



ANNUAL REPORT 2008

Key Ratios

	2008
Total sales (CZK m)	3,007
EBITDA (CZK m)	2,171
Operating result (CZK m)	1,560
Profit before taxation (CZK m)	1,569
Profit after taxation (CZK m)	1,239
Investments (CZK m)	211
Number of employees (converted to FTE)	19

RWE Gas Storage, s.r.o. is hereinafter also referred to as “Company” or “RWE Gas Storage”.

Cover photo: **GAGEA BOHEMICA** (Early Star-of-Bethlehem)

A perennial 3–8 cm high herbaceous plant from the Liliaceae family. It grows on the sunny and rocky slopes of central Europe. It prefers shallow, rocky soil poor in nutrients. In Bohemia it is found in and around Prague. Designated level of protection for this species is: Endangered.

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RWE PROTECTS NATURE

Some 60 per cent of the total of 2,550 species and subspecies of the plants that form a part of the Czech Republic's flora are endangered to varying degrees.

RWE's business in the Czech Republic is inseparably associated with natural gas, environmentally the friendliest of all non-renewable resources. Unlike solid fuels, natural gas does not leave any ash after combustion, and it does not pollute the air with harmful combustion products.

Environmental protection is one of the RWE Group companies' priorities. This is evident not only from their investment and everyday operations, but also from their activities related to corporate social responsibility, despite the fact that nature conservation is often erroneously regarded as the State's or the non-profit sector's business.

RWE considers contribution to the preservation of natural wealth in the places where it operates to be its moral obligation. With a view to drawing attention to the importance of environmental protection, the RWE Group companies have selected a theme to accompany their annual reports for 2008. This is why you will find photographs of the rarest indigenous plant species on the pages of these reports.



PULSATILLA PATENS (Pasque Flower)

A perennial herbaceous plant from the Ranunculaceae family. It is 10–30 cm tall and blooms from April to May. Foliage starts to grow at the end of bloom. Because of its showy habit it is very popular with the gardening enthusiasts. Gardeners dig up these plants as they attempt to naturalise them in their gardens. These deeply rooted plants then, however, usually do not survive. The level of protection afforded to this species is: Critically Endangered.

1 DIRECTORS' STATEMENT

The year 2008 was the first full year for the Company as the operator of underground gas storage facilities after the RWE Group in the Czech Republic demerged underground gas storage operations to RWE Gas Storage on 1 May 2007.

In 2008 the Company's underground gas storage facilities at Dolní Dunajovice, Tvrdonice, Štramberk, Lobodice, Třanovice, and Háje, with a total working capacity of 2,321 million cubic metres, helped greatly to ensure the security of gas supplies in the Czech Republic, and thanks to a second mild winter in a row the Company could concentrate on intensive preparations for investment in new storage capacities. Furthermore, RWE Gas Storage continued implementing long-term proactive measures aimed at improving the reliability of operations, including aerial monitoring of wells and collection pipelines, and the installation of subsurface safety valves.

Throughout 2008 the Company provided gas storage services to eight customers who had in place natural gas storage agreements covering the Company's entire storage capacity.

One of the reasons behind the Company's preparations for investment in up to 795 million cubic metres of new storage capacities in the Czech Republic until 2013 is the large demand for storage services, which is close to seven times higher than the total capacity of the Company. However, it will be feasible to carry such plans out only where it will make economic sense in view of the regulatory environment and where competition with projects pursued by other SSOs both in and outside the Czech Republic will allow this.

In October 2008 a significant change in the conditions on the storage capacity market took place when the Energy Regulatory Office issued a regulation on gas market rules, introducing storage capacity allocation rules where the main criterion for capacity allocation is the offered price. In response to the change, the Company created an electronic online auction system and prepared the first storage capacity auction for 2009.

Contents

During 2008, RWE Gas Storage contributed to improving the transparency of the Czech gas market mainly by publishing information on storage capacity, changes in gas stores, the use of capacities, and the fulfilment of all the requirements of the GGPSSO guidelines issued by the European Regulators' Group for Electricity and Gas, ERGEG. The Company continues to be an active member of Gas Infrastructure Europe, an association of European gas infrastructure operators, where it holds the position of Vice President, Gas Storage Europe.

The year 2008 was not only demanding for us, but also inspirational. We therefore want to thank all employees and partners for their work and professionalism with which they approached all the tasks and challenges. We hope that they will continue to make the same effort in the future.



Andreas Frohwein
Director, CEO



Lubor Veleba
Director, CCO



Directors of the Company as at 31 December 2008

Andreas Frohwein

Director, CEO

Born: 12 December 1966

Education: Universität Gesamthochschule Essen,
Technische Hochschule Aachen

Membership of bodies of other companies:

Kavernenspeicher Staßfurt GmbH Supervisory Board
Chairman, RWE Gasspeicher GmbH Director

Any other business activities: None

Lubor Veleba

Director, CCO

Born: 7 May 1969

Education: Brno University of Technology;
Cass Business School, London

Membership of bodies of other companies:

None

Any other business activities: None

2 REPORT OF THE COMPANY'S SUPERVISORY BOARD FOR 2008

In 2008 the Supervisory Board supervised the performance of the Directors' powers and responsibilities in the carrying on of the Company's business and reviewed whether the Directors proceeded in accordance with generally binding regulations, the Company's Memorandum of Association, and the decisions made by the sole Member of the Company acting in the capacity of the General Meeting.

In 2008 the Supervisory Board held two meetings and had a quorum. The Directors informed the Supervisory Board, on a regular basis, about the ongoing development of the Company and its results and financial situation. For this purpose the Directors furnished documents and personally commented on these when they were discussed by the Supervisory Board.

In the past period the Supervisory Board's activity focused in particular, without limitation, on the Company's results, including forecasts for 2008, which were specified more accurately on an ongoing basis, and the Company's continuous development.

The Supervisory Board noted that the Directors' activities at all times complied with the Company's Memorandum of Association, decisions made by the sole Member of the Company acting in the capacity of the General Meeting, and other generally binding legal regulations.

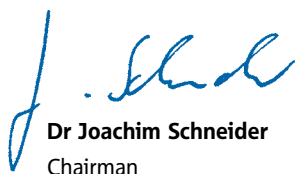
At its meeting held on 3 March 2009 the Supervisory Board discussed and reviewed the annual financial statements for the period ended on 31 December 2008, including the auditor's report and the Directors' proposal for the distribution of profit for 2008. Concurring with the auditor, the Supervisory Board concluded that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

The Supervisory Board recommends to the General Meeting to approve the annual financial statements for the period ended on 31 December 2008 and the Directors' proposal for profit distribution.

In 2008 Dr Werner Roos, Chairman of the Supervisory Board, resigned on his position as member of the Supervisory Board and was replaced by Dr Joachim Schneider effective from 1 July 2008. In addition, Dr Frank-Detlef Drake stepped down from the Supervisory Board and was replaced by Dr Wolfgang Peters effective from 1 April 2008. At its regular meeting held on 3 September 2008, the Supervisory Board elected Dr Joachim Schneider Chairman of the Supervisory Board.

The Supervisory Board expresses its gratitude to all employees for their work for the Company in 2008.

Prague, on 3 March 2009



Dr Joachim Schneider
Chairman

The Supervisory Board as at 31 December 2008

Dr Joachim Schneider

Chairman

Born: 8 March 1964

Education: Technische Hochschule Darmstadt and Rheinisch-Westfälische Technische Hochschule Aachen

Membership of bodies of other companies:

Member of the RWE Energy AG Board of Directors; Chairman of the RWE Transportnetz Gas GmbH, RWE Transportnetz Strom GmbH and RWE Transgas Net, s.r.o. Supervisory Boards; member of the envia Mitteldeutsche Energie AG and SAG Group GmbH Supervisory Boards

Any other business activities: None

Martin Herrmann

Vice-Chairman

Born: 3 July 1967

Education: Westfälische-Wilhelms-Universität, Münster, Economics

Membership of bodies of other companies:

Chairman of the RWE Transgas, a.s. Board of Directors; Chairman of the Jihomoravská plynárenská, a.s., Severomoravská plynárenská, a.s., Východočeská plynárenská, a.s., Severočeská plynárenská, a.s., Středočeská plynárenská, a.s. and Západočeská plynárenská, a.s. Supervisory Boards; Vice-Chairman of the RWE Transgas Net, s.r.o. and RWE Interní služby, a.s.*

Supervisory Boards; Managing Director of Gasnet, s.r.o. v likvidaci

Any other business activities: None

Andreas Böwing

Member

Born: 11 April 1955

Education: Universität Münster, graduated in law

Membership of bodies of other companies:

Member of the RWE Transgas Net, s.r.o. Supervisory Board

Any other business activities: None

Tomáš Čumpelík

Member

Born: 27 May 1975

Education: University of West Bohemia in Pilsen, graduated in law

Membership of bodies of other companies:

Member of the TECHNOEXPORT akciová společnost pro zahraniční obchod Supervisory Board

Any other business activities: None

Dr Wolfgang Peters

Member

Born: 12 June 1953

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

Membership of bodies of other companies:

Member of the RWE Transgas, a.s. Board of Directors; member of the Extended Board of RWE Supply & Trading GmbH

Any other business activities: None

Šárka Vojíková

Member

Born: 22 September 1967

Education: Secondary school and a social law college in Prague

Membership of bodies of other companies:

Member of RWE Transgas, a.s. and RWE Transgas Net, s.r.o. Supervisory Boards

Any other business activities: None

* As from 1 January 2009 the legal form of this company was changed from a public limited company to a limited liability company

3 MANAGEMENT REPORT FOR 2008

3.1 Results

Revenues, expenses, and profit

In the calendar year 2008 the Company's operating revenues, including proceeds from the sale of fixed assets and including other operating revenues, totalled CZK 3,019 million, and its operating expenditure, including taxes and charges and other operating expenditure, totalled CZK 1,459 million. The Company's operating result for 2008 therefore amounted to CZK 1,560 million. In comparison with 2007 the operating result went up by 142%. This growth was primarily due to the fact that all data for 2007 was reported only for the period from 1 May, i.e. for eight months, and also due to the higher price for natural gas storage.

The financial result ended up in a profit of CZK 8 million and profit before taxation was CZK 1,569 million. After deducting the tax, the result for the accounting period amounted to CZK 1,239 million.

Structure of assets

As at 31 December 2008 the Company's total assets were worth CZK 18,126 million. Fixed assets worth CZK 16,422 million (of which, tangible fixed assets CZK 16,334 million and intangible fixed assets CZK 88 million) accounted for about 91% of total assets. Current and other assets of CZK 1,704 million accounted for approximately 9% of total assets and 97% of them were receivables.

Structure of shareholders' equity and liabilities

The Company's equity amounted to CZK 14,793 million and accounted for about 82% of total shareholders' equity and liabilities. In 2008 the Company financed all of its activities using its own resources. Long-term payables (especially the deferred tax liability) and short-term payables accounted for 67% and 24%, respectively, of liabilities.

Investment

In 2008 the Company carried out capital investment projects in line with the approved capital expenditure plan. Assets totalling CZK 211 million were procured.

In 2008 the most important capital investment projects included the drilling of monitoring wells and modifications to the control system at the Háje underground gas storage facility (hereinafter also “UGS facility”); completion of the connection of an operating well at the Třanovice UGS facility; and the installation of subsurface safety closing valves during underground repairs of wells. As part of preparations for investments intended for further growth, two 3D and one 2D seismic measurements were carried out. The Company continued the trial injection of cushion gas into a new storage formation of the Tvrdonice UGS facility.

Implemented projects for surface plant included those intended to improve the operation of triethylene glycol regeneration at the Lobodice and Dolní Dunajovice UGS facilities. As part of civil work, the refurbishment of facades and buildings at the Tvrdonice UGS facility was completed.

The Company carried out all capital investment projects in the Czech Republic and financed them using its own resources. All investments were made in accordance with the planned operation of the virtual gas storage facility, and contractually specified parameters were therefore not affected.

The amount of the funds planned for capital expenditure has been optimised in terms of both the requirements and the resources until 2011. The approved medium-term plan mainly envisages capital expenditure on the expansion and refurbishment of technology assets.

Organisational units abroad

As at 31 December 2008 the Company did not have any organisational units abroad.

Science and research

In 2008 the Company did not pursue any scientific or research activities.

3.2 Natural Gas Storage

Services, capacity, storage customers

Throughout the calendar year 2008 the Company provided reliable services related to gas storage in its virtual gas storage facility.

The Company's basic service was the provision of storage capacity in a standard combination of the working volume and the injection/withdrawal rate, the so-called bundle. The other services on offer included the option to buy additional injection/withdrawal capacity, transfer of gas between the storage customer's different contracts, and the option of lease or transfer of the agreed storage capacity.

In 2008 the Company made significant modifications to its Storage Code, which sets out the commercial terms and conditions for gas storage; the main reason was an amendment to the public notice of the Energy Regulatory Office (ERO) on the gas market rules. At the end of 2008 the Company offered five basic types of contract:

- Annual firm gas storage agreements for one to five years, always from the beginning of the storage year;
- Annual firm gas storage agreement on new storage capacity for 1 to 15 years, always from the beginning of the storage year;
- Monthly firm gas storage agreements for 1 to 12 months, always from the first day of a month;
- Daily firm gas storage agreements for 1 to 30 days; and
- Short-term interruptible gas storage agreements with a minimum term of one gas day.

RWE Gas Storage actively promoted the secondary storage capacity market, particularly through store-x Storage Capacity Exchange GmbH – an Internet gateway supporting the secondary storage capacity market, also in 2008. The Company also operates its own electronic bulletin board for secondary purchase and sale of storage capacity.

Because of the high demand for storage capacity, resulting mainly from the low gas storage prices and speculative demand, the Company's entire capacity was contractually committed in 2008. This situation is well illustrated by the fact that demand exceeded the offered storage capacity more than seven times measured by the total technical storage capacity. The ERO responded to this situation by changing the public notice on gas market rules: effective from 1 October 2008 it introduced a system of online auctions for the allocation of most types of storage capacity. Despite the short time available for putting the technical arrangements in place for the first online auction, the Company was successful in developing and testing auction software so as to meet all the criteria set out in the ERO public notice and ensure transparent and non-discriminatory access to storage capacities.

As at 31 December 2008 the Company's storage capacity was as follows:

Working volume (mcm)	2,321
Maximum injection rate (mcm/day)	26.35
Maximum withdrawal rate (mcm/day)	35.70

In 2008 the Company provided gas storage services to a total of eight storage customers. Completely in keeping with the respective ERO public notice and GGPSSO guidelines, issued by the European Regulators' Group for Electricity and Gas, it published, *inter alia*, information about storage capacities, aggregated outflows/inflows, including capacity use in percentage terms, the planned modifications to storage capacities, and also a tool for calculating indicative prices. In 2008 the Company also started to publish on its website indicative quantities of the interruptible injection and withdrawal rates available in its virtual gas storage facility.

Gas Storage Europe

The Company continues to play an active role in Gas Storage Europe, which brings together most of SSOs from all over Europe whose storage capacity accounts for 85% of the total storage capacity in Europe. Among other things, the Company contributed to the periodically updated list of aggregate gas stores in Europe, and also to the database of planned storage investments.

3.3 Underground Gas Storage Facilities

RWE Gas Storage operates six underground gas storage facilities at Dolní Dunajovice, Háje, Lobodice, Štramberk, Třanovice and Tvrdonice, five of which are located in Moravia where natural geological structures, depleted natural gas and oil fields, are used for natural gas storage.

These underground gas storage facilities are situated quite far away from large industrial centres in Bohemia and their flexibility as regards quick peak shaving is limited because of their size and geological conditions. Primarily the Háje facility, built into a granite cavern, is used for shaving off super peaks in natural gas demand in the industrial centres of Central Bohemia and Prague.

In the operation of its underground gas storage facilities the Company devotes utmost attention to reliability, accessibility and flexibility while seeing to the highest possible safety of the services it provides. To this end, it employs state-of-the-art methods of operation control such as automated control systems and maintenance strategies centred on reliability and it places emphasis on the high level of its employees' professionalism.

In respect of dispatch control, 2008 saw the consolidation of the operation of the commercial dispatch control centre, which in addition to its primary role – communication with customers – also steered the strategy of the use of the various storage facilities to optimise services and costs.

3.4 Marketing and Communication Activities

The grant scheme

In 2008 RWE Gas Storage launched its grant scheme with a view to introducing some system into its activities geared towards support for the development of the regions and municipalities in which it operates. By providing regionally focused assistance the Company wants to contribute to the healthy development of the civil society and to good neighbourhood relations. Having taken this step, the Company has subscribed to the concept of corporate social responsibility.

RWE Gas Storage has committed up to CZK 5 million for allocation under the grant scheme every year. Projects in any area are eligible for financial support, but in project assessment preference is given to those that have a direct impact on the development of municipalities near the Company's operations. Priority support is provided to activities focused on young people and families with children.

In 2008 the Company received 50 requests for a financial contribution; it selected 20 projects to which it allocated financial support totalling CZK 5 million. The supported projects include, for example, the following:

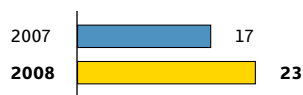
- new pavement in Hlavní Street and equipment for the sports grounds of a kindergarten in Dolní Dunajovice;
- creation of a green area in Lobodice;
- repair of the outer walls of the Štramperk primary school;
- renovation of greenery and furnishings for a kindergarten and a community room in Třanovice;
- refurbishment of Kostická Street lighting and new grass for the football field in Tvrdonice;
- repair and construction of local roads in Háje.

The Company intends to continue to follow its successfully launched grant scheme in the years to come.

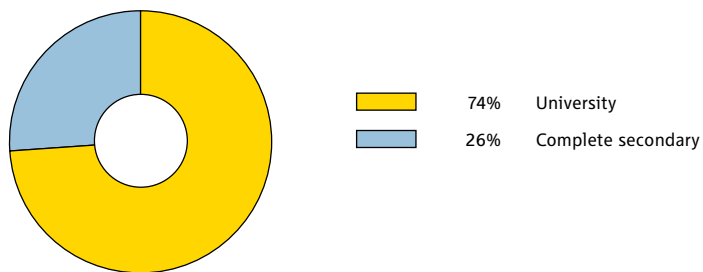
3.5 Human Resources

The Company's management devotes great attention to the implementation of unified standards in the process of human resource management within the RWE Group in the Czech Republic and to the gradual formation of the optimum professional structure of its employees. During 2008 the prerequisites were put in place for transferring 180 employees from RWE Transgas Net, s.r.o.'s gas storage operations to the Company as of 1 January 2009.

Staffing levels (as at 31 December)



Employee structure by education



Wages

Wage levels at the Company developed in accordance with the management's plans for human resource management and the principles agreed in the Collective Agreement.

Professional training and career development

In 2008 the Company spent 10.47% of its payroll costs on education and development of its employees; in 33 training events 41 persons were trained and the average annual expenses on education and development amounted to CZK 88,193. The above figures do not include e-learning, which mainly provides training courses on legislation.

Social policy

The Company's Collective Agreement, entered into for 2008 and 2009, is the basic document that sets out working and social conditions for the employees. The Company strongly supports, in particular, its employees' and their family members' cultural, educational and sports activities, and contributes to various saving products under its scheme of retirement provisions.

3.6 Environmental Protection

As in the previous year, environmental protection was outsourced in 2008.

In 2008 the Company continued to implement new rules for a responsible approach to environmental protection; these rules stem both from the legislative level and from the guidelines and directives within the RWE Group. The Company fully implemented the Group's ArGUS directive, the purpose of which is the introduction and development of standards in the areas of safety and health at work, environmental protection, and personal data protection. The targets of this directive aim higher than the statutory requirements of the Czech Republic and the EU.

In 2008 the clean-up work involved in the elimination of old environmental burdens was, in terms of content, timing and funding, carried out in line with the clean-up project, as amended in the approved methodological change. The year 2008 saw the completion of remedial actions to clean up groundwater – the unsaturated zone, and the start of the planned three-year post-remedial groundwater monitoring on site.

Support for capital investment projects designed to reduce the load on the environment helped to minimise negative impacts in all areas of environmental protection. These projects included the replacement of windows and installation of thermal insulation on the walls of certain operations and office buildings of the Company; a new wastewater treatment plant was built; and boilers used in the technological process of natural gas storage were replaced. In the Company's operations some electrical appliances and process equipment were replaced by new units with a higher efficiency.

The company continuously maintained existing and planted new greenery at the various operations of underground gas storage facilities.

In respect of air pollutant emissions, the Company reported and published the actual values of its CO₂ emissions, which did not exceed the limit of the emission allowances allocated by the National Allocation Plan. The Company applies measures to reduce air pollutant emissions as part of the planned development of the storage system.

In 2008 the Company performed all the environmental obligations and statutory requirements under the applicable legislation and the relevant authorities did not censure or apply penalising measures to the Company.

3.7 Subsequent Events

In January 2009 the Czech Republic faced the largest shortfall in Russian natural gas supplies over the time for which the transit gas pipeline has been in operation. Major reductions started on 5 January and during the night from 6 to 7 January gas supplies from Ukraine to Slovakia, and thence to the Czech Republic, were interrupted completely.

The gas supply failure was largely covered by increased gas withdrawal from the Company's underground storage facilities. Customers in the Czech Republic therefore did not experience any reduction in gas supplies despite the limited natural gas supply from abroad and the extremely low temperatures on the first ten days of January. For the Company, the interruption of gas supply was a highly challenging test of its operating preparedness. In this test RWE Gas Storage has demonstrated that it is a reliable storage system operator and that extraordinary situations of this magnitude will not take its employees by surprise.

Storage capacity auction

The first online storage capacity auction in the Czech Republic took place on 5 February 2009. A total of 7 registered users participated in the auction. A capacity of 3.315 million cubic metres of working gas volume was allocated to the highest bidders.

3.8 Outlook

Investment

The Company plans to increase the existing storage capacity by 795 cubic metres of working gas volume, i.e. more than one third, by 2013. The new market rules, which entered into force on 1 October 2008, will make it possible for the Company to assess the demand for additional storage capacity in the Czech Republic through the February auction before proceeding to invest in new capacity.

Amendment to the Energy Act

Parliament of the Czech Republic is currently debating an extensive amendment to the Energy Act, the purpose of which is to complete the transposition of some pieces of EU legislation, which have not yet been adopted, into Czech law and to remove certain shortcomings from the Energy Act and to make it clearer. The amendment is expected to enter into force in mid-2009.

Amendments to the EU's energy legislation

In September 2007 the European Commission presented its proposal for the third energy package, which has since been the subject of discussions between all the stakeholders. In 2008 the European Parliament and the European Council presented their own, modified, versions of the third energy package. It is expected that the European institutions will reach a compromise as regards the final wording and that the package will be approved before the elections to the European Parliament in June 2009.



HYOSCYAMUS NIGER (Henbane or Black Henbane)

A biennial, rarely annual herbaceous plant from the Solanaceae family. Blooms from June to September. This plant was used in the past by the local healers as an anaesthetic, cough medicine or a treatment for pneumonia. Externally then to treat rheumatoid arthritis. These treatments were of course associated with a high degree of risk. Modern medicine now uses only extracted and purified alkaloids from these plants. Resulting medicaments are used to treat asthma, for example. Designated level of protection is: Vulnerable.

4 FINANCIAL PART

4.1 Financial Statements

BALANCE SHEET

(in thousand Czech crowns)

Ref.	ASSETS		31.12.2008			31.12.2007
			Gross	Provision	Net	Net
a	b		1	2	3	4
	TOTAL ASSETS		19,133,683	(1,007,470)	18,126,213	17,626,434
B.	Fixed assets		17,429,790	(1,007,470)	16,422,320	16,824,339
B. I.	Intangible fixed assets		97,902	(9,818)	88,084	33,945
B. I. 1.	Research & development		34,952	(5,872)	29,080	26,278
	2. Software		9,138	(3,946)	5,192	7,154
	3. Other intangible fixed assets		366		366	21
	4. Intangible fixed assets in the course of construction		53,446		53,446	492
B. II.	Tangible fixed assets		17,331,888	(997,652)	16,334,236	16,790,394
B. II. 1.	Land		85,654		85,654	84,643
	2. Constructions		15,892,026	(795,232)	15,096,794	15,532,170
	3. Equipment		1,245,535	(202,420)	1,043,115	1,085,187
	4. Tangible fixed assets in the course of construction		108,673		108,673	88,394
C.	Current assets		1,702,881		1,702,881	800,971
C. III.	Short-term receivables		1,652,631		1,652,631	763,144
C. III. 1.	Trade receivables		314,884		314,884	246,803
	2. Receivables – controlling entities/subsidiaries		723,244		723,244	14,512
	3. Taxes and state subsidies receivable					3,094
	4. Short-term advances paid		614,468		614,468	498,706
	5. Anticipated assets		25		25	20
	6. Other receivables		10		10	9
C. IV.	Financial assets		50,250		50,250	37,827
C. IV. 1.	Cash in hand		82		82	232
	2. Cash at bank		50,168		50,168	37,595
D.	Other assets		1,012		1,012	1,124
D. I.	Accruals and deferrals		1,012		1,012	1,124
D. I. 1.	Prepaid expenses		736		736	849
	2. Accrued revenue		276		276	275

BALANCE SHEET – CONTINUED

(in thousand Czech crowns)

Ref.	LIABILITIES AND EQUITY		31.12.2008	31.12.2007
a	b		6	7
	TOTAL LIABILITIES AND EQUITY		18,126,213	17,626,434
A.	Equity		14,793,473	14,490,950
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		104,025	
A. III. 1.	Statutory reserve fund		104,025	
A. V.	Profit (loss) for the current period (+/-)		1,238,739	1,040,241
B.	Liabilities		3,068,444	2,928,166
B. I.	Provisions		260,242	176,065
B. I. 1.	Tax-deductible provisions		222,412	175,967
	2. Income tax provision		37,522	
	3. Other provisions		308	98
B. II.	Long-term liabilities		2,056,921	2,081,771
B. II. 1.	Trade payables		3,872	2,197
	2. Deferred tax liability		2,053,049	2,079,574
B. III.	Short-term liabilities		751,281	670,330
B. III. 1.	Trade payables		106,270	112,848
	2. Liabilities – controlling entities/subsidiaries			65,000
	3. Liabilities to employees		1,225	817
	4. Liabilities for social security and health insurance		629	588
	5. Taxes and state subsidies payable		23,077	1,759
	6. Anticipated liabilities		619,752	489,296
	7. Other payables		328	22
C. I.	Accruals and deferrals		264,296	207,318
C. I. 1.	Accruals			35
	2. Deferred revenue		264,296	207,283

INCOME STATEMENT

(in thousand Czech crowns)

Ref.	DESCRIPTION	Accounting period	
		2008	8 months ended 31.12.2007
a	b	1	2
II.	Sales of production	3,006,882	1,659,466
II. 1.	Sales of own products and services	3,006,882	1,659,466
B.	Cost of sales	752,142	596,756
B. 1.	Raw materials and consumables	79,860	37,519
2.	Services	672,282	559,237
+	Added value	2,254,740	1,062,710
C.	Staff costs	22,676	9,237
C. 1.	Wages and salaries	16,575	6,546
2.	Emoluments of board members	235	140
3.	Social security costs and health insurance costs	5,419	2,395
4.	Other social costs	447	156
D.	Taxes and charges	3,388	1,809
E.	Depreciation of long-term assets	611,205	400,591
III.	Sale of long-term assets and raw materials	9,595	243
III. 1.	Sale of long-term assets	9,595	243
F.	Net book value of long-term assets and raw materials sold	3,158	
F. 1.	Net book value of long-term assets sold	3,158	
G.	Increase/(decrease) in operating provisions	46,655	(353)
IV.	Other operating income	2,283	112
H.	Other operating charges	19,245	7,932
*	Operating result	1,560,291	643,849
X.	Interest income	11,170	8,469
N.	Interest expense	1,970	76
XI.	Other financial income	222	61
O.	Other financial expense	969	127
*	Financial result	8,453	8,327
Q.	Tax on profit or loss on ordinary activities	330,005	(388,065)
Q. 1.	- current	356,530	187,372
2.	- deferred	(26,525)	(575,437)
**	Profit or loss on ordinary activities after taxation	1,238,739	1,040,241
***	Net profit (loss) for the financial period	1,238,739	1,040,241
***	Net profit (loss) before taxation	1,568,744	652,176

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousand Czech crowns)

	Share capital	Statutory reserve fund	Retained earnings	Total
As at 1 May 2007	16,105,720	-	(2,655,011)	13,450,709
Decrease of share capital (redemption of retained loss)	(2,655,011)	-	2,655,011	-
Net profit for the current period	-	-	1,040,241	1,040,241
As at 31 December 2007	13,450,709	-	1,040,241	14,490,950
Contributions to reserve fund	-	104,025	(104,025)	-
Profit distribution paid	-	-	(936,216)	(936,216)
Net profit for the current period	-	-	1,238,739	1,238,739
As at 31 December 2008	13,450,709	104,025	1,238,739	14,793,473

CASH FLOW STATEMENT

(in thousand Czech crowns)

	2008	Period of 8 months ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit on ordinary activities before tax	1,568,744	652,176
A.1 Adjustments for non-cash movements:		
A.1.1 Depreciation and amortisation of fixed assets	611,205	400,591
A.1.2 Change in provisions	46,655	(353)
A.1.3 Profit from disposal of fixed assets	(6,437)	(243)
A.1.4 Net interest expense/(income)	(9,200)	(8,393)
A.* Net cash flow from operating activities before tax, changes in working capital and extraordinary items	2,210,967	1,043,778
A.2 Working capital changes:		
A.2.1 Change in receivables and prepayments	(192,942)	(747,033)
A.2.2 Change in short-term payables and accruals	138,874	752,677
A.2.3 Change in inventories	-	18
A.** Net cash flow from operating activities before tax and extraordinary items	2,156,899	1,049,440
A.3 Interest paid	(1,935)	(76)
A.4 Interest received	10,896	8,469
A.5 Income tax on ordinary activities paid	(315,913)	(190,466)
A.*** Net cash flow from operating activities	1,849,947	867,367
CASH FLOWS FROM INVESTING ACTIVITIES		
B.1 Acquisition of fixed assets	(175,392)	(914,948)
B.2 Proceeds from the sale of fixed assets	9,595	243
B.*** Net cash flow from investing activities	(165,797)	(914,705)
CASH FLOWS FROM FINANCING ACTIVITIES		
C.1 Change in long- and short-term liabilities	25,648	(2,918)
C.2 Changes in equity:		
C.2.1 Profit distribution paid	(936,216)	-
C.*** Net cash flow from financing activities	(910,568)	(2,918)
Net increase/(decrease) in cash and cash equivalents	773,582	(50,256)
Cash and cash equivalents as at the beginning of the year	(50,256)	-
Cash and cash equivalents as at the end of the year	723,326	(50,256)

4.2 Notes to Financial Statements

Year ended 31 December 2008

1 GENERAL INFORMATION

RWE Gas Storage, s.r.o. ("the Company") was incorporated on 1 May 2007 and has its registered office at Prague 10-Strašnice, V Olšinách 75/2300, Czech Republic. The Company's business activity is gas storage.

Identification number of the Company is 27892077.

The Statutory Representatives as at 31 December 2008 were as follows:

	Position	Date of appointment
Andreas Frohwein	Statutory Representative	19 May 2007
Lubor Veleba	Statutory Representative	1 May 2007

The members of the Supervisory Board as at 31 December 2008 were as follows:

	Position	Date of appointment
Joachim Schneider	Chairman	3 September 2008 (appointed as a member on 1 July 2008)
Martin Herrmann	Vice-Chairman	5 September 2007 (appointed as a member on 21 June 2007)
Andreas Böwing	Member	21 June 2007
Wolfgang Peters	Member	1 April 2008
Šárka Vojíková	Member	21 June 2007
Tomáš Čumpelík	Member	21 June 2007

During 2008 the following changes in the statutory bodies of the Company were made:

Following the resolution of the sole shareholder of the Company Mr Frank-Detlef Drake was called off as a member of the Supervisory Board with the effect from 31 March 2008. Mr Wolfgang Peters has been elected as a member of the Supervisory Board with the effect from 1 April 2008.

Mr Werner Roos has resigned from his position of chairman and member of the Supervisory Board with the effect from 30 June 2008. Following the resolution of the sole shareholder of the Company Mr Joachim Schneider has been elected as a member of the Supervisory Board effective from 1 July 2008. The Supervisory Board has elected Mr Joachim Schneider as a chairman of the Supervisory Board with the effect from 3 September 2008.

The Company is organized as follows:

The general meeting of associates is the supreme body of the Company. Statutory representatives 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 Statutory Representatives.

2 CONTRIBUTION OF PART OF THE BUSINESS

RWE Transgas, a.s. the sole shareholder of the Company, carved out part of its business activity related to the underground gas storage operations on 1 May 2007. The Company took over the role of the gas storage operator from its sole shareholder on 1 May 2007.

Share capital of the Company in the amount of CZK 16,105,720,000 represents non-cash contribution of part of the business of the sole shareholder of the Company. This contribution was valued using independent appraiser valuation number 2006/35/13 by applying this revaluation to individual items of assets and liabilities.

3 ACCOUNTING POLICIES

a) 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.

b) 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.

Subsequent expenditure on intangible fixed assets exceeding CZK 40,000 per year is capitalised.

Purchased intangible fixed assets are recorded at cost, which includes all costs incurred in bringing the assets to their present location and condition. All research costs are expensed. Development costs are capitalised as intangible fixed assets and recorded at the lower of cost and the value of future economic benefits. All other development costs are expensed as incurred.

Intangible fixed assets are amortised applying the straight-line basis over their estimated useful lives as follows (unless the agreement or licence conditions state shorter or longer period):

Software	3 years
Other intangible fixed assets	6 years

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount.

Emission rights are accounted for as "Other intangible fixed assets". Emission rights allocated through the National Allocation Plan to the Company free of charge are accounted for as "Other intangible fixed assets" with double entry to the liability account "Taxes and state subsidies payable" upon their being credited to the Czech Register of emission rights. The allocated emission rights are recorded at a replacement cost.

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

Consumption of emission rights is recorded to "Other operating expenses" as at the balance sheet date on the basis of estimate of actual CO₂ emissions 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 based on sales. In case of shortage of emission rights at the year end a provision is established for expected consumption in the following year.

A provision is established when the book value of emission rights exceeds their estimated recoverable amount.

c) 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. Subsequent expenditure relating to tangible fixed assets exceeding CZK 40,000 per year is capitalised.

Acquired tangible fixed assets are recorded at cost, which include all costs incurred in bringing the assets to their present location and condition.

Tangible fixed assets are depreciated applying the straight-line basis over their estimated useful lives as follows:

Buildings and constructions	45–60 years
Plant, machinery and equipment	4–30 years
Furniture and fittings	4–8 years
Motor vehicles	5–8 years

Tangible fixed assets, with a useful life longer than one year and a unit cost higher than CZK 10,000 but lower than CZK 40,000 are depreciated using the straight-line method over their estimated useful life.

A provision for impairment is established when the carrying value of an asset is greater than its estimated recoverable amount.

d) Receivables

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

e) Cash and cash equivalents

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

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

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

f) Foreign currency translation

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

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

g) Expense and revenue recognition

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

h) Provisions

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are created in the amount of the expected outflow in current terms and their amounts are reviewed and updated on a regular basis. The Company also recognises tax deductible provisions relating to significant future repairs of fixed assets defined by the Act on Reserves, and provisions for the cost of land recultivation, which is created in order to provide for future expenses related to the removal of land contamination resulting from operational activities, in accordance with the Act on Mining.

The Company recognises an unpaid obligation relating to income tax in the balance of provisions. If advances paid for the income tax are higher than the estimated income tax payable as at the balance sheet date the difference is recognised as a short-term receivable.

i) Employment benefits

Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by third parties. Pension and life insurance contribution is recognised as an expense.

j) Deferred taxation

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

k) Related parties

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

- shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and other subsidiaries and associates of these shareholders; and/or
- members of the Company's or parent company's statutory and supervisory bodies and management and parties close to such members, including entities in which they have a controlling or significant influence.

Material transactions and outstanding balances with related parties are disclosed in Notes 13 and 14.

l) Subsequent events

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

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

4 INTANGIBLE FIXED ASSETS**Cost**

	1 January 2008	Additions	Transfers	Disposals	31 December 2008
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Research & development	28,439	-	6,513	-	34,952
Software	8,654	-	491	(7)	9,138
Intangible fixed assets in the course of construction	492	59,958	(7,004)	-	53,446
Emission rights	21	2,219	-	(1,874)	366
Total	37,606	62,177	-	(1,881)	97,902

During 2008 the Company sold 1,386 emission rights (type: EUA) and purchased the same amount of another emission rights (type: CER).

Accumulated amortization and net book value

	1 January 2008	Additions	Disposals	31 December 2008
	CZK'000	CZK'000	CZK'000	CZK'000
Research & development	(2,161)	(3,711)	-	(5,872)
Software	(1,500)	(2,453)	7	(3,946)
Total	(3,661)	(6,164)	7	(9,818)
Net book value	33,945			88,084

Contents

Cost

	1 May 2007	Additions	Transfers	Disposals	31 December 2007
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Research & development	24,677	-	3,762	-	28,439
Software	7,746	-	908	-	8,654
Intangible fixed assets in the course of construction	605	4,557	(4,670)	-	492
Emission rights	50	-	-	(29)	21
Total	33,078	4,557	-	(29)	37,606

Cost of intangible fixed assets as at 1 May 2007 represents contribution of part of the business by the sole shareholder at this date. The contribution is recorded at fair value.

The Company did not purchase any emission rights in 2007.

Accumulated amortization and net book value

	1 May 2007	Additions	31 December 2007
	CZK'000	CZK'000	CZK'000
Research & development	-	(2,161)	(2,161)
Software	-	(1,500)	(1,500)
Total	-	(3,661)	(3,661)
Net book value	33,078		33,945

5 TANGIBLE FIXED ASSETS

Cost

	1 January 2008	Addition	Transfers	Disposals	31 December 2008
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Land	84,643	-	1,175	(164)	85,654
Constructions	15,851,833	-	40,221	(28)	15,892,026
Equipment	1,161,696	-	89,542	(5,703)	1,245,535
Tangible fixed assets in the course of construction	88,394	151,217	(130,938)	-	108,673
Total	17,186,566	151,217	-	(5,895)	17,331,888

Accumulated depreciation and net book value

	1 January 2008	Additions	Disposals	31 December 2008
	CZK'000	CZK'000	CZK'000	CZK'000
Constructions	(319,663)	(475,597)	28	(795,232)
Equipment	(76,509)	(129,444)	3,533	(202,420)
Total	(396,172)	(605,041)	3,561	(997,652)
Net book value	16,790,394			16,334,236

Cost

	1 May 2007	Additions	Transfers	Disposals	31 December 2007
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Land	83,842	-	801	-	84,643
Constructions	15,834,415	-	18,177	(759)	15,851,833
Equipment	1,108,986	-	52,710	-	1,161,696
Tangible fixed assets in the course of construction	20,515	139,567	(71,688)	-	88,394
Total	17,047,758	139,567	-	(759)	17,186,566

Cost of tangible fixed assets as at 1 May 2007 represents the contribution of part of the business by the sole shareholder at this date. The contribution is recorded at fair value.

Accumulated depreciation and net book value

	1 May 2007	Additions	Disposals	31 December 2007
	CZK'000	CZK'000	CZK'000	CZK'000
Constructions	-	(319,663)	-	(319,663)
Equipment	-	(77,268)	759	(76,509)
Total	-	(396,931)	759	(396,172)
Net book value	17,047,758			16,790,394

6 RECEIVABLES

	31 December 2008	31 December 2007
	CZK'000	CZK'000
Trade receivables – current	314,460	246,626
– overdue	424	177
	314,884	246,803
Advances paid	614,468	498,706
Other receivables – current	723,279	17,635
Net book value of short-term receivables	1,652,631	763,144

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

Trade receivables as at 31 December 2008 include mainly receivable from RWE Transgas, a.s. for sale of storage capacity in the amount of CZK 309,393,000 (2007: CZK 243,305,000).

Advances paid as at 31 December 2008 include mainly advances to RWE Transgas Net, s.r.o. for operating and maintenance of underground gas storages in the amount of CZK 613,947,000 (2007: CZK 498,470,000).

Other receivables as at 31 December 2008 include mainly cash-pooling receivables from RWE Transgas, a.s. (see Note 14 Related party transactions) in the amount of CZK 723,244,000.

Provision for doubtful receivables was nil as at 31 December 2008 and as at 31 December 2007.

7 EQUITY

The Company is fully owned by RWE Transgas, a.s., incorporated in the Czech Republic, and the ultimate holding company is RWE Aktiengesellschaft, incorporated in Germany.

The statutory 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.

The net profit of CZK 1,040,241,000 for 2007 was approved and allocated by the decision of the sole shareholder on 9 April 2008.

8 PROVISIONS

	Tax-deductible provisions	Income tax provision	Other provisions	Total
	CZK'000	CZK'000	CZK'000	CZK'000
Opening balance as at 1 May 2007	176,418	-	-	176,418
Charge for the year	50,049	-	98	50,147
Used in the year	(50,500)	-	-	(50,500)
Closing balance as at 31 December 2007	175,967	-	98	176,065
Charge for the year	46,445	37,522	210	84,177
Used in the year	-	-	-	-
Closing balance as at 31 December 2008	222,412	37,522	308	260,242

The Company has created tax-deductible provision for repairs of tangible fixed assets in the amount of CZK 72,897,000 (2007: CZK 38,250,000) and tax-deductible provision for the cost of land recultivation in amount of CZK 149,515,000 (2007: CZK 137,717,000). This provision is created in accordance with the Act of mining to provide future expenses for removal of the land contamination resulting from the operational activities.

As at 31 December 2008 income tax provision in the amount of CZK 356,282,000 was decreased by tax advance payments in the amount of CZK 318,760,000 and classified as Provisions – Income tax provision.

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

9 LIABILITIES

	31 December 2008	31 December 2007
	CZK'000	CZK'000
Trade payables – current	106,270	112,848
Intragroup liabilities	-	65,000
Anticipated liabilities	619,752	489,296
Other payables – current	25,259	3,186
Total short-term liabilities	751,281	670,330
Trade payables	3,872	2,197
Deferred tax liability	2,053,049	2,079,574
Total long-term liabilities	2,056,921	2,081,771
Total short-term and long-term liabilities	2,808,202	2,752,101

Anticipated liabilities as at 31 December 2008 include mainly accrual for operation and maintenance of underground gas storages performed by RWE Transgas Net, s.r.o. in the amount of CZK 615,285,000 (2007: CZK 475,180,000).

The company had no overdue liabilities as at 31 December 2008.

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 over any assets of the Company and none of them are due after more than 5 or more years.

10 DEFERRED REVENUE

	31 December 2008	31 December 2007
	CZK'000	CZK'000
Deferred revenue	264,296	207,283

Deferred revenue includes mainly deferred revenue for sale of storage capacity to RWE Transgas, a.s. in the amount of CZK 259,994,000.

11 TAXATION

The income tax expense consists of the following:

	2008	Period of 8 months ended 31 December 2007
	CZK'000	CZK'000
Current tax expense	356,282	187,372
Deferred tax expense	(26,525)	(575,437)
Adjustment of prior year tax expense	248	-
Total income tax expense	330,005	(388,065)

Current tax can be analysed as follows:

	2008	Period of 8 months ended 31 December 2007
	CZK'000	CZK'000
Net profit before taxation	1,568,744	652,176
Non-taxable revenues	(1,847)	(453)
Difference between accounting and tax depreciation	119,496	127,810
Non-deductible costs	13,911	1,184
Gifts	(3,725)	-
Net taxable profit	1,696,579	780,717
Income tax rate	21%	24%
Corporate taxation	356,282	187,372

Contents

The deferred tax as at 31 December 2008 is calculated at 20% (the rate enacted for 2009), 19% (the rate enacted for 2010 and subsequent years) depending on the period when the temporary differences are expected to reverse. Deferred tax as at 31 December 2007 was calculated at 21% (the rate enacted for 2008), 20% (the rate enacted for 2009) and 19% (the rate enacted for 2010).

Deferred tax liability can be analyzed as follows:

	31 December 2008	31 December 2007
	CZK'000	CZK'000
Deferred tax liability:		
Difference between carrying value accounting and tax base of fixed assets	(2,053,049)	(2,079,574)

12 REVENUE ANALYSIS

Revenue from operating activities has been generated as follows:

	2008	Period of 8 months ended 31 December 2007
	CZK'000	CZK'000
Sale of storage capacity – domestic	3,000,519	1,658,265
Miscellaneous	6,363	1,201
Total sales of own products and services	3,006,882	1,659,466
Sale of long-term assets	9,595	243
Other	2,283	112
Total	3,018,760	1,659,821

13 EMPLOYEE ANALYSIS

Employee numbers	2008	Period of 8 months ended 31 December 2007
Members of Statutory bodies who are employees	1	1
Average number of other staff	18	8
Total	19	9

No employee of the Company was a member of the Supervisory Board during 2008 and the period ended 31 December 2007.

Management includes Statutory Representative.

	Management	Other staff	Total
2008	CZK'000	CZK'000	CZK'000
Wages and salaries	2,602	13,973	16,575
Social security costs	362	5,057	5,419
Other social costs	27	420	447
Bonuses to the members of statutory bodies	235	-	235
Total	3,226	19,450	22,676
Period from 1 May until 31 December 2007			
Wages and salaries	1,624	4,922	6,546
Social security costs	569	1,826	2,395
Other social costs	18	138	156
Bonuses to the members of statutory bodies	140	-	140
Total	2,351	6,886	9,237

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

14 RELATED PARTY TRANSACTIONS

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

RWE Plynoprojekt, s.r.o. has changed its legal form from joint-stock company to limited liability company with the effect from 1 January 2009.

The Company was involved in the following related party transactions:

	2008	Period from 1 May until 31 December 2007
	CZK'000	CZK'000
Purchases:		
RWE Transgas, a.s. (services, gas, interests)	91,798	44,478
RWE Transgas Net, s.r.o. (services, fixed assets)	623,426	477,332
RWE Plynoprojekt, s.r.o. (fixed assets)	15,745	3,944
Other RWE Group companies	18,960	6,101
Total purchases	749,929	531,855
	2008	Period from 1 May until 31 December 2007
	CZK'000	CZK'000
Sales to RWE Transgas, a.s.:		
Storage capacity	2,957,145	1,635,270
Interest income	10,393	7,894
Total sales	2,967,538	1,643,164

Contents

	2008	Period from 1 May until 31 December 2007
	CZK'000	CZK'000
Other sales:		
Other RWE Group companies	7,206	1,203

All transactions were realized on arm's length basis.

The following related party balances were outstanding as at:

	31 December 2008	31 December 2007
	CZK'000	CZK'000
Trade receivables:		
RWE Transgas, a.s.	309,393	243,305
Other RWE Group companies	427	-
Total trade receivables	309,820	243,305
Advances paid:		
RWE Transgas Net, s.r.o.	613,947	498,470
Other RWE Group companies	-	180
Total advances paid	613,947	498,650
Other receivables:		
RWE Transgas, a.s.	276	-
Other RWE Group companies	-	8
Total other receivables	276	8
Cash-pooling receivables:		
RWE Transgas, a.s.	723,244	14,512
Total receivables	1,647,287	756,475

	31 December 2008	31 December 2007
	CZK'000	CZK'000
Trade payables:		
RWE Transgas, a.s.	1,320	44,488
RWE Plynoprojekt, s.r.o.	5,486	6,134
Other RWE Group companies	4,181	3,269
Total trade payables	10,987	53,891
Anticipated payables/accruals and deferrals:		
RWE Transgas Net, s.r.o.	615,285	475,180
RWE Transgas, a.s.	259,994	201,389
Other RWE Group companies	157	450
Total anticipated payables/accruals and deferrals	875,436	677,019
Cash-pooling payables:		
RWE Transgas, a.s.	-	65,000
Total payables/accruals and deferrals	886,423	795,910

Cash-pooling receivables and payables bear interest at market interest rates. Trade receivables and payables arose under the same terms and conditions as with unrelated parties. Receivables from related parties are not provided for.

Company cars are made available for use by management in total acquisition costs of CZK 2,096,000 (2007: CZK 3,659,000).

The Company provides foreign members of management with accommodation, in 2008 rent totalled CZK 474,000 (2007: CZK 543,000).

Share option bonus plan has been provided to the management, in 2008 provision for this plan was created in the amount of CZK 308,000 (2007: CZK 98,000).

Besides the above disclosed remuneration and benefits, there was no other cash or non-cash consideration provided in 2008 and 2007 to the Company's shareholder, members of the Company boards and management.

15 FEES PAID AND PAYABLE TO THE COMPANY'S AUDITOR

The information relating to the fees paid and payable for services performed by the audit company PricewaterhouseCoopers Audit, s.r.o. is included in the annual report of the ultimate parent company RWE Aktiengesellschaft of the consolidation unit.

16 COMMITMENTS

Capital commitments contracted by the Company as at 31 December 2008 were at total amount of CZK 61,548,000 (2007: CZK 34,020,000).

17 CONTINGENT LIABILITIES

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2008.

18 ONGOING VOLATILITY ON THE GLOBAL AND CZECH FINANCIAL MARKETS

The ongoing global financial crisis which commenced during 2008 has resulted in, among others, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and high volatility on financial markets.

Management has evaluated all available information and currently does not expect any significant impact of the economic recession on the Company's operations, in particular the Company's liquidity and funding. Management believes that all necessary steps are taken to support the sustainability of the Company's business under the current circumstances.

19 CASH FLOW STATEMENT

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

	31 December 2008	31 December 2007
	CZK'000	CZK'000
Cash on hand and in transit	82	232
Cash in bank	50,168	37,595
Restricted cash in bank	(50,168)	(37,595)
Receivable/(liability) arising from cash-pooling	723,244	(50,488)
Cash and cash equivalents	723,326	(50,256)

20 SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2008.

11 February 2009



Andreas Frohwein
Statutory Representative



Lubor Veleba
Statutory Representative

Translation note

This version of the accompanying documents is a translation from the original, which was prepared in Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

5 INDEPENDENT AUDITOR'S REPORT

5.1 Auditor's Opinion on the Financial Statements



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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. ("the Company"), which comprise the balance sheet as at 31 December 2008, 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"). Details of the Company are disclosed in note 1 to these financial statements.

Statutory Directors' Responsibility for the Financial Statements

The Statutory Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatement.

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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Shareholder of RWE Gas Storage, s.r.o.

Independent auditor's report

Auditor's Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 2008, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

11 February 2009

PricewaterhouseCoopers Audit, s.r.o.

represented by Partner

Petr Šobotník

Auditor, Licence No. 113

Translation note

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



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF RWE GAS STORAGE, S.R.O.

We have audited financial statements of RWE Gas Storage, s.r.o., ("the Company") for the year ended 31 December 2008 disclosed in the annual report on pages 23–41 and issued the opinion dated 11 February 2009 and disclosed on page 42.

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 2008 is consistent with the financial statements referred to above. The Statutory Directors are 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 2008 is consistent, in all material respects, with the financial statements referred to above.

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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

Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2008 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 and related application guidance of the Chamber of Auditors of the Czech Republic for review of the report on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

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

10 March 2009

PricewaterhouseCoopers Audit, s.r.o.

PricewaterhouseCoopers Audit, s.r.o.
 represented by Partner

Petr Šobotník
 Auditor, Licence No. 113

Translation note

This version of our report is a translation from the original, which was prepared in Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

6 REPORT OF RWE GAS STORAGE, S.R.O. ON RELATIONS BETWEEN RELATED PARTIES AS AT 31 DECEMBER 2008

Since RWE Gas Storage, s.r.o. (hereinafter “the Company”) as a controlled person did not enter into any controlling agreement effective in 2008, the Company has, 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 Controlled by the Same Controlling Persons (hereinafter “Related Parties”) for 2008, to the extent these Related Parties are known to the Company. This Report is an integral part of the Company’s Annual Report for 2008 and the Company’s members 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 the Company was controlled by the following persons:

a) Directly

- RWE Transgas, a.s., registered office at Limuzská 12/3135, Praha 10, 100 98, Company No. 26460815, which was the sole member of the Company and which was directly controlled by its shareholder, RWE Gas International B.V.

b) Indirectly

- RWE Gas International B.V., registered office at Diamantlaan 15, 2132 WV Hoofddorp, the Netherlands, which was the sole shareholder of RWE Transgas, a.s.;
- RWE Energy Aktiengesellschaft (hereinafter “RWE Energy AG”), registered office at Rheinlanddamm 24, 44139 Dortmund, Germany, which was the sole member of RWE Gas International B.V.; and
- RWE Aktiengesellschaft (hereinafter “RWE AG”), registered office at Opernplatz 1, 45128 Essen, Germany, which was the sole shareholder of RWE Energy AG.

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 has drawn up this Report on the basis of the information provided by the controlling persons and other information available to it. The scheme of the relations between and control of companies along the relevant line within the RWE Group as at 31 December 2008 can be found on the third cover page of this Annual Report.

3 AGREEMENTS ENTERED INTO BY THE COMPANY AND RELATED PARTIES, AND PERFORMANCE PROVIDED AND ACCEPTED

In the last accounting period, the Company and Related Parties entered into agreements listed in Appendix 1. The Company has not suffered any damage by performing under these agreements, including those entered into in the preceding accounting periods. For this reason, there was no need to secure any compensation for damage or enter into any agreements thereon. The values of the deliverables and the respective payments between the Related Parties in the last accounting period are specified in Note 14 of the Notes to the Financial Statements as at 31 December 2008.

4 OTHER LEGAL ACTS MADE IN THE INTEREST OF RELATED PARTIES

On the basis of a decision adopted by RWE Transgas, a.s. as the sole member of the Company and RWE Transgas Net, s.r.o., the business of underground gas storage facilities will be transferred from RWE Transgas Net, s.r.o. to the Company as of 1 January 2009.

5 MEASURES ADOPTED IN THE INTEREST OR UPON SUGGESTION OF RELATED PARTIES

The Company did not adopt or carry out any measures in the interest or upon suggestion of Related Parties in the past accounting period.

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 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

This Report was drawn up and approved by the Directors of the Company on 4 March 2009 and it has been presented for review to the Company's auditor, who reviews the financial statements under a separate law.

Prague, on 4 March 2009



Andreas Frohwein
Director, CEO



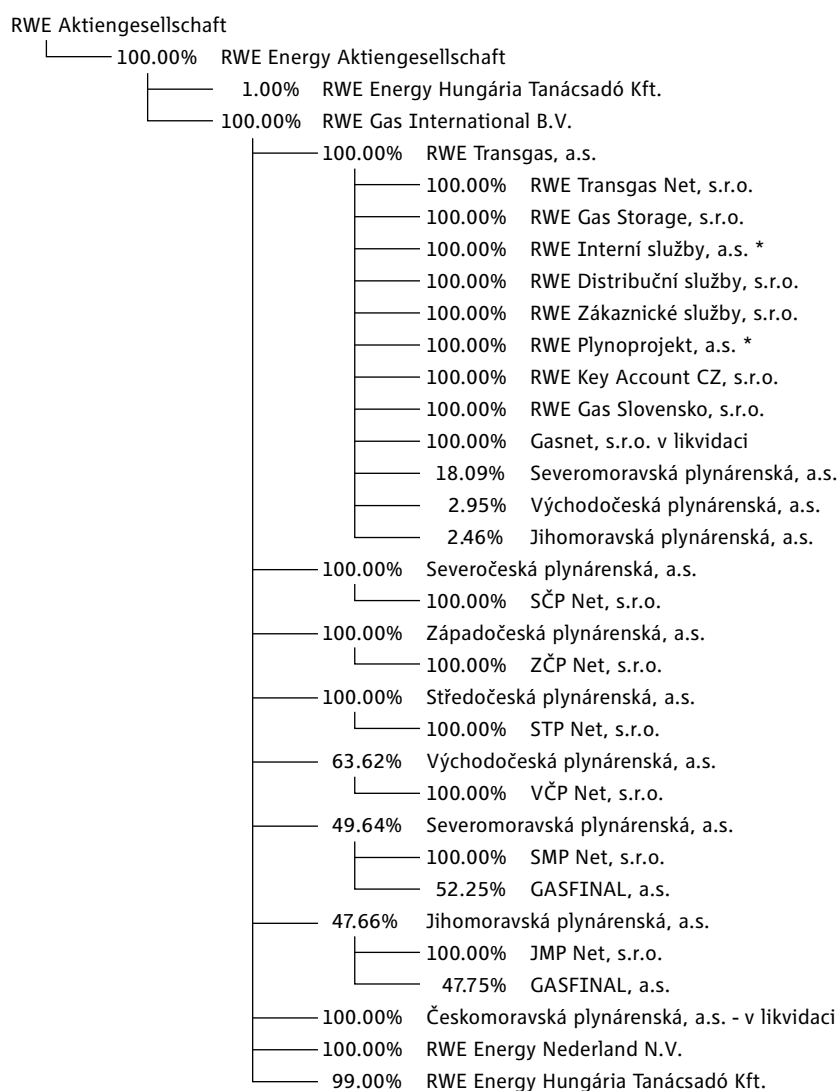
Lubor Veleba
Director, CCO

Appendix 1

Contracting party	Type of agreement/Purpose of agreement	Number of agreements
RWE Transgas, a.s.	Addendum 2 to the gas storage agreement	1
	Addendum 1 to the agreement on tax administration service provision	1
	Addendum 2 to the loan agreement	1
	Addendum 1 to the agreement on accounting service provision	1
	Addendum 2 to the gas storage agreement	1
	Addendum 1 to the master agreement on the provision of services "BCD Travel – Addendum 1"	1
	Agreement on the transfer of PÚ Dolní Dunajovice II	1
	Agreement on translation and interpreting service provision	1
	Agreement on HR activity service provision	1
	Agreement on the termination of the agreement on HR activity service provision	1
	Agreement on the termination of the agreement on HR service provision	1
	Agreement on provisions for the payment of insurance premiums	1
	Agreement on the transfer of the Dolní Dunajovice working district	1
	Agreement on the provision of services in SLA Consulting – P & O	1
	Addendum 1 to the agreement on the provision of services in SLA Consulting – P & O	1
	Agreement on the provision of services in SLA Consulting – governance TG	1
	Monthly gas storage agreement	1
	Addendum 1 to the agreement on the monthly gas storage agreement	1
	Gas sale agreement	1
	Agreement on cooperation and settlement of mutual relations	1
	Agreement on settlement – RWE GS, TG, PP	1
	Agreement on storage capacity transfer entered into under art. 22 of the SSO Code	1
	Licence agreement on unregistered designations	1
RWE Energy AG	Contract on Provision of Dispatcher Services	1
	Master agreement on the purchase/sale of emission allowances	1
RWE Transgas Net, s.r.o.	Agreement on the operation and maintenance of the storage system	1
	Gas sale agreement	1
	Agreement on investment engineering services	1
	Agreement on servicing and technical activities at UGS facilities	1
RWE Plynoprojekt, a.s.	Contract for work	19
	Addendum 1 to the contract for work	2
	Confidentiality agreement	1
	Agreement on the provision of access to SLA	1
	Building warrant	8
	Purchase orders	3

Contracting party	Type of agreement/Purpose of agreement	Number of agreements
RWE Interní služby, a.s.	Agreement on translation and interpreting service provision	1
	Agreement on the provision of procurement and logistics services	1
	Addendum 1 to the agreement on the provision of procurement and logistics services	1
	Agreement on transport service provision	1
	Addendum 1 to the agreement on transport service provision	1
	Agreement on the provision of Real Estate Administration services	1
	Addendum 1 to the agreement on the provision of Real Estate Administration services	1
	Agreement on facility management services	1
	Addendum 1 to the agreement on facility management services	1
	Agreement on the provision of lease, logistics and mobile and IP telephone accounting services	1
	Addendum 1 and 2 to the agreement on the provision of lease, logistics and mobile and IP telephone accounting services	2
	Agreement on IT services	1
	Addenda 1 and 2 to the agreement on IT services	2
	Agreement on the provision of electronic communication services	1
	Agreement on the provision of centralised payroll processing services	1

Scheme of the relations between and control of companies along the relevant line within the RWE Group as at 31 December 2008



* As from 1 January 2009 the legal form of this company was changed from a public limited company to a limited liability company

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