Review of Operations

RWE Gasspeicher GmbH

for the 2013 Financial Year

Contents

Review of Operations

(1) Business performance and environment

RWE Gasspeicher GmbH (RGS), Dortmund, meets the requirements of a large corporation within the meaning of Section 267, Paragraphs 3 and 4 of the German Commercial Code. The company is registered in the Commercial Register of the Dortmund District Court under HR B 21652. The business activities of RGS consist of the construction, acquisition, operational management, usage and marketing of gas storage facilities including necessary storage connection pipelines, land and buildings as well as the rendering and marketing services in the aforementioned fields. As operator of its gas storage facilities, RGS is overseen by the German mining regulator and is thus obliged to comply with certain mining-related obligations.

RGS as part of the RWE Group

RGS is a subsidiary **wholly owned** by RWE AG, Essen. It has entered into a profit and loss pooling agreement with RWE AG. The company has been assigned to the Supply and Distribution Networks Germany segment of the RWE Group. RGS is included in the consolidated financial statements prepared by RWE AG, Essen.

Economic environment

Business activity

Based on initial estimates, global economic output in 2013 was 2% higher than in the preceding year. In contrast, the Eurozone's gross domestic product is likely to have declined by some 0.5% last year, primarily due to the uncertainty caused by the sovereign debt crisis. Economic output in Germany, the currency area's fourth-largest economy, probably rose by about 0.5% year on year. In particular, consumer spending had a stabilising effect.

Order volume

RGS operates gas storage facilities at its Epe, Kalle, Xanten and Staßfurt sites. Together with commissioned third-party companies, RGS makes an important contribution to creating value in the regions of relevance to it. Accounting for approximately €87 million in capital expenditure and operating expenses, the lion's share of the orders was awarded to regional partners.

In the 2013 financial year, capital expenditure and operating expenses at RGS dropped by a combined 43%. This was due to the decline in project volume as the expansion of the gas storage facilities in Staßfurt and Epe ended, driven by the extremely unfavourable development of the gas storage market and complete devaluation of security of gas supply.

Operational management and marketing of gas storage facilities

The business of RGS focuses on the operational management and marketing of the Epe (H-gas and L-gas), Kalle, Xanten and Staßfurt gas storage facilities. The commercially usable storage capacity (working gas capacity) of these gas storage facilities amounted to about 1.9 billion cubic metres in 2013 and some 1.7 billion cubic metres in 2012.

Workforce

As of the balance-sheet date, RGS had 78 employees on its payroll (prior year: 62 staff members). Employees of ESK GmbH, charged with RGS's operational management at the Kalle site, were transferred to RGS with effect as of 1 January 2013.

Occupational safety and health protection

At RGS, occupational safety is the highest priority. All aspects of occupational safety and health protection are presented in an annual report issued by the company officer in charge of these matters. When developing practical steps to ensure occupational safety and health protection, RGS attaches great importance to preventive approaches to avoid accidents by putting together training programmes that are mandatory for all its employees and administered by the executives in charge of them. The objective of this approach is to refine occupational safety management as a managerial task and an essential element of the corporate culture.

The constantly declining number of work-related accidents at RGS is an indicator of the high degree of safety of our plant operations, well-coordinated processes and highly trained and qualified employees. The accident frequency rate is LTIF 0.0 (prior year: LTIF 9.8) (Lost Time Incident Frequency – number of accidents resulting in at least one day of absence per one million working hours). The change is primarily due to the avoidance of reportable accidents altogether in the reporting year, whereas there had been one such accident in the statistics the year before.

(2) Earnings, asset and financial position

Key performance indicators

RGS uses various key performance indicators to manage its business activities. In particular, the operating result, adjusted to comply with IFRS, cash flows and investment activities serve as financial performance indicators. LTIF figures and the fill levels of our gas storage facilities are used as non-financial indicators.

Earnings trend

In the 2013 financial year, RGS posted a total of €169.5 million in **revenue** (prior year: €152.3 million), which mainly stemmed from storage use. €157.9 million of the revenue was generated within Germany, €9.0 million was achieved within the rest of the EU, and €2.6 million came from other European countries.

At €19.3 million, **other operating income** was above the year-earlier level (prior year: €1.8 million). Other operating income in the year under review essentially included income from the release of provisions relating to other periods.

The **cost of materials** required to achieve the revenue consisted of €27.5 million in expenses incurred for procured services (prior year: €28.2 million), mainly consisting of expenses associated with the operation and maintenance of gas storage facilities as well as of expenses incurred for raw materials, consumables and supplies, which amounted to €19.6 million (prior year: €15.2 million).

Staff costs associated with RGS in-house personnel dropped to €9.3 million (prior year: 10.9 million) despite taking on board additional staff owing to the year-on-year decline in expenses associated with pensions and support.

Amortisation and depreciation was up year on year, amounting to €39.5 million (prior year: €34.7 million) due to the commissioning of new technical plant and equipment, mainly relating to the Staßfurt and Epe gas storage projects.

Other operating expenses declined to €7.4 million (prior year: €9.7 million). This item is mainly made up of redevelopment and recultivation costs and the internal resettlement of accounts.

Income from ordinary activities amounted to €69.6 million in the financial year (prior year: €41.5 million). The rise in revenue and other operating income as well as the reduction in the cost of materials more than offset the rise in amortisation and depreciation.

At €84.0 million (prior year: €66.1 million), **the operating result** as defined by IFRS, which is used as a key figure for managing our business activities, was about 14% above the budgeted figure. This difference was primarily due to the rise in revenue caused by the greater availability of our plants and the commissioning of additional capacity, income from the release of provisions, and lower amortisation and depreciation than in the budget as the commissioning of individual projects was delayed.

In contrast to the operating income as defined by the German Commercial Code, operating income according to IFRS excludes net interest in the amount of -€15.8 million (prior year: -€13.8 million) and also applies different valuation and presentation methods, leading to a total difference of €1.4 million (prior year: -€10.8 million).

The **extraordinary result** in the year under review contained income amounting to €99.0 million and expenses amounting to €229.0 million. Extraordinary income included compensation payments for the early termination of a long-term storage contract. Extraordinary expenses contained costs incurred for the shut-down of storage facilities in Staßfurt (€46.5 million) and impairments recognised for these facilities (€59.1 million). Moreover, an impairment of €123.4 million was recognised for our storage facilities in Epe in the year under review in order to write them down to their fair value.

Investing activities

In the 2013 financial year, capital expenditure totalled €44.7 million (prior year: €55.0 million), which was €1.8 million above the budgeted figure. This is because some investments originally planned for 2014 were made in 2013. Investments mainly concerned new gas storage projects or gas storage projects that were already underway and could not be cancelled.

Development of the financial and asset situation

At €708.0 million, the balance-sheet total in the year being reviewed fell off on the level recorded in 2012 (€742.6 million). On the assets side, there was a decrease in the value of our non-current assets, stemming primarily from the impairments. On the other hand, financial receivables from affiliated companies increased. The share of the balance-sheet total accounted for by non-current assets amounted to 75.2%, which was slightly down on the figure for the preceding year (prior year: 95.6%).

Equity and liabilities were primarily characterised by the decline of accounts payable to affiliated companies due to lower cash pooling obligations and an increase of provisions, mainly concerning provisions for the shut-down and decommissioning of storage facilities. At 49.4%, the equity ratio was above the previous year's level (47.2%).

Since 11 December 2008, the company has been integrated in RWE AG's corporate cash management system via RWE Deutschland AG (RWE D AG). This ensured solvency at all times. As of 31 December 2013, accounts payable to RWE D AG due to the participation in the cash management system totalled €37.3 million (prior year: account payable of €82.5 million).

€ million	**31 Dec 2013**	**31 Dec 2012**
Cash flows from operating activities	204.8	49.2
Cash flows from investing activities	-82.1	-54.7
Cash flows from financial activities	-122.8	5.5
Change in cash and cash equivalents	0.0	0.0

(3) Information in accordance with Section 6b, Paragraph 7 of the German Energy Act

As a vertically integrated power utility, RGS is bound by the provisions of the German Energy Act to maintain separate accounts as well as to prepare separate financial statements for each of its activities and report on them.

Besides the activity it conducts, which is classified as "gas storage," the company has minor activities outside the electricity and gas sector, to which financial assets and the associated expenses and income have been assigned.

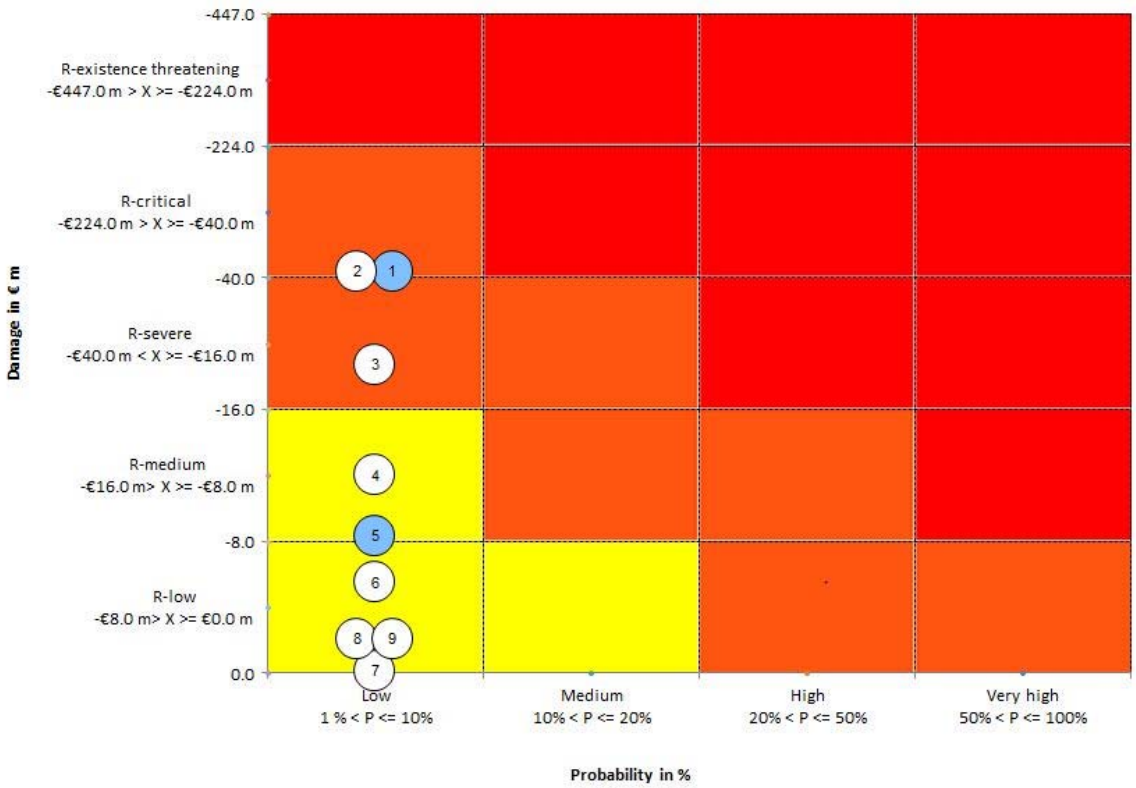
(4) Opportunities and risks

All entrepreneurial actions harbour both opportunities and risks. RGS aims to seize opportunities with a view to maximising profits and obtain information on risks and their impact as early as possible, in order to be able to counteract them with suitable measures.

RGS' controlling system provides a comprehensive overview of the current economic situation and future developments through regular reporting and forecasting as well as additional analyses.

The internal control system was further expanded in order to allow for the introduction of additional controls – some of which automated – of the orderly processing of commercial tasks.

RGS is integrated in the RWE Deutschland Group's holistically organised risk-management system. RGS's tried-and-tested risk-management system is an essential element of corporate governance.



Action required	
	Urgent action required
	Monitor & act if necessary
	Monitor

Type of damage	
	One-off damage
	Damage over several years

Legacy risks	
1	2818SO135: Consolidated 6 - Substantial and permanent outage of a storage formation
2	2818SU136: Consolidated 7 - Loss of operating permit
3	2818SO133: Consolidated 4 - Blow-out
4	2818SO134: Consolidated 5 - Leak in a gas storage facility
5	2818SM192: EYB 080 - Unmarketed storage capacity
6	2818SO191: Consolidated 3 - Mining equipment failure
7	2818NB007: Consolidated 1 - Failure of a storage facility for outbound gas
8	2818NB009: Consolidated 2 - Failure of an storage facility for inbound gas
9	2818NB008: Consolidated 8 - Fire at a storage facility

This ensures the identification, assessment and mitigation of risks on a permanent basis. Potential risks are regularly assessed in terms of their potential damage and probability of occurrence and assigned to risk categories. Liquidity risks are thus subjected to constant monitoring. Risks are assessed for the current financial years as well as for all budgeted years. The main risks for RGS arise from the potential failure of its technical plant and equipment.

Commercial success is primarily determined by the storage prices realisable on the market, including the valuation of security of supply, which are currently based on the summer-winter spread (difference between summer and winter gas prices) on the wholesale market and extrinsic storage capacity figures. The summer-winter spread in the gas market is expected to remain at a historic low over the next year. RGS continuously expands its key account management system in order to sell unused storage capacity in this market environment.

The financial risk of failure to sell all available storage capacity as well as the risk of falling prices are the risk of a commensurate reduction in storage revenue. Furthermore, depending on the amount of unsold available capacity, measures must be taken in order to ensure the integrity of the rock mechanic properties of the caverns at all times.

In view of the development of storage fees in recent years, as in every financial year, RGS tested the storage facilities carried on the balance sheet for impairment. The review of their carrying amounts did result in the need to recognise an impairment as described earlier on.

On the cost side, energy costs associated with storage operation are becoming an increasingly important factor. Therefore, RGS constantly reviews energy procurement and energy usage for potential optimisation and implements measures to this end.

In the 2013 financial year, there were no risks which could have jeopardised the company's subsistence. No such risks have been identified for the following financial year, either.

Development opportunities consist of expanding the product range and seizing additional business opportunities by marketing storage capacity that is available short term.

(5) Outlook

According to initial forecasts, global economic output in 2014 should rise by about 3%. Measures taken in the Eurozone that are necessary to consolidate state budgets are expected to have a dampening effect on growth. The Eurozone's gross domestic product is expected to rise by about 1%. Prospects for the German economy seem a bit brighter: Following a growth rate of 0.5% in 2013, the German Council of Economic Experts believes that a growth rate of 1.6% is achievable in 2014. The stable employment situation and rising disposable incomes in particular should have a stimulating effect.

In 2013, temperatures were significantly lower than the long-term average. Should temperatures normalise next year (based on the German Weather Service's long-term average), the weather-dependent portion of gas consumption will fall below the previous year's level. Conversely, the share of electricity and gas consumption that depends on economic developments is likely to exceed the previous year's level given the brighter growth prospects.

In view of the current market environment, RGS expects storage prices to remain under pressure in fiscal 2014. We have made sure our internal processes are efficient and will keep adapting them to this development.

For the coming year, RGS expects operating income adjusted to IFRS to rise by about 0% to 10%, and income from ordinary activities according to the German Commercial Code to be reduced by about 0% to 10%. Despite the fact that storage capacities have already been contracted, new storage capacity has been commissioned and the cost of materials has gone down due to certain provisions no longer being required, the driving factors for this development are the higher amortisation due to the commissioning of new gas storage projects and the lapse of a compensation payment. The counteracting developments of the operating result according to IFRS and the result of ordinary activities according to the German Commercial Code are mainly due to the one-off release of a provision in accordance with the German Commercial Code in 2013.

The impact of the transformation of the German energy sector on the demand for and usage of gas storage capacity over the coming years cannot be accurately forecast at the moment. However, as gas-fired power plants are being taken off the grid and the security of supply in the gas market is being fully devalued, it is expected to affect RGS's business. This is reflected, for instance, in the fact that security of supply and the expansion of the gas network with temperature-dependent fixed transport capacities has recently begun featuring in political debates. Moreover, reactions to the earthquakes in Groningen may lead to increasing shortages in the flexible supply of low-calorific and high-calorific gas.

As regards capital expenditure, RGS intends to cut down its project volume by about 40% to 50% due to the market conditions.

No long-term change is foreseen regarding RGS's workforce in 2014.

At the balance-sheet date, storage fill levels were at 91%. RGS expects fill levels at the 2014 balance-sheet date to range between 85% and 95%, depending on the weather and market conditions.

Occupational safety management is regarded as an essential component of our corporate culture, and we will continue to promote it. We expect an LTIF of 0.0 for the reporting period.

Regarding our capital structure, RGS expects our equity ratio to rise by 0% to 10%, while our balance-sheet total is expected to decline by 5% to 15%. This will go hand in hand with a significant decline in our leverage factor.

(6) Major events after the balance-sheet date

There were no major events after the balance-sheet date.

Financial Statements for the Financial Year from 1 January to 31 December 2013

RWE Gasspeicher GmbH, Dortmund

Balance Sheet at 31 December 2013

Assets

	31 Dec 2013 € million	31 Dec 2012 € million
A. Non-current assets		
I. Intangible assets	79.7	125.6
II. Property, plant and equipment	452.8	584.3
III. Financial assets	0.0*	0.0
	532.5	**709.9**
B. Current assets		
I. Inventories	1.0	0.9
II. Accounts receivable and other assets	173.7	31.0
III. Cash and cash equivalents	0.0**	0.0
	174.7	**31.9**
C. Prepaid expenses	**0.8**	**0.8**
	708.0	**742.6**

Equity and liabilities

	31 Dec 2013 € million	31 Dec 2012 € million
A. Equity		
I. Subscribed capital	0.0***	0.0
II. Capital reserve	317.5	317.5
III. Retained earnings	32.5	32.5
	350.0	**350.0**
B. Exceptional items with a provision component	**1.9**	**2.1**
C. Provisions	**282.4**	**221.9**
D. Liabilities	**72.4**	**167.3**
E. Deferred income	**1.3**	**1.3**
	708.0	**742.6**

* Financial assets amounted to €27,000 (prior year: €28,000).
** Cash and cash equivalents amounted to €3,000 (prior year: €2,000).
*** Subscribed capital amounted to €27,000 (prior year: €27,000).

RWE Gasspeicher GmbH, Dortmund

Income Statement for the Period from 1 January to 31 December 2013

	2013 € million	2012 € million
1. Revenue	169.5	152.3
2. Other operating income	19.3	1.8
3. Cost of materials	-47.1	-43.4
4. Staff costs	-9.3	-10.9
5. Amortisation	-39.5	-34.7
6. Other operating expenses	-7.4	-9.7
7. Net income from financial assets	0.0*	0.0*
8. Net interest	-15.8	-13.8
9. Profit from ordinary activities	69.6	41.5
10. Extraordinary result	-130.0	0.0
11. Taxes on income	-14.7	-14.4
12. Income from the assumption of losses	75.1	0.0
13. Profit transferred in accordance with a profit and loss pooling agreement	0.0	-27.1
14. Net profit/net loss	**0.0**	**0.0**

* Financial assets amounted to €200 (prior year: €1,500).

Notes for the 2013 Financial Year

Basis of presentation

Under the umbrella of RWE AG, Essen, RWE Gasspeicher GmbH, Dortmund (RGS) is responsible for building, operating, acquiring, using and marketing gas storage facilities including necessary storage connection pipelines, land and buildings as well as for rendering and marketing services in the aforementioned fields.

The financial statements of RGS have been prepared in accordance with the German Commercial Code, the German Limited Liability Company Act and the German Energy Act.

Individual balance sheet and income statement items have been combined in order to improve clarity. The income statement has been prepared using the nature of expense method in accordance with Section 275, Paragraph 2 of the German Commercial Code. Amounts in the financial statements are stated in millions of euros (€ million). The financial year is the calendar year.

RGS and RWE AG entered into a profit and loss pooling agreement on 16/17 February 2009. This agreement stipulates that RGS transfer its profits to RWE AG in full. The sum transferred is the net profit for the year before profit and loss pooling minus any net loss carried forward from the preceding year. RWE AG has undertaken to offset losses incurred by RGS.

RWE AG is RGS' sole shareholder. RGS is included in the consolidated financial statements of RWE AG, which are prepared in accordance with International Financial Reporting Standards (IFRS) and are published in the German Federal Gazette. In exercising the option pursuant to Section 296, Paragraph 2 of the German Commercial Code, RGS has renounced preparing consolidated financial statements and a review of Group operations.

Accounting policies

Assets

Acquired **intangible assets** are recognised at the lower of acquisition cost or fair value and are amortised using the straight-line method in accordance with their normal useful lives.

Property, plant and equipment are valued at the lower of acquisition/production costs minus scheduled amortisation or fair value. In addition to the cost of materials, production costs and extraordinary production costs, the production costs of self-produced plants include appropriate portions of the required material and production overhead costs, appropriate portions of general administrative expenses as well as appropriate expenses associated with the operation's social facilities, voluntary social security benefits and the company pension scheme. Amortisation is based on normal useful lives. The amortisation of property, plant and equipment acquired or produced in the 2008 financial year and from the 2010 financial year onwards is performed using the straight-line method. Insofar as fiscally allowable at the time, property, plant and equipment acquired or produced by 2007 or in the 2009 financial year is amortised using the declining-balance method. The switch to the straight-line amortisation method is made as soon as this leads to higher amortised amounts.

Relative to the lion's share of acquisition and production costs, amortisation is based on the following useful lives:

	Years
Intangible assets	9–33
Gas facilities	10–50

Impairments pursuant to German fiscal law of property, plant and equipment acquired or produced by 2009 were also fully recognised under commercial law and stated as an exceptional item with a provision component. Tax-privileged capital expenditure, especially as defined by Section 7d of the German Income Tax Act, is subjected to straight-line amortisation thereafter.

The German Accounting Law Modernisation Act abolished the reverse authoritativeness principle and the corresponding exemption clauses under German commercial law. The option according to Article 67, Paragraph 4, Sentence 1 of the Introductory Law to the German Commercial Code to maintain the values recognised until 2009 in compliance with fiscal regulations under German commercial law was exercised. This also applies to the continued use of the declining-balance method of amortisation. Compared to using the straight-line method of amortisation, this resulted in an additional expense of €2.7 million in the 2013 financial year.

Low-value assets, the acquisition or production costs of which are below €150, are recognised as an expense in their year of addition. Low-value assets, the acquisition or production costs of which are between €150 and €410, are classified as non-current assets and fully amortised in their year of addition, after which they are classified as disposals. In line with Section 6, Paragraph 2 a of the German Income Tax Act (old version), in 2008 and 2009, low-value commodities, the acquisition or production costs of which were between €150 and €1,000, were accounted for as a collective item under German commercial law. This collective item is released in its year of formation and in the four subsequent years.

Investments in affiliated companies are stated at the lower of acquisition cost or fair value.

Long-term loans are generally accounted for at nominal value.

Inventories are primarily recognised at acquisition cost in accordance with the average method or, if applicable, at lower current market value. Inventory risks resulting from decreased usability are taken into account through appropriate value deductions.

Accounts receivable and other assets are valued at nominal value. All identifiable individual risks and the general credit risk are taken into account through appropriate valuation allowances. There are no small or non-interest bearing receivables.

Cash and cash equivalents are stated at nominal value.

Prepaid expenses consist of payments made for services attributable to subsequent years. These are released proportionately over time.

Due to the tax unit formed with RWE AG, **deferred tax assets** are not recognised by the controlled company.

Equity and liabilities

Equity is valued at nominal value.

Impairments of non-current assets **required by German fiscal law** (including transfers in accordance with Section 6 b of the German Income Tax Act) recognised before 1 January 2010 are stated as an exceptional item with a provision component by exercising the value-maintenance option in accordance with Article 67, Paragraph 3 of the Introductory Law to the German Commercial Code and released proportionate to amortisation.

Provisions for pensions and similar obligations are accrued using the projected unit credit method based on actuarial calculations taking account of Klaus Heubeck's 2005 G mortality tables, which reflect generation-dependent life expectancies. They were discounted by applying the average market interest rate of the last seven years based on an assumed remaining term of 15 years published by Deutsche Bank in October 2013 (Section 253, Paragraph 2, Sentence 2 of the German Commercial Code). This interest rate was 4.90 % (prior year: 5.06 %). Annual wage and salary increases of 2.75% and pension increases of 1.75% per annum were assumed within the scope of further calculation assumptions. In so doing, account was taken of the German Pension Insurance Age Adjustment Act of 20 April 2007.

Provisions for pensions were offset against the assets covering the obligations in accordance with Section 246, Paragraph 2, Sentence 2 of the German Commercial Code. The assets covering the obligations were valued at fair value. The assets of the contractual trust agreement have been placed in a special fund which invests in various security classes determined by the trustee. The market value of the assets covering the obligations corresponds to the fair value of the securities pooled in the special fund.

Provisions for anniversaries and provisions for the obligation to provide benefits in accordance with the **German Old-Age Part Time Employment Act** were valued in accordance with German commercial law. The basis for these calculations are Dr Klaus Heubeck's 2005 G mortality tables with imputed interest rates of 4.90 % and 4.12 % p.a. and an assumed salary increase of 2.75% p.a.

Provisions for recultivation obligations take expected price increases of 1.5% into account. They are discounted by applying the average market interest rate applicable to their respective terms published by the German Central Bank in November 2013.

All identifiable risks and uncertain liabilities are taken into account in the assessment of **other provisions**. Provisions are valued at the settlement amount required based on sound commercial reasoning in line with their amount. In cases in which the option to maintain valuations was exercised, non-current provisions were discounted by applying the average market interest rate published by the German Central Bank in November 2013.

Liabilities are generally valued at their settlement amount.

Construction cost subsidies granted due to a limited-time quid-pro-quo obligation have been recognised as **deferred income** and are released in instalments pro rata temporis.

Due to the tax unit formed with RWE AG, **deferred tax liabilities** are not recognised by the controlled company.

Notes to the Balance Sheet

Non-current assets

The roll-forward of non-current assets contains the breakdown and development of asset items in the 2013 financial year that have been combined in the balance sheet.

Additions to and disposals of property, plant and equipment essentially consist of gas facilities.

No self-produced intangible non-current assets as defined by Section 248, Paragraph 2, Sentence 1 of the German Commercial Code were capitalised.

The following is the list of shareholdings in accordance with Section 285, Item 11 of the German Commercial Code.

	Share in accordance with Section 16 of the German Stock Corporation Act		Equity	Result
			of the previous financial year	
	Total %	Thereof indirect %	€ '000	€ '000
Affiliated companies				
Germany				
Thyssengas Unterstützungskasse GmbH, Dortmund	100	-	40.9	-34.0

Inventories

€ million	**31 Dec 2013**	**31 Dec 2012**
Raw materials and supplies	1.0	0.9

Raw materials and supplies include the inventories of the storage facilities in Epe.

Accounts receivable and other assets

€ million	31 Dec 2013	Thereof RT* > 1 year	31 Dec 2012	Thereof RT* > 1 year
Trade accounts receivable	0.7	0.0	0.5	0.0
Accounts receivable from affiliated companies	172.9	0.0	30.4	0.0
Other assets	0.1	**0.0	0.1	**0.0
	173.7	0.0	31.0	0.0

* RT = remaining term.
** Negligible amount.

€12.1 million of the accounts receivable from affiliated companies were attributable to products and services (prior year: €22.3 million) and €37.3 million related to financial receivables (prior year's financial receivables: €82.5 million). The advance payments on the transfer of profits and the tax allocation made during the year and the appropriation of losses for the year resulted in an account receivable from the sole shareholder RWE AG in the amount of €123.5 million (prior year: €8.1 million).

Cash and cash equivalents

Cash and cash equivalents amounted to €3,000 and essentially related to cash on hand (prior year: €2,000).

Prepaid expenses

Prepaid expenses consist of payments made for services attributable to subsequent years.

Equity

€ million	31 Dec 2013	31 Dec 2012
Subscribed capital	0.0	0.0
Capital reserve	317.5	317.5
Retained earnings	32.5	32.5
	350.0	350.0

As in the preceding year, the company had €27,000 in subscribed capital.

Exceptional items with a provision component

€ million	31 Dec 2013	31 Dec 2012
Exceptional items with a provision component		
Provisions required under fiscal law	1.9	2.1
	1.9	2.1

Provisions accrued in accordance with fiscal law exclusively consist of provisions in accordance with Section 6 b of the German Income Tax Act.

Provisions

€ million	31 Dec 2013	31 Dec 2012
Provisions for pensions	106.9	106.9
Provisions for taxes	11.1	1.4
Other provisions	165.1	113.6
	282.4	221.9

A provision of €108.6 million (prior year: €109.0 million) was recognised for pension commitments arising from RWE's 2003 pension policy as well as from the pension plans assumed from Thyssengas GmbH, VEW AG and Westfälische Ferngas AG. RWE's 2003 pension policy is a defined-contribution company pension plan. It also includes obligations in relation to electricity benefits in kind due to pensioners.

These provisions were offset against €2.4 million in assets covering the obligations (prior year: €2.1 million) in accordance with Section 246, Paragraph 2, Sentence 2 of the German Commercial Code. The following special-purpose, pledged and insolvency-protected agreements were classified as the assets covering the obligations: a mutual trust and the contractual trust agreement.

€ million	Historical acquisition cost	Fair value	Settlement amount
	Individual amounts before offsetting		
Offset assets			
Non-current securities	2.1	2.4	2.4
Offset liabilities			
Provisions for pensions and similar obligations	-	*108.6	*109.0
Balance after offsetting assets	-	106.2	106.9

* €3.6 million of which were fund-financed.

Income from assets covering the obligations (€0.1 million) was netted against interest accretions (€6.8 million) in accordance with Section 246, Paragraph 2, Sentence 2 of the German Commercial Code. The resulting balance of €6.7 million is included in net interest, which is subsumed under interest and similar expenses.

Other provisions stated at the end of the year essentially included provisions for redevelopment and recultivation obligations as well as obligations resulting from the shut-down of storage facilities in Staßfurt and uncertain liabilities in connection with the operation of the facilities.

Liabilities

€ million	31 Dec 2013	Thereof RT* <= 1 year	Thereof RT* > 5 years	31 Dec 2012	Thereof RT* <= 1 year	Thereof RT* > 5 years
Trade accounts payable	2.4	2.4	0.0	1.8	1.8	0.0
Accounts payable to affiliated companies	69.1	9.1	60.0	164.5	104.5	60.0
Other liabilities	0.9	0.9	0.0	1.0	1.0	0.0
Thereof taxes	0.8	0.8	0.0	0.9	0.9	0.0
Thereof social security	0.0	0.0	0.0	0.1	0.1	0.0
	72.4	12.4	60.0	167.3	107.3	60.0

* RT = remaining term.

Accounts payable to affiliated companies contained €9.0 million (prior year: €22.0 million) in trade accounts payable (€0.5 million of which to the shareholder RWE AG; prior year: €0.3 million). They also included €60.1 million in financial accounts, thereof €60.0 million (prior year: €142.5 million) payable to RWE Deutschland AG. €60.0 million of these were long-term loan liabilities with a term of more than 5 years and an interest rate of 6.25% p.a.

Other liabilities essentially consisted of €0.8 million in other tax obligations (prior year: €0.9 million).

Contingent liabilities

Due to the transfer of certain pension obligations to RWE Pensionsfonds AG, in the event of a funding gap, as employer, RGS has the legal obligation to top up the funds.

In connection with the spin-off transactions conducted in earlier years, as joint and several debtor, pursuant to Section 133 of the German Company Transformation Act, the company is liable for the transferring legal entity's liabilities accrued before the spin-off took effect. Based on our knowledge, the underlying obligations can be met by the affected companies in all cases. This liability is not expected to be exercised.

Other financial obligations not evident from the balance sheet

Other financial obligations totalled €17.7 million (€ 17.7 million of which were to affiliated companies). They break down as follows:

Obligations arising from capital expenditure as of the balance-sheet date amounted to €7.7 million (€7.7 million of which were to affiliated companies). These obligations exclusively related to capital expenditure on property, plant and equipment.

Obligations in connection with maintenance work totalled €1.7 million (€1.7 million of which were to affiliated companies).

Future other financial obligations arising from service agreements amounted to €8.0 million. All of these obligations were to affiliated companies.

Furthermore, there was an obligation resulting from an intragroup rental and leasehold agreement in the amount of €0.3 million.

Off-balance-sheet transactions

There were no off-balance-sheet transactions in accordance with Section 285, Item 3 of the German Commercial Code necessary in order to assess the company's financial situation.

Notes to the Income Statement

Revenue

As in the preceding year, revenue nearly exclusively included revenue from storage usage. €157.9 million in revenue was generated within Germany, and €11.6 million was achieved in the rest of the EU.

Other operating income

€ million	**1 Jan to 31 Dec 2013**	**1 Jan to 31 Dec 2012**
Income from the release of provisions	15.3	1.1
Income from penalties	3.6	0.0
Income from cost refunds	0.1	0.3
Income from release of special items with a provision component	0.2	0.1
Income from the disposal of property, plant and equipment	0.0	0.2
Other	0.1	0.1
	19.3	1.8

Other operating income included €15.3 million in income not relating to the period under review.

Cost of materials

€ million	**1 Jan to 31 Dec 2013**	**1 Jan to 31 Dec 2012**
Expenses incurred for raw materials and supplies as well as for procured goods	19.6	15.2
Expenses incurred for procured services	27.5	28.2
	47.1	43.4

Expenses for raw materials, consumables and supplies mainly consist of expenses for gas and electricity purchases as well as maintenance material.

Expenses relating to procured services primarily include expenses associated with the operation and maintenance of gas storage facilities.

Amortisation of intangible non-current assets and property, plant and equipment

The roll-forward of non-current assets provides information on the breakdown of amortisation and depreciation in the year under review.

Staff costs

€ million	**1 Jan to 31 Dec 2013**	**1 Jan to 31 Dec 2012**
Wages and salaries	6.3	4.9
Social security contributions	1.1	1.0
Expenses incurred for pensions and support	1.9	5.0
	9.3	10.9

Costs associated with wages and salaries predominantly include the on-going expenses of the financial year.

Annual average staff

Full-time equivalents	**1 Jan to 31 Dec 2013**	**1 Jan to 31 Dec 2012**
Wage earners	21	14
Salaried employees	56	47
	77	61

Annual average staff figures are presented in full-time equivalents. These are equivalent to employees in accordance with the percentage degree of employment.

Other operating expenses

€ million	**1 Jan to 31 Dec 2013**	**1 Jan to 31 Dec 2012**
Other taxes	0.1	0.1
Losses from asset disposals	0.0	0.5
Other	7.3	9.1
	7.4	9.7

Other operating expenses include redevelopment and recultivation expenses, rent, various intragroup offsetting transactions and general administrative costs. No expenses relating to other periods were included in other operating expenses.

Net income from financial assets

€ million	**1 Jan to 31 Dec 2013**	**1 Jan to 31 Dec 2012**
Income from long-term loans classified as financial assets	*0.0	*0.0

* Negligible amount.

In the financial year, net income from financial assets amounted to €200 (prior year: €1,000) and consisted entirely of income from employee loans.

Net interest

€ million	**1 Jan to 31 Dec 2013**	**1 Jan to 31 Dec 2012**
Other interest and similar income	*0.0	*0.0
Thereof from affiliated companies	*0.0	*0.0
Interest and similar expenses	-15.8	-13.8
Thereof associated with affiliated companies	-4.1	-4.2
Thereof associated with discounting	-10.0	-9.5
	-15.8	-13.8

* Negligible amount.

Extraordinary result

€ million	**1 Jan to 31 Dec 2013**	**1 Jan to 31 Dec 2012**
Extraordinary income	99.0	0.0
Extraordinary expenses	-229.0	0.0
	-130.0	0.0

Extraordinary income contained compensation payments for the early termination of a long-term storage contract. In this context, costs amounting to €46.5 million were incurred for measures taken to shut down the storage facilities in Staßfurt as well as for €59.1 million in impairments recognised for these facilities. Moreover, an impairment of €123.4 million was recognised for our storage facilities in Epe in the year being reviewed in order to write them down to their fair value.

Taxes on income

€6.7 million in taxes on income were paid to the controlling company (prior year: €14.2 million). Taxes payable by the company itself resulted from the merger of RGS and Deutsche Essent GmbH and were due for previous years.

Dividend pay-out block

The total amount of the dividend blocked from payment in the 2013 financial year within the meaning of Section 268, Paragraph 8 of the German Commercial Code breaks down as follows:

€ million	31 Dec 2013	31 Dec 2012
Income from the capitalisation of assets accounted for at fair value	0.3	0.2
Blocked sum	0.3	0.2

Information pursuant to the German Energy Act

Based on Section 6b, Paragraph 3 of the German Energy Act, RGS is obliged to maintain separate accounts. However, since RGS' operations nearly entirely relate to the activity classified as storage, there is no need to present financial statements for each activity. Financial assets outside of the electricity and gas sector merely consist of a fully impaired investment, which does not result in income from investments. However, in the year under review, it incurred expenses in the amount of €0.1 million.

Additional information

The change in the exceptional item with a provision component amounting to €0.2 million caused the result for the year to increase by €0.2 million.

The emoluments of the Board of Directors are not disclosed due to the exercise of the exemption in accordance with Section 286, Paragraph 4 of the German Commercial Code.

The emoluments of former members of the Board of Directors and their surviving dependants totalled €0.6 million. Provisions to cover pension obligations to this group of individuals amounted to €5.9 million.

The statement of fees paid to the independent auditor in accordance with Section 285, Item 17 of the German Commercial Code has been renounced because this disclosure has been made in the consolidated financial statements of the parent company, into which this company has been integrated.

In the financial year being reviewed, the Board of Directors of RWE Gasspeicher consisted of Messrs Andreas Frohwein (Technical Director) and Michael Kohl (Commercial Director).

Dortmund, 31 January 2014

The Board of Directors

Frohwein Kohl

Statement of Changes in Fixed Assets
of RWE Gasspeicher GmbH at 31. December 2013

	Acquisition or production costs					Accumulated amortisation					Carrying amounts	
In €m	As of Jan. 1, 2013	Additions	Disposals	Transfers	**As of Dec. 31, 2013**	As of Jan. 1, 2013	Amortisation	Disposals	Transfers	**As of Dec. 31, 2013**	**As of Dec. 31, 2013**	As of Dec. 31, 2012
Intangible assets												
Paid licenses, commercial and similar rights and assets as well as licenses to such rights and assets	156.1	0.0	0,0	0.0	**156.1**	30.5	45.9[1]	0,0	0.0	**76.3**	**79.7**	**125,6**
	156.1	0.0	0,0	0.0	**156.1**	30.5	45.9[1]	0,0	0.0	**76.3**	**79.7**	**125,6**
Property, plant and equipment												
Land, land rights and buildings, including buildings on third-party land	35.8	3.3	0,0	2.2	**41.3**	8.2	5.1[2]	0,0	0,0	**13.3**	**28.0**	**27,6**
Technical plant and machinery	565.6	17.1	0.0	14.4	**597.1**	133.3	135.7[3]	0.0	0.0	**269.0**	**328.1**	**432,3**
Fixtures, furniture, and office equipment	2.3	0.3	-0,1	0,0	**2.5**	1.2	0.3	0.0	0,0	**1,5**	**1,0**	**1,0**
Plants under construction	123.3	24.0	0.0	-16.6	**130.8**	0.0	35.1[4]	0,0	0.0	**35.1**	**95.6**	**123,3**
	727.0	44.7	-0.1	0.0	**771.6**	142.7	176.2	0.0	0.0	**318.9**	**452.8**	**584,3**
Financial assets												
Shares in affiliated companies *)	0,0	0,0	0,0	0,0	**0,0**	0,0	0,0	0,0	0,0	**0,0**	**0,0**	**0,0**
Other loans	0,1	0,0	0,0	0,0	**0,0**	0,0	0,0	0,0	0,0	**0,0**	**0,0**	**0,0**
	0,1	0,0	0,0	0,0	**0,0**	0,0	0,0	0,0	0,0	**0,0**	**0,0**	**0,0**
	883.1	44.7	-ß.1	0.0	**927.7**	173.2	222.1	0.0	0,0	**395.2**	**532.5**	**709,9**

*) Negligible amount

Thereof impairment losses:

1) €40.0 million
2) €3.7 million
3) €103.7 million
4) €35.1 million