

RWE Gas Storage

# ANNUAL REPORT 2009

## Key Ratios (CAS)

|                                        | 2009  |
|----------------------------------------|-------|
| Total sales (CZK m)                    | 3,651 |
| EBITDA (CZK m)                         | 2,913 |
| Operating result (CZK m)               | 2,289 |
| Profit before taxation (CZK m)         | 2,264 |
| Profit after taxation (CZK m)          | 1,815 |
| Investments (CZK m)                    | 736   |
| Number of employees (converted to FTE) | 211   |

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

## EXTERIOR WALL CLADDING

Cladding eliminates the cold bridges that cause local occurrence of colder areas on exterior walls.



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# FLOORS

Attention should be paid  
to correct regulation  
of under-floor heating systems.

## 1 MANAGING DIRECTORS' STATEMENT

The year 2009 was clearly very successful for the Company. But it was also a year full of changes for all of us. Since January 2009, RWE Gas Storage has expanded to include the employees who had earlier operated our underground gas storage facilities at Dolní Dunajovice, Tvrdonice, Štřamberk, Lobodice, Třanovice and Háje on an outsourced basis. This move has considerably simplified the organisation of operations, and at the end of 2009 our Company therefore had 214 employees.

The year 2009 started with an acid test in the form of the January interruption of gas supplies from Russia, when the Company demonstrated its readiness and ability to effectively respond to the crisis situation. We were successful in convincing the public about the important role played by underground gas storage facilities and about the dependability of RWE Gas Storage as their operator. We can be proud of this. We would like to acknowledge and thank all our employees, because we would not have been able to achieve this without them.

Throughout the year we continued preparations for extensive investments in the expansion of our gas storage facilities, and we started a major capital investment project, expansion of the Třanovice underground storage facility. RWE Gas Storage also continued to carry out measures for improving the safety of its operations, including the installation of subsurface safety valves.

In February and June 2009 we successfully sold free storage capacity in two online auctions for storage capacity that we organised, thereby increasing the number of the users of our storage capacities to ten. We were successful in growing the revenues from the sale of storage capacity by 21% in comparison with 2008.

In January 2009 the Energy Regulatory Office's new public notice on gas market rules came into force; this instrument introduces, in particular, obligations related to the publication of information and enhancing the transparency of the gas market. In 2009 the European Union also issued a set of regulations and directives, known as the third package, which introduced for storage system operators in particular the obligation of their legal unbundling from gas trade licence holders. The Company meets all of these requirements already at present. RWE Gas Storage 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.

We have set ambitious targets for 2010 for our Company. The meeting of these targets will require commitment and hard work of each and every one of us. We would therefore ask all our employees and partners to continue in their unwavering efforts.



**Andreas Frohwein**  
Managing Director, CEO



**Lubor Veleba**  
Managing Director, CCO



## Managing Directors as at 31 December 2009



### **Andreas Frohwein**

Managing Director, CEO

**Born:**

12 December 1966

**Education:**

Universität Gesamthochschule Essen;  
Technische Hochschule Aachen

**Membership of bodies of other companies:**

Kavernspeicher Straßfurt GmbH Supervisory Board Chairman;  
RWE Gasspeicher GmbH Director

**Any other business activities:**

None



### **Lubor Veleba**

Managing 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 2009

In 2009 the Supervisory Board supervised the Managing Directors' activities, continuously monitored the Company's business activities and reviewed whether the Managing 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 2009 the Supervisory Board held two meetings and had a quorum at all times. The Managing 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 Managing 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 2009, which were specified more accurately on an ongoing basis, and the Company's continuous development.

The Supervisory Board noted that the Managing 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 5 March 2010 the Supervisory Board discussed and reviewed the annual financial statements for the period ended on 31 December 2009, including the auditor's report and the Managing Directors' proposal for the distribution of profit for 2009. Concurring with the auditor, the Supervisory Board concluded that the annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2009, its financial performance and its cash flows for the year 2009 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 2009 and the Managing Directors' proposal for profit distribution.

The Supervisory Board expresses its gratitude to all employees for their work for the Company in 2009.

Prague, on 5 March 2010



**Martin Herrmann**  
Chairman, Supervisory Board

## The Supervisory Board as at 31 December 2009

### Dr Joachim Schneider

Chairman of the Supervisory Board

**Born:**

8 March 1964

**Education:**

Technische Hochschule Darmstadt and Rheinisch-Westfälische Technische Hochschule Aachen

**Membership of bodies of other companies:**

Member of the RWE Rheinland Westfalen Netz AG Board of Directors; Chairman of the RWE Transgas Net, s.r.o. Supervisory Board; Member of the envia Mitteldeutsche Energie AG, VSE AG, AVU Aktiengesellschaft für Versorgungsunternehmen, WVG - Warsteiner Verbundgesellschaft mbH, SEWAG - Südwestfalen Energie und Wasser AG and Mark-E Aktiengesellschaft Supervisory Boards

**Any other business activities:**

None

### Martin Herrmann

Vice-Chairman of the Supervisory Board

**Born:**

3 July 1967

**Education:**

Westfälische Wilhelms-Universität, Münster, Economics

**Membership of bodies of other companies:**

Chairman of the RWE Transgas, a.s. Board of Directors; Chairman of the Jihomoravská plynárenská, a.s., Severomoravská plynárenská, a.s., Východočeská plynárenská, a.s. and RWE Energie, a.s. Supervisory Boards; Vice-Chairman of the RWE Transgas Net, s.r.o. Supervisory Board

**Any other business activities:**

None

### Andreas Böwing

Member of the Supervisory Board

**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. and SAG Group GmbH Supervisory Boards

**Any other business activities:**

None



**Dr Wolfgang Peters**

Member of the Supervisory Board

**Born:**

12 June 1953

**Education:**

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

**Membership of bodies of other companies:**

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

**Any other business activities:**

None

**Tomáš Čumpelík**

Member of the Supervisory Board

**Born:**

27 May 1975

**Education:**

University of West Bohemia in Plzeň, Faculty of Law

**Membership of bodies of other companies:**

Member of the OSINEK, a.s. „v likvidaci“ Supervisory Board

**Any other business activities:**

None

**Šárka Vojíková**

Member of the Supervisory Board

**Born:**

22 September 1967

**Education:**

Grammar school in Prague, a social law college in Prague

**Membership of bodies of other companies:**

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

**Any other business activities:**

None

**Changes in the Company's Supervisory Board at the beginning of 2010**

Dr Joachim Schneider and Andreas Böwing stepped down from the Supervisory Board as of 3 February 2010. Tomáš Čumpelík stepped down from the Supervisory Board as of 5 March 2010. With effect from 4 February 2010, Dr Jürgen Grönnert and Thomas Rappuhn were elected to the Supervisory Board by a decision of the sole shareholder. On 5 March 2010 the Supervisory Board elected Mr Martin Herrmann as Chairman and Mr Thomas Rappuhn as Vice-Chairman of the Supervisory Board.

## 3 MANAGEMENT REPORT FOR 2009

### 3.1 Results

#### Revenues, expenses, and profit

In the calendar year 2009, the Company's operating income, including proceeds from the sale of fixed assets and including other operating income, totalled CZK 3,708 million, and its total operating charges, including taxes and levies and other operating charges, totalled CZK 1,418 million. The Company's operating result for 2009 therefore amounted to CZK 2,289 million. In comparison with 2008 the operating result went up by 47%. This growth was primarily due to the higher price for natural gas storage.

The financial result ended up in a loss of CZK 25 million and profit before taxation was CZK 2,264 million.

After deducting the income tax, the result for the accounting period amounted to CZK 1,815 million.

#### Structure of assets

As at 31 December 2009 the Company's total assets were worth CZK 18,637 million. Fixed assets worth CZK 16,494 million (of which, tangible fixed assets CZK 16,399 million and intangible fixed assets CZK 95 million) accounted for about 89% of total assets.

Current and other assets of CZK 2,142 million accounted for approximately 11% of total assets and 97% of them were receivables.

#### Structure of shareholder's equity and liabilities

The Company's equity amounted to CZK 15,432 million and accounted for about 83% of total shareholder's equity and liabilities. In 2009 the Company financed all of its activities using its own resources.

Long-term liabilities (deferred tax liability) and short-term liabilities accounted for 70% and 18%, respectively, of liabilities.

#### Investment

In 2009 the Company carried out capital investment projects in line with the approved capital expenditure plan. Assets totalling CZK 736 million were procured.

In 2009 the most important investment activity was the commencement of the expansion of storage capacity in the Třanovice UGS facility; CZK 516 million was spent on the project, and additional contracts for the supply of material and services worth several hundred million Czech crowns were concluded.

Since 2009, the first stage of the expansion of the Tvrdonice UGS facility to include a new storage structure has been under way; thanks to this structure the Company will be able to offer storage customers a new capacity of 50 mcm as early as 2010.

The work on the ongoing installation of subsurface safety closing valves on all operating wells and the seismic measurements in the as yet unmapped storage structures in our existing UGS facilities also continued in 2009 in line with the approved capital expenditure plan.

At the Dolní Dunajovice and Tvrdonice UGS facilities, investments went to the optimisation and safety of the operation of compressors; work on the overall refurbishment of the control and security system at the Lobodice 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 planned natural gas storage and work on the projects did not restrict contracting partners in any manner.

#### Organisational units abroad

As at 31 December 2009 the Company did not have any organisational units abroad.

#### Science and research

In 2009 the Company did not pursue any scientific or research activities.

## 3.2 Natural Gas Storage

#### Services, capacity, storage customers

In 2009 the Company continued to provide high-quality and reliable services of gas storage in its underground gas storage facilities, including annual, monthly and other types of firm and interruptible storage capacity agreements. Not only the reduction in natural gas supplies to Europe but also the rising number of storage customers with their varied storage needs and requirements put the Company's readiness and reliability to a challenging test.

Throughout the year, the Company provided customers with storage capacity mainly in the standard combination of the working gas volume and capacity, i.e., withdrawal capacity and injection capacity. Last year storage customers also began to use more the option to buy additional interruptible withdrawal/injection capacity. In addition, the Company offered its customers the services of transfer and lease of contracted capacity and gas transfer between a storage customer's different agreements.

Since 1 October 2008, a system of online auctions has been in place for the allocation of most of the storage capacity types, which guarantees pricing on a free-market basis. In 2009 the Company organised two auctions for its free storage capacity (with the resulting prices of CZK 2.15/cu m and CZK 2.33/cu m of working gas volume/year), in which all available storage capacity was offered to the bidders in a transparent way.

During the next calendar year RWE Gas Storage will offer all potential bidders free storage capacity not only via the Auction System but also – under an amendment to the ERO's public notice on gas market rules – via a new application for the allocation of daily firm and interruptible storage capacity, on the development of which the Company intensively worked in the last quarter of 2009.

The Company continued to actively promote the secondary storage capacity market, both through store-x Storage Capacity Exchange GmbH and also through its own electronic bulletin board.

As at 31 December 2009, the Company's storage capacity in the virtual facility was as follows:

|                                       | 31 December 2009 |
|---------------------------------------|------------------|
| Working gas volume (mcm)              | 2,321            |
| Maximum injection capacity (mcm/day)  | 26.35            |
| Maximum withdrawal capacity (mcm/day) | 35.70            |

In 2009 the Company provided storage services to a total of ten storage customers, also as a result of the above change in the system of storage capacity allocation in auctions. Thanks to the continuously increasing competition on the gas market, RWE Gas Storage expects higher demand for its storage services in 2010.

Throughout the calendar year of 2009, the Company proceeded in line with the GGPSSO voluntary guidelines issued by the European Regulators' Group for Electricity and Gas. In late 2009 it began to prepare for the daily publication of additional mandatory details under the amendment to the public notice on gas market rules, which in this respect markedly exceeds the requirements of the EU's so-called third energy package.

RWE Gas Storage continued to play an active role in Gas Storage Europe, which brings together most of SSOs from all over Europe and in which one of the Company's Managing Directors held the position of Vice-President. Among other things, the Company contributed to the periodically updated list of aggregated gas stores in Europe and also to the database of planned storage investments.



## Regulatory issues

### The EU's third energy package

Directive 2009/73/EC concerning common rules for the internal market in natural gas and Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks (the so-called third energy package of the EU) were adopted in July 2009. The package requires legal unbundling of storage system operators. RWE Gas Storage took this step as early as 2007.

### Amended gas market rules

An extensive amendment to the gas market rules (contained in public notice no. 365/2009), which has a significant impact on RWE Gas Storage, was adopted in October 2009. The amendment came into force on 1 January 2010. Among other things, for the first time it allows the Company to offer multiple storage products with different parameters; it also grants a very important role to the newly established market operator, which will organise a spot gas market, and introduces a number of new obligations related to the publication of information.

## 3.3 Underground Gas Storage Facilities

The Company operates six underground gas storage facilities at Dolní Dunajovice, Háje, Lobodice, Štramberk, Třanovice and Tvrdonice. Five of them are located in Moravia where natural geological structures, depleted primary 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 in Central Bohemia and Prague.

In the operation of its underground gas storage facilities RWE Gas Storage devotes attention to reliability, accessibility and flexibility while seeing to the highest possible safety of the services it provides. To this end, 2009 saw a pilot project for maintenance optimisation with a view to standardising the maintenance planning process, shortening stabilisation shutdowns, and analysing the value chain and criticality, thereby moving the maintenance strategy from planned maintenance to operating the plant on the basis of its actual condition. The Company also continued in measures designed for improving operating safety, including the installation of subsurface safety valves, and it places emphasis on the high level of its employees' professionalism.

The Company changed the nomination system in the wake of legislative changes and in connection with the new role of OTE, a.s. on the natural gas market; after the change, customers are able to nominate either directly via the RWE Gas Storage website, or via the website of OTE, a.s.

### 3.4 Marketing and Communication Activities

#### [The grant scheme](#)

RWE Gas Storage continued its grant scheme in 2009. Support for the various regions and municipalities in which the Company operates focused on young people, and also on help to municipalities in their effort to create better conditions for their residents' life. Through its 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 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 for activities focused on young people.

In 2009 the Company received 74 requests for a financial contribution; in three rounds, it selected 28 projects to which it allocated financial support totalling CZK 6 million. In addition, PCs were directly provided to two applicants under the grant scheme. The supported projects include, for example, the following:

- Refurbishment of sanitary facilities of the Hrušky kindergarten
- Improvement of the standard of educational facilities in Štamberk
- Refurbishment of the school's playground in Třanovice
- Modernisation of the gymnasiums of the primary school and kindergarten in Tovačov
- Repair of the Perná community centre
- Modernisation of geology classrooms of a secondary industrial school in Příbram

The Company intends to continue to follow its successfully launched grant scheme next year too.

### 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.

As from 1 January 2009, 180 employees were transferred from gas storage operations of RWE Transgas Net, s.r.o. to the Company.

#### Staffing levels

| Year (at 31/12)       | 2009 | 2008 | 2007 |
|-----------------------|------|------|------|
| Total RWE Gas Storage | 214  | 23   | 17   |

#### Employee structure by education

| Level              | 2009 (%) | 2008 (%) | 2007 (%) |
|--------------------|----------|----------|----------|
| University         | 30.21    | 73.91    | 70.5     |
| Complete secondary | 46.47    | 26.09    | 29.5     |
| Secondary          | 23.32    | 0        | 0        |
| Primary            | 0        | 0        | 0        |

#### 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.

#### Social policy

The Company's Collective Agreement, entered into for 2008 and 2009, was the basic document that set 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 products under a scheme of retirement provisions.

#### Employees' development

In 2009, the Company spent 4.58% of its payroll costs on education and development of its employees; in 476 training events 2,261 persons were trained and average annual expenses on education and development amounted to CZK 29,394 per employee.

The above figures do not include e-learning, which mainly provides some training courses on legislation for employees in Prague and Brno.

## 3.6 Environmental Protection

At the operations of each of the underground gas storage facilities, specific persons have been appointed to address environmental issues; cooperating with service providers, these persons are in charge of everyday environmental protection agenda.

In 2009 the Company continued to implement new rules for a responsible approach to environmental protection, safety at work, and fire protection; these rules stem both from the legislative level and from within the RWE Group. For its own needs, the Company commissioned an environmental audit from external consultants. It also entered into an agreement on the provision of environmental emergency services with DEKONTA, a.s.

In respect of the elimination of old environmental burdens, the Company carried out planned post-remedial groundwater monitoring at the respective sites. All of these activities were carried out in line with the approved clean-up project, as amended.

The Company continuously maintains existing and plants new greenery at the operations of underground gas storage facilities.

In respect of air pollutant emissions, the Company reported and published the actual values of its CO<sub>2</sub> emissions, which did not exceed the limit of the emission allowances allocated by the National Allocation Plan. As part of the planned development of the storage system, the Company opts for new state-of-the-art technologies with proven favourable results in the reduction in air pollutant emissions and noise levels. All contractors are contractually committed to take a responsible approach to safety and health at work and to environmental protection.

In 2009 the Company carried out a successful tendering process for the disposal of 'other' and hazardous wastes and for waste management operations.

In 2009 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.

The public has access to the Company's environmental protection data in the Integrated Pollution Register (IRZ) pursuant to the Czech Republic's generally applicable legal regulations.

## 3.7 Subsequent Events

### Auction of new storage capacity

On 12 January 2010, the Company organised the first ever on-line auction of new storage capacity, amounting to 45 mcm, in the Czech Republic. The auction met with traders' great interest. The storage capacity was allocated to a total of five users who offered the highest price.

### European Energy Programme for Recovery

The European Commission has allocated EUR 35 million to the Company to help finance the expansion of the Tvrdonice and Třanovice underground storage facilities from the budget of the European Energy Programme for Recovery, which had been set up with a view to mitigating the consequences of the financial crisis and reinforcing gas infrastructure in Member States. The European Parliament endorsed the Commission's decision in January 2010.

## 3.8 Outlook

### Investment

The Company plans to increase its storage capacity by 620 mcm of working volume, i.e. by approximately one third, by 2014. A part of the capital expenditure on the expansion of the Třanovice and Tvrdonice underground gas storage facilities will be financed from the European Energy Programme for Recovery (EEPR).

### Transposition of the third energy package

The transposition of the European Union's third energy package into Czech legislation will take place in 2010.



# ROOFS

Heat can escape  
through roof leaks.



## 4 FINANCIAL PART

### 4.1 Financial Statements

#### BALANCE SHEET (in thousand Czech crowns)

|               |                                                          | 31. 12. 2009      |                    |                   | 31. 12. 2008      |
|---------------|----------------------------------------------------------|-------------------|--------------------|-------------------|-------------------|
|               |                                                          | Gross             | Provision          | Net               | Net               |
|               | <b>TOTAL ASSETS</b>                                      | <b>20,277,498</b> | <b>(1,640,835)</b> | <b>18,636,663</b> | <b>18,126,213</b> |
| <b>B.</b>     | <b>Fixed assets</b>                                      | <b>18,134,737</b> | <b>(1,640,835)</b> | <b>16,493,902</b> | <b>16,422,320</b> |
| <b>B. I.</b>  | <b>Intangible fixed assets</b>                           | <b>118,123</b>    | <b>(22,778)</b>    | <b>95,345</b>     | <b>88,084</b>     |
| B. I. 1.      | Research & development                                   | 91,365            | (13,022)           | 78,343            | 29,080            |
|               | 2. Software                                              | 23,233            | (9,604)            | 13,629            | 5,192             |
|               | 3. Royalties                                             | 508               | (152)              | 356               |                   |
|               | 4. Other intangible fixed assets                         | 198               |                    | 198               | 366               |
|               | 5. Intangible fixed assets in the course of construction | 2,819             |                    | 2,819             | 53,446            |
| <b>B. II.</b> | <b>Tangible fixed assets</b>                             | <b>18,016,614</b> | <b>(1,618,057)</b> | <b>16,398,557</b> | <b>16,334,236</b> |
| B. II. 1.     | Land                                                     | 88,519            |                    | 88,519            | 85,654            |
|               | 2. Constructions                                         | 15,853,812        | (1,270,382)        | 14,583,430        | 15,096,794        |
|               | 3. Equipment                                             | 1,309,500         | (347,675)          | 961,825           | 1,043,115         |
|               | 4. Other tangible fixed assets                           | 634               |                    | 634               |                   |
|               | 5. Tangible fixed assets in the course of construction   | 764,149           |                    | 764,149           | 108,673           |
| <b>C.</b>     | <b>Current assets</b>                                    | <b>2,142,282</b>  |                    | <b>2,142,282</b>  | <b>1,702,881</b>  |
| <b>C. I.</b>  | <b>Inventories</b>                                       | <b>1,500</b>      |                    | <b>1,500</b>      |                   |
| C. I. 1.      | Raw materials                                            | 1,500             |                    | 1,500             |                   |
| C. III.       | Short-term receivables                                   | 2,078,149         |                    | 2,078,149         | 1,652,631         |
| C. III. 1.    | Trade receivables                                        | 415,271           |                    | 415,271           | 314,884           |
|               | 2. Receivables – controlling entities/subsidiaries       | 1,651,696         |                    | 1,651,696         | 723,244           |
|               | 3. Short-term advances paid                              | 982               |                    | 982               | 614,468           |
|               | 4. Anticipated assets                                    | 115               |                    | 115               | 25                |
|               | 5. Other receivables                                     | 10,085            |                    | 10,085            | 10                |
| <b>C. IV.</b> | <b>Financial assets</b>                                  | <b>62,633</b>     |                    | <b>62,633</b>     | <b>50,250</b>     |
| C. IV. 1.     | Cash in hand                                             | 173               |                    | 173               | 82                |
|               | 2. Cash at bank                                          | 62,460            |                    | 62,460            | 50,168            |
| <b>D. I.</b>  | <b>Accruals and deferrals</b>                            | <b>479</b>        |                    | <b>479</b>        | <b>1,012</b>      |
| D. I. 1.      | Prepaid expenses                                         | 416               |                    | 416               | 736               |
|               | 2. Accrued revenue                                       | 63                |                    | 63                | 276               |

**BALANCE SHEET – continued (in thousand Czech crowns)**

|                                                         | 31. 12. 2009      | 31. 12. 2008      |
|---------------------------------------------------------|-------------------|-------------------|
| <b>TOTAL LIABILITIES AND EQUITY</b>                     | <b>18,636,663</b> | <b>18,126,213</b> |
| <b>A. Equity</b>                                        | <b>15,431,804</b> | <b>14,793,473</b> |
| <b>A. I. Share capital</b>                              | <b>13,450,709</b> | <b>13,450,709</b> |
| A. I. 1. Share capital                                  | 13,450,709        | 13,450,709        |
| <b>A. III. Reserve fund and other reserves</b>          | <b>165,962</b>    | <b>104,025</b>    |
| A. III. 1. Statutory reserve fund                       | 165,962           | 104,025           |
| <b>A. V. Profit (loss) for the current period (+/-)</b> | <b>1,815,133</b>  | <b>1,238,739</b>  |
| <b>B. Liabilities</b>                                   | <b>2,889,253</b>  | <b>3,068,444</b>  |
| <b>B. I. Provisions</b>                                 | <b>349,396</b>    | <b>260,242</b>    |
| B. I. 1. Tax-deductible provisions                      | 161,332           | 222,412           |
| 2. Income tax provision                                 | 175,827           | 37,522            |
| 3. Other provisions                                     | 12,237            | 308               |
| <b>B. II. Long-term liabilities</b>                     | <b>2,015,886</b>  | <b>2,056,921</b>  |
| B. II. 1. Trade payables                                | 4,992             | 3,872             |
| 2. Deferred tax liability                               | 2,010,894         | 2,053,049         |
| <b>B. III. Short-term liabilities</b>                   | <b>523,971</b>    | <b>751,281</b>    |
| B. III. 1. Trade payables                               | 401,718           | 106,270           |
| 2. Liabilities to employees                             | 8,578             | 1,225             |
| 3. Liabilities for social security and health insurance | 4,702             | 629               |
| 4. Taxes and state subsidies payable                    | 39,433            | 23,077            |
| 5. Anticipated liabilities                              | 55,223            | 619,752           |
| 6. Other payables                                       | 14,317            | 328               |
| <b>C. I. Accruals and deferrals</b>                     | <b>315,606</b>    | <b>264,296</b>    |
| C. I. 1. Deferred revenue                               | 315,606           | 264,296           |

**INCOME STATEMENT (in thousand Czech crowns)**

|    |      |                                                             | Accounting period |                  |
|----|------|-------------------------------------------------------------|-------------------|------------------|
|    |      |                                                             | 2009              | 2008             |
| A. | II.  | Sales of production                                         | 3,651,021         | 3,006,882        |
|    | II.  | 1. Sales of own products and services                       | 3,651,021         | 3,006,882        |
| B. |      | Cost of sales                                               | 616,170           | 752,142          |
| B. | 1.   | Raw materials and consumables                               | 193,863           | 79,860           |
|    | 2.   | Services                                                    | 422,307           | 672,282          |
|    | +    | <b>Added value</b>                                          | <b>3,034,851</b>  | <b>2,254,740</b> |
| C. |      | Staff costs                                                 | 156,871           | 22,676           |
| C. | 1.   | Wages and salaries                                          | 111,349           | 16,575           |
|    | 2.   | Emoluments of board members                                 | 240               | 235              |
|    | 3.   | Social security and health insurance costs                  | 38,088            | 5,419            |
|    | 4.   | Other social costs                                          | 7,194             | 447              |
| D. |      | Taxes and charges                                           | 4,074             | 3,388            |
| E. |      | Depreciation of long-term assets                            | 639,097           | 611,205          |
|    | III. | Sale of long-term assets and raw materials                  | 55,184            | 9,595            |
|    | III. | 1. Sale of long-term assets                                 | 55,165            | 9,595            |
|    |      | 2. Sale of raw materials                                    | 19                |                  |
| F. |      | Net book value of long-term assets and raw materials sold   | 31,520            | 3,158            |
| F. | 1.   | Net book value of long-term assets sold                     | 31,520            | 3,158            |
| G. |      | Increase/(decrease) in operating provisions                 | (49,152)          | 46,655           |
|    | IV.  | Other operating income                                      | 1,581             | 2,283            |
| H. |      | Other operating charges                                     | 19,844            | 19,245           |
|    | *    | <b>Operating result</b>                                     | <b>2,289,362</b>  | <b>1,560,291</b> |
|    | IX.  | Gain on revaluation of securities and derivatives           | 11,260            |                  |
|    | L.   | Loss on revaluation of securities and derivatives           | 54,249            |                  |
|    | X.   | Interest income                                             | 15,692            | 11,170           |
|    | N.   | Interest expense                                            | 1                 | 1,970            |
|    | XI.  | Other financial income                                      | 17,258            | 222              |
|    | O.   | Other financial expense                                     | 14,942            | 969              |
|    | *    | <b>Financial result</b>                                     | <b>(24,982)</b>   | <b>8,453</b>     |
| Q. |      | Tax on profit or loss on ordinary activities                | 449,247           | 330,005          |
| Q. | 1.   | – current                                                   | 491,401           | 356,530          |
|    | 2.   | – deferred                                                  | (42,154)          | (26,525)         |
|    | **   | <b>Profit or loss on ordinary activities after taxation</b> | <b>1,815,133</b>  | <b>1,238,739</b> |
|    | ***  | <b>Net profit (loss) for the financial period</b>           | <b>1,815,133</b>  | <b>1,238,739</b> |
|    | ***  | <b>Net profit (loss) before taxation</b>                    | <b>2,264,380</b>  | <b>1,568,744</b> |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2009

|                                   | Share capital<br>CZK'000 | Statutory<br>reserve fund<br>CZK'000 | Retained earnings<br>CZK'000 | Total<br>CZK'000  |
|-----------------------------------|--------------------------|--------------------------------------|------------------------------|-------------------|
| <b>As at 31 January 2008</b>      | <b>13,450,709</b>        | <b>-</b>                             | <b>1,040,241</b>             | <b>14,490,950</b> |
| 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         |
| <b>As at 31 December 2008</b>     | <b>13,450,709</b>        | <b>104,025</b>                       | <b>1,238,739</b>             | <b>14,793,473</b> |
| Contributions to reserve fund     | -                        | 61,937                               | (61,937)                     | -                 |
| Profit distribution paid          | -                        | -                                    | (1,176,802)                  | (1,176,802)       |
| Net profit for the current period | -                        | -                                    | 1,815,133                    | 1,815,133         |
| <b>As at 31 December 2009</b>     | <b>13,450,709</b>        | <b>165,962</b>                       | <b>1,815,133</b>             | <b>15,431,804</b> |

**CASH FLOW STATEMENT****Year ended 31 December 2009**

|                                                                                           | <b>2009</b><br>CZK '000 | <b>2008</b><br>CZK '000 |
|-------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>                                               |                         |                         |
| <b>Net profit on ordinary activities before tax</b>                                       | <b>2,264,380</b>        | <b>1,568,744</b>        |
| <b>A.1 Adjustments for non-cash movements:</b>                                            |                         |                         |
| A.1.1 Depreciation and amortisation of fixed assets                                       | 639,097                 | 611,205                 |
| A.1.2 Change in provisions                                                                | (49,151)                | 46,655                  |
| A.1.3 Profit from disposal of fixed assets                                                | (23,645)                | (6,437)                 |
| A.1.4 Net interest expense/(income)                                                       | (15,691)                | (9,200)                 |
| A.1.5 Other non-cash movements                                                            | 3,624                   | -                       |
| <b>A.* Net cash flow from operating activities before tax, changes in working capital</b> | <b>2,818,614</b>        | <b>2,210,967</b>        |
| <b>A.2 Working capital changes:</b>                                                       |                         |                         |
| A.2.1 Change in receivables and prepayments                                               | 501,259                 | (192,942)               |
| A.2.2 Change in short-term payables and accruals                                          | (410,839)               | 138,874                 |
| A.2.3 Change in inventories                                                               | (1,500)                 | -                       |
| <b>A.** Net cash flow from operating activities before tax</b>                            | <b>2,907,534</b>        | <b>2,156,899</b>        |
| A.3 Interest paid                                                                         | (1)                     | (1,935)                 |
| A.4 Interest received                                                                     | 15,692                  | 10,896                  |
| A.5 Income tax on ordinary activities paid                                                | (353,096)               | (315,913)               |
| <b>A *** Net cash flow from operating activities</b>                                      | <b>2,570,129</b>        | <b>1,849,947</b>        |
| <b>Cash flows from investing activities</b>                                               |                         |                         |
| B.1 Acquisition of fixed assets                                                           | (521,068)               | (175,392)               |
| B.2 Proceeds from the sale of fixed assets                                                | 55,165                  | 9,595                   |
| <b>B*** Net cash flow from investing activities</b>                                       | <b>(465,903)</b>        | <b>(165,797)</b>        |
| <b>Cash flows from financing activities</b>                                               |                         |                         |
| C.1 Change in long- and short-term liabilities                                            | 1,119                   | 25,648                  |
| <b>C.2 Changes in equity:</b>                                                             |                         |                         |
| C.2.1 Profit distribution paid                                                            | (1,176,802)             | (936,216)               |
| <b>C*** Net cash flow from financing activities</b>                                       | <b>(1,175,683)</b>      | <b>(910,568)</b>        |
| <b>Net increase in cash and cash equivalents</b>                                          | <b>928,543</b>          | <b>773,582</b>          |
| <b>Cash and cash equivalents as at the beginning of the year</b>                          | <b>723,326</b>          | <b>(50,256)</b>         |
| <b>Cash and cash equivalents as at the end of the year</b>                                | <b>1,651,869</b>        | <b>723,326</b>          |



## 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 Praha 10-Strašnice, V Olšinách 75/2300, Czech Republic. The Company's business activity is gas storage. Identification number of the Company is 278 920 77.

The Statutory Representatives as at 31 December 2009 were as follows:

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

The members of the Supervisory Board as at 31 December 2009 were as follows:

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

During 2009 no changes in the statutory bodies of the Company were made.

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 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.

Derivatives are shown at fair value.

### 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 CO<sub>2</sub> 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) Derivative financial instruments**

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

Changes in the fair value of derivatives held for trading are included in the financial result.

#### **h) 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.

#### **i) 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 reclamation, 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.

#### j) 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.

#### k) 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.

#### l) 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.

#### m) Subsequent events

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

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

## 3 INTANGIBLE FIXED ASSETS

## Cost

|                                                       | 1 January 2009<br>CZK'000 | Additions<br>CZK'000 | Transfers<br>CZK'000 | Disposals<br>CZK'000 | 31 December 2009<br>CZK'000 |
|-------------------------------------------------------|---------------------------|----------------------|----------------------|----------------------|-----------------------------|
| Research & development                                | 34,952                    | -                    | 56,413               | -                    | 91,365                      |
| Software                                              | 9,138                     | -                    | 14,095               | -                    | 23,233                      |
| Royalties                                             | -                         | -                    | 508                  | -                    | 508                         |
| Intangible fixed assets in the course of construction | 53,446                    | 20,389               | (71,016)             | -                    | 2,819                       |
| Emission rights                                       | 366                       | 768                  | -                    | (936)                | 198                         |
| <b>Total</b>                                          | <b>97,902</b>             | <b>21,157</b>        | <b>-</b>             | <b>(936)</b>         | <b>118,123</b>              |

During 2009 the Company did not purchase any emission rights.

## Accumulated amortization and net book value

|                        | 1 January 2009<br>CZK'000 | Additions<br>CZK'000 | Disposals<br>CZK'000 | 31 December 2009<br>CZK'000 |
|------------------------|---------------------------|----------------------|----------------------|-----------------------------|
| Research & development | (5,872)                   | (7,150)              | -                    | (13,022)                    |
| Software               | (3,946)                   | (5,658)              | -                    | (9,604)                     |
| Royalties              | -                         | (152)                | -                    | (152)                       |
| <b>Total</b>           | <b>(9,818)</b>            | <b>(12,960)</b>      | <b>-</b>             | <b>(22,778)</b>             |
| <b>Net book value</b>  | <b>88,084</b>             |                      |                      | <b>95,345</b>               |

## Cost

|                                                       | 1 January 2008<br>CZK'000 | Additions<br>CZK'000 | Transfers<br>CZK'000 | Disposals<br>CZK'000 | 31 December 2008<br>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                         |
| <b>Total</b>                                          | <b>37,606</b>             | <b>62,177</b>        | <b>-</b>             | <b>(1,881)</b>       | <b>97,902</b>               |

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

**4 TANGIBLE FIXED ASSETS****Cost**

|                                                     | 1 January 2009<br>CZK'000 | Additions<br>CZK'000 | Transfers<br>CZK'000 | Disposals<br>CZK'000 | 31 December 2009<br>CZK'000 |
|-----------------------------------------------------|---------------------------|----------------------|----------------------|----------------------|-----------------------------|
| Land                                                | 85,654                    | -                    | 2,865                | -                    | 88,519                      |
| Constructions                                       | 15,892,026                | -                    | 11,875               | (50,089)             | 15,853,812                  |
| Equipment                                           | 1,245,535                 | -                    | 71,593               | (7,628)              | 1,309,500                   |
| Other tangible fixed assets                         | -                         | -                    | 634                  | -                    | 634                         |
| Tangible fixed assets in the course of construction | 108,673                   | 742,309              | (86,833)             | -                    | 764,149                     |
| Advances paid for tangible fixed assets             | -                         | 134                  | (134)                | -                    | -                           |
| <b>Total</b>                                        | <b>17,331,888</b>         | <b>742,443</b>       | <b>-</b>             | <b>(57,717)</b>      | <b>18,016,614</b>           |

**Accumulated depreciation and net book value**

|                       | 1 January 2009<br>CZK'000 | Additions<br>CZK'000 | Disposals<br>CZK'000 | 31 December 2009<br>CZK'000 |
|-----------------------|---------------------------|----------------------|----------------------|-----------------------------|
| Constructions         | (795,232)                 | (477,356)            | 2,206                | (1,270,382)                 |
| Equipment             | (202,420)                 | (148,781)            | 3,526                | (347,675)                   |
| <b>Total</b>          | <b>(997,652)</b>          | <b>(626,137)</b>     | <b>5,732</b>         | <b>(1,618,057)</b>          |
| <b>Net book value</b> | <b>16,334,236</b>         |                      |                      | <b>16,398,557</b>           |



**Cost**

|                                                     | 1 January 2008<br>CZK'000 | Additions<br>CZK'000 | Transfers<br>CZK'000 | Disposals<br>CZK'000 | 31 December 2008<br>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                     |
| <b>Total</b>                                        | <b>17,186,566</b>         | <b>151,217</b>       | <b>-</b>             | <b>(5,895)</b>       | <b>17,331,888</b>           |

**Accumulated depreciation and net book value**

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

**5 RECEIVABLES**

|                                                 | 31 December 2009<br>CZK'000 | 31 December 2008<br>CZK'000 |
|-------------------------------------------------|-----------------------------|-----------------------------|
| Trade receivables – current                     | 415,271                     | 314,460                     |
| – overdue                                       | -                           | 424                         |
|                                                 | <b>415,271</b>              | <b>314,884</b>              |
| Advances paid                                   | 982                         | 614,468                     |
| Other receivables – current                     | 1,661,896                   | 723,279                     |
| <b>Net book value of short-term receivables</b> | <b>2,078,149</b>            | <b>1,652,631</b>            |

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

Trade receivables as at 31 December 2009 include mainly receivable from RWE Transgas, a.s. for sale of storage capacity in the amount of CZK 368,884,000 (2008: CZK 309,393,000).

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.

Other receivables as at 31 December 2009 include mainly cash-pooling receivables from RWE Transgas, a.s. (see Note 14 Related party transactions) in the amount of CZK 1,651,696,000 (2008: CZK 723,244,000).

Provision for doubtful receivables was nil as at 31 December 2009 and as at 31 December 2008.

## 6 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 1,238,739,000 for 2008 was approved and allocated by the decision of the sole shareholder on 18 March 2009.

## 7 PROVISIONS

|                                               | Tax-deductible<br>provisions<br>CZK'000 | Income tax<br>provision<br>CZK'000 | Other<br>provisions<br>CZK'000 | Total<br>CZK'000 |
|-----------------------------------------------|-----------------------------------------|------------------------------------|--------------------------------|------------------|
| <b>Opening balance as at 1 January 2008</b>   | <b>175,967</b>                          | <b>-</b>                           | <b>98</b>                      | <b>176,065</b>   |
| Charge for the year                           | 46,445                                  | 37,522                             | 210                            | 84,177           |
| <b>Closing balance as at 31 December 2008</b> | <b>222,412</b>                          | <b>37,522</b>                      | <b>308</b>                     | <b>260,242</b>   |
| Charge for the year                           | 11,817                                  | 175,827                            | 12,131                         | 199,775          |
| Used in the year                              | (72,897)                                | (37,522)                           | (202)                          | (110,621)        |
| <b>Closing balance as at 31 December 2009</b> | <b>161,332</b>                          | <b>175,827</b>                     | <b>12,237</b>                  | <b>349,396</b>   |

The Company has created tax-deductible provision for the cost of land recultivation in amount of CZK 161,332,000 (2008: CZK 149,515,000). 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. The Company has created provision for employment benefit in the amount of CZK 10,500,000 (2008: CZK 0) and provision for share option plan in the amount of CZK 1,737,000 (2008: CZK 308,000). During 2009 the Company utilised the tax-deductible provision for repairs of tangible fixed assets in the amount of CZK 72,897,000 created in prior years.

As at 31 December 2009 income tax provision in the amount of CZK 493,589,000 was decreased by tax advance payments in the amount of CZK 317,762,000 and classified as Provisions – Income tax provision.

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

## 8 LIABILITIES

|                                                   | 31 December 2009<br>CZK'000 | 31 December 2008<br>CZK'000 |
|---------------------------------------------------|-----------------------------|-----------------------------|
| Trade payables – current                          | 401,718                     | 106,270                     |
| Anticipated liabilities                           | 55,223                      | 619,752                     |
| Other payables – current                          | 67,030                      | 25,259                      |
| <b>Total short-term liabilities</b>               | <b>523,971</b>              | <b>751,281</b>              |
| Trade payables                                    | 4,992                       | 3,872                       |
| Deferred tax liability                            | 2,010,894                   | 2,053,049                   |
| <b>Total long-term liabilities</b>                | <b>2,015,886</b>            | <b>2,056,921</b>            |
| <b>Total short-term and long-term liabilities</b> | <b>2,539,857</b>            | <b>2,808,202</b>            |

Trade payables as at 31 December 2009 in the amount of CZK 401,718,000 represent mainly payables from acquisition of tangible fixed assets related to the extension of the underground gas storages.

Anticipated liabilities as at 31 December 2009 include mainly accrual for operation expenses. Anticipated liabilities for operation and maintenance of underground gas storages as at 31 December 2008 performed by RWE Transgas Net, s.r.o. were in the amount of CZK 615,285,000.

The Company had no overdue liabilities as at 31 December 2009.

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. The Company has payables due after more than 5 years in the amount of CZK 647,000 (2008: CZK 0).

## 9 DEFERRED REVENUE

|                         | 31 December 2009<br>CZK'000 | 31 December 2008<br>CZK'000 |
|-------------------------|-----------------------------|-----------------------------|
| <b>Deferred revenue</b> | <b>315,606</b>              | <b>264,296</b>              |

Deferred revenue includes mainly deferred revenue for sale of storage capacity to RWE Transgas, a.s. in the amount of CZK 309, 987,000 (2008: 259,994,000).

## 10 DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivatives is presented in “Other receivables” if positive, or in “Other payables” if negative.

Forward instruments:

|                   | 31 December 2009    |                     |                            |
|-------------------|---------------------|---------------------|----------------------------|
|                   | Fair value          |                     | Notional amount<br>CZK'000 |
|                   | Positive<br>CZK'000 | Negative<br>CZK'000 |                            |
| Currency forwards | 10,084              | (13,709)            | 732,742                    |

Notional amount represents net presentation of total volume of concluded forward transactions.

Change in a fair value of forward instruments and related gains and losses from financial transactions:

|                                                 | 2009<br>CZK'000 |
|-------------------------------------------------|-----------------|
| Changes in fair value of derivative instruments | (42,989)        |
| Gains from forward instruments                  | 14,332          |
| Losses from forward instruments                 | (2,720)         |
| <b>Total</b>                                    | <b>(31,377)</b> |

Gains and losses are shown in “Other financial income” and “Other financial expense”.

Certain derivative transactions, although providing effective economic hedges under the Company's risk management strategies, do not qualify for the hedge accounting under Czech accounting rules. Therefore they are shown above as trading derivatives. During 2008 the Company did not use any financial derivatives.

## 11 TAXATION

The income tax expense consists of the following:

|                                      | 2009<br>CZK'000 | 2008<br>CZK'000 |
|--------------------------------------|-----------------|-----------------|
| Current tax expense                  | 493,589         | 356,282         |
| Deferred tax expense                 | (42,154)        | (26,525)        |
| Adjustment of prior year tax expense | (2,188)         | 248             |
| <b>Total income tax expense</b>      | <b>449,247</b>  | <b>330,005</b>  |

Current tax can be analysed as follows:

|                                                    | 2009<br>CZK'000  | 2008<br>CZK'000  |
|----------------------------------------------------|------------------|------------------|
| Net profit before taxation                         | 2,264,380        | 1,568,744        |
| Non-taxable revenues                               | (1,418)          | (1,847)          |
| Difference between accounting and tax depreciation | 150,432          | 119,496          |
| Non-deductible costs                               | 60,565           | 13,911           |
| Gifts                                              | (6,013)          | (3,725)          |
| <b>Net taxable profit</b>                          | <b>2,467,946</b> | <b>1,696,579</b> |
| Income tax rate                                    | 20%              | 21%              |
| <b>Corporate taxation</b>                          | <b>493,589</b>   | <b>356,282</b>   |

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

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

|                                                                           | 31 December 2009<br>CZK'000 | 31 December 2008<br>CZK'000 |
|---------------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Deferred tax liability:</b>                                            |                             |                             |
| Difference between carrying value accounting and tax base of fixed assets | (2,013,149)                 | (2,053,049)                 |
| <b>Deferred tax asset:</b>                                                |                             |                             |
| Other provisions                                                          | 2,255                       | -                           |
| <b>Net deferred tax liability</b>                                         | <b>(2,010,894)</b>          | <b>(2,053,049)</b>          |

## 12 REVENUE ANALYSIS

Revenue from operating activities has been generated as follows:

|                                                 | 2009<br>CZK'000  | 2008<br>CZK'000  |
|-------------------------------------------------|------------------|------------------|
| Sale of storage capacity                        | 3,635,821        | 3,000,519        |
| Miscellaneous                                   | 15,200           | 6,363            |
| <b>Total sales of own products and services</b> | <b>3,651,021</b> | <b>3,006,882</b> |
| Sale of fixed assets                            | 55,165           | 9,595            |
| Other                                           | 1,600            | 2,283            |
| <b>Total</b>                                    | <b>3,707,786</b> | <b>3,018,760</b> |

## 13 EMPLOYEE ANALYSIS

| Employee numbers                              | 2009       | 2008      |
|-----------------------------------------------|------------|-----------|
| Members of Statutory bodies who are employees | 1          | 1         |
| Average number of other members of management | 6          | 3         |
| Average number of other staff                 | 204        | 15        |
| <b>Total</b>                                  | <b>211</b> | <b>19</b> |

No employee of the Company was a member of Supervisory Board in 2009 and 2008.

Management includes Statutory Representative, other directors and senior staff members directly reporting to them.

As at 1 January 2009 180 employees from RWE Transgas Net, s.r.o. were transferred to the Company and further employees were recruited. All rights and obligations from labour-law relations to these employees passed to the Company.

|                                            | Management<br>CZK'000 | Other staff<br>CZK'000 | Total<br>CZK'000 |
|--------------------------------------------|-----------------------|------------------------|------------------|
| <b>2009</b>                                |                       |                        |                  |
| Wages and salaries                         | 15,083                | 96,266                 | 111,349          |
| Social security costs                      | 2,737                 | 35,351                 | 38,088           |
| Other social costs                         | 56                    | 7,138                  | 7,194            |
| Bonuses to the members of statutory bodies | 240                   | -                      | 240              |
| <b>Total</b>                               | <b>18,116</b>         | <b>138,755</b>         | <b>156,871</b>   |
| <b>2008</b>                                |                       |                        |                  |
| Wages and salaries                         | 6,985                 | 9,590                  | 16,575           |
| Social security costs                      | 1,381                 | 4,038                  | 5,419            |
| Other social costs                         | 96                    | 351                    | 447              |
| Bonuses to the members of statutory bodies | 235                   | -                      | 235              |
| <b>Total</b>                               | <b>8,697</b>          | <b>13,979</b>          | <b>22,676</b>    |

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.

The Company was involved in the following related party transactions:

|                                                      | 2009<br>CZK'000 | 2008<br>CZK'000 |
|------------------------------------------------------|-----------------|-----------------|
| <b>Purchases:</b>                                    |                 |                 |
| RWE Transgas, a.s. (services, gas, interests)        | 24,863          | 91,798          |
| RWE Transgas Net, s.r.o. (services, fixed assets)    | 97,758          | 623,426         |
| RWE Interní služby, s.r.o.* (services, fixed assets) | 75,704          | 18,462          |
| RWE Plynoprojekt, s.r.o.* (fixed assets)             | 46,391          | 15,745          |
| RWE Aktiengesellschaft (financial assets)            | 57,376          | -               |
| Other RWE Group companies                            | 7,990           | 498             |
| <b>Total purchases</b>                               | <b>310,082</b>  | <b>749,929</b>  |

\* The legal form of the company was changed from joint-stock company to limited liability company effective from 1 January 2009.



|                                      | 2009<br>CZK'000  | 2008<br>CZK'000  |
|--------------------------------------|------------------|------------------|
| <b>Sales to RWE Transgas, a.s.:</b>  |                  |                  |
| Storage capacity                     | 3,572,765        | 2,957,145        |
| Other sales (fixed assets, Interest) | 44,124           | 10,393           |
| <b>Total sales</b>                   | <b>3,616,889</b> | <b>2,967,538</b> |

|                                                     | 2009<br>CZK'000 | 2008<br>CZK'000 |
|-----------------------------------------------------|-----------------|-----------------|
| <b>Other sales:</b>                                 |                 |                 |
| RWE Transgas Net, s.r.o. (fixed assets)             | 33,648          | -               |
| RWE Aktiengesellschaft (financial assets, services) | 26,865          | -               |
| Other RWE Group companies                           | 6,323           | 7,206           |
| <b>Total sales</b>                                  | <b>66,836</b>   | <b>7,206</b>    |

All transactions were realized on arm's length basis.

The following related party balances were outstanding as at:

|                                  | 31 December 2009<br>CZK'000 | 31 December 2008<br>CZK'000 |
|----------------------------------|-----------------------------|-----------------------------|
| <b>Trade receivables:</b>        |                             |                             |
| RWE Transgas, a.s.               | 368,884                     | 309,393                     |
| RWE Transgas Net, s.r.o.         | 40,041                      | -                           |
| Other RWE Group companies        | 149                         | 427                         |
| <b>Total trade receivables</b>   | <b>409,074</b>              | <b>309,820</b>              |
| <b>Advances paid:</b>            |                             |                             |
| RWE Transgas Net, s.r.o.         | -                           | 613,947                     |
| <b>Total advances paid</b>       | <b>-</b>                    | <b>613,947</b>              |
| <b>Other receivables:</b>        |                             |                             |
| RWE Transgas, a.s.               | 63                          | 276                         |
| <b>Total other receivables</b>   | <b>63</b>                   | <b>276</b>                  |
| <b>Cash-pooling receivables:</b> |                             |                             |
| RWE Transgas, a.s.               | 1,651,696                   | 723,244                     |

|                                              | 31 December 2009<br>CZK'000 | 31 December 2008<br>CZK'000 |
|----------------------------------------------|-----------------------------|-----------------------------|
| <b>Other receivables (from derivatives):</b> |                             |                             |
| RWE Aktiengesellschaft                       | 10,084                      | -                           |
| <b>Total receivables</b>                     | <b>2,070,917</b>            | <b>1,647,287</b>            |
| <b>Trade payables:</b>                       |                             |                             |
| RWE Transgas, a.s.                           | 1,778                       | 1,320                       |
| RWE Plynoprojekt, s.r.o.*                    | 32,959                      | 5,486                       |
| Other RWE Group companies                    | 11,526                      | 4,181                       |
| <b>Total trade payables</b>                  | <b>46,263</b>               | <b>10,987</b>               |

\* The legal form of the company was changed from joint-stock company to limited liability company effective from 1 January 2009.

|                                                          |                |                |
|----------------------------------------------------------|----------------|----------------|
| <b>Anticipated payables/accruals and deferrals:</b>      |                |                |
| RWE Transgas Net, s.r.o.                                 | -              | 615,285        |
| RWE Transgas, a.s.                                       | 312,089        | 259,994        |
| Other RWE Group companies                                | 1,223          | 157            |
| <b>Total anticipated payables/accruals and deferrals</b> | <b>313,312</b> | <b>875,436</b> |
| <b>Other payables (from derivatives):</b>                |                |                |
| RWE Transgas, a.s.                                       | 13,709         | -              |
| <b>Total payables/accruals and deferrals</b>             | <b>373,284</b> | <b>886,423</b> |

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 6,586,000 (2008: CZK 5,157,000).

The Company provides foreign members of management with accommodation, in 2009 rent totalled CZK 508,000 (2008: CZK 474,000).

Share option bonus plan has been provided to the management, in 2009 provision for this plan was created in the amount of CZK 1,737,000 (2008: CZK 308,000).

Besides the above disclosed remuneration and benefits, there was no other cash or non-cash consideration provided in 2009 and 2008 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 consolidated financial statements of the ultimate parent company.

## 16 COMMITMENTS

Capital commitments contracted by the Company as at 31 December 2009 were at total amount of CZK 720,044,000 (2008: CZK 61,548,000).

## 17 CONTINGENT LIABILITIES

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2009.

## 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.

### *Fair value of financial assets and liabilities:*

The fair values of derivative financial instruments are established by the Company using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. The valuation techniques reflect current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date.

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 2009<br>CZK'000 | 31 December 2008<br>CZK'000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Cash on hand and in transit          | 173                         | 82                          |
| Cash in bank                         | 62,460                      | 50,168                      |
| Restricted cash in bank              | (62,460)                    | (50,168)                    |
| Receivable arising from Cash-pooling | 1,651,696                   | 723,244                     |
| <b>Cash and cash equivalents</b>     | <b>1,651,869</b>            | <b>723,326</b>              |

## 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 2009.

12 February 2010



**Andreas Frohwein**  
Statutory Representative



**Lubor Veleba**  
Statutory Representative

### Note

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

## 5 AUDITOR'S REPORT

### 5.1 Auditor's Report on the Financial Statements



PricewaterhouseCoopers Audit, s.r.o.  
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120 00 Prague 2  
Czech Republic  
Telephone +420 251 151 111  
Facsimile +420 251 156 111

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

We have audited the accompanying financial statements of RWE Gas Storage, s.r.o., identification number 27892077, with registered office at V Olšinách 75/2300, Praha 10, Strašnice ("the Company"), which comprise the balance sheet as at 31 December 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

#### Statutory 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 2009, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

12 February 2010

A handwritten signature in blue ink that reads "PricewaterhouseCoopers Audit, s.r.o." in a cursive, flowing script.

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

A handwritten signature in blue ink, appearing to be "T. Bašta", written in a bold, stylized cursive script.

**Tomáš Bašta**  
Statutory Auditor, Licence No. 1966

#### Note

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

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



PricewaterhouseCoopers Audit, s.r.o.  
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 Czech Republic  
 Telephone +420 251 151 111  
 Facsimile +420 251 156 111

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

We have audited the financial statements of RWE Gas Storage, s.r.o., identification number 27892077 with registered office at V Olšinách 75/2300, Praha 10, Strašnice ("the Company") for the year ended 31 December 2009 disclosed in the annual report on pages 19–41 and issued the opinion dated 12 February 2010 and disclosed on pages 42–43.

#### 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 2009 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 2009 is consistent, in all material respects, with the financial statements.

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 2009 (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.

11 March 2010

A handwritten signature in blue ink that reads "PricewaterhouseCoopers Audit, s.r.o.".

PricewaterhouseCoopers Audit, s.r.o.

represented by

A handwritten signature in blue ink, which appears to be "T. Bašta".

Tomáš Bašta

Statutory Auditor, Licence No. 1966

#### Note

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



## 6 REPORT OF RWE GAS STORAGE, S.R.O. ON RELATIONS BETWEEN RELATED PARTIES AS AT 31 DECEMBER 2009

Since RWE Gas Storage, s.r.o. (hereinafter “the Company”) as a controlled person did not enter into any controlling agreement effective in 2009, 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 2009, to the extent these Related Parties are known to the Company. This Report is an integral part of the Company’s Annual Report for 2009 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. (until 7 September 2009; merger into RWE AG); 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 2009 can be found on the third cover page of this Annual Report.

### 3 Agreements executed between the Company and Related Parties and performance provided and accepted

The Company and Related Parties executed agreements listed in Appendix 1 in the past accounting

period. No damage has been caused to the Company by performing under these agreements or agreements entered into in previous accounting periods. There was therefore no need to secure any compensation for damage or enter into any agreements thereon. The values of the performance and payments between Related Parties in the relevant accounting period are shown in Note 14 of the Notes to the Financial Statements as at 31 December 2009.

#### 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 was transferred from RWE Transgas Net, s.r.o. to the Company as of 1 January 2009. The Company did not make any other legal acts in the interest of Related Parties in the past accounting period.

#### 5 Measures adopted in the interest or upon suggestion of Related Parties

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 in or before the past accounting period.

#### 7 Confidentiality

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

#### 8 Conclusion

This Report was drawn up and approved by the Managing Directors of the Company on 5 March 2010 and presented for review to the Company's auditor, who reviews the financial statements under a separate law.

Prague, on 5 March 2010

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



Andreas Frohwein  
Managing Director, CEO



Lubor Veleba  
Managing Director, CCO

## APPENDIX 1

## Agreements entered into between the Company and Related Parties in the past accounting period

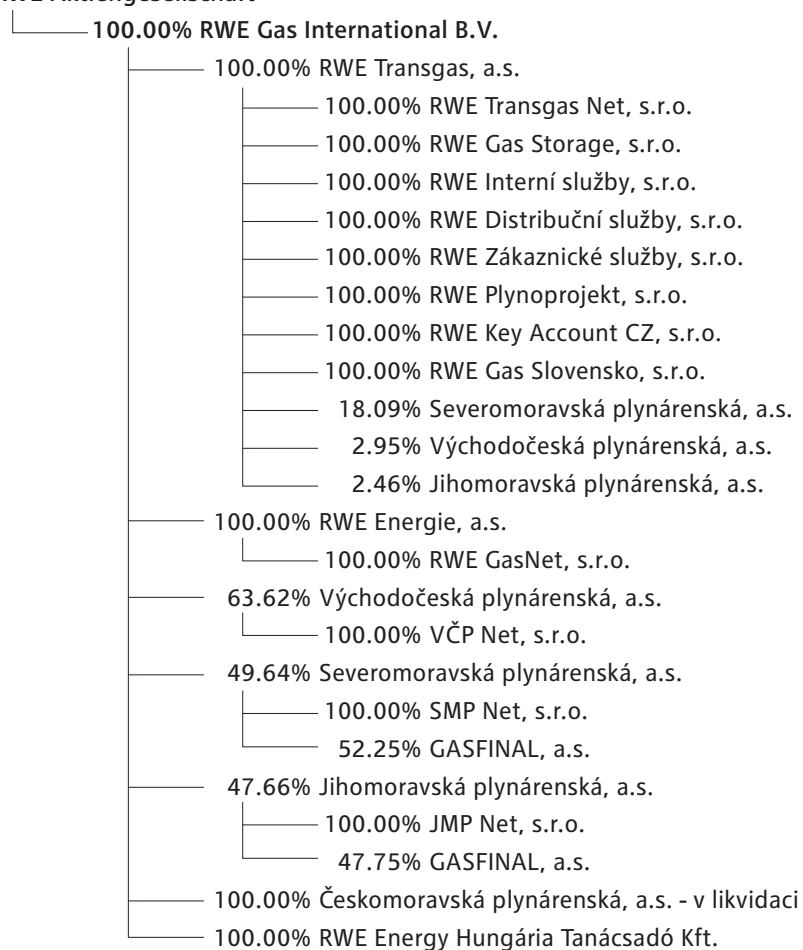
| Contracting party        | Type of agreement/Purpose of agreement                                                                    | Number of agreements |
|--------------------------|-----------------------------------------------------------------------------------------------------------|----------------------|
| RWE Transgas, a.s.       | Addendum 1 to the Mandate agreement – currency transactions                                               | 1                    |
|                          | Addendum 1 to the Agreement on Controlling services provision                                             | 1                    |
|                          | Addendum 2 to the Agreement on the provision of services in SLA Consulting – P & O                        | 1                    |
|                          | Addendum 3 to the Loan agreement                                                                          | 1                    |
|                          | Addendum 3 to the Gas storage agreement                                                                   | 2                    |
|                          | Gas sales agreement                                                                                       | 1                    |
|                          | Mandate agreement – currency transactions                                                                 | 1                    |
|                          | Sub-lease agreement                                                                                       | 1                    |
|                          | Agreement on PR services provision                                                                        | 1                    |
|                          | Agreement on the way of implementing measures for the support and protection of competition               | 1                    |
|                          | Agreement on reimbursement of costs                                                                       | 1                    |
| RWE Transgas Net, s.r.o. | Agreement on ArGUS Consulting services provision                                                          | 1                    |
|                          | Addendum 1 to the Agreement on ArGUS Consulting services provision                                        | 1                    |
|                          | Addendum 1 to the Agreement on servicing and technical activities at UGS facilities                       | 1                    |
|                          | Addendum 2 to Agreement on servicing and technical activities at UGS facilities                           | 1                    |
|                          | Agreement on the termination of the Agreement on the provision of Compliance Officer services             | 1                    |
|                          | Purchase agreement                                                                                        | 4                    |
|                          | Agreement on non-residential space lease                                                                  | 1                    |
|                          | Agreement on the operation of the connection between the transmission system and the virtual UGS facility | 1                    |
|                          | Agreement on the assignment of receivables and acceptance of payables under contracts                     | 1                    |
|                          | Agreement on the assignment of a receivable                                                               | 1                    |

| Contracting party              | Type of agreement/Purpose of agreement                                                                    | Number of agreements |
|--------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------|
| RWE Plynoprojekt, s.r.o.       | Contract for work                                                                                         | 6                    |
|                                | Addendum 1 to the Contract for work                                                                       | 24                   |
|                                | Addendum 2 to the Contract for work                                                                       | 2                    |
|                                | Purchase agreement                                                                                        | 1                    |
| RWE Interní služby, s.r.o.     | Addendum 1 to the Agreement on the provision of centralised payroll processing services                   | 1                    |
|                                | Addendum 2 to the Agreement on transport service provision                                                | 1                    |
|                                | Addendum 2 to the Agreement on facility management services                                               | 1                    |
|                                | Addendum 2 to the Agreement on the provision of procurement and logistics services                        | 1                    |
|                                | Addendum 3 to the Agreement on the provision of lease, logistics and mobile telephone accounting services | 1                    |
|                                | Addendum 3 to the Agreement on IT services                                                                | 1                    |
|                                | Agreement on the termination of the Agreement on the provision of Real Estate Administration services     | 1                    |
|                                | Agreement on the provision of user support services                                                       | 1                    |
|                                | Agreement on IT services provision                                                                        | 1                    |
|                                | Purchase order                                                                                            | 2                    |
| RWE Distribuční služby, s.r.o. | Contract for work                                                                                         | 1                    |
| RWE Consulting, GmbH           | Contract for Services                                                                                     | 1                    |
| RWE Gasspeicher, GmbH          | Amendment No. 1 to Contract on Provision of Dispatcher Services                                           | 1                    |
|                                | Amendment No. 2 to Contract on Provision of Dispatcher Services                                           | 1                    |



**Scheme of the relations between and control of companies along the relevant line within the RWE Group as at 31 December 2009**

**RWE Aktiengesellschaft**



**RWE Gas Storage, s.r.o.**

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