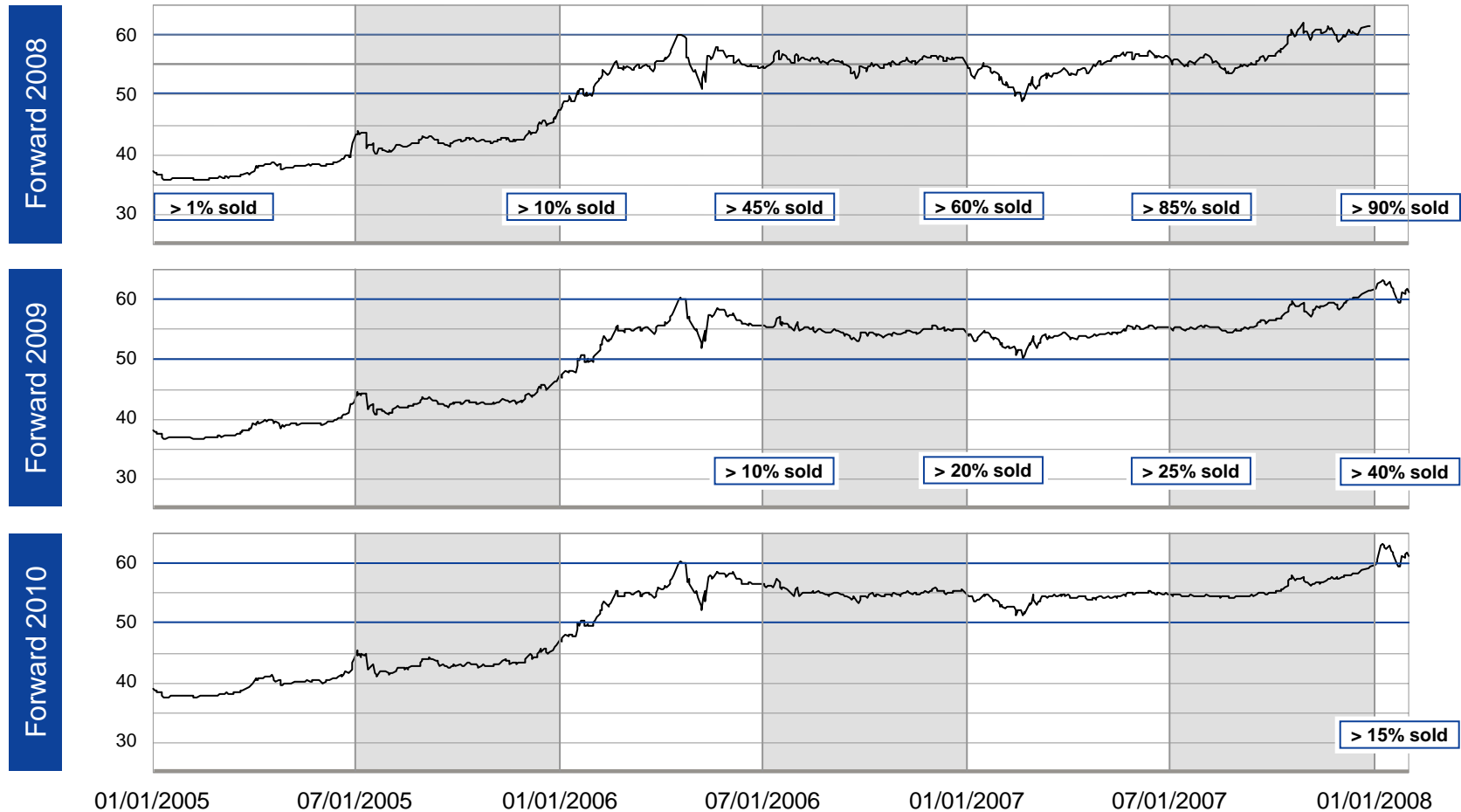
■ RWE Dea

- Disposal of Kazgermunai participation in Kazakhstan
- Redetermination of production shares in Snorre oilfield in Norway
- Lower gas prices and increased exploration activities and costs

RWE Power: Still ca. €15/MWh¹ to catch up with current market price



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



¹ Compared to average realised price of €47/MWh for forward 2007.

as of 01/31/2008

Performance of RWE Energy



January – December € million	Operating Result			EBITDA		
	2007	2006 ¹	Change in %	2007	2006 ¹	Change in %
	2,296	2,506	-8.4	2,742	3,177	-13.7
German regions	1,209	1,427	-15.3	1,552	1,856	-16.4
International regions	692	583	+18.7	760	684	+11.1
Supraregional operations	767	714	+7.4	833	868	-4.0
Other / consolidation ²	-372	-218	-70.6	-403	-231	-74.5

- Negative impact from German grid regulation (approx. -€500 million)
- International regions: one-off effects in the Czech gas business
- Supraregional operations: Cut in electricity grid fees more than offset by efficiency measures, customer gains at our Key Account activities, improved margins at our Czech gas transport business and higher income from investments

¹ Regional structure adjusted, see Annual Report page 60.

² Including RWE Gas Midstream.

Performance of RWE npower



January – December € million	Operating Result			EBITDA		
	2007	2006	Change in %	2007	2006	Change in %
	724	512	+41.4	870	658	+32.2

■ Power generation:

- Higher wholesale prices and expiry of adverse hedges
- Lower costs for CO₂ (+€59 million)

■ Supply:

- Increase of ca. 183,000 residential energy customers compared to the same period last year
- Pressure on margins for residential retail clients due to higher purchasing costs and transmission fees
- Increased sales and service costs due to growing customer base

Non-operating result

January – December € million	2007	2006	Change (absolute)
Capital gains	339	474	-135
Impairment losses	0	-6	+6
Restructuring / other	-488	-798	+310
Total	-149	-330	+181

■ Capital gains: Mainly sale of Dutch gas grid assets and a 25% stake in rhenag

■ Restructuring / other:

- Amortization of RWE npower's customer accounts (-€325 million)
- Income from change of nuclear provisions (+€178 million)
- Reduction of goodwill as a consequence of the settlement of outstanding tax issues at RWE npower (-€138 million)

Financial result

January – December € million	2007	2006	Change in %
Net interest result	-479	-509	+5.9
Interest accretion to non-current provisions	-771	-1,136	+32.1
Other financial result	112	-169	+166.3
Total	-1,138	-1,814	+37.3

- Net interest result: Positive impact of sale of Thames Water to a large extent offset by funding of Contractual Trust Arrangement (CTA)
- Interest accretion to non-current provisions: Improvement due to the externalization of pension obligations (CTA)
- Other financial result:
 - Book gain from the transfer of securities to the new CTA (+€155 million)
 - Redemption of our Heidelberger Druckmaschinen exchangeable bond and the sale of some Heidelberger Druckmaschinen shares (+€142 million)

Reconciliation of recurrent net income

January – December € million	2007 reported	2007 non-rec.*	2007 recurrent	2006 recurrent	change absolute
Operating result	6,520	-	6,520	5,681	+839
Non-operating result	-149	149	-	-	-
Financial result	-1,138	-297	-1,435	-1,814	+379
Taxes on income	-2,076	+37	-2,039	-1,717	-322
Income from discontinued operations	-274	+429	155	482	-327
Minority interest	-224	-	-224	-166	-58
Net income	2,659	+318	2,977	2,466	+511

■ Non-recurrent items in the financial result:

- Book gain from the transfer of securities to the new CTA (+€155 million)
- Redemption of our Heidelberger Druckmaschinen exchangeable bond and sale of some Heidelberg shares (+€142 million)

■ Main non-recurrent items in taxes on income

- Tax effect from the non-operating result (+€38 million)
- Impact from German tax reform (-€256 million) and UK tax reform (+€41 million)
- One-off tax item at RWE npower (+138m)

■ Non-recurrent items in income from discontinued operations: fair value adjustment of American Water (-€429 million)

*Note: prefix for non recurrent adjustment in the table is a mathematical prefix; prefix in the notes reflects impact on earnings.

Cash flow statement

January – December € million	2007	2006	Change (absolute)
Income	2,883	4,013	-1,130
Depreciation, amortization, impairment losses and write-backs	2,512	3,025	-513
Changes in provisions	438	1,300	-862
Changes in deferred taxes	656	293	+363
Disposal gains	-631	-1,368	+737
Other non-cash items	449	54	+395
Funds from operations	6,307	7,317	-1,010
Changes in working capital and other balance sheet items	-222	-534	+312
Cash flows from operating activities	6,085	6,783	-698
Capex on fixed assets	-4,065	-4,494	+429
Free cash flow	2,020	2,289	-269

Value management

Key figures for value management 2007	Operating result € million	Capital employed € million	ROCE in %	Cost of Capital in %	Value added	
					2007 € million	2006 € million
RWE Power	3,706	15,349	24.2	10.5	2,105	1,188
RWE Energy	2,296	20,844	11.0	9.0	420	586
RWE npower	724	6,424	11.3	10.0	82	-153
Other, consolidation	-206	-2,907	-	-	350	453
RWE Group	6,520	39,710	16.4	9.0	2,957	2,074

- Value management concept adjusted for capital employed treatment in order to avoid fluctuations from investment cycles. Now steady recognition of 50% of historic costs in the capital employed, except for goodwill (100% of historic costs).
- Significant value added in 2007: ROCE exceeding cost of capital by 7.4% thereby creating €3.0 bn value added.

Leveraging up the balance sheet: Leverage target for 2010 implemented

Leverage will be measured by ratio of **Net Debt/EBITDA (= leverage factor)**:

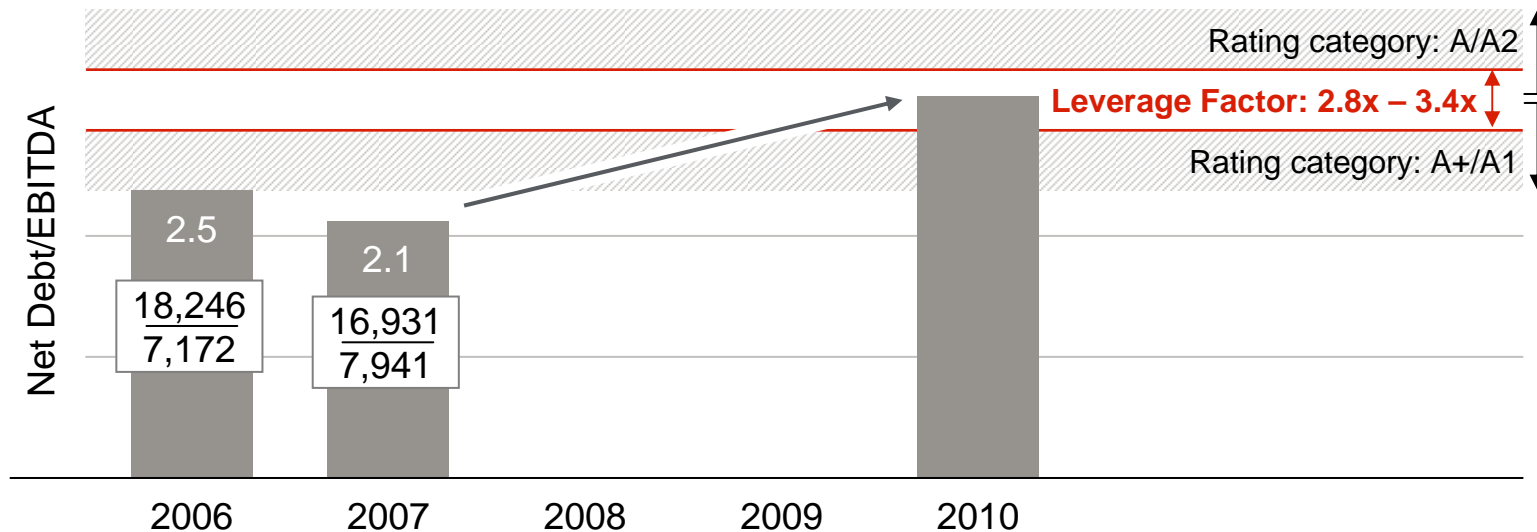
New definition of net debt*

- Net financial debt
 - + provisions for pension
 - + provisions for nuclear waste management
 - + provisions for mining damage

* For details see back-up chart 63

Leverage Factor

- RWE's targeted range for the leverage factor: 2.8x – 3.4x by 2010
- Targeted range for leverage factor is at least implicitly in line with Single A flat/A2 rating (based on rating agencies' current models)



New reporting structure as of fiscal year 2008

Old reporting structure (2007)

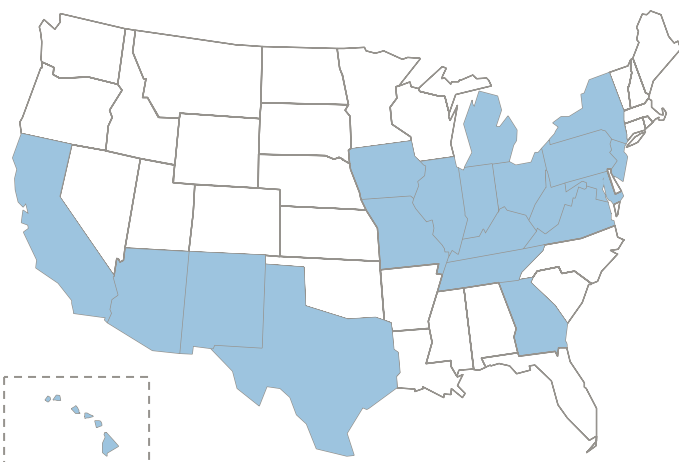
January – December € million	2007 reported
RWE Power	3,706
of which RWE Trading	592
of which RWE Dea	492
RWE Energy	2,296
of which RWE Gas Midstream	-59
RWE npower	724

New reporting structure (2008)

January – December € million	2007 pro forma
RWE Power	2,617
RWE Dea	492
RWE Supply & Trading	532
RWE Energy	2,355
RWE npower	724

- 2007 pro forma numbers excluding RWE Innogy. From Q1 2008 onwards RWE Innogy will be reported under 'other, consolidation' until the new company is fully established.

American Water



■ States in which American Water has operations

Status

- Original target to IPO American Water in 2007 postponed due to risk of not achieving fair value for the company. Overall IPO plan unchanged
- Target to IPO at least the majority of American Water in 2008, subject to market conditions
- American Water reported as 'discontinued operations'
- Fair value adjustment of -€429 m
- Committed to a payout ratio of 70% to 80% for the year in which we successfully IPO American Water

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Outlook for 2008, mid-term financial targets

The new RWE Innogy management team: experienced – well connected – international

Prof. Dr. Fritz Vahrenholt
CEO



- Hydro
- Biomass
- Ventures
- HR
- Communication

Dr. Hans Bünting
CFO



- Finance
- Legal
- Tax
- M&A
- IT

Kevin McCullough
COO



- Wind onshore
- Wind offshore
- Technology & procurement

Education

- Degree in Chemistry
- Doctorate in Chemistry (both University of Münster)

- Degree in Business Administration
- Doctorate in Business Administration (both University of Bochum)

- Degree in mechanical and electrical engineering

Career Milestones

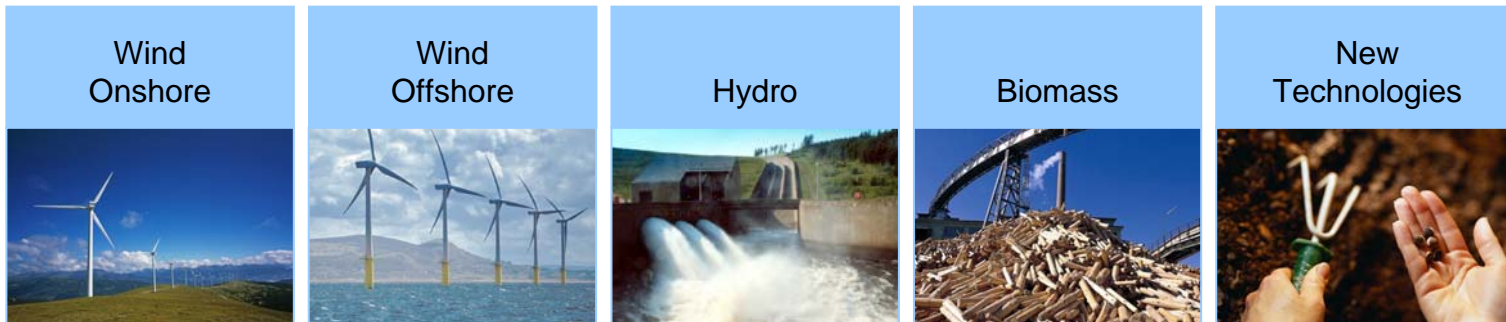
- **2001 – 08** CEO REpower Systems AG, Hamburg
- **1998 – 01** Member of the Board of Directors of Deutsche Shell AG
- **1991 – 97** Senator and Principal of the City of Hamburg Environmental Ministry
- **1984 – 90** Deputy Minister City of Hamburg Environmental Ministry
- **1981 – 84** Head of Department of Environmental Policy, Waste Management and Air Pollution Control at the Hessian Ministry of Regional Development, Environment, Agriculture and Forestry

- **2004 – 08** Head of risk management RWE AG
- **2000 – 04** RWE Trading GmbH, various management positions in finance and risk controlling
- **1995 – 00** RWE Energie AG, various positions in finance and risk controlling
- **1990 – 95** Ruhr-University Bochum, research associate

- **2004 – 08** Managing Director of npower renewables Ltd, RWE npower
- **2001 – 04** RWE npower (Retail) Head of Business Transformation
- **1998 – 01** National Power and Innogy plc, USA, various executive management positions
- **1984 – 98** National Power, UK, various power plant management & operations positions

The new RWE Innogy – centre of competence for RWE's renewable energy business

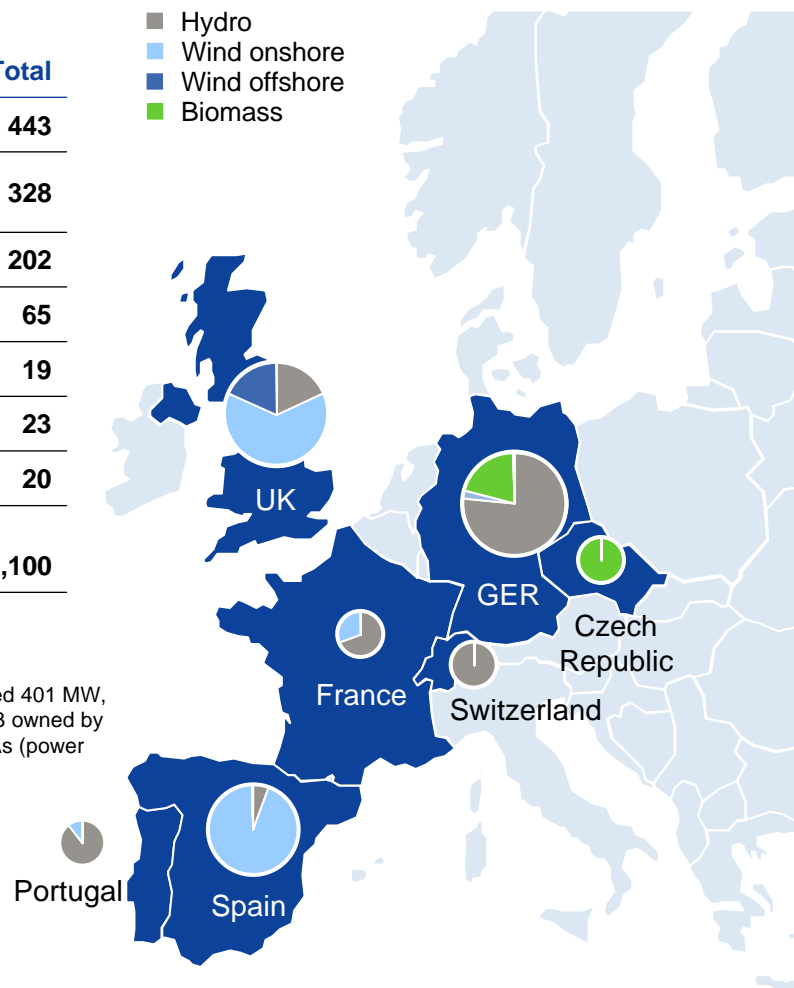
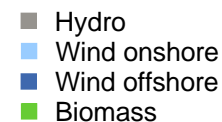
RWE Innogy



- Established in February 2008
- Aggregating renewables activities and competencies across RWE Group
 - Focus on capacity growth in commercially mature renewable technologies, i.e. wind, biomass and hydro
 - Research & Development and ventures to drive the development of emerging technologies, e.g. solar, geothermal, tidal
- EU focus, international activities opportunistically
- Initial asset portfolio of 1.1 GW capacity in operation and 0.2 GW under construction, mainly located in United Kingdom, Germany, Spain and France

Initial asset footprint by technology & region

Capacity in MW (pro rata)	Hydro	Onshore wind	Offshore wind	Biomass	Solar PV & thermal	Total
Germany	338	11		92	1	443
UK	62	206 ¹ [135 ²]	60 ¹			328
Spain	12	190			<1	202
France	45	20				65
Portugal	17	2				19
Switzerland	23					23
Czech Republic				20		20
Total RWE Innogy	497	429	60	113³	2	1,100

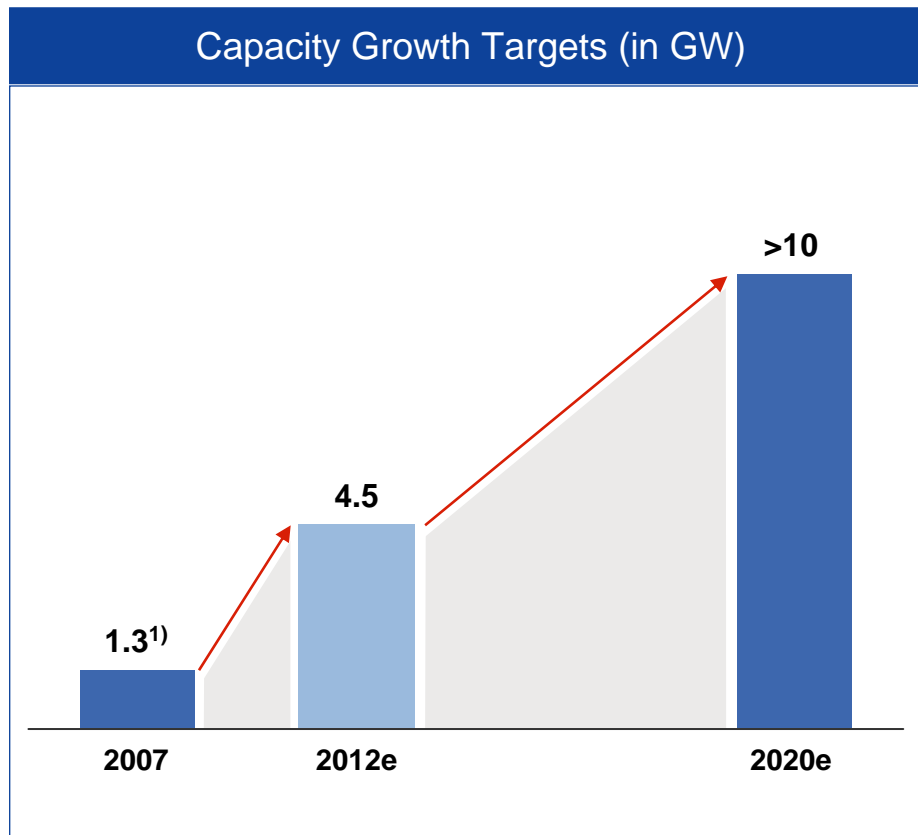


¹ 206 MW = 10 MW Innogy wholly owned assets + 196 MW of Zephyr assets. RWE Innogy UK operated 401 MW, of this 391 MW (331 MW onshore / 60 MW offshore) is owned by Zephyr Investments Ltd which is 1/3 owned by RWE Innogy UK. Of the 331 MW onshore, 196 MW is 100% contracted to RWE npower through PPAs (power purchase agreements). The remaining 10 MW is onshore and 100% owned by RWE Innogy UK and 100% contracted to RWE npower through a PPA.

² The remaining 135 MW is contracted to the NFPA (Non-Fossil Fuel Purchasing Agency, est. 1989, to support renewables by offering long term PPAs. New projects were typically contracted in this way until the introduction of the Renewables Obligation in 2002).

³ Including 50 MW of biomass/fossil mix and 15 MW of fossil capacity, thermal capacity of 517 MW_{th} in Germany and 292 MW_{th} in the Czech Republic.

Mid-term target: More than triple installed generation capacity by 2012



- Strategy**
- We aim to more than triple our installed capacity by 2012 and exceed a capacity level of 10 GW by 2020
 - Strong organic growth (incl. development of acquired pipeline and acquisitions)
 - Average investments of at least €1 bn p.a. from 2008 on with value creation potential in line with RWE's strict investment criteria
 - Driving innovation in future renewables technologies
 - Investing in emerging and innovative companies
 - Development of pilot plants and demonstration projects, e.g. tidal stream turbines

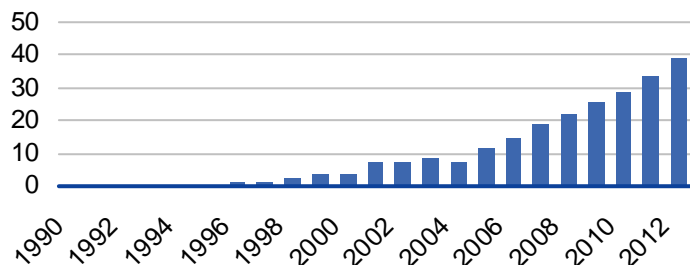
¹ RWE Innogy with 1,100 MW capacity in operation and 211 MW under construction (pro rata).

Selective value enhancing acquisitions

- Our focus is on organic growth including the acquisition of project pipelines
- We will consider growth through value-enhancing acquisitions as well
- Our strategic acquisition criteria are:
 - Regional proximity to our other business activities
 - Focus on technologies which promise to be economically viable in the foreseeable future
- Our quantitative acquisition criteria are:
 - IRR has to be above hurdle rate

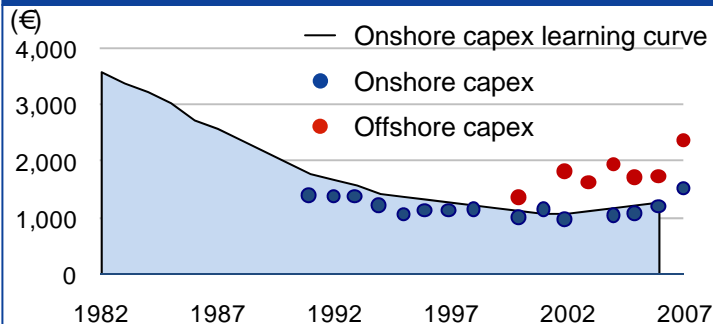
The component market remains a challenge

Demand for components (annual installed capacity worldwide in GW)



Source: BTM Consult – World Market Update 2006 (March 2007)

Cost per KW (capex)



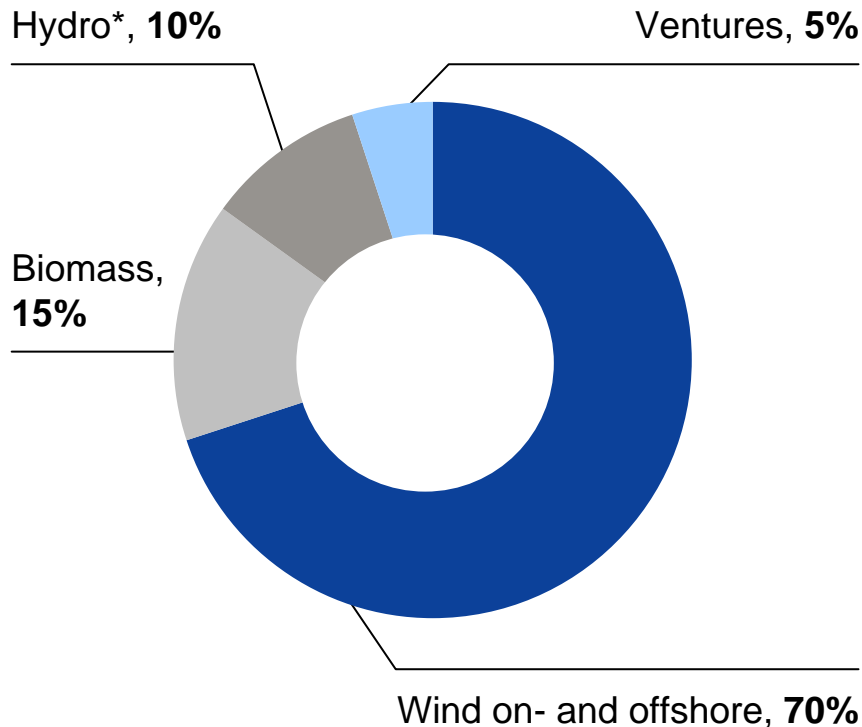
Source: RWE Innogy on the basis of Dexia and company reports

Our response

- Long-term supply contracts are crucial to overcome bottlenecks
- Multi party long-term framework contracts
 - MoU with turbine manufacturer REpower Systems with a term of four to six years of up to 1.9 GW starting 2010
 - 250 REpower 5M and 6M wind power systems for offshore wind farms
 - 200 REpower onshore wind systems
 - Negotiations with three more suppliers for similar agreements (e.g. Siemens)

We aim to invest an average of more than €1 bn p.a. over the mid-term

RWE Innogy's investment programme 2008 – 2012

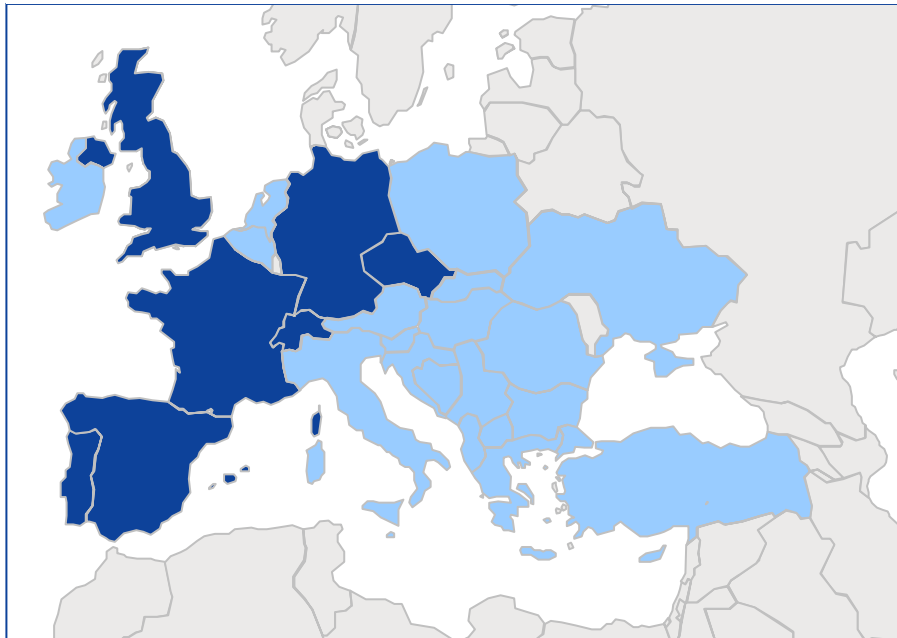


- Focus will be on wind but also biomass and hydro´.
- Wind will account for approx. 70% of investments. Roughly half of this will be dedicated to onshore wind.
- We will look for value adding acquisitions as well.
- Expected market growth in Europe
 - Onshore wind: >10% p.a.
 - Offshore wind: >30% p.a.
 - Biomass: >10% p.a.
 - Hydro: >1% p.a. (mature market)

* Including geothermal and other renewables

Sources: RWE Innogy, Emerging Energy Research, Eurelectric, IEA, European Commission

Our regional focus is Europe



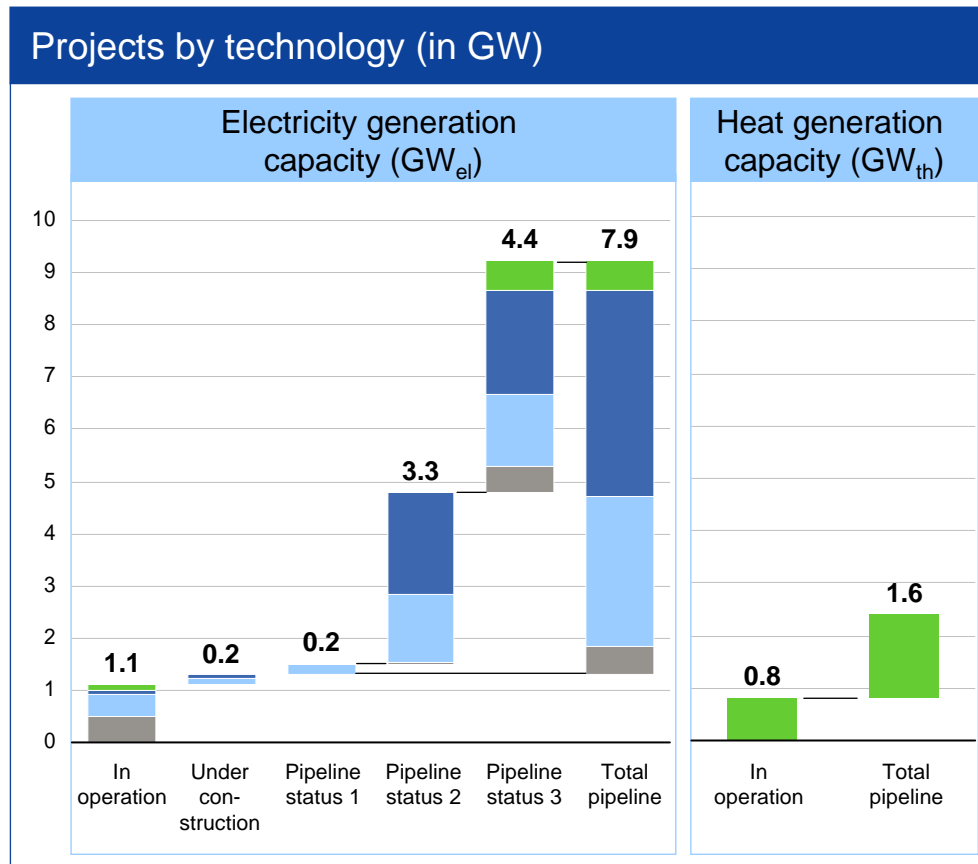
■ Current core markets ■ Further target markets

We are concentrating on markets

- offering attractive growth opportunities
- with stable frameworks for renewable energies
- providing synergy potential for other Group activities
- where RWE Innogy can open doors for other Group activities

➤ We will be operating in markets we know – our focus is on Europe

7.9 GW project pipeline strongly geared towards on- and offshore wind






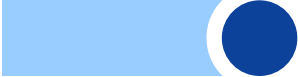

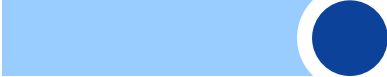
- Pipeline with projects to 2020
- Focus on onshore and offshore wind projects
- We are concentrating on technologies which promise to become viable without subsidies in the foreseeable future
- Biomass capacity of 113 MW_{el} in operation corresponds to a thermal capacity of 809 MW_{th}

Note:

Pipeline status 1 – Project consented, not yet under construction.
 Pipeline status 2 – Prospects (not consented) – land agreements in place, environmental impact studies commenced.
 Pipeline status 3 – Identified opportunities - sites identified, but no land agreements – initial discussion on agreements.

Our vision for RWE Innogy in 2020

RWE Innogy aims to ...

-  be among the top 5 companies in the European renewable energy sector
-  contribute to the Group's growth strategy
-  provide sustainable value added to the RWE Group
-  be a key element in RWE's CO₂ reduction programme
-  stand for state of the art operation of renewable technology
-  be a leading player in developing new renewable technologies

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Outlook for 2008, mid-term financial targets

Outlook for 2008


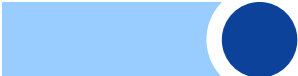
	2007 ¹ € million	2008 ¹ forecast
External revenue	42,507	Above previous year
EBITDA	7,902	At least on last year's level
Operating result	6,520	At least on last year's level
RWE Power	2,617	+ > 10%
RWE Dea	492	+ > 10%
RWE Supply & Trading	532	Below last year's level
RWE Energy	2,355	Single-digit percent increase
RWE npower	724	Below last year's level
Net income	2,659	+ > 10%
Recurrent net income	2,977	+ > 10%
Capex on fixed assets	4,065	ca. € 6 bn


¹ Water Division reported as discontinued operations. Capex 2007 including Water Division, 2008 excluding Water Division.

New mid-term financial targets

Operating Result	<ul style="list-style-type: none">■ 5% CAGR from organic growth to 2012
Recurrent net income	<ul style="list-style-type: none">■ 5 - 10% CAGR to 2012
Dividend	<ul style="list-style-type: none">■ Payout ratio of 70 - 80% upon the successful IPO of American Water■ Regular payout ratio of 50 - 60%
Capital structure	<ul style="list-style-type: none">■ Optimal capital structure (leverage factor of 2.8 - 3.4 x EBITDA) by 2010 by organic capex, acquisitions, dividends and share buy backs■ Compliant with at least "A flat" rating category
Efficiency	<ul style="list-style-type: none">■ € 600 million annual earnings contribution by year-end 2010 will be stepped up in 2008

RWE in brief: The stage is set for profitable growth

-  We have embarked on the Group's largest organic growth programme.
-  We have identified new growth options in terms of markets and products.
-  We are on track with our current programme for efficiency enhancement and will step it up further.
-  We have defined a target for an optimal balance sheet structure.
-  We have committed on additional shareholder value driven cashouts.

 RWE is well positioned to remain among the top 5 European players in electricity and gas

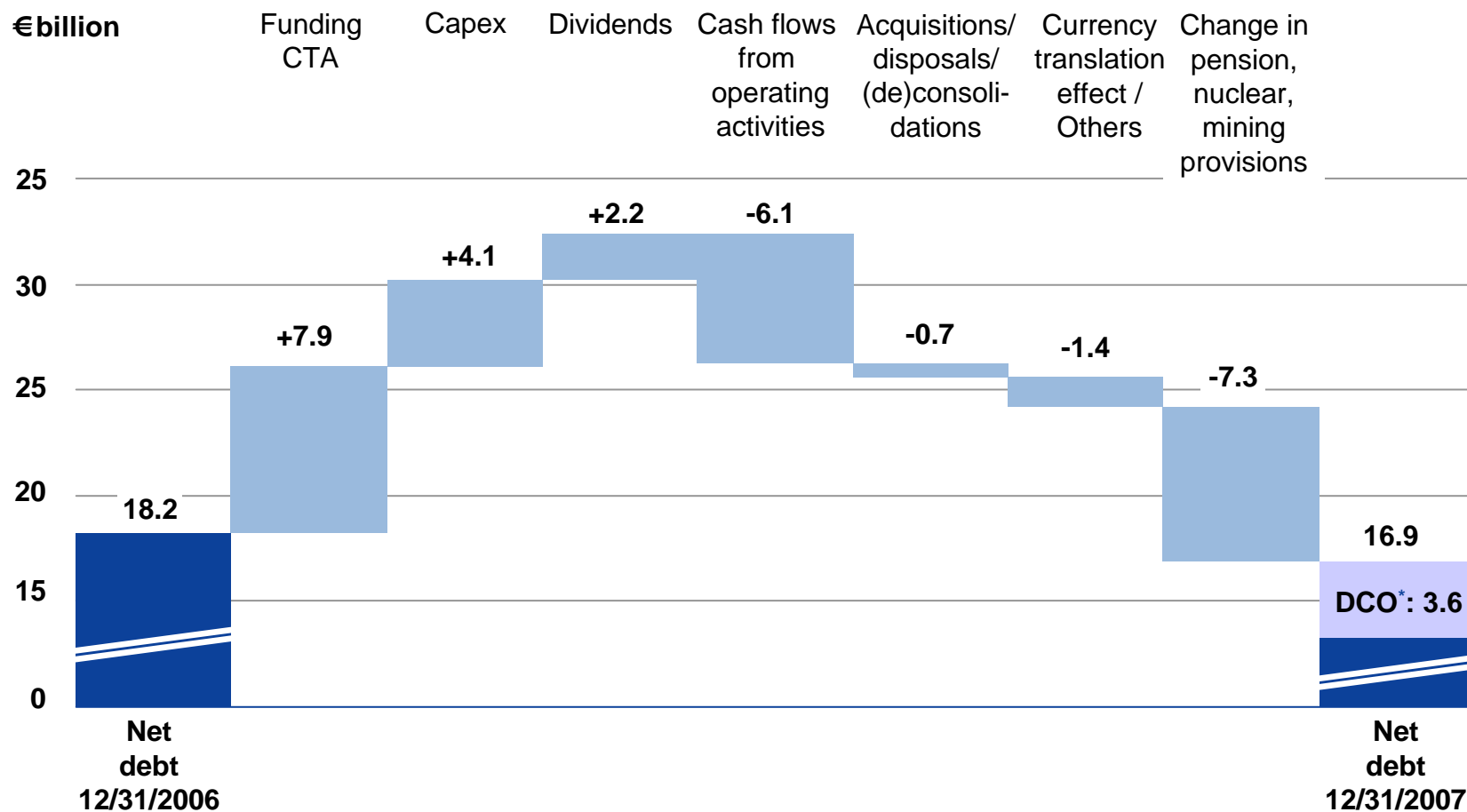
Back-ups



New definition of net debt and leverage factor

€ million	12/31/2007	12/31/2006	Absolute change
Cash and cash equivalent	1,922	2,794	-872
Marketable securities	11,302	17,835	-6,533
Other financial assets	2,125	3,473	-1,348
Gross financial assets	15,349	24,102	-8,753
Bonds, notes payable, bank debt, cp	12,005	18,308	-6,303
Other financial debt	1,280	1,074	+206
Gross financial debt	13,285	19,382	-6,097
Net financial debt (+) / assets ('-')	-2,064	-4,720	+2,656
Provisions for pensions and similar obligations	3,496	11,584	-8,088
Provisions for nuclear obligations	9,053	8,834	+219
Provisions for mining and recultivation	2,822	2,548	+274
Net debt (+) / assets ('-') from DCO	3,624	0	+3,624
Net debt (+) / assets ('-') new definition	16,931	18,246	-1,315
EBITDA	7,941	7,172	+769
Net debt / EBITDA (leverage factor)	2.1x	2.5x	-0.4x

Development of net debt (new definition)



* Net debt of discontinued operations (DCO).

RWE Group electricity production



January – December in TWh	Germany	UK	Other Internat.	Total 2007	Total 2006
Lignite	70.6		5.5	76.1	72.9
Nuclear	32.1			32.1	47.3
Hard coal	55.9	15.1		71.0	71.6
thereof contracts	36.3			36.3	31.1
Gas	11.4	17.7	0.2	29.3	24.3
Renewable energies	4.0	0.8	0.4	5.2	4.8
thereof contracts	0.9	0,7		1.6	0.8
Pumped storage, oil,	2.2	0.2		2.4	2.8
thereof contracts	1.8			1.8	1.7
Subtotal	176.2	33.8	6.1	216.1	223.7
Electricity purchases*	61.3	23.7	23.2	108.2	106.1
Total	237.5	57.5	29.3	324.3	329.8

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

RWE Group electricity sales volume



January – December in TWh	Germany	UK	Poland	Hungary	Other	Total 2007	Total 2006
Private and commercial customers	28.2	22.3	3.3	5.9	0.7	60.4	61.1
Industrial and corporate customers	55.5	32.4	3.1	6.8	0.4	98.2	94.9
Distributors	72.5		0.8	5.2	0.8	79.3	75.7
Electricity trading ¹	68.5					68.5	80.4
Total	224.7	54.7	7.2	17.9	1.9	306.4²	312.1²

¹ Net of electricity purchased from third parties.

² Difference between electricity production and electricity sales volume due to grid losses, own consumption of lignite mines and pumping electricity.

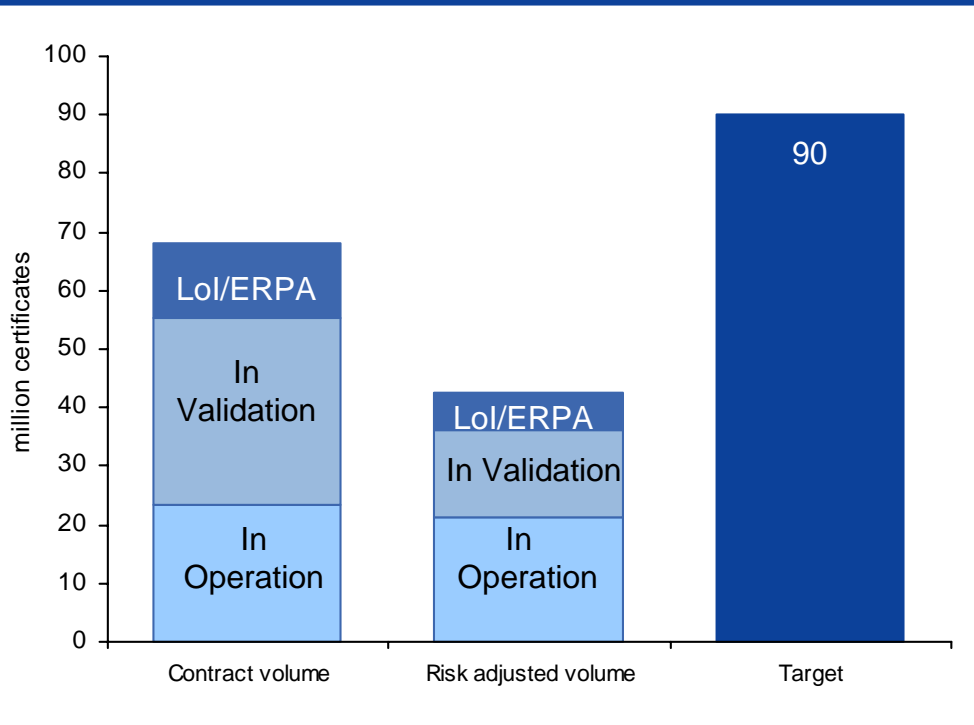
RWE Group gas sales volume



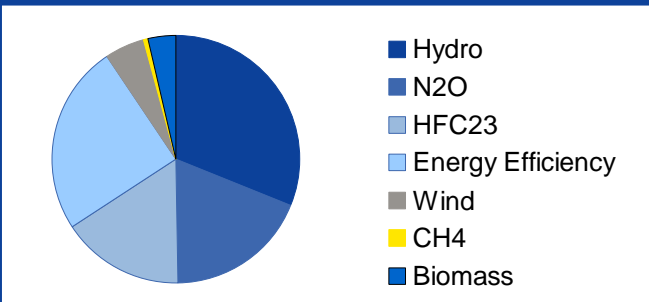
January – December 2007 in TWh	Ger- many	Czech Rep.	UK	Other	Total 2007	Total 2006
Private and commercial customers	24.6	32.6	46.2	6.9	110.3	111.9
Industrial and corporate customers	46.2	39.8	10.6	20.0	116.6	122.6
Distributors	93.4	14.7			108.1	126.4
Total	164.2	87.1	56.8	26.9	335.0	360.9

RWE's current Kyoto credit portfolio for 2008 – 2012

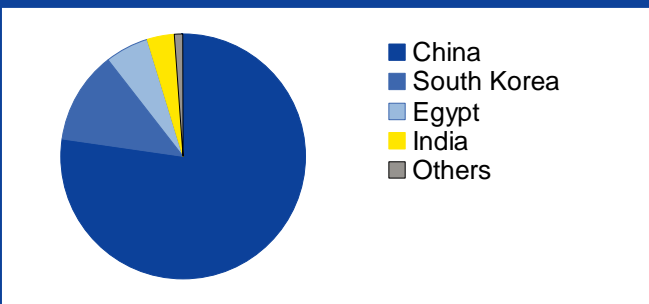
Projects by January, 2008



Contract volume by technology

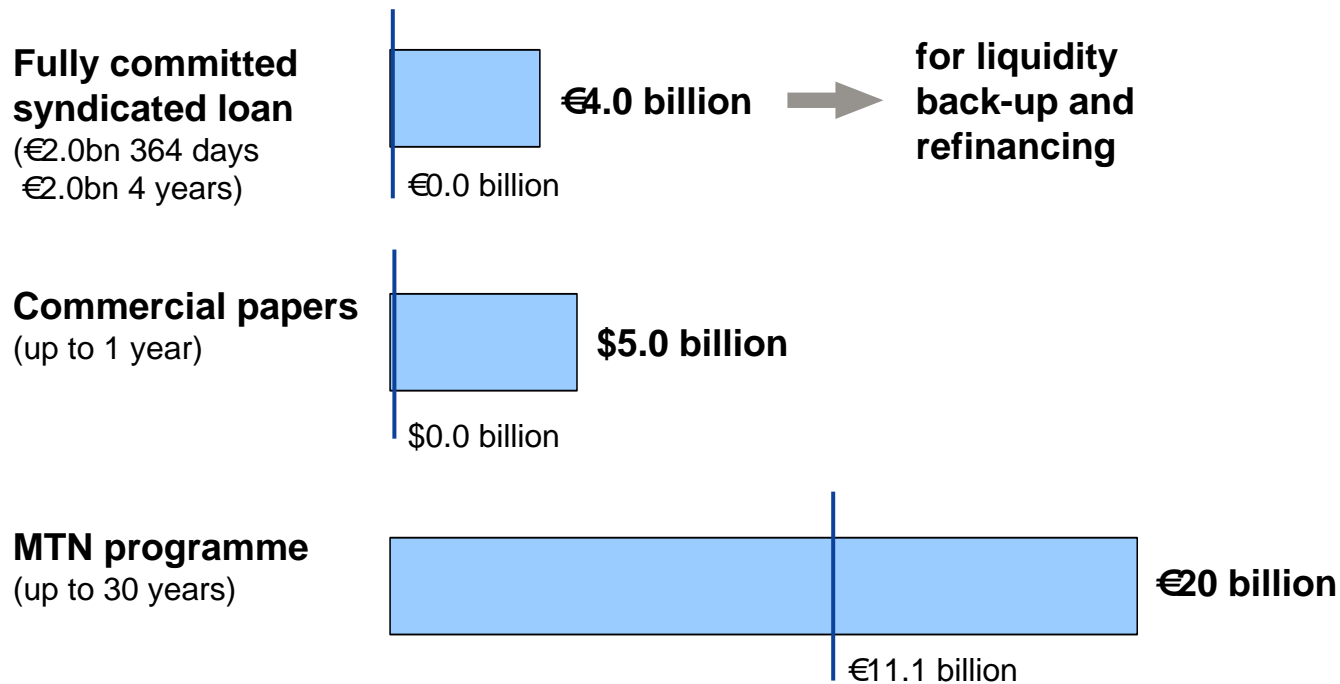


Contract volume by region



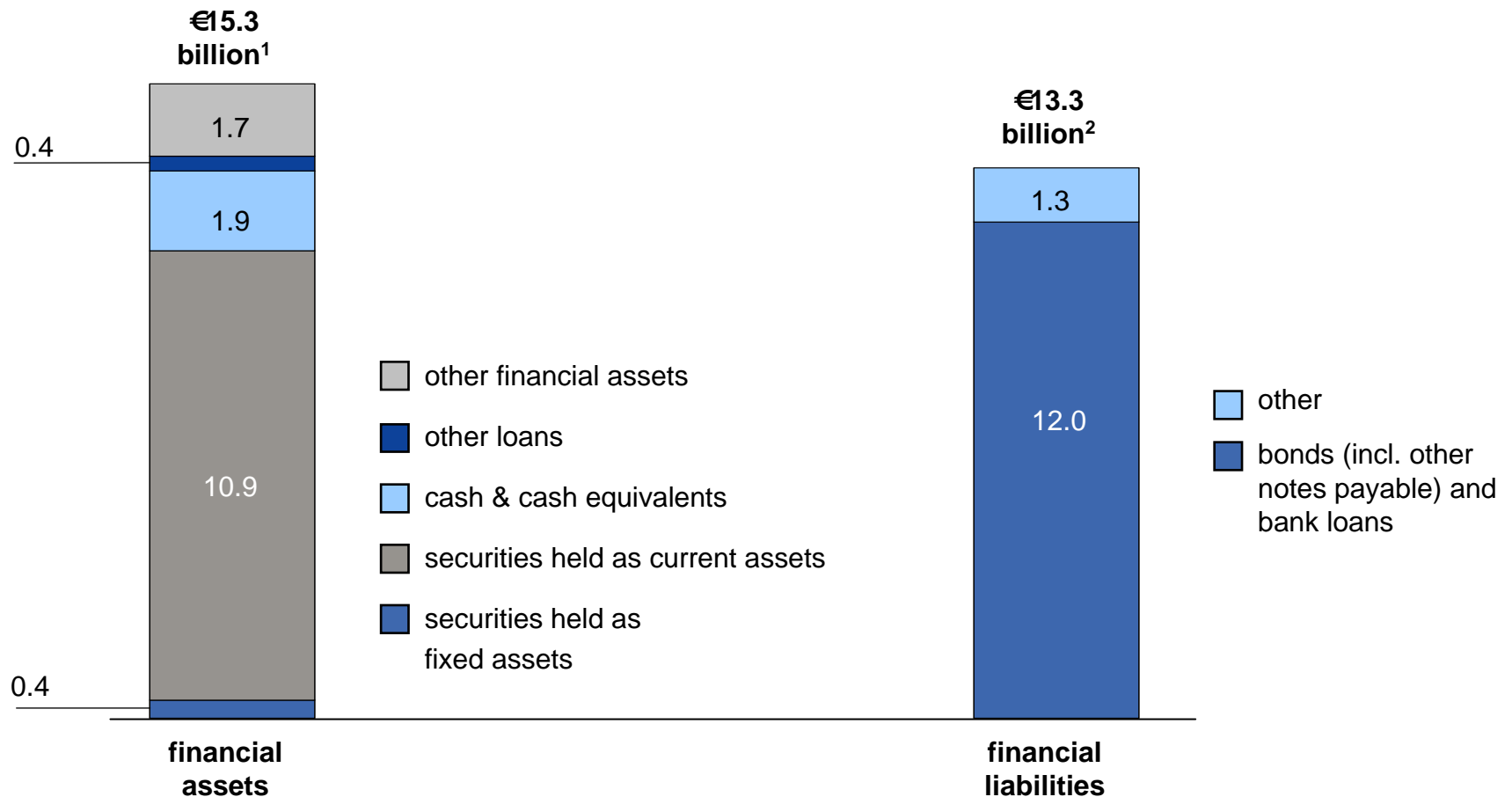
➤
 The average price per contracted certificate is < €10.
 We expect to reach the target volume at €10 – €12 per certificate.

RWE AG: flexible funding structure



Amounts used as of 12/31/2007.

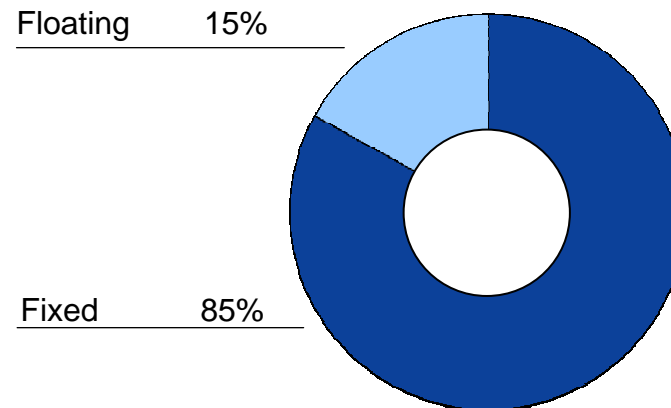
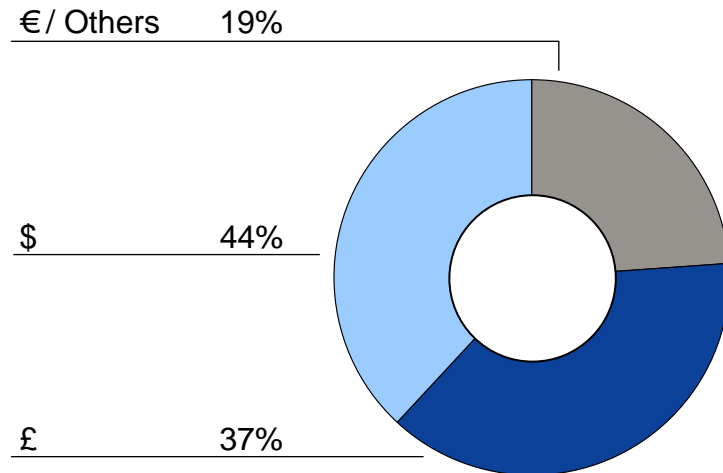
Financial assets and liabilities (as of 12/31/2007)



¹ December 31, 2006: €24.1 billion.

² December 31, 2006: €19.4 billion.

Gross financial debt currency and interest exposure*

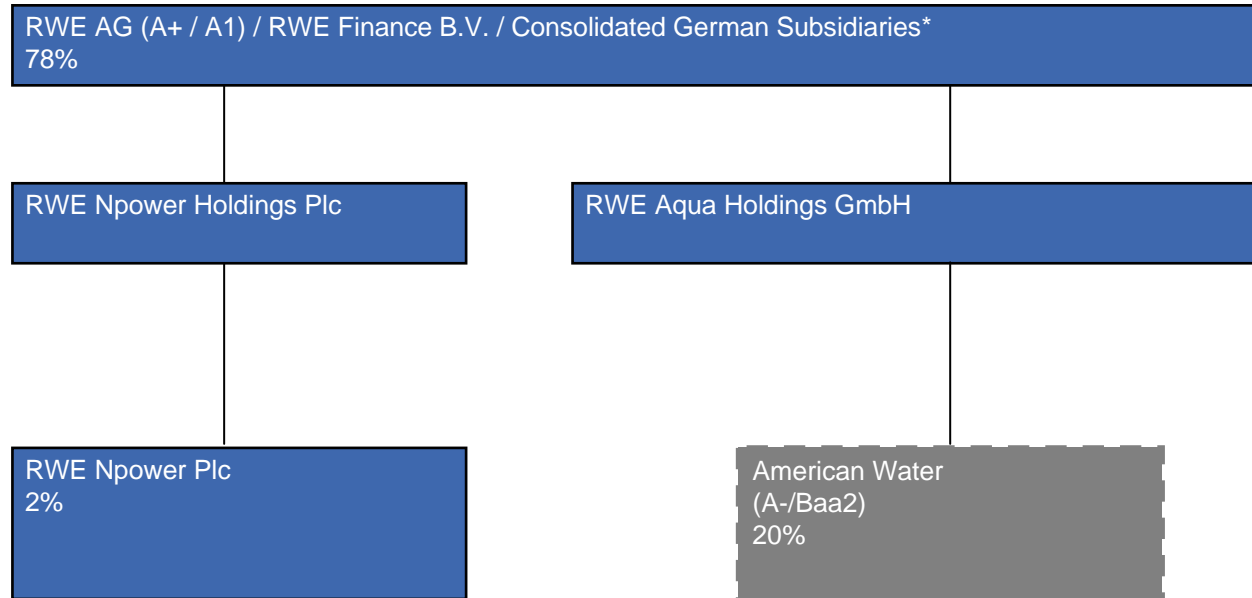


Long term financed (> 1 Year): 83% of gross financial debt
 Short term financed (< 1 Year): 17% of gross financial debt

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

* Including cross-currency swaps and debt of American Water.

Structural subordination in the RWE Group



As of December 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 including bonds, bank loans and leases.