

# **Financial Statements**

**of**

**RWE IT GmbH, Essen,**

**for the Financial Year**

**from 1 January to 31 December 2012**

# Balance Sheet

of RWE IT GmbH, Essen, at 31 December 2012

## Assets

€ '000	Note	31 Dec 2012	Prior year
<b>Non-current assets</b>	(1)		
Intangible assets		36,600	46,805
Property, plant and equipment		42,079	46,559
Financial assets		19,410	20,072
		<b>98,089</b>	<b>113,436</b>
<b>Current assets</b>			
Inventories	(2)	1,793	1,564
Accounts receivable and other assets	(3)	115,942	184,793
		<b>117,735</b>	<b>186,357</b>
<b>Prepaid expenses</b>	(4)	4,008	3,444
		<b>219,832</b>	<b>303,237</b>

## Equity and liabilities

€ '000	Note	31 Dec 2012	Prior year
<b>Equity</b>			
Subscribed capital		51	51
Capital reserve		22,673	22,673
		<b>22,724</b>	<b>22,724</b>
<b>Provisions</b>	(5)	119,115	110,752
<b>Liabilities</b>	(6)	57,362	151,733
<b>Deferred income</b>	(7)	20,631	18,028
		<b>219,832</b>	<b>303,237</b>

# Income Statement

of RWE IT GmbH, Essen, from 1 January to 31 December 2012

€ '000	Note	2012	Prior year
Revenue	(10)	450,530	418,539
Increase in work in progress		229	12
Own work capitalised		74	106
Other operating income	(11)	1,679	7,226
Cost of materials	(12)	-226,346	-218,429
Staff costs	(13)	-126,157	-144,071
Amortisation	(14)	-56,715	-48,054
Other operating expenses	(15)	-49,095	-56,397
Income from investments	(16)	2,044	2,700
thereof from affiliated companies		(2,044)	(2,700)
Income from loans held as financial assets		26	34
Other interest and similar income		1,111	877
thereof from affiliated companies		(1,064)	(874)
Write-downs of financial assets	(17)	-	-96,812
Interest and similar expenses	(18)	-13,406	-7,663
<b>Profit from ordinary activities</b>		<b>-16,026</b>	<b>-141,932</b>
Taxes on income	(19)	. <sup>1</sup>	10,726
Income from the assumption of losses	(20)	16,026	131,206
<b>Net profit</b>		<b>-</b>	<b>-</b>

<sup>1</sup> Negligible amount.

## Notes

to the Financial Statements of RWE IT GmbH, Essen,  
for the Financial Year from 1 January to 31 December 2012

### Roll-Forward of Non-Current Assets

€ '000	Acquisition or production costs				Balance at 31 Dec 2012	Accumulated amortisation			Balance at 31 Dec 2012	Balance at 31 Dec 2012	Balance at 31 Dec 2011
	Balance at 1 Jan 2012	Additions	Transfers	Disposals		Balance at 1 Jan 2012	Amortisation	Disposals			
<b>Intangible assets</b>											
Licenses, commercial and similar rights and as- sets as well as licenses to such rights and as- sets	90,093	16,568	1,709	260	<b>108,110</b>	45,392	27,004	132	<b>72,264</b>	<b>35,846</b>	44,701
Prepayments	2,104	648	-1,709	289	<b>754</b>	-	-	-	-	<b>754</b>	2,104
	92,197	17,216	-	549	<b>108,864</b>	45,392	27,004	132	<b>72,264</b>	<b>36,600</b>	46,805
<b>Property, plant and equipment</b>											
Technical plant and machinery	1,206	-	-	-	<b>1,206</b>	323	50	-	<b>373</b>	<b>833</b>	883
Other plant, fixtures, furniture, and office equipment	107,490	25,050	199	20,663	<b>112,076</b>	63,519	29,661	20,517	<b>72,663</b>	<b>39,413</b>	43,971
Plants under construction	1,705	327	-199	-	<b>1,833</b>	-	-	-	-	<b>1,833</b>	1,705
	110,401	25,377	-	20,663	<b>115,115</b>	63,842	29,711	20,517	<b>73,036</b>	<b>42,079</b>	46,559
<b>Financial assets</b>											
Investments in affiliated companies	113,502	-	-	-	<b>113,502</b>	96,812	-	-	<b>96,812</b>	<b>16,690</b>	16,690
Other loans	3,382	-	-	662	<b>2,720</b>	-	-	-	-	<b>2,720</b>	3,382
	116,884	-	-	662	<b>116,222</b>	96,812	-	-	<b>96,812</b>	<b>19,410</b>	20,072
	319,482	42,593	-	21,874	<b>340,201</b>	206,046	56,715	20,649	<b>242,112</b>	<b>98,089</b>	113,436

## **Basis of presentation**

RWE IT GmbH provides all kinds of services in the field of information technology, primarily within the group. RWE AG, Essen, is RWE IT GmbH's sole shareholder.

On 17 February 2012, RWE IT GmbH's shareholder decided to renounce preparing a review of operations and publishing financial statements for the 2012 financial year, in accordance with Section 264, Paragraph 3 of the German Commercial Code. The resolution was submitted to the German Electronic Federal Gazette in compliance with Section 325 of the German Commercial Code in February 2012 and published on 2 March 2012.

RWE IT GmbH has been integrated by contract into the RWE Group's corporate cash management system, which, among other things, involves pooling on the basis of transfer procedures common in banks.

These financial statements cover the financial year from 1 January to 31 December 2012. They are in compliance with the accounting principles of the German Commercial Code taking account of the supplementary rules applicable to large corporations and the German Limited Liability Company Act. The way in which they were presented did not change compared to the prior year. Individual balance sheet and income statement items have been combined in order to improve clarity; the combined items have been stated separately in the notes.

The income statement has been structured based on the nature of expense method.

As RWE IT GmbH is included in the consolidated financial statements of RWE AG, which are prepared in compliance with International Financial Reporting Standards (IFRS), RWE IT GmbH is exempted from preparing its own consolidated financial statements and review of group operations. The consolidated financial statements and review of group operations of RWE AG are available at the Group Centre, Opernplatz 1, 45128 Essen, Germany, and published in the German Electronic Federal Gazette.

The statement of the independent auditor's fees in accordance with Section 285, Item 17 of the German Commercial Code has been renounced because they have been disclosed in the consolidated financial statements of RWE AG.

## Accounting policies

Acquired **intangible assets classified as non-current assets** are recognised at acquisition cost and amortised using the straight-line method over their normal useful lives, which are usually three years.

Property, plant and equipment are valued at acquisition or production cost minus amortisation and, if applicable, impairment losses. Amortisation is based on useful lives, which amount to between three and twenty years, and is performed using the straight-line method.

In the 2008 and 2009 financial years, in line with the tax regulation introduced in Section 6, Paragraph 2a of the German Income Tax Act, a collective item was formed for low-value assets with an acquisition value of between 150 and 1,000 euros. This collective item is released in increments of one-fifth in the financial year in which it is formed and in the four subsequent financial years. In accordance with the German Growth Acceleration Act of 22 December 2009, the option to completely write off assets with a net value of up to 410 euros in their year of acquisition has been exercised since the 2010 financial year.

To improve the presentation of the impact on the asset and earnings situation, deviating from the previous procedure (treatment as low-value assets) licenses acquired since the 2011 financial year have been amortised over their anticipated useful lives, which amount to three years.

**Shares in affiliated companies** and **loans** are accounted for at acquisition cost and nominal value or, if necessary, at their lower fair value.

**Inventories** are stated at individual cost and required material and production overhead costs using the minimum value principle and the principle of loss-free valuation.

**Accounts receivable** and **other assets** as well as **prepaid expenses** are recognised at nominal value; identifiable individual risks and the general credit risk are taken into account by virtue of appropriate reductions in value.

The **share capital** amounted to €51,000 and was fully paid in. RWE AG, Essen, is the sole holder of the share capital.

As in the previous year, the **capital reserve** amounted to €22,673,000 and stemmed from the spin-out of the former companies RWE Systems Applications GmbH and RWE Systems Computing GmbH from RWE Service GmbH in 2009 and the subsequent integration of these companies by RWE AG into RWE IT GmbH.

**Provisions** are stated at their anticipated settlement amount or at cash value. They sufficiently account for all identifiable risks and uncertain obligations based on sound commercial reasoning.

Provisions for pensions and similar obligations are accrued using the projected unit credit method based on actuarial calculations taking account of Klaus Heubeck's 2005 G mortality tables, which reflect generation-dependent life expectancies. They are discounted by applying the average market interest rate of the last seven years based on an assumed remaining term of 15 years published by Deutsche Bank in October 2012 (Section 253, Paragraph 2, Sentence 2 of the German Commercial Code). This interest rate was 5.06 % (prior year: 5.13 %). Annual wage and salary increases of 2.75% and pension increases of 1.75% per annum were assumed within the scope of further calculation assumptions.

Provisions with a term of more than one year are discounted by the average market interest rate of the last seven financial years corresponding to their remaining terms.

In line with empirical figures, warranty obligations amount to 1% of the revenue affected by the warranties. The provision for impending losses on executory contracts is determined based on full costs.

**Liabilities** are accounted for at repayment amounts. Liabilities related to early retirements are valued taking account of biometric risks based on Dr Klaus Heubeck's 2005 G mortality tables. They are discounted by applying the average market interest rate of the last seven years based on an assumed remaining term of 15 years published by Deutsche Bank in October 2012. Furthermore, they are based on an assumed 1% annual increase in wages.

Due to the existing corporate and commercial tax unit, the income and commercial earnings of RWE IT GmbH are attributable to RWE AG as the controlling company. In consequence, **deferred taxes** are recognised and valued in the financial statements of RWE AG.

## **Currency translation**

Transactions in foreign currency are stated at the exchange rate applicable at first recognition. Accounts receivable and payable in foreign currency at the cut-off date for the financial statements are converted to the mean spot rate. Losses on changes in foreign exchange rates as of the balance-sheet date are always recognised with an effect on profit or loss, whereas profits are only recognised in the same manner to the extent that they relate to accounts receivable and payable with a remaining term of up to one year.



## Notes to the Balance Sheet

### (1) Non-current assets

The roll-forward of non-current assets contains the breakdown and development of asset items in the financial year that have been combined in the balance sheet.

Capital expenditure on intangible assets and property, plant and equipment broke down as follows:

€ '000	2012	Prior year
Software	17,216	38,299
Technical plant and machinery	-	462
Fixtures, furniture and office equipment	25,050	37,613
Plants under construction	327	1,705
	<b>42,593</b>	<b>78,079</b>

List of shareholdings at 31 December 2012 as defined by Section 285, Item 11 of the German Commercial Code

	Share of capital	Currency	Exchange rate as of 31 Dec 2012/ annual average exchange rate €/currency	Equity as of 31 Dec 2012 € '000	Income 2012 financial year € '000
	%				
<b>Affiliated companies</b>					
<b>Abroad</b>					
RWE IT Czech s.r.o., Brno/Czech Republic	99.00	CZK	25.15/25.14	7,714	460
RWE IT Magyarország Kft., Budapest/Hungary	100.00	HUF	292.40/288.18	642	241
RWE IT Poland sp. z.o.o., Warsaw/Poland	100.00	PLN	4.07/4.17	1,799	142
RWE IT Slovakia s.r.o., Kosice/Slovakia	85.00	EUR	- / -	2,287	2,246
RWE IT UK Ltd., Swindon/United Kingdom	100.00	GBP	0.82/0.81	-2,286	-8,682

### (2) Inventories

Inventories solely included contract work performed that had not yet been invoiced as of the balance-sheet date (work in progress).

### (3) Accounts receivable and other assets

€ '000	31 Dec 2012	Thereof RT* > 1 year	Prior year	Thereof RT* > 1 year
Trade accounts receivable	2,168	-	564	-
Accounts receivable from affiliated companies	113,011	-	183,215	-
thereof from the shareholder	(77,599)		(144,089)	
Other assets	763	-	1,014	-
	<b>115,942</b>	-	184,793	-

\* RT = remaining term.

Accounts receivable from affiliated companies were attributable to

- accounts receivable due to the assumption of losses by RWE AG totalling €15,867,000 (prior year: €142,323,000),
- obligations resulting from financial transactions totalling €61,721,000 (prior year: €1,936,000),
- products and services totalling €35,423,000 (prior year: €38,956,000).

Other assets primarily included €728,000 in accounts receivable from employees (prior year: €1,007,000).

### (4) Prepaid expenses

In particular, advance payments made for hardware and software maintenance as well as for licensing fees were capitalised under prepaid expenses.

### (5) Provisions

€ '000	31 Dec 2012	Prior year
Provisions for pensions and similar obligations	41,567	37,797
Provisions for taxes	200	200
Other provisions	77,348	72,755
	<b>119,115</b>	110,752

There was no funding surplus for provisions for pension obligations in accordance with Article 67, Paragraph 1, Sentence 2 of the Introductory Law to the German Commercial Code (prior year: €1,135,000).

A portion of the obligations in relation to pensions was contrasted by assets associated with congruent reinsurance policies. The assets covering the obligations were stated at a fair value of €2,243,000 (acquisition costs of €2,243,000), which corresponds to their market value as of 31 December 2012. Due to the netting regulation set out in Section 246, Paragraph 2 of the German Commercial Code, provisions for pensions and similar obligations were netted against the assets covering the obligations associated with the reinsurance policies.

In compliance with Section 246, Paragraph 2, Sentence 2 of the German Commercial Code, assets with a fair value of €2,243,000 (prior year: €1,946,000) and liabilities with a settlement amount of €2,243,000 (prior year: 1,946,000) were netted against each other for employee-financed tax-privileged pensions (deferred compensation). The resulting pension cost and income totalling €286,000 (prior year: €3,000) as well as interest expenses and income totalling €11,000 (prior year: €72,000) were also netted against each other.

Provisions for taxes related to taxes on income yet to be paid by the former RWE Systems Applications GmbH, Essen.

Other provisions were accrued predominantly for

- old-age part-time employment obligations totalling €40,739,000 (prior year: €37,702,000),
- personnel obligations totalling €19,394,000 (prior year: €19,732,000),
- post-completion costs incurred for orders that had already been invoiced and warranties totalling €7,054,000 (prior year: €6,550,000),
- obligations resulting from structural risks totalling €3,689,000 (prior year: €3,653,000),
- impending losses on executory contracts totalling €71,000 (prior year: €168,000).

## (6) Liabilities

€ '000	31 Dec 2012	Thereof RT* ≤ 1 year	Thereof RT* > 5 years	Prior year	Thereof RT* ≤ 1 year	Thereof RT* > 5 years
Trade accounts payable	24,872	24,872	-	30,622	23,517	-
Accounts payable to affiliated companies	20,117	20,117	-	105,755	105,755	-
thereof to the shareholder	(0)	(0)	-	(89,345)	(89,345)	-
Other liabilities	12,373	8,778	-	15,356	9,616	-
thereof taxes	(3,554)	(3,554)	-	(4,299)	(4,299)	-
thereof social security	(6,263)	(2,668)	-	(8,365)	(2,625)	-
	<b>57,362</b>	<b>53,767</b>	<b>-</b>	<b>151,733</b>	<b>138,888</b>	<b>-</b>

\* RT = remaining term.

€17,313,000 of the accounts payable to affiliated companies were attributable to products and services (prior year: €14,621,000).

Accounts payable for goods delivered have been secured by our suppliers by way of customary reservations of property rights.

## (7) Deferred income

Deferred income primarily consisted of compensation for hardware and software maintenance as well as licensing fees appropriated in advance.

## (8) Contingent liabilities

€129,065,000 in pension obligations recognised on RWE AG's balance sheet were subject to a warranty obligation (prior year: €117,115,000). Due to the transfer of certain pension obligations to RWE Pensionsfonds AG in earlier years, in the event of a funding gap, as employer, we have a legal obligation to topup the funds.

There is a joint liability for funds drawn by RWE IT GmbH within the scope of RWE AG's corporate financial resource pooling.

**(9) Other financial obligations not disclosed on the balance sheet**

The capital commitments arising from capital expenditure amounted to €12,991,000 (prior year: €549,000). The change was primarily caused by two orders worth €7,447,000 for purchases of software licenses.

The main long-term maintenance obligations totalled €4,345,000 (prior year: €630,000). Multi-year real estate leases resulted in obligations amounting to €26,234,000 (prior year: €21,238,000), which were exclusively attributable to affiliated companies.

## Notes to the Income Statement

### (10) Revenue

€ '000	2012	Prior year
<b>Revenue from compensation for services rendered by department</b>		
Perpetual IT Services	214,260	191,943
Project-Related Services	132,929	119,571
Delivery & Control	86,672	88,421
Telecommunications	16,669	18,604
	<b>450,530</b>	418,539

€ '000	2012	Prior year
<b>Revenue from compensation for services rendered by region</b>		
Germany	385,739	357,722
United Kingdom	34,938	31,100
Netherlands	9,194	7,424
Hungary	9,041	14,580
Czech Republic	4,717	3,154
Poland	2,847	2,199
Slovakia	2,583	2,088
Turkey	1,311	-
Rest of Europe	160	272
	<b>450,530</b>	418,539

### (11) Other operating income

Other operating income primarily included income from

- the on-debiting of employee secondments totalling €833,000 (prior year: €269,000),
- the release of provisions totalling €230,000 (prior year: €4,993,000),
- currency translation totalling €220,000 (prior year: €188,000).

There was no material income related to other periods in the financial year.

## (12) Cost of materials

€ '000	2012	Prior year
Expenses associated with raw materials, consumables, supplies and procured goods	-8,631	-9,392
Expenses associated with procured services	-217,715	-209,037
	<b>-226,346</b>	-218,429

## (13) Staff costs

€ '000	2012	Prior year
Wages and salaries	-100,403	-100,134
Social security contributions, pension costs and other employee benefits	-25,754	-43,937
thereof pension costs	(-9,722)	(-28,656)
	<b>-126,157</b>	-144,071

As of 1 November 2011, the company transferred certain pension obligations carried on RWE AG's balance sheet as part of a suretyship agreement to RWE Pensionsfonds AG. Company pension plan benefits are provided to this group of beneficiaries by a pension fund that is not structured like an insurance company.

The 15-year option to spread expenses relating to the pension obligations carried on RWE AG's balance sheet had been fully exercised in the preceding year.

### Annual average staff

Employee equivalents	2012	Prior year
Salaried staff	1,288	1,283
	<b>1,288</b>	1,283

#### **(14) Amortisation**

€23,804,000 in amortisation (prior year: €20,432,000) was attributable to intangible assets, and €29,711,000 (prior year: €27,622,000) to property, plant and equipment. Impairment losses amounted to €3,200,000 and were recognised for intangible assets (prior year: €0,000).

#### **(15) Other operating expenses**

Other operating expenses primarily included expenses incurred for

- services rendered by other group companies totalling €18,445,000 (prior year: €19,062,000),
- rent and leases totalling €17,449,000 (prior year: €16,693,000),
- restructuring, early retirement and old-age part-time employment totalling €4,142,000 (prior year: €13,659,000),
- travel and fares totalling €2,042,000 (prior year: €3,052,000),
- warranty obligations and other risks totalling €1,194,000 (prior year: €801,000),
- currency translation totalling €339,000 (prior year: €82,000) and
- losses on the disposal of non-current assets totalling €267,000 (prior year: €21,000).

#### **(16) Income from investments**

Income from investments stemmed from the profits distributed for 2011 by the affiliated companies RWE IT Slovakia s.r.o., Kosice, in the amount of €1,867,000 and RWE IT Poland sp. z.o.o., Warsaw, in the amount of €177,000.



### **(17) Write-downs of financial assets**

No impairment losses were recognised in the year under review (prior year: €96,812,000).

### **(18) Interest and similar expenses**

€ '000	2012	Prior year
Interest and similar expenses	-13,406	-7,663
thereof paid to affiliated companies	(-8,871)	(-3,933)
thereof relating to the interest accretion to provisions and liabilities	(-4,535)	(-3,575)

### **(19) Taxes on income**

As in the preceding year, tax income primarily consisted of the income tax allocation refunded by the controlling company (RWE AG) for the current financial year.

### **(20) Income from the assumption of losses**

The profit was balanced by RWE AG in accordance with the existing profit and loss pooling agreement.

## Additional information

The company's **Board of Directors** was made up of

- **Michael Neff**, Sole Managing Director, Chief Information Officer of RWE AG, Gau-Bischofsheim,
- **Stefan Niehusmann**, Commercial Director (until 31 May 2012), Bochum.

The company's **Supervisory Board** consisted of

- **Peter Terium** (as of 1 January 2012), Chairman of the Executive Board of RWE AG, Weert (Netherlands), Chairman (as of 9 January 2012),
- **Wilfried Johnen**, Chairman of the General Works Council of RWE IT GmbH, Cologne, Deputy Chairman,
- **Ralf Bendixen**, Deputy Chairman of the General Works Council of RWE IT GmbH, Velbert,
- **Dr Arndt Neuhaus**, Chairman of the Executive Board of RWE Deutschland AG, Essen,
- **Ralf Hiltenkamp**, Member of the Executive Board of envia Mitteldeutsche Energie AG, Leipzig,
- **Thomas Birr** (as of 6 December 2012), Director Corporate Development & Strategy of RWE AG, Warendorf,
- **Dr Bernhard Günther** (until 5 December 2012), Chief Financial Officer of RWE AG, Haan.

The members of the Supervisory Board are not remunerated for their work. The disclosure of the emoluments of the Board of Directors has been renounced in line with Section 286, Paragraph 4 of the German Commercial Code.

Essen, 30 January 2013

The Board of Directors

Neff