REPORT ON THE FIRST QUARTER OF 2010

- Operating result 14 % up year on year
- Recurrent net income improved by 15 %
- Earnings forecast for 2010 confirmed

RWE
The energy to lead

AT A GLANCE

RWE Group — Key Figures		Jan – Mar 2010	Jan – Mar 2009	+/– in %	Jan – Dec 2009
External electricity sales volume	billion kWh	81.4	77.4	5.2	282.8
External gas sales volume	billion kWh	160.5	122.2	31.3	332.0
External revenue	€ million	15,267	14,516	5.2	47,741
EBITDA	€ million	3,574	3,090	15.7	9,165
Operating result	€ million	2,987	2,624	13.8	7,090
Income from continuing operations before tax	€ million	2,341	2,538	–7.8	5,598
Net income	€ million	1,557	1,745	–10.8	3,571
Recurrent net income	€ million	1,739	1,507	15.4	3,532
Earnings per share	€	2.92	3.28	–11.0	6.70
Recurrent net income per share	€	3.26	2.83	15.2	6.63
Cash flows from operating activities	€ million	1,509	533	–	5,299
Capital expenditure	€ million	1,193	2,054	–41.9	15,637
Property, plant and equipment	€ million	1,175	853	37.7	5,913
Financial assets	€ million	18	1,201	–98.5	9,724
Free cash flow	€ million	334	–320	–	–614
		Mar 31, 2010	Dec 31, 2009	+/– in %	
Net debt of the RWE Group	€ million	25,249	25,787	–2.1	
Workforce[1]		70,940	70,726	0.3	

1 Converted to full-time positions.

Contents

» RWE had a good start to the year. We are thus confident of being able to achieve our earnings targets for 2010. «

Dear Investor,

This year has begun well for RWE, as you can see from the key figures for the first quarter. Our operating result was 14 % higher than a year ago. Recurrent net income — the basis for determining your dividend — rose by 15 %. A contributing factor was that we included the earnings achieved by Essent in our figures for the first time. Our activities in the United Kingdom and Central Eastern Europe also contributed substantially to earnings, but they should not be extrapolated for the full year because of the seasonal nature of our operations. Conversely, as expected, in energy trading and in the gas midstream business, we fell significantly short of the unusually strong earnings we achieved a year earlier.

What about the energy consumption in our markets? Has the economy bottomed out? Initial signs point in this direction. Industrial production picked up considerably in the first few months of the year. This and the unusually cold winter are the main reasons why demand for electricity and gas was up significantly in some cases. I am confident that the economy will continue to recover. Nevertheless, it may take years for energy usage to return to the levels witnessed before the economic crisis.

What are our plans for the year underway? Centre stage is taken by our investment programme. We plan to spend a total of €28 billion on property, plant and equipment in 2010 and the three following years. Half of this has been earmarked for growth projects. Our priorities in this context are environmentally friendly electricity generation and the expansion of gas and oil production. We are making good progress in these areas. Only recently did we commission our state-of-the-art gas-fired power station in Lingen, Germany. Integrating Essent is another important item on our agenda. It is going so well that we expect to realise the anticipated synergies in excess of €100 million earlier than originally assumed.

This brings me to the earnings forecast for 2010 as a whole: We still expect to increase both the operating result and recurrent net income by approximately 5 %. This is good news—especially for you, our shareholders. After all, this means you can expect to receive an attractive dividend for fiscal 2010.

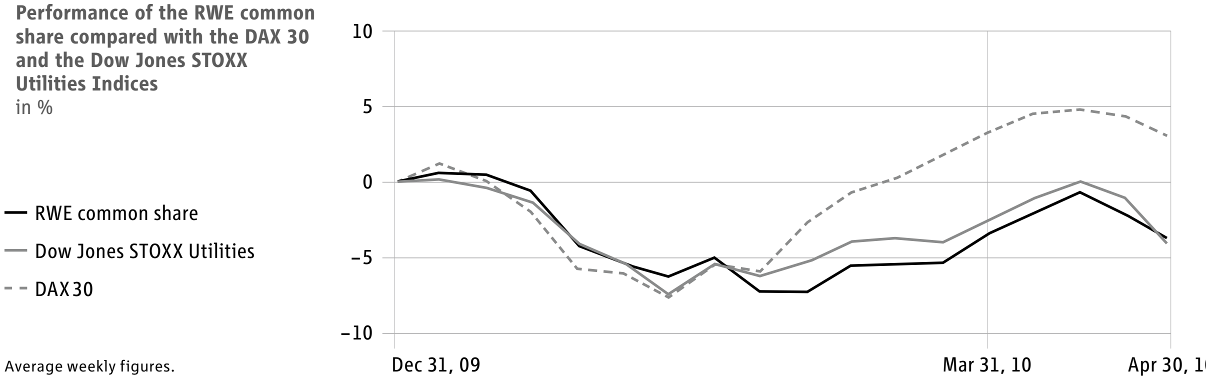
Sincerely yours,

Dr. Jürgen Großmann
President and CEO of RWE AG

Essen, May 2010

Greek crisis keeps capital market on edge

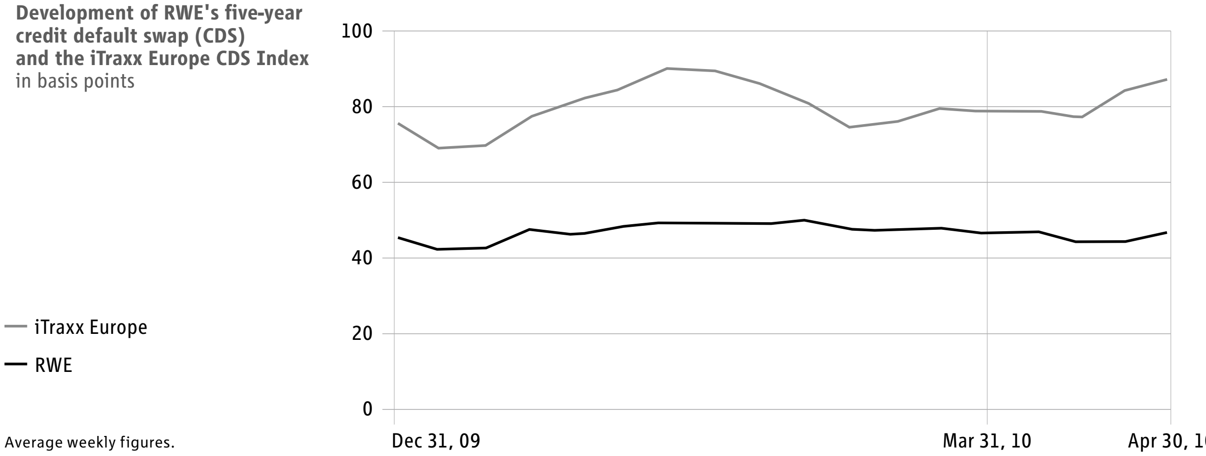
Performance of the RWE common share compared with the DAX 30 and the Dow Jones STOXX Utilities Indices
in %



Average weekly figures.

The upturn witnessed on stock markets since the spring of 2009 began to stall in 2010. Doubts about the rapid continuation of the economic recovery initially dampened sentiment on the stock markets. Furthermore, the Greek state finance crisis triggered concerns over the destabilisation of the Eurozone. Later on, positive economic indicators and corporate results brightened sentiment on the stock market somewhat. March saw the German lead index, the DAX 30, hit its high since September 2008. It closed the month at 6,154 points, up 3 % on its quotation at the end of 2009. Share price developments in the European utility sector were slightly weaker overall. The main reasons were persistently low prices in electricity and gas wholesale markets. Moreover, utility stocks generally show disproportionately little reaction to economic cycles. RWE's common and preferred shares slipped 3 % to €65.60 and 2 % to €60.89, respectively. They were thus on a par with the European utility index, the Dow Jones STOXX Utilities (–3 %). Share prices trended upwards in April 2010 before losing substantial ground as the Greek crisis became more severe and rating agencies downgraded the creditworthiness of further Eurozone countries.

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



Average weekly figures.

The Greek crisis also left its mark on the bond markets. However, companies with stable ratings were hardly affected by this. In general, interest rates have been displaying lateral movement at a low level for months. The same applies to the credit spreads charged on top of the interbank interest rate. The price for hedging RWE credit risk via five-year credit default swaps (CDSs) ranged between 40 and 50 basis points from January to April 2010. It averaged 80 basis points in the same period of 2009. Companies of good creditworthiness like RWE can currently raise funds at conditions similar to those before the financial crisis. We took advantage of this by issuing a three-year US dollar bond with a total volume of about €180 million on February 11. This was followed a few days later by a private placement with a term of 30 years and a volume of about €160 million. It is usually much more expensive to hedge credit risks outside of the utility sector. The iTraxx Europe Index, which consists of the CDS prices of 125 major European companies, fluctuated between 70 and 90 basis points in the first four months of the year. It roughly halved compared to the same period last year.

ECONOMIC ENVIRONMENT

Economic recovery continues

The world economy is back on course for growth following the most severe financial and economic crisis in the post-war era. The upward trend witnessed since the second half of 2009 continued at the beginning of 2010. Many companies ramped down production and reduced inventories during the crisis. In view of their empty warehouses, they have now increased manufacturing levels. State economic stimulus packages continue to have a reviving effect. Initial estimates have the gross domestic product (GDP) of OECD countries in the period from January to March 2010 more than 2 % up on the level seen in last year’s first quarter. A gain of just under 1 % has been estimated for the Eurozone. Economic output in Germany, the biggest economy in the currency zone, is likely to have risen by 1.5 %. In January and February, industrial production, the force driving the economy in this country, was 3 % and 7 % higher year on year. After the first recession in almost three decades, the Netherlands reported slight growth. The UK economy is still suffering from the incisive developments in its real estate and finance sectors. In addition, consumer spending still tends to be weak. In the first three months of 2010, UK GDP hovered around the level witnessed in the first quarter of last year. Most of the countries of Central Eastern Europe got off to a good start to the new year, in particular Poland, where GDP is likely to have risen by more than 3 %.

Weather much colder than long-term average

Whereas the economic trend is reflected above all in industrial demand for energy, residential consumption is significantly influenced by the weather. The temperature dependency of demand for heating comes to bear in this context. It is reflected in seasonal revenue and earnings fluctuations, among other things. We generate around two thirds of our gas sales volume in the winter and autumn months (Q1 and Q4). However, weather conditions also play a role when comparing various fiscal years. The weather in our markets, namely Germany, the United Kingdom and the Netherlands, was unusually cold in the first quarter of 2010. In some cases, temperatures were far below the year-earlier level, which was already very low. The winter months of January and February were extremely cold. Some compensation was felt by the very mild second half of March. The winter in Central Eastern Europe was also colder than usual. However, developments were disparate compared to 2009: Lower average temperatures were measured in Poland, whereas slightly higher ones were measured in the region's south eastern countries (including Hungary). Weather in the Czech Republic and Slovakia was similar to the same period a year ago. In addition to energy consumption, weather conditions also influence the generation of electricity, especially from wind turbines. Wind levels in Germany and the United Kingdom were much lower than the long-term average. However, the decline measured compared to the first quarter of 2009 was marginal. In contrast, it was much windier in Spain than a year earlier.

Cold winter weather and economic recovery stimulate energy consumption

Unusually low temperatures in January and February 2010 and the economic recovery revitalised demand for energy in our core markets. Available data shows that electricity usage in Germany in the period under review was approximately 3 % higher than in the first quarter of 2009. Demand in the UK (1.7 %) and in the Netherlands initially displayed less dynamic development. Based on the latest figures, in our electricity markets in Central Eastern Europe, Poland posted the strongest growth (3.1 %), followed by Hungary (1.9 %) and Slovakia (0.7 %). Gas consumption in Germany and the United Kingdom increased by an estimated 14 %. The corresponding figure for the Netherlands was just over 5 %. Countries such as the Czech Republic and Slovakia, in which temperatures were around the year-earlier level, saw volumes change marginally.

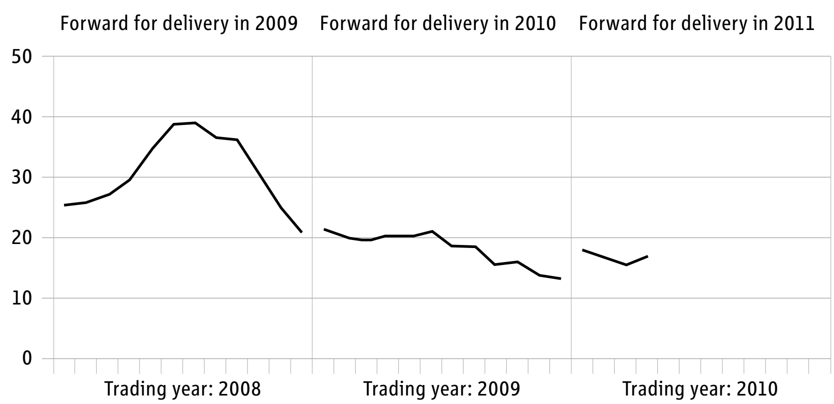
Crude oil more expensive than in 2009

Despite the improved general economic prospects, prices on fuel markets were still far below the levels witnessed just before the economic crisis. So far, the economic recovery has been reflected the most in crude oil prices, which have risen significantly since the beginning of 2009. A barrel of Brent crude traded at an average of US$ 76 in the first quarter of 2010. It was much more expensive than in the comparable period last year (US$ 44). Increased demand from emerging Asian countries, with China leading the way, was largely responsible for this. Moreover, many are investing in raw materials for fear of inflation, which also drives up prices.

Strong price decrease in gas business

As a large portion of gas imports to Continental Europe is based on long-term contracts, which are linked to oil prices, the latter also influence developments on the gas market. However, this typically occurs with a time lag of several months. Since oil prices declined substantially until the beginning of 2009, the price of gas imports to Germany fell in the first quarter of 2010, declining by some 30 % year on year. Trading freely available volumes has gained significance in recent years. Prices for these trades are not directly influenced by the price of oil. Major trading hubs are the National Balancing Point (NBP) in the UK and the Title Transfer Facility (TTF) in the Netherlands. These markets experienced a more substantial reduction in prices than was the case for oil-indexed contracts. This caused end-customer prices to come under increased pressure, especially for large buyers. In the first quarter, tariffs for households and industrial enterprises were down an average of 20 % and 28 % on the levels seen in the comparable period in 2009. The aforementioned customer groups saw their bills shrink by 12 % and 19 % in the Czech Republic, 5 % and 29 % in the UK, 21 % and 32 % in the Netherlands, and 15 % and 18 % in Hungary. The situation in forward trading was as follows: Contracts for delivery in the coming calendar year (2011 forward) sold for an average of €17 per MWh on the TTF wholesale market in the period being reviewed. This is €4 less than was paid for the 2010 forward in the first quarter of 2009.

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



Average monthly figures.
Source: RWE Supply & Trading.

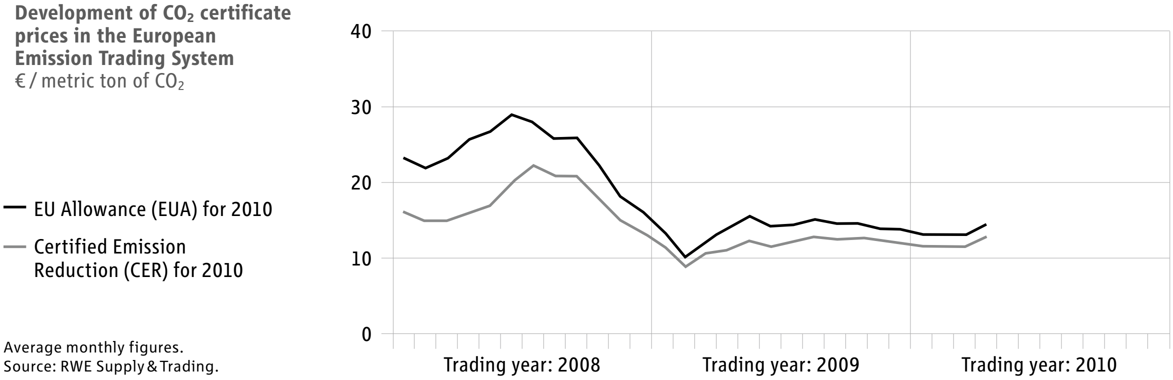
Demand for hard coal remains weak in Europe and the USA

Prices of thermal coal on international markets remain moderate. In the first quarter of 2010, a metric ton (including freight and insurance) cost an average of US$ 78 in Rotterdam spot trading, as opposed to US$ 71 in the comparable period in 2009. The price increase is slightly smaller in euro terms. Demand for hard coal is still restrained in Europe and North America, whereas it is displaying dynamic development in Asia. Hard coal quotations also reflect sea freight rates. Most recently, the need for transport capacity has grown considerably, e. g. in the steel industry. This is reflected in the rise in freight rates: In the period under review, the standard route from South Africa to Rotterdam cost an average of US$ 13 per metric ton, up US$ 5 on last year's first quarter. German hard coal prices are determined by the German Federal Office of Economics and Export Control (BAFA). Since these prices track those of imported hard coal, they follow developments on international markets, albeit with a time lag. No BAFA price was available for the first quarter of 2010 when this report went to print, but experts estimate it to be € 74 per metric ton of hard coal equivalent. The comparable year-earlier figure was € 91.

Prices in European CO_2 emissions trading still marked by the effects of the economic crisis

Prices in European trading of CO_2 emission allowances (referred to as EU Allowances — EUAs) have also maintained their low level. In the first quarter, EUAs for 2010 traded at an average of €13 per metric ton of CO_2. Prices did not change much compared with 2009. The need for certificates among utilities and energy-intensive industries continues to be significantly lower than before the recession. This also trickles down to quotations for Certified Emission Reductions (CERs). These are credits earned from emission-reducing measures taken in developing and newly industrialising countries. European companies may cover domestic emissions up to a predetermined level by submitting CERs obtained through projects within the scope of the "Clean Development Mechanism" created by the Kyoto Protocol. 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, 2010 CERs traded at an average of €12 per metric ton of CO_2.

Development of CO_2 certificate prices in the European Emission Trading System
€ / metric ton of CO_2



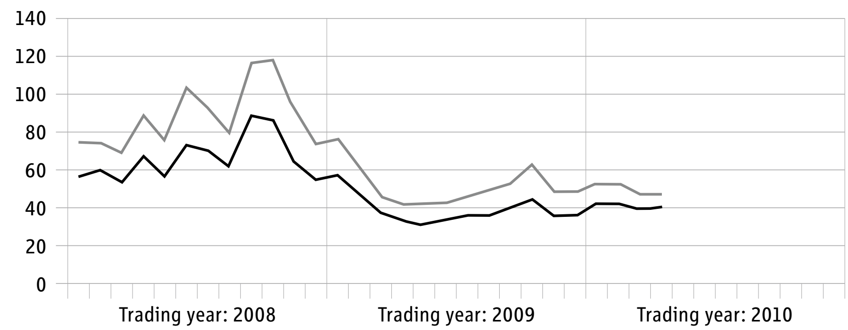
Average monthly figures.
Source: RWE Supply & Trading.

Prices on European electricity markets maintain low level

The persistent slump in fuel and emission allowance prices is mirrored on Europe's wholesale electricity markets. In German spot trading on the European Energy Exchange (EEX), base-load contracts in the first three months of 2010 traded at an average of €41 per megawatt hour (MWh), while peak-load contracts sold for €51 per MWh. They were 13 % and 17 % down on the corresponding figures for the first quarter of 2009. Prices in German forward trading also declined. Supply agreements for the coming calendar year (2011 forward) traded at an average of €48 per MWh for base-load power and €64 per MWh for peak-load electricity. This was 2 % and 11 % less than was paid for comparable contracts in the year-earlier period.

Wholesale electricity spot prices in Germany
€ / MWh

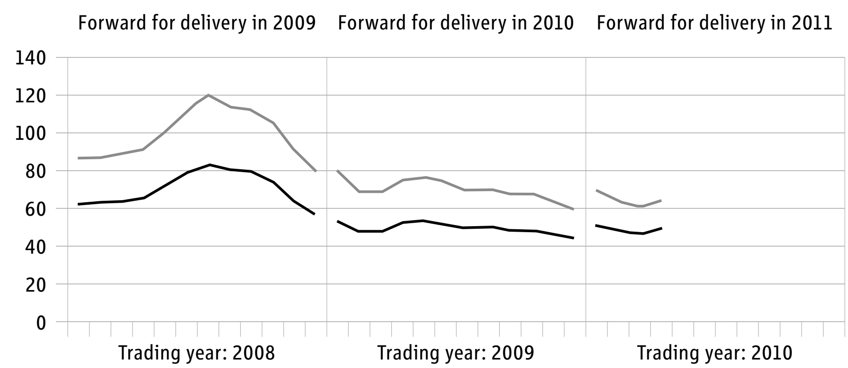
— Peak load
— Base load



Average monthly figures.
Source: Energy Exchange (EEX).

One-year forward wholesale electricity prices in Germany
€ / MWh

— Peak load
— Base load



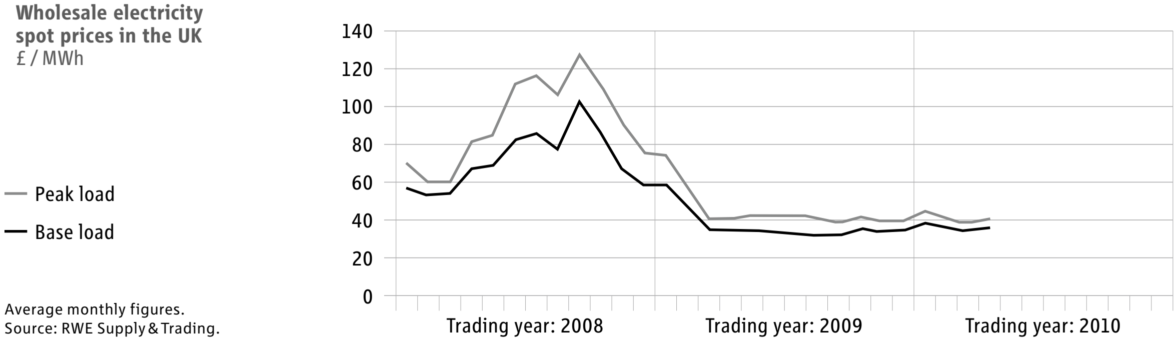
Average monthly figures.
Source: RWE Supply & Trading.

We sell forward nearly all of our in-house electricity generation in order to limit volume and price risks. Therefore, current electricity prices only had a minor impact on our income in the period under review. What is much more decisive is the price at which we concluded contracts for delivery in 2010 in preceding years. In the 2008 / 2009 trading period, the 2010 base-load forward sold for an average of €59 per MWh in the German market. The comparable figure for the 2009 forward in 2007 / 2008 was €63. Therefore, forward sales were 6 % cheaper for 2010 than for 2009. This was due to the stagnation on commodity markets, which has persisted since the middle of 2008.

The decline in electricity wholesale prices was hardly felt by the German end-customer business. This is because most of the sales companies had bought electricity in advance and their procurement costs had therefore still been influenced by the higher wholesale prices in preceding years. Furthermore, levies included in electricity bills in accordance with the German law for the promotion of energy from renewables rose, as increasing amounts of electricity are being fed into the grid due to the progressive expansion of wind, biomass and solar generation capacity. Electricity tariffs charged to households and small commercial operations were thus an average of 4 % higher than in the first quarter of 2009. Prices paid by industrial enterprises roughly matched the year-earlier level.

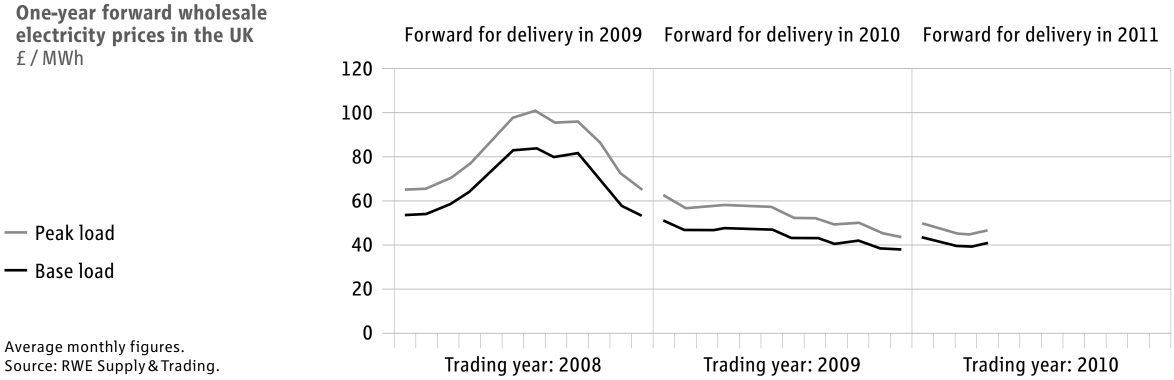
UK wholesale electricity prices were also down. The average spot price of a MWh of electricity was £ 36 (€ 41) for base-load power and £ 41 (€ 46) for peak-load power. These figures represent drops of 22 % and 27 %, respectively. The price curve also trended downwards in the UK electricity forward market. Contracts for delivery in the 2011 calendar year were settled for an average of £ 41 (€ 46) per MWh of base-load power in the first three months of 2010. This is 15 % less than the price of the 2010 forward in the same period last year. The price for peak-load electricity dropped by 20 % to £ 47 (€ 53).

Wholesale electricity spot prices in the UK
£ / MWh



Average monthly figures.
Source: RWE Supply & Trading.

One-year forward wholesale electricity prices in the UK
£ / MWh



Average monthly figures.
Source: RWE Supply & Trading.

RWE sells forward most of the production from its UK power stations, 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 generation 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 CO_2 certificates from the market price of electricity. Clean dark spreads realised on the forward market worsened substantially in 2009 and 2010, whereas clean spark spreads improved slightly. Margins of short-term spot market transactions realisable from hard coal and gas-fired power stations remain low. These power plants, which are predominantly used to generate mid-merit and peak-load electricity, are significantly affected by the fact that demand for electricity continues to be low due to the economic cycle.

Most UK energy suppliers lowered their tariffs in the end-customer segment over the course of last year. Therefore, in the first quarter of 2010, prices were down 7 % year on year for households and small commercial enterprises and down 12 % for industrial and corporate customers.

Prices declined in the Netherlands as well. They were down 9 % for households and 12 % for industrial enterprises.

End-customer prices displayed varied developments in our Central Eastern European electricity markets. On average, industrial customers had to pay less than in the first quarter of 2009 — 9 % in Poland, 8 % in Hungary, and 6 % in Slovakia. In contrast, residential electricity bills in all the aforementioned markets grew, rising by 11 % in Poland, 12 % in Hungary, and 0.5 % in Slovakia.

MAJOR EVENTS

In the period under review

RWE Innogy places winning bid for further offshore wind projects in the UK
Within the scope of an invitation to tender, in early January 2010, the UK government granted RWE Innogy permission to develop the Atlantic Array and Dogger Bank offshore wind projects. We will initially develop the Atlantic Array project alone, which will have up to 1.5 gigawatts (GW) in generation capacity. For Dogger Bank, however, we placed the winning bid as part of a consortium called “Forewind”, in which RWE Innogy holds a 25 % stake. Around 9 GW of wind capacity are to be built in this area. By taking charge of these projects, we have undertaken to develop both zones to approval. We are not committed to build the wind farms thereafter.

RWE Innogy builds pellet factory in Georgia, USA
In March, RWE Innogy started to build a large-scale wood pelletising plant in the US state of Georgia. The factory will have an annual production of 750,000 metric tons, making it the biggest and most modern of its type in the world. The project is being carried out in collaboration with Swedish-based BMC Management AB. The company specialises in the development of biomass manufacturing solutions. The pellets will be used in pure biomass power plants as well as for the co-firing of coal and biomass. The pellet plant is due to begin operations in 2011. The total investment amounts to € 120 million.

After the period under review

Green light for the construction of a gas-fired power plant in Turkey
RWE took an investment decision on the construction of a combined-cycle gas turbine (CCGT) power plant in Denizli in the west of Turkey. The 775 megawatt (MW) facility will be owned and operated by a joint venture between RWE (70 %) and the Turkish energy company Turcas (30 %). The capex budget totals around € 500 million. It is envisaged that construction will begin in the middle of 2010. The power station is scheduled to go online at the end of 2012.

State-of-the-art gas power plant goes online in Lingen
On April 14, we commissioned the two units of the new CCGT power station in Lingen, Germany, in the presence of the Prime Minister of Lower Saxony, Christian Wulff. The plant's installed capacity of 887 MW and efficiency of nearly 60 % ranks it among the most modern of its kind worldwide.

RWE Innogy and municipal utilities set to co-operate to expand the renewable generation base
In April, RWE Innogy and 26 municipal and regional utilities established the Green GECCO joint venture. The partners aim to jointly develop and carry out projects in the field of renewable energy production. RWE Innogy owns a 51 % stake in Green GECCO. Co-operation will extend beyond Germany. By the autumn of 2010, a 20 MW wind farm in the north of Scotland may become the first project in the new company’s portfolio. By 2020, Green GECCO intends to have invested about € 1 billion in the generation of electricity and heat from renewables.

RWE purchases generation quota of Stade nuclear power station

RWE Power acquired the remaining 4.8 terawatt hour generation quota allotted to the decommissioned Stade nuclear power plant from E.ON Kernkraft GmbH. The Stade power station was commissioned in 1972 and produced electricity until 2003. The unused quota is sufficient to run a 1,200 MW nuclear power plant such as the Biblis A reactor at full capacity for approximately six months. Both parties have agreed to maintain confidentiality with regard to the contractual conditions. The lifetimes of Germany's nuclear power stations are currently limited by the German Nuclear Energy Act (REA). The REA establishes their maximum allowable output, which corresponds to 32 years of normal operation. The Act also allows for generation quotas to be transferred from one power station to another if certain conditions are met. By purchasing the residual quota, RWE intends to increase the remaining amount of electricity that Biblis A is allowed to generate. The objective is to ensure that the reactor is allowed to continue operating until the German government adopts its energy concept, at which point the lifetime cap could be reversed.

NOTES ON REPORTING

New segment structure

Reporting for the first quarter of 2010 is based on the new segment structure, which was used as a basis for the 2009 full-year financial statements for the first time. To ensure year-on-year comparability of first-quarter data, we have put the figures for the first quarter of 2009 in line with the new structure. The segment split is now more in line with national markets. The interim holding company, RWE Energy, has ceased to exist. This results in a breakdown into the seven following divisions:

- Germany: This division consists of the “Power Generation” and “Sales and Distribution Networks” Business Areas. The first one includes RWE Power’s activities and the second one encompasses the new companies RWE Rheinland Westfalen Netz AG (including RWE Gasspeicher GmbH) and RWE Vertrieb AG (including eprimo and RWE Aqua). It also contains the German regional utilities, which operate their own electricity generation facilities to a small extent, besides handling the network and end-customer business. RWE Effizienz GmbH belongs to this business area as well. This also applies to some non-German activities: our minority interest in Austrian-based KELAG and Luxembourg-based Enovos as well as our water business in Zagreb, Croatia, which is run by RWE Aqua.

- Netherlands / Belgium: This is the division under which we report on Essent, which was consolidated for the first time as of September 30, 2009. We started disclosing the company’s wind power generation under the Renewables Segment in 2010. A further reclassification relates to Essent’s trading business: From now on, we will report on it under the Trading / Gas Midstream Division. To ensure transparency, we will state the results from these Essent activities as a separate item. Our former Dutch energy sales organisation (RWE Energy Nederland) was transferred to Essent effective from October 1, 2009. It has been assigned to the “Other, consolidation” item for the period before that.

- United Kingdom: We present RWE npower in this item. It encompasses our UK generation and supply business with the exception of electricity production from renewables, which is overseen by RWE Innogy.

- Central and Eastern Europe: This division covers our companies in Poland, Hungary, the Czech Republic and Slovakia. In Poland, we focus on electricity supply and the electricity distribution network. In Hungary, we also concentrate on lignite-based electricity generation, which is managed by our subsidiary Mátra. Before the reorganisation Mátra belonged to RWE Power. Via minority interests, we are also active in gas sales and water supply in Hungary. In the Czech Republic, our main activity is gas. Our local operations encompass regional supply, distribution, supraregional transmission, transit and storage. In Slovakia, we are active in the electricity network and electricity end-customer businesses through our minority interest in VSE and in the gas supply sector via RWE Gas Slovensko.

- Renewables: This division encompasses all of the activities of RWE Innogy, which specialises in electricity and heat generation from renewable sources of energy. As mentioned earlier, we started reporting Essent's wind power generation under this division in 2010.

- Upstream Gas & Oil: This segment consists of RWE Dea's business. The company produces gas and oil, focusing on Europe and northern Africa.

- Trading / Gas Midstream: We report on RWE Supply & Trading and Essent's trading activities under this item. In addition to energy trading and gas midstream activities, this division also encompasses sales to major German industrial and corporate customers previously handled by RWE Key Account before it was incorporated into RWE Supply & Trading in 2009.

The "Other, consolidation" item covers, among others, Amprion (formerly RWE Transportnetz Strom) and Thyssengas (formerly RWE Transportnetz Gas), the latter of which is for sale. It also includes the Group holding company, RWE AG, our internal service providers, namely RWE Service, RWE IT and RWE Consulting, as well as RWE Technology, which was established with effect from January 1, 2010.

BUSINESS PERFORMANCE

Electricity production by division January – March	Germany[1]		Netherlands / Belgium		United Kingdom		Central and Eastern Europe		Renewables		RWE Group	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
In-house generation	43.8	39.9	4.3	–	9.0	9.0	1.6	1.3	1.7	1.2	60.4	51.4
Lignite	17.0	17.1	–	–	–	–	1.5	1.2	–	–	18.5	18.3
Hard coal	11.2	9.8	1.7	–	3.7	5.2	–	–	–	–	16.6	15.0
Nuclear	11.3	9.9	–	–	–	–	–	–	–	–	11.3	9.9
Gas	3.5	2.4	2.1	–	5.3	3.6	0.1	0.1	0.1	–	11.1	6.1
Renewable energy	0.3	0.3	0.5	–	–	–	–	–	1.6	1.2	2.4	1.5
Pumped storage, oil, other	0.5	0.4	–	–	–	0.2	–	–	–	–	0.5	0.6
Electricity purchased from third parties	6.0	8.1	2.0[2]	–	5.7[2]	5.3[2]	5.7[2]	5.7[2]	–	–	26.4[3]	31.1[3]
Total	**49.8**	**48.0**	**6.3**	**–**	**14.7**	**14.3**	**7.3**	**7.0**	**1.7**	**1.2**	**86.8**	**82.5**

1 Including electricity procured from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the first quarter of 2010, it amounted to 7.4 billion kWh, of which 6.9 billion kWh were generated from hard coal.
2 Electricity purchases stated are nearly exclusively (UK) or partially carried out via our trading business.
3 Including purchases by RWE Supply & Trading and companies subsumed under "Other, consolidation" (mainly Amprion).

Electricity generation up 18 %

In the first quarter of 2010, the RWE Group produced 60.4 billion kilowatt hours (kWh) of electricity. We recorded an increase of 18 % compared to the first three months of 2009. In-house generation and power purchases combined for 86.8 billion kWh. This was 5 % higher than last year's comparable figure. In the period under review, 31 % of electricity generation was from lignite, 27 % from hard coal, 19 % from nuclear, and 18 % from gas. The proportion of the mix accounted for by renewable energy amounted to 4 %.

- Germany: The Germany Division produced 43.8 billion kWh of electricity. Relative to the Group, this corresponds to a share of 73 %. In addition to RWE Power's German generation, this figure includes small amounts of electricity produced by regional companies. It also encompasses electricity generated by power plants not owned by RWE that we can deploy on the basis of long-term agreements. However, electricity produced from renewable energy sources in Germany is mainly disclosed under the Renewables Segment. Generation by the Germany Division was 10 % up on the first quarter of 2009, in part due to improved market conditions for our gas and hard coal-fired power plants. In addition, we benefited from the slight increase in the availability of the Biblis nuclear power station. Block A had been offline from the end of February 2009 to the middle of March 2010, and Block B had been idle from late January to the end of November 2009. Moreover, Biblis B was operated at full load in the period being reviewed, but, for technical reasons, only at partial load in the first quarter a year ago.

- Netherlands / Belgium: Essent produced 4.3 billion kWh of electricity. Since we consolidated the Dutch utility for the first time as of September 30, 2009, we did not disclose its generation for the first quarter of that year.

- United Kingdom: RWE npower generated 9.0 billion kWh of electricity, matching the year-earlier level. As set out on page 10, the market conditions for hard coal-fired power plants in the UK deteriorated considerably. In contrast, those for gas power stations improved. This was reflected in the utilisation of capacity at RWE npower's plants.

- Central and Eastern Europe: Generation in this region totalled 1.6 billion kWh and largely came from the Hungarian lignite-based power producer Mátra. It rose substantially thanks to improved plant availability; in the first quarter of 2009, one of our lignite units had an outage for maintenance purposes.

- Renewables: This division produced 1.7 billion kWh of electricity, nearly exclusively from renewable sources of energy — up 42 % from 2009. This was in part because we started disclosing generation from Dutch-based Essent's wind turbines under this segment on January 1, 2010. The initial consolidation of Danta de Energías also had a positive impact; in May 2009, we had increased our stake in the Spanish wind farm operator from 49.33 % to 98.65 %. Organic growth made a contribution to the rise in production as well. For instance, the 90 MW UK Rhyl Flats offshore wind farm was fully commissioned in December 2009.

In addition to our in-house generation, we also procure electricity from external suppliers. These purchases totalled 26.4 billion kWh (2008: 31.1 billion kWh). This includes electricity fed into RWE's network by third parties, in accordance with the German Renewable Energy Act.

Gas and oil production down year on year

In the period under review, RWE Dea produced 841 million cubic metres of gas and 577 thousand cubic metres of oil. Converted to oil equivalent, output totalled 1,391 thousand cubic metres (8.7 million barrels) and was thus 8 % down on the comparable figure for 2009 (9.5 million barrels). Gas production dropped by 5 %. In our German and UK concession areas, we experienced a natural drop in output as existing reserves are being depleted. The start of additional production wells in the Völkersen field in Lower Saxony, Germany, had a counteracting effect. Moreover, we began to produce gas from a newly developed field in the UK North Sea. Crude oil volumes were 11 % lower than in the same period last year. The ramifications of the progressive depletion of reserves were felt here too, above all in our German Mittelplate oil field and at production sites in the Gulf of Suez (Egypt). Measures to improve yield and the commissioning of a Danish field have been unable to offset the production shortfall so far.

Electricity sales volume 5 % higher year on year

In the first quarter of 2010, we supplied 81.4 billion kWh of electricity to external customers. Electricity sales are typically lower than generation levels, mainly due to transmission losses and in-house use by lignite mining operations and pumped storage power stations. Compared to the year-earlier quarter, our electricity deliveries were up 5 %. The main reason is that Essent was included for the first time.

External electricity sales volume January – March	Residential and commercial customers		Industrial and corporate customers		Distributors		Electricity trading		Total	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Germany	8.4	8.2	6.9	6.6	14.1	13.8	–	–	29.4	28.6
Netherlands / Belgium	4.6	–	1.5	–	–	–	–	–	6.1	–
United Kingdom	5.9	6.0	8.1	7.7	–	–	–	–	14.0	13.7
Central and Eastern Europe	2.2	2.6	2.7	2.2	1.8	1.4	–	–	6.7	6.2
Trading / Gas Midstream	–	–	6.3	6.7	–	–	8.9	10.9	15.2	17.6
RWE Group[1]	**21.2**	**17.1**	**25.5**	**23.5**	**25.8**	**25.9**	**8.9**	**10.9**	**81.4**	**77.4**

1 Including the sales volume of the Renewables Division and of companies stated under "Other, consolidation" (essentially Amprion).

- Germany: This division sold 29.4 billion kWh of electricity, 3 % more than in the comparable period in 2009. Consumption by our industrial and corporate customers rose, driven by the economic recovery. Furthermore, the cold winter caused users of electric storage heaters to consume more electricity. Therefore, sales to households and small commercial enterprises were up. However, our customer base in this segment shrank. This happened within the context of the acquisition of a 24.9 % stake in Stadtwerke Neuss Energie und Wasser GmbH in August 2009, among other things. The transaction also involved transferring the sales and network activities of the former RWE Rhein-Ruhr to the municipal utility. Owing to the deconsolidation of these shares, 80,000 customers are no longer considered. Disregarding these types of special items, the number of households and small commercial enterprises served by the Germany Division posted a marginal increase. As of March 31, 2010, it totalled 6,833,000 — 69,000 more than at the same point in time last year.

- Netherlands / Belgium: Essent sold 6.1 billion kWh of electricity in the first quarter. By March 31, 2010, Essent was supplying 2,310,000 customers with electricity, broken down into 2,147,000 in the Netherlands and 163,000 in Belgium.

- United Kingdom: RWE npower's electricity sales totalled 14.0 billion kWh, up 2 % on 2009. We posted gains especially in relation to industrial and corporate customers, primarily through customer acquisitions. In the residential and small commercial customer business, we suffered volume losses despite positive weather-related effects. This was because our position in the market for this customer group deteriorated due to fierce price competition. The number of electricity customers served by this segment dropped by 191,000 to 4,009,000 compared to March 31, 2009.

- Central and Eastern Europe: This division increased its external electricity sales by 8 % to 6.7 billion kWh in part owing to the economic recovery. We acquired new corporate customers in Hungary and Poland. Our share of the residential and commercial customer sales market also improved. By March 31, we were serving 2,203,000 electricity customers in Hungary and 897,000 in Poland, up 35,000 and 13,000 year on year.

- Trading / Gas Midstream: External electricity sales amounted to 15.2 billion kWh. They were thus 14 % lower than in last year's comparable period. This is because RWE Supply & Trading sold more electricity to sales companies within the Group.

External gas sales volume January – March	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009
Germany	12.0	11.2	7.9	7.2	20.6	21.8	40.5	40.2
Netherlands / Belgium	32.3	–	15.4	–	–	–	47.7	–
United Kingdom	20.1	19.5	1.9	2.4	–	–	22.0	21.9
Central and Eastern Europe	16.7	17.4	10.3	9.4	3.5	6.5	30.5	33.3
Upstream Gas & Oil	–	–	0.6	1.2	5.6	5.2	6.2	6.4
Trading / Gas Midstream	–	–	5.2	4.7	8.4	2.6	13.6	7.3
RWE Group[1]	**81.1**	**52.9**	**41.3**	**33.2**	**38.1**	**36.1**	**160.5**	**122.2**

1 Some prior-year figures have been adjusted to reflect customer reassignments. Sales volumes generated by RWE Energy Nederland in the first quarter of 2009 are included in the "Other, consolidation" item.

Gas sales up one third

At 160.5 billion kWh, gas sales volumes were 31 % higher than in the first quarter of 2009. Excluding the effect of Essent's first-time consolidation, they were virtually unchanged. RWE Supply & Trading sold much more gas to external customers than a year earlier. In addition, we benefited from the increased residential need for gas for heating purposes, while customer losses in the Czech Republic had a counteracting effect.

- Germany: This division sold 40.5 billion kWh of gas — slightly more than in the same period last year. Sales to households and small commercial operations benefited from the aforementioned weather-related effect. Furthermore, we succeeded in growing our share of this market. By March 31, our fully consolidated German gas sales companies were supplying a total of 1,080,000 residential and commercial customers with gas, 53,000 more than a year earlier. We enlarged our customer base in the industrial and corporate customer business as well. This is in part due to enviaM, the East German regional utility, expanding its gas activities. In contrast, we recorded a decrease in sales in the distributor segment. Some of our customers switched suppliers or started diversifying their gas procurement.

- Netherlands / Belgium: Essent contributed 47.7 billion kWh to the RWE Group's gas sales volume. At the end of March 2010, the company was supplying 1,971,000 customers with gas, of which 1,915,000 were in the Netherlands and 56,000 were in Belgium.

- United Kingdom: Despite the cold weather, at 22.0 billion kWh, gas sales by RWE npower were essentially unchanged. Our position in the market worsened somewhat, due to fierce price competition, particularly in relation to our industrial customers. Residential and small commercial enterprise customer figures were down as well. As of the balance-sheet date, they amounted to 2,593,000 and were thus 81,000 lower than at the end of March 2009; 2,225,000 customers were being supplied by RWE npower with both electricity and gas.

- Central and Eastern Europe: Gas sales recorded by this division declined by 8 % to 30.5 billion kWh. Some of our key accounts in the Czech Republic switched suppliers or started diversifying their gas purchases. This primarily related to distributors. Decreases in sales were also experienced in the residential and small commercial customer business, where customer figures declined by 22,000 to 2,125,000. A positive effect was felt from the fact that we now market gas in Slovakia as well. RWE Gas Slovensko, the sales subsidiary we established in July 2008, delivered 2.7 billion kWh of gas to corporate customers in the quarter being reviewed. The corresponding number for 2009 was 0.6 billion kWh.

- Upstream Gas & Oil: RWE Dea delivered 6.2 billion kWh of gas to external customers, falling below the prior-year figure by 3 %. This was due to the decline in gas production.

- Trading / Gas Midstream: RWE Supply & Trading’s external gas sales volume totalled 13.6 billion kWh. This company focuses on procuring gas for RWE Group companies and therefore predominantly generates internal sales. The company’s external sales consist of supplies to major industrial and corporate customers. They also reflect sales of surplus purchases, which we sell directly to distributors or on wholesale markets. In the latter case, similar to electricity, this portion is not included in sales. The share of total sales accounted for by direct sales to distributors recently posted a strong increase. This was one of the reasons that external sales generated by RWE Supply & Trading were much higher than in the same quarter a year ago. The rise in volume is in part due to the fact that we now disclose the key account business of Essent's trading companies in the Trading / Gas Midstream Segment.

External revenue € million	Jan – Mar 2010	Jan – Mar 2009	+/– in %	Jan – Dec 2009
Germany	5,630	6,023	−6.5	19,386
Power Generation	233	265	−12.1	1,056
Sales and Distribution Networks	5,397	5,758	−6.3	18,330
Netherlands / Belgium	2,076	–	–	1,799
United Kingdom	2,418	2,593	−6.7	7,843
Central and Eastern Europe	1,685	1,825	−7.7	5,254
Renewables	103	82	25.6	245
Upstream Gas & Oil	344	340	1.2	1,208
Trading / Gas Midstream	2,121	1,969	7.7	6,937
Other, consolidation	890	1,684	−47.1	5,069
RWE Group	**15,267**	**14,516**	**5.2**	**47,741**
of which:				
Electricity revenue	8,511	8,260	3.0	31,225
Direct electricity tax	371	258	43.8	1,041
Gas revenue	5,601	5,394	3.8	12,443
Oil revenue	241	152	58.6	1,024

External revenue improved by 5 %

In the first quarter of 2010, the RWE Group generated €15,267 million in external revenue. This was 5 % higher than the year-earlier figure. The main reason was Essent's initial consolidation, whereas declining prices in the gas sales business had a counteracting effect. Currency exchange rates had a favourable impact on the revenue trend. Sterling, our major foreign currency, gained value compared to the euro. Averaged for the first quarter of 2010, Sterling cost €1.13; in last year's first quarter, the equivalent was €1.10. The Czech crown, the Hungarian forint and the Polish zloty also increased in value. In contrast, the US dollar depreciated from €0.77 to €0.73. Net of major consolidation and currency effects, revenue was down 11 %.

- Germany: External revenue posted by this division amounted to €5,630 million—down 7 % year on year. This was due to our gas operations, where revenues dropped by 27 % to €1,470 million. Our German regional utilities lowered their tariffs several times in 2009. In so doing, they passed the advantages of reduced procurement costs through to customers. Electricity revenue rose by 5 % to €3,770 million, above all due to the aforementioned increases in sales volume.

- Netherlands / Belgium: The new division earned €2,076 million in revenue. €517 million and €1,492 million of this were attributable to the electricity and gas businesses, respectively.

- United Kingdom: External revenue generated by RWE npower dropped by 7 % to €2,418 million. Excluding currency effects, revenue would have declined by 9 %. Electricity revenue amounted to €1,444 million, experiencing a year-on-year drop of 11 %, and 13 % excluding the currency impact. A contributing factor was the aforementioned decrease in sales volume, but price effects were the main cause. RWE npower had lowered tariffs for residential customers by an average of 8 % with effect from March 31, 2009. Gas revenue totalled €853 million—slightly down on the comparable figure for 2009. It slipped by 4 % in Sterling terms, in part due to price reductions for industrial and corporate customers. In the residential and commercial customer segment, RWE npower lowered gas tariffs by an average of 7 %. Since this did not take effect until March 26, 2010, it did not have a significant bearing on the development of revenue in the first quarter.

- Central and Eastern Europe: At €1,685 million, external revenue earned in this division was 8 % lower than a year earlier. Net of foreign exchange effects, it was down 17 %. This is due to the gas business, which generated €987 million in external revenue. The division was thus 19 % down year on year, and as much as 27 % excluding the impact of currencies. As mentioned earlier, the drop in volume in the Czech Republic was the main reason. In contrast, electricity revenue grew by 16 % to €674 million. Deducting currency effects results in a rise of 3 %, which is largely due to increased sales volumes.

- Renewables: External revenue was boosted by 26 % to €103 million. This was primarily because we assigned revenue from Essent's wind power activities to this division, which amounted to €21 million. The initial consolidation of Danta de Energías and the commissioning of new wind farms also added to external revenue. The fact that the level of prices on wholesale electricity markets was lower year on year also had a dampening effect. This predominantly related to our run-of-river power stations in Germany and our wind turbines in Spain.

- Upstream Gas & Oil: This division posted a marginal increase in external revenue to €344 million. RWE Dea sold its crude oil production at much higher dollar prices than in the same period last year. The impact on revenue was slightly mitigated by the US currency’s drop versus the euro. Another dampening effect was felt from the fact that the gas prices we realised were lower than in 2009 and that oil and gas sales were down.

- Trading / Gas Midstream: External revenue totalled €2,121 million, climbing by 8 % over the same period last year. This was mainly because revenue from Essent's trading activities was included for the first time.

Internal revenue € million	Jan – Mar 2010	Jan – Mar 2009	+/– in %	Jan – Dec 2009
Germany	3,732	3,744	−0.3	14,587
Power Generation	2,766	2,673	3.5	9,804
Sales and Distribution Networks	966	1,071	−9.8	4,783
Netherlands / Belgium	109	–	–	158
United Kingdom	2	2	–	11
Central and Eastern Europe	116	126	−7.9	465
Renewables	53	41	29.3	138
Upstream Gas & Oil	42	94	−55.3	262
Trading / Gas Midstream	6,611	6,769	−2.3	19,308

Reconciliation of income from operating activities to EBITDA € million	Jan – Mar 2010	Jan – Mar 2009	+/– in %	Jan – Dec 2009
Income from operating activities[1]	2,652	2,885	−8.1	7,326
+ Operating income from investments	90	67	34.3	321
+ Non-operating income from investments	1	96	–	−59
− Non-operating result	244	−424	–	−498
Operating result	2,987	2,624	13.8	7,090
+ Operating depreciation and amortisation	587	466	26.0	2,075
EBITDA	**3,574**	**3,090**	**15.7**	**9,165**

1 See the income statement on page 40.

EBITDA € million	Jan – Mar 2010	Jan – Mar 2009	+/– in %	Jan – Dec 2009
Germany	2,087	1,940	7.6	5,811
Power Generation	1,294	1,161	11.5	3,889
Sales and Distribution Networks	793	779	1.8	1,922
Netherlands / Belgium	346	–	–	277
United Kingdom	274	236	16.1	445
Central and Eastern Europe	509	372	36.8	1,285
Renewables	64	35	82.9	126
of which: Essent wind activities	18	–	–	–
Upstream Gas & Oil	204	167	22.2	437
Trading / Gas Midstream	90	362	−75.1	986
of which: Essent trading activities	87	–	–	–
Other, consolidation	–	−22	–	−202
RWE Group	**3,574**	**3,090**	**15.7**	**9,165**

Operating result € million	Jan – Mar 2010	Jan – Mar 2009	+/– in %	Jan – Dec 2009
Germany	1,828	1,700	7.5	4,780
Power Generation	1,173	1,055	11.2	3,428
Sales and Distribution Networks	655	645	1.6	1,352
Netherlands / Belgium	281	–	–	180
United Kingdom	227	192	18.2	247
Central and Eastern Europe	447	322	38.8	1,055
Renewables	30	20	50.0	56
of which: Essent wind activities	6	–	–	–
Upstream Gas & Oil	128	107	19.6	203
Trading / Gas Midstream	88	362	–75.7	985
of which: Essent trading activities	86	–	–	–
Other, consolidation	–42	–79	46.8	–416
RWE Group	**2,987**	**2,624**	**13.8**	**7,090**

Operating result 14 % up year on year

The RWE Group's earnings improved further in the first quarter of 2010. EBITDA increased by 16 % to €3,574 million, and the operating result rose by 14 % to €2,987 million. The main driver was the inclusion of Essent for the first time. Excluding consolidation and currency effects, our earnings were stable. As expected, the operating result achieved by RWE Supply & Trading was far below the high level recorded a year ago, whereas all the other divisions posted gains. As before, we anticipate that the RWE Group's EBITDA will improve by between 5 % and 10 % for the year as a whole. We expect our operating result to grow by approximately 5 %.

- Germany: The division posted an operating result of €1,828 million. This represents an increase of 8 % over 2009. Developments in the "Power Generation" and "Sales and Distribution Networks" Business Areas were as follows:

  Power Generation: The operating result achieved by our German electricity production improved by 11 % to €1,173 million, although we sold our generation at lower market prices than in the same period last year. We benefited from price-induced relief in fuel procurement in the order of €212 million for hard coal and €20 million for gas. At €183 million, the expense we incurred owing to the shortage of CO_2 emission allowances was much lower than in the comparable period in 2009 (€284 million). The increase in electricity generated by the Biblis nuclear power plant also had a positive impact (€97 million). Changes in nuclear and mining provisions had a negative effect on balance.

  Sales and Distribution Networks: This business area increased its operating result by 2 % to €655 million. In the sales business, we benefited from the influence the weather had on the gas sales volume, but realised lower electricity margins. In the networks business, the cold weather caused construction and maintenance projects to be postponed, resulting in a reduction of associated expenses. Conversely, the following situation had a negative effect: The German Federal Network Agency is of the opinion that our revenue from the network fees we charged at the beginning of network regulation (2005 to 2007) was too high. The excess amounts must be refunded via appropriately reduced network fees from 2010 onwards.

- Netherlands / Belgium: In the first quarter, the new division recorded an operating result of €281 million. However, due to typical seasonal influences, this performance should not be extrapolated for the full year. Essent's gas activities achieved a particularly strong operating result. The cold weather was a contributing factor.

- United Kingdom: RWE npower's operating result advanced by 18 % to €227 million. Net of foreign exchange effects, the gain amounted to 15 %. The growth is largely attributable to the end-customer business, where we benefited from the colder weather. Furthermore, gas margins improved owing to declining procurement prices. However, as we lowered our residential gas tariffs at the end of March 2010, this effect will be weaker for the year as a whole. In the electricity supply business, we felt the negative impact of the price reduction implemented at the end of March 2009. RWE npower's power generation activities closed the quarter with an operating result that was much lower than a year before. The deterioration in market conditions for our hard coal-fired power plants led to a reduction in earnings, which could not be offset by the rise in production by gas-fired power plants. Expenses incurred to purchase CO_2 emission allowances decreased from €27 million to €7 million. RWE npower cut costs last year in order to stabilise earnings. This had positive effects on earnings in the first quarter of 2010 as well, because to a significant degree, the measures had not yet been taken in last year's comparable period.

- Central and Eastern Europe: The operating result we achieved in this division grew by 39 % to €447 million. This was in part due to the impact of foreign exchange rates. Net of currency effects, the rise amounted to 28 %, which predominantly stemmed from our gas activities in the Czech Republic. Lower procurement costs provided some relief to our regional sales companies. However, decreases in gas sales to key accounts and reduced transit fees had a negative impact on our Czech operating result. Our Hungarian and Polish electricity sales businesses improved earnings, in part on the strength of marginal increases in sales volumes. In Hungary, more favourable procurement conditions were a further contributing factor, while in Poland, the rise in sales prices was an additional driver.

- Renewables: The operating result was up €10 million to €30 million. Essent's wind power activities, which were disclosed under this division for the first time, contributed €6 million. But its operating result was unusually weak, owing to the small amount of wind in Germany and the Netherlands. The initial consolidation of Danta de Energías and the commissioning of the Rhyl Flats offshore wind farm also added to the result. Negative effects were felt from RWE Innogy's extensive capital expenditure programme, as it goes hand in hand with run-up costs and requires additional manpower. On top of that, the operating result was curtailed by the lower level of electricity prices.

- Upstream Gas & Oil: RWE Dea lifted its operating result by 20 % to €128 million. The basis for this was higher realised oil prices. On top of that, the decline in exploration costs in North Africa provided some relief. Furthermore, production fees as well as production and operating costs dropped in Germany. This was contrasted by the negative impact resulting from the fall in realised gas prices and lower production volumes.

- Trading / Gas Midstream: At €88 million, the operating result posted by RWE Supply & Trading was markedly down on the high level achieved in the same period last year (€362 million), although it contains income earned by Essent's trading activities for the first time (€86 million). The drop is attributable to the gas midstream business, where the result was unusually high in 2009. Earnings in 2010 were hampered by the fact that gas sales prices declined much more than procurement costs in parts of our business. One of the consequences was that we had to write down our gas storage inventory in the Czech Republic. RWE Supply & Trading's performance in the trading business was essentially as good as in the first quarter of 2009.

Reconciliation to net income: negative one-off effects

The reconciliation from the operating result to net income is characterised by one-off effects relating to commodity derivatives, which were very negative on balance. The positive impact of adjustments to provisions and an improved financial result was unable to compensate for this. The consequence is that net income decreased.

Non-operating result € million	Jan – Mar 2010	Jan – Mar 2009	+/– € million	Jan – Dec 2009
Capital gains	–3	4	–7	35
Impairment losses	–	–	–	–
Impact of commodity derivatives on earnings	–443	382	–825	720
Restructuring, other	202	38	164	–257
Non-operating result	**–244**	**424**	**–668**	**498**

Negative effects were felt above all in the non-operating result, which deteriorated by €668 million to –€244 million. Its components developed as follows:

- Disposals of investments resulted in immaterial losses amounting to €3 million. In the same period last year, we realised capital gains, which were also negligible (€4 million).

- The accounting treatment of commodity derivative transactions had a negative effect of €443 million, compared to the €382 million in capital gains realised a year earlier. Pursuant to IFRS, certain derivatives used to hedge the prices of forward contracts (underlying transactions) are accounted for at fair value at the balance-sheet date, whereas the underlying transactions (which show the exact opposite reaction) are only recognised with an effect on profit or loss when they are realised. This timing difference results in short-term effects on earnings, which are neutralised over time. The derivatives largely related to gas forward sales in the German sales business and at RWE Supply & Trading. Moreover, the non-operating result was curtailed by the fact that, in 2010, we started accounting for our German gas purchasing agreements at fair value instead of as pending transactions. The mounting liquidity in the gas market allows us to take advantage of the opportunities arising from long-term purchasing agreements and limit associated risks through corresponding trading transactions. The change in accounting treatment was necessary against this backdrop.

- The result stated under "Restructuring, other" rose by €164 million to €202 million primarily due to the reversal of provisions for impending losses. As in the same quarter last year, we recognised €63 million in amortisation on RWE npower's customer base. Unlike before, we do not disclose income resulting from changes in nuclear and mining provisions as part of the non-operating result. Instead, they are recognised in the operating result of the German generation business.

Financial result € million	Jan – Mar 2010	Jan – Mar 2009	+/– € million	Jan – Dec 2009
Interest income	104	178	–74	589
Interest expenses	–303	–292	–11	–1,224
Net interest	**–199**	**–114**	**–85**	**–635**
Interest accretion to non-current provisions	–218	–221	3	–957
Other financial result	15	–175	190	–398
Financial result	**–402**	**–510**	**108**	**–1,990**

The financial result improved by €108 million to –€402 million. Its components developed as follows:

- Net interest deteriorated by €85 million to –€199 million. This was due to our growth investments and the acquisition of Essent. We covered the increased need for financing by issuing bonds and selling securities, among other things. This caused interest expenses to increase and interest income to decrease.

- At €218 million, the interest accretion to non-current provisions was of a similar order as the corresponding figure for 2009 (€221 million).

- The "Other financial result" rose by €190 million to €15 million. The main reason was the absence of charges from the year-earlier period incurred in connection with the crisis on financial markets. In the first quarter of 2009, we had realised write-downs on securities and book losses on the sale of securities. Conversely, we generated income from such sales in 2010.

RWE earned €2,341 million in income from continuing operations before tax, down 8% on 2009. As in the first quarter of last year, the effective tax rate was 28%. After tax, income totalled €1,674 million and was thus lower year on year. Discontinued operations stopped contributing to income as we fully sold American Water in 2009. The minority interest totalled €117 million, which was slightly higher than the year-earlier level (€115 million).

The RWE Group's net income thus declined by 11% to €1,557 million. Our earnings per share dropped from €3.28 to €2.92. The number of RWE shares outstanding in the period being reviewed averaged 533.6 million (prior year: 531.9 million).

Reconciliation to net income		Jan – Mar 2010	Jan – Mar 2009	+/– in %	Jan – Dec 2009
Operating result	€ million	2,987	2,624	13.8	7,090
Non-operating result	€ million	–244	424	–	498
Financial result	€ million	–402	–510	21.2	–1,990
Income from continuing operations before tax	€ million	**2,341**	**2,538**	**–7.8**	**5,598**
Taxes on income	€ million	–667	–703	5.1	–1,858
Income from continuing operations	€ million	**1,674**	**1,835**	**–8.8**	**3,740**
Income from discontinued operations	€ million	–	25	–	91
Income	€ million	**1,674**	**1,860**	**–10.0**	**3,831**
Minority interest	€ million	117	115	1.7	260
Net income	€ million	**1,557**	**1,745**	**–10.8**	**3,571**
Recurrent net income	€ million	**1,739**	**1,507**	**15.4**	**3,532**
Earnings per share	€	2.92	3.28	–11.0	6.70
Recurrent net income per share	€	3.26	2.83	15.2	6.63
Effective tax rate	%	28	28	–	33

The key figure that is decisive for our dividend is recurrent net income. It does not include the non-operating result. Major non-recurrent effects in the financial result, in income taxes and in income from discontinued operations are also excluded. In the first quarter, recurrent net income totalled €1,739 million, 15% up year on year. But, similar to the operating result, the significant rise should not be extrapolated for the full year. Our forecast for 2010 continues to envisage an increase of approximately 5%.

Capital expenditure on property, plant and equipment 38 % higher year on year

The RWE Group spent €1,193 million in capital, 42 % less than in the same period last year. The substantial decrease is due to the fact that capital expenditure on financial assets was negligible in the period under review. Conversely, capital spending on property, plant and equipment rose by 38 % to €1,175 million. This was mainly due to the initial consolidation of Essent. Expanding and modernising our electricity generation capacity remains the focal point of the RWE Group's investments. The Germany Division's major projects are a 2,100 MW dual-block lignite-fired power plant at the Neurath site, a 1,528 MW twin-unit hard coal facility in Hamm, and a 1,560 MW twin-unit hard coal facility in the Dutch town of Eemshaven, which we plan to assign to the Netherlands / Belgium Division in our financial reporting. These plants are under construction. Additional funds were allocated to the 887 MW gas-fired power station in Lingen, which was commissioned in April 2010. Moreover, the Germany Division is investing in the maintenance and improvement of network infrastructure. A large portion of capital expenditure at the Netherlands / Belgium Division is dedicated to the construction of the Moerdijk 2 and Claus C gas power plants. RWE npower is also building two gas-fired power stations: one at Staythorpe, with an installed capacity of 1,650 MW, and a 2,188 MW power plant at Pembroke. RWE Innogy aims to expand its renewable generation base significantly, with wind power projects taking centre stage. Our upstream subsidiary, RWE Dea, is concentrating on developing oil and gas fields in preparation for production.

Capital expenditure on property, plant and equipment € million	Jan – Mar 2010	Jan – Mar 2009	+/– € million	Jan – Dec 2009
Germany	402	430	−28	2,813
Power Generation	332	362	−30	1,791
Sales and Distribution Networks	70	68	2	1,022
Netherlands / Belgium	316	–	316	156
United Kingdom	169	87	82	853
Central and Eastern Europe	46	28	18	368
Renewables	106	97	9	447
Upstream Gas & Oil	92	140	−48	855
Trading Gas / Midstream	–	1	−1	2
Other, consolidation	44	70	−26	419
RWE Group	**1,175**	**853**	**322**	**5,913**

Capital expenditure on financial assets € million	Jan – Mar 2010	Jan – Mar 2009	+/– € million	Jan – Dec 2009
Germany	3	1,126	–1,123	1,325
Power Generation	2	41	–39	45
Sales and Distribution Networks	1	1,085	–1,084	1,280
Netherlands / Belgium	1	–	1	7,794
United Kingdom	–	62	–62	114
Central and Eastern Europe	5	1	4	3
Renewables	11	11	–	286
Upstream Gas & Oil	–	–	–	–
Trading / Gas Midstream	2	1	1	141
Other, consolidation	–4	–	–4	61
RWE Group	**18**	**1,201**	**–1,183**	**9,724**

Cash flow statement — key figures

In the first three months of 2010, we generated €1,509 million in cash flows from operating activities, €976 million more than in the corresponding period last year. Driving forces were the improved earnings and, to a substantial degree, effects of the change in working capital. For example, our liabilities arising from over-the-counter supply agreements increased. They generally have later due dates than transactions on the exchange. Much weaker positive effects of variation margins had a counteracting impact. RWE generally sells part of its electricity generation via forward contracts (futures) on the European Energy Exchange (EEX). In the first quarter of last year, prices observed on the electricity market on the balance-sheet date (March 31) were much higher than the sales prices established in the forward contracts. Our contracting partners were required to provide us with payments to make up the difference (“variation margins”). After deducting the variation margins paid by us, they amounted to €0.9 billion. Variation margins led to a cash inflow in 2010 as well. However, at €0.2 billion, it was much lower.

Cash outflows for investing activities (including cash investments) in the reporting period exceeded proceeds from the disposal of assets and the sale of companies by €1,427 million. Cash flows from financing activities amounted to €666 million, in part because suppliers and trading partners pledged a substantial amount of collateral. Cash and cash equivalents have risen by €758 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 €334 million, up €654 million on the figure for the comparable period in 2009. This mirrors the significant rise in cash flows from operating activities.

Cash flow statement € million	Jan – Mar 2010	Jan – Mar 2009	+/– € million	Jan – Dec 2009
Cash flows from operating activities	1,509	533	976	5,299
of which: impact of the change in working capital	−853	−1,407	554	−795
Cash flows from investing activities	−1,427	−4,559	3,132	−8,326
Cash flows from financing activities	666	4,368	−3,702	4,839
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	10	−7	17	13
Total net changes in cash and cash equivalents	**758**	**335**	**423**	**1,825**
Cash flows from operating activities	1,509	533	976	5,299
Minus capital expenditure on property, plant and equipment and on intangible assets	−1,175	−853	−322	−5,913
Free cash flow	**334**	**−320**	**654**	**−614**

Marginal decline in net debt

As of March 31, 2010, the RWE Group's net debt totalled €25.2 billion. It was slightly lower than at December 31, 2009 (€25.8 billion). Free cash flow, which was just commented on, made a contribution to this decline.

Net debt € million	Mar 31, 2010	Dec 31, 2009	+/– in %
Cash and cash equivalents	3,832	3,074	24.7
Marketable securities	3,671	3,443	6.6
Other financial assets	2,911	3,247	−10.3
Financial assets	**10,414**	**9,764**	**6.7**
Bonds, other notes payable, bank debt, commercial paper	17,689	17,707	−0.1
Other financial liabilities	2,456	2,439	0.7
Financial liabilities	**20,145**	**20,146**	**–**
Net financial debt	**9,731**	**10,382**	**−6.3**
Provisions for pensions and similar obligations	3,221	3,281	−1.8
Surplus of plan assets over benefit obligations	84	79	6.3
Provisions for nuclear waste management	9,652	9,491	1.7
Mining provisions	2,729	2,712	0.6
Net debt of the RWE Group	**25,249**	**25,787**	**−2.1**

RWE Group's balance sheet structure	Mar 31, 2010		Dec 31, 2009	
	€ million	in %	€ million	in %
Assets				
Non-current assets	57,512	61.8	56,563	60.5
Intangible assets	17,294	18.6	17,320	18.5
Property, plant and equipment	29,455	31.7	28,627	30.6
Current assets	35,505	38.2	36,875	39.5
Receivables and other assets[1]	25,678	27.6	27,396	29.3
Total	**93,017**	**100.0**	**93,438**	**100.0**
Equity and liabilities				
Equity	15,715	16.9	13,717	14.7
Non-current liabilities	45,649	49.1	45,633	48.8
Provisions	22,400	24.1	22,315	23.9
Financial liabilities	17,393	18.7	17,019	18.2
Current liabilities	31,653	34.0	34,088	36.5
Other liabilities[2]	23,126	24.9	25,132	26.9
Total	**93,017**	**100.0**	**93,438**	**100.0**

1 Including financial accounts receivable, trade accounts receivable, and income tax refund claims.
2 Including trade accounts payable and income tax liabilities.

Balance-sheet structure: equity ratio increases to 16.9 %

As of March 31, 2010, the RWE Group had a balance-sheet total of €93.0 billion. This was €0.4 billion less than at the end of 2009. The development of the fair values of on-balance-sheet commodity derivatives played a substantial role, declining by €1.8 billion. In contrast, cash and cash equivalents as well as marketable securities were up €0.9 billion. The basis for this was the flow of liquidity from operating activities and from the bond placements in the middle of February. Changes in foreign exchange rates also had a positive impact on the balance-sheet total (€0.3 billion). In the period under review, the RWE Group's equity ratio climbed from 14.7 % to 16.9 %. Our non-current assets were covered by equity and non-current liabilities at a rate of 107 %, proof of RWE's solid finance and capital structure.

RWE creates jobs in Germany

As of March 31, 2010, the RWE Group employed 70,940 people (converted to full-time positions). The labour force expanded by 214 employees compared to December 31, 2009. German sites had a headcount of 40,862 as of the balance-sheet date, up 470 on the end of 2009. Recruitment activity was especially strong at our distribution network company RWE Rheinland Westfalen Netz AG. Hiring was mainly carried out by giving trainees limited employment contracts on completion of their traineeships. Initial consolidations did not have a material influence on personnel figures. However, our statement of Essent's trading and wind power activities under RWE Supply & Trading and RWE Innogy from 2010 onwards resulted in major shifts of employees between the divisions.

Workforce[1]	Mar 31, 2010	Dec 31, 2009	+/– in %
Germany	33,938	33,605	1.0
Power Generation	15,409	15,346	0.4
Sales and Distribution Networks	18,529	18,259	1.5
Netherlands / Belgium	4,288	4,695	–8.7
United Kingdom	12,082	12,224	–1.2
Central and Eastern Europe	11,225	11,289	–0.6
Renewables	1,076	980	9.8
Upstream Gas & Oil	1,303	1,279	1.9
Trading / Gas Midstream	1,290	989	30.4
Other	5,738[2]	5,665	1.3
RWE Group	**70,940**	**70,726**	**0.3**

1 Converted to full-time positions.
2 Of which 2,344 at RWE IT and 1,379 at RWE Service.

Research and development: focus on higher efficiency and lower emissions

In the first quarter of 2010, research and development (R & D) costs amounted to €25 million (previous year: €19 million). Furthermore, we capitalised €31 million in development costs (prior year: €17 million). We aim to come up with innovative solutions to help ensure an environmentally friendly, reliable and affordable supply of energy over the long term. We signed two co-operative agreements designed to help us make progress in this area in the period under review: In January, RWE Power, the German Aerospace Centre, the US-based General Electric Group and other partners launched a project to develop a highly efficient pressurised-air storage facility. This was done in light of the expansion of the renewable generation base, which will cause electricity feed-in to fluctuate more and more. Therefore, it is important to develop new, efficient storage concepts early on. RWE Power entered into another collaborative arrangement with biotechnology specialist BRAIN AG in January. The objective is to use special micro-organisms to convert carbon dioxide into biomass and products of use to the industry such as bio-plastics. Detailed information on our R & D activities and major projects is provided on pages 92 to 94 of RWE's 2009 Annual Report.

OUTLOOK FOR 2010

Economy picks up again

The economy's recovery witnessed since the middle of 2009 is likely to continue this year. In the first quarter, stimulus packages in many industrial nations were unable to take full effect due to the tough winter. Therefore, recapture effects are expected to occur in the second quarter. Based on initial forecasts, global economic output in 2010 will be more than 2 % higher than last year. We estimate that in the Eurozone, it will grow by almost 2 %. Investing activity will be moderate, given the European industry's persistently low capacity utilisation. Germany's economy may achieve a growth rate of up to 2 % in 2010. However, gross domestic product (GDP) will return to its 2008 level no earlier than 2012. Germany's strong dependency on exports may prove to be a pillar of the economy once again in 2010, owing to the strong momentum displayed by foreign demand. We anticipate that Dutch GDP will grow by more than 1 % and Belgian GDP will advance by about 1 %. The forecast is similar for the United Kingdom. The substantial devaluation of assets resulting from the real estate crisis and mounting unemployment continue to hamper consumer spending in the UK. Our Central Eastern European core markets paint an inconsistent picture. Significant economic revitalisation is forecast for Poland (+2.8 %), the Czech Republic (+1.5 %) and Slovakia (+2.4 %), whereas Hungary's economy is set to continue shrinking in 2010 (–0.2 %).

Strong recovery of energy consumption

The expected marginal economic recovery will have a positive effect on demand for energy. Industrial output at the beginning of the year in Germany displayed far more dynamic development than initially assumed. Furthermore, the significant rise in the ifo business climate index for trade and industry in April and the rise in orders, especially in energy-intensive branches of industry, are indicators of a strong second quarter. German electricity consumption for the full year should be at least 3 % higher than the low level recorded in 2009. Our forecast for the Netherlands is similar. In the UK, demand for electricity had already been on the decline in the years before the recession due to progress made in the field of energy efficiency. It will probably only post a marginal gain in 2010. Electricity usage in Central Eastern Europe may increase by more than 2 %.

We expect demand for gas in our Western European core markets to rise this year, because of the tough winter. A continuance of the economic recovery would also trigger an increase in demand. In contrast, mounting levels of energy efficiency are resulting in permanent energy savings. In sum, we anticipate that gas demand in Germany, the Netherlands and the United Kingdom will be 2 % to 4 % higher than in 2009. Consumption in our Central Eastern European markets, namely the Czech Republic, Slovakia and Hungary, will post a moderate increase at best. This is because the weather has provided little to no stimulus so far. However, demand in these countries should regain momentum in the medium term. In addition to the growth prospects for these economies, which are more promising than for other European nations, the increasing significance of gas compared to other energy sources is a factor.

Fuel and electricity prices to remain much lower than 2008's record level

Due to demand, energy prices will probably stay far below the highs achieved in 2008 in the foreseeable future. However, they may rise compared to 2009, depending on the speed at which the economy emerges from the crisis. The momentum with which demand for commodities in Asia's emerging countries develops will also play a decisive role. Present quotations on international oil and hard coal markets are already clearly above the 2009 average. In addition, forward trades of these products currently have a contango structure, i. e. the later the delivery, the higher the price. Prices on the TTF (Netherlands) and NBP (UK) gas markets are still moving at a very low level. We expect that gas procurement on those markets will remain much more affordable as the year progresses than purchases via long-term oil-indexed contracts. A flat price curve is also materialising for European CO_2 emissions allowances over the medium term.

Persistently low hard coal, gas and CO_2 certificate prices are reflected in electricity prices. We have sold forward nearly all of our German generation for 2010. The price we realised was below the corresponding figure for 2009 (€70 per MWh). A portion of our German production has already been placed on the market for the years ahead as well: over 80 % for 2011 and over 30 % for 2012. In principle, when concluding forward contracts, we hedge the volume and price of the required fuel at the time the contract is signed. This also applies to the purchase of emission certificates.

Forecast for 2010: significant earnings growth expected

Our goal for 2010 is to clearly surpass last year's high level of earnings. The full-year consolidation of the Dutch energy utility Essent for the first time will have a positive impact. Last year, we only included Essent for one quarter. As regards generation, we will benefit from the increased availability of our Biblis nuclear power plant. Price-driven reductions in the cost of procuring fuel and CO_2 emission allowances should also have an earnings-improving effect. In contrast, RWE Supply & Trading will fall short of the unusually high earnings achieved in 2009. We will benefit from our efficiency-enhancement programme this year as well. Our target for 2010 is €700 million compared to 2006.

Outlook for 2010 € million	2009	2010 forecast vs. 2009
EBITDA	9,165	+5 to 10 %
Operating result	7,090	Approx. +5 %
Germany	4,780	Significantly above previous year
Power Generation	3,428	Significantly above previous year
Supply and Distribution Networks	1,352	Above previous year
Netherlands / Belgium	180	Significantly above previous year
United Kingdom	247	Slightly above previous year
Central and Eastern Europe	1,055	Below previous year
Renewables	56	Significantly above previous year
Upstream Gas & Oil	203	Significantly above previous year
Trading / Gas Midstream	985	Significantly below previous year
Recurrent net income	3,532	Approx. +5 %

We anticipate that EBITDA will rise by between 5 % and 10 % compared to 2009 (€ 9,165 million). The operating result (€ 7,090 million) is expected to post a gain of approximately 5 %. The same applies to recurrent net income (€ 3,532 million), the basis for the dividend.

- Germany: The division's operating result for 2010 is anticipated to be significantly higher year on year.

  Power Generation: The earnings growth forecast for the Germany Division will largely come from RWE Power. The Biblis nuclear power plant's two units, which were only online for a short period of time in 2009 due to maintenance, will make a much larger contribution to production this year. We have already sold forward nearly all our 2010 German generation. As mentioned earlier, the electricity price realised is lower than in 2009. However, this is likely to be more than compensated for by the fact that expenses incurred for fuel and CO_2 emission certificates have declined. We also expect power station maintenance to have a less negative effect.

  Sales and Distribution Networks: This business area is predicted to close 2010 up year on year. We expect to see slight operating improvements in terms of both margins and volume in our gas sales activities. In addition, one-off charges in the gas business, which had a negative effect on last year's operating result, will not occur this year. Moreover, we plan to cut costs. We anticipate that the refunding of excess fees charged by network operators at the beginning of German network regulation will have a negative effect (see page 23). However, this will be slightly mitigated by relief in other areas. For instance, we anticipate that expenses incurred by distribution system operators to compensate for network losses will experience a price-induced drop.

- Netherlands / Belgium: The new division will close the year significantly up on the last one, due to consolidation effects. Having included the Dutch energy utility Essent only for one quarter in 2009, the company will be considered for a full twelve months for the first time this year. As mentioned earlier, in 2010 we began stating earnings contributed by Essent's trading activities under the Trading / Gas Midstream Segment and reporting on electricity produced by the company's wind turbines as part of the Renewables Segment.

- United Kingdom: RWE npower's operating result is expected to recover slightly in 2010, following the weak 2009 fiscal year. We anticipate to see some additional earnings contributions from the commissioning of our new gas-fired power station at Staythorpe. The four units are scheduled to go online in the second half of the year. However, our generation margins are likely to decline overall. In the supply business, RWE npower benefits from the fact that procurement costs are lower than in 2009. However, this is contrasted by the income shortfall owing to the aforementioned reduction in electricity and gas tariffs. Furthermore, we anticipate that higher electricity network fees will have a negative effect. In fiscal 2009, RWE npower had already taken extensive cost-related measures, which positively affected earnings by € 120 million last year. The task at hand now is to safeguard the sustainability of the realised savings. On top of that, we are working on additional efficiency measures.

- Central and Eastern Europe: This division is unlikely to fully match the operating result recorded last year. Margins in the Czech gas supply business are expected to deteriorate. Furthermore, we will probably be unable to match the high operating result achieved in the Hungarian electricity business last year. However, we anticipate that we will benefit from higher income from our Czech gas network companies.

- Renewables: The operating result from this division is expected to improve significantly due to the inclusion of Essent's wind farms and the continued expansion of the generation base. However, the ongoing investment projects are causing substantial run-up costs. The earnings increase will accelerate in the years ahead.

- Upstream Gas & Oil: RWE Dea anticipates posting strong earnings growth compared to the weak 2009 figure, driven above all by higher realised oil prices. Conversely, earnings in the gas business will deteriorate somewhat, in terms of both volume and price.

- Trading / Gas Midstream: Despite the inclusion of Essent's activities, RWE Supply & Trading is currently expected to close the year with an operating result that is significantly lower than last year's unusually high figure. Margins in the energy trading business are unlikely to match the very high level achieved in 2009. Furthermore, the operating result of our gas midstream activities will remain far below last year's figure, which was extremely good as we reversed provisions following successful price revisions. In 2010, we anticipate to experience a negative effect from the fact that, in some parts of our business, realisable gas sales prices are much lower than the procurement costs established contractually.

Dividend for fiscal 2010

Our dividend proposal for fiscal 2010 will be in line with our usual payout ratio of 50 % to 60 %. The basis for calculating the payout ratio is recurrent net income, which is adjusted for one-off effects and which is expected to be approximately 5 % higher than last year.

Capital expenditure on property, plant and equipment much higher

We will spend much more capital on property, plant and equipment in 2010. The strongest growth is anticipated to occur in the Netherlands / Belgium segment, owing to Essent's full-year consolidation for the first time. The RWE Group's investment activity will focus on the construction of renewable generation capacity and highly efficient fossil fuel-fired power plants. We will set aside even more funds for this. Our electricity and gas networks as well as gas storage are other areas in which we plan to increase spending. RWE Dea will dedicate itself to expanding oil and gas production. The regional areas of focus are Norway, Egypt and the UK. In total, the RWE Group's capital expenditure on property, plant and equipment is likely to reach around €7 billion in 2010. This would be nearly 20 % more than in 2009.

Net debt about three times as high as EBITDA
Our net debt, which amounted to €25.8 billion at the end of 2009, is expected to continue to increase this financial year. We expect a rise of approximately €4 billion, which will largely be caused by our comprehensive investment programme. Our leverage factor, which reflects the ratio of net debt to EBITDA, will therefore probably be slightly higher than in 2009 (2.8). In the future, we want to orientate ourselves towards an upper limit of 3.0.

Marginal growth in headcount expected
We anticipate that our workforce will expand further this year. Nearly all divisions are creating jobs as they implement their investment programmes.

Research and development budget raised
Our research and development (R & D) expenditure will grow further. As before, we are concentrating on measures to improve the efficiency and reduce the emissions of our electricity generation activities. More than half of our R & D budget has been set aside for this.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

Risk management within the RWE Group

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, standardised reporting, assessment, control and monitoring of risks. We also identify opportunities and associated earning potential. We have reported on the organisation and processes of our risk management, the committees entrusted with it, and measures taken to control and monitor major risks in detail on pages 95 to 104 of our 2009 Annual Report.

Overall assessment of the risk and opportunity situation by executive management

The markets in which we are primarily active are among the most politically and economically stable in the world. But, even here, we are exposed to substantial risks. As a utility, we plan our investments decades in advance. We are thus especially dependent on reliable political framework conditions in the energy sector. However, they harbour significant uncertainty in some respects, such as the future of nuclear energy in Germany, trading of CO_2 emission allowances, and approval processes for large-scale power plant projects. These topics demand a lot of our attention. We believe this is associated with risks. However, opportunities may also arise. In particular, the German government may abolish the obligation to shorten the lifetimes of German nuclear power stations, which was established in 2002.

In addition to energy policy, the economy's development has lasting effects on our earning power. If the economic slump persists, it will cause demand for energy to drop and prices of our main products — electricity and gas — to be low. There is a danger of our electricity margins being curtailed for years. We largely sell our electricity generation and gas purchasing volumes forward, in order to limit the earnings risks arising from the short-term volatility of prices. In Germany, we have sold forward almost all of our generation for 2010 and over 80 % of our generation for 2011 (as of April 30, 2010). Our gas purchases have been fully hedged for 2010 and partially hedged for 2011. Counterparty defaults have been moderate so far.

Risks also arise due to the fact that some of our gas purchases are based on long-term agreements linked to the price of oil. This primarily relates to our German and Czech businesses. Purchase prices in these markets are currently much higher than quotations on Europe's wholesale markets, which are increasingly used as a reference, especially by large buyers. This means that there is a danger of declining margins and customer losses.

The persistently difficult economic situation also provides opportunities. For instance, RWE continues to be considered a safe bond issuer and is thus in a position to finance projects, the implementation of which has become much more difficult for other companies. Further opportunities arise from the lower prices of capital goods such as power plant components — above all in the field of renewable energy.

Overall, the risk structure of our business has not changed. At present, there are no identifiable risks that jeopardise the continued operation of RWE AG or the RWE Group.

Current key Value-at-Risk figures

We control and monitor risks and opportunities arising from the fluctuation of commodity prices and financial risks (foreign currency risks, interest-rate risks and risks in connection with investments in securities) using key risk indicators such as the Value at Risk (VaR). The VaR indicates the maximum loss that might occur from a risk position assuming a certain probability and a certain horizon. The VaR figures within the RWE Group are generally based on a confidence interval of 95 %. The assumed holding period for a position is one day. This means that, with a probability of 95 %, the maximum daily loss does not exceed the VaR. As the central risk controlling parameter for commodity positions, the Global VaR averaged €12.3 million in the first quarter of 2010. Its maximum daily value was €15.0 million. The average VaR for interest-rate risks (including hedges) was €119.6 million for financial debt and €7.7 million for interest-bearing investments. For share investments it amounted to €11.0 million and for the foreign currency position it was €0.1 million.

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 currently available to us. 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 Statement

€ million	Jan – Mar 2010	Jan – Mar 2009
Revenue (including natural gas tax / electricity tax)	**15,267**	**14,516**
Natural gas tax / electricity tax	−744	−465
Revenue	**14,523**	**14,051**
Changes in finished goods and work in progress / other own work capitalised	53	48
Cost of materials	−9,366	−9,180
Staff costs	−1,252	−1,070
Depreciation, amortisation, and impairment losses	−651	−530
Other operating income	−655	−434
Income from operating activities of continuing operations	**2,652**	**2,885**
Income from investments accounted for using the equity method	81	57
Other income from investments	10	106
Financial income	470	505
Finance costs	−872	−1,015
Income from continuing operations before tax	**2,341**	**2,538**
Taxes on income	−667	−703
Income from continuing operations	**1,674**	**1,835**
Income from discontinued operations		25
Income	**1,674**	**1,860**
of which: minority interest	117	115
of which: net income / income attributable to RWE AG shareholders	**1,557**	**1,745**
Basic and diluted earnings per common and preferred share in €	**2.92**	**3.28**
of which: from continuing operations in €	(2.92)	(3.28)

Statement of Recognised Income and Expenses[1]

€ million	Jan – Mar 2010	Jan – Mar 2009
Income	**1,674**	**1,860**
Currency translation adjustment	231	−171
Fair valuation of financial instruments available for sale	12	−19
Fair valuation of financial instruments used for hedging purposes	49	363
Other comprehensive income of investments accounted for using the equity method (pro rata)	−2	
Actuarial gains and losses of defined benefit pension plans and similar obligations	81	−317
Other comprehensive income	**371**	**−144**
Total comprehensive income	**2,045**	**1,716**
of which: attributable to RWE AG shareholders	(1,920)	(1,643)
of which: attributable to minority interests	(125)	(73)

1 Figures stated after taxes.

Balance Sheet

Assets € million	Mar 31, 2010	Dec 31, 2009
Non-current assets		
Intangible assets	17,294	17,320
Property, plant and equipment	29,455	28,627
Investment property	165	182
Investments accounted for using the equity method	3,776	3,736
Other non-current financial assets	686	709
Receivables and other assets	4,219	4,113
Deferred taxes	1,917	1,876
	57,512	**56,563**
Current assets		
Inventories	2,544	3,115
Trade accounts receivable	9,789	9,530
Receivables and other assets	15,889	17,866
Marketable securities	3,451	3,290
Cash and cash equivalents	3,832	3,074
	35,505	**36,875**
	93,017	**93,438**

Equity and Liabilities € million	Mar 31, 2010	Dec 31, 2009
Equity		
RWE AG shareholders' interest	14,710	12,792
Minority interest	1,005	925
	15,715	**13,717**
Non-current liabilities		
Provisions	22,400	22,315
Financial liabilities	17,393	17,019
Other liabilities	3,402	3,972
Deferred taxes	2,454	2,327
	45,649	**45,633**
Current liabilities		
Provisions	5,775	5,829
Financial liabilities	2,752	3,127
Trade accounts payable	7,586	9,697
Other liabilities	15,540	15,435
	31,653	**34,088**
	93,017	**93,438**

Cash Flow Statement

€ million	Jan – Mar 2010	Jan – Mar 2009
Income	1,674	1,860
Depreciation, amortisation, impairment losses / write-backs	651	545
Changes in provisions	−120	−69
Deferred taxes / non-cash income and expenses / income from disposal of non-current assets and marketable securities	157	−396
Changes in working capital	−853	−1,407
Cash flows from operating activities of continuing operations	**1,509**	**533**
Cash flows from operating activities of discontinued operations		11
Cash flows from operating activities	**1,509**	**544**
Capital expenditure on non-current assets / acquisitions	−1,191	−2,052
Proceeds from disposal of assets / divestitures	49	30
Changes in marketable securities and cash investments	−285	−2,537
Cash flows from investing activities of continuing operations[1]	**−1,427**	**−4,559**
Cash flows from investing activities of discontinued operations		−78
Cash flows from investing activities	**−1,427**	**−4,637**
Cash flows from financing activities of continuing operations	**666**	**4,368**
Cash flows from financing activities of discontinued operations		65
Cash flows from financing activities	**666**	**4,433**
Net cash change in cash and cash equivalents	748	340
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	10	−7
Net cash change in cash and cash equivalents from discontinued operations		2
Net change in cash and cash equivalents	**758**	**335**
Cash and cash equivalents at beginning of the reporting period	3,074	1,249
Cash and cash equivalents at end of the reporting period	**3,832**	**1,584**

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

Statement of Changes in Equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Own shares	Accumulated other comprehensive income	**RWE AG shareholders' interest**	Minority interest	**Total**
Balance at Jan 1, 2009	**2,598**	**11,200**	**−2,500**	**289**	**11,587**	**1,553**	**13,140**
Sales of own shares		−52	228		176		176
Dividends paid						−65	−65
Income		1,745			1,745	115	1,860
Other comprehensive income		−304		202	−102	−42	−144
Total comprehensive income		1,441		202	1,643	73	1,716
Other changes						−84	−84
Balance at Mar 31, 2009	**2,598**	**12,589**	**−2,272**	**491**	**13,406**	**1,477**	**14,883**
Balance at Jan 1, 2010	**2,598**	**11,537**	**−2,272**	**929**	**12,792**	**925**	**13,717**
Dividends paid						−50	−50
Income		1,557			1,557	117	1,674
Other comprehensive income		95		268	363	8	371
Total comprehensive income		1,652		268	1,920	125	2,045
Other changes		−2			−2	5	3
Balance at Mar 31, 2010	**2,598**	**13,187**	**−2,272**	**1,197**	**14,710**	**1,005**	**15,715**

NOTES

Accounting policies

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

The consolidated interim report as of March 31, 2010, which was approved for publication on May 10, 2010, was prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of the consolidated financial statements of RWE AG for the period ended March 31, 2010 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 2009. For further information, please see the consolidated financial statements for the period ended December 31, 2009, 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, 2009: 5.00 %). Provisions for pensions and similar obligations are discounted at an interest rate of 5.00 % in Germany and 5.50 % abroad (December 31, 2009: 5.25 % and 5.70 %, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have approved a number of changes to the existing International Financial Reporting Standards (IFRSs) and adopted several new IFRSs and interpretations, which became effective for the RWE Group as of fiscal 2010.

IFRS 3 (2008) "Business Combinations" contains amended regulations on the accounting of business combinations. Compared to the original version of IFRS 3, these changes relate to the scope of application 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 individually for each transaction. Depending on which option a company exercises, any goodwill is recognised in full or only in proportion to the majority owner's interest. The changes will have a corresponding impact on the accounting treatment of company transactions.

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 changes will thus affect the accounting treatment of certain company transactions.

The following standards and interpretations, which are applicable for the first time in the fiscal year, do not have a material effect on the RWE Group's consolidated financial statements:

- Improvements to the International Financial Reporting Standards (2009)
- IFRS 1 (restructured in 2008) – First-time Adoption of International Financial Reporting Standards
- Amendment to IFRS 2 (2009) – Group Cash-settled Share-based Payment Transactions
- Amendment to IAS 39 (2009) – Eligible Hedged Items
- IFRIC 12 – Service Concession Arrangements
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

New accounting policies

The IASB and the IFRIC have 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. The impact of the following standards on the RWE Group's consolidated financial statements is currently being reviewed.

IFRS 9 "Financial Instruments" replaces the previous regulations of IAS 39 in respect of the classification and measurement of financial instruments. IFRS 9 (2009) becomes effective for the first time for fiscal years starting on or after January 1, 2013.

IAS 24 (2009) "Related Party Disclosures" essentially simplifies reporting on related parties which are controlled or significantly influenced by the state. IAS 24 (2009) becomes effective for the first time for fiscal years starting on or after January 1, 2011.

Amendment to IAS 32 (2009) "Classification of Rights Issues" pertains to the issuer's accounting treatment of specific foreign-currency subscription rights, options and warrants. In the future, these instruments must be classified as equity. The new rule becomes effective for the first time for fiscal years starting on or after February 1, 2010.

The following standards and interpretations, which are not yet applicable in fiscal 2010, are not expected to have any material impact on the RWE Group's consolidated financial statements:

- Amendment to IFRS 1 (2009) – Additional Exemptions for First-time Adopters
- Amendment to IFRS 1 (2010) – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendment to IFRIC 14 (2009) – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Scope of consolidation

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

Changes in the first quarter of 2010 primarily relate to the Renewables Division including seven companies that were consolidated for the first time. Ten former fully consolidated companies were removed from the scope of consolidation; six were merged.

The scope of consolidation is as follows:

	Mar 31, 2010	Dec 31, 2009
Fully consolidated companies	446	453
Investments accounted for using the equity method	118	126

Acquisitions: On September 30, 2009, RWE acquired 100 % of the Dutch-based power utility Essent N. V.'s voting stock. Due to the transaction's complex structure and size, some accounting aspects of the business acquisition have not yet been finalised.

Discontinued Operations: American Water Works Company Inc., Wilmington / Delaware, USA, was stated as a discontinued operation in last year's first quarter. The table below shows the income statement's key figures for that company:

Key figures for American Water € million	Jan – Mar 2009
Revenue	426
Expenses / income	–323
Ordinary income from discontinued operations before tax	103
Taxes on income	–39
Income	64
Fair value adjustments	–39
Income from discontinued operations	25

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 quarter of 2010, research and development costs totalled € 25 million (first quarter of 2009: € 19 million).

Equity

Pursuant to a 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 waived, with the approval of the Supervisory Board.

Pursuant to a 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. This resolution was replaced by the resolution passed by the Annual General Meeting on April 22, 2010, which authorises the company to conduct share buybacks accounting for up to 10 % of the company's capital stock and to sell own common shares waiving shareholder subscription rights under certain conditions until October 21, 2011. Based on the resolution, the company's Executive Board is also authorised to withdraw own shares. As per the preceding authorisation, the purchase and sale of these shares can also be carried out using put and call options.

Pursuant to a resolution passed by the Annual General Meeting on April 22, 2009, the Executive Board was authorised to withdraw own shares without requiring an additional resolution by the Annual General Meeting or – under certain conditions and waiver of shareholders' 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. Shareholders' subscription rights may be waived under certain conditions. The Annual General Meeting decided to establish € 144 million in conditional capital, divided into 56 million bearer common shares in order to redeem the bonds. Shares from the authorised capital are to be deducted from the shares from the conditional capital, insofar as they are both issued with a waiver of shareholders' subscription rights. Accordingly, the share capital may not be increased by more than 20 % by the issue of new shares.

As of March 31, 2010, RWE AG held 28,846,473 no-par-value common shares in RWE AG. The acquisition costs of own shares amounting to € 2,272 million were deducted from the carrying amount of equity. They account for € 73,846,970.88 of the company's share capital (5.13 % of subscribed capital).

Furthermore, in the first quarter of 2010, RWE Group companies bought 1,580 common shares on the capital market at an average cost of € 66.04 per share for issuance to employees of RWE AG and its subsidiaries. The proportionate share capital totals € 4,044.80 (0.003 ‰ of subscribed capital). Employees were issued a total of 40 common shares at an average price of € 50.97 per share within the scope of capital formation schemes and 1,540 common shares at an average price of € 45.61 per share on the occasion of service anniversaries. Proceeds from the share issuances amounted to € 72,278.20. 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 consolidated financial statements for the period ended December 31, 2009.

In the first quarter of 2010, another tranche was issued within the framework of the Long-Term Incentive Plan for executive staff ("Beat").

The plan conditions for the newly issued tranche were amended in comparison to the conditions applicable to "Beat" presented in the consolidated financial statements for the period ending on December 31, 2009. The main amendments are a mandatory personal investment for all programme participants, the extension of the waiting period to 4 years, the introduction of additional exercise dates following the waiting period and the extension of the term of the plan to five years.

Dividend distribution

RWE AG's April 22, 2010 Annual General Meeting decided to pay a dividend of €3.50 per individual, dividend-bearing share for fiscal 2009. The dividend payment totalled €1,867 million.

Financial liabilities

In the first quarter of 2010, a US$ 250 million public bond with a term of three years and a nominal interest rate of 2 % was issued. The bond was placed primarily in Switzerland and Germany. Furthermore, funds of €160 million with an interest rate of 4.76 %, each after swaps into euros, were raised for a term of 30 years via a private placement.

Other liabilities

Other liabilities include €1,562 million (December 31, 2009: €1,562 million) in current redemption liabilities from put options of minority interests that are recognised in accordance with IAS 32.

Earnings per share

		Jan – Mar 2010	Jan – Mar 2009
Net income	€ million	1,557	1,745
Number of shares outstanding (weighted average)	thousands	533,559	531,882
Basic and diluted earnings per common and preferred share	€	2.92	3.28

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

Related party disclosures

The RWE Group classifies associated companies as related parties. In the first quarter of 2010, transactions concluded with material related parties generated €277 million in income (first quarter of 2009: €323 million) and €72 million in expenses (first quarter of 2009: €44 million). As of March 31, 2010, accounts receivable amounted to €630 million (December 31, 2009: €708 million), and accounts payable totalled €14 million (December 31, 2009: €10 million). All business transactions are concluded at arm's length conditions and on principle do not differ from those concluded with other companies.

As the CEO of RWE AG, Dr. Jürgen Großmann, is a partner in Georgsmarienhütte Holding GmbH and RGM Gebäudemanagement GmbH, the companies of the Georgsmarienhütte Group and RGM Gebäudemanagement GmbH are classified as related parties. In the first quarter of 2010, RWE Group companies provided services and deliveries amounting to €2.0 million to these companies (first quarter of 2009: €1.5 million).

Conversely, in the first quarter of 2010, the aforementioned companies provided services and deliveries amounting to €0.3 million to RWE Group companies (first quarter of 2009: €0.1 million). As of March 31, 2010, there were receivables of €0.1 million (December 31, 2009: €0.2 million) and liabilities of €0.5 million to RWE Group companies (December 31, 2009: €2.0 million). All transactions are completed at arm's length prices and on principle, the business relations do not differ from those maintained with 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 March 31, 2010 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, May 11, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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As of May 10, 2010

FINANCIAL CALENDAR 2010 / 2011

August 12, 2010	Interim report for the first half of 2010
November 11, 2010	Interim report for the first three quarters of 2010
February 24, 2011	Annual report for fiscal 2010
April 20, 2011	Annual General Meeting
April 21, 2011	Dividend payment
May 12, 2011	Interim report for the first quarter of 2011
August 11, 2011	Interim report for the first half of 2011
November 10, 2011	Interim report for the first three quarters of 2011

The interim report for the first quarter of 2010 was published on May 12, 2010.

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 broadcast live on the internet and recorded. We will keep the recordings on our website for at least twelve months.

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