

ANNUAL REPORT 2013



KEY FIGURES

	2013
Total sales (CZK m)	4,370
EBITDA (CZK m)	3,570
Operating result (CZK m)	2,858
Profit before taxation (CZK m)	2,845
Profit after taxation (CZK m)	2,307
Investments (CZK m)	412
Number of employees (FTE)	214

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

ABBREVIATIONS

a.s.	Joint stock company
AG	Aktiengesellschaft (Joint stock 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

Ladies and Gentlemen,

Packed with events, the reported year saw RWE Gas Storage enlarge the portfolio of gas storage services and register record-high capacity sales. Moreover, the number of our customers exceeded the 20 mark, and we sold most of the storage capacity for 2014. Despite the favourable results, however, the medium-term prospects for revenues and earnings are rather uncertain, as storage prices dropped to a historical minimum in 2013, exacerbating the unfavourable situation on the energy market throughout Europe.

On the positive side, the unusually long duration of the production and injection phases, which lasted until May and the end of October, respectively, underscored the fact that gas storage facilities are a vital part of the gas supply system.

We repaired 31 wells and tested a hydraulic underground well-repair set. We completed a unique repair project, which included outfitting storage caverns at the Háje facility. We installed a new compressor and boundary valves in the Lobodice complex. In Štramberk, we built new structures to house the surface components of underground wells. In Tvrdonice, we drilled one new well and completed the relocation of the local control room. We reconstructed the drying unit in Dolní Dunajovice, and relocated the control room to increase worker safety. A fully functional laboratory accredited to carry out gas analyses was set up in Tvrdonice.

Thanks to strict conformity to occupational safety regulations and the use of protective aids, there was no workplace accident during the year under review. We completed investment projects financed with funds from the European Energy Program for Recovery and received the last payment from the European Commission.

In other words, our last year's accomplishments were many.

Moreover, we continued to work hard to reduce operating costs to further increase competitiveness and to stabilize our position for future growth. From 2014 onward, gas storage facilities will have a clear status in RWE's structure, having been identified as one of the four main areas of the Group's business in the Czech Republic.

As in previous years, RWE Gas Storage was an active member of Gas Storage Europe and contributed to the pan-European debate about the future of the gas supply infrastructure. We want to thank our employees and partners for trust and loyalty in 2013.



Andreas Frohwein
Managing Director, CEO



Lubor Veleba
Managing Director, CCO

2 REPORT OF THE SUPERVISORY BOARD FOR 2013

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 2013, 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. These include 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 the Supervisory Board discussed them.

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.

In Prague on 11 March 2014



Martin Herrmann

Chairman of the Supervisory Board

3 CORPORATE INFORMATION

3.1 General Information

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

Establishment and Inception

RWE Gas Storage, s.r.o. was established by spin-off from RWE Transgas, a.s. and incorporated on 1 May 2007.

Profile

With close to 2.7 billion cubic meters in storage capacity, RWE Gas Storage, s.r.o. is currently the largest underground storage operator in the Czech Republic. Its portfolio includes services related to the storage of gas in underground storage facilities.

Foreign Organization Units

The Company has no operations abroad.

3.2 Governing and Supervisory Bodies

Managing Directors as at 31 December 2013

Andreas Frohwein

Managing Director, CEO

Born: 12 December 1966

Education: Universität Gesamthochschule Essen, Technische Hochschule Aachen

Other board memberships and commitments: Managing Director – RWE Gasspeicher GmbH

Other business activities: None

Lubor Veleba

Managing Director, CCO

Born: 7 May 1969

Education: Brno Technical University; Cass Business School, London

Other board memberships and commitments: None

Other business activities: None

Supervisory Board as at 31 December 2013

Martin Herrmann

Chairman

Born: 3 July 1967

Education: Westfälische Wilhelms-Universität, Münster, Economics

Other board memberships and commitments: Chairman of the Board of Directors – RWE Česká republika a.s. and RWE Grid Holding, a.s.; Managing Director – RWE East, s.r.o., Chairman of the Supervisory Board – Jihomoravská plynárenská, a.s., Severomoravská plynárenská, a.s., Východočeská plynárenská, a.s., and RWE Energie, a.s.; Member of the Supervisory Board – RWE Supply & Trading GmbH, Budapesti Elektromos Művek Nyrt., and ÉMÁSZ Nyrt.

Other business activities: None

Thomas Rappuhn

Deputy Chairman

Born: 28 December 1959

Education: Technische Universität Clausthal, Hydrocarbon Sciences

Other board memberships and commitments: Chairman of the Board of Directors – RWE Dea AG

Other business activities: None

Jürgen Gröner

Member

Born: 4 January 1965

Education: Universität Essen, Electric Energy, Doctorate in the Field of Electric Energy

Other board memberships and commitments: Member of the Supervisory Board – MITGAS Mitteldeutsche Gasversorgung GmbH and rhenag Rheinische Energie Aktiengesellschaft

Other business activities: None

Wolfgang Peters

Member

Born: 12 June 1953

Education: University of Hamburg, Doctor of Law, Executive MBA, California State University, Hayward

Other board memberships and commitments: Chairman of the Board of Directors – RWE Supply & Trading CZ, a.s.

Other business activities: None

Axel Gerhardy

Member

Born: 14 August 1971

Education: Georg-August Universität, Göttingen, Economics

Other board memberships and commitments: Deputy Chairman of the Board of Directors – RWE Česká republika a.s. and RWE Supply & Trading CZ, a.s., Member of the Board of Directors – RWE Grid Holding, a.s.

Other business activities: None

Šárka Vojíková

Member

Born: 22 September 1967

Education: High School, Prague, Social and Legal Study Program, Prague

Other board memberships and commitments: None

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
120 00 Prague 2140 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 11 March 2014



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 2013

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



Andreas Frohwein

Managing Director, CEO



Lubor Veleba

Managing Director, CCO

4 MANAGEMENT REPORT FOR 2013

4.1 Results

Revenues, Expenses, Profit

During the reported year, the Company recorded CZK 4,384 million in total operating income, including proceeds from the sale of fixed assets and other operating revenues, and incurred CZK 1,526 million in total operating costs, including taxes, fees, and other operation-related expenses. EBIT from operations amounted to CZK 2,858 million, a 9% year-over-year increase.

In contrast, the Company incurred CZK 13 million in financial losses. Earnings before taxes totalled CZK 2,845 million.

Net profit after taxes for the accounting period amounted to CZK 2,307 million.

Assets

At 31 December 2013, the Company held assets with total value of CZK 19,700 million. Fixed assets, valued at CZK 15,705 million (CZK 15,550 million in tangible fixed assets, CZK 152 million in intangible fixed assets, CZK 3 million in long-term financial assets), accounted for approximately 80% of total assets.

Current assets constituted the remaining 20% (CZK 3,993 million), of which 95% were accounts receivable.

Liabilities

Equity amounted to CZK 16,284 million, constituting roughly 83% of total liabilities.

Long-term liabilities (mainly deferred taxes payable) and short-term payables accounted for 55% and 15% of liabilities, respectively.

Risk Management

Risk management is handled by Risk Management Committee, composed of management representatives within the RWE group in the Czech Republic.

All identified risks are classified in the Risk Catalogue and entered in the risk matrix, which allows identifying the most serious threats from the viewpoint of the probability of their occurrence and the extent of potential damage. Depending on their nature, the most serious risks are hedged against by means of insurance, provisions, security transactions, risk position limits, and various other preventive measures. The most important risks to which the Company is exposed are the credit and market risks, which stem from the sale of storage capacity. Further, active measures are taken to manage currency, technical, and operational risks.

All derivatives are revalued at fair value on the balance sheet date. The Company does not use hedge accounting.

Investments

During the year under review, investment projects were executed in accordance with the approved investment plan. The Company acquired assets with the total value of CZK 412 million.

The focal point of last year's investments was the pressure optimization at the Tvrdonice UGS. Worth CZK 135 million, the project included drilling one and outfitting three wells and reconstructing the central complex to allow the wells to be put into service in 2014.

Operating wells at the Háje underground gas storage facility were fitted with subsurface safety valves to ensure compliance with new requirements of mining laws. The third stage of the control system reconstruction was completed.

Another important investment venture was the installation and launch of a new compressor, where the objective was to improve the operating flexibility of the Lobodice underground gas storage facility. In addition, boundary valves were installed to enable the secure separation of the Lobodice plant from the transmission system.

The ongoing installation of subsurface safety valves in all injection-production wells continued throughout the year in accordance with the maintenance plan. Overall, 30 subsurface safety valves were installed.

To improve personnel safety, the control rooms at the Tvrdonice and Dolní Dunajovice UGS were relocated.

Two drying units at the Dolní Dunajovice storage facility underwent reconstruction. Further, materials were purchased and design was prepared for the reconstruction of two structures that contain measuring units in 2014.

A GT 3000 turbine unit was reconstructed and structures were built to house the surface components of 32 wells at the Štramberk UGS.

Gas flow measuring systems were reconstructed in wells in the New and West Fields of the Třanovice underground gas storage facility.

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Financing of Investment Projects

All investment projects were executed in the Czech Republic and financed using the Company's own resources. Investment projects conformed to the planned use of the Company's virtual storage capacity and had no effect on services provided to customers.

4.2 Sale of Capacity

Service Portfolio, Storage Capacity, Customers

Throughout the reported year, RWE Gas Storage offered storage capacity and related services on a transparent and non-discriminatory basis to all customers. Despite the unfavourable market situation, the number of clients grew to 23.

Nine storage capacity auctions took place offering various combinations of working gas volume, and withdrawal and injection capacity, as well as independent firm and interruptible working gas volume. The most sought after storage services included transfer and lease of storage capacity, temporary working gas volume, and flexible reverse capacities. We continued to create new storage services, such as the option to order intra-day interruptible capacity that we will offer starting in 2014.

The development of IT applications continued with several improvements of the nomination portal. An upgraded version of the auction system and a new customer care portal will be introduced in 2014.

We published large amounts of operating data on underground storage facilities on the Company's website in line with our commitment to offer services in a transparent manner in conformity to the current version of the GGPSSO (Guidelines for Good TPA Practice for Storage System Operators). Unlike most other gas storage operators, we published all current and past prices of our products and services.

We worked closely together with Gas Storage Europe, an association of storage operators from all European countries.

Virtual storage capacity at 31 December 2013:

Working gas volume (million cubic meters)	2 696
Maximum injectability (GWh/day)	312
Maximum deliverability (GWh/day)	426

Outlook

Several auctions for storage capacity featuring various parameters will take place in the first quarter of 2014.

Throughout the year, the Company will make active efforts with a view to simplify considerably laws regulating the sale of storage capacity.

Regulatory Affairs

Supply Security Standard

Starting on 30 September 2013, the Regulation on State of Emergency in the Gas Sector and Methods for Securing the Supply Security Standard (344/2012) requires all gas suppliers who serve captive customers to secure at least 20% of the supply security standard by storing gas in storage facilities.

4.3 Underground Gas Storage Facilities

RWE Gas Storage operates six underground gas storage facilities. They are located in Dolní Dunajovice, Lobodice, Štramberk, Třanovice, Tvrdonice, and Háj. The first five are in North and South Moravia, where gas is stored in natural geologic formations that originally contained crude oil and natural gas deposits. In Lobodice, gas is stored in a local aquifer. In addition, the Háj storage facility, which relies on an artificial underground cavern, has been used for the past 15 years to cover natural gas consumption peaks in the Prague area and in Central Bohemian industrial centers.

RWE Gas Storage provides gas storage services with a focus on efficiency, reliability, availability, flexibility, and operating safety.

In line with our mission, we continued to perform underground well repairs and install subsurface safety valves throughout the reported year. In total, we installed 31 subsurface safety valves at the Dolní Dunajovice, Lobodice, Štramberk, Třanovice, Tvrdonice, and Háj plants. The technically challenging underground work performed on all five injection-production wells at the Háj cavern facility was successfully completed in part thanks to the use of the modern hydraulic work-over method (HWO). We took this efficient approach also in case of repairs of four underground wells at the Dolní Dunajovice storage plant. A new production well was drilled at the Tvrdonice facility.

The wells where subsurface repairs were completed are now compliant with the EU's the EN 1918 safety standard for underground gas storage facilities.

During the reported year, a number of HAZOP measures were implemented, such as the installation of new boundary valves at the Lobodice UGS and the relocation of control rooms at the Dolní Dunajovice and Tvrdonice UGS.

Further, various measures were taken to increase the efficiency of operation and to optimize operating costs at all the Company's storage facilities.

4.4 Corporate Social Responsibility

Grant Program

In line with our commitment to corporate social responsibility, the sixth year of our grant program focused on contribution to the healthy development and community life of municipalities where we conduct business. During the reported year, we received 71 grant applications. We selected twenty-one projects in two evaluation rounds to receive the total of CZK 4.9 million in financial aid. The selected projects included:

- Construction and reconstruction of children's playgrounds, school yards, and sports facilities in the municipalities of Štramberk, Horní Věstonice, Háje, Kostice, and Příbram,
- Reconstruction and modernization of kindergartens and elementary schools in the municipalities of Dolní Věstonice, Tvrdonice, Milín, and Perná,
- Reconstruction of the Těrlicko kindergarten and elementary school aimed at facilitating access for the handicapped,
- Support for the Třanovice retirement home,
- Cultural events, and much more.

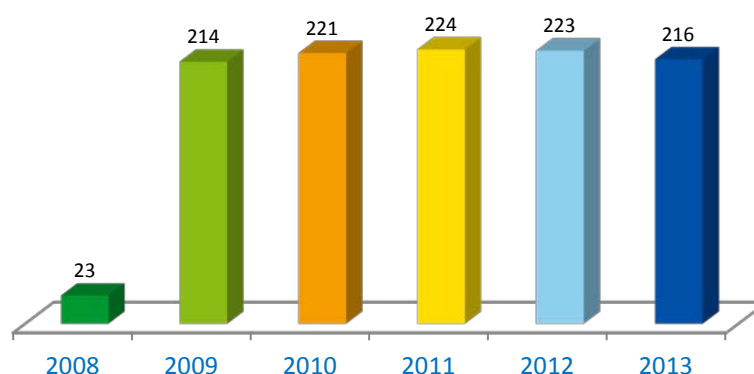
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The grant program will continue in 2014.

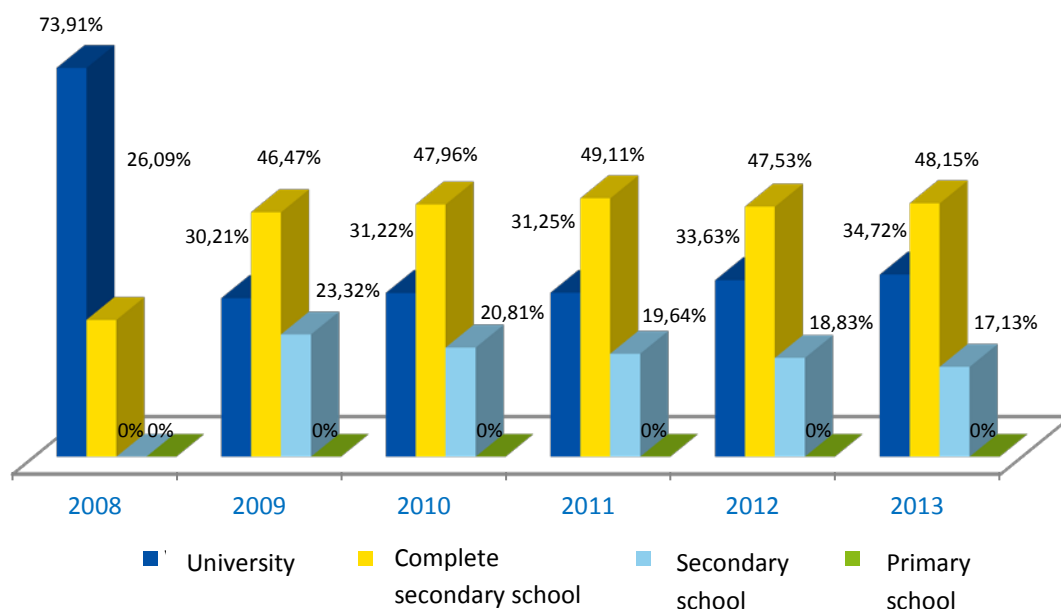
4.5 Human Resources

Maintaining an optimal workforce structure is one of the Company's key priorities.

Employee Headcount



Employee Structure by Education



Wages

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

Social Policy

The Company fulfilled all obligations relating to working conditions and employee benefits agreed under the RWE Group Collective Agreement for the years 2012 and 2013.

Under the employee benefit program, we paid contributions for retirement savings and life insurance plans, and provided generous financing for training programs and various cultural and sports events.

Training and Career Development

In 2013, the Company spent 2.15% of wage costs on the training and personal development programs of its workforce, executing 875 training projects for 2,421 persons. The annual training cost per employee averaged CZK 12,251, including e-learning courses.

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

Health, safety, security, and environment (HSSE) is one of our highest priorities to which we pay close attention with the aim of providing maximum protection for the environment and the Company's workforce, assets, and reputation. Our HSSE management system is compliant with the law, group-wide policies, and recognized international standards. We cooperate actively with local and central government authorities and specialized institutions and exchange best practices with gas and mining companies and organizations.

Environmental Protection

All environmental protection targets and requirements arising from the law and the ISO 14001 environmental management system were complied with thanks to the meticulous work of employees responsible for environmental protection and all other members of the Company's staff.

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

All facets of environmental protection were managed using the EkoNess software, including the generation of data and reports required under the law.

The Company operates two underground gas storage facilities authorized to release carbon dioxide. During the year under review, an independent accredited firm measured regularly the quantity of released carbon dioxide.

In operating our underground storage facilities, we focused on reducing the production of waste and increasing the amount of recycling. None of the Company's facilities is affected by environmental burden originating in the past.

As part of the ongoing effort to reduce costs, we formed a close partnership with the Nature Conservation Agency of the Czech Republic to execute a project named "Living Islands at RWE Gas Storage". The goal is to provide financial aid for preserving protected areas near underground gas storage sites and for planting the wild species originally present in the ecosystems where RWE Gas Storage facilities are located. The partnership aims to support the biodiversity of flora and fauna in the landscape and to reduce the cost of maintaining grass areas. The pilot stage of the project will take place at the Tvrdonice and Dolní Dunajovice storage facilities in 2014.

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Further, we joined forces with the Czech Beekeepers Association to complete a project aiming to increase biodiversity by planting the original species of fruit trees in the South Moravian agricultural region. The project was financed with funds provided under the RWE Companius program.

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

Occupational Health and Safety, Fire Protection, Security, and Business Continuity

There was no work-related injury resulting in absence from work, and no employee was diagnosed with or assessed to be at risk of contracting an occupational disease. Thanks to strict conformity to workplace regulations by all employees and contracted partners, we celebrated 1,097 accident-free days on 31 December 2013. Our excellent work-safety record earned us a second place in Category IV of the Golden Gnome contest organized by the Czech Mining Bureau, the Trade Union of Workers in Mines, Geology, and Oil Industry, and the Trade Union of Building Workers of the Czech Republic. Moreover, our employee Bohumil Baďura received a Bronze Medal of Georgius Agricola, an individual award for outstanding contributions to the development of the mining sector bestowed on workers employed by organizations subjected to oversight by the State Mining Administration.

We strengthened our partnership with the Czech Fire and Rescue Service by signing an agreement to provide mutual assistance in handling accidents and emergencies. We paid close attention to theoretical and practical training for mine rescue workers and to cooperation between the individual units of the integrated rescue system. There was no fire at the Company's facilities in the reported year.

As regards business continuity management, and emergency and crisis planning, we simulated emergencies to verify the effectiveness of contingency plans and procedures. As to security, the Company was closely involved in security actions taken within the RWE Group and in activities aimed at critical infrastructure protection on the national and Europe-wide level.

4.7 Subsequent Events

No events took place after the balance sheet date that would have a material impact on information disclosed in this Annual Report. Based on general meeting decision of Company as at 1 February 2014, the supervisory board has been cancelled.

4.8 Outlook

Cost Saving Measures

As 2013 saw storage prices drop to a historical minimum, exacerbating the unfavourable situation on the energy market throughout Europe, the medium-term outlook for revenues is rather uncertain. In 2014, the Company will continue to seek ways of cutting costs and boosting efficiency. Focus will concentrate on reducing operating and service procurement costs.

5 FINANCIAL SECTION

5.1 Financial Statements

BALANCE SHEET (in thousand Czech crowns)					
		31.12.2013		31.12.2012	
Ref	ASSETS	Gross	Provision	Net	Net
A	b	1	2	3	4
	TOTAL ASSETS	23,829,656	(4,130,134)	19,699,522	19,820,325
B.	Fixed assets	19,835,068	(4,130,134)	15,704,934	16,563,767
B. I.	Intangible fixed assets	313,310	(161,601)	151,709	179,572
B. I.	1. Research & development	158,150	(88,248)	69,902	78,098
	2. Software	31,855	(28,644)	3,211	4,015
	3. Royalties	104,909	(44,709)	60,200	79,049
	4. Other intangible fixed assets	-	-	-	829
	5. Intangible fixed assets in the course of construction	18,396	-	18,396	17,581
B. II.	Tangible fixed assets	19,518,561	(3,968,533)	15,550,028	16,384,195
B. II.	1. Land	109,027	-	109,027	106,404
	2. Constructions	16,053,326	(3,069,029)	12,984,297	13,805,233
	3. Equipment	2,327,480	(899,504)	1,427,976	1,762,947
	4. Other tangible fixed assets	634	-	634	634
	5. Tangible fixed assets in the course of construction	929,531	-	929,531	507,373
	6. Advances paid for tangible fixed assets	98,563	-	98,563	201,604
B. III.	Long-term investments	3,197	-	3,197	-
B. III.	1. Other long-term investments in securities	3,197	-	3,197	-
C.	Current assets	3,992,618	-	3,992,618	3,255,267
C. I.	Inventories	73,718	-	73,718	25,586
C. I.	1. Raw materials	45,748	-	45,748	19,521
	2. Advances paid for inventory	27,970	-	27,970	6,065
C. III.	Short-term receivables	3,807,775	-	3,807,775	3,129,319
C. III.	1. Trade receivables	445,464	-	445,464	427,508
	2. Receivables - subsidiaries / controlling parties	3,351,600	-	3,351,600	2,670,638
	3. Taxes - receivables from the state	1	-	1	28,644
	4. Short-term advances paid	10,631	-	10,631	2,496
	5. Estimated receivables	28	-	28	23
	6. Other receivables	51	-	51	10
C. IV.	Financial assets	111,125	-	111,125	100,362
C. IV.	1. Cash at bank	111,125	-	111,125	100,362
D. I.	Prepayments and accrued income	1,970	-	1,970	1,291
D. I.	1. Prepaid expenses	1,517	-	1,517	1,177
	2. Accrued income	453	-	453	114

BALANCE SHEET – continued (in thousand Czech crowns)

Ref	LIABILITIES AND EQUITY	31.12.2013	31.12.2012
a	b	5	6
	TOTAL LIABILITIES AND EQUITY	19,699,522	19,820,325
A.	Equity	16,284,229	16,000,798
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	526,813	420,324
A. III. 1.	Legal reserve fund	526,813	420,324
A. V.	Profit / (loss) for the current period	2,306,707	2,129,765
B.	Liabilities	3,050,476	3,470,631
B. I.	Provisions	913,503	965,730
B. I. 1.	Tax-deductible provisions	202,145	195,101
	2. Income tax provision	9,612	-
	3. Other provisions	701,746	770,629
B. II.	Long-term liabilities	1,677,745	1,698,201
B. II. 1.	Trade payables	6,440	9,032
	2. Deferred tax liability	1,671,305	1,689,169
B. III.	Short-term liabilities	459,228	806,700
B. III. 1.	Trade payables	194,435	165,442
	2. Liabilities to employees	8,067	14,049
	3. Liabilities for social security and health insurance	4,373	5,924
	4. Taxes and state subsidies payable	131,106	489,690
	5. Estimated payables	115,092	129,573
	6. Other payables	6,155	2,022
C. I.	Accruals and deferred income	364,817	348,896
C. I. 1.	Deferred income	364,817	348,896

INCOME STATEMENT (in thousand Czech crowns)

		Accounting Period	
Ref.	Description	2013	2012
a	b	1	2
II.	Sales of production	4,369,920	4,180,697
II. 1.	Sales of own products and services	4,369,920	4,180,697
B.	Cost of sales	667,505	717,140
B. 1.	Raw materials and consumables	226,979	211,136
2.	Services	440,526	506,004
+	Added value	3,702,415	3,463,557
C.	Staff costs	177,437	198,832
C. 1.	Wages and salaries	124,140	132,792
2.	Emoluments of board members	180	180
3.	Social security and health insurance costs	45,355	47,307
4.	Other social costs	7,762	18,553
D.	Taxes and charges	7,671	8,869
E.	Depreciation expense of intangible and tangible fixed assets	712,200	676,918
III.	Sales of fixed assets and raw materials	55	155,270
III. 1.	Sales of fixed assets	55	155,270
F.	Net book value of fixed assets and raw materials sold	35	124,403
F. 1.	Net book value of fixed assets sold	35	124,403
G.	Changes in operating provisions and complex prepaid expenses	(61,839)	(34,307)
IV.	Other operating income	13,609	2,084
H.	Other operating expenses	22,887	25,719
*	Operating result	2,857,688	2,620,477
L.	Loss on revaluation of securities and derivatives	-	27
X.	Interest income	4,204	9,726
N.	Interest expense	-	11
XI.	Other financial income	7,144	2,900
O.	Other financial expenses	23,923	3,354
*	Financial result	(12,575)	9,234
Q.	Tax on profit or loss on ordinary activities	538,406	499,946
Q. 1.	- current	556,270	512,766
2.	- deferred	(17,864)	(12,820)
**	Profit or loss on ordinary activities after taxation	2,306,707	2,129,765
***	Net profit / (loss) for the financial period	2,306,707	2,129,765
***	Net profit / (loss) before taxation	2,845,113	2,629,711

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2013				
	Share capital (CZK'000)	Legal reserve fund (CZK'000)	Retained earnings (CZK'000)	Total (CZK'000)
As at 1 January 2012	13,450,709	323,814	1,930,187	15,704,710
Contribution 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
Contribution to reserve fund	-	106,489	(106,489)	-
Profit distribution paid	-	-	(2,023,276)	(2,023,276)
Net profit for 2013	-	-	2,306,707	2,306,707
As at 31 December 2013	13,450,709	526,813	2,306,707	16,824,229

CASH FLOW STATEMENT

Year ended 31 December 2013		2013	2012
		(CZK'000)	(CZK'000)
Cash flows from operating activities			
Net profit on ordinary activities before tax		2,845,113	2,629,711
A.1	Adjustments for non-cash movements:		
A.1.1	Depreciation/amortization of fixed assets	712,200	676,918
A.1.2	Changes in provisions	(61,839)	(34,307)
A.1.3	Profit from disposal of fixed assets	(20)	(30,867)
A.1.4	Net interest income	(4,204)	(9,715)
A.1.5	Other non-cash movements	33,401 ¹	56,854 ¹
A*	Net cash flow from operating activities before tax and changes in working capital	3,524,651	3,288,594
A.2	Working capital changes		
A.2.1	Changes in receivables and prepayments and accrued income	(8,317)	(21,069)
A.2.2	Changes in short-term payables, accrued expenses and deferred income	106,737	(167,307)
A.2.3	Changes in inventories	(48,132)	(8,271)
A**	Net cash flow from operating activities before tax	3,574,939	3,091,947
A.3	Interest paid	-	(11)
A.4	Interest received	4,169	9,691
A.5	Income tax on ordinary activities paid	(546,658)	(624,031)
A***	Net cash flow from operating activities	3,032,450	2,477,596
Cash flows from investing activities			
B.1	Acquisition of fixed assets	(327,628) ²	(762,242) ²
B.2	Proceeds from the sale of fixed assets	55	155,270
B***	Net cash flow from investing activities	(327,628)	(606,972)
Cash flows from financing activities			
C.2	Changes in equity		
C.2.1	Profit distribution paid	(2,023,276)	(1,833,677)
C***	Net cash flow from financing activities	(2,023,276)	(1,833,677)
Net increase in cash and cash equivalents		681,546	36,947
Cash and cash equivalents as at the beginning of the year		2,670,908	2,633,961
Cash and cash equivalents as at the end of the year		3,352,454	2,670,908

¹ Line other non-cash movements includes consumption of cushion gas as described in Note 4.

² Acquisition of fixed assets were decreased by received grants for tangible fixed assets as described in Note 8.

5.2 Notes for Financial Statements

Year ended 31 December 2013

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 Managing Directors as at 31 December 2013 were as follows:

Name	Position
Mr Andreas Frohwein	Member
Mr Lubor Veleba	Member

The members of the Supervisory board as at 31 December 2013 were as follows:

Name	Position
Mr Martin Friedrich Herrmann	Chairman
Mr Thomas Rappuhn	Vice-Chairman
Mr Jürgen Gröner	Member
Mr Wolfgang Peters	Member
Mr Axel Gerhardy	Member
Ms Šárka Vojíková	Member

The Company is organized as follows:

The supreme body of the Company is the General Meeting. The Managing 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 Managing Directors.

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 convention except as disclosed 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.

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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 based on 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 are 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 that 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 based on 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, 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, which has the nature of cash and cash equivalents, 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.

The Company treats advances paid for the acquisition of fixed assets or inventories as receivables and therefore these assets are translated at the exchange rate published by the Czech National Bank as at the balance sheet date.

2.8. Derivative Financial Instruments

Derivative financial instruments including foreign exchange contracts are initially recognized 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 provisions for the cost of land re-cultivation, 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 recognizes 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 recognized as a short-term receivable.

2.11. Employee 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 and contribution to capital life insurance. Pension and life insurance contributions are expensed. The Company recognizes a provision relating to rewards and bonuses of employees.

2.12. Deferred Tax

Deferred tax is recognized 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 recognized if it is probable that sufficient future taxable profit will be available, against which the asset can be utilized.

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, and/or
- Subsidiaries, associates and joint-venture companies

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

2.14. Changes of accounting policies and corrections of prior period

Changes of accounting policies (inclusive deferred tax impact) and corrections of errors arising from incorrect accounting or unrecorded expenses and income in the prior periods is reflected in the balance sheet line Restatements of retained earnings, if these changes and corrections are material.

2.15. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognized 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 recognized in the financial statements.

3. Intangible Fixed Assets

Cost	1 January 2013 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2013 (CZK'000)
Research & development	141,549	-	16,601	-	158,150
Software	30,349	-	1,506	-	31,855
Royalties	104,909	-	-	-	104,909
Intangible fixed assets in the course of construction	17,581	18,922	(18,107)	-	18,396
Emission rights	829	-	-	(829)	-
Total	295,217	18,922	-	(829)	313,310
Accumulated amortization					
Research & development	(63,451)	(24,797)	-	-	(88,248)
Software	(26,334)	(2,310)	-	-	(28,644)
Royalties	(25,860)	(18,849)	-	-	(44,709)
Total	(115,645)	(45,956)	-	-	(161,601)
Net book value	179,572				151,709

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 amortization					
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	160,431				179,572

During 2013 and 2012, the Company did not purchase any emission rights.

4. Tangible Fixed Assets

Cost	1 January 2013 (CZK'000)	Additions (CZK'000)	Transfers (CZK'000)	Disposals (CZK'000)	31 December 2013 (CZK'000)
Land	106,404	-	2,657	(34)	109,027
Buildings, halls and other constructions	16,397,618	-	32,797	(377,089)	16,053,326
Equipment	2,477,293	-	38,962	(188,775)	2,327,480
Other tangible fixed assets	634	-	-	-	634
Tangible fixed assets in the course of construction	507,373	258,479	163,679	-	929,531
Advances paid for tangible fixed assets	201,604	135,054	(238,095)	-	98,563
Total	19,690,926	393,533	-	(565,898)	19,518,561
Accumulated amortization					
Buildings, halls and other constructions	(2,592,385)	(480,658)	-	4,014	(3,069,029)
Equipment	(714,346)	(185,570)	-	412	(899,504)
Total	(3,306,731)	(666,228)	-	4,426	(3,968,533)
Net book value	16,384,195				15,550,028

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 amortization					
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

Tangible fixed asset additions contain mainly investments in the expansion of storage capacity of the underground gas storage facility in Dolní Dunajovice, Tvrdonice and Háje.

The value of disposals of tangible fixed assets includes a decrease in the cost of these assets. The amount of the decrease is equal to the grants received from the European Energy program for recovery in the amount of CZK 528,850,000 and the consumption of the gas cushion for covering technical losses in the net book value of CZK 32,572,000.

5. Receivables

	31. December 2013 (CZK'000)	31. December 2012 (CZK'000)
Trade receivables - due	445,464	426,932
Total other receivables - due	3,351,680	2,699,315
Short-term advances paid	10,631	2,496
Net book value of short-term receivables	3,807,775	3,129,319

Trade receivables as at 31 December 2013 include mainly receivable from RWE Supply & Trading CZ, a.s. for sale of storage capacity in the amount of CZK 404,735,000 (as at 31 December 2012: CZK 383,438,000) and a receivable from Pražská plynárenská, a.s. in the amount of CZK 12,161,000 (as at 31 December 2012: CZK 11,904,000).

Unsettled receivables as at 31 December 2013 have not been secured and none of them are due after more than 5 years.

Other receivables as at 31 December 2013 include mainly Cash-pooling receivables from RWE Česká republika a.s. (see Note 14 Related party transactions) in the amount of CZK 3,351,599,000 (as at 31 December 2012: CZK 2,670,638,000).

There was no provision for receivables created as at 31 December 2013 and 2012.

6. Equity

The Company is fully owned by RWE Česká republika a.s., incorporated in the Czech Republic. The ultimate holding company 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 2012 and decided about the allocation of profit earned in 2012 of CZK 2,129,765,000 on 20 March 2013.

7. Provisions

	Legal reserve (CZK'000)s	Income tax provision net of advances (CZK'000)	Other (CZK'000)	Total (CZK'000)
Opening balance as at 1 January 2012	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	-	770,629	965,730
Charge for the year	7,044	9,612	22,212	38,868
Released in the year	-	-	(634)	(634)
Used in the year	-	-	(90,461)	(90,461)
Closing balance as at 31 December 2013	202,145	9,612	701,746	913,503

As at 31 December 2013 the Company has created tax-deductible provision for the cost of land redevelopment and recultivation in the amount of CZK 202,145,000 (as at 31 December 2012: 195,101,000) in order to provide for future expenses related to the recovery from the impact of its operations in accordance with the Mining Act.

The Company also created a provision for employment benefits amounting to CZK 21,953,000 (as at 31 December 2012: CZK 12,095,000), a provision for share option plan in the amount of CZK 793,000 (as at 31 December 2012: CZK 534,000) and a provision for the change of safety valves amounting to CZK 679,000 (as at 31 December 2012: CZK 758,000,000).

Advances for income tax of CZK 546,613,000 paid by the Company as at 31 December 2013 (as at 31 December 2012: CZK 541,645,000) are netted off with the provision for income tax of CZK 556,224,000 as at 31 December 2013 (as at 31 December 2012: CZK 513,001,000).

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

8. Payables

	31 December 2013 (CZK '000)	31 December 2012 (CZK '000)
Trade payables - current	194,435	165,442
- overdue	-	-
Total trade payables	194,435	165,442
Other payables - current	149,701	511,685
- overdue	-	-
Total other payables	149,701	511,685
Estimated payables	115,092	129,573
Total short-term liabilities	459,228	806,700
Trade payables	6,440	9,032
Deferred tax liability	1,671,305	1,689,169
Total long-term liabilities	1,677,745	1,698,201
Total short-term and long-term liabilities	2,136,973	2,504,901

Short-term and long-term trade payables as at 31 December 2013 in the amount of CZK 200,875,000 (as at 31 December 2012: CZK 174,474,000) 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 2013 and 31 December 2012 include mainly accruals for operation expenses.

Other liabilities contain mainly the payable from grants received from the European Energy Program for Recovery in the amount of CZK 22,628,000 (as at 31 December 2012: CZK 459,776,000) to expand the storage capacity of underground gas storage facilities in Tvrdonice and Třanovice. In 2013, the European Union finally approved the amount of the grants provided to the Company. Therefore the Company released the major part of the grants related to tangible fixed assets activated as at 31 December 2013 are presented in the Cash-flow statement as a decrease in the acquisition of fixed assets.

The Company had no overdue liabilities as at 31 December 2013 and 2012.

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.

9. Deferred Revenue

	31 December 2013 (CZK'000)	31 December 2012 (CZK'000)
Deferred revenue	364,817	348,896

Deferred revenue includes mainly deferred revenue for sale of storage capacity to RWE Supply & Trading CZ, a.s. in the amount of CZK 364,817,000 (2012: CZK 319,532,000).

10. Financial Derivative 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 2013 and as at 31 December 2012 the Company had no trading derivatives.

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

	31 December 2013 (CZK'000)	31 December 2012 (CZK'000)
Changes in fair value of derivative instruments	-	(27)
Gains from forward instruments	641	1,400
Losses from forward instruments	(945)	(897)
Total trading agreements	(304)	476

11. Income tax

The income tax expense analysis:

	2013 (CZK'000)	2012 (CZK'000)
Current tax expense (19%)	556,224	513,001
Deferred tax expense	(17,864)	(12,820)
Adjustment of prior year tax expense based on final CIT return	46	(235)
Total income tax expense	538,406	499,946

Current tax can be analysed as follows:

	2013 (CZK'000)	2012 (CZK'000)
Net profit before taxation	2,845,113	2,629,710
Non-taxable income	(82,704)	(47,270)
Difference between accounting and tax depreciation	117,680	(6,505)
Non-deductible costs	60,602	137,152
Gifts	(13,100)	(13,081)
Net taxable profit	2,927,591	2,700,006
Tax credit	(18)	-
Corporate income tax at 19%	556,224	513,001

The deferred tax was calculated at 19% (the rate enacted for 2013 and subsequent years).

Deferred tax liability can be analysed as follows:

	31 December 2013 (CZK'000)	31 December 2012 (CZK'000)
Deferred tax liability arising from:		
Difference between accounting and tax net book value of fixed assets	(1,804,637)	(1,835,588)
Total deferred tax liability	(1,804,637)	(1,835,588)
Deferred tax asset arising from:		
Other provisions	133,332	146,419
Total deferred tax asset	133,332	146,419
Net deferred tax asset / (liability)	(1,671,305)	(1,689,169)

12. Revenue Analysis

Revenue from operating activities can be analysed as follows:

	2013 (CZK'000)	2012 (CZK'000)
Sale of storage capacity		
- domestic	4,343,757	4,155,423
Other	26,163	25,274
Total sales of own products and services	4,369,920	4,180,697
Sale of fixed assets	55	155,270
Other	13,609	2,084
Total revenue from operating activities	4,383,584	4,338,051

13. Employees

	2013	2012
Statutory representatives who are employees	1	1
Average number of other members of management	6	6
Average number of other staff	207	213
Total number of employees	214	220

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No employee of the Company was a member of Supervisory Board in 2013 and 2012.

The Company's management includes Managing Directors, other directors and senior staff members directly reporting to them.

	Management (CZK'000)	Other staff (CZK'000)	Total (CZK'000)
2013			
Wages and salaries	9,900	114,240	124,140
Social security costs	3,204	42,151	45,355
Other social costs	260	7,502	7,762
Bonuses to the members of statutory bodies	180	-	180
Total staff costs	13,544	163,893	177,437
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

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

14. Related Party Transactions

The Company was involved in the following related party transactions:

	2013 (CZK'000)	2012 (CZK'000)
Purchases		
RWE Supply & Trading CZ, a.s. (services, interests, fixed assets)	-	61,326
NET4GAS, s.r.o. (services, gas, fixed assets)	3,001	58,994
RWE Interní služby, s.r.o. (services, fixed assets)	33,360	42,755
RWE Plynoprojekt, s.r.o. (services, fixed assets)	158	1,229
RWE Aktiengesellschaft (financial assets)	945	923
RWE Key Account CZ, s.r.o. (electricity)	119,980	41,865
RWE Česká republika a.s.	71,030	-
Other RWE Group companies	14,209	8,475
Total purchases	242,683	215,567
Sales to RWE Supply & Trading CZ, a.s.:		
Storage capacity	3,975,502	3,811,011
Other sales (fixed assets, interest)	217	164,417
Total sales	3,975,719	3,975,428
Other sales		
NET4GAS, s.r.o. (services, fixed assets)	80	145
RWE Aktiengesellschaft (financial assets)	-	1,400
RWE Gasspeicher (services)	11,010	10,494
Regional distribution companies	14,272	14,271
RWE Česká republika a.s.	4,151	-
Total other sales	29,513	26,310

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 2013 (CZK'000)	31 December 2012 (CZK'000)
Trade receivables		
RWE Supply & Trading CZ, a.s.	404,735	383,468
Other RWE Group companies	397	560
Total trade receivables	405,132	384,028
Advances paid		
RWE Supply & Trading CZ, a.s.	-	1,239
RWE Key Account CZ, s.r.o.	8,335	484
RWE Česká republika a.s.	1,444	-
Total advances paid	9,779	1,723
Other receivables		
RWE Supply & Trading CZ, a.s.	36	115
RWE Česká republika a.s.	453	-
Total other receivables	489	115
Cash-pooling receivables		
RWE Supply & Trading CZ, a.s.	3,351,599	2,670,638
Total receivables	3,766,999	3,056,504
Trade payables		
RWE Supply & Trading CZ, a.s.	-	6,008
RWE Energo, s.r.o.	9,345	11,250
RWE Česká republika a.s.	14,045	-
Other RWE Group companies	3,559	9,093
Total trade payables	26,949	26,351
Anticipated payables / accruals and deferrals		
RWE Supply & Trading CZ, a.s.	364,817	320,952
Other RWE Group companies	8,385	18,286
Total anticipated payables / accruals and deferrals	373,202	339,238
Total payables and accruals and deferrals	400,151	365,589

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 5,706,000 (2012: CZK 6,407,000).

Remuneration of Supervisory Board Members in 2013 was CZK 180,000 (2012: CZK 180,000). The remuneration is part of wages and salaries.

The Company provides foreign members of statutory bodies with accommodation, in 2013 rent amounted to CZK 436,000 (2012: CZK 432,000).

Share option bonus plan has been provided to the management, as at 31 December 2013 provision for this plan was created in the amount of CZK 793,000 (as at 31 December 2012: CZK 534,000).

Besides the above disclosed remuneration and benefits, there was no other cash or non-cash consideration provided in 2013 and 2012 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

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Capital commitments contracted by the Company were CZK 50,946,000 as at 31 December 2013 (as at 31 December 2012: CZK 18,678,000)

17. Contingent Liabilities

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2013 and 2012.

18. Cash Flow Statement

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

	31 December 2013 (CZK'000)	31 December 2012 (CZK'000)
Cash in bank	111,125	100,362
Restricted cash in bank	(110,270)	(100,092)
Receivable/(liability) arising from cash-pooling	3,351,599	2,670,638
Total cash and cash equivalents	3,352,454	2,670,908

19. Subsequent Events

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2013.

7 February 2014



Andreas Frohwein
Managing Director, CEO



Lubor Veleba
Managing Director, CCO

6 INDEPENDENT AUDITOR'S REPORT

6.1 Auditor's Report on the Financial Statements



Independent auditor's report

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 2013, 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 control 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.

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 2013, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

7 February 2014

represented by partner

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.

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



Independent auditor's report

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 2013 disclosed in the annual report in Chapter 5 and issued the opinion dated 7 February 2014 and disclosed in Chapter 6.1.

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 2013 is consistent with the financial statements which are included in this annual report in Chapter 5. 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 2013 is consistent, in all material respects, with the financial statements.

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 2013 (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.



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

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.

11 March 2014

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represented by partner

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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 THE MANAGING DIRECTORS OF RWE GAS STORAGE, S.R.O. ON RELATIONS BETWEEN RELATED PARTIES AS AT 31 DECEMBER 2013

Since RWE Gas Storage, s.r.o. (hereinafter “the Company”) as a controlled person did not enter into any controlling agreement effective in 2013, the Company's Managing Directors have under Section 66a (9) of Act No 513/1991, the Commercial Code, as amended, drawn up this Report on Relations between the Company and Controlling Persons and between the Company and Other Persons under Common Control (hereinafter “Related Parties”) for 2013, to the extent these Related Parties are known to the Company. This Report is an integral part of the Company's Annual Report for 2013 and the Company's shareholders will have this Report available by the same time and under the same conditions as the annual financial statements.

1. Controlling Persons

Throughout the past accounting period following persons controlled the Company:

a) Directly

- RWE Česká republika a.s., with its registered office at Limuzská 3135/12, Praha 10 - Strašnice, Post Code 100 98, Company No. 24275051, which was the sole member of the Company

b) Indirectly

- RWE Gas International N.V., with its registered office at 5211AK 's-Hertogenbosch, Willemsplein 4, the Netherlands, which was the sole shareholder of RWE Česká republika a.s., and
- RWE Aktiengesellschaft (“RWE AG”), with its registered office at Opernplatz 1, 45128 Essen, Germany, which was the sole shareholder of RWE Gas International N.V.

38 The Managing Directors are not aware of the Company having any additional controlling persons.

2. Other Related Parties

The Company requested the above controlling persons to provide a list of the other persons that were controlled by the same controlling persons in the past accounting period. The Company's Managing Directors have drawn up this Report based on the information provided by the controlling persons and other information available to the Managing Directors. The scheme of the relations between and control of companies along the relevant line within the RWE Group as at 31 December 2013 can be found in Annex 1 of this Annual Report.

3. Agreements Executed between the Company and Related Parties and Performance Provided and Accepted

The Company and Related Parties executed agreements listed in Annex 2 in the past accounting period. No damage has been caused to the Company by performing under these agreements. There was therefore no need to secure any compensation for damage or enter into any agreements thereon. The values of the performance and payments between Related Parties in the relevant accounting period are shown in Note 14 of the Notes to the annual financial statements as at 31 December 2013.

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

The Company did not make any legal acts in the interest of Related Parties in the past accounting period.

5. Measures Adopted in the Interest or upon Suggestion of Related Parties

In the past accounting period the Company did not carry out any legal measures in the interest or upon suggestion of Related Parties in accordance with article 1 of this report, related to assets at amount above 10% of share equity of Company.

6. Non-existence of Damage

In the past accounting period, the Company did not suffer any damage caused by agreements in place with Related Parties, or other legal acts made in the interest of Related Parties or measures carried out in the interest or upon suggestion of Related Parties, which had been executed or adopted in or before the past accounting period.

7. Confidentiality

This Report does not disclose any information that is subject to the Company's trade secret.

8. Conclusion

Company's Managing Directors approved this report on 20 February 2014 and it has been presented for review to the Company's auditor, who reviews the financial statements under a separate law.

In Prague on 20 February 2014

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

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Andreas Frohwein
Managing Director, CEO



Lubor Veleba
Managing Director, CCO

Annex 1: Scheme of relations between controlling and controlled persons as at 31 December 2013

Annex 2: Agreements entered into between the Company and related parties in the last accounting period

Annex 1

Scheme of the relations between and control of companies along the relevant line within the RWE Group as at 31 December 2013

RWE Aktiengesellschaft		
	100,00%	RWE Beteiligungsverwaltung Ausland GmbH
	98,00%	RWE East, s.r.o.
	51,00%	EČS - Elektrárna Čechy-Střed, a.s. in liquidation
	100,00%	RWE Gas International N.V.
	100,00%	RWE Česká republika a.s.
	100,00%	RWE Zákaznické služby, s.r.o.
	100,00%	RWE Gas Storage, s.r.o.
	100,00%	RWE Gas Slovensko, s.r.o.
	100,00%	RWE Energo, s.r.o.
	98,20%	TEPLO Rumburk, s.r.o.
	65,04%	RWE Grid Holding, a.s.
	100,00%	RWE Distribuční služby, s.r.o.
	100,00%	JMP DS, s.r.o.
	100,00%	RWE GasNet, s.r.o.
	49,00%	RWE Group Business Services CZ, s.r.o.
	100,00%	RWE Supply & Trading CZ, a.s.
	100,00%	RWE Energie, a.s. *
	100,00%	RWE Key Account CZ, s.r.o. **
	100,00%	Východočeská plynárenská, a.s. **
	100,00%	Severomoravská plynárenská, a.s. **
	100,00%	Jihomoravská plynárenská, a.s. **
	100,00%	RWE Gas Transit, s.r.o.
	100,00%	RWE Service GmbH
	51,00%	RWE Group Business Services CZ, s.r.o.
	100,00%	RWE IT GmbH
	99,00%	RWE IT Czech s.r.o.
	100,00%	RWE Interní služby, s.r.o.***
	2,00%	RWE East, s.r.o.
	1,00%	RWE IT Czech s.r.o.

* As of 1 January 2014, the legal form of the company is private limited company

** The companies were wound up as of 1 January 2014 as part of a national merger by acquisition by RWE Energie, a.s.

*** The company was wound up as of 1 January 2014 as part of a national merger by acquisition by RWE IT Czech s.r.o.

Annex 2

Agreements entered into between the Company and related parties in the last accounting period		
Contracting party	Contract type/ subject matter	Quantity
RWE Česká republika a.s.	Agreement on Assignment of Rights and Acceptance of Obligations	1
	Amendment no.6 to Commercial Sublease Agreement	1
	Agreement on Assignment of Rights and Acceptance of Obligations	1
	Amendment no.1 to Transportation Services Agreement	1
	Amendment no. 1 to Loan Agreement	1
	Procurement & Services Contract	1
	Amendment no. 1 to Procurement & Services Contract	1
	Corporate Services Contract	1
	Amendment no.1 to Corporate Services Contract	1
	Profit Transfer Agreement	1
RWE Supply & Trading CZ, a.s.	Amendment no.5 to Mandate Agreement	1
	Agreement on Assignment of Rights and Acceptance of Obligations	1
	Agreement on Assignment of Rights and Acceptance of Obligations	1
	Reverse Flow Capacity Agreement	1
	RST 2013 Gas Sale	1
	Agreements Terminating Agreement (agreement on termination of multiple services)	1
RWE Supply & Trading GmbH a RWE Supply & Trading CZ, a.s.	Lease of Storage Capacity	1
	Amendment no. 1 of Lease of Storage Capacity	1
	Lease of Storage Capacity	1
	Amendment no. 1 of Lease of Storage Capacity	1
	Amendment no. 2 of Lease of Storage Capacity	1
RWE Key Account CZ, s.r.o.	Amendment no.3 to Electricity Supply Agreement	1
	RWE KA 2013 Gas Purchase Agreement	1
	RWE KA Gas Purchase Agreement	1
	Electricity Supply Agreement with RWE KA	1
	RWE KA 2014-2016 Gas Purchase Agreement	1
RWE Group Business Services CZ, s.r.o	Financial Services Contract	1
	Amendment no.1 to Financial Services Contract	1
	Personal Data Processing Agreement	1
NET4GAS, s.r.o.	Cooperation on Valve Installation in Lobodice	1
	Contract on Connection of UGS Tvrdonice to Transmission System	1
	Agreement on Gas Storage Transfer Services	1

Contracting party	Contract type/ subject matter	Quantity
RWE IT Czech, s.r.o.	Amendment no.3 to Information Technology Services Agreement	1
	Agreement on Assignment of Rights for Intangible Fixed Assets	1
	Mobile Telephone and IP Telephone Lease, Logistics, and Billing Services Agreement	1
	Mobile Telephone and IP Telephone Lease, Logistics, and Billing Services Agreement	1
	Agreement Terminating Services Provision Agreement	1
RWE Distribuční služby, s.r.o.	Contract for Work – UGS Tvrdonice Enlargement	1
	Design documentation for Service line	1
	Contract for Work – Methanol Unit	1
	Contract of Work – UNIMO Cells Reconstruction	1

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