



RWE Gas Storage

ANNUAL REPORT 2012



KEY FIGURES

	2012
Total sales (CZK m)	4,181
EBITDA (CZK m)	3,297
Operating result (CZK m)	2,620
Profit before taxation (CZK m)	2,630
Profit after taxation (CZK m)	2,130
Investments (CZK m)	602
Number of employees (FTE)	220

Wherever used in the text, the term Company or RWE Gas Storage refers to RWE Gas Storage, s.r.o.

ABBREVIATIONS

a.s.	Public limited company
AG	Aktiengesellschaft (Public limited company)
BCM	Business continuity management
OHS	Occupational health and safety
EU	European Union
GGPSSO	Guidelines for Good Third Party Access Practice for Storage System Operators
HAZOP	Hazard and Operability Study
HR	Human resources
FP	Fire protection
UGS	Underground gas storage
SFS	State Fire Supervision
s.r.o.	Limited liability company



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1 STATEMENT OF THE MANAGING DIRECTORS



1 STATEMENT OF THE MANAGING DIRECTORS

Ladies and Gentlemen,

Besides being the year when RWE celebrated the tenth anniversary of its arrival to the Czech market, 2012 marked five years of the existence of RWE Gas Storage.

During the reported period, we enhanced the portfolio of gas storage services and introduced new products. Despite the unfavorable market situation, we acquired new clients, and the total number of our customers grew to 17. The entire storage capacity for the subsequent year was sold. In February, RWE Gas Storage successfully handled the historically highest daily withdrawal volume that exceeded 36.5 million cubic meters, surpassing the high figures recorded during the gas crisis of January 2009.

As in previous years, we continued to perform underground well repairs and installations of subsurface safety valves at our facilities in Štramberk, Dolní Dunajovice, Tvrdonice and Třanovice, where 26 wells were repaired. The installation of a new compressor unit began at Lobodice facility.

As to projects co-financed under the European Energy Program for Recovery, the most important event was the ceremonial launch of an addition to the Třanovice storage facility that increased its capacity by an extra 290 million cubic meters. Due to the complicated market situation, however, we had to suspend a project aimed at enlarging the capacity of the Tvrdonice underground storage facility.

Despite the current turbulent times, RWE Gas Storage was able to meet all its obligations to clients and provide reliable gas storage services throughout the year.

All services were offered on a non-discriminatory and transparent basis to all clients interested in storage capacity, fully in accordance with the updated version of the Guidelines for Good Third Party Access Practice for Storage System Operators issued by the European Regulators Group for Electricity and Gas.

Throughout 2012, RWE Gas Storage continued to be an active member of the Gas Infrastructure Europe, an association of gas infrastructure operators through which we took part in formulating European gas sector legislation.

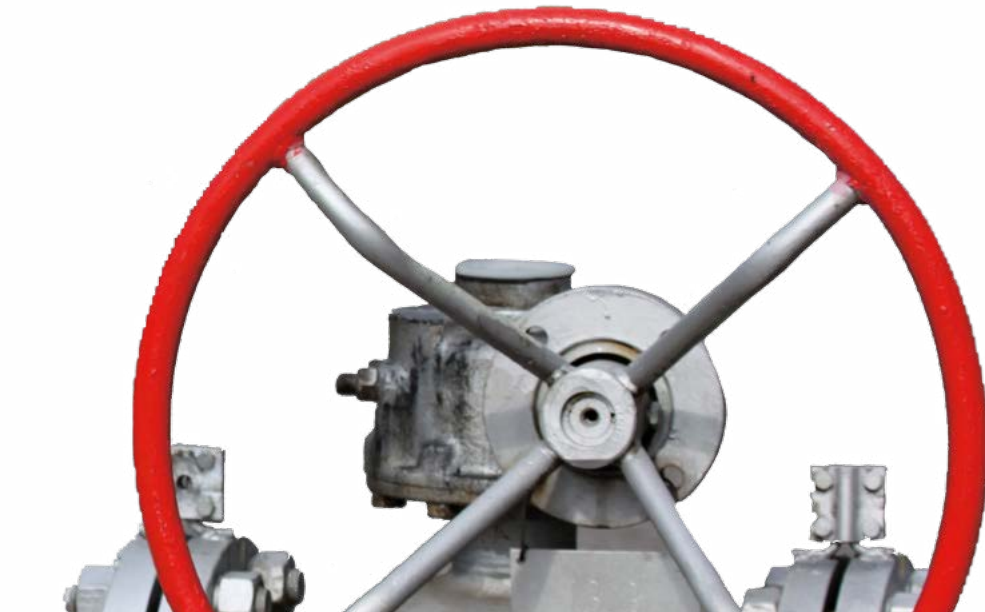
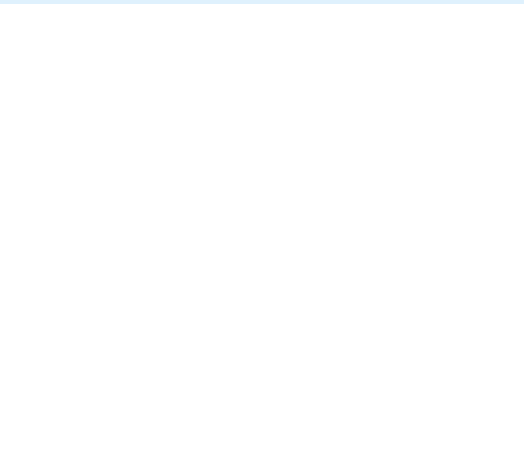
To conclude, we want to thank all our employees, business partners, and suppliers for their efforts in 2012.



Andres Frohwein
Managing Director



Lubor Veleba
Managing Director



2 REPORT OF THE SUPERVISORY BOARD FOR 2012



2 REPORT OF THE SUPERVISORY BOARD FOR 2012

The Supervisory Board continuously monitored the Company's business activities, its results and the Managing Directors' performance of their powers and responsibilities in the past period. In 2012 the Supervisory Board held two ordinary meetings and had a quorum at all times. At its meetings the Supervisory Board discussed all matters for which it is responsible under the relevant legal regulations, the Company's Memorandum of Association, and the decisions adopted by the sole Member of the Company acting in the capacity of the General Meeting, including the documents that the Supervisory Board requested from the Managing Directors as part of its supervisory activity. Managing Directors commented on these documents when they were discussed by the Supervisory Board.

In performing its supervisory activity the Supervisory Board did not find anything inconsistent with generally applicable legal regulations, the Company's Memorandum of Association, or the decisions of the sole Member of the Company acting in the capacity of the General Meeting.

On 6 March 2013, the Supervisory Board reviewed the Company's financial statements for the period ended on 31 December 2012, including the auditor's report and the Managing Directors' proposal for the distribution of profit, including the amount and the manner of profit distribution.

Concurring with the auditor the Supervisory Board concluded that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

The Supervisory Board recommends to the General Meeting to approve the annual financial statements for the period ended on 31 December 2012 and the Managing Directors' proposal for 2012 profit distribution.

The Supervisory Board expresses its gratitude to all employees for their work performed for the Company in 2012.

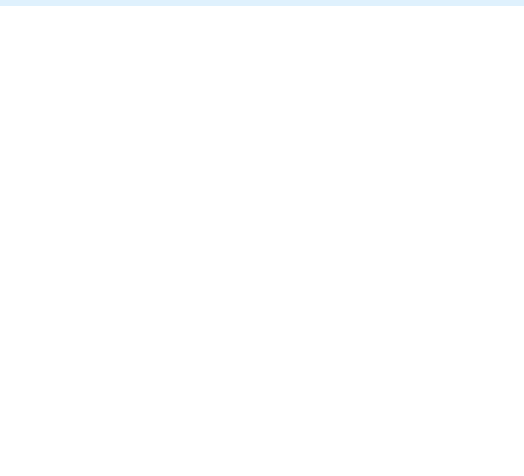
In Prague on 6 March 2013



Martin Herrmann

Chairman of the Supervisory Board





3 CORPORATE INFORMATION



3 CORPORATE INFORMATION

3.1 General Information

Company name: RWE Gas Storage, s.r.o.
Registered office: Prosecká 855/68, Prague
Post Code 190 00, Czech Republic
Company No.: 27892077
Legal form: Limited liability company

Establishment and Inception

Established by spin-off from RWE Transgas, a.s., RWE Gas Storage was incorporated in the Commercial Register on 1 May 2007.

Foreign Organization Units

The Company has no organization units abroad.

Profile

With current storage capacity in excess of 2.6 billion cubic meters, RWE Gas Storage, s.r.o. is the largest operator of underground storage facilities in the Czech Republic. The Company provides services related to the storage of gas in underground storage facilities.



3.2 Governing and Supervisory Bodies

Managing Directors as at 31 December 2012

Andreas Frohwein

Managing Director, CEO

Date of birth:

12 December 1966

Education:

Universität Gesamthochschule Essen;

Technische Hochschule Aachen

Membership in the bodies of other companies:

Managing Director – RWE Gasspeicher GmbH

Other business activities:

None



Lubor Veleba

Managing Director, CCO

Date of birth:

7 May 1969

Education:

Technical University, Brno;

Cass Business School, London

Membership in the bodies of other companies:

None

Other business activities:

None



Supervisory Board as at 31 December 2012

Martin Herrmann

Chairman of the Supervisory Board

Born:

3 July 1967

Education:

Westfälische Wilhelms-Universität, Münster,
Economics

Membership of bodies of other companies:

Chairman of the RWE Transgas, a.s.
and RWE Česká republika a.s. Boards of Directors;
Managing Director of RWE East, s.r.o.; Chairman
of the NET4GAS, s.r.o., Jihomoravská plynárenská, a.s.,
Severomoravská plynárenská, a.s.,
Východočeská plynárenská, a.s., and RWE Energie, a.s.
Supervisory Boards; Member of the RWE Supply &
Trading GmbH, Budapesti Elektromos Művek Nyrt.
and ÉMÁSZ Nyrt. Supervisory Boards

Any other business activities:

None

Gasversorgung GmbH, rhenag Rheinische Energie
Aktiengesellschaft and EVO Energieversorgung
Oelde GmbH Supervisory Boards

Any other business activities:

None

Dr. Wolfgang Peters

Member of the Supervisory Board

Born:

12 June 1953

Education:

University of Hamburg, Doctorate in Law;
Executive MBA, California State University Hayward

Membership of bodies of other companies:

Member of the RWE Transgas, a.s. Board of Directors

Any other business activities:

None

Thomas Rappuhn

Vice-Chairman of the Supervisory Board

Born:

28 December 1959

Education:

Technische Universität Clausthal,
Petroleum Engineering

Membership of bodies of other companies:

Chairman of the Board of Directors (CEO)
of the RWE Dea AG

Any other business activities:

None

Axel Gerhardy

Member of the Supervisory Board

Born:

14 August 1971

Education:

Georg-August Universität, Göttingen, Economics

Membership of bodies of other companies:

Vice-Chairman of the RWE Transgas, a.s.
and RWE Česká republika a.s. Board of Directors

Any other business activities:

None

Dr. Jürgen Gröner

Member of the Supervisory Board

Born:

4 January 1965

Education:

Universität Essen, Power Engineering,
Doctorate in Power Engineering

Membership of bodies of other companies:

Member of the MITGAS Mitteldeutsche

Šárka Vojíková

Member of the Supervisory Board

Born:

22 September 1967

Education:

Grammar school in Prague,
a social law college in Prague

Membership of bodies of other companies:

None

Any other business activities:

None

3.3 Persons Responsible for the Annual Report and Audit of Financial Statements

Auditor and audit firm responsible for auditing the Financial Statements of RWE Gas Storage, s.r.o.

Audit Firm:

PricewaterhouseCoopers Audit, s.r.o.
Hvězdova 1734/2c
140 00 Prague 4
Registered with the Chamber of Auditors
of the Czech Republic under Certificate No. 021

Auditor in Charge:

Tomáš Bašta
Certificate No. 1966

In Brno on 6 March 2013



Person Responsible for Accounting
Ivana Chalupová
Head of Accounting and Taxation

Persons Responsible for the Annual Report of RWE Gas Storage, s.r.o. for 2012

The undersigned hereby affirm that information disclosed in this Annual Report is true and that no material circumstances have been omitted or distorted.



Andres Frohwein
Managing Director, CEO



Lubor Veleba
Managing Director, CCO

4 MANAGEMENT REPORT FOR 2012



4 MANAGEMENT REPORT FOR 2012

4.1 Results

Revenues, Expenses, Profit

In 2012, the Company recorded CZK 4,338 million in total operating revenues, including proceeds from the sale of fixed assets and other operating income, and incurred CZK 1,718 million in total operating costs, including taxes, fees, and other operating costs. The operating result in the reported year amounted to CZK 2,620 million, a 10% increase on 2011.

The Company earned CZK 9 million in financial profit; profit before taxation amounted to CZK 2,630 million.

Net profit after taxes for the accounting period totaled CZK 2,130 million.

During 2012 the Company did not carry out research and development.

Assets

As at 31 December 2012, the Company's assets totaled CZK 19,820 million. Fixed assets in the amount of CZK 16,564 million (CZK 16,384 m and 180 m in tangible and intangible fixed assets, respectively) accounted for approximately 84% of total assets.

The remaining 16% (CZK 3,255 million) were current and other assets, where receivables accounted for 96%.

Liabilities

Equity amounted to CZK 16,001 million, constituting roughly 81% of total liabilities. Long-term liabilities (mainly deferred taxes payable) and short-term payables amounted to 49% and 23% of liabilities, respectively.

Investments

In the course of 2012, the Company executed investment projects in accordance with the approved investment plan. We acquired assets with the total value of CZK 602 million.

The bulk of investments made in the reported year went into completing the capacity enlargement of the Třanovice underground storage facility, where the Company invested CZK 172 million, focusing on fine-tuning the control system, testing, and finishing touches in the central plant. The Tvrdonice UGS capacity enlargement project was suspended, and the receipt of subsidies under the European Energy Program for Recovery (EEPR) ended.

We procured the necessary supplies and solicited tenders from contractors to begin the refurbishment of injection/extraction wells at the Háje gas storage facility. During the project, the wells will be equipped with subsurface safety valves to ensure compliance with current mining laws.

Another important investment venture was the installation of a new compressor allowing the Lobodice underground gas storage facility to operate with improved flexibility. In the reported year, the new compressor was supplied and installed in the reconstructed compressor building. The unit will be connected and put into operation in 2013.

At the Tvrdonice UGS site, the Company repaired three wells to ensure that their condition is compliant with mining legislation. During 2012, we installed boundary valves at a new entry facility for the pipeline connecting the Tvrdonice storage facility with the Břeclav compression station run by the Transmission System Operator (NET4GAS, s.r.o.). After the connection

is completed on the side of NET4GAS, s.r.o., the flexibility of the Tvrdonice underground gas storage facility will increase.

The ongoing installation of subsurface safety valves in all operating wells continued in 2012 in accordance with the maintenance plan. Overall, 26 subsurface safety valves were installed in underground storage wells.

A series of 2D seismic measurements was carried out at the Štramberk storage facility to determine the exact geological makeup of this underground storage facility.

Like at the Tvrdonice storage facility, boundary valves were installed at the Dolní Dunajovice UGS facility to enable the safe separation of the storage facility from the transmission system.

Other investment projects included the procurement of necessary supplies and the selection of contractors for the reconstruction of collection centers, where the objective is to boost the capacity of metering runs and the gas drying system.

Financing of Investment Projects

All investment projects were executed in the Czech Republic and financed using the Company's own resources. The enlargement of the Třanovice and Tvrdonice storage facilities was in part funded using subsidies disbursed under the European Energy Program for Recovery (EEPR).

Investment projects were executed in conformity with the planned use of the Company's virtual storage capacity and had no effect whatsoever on services provided to customers.



Co-financed by the European Union

European Energy Programme for Recovery

4.2 Sale of Capacity

Service Portfolio, Storage Capacity, Customers

Throughout the year, RWE Gas Storage offered its reliable services in a fully transparent and non-discriminatory manner to all customers interested in storage capacity. The number of clients increased despite the unfavorable market. The Company currently has storage contracts with 17 clients from the Czech Republic and foreign countries.

Because six auctions held in 2011 resulted in the signing of contracts for nearly half a billion cubic meters of storage capacity for a period exceeding one year, RWE Gas Storage was able to offer only a limited amount of storage capacity in 2012. However, we introduced new products and services that simplified the use of storage services and improved their effectiveness, such as the temporary use of operating volume and guaranteed bi-directional output. Standard storage capacity, consisting of the combination of operating volume and injectability/deliverability, was complemented by the flexible addition of interruptible output as well as of the free option to transfer contracted capacity and stored gas between storage agreements.

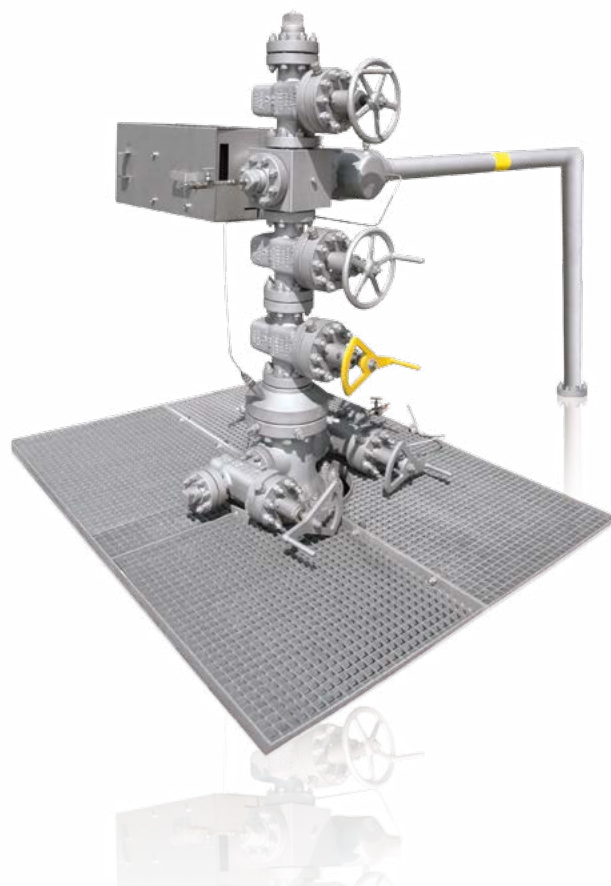
RWE Gas Storage continued to improve its corporate IT system. A new version of the Auction System will be launched at the beginning of 2013. Other improvements in this area are at the planning stage.

We published extensive operating data on the Company's virtual storage beyond the requirements of the Gas Market Rules. As in previous years, unsuccessful attempts were made to solicit an amendment to the laws that regulate auctions in view of their very strict nature which no longer reflects market reality. Efforts aimed at simplifying the auction rules will continue in the following year.

The Company's virtual storage capacity on 31 December 2012 totaled:

Working gas volume (million cubic meters)	2,686
Maximum injectability (GWh/day)	313
Maximum deliverability (GWh/day)	426

Throughout 2012, the Company offered services fully in compliance with the updated version of the GGPSSO (Guidelines for Good TPA Practice for Storage System Operators) published by the European Regulators Group for Electricity and Gas, participating actively in activities of the Gas Storage Europe association of storage operators from across Europe.



Regulatory Affairs

Amendment to the Gas Market Rules

In 2012, the government approved an amendment to Decree No. 365/2009 Coll., the Gas Market Rules. Drafted with the active involvement of RWE Gas Storage, the amendment entered into force on 1 January 2013, simplifying access to underground storage facilities for foreign natural and legal persons.

Decree on States of Emergency in the Gas Sector

Under Decree No. 344/2012 on States of Emergency in the Gas Sector and the Security of Supply Standard, which entered into legal force in 2012, a supply standard must be guaranteed by all companies that supply gas to protected customers, with at least 20% of the standard covered by gas in storage facilities between 30 September and 1 April. Protected customers include households, heating plants, health and social service providers, food producers, and others.

4.3 Underground Storage Facilities

The Company operates six underground storage facilities: Dolní Dunajovice, Háje, Lobodice, Štramberk, Třanovice, and Tvrdonice. Five are located in Moravia, where gas is stored in geological structures that formerly contained primary deposits of natural gas and crude oil. The sixth is the Háje cavern-based UGS that serves to cover peak consumption of natural gas in the industrial centers of the Central Bohemian Region and the city of Prague.

In operating its underground storage facilities, RWE Gas Storage provides services with a focus on efficiency, reliability, availability, flexibility, and maximum achievable level of operating safety.

For this purpose, the Company continued underground well repairs and installed 26 subsurface safety valves at the Dolní Dunajovice, Štramberk, Třanovice, and Tvrdonice storage facilities. The innovative hydraulic workover (HWO) method was used for the first time during the repair of four wells in Dolní Dunajovice.

Wells that underwent underground repairs, including the installation of subsurface safety valves, are compliant with the EN 1918 standard

that defines requirements for the operating safety of wells.

In 2012, the Company implemented a number of measures recommended by the HAZOP safety study, such as the installation of boundary valves in the Dolní Dunajovice and Tvrdonice storage facilities and the preparation of a project that will relocate the control centers at these two facilities.

At the Háje storage facility, we completed the second phase of control system upgrade and solidified the area around wells to enable their fitout and installation of subsurface safety valves in the following year. Preparatory work for the refurbishment of a GT 3000 turbine unit began at the Štramberk storage facility.

Aiming to further improve safety, an external well integrity audit was carried out by Sintef Company at all storage facilities. The audit confirmed the superior safety of operations at all RWE Gas Storage facilities.

4.4 Corporate Social Responsibility

Grant Program

The RWE Gas Storage Grant Program continued successfully for a fifth year. As in the past, grants were disbursed to the regions and municipalities where the Company conducts business. Under the Grant Program, RWE Gas Storage offers municipalities assistance to improve the living conditions for citizens and to repair damage caused by natural disasters. Through regionally orientated aid, the Company aims to stimulate healthy growth in municipalities and contribute to the enhancement of regional relations. These measures demonstrate the Company's adherence to the concept of corporate social responsibility.

In 2012, we received 73 applications for financial assistance; 25 projects were picked in three

selection rounds to which the Company allocated CZK 4.9 million in financial aid. The selected projects included:

- Construction and renovation of playgrounds as well as school and sporting facilities in Ženklava, Těrlicko, Horní Věstonice, and Veřovice
- Reconstruction and modernization of kindergartens and elementary school classrooms and buildings in Perná, Březí, Tvrdonice, Hnojník, and Kostice
- Support for volunteer and professional fire protection services
- Construction and reconstruction of culture centers, libraries, etc.

The Grant Program will continue in 2013.



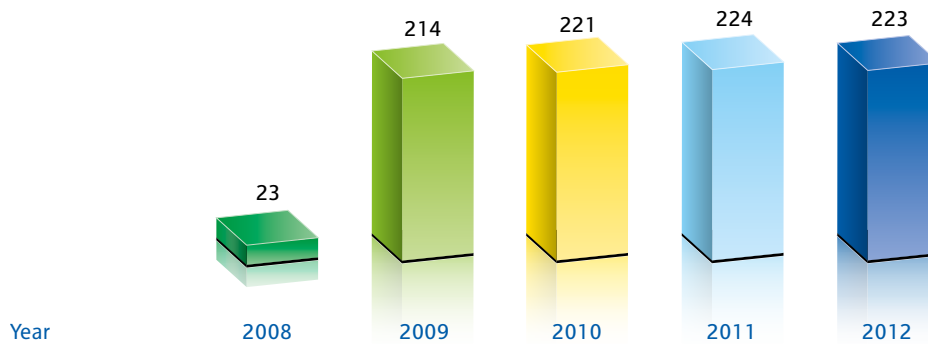
4.5 Human Resources

Throughout the reported year, the RWE Group in the Czech Republic continued to optimize human resources (HR) management standards. During the process, additional HR processes were digitized through the HR Portal application.

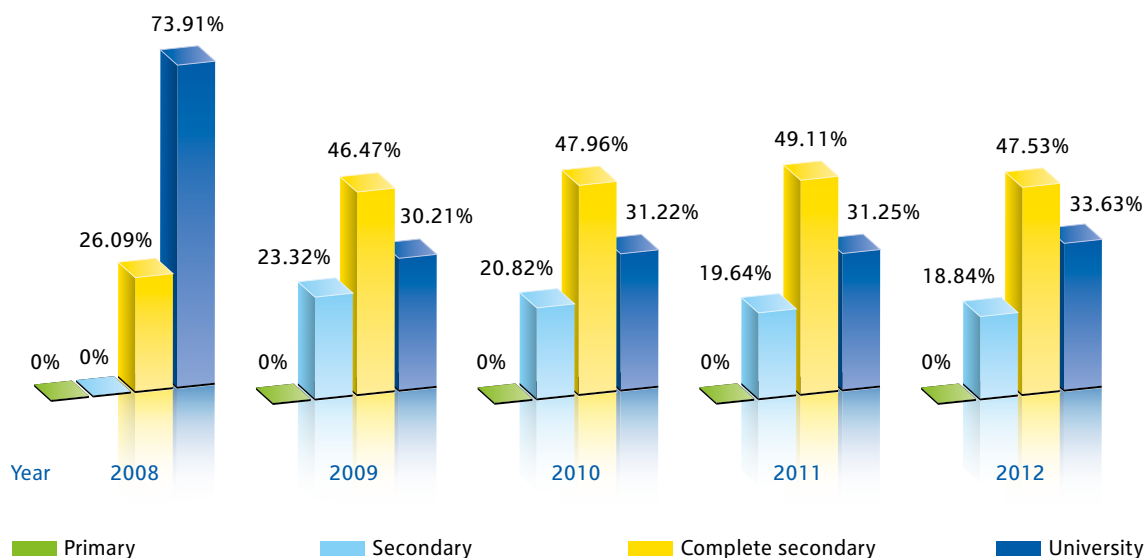
As part of the FIT comprehensive savings scheme, we introduced FIT⁺Motivace, a program

offering the RWE Group's employees in the Czech Republic who are of or near the retirement age the option to leave the Company under exceptionally beneficial financial conditions. In 2012, 26 employees of RWE Gas Storage took advantage of this voluntary program; two of them left in 2013.

Employee Headcount Development



Employee Structure by Education



Wages

Wages developed in line with the guidelines agreed in the Collective Bargaining Agreement and the Company's human resources management strategy.

Social Policy

The key document defining working conditions and social benefits of employees was the RWE Group Collective Bargaining Agreement for the years 2012 and 2013 according to which the Company fulfilled all its obligations.

Under its fringe-benefits program, the Company paid contributions for retirement and life insurance programs and provided ample financing for training programs as well as employees' cultural and sports activities.

Employee Training and Career Development

In 2012, the Company spent 2.78% of wage costs on the training and personal development of its workforce, executing 629 training projects for 2,470 employees. The annual per-employee training cost averaged CZK 15,249. This sum includes e-learning training courses.

4.6 Occupational Health and Safety, Fire Prevention, Security, and Environmental Protection

Occupational Health and Safety, Fire Prevention, and Security

Occupational health and safety and fire prevention are areas of key importance to which maximum attention is paid in all areas of the Company's business. In 2012, there was no workplace accident resulting in absence from work, and no employee was diagnosed with or assessed to be at risk of contracting an occupational disease. Besides work done by our own staff, close attention was paid to ensuring occupational health and safety and fire protection regarding all activities carried out by external contractors.

A Personal Safety Register was introduced for selected tasks, where records are kept on the medical condition and professional competences of staff working in the relevant areas.

Under the "Healthy Workplace" project, we installed suggestion boxes in various parts of the workplace to allow employees and contractors to comment on OHS, fire prevention, and environmental protection issues. There was no fire during the entire year.

As to emergency and crisis planning and business continuity management, emergency situations were simulated to verify the effectiveness of contingency plans and procedures. In some cases, the drills were coordinated with units of the Integrated Rescue System. Close attention was paid to cooperation with fire rescue authorities at all management levels, particularly with regard to crisis and emergency planning and coordination.

In line with our security policy, the Company plays an active role in actions taken under the national and European programs for critical infrastructure protection.

Environmental Protection

As in previous years, we paid close attention to environmental protection. During the year under review, the Company met all targets and complied with environmental protection laws thanks to the responsible conduct of our staff and conformity to the requirements of the ISO 140001 environmental management system. Agendas and reports relating to environmental protection were managed using the EkoNess software.

There was no ecological accident in the Company's facilities during the reported year.

During the final stages of the Třanovice UGS enlargement project, we began comprehensive tests and a 90-day trial operation of turbines to verify compliance with safety requirements and integrated pollution limits.

The Company operates two underground storage facilities authorized to release carbon dioxide. The quantity of released carbon dioxide is regularly measured by an independent organization.

Last year, we managed to reduce waste generated by the operation of the Company's underground storage facilities by re-using water produced by the drying process and the withdrawal of gas from underground storage. Instead of being released into ground or surface water bodies, collected water is used in other operations.

In 2012, audits were carried out to assess environmental protection measures employed by external contractors during underground well repairs. The favorable outcome confirmed that all contractors use appropriate procedures and comply with all relevant laws and regulations.

As to the cleanup of past environmental pollution, the Company completed post-remediation monitoring of underground water in the localities. The outcome of the monitoring confirmed that the remediation process has been successful; all past environmental pollution on the Company's sites has been eliminated.

In line with legal requirements, we carried out an assessment of ecological risks in all areas of the Company's business.

As part of the teambuilding program for the staff of the Dolní Dunajovice storage facility, a project was executed to improve the biodiversity of the South Moravian landscape. During the project, financed under the RWE Companius program, our employees planted 250 trees and shrubs.

All key environmental protection data are available on the Company's website and in the Integrated Pollution Register (IPR).



4.7 Subsequent Events

There were no events after the balance sheet date that would have a material impact on facts stated in this Annual Report.

4.8 Outlook

New Services

In 2013, RWE Gas Storage again plans to introduce new services such as a restricted zone for clients.

Cost Saving Measures

In 2013, the Company will continue to seek ways of cutting costs and improving efficiency. Focus will concentrate on reducing operating and service procurement costs and on generating extra income.



5 FINANCIAL SECTION



5 FINANCIAL SECTION

5.1 Financial Statements

BALANCE SHEET (in thousand Czech crowns)				
Ref.	ASSETS	31. 12. 2012		
		Gross	Provision	Net
	TOTAL ASSETS	23,242,701	(3,422,376)	19,820,325
B.	Fixed assets	19,986,143	(3,422,376)	16,563,767
B. I.	Intangible fixed assets	295,217	(115,645)	179,572
B. I. 1.	Research & development	141,549	(63,451)	78,098
	2. Software	30,349	(26,334)	4,015
	3. Royalties	104,909	(25,860)	79,049
	4. Other intangible fixed assets	829	-	829
	5. Intangible fixed assets in the course of construction	17,581	-	17,581
B. II.	Tangible fixed assets	19,690,926	(3,306,731)	16,384,195
B. II. 1.	Land	106,404	-	106,404
	2. Constructions	16,397,618	(2,592,385)	13,805,233
	3. Equipment	2,477,293	(714,346)	1,762,947
	4. Other tangible fixed assets	634	-	634
	5. Tangible fixed assets in the course of construction	507,373	-	507,373
	6. Advances paid for tangible fixed assets	201,604	-	201,604
C.	Current assets	3,255,267	-	3,255,267
C. I.	Inventories	25,586	-	25,586
C. I. 1.	Raw materials	19,521	-	19,521
	2. Prepayments for inventory	6,065	-	6,065
C. III.	Short-term receivables	3,129,319	-	3,129,319
C. III. 1.	Trade receivables	427,508	-	427,508
	2. Receivables – subsidiaries / controlling parties	2,670,638	-	2,670,638
	3. Taxes and state subsidies receivable	28,644	-	28,644
	4. Short-term advances paid	2,496	-	2,496
	5. Estimated receivables	23	-	23
	6. Other receivables	10	-	10
C. IV.	Financial assets	100,362	-	100,362
C. IV. 1.	Cash in hand	-	-	-
	2. Cash at bank	100,362	-	100,362
D. I.	Prepayments and accrued income	1,291	-	1,291
D. I. 1.	Prepaid expenses	1,177	-	1,177
	2. Accrued income	114	-	114

BALANCE SHEET – continued (in thousand Czech crowns)			
Ref.	LIABILITIES AND EQUITY	31. 12. 2012	31. 12. 2011
	TOTAL LIABILITIES AND EQUITY	19,820,325	19,978,167
A.	Equity	16,000,798	15,704,710
A. I.	Share capital	13,450,709	13,450,709
A. I. 1.	Share capital	13,450,709	13,450,709
A. III.	Reserve fund and other reserves	420,324	323,814
A. III. 1.	Legal reserve fund	420,324	323,814
A. V.	Profit / (loss) for the current period	2,129,765	1,930,187
B.	Liabilities	3,470,631	3,934,795
B. I.	Provisions	965,730	1,082,658
B. I. 1.	Tax-deductible provisions	195,101	185,208
	2. Income tax provision	-	82,621
	3. Other provisions	770,629	814,829
B. II.	Long-term liabilities	1,698,201	1,732,833
B. II. 1.	Trade payables	9,032	30,843
	2. Deferred tax liability	1,689,169	1,701,990
B. III.	Short-term liabilities	806,700	1,119,304
B. III. 1.	Trade payables	165,442	453,654
	2. Liabilities to employees	14,049	8,437
	3. Liabilities for social security and health insurance	5,924	5,128
	4. Taxes and state subsidies payable	489,690	596,550
	5. Estimated payables	129,573	52,464
	6. Other payables	2,022	3,071
C. I.	Accruals and deferred income	348,896	338,662
C. I. 1.	Deferred income	348,896	338,662

INCOME STATEMENT (in thousand Czech crowns)

Ref.	DESCRIPTION	Accounting period	
		2012	2011
II.	Sales of production	4,180,697	4,049,969
II. 1.	Sales of own products and services	4,180,697	4,049,969
B.	Cost of sales	717,140	923,757
B. 1.	Raw materials and consumables	211,136	244,236
	2. Services	506,004	679,521
+	Added value	3,463,557	3,126,212
C.	Staff costs	198,832	185,543
C. 1.	Wages and salaries	132,792	130,041
	2. Emoluments of board members	180	180
	3. Social security and health insurance costs	47,307	47,876
	4. Other social costs	18,553	7,446
D.	Taxes and charges	8,869	5,632
E.	Depreciation of fixed assets	676,918	600,265
III.	Sale of fixed assets and raw materials	155,270	798,951
III. 1.	Sale of fixed assets	155,270	798,951
F.	Net book value of fixed assets and raw materials sold	124,403	762,880
F. 1.	Net book value of fixed assets sold	124,403	762,880
G.	Increase / (decrease) in operating provisions	(34,307)	(4,940)
IV.	Other operating income	2,084	26,269
H.	Other operating charges	25,719	27,280
*	Operating result	2,620,477	2,374,772
L.	Loss on revaluation of securities and derivatives	27	-
X.	Interest income	9,726	8,258
N.	Interest expense	11	1
XI.	Other financial income	2,900	9,729
O.	Other financial expense	3,354	6,524
*	Financial result	9,234	11,462
Q.	Tax on profit or loss on ordinary activities	499,946	456,047
Q. 1.	– current	512,766	582,196
	2. – deferred	(12,820)	(126,149)
**	Profit or loss on ordinary activities after taxation	2,129,765	1,930,187
***	Net profit / (loss) for the financial period	2,129,765	1,930,187
***	Net profit / (loss) before taxation	2,629,711	2,386,234

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2012				
	Share capital (CZK'000)	Legal reserve fund (CZK'000)	Retained earnings (CZK'000)	Total (CZK'000)
As at 1 January 2011	13,450,709	256,719	1,341,893	15,049,321
Contributions to reserve fund	-	67,095	(67,095)	-
Profit distribution paid	-	-	(1,274,798)	(1,274,798)
Net profit for 2011	-	-	1,930,187	1,930,187
As at 31 December 2011	13,450,709	323,814	1,930,187	15,704,710
Contributions to reserve fund	-	96,510	(96,510)	-
Profit distribution paid	-	-	(1,833,677)	(1,833,677)
Net profit for 2012	-	-	2,129,765	2,129,765
As at 31 December 2012	13,450,709	420,324	2,129,765	16,000,798

CASH FLOW STATEMENT

Year ended 31 December 2012		
	2012 (CZK'000)	2011 (CZK'000)
Cash flows from operating activities		
Net profit/(loss) on ordinary activities before tax	2,629,711	2,386,234
A.1 Adjustments for non-cash movements		
A.1.1 Depreciation of fixed assets	676,918	600,265
A.1.2 Changes in provisions	(34,307)	(4,940)
A.1.3 Profit from disposal of fixed assets	(30,867)	(36,071)
A.1.4 Net interest expense/(income)	(9,715)	(8,257)
A.1.5 Other non-cash movements	56,854 ²	1,293
A* Net cash flow from operating activities before tax, changes in working capital	3,288,594	2,938,524
A.2 Working capital changes		
A.2.1 Changes in receivables and prepayments and accrued income	(21,069)	78,704
A.2.2 Changes in short-term payables, accrued expenses and deferred income	(167,307)	251,818
A.2.3 Changes in inventories	(8,271)	(10,920)
A** Net cash flow from operating activities before tax	3,091,947	3,258,126
A.3 Interest paid	(11)	(3)
A.4 Interest received	9,691	8,207
A.5 Income tax on ordinary activities paid	(624,031)	(577,622)
A*** Net cash flow from operating activities	2,477,596	2,688,708
Cash flows from investing activities		
B.1 Acquisition of fixed assets	(762,242)	(1,078,075) ¹
B.2 Proceeds from the sale of fixed assets	155,270	798,951
B*** Net cash flow from investing activities	(606,972)	(279,124)
Cash flows from financing activities		
C.1 Changes in long- and short-term liabilities	-	-
C.2 Changes in equity		
C.2.1 Profit distribution paid	(1,833,677)	(1,274,798)
C*** Net cash flow from financing activities	(1,833,677)	(1,274,798)
Net increase/(decrease) in cash and cash equivalents	36,947	1,134,786
Cash and cash equivalents as at the beginning of the year	2,633,961	1,499,175
Cash and cash equivalents as at the end of the year	2,670,908	2,633,961

¹ Part of capital expenditures was covered by grants received, see Note 8.² Line other non-cash movements includes consumption of cushion gas as described in Note 4.

5.2 Notes to Financial Statements

Year ended 31 December 2012

1 GENERAL INFORMATION

1.1 Introductory information about the Company

RWE Gas Storage, s.r.o. ("the Company") was incorporated on 1 May 2007 and has its registered office at Prague 9 – Prosek, Prosecká 855/68, Czech Republic. The Company's primary business activity is gas storage. Identification number of the Company is 278 92 077.

The Directors as at 31 December 2012 were as follows:

Name	Position
Mr Andreas Frohwein	Member
Mr Lubor Veleba	Member

The members of the Supervisory board as at 31 December 2012 were as follows:

Name	Position	
Mr Martin Friedrich Herrmann	Chairman	(appointed on 1 August 2012)
Mr Thomas Rappuhn	Vice-Chairman	
Mr Wolfgang Peters	Member	
Mr Axel Gerhardy	Member	(appointed on 1 July 2012)
Mr Jürgen Grönnner	Member	
Ms Šárka Vojtková	Member	(appointed on 1 August 2012)

The Company is organised as follows:

The supreme body of the Company is the General Meeting. The Statutory Directors are the body governing the Company's activities and acting on its behalf. The Supervisory Board is the controlling body of the Company.

Governance of the Company is divided into two departments titled as follows: Strategic Asset Management and Sales, Finance / Services. These departments are managed by the individual Directors.

Dirk Simons announced his resignation from the position of the Member of the Board of Directors on 9 May 2012. Upon his request, the sole shareholder approved the termination of his appointment as at 30 June 2012. Effective on 1 July 2012 based on the decision of the sole shareholder at the presence of the General Meeting, a new Member of the Supervisory Board, Mr Axel Gerhardy, was appointed.

Note

The financial statements have been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

The appointment period of the Chairman of the Supervisory Board, Mr Martin Herrmann and a Member of the Supervisory Board, Ms Šárka Vojíková, finished on 21 June 2012. The appointment of these two Members of the Supervisory Board continued and based on the decision of the sole shareholder at the presence of the General Meeting, they were reappointed as members of the Supervisory Board, effective on 1 August 2012. The Supervisory Board elected Mr Martin Herrmann as the Chairman on 27 November 2012. Information about the election of Martin Herrmann as the Chairman on 27 November 2012 has not been recorded in the Commercial Register as of the date of preparation of the financial statements.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic and have been prepared under the historical cost except as described below.

2.2 Intangible fixed assets

All intangible assets with a useful life longer than one year and a unit cost of more than CZK 60,000 are treated as intangible fixed assets.

Technical improvements on intangible fixed assets exceeding CZK 40,000 per year are capitalized.

Purchased intangible fixed assets are initially recorded at cost, which includes all costs related with its acquisition. All research costs are expensed. Development costs of which results are intended for trading are capitalized as intangible fixed assets and recorded at the lower of cost and the value of future economic benefits.

Research and development costs are capitalized as intangible assets and are stated at the lower of cost or future economic benefits. All other research and development costs are expensed as they occur.

Intangible fixed assets are amortized applying the straight-line method over their estimated useful lives as follows (unless the agreement or license conditions state shorter, respectively longer period):

Intangible fixed asset	Estimated useful life
Software	3 years
Other intangible fixed assets	6 years

The amortization plan is updated during the useful life of the intangible fixed assets based on the expected useful life.

A provision for impairment is created when the carrying value of an asset exceeds than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by the certain asset.

Emission allowances are presented by the Company as other intangible fixed assets. Emission allowances allocated to the Company by the National Allocation Plan are recorded to the account

of other intangible fixed assets and to the account taxes and state subsidies payable upon being credited to the Company in the Register of Emission Allowances in the Czech Republic. Allocated emission allowances are recorded at replacement cost.

The emission rights liability is released to other operating income to match it with relevant expenses.

The consumption of emission allowances is recorded to other operating expenses as at the balance sheet date on the basis of an estimate of actual CO₂ emissions produced in the period. The Company applies first-in-first-out method for the disposals of the emission rights. Sale of emission rights is recorded as other operational revenue and is recorded in the amount of sales price. In case of shortage of emission rights at the year-end a provision is established for expected consumption in the following year.

A provision for diminution in value is created when the carrying value of emission allowances is greater than its estimated recoverable amount.

2.3 Tangible fixed assets

All tangible assets with a useful life longer than one year and a unit cost of more than CZK 10,000 are treated as tangible fixed assets.

Repairs and maintenance expenditures of tangible fixed assets are expensed as incurred. Technical improvements of tangible fixed assets exceeding CZK 40,000 per year are capitalized.

Acquired tangible fixed assets are initially recorded at cost, which includes all costs related with its acquisition.

Tangible fixed assets, except for land which is not depreciated, are depreciated applying the straight-line method over their estimated useful lives as follows:

Tangible fixed asset	Estimated useful life
Buildings and constructions	45–60 years
Plant, machinery and equipment	4–30 years
Furniture and fittings	4–8 years
Motor vehicles	5–8 years

The depreciation plan is updated during the useful life of the tangible fixed assets based on the expected useful life.

All tangible assets with a useful life longer than one year and a unit cost of more than CZK 10,000 but less than CZK 40,000 is depreciated applying the straight-line method over their estimated useful lives.

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by the certain asset.

2.4 Subsidies

The Company accounts for the subsidies as other liabilities in the moment of their receipt if there is absolutely no doubt that the subsidy will be received, e.g. when the Company receives the document which approves the subsidy payment.

2.5 Receivables

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful amounts is created on the basis of an ageing analysis and individual evaluation of the credit worthiness of the customers. Receivables from related parties have not been provided for.

2.6 Cash and cash equivalents

The Company has prepared a Cash flow statement using the indirect method. Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

The Company uses so-called Cash-pooling within the group. A receivable (liability) that arises from Cash-pooling is presented in the Cash flow statement as a part of the item Cash and cash equivalents if it is due within 3 months after the balance sheet date.

2.7 Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the fixed exchange rate determined by the Company as at the first day of the month.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

2.8 Derivative financial instruments

Derivative financial instruments including foreign exchange contracts are initially recognised on the balance sheet at cost and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are presented in other receivables or in other payables when their fair value is positive or negative, respectively.

Changes in the fair value of derivatives held for trading are included in gain or loss on revaluation of securities and derivatives.

2.9 Expense and revenue recognition

The Company recognizes all income from fees collected for the rent of storage capacity as revenue. Cost of sales includes mainly the cost of operation and maintenance of gas storages. Sales are stated net of discounts and Value Added Tax.

2.10 Provisions

The Company recognizes provisions relating to probable future obligations or expenditures, when the purpose of the obligations or expenditures is known but the precise amount, or the time when the obligation or expenditure will crystallize, is not known. The Company also recognizes tax deductible provisions relating to significant future repairs of fixed assets as defined by the Act on Reserves, and provisions for the cost of land recultivation, which is created in order to provide for future expenses related to the remove of land contamination resulting from operational activities, in accordance with the Act on Mining. However, provisions are not created for future operating expenditures or for expenditures directly related to future revenue transactions.

The Company recognises a provision for its future income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable the difference is recognised as a short-term receivable.

2.11 Employment benefits

Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by independent pension funds. Pension and life insurance contributions are expensed.

2.12 Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

2.13 Related parties

The Company's related parties are considered to be the following:

- Parties, which directly or indirectly control the Company, their subsidiaries and associates;
- Parties, which have directly or indirectly significant influence on the Company;
- Members of the Company's or parent company's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence;
- Other entities controlled by the same controlling party.

Material transactions and outstanding balances with related parties are disclosed in Note 14.

2.14 Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the financial statements.

3 INTANGIBLE FIXED ASSETS

Cost	1 January 2012 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2012 (CZK'000)
Research & development	101,278	-	40,271	-	141,549
Software	27,414	-	3,027	(92)	30,349
Royalties	101,707	-	3,202	-	104,909
Intangible fixed assets in the course of construction	3,899	60,182	(46,500)	-	17,581
Emission rights	13	3,061	-	(2,245)	829
Total	234,311	63,243	-	(2,337)	295,217

Accumulated amortisation					
	1 January 2012 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2012 (CZK'000)
Research & development	(42,759)	(20,692)	-	-	(63,451)
Software	(23,490)	(2,936)	-	92	(26,334)
Royalties	(7,631)	(18,229)	-	-	(25,860)
Total	(73,880)	(41,857)	-	92	(115,645)
Net book value	16,0431				179,572

Cost					
	1 January 2011 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2011 (CZK'000)
Research & development	94,160	-	7,118	-	101,278
Software	24,591	-	2,823	-	27,414
Royalties	631	-	101,076	-	101,707
Intangible fixed assets in the course of construction	9,682	105,234	(111,017)	-	3,899
Emission rights	300	1,006	-	(1,293)	13
Total	129,364	106,240	-	(1,293)	234,311

Accumulated amortisation					
	1 January 2011 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2011 (CZK'000)
Research & development	(27,401)	(15,358)	-	-	(42,759)
Software	(17,056)	(6,434)	-	-	(23,490)
Royalties	(489)	(7,142)	-	-	(7,631)
Total	(44,946)	(28,934)	-	-	(73,880)
Net book value	84,418				16,0431

During 2012 and 2011 the Company did not purchase any emission rights.

4 TANGIBLE FIXED ASSETS

Cost					
	1 January 2012 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2012 (CZK'000)
Land	101,066	-	5,344	(6)	106,404
Buildings, halls and other constructions	15,329,223	-	1,267,217	(198,822)	16,397,618
Equipment	1,504,886	-	974,400	(1,993)	2,477,293
Other tangible fixed assets	634	-	-	-	634
Tangible fixed assets in the course of construction	2,413,814	340,520	(2,246,961)	-	507,373
Advances paid for tangible fixed assets	-	201,604	-	-	201,604
Total	19,349,623	542,124	-	(200,821)	19,690,926

Accumulated amortisation					
	1 January 2012 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2012 (CZK'000)
Buildings, halls and other constructions	(2,136,393)	(475,818)	-	19,826	(2,592,385)
Equipment	(557,086)	(159,243)	-	1,983	(714,346)
Total	(2,693,479)	(635,061)	-	21,809	(3,306,731)
Net book value	16,656,144				16,384,195

Cost					
	1 January 2011 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2011 (CZK'000)
Land	91,926	-	9,606	(468)	101,066
Buildings, halls and other constructions	15,931,221	-	234,185	(836,181)	15,329,223
Equipment	1,399,617	-	105,499	(230)	1,504,886
Other tangible fixed assets	634	-	-	-	634
Tangible fixed assets in the course of construction	1,783,039	940,649	(309,874)	-	2,413,814
Advances paid for tangible fixed assets	15,022	24,394	(39,416)	-	-
Total	19,221,459	965,043	-	(836,879)	19,349,623

Accumulated amortisation					
	1 January 2011 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2011 (CZK'000)
Buildings, halls and other constructions	(1,740,208)	(469,886)	-	73,701	(2,136,393)
Equipment	(455,937)	(101,445)	-	296	(557,086)
Total	(2,196,145)	(571,331)	-	73,997	(2,693,479)
Net book value	17,025,314				16,656,144

Tangible fixed assets additions contain mainly investments to expansion of storage capacity of underground gas storage facility in Třanovice and Tvrdonice.

Disposals of tangible fixed assets mainly consist of sale of cushion gas with the net book value of CZK 124,164,000 and the consumption of gas cushion for covering technical loss in the net book value of CZK 54,609,000. The gas cushion was sold to RWE Transgas, a.s. and related revenues amounting to CZK 155,105,000 are disclosed in Note 14.

5 RECEIVABLES

	31 December 2012 (CZK'000)	31 December 2011 (CZK'000)
Trade receivables		
– current	426,932	405,654
– overdue	576	-
Total trade receivables	427,508	405,654
Other receivables		
– current	2,699,315	2,586,809
– overdue	-	-
Total other receivables	2,699,315	2,586,809
Short-term advances paid	2,496	2,267
Net book value of short-term receivables	3,129,319	2,994,730

Unsettled receivables have not been secured and none of them are due after more than 5 years.

Trade receivables as at 31 December 2012 include mainly receivable from RWE Transgas, a.s. for sale of storage capacity in the amount of CZK 383,438,000 (as at 31 December 2011: CZK 374,266,000) and a receivable from Pražská plynárenská, a.s. in the amount of CZK 11,904,000 (as at 31 December 2011: CZK 12,716,000).

Other receivables as at 31 December 2012 include mainly Cash-pooling receivables from RWE Transgas, a.s. (see Note 14 Related party transactions) in the amount of CZK 2,670,638,000 (as at 31 December 2011: CZK 2,573,359,000).

There was no provision for receivables created as at 31 December 2011 and 2012.

6 EQUITY

As at 31 December 2011, RWE Transgas, a.s. incorporated in the Czech Republic owned 100% of the Company's share capital. On 20 December 2012, RWE Transgas, a.s. sold 90% of its share in the Company to RWE Česká republika a.s. Information concerning the sale of the remaining 10% share in the Company are included in Note 19. The Company is part of the RWE Group. The ultimate holding company of the Group is RWE Aktiengesellschaft, incorporated in Germany.

The legal reserve fund is created from the profit of the Company according to law and may not be distributed to shareholders, but may be used to offset losses only.

The shareholder approved the financial statements for 2011 and decided about the allocation of profit earned in 2011 of CZK 1,930,187,000 on 14 March 2012.

7 PROVISIONS

	Legal reserves (CZK'000)	Income tax provision net of advances (CZK'000)	Other (CZK'000)	Total (CZK'000)
Opening balance as at 1 January 2011	173,269	78,047	831,708	1,083,024
Charge for the year	11,939	82,621	16,780	111,340
Released in the year	-	-	(2,014)	(2,014)
Used in the year	-	(78,047)	(31,645)	(109,692)
Closing balance as at 31 December 2011	185,208	82,621	814,829	1,082,658
Charge for the year	9,893	-	10,115	20,008
Released in the year	-	-	-	-
Used in the year	-	(82,621)	(54,315)	(136,936)
Closing balance as at 31 December 2012	195,101	0	770,629	965,730

As at 31 December 2012 the Company has created tax-deductible provision for the cost of land redevelopment and recultivation in the amount of CZK 195,101,000 (as at 31 December 2011: CZK 185,208,000) in order to provide for future expenses related to the recovery from the impact of its operations in accordance with the Mining Act, a provision for employment benefits in the amount of CZK 12,095,000 (as at 31 December 2011: CZK 16,780,000), a provision for share option plan in the amount of CZK 534,000 (as at 31 December 2011: CZK 49,000) and a provision for the change of safety valves amounting to CZK 758,000,000 (as at 31 December 2011: CZK 798,000,000).

Advances for income tax of CZK 541,645,000 paid by the Company as at 31 December 2012 (as at 31 December 2011: CZK 497,792,000) are netted off with the provision for income tax of CZK 513,001,000 as at 31 December 2012 (as at 31 December 2011: CZK 580,413,000).

For the analysis of the current and deferred income tax, see Note 11 – Income tax.

8 LIABILITIES

	31 December 2012 (CZK'000)	31 December 2011 (CZK'000)
Trade payables		
– current	165,442	453,654
– overdue	-	-
Total trade payables	165,442	453,654
Other payables		
– current	511,685	613,186
– overdue	-	-
Total other payables	511,685	613,186
Estimated payables	129,573	52,464
Total short-term liabilities	806,700	1,119,304
Trade payables	9,032	30,843
Deferred tax liability	1,689,169	1,701,990
Total long-term liabilities	1,698,201	1,732,833
Total short-term and long-term liabilities	2,504,901	2,852,137

Short-term and long-term trade payables as at 31 December 2012 in the amount of CZK 174,474,000 (as at 31 December 2011: CZK 484,497,000) represent mainly payables from acquisition of tangible fixed assets and services related to the extension of the underground gas storages.

Estimated payables as at 31 December 2012 and 31 December 2011 include mainly accruals for operation expenses.

Other liabilities contain mainly payable from grants received from the European Energy Programme for Recovery in the amount of CZK 459,776,000 (2011: CZK 459,776,000) for expansion of storage capacity of underground storage facilities in Tvrdonice and Tránovice. Capital expenditure grants received in 2011 for the purposes of acquisition of long term assets are recorded in the cash flow statement as a reduction in the acquisition of fixed assets.

The Company had no overdue liabilities as at 31 December 2012 and 2011.

The Company does not have any overdue payables related to social or health insurance or any other overdue payables to tax authorities or other state institutions.

Trade and other payables have not been secured against any assets of the Company and are not due after more than 5 years (2011: CZK 647,000).

9 DEFERRED REVENUE

The borrowings can be analysed as short-term and long-term items as follows:

	31 December 2012 (CZK'000)	31 December 2011 (CZK'000)
Deferred revenue	348,896	338,662

Deferred revenue includes mainly deferred revenue for sale of storage capacity to RWE Transgas, a.s. in the amount of CZK 319,532,000 (2011: CZK 311,889,000).

10 DERIVATIVE FINANCIAL INSTRUMENTS

Certain derivative transactions, although providing effective economic hedges under the Company's risk management positions, do not qualify for hedge accounting under Czech accounting rules. Therefore, they are presented as trading derivatives.

As at 31 December 2012 and as at 31 December 2011 the Company had no trading derivatives.

Changes in fair value of trading derivatives are recorded in the income statement.

	31 December 2012 (CZK'000)	31 December 2011 (CZK'000)
Changes in fair value of derivative instruments	(27)	-
Gains from forward instruments	1,400	1,377
Losses from forward instruments	(897)	(82)
Total trading agreements	476	1,295

11 INCOME TAX

The income tax expense can be analysed as follows:

	2012 (CZK'000)	2011 (CZK'000)
Current tax expense	513,001	580,413
Deferred tax expense	(12,820)	(126,149)
Adjustment of prior year tax expense based on final CIT return	(235)	1,783
Total income tax expense	499,946	456,047

Current tax can be analysed as follows:

	2012 (CZK'000)	2011 (CZK'000)
Net profit before taxation	2,629,710	2,386,234
Non-taxable income	(47,270)	(34,083)
Difference between accounting and tax depreciation	(6,505)	188,069
Non-deductible costs	137,152	527,975
Gifts	(13,081)	(13,390)
Net taxable profit	2,700,006	3,054,805
Corporate income tax at 19%	513,001	580,413

The deferred tax was calculated at 19% (the rate enacted for 2011 and subsequent years).

Deferred tax asset/(liability) can be analysed as follows:

	31 December 2012 (CZK'000)	31 December 2011 (CZK'000)
Deferred tax liability arising from		
Difference between accounting and tax net book value of fixed assets	(1,835,588)	(1,856,897)
Total deferred tax liability	(1,835,588)	(1,856,897)
Deferred tax asset arising from		
Other provisions	146,419	154,907
Total deferred tax asset	146,419	154,907
Net deferred tax asset / (liability)	(1,689,169)	(1,701,990)

12 REVENUE ANALYSIS

Revenue from operating activities can be analysed as follows:

	2012 (CZK'000)	2011 (CZK'000)
Sale of storage capacity		
– domestic	4,155,423	4,009,573
Other	25,274	40,396
Total sales of own products and services	4,180,697	4,049,969
Sale of fixed assets	155,270	798,951
Other	2,084	26,269
Total revenue from operating activities	4,338,051	4,875,189

13 EMPLOYEES

	2012	2011
Statutory representatives who are employees	1	1
Average number of other members of management	6	6
Average number of other staff	213	215
Total number of employees	220	222

No employee of the Company was a member of Supervisory Board in 2012 and 2011.

The Company's management includes executive members of the board of directors, other directors and senior staff members directly reporting to them.

	Management (CZK'000)	Other staff (CZK'000)	Total (CZK'000)
2012			
Wages and salaries	10,441	122,351	132,792
Social security costs	2,486	44,821	47,307
Other social costs	228	18,325	18,553
Bonuses to the members of statutory bodies	180	-	180
Total staff costs	13,335	185,497	198,832
2011			
Wages and salaries	11,048	118,993	130,041
Social security costs	3,526	44,350	47,876
Other social costs	191	7,255	7,446
Bonuses to the members of statutory bodies	180	-	180
Total staff costs	14,945	170,598	185,543

Other transactions with the Company's management are described in Note 14 – Related party transactions.

14 RELATED PARTY TRANSACTIONS

Profit/loss transfer agreement was concluded with RWE Transgas, a.s. on 14 November 2007. Based on this agreement the Company is committed to transfer its annual profit after contribution to statutory reserve fund to its shareholder. The shareholder is required to settle a loss of the Company that could not be settled from the statutory reserve fund or other Company's available funds. The profit transfer for the year ended 31 December 2012 was made in accordance with the agreement. The agreement expired on 31 December 2012.

The Company was involved in the following related party transactions:

	2012 (CZK'000)	2011 (CZK'000)
Purchases		
RWE Transgas, a.s. (services, interests, fixed assets)	61,326	128,239
NET4GAS, s.r.o. (services, gas, fixed assets)	58,994	40,706
RWE Interní služby, s.r.o. (services, fixed assets)	42,755	76,617
RWE Plynoprojekt, s.r.o. (services, fixed assets)	1,229	17,471
RWE Aktiengesellschaft (financial assets)	923	82
RWE Dea Aktiengesellschaft (fixed assets)	-	21,233
RWE Key Account CZ, s.r.o. (electricity)	41,865	-
Other RWE Group companies	8,475	5,438
Total purchases	215,567	289,786
Sales to RWE Transgas, a.s.		
Storage capacity	3,811,011	3,761,350
Other sales (fixed assets, interest)	164,417	805,588
Total sales	3,975,428	4,566,938
Other sales		
NET4GAS, s.r.o. (services, fixed assets)	145	161
RWE Aktiengesellschaft (financial assets)	1,400	1,377
RWE Gasspeicher (services)	10,494	11,340
Regional distribution companies	14,271	35,053
Other RWE Group companies	-	-
Total other sales	26,310	47,931

All transactions were concluded under standard market conditions following the arm's length principle.

The following related party balances were outstanding as at:

	31 December 2012 (CZK'000)	31 December 2011 (CZK'000)
Trade receivables		
RWE Transgas, a.s.	383,468	375,435
Other RWE Group companies	560	64
Total trade receivables	384,028	375,499
Advances paid		
RWE Transgas, a.s.	1,239	-
RWE Key Account CZ, s.r.o.	484	-
RWE Interní služby, s.r.o.	-	1,226
Total advances paid	1,723	1,226
Other receivables:		
RWE Transgas, a.s.	115	80
RWE Interní služby, s.r.o.	-	76
Total other receivables	115	156
Cash-pooling receivables		
RWE Transgas, a.s.	2,670,638	2,573,359
Total receivables	3,056,504	2,950,240
Trade payables		
RWE Transgas, a.s.	6,008	4,712
RWE Plynoprojekt, s.r.o.	11,250	16,011
Other RWE Group companies	9,093	7,636
Total trade payables	26,351	28,359
Anticipated payables / accruals and deferrals		
RWE Transgas, a.s.	320,952	311,889
Other RWE Group companies	18,286	2,910
Total anticipated payables / accruals and deferrals	339,238	314,799
Total payables and accruals and deferrals	365,589	34,3158

Cash-pooling receivables and payables bear market rates of interest. Trade receivables and payables arose under the arm's length principle. Receivables from related parties are not provided for.

Company cars are made available for use by management in total acquisition cost of CZK 6,407,000 (2011: CZK 5,892,000).

Remuneration of Supervisory Board Members in 2012 was CZK 180,000 (2011: CZK 180,000). The remuneration is part of wages and salaries.

The Company provides foreign members of statutory bodies with accommodation, in 2012 rent amounted to CZK 432,000 (2011: CZK 432,000).

Share option bonus plan has been provided to the management, as at 31 December 2012 provision for this plan was created in the amount of CZK 534,000 (as at 31 December 2011: CZK 49,000).

Besides the above disclosed remuneration and benefits, there was no other cash or non-cash consideration provided in 2012 and 2011 to the Company's shareholder, members of the Company boards and management.

15 FEES PAID AND PAYABLE TO THE AUDIT COMPANY

The information about fees for audit services is included in the consolidated financial statements of the ultimate parent company of the Group.

16 COMMITMENTS

Capital commitments contracted by the Company were CZK 18,678,000 as at 31 December 2012 (as at 31 December 2011: CZK 102,611,000).

17 CONTINGENT LIABILITIES

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2012 and 2011.

18 CASH FLOW STATEMENT

Cash and cash equivalents disclosed in the Cash flow statement can be analysed as follows:

	31 December 2012 (CZK'000)	31 December 2011 (CZK'000)
Cash in hand and in transit	-	382
Cash at bank	100,362	147,671
Restricted cash in bank	(100,092)	(87,451)
Receivable arising from cash-pooling	2,670,638	2,573,359
Cash and cash equivalents	2,670,908	2,633,961

19 SUBSEQUENT EVENTS

As at 1 January 2013, the business name of RWE Transgas, a.s. was changed in the Commercial Register to RWE Supply & Trading CZ, a.s.

On 15 January 2013, RWE Supply & Trading CZ, a.s. sold the remaining 10% of the Company's share capital to RWE Česká republika a.s. which, as of this date, became a 100% owner of the Company. This information has not been recorded in the Commercial Register as of the date of preparation of the financial statements

No other events have occurred subsequent to the year-end that would have a material impact on the financial statements as at 31 December 2012.

8 February 2013



Andreas Frohwein
Managing Director



Lubor Veleba
Managing Director

6 INDEPENDENT AUDITOR'S REPORT



6 INDEPENDENT AUDITOR'S REPORT

6.1 Auditor's Report on the Financial Statements



To the shareholder of RWE Gas Storage, s.r.o.

We have audited the accompanying financial statements of RWE Gas Storage, s.r.o., identification number 278 92 077, with registered office at Prosecká 855/68, Prague 9 ("the Company"), which comprise the balance sheet as at 31 December 2012, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation of the financial statements that give a true and fair view in accordance with Czech accounting legislation, and for such internal controls as the Statutory Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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**Shareholder of RWE Gas Storage, s.r.o.
Independent auditor's report**

Auditor's Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

8 February 2013

PricewaterhouseCoopers Audit, s.r.o.

represented by partner

A handwritten signature in blue ink, appearing to read 'T. Bašta'.

Tomáš Bašta
Statutory Auditor, Licence No. 1966

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

6.2 Auditor's Report on the Annual Report and the Report on Relations between Related Parties



To the shareholder of RWE Gas Storage, s.r.o.

We have audited the financial statements of RWE Gas Storage, s.r.o., identification number 27892077, with registered office at Prosecká 855/68, Praha 9 (“the Company”) for the year ended 31 December 2012 disclosed in the annual report on pages 32–55 and issued the opinion dated 8 February 2013 and disclosed on pages 58–59.

Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2012 is consistent with the financial statements which are included in this annual report on pages 32–55. The Statutory Body is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

Auditor's Responsibility

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2012 is consistent, in all material respects, with the financial statements.

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**Shareholder of RWE Gas Storage, s.r.o.
Independent auditor's report**

Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2012 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Body of the Company. Our responsibility is to express our opinion on the Report based on performed review.

Scope of Review

We conducted our review in accordance with Audit standard 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Report is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the requirements of Article 66a of the Commercial Code.

8 March 2013

PricewaterhouseCoopers Audit, s.r.o.

represented by partner

A handwritten signature in blue ink, appearing to read 'T. Bašta'.

Tomáš Bašta
Statutory Auditor, Licence No. 1966

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version

7 REPORT OF RWE GAS STORAGE, S.R.O. ON RELATIONS WITH RELATED PARTIES AS AT 31 DECEMBER 2012



7 REPORT OF RWE GAS STORAGE, S.R.O. ON RELATIONS WITH RELATED PARTIES AS AT 31 DECEMBER 2012

Because RWE Gas Storage, s.r.o. ("Company") has not entered into a controlling contract as a controlled entity, which would be in effect in 2012, the Company has compiled this report on its relations with controlling parties and with other parties controlled by the same controlling parties ("related parties") in 2012 insofar as such parties are known to the Company. The report was compiled in accordance with Section 66a(9) of Act No. 513/1991 Coll., the Commercial Code, as amended, and it constitutes an integral part of the Company's Annual Report for 2012. The Company's members will have the report available at the same time and under the same conditions as the Financial Statements.

1. Controlling Parties

In the last accounting period, the Company was controlled by the following parties:

- a) Directly until 20 December 2012
 - RWE Transgas, a.s. with its registered office at Limuzská 12/3135, 100 98 Prague 10, Company No. 26460815, the sole member of the Company during the relevant period
- b) Directly after 20 December 2012
 - RWE Česká republika a.s. with its registered office at Limuzská 3135/12, 100 98 Prague 10, Company No. 24275051, a member with a 90% share in the Company during the relevant period
- c) Indirectly throughout the last accounting period
 - RWE Gas International N.V., with its registered office at 5211AK 's-Hertogenbosch, Willemsplein 4, Kingdom of the Netherlands, the sole shareholder of RWE Transgas, a.s., and
 - RWE Aktiengesellschaft ("RWE AG") with its registered address at Opernplatz 1, 45128 Essen, Federal Republic of Germany, the sole member of RWE Gas International N.V.

2. Other Related Parties

The Company has requested the above controlling parties to provide a list of other parties that were controlled by the same controlling parties in the last fiscal reporting period. This report has been compiled based on information provided by the controlling parties and other information available to the Company's Board of Directors. The controlling structure and ties between companies within the RWE Group as at 31 December 2012 are shown on the third page of the cover of this Annual Report.

3. Contracts Signed by the Company and Related Parties, Services Rendered, and Payments Received

In the last fiscal reporting period, the Company and related parties were subject to the contracts listed in Annex No. 1. The Company did not incur any losses by performing these contracts, including contracts signed in preceding accounting periods. For this reason, there was no need to secure compensation for losses or to enter into agreements to this effect. The value of services rendered and payments made between related parties in the last fiscal reporting period is specified in Note 14 of the Notes to the Financial Statements of 31 December 2012.

¹ Renamed RWE Supply & Trading CZ, a.s. on 1 January 2013.

4. Other Legal Acts Completed in the Interest of Related Parties

In the last fiscal reporting period, the Company did not complete any legal acts in the interest of related parties.

5. Measures Adopted in the Interest or at the Request of Related Parties

In the last fiscal reporting period, the Company did not adopt or implement any measures in the interest or at the request of related parties.

6. Non-Existence of Damage

In the last fiscal reporting period, the Company did not incur any losses under contracts with related parties, other legal acts completed in the interest of related parties, or measures carried out in the interest or at the request of such parties, where their execution or adoption took place during or prior to the last fiscal reporting period.

7. Confidentiality

This report does not contain any information constituting the Company's trade secret.

8. Conclusion

This report was created and approved by the Company's Managing Directors on 6 March 2013, and it has been presented for examination to the Company's auditor who reviews the Financial Statements in accordance with the law.

In Prague on 6 March 2013

Managing Directors of RWE Gas Storage, s.r.o.



Andreas Frohwein
Managing Director, CEO



Lubor Veleba
Managing Director, CCO

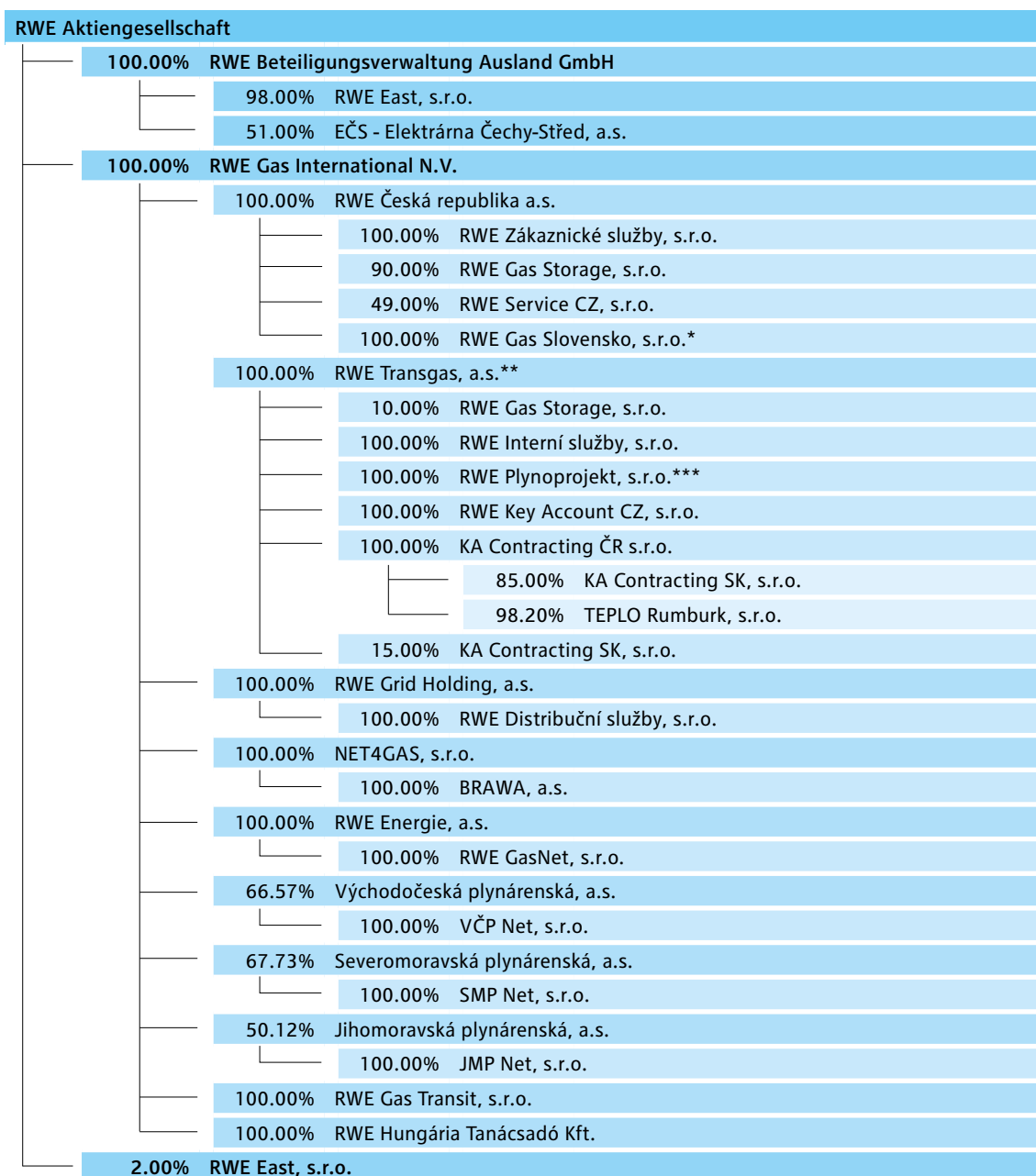
ANNEX NO. 1

Contracts Signed between the Company and Related Parties in the Last Accounting Period (2012)

Contracting party	Contract type/subject matter	Quantity
RWE Česká republika a.s.	Agreement on Assignment of Rights and Acceptance of Obligations	1
	Loan Agreement	1
RWE Supply & Trading CZ, a.s.	Amendment No. 8 to Loan Agreement – Termination	1
	Amendment No. 4 to Mandate Agreement	1
	Amendment No. 1 to Service Level Agreement	1
	Amendment No. 4 to Commercial Sublease Agreement	1
	Amendment No. 5 to Commercial Sublease Agreement	1
	Purchase Agreement – Sale of Semitrailer	1
	Storage Capacity Transfer Agreement	1
	Storage Capacity Transfer Agreement	1
	Sales of Cushion Gas 2012	1
	Written Commission Agreement on organization of Hrušky well Remediation	1
	GS Technology Systems Service Level Agreement	1
	Reverse Capacity Contract	1
	RWE TG Transport Service Level Agreement	1
	Agreement on Assignment of Rights and Acceptance of Obligations	1
	Agreement to cancel profit transfer contract	1
RWE Key Account CZ, s.r.o.	Amendment No. 1 to High-Voltage Electricity Supply Agreement 2012-2014	1
	Amendment No. 2 to High-Voltage Electricity Supply Agreement 2012-2014	1
NET4GAS, s.r.o.	Master Contract for Work	1
	Technical Dispatching Service Level Agreement	1
	Agreement Terminating Agreement	1
	Purchase Agreement	1
	Technical Dispatching Service Level Agreement	1
RWE Plynoprojekt, s.r.o.	Amendment No. 1 to Contract for Work	1
	Mandate Agreement – Site Supervision, Třanovice 7183 Project	1
	Design Documentation for Service Line	1
	Design Documentation for Service Line	1
	SS1/SS2 D. Dunajovice Reconstruction Project	1
	Amendment No. 1 to SS1/SS2 DD Project	1
	Agreement on Assignment of Rights and Acceptance of Obligations	1
	Natural Gas Extraction and Processing Service Level Agreement	1
	Contract for Work – Selection of Data from Digital Technical Archive, SSO	1
	Agreement on Assignment of Receivables	1

Contracting party	Contract type/subject matter	Quantity
RWE Interní služby, s.r.o.	SLA IT Information Technologies IS/GS	1
	Purchase Agreement with Gas Storage	1
	Agreement Terminating Agreement No. 808000637	1
RWE Distribuční služby, s.r.o.	Agreement on Assignment of Rights and Acceptance of Obligations	1
RWE Gasspeicher, GmbH	Amendment No. 8 to Contract on Provision	1
	Amendment No. 9 to Contract on Provision	1
	Amendment No. 10 to Contract on Provision	1
	Amendment No. 11 to Contract on Provision	1

Scheme of the relations between and control of companies along the relevant line within the RWE Group as at 31 December 2012



* Not registered in the Commercial Register as at 31 December 2012.

** The company has been renamed RWE Supply & Trading CZ, a.s. as of 1 January 2013.

*** The company was wound up without liquidation as of 1 January 2013 as a result of a national merger by acquisition, with KA Contracting ČR s.r.o. as the acquiring company.

RWE Gas Storage, s.r.o.

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