RWE
The energy to lead

Annual Financial Statements as of December 31, 2011

RWE Supply & Trading GmbH

Balance Sheet of RWE Supply & Trading GmbH as of December 31, 2011

Assets	12/31/2011 € million	12/31/2010 € million
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	5.3	0.0
2. Goodwill	174.5	199.4
	179.8	**199.4**
II. Tangible assets		
1. Technical equipment and machinery	0.0	0.0
2. Other equipment, operating and office equipment	8.1	3.1
	8.1	**3.1**
III. Financial assets		
1. Shares in affiliated companies	387.6	609.3
2. Other long-term equity investments	21.7	15.3
3. Other loans	1.6	1.5
	410.9	**626.1**
B. Current assets		
I. Inventories		
Merchandise	**693.8**	**942.2**
II. Receivables and other assets		
1. Trade receivables	1,133.3	1,669.7
2. Receivables from affiliated companies (of which from shareholder €2,076.9 million; previous year: €12.3 million)	4,021.5	1,514.0
3. Receivables from other long-term investees and investors	313.8	316.2
4. Other assets	2,467.1	1,072.7
	7,935.7	**4,572.6**
III. Securities		
Other securities	**705.1**	**811.4**
IV. Cash funds	**70.8**	**28.9**
C. Prepaid expenses and deferred charges	**52.5**	**33.1**
	10,056.7	**7,216.8**

Equity and liabilities	12/31/2011 € million	12/31/2010 € million
A. Shareholders' equity		
I. Subscribed capital	15.0	15.0
II. Capital reserve	431.8	411.3
	446.8	**426.3**
B. Provisions		
1. Provisions for pensions and similar obligations	18.4	17.1
2. Tax provisions	29.3	170.6
3. Other provisions	1,790.7	706.9
	1,838.4	**894.6**
C. Liabilities		
1. Bank loans and overdrafts	1.2	6.7
2. Customer advances	48.3	59.6
3. Trade payables	1,797.7	1,822.7
4. Payables to affiliated companies (of which to shareholders €3,597.3 million; previous year: €1,755.8 million)	5,182.9	3,087.7
5. Other liabilities (of which taxes €40.3 million; previous year: €110.0 million) (of which social security payables €1.4 million; previous year: €1.3 million)	690.9	883.5
	7,721.0	**5,860.2**
D. Deferred income	**50.5**	**23.9**
E. Deferred tax liabilities	**0.0**	**11.8**
	10,056.7	**7,216.8**

Income Statement of RWE Supply & Trading GmbH for the Period from January 1, 2011 to December 31, 2011

		2011 € million	2010 € million
1.	Sales	11,845.4	10,084.5
2.	Natural gas tax/electricity tax	-69.6	-66.8
3.	Sales (net of natural gas tax)	11,775.8	10,017.7
4.	Other operating income	124.6	201.8
	(of which from currency translation €9.7 million; previous year: €129.6 million)		
5.	Cost of materials		
	a) Cost of purchased merchandise	12,415.6	9,055.1
	b) Cost of purchased services	369.8	405.0
		12,785.4	9,460.1
6.	Personnel expenses		
	a) Salaries	190.2	199.8
	b) Social security, pension and other benefits	24.9	18.8
	(of which relating to pensions €11.1 million; previous year: €6.6 million)		
		215.1	218.6
7.	Amortization, depreciation and write-downs of intangible and tangible assets	26.1	25.8
		26.1	25.8
8.	Other operating expenses	246.2	245.1
9.	Income from other long-term equity investments	-	0.1
10.	Income from other long-term securities and loans	0.0	0.0
	(of which from affiliated companies €0.0 million; previous year: €0.0 million)		
11.	Other interest and similar income	103.3	69.6
	(of which from affiliated companies €65.6 million; previous year: €40.0 million)		
12.	Write-down of long-term financial assets and securities classified as current assets	703.6	-
13.	Cost of loss assumption	0.7	0.5
14.	Interest and similar expenses	113.2	77.6
	(of which to affiliated companies €107.8 million; previous year: €67.7 million)		
	(of which from interest accretion €1.2 million; previous year: €1.6 million)		
15.	**Profit/loss on ordinary activities**	**-2,086.6**	**261.5**
16.	Extraordinary expenses	-	1.1
17.	**Extraordinary result**	**-**	**1.1**
18.	Taxes on income	-49.5	185.3
19.	Loss assumed/profit transferred on the basis of a profit and loss transfer agreement	-2,037.1	75.1
20.	**Net income for the year**	**0.0**	**0.0**
21.	Withdrawal from capital reserve	-	0.8
22.	Asset decrease by split-off	-	-0.8
23.	**Net retained profits**	**-**	**0.0**

0.0 small amount
- non existent

Notes to the Financial Statements of RWE Supply & Trading GmbH for the Financial Year from January 1 to December 31, 2011

RWE Supply & Trading GmbH (hereinafter referred to as "RWEST" has been registered in the commercial register of Essen since July 11, 2000 under the number HRB 14327. The Company is headquartered in Essen.

According to the opinion of Management, RWEST is subject to the rules of co-determination under the One-Third Employee Representation Act (*Drittelbeteiligungsgesetz* or DrittelbG), i.e. employees have a role in the economic and corporate decisions of a company) and must therefore appoint a Supervisory Board. The composition of the Supervisory Board is governed by Sections 1 (1) Nos. 3, 4 (1) DrittelbG in conjunction with Sections 95, 96 (1) 4. Alt., 101 (1) German Stock Corporation Act (*Aktiengesetz* – AktG), i.e. two thirds are shareholder representatives and one third are employee representatives. The Supervisory Board consists of nine members pursuant to Article 7 of the Articles of Association.

The annual financial statements for the past financial year were prepared in accordance with the provisions of the German Commercial Code (*HGB*), the German Limited Liability Companies Act (*GmbHG*) and the German Energy Act (*Energiewirtschaftsgesetz* – EnWG) as amended on December 22, 2011. Sole shareholder of RWEST is RWE AG, Essen, Germany. RWEST is included in the consolidated financial statements of RWE AG which are prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU. For this reason, RWEST is generally exempted from the duty to prepare consolidated financial statements. The consolidated financial statements of RWE AG are submitted to the operator of the electronic Federal Gazette (Bundesanzeiger Verlagsgesellschaft mbH, Cologne) and published in the electronic Federal Gazette. RWE AG and RWEST have signed a control and profit transfer agreement.

The annual financial statements of RWEST are prepared in euros (€), the amounts are stated in millions of euros (€ million) with one digit after the decimal point.

The income statement has been prepared using the nature of expense format.

I. Accounting policies

RWEST applies the accounting policies of the Accounting Law Modernisation Act (*Bilanzrechtsmodernisierungsgesetz* - BilMoG) as amended on May 28, 2009.

Fixed assets

Intangible fixed assets are recognized at amortized cost. Software is amortized on a straight-line basis over three to five years. **Goodwill** recognized in fixed assets is amortized on a straight-line basis over its expected useful life of 15 years.

Tangible assets are measured at cost less depreciation. They are depreciated using the straight-line method. The additions to tangible assets are depreciated on a precise month-to-month basis. Low-value assets costing up to €150 are fully written down in the year of acquisition. Assets costing between €150 and €1,000 are transferred to a collective item in accordance with Section 6 (2a) German Income Tax Act (*EStG*) and depreciated straight-line over five years. The item is generally of minor importance.

Financial assets are measured at the lower of cost or fair value. They are measured in accordance with the strict principle of lower of cost or market value. Within the scope of a currency hedge used for a foreign equity investment in foreign currency, several currency swaps were entered into on a rolling basis. The hedged item and the hedging instrument form a hedging relationship with no gain or loss being recognized. When terminating a swap, the positive or negative market price from spot rate changes is offset with the cost of the investment with no effect on profit or loss.

Current assets

Inventories are measured at cost year-to-date using the average cost method. The inventories are part of portfolio hedges; special measurement requirements apply.

Receivables and other assets are recognized at principal amounts. All identifiable individual risks and the general credit risk were accounted for by making the appropriate allowances. This applies equally to the margin and collateral payments which are included in other assets and account for the major part of this item. If the other assets consist of the fair value of pension commitments for which an insurance cover has been taken out, they are offset against the provisions for pensions and similar obligations.

Other assets also include carbon credit certificates which are recognized at cost. Lower values recognized on the reporting date due to lower net selling prices are accounted for as part of a portfolio.

Securities classified as current assets are recognized at the lower of cost or market value.

Cash funds are recognized at nominal amounts.

Prepaid expenses and deferred charges

Prepaid expenses and deferred charges are reversed over the contractual period and charged to profit or loss.

Shareholders' Equity

Equity is recognized at its nominal value.

Provisions

The **provisions** provide appropriate cover for all identifiable risks and uncertain liabilities. They are recognized in the settlement amount required under prudent business judgment and taking into account estimated future cost increases.

Other provisions with more than one year to maturity are discounted at the last seven years' average market rate published by the German Bundesbank corresponding to their residual term.

The other provisions were recognized using the continuation option under Art. 67 (1) clause 2 of the Introductory Act to the German Commercial Code (*EGHGB*), since the difference would have to be added again until no later than 2024. Other provisions are measured in line with Section 253 old version of the HGB. This has resulted in an excess cover of other provisions as of December 31, 2011 in the amount of €0.0 million (previous year: €0.4 million).

Provisions for **pensions, concessionary allowances, partial retirement obligations and long-service awards** are recognized on the basis of actuarial computations applying the 2005G mortality tables of Klaus Heubeck – which take into account generation-dependent life expectancies – using the Projected Unit Credit Method. They were generally discounted at the last seven years' average market rate published by the German Bundesbank in October 2011, which is the market rate for the assumed residual time to maturity of 15 years (Section 253 (2) clause 2 HGB). This interest rate is at 5.13% annually (previous year: 5.16%). The other actuarial assumptions include annual salary and benefit increases.

Actuarial assumptions in percent	**Salary increases**		**Benefit increases**	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Pension provisions	2.75%	2.75%	1.75%	1.50%
Concessionary obligations	2.75%	1.00%	1.75%	1.00%
Partial retirement	2.75%	2.75%	-	-
Long-service awards	2.75%	2.75%	-	-

To the extent an insurance cover has been taken out to protect the pension provisions, they were measured in accordance with Section 253 (1) No. 3 HGB.

Portfolio hedges under section 254 HGB

The physical and open derivative trading transactions carried out in the Trading business division are measured at fair value off-balance sheet as part of a macro hedge portfolio considering them as separate trading desks, inventories, if any, included. The macro hedges have the risk-compensating effect of combining individual groups of hedged items.

Physical and derivative transactions carried out in the Supply business division are measured by way of a macro hedge of open gas procurement and sales contracts including the gas inventories and open gas forwards, coal and oil swaps.

The open physical and derivative transactions carried out in the Sales & Origination business division are measured by way of a macro hedge of hedged physical items and hedging transactions concluded.

These relationships in the form of macro hedges ensure that financial risks in the form of price risks from the commodities traded at the respective desks are hedged.

In addition, to hedge the currency risk from a foreign equity investment, currency swaps were entered into and accounted for as micro hedges.

The effective portions included in hedge accounting are reflected in the balance sheet under the net hedge presentation method, meaning that the gains or losses on the hedged items and hedging instruments attributable to each hedged risk, are not recognized.

The macro hedges used to hedge price risks which on the balance sheet date reflect a fair value of €22.8 million (previous year: €1,036.3 million) include assets at carrying amounts of €1,093.2 million (previous year: €1,392.5 million), liabilities at carrying amounts of €151.2 million (previous year: €171.7 million) and pending transactions with positive fair values of €21,114.4 million and negative fair values of €-21,863.8 million. The micro hedges used to hedge the currency risk of the foreign equity investment includes an asset (hedged item) at a carrying amount of €174.2 million (previous year: €253.1 million) and pending transactions at fair values of €-2.7 million (previous year: €0.6 million).
The risks included in hedge accounting as of December 31, 2011 are summarized in the following table:

Category	Positive fair value of pending transactions in €m	Negative fair value of pending transactions in €m	Fair value of inventories in €m	Net book values Assets in €m	Net book values Equity and liabilities in €m
1. Price risks	**21,114.4**	**-21,863.8**	**772.2**	**1,093.2**	**151.2**
1.1. Electricity (Germany)	1,280.1	-1,194.7	0.0	67.4	20.9
1.2. Electricity (UK)	2,166.1	-2,122.2	0.0	0.0	4.9
1.3. CAO Power	5,651.4	-5,631.2	0.0	0.0	0.0
1.4. Gas (Germany)	2,133.2	-3,472.5	227.7	421.1	30.9
1.5. Gas (UK)	3,461.7	-3,255.8	125.9	158.3	45.2
1.6. Oil	396.6	-428.2	45.7	45.6	2.1
1.7. Coal	3,034.4	-2,926.3	301.3	252.7	10.3
1.8. Carbon	2,441.3	-2,422.9	71.5	148.1	33.8
1.9. Sales & Origination	549.4	-410.0	0.0	0.0	3.1
2. Currency hedge	0.0	-2.7	0.0	174.2	0.0
3. Total	21,114.4	-21,866.5	772.2	1,267.4	151.2

On balance, the fair value of the pending transactions amounted to €-266.3 million as of December 31, 2010.

Macro hedging is intended to be undertaken for an indeterminate period of time. To determine the prospective effectiveness of macro hedges, a risk management system which is well documented, appropriate and operational, is available. The scope for action, responsibilities and controls are specified in a binding way in internal guidelines. Trading commodity derivatives is permitted within certain limits. These limits are defined by independent organizational units and monitored daily.

The central control variable in trading is the global Value at Risk (VaR) referring to the trading business and limited to an amount of €40.0 million. The values at risk are generally based on a confidence level of 95% with a holding period of one day assumed for the positions. This means that the probability of a loss over one day not exceeding the global VaR threshold is 95%. In financial year 2011 the global VaR was €13.9 million on average (previous year: €11.2 million), the maximum amount over one day was €27.5 million (previous year: €17.3 million). The risk analysis is not only based on the VaR, however. We conti-

nuously include extreme scenarios in our stress tests to determine the influence they could have on our liquidity and earnings position and react if risks become too high.
Macro hedge effectiveness is assessed at year-end by analyzing the fair value of each portfolio hedge. If the balance of the fair values of all transactions included is negative - taking into account any inventories included in the portfolio hedge - a hedge provision is recognized. Any positive fair values remain unaccounted for in the balance sheet.

As of the balance sheet date, provisions for three macro hedges were required in the total amount of €1,555.6 million (previous year: €491.3 million), of which €1,501.8 million were accounted for by the Supply division (previous year: €444.7 million) and €53.8 million were accounted for by the Trading business division (previous year: €46.6 million).

The effectiveness of the above-described micro hedge is determined using the critical-term-match method. Under this method, the gains or losses on the measurement will probably completely match, since hedged items and hedging instruments are exposed to the same currency risks. There is no need to quantify the ineffectiveness of the hedging relationship when applying the critical-term-match method, since the ineffectiveness is immaterial. Hedging is intended for an indeterminate period of time, since assets without fixed maturities are hedged by means of a rolling strategy.

Liabilities

Liabilities are recognized at their settlement amount. Payments received on account are recognized separately. To enhance the clarity of presentation, they are not deducted from inventories.

Deferred income

Deferred income is reversed over the contractual period and credited to profit or loss.

Deferred taxes

Due to the fact that RWEST and RWE AG are a consolidated tax group, RWEST, being the controlled company, does not recognize any deferred taxes for the German activities of the German head office.
As regards the British permanent establishment, deferred taxes are determined separately. Net tax charges are recognized on the liabilities side whereas the option to recognize tax benefits is not used. The tax rate in the UK for deferred taxes is 25% (previous year: 27%).

Income Statement

To increase the **reliability of the Company's results of operations**, sales revenue and cost of materials are recognized net for each commodity in the Trading business division, i.e. they are recognized up to the amount of their margins.
Sales and cost of materials are recognized gross in the divisions Supply and Sales & Origination, since this business deals with end customers.

Gains and losses on currency derivatives, which are part of portfolio hedges as well as other foreign exchange gains and losses are recognized net as other operating income or other operating expenses in all business operations.

The related gross values given as supplementary information are presented in the comments on the income statement.

Currency translation

Foreign currency transactions are generally recognized at the market or hedging price valid at the time of initial recording and at the middle spot rate on the balance sheet date. The losses on foreign exchange gains or losses on the balance sheet date are recognized in the income statement, unrealized foreign exchange gains are recognized in profit or loss only, if the underlying assets or liabilities have residual terms one year or less. Foreign currency risks are hedged as part of of central cash and foreign currency management of the RWE Group and the treasury department of RWE AG by rate hedging transactions in the respective currency of the commodity involved.

Fixed-asset movement schedule of RWE Supply & Trading GmbH

	Cost				Accumulated depreciation, amortization and write-downs				Net book values	
in €m	on 1/1/2011	Additions	Disposals	on 12/31/2011	on 1/1/2011	A/D/write-downs of financial year	Disposals	on 12/31/2011	on 12/31/2011	on 12/31/2010
Intangible assets										
Purchased concessions, industrial property and similar rights and assets and licenses in such rights and assets	8.2	5.3	-	13.5	8.2	0.0	-	8.2	5.3	0.0
Goodwill	373.8	-	-	373.8	174.4	24.9	-	199.3	174.5	199.4
	382.0	-	-	387.3	182.6	24.9	-	207.5	179.8	199.4
Tangible assets										
Technical equipment and machinery	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other equipment, operating and office equipment	6.4	6.4	1.1	11.8	3.4	1.2	0.9	3.7	8.1	3.1
	6.4	6.4	1.1	11.8	3.4	1.2	0.9	3.7	8.1	3.1
Financial assets										
Shares in affiliated companies	941.2	481.9	-	1,423.1	331.9	703.6	-	1,035.5	387.6	609.3
of which included in portfolio hedges § 254 HGB	*546.8*	*2.2*		*549.0*	*293.8*	*81.0*	-	*374.8*	*174.2*	*253.1*
Other long-term equity investments	15.3	6.4	0.0	21.7	-	-	-	0.0	21.7	15.3
Other loans	1.5	0.3	0.2	1.6	-	-	-	0.0	1.6	1.5
	958.0	488.6	0.2	1,446.4	331.9	703.6	-	1,035.5	410.9	626.1
	1,346.4	495.0	1.3	1,845.4	517.9	729.7	0.9	1,246.7	598.7	828.6

0.0 small amount
- non existent

II. Balance sheet disclosures

(1) Fixed assets

As regards the movements in fixed assets reference is made to the fixed-asset movement schedule of RWE Supply & Trading GmbH at the end of the accounting policies section in these notes.

(2) Inventories

Inventories are composed as follows:

in €m	12/31/2011	12/31/2010
Coal (Trading division)	248.1	356.9
Oil (Trading division)	45.4	386.4
Gas (Trading division)	125.0	42.9
Gas (Supply division)	275.3	156.0
	693.8	942.2

The gas inventories recognized in the Supply business division are stored in gas storage facilities in accordance with the respective storage agreements concluded to provide co-ordinate gas supplies for the regional energy companies.

(3) Receivables and other assets

in €m	12/31/2011	of which due > 1 year	12/31/2010	of which due > 1 year
Trade receivables	1,133.3	0.0	1,669.7	0.0
Receivables from affiliated companies	4,021.5	0.0	1,514.0	0.0
of which from shareholder	*2,076.9*	*0.0*	*12.3*	*0.0*
Receivables from other long-term investees and investors	313.8	0.0	316.2	0.0
Other assets	2,467.1	0.0	1,072.7	1.8
	7,935.7	0.0	4,572.6	1.8

Of the receivables from affiliated companies €1,652.9million (previous year: €1,478.9 million) are trade receivables. Within other assets, collaterals amounting to €573.9 million (previous year: €477.6 million) are recognized, which were deposited with the OTC trading partners.

In addition, initial or variation margins from stock exchange trading are recognized within other assets in the amount of €1,461.8 million (previous year: €28.1 million).

(4) Securities

The securities relate to fixed-income securities. The securities are used as initial margins in stock exchange trades and are pledged with the responsible clearer.

(5) Cash funds

Cash funds are credit balances with banks and cash on hand. RWEST is included in the central cash management system of RWE AG to its largest extent. RWE AG pools liquidity centrally. Of the cash funds, €3.8 million (previous year €1.4 million) have limited availability due to a pledge agreement signed.

(6) Prepaid expenses and deferred charges

in €m	12/31/2011	12/31/2010
Prepaid rental	10.9	11.8
Other	41.6	21.3
	52.5	**33.1**

(7) Shareholders' equity

in €m	12/31/2011	12/31/2010
Subscribed capital	15.0	15.0
Capital reserve	431.8	411.3
	446.8	**426.3**

In financial year 2011, the capital reserve as defined in Section 272 (2) No. 4 HGB was increased by €20.5 million on the basis of a shareholder resolution of June 7, 2011. The capital reserve includes amounts within the meaning of Section 272 (2) No. (1) HGB.

(8) Provisions

in €m	31.12.2011	31.12.2010
Provisions for pensions and similar obligations	18.4	17.1
Tax provisions	29.3	170.6
Other provisions	1,790.7	706.9
of which relating to energy agreements	*92.4*	*123.9*
of which relating to the gas portfolio hedge	*1,501.8*	*444.7*
of which for discounts under energy agreements	*62.7*	*11.1*
of which relating to personnel	*121.4*	*114.7*
of which other	*12.4*	*12.5*
	1,838.4	**894.6**

The fair value of pension commitments for which an insurance cover has been taken out (asset value: €2.0 million; previous year: €1.8 million) was offset in the provisions for pensions and similar obligations. The fair value was determined by the insurance carrier as of the balance sheet date.

Of the tax provisions amounting to €29.3 million (previous year: €170.6 million), €29.3 million (previous year: €170.5 million) relate to the British permanent establishment of RWEST.

Of the other provisions for energy contracts, €69.4 million (previous year: €62.3 million) relate to the Trading business division, €0.0 million (previous year: €0.6 million) to the Supply division and €23.0 million to Sales & Origination (previous year: €61.0 million).

The other provision for the gas portfolio hedge refers to the Supply division only.

The other provisions for discounts from energy contracts relate to the Sales & Origination division only.

The other provisions for personnel obligations mainly include provisions for remuneration in arrears of €96.8 million (previous year: €87.2 million) and the provision for long-service awards of €4.4 million (previous year: €3.9 million).

The miscellaneous other provisions mainly include provisions for litigation costs of €11.7 million (previous year: €12.1 million).

(9) Liabilities

in €m	12/31/2011	of which due ? 1 year	of which due > 5 years	12/31/2010	of which due ? 1 year	of which due > 5 years
Bank loans and overdrafts	**1.2**	1.2	-	**6.7**	6.7	-
Customer advances	**48.3**	48.3	-	**59.6**	59.6	-
Trade payables	**1,797.7**	1,797.7	-	**1,822.7**	1,822.7	-
Payables to affiliated companies	**5,182.9**	5,182.9	-	**3,087.7**	3,087.7	-
of which to shareholder	***3,597.3***	*3,597.3*	-	***1,755.8***	*1,755.8*	-
Other liabilities	**690.9**	690.9	-	**883.5**	883.5	-
of which taxes	***40.3***	*40.3*	-	***110.0***	*110.0*	-
Of which social security payables	***1.4***	*1.4*	-	***1.3***	*1.3*	-
	7,721.0	**7,721.0**	-	**5,860.2**	**5,860.2**	-

Of the liabilities to affiliated companies, €679.3 million (previous year: €967.9 million) are trade payables. The other liabilities also include margin payments received in the amount of €409.1 million (previous year: €506.7 million) and collateral payments of €111.5 million (previous year: €150.2 million). RWEST has received the collateral payments as suretyship from OTC trading partners.

(10) Deferred income

Deferred income includes payments received for future financial years and will be reversed in the respective financial years.

(11) Deferred tax

The British permanent establishment is subject to British taxation and is therefore not part of the domestic consolidated tax group of RWE AG. The British tax accounts are mainly based on IFRSs. Thus, when determining deferred taxes in the financial statements (by comparing the tax base with the amounts in the balance sheet), temporary differences arise in large amounts which are presented in the following (the balance sheet format is identical to that on page 1 of these notes):

Tax rate in UK 25%	Temporary difference	Deferred taxes (+ asset/- liabilities)
ASSETS		
A. Fixed assets		
I. Intangible assets		
2. Goodwill	1.4	0.4
II. Tangible assets		
1. Technical equipment and machinery	2.3	0.6
B. Current assets		
I. Inventories		
Merchandise	0.6	0.2
II. Receivables and other assets		
1. Trade receivables	774.9	193.7
4. Other assets	4,664.3	1,166.1
EQUITY AND LIABILITIES		
B. Provisions		
3. Other provisions	68.9	17.2
C. Liabilities		
5. Other liabilities	-5,422.1	-1,355.5
Net (deferred tax assets)	**90.4**	**22.6**

(12) Contingent liabilities

The obligations incurred for the benefit of affiliated companies and to third parties from warranty agreements need not be recognized, since the affiliates and the third parties will probably be able to settle the underlying liabilities. Therefore, they are not expected to become due.

The contingent liabilities of €1,919.3 million (previous year: €1,018.9 million) relate to various warranty obligations, of which €967.5 million (previous year: €40.0 million) in favor of affiliated companies. For the pension obligations recognized in the balance sheet of RWE

AG, a warranty provision was set up in the amount of €22.1 million (previous year: €17.8 million), which is included in the above stated aggregate amounts.

Due to the transfer of certain retirement benefit obligations made in financial year 2007 to the RWE Pensionsfonds AG, the Company will, as an employer, be required by law to pay additional funds in case the fund might suffer from a shortfall of assets.

The RWEST permanent establishment in the UK covers its pension commitments by pension funds. A potential shortfall in assets is covered by a provision.

In addition, RWEST, being the legal successor of RWE Gas Midstream GmbH under Section 133 of the German Reorganization and Transformation Act (*UmwG*), is held jointly and severally liable for five years for the liabilities of RWE Vertrieb AG, which arose before the Gas Midstream operation was split off.

As a result of splitting off the cogeneration operation in accordance with Section 133 UmwG, RWEST is held jointly and severally liable for five years for the liabilities of RWE Innogy Cogen GmbH, which arose before the Cogeneration operation was split off.

(13) Off-balance sheet transactions pursuant to Section 285 No. 3 HGB

There were no off-balance sheet transactions as set out in Section 285 No. 3 HGB by the end of financial year 2011.

(14) Other financial commitments

As of the balance sheet date, RWEST incurred other financial obligations amounting to €1,049.0 million (previous year: €215.1 million), of which €146.3 million (previous year: €178.5 million) were due to affiliated companies. Most of them relate to real estate obligations (€49.4 million; previous year: €65.3 million) and IT obligations (€96.9 million; previous year: €148.0 million).

Furthermore, a profit transfer agreement has been signed between RWEST and RWE Transitions Services GmbH. Under this agreement, RWEST undertakes to offset any net loss for the year.

(15) Disclosures on the Notes in accordance with Section 285 No. 19 HGB

Given the high service range offered under electricity supply contracts validly signed with individual key accounts, a large receivables portfolio may aggregate. To minimize the resulting credit risk, credit default swaps were entered into in a nominal volume of €119.8 million (previous year: €116.0 million). Their market value as of the reporting date is €3.1 million (previous year: €0.3 million).

Category	Nominal amount	Fair value in €m
	119.8	**3.1**
1. Credit default swaps	119.8	3.1

III. Income statement disclosures

We point to the fact that, as German accounting principles must be observed, fair value changes from pending energy trading contracts were not recognized in the annual financial statements. For further explanations reference is made to the accounting policies for portfolio hedges pursuant to Section 254 HGB.

Sales revenue (positive overall result) and/or cost of materials (negative overall result) include the trading margins from energy trading contracts realized and energy-related derivatives.

The respective gross amounts in the Trading division in relation to sales revenue amount to €84,561.8 million (previous year: €68,764.2 million) and in relation to cost of purchased merchandise within cost of materials €83,396.3 million (previous year: €66,898.4 million). This presentation is made for the Trading division only.

(1) Sales

In the Trading division, the recognition of the trade margin in the financial year results in sales falling below gross sales by €83,006.9 million in the financial year and by €66,741.8 million in the previous year. The recognition of net amounts presents sales in a more realistic form.

Sales of €11,845.4 million (previous year: €10,017.8 million) are broken down by energies as follows:

in €m	2011	2010
Trading division	**1,554.9**	**2,022.4**
Electricity	1,113.9	1,464.4
Gas	0.0	468.6
Coal	0.0	89.4
Oil	441.0	-
Geographical segmentation		
Germany	*808.5*	*1,071.9*
within the EU	*699.7*	*910.1*
other European countries	*46.6*	*40.4*
Supply division	**8,064.7**	**5,742.7**
Gas	7,507.4	5,362.2
Coal	52.2	59.7
Oil	505.1	320.8
Geographical segmentation		
Germany	*5,403.3*	*3,844.0*
within the EU	*2,659.7*	*1,896.1*
other European countries	*1.6*	*2.6*
Sales & Origination division	**2,156.2**	**2,252.7**
Electricity	1,682.2	1,771.7
Electricity tax	-33.3	-20.7
Gas	526.1	526.2
Natural gas tax	-36.3	-46.1
Heat	16.2	19.4
Water	1.3	1.2
Coal	0.0	1.0
Geographical segmentation		
Germany	*2,127.3*	*2,200.0*
within the EU	*28.9*	*118.5*
other European countries	*0.0*	*0.0*

In the Supply division, the item includes €55.0 million (previous year: €71.2 million) sales revenue from previous years' invoice adjustments. In addition, a price re-negotiation agreement was terminated in 2011 in the Supply division. This resulted in a one-off payment of €234.0 million in the period between December 1, 2009 and September 30, 2011.

In the Trading division, the item includes €101.4 million (previous year: €- million) sales revenue from previous years' refunds.

(2) Other operating income

Other operating income of €124.6 million (previous year: €201.8 million) includes foreign exchange gains.
In the reporting year, the balance of foreign exchange gains and losses including foreign currency derivatives amounts to €9.7 million (previous year: €129.6 million).
Respective gross income amounts to €1,543.4 million (previous year: €2,600.4 million). The related gross expenses amount to €1,533.7 million (previous year: €2,470.8 million).
In addition, other operating income includes income from various services in the amount of €11.6 million (previous year: €10.8 million) and income from personnel costs charged on in the amount of €14.2 million (previous year: €10.1 million). Furthermore, income from the reversal of provisions is included in this item in the amount of €15.2 million (previous year: €12.1 million).

(3) Cost of materials

Cost of materials of €389.3 million (previous year: €156.6 million) in the Trading division was incurred as a result of negative trading margins of the commodities Gas (€143.4 million; previous year: €0.0 million), coal (€245.9 million; previous year: €0.0 million) and oil (€0.0 million; previous year: €156.6 million).

Cost of materials of €10,585.4 million (previous year: €7,170.5 million) in the Supply division is the result of the cost price for gas procurements in the amount of €10,358.2 million (previous year: €6,943.3 million) and the cost of purchased services amounting to €177.4 million (previous year: €227.2 million). This item includes expenses from gas invoice corrections for previous years in the amount of €42.6 million (previous year: €35.6 million).

Cost of materials in the Sales & Origination division of €1,810.7 million (previous year: €2,133.1 million) is the result of the cost price for energy procurements in the amount of €1,668.1 million (previous year: €2,083.6 million) and the cost of purchased services amounting to €142.6 million (previous year: €49.5 million).

(4) Personnel expenses

On an annual average, RWEST employed salaried staff of 1,296 people (previous year: 1,165) including 181 senior executives (previous year: 163). The figures were converted into full-time equivalents.

Personnel expenses as recorded in the income statement are as follows:

in €m	2011	2010
Salaries	190.2	199.8
Social security, pension and other benefits	24.9	18.8
of which relating to pensions	*(11.1)*	*(6.6)*
	215.1	**218.6**

(5) Amortization, depreciation and write-downs

Goodwill was amortized by €24.9 million (previous year: €24.9 million) in the financial year. The amortization period corresponds to the average life of the trading business acquired from RWE Npower in 2004.
Furthermore, this item includes depreciation of tangible assets by €1.2 million (previous year: €0.9 million).

(6) Other operating expenses

The other operating expenses in the amount of €246.3 million (previous year: €245.1 million) mainly include: IT services of €87.4 million (previous year: €75.4 million), real-estate obligations of €17.7 million (previous year: €16.0 million), labor costs for temporary employees of €19.1 million (previous year: €13.4 million) and transfer of personnel of €7.3 million (previous year: €14.2 million).

The gross expenses resulting from the translation and realization of foreign currency transactions and the expenses from foreign currency derivatives (an aggregate of €1,533.7 million; previous year: €2,470.8 million) are offset with the related other operating income for recognition purposes.

(7) Income from other long-term securities and loans

Income from other long-term securities and loans reflects interest for a loan to an affiliated company in the amount of €0.0 million (previous year: €0.0 million).

(8) Other interest and similar income

Of the interest and similar income amounting to €103.3 million (previous year: €69.6 million), €65.6 million (previous year: €40.0 million) was accounted for by affiliated companies.

(9) Write-down of long-term financial assets and securities classified as current assets

Of the write-downs, €622.6 million (previous year €0.0 million) are attributable to the write-down of the investment in RWE Supply & Trading Switzerland S.A. and €81.0 million (previous year: €0.0 million) are attributable to the write-down of RWE Supply & Trading Participations Limited. Both companies were written down to their lower fair value.

(10) Expenses from losses assumed

The expenses relate completely to the assumption of losses from the RWE Trading Services GmbH.

(11) Interest and similar expenses

Of the interest and similar expenses amounting to €113.2 million (previous year: €77.6 million), €106.8 million (previous year: €67.7 million) were accounted for by affiliated companies. Included are the interest components from retirement benefit obligations in the amount of €0.9 million (previous year: €1.3 million) and the interest components from other provisions in the amount of €0.3 million (previous year: €0.3 million).

(12) Taxes on income

In the financial year, this item reflects the income tax allocation refunded by the controlling company for the German permanent establishment of RWEST in the amount of €36.8 million (previous year: €146.6 million income tax allocation owed). It also reflects the tax expense of the British permanent establishment amounting to €0.9 million (previous year: €26.9 million). Furthermore, deferred tax liabilities amounting to €11.8 million (previous year: €11.8 million) were reversed in the British permanent establishment.

(13) Income from losses assumed

RWE AG offsets the net loss for the year within the scope of a control and profit transfer agreement.

IV. Other disclosures

(1) List of investments

	Country	Head office	Shares Total	Equity in €m	Net income/-loss in €m
RWE Trading Services GmbH	D	Essen	100.00%	5.7	0.0 *4
RWE Trading New Business Ltd. i. L.	GB	London	100.00%	0.8	0.0
RWE Trading UK Ltd.	GB	London	100.00%	3.5	0.0
RWE Trading Americas Inc.	USA	New York City	100.00%	20.7	-3.7
RWE Rhein Oel Limited	GB	London	100.00%	0.0	-
RWE Trading Services Ltd.	GB	Swindon	100.00%	0.9	0.1
RWE Supply & Trading Participations Limited *3	GB	London	100.00%	383.2	26.4
Excelerate Energy LP *2	USA	The Woodlands	49.50%	211.8	-194.0
Excelerate Energy LLC *2	USA	The Woodlands	50.00%		
RWE Supply & Trading Switzerland S.A.	CH	Geneva	100.00%	42.3	-277.0
RWE Supply & Trading Asia-Pacific Pte. Ltd.	SGP	Singapore	100.00%	5.6	5.6
Caspian Energy Company Ltd.	GB	Swindon	50.00%	0.0	-
Nabucco Gas Pipeline International GmbH *1	AT	Vienna	16.67%	9.4	-30.5
Curen Ltd.	GB	Swindon	100.00%	0.0	-

*1 = Annual Financial Statements 2010

*2 = Under US law, the companies are not required to prepare single-entity financial statements. Excelerate Energy LP is required to prepare consolidated financial statements; the above-stated amounts relate to the consolidated financial statements 2010.

*3 = IFRS figures as of 12/31/2011 less proportionate consolidation of the Excelerate Group

*4 = Result was transferred to RWEST GmbH on the basis of a control and profit transfer agreement

(2) Remuneration of Management and the Advisory Board

Management was paid a total remuneration of €6,955 thousand in financial year 2011. This remuneration includes variable pay components of €3,803 thousand and 67,809 performance shares as part of a long-term incentive program (Beat tranche 2011) at a market value upon issue of €1,153 thousand. The total remuneration does not include the stock appreciation rights awarded in 2008 and paid in 2011 in the amount of €368 thousand. The Company chose not to disclose the remuneration of former managing directors in accordance with Section 286 (4) HGB. The direct pension commitments to former managing directors amount to €2,312.

A provision of €70 thousand was recognized for the proportionate payments to the **Supervisory Board** in relation to its office term. Employee loans of €11 thousand were granted to Supervisory Board members as of the balance sheet date.

(3) Auditor's fee in accordance with Section 285 No. 17 HGB

The auditor's fees were not disclosed. The legally required disclosures are reflected in the consolidated financial statements of RWE AG which include RWEST.

(4) Related party disclosures in accordance with Section 285 No. 21 HGB

There were no major related-party transactions carried out at other than arm's length conditions, which must be disclosed.

(5) Transactions in accordance with Section 6b (2) EnWG

In general, RWEST concludes trading agreements with affiliated companies only within the scope of its customary activity as an energy supplier and within the scope of procuring fuels and emission rights. One larger transaction outside the ordinary course of business with affiliated companies is the remuneration as part of the Commercial Asset Optimisation (CAO). Under the agreement signed between RWEST and RWE Power AG, CAO is responsible for managing the current positions of the group companies RWE Power AG, RWE Vertrieb AG (former RWE Energy AG) and RWEST for the purpose of optimizing contribution margins and risks. Within the scope of this CAO agreement, RWEST paid €407.3 million (previous year: €331.0 million) to RWE Power AG as a compensation in financial year 2011.

(6) Members of the Supervisory Board

Shareholder representatives

Dr. Leonhard Birnbaum (member of the Supervisory Board since December 23, 2010, Chairman since February 16, 2011)

Executive Board member of RWE AG

Volker Beckers

Chief Executive Officer, RWE Npower plc.

Paul Hagen

Executive Board member of HSBC Trinkaus & Burkhardt AG

Martin Herrmann

Chief Executive Officer, RWE Transgas a.s.

Dr. Johannes Lambertz

CEO of RWE Power AG

Peter Terium

Executive Board member of RWE AG (Executive Vice President)

Employee representatives

Christopher Savage (member of the Supervisory Board since January 19, 2011, Deputy Chairman since February 16, 2011)

Chairman of the general works council of RWEST

Markus Altegoer (since January 19, 2011)

Dipl.-Ingenieur (engineer), demand manager IT infrastructure and security

Nhu Hung Boc (since January 19, 2011)

Dipl.-Kaufmann (merchant), risk control

(7) Members of Management

Stefan Judisch

Chief Executive Officer

Chief Executive Officer

Chief Commercial Officer (Supply)

Dr. Bernhard Günther

Chief Financial Officer

Richard Bowes Lewis

Chief Commercial Officer (Sales & Origination)

Dr. Peter Kreuzberg

Chief Commercial Officer (Trading)

Alan Keith Robinson

Chief Commercial Officer (Commercial Asset Optimisation)

Essen, February 2, 2012

The Management

Stefan Judisch	Dr. Bernhard Günther
Dr. Peter Kreuzberg	Richard Bowes Lewis

Alan Keith Robinson