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## Introduction by the Executive Board

Our company stands for strong competencies and a decade of experience in the fields of energy trading and energy logistics. During the fiscal year 2010, citiworks AG focused on the further development of our business model. Our aim is to strengthen and enhance the position of citiworks AG as one of the leading energy trading and services companies in the German energy market. To achieve this objective, citiworks AG has concentrated on developing trade-related services.

The new business model is also a reflection of the changes in citiworks AG's shareholder structure as well as the general market situation. In July 2010, HEAG Südhessische Energie AG (HSE) acquired all of the shares in citiworks AG and is now the company's sole shareholder.

The change in our ownership has resulted in an expansion of our trade-related tasks within the HSE group. Because of our strong competencies as an energy service provider and our long-standing knowledge of the energy trading market HSE has concentrated the energy procurement and trade access function within citiworks AG. In the future, our company will function as the central market access within the HSE group for electricity, gas and other commodities. In addition, we are responsible for energy procurement and supply for the HSE sales companies. Also, citiworks AG manages and markets the power plant portfolio for the HSE group and assumes balancing group management and related logistics functions.

In the future, we will increasingly focus on energy services for third parties. Besides the companies of the HSE group our customers include energy suppliers, power plant operators, grid operators and cooperative ventures as well as energy-intensive industrial companies. With respect to these customer groups, we have comprehensively expanded our service offerings in the fields of energy trading, portfolio management, balancing group management and logistics.

The appointment of Stephanie Möller to the citiworks AG Executive Board in June of last year and the interim service of Michael Böddeker as a director of our company have established an integral personnel basis for the expansion of citiworks AG as an energy service provider. In April of the current fiscal year, Dr. Marko Brunner was appointed as successor to Michael Böddeker on the Executive Board. This planned substitution completed the staffing reorganisation of citiworks AG.

Over the past year our operating business has not only been influenced by our repositioning efforts but also by the macro-economic developments as well as the complex and ever-changing German energy market.

Due to the reorganisation of our business model, as well as other factors our sales revenues fell below those of the Fiscal Year 2009. citiworks was able to achieve a breakeven result for 2010.

We foresee great opportunities for the future, namely that citiworks AG will assert itself in the energy market based on its extensive and in-depth know-how.

To implement this objective in the long term, we are consistently developing our range of commodity services in a targeted manner. In 2011 we will complete most of the operating measures we have initiated for restructuring purposes. We are confident that we will continue to apply our know-how in line with our customers' expectations.

At the end of the year citiworks AG moved into new offices in Munich. This has made it easier for our business partners to reach us and has increased our visibility thanks to the central location of the new premises. The new Munich location enables us to function as an independent business partner for our customers.

We would like to thank all citiworks AG employees for the trust they have placed in us, particularly during this time of change. Their strong commitment contributes not only to the development and expansion of our performance, but also to our efforts of maintaining the citiworks AG brand as an integral part of the energy market.

Munich, June 2011



Dr. Marko Brunner  
Member of the  
Executive Board

Stephanie Möller  
Member of the  
Executive Board

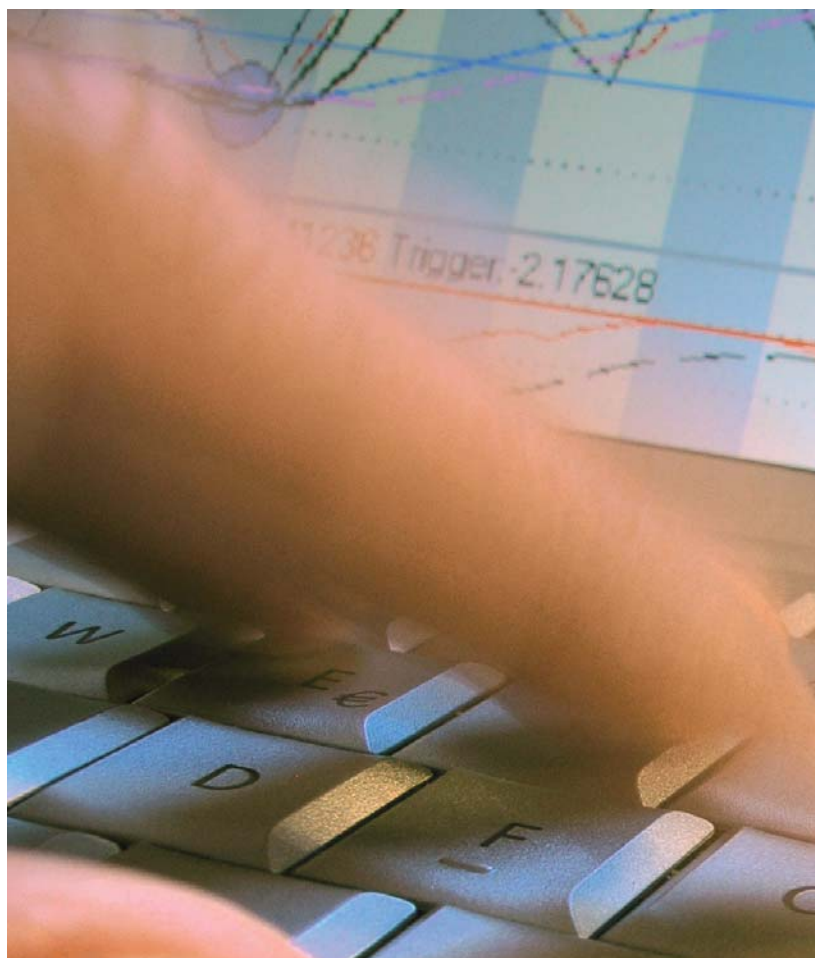
## Report of the Supervisory Board

The Supervisory Board has monitored the Executive Board of citiworks AG as prescribed by law. It was informed by the Executive Board on the basis of general quarterly reports, special reports and presentations to the Supervisory Board meetings. Five meetings were held during the 2010 fiscal year, at which the financial situation of the company was discussed.

The meetings focused on the topics outlined below and also culminated in a number of decisions. The work of the Supervisory Board was also characterised by the fact that the current shareholders, Stadtwerke München GmbH and Stadtwerke Mainz AG, sold their shares to HEAG Südthessische Energie AG (HSE) and the current four Supervisory Board members, including the Supervisory Board Chairman belonging to these shareholders, resigned from their positions and the court subsequently appointed three new Supervisory Board members. In addition, the Supervisory Board also elected Holger Mayer as the new Supervisory Board Chairman.

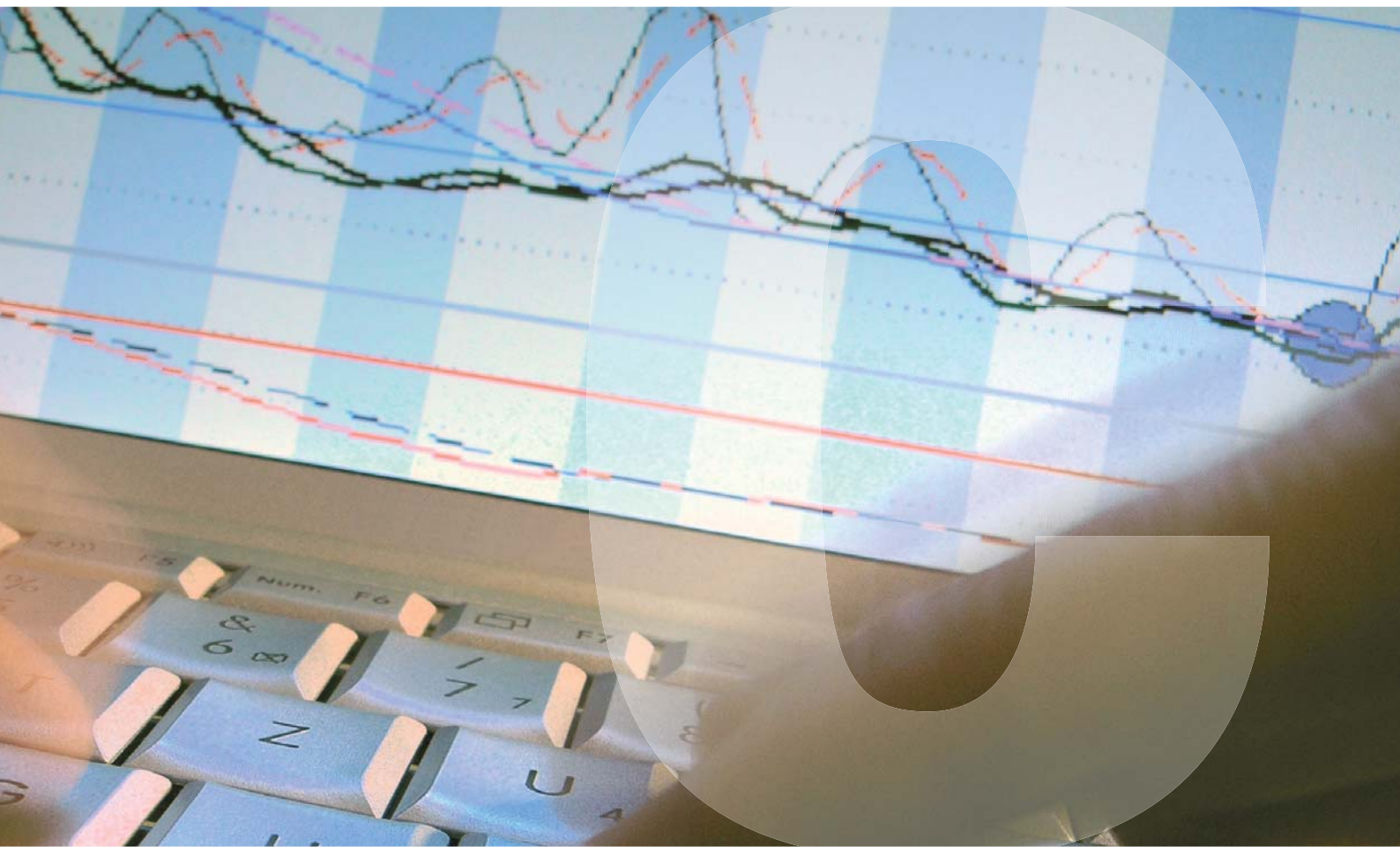
On 22 June 2010, Stephanie Möller was appointed as Executive Commercial Director for a period of five years and the associated employment contract was also approved. Katja Giesecking resigned as a member of the Executive Board on 26 April 2010. In addition, Dr. Oliver Runte was reappointed as Executive Commercial and Sales Director until 31 December 2010. On 7 December 2010 Michael Böddeker was appointed as Executive Commercial and Sales Director for the interim period 1 January 2011 to 31 May 2011. Based on a written circular resolution at the beginning of this year, the Supervisory Board approved the appointment of Dr. Marko Brunner for the period starting 1 April 2011 for a term of five years to the position of Executive Commercial and Sales Director, as well as the associated employment contract. Michael Böddeker resigned as a member of the Executive Board on 31 March 2011.

At the 22 June 2010 meeting, the Supervisory Board approved new by-laws for the Supervisory Board and the Executive Board, including the Business Distribution



Plan. In addition, it approved the necessary resolutions regarding the annual financial statements and the preparation of the Annual General Meeting. The Board also approved the corporate plans and investment plans for 2010 and 2011. In its December meeting, the Supervisory Board also formed a risk committee, which replaces the current risk policy and finance committee and will discuss and make decisions regarding the principles of the risk policy and risk-readiness of citiworks AG. The risk committee, which consists of three Supervisory Board members including the Chairman, did not meet during the 2010 reporting year. No conflicts of interest occurred between the Supervisory Board members.

RP Richter GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, the auditor commissioned to conduct the audit of the annual financial statements and management report for the 2010 fiscal year, issued an unqualified audit opinion pursuant to Section 322 HGB on 25 March 2011. The Supervisory Board has acknowledged the audit



results. Based on the final result of its audit, the Supervisory Board has approved the annual financial statements and management report submitted by the Executive Board. It has approved the annual financial statements on this day. The annual financial statements are hereby adopted. The Supervisory Board concurs with the Executive Board's recommendation regarding the allocation of net earnings.

On 25 March 2011, the auditor provided the following unqualified audit opinion for the report regarding relations with affiliated companies, prepared pursuant to Section 312 of the Companies Act: "Based on our duly conducted audit and assessment, we hereby confirm that

1. the actual information contained in the report is correct,
2. with regard to the legal transactions listed in the report, the Company's payments were not disproportionately high,
3. with regard to the measures listed in the report, there were no circumstances which would justify a significantly different assessment to the one reached by the Executive Board."

Following its own audit, the Supervisory Board confirms the accuracy of this annotation. Further, following the concluding result of its audit of the dependent company report, the Supervisory Board does not have any objections with regard to the final statement of the Executive Board contained therein regarding the appropriateness of considerations that the company has received during the reporting period for legal transactions entered into with affiliated companies. The Supervisory Board would like to thank the Executive Board of citiworks AG, the Workers Council and all employees for their work in 2010.

Munich, 13 April 2011

The Supervisory Board

Holger Mayer  
Supervisory Board Chairman



## Management Report for the 2010 Fiscal Year

### General environment

The macroeconomic environment improved noticeably during 2010 as a result of strong global economic growth. Following a declining price-adjusted gross domestic product (GDP) in the previous year, it is estimated that the price-adjusted gross domestic product (GDP) will grow by 3.6%. Assuming that the global economy will continue to expand without major disruptions, it can be expected that this process will continue despite indications of dampening effects on economic growth for the next two years, so that the pre-crisis level of the German GDP can be reached by the end of 2011.

Energy demand in 2010 followed the economic growth. Primary energy consumption was 4.1% above the level of the previous year but did not reach the levels seen in 2008. Forward prices on the electricity wholesale market varied within a moderate range of 45 and 55 €/MWh for

the 2011 base load. Prices in the spot market averaged 44 €/MWh and were therefore approx. 10% higher than in the previous year. In contrast, the gas prices on the sport market doubled from 12 €/MWh at the beginning of the year to approx 24 €/MWh by the end of 2010. In view of the large price differences, many suppliers changed their gas purchases from a purely oil price-based long-term purchase strategy to a strategy including in part fixed prices on spot or forward markets.

The energy market continues to be characterised by strong movement and complexity as well as climate protection and energy-saving goals. This also represents important influencing factors. In particular, the statutorily-anchored and currently discussed extension of the operating life of German nuclear power plants is not only expected to result in disadvantages for competition in the production and sales market but is also evidencing the uncertainties which must be considered with regard to investment decisions.

The implementation of regulatory provisions for procedures in the electricity and gas market continues to create a burden for trading and sales companies. With the market rules for the implementation of balancing group accounting for electricity (MaBiS), the Bundesnetzagentur (German Federal Network Agency) pursues the objective of achieving standardisation, which requires advance investments in energy data management systems and which will create extensive requirements for data clearing for all market participants during the introductory phase which begins in 2011.

### Business developments

citiworks is active in the areas of energy sales and energy logistics. While its sales division services large electricity and gas customers, the company also provides a number of different energy and trade-related services for companies in the shareholder environment and for third parties in the energy logistics segment. One of the company's key responsibilities is the management of the trade and sales portfolio for HEAG Südhessische Energie AG (HSE) as well as the portfolios of the sales companies within the HSE group.

During the 2010 fiscal year, citiworks supplied 4.9 TWh (-21.0% year-to-year) of electricity and 0.4 TWh (-42.9% year-to-year) of gas to corporate customers. The decline in sales is due to ongoing price competition in the key account segment as well as the current changeover of the business model.

With effect from 1 January 2010, HSE has acquired the shares held by Stadtwerke München GmbH (SWM) and Stadtwerke Mainz AG in citiworks, and has therefore become its sole shareholder. Within the HSE group, citiworks is positioned as the service provider particularly for central electricity and gas market access.

As a result of the new shareholder structure, citiworks relocated from its premises formerly leased from SWM to a centrally-located new building. This ensures that citiworks will become much more visible for its business partners.

The changes in corporate structure also characterised personnel management activities for the 2010 fiscal year. The staff leasing agreements required for the transition phase were terminated. At the Fiscal Year ended 2010 the company had 54 employees.

#### **Information regarding the company's position**

In view of the low levels of investment activities which are typical for trading and sales companies, the balance sheet contains mainly short-term asset items as well as pending liabilities. The balance sheet total is EUR 183.5 million (previous year: EUR 278.5 million). 97.9% of assets are made up of current assets, with delivery receivables figuring as the largest item (EUR 108.6 million (previous year: EUR 123.7 million)). The significant decline in accounts receivable and hence the balance sheet total correlates with the development of sales revenues. With an equity ratio of 9.8% (previous year: 6.7%), the company is mainly financed with loan capital. Liabilities and provisions mainly relate to trading partners and other energy suppliers as well as loan obligations. On the liquidity side, citiworks draws on loans from the sole shareholder, a sister company and a former share-

holder. The relevant obligations are shown on the closing of accounts date under liabilities to shareholder, to affiliated companies and other liabilities. citiworks was able to meet all of its payment obligations over the past fiscal year. In 2010, fund inflows from ongoing business activities totalled EUR 4.2 million (previous year: EUR 4.3 million). The company's asset and financial position is orderly. Also in the future, the company's liquidity requirements will again be primarily secured by HSE.

Effects from the changes to corporate law in 2010 are reflected in the development of time-period-related values in the company's earnings position.

Sales revenues for the Fiscal Year ended 2010 amounted to EUR 2,661.4 million (year-to-year: EUR 3,247.0 million), of which EUR 508.4 million (year-to-year: EUR 836.6 million) relate to energy supplies and other sales revenues, and EUR 2,153 million (year-to-year: EUR 2,410.4 million) relate to the energy logistics segment (processing of account books and other services). Compared to the previous year (EUR 44.8 million), non-periodic sales re-venues consisting mainly of the deferred consumption with the associated EEG and regular energy items have decreased and have returned to the long-term level of previous years.

Cost of materials amounting to EUR 2,657.5 million (previous year: EUR 3,240.3 million) include energy receipts for the two business segments and associated grid fees. The volume of non-periodic cost of materials correlates with the corresponding sales figures. Other operating income mainly consists of income from the reversal of provisions. Other operating expenses also include risk provisions for pending transactions. Taking into account the financial results, effects from the initial obligatory application of the Accounting Law Modernisation Act (Bilanzrechts-modernisierungsgesetz, BilMoG) as well as taxes – inclusive of positive one-time effects from the corporate audit – the company generated a close-to-balance result of EUR -0.6 million.



### Events after the fiscal year

It is duly reported that there were no significant events which must be reported in the company's accounts after the end of the fiscal year; the same applies for non-reportable events.

### Outlook

The company intends to complete the conversion of the business model in 2011. In line with the reorganisation of sales activities and the concentration of synergy effects within the HSE group, citiworks will be focusing on its core competencies as an energy trading and energy service company. In future, citiworks will supply HSE sales companies with energy and also procure

energy on electricity and gas markets. In addition, citiworks will continue to be active as an energy service provider, especially in the areas of portfolio management, balancing group management as well as scheduling and nomination management for the HSE group and in the market-place.

Not all measures related to the conversion of the business model will be taking full effect in 2011. The current business developments for 2011 are, however in line with expected developments. The company expects that all measures regarding the repositioning will take effect as of 2012 and that the company will generate annual surpluses. citiworks views the adjustment of the

business model as an opportunity to further develop the company in order to position itself successfully on the future energy market.

### **Opportunities and risks**

The requirements of the „Law for Monitoring and Transparency in the Corporate Area“ with regard to the obligation for risk management and application of control systems are met. As part of its risk management approach, citiworks pursues business development in a systematic manner, with the goal of being able to assess the company's position on an ongoing basis.

In particular, our risk-management strategies include:

- risks regarding procurement (volume and price risks)
- risks regarding trade receivables, as well as
- counterparty risks.

Of particular importance is the monitoring of market price risks. citiworks manages opportunities and risks from price fluctuations related to procurement using targeted trading strategies. Risks are limited on the basis of a correspondingly structured limit system. Counterparty risks relate mainly to contracts entered into with trading partners in the OTC market on the basis of EFET framework contracts. citiworks defines credit limits for each individual counterparty, based on the latter's credit rating, and monitors compliance with the same on a continuous basis.

Company-specific total limits, which are derived from the existing risk capital, as well as the corresponding systems for calculating relevant company-specific utilisations are available for all types of risk. Regular reporting forms the basis for risk control and ensures continuous transparency.

Accordingly, the Executive Board is not aware of any risks that would jeopardize the continued existence of the company and which could not be adequately controlled through the suitable counter measures.

citiworks sees opportunities particularly in the profound mastery of the energy-related processes as well as in our ability to promptly respond to new requirements in a flexible and effective manner due to our highly qualified personnel.

### **Report pursuant to Section 312 of the Companies Act**

The Executive Board of the company reports as follows: „Our company received appropriate consideration for each legal transaction that is listed in the report regarding relations with affiliated companies and was not disadvantaged through the actions listed in the report, or which were committed or omitted. This assessment is based on the circumstances known to us at the time of the reportable events.“

Munich, 24 March 2011

The Executive Board

  
Stephanie Möller

  
Michael Böddeker

citiworks AG, Munich, Balance Sheet for the Fiscal Year ended 31 December 2010

Assets

	31/12/2010	31/12/2009
	EUR 000s	EUR 000s
<b>A. Long-term assets</b>		
I. Intangible assets		
1. Concessions acquired against payment, commercial property rights and similar rights	1,959	984
2. Down-payments made	877	1,087
	2,836	2,071
II. Fixed assets		
1. Technical equipment and machinery	6	11
2. Other equipment, operating and business equipment	311	68
	317	79
III. Financial assets		
1. Holdings	143	127
2. Other loans	99	130
	242	257
	<b>3,395</b>	<b>2,407</b>
<b>B. Current assets</b>		
I. Receivables and other assets		
1. Accounts receivable	108,638	123,721
2. Receivables from affiliated companies	8,321	0
3. Receivables from companies in which holdings are maintained	125	85,630
4. Shareholder receivables	25,257	0
5. Other assets	16,990	48,361
	159,331	257,712
II. Securities	192	444
III. Cash balances and credit balances at banks	20,181	17,288
	<b>179,704</b>	<b>275,444</b>
<b>C. Accruals and deferrals</b>	<b>406</b>	<b>621</b>
	<b>183,505</b>	<b>278,472</b>

## Liabilities

	31/12/2010	31/12/2009
	EUR 000s	EUR 000s
<b>A. Equity</b>		
I. Subscribed capital	17,650	17,650
II. Profit reserve		
Statutory reserve	45	45
III. Net earnings	294	848
	<b>17,989</b>	<b>18,543</b>
<b>B. Provisions</b>		
1. Provisions for pensions and similar obligations	591	548
2. Tax provisions	0	235
3. Other provisions	26,258	26,153
	<b>26,849</b>	<b>26,936</b>
<b>C. Liabilities</b>		
1. Trade payables	69,044	63,467
2. Liabilities to affiliated companies	8,598	0
3. Liabilities to companies in which holdings are maintained	0	163,172
4. Liabilities to shareholder	40,745	0
5. Other liabilities	20,221	6,298
	<b>138,608</b>	<b>232,937</b>
<b>D. Accruals and deferrals</b>	<b>59</b>	<b>56</b>
	<b>183,505</b>	<b>278,472</b>

citiworks AG, Munich, Income Statement for the Fiscal Year 1 January to 31 December 2010

	2010	2009
	EUR 000s	EUR 000s
<b>1. Sales revenues</b>	2,661,433	3,246,963
<b>2. Other operating income</b>	7,793	14,434
<b>3. Cost of materials</b>		
Expenses for raw, ancillary and operating materials and goods purchased	2,657,528	3,240,347
<b>4. Labour costs</b>		
a) Salaries and wages	2,911	4,362
b) Social security contributions and expenses for pensions and support	596	700
<b>5. Amortisation of intangible long-term and fixed assets</b>	655	365
<b>6. Other operating expenses</b>	9,625	19,565
<b>7. Income from holdings</b>	2	280
<b>8. Other interest and similar income</b>	639	128
<b>9. Interest and similar expenses</b>	1,421	2,035
<b>10. Result from ordinary business operations</b>	<b>-2,869</b>	<b>-5,569</b>
<b>11. Extraordinary income</b>	78	5,800
<b>12. Extraordinary expenses</b>	-37	0
<b>13. Extraordinary result</b>	<b>41</b>	<b>5,800</b>
<b>14. Income taxes</b>	-2,274	0
<b>15. Annual loss/profit</b>	<b>-554</b>	<b>217</b>
<b>16. Profit carried forward from previous year</b>	848	642
<b>17. Allocation to profit reserve</b>	0	11
<b>18. Net earnings</b>	<b>294</b>	<b>848</b>



## Notes for the 2010 Fiscal Year for citiworks AG

### General information

The management report and annual financial statements for 2010 were prepared in accordance with the applicable provisions of the German Commercial Code (HGB) and the applicable supplementary provisions of the Companies Act (AktG). An adjustment of the previous year's values as a result of the initial application of the provisions of the accounting law modernisation act (BilMoG) was not performed but rather the option pursuant to Section 67 Subsection 8 (2) EGHGB (Introductory Act to the German Commercial Code) was utilised. The organisation of the balance sheet corresponds with Section 266 HGB. The income statement was prepared in accordance with Section 275 HGB based on the total cost method.

### Group affiliation

The company is included in the consolidated financial statements of HEAG Südheissische Energie AG (HSE), Darmstadt. These are submitted to and announced in the electronic Federal Gazette. The company is also included in the consolidated financial statements of HEAG Holding AG – holding management company for Darmstadt, City of Science (HEAG), Darmstadt.

### Accounting and valuation methods

The following accounting and valuation methods were applied in the preparation of the annual financial statements

*Intangible assets* are entered at acquisition cost and amortised on a linear basis over their service life.

*Fixed assets* are valued at acquisition or production cost minus regular depreciation.

Depreciation is applied in accordance with the linear method and based on the customary useful life.

*Financial assets* are valued at acquisition cost or the lower current value.

*Receivables and other assets* are entered at their nominal value. Identifiable individual risks are taken into account through value adjustments.

General credit risk is addressed with a flat value adjustment.

*Short-term investments* are valued at acquisition cost. There were no indications of reductions in value on the closing date.

*Cash balances and credit balances* at banks are valued at nominal value.

*Provisions for pensions and similar obligations* have been calculated on an actuarial basis pursuant to the proportionally declining entitlement net present value method or the net present value of the amount payable for future

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#### citiworks AG, Munich Asset Schedule for the Fiscal Year ended 31 December 2010

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##### I. Intangible assets

1. Concessions acquired against payment, property rights and similar rights
  2. Down-payments made
- 

##### II. Fixed assets

1. Technical equipment and machinery
  2. Other equipment, operating and business
- 

##### III. Financial assets

1. Holdings
  2. Other loans
- 

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#### Total long-term assets

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pension payments using the 2005G mortality tables produced by Prof. Dr. Klaus Heubeck. Interest is applied in accordance with Section 253 Subsection 2 (2) HGB at a rate of 5.1%. Expected salary and pension increases have been taken into account at 2.5%.

On application of the option pursuant to Section 67 Subsection 1 (1) EGHGB with respect to the change in the accounting for provisions pursuant to Section 253 Subsection 1 (2) HGB as a result of the BilMoG, the resulting allocation amount is evenly distributed over a time period of 15 years.

Tax provisions and other provisions take into account all identifiable risks and uncertain obligations; they are generally assessed on the basis of the amount repayable required as per a reasonable business assessment. Long-term provisions are discounted in accordance with Section 253 Subsection 2 HGB at a market interest rate that is commensurate with the remaining term, as published by the Bundesbank.

*Liabilities* are entered at the amount repayable.

Transactions concluded in *foreign currency* are valued and booked at the exchange rate that is applied by the bank. On the closing date there were no balance sheet items in foreign currencies.

*Deferred taxes* refer to time-related differences in value rates between the commercial balance sheet and the balance sheet for tax purposes for the balance sheet items of long-term assets and provisions. The valuation of deferred taxes was based on a taxation rate of 33.0%. The calculation of deferred taxes results in overall tax relief. The capitalisation option for deferred taxes pursuant to Section 274 Subsection 1 (2) HGB was not utilised.

#### Explanations regarding the asset side of the balance sheet

The breakdown and change in asset items summarised in the balance sheet can be found in the asset schedule.

	Purchase and production costs				Depreciation				Residual book value		
	01/01/2010 EUR 000s	Additions EUR 000s	Retirements EUR 000s	Transfers EUR 000s	31/12/2010 EUR 000s	01/01/2010 EUR 000s	Zugänge EUR 000s	Abgänge EUR 000s	31/12/2010 EUR 000s	01/01/2010 EUR 000s	31/12/2010 EUR 000s
	3,543 1,087	603 751	0 0	960 -960	5,106 877	2,559 0	588 0	0 0	3,148 0	984 1,087	1,959 877
	<b>4,630</b>	<b>1,354</b>	<b>0</b>	<b>0</b>	<b>5,983</b>	<b>2,559</b>	<b>588</b>	<b>0</b>	<b>3,148</b>	<b>2,071</b>	<b>2,836</b>
	36 864	0 313	4 476	0 0	32 701	25 796	3 63	2 469	26 390	11 68	6 311
	<b>900</b>	<b>313</b>	<b>479</b>	<b>0</b>	<b>733</b>	<b>821</b>	<b>67</b>	<b>471</b>	<b>416</b>	<b>79</b>	<b>317</b>
	156 130	0 0	13 31	0 0	143 99	29 0	0 0	29 0	0 0	127 130	143 99
	<b>286</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>242</b>	<b>29</b>	<b>0</b>	<b>29</b>	<b>0</b>	<b>257</b>	<b>242</b>
	<b>5,816</b>	<b>1,666</b>	<b>523</b>	<b>0</b>	<b>6,959</b>	<b>3,409</b>	<b>655</b>	<b>500</b>	<b>3,564</b>	<b>2,407</b>	<b>3,395</b>

*Holdings refers* to holdings in the European Energy Exchange AG (EEX), Leipzig. During the reporting year, the company applied an appreciation in value to the original acquisition costs with regard to a previously-applied extraordinary value adjustment.

*Other loans* mainly refer to long-term loans to employees.

*Trade payables* include accrued and unbilled receivables from electricity and gas supplies amounting to EUR 31,112,000. Down-payments received from sales customers were deducted from the receivables for deferred consumption. There are no receivables with a residual term of more than one year.

*Receivables from the shareholder, from affiliated companies and companies in which holdings are maintained* all relate to accounts receivables. There are no receivables with a residual term of more than one year.

*Other assets* relate to tax receivables and also mainly suppliers with debit balances and securities provided for exchange trading.

#### **Explanations regarding the liabilities side of the balance sheet**

On the closing date, the company's *share capital* (subscribed capital) is EUR 17,650,000 and has been divided into 17,650,000 registered shares. HEAG Südthessische Energie AG (HSE) owns 100% of shares.

Provisions are broken down as follows:

	31/12/2010	31/12/2009
	EUR 000s	EUR 000s
<b>Profit reserves</b>		
Statutory reserve	45	45

Taking into account profits carried forward in the amount of EUR 848,000 net earnings amount to EUR 294,000.

*Provisions for pensions and similar obligations* mainly consist of pension-related and subsidiary pension obligations. The shortfall resulting from exercising the option pursuant to Section 67, Subsection 1 (1) EGHGB is EUR 195,000.

*Other provisions* were created mainly for outstanding invoices, for risk provisions from pending transactions as well as for staff-related obligations.

*Liabilities* are broken down as follows:

	31/12/2010		
	Total EUR 000s	Residual term	
		up to 1 year EUR 000s	more than 5 years EUR 000s
1. Trade payables	69,044	69,044	0
2. Liabilities to affiliated companies	8,598	8,598	0
3. Liabilities to companies in which holdings are maintained	0	0	0
4. Liabilities to shareholder	40,745	40,745	0
5. Other liabilities	20,221	20,221	0
	<b>138,609</b>	<b>138,609</b>	<b>0</b>

*Trade payables* only relate to the operating business.

*Liabilities to affiliated companies* mainly consist of trade payables related to ENTEGA Vertrieb GmbH & Co. KG, Industriekraft Breuberg GmbH as well as the distribution grid operator (VNB) Rhein-Main-Neckar GmbH & Co KG.

*Liabilities to shareholder* HSE mainly consist of shareholder loans of EUR 23,820,000 and trade payables of EUR 16,910,000 and interest.

*Other liabilities* break down as follows:

	31/12/2010 EUR 000s	31/12/2009 EUR 000s
Tax liabilities	5,208	6,230
Social security liabilities	13	0
Other liabilities	15,000	68
	<b>20,221</b>	<b>6,298</b>

The company forms valuation units for pending transactions in accordance with Section 254 HGB in the form of macro hedges, divided up according to the relevant business purpose, both for its own as well as third party transactions. Included hedges are used to protect against price change risks. The volume of included sales transactions amounts to EUR 2,828 million, while the volume of counter purchases amounts to EUR 2,820 million and includes the monthly settlement periods until the end of 2013. *The valuation units* are fully effective as a result of congruence of the type, volume and maturity of underlying and hedge transaction(s).

#### Explanations regarding the income statement

*Sales revenues* are broken down as follows:

	2010 EUR 000s	2009 EUR 000s
Handling of account books and services	2,152,992	2,410,408
Energy supplies and other sales revenues	508,441	836,555
	<b>2,661,433</b>	<b>3,246,963</b>

The amounts above do not include electricity tax of EUR 60,205,000 (previous year: EUR 74,920,000) or energy taxes (natural gas) of EUR 1,902,000 (previous year: EUR 3,930,000).

*Other operating income* mainly consists of earnings from the reversal of provisions, earnings from adjusted receivables, earnings from the marketing of minute reserves as well as earnings from reallocated expenses.

The *cost of materials* item includes expenses for raw, ancillary, operating materials and goods, as well as purchased services. The largest component of this item consists of energy procurement costs and grid fees. Because of the special features of citiworks' sales business, sales revenues and costs for materials also include non-periodic lag amounts regarding the result and expenses. The reversal of provisions also results in additional non-periodic effects regarding the result.

31/12/2009

Total EUR 000s	Residual term	
	up to 1 year EUR 000s	more than 5 years EUR 000s
63,467	63,467	0
0	0	0
163,172	163,172	0
0	0	0
6,298	6,298	0
<b>232,937</b>	<b>232,937</b>	<b>0</b>

Other liabilities are exclusively derived from loan obligations.

*Other financial obligations* on the closing date amount to EUR 1.337 million. These pending electricity forward transactions (procurement) mainly consist of ongoing and future supply periods. Of these, EUR 39,958,000 are attributed to affiliated companies and EUR 29,000 to the shareholder. There are no risks resulting from the utilisation of warranties.

*Labour costs* include wages and salaries as well as social security contributions and expenses for pensions and support. The amount attributable to pensions is EUR 52,000 (previous year: EUR 64,000).

*Other operating expenses* mainly relate to the reversal of deferrals for proceeds, as well as the risk provision. In addition, other operating expenses mainly include ancillary trading costs, third-party services, consulting costs and expenses for the company's infrastructure.

*Interest and similar expenses* mainly relate to interest costs for utilised loans, as well as commissions for bank guarantees. Interest expenses vis-à-vis affiliated companies amount to EUR 788,000 (previous year: EUR 0).

*Income taxes* include earnings from other periods. They are mainly the result of a rebate claimed for tax payments submitted in past years.

## Other information

### Institutions / Supervisory Board

Dr. Kurt Mühlhäuser, Chairman of the Executive Board for Stadtwerke München GmbH, Munich  
Chairman (until 14 June 2010)

Anton Hoffmann, Chairman of the Works Council (group) for Stadtwerke München GmbH, Munich  
2nd Deputy Chairman (until 14 June 2010)

Stephan Schwarz, Director Supply and Technology for Stadtwerke München GmbH, Munich  
(until 14 June 2010)

Dr. Werner Sticksel, Executive Board Chairman for Stadtwerke Mainz AG, Mainz (until 27 July 2010)

Holger Mayer, Member of the Executive Board HEAG Süd Hessische Energie AG (HSE), Darmstadt  
Chairman (until 15 June 2010)



Albert Filbert, Executive Board Chairman for HEAG Süd Hessische Energie AG (HSE), Darmstadt  
1. Deputy Chairman

Harald Fiedler, former Deputy Executive Board Chairman HEAG AG, Darmstadt

Anke Janousch-Steiner, Head of Department Business Administration, Processes and Systems for HEAG Süd Hessische Energie AG (HSE), Limburg  
(since 15 June 2010)

Matthias Krebs, Head of Department Corporate Planning and Risk Controlling for HEAG Süd Hessische Energie AG (HSE), Darmstadt  
(since 15 June 2010)



Katja Giesecking, (until 28 April 2010)

Sales Manager SWM Versorgungs GmbH, Munich  
Member of the Executive Board, Munich Sales Center and Trade, Portfolio Services, IT as well as Balancing Group and Supply Management

#### Total receipts – Executive Board

There were no remunerations for the Executive Board during the past fiscal year. Information pursuant to Section 285 (1) 9 a) and b) HGB is omitted in accordance with Section 286 Subsection 4 HGB.

#### Total receipts – Supervisory Board and Advisory Board

Expenses of EUR 2,000 were incurred for the members of the Supervisory Board.

#### Auditor's fee

The audit fee is EUR 77,000. Of this amount, EUR 70,000 is attributable to the audit of the annual financial statements, and EUR 7,000 to other certifying services.

#### Employees

During the year, the company had 48 employees on average.

#### Institutions / Executive Board

Stephanie Möller, (since 22 June 2010), Lawyer, Darmstadt  
Member of the Executive Board responsible for Finance, Personnel, Risk Controlling and IT

Michael Böddeker, (since 1 January 2011)  
Sales Manager, Darmstadt  
Member of the Executive Board responsible for Trade, Sales, Energy Logistics and Portfolio Management

Dr. Oliver Runte, (from 3 February 2010 to 31 December 2010)  
Management Consultant, Munich  
Member of the Executive Board responsible for Trade, Sales, Energy Logistics and Portfolio Management (since 22 June 2010)  
Member of the Executive Board, Center Darmstadt and Finance, Personnel/Legal Affairs and Risk Controlling (until 22 June 2010)

#### Larger transactions

The majority of the company's electricity and gas supplies were made to the shareholder as well as ENTEGA Vertrieb GmbH & Co. KG. Other supplies and services were also rendered to COUNT+CARE GmbH and e-ben GmbH & Co. KG.

#### Recommendation regarding appropriation of profits

We recommend that the net earnings shown for 31 December 2010 in the amount of EUR 294,000 are carried forward to the new accounts.

Munich, 24 March 2011

citiworks AG

The Executive Board

Stephanie Möller

Michael Böddeker

## Auditor's Opinion

We have audited the annual financial statements – consisting of the balance sheet, income statement and Notes – including the accounts and management report for citiworks AG, Munich, for the 1 January to 31 December 2010 fiscal year. Accounting and preparation of the annual financial statements and the annual report pursuant to German commercial provisions is the responsibility of the company's Executive Board. Our task is to provide an assessment of the annual financial statements, including accounting, and the management report, based on our audit.

We conducted our audit of the annual financial statements pursuant to Section 317 HGB in compliance with the accepted German accounting principles as approved by the Institut der Wirtschaftsprüfer (IDW). According to these, the audit must be planned and performed so as to detect with sufficient certainty errors and breaches that have a material effect on the representation of the assets, financial and earnings position as conveyed by the annual financial statements (in adherence to generally accepted accounting principles) and the management report. Audit activities take account of knowledge of the company's business activities and the financial and legal environment, as well as expectations regarding possible errors. As part of the audit, the effectiveness of the accounting internal control system as well supporting evidence for the information contained in the accounts, annual financial statements and management report was mainly assessed on the basis of spot samples.

The audit consists of an assessment of applied accounting principles and the key assessments of the statutory representatives, as well as an appraisal of the overall representation of the annual financial statements and the management report. We are of the view that our audit represents a sufficiently certain basis for our report.

Our audit has not led to any reservations.

As per our assessment, which is based on the insights gained during the audit, the annual financial statements correspond with the statutory provisions and the supplementary provisions of the articles of association, and convey a correct representation of the company's assets, financial and earnings position in accordance with German Generally Accepted Accounting Principles (GAAP). The management report corresponds with the annual financial statements, conveys overall an accurate picture of the company's position, and correctly describes the opportunities and risks associated with future developments.

Stuttgart, 25 March 2011

RP RICHTER GmbH  
Auditing Company

Appel  
Auditor

Uthoff  
Auditor



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