COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

COMPLIANCE OF KENTUCKY-AMERICAN	**)**	
WATER COMPANY, AMERICAN WATER WORKS	**)**	
COMPANY, RWE AKTIENGESELLSCHAFT AND	**)**	
THAMES WATER AQUA HOLDINGS GMBH	**)**	
WITH THE PROVISIONS OF THE ORDERS	**)**	**CASE NO.**
APPROVING THE TRANSFER OF CONTROL	**)**	**2002-00277**
OF KENTUCKY-AMERICAN WATER COMPANY	**)**	
TO RWE AKTIENGESELLSCHAFT AND	**)**	
THAMES WATER AQUA HOLDINGS GMBH	**)**	

**NOTICE OF CONDITION 34 REPORTS –
QUARTERLY REPORTS**

Come Thames Water Aqua Holdings GmbH, RWE Aktiengesellschaft, American Water Works Company, Inc., Thames Water Aqua U.S. Holdings, Inc. and Kentucky-American Water Company, and pursuant to Condition 34 of the Commission's Order dated December 20, 2002, in Case No. 2002-00317, give notice of the report on the first quarter of 2009 of RWE AG, which is attached and available at www.rwe.com.

Attached are the Consolidated Cash Flow Statement, Consolidated Balance Sheet and Consolidated Income Statement for RWE AG in euros and dollars. The conversion of these statements to dollars is made pursuant to Condition 27 of the Commission's Order dated December 20, 2002, in Case No. 2002-00317, and the converted statements should not be used for any other purpose.

Lindsey W. Ingram, Jr.
Lindsey W. Ingram III
STOLL KEENON OGDEN PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507
(859) 231-3000

By Lindsey W. Ingram III

Counsel for Thames Water Aqua Holdings GmbH,
RWE AG, American Water Works Company, Inc.,
Thames Water Aqua U.S. Holdings, Inc. and
Kentucky-American Water Company

CERTIFICATION

In conformity with paragraph 7 of the Commission's Order dated January 30, 2002, in **Case No. 2002-00018**, this is to certify that the electronic version of this pleading is a true and accurate copy of the pleading that will be filed in paper medium with the Public Service Commission on May 18, 2009; that on May 15, 2009, the Petitioners have (1) notified the Commission, the Attorney General, the Lexington-Fayette Urban County Government, and Bluegrass FLOW, Inc. by electronic mail; (2) the electronic version of this pleading has been transmitted to the Commission; and (3) a copy has been served by mail, postage prepaid, upon:

Foster Ockerman, Jr., Esq.
Martin, Ockerman & Brabant
200 North Upper Street
Lexington, Kentucky 40507

David Edward Spenard, Esq.
Dennis G. Howard II, Esq.
Assistant Attorneys General
1024 Capitol Center Drive, Suite 200
Frankfort, Kentucky 40601

David J. Barberie, Esq.
Lexington-Fayette Urban County Gov't.
Department of Law
200 East Main Street
Lexington, Kentucky 40507

Anthony G. Martin, Esq.
P.O. Box 1812
Lexington, Kentucky 40588

Gerald E. Wuetcher, Esq.
Angela Curry, Esq.
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Lindsey W. Ingram III

Counsel for Thames Water Aqua Holdings GmbH,
RWE AG, American Water Works Company, Inc.,
Thames Water Aqua U.S. Holdings, Inc. and
Kentucky-American Water Company

REPORT ON THE FIRST QUARTER OF 2009

- Operating result 5 % up year on year
- Earnings targets for the full 2009 fiscal year confirmed
- € 26 billion investment programme ending 2012 will be continued without restriction

RWE
The energy to lead

At a glance

RWE Group—Key Figures		Jan–Mar 2009	Jan–Mar 2008	+/- in %	Jan–Dec 2008
Electricity sales	billion kWh	77.4	86.2	-10.2	317.1
Gas sales	billion kWh	122.2	122.5	-0.2	327.8
External revenue	€ million	14,516	13,395	8.4	48,950
Germany	€ million	9,157	8,262	10.8	30,694
Outside Germany	€ million	5,359	5,133	4.4	18,256
EBITDA	€ million	3,090	2,951[1]	4.7	8,773[1]
Operating result	€ million	2,624	2,499	5.0	6,826
Income from continuing operations before tax	€ million	2,538	2,213	14.7	4,866
Net income	€ million	1,745	809	115.7	2,558
Recurrent net income	€ million	1,507	1,423	5.9	3,367
Earnings per share	€	3.28	1.45	126.2	4.75
Recurrent net income per share	€	2.83	2.55	11.0	6.25
Cash flows from operating activities	€ million	533	1,384	-61.5	8,853
Capital expenditure	€ million	2,054	672	205.7	5,693
Property, plant and equipment	€ million	853	657	29.8	4,454
Financial assets	€ million	1,201	15	–	1,239
Free cash flow	€ million	-320	727	-144.0	4,399
		Mar 31, 2009	Dec 31, 2008	+/- in %	
Net debt of the RWE Group	€ million	20,529	18,659	10.0	
Workforce[2]		66,786	65,908	1.3	

1 Figure adjusted; see commentary on page 14.
2 Converted to full-time positions.

Contents

»Despite the economic crisis, we expect to achieve our earnings targets for this financial year.«

Dear Investors,

We had a good start to the new fiscal year, despite the financial and economic crisis. We increased our operating result by 5 % in the first quarter. Recurrent net income, the figure to which your dividend is linked, rose by 6 %. This was largely due to unusually strong earnings contributed by the trading and gas midstream businesses of RWE Supply & Trading. However, these earnings may experience the significant fluctuation that is typical over the course of the year. Furthermore, we expect RWE Dea's and RWE npower's earning power to have become even weaker by the end of the year. Therefore, our outlook for 2009 remains unchanged. We anticipate that operating result and recurrent net income will be of the same order as last year.

Nevertheless, the crisis has now reached the utility sector as well. Electricity consumption in the first quarter in Germany and the United Kingdom, our largest markets, recorded declines of 5 % and 4 %—the biggest drops in decades. These figures are modest compared to the collapse in demand in certain industrial sectors. However, we benefit from stable consumption by the 14 million private and commercial customers we serve.

Taking a cautious approach to doing business pays off in times of crisis: In the last two years, we ensured that we sold forward nearly all our generation for this year. The prices we fetched were far above current market prices. Along with our robust German grid and supply operations, this is the major reason why we remain confident regarding this year, despite the severe economic downturn.

Furthermore, we are making RWE stronger. In the third quarter, we intend to complete the acquisition of Dutch-based energy utility Essent as well as a comprehensive reorganisation. We will make the Group's structures leaner in order to become faster, reduce administrative work, and adapt to market changes even better than before. These measures will also contribute to the efficiency-enhancement programme through which we intend to improve the operating result by €1.2 billion by 2012 compared with 2006. At the same time, we will continue to implement our €26 billion capex programme through 2012 without making any concessions. In this regard, the crisis also presents us with opportunities: Prices of power plant components, projects and investments are dropping.

Sincerely yours,

Jürgen Großmann

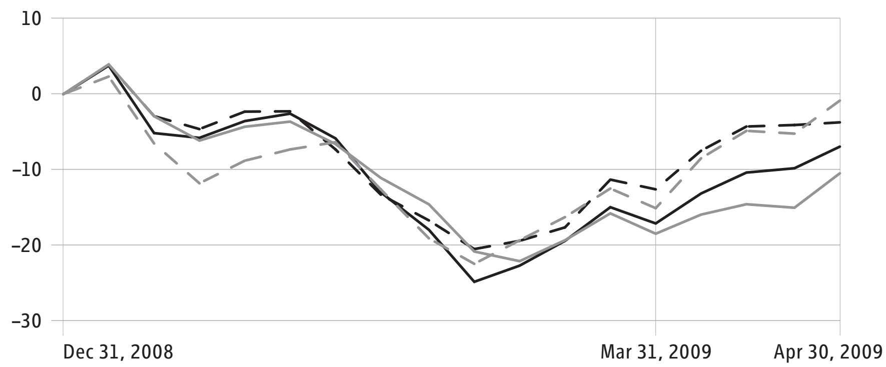
Dr. Jürgen Großmann
CEO of RWE AG

Essen, May 2009

Stock markets hit by world economic crisis – RWE shares also lose value

Performance of RWE shares compared with the DAX 30 and the Dow Jones STOXX Utilities Indices
in %

— RWE common shares
- - RWE preferred shares
— Dow Jones STOXX Utilities
- - DAX 30



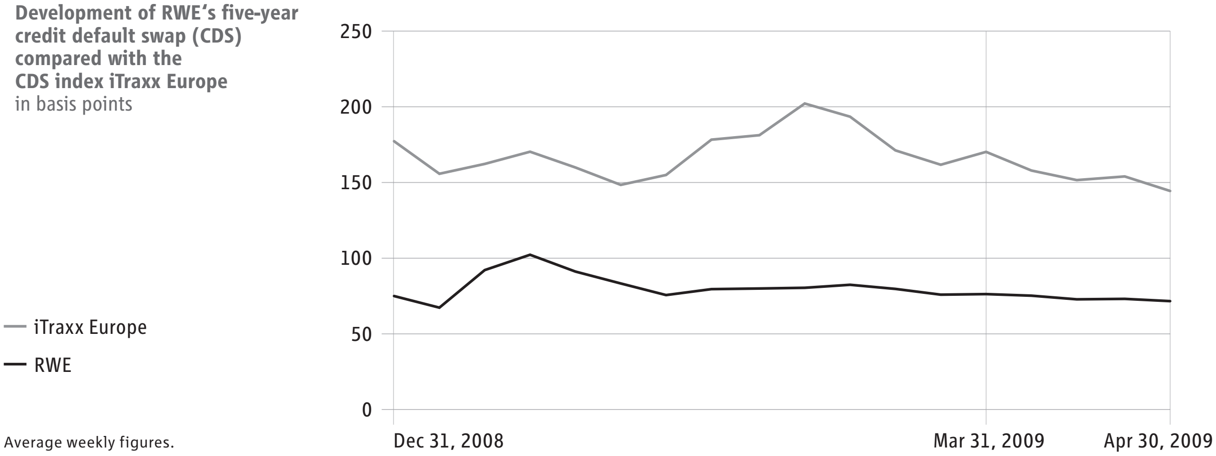
Average weekly figures.

International stock markets continued to be affected by the financial crisis and the resultant global recession in the first quarter of 2009. Germany's lead index, the DAX 30, which had closed 2008 at 4,810 points, had lost over 1,100 points by the beginning of March, but recovered somewhat thereafter. It had reached 4,085 points at the end of March. This represents a 15 % decrease compared with the year-end level in 2008 and matches the decline of the Dow Jones Euro STOXX 50, the most important lead index in the Eurozone. In April, the DAX 30 nearly fully recovered from the points drop observed since the beginning of the year, despite the persistently gloomy economic outlooks. It closed the month at 4,769 points.

RWE shareholders were also affected by further decreases in share price in the first quarter. Our common stock traded at € 52.81 at the end of March, falling 17 % short of last year's closing quotation. The company's preferred shares declined 13 % in price to € 46.86. RWE shares thus marginally outperformed the European sector index Dow Jones STOXX Utilities (-18 %). Besides the crisis in the financial markets, price trends on commodity markets were among the main drivers of the performance of utility stocks. Raw materials initially became cheaper, leading to reductions in electricity forward prices. This triggered negative reactions by share prices. The fact that RWE is solidly financed and has low net financial debt compared to other companies in its sector had a stabilising effect. At the end of April, RWE common shares traded at € 54.59, slightly surpassing their closing quotation in March despite the discount caused by the high dividend payment.

The situation on the bond markets also remained tense. Even old economy industries are finding it difficult to refinance their operations, owing to the high economic risks. Despite the challenging environment, several European utilities, including RWE, made use of the last quarter to issue new bonds. Utility euro bonds alone totalled € 35 billion by the end of March. Credit spreads charged on top of the interbank interest rate rose, but this increase was partially offset by the decline in interbank interest rates. The price for hedging RWE credit risk via five-year credit default swaps (CDSs) continued to climb initially. It briefly exceeded 100 basis points after we announced our takeover bid for the Dutch-based energy utility Essent in January 2009. This was followed by lateral movement around the 80-point mark, which persisted into the month of April. The European CDS index, iTraxx Europe, which consists of the CDS prices of 125 major European companies, fell from more than 180 to less than 150 basis points in the first few weeks of the year. It picked up again thereafter, achieving an all-time high of over 200 basis points in early March. The market calmed again afterwards. At the end of April, the iTraxx Europe dropped back below the 150-point mark.

Development of RWE's five-year credit default swap (CDS) compared with the CDS index iTraxx Europe
in basis points



Average weekly figures.

Economic environment

Economic downturn persists

The global economy continued to shrink in the first quarter of 2009. Economic output in most industrial nations decreased. Gross domestic product (GDP) in the Eurozone was 3.8 % down on the figure for last year's first quarter, according to available estimates. Germany appears to have suffered an even steeper decline of 5.1 %, going hand-in-hand with a significant drop in industrial capacity utilisation. Waning foreign demand is one of the main factors hampering Germany's economy. Discretionary income displayed weak development in the UK, owing to the economic and real estate crises. Therefore, consumer spending is no longer capable of supporting the UK economy. Receding investment and exports caused GDP to fall an estimated 4.0 %. Countries hit the hardest by the crisis in Central Eastern Europe were those depending strongly on exports (Czech Republic) and those with high levels of foreign-currency consumer loans (Hungary). Capital outflows put their currencies under pressure. In contrast, the Polish economy proved to be relatively crisis-proof, given the low importance of exports. Slovakia benefited from its inclusion in the Eurozone which protected the country from turbulent currency swings.

Weather much cooler year on year

Whereas the economic trend is primarily reflected in the level of demand for energy from industrial enterprises, household energy consumption strongly depends on weather conditions. Temperatures in our core markets, i. e. Germany, the UK and Central Eastern Europe, were much lower in the first quarter than in the same period in 2008. They also fell below the long-term average. In addition to energy consumption, weather conditions also influence the generation of electricity, above all from wind turbines. Given the cold weather, there was much less wind in the first quarter in Germany than in the same period last year and the long-term seasonal average.

Economic crisis reduces energy consumption in RWE's core markets

The cool weather and the markedly deteriorating industrial cycle were the two opposing factors influencing demand for energy in our core markets in the first quarter. Electricity use was significantly affected by the decline in industrial production. The negative economic impact was mitigated by stable demand from homes and the service sector. Based on initial estimates, German electricity consumption was 5 % down on the corresponding period in 2008. Estimates for our foreign electricity markets, namely the UK (-4 %), Poland (-4 %), Hungary (-5 %) and Slovakia (-6 %), were of a similar order. The gas consumption trend, which was also significantly influenced by the cool weather, was less uniform. Estimates in Germany for the first quarter still differ widely. Based on our assessments, consumption either stagnated or recorded a marginal decline. Preliminary data analyses in the Czech Republic indicate that demand rose by 7 %, while drops of 3 % and 2 % were estimated for the UK and Hungary.

Oil market: Brent prices significantly below year-earlier level

The recession clearly left its mark on international commodity markets. Following a dramatic freefall in the second half of 2008, prices stabilised at a low level in the first quarter of 2009. Crude oil in particular became much cheaper. In the first three months of 2009, a barrel of Brent crude sold for an average of US$ 44. It traded at US$ 97 in the first quarter of 2008 and temporarily above US$ 140 in July 2008. However, production cut-backs decided by OPEC countries and the emerging hope for economic recovery contributed to the fact that prices have not slipped considerably since the beginning of the year and have recently stayed above the 50-dollar mark for a substantial period.

Gas prices still affected by 2008 crude oil boom

European gas quotations mirror price developments on the oil market, albeit typically with a lag of several months. Therefore, imports of gas into Germany became more expensive than in the first quarter of 2008, although oil prices have recently decreased significantly. They were still influenced by the record prices on the oil market in the middle of last year. This development was reflected in end customer prices as well. Gas bills rose by about 20 % for homes and 30 % for industrial enterprises. Price increases outside Germany were of a similar order. The aforementioned customer groups had to pay 25 % and 30 % more in the Czech Republic, 35 % and 29 % more in the UK, and 24 % and 22 % more in Hungary.

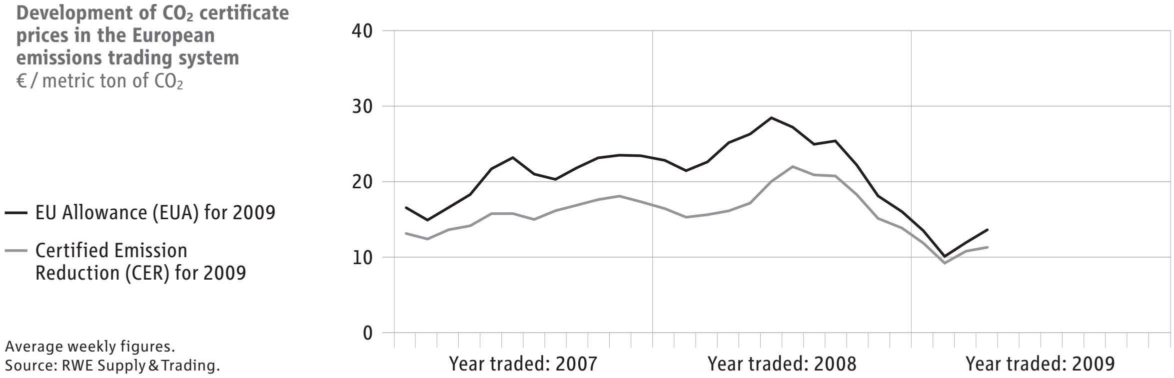
Hard coal prices halved

The price curve on international hard coal markets was similar to that of crude oil. In the first quarter of 2009, a metric ton in Rotterdam spot trading sold for an average of US$ 71 (including freight and insurance). This is about half the comparable figure for 2008 (US$ 138). The global economy continues to dampen demand for hard coal. Demand for transportation has also declined due to the recession. This is reflected in the substantial decrease in sea freight rates. Prices for the standard route from South Africa to Rotterdam were an average of US$ 8 per metric ton. This is merely a quarter of what was charged in the first three months of 2008 (US$ 32). German hard coal prices are determined by the German Federal Office of Economics and Export Control (BAFA). They track the price of imported hard coal with a lag. No BAFA figures were available for the first quarter of 2009 when this report went to print. Experts estimate the BAFA price at €91 per metric ton of hard coal unit. €94 was the year-earlier figure.

CO_2 emissions trading: certificate prices much lower year on year

The price slump in European trade in CO_2 emissions allowances continued until the middle of February, before a slight recovery occurred. Certificates for 2009, which were still quoted at €16 per metric ton of CO_2 at the end of last year, lost nearly half their value in just a few weeks. On March 31, they traded at €12, which was also their average price in the first quarter. By comparison, 2008 certificates cost an average of €21 in the same period last year. “Certified Emission Reductions” (CERs) became much cheaper as well. These are certificates obtained by achieving emission reductions in developing and newly industrialising countries within the scope of the “Clean Development Mechanism.” European companies may cover domestic emissions up to a predetermined level by submitting CERs. The advantage is that the costs for these types of certificates are usually lower than the market prices for state-allocated emissions allowances. In the first quarter of 2009, CERs traded at an average of €10 per metric ton of CO_2. The comparable figure for 2008 was €16.

Development of CO_2 certificate prices in the European emissions trading system
€ / metric ton of CO_2



Average weekly figures.
Source: RWE Supply & Trading.

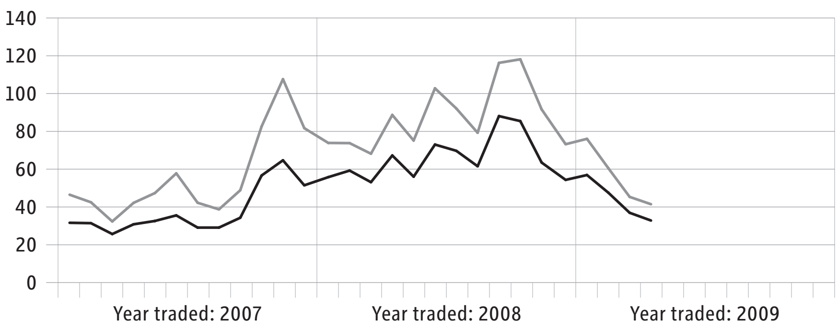
Declining prices on Europe’s electricity markets

The considerable decrease in the price of fuel and emissions allowances was mirrored on the European electricity wholesale markets. In spot trading on the European Energy Exchange (EEX) in the first three months of 2009, base-load contracts traded at an average of €47 per megawatt hour (MWh), while peak-load electricity contracts sold for an average of €61 per MWh. They were thus 16 % and 15 % lower in price compared to the same period in 2008. Prices in German electricity forward trading slipped as well. Contracts for the coming calendar year (2010 forwards) sold for an average of €49 per MWh for base-load power and €72 per MWh for peak-load power. This represents a decline of 21 % and 17 % respectively for comparable contracts in the same period last year. By the end of February, the 2010 base-load forward price had fallen to €43, its lowest level since the autumn of 2005, after which it showed strong signs of recovery.

We sell forward nearly all our in-house electricity generation output in order to reduce volume and price risks. Therefore, electricity prices witnessed in the period under review only had a minor impact on our income in the first quarter of 2009. What is much more decisive is the price at which we concluded contracts for delivery in 2009 in preceding years. In the 2007 / 2008 trading period, the 2009 base-load forward sold for an average of €63 per MWh on the German market. The comparable figure for the 2008 forward was €55. Therefore, forward sales for 2009 were 15 % more expensive than for 2008. The rise was due to the boom on commodity markets which persisted until the middle of last year.

Development of wholesale electricity spot prices in Germany
€ / MWh

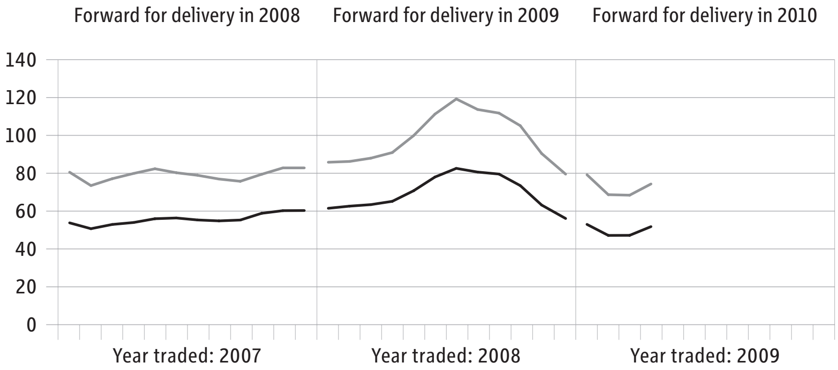
— Peak load
— Base load



Average monthly figures.
Source: European Energy Exchange (EEX), Leipzig, Germany.

Development of one-year forward wholesale electricity prices in Germany
€ / MWh

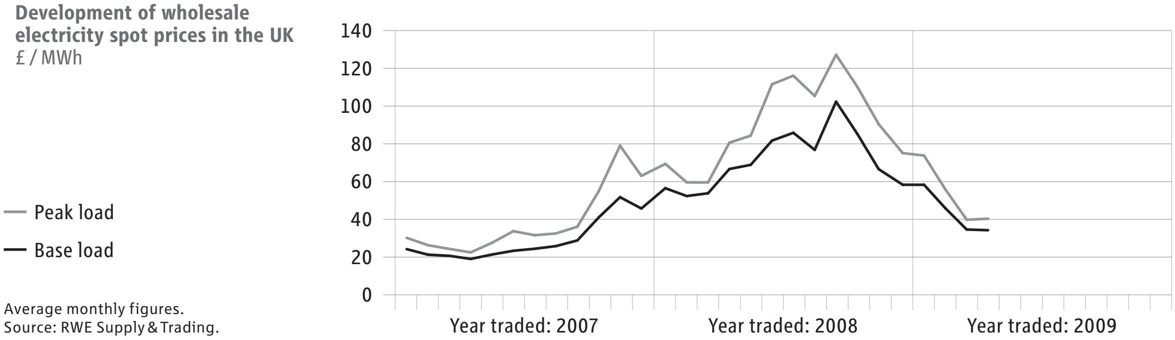
— Peak load
— Base load



Average monthly figures.
Source: RWE Supply & Trading.

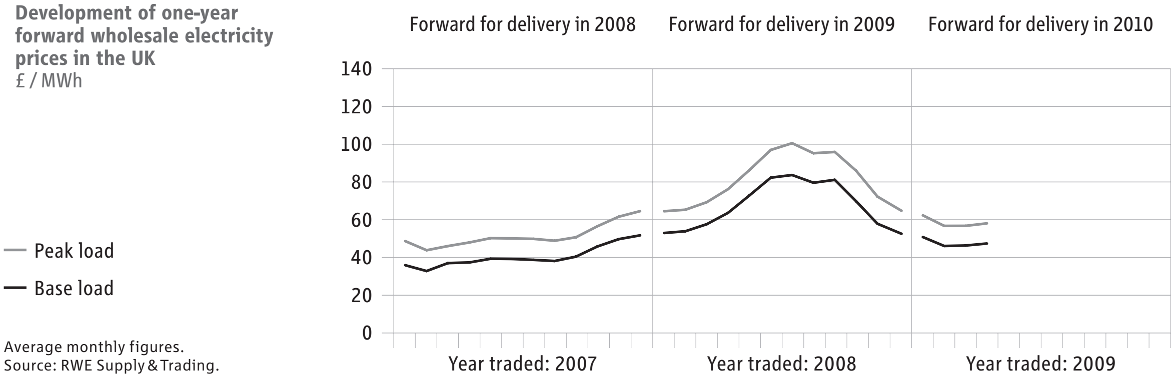
The most recent decline in electricity wholesale prices was hardly felt in German sales to households and commercial operations. Electricity tariffs for this customer group were an average of 4 % to 5 % higher than in the first quarter of 2008. This is because most of the supply companies made early forward purchases to cover their need for electricity and their procurement costs were thus still affected by the rise in wholesale prices in preceding years. Escalator clauses in supply agreements with industrial enterprises mean prices closely track developments on the wholesale market. In consequence, prices in this customer segment have already decreased marginally.

Development of wholesale electricity spot prices in the UK
£ / MWh



Average monthly figures.
Source: RWE Supply & Trading.

Development of one-year forward wholesale electricity prices in the UK
£ / MWh



Average monthly figures.
Source: RWE Supply & Trading.

UK wholesale electricity prices were also down year on year. In the first quarter of 2009, a megawatt hour of base-load power sold for an average of £ 47 (€ 51) on the spot market. This is 15 % less than the figure for the same period in 2008. Peak-load electricity decreased in price by 10 % to £ 57 (€ 63). The price curve also trended downwards on the UK electricity forward market. Contracts for delivery in the 2010 calendar year were settled for an average of £ 48 (€ 53) per MWh of base-load power in the first quarter of 2009. This is 13 % less than the price of the 2009 forward in the same quarter last year. The price level for peak-load electricity dropped by 12 % to £ 59 (€ 65).

RWE sells most of the production from its UK power stations forward, similar to the policy it pursues in Germany. Revenue generated in the period being reviewed was thus primarily determined by the prices at which electricity supply contracts for delivery in 2009 were concluded in preceding years. The forward contract for 2009 sold for an average of £ 54 (€ 73) per MWh of base-load power on the UK market in the 2007 / 2008 trading period. It was therefore 20 % up on the comparable figure for the 2008 contract, which amounted to £ 45 (€ 66).

The most recent decline in wholesale prices has not yet been fully felt in the UK end customer business. This is because most of the supply companies had purchased electricity in advance, which caused them to lift their tariffs over the course of last year. Electricity bills paid by households and small commercial enterprises in the first quarter were an average of 19 % higher than in the same period last year. They were up an estimated 40 % in the industrial and corporate customer segment. However, all major utilities have lowered their tariffs in the meantime.

Electricity prices also rose considerably in our Central Eastern European markets. Industrial customers were most affected by this, paying 40 % more than in last year's first quarter in both Poland and Hungary, and 17 % more in Slovakia. Private households saw their bills grow more moderately. The increase in this segment amounted to 15 % in Poland, 6 % in Hungary, and 4 % in Slovakia.

Major events

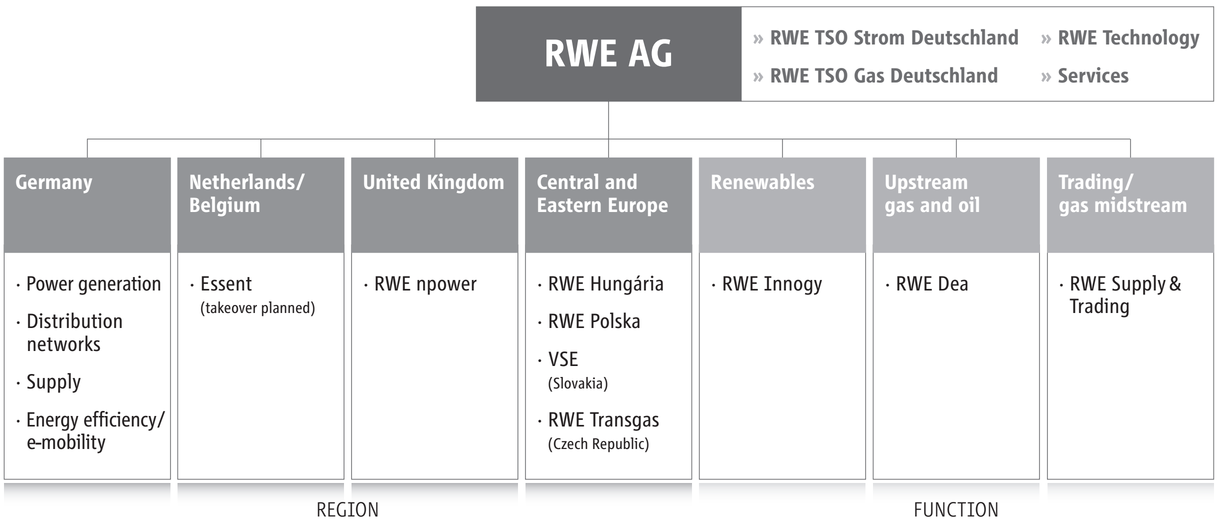
In the period under review

RWE submits takeover bid for Essent

On February 20, 2009, RWE made a binding cash offer to the shareholders of the leading Dutch energy utility Essent to acquire all of the shares in the company. Including Essent's net liabilities, the transaction is valued at €9.3 billion. RWE will not take over the company's electricity and gas distribution grids or its waste management business. Talks with the Board of Management of Essent were conducted prior to the offer. On January 12, 2009, an agreement was reached on the conditions of a possible acquisition (see page 58 of the 2008 annual report). Shortly thereafter, the Combined Works Council of Essent made its statement on the transaction, as required by Dutch law. It was positive. Our purchase offer is subject, inter alia, to at least 80 % of Essent's share capital being tendered to us. The decision-making process necessary for shareholder acceptance is currently underway. The transaction still requires antitrust clearance by the EU Commission. We expect to complete the takeover in the third quarter of 2009.

New Group structure: RWE set to become leaner, more flexible, and faster

The Executive Board of RWE AG has decided to take extensive measures to reorganise the Group in order to enable it to hit its growth targets and stand its ground against the backdrop of increasingly fierce competition. The Group's management structure will be even more aligned with national markets. In so doing, we intend to become more flexible and put ourselves more in line with local requirements. Our German supply and grid businesses will be reorganised and streamlined. The single-most important measure is the merger of the two regional companies RWE Rhein-Ruhr and RWE Westfalen-Weser-Ems to form a supply company (RWE Vertrieb AG) and a distribution grid company (RWE Rheinland Westfalen Netz AG). The holding company RWE Energy will then cease to exist. The two new companies and RWE's other regional companies will report directly to RWE AG. RWE Vertrieb AG will be the nucleus for RWE's uniform nationwide face to the market. Furthermore, we will establish a company designed to enable the Group to make progress in the field of energy efficiency. The electromobility business will be pooled in this entity as well. The reorganisation is scheduled to be completed in September 2009. It leads to a new reporting structure (see chart on page 11), to which we will adhere for the first time in the financial statements for the full 2009 fiscal year.



Stronger organisational independence for the electricity transmission grid

Our reorganisation of the RWE Group will also involve setting up our transmission system operator RWE Transportnetz Strom as an autonomous company, which will report directly to RWE AG. The company has been assigned to RWE Energy thus far. The organisational realignment is scheduled to take place by the middle of the year. It is a step towards preparing for the "Third Liberalisation Package" adopted by Europe's energy ministers aiming, among other things, to strengthen the independence of transmission and distribution system operators within integrated energy companies. We have already taken account of this reassignment in the reporting structure effective from January 1, 2009, onwards.

Dr. Rolf Martin Schmitz appointed new member of the Executive Board of RWE AG

In view of the RWE Group's reorganisation, the Supervisory Board appointed Dr. Rolf Martin Schmitz to the Executive Board of RWE AG in its meeting on February 24, 2009. Mr. Schmitz took office effective May 1, 2009. He is responsible for our German generation, grid and supply operations. The 51-year-old engineer has a long successful track record in the energy business. His most recent position before joining RWE was that of Chairman of the Board of Management of RheinEnergie AG.

EU ends antitrust proceedings against RWE

The antitrust abuse proceedings conducted by the EU Commission against RWE Transportnetz Gas GmbH since April 2007 have been stopped. We have committed to selling our German gas transmission grid to a third party which is independent of RWE. This commitment was officially confirmed by the EU Commission on March 18 and is thus legally binding upon us. The EU had conducted an investigation against RWE on grounds that it suspected unjustified barriers were put in the way of gaining access to the German gas transmission system. Our commitment to selling the German gas transmission grid is not an admission of guilt. We remain convinced that we have complied with the statutory regulations in the gas business, but we wanted to avoid protracted litigation. Our gas transmission grid has a length of approximately 4,000 kilometres. In fiscal 2008, we generated €185 million in total revenue from the activities that are up for sale.

Entry into the Turkish electricity market

In March, RWE and Turkish-based Turcas Elektrik Üretim, a subsidiary of Turcas Petrol, signed a joint-venture agreement for the construction of a combined-cycle gas turbine power plant in the vicinity of the city of Denizli. The facility is to have a net installed capacity of 800 megawatts (MW). RWE will own 70 % of the joint-venture company, which already has a preliminary license for the power station. The final investment decision is scheduled to be made at the end of 2009. Construction of the plant could begin in early 2010. The joint venture is subject to approval from Turkish antitrust authorities.

Strengthening of position in Luxembourg

RWE will take a share in the new electricity and gas company ENOVOS, which is being established under the direction of the Grand Duchy of Luxembourg. This was agreed contractually at the end of January. RWE Energy has contributed its stake in the Luxembourg power utility Cegedel to the new company and will hold a 19.8 % interest in it in the future. The activities of Cegedel, Soteg and Saar Ferngas will be combined in the new entity. Previously, RWE Energy, together with the holding company Luxempart, held a 30 % stake in Cegedel. Meanwhile, RWE has taken over Luxempart's interest. The purchase price amounted to €186 million.

RWE secures wind turbines with a total value of €2 billion

In February, REpower Systems and RWE Innogy signed a master agreement for supplying up to 250 REpower 5M / 6M offshore wind turbines. The maximum order volume amounts to approximately €2 billion. This makes the master agreement one of the biggest in the history of the wind power industry. The REpower 5M offshore wind turbines are scheduled for delivery from 2011 to 2015. They will have a nominal capacity of 5 MW and 6 MW and a rotor diameter of 126 metres, making them the largest and most powerful worldwide. Most of them are to be included in the Innogy Nordsee 1 wind farm, which we intend to build 40 kilometres north of the Island of Juist, Germany. It will have an installed capacity of about 1,000 MW.

After the period under review

Joint venture acquires sites for new nuclear power stations in the UK

Established in January 2009, a joint venture between E.ON and RWE secured land in an auction at the end of April 2009, which has been earmarked by the British government for the construction of nuclear power stations. The Nuclear Decommissioning Authority (NDA) had auctioned off plots of land at three locations. We placed the winning bids for two sites, Wylfa and Oldbury. E.ON and RWE want to develop, build and operate nuclear power plants in the UK with a generation capacity of at least 6,000 MW.

Energy partnership with Turkmenistan

RWE and the government of Turkmenistan intend to co-operate in various branches of the energy industry. A framework agreement was signed for this purpose in April 2009. It envisages RWE participating in the exploration and development of gas fields in the western Caspian Sea off the coast of Turkmenistan. The possibility of Turkmenistan supplying gas to Europe will also be investigated. This gas could be transported via the planned Nabucco pipeline, which is to connect the major natural gas fields in the Caspian region with the European market from 2014 onwards.

RWE acquires stake in Belgian offshore wind project Thornton Bank

RWE Innogy acquired an interest of 26.7 % in C-Power NV, 20.2 % of which was purchased from the Belgian investment firms Ecotech and Socofe, with 6.5 % coming from three other shareholders. C-Power is developing and building Thornton Bank, the first Belgian offshore wind farm, which will be located up to 30 kilometres off the coast. All of the approvals required for the project have already been obtained, and grid access has also been secured. On completion in 2013, the wind farm will have 60 turbines with a combined installed capacity of 300 MW, the first six of which have already been installed.

Dr. Manfred Schneider new Chairman of the Supervisory Board of RWE AG

In an extraordinary meeting on May 1, 2009, the Supervisory Board of RWE AG elected Dr. Manfred Schneider (70) its chairman. Schneider, the former Chairman of the Board of Management of the Bayer chemicals group, has been a member of the Supervisory Board of RWE AG since 1992. He succeeds Dr. Thomas R. Fischer, who had chaired the body since 2004 and resigned this position for personal reasons as of April 30, 2009. The Supervisory Board and the Executive Board of RWE AG thank Dr. Fischer for his successful work.

Notes on reporting

Further development of reporting

Our financial reporting for fiscal 2009 will adopt the following amendments. We adjusted prior-year figures accordingly to ensure comparability:

- RWE Innogy, which we established as of February 1, 2008, and in which we pooled our activities in the field of renewable energies, will be presented as a separate division with immediate effect. The company was previously included in “Other, consolidation” at the Group level.

- As illustrated on page 11, RWE Transportnetz Strom GmbH, formerly a subsidiary of RWE Energy, will be assigned directly to RWE AG. This has already been taken into account in the financial reporting. At the Group level, we are stating this company under “Other, consolidation” with immediate effect.

- RWE Key Account GmbH, which serves our industrial key accounts, will be transferred from RWE Energy to RWE Supply & Trading. This has also already been considered in the reporting structure. Key accounts generally strongly orient their purchasing towards prices established on the trading market. Therefore, this reassignment will lead to advantages and synergies.

Another adjustment relates to the calculation of EBITDA (earnings before interest, taxes, depreciation and amortisation). This figure will include operating income from investments from 2009 onwards. We have thus brought the calculation of EBITDA in line with that of the operating result. Income from investments is expected to increase in the next few years and thus gain significance. This will be a consequence of RWE Innogy’s expansion programme, among other things. We use adjusted prior-year figures as a basis for our 2009 reporting.

American Water recognised as a “discontinued operation”

We have classified American Water (“Water Division”) as a “discontinued operation” again this financial year. Therefore, in the review of operations, figures for the US water utility are only included in net income and net debt as well as on the balance sheet. Since the IPO of American Water in the second quarter of 2008, we have held a 60.5 % stake in the company. We still intend to sell all our shares in American Water.

Business performance

Electricity production January – March	RWE Power[1]		RWE Innogy		RWE npower		RWE Group[2]	
Billion kWh	2009	2008	2009	2008	2009	2008	2009	2008
In-house generation	40.3	47.8	1.2	1.0	9.0	9.4	51.4	59.2
Lignite	18.3	18.9	–	–	–	–	18.3	18.9
Nuclear	9.9	12.4	–	–	–	–	9.9	12.4
Hard coal	9.5	12.7	–	–	5.2	4.7	15.0	17.7
Gas	2.1	3.1	–	–	3.6	4.7	6.1	8.2
Renewable energies	0.1	0.1	1.2	1.0	–	–	1.5	1.4
Pumped storage, oil, other	0.4	0.6	–	–	0.2	–	0.6	0.6
Electricity purchased from third parties	–	–	–	–	5.3[3]	5.6[3]	31.1	31.8
Total	**40.3**	**47.8**	**1.2**	**1.0**	**14.3**	**15.0**	**82.5**	**91.0**

1 Including electricity procured from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the first quarter of 2009, it amounted to 5.7 billion kWh, of which 5.2 billion kWh was generated from hard coal.
2 Including generation capacity and electricity purchases of RWE Energy's regional companies.
3 RWE npower largely purchases electricity via RWE Supply & Trading.

Electricity generation down 13 % year on year
In the first quarter of 2009, the RWE Group produced 51.4 billion kilowatt hours (kWh) of electricity—13 % less than in the same period in 2008. In-house generation and power purchases combined for 82.5 billion kWh. This was 9 % down on the previous year's corresponding figure.

RWE Power contributed 40.3 billion kWh of the RWE Group's total in-house electricity production, representing a share of 78 %. This includes electricity generated from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. RWE Power generated 16 % less electricity than in the first quarter of 2008. This was partially due to the outage at the Biblis nuclear power station for maintenance purposes. Block B has been offline since the end of January 2009, after being available non-stop in 2008. Block A was powered down at the end of February 2009, having also had a temporary outage in 2008 (until the beginning of February). Excluding the Biblis effect, RWE Power's electricity generation was down 11 %, largely because we made less use of our hard coal and gas-fired power stations. This is because, due to the lower prices on the spot market, we met part of our supply obligations from forward contracts through lower-priced purchases from third parties through RWE Supply & Trading instead of via our own production. In our lignite-fired power plants, several boilers and turbines required repairs, leading to some declining volumes.

RWE Innogy, our specialist for renewable energies, generated 1.2 billion kWh in the period under review, which was 20 % more year on year. The rise is a result of the company's growth strategy. As of March 31, 2009, RWE Innogy had an installed capacity of 1.3 gigawatts (GW) at its disposal. This is 0.2 GW more than a year earlier. By 2012, 4.5 GW should be in operation or under construction.

Electricity production at RWE npower was down 4 % to 9.0 billion kWh. Our UK gas power stations experienced a margin-related drop in usage over 2008. In contrast, there was a rise in generation from hard coal, especially at the Aberthaw site. In the first quarter of 2008, two of the three blocks were available to a limited extent as they had to be retrofitted with flue gas desulphurisation units.

RWE Energy generated 0.9 billion kWh of power (first quarter of 2008: 1.0 billion kWh). This output is largely allocable to our German regional companies. It mainly consists of generation based on gas, hard coal and hydro power.

Gas production down, oil production matches prior-year level

In the period under review, our upstream company RWE Dea produced 888 million cubic metres of gas and 649 thousand cubic metres of oil. In terms of oil equivalent, output totalled 9.5 million barrels, which was slightly less than the amount produced in the first quarter of 2008 (10.0 million barrels). Gas output was down 9 %. The biggest drop was recorded in the British North Sea, in part due to technical problems. In addition, we experienced a natural decrease as reserves are being exhausted. In contrast, our gas production increased in Norway and Germany. Crude oil output was essentially flat, although the progressive depletion of reserves also took its toll on it. This mainly affected our Danish and German oil fields. Our production output in Norway was up. In that country, fiscal 2007 and 2008 were negatively affected by an extraordinary factor: The concession partners redetermined production volume from the “Snorre” oil field after reviewing the contracts. This decreased the share allocable to us and RWE Dea had to reimburse the excess output received through the end of 2008 with current production.

External electricity sales volume January – March	RWE Power		RWE Supply & Trading		RWE Energy		RWE npower		RWE Group[1]	
Billion kWh	2009	2008	2009	2008[2]	2009	2008[2]	2009	2008	2009	2008
Private and commercial customers	0.1	0.1	–	–	10.9	10.7	6.0	6.5	17.1	17.4
Industrial and corporate customers	–	–	6.7	7.8	9.0	9.9	7.7	7.9	23.5	25.8
Distributors	3.2	3.3	–	–	12.1	10.4	–	–	25.9	23.8
Electricity trading	–	–	10.9	19.2	–	–	–	–	10.9	19.2
Total	**3.3**	**3.4**	**17.6**	**27.0**	**32.0**	**31.0**	**13.7**	**14.4**	**77.4**	**86.2**

1 Including electricity sales generated by RWE Transportnetz Strom and RWE Innogy.
2 Figures partially adjusted; see commentary on page 14.

Electricity sales mirror reduction in power plant use

In the first three months of 2009, we supplied 77.4 billion kWh of electricity to outside customers. This represents a decrease of 10 %, which is largely allocable to RWE Supply & Trading (see commentary below). Electricity sales are typically somewhat lower than power generated and purchased. This is due to grid losses as well as our in-house consumption by lignite production and pumped-storage power plants.

RWE Power sold 3.3 billion kWh to external customers compared to 3.4 billion kWh in the same period last year. This is much less than the amount of electricity the division produced. We typically sell our German generation within the Group. It is then sold on the wholesale market by RWE Supply & Trading and to end customers and distributors by RWE Energy. Conversely, electricity produced outside Germany is marketed by RWE Power itself, including generation output from our Hungarian subsidiary Mátra. External sales also include production from our German Gundremmingen and Emsland nuclear power stations which is allocable to the minority shareholder in these plants.

Electricity sales by RWE Supply & Trading amounted to 17.6 billion kWh, representing a drop of 9.4 billion kWh from the previous year. This is largely because RWE Supply & Trading sourced the electricity it sold on the wholesale market to a far lesser extent from in-house generation, increasing its purchases from third parties. We reported on this on page 15. In determining external sales, volumes sold on the wholesale market are netted against purchases from third parties and are therefore not included in the figures. The supply business with major industrial and corporate customers (RWE Key Account) experienced a decline in demand caused by the economic crisis.

RWE Energy's electricity sales increased by 3 % to 32.0 billion kWh. In the distributors segment, we won new customers and expanded volumes with existing customers. Sales to households and small commercial operations were up as well. The rise was driven by a weather-induced increase in electricity demand for heating purposes and successful customer gains. In contrast, sales to industrial and corporate customers fell, above all due to the weak economy and intensified competition on the Hungarian electricity market.

As of March 31, 2009, RWE Energy supplied electricity to 10.2 million private and commercial customers. Thereof, 7.0 million were in Germany, 30,000 more than as of December 31, 2008, and 100,000 more than at March 31, 2008. These figures exclusively refer to our fully consolidated companies. Our discount company eprimo had signed up 512,000 electricity customers as of March 31. By the end of 2008, this figure amounted to 422,000. Our “ProKlima” tariff, which guarantees German households a fixed price over three years, remains very popular. Our customers can plan reliably, while remaining flexible given their annual termination right. Another feature of “ProKlima” is that all electricity sold through it is generated in hydroelectric and nuclear power plants and is therefore nearly CO_2-free. By the end of 2008, 130,000 customers had already opted for this product. Another 195,000 were added in the first quarter of 2009. Including the predecessor tariff “Treuestrom,” over 800,000 customers use our price-guaranteed products. In Hungary, RWE Energy’s second-largest electricity market, we currently serve 2.2 million households and small commercial enterprises. Our Polish customer base amounts to 0.9 million.

RWE npower’s electricity sales declined by 5 % to 13.7 billion kWh. The main reason for this is that we served fewer households than in the first quarter of 2008. Sales volumes receded marginally in the industrial and corporate customer segment, owing to the economic crisis. As of March 31, 2009, RWE npower supplied electricity to 4.0 million UK homes. This gives us a 15 % share of the market. RWE npower won 30,000 private customers over the course of the first quarter.

External gas sales volume January – March	RWE Dea		RWE Supply & Trading		RWE Energy		RWE npower		RWE Group	
Billion kWh	2009	2008	2009	2008[1]	2009	2008[1]	2009	2008	2009	2008
Private and commercial customers	–	0.1	–	–	32.0	26.8	19.5	19.6	51.5	46.5
Industrial and corporate customers	1.2	1.0	4.7	4.9	23.4	23.6	2.4	3.1	31.7	32.6
Distributors	5.2	5.3	2.6	2.7	31.2	35.4	–	–	39.0	43.4
Total	**6.4**	**6.4**	**7.3**	**7.6**	**86.6**	**85.8**	**21.9**	**22.7**	**122.2**	**122.5**

1 Figures partially adjusted; see commentary on page 14.

Gas sales volume matches year-earlier level

At 122.2 billion kWh, the external gas sales volume was essentially unchanged. We recorded competition-induced customer losses in Germany and the UK—our core markets—especially in the low-margin key account business. However, we benefited from higher demand for gas from households for heating purposes due to the cooler weather.

RWE Dea delivered 6.4 billion kWh of gas to external customers in the period under review. This was on a par with the first quarter of 2008 although we experienced a decrease in gas production. The decline was reflected in lower internal sales.

RWE Supply & Trading's gas activities focus on procurement for RWE Group companies. Therefore, the division's gas sales are primarily achieved internally. RWE Supply & Trading sells gas to external customers only to a limited extent. In the first quarter of 2009, these gas sales totalled 7.3 billion kWh. They are divided into surplus purchase volumes and supplies to industrial customers by RWE Key Account. Gas sales were 4 % down on the first quarter of 2008, in part as a result of declines in consumption caused by the economic situation.

RWE Energy's gas sales volume climbed slightly, rising to 86.6 billion kWh. The cool weather led to a substantial increase in demand among households and small commercial operations. This was contrasted by competition-induced drops in volume in business with distributors: Some of the municipal utilities we serve switched suppliers or started diversifying their gas procurement. Our industrial and corporate customer base generated less sales due to the economic situation. By the end of March 2009, RWE Energy's fully consolidated companies were supplying gas to 3.6 million private and commercial customers. Our gas customer base in Germany totalled 1.0 million, as at the beginning of the year. As of March 31, eprimo had 16,000 gas customers—some 2,000 more than at the beginning of the year. As in the electricity business, we are responding to mounting competitive pressure by, among other things, marketing innovative products. The situation outside Germany is as follows: We supply 2.3 million customers with gas in the Czech Republic, RWE Energy's second-largest market, and roughly 250,000 in the Netherlands.

RWE npower's gas deliveries were down 4 % to 21.9 billion kWh. One of the reasons was the reduction in demand among our industrial customers due to the economic situation. In the household and small commercial operation segment, gas consumption per customer was down, despite the cooler weather. This was in part due to energy savings in reaction to the economic crisis. By March 31, 2009, 2.6 million households were buying gas from RWE npower—60,000 more than at the end of 2008. We have a 12 % share of the UK household customer market. The number of customers to whom we supply both electricity and gas was 2.3 million.

External revenue € million	Jan – Mar 2009	Jan – Mar 2008[1]	+ / - in %	Jan – Dec 2008[1]
RWE Power	339	312	8.7	1,435
RWE Innogy	82	70	17.1	269
RWE Dea	340	440	-22.7	1,765
RWE Supply & Trading	1,969	1,972	-0.2	8,663
RWE Energy	8,219	7,078	16.1	24,613
German regions	5,553	4,876	13.9	17,111
International regions	2,428	2,051	18.4	6,927
Supra-regional operations	105	79	32.9	298
Other, consolidation	133	72	84.7	277
RWE npower	2,593	2,562	1.2	8,618
Other, consolidation	974	961	1.4	3,587
RWE Group	**14,516**	**13,395**	**8.4**	**48,950**
of which:				
Electricity revenue	8,260	8,122	1.7	31,359
Direct electricity tax	258	273	-5.5	964
Gas revenue	5,394	4,247	27.0	13,768
Oil revenue	152	290	-47.6	1,164

1 Figures partially adjusted; see commentary on page 14.

External revenue up 8 % year on year

In the first quarter of 2009, the RWE Group generated €14.5 billion in external revenue. Compared with 2008, this corresponds to an 8 % rise, which is predominantly due to price-driven revenue growth in RWE Energy's gas and electricity supply business. However, currency effects curtailed the increase in revenue. Sterling, our major foreign currency, lost in value compared to the euro. Averaged for the quarter, Sterling cost €1.10; in the same quarter last year, the equivalent was €1.30. The Czech crown also decreased in value. In contrast, the US dollar rose from €0.65 to €0.77. Net of major currency effects, Group revenue advanced by 12 %. On balance, first-time consolidations and deconsolidations did not have a material impact on revenue or earnings.

The following is an overview of the development of external revenue by division:

External revenue posted by RWE Power amounted to €339 million. It primarily comprises electricity sales generated by non-German subsidiaries (predominantly Mátra in Hungary) and the marketing of lignite-based products (e. g. briquettes). External revenue earned by RWE Power was 9 % up year on year, in part due to an increase in revenue from the sale of briquettes.

RWE Innogy grew external revenue by 17 % to €82 million. The rise largely stemmed from the acquisition in June 2008 of six wind farms in Spain with a total installed capacity of 150 MW. €50 million, or more than half, of RWE Innogy's external revenue originated in Germany, primarily from electricity and heat generation by biomass and gas-fired thermal power stations. Production from German hydroelectric power plants only accounts for a small portion, since most of it is sold internally.

RWE Dea's external revenue was down 23 % to €340 million. Our upstream subsidiary sold its crude oil production at much lower dollar prices than in the same period in 2008. In the German gas business, we benefited from the lag in the adjustment to oil prices commonly experienced in the market. As a result, RWE Dea succeeded in selling its gas at higher prices than in the first quarter of 2008. This was contrasted with revenue losses resulting from the decline in gas production.

RWE Supply & Trading achieved €1,969 million in external revenue, coming close to the figure recorded a year earlier. The division earns a large portion of its external revenue by selling RWE Power's electricity generation on the wholesale market. Higher prices were realised than in the same period last year. The decline in electricity sales mentioned earlier had a counteracting effect.

RWE Energy recorded a gain in external revenue of 16 % to €8,219 million. At €4,134 million, electricity revenue was 8 % higher than in the first quarter of 2008. The aforementioned improvement of the sales volume in Germany contributed to this. But price increases were actually the main reason, reflecting the rise in procurement costs. Notably, our supply companies generally purchase electricity in advance, similar to our competitors. Therefore, 2009 procurement costs are still affected by the price peaks seen on the wholesale market in 2008. External revenue earned from RWE Energy's gas sales improved by 25 % to €3,791 million. Once again, the main driver was the pass-through of increased procurement costs, which track the development of heating oil with a lag. This caused our German regional utilities to implement tariff increases last year. However, the positive effects were somewhat diminished by the price reductions in the first quarter of 2009. Further significant price cuts were implemented effective April 1, 2009, with more to follow. In so doing, we are reacting to the recent return to decreasing gas procurement costs.

RWE npower generated €2,593 million in external revenue. This represents a slight increase over the prior-year level. Electricity revenue advanced by 1 % to €1,617 million, with gas revenue climbing by 4 % to €868 million. Net of currency effects, these figures were up 19 % and 23 %, respectively. This is largely due to price-related effects: RWE npower had lifted its electricity and gas tariffs for household customers by an average of 14 % and 26 % respectively at the end of August 2008. Electricity prices have since been reduced by 8 %. But as they were implemented effective March 31, 2009, this did not have an impact on the development of revenue in the first quarter.

The following overview provides a breakdown of the RWE Group's internal revenue:

Internal revenue € million	Jan – Mar 2009	Jan – Mar 2008[1]	+ / - in %	Jan – Dec 2008[1]
RWE Power	2,674	2,717	-1.6	9,982
RWE Innogy	41	33	24.2	122
RWE Dea	94	58	62.1	211
RWE Supply & Trading	6,769	5,514	22.8	20,571
RWE Energy	1,272	1,217	4.5	5,357
RWE npower	2	2	–	10

1 Figures partially adjusted; see commentary on page 14.

Operating result 5 % up year on year

The RWE Group continued to improve its earnings in the first quarter of 2009. EBITDA advanced by 5 % to €3,090 million, and the operating result was also up 5 %, rising to €2,624 million. Net of currency effects, each of the increases amounted to 6 %. This was predominantly due to the unusually high earnings contribution made by RWE Supply & Trading, which, however, cannot be extrapolated for the full year. Our outlook for 2009 remains unchanged. We continue to expect that EBITDA and the operating result will be of the order achieved last year.

Reconciliation of income from operating activities to EBITDA € million	Jan – Mar 2009	Jan – Mar 2008	+ / - in %	Jan – Dec 2008
Income from operating activities	2,885	2,418	19.3	5,887
+ Income from investments	163	96	69.8	454
- Non-operating result	-424	-15	–	485
Operating result	2,624	2,499	5.0	6,826
+ Operating depreciation and amortisation	466	452	3.1	1,947
EBITDA	**3,090**	**2,951[1]**	**4.7**	**8,773[1]**

1 Figure adjusted; see commentary on page 14.

EBITDA € million	Jan – Mar 2009	Jan – Mar 2008[1]	+ / - in %	Jan – Dec 2008[1]
RWE Power	1,189	1,176	1.1	3,601
RWE Innogy	35	40	-12.5	103
RWE Dea	167	247	-32.4	748
RWE Supply & Trading	362	91	297.8	487
RWE Energy	1,105	1,044	5.8	3,093
German regions	727	639	13.8	1,963
International regions	217	240	-9.6	652
Supra-regional operations	153	138	10.9	517
Other, consolidation	8	27	-70.4	-39
RWE npower	236	322	-26.7	714
Other, consolidation	-4	31	-112.9	27
RWE Group	**3,090**	**2,951**	**4.7**	**8,773**

1 Figures adjusted; see commentary on page 14.

Operating result € million	Jan – Mar 2009	Jan – Mar 2008[1]	+ / - in %	Jan – Dec 2008[1]
RWE Power	1,077	1,062	1.4	3,142
RWE Innogy	20	31	-35.5	55
RWE Dea	107	185	-42.2	494
RWE Supply & Trading	362	91	297.8	486
RWE Energy	917	860	6.6	2,286
German regions	598	512	16.8	1,407
International regions	177	201	-11.9	478
Supra-regional operations	134	120	11.7	440
Other, consolidation	8	27	-70.4	-39
RWE npower	192	283	-32.2	534
Other, consolidation	-51	-13	-292.3	-171
RWE Group	**2,624**	**2,499**	**5.0**	**6,826**

1 Figures partially adjusted; see commentary on page 14.

The following is an overview of our operating result by division:

RWE Power marginally improved its operating result to €1,077 million. A positive effect was felt from the realisation of higher prices for our German electricity generation. However, the division’s earnings trend was also marked by negative effects, including the production shortages caused by the outage of the Biblis nuclear power plant (-€150 million). The year-on-year increase in prices contractually agreed for the procurement of fuel resulted in an additional expense of approximately €210 million. This almost exclusively related to our hard coal purchases. Staff costs also rose. In contrast, at €294 million, the expense we incurred owing to the shortage of CO_2 emissions allowances experienced a slight year-on-year decline due to the reduction in electricity generation.

The operating result recorded by RWE Innogy declined by €11 million to €20 million. The reason for this is our extensive investment programme in the field of renewable energies, which produces high start-up costs and requires additional manpower.

RWE Dea closed the period under review with an operating result of €107 million, 42 % lower than the year-earlier figure, in part due to foreign exchange rates. The deterioration in margins caused by the drop in crude oil prices also played a role. RWE Dea was able to partially mitigate this, having secured prices for part of its oil production in advance. Higher prices in the gas business increased profit, whereas the decline in production volume had a counteracting effect. Costs associated with the exploration of new oil and gas reserves continued to rise due to the expansion programme in the upstream business. For 2009 as a whole, we expect the collapse in prices on the commodity markets to be an even bigger burden on RWE Dea's earnings than it has been so far. We therefore anticipate that the percentage decline will be much more significant than in the first quarter.

RWE Supply & Trading's operating result was €362 million, four times as high as in the same period last year. The underlying performance of our energy trading business was essentially as successful as in 2008. In addition, we benefited from the fact that major forward transactions concluded in earlier years only started to affect the income statement positively in the first quarter. This applies to the external marketing of electricity produced by RWE Power and RWE npower. Income from these trading transactions can only be accounted for as profit or loss under IFRS on realisation of the underlying transactions, i. e. at the time of delivery of the electricity. RWE Supply & Trading improved the operating result from its gas midstream activities considerably as well. Last year's first quarter was hampered by the one-off effect (-€110 million) of the recognition of derivative transactions which we used to hedge the price of gas supply agreements indexed to the price of oil. We have been recognising the impact of changes in the market value of such derivatives in the non-operating result since the first half of 2008, since they do not reflect the operating earnings trend (also see page 26).

RWE Energy's operating result was up 7 % to €917 million. Earnings improvements in the gas supply business and the successful continuation of our efficiency-enhancement programme (see page 29) were the main drivers. The regulation of the German grid business did not result in additional burdens in the period under review, whereas changes in foreign exchange rates reduced earnings. RWE Energy's business units displayed the following earnings trends:

- German regions: RWE Energy's domestic regional companies closed the reporting period 17 % up year on year, in part due to cost reductions. Furthermore, the gas business improved its earnings situation. Margins came under pressure in this business in the prior-year period, because increases in the cost of purchasing gas could only partially be passed through via end customer prices. Procurement costs have recently dropped again. As explained earlier, our German supply companies have already reacted to this by reducing their gas prices. Our margins in the electricity supply business worsened somewhat. The main factor was the rise in procurement costs, which was partially passed on to end customers with a delay. Our two biggest supply companies, RWE Rhein-Ruhr and RWE Westfalen-Weser-Ems, only adjusted their general tariffs as of April 1, 2009.

- International regions: We fell 12 % short of the result achieved in the Continental European supply and grid business in the first quarter of 2008. This is predominantly due to the weaker exchange rates for the Czech crown, Hungarian forint and Polish zloty. Competition-induced declines in sales in the Hungarian electricity supply business also contributed to the decrease in earnings. Cost cuts, which we realised through reorganisation measures in Hungary and the Czech Republic, among other things, had a counteracting effect.

- Supra-regional activities: The operating result improved by 12 %, in part owing to higher revenue from the Czech gas transmission business. This was contrasted by negative currency effects. In addition, we incurred higher costs associated with measures taken to strengthen eprimo's market position.

RWE npower's operating result declined by 32 % to €192 million. Net of currency effects, the decrease amounted to 20 %. Our earnings deteriorated primarily in the electricity generation business since the margins of our UK hard coal and gas-fired power stations were lower than in 2008. At the same time, however, costs from power plant outages were lower. Expenses incurred to purchase CO_2 emissions certificates dropped to €27 million. In Sterling terms, earnings in the end customer business were similarly weak compared to the first quarter of 2008. The aforementioned price increases in the electricity and gas supply businesses effective August 2008 were contrasted by a series of negative factors. For instance, energy procurement costs were substantially higher. Moreover, bad debt was up. Measures taken to promote energy savings in homes caused expenses to rise. UK utilities are obliged to do so within the scope of government programmes. We expect the decline in the operating result achieved by RWE npower for the full year to be more significant than in the first quarter, in part owing to the competition-induced drop in electricity prices as of March 31, 2009.

Reconciliation to net income: positive one-off effects

The reconciliation from the operating result to net income is characterised by the positive impact of the fair valuation of commodity derivatives. In addition, the absence of burdens associated with the IPO of American Water had an effect on the year-on-year comparison. This is contrasted by higher interest expenses and losses realised from lower security prices.

Non-operating result € million	Jan – Mar 2009	Jan – Mar 2008	+ / - € million	Jan – Dec 2008
Capital gains	4	31	-27	89
Impairment losses	–	–	–	–
Restructuring, other	420	-16	436	-574
Non-operating result	**424**	**15**	**409**	**-485**

In the period under review, the non-operating result advanced by €409 million to €424 million. Its components developed as follows:

- We did not realise any notable capital gains in the first quarter of 2009. Therefore, we remained below the low figure achieved a year earlier (€31 million), which still included proceeds from the transfer of an 8 % stake in rhenag Rheinische Energie AG to RheinEnergie AG.

- The result stated under 'Restructuring, other' increased by €436 million to €420 million. This was mainly due to effects arising from the accounting treatment of derivative transactions, which are concluded to hedge the prices of forward contracts (underlying transactions). Pursuant to IFRS, these derivatives are accounted for at fair value at the corresponding balance sheet date, whereas the underlying transactions (which show the exact opposite movement) are only recognised with an effect on profit or loss later on, when they are realised. This results in short-term effects on earnings, which neutralise over time. Forward sales of stored gas purchases of RWE Supply & Trading are the main area to which this applies. As mentioned earlier, we have been recognising the change in the fair value of these derivatives in the non-operating result since the interim financial statements for the first half of 2008. These derivatives delivered a total of €382 million in income as of March 31, 2009. In addition to the impact of derivatives described above, the "Restructuring, other" item also includes the amortisation of RWE npower's customer base. It amounted to €63 million, and was therefore lower than the figure for the first quarter of 2008 (€73 million) due to currency effects. Changes made to nuclear and mining provisions resulted in €49 million in income (first quarter of 2008: €52 million).

Financial result € million	Jan – Mar 2009	Jan – Mar 2008	+ / - € million	Jan – Dec 2008
Interest income	178	213	-35	807
Interest expenses	-292	-237	-55	-965
Net interest	**-114**	**-24**	**-90**	**-158**
Interest accretion to non-current provisions	-221	-190	-31	-738
Other financial result	-175	-87	-88	-579
Financial result	**-510**	**-301**	**-209**	**-1,475**

The financial result decreased by €209 million to -€510 million. All of the components contributed to this:

- Interest income declined by €90 million to -€114 million. One of the reasons was the increase in debt. In November 2008, RWE issued new bonds for the first time since 2004. The issuance, with a nominal volume of €2 billion, was followed by another placement with a value of €3 billion in February 2009. Besides the rise in interest expenses, the interim financing of the planned acquisition of Essent via a credit facility resulted in additional burdens.

- The interest accretion to non-current provisions rose by €31 million to €221 million. This is because there was a decline in our pension fund assets due to the financial crisis, which led to a decrease in expected fund income. When the interest accretion is calculated, this income is deducted.

- The "other financial result" was down €88 million to -€175 million. Against the backdrop of the financial and economic crises, we wrote down securities or realised losses when selling them. This had an impact of -€17 million and -€47 million on the result.

Our continuing operations generated income before tax amounting to €2,538 million. This represents an increase of 15 % on the first quarter of 2008. The effective tax rate was marginally down: It amounted to 28 %. However, we expect that the rate for the full year will be much higher. Income from continuing operations after tax totalled €1,835 million. It was thus 20 % higher year on year.

The RWE Group's discontinued operations (American Water) made an earnings contribution of €25 million. In the first quarter of last year, we recorded a loss of €634 million resulting from the IPO of American Water in April 2008. When we placed 39.5 % of the shares in the company, the issue price was lower than the carrying amount, causing us to recognise an impairment loss on our 100 % stake in the company as of the balance sheet date on March 31, 2008.

In the first quarter of 2009, the minority interest totalled €115 million, substantially more than in the same period in 2008 (€85 million). The single-most important effect came from the fact that we began stating the minority interest in the income of American Water under this item in the second quarter of 2008.

Reconciliation to net income		Jan – Mar 2009	Jan – Mar 2008	+ / - in %	Jan – Dec 2008
Operating result	€ million	2,624	2,499	5.0	6,826
Non-operating result	€ million	424	15	–	-485
Financial result	€ million	-510	-301	-69.4	-1,475
Income from continuing operations before tax	€ million	**2,538**	**2,213**	**14.7**	**4,866**
Taxes on income	€ million	-703	-685	-2.6	-1,423
Income from continuing operations	€ million	**1,835**	**1,528**	**20.1**	**3,443**
Income from discontinued operations	€ million	25	-634	–	-567
Income	€ million	**1,860**	**894**	**108.1**	**2,876**
Minority interest	€ million	115	85	35.3	318
Net income	€ million	**1,745**	**809**	**115.7**	**2,558**
Recurrent net income	€ million	**1,507**	**1,423**	**5.9**	**3,367**
Earnings per share	€	3.28	1.45	126.2	4.75
Recurrent net income per share	€	2.83	2.55	11.0	6.25
Effective tax rate	%	28	31	–	29

All in all, this resulted in a significant increase in the RWE Group's net income. It more than doubled to €1,745 million. Our earnings per share rose from €1.45 to €3.28. The number of RWE shares outstanding decreased due to the share buyback conducted from February to May 2008. In the first quarter of 2009, they averaged 531.9 million as compared with 558.4 million in the same period last year.

The key figure that is decisive for our dividend policy is recurrent net income. It does not include the non-operating result. Major non-recurrent effects in the financial result, income taxes and income from discontinued operations are also excluded from recurrent net income. In the first quarter, recurrent net income totalled €1,507 million, 6% more than in the same period last year. We expect the figure for 2009 as a whole to be of the same order as last year's.

Planned efficiency enhancements vs. 2006 € million (accumulated)	2007	2008	2009	2010	2011	2012
	100	200	450	700	900	1,200

Efficiency-enhancement programme: accumulated earnings improvement of €450 million by the end of 2009
Our efficiency-enhancement programme is on schedule. It envisages measures to reduce costs and increase income, aiming to gradually lift annual earnings by a total of €1.2 billion by the end of 2012. The reference year is 2006. One of the goals we are pursuing with the project is enhanced performance of our German electricity and gas grid business, which should at least partially compensate for the effect of the tariff cuts mandated by the network regulator. Further savings are to be achieved through improvements in IT services and purchasing as well as the pooling of back-office functions. Moreover, we intend to increase revenue by increasing the technical availability of our power plants. We achieved an accumulated earnings contribution of €200 million in the 2007 / 2008 period through the efficiency-enhancement programme and intend to improve this figure to €450 million by the end of 2009.

Capital expenditure on financial assets € million	Jan – Mar 2009	Jan – Mar 2008	+ / - € million	Jan – Dec 2008
RWE Power	41	1	40	1
RWE Innogy	11	2	9	812
RWE Dea	–	–	–	–
RWE Supply & Trading	1	6	-5	321
RWE Energy	1,086	3	1,083	104
RWE npower	62	–	62	1
Other, consolidation	–	3	-3	–
Total	**1,201**	**15**	**1,186**	**1,239**

Capital expenditure on property, plant and equipment[1] € million	Jan – Mar 2009	Jan – Mar 2008[2]	+ / - € million	Jan – Dec 2008[2]
RWE Power	369	329	40	1,455
RWE Innogy	97	17	80	290
RWE Dea	140	138	2	606
RWE Supply & Trading	1	–	1	–
RWE Energy	90	63	27	1,150
RWE npower	87	67	20	610
Other, consolidation	69	43	26	343
Total	**853**	**657**	**196**	**4,454**

1 Including intangible assets.
2 Figures partially adjusted; see commentary on page 14.

Capital expenditure tripled

The RWE Group spent €2,054 million in capital, three times as much as in the first quarter of 2008 (€672 million). Capital expenditure on financial assets saw an especially strong increase, rising from a mere €15 million in the first quarter of last year to €1,201 million. €800 million of this sum is attributable to the acquisition of the 20 % stake in our regional supply company, RWE Westfalen-Weser-Ems, formerly held by municipal shareholders. Capital expenditure on property, plant and equipment rose by 30 % to €853 million. All of the divisions recorded increases. More than 40 % of capital spent on property, plant and equipment was attributable to RWE Power. The most important projects in this division are a 2,100-MW dual-block lignite-fired power station in Neurath, a 1,530-MW dual-block hard coal-fired power plant in Hamm, and an 875-MW combined-cycle gas turbine power station in Lingen, all of which are located in Germany. These generation units are under construction. Furthermore, RWE Power is doing preparatory work for a 1,560-MW hard coal twin unit facility in Eemshaven, Netherlands. The most dynamic development was displayed by RWE Innogy's capital expenditure on property, plant and equipment. The company is making good progress in expanding its renewable generation base. Centre stage is taken by wind power projects, including the construction of the 90-MW Rhyl Flats offshore wind farm off the coast of Wales, which we intend to complete this year. RWE Dea's capital spending is focussed on the development of existing discoveries in preparation for production. These measures mainly concern gas fields in Egypt and Norway. RWE Energy channeled a large portion of its spending on property, plant and equipment to the maintenance and improvement of grid infrastructure. RWE npower is preparing for the construction of a 2,000-MW gas-fired power station at the Pembroke site in the UK. The British energy minister issued the last outstanding approval for the project at the beginning of February. Another gas-fired power plant, with an installed capacity of 1,650 MW, is being built in Staythorpe (UK).

Cash flow statement € million	Jan – Mar 2009	Jan – Mar 2008	+ / - in %	Jan – Dec 2008
Cash flows from operating activities	533	1,384	-61.5	8,853
Impact of the change in working capital	-1,407	-1,019	-38.1	1,687
Cash flows from investing activities	-4,559	1,934	-335.7	-3,584
Cash flows from financing activities	4,368	-872	600.9	-5,907
Effects of changes in foreign currency exchange rates and other changes in value on cash and cash equivalents	-7	-2	-250.0	-35
Total net changes in cash and cash equivalents	335	2,444	-86.3	-673
Cash flows from operating activities	533	1,384	-61.5	8,853
Minus capital expenditure on property, plant and equipment and intangible assets	-853	-657	-29.8	-4,454
Free cash flow	**-320**	**727**	**-144.0**	**4,399**

Cash flow statement—key figures

In the first quarter of 2009, we generated €533 million in cash flows from operating activities. This is €851 million, or 61 %, down year on year, in part due to a high level of cash outflow used to purchase CO_2 emissions certificates. As a result of the stricter framework conditions of the European emissions trading system, since 2008, we have had to purchase a much larger volume of certificates on the market. Most of the emissions certificates we bought for the whole of last year were not paid for until the beginning of 2009. Spending on investments (including cash investments) was €4,559 million higher than proceeds from disposals of non-current assets and companies. Cash flows from financing activities totalled €4,368 million, which primarily stemmed from the bond issuance in February 2009. Cash and cash equivalents have risen by €335 million since the beginning of the year.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment, result in free cash flow. The latter amounted to -€320 million, down €1,047 million on the figure for the comparable period in 2008. This is a result of the decline in cash flows from operating activities and the rise in capital expenditure on property, plant and equipment.

Net debt € million	Mar 31, 2009	Dec 31, 2008	+/- in %
Cash and cash equivalents	1,584	1,249	26.8
Marketable securities	10,373	8,052	28.8
Other financial assets	3,644	4,832	-24.6
Financial assets of continuing operations	**15,601**	**14,133**	**10.4**
Bonds, notes payable, bank debt, commercial paper	14,510	11,839	22.6
Other financial liabilities	1,696	1,644	3.2
Financial liabilities of continuing operations	**16,206**	**13,483**	**20.2**
Net financial debt of continuing operations	**605**	**-650**	**193.1**
Provisions for pensions and similar obligations	3,109	2,738	13.6
Capitalised surplus of plan assets over benefit obligations	3	–	–
Provisions for nuclear waste management	9,438	9,465	-0.3
Mining provisions	2,858	2,866	-0.3
Net debt of continuing operations	**16,007**	**14,419**	**11.0**
Net debt of discontinued operations	4,522	4,240	6.7
Net debt of the RWE Group	**20,529**	**18,659**	**10.0**

Net debt reflects intensified investment activity

As of March 31, 2009, our net debt totalled €20.5 billion. This includes discontinued operations (American Water). The RWE Group’s net debt was up €1.9 billion compared with the level reached by December 31, 2008. Our investment activity made an especially strong contribution (€2.1 billion).

Moreover, provisions for pensions rose (€0.4 billion), while cash flows from operating activities had a counteracting effect (-€0.5 billion). In euro terms, American Water's net debt was €0.3 billion higher than at the end of last year. This predominantly resulted from the increase in the value of the US dollar during the first quarter.

Balance sheet structure

As of March 31, 2009, our balance sheet total amounted to €95.4 billion. This was up €2.0 billion from the level at the end of 2008. The main reason was our bond issuance in February 2009, which had a nominal volume of €3 billion. We used most of the proceeds to purchase securities that can be sold at short notice. Currency effects also contributed to the increase in the balance sheet total. In addition to the US dollar, Sterling had gained value since December 31, 2008. The €1.3 billion reduction in our financial accounts receivable from variation margins and collateral reduced the balance sheet total. Our trade accounts payable dropped accordingly. In the period under review, the RWE Group's equity ratio climbed from 14.1 % to 15.6 %. Our non-current assets were covered by equity and non-current liabilities at a rate of 131 %—proof of RWE's solid financial and capital structure.

RWE Group's balance sheet structure	Mar 31, 2009		Dec 31, 2008	
	€ million	in %	€ million	in %
Assets				
Non-current assets	42,192	44.2	41,763	44.7
Intangible assets	11,293	11.8	11,202	12.0
Property, plant and equipment	21,954	23.0	21,762	23.3
Current assets	53,254	55.8	51,667	55.3
Receivables and other assets[1]	30,577	32.0	31,433	33.6
Marketable securities	10,071	10.6	7,735	8.3
Assets held for sale	9,019	9.4	8,710	9.3
Total	**95,446**	**100.0**	**93,430**	**100.0**
Equity and liabilities				
Equity	14,883	15.6	13,140	14.1
Non-current liabilities	40,459	42.4	36,793	39.4
Provisions	21,553	22.6	21,072	22.6
Financial liabilities	14,153	14.8	11,154	11.9
Current liabilities	40,104	42.0	43,497	46.5
Other liabilities[1]	25,441	26.7	28,769	30.8
Liabilities held for sale	6,932	7.3	6,714	7.2
Total	**95,446**	**100.0**	**93,430**	**100.0**

1 Including trade accounts receivable and/or payable.

Employee headcount increases slightly

As of March 31, 2009, the RWE Group employed 66,786 people (converted to full-time positions), 41 % (27,074) of whom worked outside Germany. The workforce expanded by 878 employees, or 1.3 %, compared to December 31, 2008. All divisions increased manpower, with the exception of RWE Energy. RWE npower accounted for more than half of the growth of the Group's labour force. The company acquired the electric, gas and water installation specialist Superior Plumbing Installation Group effective January 31, 2009. This added 495 employees.

Workforce[1]	Mar 31, 2009	Dec 31, 2008[2]	+/- in %
RWE Power	17,666	17,505	0.9
RWE Innogy	782	712	9.8
RWE Dea	1,172	1,144	2.4
RWE Supply & Trading	935	883	5.9
RWE Energy	28,314	28,314	–
RWE npower	13,232	12,747	3.8
Other	4,685	4,603	1.8
RWE Group	**66,786**	**65,908**	**1.3**

1 Converted to full-time positions.
2 Figures partially adjusted; see commentary on page 14.

Research and development: focus on improving efficiency and lowering emissions

In the first quarter of 2009, research and development (R & D) costs amounted to €19 million, compared to €17 million in the prior-year period. Furthermore, we capitalised €17 million in development costs (previous year: €6 million). Enhancing efficiency and reducing the emissions of our fossil fuel-fired power plants are the centrepiece of our R & D measures. In this field, we cooperate with partners in plant engineering and the chemical industry. As a result, the activities are only partially included in our R & D expenditure.

Our competitiveness depends on whether we succeed in bringing electricity generation based on fossil fuels—especially coal—in line with the goal of protecting the climate. One of the keys is the capture and storage of carbon dioxide produced by power stations. We are currently preparing to build a power plant in which coal is converted to a gaseous state, the CO_2 is separated, and the electricity is generated in gas and steam turbines. This so-called IGCC (Integrated Gasification Combined Cycle) plant will be built at the Goldenbergwerk site in Hürth near Cologne, Germany, and fuelled by Rhenish lignite. If the project proceeds on schedule, it will go online at the end of 2014 at the earliest. We are concurrently working with a partner to develop a post-combustion CO_2 scrubbing technique, which will enable the separation of carbon dioxide from the flue gas. This will allow us to reduce emissions sustainably by retrofitting existing power stations. In March 2009, we received clearance to construct and operate a CO_2 flue gas scrubbing plant at our power plant site in Niederaussem, Germany. Other R & D activities are designed to prevent the carbon dioxide from escaping into the atmosphere once it has been captured. We are conducting our own projects and participating in research consortia to examine the possibility of safely storing carbon dioxide in deep geological formations.

In addition, we constantly work on improving the efficiency of our power plants. In February 2009, we commissioned a demonstration plant in which lignite will be pre-dried before combustion at our site in Niederaussem. With this technology, lignite-based power production can gain four percentage points in terms of efficiency. Furthermore, we intend to engineer a high-temperature heat storage facility for combined-cycle gas turbine (CCGT) power plants. RWE Power, partner companies and a research institute initiated this project at the beginning of the year. High-temperature storage facilities can decouple electricity generation from heat production in CCGT units. This enables the more efficient and environmentally friendly operation of these types of power stations.

In the field of renewable energies, we are focusing on finding new ways to generate electricity and heat from biological sources. We are also exploring how to improve the productivity of wind turbines and optimally integrate them into the electricity grid. Among other things, R & D work we do in the upstream oil and gas business aims to maintain the high success rate of our exploration drilling. At RWE Energy, we pursue the objective of operating our electricity and gas grids reliably, profitably and in an environmentally compatible manner. We are making further inroads in the electromobility project we launched in co-operation with Daimler in September 2008 in Berlin, Germany. By enlarging the electromobility footprint, we intend to improve environmental protection. Electricity as a fuel allows the efficient use of renewable and CO_2-free energy in road transport.

Detailed information on the RWE Group's R & D work has been published on page 96 et seqq. of our 2008 annual report and on the Web at "www.rwe.com."

Venture capital: investing in new technologies for the use of renewable energies
RWE Innogy assists young companies in developing new technologies for the use of renewable energies by acquiring shares in their equity. At the end of 2008, we acquired a minority interest in ReVolt Technology. The Norwegian company engineers zinc-oxygen-based energy storage units which can be recharged and are far superior to conventional lithium-ion rechargeable batteries in terms of performance, safety, cost and environmental compatibility. In February 2009, RWE Innogy agreed with Voith Hydro to establish a joint-venture company which will develop and market an especially environmentally friendly technology for generating electricity from sea currents.

Outlook for 2009

Contraction of global economic output expected
Current forecasts indicate that world economic output may shrink by more than 2 % this year. Stimulus packages are likely to marginally stabilise the economy from the second half of the year onwards. The situation in the Eurozone will remain difficult for the duration of the year. According to the most recent estimates, real gross domestic product (GDP) in this part of the world will decline by approximately 4 %. Expectations for Germany are of a similar order. Given the substantial uncertainty surrounding the prognosis, a drop of up to 6 % cannot be ruled out. As in the Eurozone, corporate investment in property, plant and equipment is also set to decrease by a double-digit percentage in Germany. Foreign trade, traditionally the engine of Germany's economy, is affected to a similar degree. According to estimates, exports will fall more than 15 % behind last year's level. The drop in GDP in the UK is also an estimated 4 %. The country is especially hard hit by the financial crisis and continues to face the weakness in the real estate sector. Central Eastern Europe's economic environments differ from one another. Czech GDP is expected to fall by some 2 %, owing to the country's strong dependency on foreign trade. Hungary's economic output may shrink by as much as 5 %. In contrast, forecasts for Poland only envisage a slight decline of 0.5 % and Slovakia is even believed to have some potential for growth.

Fuel prices much lower
Recently, there have been signs of significant recovery in international commodity markets. At the beginning of May, Brent oil prices were already back above the 55-dollar mark, up more than US$ 20 on the low of December 2008. Nevertheless, we expect that the average price for the full year will be much lower than the 2008 level (US$ 97). The same applies to gas prices which track developments on the oil market. Hard coal will also be cheaper than in 2008. At the beginning of May 2009, a metric ton in Rotterdam spot trading cost US$ 63 (including freight and insurance to Rotterdam). Last year, it cost an average of US$ 148.

CO_2 emissions trading: lower demand for certificates from industry due to economic situation
Meanwhile, prices in European CO_2 emissions certificate trading have also begun to recover. Certificates for 2009 sold for up to €16 per metric ton of CO_2 at the beginning of May, having nearly doubled within three months. However, prices averaged for the full year are expected to be much lower than in 2008 (€22). Reduced production from energy-intensive facilities due to the economic situation is currently bringing a large number of additional certificates onto the market. This puts pressure on prices. At the beginning of May, certificates from CO_2-reducing activities in developing and emerging countries (CERs) cost up to €13 per metric ton of CO_2.

Owing to early forward sales, earnings from power generation remain stable

The significant decrease in commodity prices will cause RWE Dea's gas and oil production revenue to drop. However, earnings from our 2009 electricity generation will not be affected significantly. RWE Power has sold forward more than 90 % of its production for 2009 and more than 80 % for 2010. The realised wholesale prices are much higher than those currently observed. In principle, when concluding these forward contracts, we hedge the volume and price of the required fuel at the time the contract is signed. This also applies to the purchase of CO_2 certificates. As a result, costs incurred to purchase gas, hard coal and emissions allowances have largely been influenced by the high level of forward prices in the past, as has our electricity revenue. We have no fuel price risk exposure from lignite since we produce this fuel in our own opencast mines. Uranium required to run our nuclear power stations has been secured via long-term purchase agreements. In the nuclear power generation sector, fuel procurement costs typically account for a small portion of total generation costs.

We expect the price of commodities, and therefore of electricity, to return far above the current level over the medium term. Market signals also indicate this. For instance, the crude oil price forward curve is currently on a steep upward trend. In other words, the more distant the delivery period, the higher the price level. This also applies to electricity. As of May 11, base-load deliveries for 2010 were quoted at €54 per MWh. The same contract for the following years traded at €59 (2011), €63 (2012), and €77 (2013).

Outlook € million	2008	2009 forecast vs. 2008
External revenue	48,950	In the order of last year's level
EBITDA	8,773[1]	In the order of last year's level
Operating result	6,826	In the order of last year's level
RWE Power	3,142	Above previous year
RWE Innogy	55	Below previous year
RWE Dea	494	Significantly below previous year
RWE Supply & Trading	486[1]	Above previous year
RWE Energy	2,286[1]	Matching previous year's level
RWE npower	534	Significantly below previous year
Recurrent net income	3,367	In the order of last year's level

1 Figure adjusted; see commentary on page 14.

Revenue of the previous year's order

We expect the RWE Group's external revenue in 2009 to be of the order of last year's level. Based on our projections, we will grow revenue from our German electricity supply activities. Drivers will be the price adjustments implemented, through which we pass on higher procurement costs. However, they are contrasted by declining revenue from German gas sales, since purchasing costs in this business have recently fallen and we pass this advantage directly on to our customers. The price adjustments are anticipated to be more substantial than assumed in our February forecast. RWE Supply & Trading is expected to sell less in-house electricity production on the wholesale market than in 2008. This is due to the optimisation of our generation position in view of the current development of commodity prices and causes us to meet an increasing share of our supply obligations with electricity purchased from third parties. These short-term external purchases are netted against sales in the revenue line.

Stable earnings trend expected despite Biblis outage

The world financial and economic crises will affect our business operations to a relatively small extent this year. The RWE Group's earnings are expected to maintain their high level. However, we expect to see significant additional burdens in our electricity generation business compared with 2008. The reasons are the long outages of the two units at Biblis and the rise in fuel procurement costs. This is contrasted by the positive effects of higher realised electricity wholesale prices. In addition, we expect lower oil and gas prices to significantly depress earnings in our upstream business. We will probably be able to stabilise our earnings in the regulated German grid business through further cost reductions. As explained on page 29, we expect our efficiency-enhancement programme to make an increasing contribution to earnings.

We expect EBITDA in the order of last year (€8,773 million, including operating income from investments). The same applies to the operating result (previous year: €6,826 million) and recurrent net income (previous year: €3,367 million).

Operating result by division:

RWE Power's operating result is expected to be higher than last year. The company has already sold forward almost all its German 2009 generation. Since most of the forward sales were made in 2007 and 2008, we are still benefiting from higher wholesale electricity prices seen until the middle of last year. However, we also anticipate substantial burdens. From our present point of view, the outage of the Biblis power station is estimated to have an adverse effect in the order of €0.7 billion. According to our current planning, Block B will be offline until mid-July—a total of five-and-a-half months—and Block A until the end of September—a total of seven months. This is a little longer than we initially anticipated. In addition, costs will be higher as a result of increased fuel prices. We expect them to be up by €0.5 billion and anticipate that operating and maintenance costs will rise as well. Expenses arising from the shortage of CO_2 certificates are anticipated to be level with 2008 (€1.1 billion). We expect that RWE Power will have to buy nearly 40 % of the CO_2 certificates it needs in Germany this fiscal year or obtain them via CDM / JI projects insofar as possible.

RWE Innogy is not yet expected to be able to increase the operating result earned from activities in the field of renewable energy this year. We anticipate that it will be down year on year, although we will commission additional generation capacity in 2009 and thus improve our earning power. This is because our extensive investment programme involves high start-up costs and additional staff recruitment. We expect this division to post double-digit percent increases in its operating result from 2010 onwards.

RWE Dea expects its operating result for 2009 to worsen considerably—above all due to the significant decline in crude oil and gas prices. We are working intensively to explore and develop fields in view of our mid-term goal of doubling gas and oil production. Therefore, exploration costs are expected to remain high.

RWE Supply & Trading anticipates an improvement in its operating result. This is based on an adjusted prior-year figure, which already includes RWE Key Account. Forecasts for the trading business are subject to substantial uncertainty. Irrespective of the future business trend, RWE Supply & Trading will benefit from the fact that some of the successful trading transactions concluded in earlier years will be reflected in the IFRS operating result this year.

Our forecast for RWE Energy envisages the division closing the year with an operating result matching last year's level, excluding the effects of the reclassification of RWE Transportnetz Strom and RWE Key Account. Incentive-based regulation in effect since January 2009 places high demands on the efficiency of our German electricity and gas grid business. To limit the impact this will have on earnings, RWE Energy plans to implement further extensive cost reductions, focussing on Germany. In addition, we intend to improve earnings in our electricity and gas supply business. We will continue to pursue our value-oriented sales policy to this end. At the same time, we want to limit customer losses. In addition, we intend to win customers, both within and outside our traditional supply regions, by developing and marketing innovative products. The range covers everything from fixed-price offers to residential customers, with terms of several years, through portfolio management, to auctions of power plant tranches to industrial enterprises and municipal utilities. Moreover, we will expand our discount supply subsidiary eprimo. The company aims to have signed up one million electricity and gas customers by 2010. At the end of March, it served 528,000.

RWE npower's operating result is expected to be significantly down year on year. If Sterling remains weak, currency effects will hamper earnings. We expect to see a decline in margins in the generation business. This also applies to the short-term position management of our power plants, which enabled us to achieve an unusually high level of income in 2008. Costs arising from the shortage of CO_2 certificates are anticipated to be lower than last year. RWE npower will probably have to purchase approximately 20 % of the CO_2 certificates it requires on the market, which is less than originally expected. This is because electricity generation is likely to experience a substantial margin-induced decline compared with last year. The market environment for our electricity and gas supply businesses remains very difficult. Fierce competition harbours substantial risks. As mentioned earlier, RWE npower cut electricity prices in the private customer segment by 8 % as of March 31, 2009, although procurement costs remained high. This will lead to a considerable drop in earnings. In addition, government programmes that oblige UK utilities to promote energy savings for homes and local authorities and provide assistance to low-income customers will probably result in further burdens. The additional expense compared with 2008 could total up to €100 million. Moreover, the UK recession is causing bad debt to rise across all customer segments. RWE npower is working on extensive cost-cutting measures in order to stabilise earnings.

Dividend payout ratio between 50 % and 60%

Our dividend proposal for fiscal 2009 will return to the usual payout ratio of 50 % to 60 %, following the increased payout ratio for 2008. The basis for calculating the payout ratio is recurrent net income, which is adjusted for one-off effects.

Capital expenditure on property, plant and equipment markedly up year on year

We will significantly step up capital expenditure on property, plant and equipment in 2009. This applies especially to RWE Power. Construction of the twin-unit hard coal power plant in Hamm, Germany, started last year. This year, we intend to begin building another power station of this type in Eemshaven, Netherlands. Work on the gas-fired power station in Lingen, Germany, and the dual-block lignite power plant in Neurath, Germany, is progressing well. The commissioning of these two plants is scheduled for 2009 and 2011, respectively. Power station component prices recorded a substantial rise before the beginning of the worldwide recession. By securing components at an early stage, we were able to limit the rise in costs associated with our large-scale projects. RWE Innogy's capital spending will post a significantly high rise as well. The focus will be on the construction of wind farms. The biggest projects are offshore wind farms off the coast of the UK. Our upstream subsidiary, RWE Dea, will invest more in gas production—above all in Egypt and Norway. RWE Energy has also increased its capex budget. We will spend some 80 % of these funds on the grid business. Other funds have been earmarked for gas storage projects. RWE npower is focusing on the construction of two gas-fired power stations. We launched the project in Staythorpe in 2007. One of the total of four units is scheduled to go online this year. We will soon begin construction of the large-scale power station in Pembroke, UK. This will result in additional capital expenditure. In total, the RWE Group's capital expenditure on property, plant and equipment will reach an order of magnitude of €6.5 billion in 2009. This would represent an increase of almost 50 % compared to 2008.

Net debt up year on year

Even setting aside the planned acquisition of Essent, we expect net debt to increase in the current financial year. The drivers will be the strong rise in capital expenditure and the record dividend payment in April. This will be contrasted by a continued high level of cash flows provided by operating activities. In addition, we aim to sell the majority of the shares in American Water by the end of the year, allowing us to deconsolidate the US company's current net debt of €4.5 billion. Our good reputation as bond issuer means we always have access to short- and long-term financing. Only €0.2 billion in bonds will mature in 2009.

Growing headcount
We anticipate that our workforce will expand this financial year. All divisions will create jobs as they implement their investment programmes.

Research and development: planned commissioning of a CO_2 flue gas scrubbing pilot plant
We want to step up our expenditure on research and development (R & D) even further. More than half our R & D budget has been earmarked for projects aimed at improving efficiency and reducing emissions in our power generation operations. A milestone this financial year is the planned commissioning of our CO_2 flue gas scrubbing pilot plant at our Coal Innovation Centre at the power plant site in Niederaussem, Germany. We will test CO_2 washing techniques under real-life conditions in this pilot plant, which will provide us with valuable experience that we can draw on when dealing with large-scale installations later on.

Development of opportunities and risks

The proactive management of risks and opportunities is a core element of our business activities. The RWE Group has a groupwide risk management system for the early identification, as well as standardised reporting, assessment, control and monitoring of risks. We also identify opportunities and associated earning potential.

Organisation of risk management in the RWE Group

Responsibility for the RWE Group's risk management system sits with the Executive Board of RWE AG. It establishes the rules and minimum standards that ensure groupwide risk management. The corporate "Group Risk Management" department reports directly to the Chief Financial Officer and exercises control and co-ordination functions. Its tasks include developing groupwide specifications for methods and processes, regular reporting, and monitoring all risks. Our Group companies ensure that the groupwide risk management guidelines are implemented uniformly, under the technical supervision of the corporate department. We have included further details on the organisation and processes of our risk management system and the committees entrusted with this task on page 101 et seqq. of our 2008 annual report.

Overall assessment of the risk and opportunity situation by executive management

In addition to the political framework of the energy industry, the prevailing economic environment poses a challenge to us. Both these circumstances harbour substantial earnings risks. So far, the ramifications of the economic crisis have been manageable. As illustrated earlier, demand for electricity on our core markets is declining by 4 % to 6 %. Gas consumption is influenced by weather conditions more than by cyclical effects and recently rose in some of RWE's core markets. The generation business is exposed to earnings risks since the economic crisis may persist for an extended period of time and commodity prices might remain low for years to come. We sold most of our electricity generation forward before the downturn and are thus largely protected from price fluctuations in 2009 and 2010. So far, customer payment defaults are moderate in Germany, our main market. We will continue to monitor our contractual partners' business performance and creditworthiness closely. At present, there are no identifiable risks that could jeopardise the continued operation of RWE AG or the RWE Group.

Major risk and opportunity categories

The following illustrates the risks and opportunities which may have a substantial impact on the RWE Group's asset, financial, earnings and liquidity positions. Please turn to the annual report for more detailed information.

- **Risks and opportunities arising from the volatility of commodity prices:** The development of prices on commodity markets is of central importance to our earnings situation, especially in the field of electricity generation. For example, decreasing electricity prices or rising fuel costs may lead to a decline in generation margin contributions. However, opportunities arise from counteracting price trends. Commodity risks faced by generation and supply companies are managed by following hedging rules established by RWE AG. In the generation business, we limit risks by selling most of our electricity in advance via forward contracts and hedging the price of fuels and emissions certificates needed for this output. In this context, RWE Supply & Trading plays a central role. The company is the RWE Group's interface to the world's wholesale markets for energy and energy commodities, while serving as an internal transaction partner for hedging commodity risks. The trading activities are not exclusively oriented towards limiting risks. RWE Supply & Trading undertakes proprietary trading in adherence with limits, in order to make use of changes in prices on energy markets.

  The RWE Group's integrated trading and risk management system for energy trading is firmly aligned with industry best practice. The commodity price risks in our generation and supply companies are constantly monitored and reported to the responsible bodies, including the Risk Committee of RWE AG. Furthermore, the Executive Board of RWE AG is kept informed of our consolidated risk positions in the field of commodities by way of quarterly reports. The upper risk limits in the energy trading business are set and constantly monitored by the Executive Board of RWE AG. Among other things, we calculate the Value at Risk (VaR) to quantify price risks. The central risk controlling parameter is the Global VaR, which limits trading activities of RWE Supply & Trading and may not exceed €40 million. The VaR figures within the RWE Group are based on a confidence interval of 95 % and a holding period of one day. This means that, with a probability of 95 %, the maximum daily loss does not exceed the Global VaR. In the first quarter of 2009, RWE Supply & Trading's Global VaR averaged €12.1 million, and the daily maximum was €19.4 million. However, our risk analysis is not only based on the amount of VaR. We also factor in extreme scenarios, determine the influence they can have on liquidity and earnings, and take suitable measures if necessary.

- **Financial risks:** Fluctuations in foreign exchange rates, interest rates and share prices can also have a significant effect on our earnings. Due to our international activities, currency risk management is very important. Group companies are obliged to hedge all currency risks via RWE AG. The parent company determines the net financial position for each currency and hedges it with external market partners if necessary. In the period under review, the average VaR for RWE AG's foreign currency position was less than €1 million.

  Interest rate management is also ascribed significant importance. Our interest rate risks primarily stem from our interest-bearing investments and financial debt. Negative changes in value caused by unexpected interest rate movements are hedged with non-derivative and derivative financial instruments. In the period under review, the average VaR for the interest rate risk associated with our financial debt and related hedges was €169.5 million. The average VaR for interest-bearing investments including hedges was €37.1 million and for share investments it was €33.6 million.

Risks and opportunities from changes in the value of securities are controlled by a professional fund management system. The Group's financial transactions are recorded using centralised risk management software and monitored by RWE AG. This enables the balancing of risks across individual companies. Range of action, responsibilities and controls are set forth in internal guidelines to which our Group companies are obliged to adhere.

- **Creditworthiness of business partners:** Our business relations with financial institutions, trading partners, customers and suppliers expose us to credit risks. Our risk management system is designed to keep our exposure to these risks manageable. In this context, we take into account the fact that the current financial crisis might lead to an increase in our counterparty default risk. We manage credit risks by setting limits and by adjusting them on a timely basis, especially in the event of changes in creditworthiness. If necessary, we request cash collateral or bank guarantees. We also take out credit insurance policies insofar as economically feasible. In the financial and energy trading activities, we conclude credit transactions largely with banks and trading partners of good creditworthiness. We determine their credit standing using an internal assessment method, which has been supplemented with an early warning indicator in light of the financial market crisis. As a rule, trading transactions are concluded on the basis of framework agreements, e. g., those published by the European Federation of Energy Traders (EFET). We measure credit risks in our energy trading and financial activities on a daily basis.

- **Liquidity risk:** Liquidity risks arise if liquidity reserves are no longer sufficient to meet financial obligations in a timely manner. At RWE, such obligations result above all from the refinancing of financial liabilities. Furthermore, we must put up cash collateral if contracts valued at current market prices result in a loss. Despite the current financial market crisis, we classify our liquidity risk as low. The basis for this is our solid financing. We have strong cash flows from operating activities, substantial cash and cash equivalents, unused credit lines, and further financial latitude through our Commercial Paper Programme and Debt Issuance Programme (see Annual Report, page 86). Our careful planning ensures that we are liquid at all times.

- **Regulation:** The RWE Group's exposure to the constant change in the political, legal and social environment in which it does business can be expected to have a substantial impact on earnings. Lignite and hard coal power plants account for a significant portion of our electricity generation portfolio. This represents a substantial risk due to the EU-wide CO_2 emissions trading system. Risks can arise above all from increases in the cost of procuring CO_2 certificates. We must assume that the generators in our core markets, i. e. Germany and the UK, will no longer be allocated free certificates in the third emissions trading period (2013 to 2020). We intend to continue reducing our emissions significantly and to make our power generation portfolio more flexible primarily through our investment programme. Furthermore, we limit CO_2 risks through climate-protection projects in developing and newly industrialising countries within the scope of the Kyoto "Clean Development Mechanism" (CDM) and "Joint Implementation" (JI).

  Our German electricity and gas grid companies are exposed to earnings risks largely in connection with the incentive-based regulation in effect since January 2009. Some details which are of significant financial importance to RWE still remain to be clarified. We intend to partially offset the effects of regulation on our earnings by taking measures to cut costs and enhance efficiency in the grid business. Our grid and supply activities are exposed to regulatory risks outside Germany as well.

  Risks can also arise from the stricter monitoring of anti-competitive pricing practices, which entered into force at the end of 2007. Therefore, our pricing in the supply business might be subject to review by the authorities.

- **Legal procedures:** Individual RWE Group companies are involved in litigation and arbitration proceedings due to their operations or sale of companies, and out-of-court claims have been filed against some of them. However, we do not expect any major negative repercussions on the RWE Group's economic or financial position. Furthermore, Group companies are directly involved in various procedures with public authorities or are at least affected by their results.

  Raw materials production and power generation activities might be curtailed by risks arising from approval processes for our opencast mines and nuclear power plants. Furthermore, there is a risk of financial loss when capital is spent on power plant new builds before all of the approvals for construction and operation have been received from the public authorities. We take precautionary measures against this by preparing our applications for approval with great care and ensuring that approval processes are handled competently. In light of our extensive growth programme and numerous investments in replacement plants, the number of our ongoing approval processes is especially high at present.

  In the German end-customer business, we are affected by legal procedures concerning the effectiveness of pricing mechanisms. This may result in burdens for us.

In May and December of 2006, the EU Commission conducted follow-up inquiries at several energy companies throughout Europe. This affected RWE AG and other RWE Group companies in Germany. The EU Commission then filed requests with companies including RWE for information on individual energy market issues. Furthermore, the German Federal Cartel Office has been conducting investigations throughout the electricity and gas sectors since spring 2009. Risks may arise from these investigations.

Conciliation proceedings in connection with the legal restructuring of companies are currently pending. They were initiated by outside shareholders in order to examine the appropriateness of the conversion ratios and the amount of cash paid in compensation. In our opinion, associated risks are low, as the conversion ratios and cash compensation were calculated by independent experts. If a different, legally enforceable, decision is reached, the compensation will be carried out by making an additional cash payment to the affected shareholders, including those who are not directly involved in the conciliation proceedings.

Consolidated Financial Statements (condensed)

Income Statement[1]

€ million	Jan – Mar 2009	Jan – Mar 2008
Revenue (including natural gas tax / electricity tax)	**14,516**	**13,395**
Natural gas tax / electricity tax	-465	-471
Revenue	**14,051**	**12,924**
Changes in finished goods and work in progress / other own work capitalized	48	75
Cost of materials	-9,180	-8,520
Staff costs	-1,070	-1,012
Depreciation, amortization, and impairment losses	-530	-527
Other operating result	-434	-522
Income from operating activities of continuing operations	**2,885**	**2,418**
Income from investments accounted for using the equity method	57	81
Other income from investments	106	15
Financial income	505	448
Finance costs	-1,015	-749
Income from continuing operations before tax	**2,538**	**2,213**
Taxes on income	-703	-685
Income from continuing operations	**1,835**	**1,528**
Income from discontinued operations	25	-634
Income	**1,860**	**894**
Minority interest	-115	-85
Net income / income attributable to RWE AG shareholders	**1,745**	**809**
Basic and diluted earnings per common and preferred share in €	**3.28**	**1.45**
of which: from continuing operations in €	(3.28)	(2.59)
of which: from discontinued operations in €		(-1.14)

1 Prior-year figures adjusted.

Statement of Recognized Income and Expenses[1]

€ million	Jan – Mar 2009	Jan – Mar 2008
Income	**1,860**	**894**
Currency translation adjustment	-171	220
Fair valuation of financial instruments available for sale	-19	-132
Fair valuation of financial instruments used for hedging purposes	363	214
Actuarial gains and losses of defined benefit pension plans and similar obligations	-317	354
Other comprehensive income	**-144**	**656**
Total comprehensive income	**1,716**	**1,550**
of which: attributable to RWE AG shareholders	(1,643)	(1,401)
of which: attributable to minority interests	(73)	(149)

1 Figures stated after taxes.

Balance Sheet

Assets € million	Mar 31, 2009	Dec 31, 2008
Non-current assets		
Intangible assets	11,293	11,202
Property, plant and equipment	21,954	21,762
Investment property	181	180
Investments accounted for using the equity method	3,471	3,268
Other non-current financial assets	676	681
Accounts receivable and other assets	3,034	3,061
Deferred taxes	1,583	1,609
	42,192	**41,763**
Current assets		
Inventories	2,003	2,540
Trade accounts receivable	10,933	10,415
Accounts receivable and other assets	19,644	21,018
Marketable securities	10,071	7,735
Cash and cash equivalents	1,584	1,249
Assets held for sale	9,019	8,710
	53,254	**51,667**
	95,446	**93,430**

Equity and Liabilities € million	Mar 31, 2009	Dec 31, 2008
Equity		
RWE Group interest	13,406	11,587
Minority interest	1,477	1,553
	14,883	**13,140**
Non-current liabilities		
Provisions	21,553	21,072
Financial liabilities	14,153	11,154
Other liabilities	2,979	2,984
Deferred taxes	1,774	1,583
	40,459	**36,793**
Current liabilities		
Provisions	5,678	5,685
Financial liabilities	2,053	2,329
Trade accounts payable	8,569	11,031
Other liabilities	16,872	17,738
Liabilities held for sale	6,932	6,714
	40,104	**43,497**
	95,446	**93,430**

Cash Flow Statement

€ million	Jan – Mar 2009	Jan – Mar 2008
Income	1,860	894
Depreciation, amortization, impairment losses, write-backs	545	529
Changes in provisions	-69	-57
Deferred taxes / non-cash income and expenses / income from disposal of non-current assets and marketable securities	-396	1,037
Changes in working capital	-1,407	-1,019
Cash flows from operating activities of continuing operations	**533**	**1,384**
Cash flows from operating activities of discontinued operations	11	52
Cash flows from operating activities	**544**	**1,436**
Capital expenditure on non-current assets	-2,052	-672
Proceeds from disposal of assets / divestitures	30	73
Changes in marketable securities and cash investments	-2,537	2,533
Cash flows from investing activities of continuing operations[1]	**-4,559**	**1,934**
Cash flows from investing activities of discontinued operations	-78	-109
Cash flows from investing activities	**-4,637**	**1,825**
Cash flows from financing activities of continuing operations	**4,368**	**-872**
Cash flows from financing activities of discontinued operations	65	60
Cash flows from financing activities	**4,433**	**-812**
Net cash change in cash and cash equivalents	340	2,449
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	-7	-2
Net cash change in cash and cash equivalents from discontinued operations	2	-3
Net change in cash and cash equivalents	**335**	**2,444**
Cash and cash equivalents at beginning of the reporting period	1,249	1,922
Cash and cash equivalents at end of the reporting period	**1,584**	**4,366**

1 In the first quarter of 2009 after funding the contractual trust arrangement (€ 40 million).

Statement of Changes in Equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Own shares	Accumulated other comprehensive income	**RWE Group interest**	Minority interest	**Total**
Balance at Jan 1, 2008	**2,728**	**11,077**		**120**	**13,925**	**734**	**14,659**
Share buybacks			-1,402		-1,402		-1,402
Dividends paid						-93	-93
Income		809			809	85	894
Other comprehensive income		285		307	592	64	656
Total comprehensive income		1,094		307	1,401	149	1,550
Other changes						57	57
Balance at Mar 31, 2008	**2,728**	**12,171**	**-1,402**	**427**	**13,924**	**847**	**14,771**
Balance at Jan 1, 2009	**2,598**	**11,200**	**-2,500**	**289**	**11,587**	**1,553**	**13,140**
Sale of own shares		-52	228		176		176
Dividends paid						-65	-65
Income		1,745			1,745	115	1,860
Other comprehensive income		-304		202	-102	-42	-144
Total comprehensive income		1,441		202	1,643	73	1,716
Other changes						-84	-84
Balance at Mar 31, 2009	**2,598**	**12,589**	**-2,272**	**491**	**13,406**	**1,477**	**14,883**

Notes

Accounting policies

RWE AG, headquartered at Opernplatz 1, 45128 Essen, Germany, is the parent company of the RWE Group (“RWE” or “Group”).

The consolidated interim report as of March 31, 2009, which was approved for publication on May 12, 2009, was prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of the consolidated financial statements of RWE AG for the period ended March 31, 2009, was condensed compared with the scope applied to the consolidated financial statements for the full year. With the exception of the changes and new rules described below, this consolidated interim report was prepared using the accounting policies applied in the consolidated financial statements for fiscal 2008. For further information, please see the consolidated financial statements for the period ended December 31, 2008, which provide the basis for this interim report.

The interest rate applied to provisions for nuclear waste management and provisions for mining damage is 5.00 % (December 31, 2008: 5.00 %). Provisions for pensions and similar obligations are discounted at an interest rate of 6.00 % in Germany and 7.00 % abroad (December 31, 2008: 6.00 % in Germany and 6.50 % abroad).

Changes in accounting policies

The International Accounting Standards Board (IASB) has approved a number of changes to the existing International Financial Reporting Standards (IFRSs) and adopted several new IFRSs, which became effective for the RWE Group from fiscal 2009 onwards:

Collection of amendments to various IFRSs (2008) “Improvements to IFRSs”: The IASB released the collection of amendments as part of its “Annual Improvement Process.” It includes a number of minor IFRS changes, seeking to specify the rules and eliminate inconsistencies. Most of the amendments become effective for fiscal years starting on or after January 1, 2009. They did not have a material impact on the RWE Group’s consolidated financial statements.

IFRS 1 (2008) and IAS 27 (2008) “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” simplifies the initial recognition of investments in the separate financial statements of entities applying IFRS for the first time. They did not have an impact on the RWE Group’s consolidated financial statements.

Amendment of IFRS 2 (2008) “Vesting Conditions and Cancellations” clarifies the definition of vesting conditions in share-based payments and stipulates that all cancellations of share-based payments should receive identical accounting treatment, regardless of the party responsible for the cancellation. The first-time application of this amendment did not have any material impact on the RWE Group’s consolidated financial statements.

IAS 1 (2007) “Presentation of Financial Statements” contains new regulations on the presentation of financial statements. Above all, future non-owner changes in equity are to be strictly separated from owner changes in equity, and disclosure on other comprehensive income is to be extended. In particular, the application of IAS 1 (2007) will result in changes in the presentation of the RWE Group’s consolidated financial statements for the period ending December 31, 2009, and in extended disclosure in the notes.

IAS 23 (2007) "Borrowing Costs": By revising IAS 23, the IASB abolished the option for the treatment of borrowing costs directly incurred in connection with the acquisition, construction or production of qualified assets. These borrowing costs must now be assigned to the asset's cost and capitalized. This change in the accounting method for borrowing costs is effective from fiscal 2009 onwards and essentially has an effect on net interest and depreciation. There were no capitalizable borrowing costs in the first quarter of 2009.

IAS 32 (2008) and IAS 1 (2008) "Puttable Financial Instruments and Obligations Arising on Liquidation" includes amended rules for differentiating between liabilities and equity. Certain financial instruments that were previously classified as liabilities must be recognized as equity as of January 1, 2009. The amended rules did not have a material impact on the RWE Group's consolidated financial statements.

IFRIC 13 "Customer Loyalty Programmes" addresses the accounting of revenue in connection with loyalty award credit programmes offered by manufacturers or service providers directly, or via third parties. The first-time application did not have a material impact on the RWE Group's consolidated financial statements.

New accounting policies

The IASB has adopted further standards and interpretations which are not yet mandatory in the European Union. These IFRSs can only be applied if they are endorsed by the EU, which is still pending in some cases.

Collection of Amendments to various IFRSs (2009) "Improvements to IFRSs": On April 16, 2009, the IASB issued the second collection of amendments as part of its "Annual Improvement Process." It includes a number of minor IFRS changes aiming to specify the rules and eliminate inconsistencies. Most of the amendments become effective for fiscal years starting on or after January 1, 2010. Their impact on the RWE Group's consolidated financial statements is currently being reviewed.

IFRS 1 (2008) "First-Time Adoption of International Financial Reporting Standards" is a new version of IFRS 1, which has been restructured without changing its content. This revision becomes effective for the first time for fiscal years starting on or after July 1, 2009. It will not have an impact on the RWE Group's consolidated financial statements.

IFRS 3 (2008) "Business Combinations" contains amended regulations on the accounting for business combinations. In particular, these changes involve the scope of application of IFRS 3 and the treatment of successive share purchases. Furthermore, IFRS 3 (2008) offers companies an option: Non-controlling interests may be measured at fair value or at the proportionate share of net assets. Depending on which option a company exercises, any goodwill is recognized in full or only in proportion to the majority owner's interest. IFRS 3 (2008) becomes effective for the first time for fiscal years starting on or after July 1, 2009. Its impact on the RWE Group's consolidated financial statements is currently being reviewed.

IAS 27 (2008) "Consolidated and Separate Financial Statements": In particular, by revising IAS 27, the IASB changed the regulations for the treatment of transactions with non-controlling interests of a group. Transactions which result in a parent company changing its ownership interest in a subsidiary without a loss of control are to be accounted for as equity transactions without an effect on profit or loss. Regulations for treatment in the event of a loss of control over a subsidiary were also changed: The standard regulates how deconsolidation gains or losses are to be calculated and how the residual ownership interest in the former subsidiary is to be measured following a partial sale. The revision to IFRS 27 (2008) becomes effective for the first time for fiscal years starting on or after July 1, 2009. The consequences for the RWE Group's consolidated financial statements are currently being reviewed.

IAS 39 Amendments (2008) "Eligible Hedged Items" provides clarification on issues in relation to hedge accounting. The amendments relate to the prerequisites for designating inflation risks as the hedged item. They also provide clarification on hedging one-sided risks. These amendments become effective for the first time for fiscal years starting on or after July 1, 2009. They are not expected to have a material impact on the RWE Group's consolidated financial statements.

IFRIC 12 "Service Concession Agreements" governs the accounting for arrangements in which a private company concludes a contract with a public agency for the supply of public services. The private company uses infrastructure which remains under public control. It is responsible for the construction, operation and maintenance of the infrastructure. IFRIC 12 becomes mandatory in the European Union for the first time for fiscal years starting on or after March 29, 2009. Its application is not expected to have a material impact on the RWE Group's consolidated financial statements.

IFRIC 17 "Distributions of Non-cash Assets to Owners" establishes regulations for the accounting of non-cash dividends. This Interpretation becomes effective for the first time for fiscal years starting on or after July 1, 2009. It is not expected to have a material impact on the RWE Group's consolidated financial statements.

IFRIC 18 "Transfer of Assets from Customers" regulates the accounting treatment of assets which are transferred by a customer to a company for the purpose of connection to a network or to provide permanent access to a supply of goods or services. IFRIC 18 must be applied for the first time to the accounting of assets which are transferred on or after July 1, 2009. The consequences of this new rule for the RWE Group's consolidated financial statements are currently being reviewed.

The following IFRSs, which have already become effective, are not being applied by the RWE Group as they are still pending EU approval:

IFRS 7 Amendments (2009) "Improving Disclosures about Financial Instruments" stipulates extended disclosure in the notes concerning financial instruments. In particular, in the future, a so-called "fair value hierarchy" must be presented, showing whether fair values of financial instruments are determined based on published market prices or unobservable internal company data. Furthermore, disclosure requirements for liquidity risks arising from financial instruments have been extended. The IASB has already mandated the application of these amendments for fiscal years starting on or after January 1, 2009. Their first-time application is expected to require additional disclosure in the notes to the RWE Group's consolidated financial statements.

IAS 39 and IFRS 7 Amendments (2008) "Reclassification of Financial Assets – Effective Date and Transition" present transitional regulations and clarification on the effective date of the option introduced in 2008, according to which certain non-derivative financial assets which were previously designated at fair value can be accounted for at amortized cost. The IASB has already mandated the application of these amendments for fiscal years starting on or after July 1, 2008. Their first-time application is not expected to have a material impact on the RWE Group's consolidated financial statements.

IFRIC 9 and IAS 39 Amendments "Embedded Derivatives" clarify the rules according to which, when reclassifying a financial instrument previously measured at fair value with an effect on profit or loss to the category "measured at amortized cost," one must determine whether derivatives embedded therein must be separated. The IASB has already mandated the application of these amendments for fiscal years ending on or after June 30, 2009. Their first-time application is not expected to have an impact on the RWE Group's consolidated financial statements.

IFRIC 15 "Agreements for the Construction of Real Estate" addresses the accounting treatment of real estate sales in cases where a contract is entered into with the purchaser prior to the completion of the construction work. This Interpretation primarily determines the conditions under which IAS 11 and IAS 18 are applicable and the point in time at which the corresponding revenue is realized. This Interpretation becomes effective for the first time for fiscal years starting on or after January 1, 2009. It is not expected to have a material impact on the RWE Group's consolidated financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" clarifies uncertainties relating to the currency hedges of foreign operations. Above all, the Interpretation determines the risks that can be hedged, the group companies that are allowed to hold the hedging instrument, and the accounting treatment applicable in the event that the foreign entity is divested. This Interpretation becomes effective for the first time for fiscal years starting on or after October 1, 2008. IFRIC 16 is not expected to have a material impact on the RWE Group's consolidated financial statements.

Scope of consolidation

In addition to RWE AG, the consolidated financial statements contain all material German and foreign companies which RWE AG controls directly or indirectly. Principal associates and joint ventures are accounted for using the equity method.

Changes in the first quarter of 2009 relate to the RWE Energy, RWE npower and RWE Innogy Divisions, in which 17 companies were consolidated for the first time.

The scope of consolidation is as follows:

	Mar 31, 2009	Dec 31, 2008
Fully consolidated companies	335	318
Investments accounted for using the equity method	94	94

Discontinued operations

With the initiation of the sale of American Water Works Company Inc., Wilmington / Delaware, USA, RWE sold 58 million shares in American Water on the New York Stock Exchange at a price of US$ 21.50 per share. Furthermore, approximately five million additional shares were sold to the underwriters at the aforementioned issue price as a result of their exercise of an over-allotment option ("greenshoe").

Following this sale, the remaining stake in American Water was about 60.5 % as of March 31, 2009. Therefore, RWE still holds the majority of the voting rights. American Water is stated as a discontinued operation. The carrying amount of American Water's assets and liabilities allocable to the shares sold is stated under the minority interest.

In accordance with IFRS 5, discontinued operations are recognized at the lower of the carrying amount and the fair value less costs to sell.

Recognition at fair value less costs to sell is essentially based on the market price of American Water. The following resulting measurement adjustments are included in the fair value adjustment. Changes in the market price can have a significant impact on the Group's result in the future.

Key figures for the activities of American Water are presented in the following tables:

Key figures for American Water € million	Mar 31, 2009	Dec 31, 2008
Non-current assets	8,719	8,432
Current assets	300	278
Non-current liabilities	5,923	5,824
Current liabilities	1,009	890

€ million	Jan – Mar 2009	Jan – Mar 2008
Revenue	426	332
Expenses / income	-323	-278
Ordinary income from discontinued operations before tax	103	54
Taxes on income	-39	-21
Income	64	33
Fair value adjustments	-39	-667
Income from discontinued operations	25	-634

€ million	Jan – Mar 2009	Jan – Mar 2008
Cash flows from operating activities	11	52
Cash flows from investing activities	-78	-109
Cash flows from financing activities	65	60

Revenue

Revenue generated by energy trading operations is stated as net figures, i. e. reflecting only realized gross margins.

Research and development costs

In the first quarter of 2009, research and development costs totalled €19 million (first quarter of 2008: €17 million).

Intangible assets

Intangible assets include €668 million (December 31, 2008: €668 million) in goodwill from put options of minority interests that are recognized in accordance with IAS 32.

Equity

Pursuant to the resolution passed by the Annual General Meeting on April 17, 2008, the Executive Board of RWE AG was authorized to increase the company's capital stock, subject to the Supervisory Board's approval, by up to €287,951,360.00 until April 16, 2013, through the issuance of new bearer common shares in return for contributions in cash or in kind (authorized capital). In certain cases, the subscription rights of shareholders can be waived, with the approval of the Supervisory Board.

Pursuant to the resolution passed by the Annual General Meeting on April 17, 2008, the Executive Board was also authorized to purchase shares of any class in RWE totalling up to 10% of the company's share capital until October 16, 2009. Share buybacks may also be conducted by exercising put or call options. This resolution was replaced by the resolution passed by the Annual General Meeting on April 22, 2009, according to which the company was authorized to purchase shares of any class in RWE totalling up to 10% of the company's share capital until October 21, 2010. As in the preceding resolution, share buybacks may also be conducted by exercising put or call options.

Pursuant to the resolution passed by the Annual General Meeting on April 22, 2009, the Executive Board was authorized to recall own shares without requiring an additional resolution by the Annual General Meeting or—under certain conditions and exclusion of shareholder subscription rights—to sell them to third parties.

Pursuant to a resolution passed by the Annual General Meeting on April 22, 2009, the Executive Board was further authorized to issue option or convertible bonds until April 21, 2014. The total nominal value of the bonds is limited to €6,000 million. Shareholder subscription rights may be excluded under certain conditions. The Annual General Meeting decided to establish €144 million in conditional capital divided into 56 million common shares in the name of the bearer, in order to redeem the bonds.

RWE AG purchased about 2.9 million common shares of RWE AG with a value of €177 million between February 2 and February 16, 2009. These shares were transferred to former VEW shareholders in line with the settlement agreed on December 22, 2008, in the conciliation proceedings occasioned by the merger between RWE and VEW. In the same period, RWE AG sold some 2.9 million own common shares held by the company with a value of €176 million.

On March 31, 2009, the own shares' acquisition costs in the amount of €2,272 million (28,846,473 common shares) were deducted from the equity's carrying amount. They account for €73,846,970.88 of the company's share capital (5.13 % of subscribed capital).

Furthermore, in the first quarter of 2009, RWE Group companies bought 1,270 common shares on the capital market at an average cost of €55.49 per share for issuance to employees of RWE AG and its subsidiaries. The proportionate share capital totals €3,251.20 (0.002 ‰ of subscribed capital). Employees were issued a total of 15 common shares at an average price of €57.27 per share within the scope of capital formation schemes and 1,255 common shares at an average price of €35.01 on the occasion of service anniversaries. Proceeds from the share issuances amounted to €44,796.60. The purchase price rebates offered to employees were recognized in the income statement as share-based payments at the fair value they had at their time of issuance.

Share-based payment

Detailed information was provided on groupwide share-based payment plans for executive staff at RWE AG and at subsidiaries in the financial statements for the period ended December 31, 2008.

In the first quarter of 2009, another tranche was issued within the framework of the Long-Term Incentive Plan for executive staff ("Beat").

Dividend distribution

RWE AG's April 22, 2009, Annual General Meeting decided to pay a proposed dividend of €4.50 per common and preferred share for fiscal 2008. The dividend payment totalled €2,401 million.

Other liabilities

Other liabilities include €1,294 million (December 31, 2008: €1,294 million) in current redemption liabilities from put options of minority interests that are recognized in accordance with IAS 32.

Earnings per share

		Jan – Mar 2009	Jan – Mar 2008
Net income	€ million	1,745	809
Number of shares outstanding (weighted average)	thousands	531,882	558,389
Basic and diluted earnings per common and preferred share	in €	**3.28**	**1.45**

The earnings per share are the same for both common and preferred shares.

Related party disclosures

The RWE Group classifies associated companies as related parties. In the first quarter of 2009, transactions concluded with material related parties generated €323 million in income (first quarter of 2008: €176 million) and €44 million in expenses (first quarter of 2008: €133 million). As of March 31, 2009, accounts receivable amounted to €707 million (December 31, 2008: €684 million) and accounts payable totalled €10 million (December 31, 2008: €13 million). All business transactions are concluded at arm’s length conditions and on principle do not differ from those concluded with other companies.

Companies of the Georgsmarienhütte Group have also been classified as related companies as the CEO of RWE AG, Dr. Jürgen Großmann, is a partner in Georgsmarienhütte Holding GmbH. In the first quarter of 2009, RWE Group companies provided services and deliveries to companies of the Georgsmarienhütte Group amounting to €1.5 million (first quarter of 2008: €1.8 million). Services and deliveries provided by Georgsmarienhütte Group companies to RWE Group companies in the first quarter of 2009 totalled €0.1 million (first quarter of 2008: €0.8 million). As of March 31, 2009, the Georgsmarienhütte Group had €0.3 million in accounts receivable (December 31, 2008: €0 million) from and €0.5 million in accounts payable (December 31, 2008: €0.4 million) to RWE Group companies. All business transactions were completed at arm’s length conditions and do not differ from the scope of supply and services provided to other enterprises.

The RWE Group did not conclude or carry out any material transactions with related persons.

Events after the balance-sheet date

Information on events after the balance-sheet date is presented in the review of operations.

Review Report

To RWE Aktiengesellschaft, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the condensed balance sheet, condensed income statement, condensed statement of recognised income and expense, condensed cash flow statement, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of RWE Aktiengesellschaft, Essen, for the period from January 1 to March 31, 2009 which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG („Wertpapierhandelsgesetz“: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements „Review of Interim Financial Information Performed by the Independent Auditor of the Entity“ (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, May 13, 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Manfred Wiegand
Wirtschaftsprüfer
(German Public Auditor)

Markus Dittmann
Wirtschaftsprüfer
(German Public Auditor)

Supervisory Board

Dr. Manfred Schneider
Chairman since May 1, 2009

Dr. Thomas R. Fischer
Chairman until April 30, 2009

Frank Bsirske
Deputy Chairman

Dr. Paul Achleitner

Werner Bischoff

Carl-Ludwig von Boehm-Bezing

Heinz Büchel

Dieter Faust

Andreas Henrich

Heinz-Eberhard Holl

Dr. Gerhard Langemeyer

Dagmar Mühlenfeld

Dr. Wolfgang Reiniger

Günter Reppien

Karl-Heinz Römer

Dagmar Schmeer

Dr.-Ing. Ekkehard D. Schulz

Uwe Tigges

Prof. Karel Van Miert

Manfred Weber

Executive Board

Dr. Jürgen Großmann
CEO

Dr. Leonhard Birnbaum

Alwin Fitting

Dr. Ulrich Jobs

Dr. Rolf Pohlig

Dr. Rolf Martin Schmitz
– since May 1, 2009 –

As of May 12, 2009.

Financial Calendar 2009 / 2010

August 13, 2009	Interim report for the first half of 2009
November 12, 2009	Interim report for the first three quarters of 2009
February 25, 2010	Annual report for fiscal 2009
April 22, 2010	Annual General Meeting
April 23, 2010	Ex-dividend date
May 12, 2010	Interim report for the first quarter of 2010
August 12, 2010	Interim report for the first half of 2010
November 11, 2010	Interim report for the first three quarters of 2010

The interim report for the first quarter of 2009 was published on May 14, 2009.

This is a translation of the German interim report.
In case of divergence from the German version, the German version shall prevail.

All events will be broadcasted live on the Internet and can thus be followed by the public at large, investors and analysts simultaneously.
We will keep the recordings on our website for at least twelve months.

RWE Aktiengesellschaft

Opernplatz 1
45128 Essen
Germany

T +49 201 12-00
F +49 201 12-15199
I www.rwe.com

Investor Relations

T +49 201 12-15025
F +49 201 12-15265
E invest@rwe.com

Private investors are welcome to call our Investor Relations hotline:

T +49 1801 451280

RWE AG, ESSEN, GERMANY
CONSOLIDATED INCOME STATEMENT OF THE RWE GROUP [1]
FOR THE THREE MONTHS ENDED MARCH 31, 2009

Exchange rates			1.3308	1.5812 [2]
	Euros in millions (except for per share data) March 31		**U.S. dollars in millions (except for per share data) March 31**	
	2009	**2008**	**2009**	**2008**
Revenue (including natural gas tax / electricity tax)	**14,516**	**13,395**	**19,318**	**21,180**
Natural gas tax / electricity tax	-465	-471	-619	-745
Revenue	**14,051**	**12,924**	**18,699**	**20,435**
Changes in finished goods and work in progress / other own work capitalized	48	75	64	119
Cost of materials	-9,180	-8,520	-12,217	-13,472
Staff costs	-1,070	-1,012	-1,424	-1,600
Depreciation, amortization, and impairment losses	-530	-527	-705	-833
Other operating result	-434	-522	-577	-826
Income from operating activities of continuing operations	**2,885**	**2,418**	**3,840**	**3,823**
Income from investments accounted for using the equity method	57	81	76	128
Other income from investments	106	15	141	24
Financial income	505	448	672	708
Finance costs	-1,015	-749	-1,351	-1,184
Income from continuing operations before tax	**2,538**	**2,213**	**3,378**	**3,499**
Taxes on income	-703	-685	-936	-1,083
Income from continuing operations	**1,835**	**1,528**	**2,442**	**2,416**
Income from discontinued operations	25	-634	33	-1,002
Income	**1,860**	**894**	**2,475**	**1,414**
Minority interest	-115	-85	-153	-135
Net income / income attributable to RWE AG shareholders	**1,745**	**809**	**2,322**	**1,279**
	Euros	**Euros**	**U.S. dollars**	**U.S. dollars**
Basic and diluted earnings per common and preferred share	**3.28**	**1.45**	**4.37**	**2.29**
of which: from continuing operations	(3.28)	(2.59)	(4.37)	(4.09)
of which: from discontinued operations		-(1.14)		-(1.80)

(1) Prior-year figures adjusted.
(2) As required by the order all numbers were converted to U.S. dollars using the exchange rates existing at the end of the period.

RWE AG, ESSEN, GERMANY
CONSOLIDATED BALANCE SHEET OF THE RWE GROUP
AS OF MARCH 31, 2009

Exchange rates			1.3308	1.3917 (1)

ASSETS	**Euros in millions**		**U.S. dollars in millions**	
	March 31 2009	**December 31 2008**	**March 31 2009**	**December 31 2008**
Non-current assets				
Intangible assets	11,293	11,202	15,029	15,590
Property, plant and equipment	21,954	21,762	29,216	30,286
Investment property	181	180	241	251
Investments accounted for using the equity method	3,471	3,268	4,619	4,548
Other non-current financial assets	676	681	900	948
Accounts receivable and other assets	3,034	3,061	4,038	4,260
Deferred taxes	1,583	1,609	2,107	2,239
	42,192	**41,763**	**56,150**	**58,122**
Current assets				
Inventories	2,003	2,540	2,666	3,535
Trade accounts receivable	10,933	10,415	14,550	14,494
Accounts receivable and other assets	19,644	21,018	26,142	29,251
Marketable securities	10,071	7,735	13,402	10,765
Cash and cash equivalents	1,584	1,249	2,108	1,738
Assets held for sale	9,019	8,710	12,002	12,122
	53,254	**51,667**	**70,870**	**71,905**
	95,446	**93,430**	**127,020**	**130,027**

EQUITY AND LIABILITIES	**Euros in millions**		**U.S. dollars in millions**	
	March 31 2009	**December 31 2008**	**March 31 2009**	**December 31 2008**
Equity				
RWE Group interest	13,406	11,587	17,841	16,126
Minority interest	1,477	1,553	1,966	2,161
	14,883	**13,140**	**19,807**	**18,287**
Non-current liabilities				
Provisions	21,553	21,072	28,683	29,326
Financial liabilities	14,153	11,154	18,835	15,523
Other liabilities	2,979	2,984	3,964	4,153
Deferred taxes	1,774	1,583	2,361	2,203
	40,459	**36,793**	**53,843**	**51,205**
Current liabilities				
Provisions	5,678	5,685	7,556	7,912
Financial liabilities	2,053	2,329	2,732	3,241
Trade accounts payable	8,569	11,031	11,404	15,352
Other liabilities	16,872	17,738	22,453	24,686
Liabilities held for sale	6,932	6,714	9,225	9,344
	40,104	**43,497**	**53,370**	**60,535**
	95,446	**93,430**	**127,020**	**130,027**

(1) As required by the order all numbers were converted to U.S. dollars using the exchange rates existing at the end of the period.

RWE AG, ESSEN, GERMANY
CONSOLIDATED CASH FLOW STATEMENT OF THE RWE GROUP
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Euros in millions March 31		U.S. dollars in millions March 31	
Exchange rates			1.3308	1.5812 (2)
	2009	**2008**	**2009**	**2008**
Income	1,860	894	2,475	1,414
Depreciation, amortization, impairment losses, write-backs	545	529	725	836
Changes in provisions	-69	-57	-92	-90
Deferred taxes / income from disposal of non-current assets and marketable securities/ other non-cash income and expenses	-396	1,037	-527	1,640
Changes in working capital	-1,407	-1,019	-1,872	-1,611
Cash flows from operating activities of continuing operations	**533**	**1,384**	**709**	**2,189**
Cash flows from operating activities of discontinued operations	11	52	15	82
Cash flows from operating activities	**544**	**1,436**	**724**	**2,271**
Capital expenditure on non-current assets	-2,052	-672	-2,731	-1,063
Proceeds from disposal of non-current assets	30	73	40	116
Changes in marketable securities and cash investments	-2,537	2,533	-3,376	4,005
Cash flows from investing activities of continuing operations (1)	**-4,559**	**1,934**	**-6,067**	**3,058**
Cash flows from investing activities of discontinued operations	-78	-109	-104	-172
Cash flows from investing activities	**-4,637**	**1,825**	**-6,171**	**2,886**
Cash flows from financing activities of continuing operations	**4,368**	**-872**	**5,813**	**-1,379**
Cash flows from financing activities of discontinued operations	65	60	86	95
Cash flows from financing activities	**4,433**	**-812**	**5,899**	**-1,284**
Net cash change in cash and cash equivalents	340	2,449	452	3,873
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	-7	-2	-9	-3
Net cash change in cash and cash equivalents from discontinued operations	2	-3	3	-5
Net change in cash and cash equivalents	**335**	**2,444**	**446**	**3,865**
Cash and cash equivalents at beginning of the reporting period	1,249	1,922	1,662	3,039
Cash and cash equivalents at end of the reporting period	**1,584**	**4,366**	**2,108**	**6,904**

(1) In the first quarter of 2009 after funding the contractual trust arrangement (€ 40 Million).
(2) As required by the order all numbers were converted to U.S. dollars using the exchange rates existing at the end of the period.