

2017

ANNUAL REPORT

Energiehandels-gesellschaft West mbH



ehw

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MANAGEMENT REPORT

MANAGEMENT REPORT

COMPANY'S BASIC FOUNDATIONS

The Energiehandelsgesellschaft West mbH (ehw) was founded in 1998 by independent municipal utilities in Germany. The aim of the Company is to provide its customers with cost-effective services and thus transfer the economic added value of the structured procurement of electricity and natural gas to public utility companies. It therefore fulfills its public purpose.

The core business of ehw is the procurement and supply of energy: Our Company procures the wholesale markets for redistributors and public utility companies. ehw thus supports these companies in ensuring the supply of energy to their end customers.

ehw makes it possible for your customers to be active in direct marketing through day-ahead and intraday market access services. Furthermore, the management of the public utility companies' procurement portfolios is an essential ehw service package for all German power control zones and natural gas market areas. Essential components of this service package are balance sheet management, which is controlled centrally for all customers, and advanced forecasting methods for electricity and natural gas.

For reporting obligations pursuant to EU Regulation No. 1227/2011 (REMIT), ehw is offering a service for its reporting transactions as well as for the reporting system of ehw customers, which fulfills all reporting obligations and makes it possible for the customer to receive notifications of third-party quantities.

Increasing regulatory requirements and the implementation of energy data management consistently increase expenses for small and medium-sized public utility companies. Through its service offer, ehw makes life easier and guarantees high quality and transparency as part of the consistent continued development of its processes.

To enable its customers to obtain optimal procurement, on 1 October 2017 ehw joined the existing gas cooperation Energie- und Wasserversorgung Mittleres Ruhrgebiet GmbH (ewmr, consisting of the Stadtwerke Bochum, Herne and Witten) with Stadtwerke Essen and Gelsenwasser, founded three years previously. As of 1 January 2018, ehw and

Gelsenwasser founded a joint electricity cooperation as a second step.

ehw's essential recipe for success is the cooperation with its shareholders and customers in a balanced partnership of equals. All activities of ehw are carried out in agreement with the business objectives of its partner companies and are tailored to their requirements and needs.

ECONOMIC REPORT

1. BUSINESS DEVELOPMENT

As in previous years, sales in the 2017 fiscal year amounting to KEUR 794,144 are primarily comprised of the trade of electricity and natural gas as well as the provision of energy-related services. Compared to the previous year (KEUR 729,730), revenue increased by a total of KEUR + 64,414 (+ 21%).

| | Ist 2017 | Actual value 2016 | Δ Actual value - previous year |
|--------------|----------------|-------------------|--------------------------------|
| Electricity | 649,489 | 567,011 | +82,478 |
| Gas | 144,037 | 161,411 | -17,374 |
| Other | 618 | 1,308 | -690 |
| Total | 794,144 | 729,730 | +64,414 |

Sales revenues by business sectors in KEUR

A turnover volume of KEUR 649,489 was generated in the electricity sector. Compared to the previous year (KEUR 567,011), revenue therefore increased by KEUR +82,478. The increase consists of revenues within the framework of the portfolio optimisation.

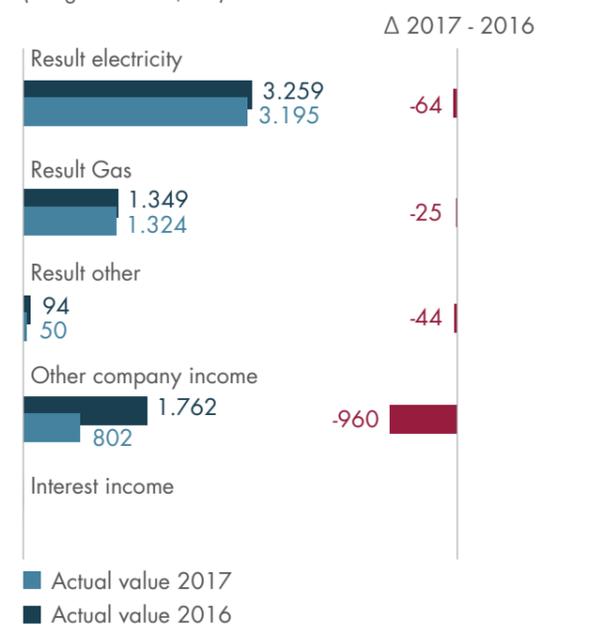
Revenues in the gas sector fell by a total of KEUR -17,374 compared to the previous year (161,411 TEUR) and achieved a value of KEUR 144,037 in 2017. The decrease compared to the previous year is due to reduced sales volumes for third-party and business clients, as well as lower revenues for portfolio optimisation.

Other sales revenue of KEUR 618 in 2017 was KEUR -690 lower than in the previous year (KEUR 1,308) and almost exclusively includes sales of CO₂ emission certificates.

2. POSITION OF THE COMPANY

2.1 FINANCIAL PERFORMANCE

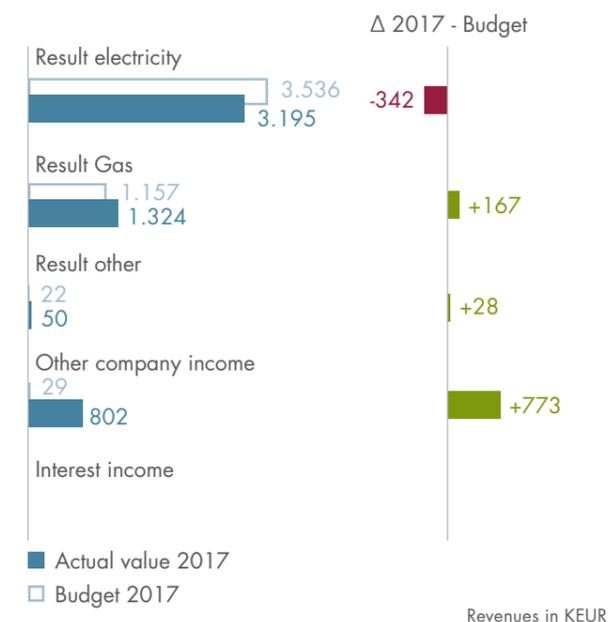
Gross profit, consisting of electricity yield, gas yield and miscellaneous yield decreased by a total of KEUR -134 to KEUR 4,569 in the 2017 financial year compared to the previous year (KEUR 4,703). This is KEUR -146 below expectation (budget: KEUR 4,715).



Revenues in KEUR

A significant share of the gross profit decline compared to the previous year can largely be attributed to a reduction in gross revenue in the electricity sector. This is a decrease of KEUR -64 from KEUR 3,259 to KEUR 3,195 compared with the previous year and is therefore KEUR -342 below the 2017 budget expectation (KEUR 3,536). An above-average realisation of market risks is decisive for the decline in portfolio management at the beginning of 2017. Some of the decline in revenue was offset by increased sales volumes in the third-party sector.

The gross profit from the gas business declined slightly in 2017 compared to the previous year by KEUR -25 to KEUR 1,324. The actual value thus exceeds expectations by KEUR +167, as, on the one hand, sales in the area of the third-party sector in particular were projected lower. On the other hand, the actual realisation of market risks in portfolio management was below budget expectations.



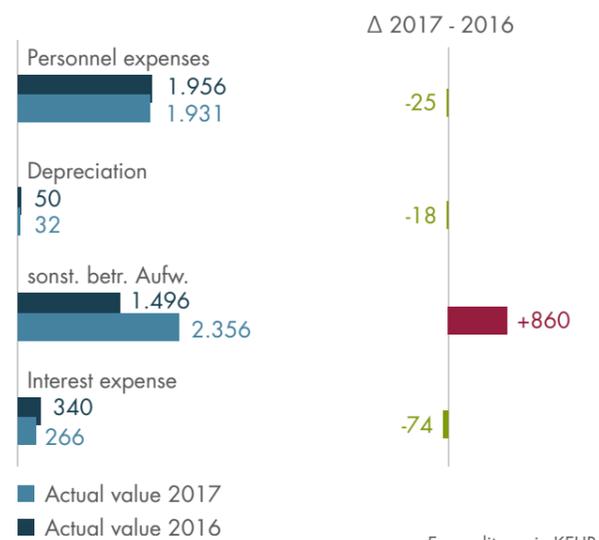
Revenues in KEUR

In the previous year, other gross revenue amounted to KEUR 50 and was primarily comprised of the realisation of hidden reserves from trading CO₂ emissions certificates. Corresponding to the decrease in sales volumes, other gross income decreased by KEUR -44 in comparison to the previous year.

As expected, interest revenue was not achieved due to the generally low level of interest rates.

Another significant contribution to earnings for the 2017 fiscal year is other operating income in the amount of KEUR 802. These balance sheet revenues essentially resulted from the reversal of provisions from previous financial years amounting to KEUR 757, which could not be taken into account as planning variables. The decline in other operating income of KEUR -960 compared to the previous year is mainly due to the fact that income from the reversal of provisions was significantly higher in 2016 at KEUR 1,564.

Despite one-off expenses in connection with the cooperation, personnel expenses were reduced by KEUR -25 compared to the previous year (KEUR 1,956) to KEUR 1,931. Compared to budgeted expectations, the personnel cost level is lower by KEUR -111. The reason for this is a decline in employment due to not filling previously existing posts as well as the transfer of employees to the cooperation.



Depreciation and amortisation expenses amounted to KEUR 32 below the previous year's figure of KEUR 50 and therefore almost meet expectations (KEUR 30).

Other operating expenses amount to KEUR 2,356, which is KEUR +860 above the previous year's level (KEUR 1,496) and KEUR +804 higher than expected (budget: EUR 1,551). The increase is mainly due to the formation of additional provisions as a balance sheet provisioning measure in accordance with the tax assessment process that has been ongoing since 2013 and increased expenses for external services in accordance with the gas cooperation.

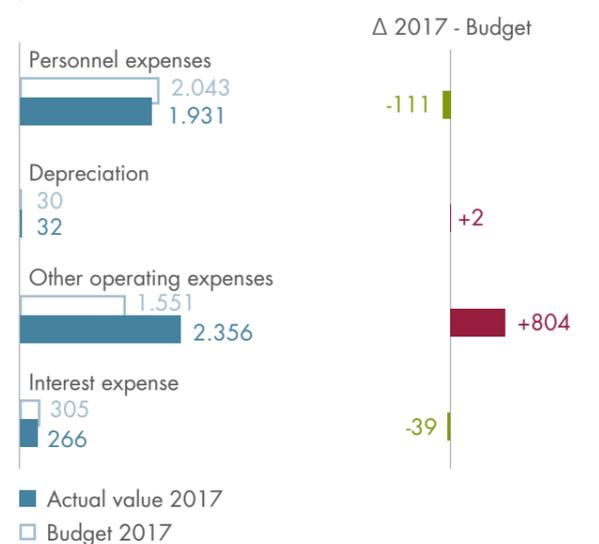
Interest costs were reduced by KEUR -74 compared with the previous year (KEUR 340) to KEUR 266. Compared with the budgeted figure (KEUR 305), expenses were also reduced by KEUR -39. The reason for this development is a lower level of utilisation of the bad debt insurance framework.

Earnings before taxes decreased by KEUR 1,840 to KEUR 786 in 2017 compared to the previous year due to overall higher expenses and lower income. They are therefore KEUR -29 below the expected budget of KEUR 815.

2.2 CASH FLOWS

The finances of ehw are in order. The Company is capable of almost completely meeting its current liabilities with cash

on hand and cash equivalents (Liquidity 1. Grades: 98%). The Company's financial solvency was and is thus ensured at all times. The solid financial position of ehw enabled the Company to dispense with overdraft credit lines and similar financing tools in the most recent and the upcoming fiscal year.



2.3 FINANCIAL POSITION

Fixed assets changed compared to the previous year (KEUR 65) due to scheduled depreciation and an investment in software licenses (worth KEUR 16) totaling KEUR 49. This mainly includes software licenses and IT hardware.

Compared to the previous year (KEUR 52,540), the current assets increased by a total of KEUR +7,880 and totaled KEUR 60,420 on the balance sheet date. In 2017, stock-in-trade is reduced to KEUR 193 (previous year: KEUR 693) due to the reduction of advance payments and the sale of CO2 emission allowances. Receivables and other assets decreased by KEUR 3,723 compared to the previous year (KEUR 19,221) and amounted to KEUR 15,498 as of 31 December 2017. In line with the decline in receivables and the increase in liabilities, cash and cash equivalents increased by KEUR 12,104 to KEUR 44,730 compared to the previous year (KEUR 32,626).

Deferred income as of the balance sheet date amounts to KEUR 168.

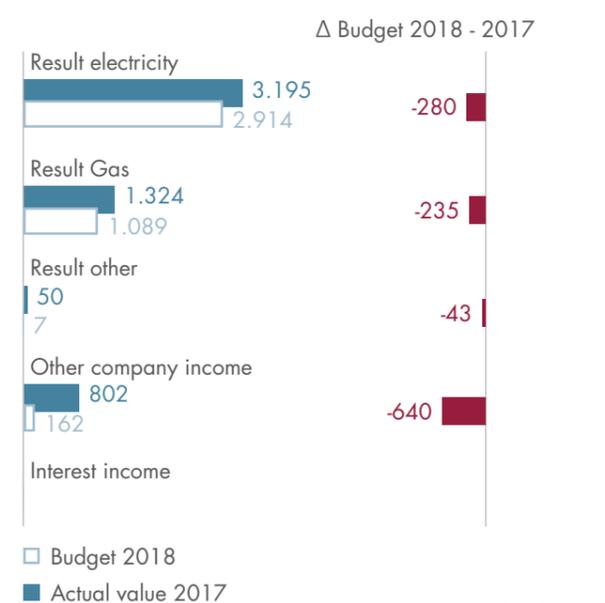
2.4 STAFF

Including the Executive Director, an average of 21 employees were employed as full-time and part-time employees at ehw during the 2017 fiscal year, with a total employment volume of 19 full-time equivalents.

FORECAST, RISK AND OPPORTUNITIES REPORT

1. FORECAST REPORT

Gross profit of KEUR 3,996 is budgeted for the fiscal year 2018.



A gross revenue decline of KEUR -280 for a total of KEUR 2,914 is expected for the electricity sector in 2018 compared to the previous year. The reason for this is the expected decline in sales volumes and lower income from portfolio optimisation.

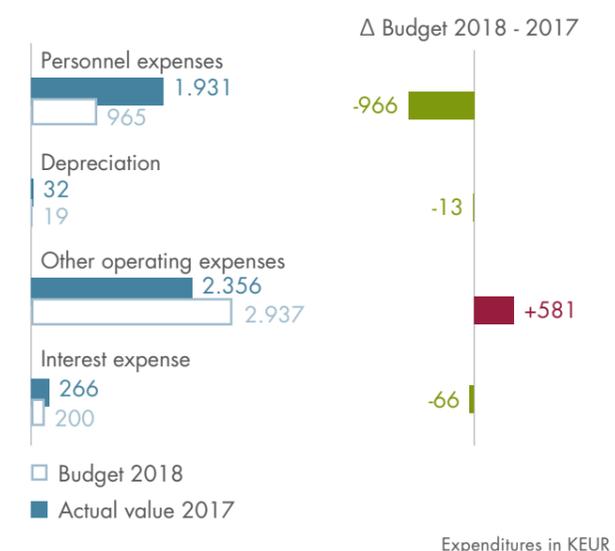
Sales volumes are expected to decline in the Gas sector; a gross revenue decline of KEUR -235 to KEUR 1,089 is expected.

Gross income specified under 'Other' is assumed to be KEUR 7 for the financial year 2018.

Other operating income for the 2018 fiscal year 2017 is expected to amount to KEUR 162. Due to income from the reversal of provisions in 2017, a decrease of KEUR -640 exists compared to the previous year. This can not be expected ex-ante for 2018.

Interest revenue is not expected due to generally low interest rates.

Personnel expenses are expected to decrease significantly from KEUR -966 to KEUR 965. The reason for this is that as a result of the cooperation, around half of the employees are now employed by Gelsenwasser AG.



No investments are planned for 2018. This is expected to reduce depreciation by KEUR -13 to a total of KEUR 19.

Other operating expenses are expected to increase by KEUR 581 in 2018 to KEUR 2,937. The increase is mainly due to higher expenses for external services within the context of the cooperation.

Interest costs will fall again (KEUR -66) and are expected to reach KEUR 200. As in previous years, the reason for this is a lower level of utilisation of the bad debt insurance framework.

The resulting net profit before taxes in 2018 is expected to be KEUR 52.

2. RISK REPORT

ehw is currently in a legal dispute due to the tax office's allowance of advance tax payments. The controversial advance tax payments were paid by ehw without recognition of the legal position of the tax office. On 13 December 2017, the Münster

Innenstadt tax office sent a notice of secondary liability by post to ehw in accordance with § 25d UStG (German Value Added Tax Act). The tax office however did not expressly provide the notice of secondary liability together with a tender. A tender shall only be issued if and insofar as the input tax deduction from the deliveries - after final conclusion of the legal action before the Münster Fiscal Court - is not denied. After intensive legal and fiscal assessment of this situation, the managing directors conclude that it can be generally assumed that, in the event of doubt, a claim can be terminated in the courts. Additional risk prevention is not required according to the letter from the tax office of 13 December 2017.

The Energiehandelsgesellschaft West mbH is the central trading and procurement unit for its shareholders. It provides shareholders and other customers market access for their needs-oriented procurement and, consequently, for the price hedging of the required energy quantities. In addition, it enables your customers to use it as a platform to market electricity and gas quantities from power plants and storage facilities.

The implementation of its business objectives exposes the Energiehandelsgesellschaft West mbH to typical opportunities and risks in the trading sector. The trading risks are divided into the following categories:

Market price and market liquidity risks: Market risks arise from the physical purchase and sale of electricity and gas from the date on which the contract is concluded as well as from price hedging through financial transactions. The market price risk is illustrated as a value difference between the contract price and the current market valuation of each quantity position. The level of this market risk is therefore determined by the amount of open positions. The quotations of the relevant stock exchanges and brokers are used to assess the market value of these risks. The corresponding risks are quantified in daily reporting.

There is a risk of limited market liquidity if the supply of certain products on the market is relatively low or if there is low demand. Market liquidity risks may therefore lead to comparatively unfavorable prices or to stable open positions. To minimise this risk, ehw works with volume limits per calendar year which are monitored daily.

ehw has in-house reporting solutions to address product-specific risks. These solutions adequately reflect the market risk of the products and enable effective risk management.

Quantity risks: In principle, there are deviations between the quantities obtained on the basis of the projections and the quantity of energy that must physically be supplied. These deviations are primarily cyclical and climatic. The quantitative risk is further limited by regularly optimising the projections.

Counterparty risks: The possible loss of a business partner is a central risk for ehw. To reduce counterparty risk, ehw distributes its market demand across a trading partner base of approximately 50 companies. These are largely listed companies or near-market public utility companies with good to very good credit ratings. The management of the counterparty risks is based on an in-house ehw rating system, which will assess the financial situation of business partners as validly as possible with the use of several external reporting solutions.

Liquidity risk: The Company must always be able to meet its liabilities toward its business partners in good time. The Company must always be able to meet its liabilities toward its business partners in good time. The liquidity of the Company has ensured its solvency at all times during the previous fiscal year.

Political and legal risks: Furthermore, the Energiehandelsgesellschaft West mbH is subject to changing regulatory requirements in the energy industry. Adaptations and necessary implementations are carried out regularly.

3. OPPORTUNITIES REPORT

On the other hand, the energy transition of the Energiehandelsgesellschaft West mbH offers new opportunities for further development and increasing market potentials. The increasing marginal pressure on municipalities, which is expected to rise in the coming years, must also be met with more efficiency.

The Energiehandelsgesellschaft West mbH can make a major contribution in this area towards the optimisation of electricity and gas procurement as a public utilities organisation. To this

end, the energy trading company has implemented a costing tool in the electricity sector which allows new customers to consistently offer differentiated market-related pricing for their end customers. Moreover, ehw offers its customers various procurement methods for electricity and gas which enable them to achieve risk-minimising effects even without requiring daily market observation.

Additional portfolio effects can be generated for our customers through management of the overall portfolio. In addition, Energiehandelsgesellschaft West mbH and its customers must recognise the opportunities arising through changing competition and must develop transparent solution approaches.

These must be followed by the development of competitive service products as well as individual reporting. The obligatory direct marketing tactics for new plants and for facilities, which will in future come from the EEG subsidy, are opportunities which, although they are expected to be competitive, constitute the business sectors of the future.

In addition to the expansion of direct marketing, the Company is also striving to introduce regional products in order to exploit marketing opportunities. Regional identification with local

suppliers can be achieved in addition to public acceptance for the continuously increasing number of renewable energy systems. The integration of isolated customer-oriented solar plants into the public utility companies' sales portfolio is a further step towards achieving the convergence of renewable energy feeders and consumers.

In principle, a closer integration of the Energiehandelsgesellschaft West mbH with its partners and customers should enable intensive cooperation in the design of new service approaches. At the same time, electricity and gas cooperations are to be used to better serve customers' needs. When the parties communicate, customer needs can be circumspectly identified, services can be customised and future business sectors can be sustainably developed.

Münster, 17 April 2018
Energiehandelsgesellschaft West mbH
Dipl.- Ing. Markus Deimel
(Executive Director)

ANNUAL REPORT



BALANCE SHEET

| | 31.12.2017 | 31.12.2016 |
|--|----------------------|----------------------|
| | € | € |
| ASSETS | | |
| A. Fixed assets | | |
| I. Intangible fixed assets | | |
| Concessions acquired for a consideration, industrial property rights and similar rights and values as well as licences to such rights and values | 30,447.00 | 29,561.00 |
| II. Tangible fixed assets | | |
| Other equipment, operating and office equipment | 18,685.00 | 35,578.00 |
| | 49,132.00 | 65,139.00 |
| B. Current assets | | |
| I. Inventories | | |
| 1. Raw materials, consumables and supplies | 192,521.00 | 258,479.00 |
| 2. Payments made | 0.00 | 434,800.80 |
| | 192,521.00 | 693,279.80 |
| II. Receivables and other assets | | |
| 1. Trade receivables | 15,066,064.06 | 18,284,814.77 |
| 2. Other assets | 432,347.86 | 936,117.92 |
| | 15,498,411.92 | 19,220,932.69 |
| III. Cash assets, deposits at the German Federal Bank, balances at financial institutions and cheques | 44,729,523.82 | 32,625,569.62 |
| | 60,420,456.74 | 52,539,782.11 |
| C. Prepaid expenses | 168,113.24 | 1,731,743.85 |
| | 60,637,701.98 | 54,336,664.96 |

EQUITY AND LIABILITIES

| | 31.12.2017 | 31.12.2016 |
|---|----------------------|----------------------|
| | € | € |
| A. Equity | | |
| I. Subscribed capital | 2,416,325.00 | 2,416,325.00 |
| II. Capital reserves | 5,200,000.00 | 5,200,000.00 |
| III. Revenue reserves | | |
| Other revenue reserves | 6,338,907.79 | 3,996,629.90 |
| IV. Accumulated profits | 778,049.07 | 2,342,277.89 |
| | 14,733,281.86 | 13,955,232.79 |
| B. Provisions | | |
| 1. Provisions for taxes | 86,288.95 | 239,851.95 |
| 2. Other provisions | 4,116,260.29 | 3,943,312.43 |
| | 4,202,549.24 | 4,183,164.38 |
| C. Liabilities | | |
| 1. Payments received on account of orders | 1,200,000.00 | 6,064,485.07 |
| 2. Trade payables | 40,138,317.52 | 29,920,513.43 |
| 3. Other liabilities | 118,939.30 | 199,984.43 |
| | 41,457,256.82 | 36,184,982.93 |
| D. Prepaid expenses | 244,614.06 | 13,284.86 |
| | 60,637,701.98 | 54,336,664.96 |

PROFIT AND LOSS ACCOUNT

| | 01.01.2017 – 31.12.2017 | 01.01.2016 – 31.12.2016 |
|--|----------------------------|----------------------------|
| | € | € |
| 1. Sales revenues | 794,144,118.26 | 729,729,668.45 |
| 2. Other operating income | 801,931.43 | 1,761,606.78 |
| 3. Cost of materials Cost of raw materials, consumables and supplies, and of purchased merchandise | 789,575,265.62 | 725,026,759.92 |
| 4. Personnel expenses | | |
| a) Wages and salaries | 1,678,795.66 | 1,657,139.19 |
| b) Social security payments and expenses relating to pensions and employee benefits | 252,621.33 | 299,355.23 |
| | 1,931,416.99 | 1,956,494.42 |
| 5. Depreciation of intangible fixed assets of the capital assets and of tangible fixed assets | 32,136.00 | 49,766.57 |
| 6. Other operating expenses | 2,355,562.18 | 1,495,860.09 |
| 7. Other interest and similar income | 41.34 | 2,948.66 |
| 8. Interest and similar expenses | 265,611.46 | 339,689.08 |
| 9. Taxes on income and earnings | 7,216.71 | 282,689.20 |
| 10. Earnings after taxes | 778,882.07 | 2,342,964.61 |
| 11. Other taxes | 833.00 | 686.72 |
| 12. Annual net income | 778,049.07 | 2,342,277.89 |
| 13. Profit/loss carried forward from the previous year | 2,342,277.89 | -16,811,668.33 |
| 14. Withdrawals from capital reserves | 0.00 | 16,798,844.77 |
| 15. Withdrawals from revenue reserves | | |
| From other revenue reserves | 0.00 | 12,823.56 |
| 16. Withdrawals from revenue reserves | | |
| Other revenue reserves | 2,342,277.89 | 0.00 |
| 17. Accumulated profits | 778,049.07 | 2,342,277.89 |

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

The Energiehandelsgesellschaft West mbH is headquartered in Münster, Germany and falls under the jurisdiction of the District Court of Münster under the number HRB 5329.

GENERAL DISCLOSURES ON THE CONTENT AND STRUCTURE OF THE ANNUAL FINANCIAL STATEMENTS

The present annual financial statements were prepared on the basis of the classification criteria and accounting and valuation policies set out in the HGB (German Commercial Code), in the same manner as the annual financial statements of the previous year. In addition to these policies, the regulations of the German Limited Company Act have been adhered to.

According to the size criteria of § 267 (3) HGB (German Commercial Code), the Company is considered to be a large corporation.

The annual financial statements were prepared correspondingly with the classification regulations set out in §§ 266 ff. HGB.

DISCLOSURES ON THE ACCOUNTING METHODS ACCOUNTING AND VALUATION METHODS

The annual financial reports include all assets, liabilities, prepaid expenses, expenses and income, unless otherwise provided for by law. The items on the assets side have not been offset against items on the liabilities side, nor have expenses been offset against income.

The capital assets only include items which are intended to serve the operations of the business in the long term. Expenses associated with the foundation of the Company and for the procurement of the equity and the intangible fixed assets which were not acquired for a consideration have not been accounted for.

Provisions have only been shown within the framework of § 249 HGB and prepaid expenses have been shown in accordance with the requirements set out in § 250 HGB.

VALUATION METHODS

The valuations contained within the opening balance for the financial year concur with the closing balance of the preceding fiscal year. The assumptions of the going concern

principle have been applied for the purposes of the valuation. The assets and liabilities have been individually valued.

The valuations are cautious; namely, all foreseeable risks and losses which have arisen prior to the balance sheet date have been taken into account, even if these have only come to light between the balance sheet date and the preparation of the annual financial statements.

Profits are only taken into account if they have materialised before the balance sheet date. Expenses and income from the financial year have been taken into account regardless of the payment date.

The profit and loss account has been prepared in accordance with the aggregate cost method (§ 275 II HGB).

Individual items have been evaluated as follows:

the intangible assets and the tangible fixed assets have been reported at their purchase costs or production costs respectively, reduced by the scheduled depreciation.

The basis for the scheduled depreciation was the foreseeable useful life of the relevant asset.

Depreciations have been applied using the straight line method on the basis of the average operational useful life.

Low-value economic assets with acquisition costs of up to EUR 410 are reported as acquisitions and disposals for the year of acquisition.

The inventories have been recognised at their purchase or production costs respectively and if a corresponding record was available, on the lower stock exchange or market price on the balance sheet date. If a stock exchange- or market price could not be determined, they were depreciated according to the lower attributable value.

Receivables have been recognised at their nominal amount as a fundamental principle. The general credit risk for trade receivables has been accounted for by means of a flat-rate value adjustment.

Other assets, as well as liquid assets have been recognised at their nominal value.

Payments made during the 2016 fiscal year were deferred as active prepaid expenses, to the extent that they represented expenses for a certain time period after the balance sheet date.

Other additional items have been accounted for at the nominal value.

Equity has been recognised at the nominal value.

The other provisions have been reported in the amount of the necessary settlement value based on a prudent commercial assessment. They take into account all foreseeable risks and uncertain obligations. Provisions with a remaining term of more than one year are discounted according to the regulations of the Rückstellungsabzinsungsverordnung (German Regulation on the Discounting of Provisions).

The liabilities have been recognised at their settlement amounts. If the market values of the liabilities exceed the

repayment amounts, the liabilities have been recognised at the higher market value.

The Company makes use of the possibility of reporting hedging relationships within the meaning of § 254 HGB for the existing selling and procurement positions.

Expenses and income have been limited to the fiscal year.

DISCLOSURES ON THE BALANCE SHEET

FIXED ASSETS

The development of the individual capital assets including the depreciations apportioned to the reporting year is shown on the assets analysis which is attached as an appendix.

CURRENT ASSETS

The inventory exclusively concerns CO₂ emission certificates (KEUR 193).

RECEIVABLES AND OTHER ASSETS

Of the trade receivables, KEUR 8,121 are to shareholders (previous year KEUR 7,854).

LIQUID ASSETS

The bank balance at the Macquarie Bank includes a security bond of KEUR 952.

EQUITY

On the balance sheet date, the share capital is KEUR 4,000. Included in this are treasury shares of KEUR 1,584 (39.59%).

PROVISIONS

The other provisions include the following significant individual positions:

Provisions for balancing group statements: KEUR 399 (previous year KEUR 874)

Provisions for legal costs and pre-trial costs: KEUR 2,689 (previous year KEUR 2,112)

Provisions relating to personnel: KEUR 368 (previous year: KEUR 280)

Provisions for legal safekeeping obligations KEUR 287 (previous year: KEUR 244).

Provisions for outstanding invoices KEUR 162 (previous year: KEUR 125)

LIABILITIES

As in the previous year, all liabilities have a residual term of up to one year.

The trade payables in the reporting period were primarily collateralised by third party guarantees, comfort letters and loan guarantees by the shareholders.

The liabilities to shareholders exclusively include trade payables resulting from energy supplies EUR 2,019,423.72 (previous year EUR 2,722,557.69)..

Other liabilities include:

| Liabilities (in €) | 31.12.2017 | 31.12.2016 |
|------------------------------------|------------|------------|
| of which taxes | 85,365.82 | 135,178.52 |
| of which relate to social security | 2,131.31 | 3,590.94 |

| | Cost of purchase and production | | | | | Cumulative | Book value | | Depreciations | Attributions |
|--|---------------------------------|-------------------|----------------|------------|----------------------|----------------------|-------------------|-------------------|-------------------|--------------|
| | As at 01.01.2017 | Inflows 2017 | Outflows 2017 | Transfers | As at 31.12.2017 | | As at 31.12.2017 | As at 31.12.2016 | | |
| Fixed assets | | | | | | Depreciations | | | | |
| I. Intangible fixed assets | | | | | | | | | | |
| Concessions acquired for a consideration, industrial property rights and similar rights and values as well as licences to such rights and values | €932,594.39 | €16,130.00 | – € | – € | €948,724.39 | €918,277.39 | €30,447.00 | € 29,561.00 | €15,244.00 | – € |
| Total intangible assets | €932,594.39 | €16,130.00 | – € | – € | €948,724.39 | €918,277.39 | €30,447.00 | €29,561.00 | €15,244.00 | – € |
| II. Tangible fixed assets | | | | | | | | | | |
| Other equipment, operating and office equipment | €172,188.85 | – € | €179.00 | – € | €172,685.39 | €154,000.39 | €18,685.00 | €35,578.00 | €16,892.00 | – € |
| Total tangible fixed assets | €172,188.85 | – € | €179.00 | – € | €172,685.39 | €154,000.39 | €18,685.00 | €35,578.00 | €16,892.00 | – € |
| Total fixed assets | €1,105,458.78 | €16,130.00 | €179.00 | – € | €1,121,409.78 | €1,072,277.78 | €49,132.00 | €65,139.00 | €32,136.00 | – € |

PREPAID EXPENSES

Prepaid revenue for the following year is included in the deferred income and accrued expenses.

DERIVATIVE FINANCIAL INSTRUMENTS (§ 285 NO. 19 HGB)

On 31 December 2017, ehw had 30,375 t CO₂ emission certificates in the portfolio with a carrying value of KEUR 193. As the market price on the cut-off date (8.03 euros/t) is higher than the average value, the accounting was done in accordance with the lowest value principle taking the average value. The average value used for accounting purposes was 6.34 euros/t CO₂- emission certificate.

HEDGING RELATIONSHIPS (§ 285 NO. 23 HGB)

In accordance with its business model, ehw transacts physical and financial futures for coming fiscal years. Using scheduled hedging transactions, price and quantitative risks are reduced as far as possible.

At ehw, the selling and procurement positions as well as the hedging on these positions are combined for the commodity electricity in the hedging relationship "sales and distribution portfolio electricity" and "proprietary trading electricity" and for the commodity gas in the hedging relationships "sales and distribution portfolio gas", "full supply portfolio gas" as well as "proprietary trading portfolio gas". The hedging relationships are presented on the balance sheet using the net hedge presentation method. The portfolios are managed with OTC and with liquid stock exchange in accordance with the guidelines of the internal risk management manual.

On the balance sheet date, electricity hedging positions of 13,87 TWh were accompanied by underlying transactions in the amount of 13,87 TWh (KEUR 433,847). In terms of gas, for sales and

distribution, full supply and proprietary trading portfolio, the underlying transactions of 10,293 TWh (KEUR 183,840) were accompanied by hedging positions of 10,293 TWh.

DEFERRED TAXES

There are discrepancies between the commercial and the tax balance sheet, which lead to deferred tax assets. The Company did not avail itself of the option of deferred tax assets in accordance with § 274 (1) clause 2 HGB. The deferred tax assets result from valuation differences in the balance sheet items 'trade debtors', 'other assets' and 'other provisions'. The valuation of the claims is based on an individual corporate tax rate of 31.925%.

OTHER FINANCIAL OBLIGATIONS

Other financial obligations existed on the balance sheet date:

- from electricity supply contracts KEUR 429,682 (previous year KEUR 600,601)
- from gas supply contracts KEUR 183,620 (previous year KEUR 168,941)
- from rental and leasing contracts KEUR 89 (previous year KEUR 93)
- from other contracts (IT) KEUR 556 (previous year KEUR 584)

The benefit of the concluded long-term rental and leasing contracts is the lower liquidity requirement compared to a purchase. A risk from the concluded contracts is currently not foreseeable.

DISCLOSURES ON THE PROFIT AND LOSS ACCOUNT

The sales revenue accrued solely in Germany is split across the business areas as follows:

| | 2017 | | 2016 | |
|-----------------------|----------------|------------|----------------|------------|
| | Figure in KEUR | Share in % | Figure in KEUR | Share in % |
| Electricity sales | 649,489 | 81.78 | 567,011 | 77.70 |
| Gas sales | 144,037 | 18.14 | 161,411 | 22.12 |
| CO ₂ sales | 618 | 0.08 | 1,286 | 0.18 |
| Total sales | 794,144 | 100.00 | 729,708 | 100.00 |

The total sales revenues from previous years amount to KEUR 432 (previous year KEUR 346).

Other operating income in the amount of KEUR 802 (previous year: KEUR 1,762) largely comprises income from the reversal of provisions amounting to KEUR 757 (previous year: KEUR 1,564).

For personnel expenses, KEUR 24 (previous year KEUR 27) is apportionable to expenditure for old-age pensions.

For other operational expenditures, the extraordinary expenditure is apportionable to legal and consultancy costs in addition to trial costs in connection with tax investigation proceedings as well as the findings from a tax audit, in the amount of KEUR 981 (previous year: KEUR 7).

The fees paid for the 2017 fiscal year to the auditors, PricewaterhouseCoopers AG, Düsseldorf, for auditing services amount to KEUR 35.

OTHER DISCLOSURES**EMPLOYEES**

Taken as an average throughout the year, the following number of members of staff were employed:

Employees: 20

MANAGEMENT BOARD

In the current reporting year, the Executive Directors are:

Markus Deimel (Executive Director)

The salaries paid to the Management Board during the fiscal year of 2017 amount to:

Mr. Deimel: Fixed remuneration EUR 128,605.79; variable remuneration EUR 20,922.00

SUBSEQUENT REPORT

No procedures of particular significance went into effect after the fiscal year had ended.

PROPOSED APPROPRIATION OF REVENUE

We propose carrying forward the net revenue for the previous financial year to a new account.

Münster, 17 April 2018

Management Board

Markus Deimel

AUDITOR'S REPORT

ENERGIEHANDELSGESELLSCHAFT WEST MBH, MÜNSTER

AUDIT OPINIONS

We have examined the annual financial statements of Energiehandelsgesellschaft West mbH, Münster, consisting of the balance sheet as at 31 December 2017 and the income statement for the financial year 1 January to 31 December 2017 as well as the notes, including the presentation of the accounting and valuation methods. In addition, we have examined the management report of Energiehandelsgesellschaft West mbH for the financial year 1 January to 31 December 2017.

IN OUR OPINION, BASED ON THE FINDINGS OF OUR AUDIT

- the annual financial statements of Energiehandelsgesellschaft West mbH, Münster for the financial year 1 January to 31 December 2017 comply with legal requirements and the supplementary provisions of the shareholder agreement and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German generally accepted accounting principles.
- Overall, the accompanying management report gives a true picture of the situation of the Company.
- In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the annual financial statements and the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and the management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under these regulations and principles are further described in the section entitled 'Verantwortung des Abschlussprüfers für die Prüfung des Jahresabschlusses und des Lageberichts' (Auditors' Responsibilities for the Audit of the Financial Statements and the Management Report) of our auditor's report. We are independent of the Company in accordance with German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our opinion on the financial statements and management report.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the annual financial statements, which comply with German commercial law, correspond to the specifications in all substantial interests and ensure that the annual financial statements, in compliance with German generally accepted accounting principles, convey a true and fair view of the financial position, financial performance and cash flow of the Company. In addition, the legal representatives are responsible for the internal audit that they have determined necessary in accordance with German generally accepted accounting principles to enable the preparation of financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have responsibility for disclosing matters relating to the continuation of business, if relevant. In addition, they are responsible for accounting for continuing operations on the basis of the accounting principle, unless contrary to factual or legal circumstances.

The legal representatives are also responsible for the preparation of the management report, which as a whole conveys a true picture of the company's position, is in all material respects consistent with the annual financial statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory provisions and in order to be able to provide sufficient suitable evidence for the statements in the management report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objective is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the management report gives a true and fair view of the condition of the Company and in all material respects of the financial statements and that the financial statements are in line with the findings of the audit, that they comply with German legal requirements and accurately reflect the opportunities and risks of future development, and that we issue an auditor's report that includes our audit opinions on the annual financial statements and the management report.

Reasonable assurance is considered to be a high degree of assurance, but there is no guarantee that an audit conducted in accordance with § 317 HGB and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer always reveals a material misstatement. Misstatements can result from any breach or inaccuracy and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of the audience made on the basis of these financial statements and management reports.

DURING THE AUDIT, WE EXERCISE DUE DISCRETION AND MAINTAIN A CRITICAL ATTITUDE. IN ADDITION,

- we identify and assess the risks of material misstatement, whether intentional or unintentional, in the financial statements and the management report, plan and perform procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our opinion. The risk that material misrepresentations will not be detected is higher for infringements than for inaccuracies, as infringements may include fraudulent interactions, counterfeiting, intentional incompleteness, misrepresentations or overriding internal audits.
- we gain an understanding of the internal audit system relevant to the audit of the financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not with the aim of expressing an opinion on the effectiveness of Company systems.
- we assess the appropriateness of the accounting policies used by the legal representatives and the tenability of the estimates and related disclosures made by the legal representatives.
- we draw conclusions about the appropriateness of the accounting policy used by the legal representatives in continuing operations and, on the basis of the audit evidence obtained, whether material uncertainty exists related to events or circumstances that can raise significant doubts about the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial statements and management report or, if inaccurate, to modify our opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances may mean that the Company can no longer continue its business activities.
- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the financial position, financial performance and cash flow of the Company in accordance with German generally accepted accounting principles.

- We assess the consistency of the management report with the annual financial statements, its legislation and the image it conveys of the state of the Company.
- We conduct audits of the forward-looking statements presented by the legal representatives in the management report. On the basis of sufficient suitable audit evidence, we will specifically track the significant assumptions underlying the forward-looking statements of the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss the planned scope and timing of the audit with the supervisors, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Bielefeld, 30 April 2018

PricewaterhouseCoopers AG
Auditing firm

Ulrich Götte
Wirtschaftsprüfer
[German Public Auditor]

ppa. Volker Ellerbrok,
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[German Public Auditor]

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