

# **Annual Financial Statements**

**of**

**RWE Service GmbH, Dortmund,**

**for the Financial Year**

**from January 1 to December 31, 2012**

# Balance Sheet

of RWE Service GmbH as of December 31, 2012

## Assets

| in €m                        | Notes | 12/31/2012     | Prior year     |
|------------------------------|-------|----------------|----------------|
| <b>Fixed assets</b>          | (1)   |                |                |
| Intangible fixed assets      |       | 0.5            | 0.5            |
| Tangible fixed assets        |       | 408.7          | 449.7          |
| Long-term financial assets   |       | 181.0          | 179.9          |
|                              |       | <b>590.2</b>   | <b>630.1</b>   |
| <b>Current assets</b>        |       |                |                |
| Inventories                  | (2)   | 0.6            | 0.6            |
| Receivables and other assets | (3)   | 501.6          | 431.1          |
| Cash and cash equivalents    | (4)   | 0.2            | 0.2            |
|                              |       | <b>502.4</b>   | <b>431.9</b>   |
| <b>Prepaid expenses</b>      | (5)   | 3.0            | 0.6            |
|                              |       | <b>1,095.6</b> | <b>1,062.6</b> |

## Shareholders' equity and liabilities

| in €m                       | Notes | 12/31/2012     | Prior year     |
|-----------------------------|-------|----------------|----------------|
| <b>Shareholders' equity</b> | (6)   |                |                |
| Subscribed capital          |       | 140.0          | 140.0          |
| Capital reserve             |       | 107.9          | 107.9          |
| Other revenue reserves      |       | 0.6            | 0.6            |
|                             |       | <b>248.5</b>   | <b>248.5</b>   |
| <b>Special reserves</b>     | (7)   | 105.2          | 111.5          |
| <b>Provisions</b>           | (8)   | 267.5          | 225.7          |
| <b>Liabilities</b>          | (9)   | 445.4          | 449.1          |
| <b>Deferred income</b>      | (10)  | 29.0           | 27.8           |
|                             |       | <b>1,095.6</b> | <b>1,062.6</b> |

# Income Statement

of RWE Service GmbH from January 1 to December 31, 2012

| in €m                                      | Notes | 2012         | Prior year   |
|--|-------|--------------|--------------|
| Sales                                      | (13)  | 2,680.9      | 2,865.3      |
| Other own work capitalized                 |       | 0.2          | 0.3          |
| Other operating income                     | (14)  | 26.3         | 20.8         |
| Cost of materials                          | (15)  | -2,453.0     | -2,633.0     |
| Personnel expenses                         | (16)  | -152.0       | -203.0       |
| Amortization, depreciation and write-downs | (17)  | -30.6        | -29.5        |
| Other operating expenses                   | (18)  | -112.2       | -83.9        |
| Result from long-term financial assets     | (19)  | -0.3         | -6.2         |
| Net interest income/expense                | (20)  | -7.3         | -8.1         |
| <b>Result from ordinary activities</b>     |       | <b>-47.4</b> | <b>-77.3</b> |
| Taxes on income                            | (21)  | 4.4          | -4.4         |
| Income from loss assumption                | (22)  | 43.0         | 81.7         |
| <b>Net income for the year</b>             |       | <b>-</b>     | <b>-</b>     |

**Statement of changes in fixed assets**  
of RWE Service GmbH from January 1 to December 31, 2012

| in €m  | Cost              |                                    |           |                   |                                    | As of<br>12/31/2012 |
|--|-------------------|------------------------------------|-----------|-------------------|------------------------------------|---------------------|
|  | As of<br>1/1/2012 | Additions due to<br>growth/mergers | Additions | Reclassifications | Disposals due<br>to growth/mergers |                     |
| <b>Intangible fixed assets</b>   |                   |                                    |           |                   |                                    |                     |
| Concessions, industrial and similar rights and assets, and licenses<br>in such rights and assets | 5.2               |                                    | 0.1       |                   |                                    | 5.3                 |
|  | 5.2               |                                    | 0.1       |                   |                                    | 5.3                 |
| <b>Tangible fixed assets</b>   |                   |                                    |           |                   |                                    |                     |
| Land, land rights and buildings, including buildings on third-party<br>land                      | 881.4             |                                    | 2.0       |                   |                                    | 885.7               |
| Technical equipment and machinery  | 40.5              |                                    | 0.1       |                   |                                    | 40.2                |
| Other equipment, operating and<br>office equipment   | 94.2              |                                    | 2.3       | 0.2               |                                    | 93.3                |
| Prepayments and<br>assets under construction   | 0.3               |                                    | 2.8       | -0.2              |                                    | 2.9                 |
|  | 996.4             |                                    | 7.2       |                   | -31.5                              | 972.1               |
| <b>Long-term financial assets</b>  |                   |                                    |           |                   |                                    |                     |
| Shares in affiliated companies   | 140.0             |                                    | 0.2       |                   | -0.1                               | 140.1               |
| Loans to affiliated companies<br>of which to the shareholder                                     | 111.5             |                                    |           |                   |                                    | 111.5               |
| Other long-term equity investments   | (40)              |                                    |           |                   |                                    | (40)                |
| Other loans  | 13.5              |                                    | 1.8       |                   |                                    | 13.0                |
|  | 265.0             |                                    | 2.0       |                   | -0.1                               | 264.6               |
|  | 1,266.8           |                                    | 9.3       |                   | -0.1                               | 1,242.0             |

• = insignificant amount

# Statement of Changes in Fixed Assets

## of RWE Service GmbH from January 1 to December 31, 2012

| In €m   | Cumulative depreciation, amortization and write-downs |   |  |                          |           | Carrying amounts |                  |
|---|---|---|--|--------------------------|-----------|------------------|------------------|
|   | As of 1/1/2012  | Additions from growth / mergers and write-downs | Depreciation, amortization and write-downs | Reversals of write-downs | Disposals | As of 12/31/2012 | As of 12/31/2011 |
| <b>Intangible fixed assets</b>  |   |   |  |                          |           |                  |                  |
| Concessions, industrial and similar rights and assets, and licenses in such rights and assets | 4.7   | 0.1   |  |                          |           | 4.8              | 0.6              |
|   | 4.7   | 0.1   |  |                          |           | 4.8              | 0.5              |
| <b>Tangible fixed assets</b>  |   |   |  |                          |           |                  |                  |
| Land, land rights and buildings, including buildings on third-party land                      | 433.5   | 23.2  |  |                          | -10.2     | 446.5            | 427.9            |
| Technical equipment and machinery   | 32.8  | 0.8   |  |                          | -0.2      | 33.4             | 6.8              |
| Other equipment, operating and office equipment   | 80.4  | 5.3   |  |                          | -3.4      | 82.3             | 11.0             |
| Prepayments and assets under construction   |   | 1.2   |  |                          |           | 1.2              | 1.7              |
|   | 546.7   | 30.5  |  |                          | -13.8     | 563.4            | 448.7            |
| <b>Long-term financial assets</b>   |   |   |  |                          |           |                  |                  |
| Shares in affiliated companies  | 7.7   |   |  |                          |           | 7.7              | 132.3            |
| Loans to affiliated companies of which to the shareholder                                     | 77.4  |   |  | -1.5                     |           | 75.9             | 34.1             |
|   | (5.0)   |   |  | (-1.5)                   |           | (4.4)            | (34.4)           |
| Other long-term equity investments  |   |   |  |                          |           |                  |                  |
| Other loans   | 85.1  |   |  | -1.5                     |           | 83.6             | 13.6             |
|   | 898.5   | 30.8  |  | -1.5                     | -13.8     | 913.8            | 630.1            |

\* = insignificant amount

## **Notes**

**to the Annual Financial Statements of RWE Service GmbH  
for the Financial Year from January 1 to December 31, 2012**

### **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 financial year from January 1 to December 31, 2012. They are in accordance with 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 nature of expense format.

The human resources divisions of RWE IT GmbH and RWE Service GmbH were combined under the roof of RWE Service GmbH as of September 1, 2012 to increase quality and efficiency in the Group. In this process, 19 employees were transferred on this date from RWE IT GmbH, Essen to RWE Service GmbH by way of a transfer of establishment (*Betriebsübergang*) in accordance with Section 613 a (1) German Civil Code (BGB).

Effective as of October 1, 2012 the purchasing department for nuclear plants was integrated in the Group purchasing department. In this context, 26 employees from three group companies - RWE Power AG, Essen, Kernkraftwerk Gundremmingen GmbH, Gundremmingen, the Kraftwerksbeteiligungs-OHG of RWE Power AG as well as the E.ON Kernkraft GmbH, Lingen, were transferred to RWE Service GmbH.

To further consolidate the company structure, GKM Gesellschaft für Kommunikationstechnik und Medienarbeit mbH, Essen, transferred its assets in their entirety, including all rights and obligations, to RWE Service GmbH by way of a merger agreement signed with effect of January 1, 2012 pursuant to Sections 2 (1) and 4 et seq. of the German Reorganization and Transformation Act (*Umwandlungsgesetz – UmwG*).

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.

## 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 taken over 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 financial 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 financial year of recognition and continuing for the following four years, one-fifth of the 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 the 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.

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

**Cash and cash equivalents** are recognized at their nominal amounts.

The **subscribed capital** is recognized at its nominal amount.

The **special reserve** mainly comprises the special tax allowable reserve in accordance with Section 6b German Income Tax Act (EStG). The reserves set up before January 1, 2010 were recognized as special tax allowable reserve applying the continuation option under Art. 67 (4) of the Introductory Act to the German Commercial Code (EGHGB). They are reversed in line with the depreciation periods applied.

**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 financial year were based amounted to 5.06 %. This rate reflects the average market interest rate for the preceding seven financial years for an assumed term to maturity of 15 years as calculated and published by the German Bundesbank as of October 31, 2012. Part of the provisions for pensions was set off against the plan assets as set out in Section 246 (2) sentence 2 HGB. The plan assets are measured at fair value.

**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. The provisions for partial retirement are measured on the basis of actuarial opinions using the mortality tables of Prof. Dr. Klaus Heubeck and taking into account annual salary increases of 2.75%. While the present value of the partial retirement provisions is computed using a discount rate of 4.12%, the other provisions with a residual term of more than one year 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 their settlement amount. Early retirement benefit obligations are measured on the basis of biometric risk based on the 2005G mortality tables of Dr. Klaus Heubeck. They are generally discounted at the last seven years' average market rate published by the German Bundesbank in October 2012, which is the market rate for the assumed residual time to maturity of two years (discount rate of 3.83%; previous year: 3.93%). 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 in due one year or less.

## Balance sheet disclosures

### (1) Fixed assets

The statement of changes in fixed assets, which precedes the notes, 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  | 2012 | Prior year |
|--|------|------------|
| Software   | 0.1  | 0.3        |
| Land, land rights and buildings, including buildings on third-party land | 2.0  | 16.3       |
| Technical equipment and machinery  | 0.1  | 5.5        |
| Other operating and office equipment                                     | 2.3  | 4.7        |
| Assets under construction  | 2.8  | 0.3        |
|  | 7.3  | 27.1       |

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

The addition to shares in affiliated companies comprises solely the payment of the proportionate share capital of RWE Service CZ s.r.o., Prague, established on June 4, 2012, in which RWE Service GmbH holds 51%.

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 these lessee loans and of the construction loans extended 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 €35.6 million (previous year: €34.1 million).

A breakdown of the shareholdings as of December 31, 2012 within the meaning of Section 285 (11) of the HGB can be found on page 25.

## (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                                 | 12/31/2012   | of which<br>maturing in > 1<br>year | Prior year | of which<br>maturing in > 1<br>year |
|---------------------------------------|--------------|-------------------------------------|------------|-------------------------------------|
| Trade receivables                     | 3.2          |                                     | 6.9        |                                     |
| Receivables from affiliated companies | 340.9        |                                     | 319.4      |                                     |
| of which from the shareholder         | (221.2)      |                                     | (135.5)    |                                     |
| Other assets                          | 157.5        | 0.2                                 | 104.8      | 0.2                                 |
|                                       | <b>501.6</b> | 0.2                                 | 431.1      | 0.2                                 |

Of the receivables from affiliated companies, €229.3 million (previous year: €319.4 million) are trade receivables.

Other assets include, in particular

- prepayments of €154.4 million (previous year: €100.1 million),
- accounts payable with a debit balance of €2.0 million (previous year: €0.6 million);
- receivables from employees of €0.7 million (previous year: €0.9 million) and
- tax refund claims of €0.1 million (previous year: €3.1 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, rental payments made in advance.

## (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 mainly contains an investment grant of €0.7 million for early childhood education (previous year: €0.8 million) 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 (*ESiG*) in the amount of €104.5 million (previous year: €110.7 million).

## (8) Provisions

| in €m   | 12/31/2012 | Prior year |
|---|------------|------------|
| Provisions for pensions and similar obligations | 81.0       | 74.0       |
| Tax provisions                                  | 10.8       | 6.0        |
| Mining-related provisions                       | 7.1        | 7.2        |
| Other provisions                                | 168.6      | 138.5      |
|   | 267.5      | 225.7      |

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, 2012. This led to a profit of €0.6 million. Due to the mandatory offsetting pursuant to 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                            | 5.3             | 5.7        |                   |
| Other assets                                    | 4.6             | 4.6        |                   |
| Offset liabilities                              |                 |            |                   |
| Provisions for pensions and similar obligations |                 |            | 13.5              |
| Excess liabilities                              |                 |            | 3.2               |

Income from plan assets in the amount of €0.3 million and income from fair value measurement of €0.6 million were offset against interest of €0.7 million transferred to the pension obligations pursuant to Section 246 (2) Sentence 2 HGB. The resulting balance of €0.2 million is included in income from other long-term securities.

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.

Other provisions are recognized mainly for

- restructuring obligations for socially responsible staff cutbacks, of €51.7 million (previous year: €4.6 million),
- partial retirement obligations of €36.3 million (previous year: €35.4 million),
- human resource obligations of €26.7 million (previous year: €25.9 million),
- obligations under environmental protection and cleanup measures of €26.0 million (previous year: €27.7 million),
- obligations arising from shutting down former mining operations and from mining damages of €7.1 million (previous year: €7.2 million) and
- expected losses from pending transactions and obligations of €6.6 million arising from contracts that have already been remunerated but must still be fulfilled (previous year: €8.7 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 €0.2 million on the reporting date.

## (9) Liabilities

| in €m                             | 12/31/2012 | of which<br>maturing in ≤ 1<br>year | of which<br>maturing in > 5<br>years | Prior year | of which<br>maturing in ≤ 1<br>year | of which<br>maturing in > 5<br>years |
|-----------------------------------|------------|-------------------------------------|--------------------------------------|------------|-------------------------------------|--------------------------------------|
| Trade payables                    | 257.4      | 254.5                               | 1.4                                  | 269.1      | 266.6                               | 1.3                                  |
| Payables to affiliated companies  | 148.9      | 148.9                               |                                      | 147.4      | 147.4                               |                                      |
| of which to the shareholder       |            |                                     |                                      | (33.6)     | (33.6)                              |                                      |
| Other liabilities                 | 39.1       | 28.1                                | 1.5                                  | 32.6       | 15.9                                | 1.7                                  |
| of which taxes                    | (15.9)     | (15.9)                              |                                      | (4.0)      | (4.0)                               |                                      |
| of which social security payables | (16.9)     | (6.5)                               | (1.3)                                | (23.0)     | (6.6)                               | (1.5)                                |
|                                   | 445.4      | 431.4                               | 2.9                                  | 449.1      | 429.90                              | 3.0                                  |

Of the payables to affiliated companies, €48.4 million (previous year: €5.5 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 rentals and leasing collected in advance.

## (11) Contingent liabilities

A warranty provision was set up in the amount of €300.5 million (previous year: €270.6 million) for the pension obligations recognized in the balance sheet of RWE AG.

Due to the transfer of certain retirement benefit obligations in the financial 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 financial year 2008 and the spin-offs of RWE Systems Applications GmbH and RWE Systems Computing GmbH in financial year 2009, the Company, as of the reporting date, was 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 €1.9 million (previous year: €1.4 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 recognized those assets in its balance sheet. Such agreements relate primarily to real estate and motor vehicles. The nominal amount of liabilities from motor vehicle and other lease agreements amounted to €17.1 million (previous year: €11.6 million). Liabilities from multi-year property rentals amounted to €142.0 million (previous year: €159.2 million), €6.0 million of which is attributable to affiliated companies (previous year: €7.1 million), with €0.1 million of that figure attributable to the shareholder (previous year: €0.3 million).

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

| in €m            |      |
|------------------|------|
| in 2013          | 32.1 |
| in 2014          | 28.1 |
| in 2015          | 24.8 |
| in 2016          | 21.8 |
| in 2017          | 17.7 |
| Starting in 2018 | 34.6 |

## Income statement disclosures

### (13) Sales

| in €m   | 2012           | Prior year     |
|---|----------------|----------------|
| <b>Sales revenue from remuneration for division services</b>                        |                |                |
| Real estate   | 158.7          | 163.7          |
| Group purchasing  | 53.2           | 55.1           |
| Media, event and mobility services  | 52.6           | 51.9           |
| Infrastructure services   | 39.0           | 57.4           |
| Development center  | 28.7           | 5.5            |
| Personnel services  | 28.2           | 49.5           |
| Group settlement logistics  | 16.0           | 14.4           |
| Group audit   | 8.1            | 7.0            |
| HR corporate processes  | 8.5            | 5.3            |
| Security services   | 5.2            | 4.9            |
| Group insurance   | 3.9            | 3.4            |
|   | <b>492.1</b>   | <b>418.1</b>   |
| <b>Other sales</b>  | <b>21.3</b>    | <b>29.4</b>    |
| <b>Sales revenue from charging on goods and services procured for third parties</b> | <b>2,257.5</b> | <b>2,417.8</b> |
|   | <b>2,680.9</b> | <b>2,865.3</b> |

The Development Center and Personnel Services divisions were restructured at the beginning of the year. The figures are thus not comparable to those of the previous year. Nearly all of the sales revenues were generated domestically.

### (14) Other operating income

Other operating income relates primarily to

- the reversal of provisions in the amount of €7.7 million (previous year: €4.2 million),
- the reversal of special tax allowable reserves in the amount of €6.3 million (previous year: €5.6 million),
- cost refunds of €4.1 million (previous year: €1.8 million),
- the disposal of tangible fixed assets in the amount of €2.4 million (previous year: €4.6 million),
- write-ups of loans held as financial assets in the amount of €1.6 million (previous year:

€1.5 million) and

- foreign exchange gains of €1.1 million (previous year: €0 million).

Other operating income includes prior-period income of €14.3 million (previous year: €10.0 million).

### (15) Cost of materials

| in €m   | 2012     | Prior year |
|---|----------|------------|
| Cost of raw materials, consumables and supplies, and of purchased merchandise | -44.7    | -51.3      |
| Cost of purchased services  | -150.8   | -163.9     |
|   | -195.5   | -215.2     |
| Expenses for purchasing goods and services procured for third parties         | -2,257.5 | -2,417.8   |
|   | -2,453.0 | -2,633.0   |

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                                       | 2012    | Prior year |
|---|---------|------------|
| Wages and salaries                          | -106.1  | -107.7     |
| Social security, pension and other benefits | -45.9   | -95.3      |
| of which relating to pensions               | (-30.3) | (-78.7)    |
|   | -152.0  | -203.0     |

| Average full-time equivalents for the year | 2012  | Prior year |
|--|-------|------------|
| Wage-earning employees                     | 221   | 322        |
| Salaried employees                         | 1,236 | 1,205      |
|  | 1,457 | 1,527      |
| Apprentices                                | 77    | 95         |
|  | 1,534 | 1,622      |

In the previous year, RWE Service GmbH transferred certain retirement benefit obligations recognized by RWE AG in connection with a debt assumption agreement to RWE Pensionsfonds AG. 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 thus affected in the previous year by the necessity to contribute proceeds of €28.0 million. In addition, an appropriation of €26.1 million was charged in the previous year to RWE Service GmbH based on the conversion to BilMoG as well as a retirement benefit expense of €9.1 million due to an adjustment of the assumed pension trend from 1.5% to 1.75% for the pension provisions recognized on the balance sheet of RWE AG.

#### **(17) Amortization, depreciation 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 (€30.5 million; previous year: €29.4 million).

Depreciation, amortization and write-downs contain write-downs to reflect a permanent impairment of tangible fixed assets in the amount of €1.9 million (previous year: €0.1 million).

#### **(18) Other operating expenses**

Other operating expenses mainly include expenses for

- appropriations to the provisions for socially responsible staff cutbacks in the amount of €47.2 million (previous year: €4.6 million),
- services rendered by RWE IT GmbH in the amount of €26.1 million (previous year: €23.3 million),
- goods and services differential from settling office and building management transactions in the amount of €11.9 million (previous year: €12.9 million),
- other taxes in the amount of €6.9 million (previous year: €8.3 million),
- appropriations to the provisions for interest payable of €4.8 million (previous year: €0.1 million),

- losses from disposals of tangible fixed assets in the amount of €3.2 million (previous year: €1.4 million),
- appropriations to the provisions for public law obligations in the real estate sector in the amount of €2.3 million (previous year: €4.4 million),
- travel expenses in the amount of €2.3 million (previous year: €2.4 million),
- services rendered by RWE Gastronomie GmbH in the amount of €1.8 million (previous year: €0.5 million),
- fees due under public law in the amount of €1.6 million (previous year: €1.5 million),
- consulting services in the amount of €1.1 million (previous year: €1.0 million),
- insurance premiums of €0.8 million (previous year: €0.9 million),
- appropriations to the provisions for environmental cleanup of €0.7 million (previous year: €1.0 million),
- currency translation losses of €0.3 million (previous year: €0.1 million) and
- appropriations to provisions for damage claim payments and damage claim payments already made in the financial year in the amount of €0.1 million (previous year: €14.8 million).

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

| in €m   | 2012          | Prior year    |
|---|---------------|---------------|
| Income from other long-term equity investments                  |               | 0.1           |
| of which from affiliated companies                              |               | (0.1)         |
| Cost of loss assumption   | -0.2          | -0.1          |
| of which from affiliated companies                              | (-0.2)        | (-0.1)        |
| Write-downs of long-term financial assets                       |               | -6.5          |
| of which from affiliated companies                              |               | (-6.5)        |
| <b>Investment income</b>  | <b>-0.2</b>   | <b>-6.5</b>   |
| of which from affiliated companies                              | <b>(-0.2)</b> | <b>(-6.5)</b> |
| Income from other securities and loans held as financial assets | 0.5           | 0.3           |
| of which from affiliated companies                              | (0.2)         | (0.2)         |
|   | <b>0.3</b>    | <b>-6.2</b>   |

- = insignificant amount

Pursuant to Section 246 (2) sentence 2 HGB, dividend income of €0.2 million and income from the fair value measurement of these securities of €0.6 million were offset against expenses of €0.6 million from interest transferred. The resulting balance of €0.2 million is recognized in income from other long-term securities.

## (20) Net interest income/expense

| in €m  | 2012        | Prior year  |
|--|-------------|-------------|
| Other interest and similar income                    | 2.5         | 1.9         |
| of which from affiliated companies                   | (2.1)       | (1.6)       |
| Interest and similar expenses                        | -9.8        | -10.0       |
| of which relating to affiliated companies            | (-1.7)      | (-1.7)      |
| of which from discounting provisions and liabilities | (-7.9)      | (-8.3)      |
|  | <b>-7.3</b> | <b>-8.1</b> |

## (21) 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.

## (22) Income from losses assumed

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 (Energiewirtschaftsgesetz – EnWG)**

RWE Service GmbH has concluded electricity supply agreements with affiliated companies, a third-party company, 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 €2,680.9 million (previous year: €2,865.3 million) include revenues from energy supply services in the amount of €30.1 million (previous year: €35.9 million). Electricity was purchased primarily from affiliated companies; these transactions are included in the cost of materials in the amount of €26.8 million (previous year: €29.8 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, managing director and
- **Dr. Ulrich Piepel**, Düsseldorf, managing director.

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

- **Alwin Fitting**, chief executive human resources 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**, Chief Executive Officer 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**, chief executive finance of RWE Power AG, Essen.

The 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 €377.10 (previous year: €256.92) had been extended to members of the Supervisory Board; the loan does not bear interest.

All pension obligations to former Executive Board members were transferred to RWE Pensionsfonds AG upon the transfer of retirement benefit obligations that took effect on November 1, 2011. As a result, no remuneration was paid in the reporting year to former members of the Executive Board of former RWE Systems AG (previous year: €133,145.04).

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, January 31, 2013

The Management

Petrich

Dr. Piepel

## Shareholdings as of December 31, 2012

|  | Investment pursuant to Sec. 16 AktG |                     | Equity   | Net income/loss |
|--|-------------------------------------|---------------------|----------|-----------------|
|  | Total %                             | of which indirect % | thous. € | thous. €        |
| <b>(1) Affiliated companies</b>  |                                     |                     |          |                 |
| <b>Domestic</b>  |                                     |                     |          |                 |
| Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen                            | 100.00                              |                     | 5,113    |                 |
| Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund                        | 100.00                              |                     | -70,980  | -832            |
| GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund                             | 100.00                              |                     | 75,271   | -236            |
| RWE Gastronomie GmbH, Essen  | 100.00                              |                     | 133      | *               |
| <b>Foreign</b>   |                                     |                     |          |                 |
| RWE Service CZ s.r.o.  | 51.00                               |                     | 481      | 83              |
| <b>(2) Other long-term equity investments</b>                                      |                                     |                     |          |                 |
| <b>Domestic</b>  |                                     |                     |          |                 |
| ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf | 100.00                              |                     | 488      | 433             |
| Salus Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Leipzig KG, Düsseldorf  | 100.00                              |                     | -49      | 14              |

\* = Profit transfer agreement

# **Management Report**

**of**

**RWE Service GmbH, Dortmund,**

**for the financial year from**

**January 1, 2012, to December 31, 2012**

## General information

RWE Service GmbH, domiciled in Dortmund, Germany, emerged out of RWE Systems AG, Dortmund, Germany, as a result of the change in legal form agreed in the resolution of October 24, 2008, to reorganize pursuant to the requirements of the *Umwandlungsgesetz* (UmwG – German Reorganization and Transformation Act). The change in legal form was recorded in the Dortmund commercial register under HR B 21573. RWE Service GmbH is classified as a large corporation within the meaning of Sections 267(3) and (4) of the *Handelsgesetzbuch* (HGB – German Commercial Code). RWE Service GmbH is part of the RWE Group and, as a multi-functional shared service center, brings together services that have synergy potential in the areas of purchasing, real estate management and human resources, as well as in other areas which support the operating business in the RWE Group, such as, e.g., Group audit or Group insurances. The Company operates in approximately 30 locations in Germany and the United Kingdom. RWE AG, Essen, Germany, with whom a control and profit and loss transfer agreement exists, is the sole shareholder of RWE Service GmbH. RWE Service GmbH is included in the consolidated financial statements prepared by RWE AG, Essen, Germany.

## Economic environment

According to first estimates, global economic output rose in 2012 to 2.3% above prior-year levels. In contrast, the eurozone gross domestic product, particularly due to the uncertainties arising from the sovereign debt crisis, looks to have decreased by approx. 0.5% in the past year. Economic output in Germany, the largest national economy in the currency area, is likely to have risen year-on-year by around 1%. Private consumption in particular exerted a stabilizing influence.

Although RWE Service GmbH opened a branch in the United Kingdom in financial year 2011, the main focus of its economic activities continues to be in Germany. The Company only has a few customers outside of the RWE Group. The intra-Group customers operate in the energy industry. RWE Service GmbH itself only supplies electricity to one key account, affiliated companies and private households. This business segment is therefore of minor importance. As a result, the performance of the economy, which has a significant effect on energy demand from industrial companies, or weather conditions which, to a great extent, determine

private household energy demand, only have an indirect effect on RWE Service GmbH's economic position.

## Results of operation and Company performance

### Results of operation

Profit/loss on ordinary activities for the reporting year amounted to €-47.4 million (previous year: €-77.3 million). This result was adversely affected by the setting up of restructuring provisions in the amount of €47.2 million in the year under review (previous year: €4.6 million). Without this special adjustment, profit/loss on ordinary activities would have been €-0.2 million. Sales excluding recharges of goods and services procured for third parties were €423.4 million in the financial year. For 2013, a reduction in sales in the Group purchasing function is expected due to the exit of Amprion GmbH and Thyssengas GmbH from the RWE Group and due to a further reduction in procurement volumes in the remainder of the Group. Purchasing service purchased by Amprion GmbH and Thyssengas GmbH amounted to €4.9 million in the financial year. In addition to the loss of these sales, rising real estate maintenance costs as well as an expected increase in tariffs will have an adverse effect on the result. To counteract these developments, restructuring measures to reduce staffing levels, especially in the Group purchasing, Group accounting logistics and office and facilities management functions, were agreed. In the 2012 annual financial statements, the restructuring provision referred to above includes €51.7 million for these personnel measures.

Personnel expenses in the current financial year reduced by €51.1 million year-on-year to €152.0 million, whereby the previous year had been affected by special effects from post-employment benefit expenses (conversion to BilMoG and subsequent allocation to pension funds). Current year reductions in employee numbers resulted in wages and salaries expenses declining by €1.6 million year-on-year to €106.1 million.

In the current financial year, net interest income/loss affected profit/loss on ordinary activities by €-9.7 million (previous year: €-10.1 million) and was thus at the prior-year level.

The loss after taxes in the amount of €43 million was offset by RWE AG due to the existing control and profit and loss transfer agreement

## Employees

The average number of employees of RWE Service GmbH in the year under review – measured as full-time equivalents – was 1,534 (previous year: 1,622). The average number of employees declined during the reporting period by 88 full-time equivalents, which was mainly attributable to a transfer of undertakings on October 1, 2011, whereby RWE Service GmbH transferred company canteen, hospitality and event catering services to RWE Gastronomie GmbH. Employee transfers in the “Nuclear Power Purchasing” function, with 24 full-time equivalents, and in personnel services, with 17.5 full-time equivalents, had the opposite effect.

In the short to medium term, employee numbers will continue to reduce; 273 employees have already signed a partial retirement contract and 135 employees have signed an *Abfindung in monatlichen Teilbeträgen* (AmT – severance pay by monthly installments) contract.

## Investing activities

The fixed assets of RWE Service GmbH comprise intangible assets, tangible assets and financial assets. While financial assets with €181.1 million were almost at the prior-year level, tangible assets recognized in the balance sheet reduced by €41.0 million to €408.7 million, mainly because additions of €7.3 million were lower than disposals of €17.8 million and depreciation, amortization and writedowns of the current financial year of €30.5 million. Capital expenditure primarily comprised a property in Essen, as well as subsequent building costs incurred during the financial year for a building, together with the technical equipment for a new data processing center. Disposals mainly included the sale of properties that were not required for operations. Land, land rights and buildings make up 95.2% of tangible assets. RWE Service GmbH invested €16.6 million in maintenance measures during the reporting year to protect the real estate portfolio and to maintain its value.

## Environmental risks and environmental protection measures

Since 2007, activities relating to the former hard coal mine for which the RWE Group is responsible have been brought together in RWE Service GmbH and its investees Alte Haase Bergwerks-Verwaltungsgesellschaft mbH and GfV Gesellschaft für Vermögensverwaltung mbH. RWE Service GmbH thus looks after the pits owned by these companies covering a total area of 138 square kilometers. In order to record all mining risks, a mining risk manage-

ment system was designed, in which all potential mining danger points are recorded, categorized and prioritized. To cover the risks attributable to RWE Service GmbH, RWE Service GmbH recognized provisions in the amount of €7.1 million as of the balance sheet date. In addition, RWE Service GmbH's contaminated sites are also recorded as part of risk management and their potential hazard is assessed. To cover these risks, the Company recognized provisions in the amount of €7.9 million.

### Significant events

At the start of financial year 2012, a control and profit and loss transfer agreement entered into in June 2011 between RWE Gastronomie GmbH – a 100% subsidiary of the Company – and RWE Service GmbH came into effect.

In the reporting year, the Company, together with RWE Transgas a.s., Prague, Czech Republic, formed RWE Service CZ s.r.o. in Prague, Czech Republic, with the aim of pooling shared services in the Czech Republic. RWE Service GmbH has a 51% holding in this company. RWE Service CZ s.r.o. commenced trading on August 1, 2012. As of the balance sheet date, the company employed 112 full-time equivalents. It ended financial year 2012 with net income for the year of €0.1 million.

Moreover, as of September 1, 2012, the personnel functions of RWE Service GmbH and RWE IT GmbH were brought together under one roof in RWE Service GmbH. This created the organizational preconditions to allow optimized shared services for the human resources function to be provided to RWE IT GmbH.

Furthermore, as of October 1, 2012, purchasing for nuclear facilities was integrated into Group purchasing in RWE Service. Another milestone in the pooling of the Group purchasing function was therefore reached.

There were no significant post balance sheet events.

### Net assets and financial position

The Company is contractually integrated into RWE Group's central cash management. Based on this contract, free liquidity is transferred to RWE AG and interest is charged at

standard bank rates. As of the balance sheet date, the clearing balance amounted to €111.6 million. The Company's liquidity is thus secured.

| <b>Net assets and capital structure</b>              | 2012           |              | 2011           |              |
|--|----------------|--------------|----------------|--------------|
|  | €m             | %            | €m             | %            |
| Fixed assets   | 590.2          | 53.9         | 630.1          | 59.3         |
| Current assets/prepaid expenses and deferred charges | 505.4          | 46.1         | 432.5          | 40.7         |
| <b>Assets</b>  | <b>1,095.6</b> | <b>100.0</b> | <b>1,062.6</b> | <b>100.0</b> |
| Shareholders' equity and pro rata special account    | 321.7          | 29.4         | 326.1          | 30.7         |
| Long-term liabilities and pro rata special account   | 277.2          | 25.3         | 238.4          | 22.4         |
| Medium and short-term liabilities                    | 496.7          | 45.3         | 498.1          | 46.9         |
| <b>Shareholders equity and liabilities</b>           | <b>1,095.6</b> | <b>100.0</b> | <b>1,062.6</b> | <b>100.0</b> |

69.59% of the special account with reserve characteristics of €105.2 million was allocated to shareholders' equity and 30.41% – which equates to the Group tax rate – to long-term liabilities.

The fixed asset to total asset ratio declined by 5.4% in the reporting year from 59.3% to 53.9% because capital expenditure was lower than disposals and depreciation, amortization and writedowns.

Shareholders' equity remained constant year-on-year due to the control and profit and loss transfer agreement; hence RWE Service GmbH's equity ratio was almost unchanged at 29.4% as of the balance sheet date (previous year: 30.7%).

## **Company strengths and weaknesses**

The achievement of business excellence is central to RWE Service's strategy. This basic target for all business activities depends on integrated company management. For this purpose, there is a management system within RWE Service GmbH, the objective of which is to facilitate continued development towards being a company of excellence. The quality management system is a key element to achieving this ultimate company objective. With its quality management system, RWE Service GmbH ensures that its service processes are permanently focused on customer needs and that these processes are being optimized. This applies both to products and services as well as to the internal processes of RWE Service



GmbH. The procurement process for the upstream utility purchasing function in Group purchasing has already been certified under KTA 1401 and retirement planning services in the personnel services function have been certified under DIN ISO 9001. Company-wide quality management emphasizes RWE Service GmbH's demand for professional services.

## **Significant risks and opportunities of future performance**

Early forecasts estimate that global economic output in 2013 will rise by approximately 2.5% – assuming the sovereign debt crisis does not escalate. The measures necessary to consolidate national budgets are likely to have a detrimental effect on growth in the euro area. It is therefore possible that the total eurozone gross domestic product will stagnate. Prospects for the German economy seem a little more favorable. After growth of around 1% in the past year, the German Council of Economic Experts considers that growth in economic output of almost 1% should also be possible for 2013. Apart from this unsettled economic environment, the uncertain political conditions, changing market structures and fluctuating electricity and fuel prices present significant managerial challenges for the RWE Group and make forecasting considerably more difficult. As a result, the RWE Group has decided to economize on capital expenditure, which, in addition to the exit of Amprion GmbH and Thyssengas GmbH mentioned above, will lead to a further reduction in procurement volumes and thus to a further decline in sales. It remains to be seen how much the personnel reduction measures that have been implemented can compensate for the decline in sales. For financial year 2013, RWE Service GmbH is therefore expecting a reduction in the profit/loss on ordinary activities compared to the profit/loss on ordinary activities generated in 2012 – excluding the setting up of the restructuring provision – of €0.2 million.

Moreover, the RWE Group wants to bring together and standardize cross-border administrative bulk processing. In the first instance, this will affect personnel and executive staff management, accounting and finance, and Group purchasing. Group Business Service GmbH, Essen, Germany, a company set up with international focus, was formed for this purpose. Specific concepts for Group Business Service GmbH and its service offering are currently being developed. It can be assumed that today's shared services provided by RWE Service GmbH in the above-named areas will be transferred to Group Business Service GmbH in the medium term. RWE Service GmbH would then expressly concentrate on all services relating

to real estate. On the one hand, this runs the risk of potential market-induced losses in real estate portfolio value; on the other hand, there is the opportunity, in the revitalized post financial crisis real estate market, to dispose of further properties on the market that are not required for operating purposes and to thus realize hidden reserves. In addition, there are further risks and opportunities relating to the measurement of provisions for the removal of mining hazards and contamination.

Dortmund, January 31, 2013

The Management

Petrich

Dr. Piepel