

Annual Financial Statements

of

RWE Service GmbH, Dortmund,

for the Fiscal Year

from January 1 to December 31, 2011

Balance Sheet

of RWE Service GmbH as of December 31, 2011

Assets

| in €m | Note | Dec. 31, 2011 | Prior year |
|------------------------------|------|----------------|--------------|
| Fixed assets | (1) | | |
| Intangible fixed assets | | 0.5 | 0.3 |
| Tangible fixed assets | | 449.7 | 450.8 |
| Long-term financial assets | | 179.9 | 176.7 |
| | | 630.1 | 627.8 |
| Current assets | | | |
| Inventories | (2) | 0.6 | 0.5 |
| Receivables and other assets | (3) | 431.1 | 342.5 |
| Cash and cash equivalents | (4) | 0.2 | 0.2 |
| | | 431.9 | 343.2 |
| Prepaid expenses | (5) | 0.6 | 0.9 |
| | | 1,062.6 | 971.9 |

Equity and liabilities

| in €m | Note | Dec. 31, 2011 | Prior year |
|-------------------------|------|----------------|--------------|
| Equity | (6) | | |
| Subscribed capital | | 140.0 | 140.0 |
| Capital reserves | | 107.9 | 107.9 |
| Other revenue reserves | | 0.6 | 0.6 |
| | | 248.5 | 248.5 |
| Special reserves | (7) | 111.5 | 115.7 |
| Provisions | (8) | 225.7 | 179.9 |
| Liabilities | (9) | 449.1 | 413.7 |
| Deferred income | (10) | 27.8 | 14.1 |
| | | 1,062.6 | 971.9 |

Income Statement

of RWE Service GmbH from January 1 to December 31, 2011

| in €m | Note | 2011 | Prior year |
|--|------|--------------|--------------|
| Sales | (13) | 2,865.3 | 2,302.80 |
| Other own work capitalized | | 0.3 | 0.3 |
| Other operating income | (14) | 20.8 | 29.4 |
| Cost of materials | (15) | -2,633.0 | -2,097.6 |
| Personnel expenses | (16) | -203.0 | -126.6 |
| Depreciation, amortization and write-downs | (17) | -29.5 | -32.4 |
| Other operating expenses | (18) | -83.9 | -96.7 |
| Result from long-term financial assets | (19) | -6.2 | 0.4 |
| Net interest income/expense | (20) | -8.1 | -7.6 |
| Result from ordinary activities | | -77.3 | -28.0 |
| Extraordinary expenses | (21) | 0 | -3.2 |
| Extraordinary result | | 0 | -3.2 |
| Taxes on income | (22) | -4.4 | 0.9 |
| Profit transfers | (23) | 81.7 | 30.3 |
| Net income for the year | | - | - |

Statement of Changes in Fixed Assets

of RWE Service GmbH from January 1 to December 31, 2011

| in €m | Cost | | | | | As of Dec. 31, 2011 |
|--|-----------------------|------------------------------------|-----------|-------------------|------------------------------------|------------------------|
| | As of Jan. 1, 2011 | Additions due to growth/mergers | Additions | Reclassifications | Disposals due to growth/mergers | |
| Intangible fixed assets | | | | | | |
| Concessions, industrial and similar rights and assets, and licenses in such rights and assets | 5.1 | | 0.3 | | -0.2 | 5.2 |
| | 5.1 | | 0.3 | | -0.2 | 5.2 |
| Tangible fixed assets | | | | | | |
| Land, land rights and buildings, including buildings on third-party land | 844.2 | 12.8 | 16.3 | 2.2 | -14.1 | 861.4 |
| Technical equipment and machinery | 34.2 | 0.7 | 5.5 | 0.5 | -0.4 | 40.5 |
| Other equipment, operating and office equipment | 93.0 | 0.2 | 4.7 | 0.1 | -3.8 | 94.2 |
| Prepayments and assets under construction | 2.9 | | 0.2 | -2.8 | * | 0.3 |
| | 974.3 | 13.7 | 26.7 | | -18.3 | 996.4 |
| Long-term financial assets | | | | | | |
| Shares in affiliated companies | 150.9 | | 8.8 | | -17.5 | 140.0 |
| Loans to affiliated companies of which to the shareholder | 111.5 | | | | | 111.5 |
| Other long-term equity investments | (40) | | | | | (40) |
| Other loans | 11.9 | | 2.5 | | -0.9 | 13.5 |
| | 274.3 | | 9.3 | | -17.5 | 255.0 |
| | 1,253.7 | 13.7 | 36.3 | | -17.5 | 1,285.5 |

* = insignificant amount

Statement of Changes in Fixed Assets

of RWE Service GmbH from January 1 to December 31, 2011

| In €m | Cumulative depreciation, amortization and write-downs | | | | | | Carrying amounts | | |
|--|---|----------------------------------|--|-------------------|-----------------------------|----------------------------------|------------------|------------------------|------------------------|
| | As of Jan. 1, 2011 | Additions from growth/mergers | Depreciation, amortization and write- downs | Reclassifications | Reversals of write-downs | Disposals from growth/mergers | Disposals | As of Dec. 31, 2011 | As of Dec. 31, 2010 |
| Intangible fixed assets | | | | | | | | | |
| Concessions, industrial and similar rights and assets, and licenses in such rights and assets | 4.8 | | 0.1 | | | | 0.2 | 4.7 | 0.3 |
| | 4.8 | | 0.1 | | | | 0.2 | 4.7 | 0.3 |
| Tangible fixed assets | | | | | | | | | |
| Land, land rights and buildings, including buildings on third-party land | 413.4 | 6.4 | 23.1 | | 0.7 | | 8.7 | 427.9 | 430.8 |
| Technical equipment and machinery | 32.4 | 0.4 | 0.5 | | | | 0.5 | 32.8 | 1.8 |
| Other equipment, operating and office equipment | 77.7 | 0.1 | 5.8 | | | | 3.2 | 80.4 | 15.3 |
| Prepayments and assets under construction | | | | | | | | | 2.9 |
| | 523.5 | 6.9 | 29.4 | | 0.7 | | 12.4 | 546.7 | 460.8 |
| Long-term financial assets | | | | | | | | | |
| Shares in affiliated companies | 18.7 | | 6.5 | | | 17.5 | | 7.7 | 132.2 |
| Loans to affiliated companies of which to the shareholder | 78.9 | | | | 1.5 | | | 77.4 | 32.8 |
| Other long-term equity investments | (7.4) | | | | (1.5) | | | | (32.6) |
| Other loans | 97.6 | | 6.5 | | 1.6 | 17.5 | | 86.1 | 176.7 |
| | 625.9 | 6.9 | 36.0 | | 2.2 | 17.5 | 12.6 | 638.5 | 627.8 |

* - Insignificant amount

Notes

to the Annual Financial Statements of RWE Service GmbH
for the Fiscal Year from January 1 to December 31, 2011

Basis of presentation

RWE Service GmbH, domiciled in Dortmund, Germany and registered in the commercial register of the Local Court of Dortmund under number HR B 21573, renders – primarily on an intragroup basis – all types of services related to the areas of purchasing, human resources, accounting, communications, fleet management, property management, and other areas that support the operating business of the RWE Group. Sole shareholder of RWE Service GmbH is RWE AG, Essen, Germany. RWE Service GmbH and RWE AG have signed a control and profit transfer agreement. RWE Service GmbH has additionally contracted with the central cash management system of the RWE Group, which involves, among other things, cash pooling on the basis of standard bank transfer procedures.

These financial statements relate to the fiscal year from January 1 to December 31, 2011. They adhere to the accounting provisions of the German Commercial Code (*HGB*), including the supplementary provisions for (large) corporations, and contain the additional information required by the German Energy Act (*Energiewirtschaftsgesetz – EnWG*) for energy supply companies. The presentation of the financial statements is the same as in the previous year. To improve the clarity of presentation, some items have been combined in the balance sheet and in the income statement; the combined items have been disclosed separately in the notes to the financial statements.

The income statement has been prepared using the total cost (nature of expense) format.

On February 17, 2011, the shareholder of RWE Service GmbH resolved pursuant to Section 264 (3) of the HGB to dispense with the preparation and disclosure of a management report for fiscal year 2011. The resolution was published in the electronic Federal Gazette (*Bundesanzeiger*) on March 29, 2011 in accordance with Section 325 of the HGB.

Effective January 1, 2011, Group services that were previously pooled at RWE AG were transferred to RWE Service GmbH as part of a project entitled "New RWE Group Structure." RWE Service GmbH thus assumed responsibility for additional services in the areas of legal affairs, Group insurance, Group communications, human resources, Group auditing, and security services. In this connection, 119 employees switched from RWE AG to RWE Service GmbH by way of a transfer of undertaking pursuant to Section 613a (1) of the German Civil Code (*BGB*). To secure the company retirement benefit obligations that were transferred along with these employment contracts, RWE AG had transferred assets to RWE Treuhand e. V. in previous years. The trust assets attributable to the transferred employees were made over to RWE Service GmbH effective January 1, 2011.

In addition, RWE Systems Development Geschäftsführung GmbH, Dortmund, left as general partner of RWE Systems Development GmbH & Co. KG effective January 1, 2011 for the purpose of corporate structure consolidation. All assets and liabilities of RWE Systems Development GmbH & Co. KG were therefore transferred to RWE Service GmbH by way of accrual pursuant to Section 738 (1) Sentence 1 of the German Civil Code. RWE Systems Development Geschäftsführung GmbH subsequently transferred its assets in their entirety, including all rights and obligations, to RWE Service GmbH by way of a merger agreement dated July 27, 2011 pursuant to Sections 2 (1) and 4 et seq. of the German Reorganization and Transformation Act (*Umwandlungsgesetz – UmwG*).

Furthermore, RWE Service GmbH transferred services in the areas of company canteen and catering services and event gastronomy to RWE Gastronomie GmbH effective October 1, 2011. Therefore, 138 employment contracts in those areas were transferred as of such date to RWE Gastronomie GmbH by way of a transfer of undertaking pursuant to Section 613a (1) Sentence 1 of the German Civil Code.

RWE Service GmbH is included pursuant to the consolidation requirements in the consolidated financial statements of RWE AG, Essen, which are prepared in accordance with International Financial Reporting Standards (IFRS), and is therefore likewise exempt from preparing consolidated financial statements or a Group management report. The consolidated financial statements and Group management report of RWE AG may be obtained from the

Group Center, Opernplatz 1, 45128 Essen. In addition, detailed financial information on the RWE Group is available in the internet at www.rwe.com.

Accounting policies

The accounting policies applied are consistent with those applied in the prior year.

Purchased **intangible fixed assets** are recognized at cost and amortized straight line over their expected useful lives, usually three years. Internally generated intangible fixed assets are not capitalized.

Tangible fixed assets are measured at cost less depreciation for wear and tear in the case of tangible fixed assets subject to wear and tear. Depreciation is essentially based on the useful lives recognized for tax purposes, which amount to three to 20 years for operating and office equipment and 10 to 50 years for real estate assets.

Items purchased or produced prior to January 1, 2008 are depreciated on a declining basis insofar as permissible under tax laws, with a switch being made to straight-line depreciation as soon as this would lead to higher depreciation amounts. All depreciation on movable tangible fixed assets that were purchased or produced after December 31, 2007 is undertaken on a straight-line basis. With respect to low-value assets purchased in fiscal years 2008 and 2009 at a cost of between €150.00 and €1,000.00, a collective item was recognized in the year of acquisition pursuant to the tax requirements of Section 6 (2a) of the German Income Tax Act (*EStG*). Starting with the fiscal year of recognition and continuing for the following four years, one-fifth of collective item is reversed each year with the effect of reducing profit. Assets costing less than €150.00 were recognized as business expenses in the year of acquisition. Low-value assets at a cost of between €150.00 and €410.00 and purchased after January 1, 2010 are written off in full in the year of acquisition and retired as per the German Growth Acceleration Act.

Write-downs are recognized to account for any decreases in value that exceed the depreciation based on expected useful life and that are expected to be permanent.

Shares in affiliated companies, long-term equity investments, and loans are recognized at cost or at nominal value, or in certain cases at the lower realizable value.

Inventories are recognized at cost or at the lower market value pursuant to the strict lower of cost or market principle.

Cash and cash equivalents are recognized at their nominal amounts.

Receivables and other assets are stated at their principal amounts, with all identifiable individual risks and the general credit risk accounted for by making the appropriate allowances.

The option to retain the **special tax allowable reserves** already recognized as of January 1, 2010 was utilized.

Pension provisions are measured on the basis of actuarial computations by applying the present value computed using the German entry age normal method and taking into account the 2005G mortality tables of Dr. Klaus Heubeck (projected unit credit method). Increases in salary and pensions expected for the future are taken into account when calculating the obligations. At present, an annual adjustment of 2.75% in salaries and 1.75% in pensions is assumed. The discount rate for pension obligations upon which the calculations for this fiscal year were based amounted to 5.13%. This rate reflects the average market interest rate for the preceding seven fiscal years for an assumed term to maturity of 15 years as calculated and published by the German Bundesbank as of October 31, 2011.

Other provisions cover all identifiable risks and contingent liabilities. They are recognized at the settlement amount necessary to cover future payment obligations as dictated by prudent business judgment. Future increases in prices and costs are taken into account insofar as there are sufficient objective indications that such increases will occur. Provisions having more than one year to maturity are discounted at the average market rates for the preceding seven years corresponding to their residual term, with the option provided for under Art. 67 (1) S. 2 of the Introductory Act to the German Commercial Code (*EGHGB*) having been availed of, except in the case of mining-related provisions. Warranty provisions were recognized in the amount of 1% of the sales subject to warranties on the basis of past experience. Provisions for expected losses from pending transactions are calculated on a full-cost basis.

Liabilities are recognized at the amount repayable. Early retirement benefit obligations are measured on the basis of biometric risk based on the 2005G mortality tables of Dr. Klaus Heubäck. They are discounted at the average market rate for the last seven years as published by the German Bundesbank in October 2011, which is the market rate for the assumed residual time to maturity of two years. Moreover, an annual salary increase of 1% is assumed.

Due to the status of RWE Service GmbH as a consolidated tax group for the purpose of corporate taxes and municipal trade taxes, all income and trade earnings of RWE Service GmbH is attributable to RWE AG as the controlling entity. As a result, all **deferred taxes** are recognized and measured in the annual financial statements of RWE AG.

Currency translation

Foreign currency transactions are recognized at the exchange rate prevailing on the date of initial posting. Foreign currency receivables and liabilities existing on the reporting date are translated at the middle spot rate. All losses arising from exchange rate changes as of the balance sheet date are recognized in income. Gains are only recognized if they relate to receivables or liabilities due in one year or less.

Balance sheet disclosures

(1) Fixed assets

The statement of changes in fixed assets shows the breakdown of the items of fixed assets summarized in the balance sheet and their changes over the reporting year.

Capital expenditure for intangible and tangible fixed assets is as follows:

| in €m | 2011 | Prior year |
|--|------|------------|
| Software | 0.3 | • |
| Land, land rights and buildings, including buildings on third-party land | 16.3 | 12.6 |
| Technical equipment and machinery | 5.5 | 0.2 |
| Other operating and office equipment | 4.7 | 7.4 |
| Assets under construction | 6.3 | 2.5 |

Capital expenditure relates primarily to the production costs incurred in fiscal year 2011 for a building, including the technical equipment for a new IT center, (€14.4 million) and a day care center (€3.5 million) as well as the purchase cost for a formerly leased property in Bochum (€3.2 million).

Disposals of tangible fixed assets resulted predominantly from the sale of property not vital for operations.

Additions to shares in affiliated companies include a payment to the capital reserves made by Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund, in the amount of €6.5 million. The additions also include the purchase and the payment to the capital reserves of RWE Gastronomie GmbH, Essen.

Additions to other loans refer mainly to tenant loans granted on the basis of lease agreements. Disposals of other loans resulted from the repayment of construction loans to employees.

The write-ups on loans to affiliated companies resulted from the unwinding of the discount on a low-interest loan originally granted to the former RWE Systems Applications GmbH by way

of an agreement dated July 27, 2007. Effective November 9, 2007, RWE AG assumed by way of a debt assumption agreement all rights and obligations arising from the loan agreement of RWE Systems Applications GmbH in return for payment of the current market price. As of the reporting date, the loan had a market value of €34.1 million (previous year: €32.6 million).

A breakdown of the shareholdings as of December 31, 2011 within the meaning of Section 285 (11) of the HGB can be found on page 27.

(2) Inventories

Inventories include a piece of property held for sale and unfinished contract work. No hidden reserves are contained in either the property or the unfinished services.

(3) Receivables and other assets

| in €m | Dec. 31, 2011 | of which maturing in > 1 year | Prior year | of which maturing in > 1 year |
|---------------------------------------|---------------|-------------------------------------|------------|-------------------------------------|
| Trade receivables | 6.9 | | 3.0 | |
| Receivables from affiliated companies | 319.4 | | 302.1 | |
| of which to the shareholder | (135.5) | | (110.1) | |
| Other assets | 104.8 | 0.2 | 37.4 | 0.1 |
| | 431.1 | 0.2 | 342.5 | 0.1 |

Of the receivables from affiliated companies, €319.4 million (previous year: €302.1 million) are trade receivables.

Other assets include, in particular

- prepayments of €100.1 million (previous year: €34.8 million);
- tax refund claims of €3.1 million (previous year: €0.1 million);
- receivables from employees of €0.9 million (previous year: €0.7 million); and
- accounts payable with a debit balance of €0.6 million (previous year: €1.2 million).

(4) Cash and cash equivalents

Cash and cash equivalents consist of postage stamps, cash on hand, and bank balances.

(5) Prepaid expenses

Prepaid expenses include, in particular, payments made in advance for construction overheads and licensing fees.

(6) Shareholders' equity

The shareholders' equity has not changed from the previous year. The subscribed capital of €140.0 million is fully paid-in and is held in full by RWE AG.

(7) Special reserve

The special reserve contains an investment grant for early childhood education in addition to the special tax allowable reserves recognized and transferred in previous years in accordance with Section 6b of the German Income Tax Act and tax write-downs in accordance with Section 7d of the Income Tax Act and Section 82d of the Income Tax Implementation Act.

(8) Provisions

| in €m | Dec. 31, 2011 | Prior year |
|---|---------------|--------------|
| Provisions for pensions and similar obligations | 74.0 | 63.5 |
| Tax provisions | 6.0 | 6.6 |
| Mining-related provisions | 7.2 | 8.4 |
| Other provisions | 138.5 | 101.4 |
| | <u>225.7</u> | <u>179.9</u> |

A portion of the retirement benefit obligations are offset by trust assets or congruent pension liability insurance. The plan assets were measured pursuant to Section 255 (4) of the HGB at

fair value, which corresponds to the market price as of December 31, 2011. This led to a loss of €0.1 million. Due to the prohibition of offsetting set forth in Section 246 (2) Sentence 2 of the HGB, the provisions for pensions and similar obligations were set off against the plan assets from the contractual trust arrangement (CTA) as well as the plan assets from the pension liability insurance policies.

| In €m | Historical cost | Fair value | Settlement amount |
|---|-----------------|------------|-------------------|
| Offset assets | | | |
| Long-term securities | | 4.8 | 4.7 |
| Other assets | | 4.1 | 4.1 |
| Offset liabilities | | | |
| Provisions for pensions and similar obligations | | | 10. |
| Excess liabilities | | | 1 |

The income from plan assets in the amount of €0.3 million was offset against expenses from fair value measurement in the amount of €0.1 million and the interest allocated to the pension obligations in the amount of €0.8 million pursuant to Section 246 (2) Sentence 2 of the HGB. The resulting amount of €0.6 million is included in net finance costs under "interest and similar expenses."

Tax provisions relate primarily to expected payments of municipal trade tax for prior years arising from the former RWE Systems Immobilien GmbH u. Co. KG as well as property purchase taxes still to be paid.

Other provisions are recognized mainly for

- partial retirement obligations of €35.4 million (previous year: €31.3 million);
- human resource obligations of €25.9 million (previous year: €23.7 million);
- environmental protection obligations of €27.7 million (previous year: €17.8 million);
- damage claim obligations of €13.4 million (previous year: €0 million);
- expected losses from pending transactions and obligations arising from contracts that have already been remunerated but must still be fulfilled of €8.7 million (previous year: €8.5 million);
- obligations arising from shutting down former mining operations and from mining damages of €7.2 million (previous year: €8.3 million);

- restructuring obligations, primarily for socially responsible staff cutbacks, of €5.9 million (previous year: €1.4 million);
- subsidiary responsibility obligations for post-retirement benefits rendered via the *Pensionkasse der Deutschen Wirtschaft* of €2.9 million (previous year: €2.7 million);
- warranty provisions of €2.8 million (previous year: €2.6 million); and
- obligations arising from archiving business records pursuant to Section 147 of the German Tax Code (AO) of €2.6 million (previous year: €2.6 million).

The excess cover resulting from exercise of the option provided for by Article 67 (1) Sentence 2 of the EGHGB to retain provisions amounted to €0.4 million on the reporting date.

(9) Liabilities

| in €m | Dec. 31, 2011 | of which maturing in ≤ 1 year | of which maturing in > 5 years | Prior year | of which maturing in ≤ 1 year | of which maturing in > 5 years |
|--|---------------|-------------------------------------|--------------------------------------|------------|-------------------------------------|--------------------------------------|
| Trade payables | 269.1 | 266.6 | 1.3 | 213.3 | 212.6 | 0.3 |
| Liabilities to affiliated companies | 147.4 | 147.4 | | 150.5 | 150.5 | |
| of which to the shareholder | (33.6) | (33.6) | | (41.2) | (41.2) | |
| Other liabilities | 32.6 | 15.9 | 1.7 | 49.9 | 28.6 | 2.8 |
| of which taxes | (4.0) | (4.0) | | (14.0) | (14.0) | |
| of which social security payables | (23.0) | (6.6) | (1.5) | (29.5) | (9.2) | (2.4) |
| | 449.1 | 429.90 | 3.0 | 413.7 | 391.7 | 3.1 |

Of the liabilities to affiliated companies, €5.5 million (previous year: €21.2 million) relate to trade payables.

All liabilities from the supply of goods are secured on the supplier side by the customary retentions of title.

(10) Deferred income

Deferred income refers primarily to remuneration for renting and leasing collected in advance.

(11) Contingent liabilities

A warranty provision was set up in the amount of €270.6 million (previous year: €328.8 million) for the pension obligations recognized in the balance sheet of RWE AG.

Due to the transfer of certain retirement benefit obligations in the fiscal year and in earlier years to RWE Pensionsfonds AG, the Company will, as an employer, be required by law to pay additional funds in the event of a future deficit in plan assets.

Under the centralized cash clearance system at RWE AG, RWE Service GmbH is jointly liable for the borrowings caused by it.

In connection with the spin-off of RWE Consulting GmbH in fiscal year 2008 and the spin-offs of RWE Systems Applications GmbH and RWE Systems Computing GmbH in fiscal year 2009, the Company was as of the reporting date jointly and severally liable pursuant to Section 133 of the German Reorganization and Transformation Act (*UmwG*) for the liabilities of the transferring company established prior to the effective dates of the spin-offs.

Guarantee obligations amounted to €0.1 million (previous year: €0.1 million).

(12) Other financial liabilities not evident on the face of the balance sheet

Open purchase orders from capital spending commitments amounted to €1.4 million (previous year: €13.8 million).

RWE Service GmbH has other financial liabilities from rental and lease agreements with respect to which RWE Service GmbH does not have beneficial ownership of the rental or lease

property, for which reason RWE Service GmbH has not capitalized those assets. Such agreements relate primarily to real estate and motor vehicles. The nominal amount of liabilities from motor vehicle and other lease agreements amounted to €11.6 million (previous year: €15.0 million). Liabilities from multi-year property rentals amounted to €159.2 million (previous year: €154.2 million), €7.1 million of which is attributable to affiliated companies (previous year: €5.6 million), with €0.3 million of that figure attributable to the shareholder (previous year: €0.4 million).

The following overview shows the maturities of the rental and lease agreements:

| in €m | |
|------------------|------|
| in 2012 | 29.7 |
| in 2013 | 28.1 |
| in 2014 | 25.3 |
| in 2015 | 22.9 |
| in 2016 | 19.6 |
| Starting in 2017 | 45.2 |

Income statement disclosures

(13) Sales

| in €m | 2011 | Prior year |
|---|----------------|----------------|
| Sales revenue from remuneration for division services | | |
| Real estate | 163.7 | 161.5 |
| Infrastructure services | 57.4 | 59.0 |
| Group purchasing | 55.1 | 55.3 |
| Media, event and mobility services | 51.9 | 51.2 |
| Personnel services | 49.5 | 41.8 |
| Group settlement logistics | 14.4 | 13.7 |
| Group audit | 7.0 | |
| Development center | 5.5 | |
| HR corporate processes | 5.3 | |
| Security services | 4.9 | 4.8 |
| Group insurance | 3.4 | |
| | 418.1 | 387.3 |
| Other sales | 29.4 | 28.6 |
| Sales revenue from charging on goods and services procured for third parties | 2,417.8 | 1,886.9 |
| | 2,865.3 | 2,302.8 |

The Group purchasing division was restructured at the beginning of the year, for which reason the prior-year figures were adjusted accordingly. The rise in sales was due to the acquisition of new business areas as well as higher purchasing volumes. Nearly all of the sales revenues were generated domestically.

(14) Other operating income

Other operating income relates primarily to

- the reversal of special tax allowable reserves in the amount of €5.6 million (previous year: €6.6 million);
- the reversal and utilization of provisions in the amount of €5.4 million (previous year: €13.5 million);
- the disposal of tangible fixed assets in the amount of €4.6 million (previous year: €2.8 million);

- cost refunds of €1.8 million (previous year: €2.7 million);
- write-ups of loans held as financial assets in the amount of €1.5 million (previous year: €1.4 million); and
- write-ups of tangible fixed assets in the amount of €0.7 million (previous year: €0 million).

(15) Cost of materials

| in €m | 2011 | Prior year |
|---|----------|------------|
| Cost of raw materials, consumables and supplies, and of purchased merchandise | -51.3 | -53.5 |
| Cost of purchased services | -163.9 | -157.2 |
| | -215.2 | -210.7 |
| Expenses for purchasing goods and services procured for third parties | -2,417.8 | -1,886.9 |
| | -2,633.0 | -2,097.6 |

Neither in the year under review nor the previous year did the cost of raw materials, consumables and supplies, and of purchased merchandise contain lower of cost or market write-downs.

(16) Personnel expenses

| in €m | 2011 | Prior year |
|---|---------|------------|
| Wages and salaries | -107.7 | -92.8 |
| Social security, pension and other benefits | -95.3 | -33.8 |
| of which relating to pensions | (-78.7) | (-18.6) |
| | -203.0 | -126.6 |

| Average full-time equivalents for the year | 2011 | Prior year |
|--|-------|------------|
| Wage-earning employees | 322 | 361 |
| Salaried employees | 1,205 | 1,034 |
| | 1,527 | 1,395 |
| Apprentices | 95 | 111 |
| | 1,622 | 1,506 |

RWE Service GmbH transferred certain retirement benefit obligations recognized by RWE AG in connection with a debt assumption agreement to RWE Pensionsfonds AG effective November 1, 2011. Company pension services for that group of beneficiaries will be performed in the future by a non-insurance-related pension fund. Retirement pension plan costs were affected in the fiscal year by the necessity to contribute proceeds of €28.0 million. In addition, an appropriation of €26.1 million (previous year: €1.9 million) was charged to RWE Service GmbH based on the conversion to BilMoG as well as a retirement benefit expense of €9.1 million due to adjustment of the assumed pension trend from 1.5% to 1.75% for the pension provisions recognized on the balance sheet of RWE AG.

RWE AG and RWE Service GmbH concluded a clarifying agreement dated December 20/22, 2011 regarding the liability and assumption on the part of RWE AG of responsibility for fulfilling the pension liabilities of RWE Service GmbH. Under the agreement, RWE Service GmbH must reimburse RWE AG for the annual pension expense arising from pension benefit obligations, provided the obligations were assumed by RWE AG internally. The current discounting of the pension provisions recognized on the balance sheet of RWE AG is no longer charged on (previous year: €22.2 million), nor is interest credited on provision amounts received but not yet utilized (previous year: €15.5 million).

(17) Depreciation, amortization and write-downs

Amortization, depreciation and write-downs relate to

- intangible fixed assets (€0.1 million; previous year: €0.1 million); and
- tangible fixed assets (€29.4 million; previous year: €32.3 million).

Depreciation, amortization and write-downs contain unscheduled write-downs to reflect permanent impairment of fixed assets in the amount of €0.1 million (previous year: €2.4 million).

(18) Other operating expenses

Other operating expenses mainly include expenses for

- services rendered by RWE IT GmbH in the amount of €23.3 million (previous year: €23.2 million);
- allocations to provisions for damage claim payments and damage claim payments already made in the fiscal year in the amount of €14.8 million (previous year: €0 million);
- goods and services differential from settling office and building management transactions in the amount of €12.9 million (previous year: €10.0 million);
- other taxes in the amount of €8.3 million (previous year: €7.4 million);
- allocations to the provisions for socially responsible staff cutbacks in the amount of €4.6 million (previous year: €0 million);
- allocations to the provisions for public law obligations in the real estate sector in the amount of €4.4 million (previous year: €1.3 million);
- travel expenses in the amount of €2.4 million (previous year: €1.9 million);
- fees due under public law in the amount of €1.5 million (previous year: €1.3 million);
- losses from disposals of tangible fixed assets in the amount of €1.4 million (previous year: €1.0 million);
- consulting services in the amount of €1.0 million (previous year: €2.4 million);
- allocations to the provisions for environmental cleanup €1.0 million (previous year: €16.2 million);
- insurance premiums of €0.9 million (previous year: €1.0 million); and
- supplemental contributions and income support allowances in the amount of €0.5 million (previous year: €19.3 million).

(19) Net income/loss from long-term financial assets

| in €m | 2011 | Prior year |
|---|-------------|------------|
| Income based on profit transfer agreements | | 0.1 |
| of which from affiliated companies | | |
| Income from other long-term equity investments | 0.1 | |
| of which from affiliated companies | (0.1) | |
| Cost of loss assumption | 0.1 | |
| of which from affiliated companies | (0.1) | |
| Write-downs of long-term financial assets | -6.5 | |
| of which from affiliated companies | (-6.5) | |
| Investment income | -6.5 | 0.1 |
| of which from affiliated companies | (-6.5) | |
| Income from other securities and loans held as financial assets | 0.3 | 0.3 |
| of which from affiliated companies | (0.2) | (0.2) |
| | -6.2 | 0.4 |

• = insignificant amount

Income from securities includes income from dividends in the amount of €0.2 million, which was offset against expenses from the fair value measurement of the securities in the amount of €0.1 million.

(20) Net interest income/expense

| in €m | 2011 | Prior year |
|--|-------------|-------------|
| Other interest and similar income | 1.9 | 1.0 |
| of which from affiliated companies | (1.6) | (1.0) |
| Interest and similar expenses | -10.0 | -8.6 |
| of which relating to affiliated companies | (-1.7) | (-1.2) |
| of which from discounting provisions and liabilities | (-8.3) | (-7.3) |
| | -8.1 | -7.6 |

(22) Taxes on income

Due to the Company's inclusion in the consolidated tax group of RWE AG, all income taxes except for those owed by the Company itself were reimbursed by RWE AG.

(23) Profit transfer

The net income/loss was compensated by RWE AG subject to the existing profit transfer agreement. There were no amounts blocked from distribution within the meaning of Section 268 (8) of the HGB.

Additional disclosures pursuant to the German Energy Act (*Ener-* *giewirtschaftsgesetz – EnWG*)

RWE Service GmbH has concluded electricity supply agreements with affiliated companies, third-party companies, and employees from the Corporate Services division, which makes the Company an energy supply company within the meaning of Section 3 (18) of the German Energy Act. The sales revenues of €2,865.3 million (previous year: €2,302.8 million) include revenues from energy supply services in the amount of €35.9 million (previous year: €36.4 million). Electricity was purchased primarily from affiliated companies; these transactions are included in the cost of materials in the amount of €29.8 million (previous year: €31.4 million).

Nonetheless, the corporate purpose of RWE Service GmbH primarily involves services in the area of group purchasing, real estate, facility management, and human resources for the companies of the RWE Group. To such extent, nearly all of the transactions carried out by RWE Service GmbH with affiliated or associated companies of RWE AG within the meaning of the Energy Act involve transactions that are not considered to be energy supply services in the usual sense.

Other disclosures

The **Management** of the company is made up of

- **Georg Petrich**, Essen and
- **Dr. Ulrich Piepel**, Düsseldorf.

The **Supervisory Board** is composed as follows:

- **Alwin Fitting**, member of the Executive Board of RWE AG, Essen (Chairman);
- **Wilhelm-Peter Plocieniczak**, Chairman of the Works Council of RWE Service GmbH, Essen region, Essen (Deputy Chairman);
- **Carl-Ernst Giesting**, Chairman of the Management Board of envia Mitteldeutsche Energie AG, Chemnitz;
- **Michael Korinth**, Chairman of the Works Council of RWE Service GmbH, Dortmund region, Dortmund;
- **Fred Riedel**, Head of Accounting at RWE AG, Essen; and
- **Antonius Voss**, Member of the Executive Board of RWE Power AG, Essen.

Remuneration of active members of management was not disclosed in accordance with Section 286 (4) of the HGB. As in the previous year, no remuneration was paid to the members of the Supervisory Board for their work in the year under review. As of the reporting date, a share loan totaling €256.92 (previous year: €1,134.93) had been extended to members of the Supervisory Board; the loan is not subject to interest.

Former members of the Executive Board of the former RWE Systems AG received remuneration in the amount of €133,145.04 (previous year: €47,916.04). All pension obligations to former Executive Board members were made over to RWE Pensionsfonds AG upon the transfer of retirement benefit obligations that took effect on November 1, 2011.

The disclosures on the auditor's fee in accordance with Section 285 (17) of the HGB are contained in the consolidated financial statements of RWE AG.

No non-arm's length transactions were carried out with related parties.

Dortmund, February 1, 2012

The Management

Petrich

Dr. Piepel

Shareholdings as of December 31, 2011

| | Investment pursuant to Sec. 16 AktG | | Equity | Net in- come/loss |
|---|--|-------------------------|---------|----------------------|
| | total % | of which direct % | € '000 | € '000 |
| (1) Affiliated companies | | | | |
| Domestic | | | | |
| Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen | 100.00 | | 5,113 | |
| Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund | 100.00 | | -70,148 | -5,227 |
| GKM Gesellschaft für Kommunikationstechnik und Medienarbeit mbH, Essen | 100.00 | | 60 | * |
| GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund | 100.00 | | 75,507 | 18,169 |
| RWE Gastronomie GmbH, Essen | 100.00 | | 133 | -140 |
| (2) Other long-term equity investments | | | | |
| Domestic | | | | |
| ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf | 100.00 | | 488 | 433 |
| ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Leipzig KG, Düsseldorf | 100.00 | | -63 | 14 |

* = Profit transfer agreement