

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

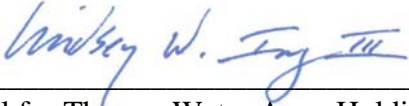
COMPLIANCE OF KENTUCKY-AMERICAN)	
WATER COMPANY, AMERICAN WATER WORKS)	
COMPANY, RWE AKTIENGESELLSCHAFT AND)	
THAMES WATER AQUA HOLDINGS GMBH)	
WITH THE PROVISIONS OF THE ORDERS)	CASE NO.
APPROVING THE TRANSFER OF CONTROL)	2002-00277
OF KENTUCKY-AMERICAN WATER COMPANY)	
TO RWE AKTIENGESELLSCHAFT AND)	
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 three quarters 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 
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 November 13, 2009; that on November 13, 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:

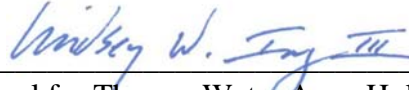
Foster Ockerman, Jr., Esq.
Martin, Ockerman & Brabant
200 North Upper Street
Lexington, Kentucky 40507

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



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 THREE QUARTERS OF 2009

- Operating result 4 % down year on year
- Acquisition of Essent successfully concluded
- Earnings forecast for 2009 confirmed

At a glance

RWE Group – Key Figures		Jan – Sep 2009	Jan – Sep 2008	+ / – in %	Jan – Dec 2008
External electricity sales volume	billion kWh	207.4	235.8	-12.0	317.1
External gas sales volume	billion kWh	208.6	225.9	-7.7	327.8
External revenue	€ million	33,769	34,454	-2.0	48,950
Germany	€ million	21,897	21,585	1.4	30,694
Outside Germany	€ million	11,872	12,869	-7.7	18,256
EBITDA	€ million	6,966	7,189 ¹	-3.1	8,773 ¹
Operating result	€ million	5,534	5,788	-4.4	6,826
Income from continuing operations before tax	€ million	4,315	4,263	1.2	4,866
Net income	€ million	2,791	2,211	26.2	2,558
Recurrent net income	€ million	2,871	3,077	-6.7	3,367
Earnings per share	€	5.24	4.09	28.1	4.75
Recurrent net income per share	€	5.39	5.69	-5.3	6.25
Cash flows from operating activities	€ million	4,126	4,349	-5.1	8,853
Capital expenditure	€ million	13,147	3,426	283.7	5,693
Property, plant and equipment	€ million	3,701	2,525	46.6	4,454
Financial assets	€ million	9,446	901	948.4	1,239
Free cash flow	€ million	425	1,824	-76.7	4,399
		Sep 30, 2009	Dec 31, 2008	+ / – in %	
Net debt of the RWE Group	€ million	25,662	18,659	37.5	
Workforce ²		70,990	65,908	7.7	

¹ Figure adjusted; see commentary on page 13.

² Converted to full-time positions.

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»Our electricity and gas business is robust.
We expect to achieve our targets for 2009.«

Dear Investor,

The first three quarters of 2009 have gone well for RWE. We managed to largely decouple ourselves from the weak economy. Electricity and gas consumption decreased by 7 % in Germany, which is our largest market. However, we were only affected by this to a limited extent. As a rule, we secure prices for our electricity generation up to three years prior to delivery in order to minimise earnings risks. This means that our power stations had virtually sold all their production for 2009 before the crisis started. In so doing, we realised prices that were far above levels currently seen on the market. Our generation company, RWE Power, was therefore able to improve its earnings. Another "safe haven" was RWE Energy. Its sales activities benefited from relatively stable household consumption as well as from the carefully designed contracts we have with our key accounts. RWE Energy's regulated grid business delivered robust earnings.

RWE Supply & Trading doubled its operating result. Energy trading, the earnings of which typically fluctuate substantially, generated above-average profits from forward transactions concluded in earlier years. In the gas midstream business, our strategy of managing and optimising all European gas purchases from a single entity resulted in rising earnings.

The fact that the operating result and recurrent net income were 4 % and 7 % down from last year is on the one hand due to the disappointing earnings contribution made by the UK business and our oil and gas production. RWE npower's operating result more than halved, mainly owing to the extreme pressure on prices and costs in the UK electricity and gas supply business. Our gas and oil production company, RWE Dea, experienced a similar decline, above all due to a drop in oil prices. On the other hand, RWE Supply & Trading was not able to match the high level of earnings achieved in the third quarter of 2008.

But we will catch up again in the fourth quarter. The good developments at RWE Power and RWE Supply & Trading will be the main reasons, with cost-cutting measures also playing a role, especially in the UK business. We can therefore confirm our latest outlook: We expect that the RWE Group's operating result, excluding the acquisition of Essent effective September 30, 2009, will be in the order of last year. In addition, the Dutch energy utility will make a contribution to earnings. You can therefore already look forward to an attractive dividend!

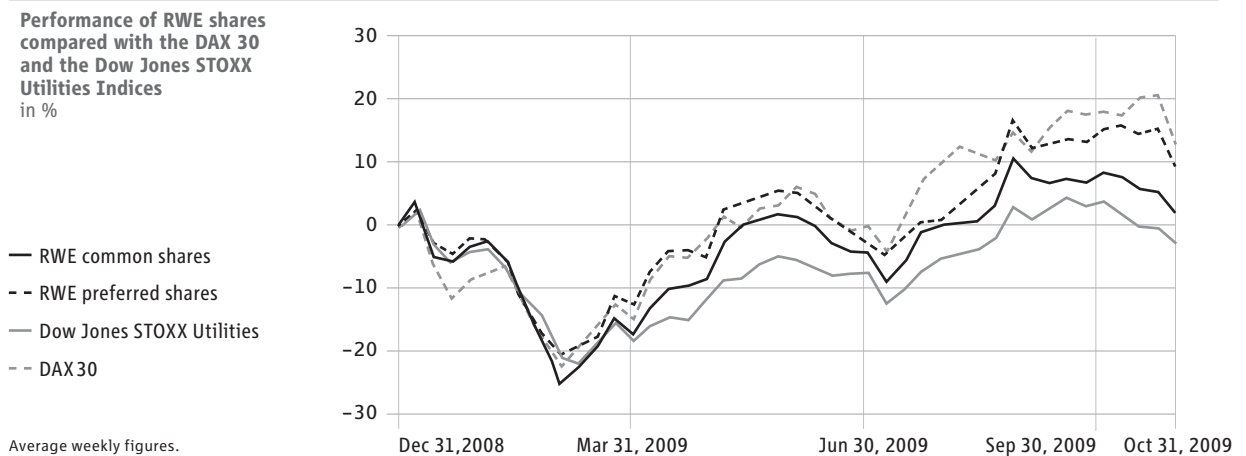
Sincerely yours,



Dr. Jürgen Großmann
CEO of RWE AG

Essen, November 2009

Stock markets recover significantly – RWE performance exceeds sector average

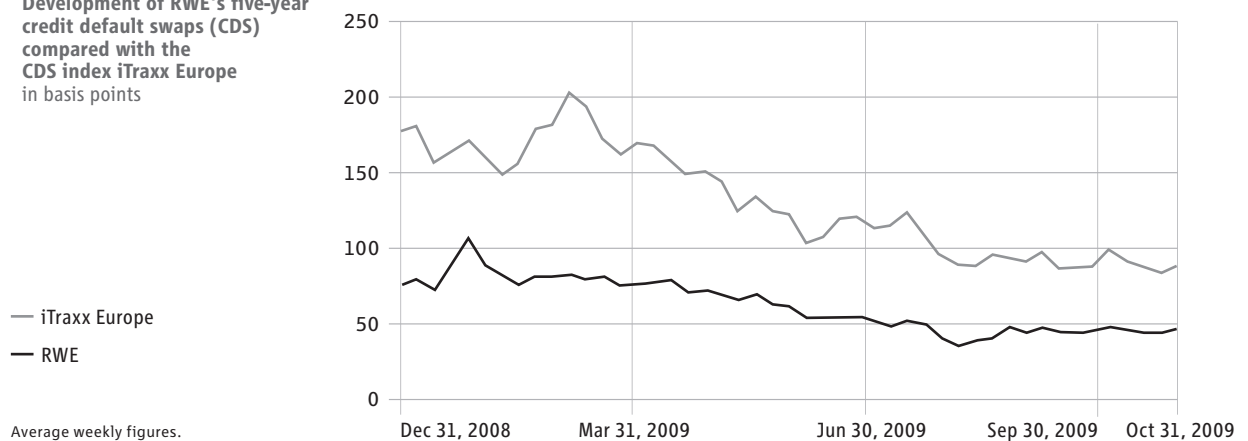


International stock markets have been displaying a clear upward trend since March, following substantial declines in share prices caused by the financial and economic crises. The German lead index, DAX 30, gained 18% to 5,675 points in the first three quarters of 2009. RWE shares also made up some lost ground. At the end of September, our common shares traded at €63.47, while our preferred shares closed at €56.27. This results in a total return (return on the share price plus the dividend) of 8% and 15%, respectively, for the first nine months of 2009. Therefore, RWE stock displayed a weaker performance than the DAX 30, but managed to outperform the European sector index, Dow Jones STOXX Utilities (+4%).

At the beginning of the year, stock markets had been dominated by the economic crisis. Thereafter, positive economic indicators improved sentiment on stock markets considerably. Utility stocks benefited from this, albeit to a much lesser extent than cyclical industries. Lower electricity and gas prices, caused by the recession, had a dampening effect on them. After the period under review, the upturn on stock markets decelerated momentarily. The DAX closed the month of October at 5,415 points, with RWE common shares trading at €59.70.

The situation on the bond markets has also eased substantially over the course of the year. This meant credit spreads charged on top of the reference interest rates when issuing new bonds dropped substantially for utilities like RWE. The price for hedging RWE credit risk via five-year credit default swaps (CDSs), which briefly exceeded 100 basis points in January, fell below 35 basis points at the end of July, the lowest level since the end of 2007. However, in October, they had moved back above the 40-point mark. This is because we acquired the Dutch-based energy utility Essent at the end of September. It is usually much more expensive to hedge credit risks outside of the utility sector. The index iTraxx Europe, which consists of the CDS prices of 125 major European companies, momentarily exceeded 200 basis points in March. Since then, it has also dropped considerably. At the end of October, it stood at 88 basis points.

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



Economic environment

Economic slump bottomed out

The world economy continues to be dominated by the economic crisis. However, the worst appears to be over. A slight upturn set in towards the middle of the year. Based on our estimates, the OECD member states' real economic output rose by 0.4% from the second to the third quarter of 2009. The economic slump also bottomed out in the Eurozone. This region is expected to have grown its gross domestic product (GDP) for the third quarter by 0.3%. Comparing GDP for the first nine months of 2009 with the corresponding prior-year figures results in a decline of 4.6% in the Eurozone. Germany has been especially hard hit by the recession, owing to the high significance of exports and domestic investment in plant and machinery. Economic output in this country was down an estimated 6% on the level recorded in the first nine months of 2008. However, the number of positive economic indicators increased in the third quarter. The German ifo business climate index for the processing industry has improved steadily since June, and utilisation of existing plant capacity is increasing again. In the UK, the decline in consumer spending has slowed. Industrial production displayed moderate signs of recovery in the third quarter. UK GDP in the nine-month reporting period was approximately 5% down year on year. Our Central Eastern European markets have recently seen industrial production stabilise, with Poland posting growth. Polish economic output is likely to have been marginally higher in the period under review than in 2008, due to the country's robust domestic economy. The Czech Republic and Hungary have a greater dependency on exports. Less stimulus was provided by domestic demand in these countries. Based on our estimates for the first nine months of 2009, Czech and Hungarian GDP were 5% and 7% down on last year's corresponding level.

Weather slightly warmer than in 2008

Whereas the economic trend is primarily reflected in the level of demand for energy from industrial enterprises, household energy consumption is significantly influenced by weather conditions. This reflects the fact that residential heating depends on temperatures, causing revenue and earnings to fluctuate from one season to the next. We achieve approximately two-thirds of our gas sales in the winter and autumn (first and fourth quarters). Weather conditions can also influence how fiscal years compare to one another. Temperatures in our core markets, i. e. Germany, the UK and Central Eastern Europe, were much lower year on year in the winter months. In the spring and summer, however, they were higher, especially in Continental Europe. As a result, the weather during the reporting period as a whole was slightly warmer. In addition to energy consumption, weather conditions also influence the generation of electricity, mostly from wind turbines. Due to the colder winter, there was much less wind in Germany in the first quarter compared to the same period last year and to the long-term seasonal average. There was slightly more wind in the spring, while in the summer, wind levels were roughly in line with benchmarks. In summary, there was a marginal decline in the period being reviewed.

Economic crisis reduces energy consumption in RWE's core markets

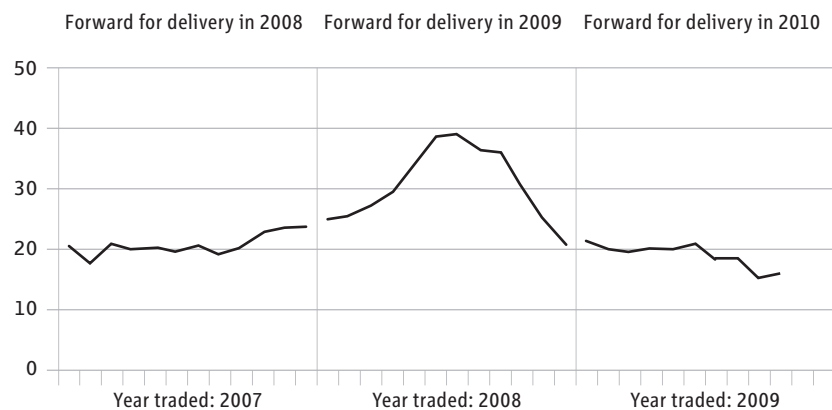
The recession left deep marks on energy consumption. However, the negative economic effect was somewhat mitigated by relatively stable demand for electricity among households and in the service sector. Based on available data, electricity usage in Germany was about 7 % lower than in the first three quarters of 2008. It was also down in the UK (-6 %), Poland (-6 %), Hungary (-5 %) and Slovakia (-9 %). Gas consumption was greatly influenced by the economic trend as well. In Germany and the Czech Republic, it decreased by an estimated 7 %, dropping 11 % in the UK and as much as 22 % in Hungary.

Oil price significantly below prior-year level despite recovery

The dramatic freefall of prices on international crude oil markets, witnessed since the middle of 2008, came to a halt in the first quarter of 2009. Since then, prices have risen again. Production cut-backs decided by OPEC countries, and the emerging hope for economic recovery, were the main reasons. Having bottomed out at US\$ 40 in February, the price of a barrel of Brent crude rose back above the 70-dollar mark in the summer. In the first nine months of 2009, it averaged US\$ 57. The prior-year figure was nearly twice as high (US\$ 111).

Development of one-year forward prices on the Dutch TTF gas wholesale market
€/MWh

Average monthly figures.
Source: RWE Supply & Trading



Gas prices still affected by 2008 crude oil boom

European gas quotations mirror price developments in the oil market with a lag. Imports of gas into Germany cost 14 % less than in the same period last year. Changes in import prices are also passed through to end customers with a lag. They therefore felt the extremely high level of oil prices in 2008. In Germany, average gas prices paid by households and small commercial enterprises rose by 5 %, while they were up 3 % for industrial enterprises. The price increases outside Germany were even bigger: The aforementioned customer groups each had to pay 24 % and 13 % more in the Czech Republic, and 20 % and 16 % more in Hungary.

Gas prices in the UK displayed very disparate developments: They were an average of 20 % higher year on year for households, but 7 % down for industrial customers. The latter have already benefited from the collapse of prices on the UK gas spot market, where gas deliveries are traded a day ahead. Longer-term forward trading on the Dutch TTF gas wholesale market developed as follows: In the period under review, contracts for delivery in the coming calendar year (2010 forward) traded at an average of €19 per megawatt hour (MWh). This is €13 less than was paid for the 2009 forward in the first three quarters of 2008.

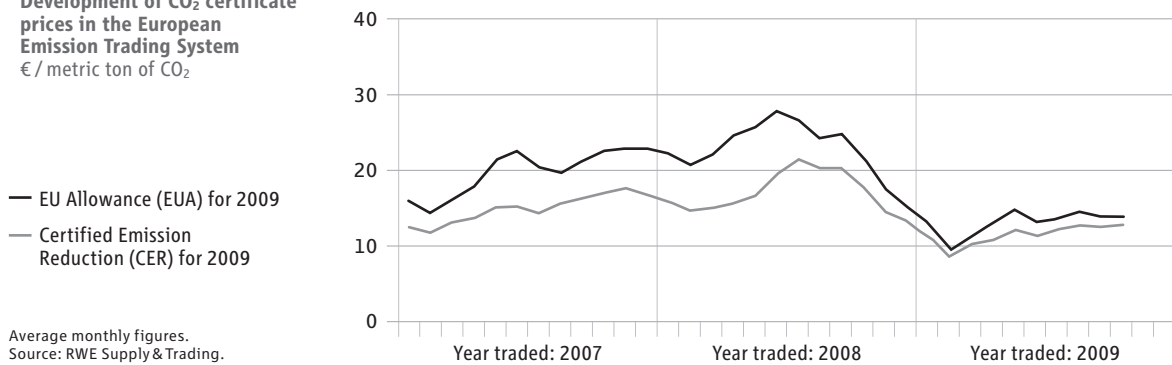
Demand for hard coal remains weak in Europe and the USA

Prices on international markets for thermal coal have stabilised at a low level. In the first three quarters of 2009, a metric ton in Rotterdam spot trading sold for an average of US\$ 68 (including freight and insurance). This is much less than in the same period in 2008 (US\$ 164). In Europe and the USA, the economic crisis continues to hamper demand for hard coal. Robust demand from China and India is having a price-stabilising effect. Hard coal quotations also reflect sea freight rates, which were markedly down year on year as well, due to lower demand. Prices for the standard route from South Africa to Rotterdam were an average of US\$ 12 per metric ton, compared with US\$ 38 in the first three quarters of 2008. German hard coal prices are calculated by the German Federal Office of Economics and Export Control (BAFA). They track the price of imported hard coal with a lag of several months. The BAFA price for the first half of 2009 was €84 per metric ton of hard coal unit. No official figures were available for the third quarter when this report went to print. Experts estimate that the BAFA price was €69.

CO₂ emission trading: certificate prices temporarily below 10-euro mark

European trade in CO₂ emission allowances is also being dominated by the recession. Production outages at energy-intensive plants brought a large number of additional emission allowances to the market. This is pushing down prices. In February, "EU Allowances" (EUAs) for 2009 were temporarily quoted at less than €10 per metric ton of CO₂. They cost €13 at the end of September, which was also their average price in the first three quarters of 2009. By comparison, 2008 certificates cost an average of €24 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 of EUAs. In the period under review, CERs traded at an average of €12 per metric ton of CO₂. The comparable figure for 2008 was €18.

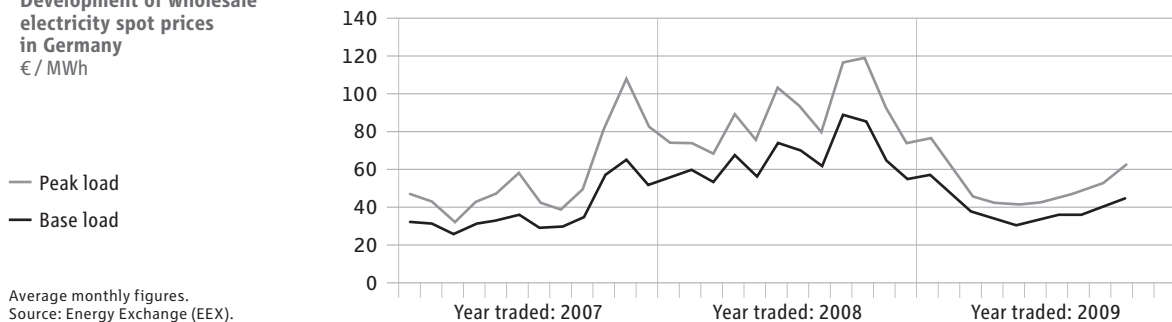
Development of CO₂ certificate prices in the European Emission Trading System
€/ metric ton of CO₂



Declining prices on Europe's electricity markets

The considerable decrease in the price of fuel and emission allowances was mirrored in the European electricity wholesale markets. In spot trading on the Energy Exchange (EEX) in the first nine months of 2009, base-load electricity contracts traded at an average of €39 per MWh, while peak-load contracts sold for an average of €50 per MWh. They were therefore 40% and 41% cheaper compared with the same period in 2008. Prices in German electricity forward trading slipped as well. The calendar year forward for 2010 sold for an average of €50 per MWh for base-load power and €72 per MWh for peak-load power. These figures represent declines of 30% and 29%, respectively, below the comparable contract 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 recovered somewhat.

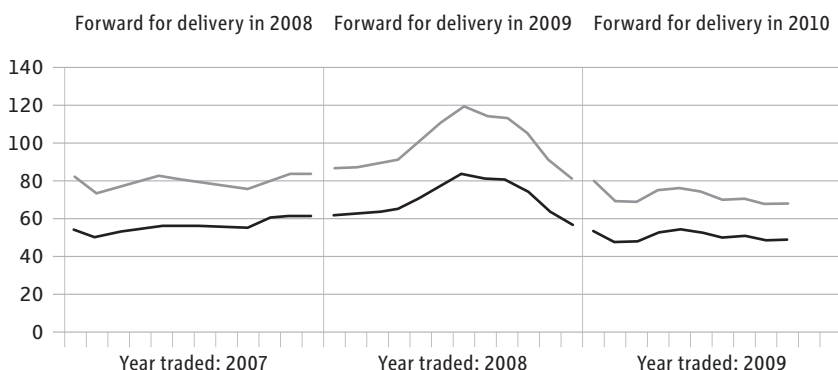
Development of wholesale electricity spot prices in Germany
€/ MWh



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

— Peak load
— Base load

Average monthly figures.
Source: RWE Supply & Trading.

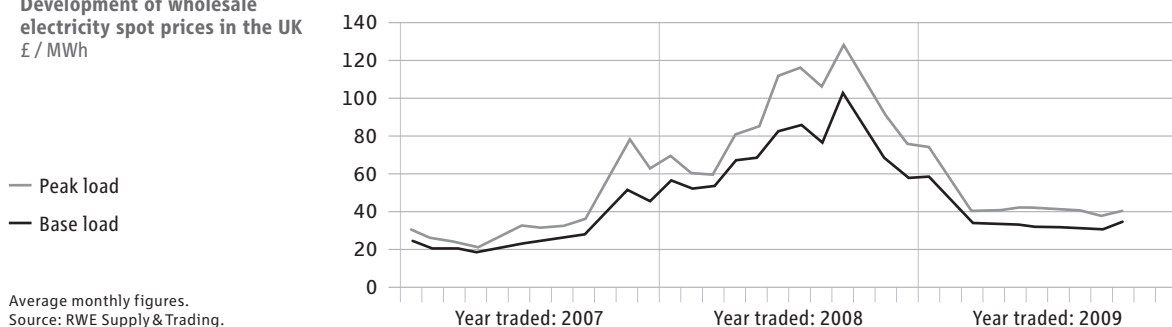


We sell forward nearly all our in-house electricity generation in order to limit short-term volume and price risks. Therefore, electricity prices witnessed in the period under review only had a minor impact on our income in the first nine months of 2009. The more decisive factor is the price at which 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 in the German market. The comparable figure for the 2008 forward was €55. Therefore, forward sales were 15 % more expensive for 2009 than for 2008. The rise was due to the boom in commodity markets, which persisted until the middle of last year.

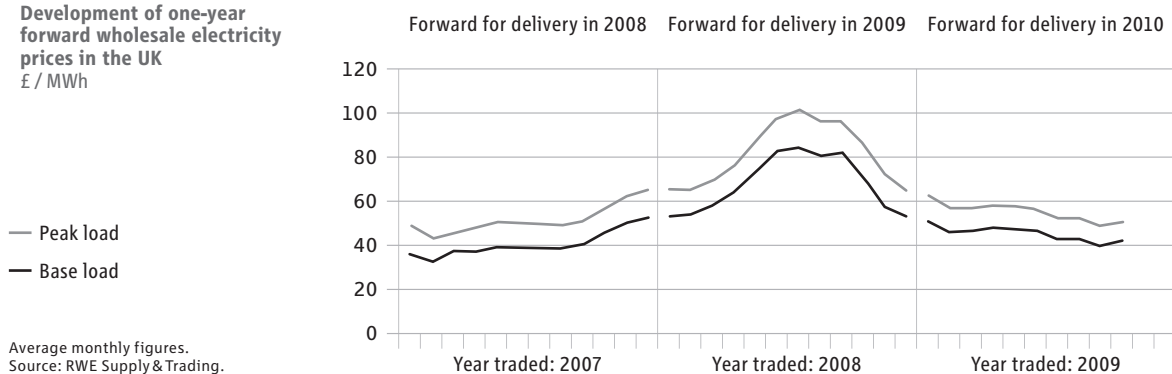
The most recent decline in electricity wholesale prices was hardly felt in the German household and small commercial customer supply business. Electricity tariffs for these customers were an average of 5 % higher than in the first three quarters of 2008. This is because most of the supply companies made early forward purchases to cover their need for electricity and therefore their procurement costs are still affected by the rise in wholesale prices in preceding years. In contrast, industrial enterprises tend to procure energy on a more short-term basis. As a result, prices in this customer segment have already decreased by about 5 %.

UK wholesale electricity prices were also down year on year. In the period under review, the average spot price of a MWh of electricity was £ 38 (€43) for base-load power and £ 46 (€52) for peak-load power. These figures represent drops of 48 % and 49 %, respectively. The price curve also trended downwards in the UK electricity forward market. Contracts for delivery in the 2010 calendar year were settled for an average of £ 46 (€52) per MWh of base-load power in the first three quarters of 2009. This is 35 % less than the price of the 2009 forward in the same period last year. The price level for peak-load electricity dropped by 33 % to £ 56 (€63).

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



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



RWE sells most of the production from its UK power stations forward, which is similar to the policy it pursues in Germany. However, absolute electricity prices are only of limited informational value as regards RWE npower's earnings. This is because our UK generation portfolio largely consists of hard coal and gas-fired power plants, the costs of which are also subject to significant market fluctuations. RWE npower's earnings development is therefore predominantly influenced by so-called "clean dark spreads" (hard coal) and "clean spark spreads" (gas). These are calculated by deducting the costs for the respective fuel and CO₂ certificates from the market price of electricity. On average, the UK energy companies that sold their electricity generation for 2009 forward in the two preceding years realised clean dark and spark spreads that were lower than those for the corresponding forward sales of their 2008 production. Margins realisable from hard coal and gas-fired power stations of short-term spot market transactions also deteriorated. This is partially due to the cyclically-induced decline in demand for electricity, which primarily affected mid-merit and peak-load power plants. Another reason was the higher output from UK nuclear power stations, following several outages last year. Their rise in generation resulted in a drop of production, mainly from gas and hard coal power plants.

Most UK energy suppliers have lowered their tariffs in the end customer segment since the beginning of the year. However, electricity prices still reflect the significant increases implemented last year, which were necessary because most supply companies had purchased electricity in advance. Therefore, end customer prices in the first three quarters were up on the level observed in the same period last year, rising by 7 % for households and small commercial enterprises and by 26 % in the industrial and corporate customer segment.

End customer prices also advanced in most Central Eastern European electricity markets. Industrial enterprises in Poland and Slovakia paid 32 % and 20 % more, respectively. In Hungary, the price level for this customer group declined moderately. Private households in all the aforementioned markets saw their bills grow. The increase amounted to 16 % in Poland, 7 % in Hungary, and 3 % in Slovakia.

Major events

In the period under review

RWE completes acquisition of Essent

On September 30, 2009, RWE completed the acquisition of Dutch-based energy utility Essent N. V. We have taken a 100 % interest in the company, which is headquartered in Arnhem. Essent's 50 % stake in EPZ, the joint venture which runs the Borssele nuclear power station, has been carved out of the transaction and will remain under the ownership of Essent's former shareholders for the time being. A court ruling on this part of the business is pending. Neither Essent's environmental operations, nor its distribution grid were taken over by RWE, either. On June 23, 2009, the European Commission had given the go-ahead on condition that Essent's 51 % stake in Stadtwerke Bremen (swb) be divested. This transaction was concluded on October 21. The buyer was the Free Hanseatic City of Bremen, which sold the shareholding on to the Oldenburg-based energy utility EWE AG. Including the divestment of the stake in swb, the spin-off of the EPZ shareholding and further adjustments, the Essent deal has a transaction value of roughly €7.3 billion. Thanks to the acquisition, RWE has advanced to become one of the leading energy utilities in the Benelux region. Essent will be managed by a four-member executive board, headed by Peter Terium (46), who is of Dutch nationality. Offices previously held by Mr. Terium include that of Chairman of the Board of Directors of RWE Supply & Trading.

RWE disposes of more shares in American Water

RWE further reduced its stake in American Water in August, placing 40.25 million shares in the market via a consortium of banks at a price of US\$ 19.25 per share. This resulted in net proceeds of about US\$ 750 million (€525 million). Our stake in American Water currently amounts to 23.5%. We had conducted American Water's initial public offering in April 2008 and reduced our interest in the company to 46.6 % in June 2009 through additional share placements. Consequently, the company was deconsolidated. American Water's net debt, which amounted to €4,240 million as of December 31, 2008, is no longer stated on our balance sheet.

RWE to pool power plant new-build activity in RWE Technology GmbH

In the future, we will bundle the construction of power plants across all countries throughout the RWE Group in a single entity. A new Group company, RWE Technology GmbH, will pool our expertise in this field, leveraging synergies in the implementation of power plant projects. It will take up operation on January 1, 2010. The Board of Directors will be headed by Matthias Hartung, who is currently a member of RWE Power's Executive Board. RWE is building six major power stations in Germany, the Netherlands and the UK. Additional plants are planned.

RWE included in Dow Jones STOXX 50 Index

RWE joined the Dow Jones STOXX 50, the renowned stock index, effective September 21, comprising the 50 European companies with the highest free-float market capitalisation. RWE's inclusion is very important as it means that funds tracking the STOXX 50 now also contain RWE shares. The composition of the Dow Jones STOXX 50 is reviewed and adjusted once a year.

RWE again qualifies for two acclaimed sustainability indices

RWE was included in the climate protection index of the Carbon Disclosure Project (CDP) for the third time since 2006 and 2008. The decision was announced in September by the CDP investor group. This honour is in recognition of our comprehensive reporting on our CO₂ emissions and climate-protection strategy. The CDP is an initiative of large institutional investors formed to make corporate CO₂ emissions and climate-protection strategies transparent to the financial market. Moreover, RWE has been included in the Dow Jones Sustainability (DJSI) index family for a further year. The Dow Jones Sustainability indices are established and published by SAM Sustainable Asset Management in co-operation with Dow Jones Indexes. They are widely recognised as the world's prime index group for corporate performance in the field of sustainability.

After the period under review

EU Commission ends anti-trust investigation against RWE

The European Commission has closed its anti-trust investigation of RWE's German electricity business. This was officially communicated to us in October and confirms our opinion, verified by external certified public auditors, that RWE operates according to market rules and in particular does not withhold any electricity generation capacity or manipulate wholesale prices. The Commission had started investigating several European power utilities in 2006, following an electricity sector inquiry.

Moody's downgrades RWE's rating to A2

As expected, in early November, Moody's lowered our long-term credit rating from A1 to A2. The outlook remains "negative." The main reason for the downgrade given by the rating agency is the rise in our debt and reduction in our financial flexibility resulting from the acquisition of Essent. The new rating is in line with Standard and Poor's. We do not believe that the downgrade materially affects RWE's existing bonds or those it may issue in the future.

RWE prepares for new-build project in Turkey

At the end of October, we signed an agreement with Greek-based Metka to construct a combined-cycle gas turbine (CCGT) power plant in Denizli in the west of Turkey. The 775-MW facility will be owned and operated by a joint venture between RWE (70%) and Turcas (30%). We intend to take a final decision on the investment in the first quarter of 2010. The CCGT plant is scheduled to go online at the end of 2012.

Exit from nuclear power project in Bulgaria

At the end of October, we terminated the joint venture agreement to develop a nuclear energy project in Belene in northern Bulgaria. We had partnered with the state-owned energy utility NEK. The project's financing could not be finalised within the agreed period. Safety issues were not a factor in the decision. RWE held a 49% stake in the project, with NEK owning 51%.

Notes on reporting

Changes in reporting

As announced in our report for the first quarter, we reorganised the RWE Group comprehensively. This results in a new segment structure for the financial statements for fiscal 2009 (see page 34). Our reporting for the first three quarters was still not affected by this, since we ran the company based on the old segment structure during that period. Irrespective of this, there have been some changes in reporting compared to 2008, which we have illustrated below. To ensure comparability between current and prior-year figures, we adjusted the latter accordingly:

- RWE Innogy, which we established as of February 1, 2008, and in which we pooled our activities in the field of renewable energy, is presented as a separate division from 2009 onwards. The company was previously included in “Other, consolidation” at the Group level.
- As of July 1, we spun RWE Transportnetz Strom GmbH, which has been operating as “Amprion GmbH” since September 1, out of RWE Energy and assigned it directly to RWE AG. We are including the company under “Other, consolidation” at the Group level.
- RWE Key Account GmbH, which used to serve our large German industrial and corporate customers as part of the RWE Energy Division, has been folded into RWE Supply & Trading GmbH. This has also been considered in the reporting structure retrospectively.
- Another adjustment relates to the calculation of EBITDA (earnings before interest, taxes, depreciation and amortisation). This figure now also includes operating income from investments. We have therefore 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 therefore gain significance. This will be a consequence of RWE Innogy’s expansion programme, among other things.

RWE balance sheet reflects Essent acquisition

As stated on page 11, we completed the acquisition of Essent on September 30. The Dutch energy utility’s opening balance sheet and our payment of the purchase price have been taken into account in these interim financial statements. Among other things, this led to the significant rise in the RWE Group’s net debt. Essent’s revenue and operating result will be included in Group figures from the fourth quarter onwards.

American Water still recognised as a “discontinued operation”

We have again classified American Water (“Water Division”) as a “discontinued operation” this financial year. We reduced our shareholding in the US water utility to under 50 % in June and deconsolidated it. We state our remaining shares as “assets held for sale.” We intend to sell American Water entirely.

Business performance

Electricity production January – September	RWE Power ¹		RWE Innogy		RWE npower		RWE Group ²	
	2009	2008	2009	2008	2009	2008	2009	2008
Billion kWh								
In-house generation	108.3	135.8	3.0	2.9	18.4	27.1	131.9	168.2
Lignite	52.5	55.1	–	–	–	–	52.5	55.1
Nuclear	25.1	37.1	–	–	–	–	25.1	37.1
Hard coal	21.6	33.1	–	–	7.2	11.9	29.4	45.7
Gas	7.3	8.5	0.1	0.1	11.0	14.9	19.3	24.5
Renewable energies	0.5	0.5	2.9	2.8	–	–	4.1	4.0
Pumped storage, oil, other	1.3	1.5	–	–	0.2	0.3	1.5	1.8
Electricity purchased from third parties	–	–	0.1	0.2	19.5 ³	12.9 ³	87.8	80.0
Total	108.3	135.8	3.1	3.1	37.9	40.0	219.7	248.2

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 three quarters of 2009, it amounted to 12.0 billion kWh, of which 10.5 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 much lower

In the first three quarters of 2009, the RWE Group produced 131.9 billion kilowatt hours (kWh) of electricity, 22 % less than in the same period in 2008. In-house generation and power purchases totalled 219.7 billion kWh. This was 11 % lower year on year.

RWE Power contributed 108.3 billion kWh to the RWE Group's total in-house electricity production. 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 20 % less electricity than in the first nine months of 2008. This was partially due to the outage of the Biblis nuclear power station for maintenance purposes. Block B has been offline since the end of January 2009, and Block A since the end of February. In contrast, the power plant had been available almost continuously in the same period last year. Excluding the Biblis effect, electricity generation was down 12 %, largely because less use was made of our contractually secured hard coal generation capacity. This is because, due to the lower prices on the spot market, we met part of our supply obligations from RWE Supply & Trading's forward contracts through purchases from third parties at lower cost instead of via our own production.

RWE Innogy, the division specialising in renewable energy, generated 3.0 billion kWh in the period under review. Although the utilisation of our run-of-river power stations was down on the prior year's high level for weather-related reasons, electricity production was up 3 %. This is a result of the company's growth strategy. As of September 30, 2009, RWE Innogy had an installed capacity of 1.4 gigawatts (GW) at its disposal. This is 0.2 GW more than a year ago. By 2012, 4.5 GW should be in operation or under construction.

RWE npower's electricity production dropped by 32 % to 18.4 billion kWh. As stated on page 9, the market conditions for hard coal and gas-fired power stations have deteriorated considerably in the UK. This is a result of the cyclically-induced decrease in demand for electricity and the UK's nuclear power plants' much improved availability.

RWE Energy generated 2.2 billion kWh of power (first three quarters of 2008: 2.4 billion kWh). This output is largely allocable to our German regional companies. It mainly consists of gas, hard coal and hydro power generation.

Gas production down, oil production matches prior-year level

In the period under review, our upstream company RWE Dea produced 2,185 million cubic metres of gas and 1,802 thousand cubic metres of oil. In terms of oil equivalent, total output amounted to 3,917 thousand cubic metres (24.6 million barrels), which was 7 % less than the amount produced in the first three quarters of 2008 (26.4 million barrels). Gas output was down 11 %. A significant drop was recorded in the UK North Sea. We experienced a natural decrease in that region, as reserves are being depleted. In Egypt, gas production was also lower, whereas it increased in Norway. Crude oil output was essentially flat. There were natural declines in production here as well, mainly in our German and Danish fields. Volume increases in Norway had a counter-acting effect.

Electricity sales mirror reduction in power plant use

In the first nine months of 2009, we supplied 207.4 billion kWh of electricity to outside customers, a decrease of 12 % year on year. This drop is largely allocable to RWE Supply & Trading and is primarily due to the fact that trading of externally sourced electricity is not recognised in the sales volume. Excluding the trading activities, electricity sales improved marginally, despite the negative cyclical influence. One reason was that RWE Energy won new customers in the distributor segment.

External electricity sales volume January – September	RWE Power		RWE Supply & Trading		RWE Energy		RWE npower		RWE Group ¹	
	2009	2008	2009	2008 ²	2009	2008 ²	2009	2008	2009	2008
Billion kWh										
Private and commercial customers	0.2	0.2	–	–	25.5	26.2	14.6	15.6	40.6	42.2
Industrial and corporate customers	–	–	23.4	23.8	27.8	28.5	22.0	22.8	73.2	75.6
Distributors	9.8	10.1	–	–	34.9	29.3	–	–	69.2	65.3
Electricity trading	–	–	24.4	52.7	–	–	–	–	24.4	52.7
Total	10.0	10.3	47.8	76.5	88.2	84.0	36.6	38.4	207.4	235.8

1 Including electricity sales generated by Amprion (formerly "RWE Transportnetz Strom") and RWE Innogy.

2 Figures partially adjusted; see commentary on page 13.

RWE Power posted 10.0 billion kWh in external sales (first three quarters of 2008: 10.3 billion kWh). 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 or to end customers and distributors by RWE Energy. Conversely, electricity produced outside Germany is marketed by RWE Power itself, including generation by our Hungarian subsidiary Mátra. External sales also include the production by our German Gundremmingen and Emsland nuclear power stations which is allocable to the minority shareholder in these plants.

Electricity sales by RWE Supply & Trading decreased by 38 % to 47.8 billion kWh. This is largely because the company sourced the electricity it sold on the wholesale market to a far lesser extent from in-house generation, increasing its purchases from third parties at lower cost. As mentioned earlier, electricity trading of purchases from third parties is not recognised in external sales. The supply business with major industrial and corporate customers, formerly conducted by RWE Key Account, experienced a decline in demand caused by the economic crisis. The fact that we generally conclude take-or-pay contracts with our customers in this business had a stabilising effect.

RWE Energy's electricity sales rose by 5 % to 88.2 billion kWh. In the distributor segment, we won new customers and expanded volumes with existing customers. The economy's negative influence on electricity consumption had a counteracting effect, especially with regard to our industrial and corporate customers. Small commercial enterprises were also affected. As of September 30, 2009, RWE Energy supplied electricity to 10.2 million private and commercial customers. Of these, 7.0 million were in Germany, 2.2 million in Hungary and 0.9 million in Poland. These figures exclusively refer to our fully consolidated companies. Our customer base in Germany increased by 58,000 during the first nine months. Our discount company eprimo had signed up 600,000 electricity customers as of September 30. By the end of 2008, this figure was 422,000. Our "ProKlima" tariff, which guarantees German households a fixed price over three years, was very popular. It allows our customers to plan reliably, while remaining flexible given their annual termination right. Another feature of "ProKlima" is that all the electricity sold through it is generated nearly CO₂-free in hydroelectric and nuclear power plants. By the end of 2008, 130,000 customers had already opted for this product. Another 270,000 were added in the first nine months of 2009. In April, eprimo also started offering new customers a product with a price guarantee. We already had 138,000 contracts for this product by the end of September.

RWE npower's electricity sales declined by 5 % to 36.6 billion kWh. The weak economy led to receding sales volumes primarily in the industrial and corporate customer segment as well as to more cost-aware energy consumption by households. Furthermore, RWE npower suffered marginal customer losses. As of September 30, 2009, the company was supplying electricity to 4.2 million homes and small commercial enterprises, 16,000 fewer than at the end of 2008. We currently have a 15 % share of the UK residential market.

External gas sales volume January – September	RWE Dea		RWE Supply & Trading		RWE Energy		RWE npower		RWE Group	
	2009	2008	2009	2008 ¹	2009	2008 ¹	2009	2008	2009	2008
Billion kWh										
Private and commercial customers	–	–	–	–	44.9	41.9	30.1	32.0	75.0	73.9
Industrial and corporate customers	2.3	2.0	14.9	14.9	48.5	55.0	4.7	6.5	70.4	78.4
Distributors	11.1	12.3	6.3	6.5	45.8	54.8	–	–	63.2	73.6
Total	13.4	14.3	21.2	21.4	139.2	151.7	34.8	38.5	208.6	225.9

1 Figures adjusted.

Gas sales volume down 8 % on prior-year level

External gas sales decreased by 8 % to 208.6 billion kWh. Many industrial customers ramped down production in response to the weak economy and therefore used less gas. In addition, we recorded customer losses in the German distributor segment.

RWE Dea delivered 13.4 billion kWh of gas to external customers in the period under review, falling below the prior-year figure by 6 %. This was due to the decline in gas production.

RWE Supply & Trading's external gas sales volume totalled 21.2 billion kWh. This division focuses on procuring gas for RWE Group companies and therefore predominantly generates internal sales. The company's external gas sales consist of surplus purchase volumes and supplies to major industrial and corporate customers. In the first three quarters, gas sales were only marginally down year on year, despite the economy's negative effect.

RWE Energy sold 139.2 billion kWh of gas, 8 % less than in the same period in 2008. In reaction to increasingly fierce competition in the German and Czech gas markets, some of our customers switched suppliers or started diversifying their gas procurement. This primarily applied to the German distributors. The recession also caused sales volumes to shrink. A positive effect was felt from the Slovak supply company RWE Gas Slovensko taking up operations. It supplied 1.6 billion kWh of gas to its corporate customers in the period under review. Gas sales in the residential and commercial customer segment grew, in part due to the cool winter. Customer acquisitions by eprimo also contributed to this: By September 30, 2009, the company had 40,000 gas customers, 26,000 more than at the end of 2008. As of the balance sheet date, 3.6 million private and commercial customers purchased gas from RWE Energy. Our gas customer base in Germany totalled 1.0 million, including 37,000 added since the beginning of the year. By the end of September, RWE Energy was supplying 2.3 million residential and commercial customers in the Czech Republic and 249,000 in the Netherlands.

RWE npower's gas deliveries were down 10 % to 34.8 billion kWh. One of the reasons was the reduction in demand among industrial enterprises, due to the economic situation. Gas consumption by households served by RWE npower was also down. This was due to energy savings, partly in reaction to the economic crisis. By September 30, 2009, RWE npower was supplying 2.7 million private and commercial customers with gas. We have won 71,000 since the end of 2008 and have a 12 % share of the UK household market. The number of customers to whom we supply both electricity and gas amounts to 2.4 million.

External revenue marginally down year on year

In the first three quarters of 2009, the RWE Group generated €33.8 billion in external revenue. This was 2 % less than in the same period last year, but flat when adjusted for currency effects. Sterling, our major foreign currency, lost value compared with the euro. Averaged for the first nine months, Sterling cost €1.13; in the same period last year, the equivalent was €1.27. The Czech crown, the Hungarian forint and the Polish zloty also decreased in value. In contrast, the US dollar rose from €0.66 to €0.73. On balance, consolidations for the first time and deconsolidations did not have a material impact on revenue or earnings.

External revenue € million	Jan – Sep 2009	Jan – Sep 2008 ¹	+ / – in %	Jan – Dec 2008 ¹
RWE Power	1,008	1,011	-0.3	1,435
RWE Innogy	176	172	2.3	269
RWE Dea	901	1,362	-33.8	1,765
RWE Supply & Trading	4,992	5,841	-14.5	8,663
RWE Energy	18,176	17,247	5.4	24,613
German regions	12,782	12,130	5.4	17,111
International regions	4,700	4,719	-0.4	6,927
Supra-regional operations	319	197	61.9	298
Other, consolidation	375	201	86.6	277
RWE npower	5,702	6,076	-6.2	8,618
Other, consolidation	2,814	2,745	2.5	3,587
RWE Group	33,769	34,454	-2.0	48,950
of which:				
Electricity revenue	22,276	23,133	-3.7	31,359
Direct electricity tax	685	697	-1.7	964
Gas revenue	8,790	8,150	7.9	13,768
Oil revenue	711	970	-26.7	1,164

¹ Figures partially adjusted; see commentary on page 13.

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

External revenue posted by RWE Power amounted to €1,008 million (first three quarters of 2008: €1,011 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).

RWE Innogy grew external revenue by 2 % to €176 million. This was due to the acquisition of the Spanish wind farm operator Urvasco Energía in June 2008. €107 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 proportion, since most of it is sold internally.

RWE Dea's external revenue was down by one third to €901 million. The company sold its crude oil production at much lower dollar prices than in the same period in 2008. However, the negative impact on sales was slightly mitigated by the US currency's gain on the euro. 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 slightly higher prices than in the first three quarters of 2008. However, this contrasted with revenue losses resulting from the decline in gas production.

External revenue achieved by RWE Supply & Trading dropped by 15 % to €4,992 million. Most of it is achieved by selling the Group's in-house electricity generation on the wholesale market. The fact that RWE Supply & Trading increasingly met its supply obligations through purchases from third parties reduced revenue, because only the margins on these transactions are recognised in the reported figures.

RWE Energy's external revenue amounted to €18.2 billion, 5 % up year on year. Without currency effects, this growth would have been more significant. RWE Energy's electricity revenue rose by 7 % to €11.5 billion. The improvement of the sales volume in Germany contributed to this, but price increases due to higher procurement costs were the main reason. Notably, our supply companies generally purchase electricity in advance, similar to most of our competitors. Therefore, 2009 procurement costs are still affected by the price peaks seen on the wholesale market in 2008. Against this backdrop, some of our German regional companies increased their standard electricity tariffs effective April 1, 2009, including RWE Westfalen-Weser-Ems and RWE Rhein-Ruhr, both of which implemented raises of 6.8 %. External revenue earned from RWE Energy's gas sales amounted to €5.9 billion, matching the prior-year level despite declining volumes. In 2008, our German regional utilities had increased tariffs in reaction to the rise in procurement costs. However, the positive effects were diminished by several price reductions this year. In so doing, we reacted to the recently decreasing gas procurement costs.

External revenue generated by RWE npower dropped by 6 % to €5,702 million. Electricity revenue was down 8 % to €4.1 billion, while gas revenue remained unchanged at €1.3 billion. Net of currency effects, figures for the two products posted growth, rising by 4 % and 13 %, respectively, resulting from price increases implemented a year earlier. RWE npower had lifted its electricity and gas tariffs for household customers by an average of 14 % and 26 % at the end of August 2008. This was followed by a competition-induced cut in electricity tariffs by 8 % as of March 31, 2009.

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

Internal revenue € million	Jan – Sep 2009	Jan – Sep 2008 ¹	+ / – in %	Jan – Dec 2008 ¹
RWE Power	7,097	7,412	-4.2	9,982
RWE Innogy	95	94	1.1	122
RWE Dea	217	131	65.6	211
RWE Supply & Trading	14,739	13,331	10.6	20,571
RWE Energy	4,033	3,808	5.9	5,357
RWE npower	8	6	33.3	10

¹ Figures partially adjusted; see commentary on page 13.

Operating result 4 % down year on year

We achieved €6,966 million in EBITDA and an operating result of €5,534 million in the first three quarters of 2009. These figures were 3 % and 4 % below the prior-year levels, respectively. Earnings generated by RWE Dea and RWE npower deteriorated considerably. In the first half of the year, this was offset by a strong increase in earnings recorded by RWE Supply & Trading. But its earnings contribution remained far below the very high prior-year level in the third quarter.

Reconciliation of income from operating activities to EBITDA € million	Jan – Sep 2009	Jan – Sep 2008	+ / – in %	Jan – Dec 2008
Income from operating activities	5,572	4,938	12.8	5,887
+ Income from investments	181	344	-47.4	454
- Non-operating result	-219	506	-143.3	485
Operating result	5,534	5,788	-4.4	6,826
+ Operating depreciation and amortisation	1,432	1,401	2.2	1,947
EBITDA	6,966	7,189¹	-3.1	8,773¹

¹ Figure adjusted; see commentary on page 13.

EBITDA € million	Jan – Sep 2009	Jan – Sep 2008 ¹	+/- in %	Jan – Dec 2008 ¹
RWE Power	3,133	3,008	4.2	3,601
RWE Innogy	76	83	-8.4	103
RWE Dea	324	621	-47.8	748
RWE Supply & Trading	760	380	100.0	487
RWE Energy	2,403	2,382	0.9	3,093
German regions	1,437	1,477	-2.7	1,963
International regions	447	639	-30.0	652
Supra-regional operations	515	403	27.8	517
Other, consolidation	4	-137	102.9	-39
RWE npower	286	506	-43.5	714
Other, consolidation	-16	209	-107.7	27
RWE Group	6,966	7,189	-3.1	8,773

1 Figures adjusted; see commentary on page 13.

Operating result € million	Jan – Sep 2009	Jan – Sep 2008 ¹	+/- in %	Jan – Dec 2008 ¹
RWE Power	2,785	2,678	4.0	3,142
RWE Innogy	30	50	-40.0	55
RWE Dea	153	436	-64.9	494
RWE Supply & Trading	760	380	100.0	486
RWE Energy	1,804	1,796	0.4	2,286
German regions	1,030	1,075	-4.2	1,407
International regions	317	512	-38.1	478
Supra-regional operations	385	343	12.2	440
Other, consolidation	72	-134	153.7	-39
RWE npower	147	379	-61.2	534
Other, consolidation	-145	69	-310.1	-171
RWE Group	5,534	5,788	-4.4	6,826

1 Figures partially adjusted; see commentary on page 13.

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

RWE Power improved its operating result by 4 % to €2,785 million. This was mainly due to the realisation of higher prices for our German electricity generation. However, compared with the same period last year, the division's earnings were also marked by negative effects, in particular the outage of both of the Biblis nuclear power plant's units for maintenance purposes (€821 million) and a negative effect of prices on fuel procurement costs (€327 million). Staff costs also rose. In contrast, due to the reduction in electricity production, the expense we incurred owing to the shortage of CO₂ emission allowances was lower in the period under review (€709 million) than in the first three quarters of 2008 (€861 million).

The operating result recorded by RWE Innogy declined by €20 million to €30 million. Our extensive investment programme in the field of renewable energy leads to high start-up costs and requires additional manpower. The first-time consolidation of Urvasco Energía had a positive effect.

RWE Dea closed the period under review with an operating result of €153 million. This is €283 million less year on year, mainly due to the drop in crude oil prices. However, the effect was slightly mitigated by the fact that the company hedged part of its oil production in advance. Earnings also deteriorated in the gas business, although on average, we realised slightly higher prices. The reason for this was the decline in production volumes.

RWE Supply & Trading doubled its operating result compared with the same period last year to €760 million. In energy trading, we benefited from the fact that major successful forward transactions concluded in earlier years have only started to affect the income statement positively in 2009. Among other things, 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 on realisation of the underlying transactions, i. e. at the time of delivery of the electricity. RWE Supply & Trading also recorded a strong gain in the gas midstream business. However, this was partially due to significant one-off effects, including the reversal of provisions accrued in preceding years to cover purchase agreement uncertainties. In addition, we received strong earnings contributions from the continuous optimisation of our international gas procurement portfolio.

RWE Energy posted an operating result of €1,804 million. This roughly corresponds to the prior-year figure. The division benefited from the successful continuation of our efficiency-enhancement programme. The operating result stated as part of "Other, consolidation" advanced significantly due to the absence of charges incurred in earlier years in connection with derivative transactions used to hedge the price risks associated with forward contracts. The positive effects were contrasted by declines in margins in our German and Hungarian electricity supply business. In addition, there were negative currency effects. The regulation of the German networks did not result in noticeable additional burdens in the period under review.

RWE Energy's business units displayed the following earnings trends:

- German regions: RWE Energy's domestic regional companies closed the reporting period 4% down year on year, despite ongoing cost reductions. This was mainly because electricity supply margins deteriorated. Risks in procurement costs could only partially be passed on to end customer prices. Gas operations improved their earnings situation slightly. Margins had come under pressure in this business in the prior-year period, because increases in the cost of purchasing gas were not fully reflected in 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.
- International regions: RWE Energy's non-German Continental European supply and grid operations were down 38%. However, the prior-year figure still benefited from the positive effects on earnings from measures to hedge price risks in the Dutch gas business. Our Hungarian electricity and Czech gas supply activities had to cope with a fall in sales volume due to the economic and competitive environment. Negative currency effects also contributed to the decline in earnings. Cost reductions achieved through reorganisation and streamlining measures in Hungary and the Czech Republic 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 and cost reductions. This was contrasted by negative currency effects. In addition, measures taken to grow eprimo's market share resulted in higher costs.

RWE npower's operating result declined by 61% to €147 million. Net of currency effects, the decrease amounted to 56%. Our electricity generation activities recorded a substantial drop because power plant margins achievable in the UK market were lower than last year. A year ago, owing to the outages of competitors' power stations, the division had made an unusually high contribution to earnings through the short-term position management of its generation capacity. Expenses incurred to purchase CO₂ emission allowances in the period under review amounted to €24 million (first nine months of 2008: €156 million). In the UK supply business, earnings deteriorated considerably. As explained earlier, due to competitive pressure, we lowered electricity tariffs at the end of March 2009, although our electricity procurement costs had risen. Measures to promote energy savings in households also led to additional expenses. UK energy companies are obliged to do so within the scope of government programmes. RWE npower has initiated comprehensive cost-cutting measures over the course of the year, which are expected to have a positive impact on the operating result in the order of €120 million. For the most part, this relief will not be felt until the fourth quarter.

The operating result stated under "Other, consolidation" deteriorated by €214 million to -€145 million, despite an improvement in earnings achieved by our electricity transmission system operator Amprion. Due to the weak economy, we expect that we will have to make much higher contributions to the German pension assurance association "Pensions-Sicherungs-Verein," for which we have built a provision. Pensions-Sicherungs-Verein is an independent association of German companies, which secures company pension plans in the event of insolvency. Furthermore, consulting costs were higher in the period under review.

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 a write-down on our investment in the US company Excelerate.

Non-operating result € million	Jan – Sep 2009	Jan – Sep 2008	+/- € million	Jan – Dec 2008
Capital gains	29	47	-18	89
Impairment losses	–	–	–	–
Restructuring, other	190	-553	743	-574
Non-operating result	219	-506	725	-485

The non-operating result amounted to €219 million, which was €725 million more than in the first three quarters of 2008. In detail, it developed as follows:

- We did not realise any notable capital gains in the first nine months of 2009 (€29 million). The figure achieved a year earlier (€47 million) was also very low.
- The result stated under “Restructuring, other” amounted to €190 million. This represents a gain of €743 million compared to the same period in 2008. The increase 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. The derivatives essentially related to the gas forward sales of RWE Supply & Trading and RWE Energy. On balance, changes in their fair value resulted in €578 million in income, as compared to the expense of €362 million incurred in the same period last year. The write-down of US\$ 250 million (€182 million) on our at-equity investment in Excelerate countered this derivative effect. The US company, which specialises in liquefied natural gas (LNG) transports, has failed to meet our income expectations so far, because the conditions in the LNG market are currently difficult. The “Restructuring, other” item also includes the amortisation of RWE npower’s customer base. It amounted to €189 million, which was lower than the figure for the first three quarters of 2008 (€214 million) due to currency effects. Changes made to nuclear and mining provisions resulted in €136 million in income (first nine months of 2008: €93 million).

Financial result € million	Jan – Sep 2009	Jan – Sep 2008	+/- € million	Jan – Dec 2008
Interest income	478	624	-146	807
Interest expense	-907	-660	-247	-965
Net interest	-429	-36	-393	-158
Interest accretion to non-current provisions	-676	-561	-115	-738
Other financial result	-333	-422	89	-579
Financial result	-1,438	-1,019	-419	-1,475

The financial result decreased by €419 million to –€1,438 million. In detail, it developed as follows:

- Net interest declined by €393 million to –€429 million. Our debt level rose due to our growth investments and the refinancing of the Essent acquisition, causing the interest expense to increase commensurately. Burdens grew also as a result of fees paid for the loan granted to us by banks for the interim financing of the Essent acquisition.
- The interest accretion to non-current provisions rose by €115 million to €676 million. One reason for this is that we expect to see a decline in income from our pension funds. When the interest accretion is calculated, this income is deducted.
- The “Other financial result” totalled –€333 million (first three quarters of 2008: –€422 million). Burdens primarily stemmed from book losses realised on the sale of securities. In addition, we wrote down securities.

Our continuing operations generated income before tax amounting to €4,315 million. This was slightly more than in the first nine months of 2008. The effective tax rate was 32% (first three quarters of 2008: 28%). Income from continuing operations after tax totalled €2,947 million, slipping by 4% year on year.

The RWE Group’s discontinued operations (American Water) made an earnings contribution of €20 million. In the same period last year, we had recorded a loss of €598 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, requiring us to recognise an impairment loss on the remaining shareholding.

The minority interest amounted to €176 million, which was clearly lower than in the same period in 2008 (€248 million). Some RWE subsidiaries, in which third parties hold minority interests, recorded marked declines in earnings. This applies above all to our Hungarian supply companies.

Reconciliation to net income		Jan – Sep 2009	Jan – Sep 2008	+/- in %	Jan – Dec 2008
Operating result	€ million	5,534	5,788	-4.4	6,826
Non-operating result	€ million	219	-506	–	-485
Financial result	€ million	-1,438	-1,019	-41.1	-1,475
Income from continuing operations before tax	€ million	4,315	4,263	1.2	4,866
Taxes on income	€ million	-1,368	-1,206	-13.4	-1,423
Income from continuing operations	€ million	2,947	3,057	-3.6	3,443
Income from discontinued operations	€ million	20	-598	–	-567
Income	€ million	2,967	2,459	20.7	2,876
<hr/>					
Minority interest	€ million	176	248	-29.0	318
Net income	€ million	2,791	2,211	26.2	2,558
Recurrent net income	€ million	2,871	3,077	-6.7	3,367
Earnings per share	€	5.24	4.09	28.1	4.75
Recurrent net income per share	€	5.39	5.69	-5.3	6.25
Effective tax rate	%	32	28	–	29

Overall, this resulted in a significant improvement in the RWE Group's net income, which rose by 26 % to €2,791 million. Our earnings per share advanced from €4.09 to €5.24. The number of RWE shares outstanding decreased due to the share buyback conducted between February and May 2008. In the first nine months of 2009, they averaged 533.0 million, compared to 541.1 million in the same period last year.

The decisive figure for our dividend policy is recurrent net income, which does not contain the non-operating result. Major non-recurrent effects in the financial result, income taxes and income from discontinued operations are also excluded from this figure. In the first three quarters of 2009, recurrent net income totalled €2,871 million, 7 % less 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 revenue, 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 to enhance the 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 improving 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 raise this figure to €450 million by the end of 2009.

Capital expenditure nearly quadrupled

The RWE Group spent €13,147 million in capital, almost four times as much as in the same period last year (€3,426 million). Capital expenditure on financial assets rose considerably. It totalled €9,446 million, growing more than ten-fold. This was mainly due to the acquisition of Dutch-based energy utility Essent, which we bought on September 30, 2009, together with the stake in swb that has since been sold on. Including other transaction costs, the acquisition costs amounted to €7,794 million. In addition, RWE Energy concluded three sizeable transactions. €800 million were invested in the acquisition of the 20% stake in the regional company RWE Westfalen-Weser-Ems from the company's municipal shareholders. An additional €188 million was used by the division to purchase the remaining shares in a joint venture that owns 19.8% of the new Luxemburg-based energy utility ENOVOS (see the report on the first quarter of 2009). Moreover, RWE Energy acquired the German energy service provider FAVORIT from ExxonMobil (€143 million).

Capital expenditure on financial assets € million	Jan – Sep 2009	Jan – Sep 2008 ¹	+ / – € million	Jan – Dec 2008 ¹
RWE Power	42	1	41	1
RWE Innogy	153	505	-352	812
RWE Dea	–	–	–	–
RWE Supply & Trading	58	293	-235	321
RWE Energy	1,301	100	1,201	104
RWE npower	78	–	78	1
Other, consolidation	7,814	2	7,812	–
Total	9,446	901	8,545	1,239

¹ Figures partially adjusted; see commentary on page 13.

Capital expenditure on property, plant and equipment ¹ € million	Jan – Sep 2009	Jan – Sep 2008 ²	+/- € million	Jan – Dec 2008 ²
RWE Power	1,284	1,009	275	1,455
RWE Innogy	290	143	147	290
RWE Dea	711	431	280	606
RWE Supply & Trading	1	–	1	–
RWE Energy	639	440	199	1,150
RWE npower	521	302	219	610
Other, consolidation	255	200	55	343
Total	3,701	2,525	1,176	4,454

1 Including intangible assets.

2 Figures partially adjusted; see commentary on page 13.

Capital expenditure on property, plant and equipment also grew substantially. The RWE Group spent €3,701 million in this area, 47 % more than in the same period of 2008. All of the divisions recorded an increase. More than one third 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, a 1,560-MW hard coal twin unit facility in Eemshaven, Netherlands, and an 875-MW combined-cycle gas turbine power station in Lingen. These generation units are under construction. RWE Innogy aims to expand its renewable generation base significantly and is making good progress. The division invested twice as much as a year ago. Centre stage is taken by wind power projects, including the construction of the 90-MW Rhyl Flats wind farm off the coast of Wales, which we intend to complete this year. RWE Innogy commissioned a 60-MW onshore wind farm in the southeast of England (Little Cheyne Court) in July and a second one, with an installed capacity of 41 MW, in the northeast of Poland (Suwalki) in October. RWE Dea largely invests in the development of existing discoveries in preparation for production. In July, the company also acquired stakes in two undeveloped gas fields off the coast of the UK North Sea. RWE Energy's primary focus is on measures to maintain and improve grid infrastructure. Additional funds are earmarked to expand gas storage capacity. RWE npower is building two combined-cycle gas turbine power stations, one at Staythorpe and another at Pembroke, with installed capacities of 1,650 MW and 2,000 MW, respectively.

Cash flow statement € million	Jan – Sep 2009	Jan – Sep 2008	+/- in %	Jan – Dec 2008
Cash flows from operating activities	4,126	4,349	-5.1	8,853
Impact of the change in working capital	207	-1,176	117.6	1,687
Cash flows from investing activities	-9,204	1,661	–	-3,584
Cash flows from financing activities	7,144	-5,387	–	-5,907
Effects of changes in foreign currency exchange rates and other changes in value on cash and cash equivalents	12	4	–	-35
Total net changes in cash and cash equivalents	2,078	627	–	-673
Cash flows from operating activities	4,126	4,349	-5.1	8,853
Minus capital expenditure on property, plant and equipment and intangible assets	-3,701	-2,525	-46.6	-4,454
Free cash flow	425	1,824	-76.7	4,399

Cash flow statement – key figures

In the first three quarters of 2009, we generated €4,126 million in cash flows from operating activities, which were €223 million, or 5%, down year on year. Cash outflows for the procurement of CO₂ emission allowances were much higher in 2009. Due to the stricter framework conditions of the European Emission Trading System from the beginning of 2008 onwards, we had to purchase a much larger volume of certificates on the market for that year. However, this only had an adverse effect on cash flow in 2009, as emission certificates required in a given calendar year are typically paid for at the beginning of the following one. This increased outflows by €1.0 billion. There was a counteracting one-off effect in working capital, which resulted from the fact that we fixed the price of parts of our electricity generation early on via futures on the EEX Energy Exchange. By concluding these types of hedges, we aim to limit the short-term influence of volatile commodity prices on our earnings. As of the balance sheet date, quotations on the electricity market were below the sales prices established for the futures. We received compensatory payments for the differences, known as “variation margins,” which totalled €0.4 billion. In contrast, we had to make €0.6 billion in compensatory payments in the first three quarters of 2008, because the price level in the electricity market was much higher.

Cash outflows from investing activities amounted to €9,204 million, the sum by which our expenses for capital expenditures (including cash investments) exceeded proceeds from asset disposals and divestments. The acquisition of Essent was the single-largest item. Its purchase price amounted to €7,574 million. The €686 million in assumed cash and cash equivalents have to be deducted from this sum.

Cash flows from financing activities amounted to €7,144 million. They mainly stemmed from the bond placements in February and June 2009, while dividend payments had a counteracting effect. Cash and cash equivalents have risen by €2,078 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 €425 million, down €1,399 million on the figure for the comparable period in 2008. The considerable increase in capital expenditure on property, plant and equipment was the reason for this.

Net debt € million	Sep 30, 2009	Dec 31, 2008	+ / - in %
Cash and cash equivalents	3,327	1,249	166.4
Marketable securities	6,096	8,052	-24.3
Other financial assets	2,820	4,832	-41.6
Financial assets of continuing operations	12,243	14,133	-13.4
Bonds, notes payable, bank debt, commercial paper	19,856	11,839	67.7
Other financial liabilities	2,263	1,644	37.7
Financial liabilities of continuing operations	22,119	13,483	64.1
Net financial debt of continuing operations	9,876	-650	-
Provisions for pensions and similar obligations	3,658	2,738	33.6
Capitalised surplus of plan assets over benefit obligations	17	-	-
Provisions for nuclear waste management	9,527	9,465	0.7
Mining provisions	2,618	2,866	-8.7
Net debt of continuing operations	25,662	14,419	78.0
Net debt of discontinued operations	-	4,240	-
Net debt of the RWE Group	25,662	18,659	37.5

Net debt higher due to Essent acquisition

Our net debt as of September 30, 2009, totalled €25.7 billion, up €7.0 billion since December 31, 2008. This was largely caused by capital expenditure, which was unusually high due to the acquisition of Essent. Our dividend payments had an impact of €2.6 billion. A counteracting effect was felt from cash flows from operating activities. Furthermore, we deconsolidated American Water's net debt, which amounted to €4.2 billion at the end of 2008. Our stake in the US water utility was reduced to a minority interest in June 2009.

Balance sheet structure

As of September 30, 2009, the RWE Group had a balance sheet total of €92.1 billion. €15.6 billion are attributable to Essent, which was acquired as of the balance sheet date. The fact that our balance sheet total was €1.3 billion lower compared to year-end 2008 is in part due to the deconsolidation of American Water, which had an effect of €7.6 billion. Furthermore, our financial accounts receivable from variation margins and collateral decreased by €1.9 billion, our derivative positions were down by €2.4 billion, and our trade accounts receivable dropped by €2.4 billion. In the period under review, the RWE Group's equity ratio climbed from 14.1% to 14.4%. Our non-current assets were covered by equity and non-current liabilities at a rate of 108% – proof of RWE's solid financial and capital structure.

RWE Group's balance sheet structure	Sep 30, 2009		Dec 31, 2008	
	€ million	in %	€ million	in %
Assets				
Non-current assets	54,300	58.9	41,763	44.7
Intangible assets	17,127	18.6	11,202	12.0
Property, plant and equipment	26,969	29.3	21,762	23.3
Current assets	37,847	41.1	51,667	55.3
Receivables and other assets ¹	24,518	26.6	31,433	33.6
Marketable securities	5,818	6.3	7,735	8.3
Assets held for sale	1,218	1.3	8,710	9.3
Total	92,147	100.0	93,430	100.0
Equity and liabilities				
Equity	13,300	14.4	13,140	14.1
Non-current liabilities	45,501	49.4	36,793	39.4
Provisions	22,577	24.5	21,072	22.6
Financial liabilities	16,865	18.3	11,154	11.9
Current liabilities	33,346	36.2	43,497	46.5
Other liabilities ¹	23,067	25.0	28,769	30.8
Liabilities held for sale	–	–	6,714	7.2
Total	92,147	100.0	93,430	100.0

1 Including trade accounts receivable and / or payable.

Big rise in headcount due to Essent acquisition

As of September 30, 2009, the RWE Group employed 70,990 people (if converted to full-time positions), 43 % of whom worked outside Germany. The labour force expanded by 5,082 employees, or 8 %, compared with December 31, 2008. Acquisitions added 4,958 staff members. The single-largest effect came from the fact that Essent was consolidated for the first time (+4,298). RWE npower's acquisition of the Superior Plumbing Installation Group, which specialises in electricity, gas and water installations, added to the expansion of the workforce (+480). Operating changes resulted in a net addition of 124 positions. Recruitment activity was especially strong at RWE Power and RWE Innogy. This resulted from the rise in capital expenditure, among other things.

Workforce ¹	Sep 30, 2009	Dec 31, 2008 ²	+/- in %
RWE Power	17,776	17,505	1.5
RWE Innogy	927	712	30.2
RWE Dea	1,261	1,144	10.2
RWE Supply & Trading	988	883	11.9
RWE Energy	27,872	28,314	-1.6
RWE npower	12,528	12,747	-1.7
Essent	4,298	–	–
Other	5,340	4,603	16.0
RWE Group	70,990	65,908	7.7

1 Converted to full-time positions.

2 Figures partially adjusted; see commentary on page 13.

Research and development: focus on higher efficiency and lower emissions in electricity generation

In the first three quarters, research and development (R&D) costs amounted to €73 million, compared with €58 million in the prior-year period. Furthermore, we capitalised €60 million in development costs (previous year: €30 million). Enhancing efficiency and reducing the emissions of our fossil fuel-fired power plants are the centrepiece of our R&D measures. On August 18, 2009, we officially commissioned a CO₂ scrubbing pilot plant in our Coal Innovation Centre at our Niederaussem site in Germany. This project involves separating carbon dioxide from flue gas under real-life conditions to gain valuable experience for future large-scale facilities. Detailed information on our R&D activities is provided on page 96 et seqq. of RWE's 2008 annual report.

Outlook for 2009

Economic forecast for 2009: Eurozone economy set to shrink by 4 %

Our prognoses indicate that world economic output may decline by more than 2 % this year. The situation in the Eurozone will remain difficult for the duration of the year. According to our recent estimates, real gross domestic product (GDP) in this part of the world will decline by approximately 4 %. For Germany, a drop of up to 5 % cannot be ruled out. As in the Eurozone, corporate investment in property, plant and equipment is 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. In the fourth quarter, the German economy is likely to continue the course for growth, which it embarked on half way through the year. However, this should not hide the fact that it may take years for real economic output to return to the levels seen before the crisis. In the UK, 2009 GDP is expected to drop by approximately 5 %. The country is especially hard hit by the financial crisis and continues to face the weakness of the housing sector. Economic performance in the UK was apparently still on the decline in the third quarter, but indicators are pointing to a recovery by year-end. Central Eastern European countries exhibit different economic developments. Czech GDP is expected to fall by nearly 4 %, owing to the country's strong orientation towards foreign trade. In Hungary, economic output may shrink by as much as 6 %, since the country's dependency on exports is compounded by weak consumer spending. A substantial decrease is also forecast for Slovakia. In contrast, Poland may actually post a marginal increase, driven by robust consumption.

Marked drop in fuel prices

The price of a barrel of Brent crude has recovered recently, temporarily surpassing the 80-dollar mark. However, the average for the whole year will be markedly down on the comparable figure for 2008 (US\$ 97). The same holds true for gas, hard coal and CO₂ emission allowances. Quotations on the Dutch TTF gas market are still very low, despite firmer oil prices. At the end of October, a metric ton of hard coal sold for US\$ 76 in Rotterdam spot trading (including freight and insurance), compared with last year's average of US\$ 148. At the same point in time, emission allowances for 2009 were quoted at €15 per metric ton of CO₂ (average for 2008: €22).

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, this will not significantly affect earnings from our 2009 electricity generation. RWE Power has sold forward almost all its German production for 2009. More than 90 % has been sold for 2010, more than 65 % for 2011, and more than 30 % for 2012. The realised wholesale prices were much higher than those currently observed. In principle, when concluding these forward contracts, we purchase the required fuel or hedge its price when the contract is signed. This also applies to CO₂ certificates. As a result, costs incurred to purchase gas, hard coal and emission 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. The 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 just 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 forward price 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 the end of October, the base-load forward for 2010 was quoted at €49 per MWh. The same contract for the following years traded at €55 (2011), €58 (2012), and €62 (2013).

Financial statements for fiscal 2009 to reflect new Group structure

The new Group structure introduced in the report on the first quarter of 2009 has been largely implemented. It is now more aligned with national markets. Our German supply and grid businesses have been streamlined. The two regional companies RWE Rhein-Ruhr and RWE Westfalen-Weser-Ems have been merged to form a supply company (RWE Vertrieb AG) and a distribution grid company (RWE Rheinland Westfalen Netz AG). The holding company RWE Energy is no longer in operation. We will transfer our entire business in the Netherlands and Belgium to Essent, which was consolidated for the first time effective September 30. The reorganisation leads to the reporting structure illustrated below, to which we will adhere for the first time in the 2009 financial statements. Prior-year figures will be adjusted to ensure comparability. However, our forecast for the full 2009 financial year is still based on the old segment structure.

Germany		Netherlands / Belgium	United Kingdom	Central and Eastern Europe	Renewables	Upstream gas and oil	Trading / gas midstream	Others
Power generation	Supply and distribution networks							
RWE Power	RWE Vertrieb including RWE Aqua, eprimo RWE Energieeffizienz including e-mobility RWE Rheinland Westfalen Netz enviaM / Mitgas KEVAG LEW Süwag VSE KELAG	Essent	RWE npower	RWE Hungaria RWE Polska VSE (Slovakia) RWE Transgas (Czech Republic) RWE Transgas Net (Czech Republic)	RWE Innogy	RWE Dea	RWE Supply & Trading	RWE AG Amprion (formerly RWE Transportnetz Strom, Germany) Thyssengas (formerly RWE Transportnetz Gas, Germany) Internal services Consolidation

Outlook € million	2008	Updated 2009 forecast vs 2008 without Essent	Effect from Essent
External revenue	48,950	Below previous year	+ approx. €1.5 billion
EBITDA	8,773 ¹	In the order of last year's level	+ approx. €150 million
Operating result	6,826	In the order of last year's level	+ approx. €100 million
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	Significantly 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	Slightly positive effect

1 Figure adjusted; see commentary on page 13.

Revenue set to decline in operating terms

We expect the RWE Group's external revenue in 2009 – excluding Essent – to be below last year's level. We anticipate that the Dutch energy utility will generate approximately €1.5 billion in external revenue in the fourth quarter. The fact that RWE Supply & Trading will sell less electricity produced in-house on the wholesale market than in 2008 will have a revenue-reducing effect. Furthermore, we anticipate a cyclically and competition-induced decrease from business with our gas supply to end customers and distributors. This will be contrasted by higher revenue in the German electricity supply business. Drivers will be the price adjustments implemented in reaction to higher procurement costs, with growth in sales also playing a role.

Previous earnings forecast confirmed

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 main reasons are the long outages of the two power plant units at Biblis and higher fuel procurement costs. These are contrasted by the positive effects of higher realised electricity wholesale prices. In our UK electricity and gas business, we expect significantly depressed earnings resulting from pressure on prices and costs. Our upstream activities will also experience a significant drop owing to lower oil and gas prices. We will probably be able to stabilise our earnings in the regulated German grid business through further cost reductions. As explained on page 27, we expect our efficiency-enhancement programme to make an increasing contribution to earnings.

We confirm the earnings forecast we issued in February 2009. Excluding Essent, EBITDA and the operating result are expected to be of last year's order (€8,773 million and €6,826 million). The consolidation of Essent, effective September 30, 2009, will have another positive effect. In the fourth quarter, the company is anticipated to generate some €150 million in EBITDA and an operating result of about €100 million.

Excluding Essent, we expect that recurrent net income will also be of last year's order (€3,367 million). The inclusion of the Dutch energy utility will lead to mutually opposing effects: The operating result it will contribute in the fourth quarter will be contrasted by acquisition financing costs in the same period. Overall, we expect to see a slightly positive effect.

Operating result by division:

RWE Power's operating result is expected to be higher than last year, despite the prolonged outage of our nuclear power plant in Biblis. We have already sold forward almost all our German 2009 generation. Since most of the forward sales were made in 2007 and 2008, we are still benefiting from the higher wholesale electricity prices seen until the middle of last year. From our present point of view, the maintenance outage at the Biblis power station will have an adverse effect in the order of €1.0 billion compared to 2008. Biblis' recommissioning has been delayed further: Block B is not expected to go back online until mid-November, with Block A scheduled to become operational again in the middle of January 2010. This would translate into outages of ten and ten-and-a-half months, respectively. In August, we had anticipated interruptions of eight and seven months. But RWE Power is expected to fully offset these additional burdens. However, we expect that fuel purchasing costs will rise by about €0.3 billion. Staff costs are likely to grow as well. Costs arising from the shortage of CO₂ certificates are anticipated to be below the 2008 level (€1.1 billion). We expect that RWE Power will have to buy some 35% of the CO₂ certificates it needs in Germany in 2009, or obtain them via the Kyoto "Clean Development Mechanism" and "Joint Implementation" projects.

Despite the commissioning of additional generation capacity in 2009, 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. This is because our extensive investment programme involves high start-up costs and additional staff recruitment.

RWE Dea expects its operating result to deteriorate considerably, above all due to the significant decline in crude oil and gas prices. In addition, we anticipate that production volumes will be lower.

RWE Supply & Trading anticipates a significant improvement in its operating result year on year. This is based on an adjusted prior-year figure, which already includes the supply business with major industrial and corporate customers formerly conducted by RWE Key Account. Forecasts for the trading business are subject to substantial uncertainty. Irrespective of the business trend in the fourth quarter, RWE Supply & Trading will benefit from the fact that successful trading transactions concluded in earlier years will be reflected in this year's operating result.

Our forecast for companies within what used to be the RWE Energy Division envisages them closing the year with an operating result matching last year's level, adjusted for the effects of the reclassification of RWE Transportnetz Strom (now "Amprion") 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 activities. To limit the impact this will have on earnings, we have implemented extensive cost reductions. In addition, we intend to improve earnings in our supply business. We will continue to pursue our value-oriented sales policy to this end, while striving to limit customer losses. We also want to win customers, both within and outside of our traditional supply regions, by developing and marketing innovative products.

RWE npower's operating result is expected to be significantly down year on year. As mentioned earlier, margins in the generation business have deteriorated considerably. This also applies to the short-term position management of our power plants, which made an unusually high earnings contribution in 2008. Costs arising from the shortage of CO₂ certificates are anticipated to be lower than last year. RWE npower will probably have to purchase less than 10% of the CO₂ certificates it requires on the market. 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 residential customer segment as of March 31, 2009, despite the rise in procurement costs. This will lead to a considerable drop in earnings. In addition, government programmes that oblige UK utilities to promote energy savings for homes 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. RWE npower is working on extensive cost-cutting measures which should have a positive effect of €120 million on 2009 earnings. The beneficial impact is expected to be felt largely in the fourth quarter.

Dividend payout ratio between 50% and 60%

Our dividend proposal for fiscal 2009 will return to the regular 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 markedly up year on year

The RWE Group will nearly triple capital expenditure compared to 2008. This is mainly due to the acquisition of Essent. Spending on property, plant and equipment will also rise considerably. All divisions have increased their outlay. We reported on major investment initiatives on page 28. Excluding Essent, the Group's 2009 capital expenditure on property, plant and equipment is likely to be in the order of €6 billion. The Dutch utility will add approximately €300 million to €400 million in investment.

Net debt much higher than 2008 due to Essent acquisition

In the financial statements for fiscal 2009, our net debt will be significantly higher than in 2008. Besides the acquisition of Essent, the strong rise in capital expenditure and the record dividend payment in April will contribute to this. This will be contrasted by a continued high level of cash flows from operating activities and the deconsolidation of American Water. At the end of 2009, the ratio of net debt to EBITDA ("leverage factor") is likely to be in the middle of our target corridor of 2.8 to 3.4. We used Essent's expected full-year EBITDA as a basis for this forecast.

Our good reputation as a bond issuer means we always have access to short- and long-term sources of finance. Only €0.2 billion in bonds will have matured by the end of 2009.

Workforce set to grow significantly

Our headcount at the end of 2009 will be much higher than last year. Again, Essent's consolidation for the first time will be the decisive factor. Our intensified investment programme also requires additional employees.

Research and development: 2009 budget of about €100 million

We intend to step up our research and development activities along the entire value chain. To this end, a budget of about €100 million has been earmarked in 2009. More than half of it is being dedicated to projects to improve the efficiency and reduce the emissions of our electricity generation activities.

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. We have included 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. As illustrated earlier, the recession left deep marks on energy consumption. The generation business is exposed to earnings risks, as the economic crisis may persist for an extended period of time and commodity prices might remain low for years to come. We sold forward most of our electricity generation for 2009 and 2010 before the downturn. A large number of our supply agreements with industrial enterprises, corporate customers and distributors are take-or-pay contracts. So far, customer payment defaults are moderate. 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 in 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 emission 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 nine months of 2009, RWE Supply & Trading's Global VaR averaged €15 million, and the daily maximum was €21 million. However, our risk analysis is not only based on the amount of VaR. We also factor in extreme scenarios ("stress tests"), 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 €173 million. The average VaR for interest-bearing investments, including hedges, was €25 million, and for share investments it was €23 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 out 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 our 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 flexibility through our Commercial Paper Programme and our Debt Issuance Programme (see page 86 of the 2008 annual report). 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 CO₂ emission trading system. Risks can arise from increases in the cost of procuring CO₂ certificates. Generators in Germany and the UK will hardly be allocated any free certificates in the third emission 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 new build programme. Furthermore, we limit CO₂ risks through the Kyoto "Clean Development Mechanism" and "Joint Implementation" climate-protection projects in developing and newly industrialising countries.

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 financial importance to RWE, especially regarding the consideration of costs resulting from energy losses, still remain to be clarified. We 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 competition authorities' tighter control of anti-competitive pricing practices from the end of 2007 onwards. 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 acquisitions of companies, and out-of-court claims have been filed against some of them. However, we do not expect any major negative repercussions for 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 plant replacements, 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.

The German Federal Cartel Office has been conducting investigations throughout the electricity and gas sectors since spring 2009 and in the district heating industry since September 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.

This report contains forward-looking statements regarding the future development of the RWE Group and its companies as well as economic and political developments. These statements are assessments that we have made based on information available to us at the time this document was prepared. In the event that the underlying assumptions do not materialise or additional risks arise, actual performance can deviate from the performance expected at present. Therefore, we cannot assume responsibility for the correctness of these statements.

Consolidated Financial Statements (condensed)

Income Statement¹

€ million	Jul – Sep 2009	Jul – Sep 2008	Jan – Sep 2009	Jan – Sep 2008
Revenue (including natural gas tax / electricity tax)	9,383	9,733	33,769	34,454
Natural gas tax / electricity tax	-269	-268	-1,041	-1,052
Revenue	9,114	9,465	32,728	33,402
Changes in finished goods and work in progress / other own work capitalised	91	61	207	167
Cost of materials	-5,901	-5,865	-20,900	-22,453
Staff costs	-1,150	-1,025	-3,392	-3,115
Depreciation, amortisation, and impairment losses	-535	-544	-1,629	-1,623
Other operating result	-274	-379	-1,442	-1,440
Income from operating activities of continuing operations	1,345	1,713	5,572	4,938
Income from investments accounted for using the equity method	105	71	33	238
Other income from investments	3	36	148	106
Financial income	707	359	1,511	1,266
Finance costs	-1,229	-760	-2,949	-2,285
Income from continuing operations before tax	931	1,419	4,315	4,263
Taxes on income	-346	-316	-1,368	-1,206
Income from continuing operations	585	1,103	2,947	3,057
Income from discontinued operations	17	30	20	-598
Income	602	1,133	2,967	2,459
Minority interest	-33	-78	-176	-248
Net income / income attributable to RWE AG shareholders	569	1,055	2,791	2,211
Basic and diluted earnings per common and preferred share in €	1.07	1.97	5.24	4.09
of which: from continuing operations in €	(1.04)	(1.99)	(5.25)	(5.30)
of which: from discontinued operations in €	(0.03)	(-0.02)	(-0.01)	(-1.21)

¹ Prior-year figures adjusted.

Statement of Recognised Income and Expenses¹

€ million	Jul – Sep 2009	Jul – Sep 2008	Jan – Sep 2009	Jan – Sep 2008
Income	602	1,133	2,967	2,459
Currency translation adjustment	189	-50	228	493
Fair valuation of financial instruments available for sale	234	-54	418	-271
Fair valuation of financial instruments used for hedging purposes	143	293	175	-286
Actuarial gains and losses of defined benefit pension plans and similar obligations	-153	131	-624	203
Other comprehensive income	413	320	197	139
Total comprehensive income	1,015	1,453	3,164	2,598
of which: attributable to RWE AG shareholders	(964)	(1,301)	(3,105)	(2,167)
of which: attributable to minority interests	(51)	(152)	(59)	(431)

1. Figures stated after taxes.

Balance Sheet

Assets € million	Sep 30, 2009	Dec 31, 2008
Non-current assets		
Intangible assets	17,127	11,202
Property, plant and equipment	26,969	21,762
Investment property	176	180
Investments accounted for using the equity method	3,758	3,268
Other non-current financial assets	739	681
Accounts receivable and other assets	3,879	3,061
Deferred taxes	1,652	1,609
	54,300	41,763
Current assets		
Inventories	2,966	2,540
Trade accounts receivable	8,050	10,415
Accounts receivable and other assets	16,468	21,018
Marketable securities	5,818	7,735
Cash and cash equivalents	3,327	1,249
Assets held for sale	1,218	8,710
	37,847	51,667
	92,147	93,430
Equity and Liabilities € million	Sep 30, 2009	Dec 31, 2008
Equity		
RWE Group interest	12,502	11,587
Minority interest	798	1,553
	13,300	13,140
Non-current liabilities		
Provisions	22,577	21,072
Financial liabilities	16,865	11,154
Other liabilities	3,728	2,984
Deferred taxes	2,331	1,583
	45,501	36,793
Current liabilities		
Provisions	5,025	5,685
Financial liabilities	5,254	2,329
Trade accounts payable	8,736	11,031
Other liabilities	14,331	17,738
Liabilities held for sale		6,714
	33,346	43,497
	92,147	93,430

Cash Flow Statement

€ million	Jan – Sep 2009	Jan – Sep 2008
Income	2,967	2,459
Depreciation, amortisation, impairment losses, write backs	1,754	1,612
Changes in provisions	-1,058	-123
Deferred taxes / non-cash income and expenses / income from disposal of non-current assets and marketable securities	256	1,577
Changes in working capital	207	-1,176
Cash flows from operating activities of continuing operations	4,126	4,349
Cash flows from operating activities of discontinued operations	11	288
Cash flows from operating activities	4,137	4,637
Capital expenditure on non-current assets / acquisitions	-12,223	-3,339
Proceeds from disposal of assets / divestitures	1,098	1,091
Changes in marketable securities and cash investments	1,921	3,909
Cash flows from investing activities of continuing operations¹	-9,204	1,661
Cash flows from investing activities of discontinued operations	-78	-487
Cash flows from investing activities	-9,282	1,174
Cash flows from financing activities of continuing operations	7,144	-5,387
Cash flows from financing activities of discontinued operations	65	195
Cash flows from financing activities	7,209	-5,192
Net cash change in cash and cash equivalents	2,064	619
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	12	4
Net cash change in cash and cash equivalents from discontinued operations	2	4
Net change in cash and cash equivalents	2,078	627
Cash and cash equivalents at beginning of the reporting period	1,249	1,922
Cash and cash equivalents at end of the reporting period	3,327	2,549

1 In the first three quarters 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			-2,500		-2,500		-2,500
Dividends paid		-1,689			-1,689	-186	-1,875
Income		2,211			2,211	248	2,459
Other comprehensive income		120		-164	-44	183	139
Total comprehensive income		2,331		-164	2,167	431	2,598
Other changes						640	640
Balance at Sep 30, 2008	2,728	11,719	-2,500	-44	11,903	1,619	13,522
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		-2,401			-2,401	-123	-2,524
Income		2,791			2,791	176	2,967
Other comprehensive income		-588		902	314	-117	197
Total comprehensive income		2,203		902	3,105	59	3,164
Other changes		35			35	-691	-656
Balance at Sep 30, 2009	2,598	10,985	-2,272	1,191	12,502	798	13,300

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 September 30, 2009, which was approved for publication on November 10, 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 September 30, 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 5.25 % in Germany and 5.50 % abroad (December 31, 2008: 6.00 % and 6.50 %, respectively).

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 a 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 have already 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. 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 capitalised as part of the asset's cost.

IAS 32 (2008) and IAS 1 (2008) "Puttable Financial Instruments and Obligations Arising on Liquidation" includes new rules for differentiating between liabilities and equity. Certain financial instruments that were previously

classified as liabilities must be recognised as equity in the future. The amended rules do not have a material impact on 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 amortised cost. Their first-time application did not have an 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": The IASB issued another 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 1 Amendments (2009) “Additional Exemptions for First-time Adopters” introduces further simplifications for first-time IFRS users switching to IFRS. The revision becomes effective for the first time for fiscal years starting on or after January 1, 2010. It will not have an impact on the RWE Group’s consolidated financial statements.

IFRS 2 Amendments (2009) “Group Cash-settled Share-based Payment Transactions” specifies in particular how an individual subsidiary in a group must account for certain share-based payment arrangements in its own financial statements. Furthermore, the revised standard contains rules previously included in IFRIC 8 “Scope of IFRS 2” and IFRIC 11 “IFRS 2 - Group and Treasury Share Transactions.” Therefore, IFRIC 8 and IFRIC 11 were withdrawn by the IASB. This revision becomes effective for the first time for fiscal years starting on or after January 1, 2010. 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 can be measured at fair value or at the proportionate share of net assets. Depending on which option a company exercises, any goodwill is recognised 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 residual ownership interest in the former subsidiary is to be measured following a partial sale. The revision to IAS 27 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 32 Amendments (2009) “Classification of Rights Issues” changes the issuer’s accounting treatment of specific foreign-currency subscription rights, options and warrants. In the future, these instruments must be classified as equity. Published on October 8, 2009, this new rule becomes effective for the first time for fiscal years starting on or after February 1, 2010. 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 Arrangements” 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 after March 29, 2009. Its application is not expected to have a material 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 in the European Union for the first time for fiscal years starting after December 31, 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 risk 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 in the European Union for the first time for fiscal years starting after June 30, 2009. IFRIC 16 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.

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 amortised 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.

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 three quarters of 2009 primarily relate to the Essent Group including 137 companies that were consolidated for the first time, as well as the RWE Energy, RWE npower and RWE Innogy Divisions, in which a total of 30 companies were consolidated for the first time. Sixteen former fully consolidated companies were removed from the scope of consolidation.

The scope of consolidation is as follows:

	Sep 30, 2009	Dec 31, 2008
Fully consolidated companies	463	318
Investments accounted for using the equity method	124	94

Acquisitions. The following shareholdings were acquired:

On September 30, 2009, RWE acquired 100 % of the Dutch-based power utility Essent N.V.'s voting stock in exchange for a payment (partially conditional) totalling €7,794 million.

Since the acquisition of the controlling stake was made as of the balance-sheet date, the Essent Group has been included in the RWE Group's consolidated financial statements only on the basis of the figures stated on the balance sheet. This resulted in the recognition of the following assets and liabilities.

Balance sheet items of the Essent Group (preliminary figures)	IFRS carrying amounts prior to first-time consolidation	IFRS carrying amounts (fair value) upon first-time consolidation
€ million		
Non-current assets	3,913	6,483
Current assets	5,514	5,693
Non-current liabilities	1,089	2,082
Current liabilities	5,525	5,693
Net assets	2,813	4,401
Minority interest		-2
Acquisition cost		7,794
Goodwill		3,395

The goodwill of €3,395 million mainly stems from anticipated future economic benefits and synergy effects.

The 51 % stake in Stadtwerke Bremen that was acquired as part of the deal is being stated as an "asset held for sale" as RWE has the intention to sell it and is contractually prohibited from maintaining control.

If the business combination with Essent had already been completed as of January 1 of this year, the Group's income and revenue would have amounted to some €3.2 billion and €38.2 billion, respectively.

The first-time accounting treatment of this business combination has not been finalized yet due to the transaction's complex structure, size and closeness to the balance-sheet date.

Furthermore, on May 7, 2009, RWE Innogy paid €48 million in cash to increase the stake held in Danta de Energias, S.A., Spain, by 49.32 percentage points to 98.65 %.

In addition, RWE Energy paid €143 million to acquire 100 % of the shares in Favorit Fernwärme GmbH on June 30, 2009.

In addition to the Essent Group, acquisitions resulted in the recognition of the following assets and liabilities.

Balance sheet items of the other acquired companies	IFRS carrying amounts prior to first-time consolidation	IFRS carrying amounts (fair value) upon first-time consolidation
€ million		
Non-current assets	108	262
Current assets	48	48
Non-current liabilities	96	143
Current liabilities	40	40
Net assets	20	127
Minority interest		-6
Previous value of shareholding		-15
Revaluation of previous shareholding		-34
		72
Acquisition cost		191
Goodwill		119

Discontinued operations. Since the initiation of the sale of American Water Works Company Inc., Wilmington / Delaware, USA, this company has been stated as a discontinued operation. Following the sale of the first share tranche last year, 55.65 million additional shares were sold in two tranches at a price of US\$ 17.25 and US\$ 19.25 per share in the first three quarters of 2009, including the exercise of over-allotment options ("greenshoes"). Concurrently, American Water increased its capital by some US\$ 250 million in 2009 through the issuance of new shares.

In sum, the RWE Group's remaining stake in American Water was reduced to approximately 23.5%. Due to the loss of the voting right majority and the continued intention to sell American Water, the presentation of the company's

The goodwill of €119 million stems mainly from anticipated future economic benefits.

Since the first-time consolidation, the acquired companies have contributed €18.6 million to Group revenue and €1.1 million to Group income.

assets and liabilities has been replaced with the associated company's statement as an "asset held for sale" in accordance with IFRS 5. Earnings components are still shown in "income from discontinued operations."

In accordance with IFRS 5, assets held for sale are recognised 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 an impact on the Group's income in the future.

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

Key figures for American Water ¹ € million	Jan-Sep 2009	Jan-Sep 2008
Revenue	1,346	1,161
Expenses / income	-1,164	-1,028
Income before tax	182	133
Taxes on income	-67	-54
Income	115	79

¹ Including the treatment of depreciation and amortisation.

As of December 31, 2008, €8,432 million in non-current assets, €278 million in current assets, €5,824 million in non-current liabilities, and €890 million in current liabilities were attributable to American Water.

Income from discontinued operations includes -€23 million in sales proceeds (first three quarters of 2008: €0 million) and -€2 million in fair value adjustments (first three quarters of 2008: -€783 million).

Income from the investment in American Water in the second and third quarters of 2009 amounted to €20 million.

Revenue

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

Research and development costs

In the first three quarters of 2009, research and development costs totalled €73 million (first three quarters of 2008: €58 million).

Equity

Pursuant to the resolution passed by the Annual General Meeting on April 17, 2008, the Executive Board of RWE AG was authorised 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 (authorised capital). In certain cases, the subscription rights of shareholders can be excluded, with the approval of the Supervisory Board.

Pursuant to the resolution passed by the Annual General Meeting on April 22, 2009, the company was authorised to purchase shares of any class in RWE totalling up to 10 % of the company's share capital until October 21, 2010. 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 authorised 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 authorised 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.

As of September 30, 2009, the acquisition costs of RWE AG's own shares 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 three quarters of 2009, RWE Group companies bought 7,200 common shares on the capital market at an average cost of €57.79 per share for issuance to employees of RWE AG and its subsidiaries. The proportionate share capital totals €18,432 (0.013 % 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 7,185 common shares at an average price of €37.34 per share on the occasion of service anniversaries. Proceeds from the share issuances amounted to €269,146.95. The purchase price rebates offered to employees were recognised 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.

Financial liabilities

A nominal €4,500 million in Eurobonds with terms between 2.25 and 12.5 years (nominal interest rate between 2.5 % and 6.5 %) were issued in the first three quarters of

2009. In addition, a nominal GBP 1,500 million in Sterling bonds with terms between 13 and 30 years (nominal interest rate between 5.5 % and 6.125 %) were issued.

Other liabilities

Other liabilities include €1,292 million (December 31, 2008: €1,294 million) in current redemption liabilities

from put options of minority interests that are recognised in accordance with IAS 32.

Earnings per share

		Jan–Sep 2009	Jan–Sep 2008
Net income	€ million	2,791	2,211
Number of shares outstanding (weighted average)	thousands	532,990	541,081
Basic and diluted earnings per common and preferred share	€	5.24	4.09

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 three quarters of 2009, transactions concluded with material related parties generated €773 million in income (first three quarters of 2008: €492 million) and €138 million in expenses (first three quarters of 2008: €81 million). As of September 30, 2009, accounts receivable amounted to €688 million (December 31, 2008: €684 million), and accounts payable totalled €14 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 three quarters of 2009, RWE Group companies provided services and

deliveries to companies of the Georgsmarienhütte Group amounting to €5.4 million (first three quarters of 2008: €5.3 million). Services and deliveries provided by Georgsmarienhütte Group companies to RWE Group companies in the first three quarters of 2009 totalled €1.7 million (first three quarters of 2008: €1.6 million). As of September 30, 2009, the Georgsmarienhütte Group had €0.2 million in accounts receivable (December 31, 2008: €0 million) from and €0.6 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.

Above and beyond this, the RWE Group did not conclude or carry out any material transactions with related companies or 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 income statement and statement of recognised income and expense, balance sheet, cash flow statement, 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 September 30, 2009 which are part of the interim financial report pursuant to § 37x, Para. 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, November 11, 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

Hans-Peter Lafos

- since October 28, 2009 -

Dr. Gerhard Langemeyer

Dagmar Mühlenfeld

Dr. Wolfgang Reiniger

Günter Reppien

Karl-Heinz Römer

- until September 30, 2009 -

Dagmar Schmeer

Dr.-Ing. Ekkehard D. Schulz

Uwe Tigges

Prof. Karel Van Miert

deceased on June 22, 2009

Manfred Weber

Dr. Dieter Zetsche

- since July 16, 2009 -

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 November 10, 2009

Financial Calendar 2010

February 25, 2010	Annual report for fiscal 2009
April 22, 2010	Annual General Meeting
April 23, 2010	Dividend payment
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 three quarters of 2009 was published on November 12, 2009.

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

The Annual General Meeting and all events concerning the publication of the financial reports are broadcasted live on the internet and recorded. 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 NINE MONTHS ENDED SEPTEMBER 30, 2009

Exchange rates 1.4643 1.4303 ⁽²⁾

	Euros in millions (except for per share data) September 30		U.S. dollars in millions (except for per share data) September 30	
	2009	2008	2009	2008
Revenue (including natural gas tax / electricity tax)	33,769	34,454	49,448	49,280
Natural gas tax / electricity tax	-1,041	-1,052	-1,524	-1,505
Revenue	32,728	33,402	47,924	47,775
Changes in finished goods and work in progress / other own work capitalized	207	167	303	239
Cost of materials	-20,900	-22,453	-30,604	-32,115
Staff costs	-3,392	-3,115	-4,967	-4,455
Depreciation, amortization, and impairment losses	-1,629	-1,623	-2,385	-2,321
Other operating result	-1,442	-1,440	-2,112	-2,060
Income from operating activities of continuing operations	5,572	4,938	8,159	7,063
Income from investments accounted for using the equity method	33	238	48	340
Other income from investments	148	106	217	151
Financial income	1,511	1,266	2,213	1,811
Finance costs	-2,949	-2,285	-4,318	-3,268
Income from continuing operations before tax	4,315	4,263	6,319	6,097
Taxes on income	-1,368	-1,206	-2,003	-1,725
Income from continuing operations	2,947	3,057	4,316	4,372
Income from discontinued operations	20	-598	29	-855
Income	2,967	2,459	4,345	3,517
Minority interest	-176	-248	-258	-355
Net income / income attributable to RWE AG shareholders	2,791	2,211	4,087	3,162
	Euros	Euros	U.S. dollars	U.S. dollars
Basic and diluted earnings per common and preferred share	5.24	4.09	7.67	5.85
of which: from continuing operations	(5.25)	5.30	7.69	(7.58)
of which: from discontinued operations	-(0.01)	-1.21	-0.02	-(1.73)

(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 SEPTEMBER 30, 2009

Exchange rates 1.4643 1.3917 ⁽¹⁾

ASSETS

	Euros in millions		U.S. dollars in millions	
	September 30 2009	December 31 2008	September 30 2009	December 31 2008
Non-current assets				
Intangible assets	17,127	11,202	25,079	15,590
Property, plant and equipment	26,969	21,762	39,491	30,286
Investment property	176	180	258	251
Investments accounted for using the equity method	3,758	3,268	5,503	4,548
Other non-current financial assets	739	681	1,082	948
Accounts receivable and other assets	3,879	3,061	5,680	4,260
Deferred taxes	1,652	1,609	2,419	2,239
	54,300	41,763	79,512	58,122
Current assets				
Inventories	2,966	2,540	4,343	3,535
Trade accounts receivable	8,050	10,415	11,788	14,494
Accounts receivable and other assets	16,468	21,018	24,114	29,251
Marketable securities	5,818	7,735	8,519	10,765
Cash and cash equivalents	3,327	1,249	4,872	1,738
Assets held for sale	1,218	8,710	1,783	12,122
	37,847	51,667	55,419	71,905
	92,147	93,430	134,931	130,027

EQUITY AND LIABILITIES

	Euros in millions		U.S. dollars in millions	
	September 30 2009	December 31 2008	September 30 2009	December 31 2008
Equity				
RWE Group interest	12,502	11,587	18,307	16,126
Minority interest	798	1,553	1,168	2,161
	13,300	13,140	19,475	18,287
Non-current liabilities				
Provisions	22,577	21,072	33,060	29,326
Financial liabilities	16,865	11,154	24,695	15,523
Other liabilities	3,728	2,984	5,459	4,153
Deferred taxes	2,331	1,583	3,413	2,203
	45,501	36,793	66,627	51,205
Current liabilities				
Provisions	5,025	5,685	7,358	7,912
Financial liabilities	5,254	2,329	7,694	3,241
Trade accounts payable	8,736	11,031	12,792	15,352
Other liabilities	14,331	17,738	20,985	24,686
Liabilities held for sale		6,714		9,344
	33,346	43,497	48,829	60,535
	92,147	93,430	134,931	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 NINE MONTHS ENDED SEPTEMBER 30, 2009

Exchange rates

1.4643 1.4303 ⁽²⁾

	Euros in millions		U.S. dollars in millions	
	September 30 2009	2008	September 30 2009	2008
Income	2,967	2,459	4,345	3,517
Depreciation, amortization, impairment losses, write-backs	1,754	1,612	2,568	2,306
Changes in provisions	-1,058	-123	-1,549	-176
Deferred taxes / non-cash income and expenses / income from disposal of non-current assets and marketable securities	256	1,577	375	2,255
Changes in working capital	207	-1,176	303	-1,682
Cash flows from operating activities of continuing operations	4,126	4,349	6,042	6,220
Cash flows from operating activities of discontinued operations	11	288	16	412
Cash flows from operating activities	4,137	4,637	6,058	6,632
Capital expenditure on non-current assets	-12,223	-3,339	-17,898	-4,776
Proceeds from disposal of assets / divestitures	1,098	1,091	1,608	1,561
Changes in marketable securities and cash investments	1,921	3,909	2,813	5,591
Cash flows from investing activities of continuing operations ⁽¹⁾	-9,204	1,661	-13,477	2,376
Cash flows from investing activities of discontinued operations	-78	-487	-114	-697
Cash flows from investing activities	-9,282	1,174	-13,591	1,679
Cash flows from financing activities of continuing operations	7,144	-5,387	10,461	-7,705
Cash flows from financing activities of discontinued operations	65	195	95	279
Cash flows from financing activities	7,209	-5,192	10,556	-7,426
Net cash change in cash and cash equivalents	2,064	619	3,023	885
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	12	4	17	6
Net cash change in cash and cash equivalents from discontinued operations	2	4	3	6
Net change in cash and cash equivalents	2,078	627	3,043	897
Cash and cash equivalents at beginning of the reporting period	1,249	1,922	1,829	2,749
Cash and cash equivalents at end of the reporting period	3,327	2,549	4,872	3,646

(1) In the first three quarters 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.