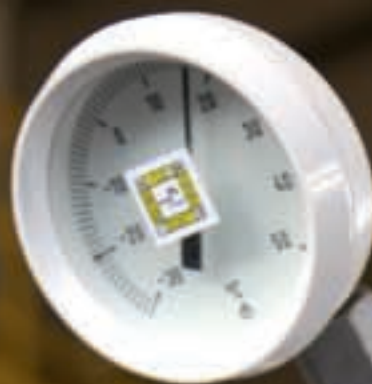


RWE Gas Storage, s.r.o.

Content

ANNUAL REPORT 2010



Key Figures

	2010
Total sales (CZK m)	3,935
EBITDA (CZK m)	2,254
Operating result (CZK m)	1,651
Profit before taxation (CZK m)	1,659
Profit after taxation (CZK m)	1,342
Investments (CZK m)	1,248
Number of employees (converted to Full-Time Equivalents)	222

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

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1 DIRECTORS' STATEMENT

Ladies and gentlemen,

The year 2010 was full of events for the Company, which we can now regard as important milestones in its life. Compared with 2009, our revenues from the sale of storage capacity increased by 7%, but we also had to face some difficult situations that tested the preparedness and efficiency, of both individuals and the whole Company.

In January and February 2010, we organised two online auctions, in which we successfully sold newly developed storage capacity amounting to 50 mcm. In March, we also succeeded in auctioning off a new storage product featuring different injection and withdrawal profiles. However, in mid-2010 the Czech market began to feel the full impact of European oversupply of natural gas, volatile spot market prices, and low spreads between summer and winter gas prices. The consequence of low demand for storage capacity is that to date, we have not sold all available capacity. We are firmly convinced that this situation is only temporary, and we fully expect demand to grow again in the coming years.

In respect of RWE Gas Storage's capital investment projects, the key event was the launch of the main construction work related to the expansion of the Třanovice underground gas storage (UGS); in 2010 we started to draw on the financial subsidy for this work from the European Energy Programme for Recovery. We completed extensive modifications of the central plant, repaired old wells, and began drilling new wells and laying new gas pipelines. Unfortunately, delays in the approval process prevented the expansion work of the Tvrdonice UGS from getting into full swing in 2010. RWE Gas Storage also continued to implement measures to improve the safety of its operations, in particular the installation of subsurface safety valves.

The weather did not spare us in 2010. But working hand-in-hand, both the employees and volunteers, we were successful in bringing the floods, and the emergency caused by an incident at a well at the Lobodice UGS after a heavy storm, under control quickly and safely. We are proud that our Company has employees who are able to pass such challenging tests.

In 2010, the European Union adopted a regulation concerning measures to safeguard security of gas supply, which requires the member states to determine and supervise measures that are necessary for securing gas supply. The scope of these measures and their impact on storage system operators will only become apparent after the specific requirements of the regulation have been reflected in Czech legislation. RWE Gas Storage continues to be an active member of Gas Storage Europe, an association of European storage system operators, where it has successfully retained the position of Vice-President for another two-year term.

We would like to thank all our employees and partners for their effort in 2010 and also ask them to help meet the ambitious goals that we have set for 2011.

Andreas Frohwein
Managing Director, CEO

Lubor Veleba
Managing Director, CCO

Managing Directors as at 31 December 2010



Andreas Frohwein

Managing Director, CEO

Born:

12 December 1966

Education:

Universität Gesamthochschule Essen;
Technische Hochschule Aachen

Membership of bodies of other companies:

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 2010

In the past period the Supervisory Board's supervisory activity focused on continuous monitoring of the Company's business activities and its results and on the performance of the Managing Directors' powers and responsibilities. In 2010 the Supervisory Board held two regular meetings and had a quorum at all times. At its meetings the Supervisory Board discussed all matters for which it is responsible under the relevant legal regulations, the Company's Memorandum of Association, and the decisions adopted by the sole Member of the Company acting in the capacity of the General Meeting, including the documents that the Supervisory Board requested from the Managing Directors as part of its supervisory activity. The Managing Directors commented on the presented documents when they were discussed by the Supervisory Board.

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

On 3 March 2011, the Supervisory Board reviewed the Company's financial statements for the period ended on 31 December 2010, including the auditor's report and the Managing Directors' proposal for the distribution of profit for 2010, including the amount and manner of profit distribution.

Concurring with the auditor the Supervisory Board concluded that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2010, and its financial performance and its cash flows for the period then ended in accordance with Czech accounting legislation.

The Supervisory Board recommends to the General Meeting to approve the financial statements for the period ended on 31 December 2010 and the Managing Directors' proposal for the distribution of the profit for 2010.

The Supervisory Board expresses its gratitude to all employees for their work performed for the Company in 2010.

Prague, on 3 March 2011



Martin Herrmann

Chairman, Supervisory Board

The Supervisory Board as at 31 December 2010

Martin Herrmann

Chairman

Born:

3 July 1967

Education:

Westfälische Wilhelms-Universität, Münster, Economics

Membership of bodies of other companies:

Chairman of the RWE Transgas, a.s. Board of Directors; Managing Director of RWE East, s.r.o.,

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 NET4GAS, s.r.o. Supervisory Board;

Member of the RWE Supply & Trading GmbH Supervisory Board

Any other business activities:

None

Thomas Rappuhn

Vice-Chairman

Born:

28 December 1959

Education:

Technische Universität Clausthal, Petroleum Engineering

Membership of bodies of other companies:

Chairman of the RWE Dea AG Board of Directors

Any other business activities:

None

Dr Jürgen Grönnert

Member

Born:

4 January 1965

Education:

Universität Essen, Power Engineering, Doctorate in Power Engineering

Membership of bodies of other companies:

Member of the NET4GAS, s.r.o., MITGAS Mitteldeutsche Gasversorgung GmbH,

GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co.

and EVO Energieversorgung Oelde GmbH Supervisory Boards

Any other business activities:

None

Dr Wolfgang Peters

Member

Born:

12 June 1953

Education:

University of Hamburg, Doctorate in Law;

Executive MBA, California State University Hayward

Membership of bodies of other companies:

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

Any other business activities:

None

Dirk Simons

Member

Born:

9 December 1966

Education:

Technische Hochschule Aachen, Economic Science

Membership of bodies of other companies:

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

Any other business activities:

None

Šárka Vojíková

Member

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 NET4GAS, s.r.o. Supervisory Boards

Any other business activities:

None

3 MANAGEMENT REPORT FOR 2010

3.1 Results

Revenues, expenses, and profit

In the calendar year 2010, the Company's operating income, including proceeds from the sale of fixed assets and including other operating income, totalled CZK 3,942 million and its total operating expense, including taxes and levies and other operating expense, totalled CZK 2,290 million. The Company's operating result for 2010 therefore amounted to CZK 1,651 million. In comparison with 2009, the operating result decreased by 28%. This drop can be largely attributed to the establishment of a provision of CZK 827 million for repairs of wells.

The result from financial operations was a profit of CZK 8 million and profit before taxation amounted to CZK 1,659 million.

After deducting the tax, the result for the accounting period amounted to CZK 1,342 million.

Structure of assets

As of 31 December 2010 the Company's total assets were worth CZK 19,204 million. Fixed assets worth CZK 17,110 million (of which, tangible fixed assets CZK 17,025 million and intangible fixed assets CZK 84 million) accounted for about 89% of total assets.

Current and other assets of CZK 2,094 million accounted for approximately 11% of total assets, of which 96% were receivables.

Structure of shareholder's equity and liabilities

The Company's equity was to CZK 15,049 million and accounted for about 78% of total shareholder's equity and liabilities.

Long-term liabilities (deferred tax liability) and short-term liabilities accounted for 48% and 24%, respectively, of liabilities.

In 2010 the Company received the first instalment from the subsidy granted by the European Commission under the European Energy Programme for Recovery, which amounted to CZK 258 million.

Investments

The Company carried out capital investment projects in line with the approved capital expenditure plan. Assets totalling CZK 1,248 million were procured.

The most important investment project was the expansion of storage capacity in the Třanovice UGS; CZK 1,419 million was spent there, and additional contracts for the supply of material and services worth several hundred million Czech crowns were concluded. The first two stages of the modification of the storage facility's central plant were completed, and the construction of the compressor hall, including the installation of compressors, and modifications of the pipe yard are under way. Wells in the as yet unused part of the facility were repaired and drilling work on new production wells is under way. Work on pipelines is also on track.

At the Tvrdonice UGS wells were repaired to improve their performance parameters as part of the first stage of the facility's expansion by 50 mcm. Modifications of the central plant were under way. The Company continues to seek to obtain all the required approvals from the Czech Mining Office with a view to the further expansion of the Tvrdonice UGS in a new storage structure.

The work on the ongoing installation of subsurface safety valves on all production wells also continued in 2010 in line with the plan of repairs. Investments in flood control measures were made at the Lobodice UGS. The Company also bought equipment there for the regulating and transfer stations and the central odourising station from SMP Net, s.r.o.

The Company carried out all capital investment projects in the Czech Republic and financed them using its own resources and, in the case of the expansion of the Třanovice UGS and Tvrdonice UGS, also from the subsidy granted by the European Commission under the European Energy Programme for Recovery. The investments were made in line with the planned operation of our virtual gas storage and had no impact on the provision of services to customers.

Organisational units abroad

As at 31 December 2010 the Company did not have any organisational units abroad.

Science and research

In 2010 the Company did not pursue any scientific or research activities.



Co-financed by the European Union
European Energy Programme for Recovery

3.2 Capacity Sales

Services, capacity and storage customers

In 2010 RWE Gas Storage continued to provide its underground gas storage facilities with reliable services. In response to its storage customers' changing needs, it was successful in, among others, extending the offer of storage products.

The Company registered increased demand for its services, mainly in early 2010 when it organised three auctions for its storage capacity, in which it offered all available storage capacity. The offer also included the 50 mcm of new storage capacity, developed as part of the expansion of Tvrdonice UGS in southern Moravia. In the second half of the year the Company registered a significant decline in demand for storage capacity due to the rapidly changing conditions on the European gas market when, first, the gas price fell during the year and, second, the spreads between summer and winter gas prices narrowed significantly.

The Company provided storage capacity mainly as a standard bundle of working gas volume and matching withdrawal and injection capacity. All clients could also place additional orders, expediently and transparently, depending on their current needs, for interruptible injection and withdrawal capacity via an on-line application that was launched during the year. RWE Gas Storage continued to offer its customers the services of transfer and lease of capacity and gas transfer between a storage customer's different agreements. The Company's product portfolio includes agreements whose terms range from one day to 15 years.

In 2010 the Company also started to publish extensive operating data pertaining to its virtual gas storage, on a daily basis in compliance with the Gas Market Rules. Moreover, the Company completely redesigned its web presentation, including the content, making it both easier to navigate and richer in content.

The Company continues to promote the secondary storage capacity market, both through its own electronic bulletin board and via store-x (Storage Capacity Exchange GmbH).

As at 31 December 2010 the Company's storage capacity in the virtual facility was as follows:

Working gas volume (mcm)	2,371
Maximum injection capacity (mcm/day)	26.9
Maximum withdrawal capacity (mcm/day)	36.5

In 2010 the Company provided its services to a total of ten storage customers. Thanks to the change in gas legislation and attractive starting prices in the planned auctions, in 2011 RWE Gas Storage expects demand for storage services to come not only from Czech traders but also from foreign entities.

Throughout the calendar year 2010, the Company operated fully in line with the GGPSSO (Guidelines for Good Third Party Access Practice for Storage System Operators) voluntary guidelines issued by the European Regulators' Group for Electricity and Gas. It played an active role in Gas Storage Europe, which brings together SSOs from all over Europe.

Regulatory issues

The 3rd Energy Package

Preparations for the transposition of the EU's 3rd 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 systems) into Czech legislation continued in 2010, with the whole process to be completed by mid-2011.

Amended Gas Market Rules

An amendment to public notice no. 365/2009 on Gas Market Rules was adopted in 2010.

The amendment, which came into force on 1 January 2011, makes it possible for the Company to offer storage capacity for both working gas volume and withdrawal or injection capacity and also helps to simplify the rules governing the organisation of storage capacity auctions.

3.3 Underground Gas Storage Facilities

The Company operates six underground gas storage facilities, including: 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 gas storage. The Háje facility, built into a granite cavern, is used for shaving off peaks in gas demand in the industrial centres in Central Bohemia and Prague.

In the operation of its underground gas storage facilities, RWE Gas Storage aims at efficiency, reliability, accessibility and flexibility, whilst seeing to the highest possible operating safety of the services it provides. To this end, 2010 saw the ongoing project for the optimisation of its maintenance strategy with a view to standardising the maintenance planning process, shorten stabilisation shutdowns, and performing maintenance on the basis of the actual condition of the equipment. The Company also continued in measures designed for improving the safety of wells. The wells, on which subsurface repairs were carried out, including the installation of subsurface safety valves, meet the requirements of the European standard EN 1918. In connection with the Company's effort to continuously improve both safety at work and operating safety, in 2010 safety studies based on the HAZOP (HAZard and OPerability study) method were carried out at two gas storage facilities. This project will also continue in 2011, when safety studies will be carried out at the remaining storage facilities. For this reason an analysis relating to the condition of wells was initiated for the Company's gas storage facilities in 2010.

In respect to dispatching 2010 saw a modification of the control system for gas injection into the Company's gas storage facilities. RWE Gas Storage now allocates nominations to each of its gas storage facilities through its dispatch control room. In 2010 the Company also significantly intensified its co-operation with RWE Gasspeicher GmbH, which operates underground gas storage facilities in Germany.

3.4 Social Responsibility

The Grant scheme

The grant scheme of RWE Gas Storage has been operating successfully for three years now. Support for the various regions and municipalities in which the Company operates continued in 2010. Under the grant scheme, the Company offers help to municipalities in their efforts both to create better living conditions for residents and to cope with damage caused by natural disasters. Through its regionally focused assistance, the Company would like to contribute both to the healthy development of civil communities and to the strength of regional relationships. Having taken this step, the Company has subscribed to the concept of corporate social responsibility.

In 2010 the Company received 72 requests for a financial contribution; over three rounds, it selected 31 projects to which it allocated financial support totalling CZK 6.8 million. The supported projects include, for example, the following:

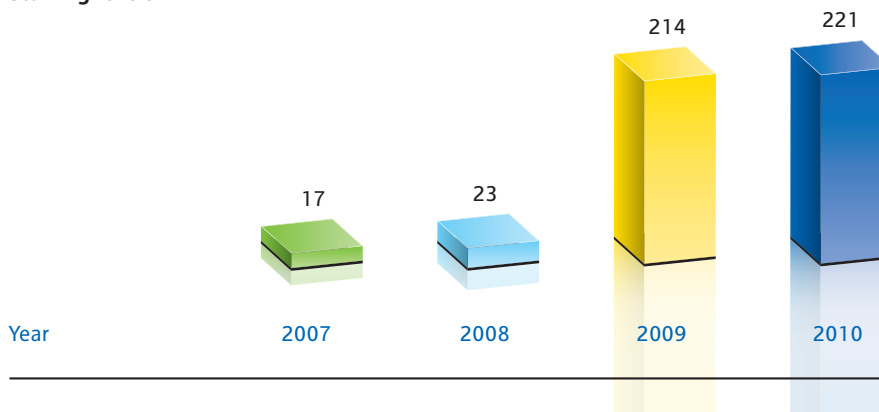
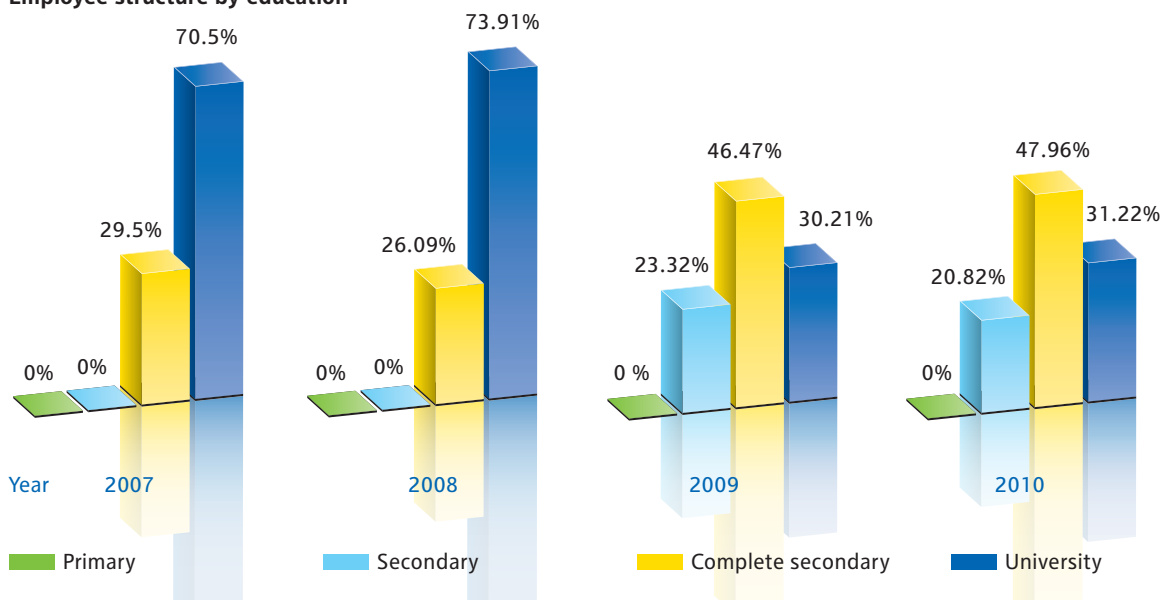
- Children's playgrounds in Kostice, Třanovice, Závišice, Tvrdonice, Březí, Český Těšín and Příbram;
- Modernisation of classrooms in primary schools and kindergartens in Perná, Štramberk and Tovačov;
- Construction and refurbishment of school playgrounds and sport grounds;
- Construction and refurbishment of libraries, etc.

The Company intends to continue to follow its successfully launched grant scheme in 2011.

3.5 Human Resources

The Company's management places great emphasis on both the implementation of unified standards in the process of human resource management within the RWE Group in the Czech Republic and the gradual formation of the optimum professional structure of its employees.

After 2009, when 180 employees were transferred from gas storage operations of NET4GAS, s.r.o. to the Company, the number as well as professional and qualification structure of employees was further optimised in 2010.

Staffing levels**Employee structure by education****Wages**

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

Social policy

The RWE Group's Collective Agreement, which was entered into for 2010 and 2011, 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 sporting activities, and contributes to various products under non-state pension and life assurance schemes. It also offers employees the opportunity to utilise above-standard medical care.

Employees' development

In 2010, the Company spent 4.72% of its payroll costs on education and development of its employees; in 649 training events 2,616 persons were trained, and average annual expenses on education and development amounted to CZK 24,935 per employee. The above figures also include e-learning, which provides training courses focused on legislation for employees in both Prague and Brno.

3.6 Environmental Protection

As in previous years, great attention was devoted to environmental protection in 2010. Thanks to the diligent approach of all employees, the Company performed all environmental obligations and met all statutory requirements under the applicable legislation and the Group's rules.

Measures for site restoration and new green areas in places disturbed by construction were carried out, in particular as a follow up to the building of pipelines as part of the further development of the storage system. The best available technologies were utilised in this project, which is co-financed by EU funds.

As part of everyday operations, soft landscaping was carried out at gas storage facilities. The Company also participated in the adjustment of flood barriers around the Lobodice UGS facility's operations. In addition to enhancing the plant's operating safety, such an effort also constitutes an important element in the protection of soil and farmland, and the regulation of water courses.

In 2010 the Company continued to implement new rules for a responsible approach to environmental protection. In late 2010 the Company procured a new release of the Ekones II software application, whose outputs comply with generally applicable legal regulations on air quality control, waste management, water management and chemicals management and, in particular, Act No. 25/2008 on the Integrated Pollution Register.

In respect of the elimination of old environmental burdens, the Company carried out planned post-remedial groundwater monitoring at the respective sites. The results of monitoring showed that the clean-up project was successful.

The Company supported capital investment projects for mitigating negative impacts to the environment. These projects included, for example, replacement of the burners of boilers used for heating in the process of natural gas storage with burners which offer both higher efficiency and a reduction of emissions into the atmosphere. Thermal insulation of operations buildings at each of the sites also continued.

Under its grant scheme the Company also provided financial contributions to projects focused on environmental protection.

In respect of air pollutant emissions, the Company reported and published the actual values of its CO₂ emissions, which did not exceed the limit of the emission allowances allocated under 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 obliged to take a responsible approach to safety and health at work and to environmental protection.

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

3.7 Subsequent Events

In mid-February 2011, the Company organised three online auctions offering various storage products, with contract terms ranging from one to three years and an overall volume exceeding 150 mcm.

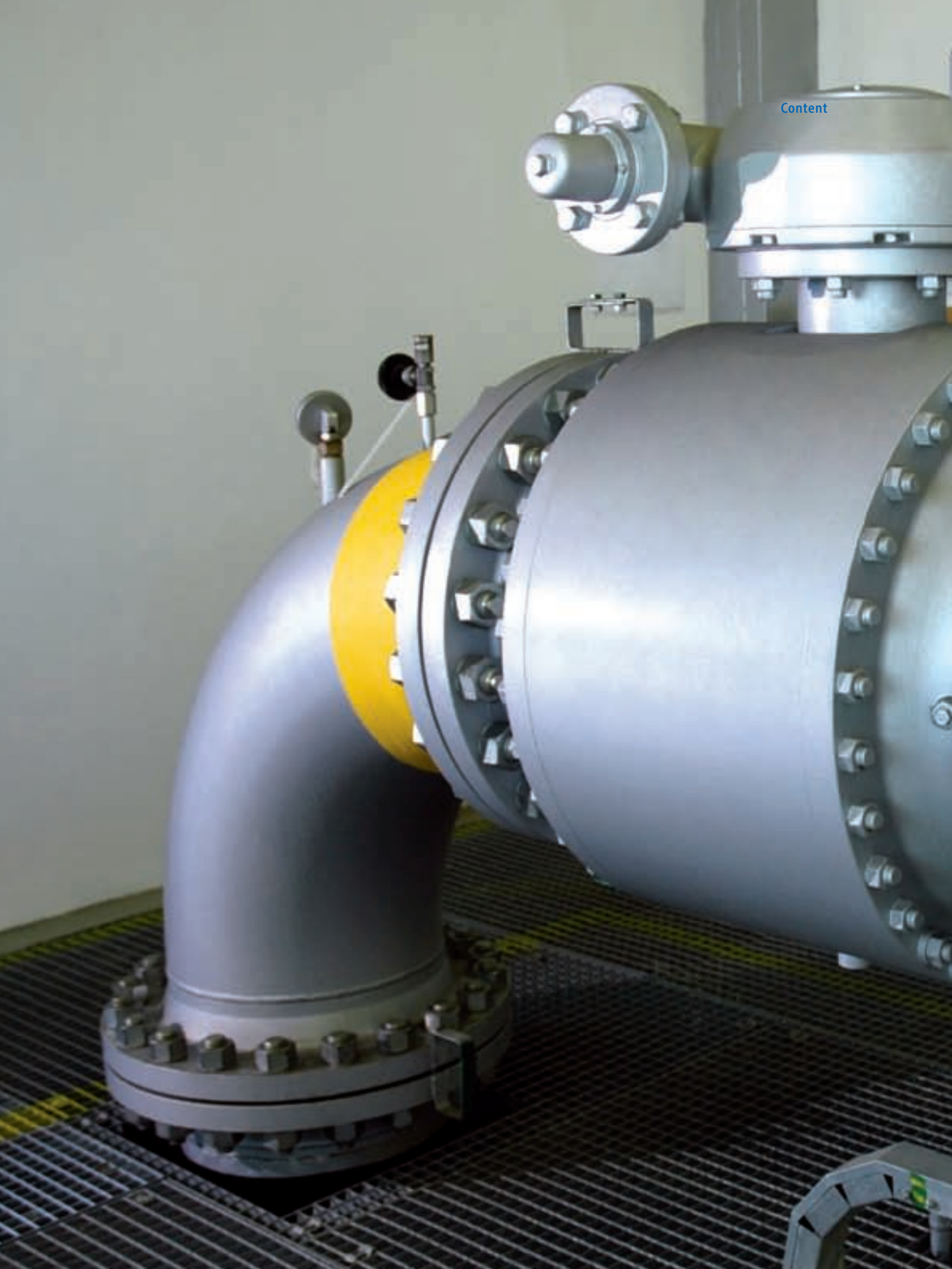
3.8 Outlook

Investments

The Company plans to increase its storage capacity by up to 400 mcm of working gas volume by 2015. Further expansion of the Company's underground gas storages facilities will depend on market developments and demand from traders.

Legislative outlook

An amendment to the Energy Act transposing the EU's 3rd Energy Package will enter into force in 2011. As a result, the Company will need to cease receiving most or all services provided by NET4GAS, s.r.o. In connection to the amendment to the Energy Act, it is expected that the Gas Market Rules will also be amended, including a further simplification of the rules governing the sale of storage capacity.



4 FINANCIAL PART

4.1 Financial Statements

BALANCE SHEET (in thousand Czech crowns)

Ref.	ASSETS	31. 12. 2010			31. 12. 2009
		Gross	Provision	Net	Net
	TOTAL ASSETS	21,445,362	(2,241,091)	19,204,271	18,636,663
B.	Fixed assets	19,350,823	(2,241,091)	17,109,732	16,493,902
B. I.	Intangible fixed assets	129,364	(44,946)	84,418	95,345
B. I. 1.	Research & development	94,160	(27,401)	66,759	78,343
	2. Software	24,591	(17,056)	7,535	13,629
	3. Royalties	631	(489)	142	356
	4. Other intangible fixed assets	300	-	300	198
	5. Intangible fixed assets in the course of construction	9,682	-	9,682	2,819
B. II.	Tangible fixed assets	19,221,459	(2,196,145)	17,025,314	16,398,557
B. II. 1.	Land	91,926	-	91,926	88,519
	2. Constructions	15,931,221	(1,740,208)	14,191,013	14,583,430
	3. Equipment	1,399,617	(455,937)	943,680	961,825
	4. Other tangible fixed assets	634	-	634	634
	5. Tangible fixed assets in the course of construction	1,783,039	-	1,783,039	764,149
	6. Advances paid for tangible fixed assets	15,022	-	15,022	-
C.	Current assets	2,093,542	-	2,093,542	2,142,282
C. I.	Inventories	6,395	-	6,395	1,500
C. I. 1.	Raw materials	6,395	-	6,395	1,500
C. III.	Short-term receivables	2,010,460	-	2,010,460	2,078,149
C. III. 1.	Trade receivables	395,963	-	395,963	415,271
	2. Receivables – controlling entities / subsidiaries	1,498,716	-	1,498,716	1,651,696
	3. Taxes and state subsidies receivable	13,616	-	13,616	-
	4. Short-term advances paid	1,362	-	1,362	982
	5. Anticipated assets	-	-	-	115
	6. Other receivables	100,803	-	100,803	10,085
C. IV.	Financial assets	76,687	-	76,687	62,633
C. IV. 1.	Cash in hand	459	-	459	173
	2. Cash at bank	76,228	-	76,228	62,460
D. I.	Accruals and deferrals	997	-	997	479
D. I. 1.	Prepaid expenses	969	-	969	416
	2. Accrued revenue	28	-	28	63

BALANCE SHEET – continued (in thousand Czech crowns)			
Ref.	LIABILITIES AND EQUITY	31. 12. 2010	31. 12. 2009
	TOTAL LIABILITIES AND EQUITY	19,204,271	18,636,663
A.	Equity	15,049,321	15,431,804
A. I.	Share capital	13,450,709	13,450,709
A. I. 1.	Share capital	13,450,709	13,450,709
A. III.	Reserve fund and other reserves	256,719	165,962
A. III. 1.	Statutory reserve fund	256,719	165,962
A. V.	Profit (loss) for the current period (+/-)	1,341,893	1,815,133
B.	Liabilities	3,823,807	2,889,253
B. I.	Provisions	1,083,024	349,396
B. I. 1.	Tax-deductible provisions	173,269	161,332
	2. Income tax provision	78,047	175,827
	3. Other provisions	831,708	12,237
B. II.	Long-term liabilities	1,832,956	2,015,886
B. II. 1.	Trade payables	4,817	4,992
	2. Deferred tax liability	1,828,139	2,010,894
B. III.	Short-term liabilities	907,827	523,971
B. III. 1.	Trade payables	517,575	401,718
	2. Liabilities to employees	8,703	8,578
	3. Liabilities for social security and health insurance	5,387	4,702
	4. Taxes and state subsidies payable	259,808	39,433
	5. Anticipated liabilities	115,269	55,223
	6. Other payables	1,085	14,317
C. I.	Accruals and deferrals	331,143	315,606
C. I. 1.	Accruals	2	-
	2. Deferred revenue	331,141	315,606

Content

INCOME STATEMENT (in thousand Czech crowns)

Ref.	DESCRIPTION	Accounting period	
		2010	2009
II.	Sales of production	3,934,815	3,651,021
II.	1. Sales of own products and services	3,934,815	3,651,021
B.	Cost of sales	620,708	616,170
B.	1. Raw materials and consumables	217,675	193,863
	2. Services	403,033	422,307
+	Added value	3,314,107	3,034,851
C.	Staff costs	176,046	156,871
C.	1. Wages and salaries	121,248	111,349
	2. Emoluments of board members	155	240
	3. Social security and health insurance costs	45,517	38,088
	4. Other social costs	9,126	7,194
D.	Taxes and charges	6,858	4,074
E.	Depreciation of long-term assets	603,023	639,097
III.	Sale of long-term assets and raw materials	518	55,184
III.	1. Sale of long-term assets	468	55,165
	2. Sale of raw materials	50	19
F.	Net book value of long-term assets and raw materials sold	23,365	31,520
F.	1. Net book value of long-term assets sold	23,365	31,520
G.	Increase / (decrease) in operating provisions	831,409	(49,152)
IV.	Other operating income	6,475	1,581
H.	Other operating charges	28,963	19,844
*	Operating result	1,651,436	2,289,362
IX.	Gain on revaluation of securities and derivatives	27,113	11,260
L.	Loss on revaluation of securities and derivatives	14,086	54,249
X.	Interest income	10,125	15,692
N.	Interest expense	2	1
XI.	Other financial income	16,350	17,258
O.	Other financial expense	31,588	14,942
*	Financial result	7,912	(24,982)
Q.	Tax on profit or loss on ordinary activities	317,455	449,247
Q.	1. – current	500,210	491,401
	2. – deferred	(182,755)	(42,154)
**	Profit or loss on ordinary activities after taxation	1,341,893	1,815,133
***	Net profit (loss) for the financial period	1,341,893	1,815,133
***	Net profit (loss) before taxation	1,659,348	2,264,380

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2010				
	Share capital CZK'000	Statutory reserve fund CZK'000	Retained earnings CZK'000	Total CZK'000
As at 31 January 2009	13,450,709	104,025	1,238,739	14,793,473
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
As at 31 December 2009	13,450,709	165,962	1,815,133	15,431,804
Contributions to reserve fund	-	90,757	(90,757)	-
Profit distribution paid	-	-	(1,724,376)	(1,724,376)
Net profit for the current period	-	-	1,341,893	1,341,893
As at 31 December 2010	13,450,709	256,719	1,341,893	15,049,321

CASH FLOW STATEMENT

Year ended 31 December 2010		
	2010 CZK'000	2009 CZK'000
Cash flows from operating activities		
Net profit on ordinary activities before tax	1,659,348	2,264,380
A.1 Adjustments for non-cash movements		
A.1.1 Depreciation of fixed assets	603,023	639,097
A.1.2 Change in provisions	733,628	(49,151)
A.1.3 Profit from disposal of fixed assets	22,897	(23,645)
A.1.4 Net interest expense / (income)	(10,123)	(15,691)
A.1.5 Other non-cash movements	3,425	3,624
A* Net cash flow from operating activities before tax, changes in working capital	3,012,198	2,818,614
A.2 Working capital changes		
A.2.1 Change in receivables and prepayments	(109,695)	501,259
A.2.2 Change in short-term payables and accruals	62,908	(410,839)
A.2.3 Change in inventories	(4,895)	(1,500)
A** Net cash flow from operating activities before tax	2,960,516	2,907,534
A.3 Interest paid	-	(1)
A.4 Interest received	10,159	15,692
A.5 Income tax on ordinary activities paid	(597,991)	(353,096)
A*** Net cash flow from operating activities	2,372,684	2,570,129
Cash flows from investing activities		
B.1 Acquisition of fixed assets	(894,259)*	(521,068)
B.2 Proceeds from the sale of fixed assets	468	55,165
B*** Net cash flow from investing activities	(893,791)	(465,903)
Cash flows from financing activities		
C.1 Change in long- and short-term liabilities	92,789	1,119
C.2 Changes in equity		
C.2.1 Profit distribution paid	(1,724,376)	(1,176,802)
C*** Net cash flow from financing activities	(1,631,587)	(1,175,683)
Net increase in cash and cash equivalents	(152,694)	928,543
Cash and cash equivalents as at the beginning of the year	1,651,869	723,326
Cash and cash equivalents as at the end of the year	1,499,175	1,651,869

* Part of capital expenditures was covered by grants received, see Note 8.

4.2 Notes to Financial Statements

Year ended 31 December 2010

1 GENERAL INFORMATION

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

The Statutory Representatives as at 31 December 2010 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 2010 were as follows:

	Position	Date of appointment
Mr Martin Friedrich Herrmann	Chairman	5 March 2010 (appointed as a member on 21 June 2007)
Mr Thomas Rappuhn	Vice-Chairman	5 March 2010 (appointed as a member on 4 February 2010)
Mr Jürgen Gröner	Member	4 February 2010
Mr Wolfgang Peters	Member	1 April 2008
Mr Dirk Simons	Member	14 October 2010
Ms Šárka Vojíková	Member	21 June 2007

During 2010 the following changes in the structure of the Company's Bodies were made: Mr Joachim Schneider and Mr Andreas Böwing resigned from their positions of members of the Supervisory Board as at 3 February 2010. Mr Jürgen Gröner and Mr Thomas Rappuhn were appointed members of the Supervisory Board following the sole shareholder's resolution effective from 4 February 2010. Mr Tomáš Čumpelík resigned from his position of a member of the Supervisory Board as at 5 March 2010. Mr Martin Friedrich Herrmann was appointed the Chairman and Mr Thomas Rappuhn the Vice-Chairman of the Supervisory Board on 5 March 2010. Mr Dirk Simons was appointed a member of the Supervisory Board based on the resolution of the sole shareholder effective from 14 October 2010.

Note

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

The 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.

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

The amortisation plan is updated based on the expected useful life of the intangible fixed asset.

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

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

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

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

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

(c) Tangible fixed assets

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

Repairs and maintenance expenditures of tangible fixed assets are expensed as incurred. Technical improvements 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

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

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) Subsidies

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

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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. The Company also recognises tax deductible provisions relating to significant future repairs of fixed assets defined by the Act on Reserves, and provisions for the cost of land recultivation, which is created in order to provide for future expenses related to the removal of land contamination resulting from operational activities, in accordance with the Act on Mining.

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

(k) 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.

(l) Deferred tax

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

(m) 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 Note 14.

(n) 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 2010 CZK'000	Additions CZK'000	Transfers CZK'000	Disposals CZK'000	31 December 2010 CZK'000
Research & development	91,365	-	2,795	-	94,160
Software	23,233	-	1,552	(194)	24,591
Royalties	508	-	123	-	631
Intangible fixed assets in the course of construction	2,819	11,333	(4,470)	-	9,682
Emission rights	198	921	-	(819)	300
Total	118,123	12,254	-	(1,013)	129,364

During 2010 and 2009 the Company did not purchase any emission rights.

Accumulated amortization and net book value					
	1 January 2010 CZK'000	Additions CZK'000	Disposals CZK'000		31 December 2010 CZK'000
Research & development	(13,022)	(14,379)	-		(27,401)
Software	(9,604)	(7,474)	22		(17,056)
Royalties	(152)	(337)	-		(489)
Total	(22,778)	(22,190)	22		(44,946)
Net book value	95,345				84,418

Cost					
	1 January 2009 CZK'000	Additions CZK'000	Transfers CZK'000	Disposals CZK'000	31 December 2009 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
Total	97,902	21,157	-	(936)	118,123

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

4 TANGIBLE FIXED ASSETS

Cost					
	1 January 2010 CZK'000	Addition CZK'000	Transfers CZK'000	Disposals CZK'000	31 December 2010 CZK'000
Land	88,519	-	3,647	(240)	91,926
Constructions	15,853,812	-	102,174	(24,765)	15,931,221
Equipment	1,309,500	-	92,539	(2,422)	1,399,617
Other tangible fixed assets	634	-	-	-	634
Tangible fixed assets in the course of construction	764,149	1,217,250	(198,360)	-	1,783,039
Advances paid for tangible fixed assets	0	19,763	-	(4,741)	15,022
Total	18,016,614	1,237,013	-	(32,168)	19,221,459

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

Accumulated depreciation and net book value				
	1 January 2010 CZK'000	Additions CZK'000	Disposals CZK'000	31 December 2010 CZK'000
Constructions	(1,270,382)	(471,659)	1,833	(1,740,208)
Equipment	(347,675)	(109,174)	912	(455,937)
Total	(1,618,057)	(580,833)	2,745	(2,196,145)
Net book value	16,398,557			17,025,314

Content

Cost					
	1 January 2009 CZK'000	Addition CZK'000	Transfers CZK'000	Disposals CZK'000	31 December 2009 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)	-	-
Total	17,331,888	742,443	-	(57,717)	18,016,614

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

5 RECEIVABLES

	31 December 2010 CZK'000	31 December 2009 CZK'000
Trade receivables		
– current	395,129	415,271
– overdue	834	-
	395,963	415,271
Advances paid	1,362	982
Other receivables		
– current	1,613,135	1,661,896
Net book value of short-term receivables	2,010,460	2,078,149

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

Trade receivables as at 31 December 2010 include mainly receivable from RWE Transgas, a.s. for sale of storage capacity in the amount of CZK 381,113,000 (2009: CZK 368,884,000).

Other receivables as at 31 December 2010 include mainly Cash-pooling receivables from RWE Transgas, a.s. (see Note 14 Related party transactions) in the amount of CZK 1,498,716,000 (2009: CZK 1,651,696,000).

Provision for doubtful receivables was nil as at 31 December 2010 and as at 31 December 2009.

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 sole shareholder approved the financial statements for 2009 and decided about the allocation of profit CZK 1,815,133,000 on 17 March 2010.

7 PROVISIONS

	Tax-deductible provisions CZK'000	Income tax provision CZK'000	Other provisions CZK'000	Total CZK'000
Opening balance as at 1 January 2009	222,412	37,522	308	260,242
Charge for the year	11,817	175,827	12,131	199,775
Used in the year	(72,897)	(37,522)	(202)	(110,621)
Closing balance as at 31 December 2009	161,332	175,827	12,237	349,396
Charge for the year	11,937	78,047	827,364	917,348
Release in the year	-	-	(2,852)	(2,852)
Used in the year	-	(175,827)	(5,041)	(180,868)
Closing balance as at 31 December 2010	173,269	78,047	831,708	1,083,024

The Company has created tax-deductible provision for the cost of land recultivation in the amount of CZK 173,270,000 (2009: CZK 161,332,000). 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 a provision for employment benefit in the amount of CZK 3,375,000 (2009: CZK 10,500,000), a provision for share option plan in the amount of CZK 1,333,000 (2009: CZK 1,737,000) and a provision for the change of safety valves amounting to CZK 827,000,000 (2009: CZK nil). As at 31 December 2010 income tax provision in the amount of CZK 501,329,000 was decreased by tax advance payments in the amount of CZK 423,282,000 and classified as Provisions – Income tax provision.

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

8 LIABILITIES

	31 December 2010 CZK'000	31 December 2009 CZK'000
Trade payables		
– current	517,575	401,718
Anticipated liabilities	115,269	55,223
Other payables		
– current	274,983	67,030
Total short-term liabilities	907,827	523,971
Trade payables	4,817	4,992
Deferred tax liability	1,828,139	2,010,894
Total long-term liabilities	1,832,956	2,015,886
Total short-term and long-term liabilities	2,740,783	2,539,857

Trade payables as at 31 December 2010 in the amount of CZK 517,575,000 represent mainly payables from acquisition of tangible fixed assets related to the extension of the underground gas storages.

Anticipated liabilities as at 31 December 2010 and as at 31 December 2009 include mainly accrual for operation expenses.

Other liabilities contain mainly payable from grants received from the European Energy Programme for Recovery in the amount of CZK 257,670,000 (2010: CZK nil) for expansion of storage capacity of underground storage facilities in Tvrdonice and Třanovice.

The Company had no overdue liabilities as at 31 December 2010.

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 (2009: CZK 647,000).

9 DEFERRED REVENUE

	31 December 2010 CZK'000	31 December 2009 CZK'000
Deferred revenue	331,141	315,606

Deferred revenue includes mainly deferred revenue for sale of storage capacity to RWE Transgas, a.s. in the amount of CZK 317,594,000 (2009: CZK 309,987,000).

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 2010			31 December 2009		
	Fair value		Notional amount CZK'000	Fair value		Notional amount CZK'000
	Positive CZK'000	Negative CZK'000		Positive CZK'000	Negative 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:

	2010 CZK'000	2009 CZK'000
Changes in fair value of derivative instruments	13,027	(42,989)
Gains from forward instruments	11,954	14,332
Losses from forward instruments	(15,746)	(2,720)
Total	9,235	(31,377)

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

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

11 INCOME TAX

The income tax expense consists of the following:

	2010 CZK'000	2009 CZK'000
Current tax expense	501,329	493,589
Deferred tax expense	(182,755)	(42,154)
Adjustment of prior year tax expense	(1,119)	(2,188)
Total income tax expense	317,455	449,247

Current tax can be analysed as follows:

	2010 CZK'000	2009 CZK'000
Net profit before taxation	1,659,348	2,264,380
Non-taxable income	(13,377)	(1,418)
Difference between accounting and tax depreciation	136,929	150,432
Non-deductible costs	872,247	60,565
Gifts	(16,574)	(6,013)
Net taxable profit	2,638,573	2,467,946
Corporate income tax rate	19%	20%
Corporate taxation	501,329	493,589

The deferred tax asset/(liability) is calculated at 19% (the rate enacted for 2010 and subsequent years).

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

	31 December 2010 CZK'000	31 December 2009 CZK'000
Deferred tax liability		
Difference between carrying value accounting and tax base of fixed assets	(1,985,696)	(2,013,149)
Deferred tax asset		
Other provisions	157,557	2,255
Net deferred tax liability	(1,828,139)	(2,010,894)

12 REVENUE ANALYSIS

Revenues from operating activities have been generated as follows:

	2010 CZK'000	2009 CZK'000
Sale of storage capacity – domestic	3,927,148	3,635,821
Other	7,667	15,200
Total sales of own products and services	3,934,815	3,651,021
Sale of fixed assets	468	55,165
Other	6,525	1,600
Total	3,941,808	3,707,786

13 EMPLOYEE ANALYSIS

Employee numbers	2010	2009
Members of Statutory bodies who are employees	1	1
Average number of other members of management	6	6
Average number of other staff	215	204
Total	222	211

No employee of the Company was a member of Supervisory Board in 2010 and 2009.

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

	Management CZK'000	Other staff CZK'000	Total CZK'000
2010			
Wages and salaries	12,214	109,034	121,248
Social security costs	4,114	41,403	45,517
Other social costs	175	8,951	9,126
Bonuses to the members of statutory bodies	155	-	155
Total	16,658	159,388	176,046
2009			
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
Total	18,116	138,755	156,871

Other transactions with the Company's management and members of statutory bodies are described in Note 14 Related party transactions.

14 RELATED PARTY TRANSACTIONS

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

The Company was involved in the following related party transactions:

	2010 CZK'000	2009 CZK'000
Purchases		
RWE Transgas, a.s. (services, gas, interests, fixed assets)	147,239	24,863
NET4GAS, s.r.o. (services, fixed assets)	29,127	97,758
RWE Interní služby, s.r.o. (services, fixed assets)	71,710	75,704
RWE Plynoprojekt, s.r.o. (fixed assets)	16,398	46,391
RWE Aktiengesellschaft (financial assets)	29,832	57,376
RWE Dea Aktiengesellschaft (fixed assets)	22,679	-
Other RWE Group companies	12,593	7,990
Total purchases	329,578	310,082

	2010 CZK'000	2009 CZK'000
Sales to RWE Transgas, a.s.		
Storage capacity	3,788,296	3,572,765
Other sales (fixed assets, interest)	9,443	44,124
Total sales	3,797,739	3,616,889

	2010 CZK'000	2009 CZK'000
Other sales		
NET4GAS, s.r.o. (fixed assets)	1	33,648
RWE Aktiengesellschaft (financial assets, services)	39,066	26,865
Other RWE Group companies	7,787	6,323
Total sales	46,854	66,836

All transactions were realized on arm's length basis.

The following related party balances were outstanding as at:

	31 December 2010 CZK'000	31 December 2009 CZK'000
Trade receivables		
RWE Transgas, a.s.	381,113	368,884
NET4GAS, s.r.o.	1	40,041
Other RWE Group companies	326	149
Total trade receivables	381,440	409,074
Advances paid		
RWE Interní služby, s.r.o.	359	-
Other receivables		
RWE Transgas, a.s.	28	63
RWE Interní služby, s.r.o.	879	-
Total other receivables	907	63
Cash-pooling receivables		
RWE Transgas, a.s.	1,498,716	1,651,696

	31 December 2010 CZK'000	31 December 2009 CZK'000
Other receivables (from derivatives)		
RWE Aktiengesellschaft	-	10,085
Total receivables	1,881,422	2,070,918
Trade payables		
RWE Transgas, a.s.	33,242	1,778
RWE Plynoprojekt, s.r.o.	1,178	32,959
Other RWE Group companies	7,235	11,526
Total trade payables	41,655	46,263
Anticipated payables / accruals and deferrals		
RWE Transgas, a.s.	322,143	312,089
Other RWE Group companies	22,284	1,223
Total anticipated payables / accruals and deferrals	344,427	313,312
Other payables (from derivatives)		
RWE Aktiengesellschaft	-	13,709
Total payables / accruals and deferrals	386,082	373,284

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. A provision for receivables from related parties are not provided for.

Company cars are made available for use by management in total acquisition costs of CZK 5,708,000 (2009: CZK 6,586,000).

The Company provides foreign members of management with accommodation, in 2010 rent amounted to CZK 432,000 (2009: CZK 508,000).

Share option bonus plan has been provided to the management, in 2010 provision for this plan was created in the amount of CZK 1,333,000 (2009: CZK 1,737,000).

Besides the above disclosed remuneration and benefits, there was no other cash or non-cash consideration provided in 2010 and 2009 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 2010 were at total amount of CZK 1,087,222,000 (2009: CZK 720,044,000).

17 CONTINGENT LIABILITIES

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2010.

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 2010 CZK'000	31 December 2009 CZK'000
Cash on hand and in transit	459	173
Cash in bank	76,228	62,460
Restricted cash in bank	(76,228)	(62,460)
Receivable arising from Cash-pooling	1,498,716	1,651,696
Cash and cash equivalents	1,499,175	1,651,869

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 2010.

10 February 2011



Andreas Frohwein
Statutory Representative



Lubor Veleba
Statutory Representative

5 INDEPENDENT AUDITOR'S REPORT

5.1 Auditor's Report on Financial Statements



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

We have audited the accompanying financial statements of RWE Gas Storage, s.r.o., identification number 278 92 077, with registered office at Prosecká 855/68, Praha 9-Prosek ("the Company"), which comprise the balance sheet as at 31 December 2010, 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 Representative's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

*PricewaterhouseCoopers Audit, s.r.o., Kateřinská 40/466, 120 00 Prague 2, Czech Republic
Phone: +420 251 151 111, Fax: +420 251 156 111, www.pwc.com/cz*

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

Auditor's Responsibility (continued)

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2010, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

10 February 2011

A handwritten signature in blue ink, which appears to read 'PricewaterhouseCoopers Audit, s.r.o.', is positioned above the printed name of the firm.

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

A handwritten signature in blue ink, which appears to read 'Tomáš Bašta', is positioned above the printed name of the statutory auditor.

Tomáš Bašta
Statutory Auditor, Licence No. 1966

Note

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

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



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

We have audited the financial statements of RWE Gas Storage, s.r.o., identification number 27892077, with registered office at Prosecká 855/68, Praha 9 (“the Company”) for the year ended 31 December 2010 disclosed in the annual report on pages 19–41 and issued the opinion dated 10 February 2011 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 2010 is consistent with the financial statements referred to above. The Statutory Representative is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

Auditor's Responsibility

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

Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2010 is consistent, in all material respects, with the financial statements.

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

Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2010 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Representatives of the Company. Our responsibility is to express our opinion on the Report based on performed review.

Scope of Review

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

Conclusion

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

10 March 2011

A handwritten signature in blue ink, appearing to read "PricewaterhouseCoopers Audit, s.r.o.", is written over the printed name.

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

A handwritten signature in blue ink, appearing to read "T. Bašta", is written over the printed name.

Tomáš Bašta
Statutory Auditor, Licence No. 1966

Note

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

6 REPORT OF RWE GAS STORAGE, S.R.O. ON RELATIONS BETWEEN RELATED PARTIES AS AT 31 DECEMBER 2010

RWE Gas Storage, s.r.o. (hereinafter “the Company”) as a controlled person did not enter into any controlling agreement effective in 2010. Consequently, 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 2010, to the extent these Related Parties are known to the Company. This Report is an integral part of the Company’s Annual Report for 2010 and the Company’s members will have this Report available by the same time and under the same conditions as the 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

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. and
- RWE Aktiengesellschaft (hereinafter “RWE AG”), registered office at Opernplatz 1, 45128 Essen, Germany, which was the sole member of RWE Gas International B.V.

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 2010 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 2010.

4 Other legal acts made in the interest of Related Parties

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

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

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 3 March 2011 and it has been presented for review to the Company's auditor, who reviews the financial statements under a separate law.

Prague, on 3 March 2011

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



Andreas Frohwein
Managing Director, CEO



Lubor Veleba
Managing Director, CCO

ANNEX NO. 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 2 to the Mandate agreement – currency transactions	1
	Addendum 2 to the Agreement on the provision of services in SLA Consulting – Governance TG	1
	Addendum 3 to the Agreement on the provision of services in SLA Consulting – P & O	1
	Addendum 5 to the Loan agreement	1
	Purchase agreement	1
	Gas Sales Contract	1
	Agreement on personnel management services	1
	Agreement on the assignment of rights and obligations	1
	Agreement on non-residential space lease	1
	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
JMP Net, s.r.o.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
Jihomoravská plynárenská, a.s.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
RWE Key Account CZ, s.r.o.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
RWE IT Czech s.r.o.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
RWE Energie, a.s.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
Severomoravská plynárenská, a.s.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1

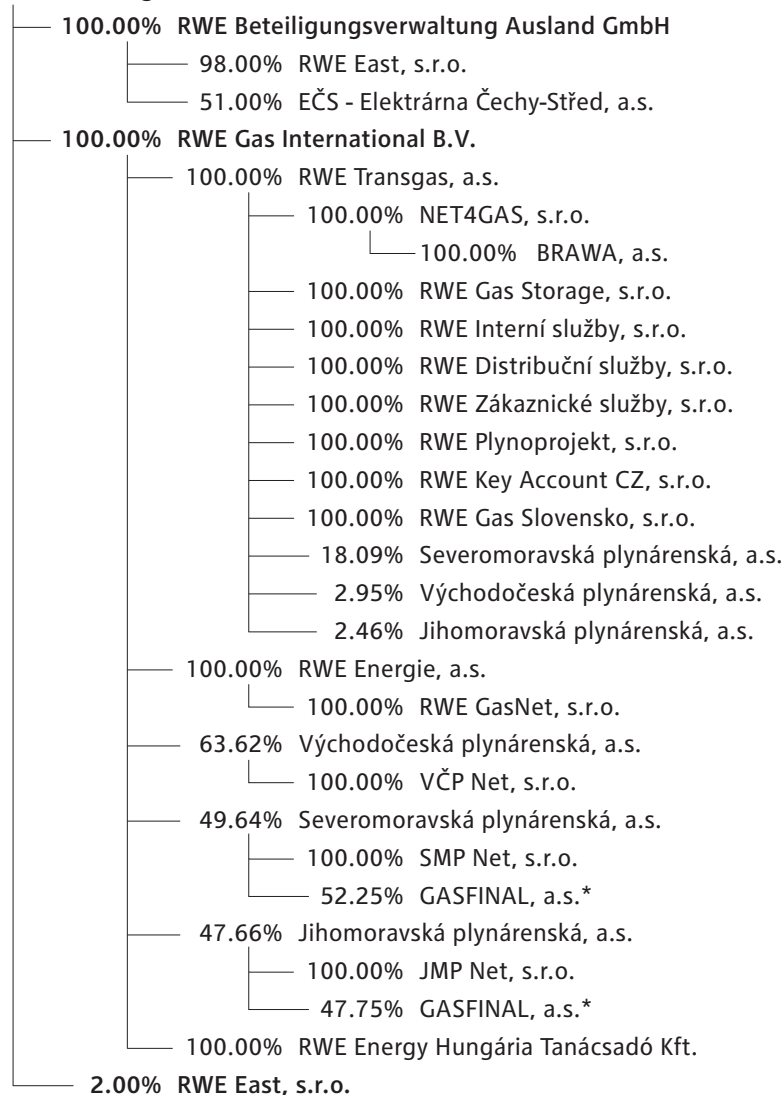
Content

Contracting party	Type of agreement/Purpose of agreement	Number of agreements
VČP Net, s.r.o.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
Východočeská plynárenská, a.s.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
RWE Zákaznické služby, s.r.o.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
RWE GasNet, s.r.o.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
NET4GAS, s.r.o.	Agreement on the provision of dispatch control services	1
	Addendum 1 to the Agreement on the provision of dispatch control services	1
	Addenda 3 and 4 to the Agreement on servicing and technical activities at UGS facilities	2
	Addendum 1 to the gas sales agreement (2010)	1
	Gas sales agreement (2010) II	1
	Addenda 1 and 2 to the gas sales agreement (2010) II	2
	Addenda 1, 2 and 3 to the Agreement on non-residential space lease	3
	Agreement on the assignment of rights and obligations	1
	Easement agreement	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
	Agreement on connection to the transmission system	1
RWE Plynoprojekt, s.r.o.	Contract for work	4
	Addendum 2 to the Contract for work	2
	Addendum 3 to the Contract for work	1
	Mandate agreement on author's supervision	1
	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
	Purchase agreement – sale of a well in CHLÚ Dolní Dunajovice II	1

Contracting party	Type of agreement/Purpose of agreement	Number of agreements
RWE Interní služby, s.r.o.	Addenda 3 and 4 to the Agreement on facility management services	2
	Addendum 3 to the Agreement on the provision of procurement and logistics services	1
	Addendum 4 to the Agreement on the provision of lease, logistics and mobile telephone accounting services	1
	Addendum 1 to the Agreement on electronic communications services	1
	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
	Addenda 1 and 2 to the Agreement on IT services	2
	Addenda 4 and 5 to the Agreement on IT services	2
	Agreement on non-residential space sublease	1
	Addendum 1 to the Agreement on non-residential space sublease	1
	Agreement on the termination of the Agreement on the provision of centralised payroll processing services	1
SMP Net, s.r.o.	Purchase agreement	1
	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
RWE Dea, AG	Agreement on engineering services in drilling	4
	Agreement on co-operation on the project for the extension of the Třanovice UGS facility	2
RWE Distribuční služby, s.r.o.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1
	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
	Mandate agreement on technical and engineering services	1
RWE Gasspeicher, GmbH	Amendment No. 3 to Contract on Provision of Dispatcher Services	1
	Amendment No. 4 to Contract on Provision of Dispatcher Services	1
	Amendment No. 5 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 2010

RWE Aktiengesellschaft



* On 1 January 2011 the company entered into liquidation.

RWE Gas Storage, s.r.o.

Prosecká 855/68

CZ – 190 00 Praha 9

T +420 267 971 111

F +420 267 976 906

E sso@rwe.cz

I www.rwe-gasstorage.cz