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Sir David Tweedie Chairman of the International Accounting Standards Board (IASB) 1st Floor, 30 Cannon Street London EC4M 6XH United Kingdom

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Discussion Paper "Preliminary Views on Revenue Recognition in Contracts with Customers"

Dear Sir David,

We appreciate the opportunity to comment on the above mentioned discussion paper.

RWE is one of the leading utilities in Europe, focussing on the electricity and gas sector. Our activities cover all of the major elements of the energy value chain. Headquartered in Germany and with external revenues amounting to 49 bn. EUR we are providing work for more than 65.000 full-time employees (figures as of 31 December 2008).

We investigated the intended rules that are introduced by the Discussion Paper and support that the new guidelines reflect prior discussions within the project with respect to the fair value measurement for customer contracts. We appreciate that this fair value measurement has been declined, because it would have had material effects on revenue recognition in energy business which would have resulted in a less true and fair view on the earnings situation of an utility company.

However, based on the fact that fair value measurement has been declined for good reason, we have difficulties to see the intention of the actual discussion paper rules any more, as they seem not to result in significant changes compared to current revenue recognition.

One aspect often discussed with regard to the intention of the discussion paper is the conceptual change to the asset-liability-approach with the purpose of streamlining the existing standards to the conceptual framework. However, we do not think that there *is* a *real* conceptual change within the discussion paper rules. From our perspective the Discussion Paper only apparently leads to revenue recognition initiated by changes in assets and liabilities (as this should be according to the asset-liability-approach). Instead revenue recognition is linked to an asset transfer – due to the device that asset transfer is simply defined as measurement change of the contractual net asset. In the end, revenue recognition is nevertheless triggered by a critical event, the transfer of the contractual promised

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asset, as it already is according to IAS 18. As there will not be significant changes to current revenue recognition (except for construction contracts, see below), we do not really understand the need for a new standard for revenue recognition. Accounting rule deficiencies, e.g. rules for the accounting of multiple component contracts, should instead be added to the existing standards.

We furthermore do not share the opinion that revenue recognition for regular customer contracts and Construction contracts have obligatory to be streamlined. As the Discussion Paper will be fully applicable to construction contracts, it will result in a significant change in the timing of revenue recognition for construction and/or services contracts where no continous transfer takes place. In this cases revenue will be recognised later than under the current standard, in particular for those contracts in which the deliverable is delivered at the end of the production process. This issue is subject to criticism commented by EFRAG, which declines this treatment and proposes, revenue recognition for construction contracts should take place as an entity progresses towards performance obligation fulfilment. As we think that this would rather ensure a true and fair view on the earning position of construction companies, we support this idea.

We hope that our comments will be useful to IASB in its further deliberations. We would be pleased to answer any question that you may have concerning our arguments or discuss any aspect of this letter.

Sincerely yours,

RWE Aktiengesellschaft

Dr. Pohlig (CFO)

Dr. Leippe (Head of IFRS Competence Center)