



ANNUAL REPORT **2010**



Natural gas transmission in the Czech Republic has a new name as of 2010

NET4GAS

In March 2010, RWE Transgas Net, s.r.o. rebranded its company name and logo and since 4 March 2010 it has been operating its business under a new company name, NET4GAS, s.r.o., and at the same time the logo was changed too. This is another step towards strengthening the identity and independence required of gas transmission system operators by European energy directives.

The new logo is composed of a graphic symbol of natural gas flow and the Company's name.
Blue is historically associated with the theme of gas and the Company's logo.

In 2010, the 'NET4GAS' trade mark was registered with Úřad průmyslového vlastnictví [Industrial Property Office]. This trade mark has also been registered as a Community trade mark with the Office for Harmonization in the Internal Market (OHIM) in Alicante and it has also been registered with the International Bureau of the World Intellectual Property Organization (WIPO) in Geneva as an international trade mark.

ANNUAL REPORT **2010**

2010



1971



2005



2006





TABLE OF CONTENTS

1

Director’s Statement

5

2

Report of the Company’s Supervisory Board for 2010

11

3

Management Report for 2010

15

3.1

Results

17

3.2

The Transmission System – Operation and Maintenance

18

3.3

Business Activities

20

3.4

Communication Activities

21

3.5

Sponsorship Activities

21

3.6

Human Resources

23

3.7

Environmental Protection and Safety at Work

24

3.8

Subsequent Events

25

4

Financial Statements

27

4.1

Financial Statements

29

4.2

Notes to the Financial Statements

36

5

Independent Auditor’s Reports

53

5.1

Auditor’s Report on Financial Statements

54

5.2

Auditor’s Report on the Annual Report and on Report on Relations between Related Parties

56

6

Report of the Company on Relations between Related Parties as at 31 December 2010

59

7

Scheme of the Relations between and Control of Companies along the Relevant Line within the RWE Group as at 31 December 2010

67

Abbreviations Used

72



DIRECTOR'S STATEMENT



Director's Statement

The year 2010 brought a number changes for our Company and I am convinced that it can be regarded as one of the most interesting years since we unbundled the TSO business from RWE Transgas into what today is operated under the name of NET4GAS.

The year 2010 started with a change of the market rules and the introduction of a market operator, OTE. We successfully implemented our processes in accordance with the new legislation and this new entity. But at the same time, the European Parliament approved the third energy package, which has further resulted in substantial consequences for our company, employees and processes. As a first step, we have already rebranded RWE Transgas Net as NET4GAS, and now we are preparing for the so-called ITO business model, i.e., Independent Transmission Operator.

We are strongly engaged by insourcing the services previously provided to us by the RWE Group. The unbundling project does, on the one hand, dissolve synergies, but on the other hand it offers opportunities and also strengthens the transmission system operator's independence. Together with our sole shareholder we decided, immediately after the approval of the third energy package, to proceed to adopt the package and not allow any compromises in respect of our responsibilities, and ultimately prove our full independence, and transparency. With the exception of comprehensive IT services, this large unbundling project has almost been completed.

NET4GAS continues to be a safe and reliable TSO, but it places even more emphasis on operational excellence and commitment to develop competitive markets. We are taking serious steps to connect markets, physically and commercially, by offering innovative products such as cross-border and hub-to-hub products.

We will be one of the largest investors in the Czech Republic as we are planning to invest more than CZK 10 billion in the GAZELLE gas pipeline project and the new connection to Poland at Český Tešín. Based on the experience from the gas crisis in 2009, the GAZELLE project has emerged, which is considered an integral part of the Nord Stream and OPAL connection and will improve the security of supply not only for Germany and France but also, and even more importantly, for the Czech Republic, Slovakia and Austria. The connection to Poland also offers a completely new supply route and can also be expanded for transporting larger volumes from and to Poland in the future, as it also is being envisaged by the Visegrad Group to become the new north-south corridor.

These projects are also enjoying full support of the Czech Government and the EU, which is even partially funding our efforts to improve security of supply in the region. At this point I would also like to express appreciation for the support provided by the Czech Government, and want to reiterate our commitment to be a valuable partner for the Czech Government in meeting the strategic goals of the energy policy.

This is the 40th year that we have been proving to be a safe and responsible operator and partner. We

have built trustful partnerships and relationships with representatives of the regions, municipalities and the citizens living near our pipelines and facilities.

Our corporate social responsibility is not only targeted directly at the public and the authorities in the region; with our NET4GAS Closer to Nature programme, we are also committed to the environment as the General Partner of the Czech Union of Nature Conservation.

The year 2010 was very challenging for all of us in NET4GAS, and it was definitely a year of change. I am convinced that we were successful not only in terms of operations but also, and more importantly, by driving the changes and committing to be the partner of choice for all stakeholders.

We are committed to deliver in 2011 the connection to Poland and the integration of the first gas from Nord Stream/OPAL into our grid, and by the end of this year we want to be prepared for certification as an ITO in accordance with the EU's third energy package.

Thomas Kleefuss
Managing Director and CEO
NET4GAS, s.r.o.

Managing Directors of NET4GAS, s.r.o. as at 31 December 2010

**Thomas KLEEFUSS**

Managing Director, CEO

Born: 19 December 1963

Education: Finance and Business Administration, Universität Köln

Membership of bodies of other companies: None

Any other business activities: None

**Jan NEHODA**

Managing Director, COO

Born: 29 April 1950

Education: Faculty of Mechanical Engineering, Brno Technical University

Membership of bodies of other companies: None

Any other business activities: None



2

REPORT OF THE COMPANY'S SUPERVISORY
BOARD FOR 2010

Report of the Company's Supervisory Board for 2010

The Supervisory Board continuously monitored the Company's business activities, its results, and the performance of the powers and responsibilities of the Company's Managing Directors. At its two meetings held in 2010, the Supervisory Board had a quorum and 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 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 Company's Managing Directors commented on these documents when they were discussed with the Supervisory Board. Further, in October 2010, the Supervisory Board expressed its approval of the establishment of BRAWA, a.s. as a subsidiary company of NET4GAS, s.r.o.

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

At its meeting on 3 March 2011, the Supervisory Board reviewed the Company's financial statements for the period ending on 31 December 2010, and the proposal of the Company's Managing Directors for the distribution of profit.

Concurring with the auditor's opinion, 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, its financial performance and its cash flows for 2010 in accordance with Czech accounting legislation.

The Supervisory Board recommends to the General Meeting to approve the annual financial statements

for the period ending on 31 December 2010 and the proposal of the Company's Managing Directors for profit distribution.

During the course of 2010 the following changes in the composition of the Supervisory Board were effected: Dr Joachim Schneider, Chairman of the Supervisory Board, and Andreas Böwing stepped down from the Supervisory Board as of 3 February 2010. Effective from 4 February 2010, Dr Ulrich Jobs and Dr Jürgen Grönnner were elected to the Supervisory Board. At its meeting held on 4 September 2010, the Supervisory Board elected Dr Ulrich Jobs as Chairman of the Supervisory Board.

Dirk Simons stepped down from the Supervisory Board on 13 August 2010. Effective from 14 August 2010, Dominik Asam was elected to the Supervisory Board.

Dr Ulrich Jobs, Chairman of the Supervisory Board, and Dominik Asam stepped down from the Supervisory Board on 15 December 2010. Effective from 23 December 2010, Dr Martin Muhr was elected to the Supervisory Board. The resignations and elections took place upon a decision adopted by the sole member acting in the capacity of the Company's General Meeting. The position of the Chairman of the Supervisory Board was vacant as at 31 December 2010.

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

Prague, 3 March 2011



Martin Friedrich Herrmann
Chairman of the Supervisory Board

The Supervisory Board of NET4GAS, s.r.o. as at 31 December 2010

Martin Friedrich HERRMANN

Vice-Chairman since 16 January 2007
(member since 22 December 2006)

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., RWE Energie, a.s. and RWE Gas Storage, s.r.o. Supervisory Boards; Member of the RWE Supply & Trading GmbH Supervisory Board

Any other business activity: None

Dr Jürgen GRÖNNER

Member since 4 February 2010

Born: 4 January 1965

Education: Universität Essen, Power Engineering, Doctorate in Power Engineering

Membership of bodies of other companies:

Member of the RWE Gas Storage, s.r.o., MITGAS Mitteldeutsche Gasversorgung GmbH, GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. and EVO Energieversorgung Oelde GmbH Supervisory Boards

Any other business activity: None

Dr Martin MUHR

Member since 23 December 2010

Born: 20 May 1965

Education: Ruhr-Universität Bochum, Economics, Doctorate in Economics

Membership of bodies of other companies:

Member of the Grosskraftwerk Mannheim AG Supervisory Board

Any other business activity: None

Šárka VOJÍKOVÁ

Member since 22 December 2006

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 Gas Storage, s.r.o. Supervisory Boards

Any other business activity: None

Jan ZAPLATÍLEK

Member since 22 December 2006

Born: 4 July 1963

Education: Czech Technical University in Prague, Faculty of Civil Engineering

Membership of bodies of other companies:

Member of the MERO ČR, a.s. Supervisory Board

Any other business activity: None

Changes in the Supervisory Board in early 2011

Mr Andreas Böwing became a member of the Supervisory Board as of 3 February 2011. Mr Martin Friedrich Herrmann and Dr Martin Muhr were elected the Chairman and Vice-Chairman, respectively, of the Supervisory Board as of 3 March 2011.

3

MANAGEMENT REPORT FOR 2010



Management Report for 2010

3.1 Results

Revenues, expenses, and profit

In 2010, NET4GAS achieved a profit before tax of CZK 6,204 million. Profit after tax amounted to CZK 5,026 million. In 2010, operating result of NET4GAS amounted to CZK 5,981 million. The two core business activities, natural gas transit for international customers and inland transmission, contributed to this result. Operating revenues amounted to CZK 10,344 million and operating expenditure was CZK 4,363 million. The financial result ended up in a profit of CZK 223 million.

Structure of assets

The Company's total assets were worth CZK 62,820 million in 2010. Fixed assets were worth CZK 48,053 million and accounted for 76% of total assets. Fixed assets mainly included tangible fixed assets worth CZK 47,912 million and intangible fixed assets worth CZK 139 million, and also long-term investments of CZK 2 million. Current and other assets totalled CZK 14,767 million as at 31 December 2010, accounting for 24% of total assets. Short-term receivables accounted for about 99% of current and other assets.

Structure of shareholder's equity and liabilities

In 2010, the Company's equity amounted to CZK 53,122 million and accounted for about 85% of the Company's total shareholder's equity and liabilities. In 2010, the Company financed all of its activities using its own resources. Liabilities and other liabilities amounted to CZK 9,697 million. Long-term liabilities (in particular deferred tax liability) accounted for about 82%, short-term liabilities for about 14%, and provisions for about 3% of liabilities and other liabilities.

Risk management

NET4GAS manages risks as a prudent operator, which is additionally documented by internal directives, and also in accordance with the methodology of RWE AG. Risks are continuously identified and assessed in terms of the probability of their occurrence and the magnitude of potential damage. Each risk has its owner, who is responsible for the management of this risk. Risks are recorded in a Risk Catalogue and a Risk Map. Risks are monitored on a regular basis and selected risks are reported on a quarterly basis. In 2010, a Risk Management Committee was set up as an independent, and the highest, risk management body.

The total risks identified do not jeopardise the Company's existence. In terms of income in foreign currencies, at the end of 2010 currency risks continued to be the most significant risks, and also the risks related to the construction of the GAZELLE gas pipeline. Hedging derivatives and stringent project management help to mitigate the currency risk.

Investments

In 2010, the Company invested CZK 759 million, of which CZK 39 million in intangible assets. Investments in intangible assets were mainly spent on a new dispatching centre and control systems. After its completion and testing, the new dispatching centre will start operating at the Company's head office in the third quarter of 2011. Another investment was made in the information system, which will improve the monitoring of emissions and waste disposal.

A major part of investments in tangible assets was spent on debottlenecking, which will improve the security of supply and flexibility. This flexibility will expand the options for transporting gas in the opposite direction, from the west to the east, specifically at the Lanžhot

border transfer station, the Břeclav compressor station, Malešovice, the Kralice compressor station, and the Hospozín node. A new metering run at the Hora Sváté Kateřiny border transfer station was also installed. The European Union contributes an amount of CZK 200 million to the financing of these investments through the EEPR scheme. Older control systems at Lanžhot, Olešná, Bylany and Limuzy transfer stations were upgraded and the Strážovice compressor station was finally closed down.

In connection with the adoption of a new technical standard on commercial metering, metering runs at nine transfer stations were adjusted, and certified by the Czech Metrology Institute. To ensure a higher reliability, the DN 300 Olešná – Barchov gas pipeline was upgraded with a view to enabling cleaning and in-line inspections on this pipeline.

Besides GAZELLE, another strategic investment is the DN 500 connection to Poland (the STORK gas pipeline), which will be completed in 2011, and connected to the DN 1000 pipeline between the Tvrdonice underground gas storage facility and the Břeclav compressor station.

In 2010, the GAZELLE project obtained the legal permissions (the zoning permit and the building warrant for the construction of the Brandov border transfer station, including the connection to the OPAL gas pipeline). These achievements have helped to create the conditions for gas transport from the Nord Stream and OPAL gas pipelines across the Czech Republic to start on 1 October 2011.

In line with the timetable of the construction project, September 2010 saw the start of construction work at the metering station of the Brandov border

transfer station and on the connection to the OPAL gas pipeline. After the winter break, the project will continue erection and finishing work at the Brandov border transfer station and construction work on the piping of the GAZELLE pipeline will be carried out in 2011/2012.

For the future operation of GAZELLE, an exemption has been granted by the Energy Regulatory Office, subject to final approval by the European Commission. For this purpose a new company, BRAWA, a.s., with its registered office at Rubešova 162/8, Praha 2-Vinohrady, was established on 27 October 2010. Under a resolution of the Municipal Court in Prague, the company was registered in the Companies Register maintained by the Municipal Court in Prague, Part B, File 16622. The resolution became final on 10 November 2010. The sole shareholder is NET4GAS. The registered capital is CZK 2,000,000 and it was fully paid up as of 10 November 2010.

Information about research and development

The Company did not spend any significant amount of money on R&D.

Organisational units outside the Czech Republic

The Company has no organisational units in or outside the Czech Republic.

3.2 The Transmission System – Operation and Maintenance

Maintenance of the transmission system was carried out in line with the schedule of maintenances work in 2010. In-line inspections on DN 900 gas lines in the northern section and in a part of the western section



of the transmission system were carried out. The planned in-line inspection of DN 1200 and DN 800 gas lines in the southern section of the transmission system was performed in time. All planned repairs on turbine compressor sets at compressor stations were completed in line with the schedule of activities for 2010. Construction work and adjustments at the pipe yard of the Lanžhot border transfer station, which support a full variability of gas transport via the Lanžhot border transfer station, were carried out.

In 2010, the implementation of the Dispatch Control System Innovation project was also started, involving in particular the functional testing of the equipment supplied and its interconnection with the equipment of compressor stations, gas lines themselves, and UGS facilities. Commissioning is planned for the second quarter of 2011.

3.3 Business Activities

In 2010, NET4GAS worked intensively with the Energy Regulatory Office to develop a new market model for the Czech Republic. For 2011, the rules also provide for a comprehensive entry-exit model in transit transmission on the basis of a uniform grid code for the transmission system, standardised contracts, and a uniform system of capacities for both transit and national transmission. At the same time, the model introduced energy units (kWh) into all commercial operations, including capacity booking, which further enhances gas traders' comfort.

In 2010, the Company continued to implement balancing accounts with a view to reducing imbalances and, in turn, gas traders' risks. This specifically involved the introduction of the OBA

(Operating Balancing Agreements) at the Lanžhot border transfer station.

An agreement on the flexibility service for 2011, serving for the physical balancing of the transmission system, was executed. At the same time, the options for balancing with the help of gas purchase and sale at virtual trading points, as an additional source of flexibility to meet the ERO's requirements, were assessed.

A market survey was conducted in co-operation with OMV Gas in the second half of 2010 to gauge traders' interest in the capacity of the LBL (Lanžhot – Baumgarten Leitung) gas pipeline project. The survey showed traders' great interest in this contemplated transmission capacity in the direction from the Czech Republic to Austria and from Austria to the Czech Republic. Hundreds of new transmission agreements were entered into in 2010, especially in electronic form. A significant increase in the number of contracts was registered in respect of daily-basis contracts. Much effort was devoted to the development and successful launch of the GATRAC II product, a joint capacity product shared with the adjacent transmission system operator, ONTRAS – VNG Gastransport GmbH. This product is the first joint fully integrated contract in Europe. At the same time NET4GAS obtained tentative agreements on the implementation of this product with some other partners.

The Company took an active part in the activities of ENTSG (European Network of Transmission System Operators for Gas), which is, in co-operation with the European Commission and the ACER association of regulators, preparing the rules for a single European gas market.

3.4 Communication Activities

From the perspective of both internal and external communication, 2010 was the most challenging year in the Company's history. In connection with the implementation of new European legislation, all communication activities were separated from the RWE Group in the Czech Republic in early 2010. In addition to the traditional support for business objectives, the priority of external communication was to create adequate awareness of the new brand and its activities. In this respect, emphasis was placed on profiling NET4GAS as a reliable, safe and transparent partner. A new internal magazine, *N4G INFO*, and the intranet became the most important means of communication with employees.

In relation to the implementation of the measures under the European Commission's third energy package, the Company changed its company name and logo. Since 4 March 2010, the Company has been operating its business under its new name, NET4GAS, s.r.o. The entire corporate design had to be changed in this context.

3.5 Sponsorship Activities

Aware of its corporate social responsibility, NET4GAS promotes and every year extends its concept of sponsorship and corporate donorship. In 2010 it supported more than 90 entities – civic associations, foundations, charities, semi-autonomous organisations, and municipalities. It mainly directed its help towards nature conservation and environmental protection, and also regional development, support for children and young people, and support for disabled and senior citizens.

NET4GAS Closer to Nature

NET4GAS's business is closely related to nature conservation and environmental protection, and its long-term sponsorship strategy, pursued under the NET4GAS Closer to Nature scheme, therefore derives from this fact.

In 2010, the Company moved closer to nature again. Together with Český svaz ochránců přírody [Czech Union of Nature Conservation], of which the Company has been the General Partner since 2007, it refurbished and opened for the public another eight sites of great natural value (altogether as many as 39 so far), specifically the Choryňský mokřad [Choryňský Wetland] nature reserve (in the Vsetín okres), the Vodní svět [Water World] nature trail in Lesná (in the Tachov district), the Poustka site in Pozoří (in the Brno district), Skalka in Kunčice in the Beskydy Mountains (in the Frýdek-Místek district), the Sudslavický okruh [Sudslavický Ring] nature trail in Vimperk (in the Prachatice district), the Žákova hora site in Cikháj (in the Žďár nad Sázavou district), the Mojžíšův pramen – Císařský kámen [Moses' Spring and Emperor's Stone] nature trail (in the Liberec district), and the Semanínská stezka [Semanín Trail] in the Ústí nad Orlicí district. With the Company's support, the DAPHNE ČR – Institut aplikované ekologie civic association continued in its Revitalizace rašelinišť [Peat Bog Revitalisation] project in Krušné hory, the purpose of which is to revitalise the original peat bog ecosystems as an important element of the Krušné hory natural environment, specifically on the Cínovecký hřbet [Cínovec Ridge], U jezera [At the Lake] and Velké tetřeví tokaniště [The Great Grouse Lek] sites.

Under its NET4GAS Closer to Nature scheme, in 2010 the Company also supported some other projects,



for example, TEREZA Association, for which it has become the Main Partner, the Společnost Renata civic association and a project for children, Jak chránit přírodu [How to Protect Nature], the activity of the Slováček children's folklore ensemble and the construction of the Krušné hory Community House in Lesná.

The Company presents information about the opened sites and other interesting natural landmarks at www.blizprirode.cz.

Other programmes

As a good neighbour, NET4GAS regards it as its duty to contribute to the development of the areas of its operations. Sustainable development, which is one of the Company's objectives, is not viable without the good education and upbringing of our youngest generations, and help was therefore also directed to this area. And help to those who cannot do without help of others, i.e., disabled and senior citizens, was also an important part of the Company's corporate philanthropy in 2010.

3.6 Human Resources

As at 31 December 2010, the Company had 526 employees, i.e. 27 more than as at 31 December 2009. A total of 41 employees were recruited due to an increase in the amount of the activities that had earlier been provided by the RWE Group in the Czech Republic and that are now carried out in-house. Employment contracts with 14 employees were terminated due to early retirement.

In 2010, the average age of the Company's employees was 46.7 and has been continuously decreasing over the past few years.

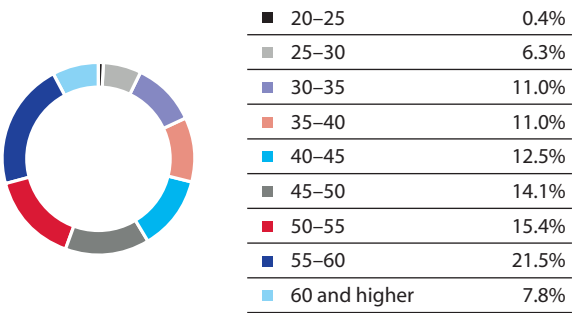
Social policy

At NET4GAS, employees work in accordance with the terms and conditions of a collective agreement effective for 2010 and 2011.

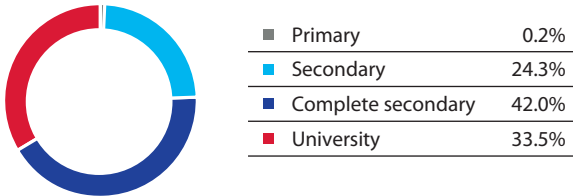
Professional training and career development

In 2010, the Company invested 3.36% of its 2010 payroll costs in the professional training of its employees in more than 1,100 training events. The average training costs per employee amounted to CZK 18,500.

Employee structure by age as at 31 December 2010



Employee structure by education as at 31 December 2010



3.7 Environmental Protection and Safety at Work

Environmental protection is one of the Company's priorities and is understood not only as compliance with statutory requirements but also, and above all, as an issue of corporate social responsibility to suppliers, trade partners, employees and all other stakeholders. The Company's management adopted an update of The Environment Policy in 2010. Environmental protection is reflected in all of the Company's processes and decisions. As part of their responsibilities and competences, all employees help to create the conditions for the conservation of the environment and adopt risk prevention measures to eliminate or mitigate risks. The Company sets its objectives and target values for environmental protection, and these are reviewed and evaluated on a regular basis.

NET4GAS supports exchange of information and open dialogue with all the stakeholders. It continuously enhances its employees' environmental awareness, educating and training them so that they have adequate knowledge of the applicable legal regulations, including the Company's governing documents. Thanks to this, employees are aware of the impacts of their activities, which can affect the Company's outputs that can affect the environment. The Company has pledged to implement, maintain and continuously improve its environmental management system under ISO 14001.

Compliance with health, safety and environment statutory regulations

The Company applies maximum responsibility for the environment. It pays special attention and adopts intensive measures with regard to air quality control, greenhouse gas emissions, waste management, water



management, and disposal of chemical substances and chemical preparations.

NET4GAS standards exceed even the applicable legislation in various areas. Specified operations have drawn up their emergency plans for cases of accidents that are set out in generally applicable legal regulations. We provide for the prevention of serious accidents through emergency preparedness at all of the Company's operations. Compressor stations were operated pursuant to the issued integrated permits throughout 2010. The Company also complied with the applicable legislation that concerns the Company as regards greenhouse gases, and duly reported its use of CO₂ allowances at all compressor stations.

The relevant authorities confirmed full compliance with legal standards and no penalties were charged. Health and safety at work are also among the key priorities of NET4GAS. Through its safety principles and an excellent track record, the Company demonstrates that it is one of the world's leading companies in this respect. The Company is running a number of programmes that actively contribute to increasing employee awareness and safety at work – for example, on-site checks focused on safe behaviour, and also procedures for preventive and effective use of the working environment are updated. NET4GAS safety principles and guidelines also apply to the Company's contractors and suppliers.

3.8 Subsequent Events

No other events having a material impact on the financial statements as at 31 December 2010 occurred after the balance sheet date. Changes in members of the Supervisory Board are disclosed in chapter 2 Report of the Supervisory Board for 2010.

4

FINANCIAL STATEMENTS



Financial Statements

4.1 Financial Statements

BALANCE SHEET

(in thousand Czech Crowns)

	31 December 2010		31 December 2009	
	Gross	Provision	Net	Net
TOTAL ASSETS	73,822,075	(11,002,515)	62,819,560	62,036,450
B. Fixed assets	59,055,301	(11,002,366)	48,052,935	49,522,057
B. I. Intangible fixed assets	285,866	(146,787)	139,079	94,608
B. I. 1. Research & development	74,842	(46,978)	27,864	33,378
2. Software	129,013	(96,711)	32,302	26,203
3. Royalties	5,630	(3,098)	2,532	1,444
4. Other intangible fixed assets	58,248	–	58,248	24,750
5. Intangible assets in the course of construction	18,133	–	18,133	8,833
B. II. Tangible fixed assets	58,767,435	(10,855,579)	47,911,856	49,427,449
B. II. 1. Land	176,928	–	176,928	172,225
2. Constructions	52,878,560	(8,583,497)	44,295,063	45,852,717
3. Equipment	5,098,892	(2,272,082)	2,826,810	3,033,434
4. Other tangible fixed assets	597	–	597	601
5. Tangible assets in the course of construction	594,535	–	594,535	368,472
6. Advances paid for tangible fixed assets	17,923	–	17,923	–
B. III. Long-term investments	2,000	–	2,000	–
B. III. 1. Investments in controlled entities / subsidiaries	2,000	–	2,000	–
C. Current assets	14,731,767	(149)	14,731,618	12,473,941
C. I. Inventories	32,178	–	32,178	43,278
C. I. 1. Raw materials	32,178	–	32,178	43,278
C. III. Short-term receivables	14,643,382	(149)	14,643,233	12,429,287
C. III. 1. Trade receivables	262,577	(149)	262,428	327,985
2. Receivables-controlling entities/subsidiaries	13,772,303	–	13,772,303	11,446,836
3. Taxes and state subsidies receivable	1,874	–	1,874	143,012
4. Short-term advances paid	11,455	–	11,455	25,184
5. Anticipated assets	539,668	–	539,668	381,425
6. Other receivables	55,505	–	55,505	104,845
C. IV. Financial assets	56,207	–	56,207	1,376
C. IV. 1. Cash in hand	2	–	2	375
2. Cash at bank	56,205	–	56,205	1,001
D. I. Accruals and deferrals	35,007	–	35,007	40,452
D. I. 1. Prepaid expenses	15,669	–	15,669	1,227
2. Accrued revenue	19,338	–	19,338	39,225

BALANCE SHEET – CONTINUED
(in thousand Czech Crowns)

	31 December 2010	31 December 2009
TOTAL LIABILITIES AND EQUITY	62,819,560	62,036,450
A. Equity	53,121,877	52,510,171
A. I. Share capital	46,792,965	46,792,965
A. I. 1. Share capital	46,792,965	46,792,965
A. II. Capital contributions	28,732	28,732
A. II. 1. Other capital contributions	28,732	28,732
A. III. Reserve funds and other reserves	1,274,014	1,041,673
A. III. 1. Statutory reserve fund	1,274,014	1,041,673
A. V. Profit (loss) for the current period (+/-)	5,026,166	4,646,801
B. Liabilities	9,681,413	9,526,279
B. I. Provisions	321,756	269,088
B. I. 1. Other provisions	321,756	269,088
B. II. Long-term liabilities	7,981,365	8,239,784
B. II. 1. Trade payables	3,461	2,543
2. Other liabilities	–	200
3. Deferred tax liability	7,977,904	8,237,041
B. III. Short-term liabilities	1,378,292	1,017,407
B. III. 1. Trade payables	494,534	306,743
2. Liabilities to employees	22,218	20,585
3. Liabilities for social security and health insurance	12,773	10,293
4. Taxes and state subsidies payable	177,624	107,792
5. Short-term advances received	407,569	384,709
6. Anticipated liabilities	190,420	92,814
7. Other payables	73,154	94,471
C. I. Accruals and deferrals	16,270	–
C. I. 1. Accruals	11,500	–
2. Deferred revenue	4,770	–



INCOME STATEMENT

(in thousand Czech Crowns)

		Accounting period	
		2010	2009
II.	Sales of production	10,298,125	9,958,875
II.	1. Sales of own products and services	10,260,848	9,931,715
	2. Own work capitalised	37,277	27,160
B.	Cost of sales	1,518,764	1,384,507
B.	1. Raw materials and consumables	153,245	137,188
B.	2. Services	1,365,519	1,247,319
+	Added value	8,779,361	8,574,368
C.	Staff costs	430,978	411,367
C.	1. Wages and salaries	305,478	303,063
C.	2. Emoluments of board members	140	270
C.	3. Social security and health insurance costs	105,677	90,844
C.	4. Other social costs	19,683	17,190
D.	Taxes and charges	25,646	28,068
E.	Depreciation of long-term assets	2,240,648	2,457,968
III.	Sale of long-term assets and raw materials	12,928	50,145
III.	1. Sale of long-term assets	12,890	49,369
	2. Sale of raw materials	38	776
F.	Net book value of long-term assets and raw materials sold	27,474	48,470
F.	1. Net book value of long-term assets sold	27,474	39,940
	2. Net book value of raw materials sold	–	8,530
G.	Increase / (decrease) in operating provisions	48,732	198,664
IV.	Other operating income	32,940	52,646
H.	Other operating charges	70,576	93,867
*	Operating result	5,981,175	5,438,755
IX.	Gain on revaluation of securities and derivatives	290,669	501,811
L.	Loss on revaluation of securities and derivatives	232,352	377,421
X.	Interest income	187,437	305,443
N.	Interest expense	98	74
XI.	Other financial income	139,781	379,376
O.	Other financial expense	162,220	423,304

INCOME STATEMENT – CONTINUED

(in thousand Czech Crowns)

		Accounting period	
		2010	2009
*	Financial result	223,217	385,831
Q.	Tax on profit or loss on ordinary activities	1,178,226	1,177,785
Q.	1. – current	1,437,363	1,511,327
	2. – deferred	(259,137)	(333,542)
**	Profit or loss on ordinary activities after taxation	5,026,166	4,646,801
***	Net profit (loss) for the financial period	5,026,166	4,646,801
***	Net profit (loss) before taxation	6,204,392	5,824,586

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2010

	Share capital	Statutory reserve fund	Retained earnings	Other capital funds	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
As at 1 January 2009	46,792,965	816,261	4,508,233	28,732	52,146,191
Contributions to reserve fund	–	225,412	(225,412)	–	–
Profit distribution paid	–	–	(4,282,821)	–	(4,282,821)
Net profit for the current period	–	–	4,646,801	–	4,646,801
As at 31 December 2009	46,792,965	1,041,673	4,646,801	28,732	52,510,171
Contributions to reserve fund	–	232,341	(232,341)	–	–
Profit distribution paid	–	–	(4,414,460)	–	(4,414,460)
Net profit for the current period	–	–	5,026,166	–	5,026,166
As at 31 December 2010	46,792,965	1,274,014	5,026,166	28,732	53,121,877

CASH FLOW STATEMENT

Year ended 31 December 2010

CASH FLOWS FROM OPERATING ACTIVITIES		2010	2009
		CZK'000	CZK'000
Net profit on ordinary activities before tax		6,204,392	5,824,586
A.1	Adjustments for non-cash movements:		
A.1.1	Depreciation of fixed assets	2,240,648	2,457,968
A.1.2	Change in provisions	48,732	198,664
A.1.3	(Profit)/loss from disposal of fixed assets	14,584	(9,429)
A.1.4	Net interest expense/(income)	(187,339)	(305,369)
A.1.5	Change in fair value of financial derivatives	37,239	(123,851)
A*	Net cash flow from operating activities before tax, changes in working capital	8,358,256	8,042,569
A.2	Working capital changes:		
A.2.1	Change in receivables and prepayments and accrued income	(1,513,299)	(815,420)
A.2.2	Change in short-term payables and accruals and deferred income	224,958	(380,689)
A.2.3	Change in inventories	11,100	6,628
A**	Net cash flow from operating activities before tax	7,081,015	6,853,088
A.3	Interest paid	(98)	(74)
A.4	Interest received	207,324	275,023
A.5	Income tax on ordinary activities paid	(1,296,225)	(1,737,884)
A***	Net cash flow from operating activities	5,992,016	5,390,153
CASH FLOWS FROM INVESTING ACTIVITIES		2010	2009
		CZK'000	CZK'000
B.1	Acquisition of fixed assets	(624,866)	(438,029)
B.2	Proceeds from the sale of fixed assets	12,890	49,369
B***	Net cash flow from investing activities	(611,976)	(388,660)
CASH FLOWS FROM FINANCING ACTIVITIES		2010	2009
		CZK'000	CZK'000
C.1	Change in long- and short-term liabilities	718	(2,313)
C.2	Changes in equity:		
C.2.1	Profit distribution paid	(4,414,460)	(4,282,821)
C***	Net cash flow from financing activities	(4,413,742)	(4,285,134)
	Net increase/(decrease) in cash and cash equivalents	966,298	716,359
	Cash and cash equivalents as at the beginning of the year	4,112,212	3,395,853
	Cash and cash equivalents as at the end of the year	5,078,510	4,112,212

4.2 Notes to the Financial Statements

1. GENERAL INFORMATION

NET4GAS, s.r.o. (“the Company”), was incorporated on 29 June 2005 and has its registered office at Praze 4-Nusle, Na Hřebenech II 1718/8, Czech Republic. The Company’s main business activity is natural gas transportation in accordance with the Act No. 458/2000 Coll., on conditions for undertaking the business and for the execution of state administration in the energy sector and on changes to certain decrees. Identification number of the Company is 27260364.

In 2010, there was a change in the name of the Company from RWE Transgas Net, s.r.o. to NET4GAS, s.r.o. The change was incorporated into Commercial Register on 4 March 2010.

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

	Position	Date of appointment
Mr. Thomas Kleefuss	Statutory Representative	1 January 2006
Mr. Jan Nehoda	Statutory Representative	1 January 2006

The members of the Supervisory Board as at 31 December 2010 were as follows:

	Position	Date of appointment
Mr. Martin Friedrich Herrmann	Vice-Chairman	16 January 2007 (appointed as a member from 22 Dec. 2006)
Mr. Jürgen Grönner	Member	4 February 2010
Mr. Martin Muhr	Member	23 December 2010
Ms. Šárka Vojíková	Member	22 December 2006
Mr. Jan Zaplatílek	Member	22 December 2006

During 2010 the following changes in the statutory bodies of the Company were made: Mr Joachim

Schneider and Mr Andreas Böwing resigned from their position of member of the Supervisory Board as of 3 February 2010. Mr Jürgen Grönner and Mr Ulrich Jobs were appointed as members of the Supervisory Board effective as of 4 February 2010. Mr Dirk Simons resigned from the Supervisory Board effective as of 13 August 2010 and Mr Dominik Asam was appointed as a member of the Supervisory Board as of 14 August 2010. Mr Ulrich Jobs and Mr Dominik Asam resigned from the Supervisory Board effective as of 15 December 2010. Mr Martin Muhr was appointed as a member of the Supervisory Board effective as of 23 December 2010. Mr Andreas Böwing was appointed as a member of the Supervisory Board on 3 February 2011. As of 31 December 2010, the position of Chairman of the Supervisory Board was vacant.

The Company is organized as follows:
The general meeting 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:

Capacity & Finance and Asset Management. 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 except as disclosed below. Derivatives and securities (except for investments in controlled entities/subsidiaries) 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.

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 method 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 during the useful life of the intangible fixed assets based on the expected useful life.

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

Technical improvements of intangible fixed assets exceeding CZK 40,000 per year are capitalised.

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 price. In case of shortage of emission rights at the year end a provision is established for expected consumption in the following year.

A provision 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.

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

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

Buildings and constructions	45–70 years
Machinery and equipment	4–40 years
Furniture and fittings	4–8 years
Motor vehicles	5–8 years

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

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.

Tangible 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.

Repairs and maintenance expenditures of tangible fixed assets are expensed as incurred. Technical improvements of tangible fixed assets exceeding CZK 40,000 per year are capitalised.

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

d) Subsidies

The Company accounts for the subsidies in the moment of their receipt or 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) Investments in controlled entities/subsidiaries

Investments in controlled entities/subsidiaries represent ownership interests in enterprises that are controlled by the Company ("the subsidiary").

Investments in controlled entities/subsidiaries are recorded at cost less a provision for diminution in value.

f) Inventories

Raw materials are mainly spare parts for the gas pipeline network. Inventories are stated at the lower of cost and net realizable amount. The cost includes the appropriate overheads incurred to bring the inventory to its present condition and location (mainly transport, customs duty, etc.). The weighted average cost method is applied for all disposals.

g) Receivables

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

h) Cash and cash equivalents

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 3 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.

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

j) Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options and other derivative financial

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

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

k) Revenue recognition

The Company recognizes as revenue all income from fees collected for the transit and domestic gas transportation across the Czech Republic. Sales are stated net of discounts and Value Added Tax.

l) Provisions

The Company recognizes provisions relating to probable future obligations or expenditures, when the purpose of the obligations or expenditures is known but the precise amount, or the time when the obligation or expenditure will crystallise, is not known. However, provisions are not created for regular future operating expenditures or for expenditures directly related to future revenue transactions. The Company also recognizes tax deductible provisions relating to significant future repairs of fixed assets as defined by the Act on Reserves. The Company recognizes 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 recognized as a short-term receivable.

m) 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 independent pension funds.

n) Deferred tax

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

o) Related parties

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

- parties, of which the Company is a subsidiary or an associate, directly or indirectly, and other subsidiaries and associates of these parties; 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; and/or
- subsidiaries.

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

p) Subsequent events

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

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

3. INTANGIBLE FIXED ASSETS

Cost

	1 January 2010	Additions	Transfers	Disposals	31 December 2010
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Research & development	70,848	–	4,582	(588)	74,842
Software	128,788	–	23,784	(23,559)	129,013
Royalties	3,888	–	1,742	–	5,630
Intangible fixed assets in the course of construction	8,833	39,408	(30,108)	–	18,133
Emission rights	24,750	69,609	–	(36,111)	58,248
Total	237,107	109,017	–	(60,258)	285,866

During 2010 the Company did neither purchase nor sell any emission rights.

Accumulated amortisation and net book value

	1 January 2010	Additions	Disposals	31 December 2010
	CZK'000	CZK'000	CZK'000	CZK'000
Research & development	(37,470)	(9,940)	432	(46,978)
Software	(102,585)	(17,406)	23,280	(96,711)
Royalties	(2,444)	(654)	–	(3,098)
Total	(142,499)	(28,000)	23,712	(146,787)
Net book value	94,608			139,079

Cost

	1 January 2009	Additions	Transfers	Disposals	31 December 2009
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Research & development	82,150	–	9,172	(20,474)	70,848
Software	147,841	–	10,978	(30,031)	128,788
Royalties	4,461	–	–	(573)	3,888
Intangible fixed assets in the course of construction	8,233	20,750	(20,150)	–	8,833
Emission rights	27,171	52,282	–	(54,703)	24,750
Advances paid for intangible fixed assets	–	3,094	(3,094)	–	–
Total	269,856	76,126	(3,094)	(105,781)	237,107

During 2009 the Company did neither purchase nor sell any emission rights.

Accumulated amortisation and net book value

	1 January 2009	Additions	Disposals	31 December 2009
	CZK'000	CZK'000	CZK'000	CZK'000
Research & development	(42,972)	(8,983)	14,485	(37,470)
Software	(100,804)	(24,337)	22,556	(102,585)
Royalties	(1,997)	(651)	204	(2,444)
Total	(145,773)	(33,971)	37,245	(142,499)
Net book value	124,083			94,608

4. TANGIBLE FIXED ASSETS

Cost

	1 January 2010	Additions	Transfers	Disposals	31 December 2010
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Land	172,225	–	8,256	(3,553)	176,928
Constructions	52,899,862	–	190,535	(211,837)	52,878,560
Equipment	5,140,489	–	277,274	(318,871)	5,098,892
Other tangible fixed assets	601	–	–	(4)	597
Tangible fixed assets in the course of construction	368,472	702,128	(476,065)	–	594,535
Advances paid for tangible fixed assets	–	89,039	–	(71,116)	17,923
Total	58,581,649	791,167	–	(605,381)	58,767,435

Accumulated depreciation, impairment and net book value

	1 January 2010	Additions	Disposals	31 December 2010
	CZK'000	CZK'000	CZK'000	CZK'000
Constructions	(7,033,795)	(1,721,269)	180,867	(8,574,197)
Equipment	(2,107,055)	(483,618)	318,591	(2,272,082)
Impairment of constructions	(13,350)	(9 300)	13,350	(9,300)
Total	(9,154,200)	(2,214,187)	512,808	(10,855,579)
Net book value	49,427,449			47,911,856

Cost

	1 January 2009	Additions	Transfers	Disposals	31 December 2009
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Land	125,618	–	49,570	(2,963)	172,225
Constructions	52,892,691	–	19,203	(12,032)	52,899,862
Equipment	5,120,130	–	68,799	(48,440)	5,140,489
Other tangible fixed assets	1,139	–	–	(538)	601
Tangible fixed assets in the course of construction	120,888	385,156	(137,572)	–	368,472
Advances paid for tangible fixed assets	–	1,470	–	(1,470)	–
Total	58,260,466	386,626	–	(65,443)	58,581,649

Accumulated depreciation, impairment and net book value

	1 January 2009	Additions	Disposals	31 December 2009
	CZK'000	CZK'000	CZK'000	CZK'000
Constructions	(5,239,072)	(1,796,550)	1,827	(7,033,795)
Equipment	(1,515,584)	(626,004)	34,533	(2,107,055)
Impairment of constructions	(14,500)	–	1,150	(13,350)
Total	(6,769,156)	(2,422,554)	37,510	(9,154,200)
Net book value	51,491,310			49,427,449

5. INVESTMENTS IN CONTROLLED ENTITIES / SUBSIDIARIES

The company BRAWA, a.s., with its registered office at Rubešova 162/8, Praha 2-Vinohrady, was incorporated based on a notary deed effective as of 27 October 2010. The Company was registered in the Commercial Register maintained by the Regional Court in Prague, section B, insert 16622 based on the order of the Regional Court in Prague, which came into force on 10 November 2010. The sole shareholder of the Company is NET4GAS, s.r.o. The share capital is CZK 2,000,000 and was fully paid as at 10 November 2010.

As at 31 December 2010:

	Number of shares	Nominal value	Cost	Carrying value	% of capital
			CZK'000	CZK'000	
Czech entity					
BRAWA, a.s.	2,000	CZK 1,000	2,000	2,000	100

6. RECEIVABLES

		31 December 2010	31 December 2009
		CZK'000	CZK'000
Trade receivables	– current	262,306	327,833
	– overdue	271	188
		262,577	328,021
Other receivables	– current	13,841,137	11,719,877
Anticipated assets		539,668	381,425
Provision for doubtful receivables		(149)	(36)
Net book value of short-term receivables		14,643,233	12,429,287

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

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 13,772,303,000 (from which CZK 8,750,000,000 are due after three months) and receivables from financial derivatives in the amount of CZK 49,654,000.

7. EQUITY

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

The statutory reserve fund is created from the profit of the Company according to law and may not be distributed to shareholders, but may be used to offset losses.

The sole shareholder approved the financial statements for 2009 and decided about the allocation of profit of CZK 4,646,801,000 on 17 March 2010.

8. PROVISIONS

	Income tax provision	Other	Total
	CZK'000	CZK'000	CZK'000
Opening balance as at 1 January 2009	83,547	69,310	152,857
Charge for the year	–	221,443	221,443
Released in the year	–	(1,146)	(1,146)
Used in the year	(83,547)	(20,519)	(104,066)
Closing balance as at 31 December 2009	–	269,088	269,088
Charge for the year	–	187,282	187,282
Released in the year	–	(36,986)	(36,986)
Used in the year	–	(97,628)	(97,628)
Closing balance as at 31 December 2010	–	321,756	321,756

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

Other provisions contain provision for restructuring, employment benefits and share option bonus plan.

9. LIABILITIES

		31 December 2010	31 December 2009
		CZK'000	CZK'000
Trade payables	– current	494,534	306,743
Short-term advances received		407,569	384,709
Other payables	– current	285,769	233,141
Anticipated liabilities		190,420	92,814
Total short-term payables		1,378,292	1,017,407
Trade payables		3,461	2,543
Other long-term payables		–	200
Deferred tax liability*		7,977,904	8,237,041
Total long-term liabilities		7,981,365	8,239,784
Total short-term and long-term liabilities		9,359,657	9,257,191

* See Note 11 Income tax

Short-term advances represent mainly prepayments received for gas transit.

Other short-term liabilities as of 31 December 2010 included mainly liabilities arising from financial derivatives in the amount of CZK 42,066,000, grants received from the European Commission based Commission Decision concerning the granting of Union financial aid in the field of Regulation (EC) No. 663/2009 for Gas and Electricity Interconnectors. Grant in the amount of CZK 27,633,000 was provided for Action no. EEPR-2009-INTg-RF-CZ-01 – SI2.568090 / SI2.568097 / SI2.568099 / SI2.568101 / SI2.568105 / SI2.568107 and grant in the amount of CZK 43,616,000 for Action no. EEPR-2009-INTg-RF-CZ-02 – SI2.564516; EEPR-2009-INTg-RF-CZ-PL – SI2.567654 / SI2.567657 / SI2.567662. Furthermore, there are other liabilities in the amount of CZK 172,454,000.

The Company had no overdue liabilities as at 31 December 2010 and 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 and none of them are due after more than 5 or more years.

Taxes and state subsidies include CZK 53,478,000 of emission rights not consumed by that date (in 2009: CZK 24,751,000).

10. DERIVATIVE FINANCIAL INSTRUMENTS

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

Trading derivatives:

	31 December 2010			31 December 2009		
	Fair value		Notional amount	Fair value		Notional amount
	Positive	Negative		Positive	Negative	
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Currency forwards	43,349	(39,789)	(2,037,259)	104,780	(59,953)	(5,662,892)
Currency swaps	6,305	(2,277)	(260,393)	–	–	–

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

The notional amount of derivatives has been translated at the exchange rate published by the Czech National Bank as at the balance sheet date.

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

	2010	2009
	CZK'000	CZK'000
Changes in fair value of derivative instruments	58,317	124,390
Gains from forward instruments	77,467	299,184
Losses from forward instruments	(84,500)	(322,346)
Gains from swap instruments	–	–
Losses from swap instruments	(2,843)	–
Total	48,441	101,228

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	2009
	CZK'000	CZK'000
Current tax expense	1,443,886	1,510,960
Deferred tax expense	(259,137)	(333,542)
Adjustment of prior year income tax expense based on the actual tax return	(6,523)	367
Total income tax	1,178,226	1,177,785

Current tax can be analysed as follows:

	2010	2009
	CZK'000	CZK'000
Net profit before taxation	6,204,392	5,824,586
Non-taxable revenues	(42,525)	(7,722)
Difference between accounting and tax depreciation/amortisation	1,301,620	1,482,441
Non-deductible costs	142,298	272,670
Gifts	(6,383)	(16 783)
Tax base	7,599,402	7,555,192
Corporate income tax rate	19 %	20 %
Corporate taxation	1,443,886	1,511,038
Tax discount	–	(78)
Tax to be paid	1,443,886	1,510,960

The deferred tax was calculated at 19% (the rate enacted for 2010 and subsequent years).

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

	31 December 2010	31 December 2009
	CZK'000	CZK'000
Deferred tax liability:		
Difference between carrying value accounting and tax base of fixed assets	(8,039,038)	(8,287,301)
Deferred tax asset:		
Other provisions and allowances	61,134	50,260
Net deferred tax liability	(7,977,904)	(8,237,041)

12. REVENUE ANALYSIS

Revenue from operating activities:

		2010	2009
		CZK'000	CZK'000
Transportation	– transit – foreign	7,792,139	7,319,909
	– transport – domestic	2,407,376	2,505,574
Other		61,333	106,232
Total sales of production		10,260,848	9 913 715
Sale of long-term assets and raw materials		12,928	50,145
Other operating income		32,940	52,646
Total		10,306,716	10,034,504

13. EMPLOYEES

Employee numbers	2010	2009
Members of Statutory bodies who are employees	1	1
Average number of other members of management	8	6
Average number of other staff	510	495
Total	519	502

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

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

	Management	Other staff	Total
	CZK'000	CZK'000	CZK'000
2010			
Wages and salaries	23,992	281,486	305,478
Emoluments of board members	140	–	140
Social security and health insurance costs	5,157	100,520	105,677
Other social costs	212	19,471	19,683
Total	29,501	401,477	430,978
2009			
Wages and salaries	26,550	276,513	303,063
Emoluments of board members	270	–	270
Social security and health insurance costs	3,056	87,788	90,844
Other social costs	146	17,044	17,190
Total	30,022	381,345	411,367

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

14. RELATED PARTY TRANSACTIONS

Profit/loss transfer agreement was concluded with RWE Transgas, a.s. on 29 June 2006. 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	2009
	CZK'000	CZK'000
Purchases:		
RWE Transgas, a.s. (services)	637,564	650,823
RWE Interní služby, s.r.o. (services)	218,011	238,872
RWE Aktiengesellschaft (financial instruments, services)	330,165	704,063
RWE Plynoprojekt, s.r.o. (services, fixed assets)	56,623	44,842
Other RWE Group companies	6,711	53,254
Total purchases	1,249,074	1,691,854
Sales:		
Transportation (transit and domestic transport):		
RWE Transgas, a.s.	8,016,764	8,075,307
Regional distributors within RWE Group	1,340,884	–
Regional gas traders within RWE Group	–	1,047,933
Total sales	9,357,648	9,123,240
Other sales:		
RWE Transgas, a.s. (services, interests)	164,575	305,747
RWE Aktiengesellschaft (financial instruments)	368,137	800,996
RWE Gas Storage, s.r.o. (services, fixed assets)	29,127	97,758
Other RWE Group companies	9,609	12,498
Total other sales	571,448	1,216,999

All transactions were realized on arm's length basis.

The following related party balances were outstanding as at:

	31 December 2010	31 December 2009
	CZK'000	CZK'000
Trade receivables:		
RWE Transgas, a.s.	250,453	313,142
Other RWE Group companies	1,132	1,158
Total trade receivables	251,585	314,300
Advances paid:		
RWE Plynoprojekt, s.r.o.	–	15,600
Other RWE Group companies	976	474
Total advances paid	976	16,074
Anticipated assets:		
RWE Transgas, a.s.	311,740	272,604
RWE Gas Storage, s.r.o.	3,006	–
Other RWE Group companies	151,430	86,213
Total anticipated assets	466,176	358,817
Other receivables (from derivatives):		
RWE Aktiengesellschaft	49,654	104,780
Cash-pooling receivables:		
RWE Transgas, a.s.	13,772,303	11,446,835
Total receivables	14,540,694	12,240,806

	31 December 2010	31 December 2009
	CZK'000	CZK'000
Trade payables:		
RWE Transgas, a.s.	144,053	123,027
RWE Interní služby, s.r.o.	39,432	20,661
Other RWE Group companies	6,109	21,255
Total trade payables	189,595	204,984
Advances received:		
RWE Transgas, a.s.	188,570	233,379
Other RWE Group companies	133,938	86,213
Total advances received	322,508	319,592
Anticipated payables:		
RWE Transgas, a.s.	–	58,818
RWE Interní služby, s.r.o.	25,210	3,970
Other RWE Group companies	362	466
Total anticipated payables	25,572	63,254
Other payables (from derivatives):		
RWE Aktiengesellschaft	42,066	59,953
Total payables	579,741	647,783

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.

Company cars are made available for use by board members and other management in total acquisition costs of CZK 11,356,000 (2009: CZK 9,565,000).

The Company provides foreign members of management with accommodation, in 2010 rent totalled CZK 1,588,000 (2009: CZK 1,626,000).

Share option bonus plan has been created for the management, in 2010 provision for this plan was created in the amount of CZK 5,936,000 (2009: CZK 6,440,000).

Besides the above disclosed remuneration and benefits, there was no other cash or non-cash consideration provided in 2010 and 2009 to members of the Company's boards and management.

15. FEES PAID AND PAYABLE TO THE AUDIT COMPANY

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 parent company.

16. COMMITMENTS

Capital commitments contracted by the Company as at 31 December 2010 were CZK 4,553,354,000 mainly related to the construction of Gazelle pipeline (31 December 2009: CZK 11,168,000).

17. CONTINGENT LIABILITIES

The Company issued guarantees in the amount of CZK 38,673,000 as at 31 December 2010.

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

18. CASH FLOW STATEMENT

Cash and cash equivalents disclosed in the cash flow statement:

	31 December 2010	31 December 2009
	CZK'000	CZK'000
Cash on hand and in transit	2	375
Cash in bank	56,205	1,001
Receivable/(liability) arising from cash-pooling	5,022,303	4,110,836
Cash and cash equivalents	5,078,510	4,112,212

19. SUBSEQUENT EVENTS

Changes in members of the Supervisory Board are disclosed in Note 1 General information.

Otherwise 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



Thomas Kleefuss
Statutory Representative



Jan Nehoda
Statutory Representative



5

INDEPENDENT AUDITOR'S REPORTS



Independent Auditor's Reports

5.1 Auditor's Report on Financial Statements

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF NET4GAS, S.R.O.

We have audited the accompanying financial statements of NET4GAS, s.r.o., identification number 272 60 364, with registered office at Na Hřebenech II 1718/8, Praha 4-Nusle ("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

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.

(c) 2011 PricewaterhouseCoopers Audit, s.r.o. All rights reserved. "PwC" is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these firms form the PwC network. Each firm in the network is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way.



SHAREHOLDER OF NET4GAS, 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

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

Tomáš Bašta
Statutory Auditor, Licence No. 1966

Note

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



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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF NET4GAS, S.R.O.

We have audited the financial statements of NET4GAS, s.r.o., identification number 27260364, with registered office at Na Hřebenech II 1718/8, Praha 4-Nusle ("the Company") for the year ended 31 December 2010 disclosed in the annual report on pages 29–50 and issued the opinion dated 10 February 2011 and disclosed on pages 54–55.

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.

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

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.

(c) 2011 PricewaterhouseCoopers Audit, s.r.o. All rights reserved. "PwC" is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these firms form the PwC network. Each firm in the network is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way.



SHAREHOLDER OF NET4GAS, 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.

11 April 2011

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

Tomáš Bašta
Statutory Auditor, Licence No. 1966

Note

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

6

REPORT OF THE COMPANY ON
RELATIONS BETWEEN RELATED PARTIES
AS AT 31 DECEMBER 2010

Report of the Company on Relations between Related Parties as at 31 December 2010

Since NET4GAS, s.r.o. (hereinafter “the Company”) as a controlled person did not enter into any controlling agreement effective in 2010, the Company has, in compliance with 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 “the 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 within the same time limit 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. with its registered office at Limuzská 12/3135, Praha 10, Post Code 100 98, Company No. 26460815, which was the sole member of the Company

b) Indirectly

RWE Gas International B.V. with its registered office at Diamantlaan 15, 2132 WV Hoofddorp, Kingdom of the Netherlands, which was the sole shareholder of RWE Transgas, a.s., and
RWE Aktiengesellschaft (hereinafter “RWE AG”) with its registered office at Opernplatz 1, 45128 Essen, Germany, which was the sole shareholder 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. 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 reason 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

On the basis of a notarial record, BRAWA, a.s., with its registered office at Rubešova 162/8, Praha 2 – Vinohrady, was established on 27 October 2010. Under a resolution of the Municipal Court in Prague, the company was registered in the Companies Register maintained by the Municipal Court in Prague, Part B, File 16622. The resolution became final on 10 November 2010. The sole shareholder is NET4GAS, s.r.o. The registered capital is CZK 2,000,000 and it was fully paid up as of 10 November 2010. 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 adopted in the interest or upon suggestion of Related Parties, which were executed or adopted in or before the past accounting period.

7 Confidentiality

This Report contains no data which is subject to the Company’s business secret.

8 Conclusion

This Report was approved by the Company’s Managing Directors on 3 March 2011 and it was presented for review to the Supervisory Board and the Company’s auditor, who reviews the financial statements under a separate law.

Prague, 17 March 2011



Thomas Kleefuss
Managing Director



Jan Nehoda
Managing Director

Appendix 1:
Agreements entered into by and between the Company
and Related Parties in the last accounting period

Contracting party	Type of agreement / Purpose of agreement	Number of agreements
BRAWA, a.s.	Letter of Intent on a contribution of a part of the business	1
Jihomoravská plynárenská, a.s.	Addendum No. 2 to the agreement on combined gas supply services	1
	Addendum No. 3 to the agreement on combined gas supply services	1
RWE Energie, a.s.	Agreement on combined gas supply services	1
RWE GasNet, s.r.o.	Gas transmission agreement	1
	Agreement on connection to the transmission system	1
	Agreement to enter into a purchase agreement and on consent to the erection of a structure	1
	Purchase contract	1
	Purchase orders	3
RWE Gas Storage, s.r.o.	Agreement on connection to the transmission system	1
	Agreement on the provision of operating control services	1
	Addendum No. 1 to the Agreement on the provision of operating control services	1
	Addendum No. 3 to the Agreement on servicing and engineering activities at the UGS facilities	1
	Addendum No. 4 to the Agreement on servicing and engineering activities at the UGS facilities	1
	Addendum No. 1 to the Natural Gas Sales Agreement (2010)	1
	Natural Gas Sales Agreement (2010) II	1
	Addendum No. 1 to the Natural Gas Sales Agreement (2010) II	1
	Addendum No. 2 to the Natural Gas Sales Agreement (2010) II	1
	Addendum No. 1 to the Agreement on lease of non-residential premises	1
	Addendum No. 2 to the Agreement on lease of non-residential premises	1
	Addendum No. 3 to the Agreement on lease of non-residential premises	1
	Easement agreement	1
RWE Interní služby, s.r.o.	Addendum No. 3 to the Agreement on the provision of procurement and logistics services	1
	Addendum No. 4 to the Agreement on the provision of facility management services	1
	Addendum No. 5 to the Agreement on the provision of facility management services	1
	Addendum No. 6 to the Agreement on the provision of facility management services	1
	Addendum No. 3 to the Agreement on the provision of IT services	1
	Addendum No. 4 to the Agreement on the provision of IT services	1

Contracting party	Type of agreement / Purpose of agreement	Number of agreements
RWE Interní služby, s.r.o.	Addendum No. 5 to the Agreement on the provision of IT services	1
	Addendum No. 2 to the Agreement on the provision of fleet management services	1
	Addendum No. 4 to the Agreement on the provision of cell and IP telephone lease, logistics and accounting services	1
	Agreement on assignment of rights and assumption of obligations	2
	Purchase contract	1
	Addendum No. 3 to the Agreement on lease of non-residential premises	1
	Addendum No. 4 to the Agreement on lease of non-residential premises	1
	Addendum No. 1 to the Agreement on the provision of electronic communications services	1
	Purchase orders	1
RWE Plynoprojekt, s.r.o.	Contract for work	2
	Addendum No. 1 to the Contract for work	1
	Addendum No. 1 to the Agreement on lease of non-residential premises	1
	Land Permission + Building Permission Design Agreement	1
	Purchase orders	9
RWE Transgas, a.s.	Agreement on gas transit transmission	3
	Framework agreement on gas transmission	2
	Agreement on the provision of wheeling	10
	Natural gas sales agreement	1
	Agreement on flexibility services for 2011	1
	Addendum No. 3 to the Natural Gas Sale and Purchase Agreement	1
	Addendum No. 4 to the Natural Gas Sale and Purchase Agreement	1
	Purchase contract	5
	Agreement to terminate the Agreement on company catering	1
	Addendum No. 4 to the Agreement on lease of non-residential premises	1
	Addendum No. 5 to the Agreement on lease of non-residential premises	1
	Agreement to terminate the Agreement on internal audit services	1
	Addendum No. 3 to the Agreement on lease of a flat	1
	Agreement to terminate the Agreement on ArGUS consulting services	1
	Agreement to terminate the Agreement on security and protection services	1

Appendix 1: (continue)
Agreements entered into by and between the Company
and Related Parties in the last accounting period

Contracting party	Type of agreement / Purpose of agreement	Number of agreements
RWE Zákaznické služby, s.r.o.	Agreement on the provision of Call Centre services	1
Jihomoravská plynárenská, a.s.	Agreement on association - Operating lease	1
JMP Net, s.r.o.		
RWE Distribuční služby, s.r.o.		
RWE Energie, a.s.		
RWE GasNet, s.r.o.		
RWE Gas Storage, s.r.o.		
RWE Interní služby, s.r.o.		
RWE Key Account CZ, s.r.o.		
RWE Plynoprojekt, s.r.o.		
RWE Transgas, a.s.		
RWE Zákaznické služby, s.r.o.		
Severomoravská plynárenská, a.s.		
SMP Net, s.r.o.		
Východočeská plynárenská, a.s.		
VČP Net, s.r.o.		
RWE IT Czech s.r.o.		
Jihomoravská plynárenská, a.s.	Agreement on assignment of rights and obligations – provision of ArGUS consulting services	1
RWE Transgas, a.s.	Agreement on assignment of rights and obligations – provision of ArGUS consulting services	1
RWE Key Account CZ, s.r.o.		
RWE Transgas, a.s.	Agreement on assignment of rights and obligations – provision of ArGUS consulting services	1
RWE Plynoprojekt, s.r.o.		
RWE Transgas, a.s.	Agreement on assignment of rights and obligations – provision of ArGUS consulting services	1
RWE Distribuční služby, s.r.o.		
RWE Transgas, a.s.	Agreement on assignment of rights and obligations – provision of ArGUS consulting services	1
RWE Transgas, a.s.		
RWE Gas Storage, s.r.o.		

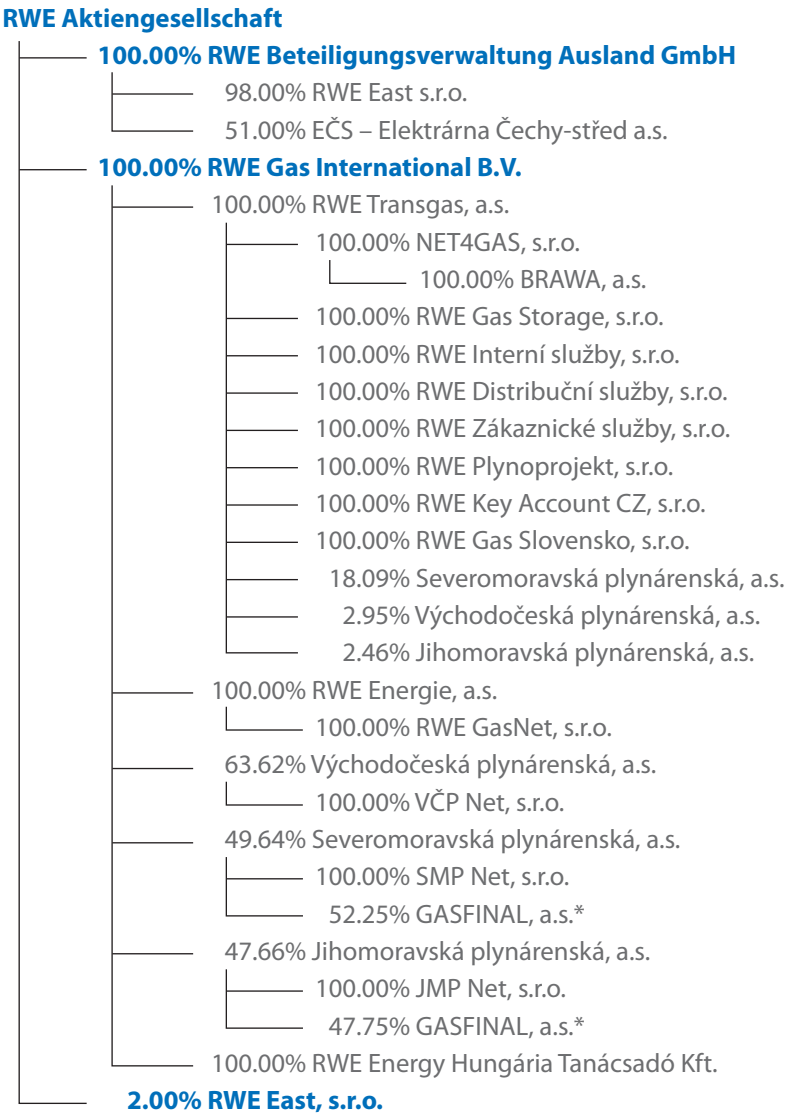




SCHEME OF THE RELATIONS BETWEEN
AND CONTROL OF COMPANIES ALONG THE
RELEVANT LINE WITHIN THE RWE GROUP
AS AT 31 DECEMBER 2010



Scheme of the Relations between and Control of Companies along the Relevant Line within the RWE Group as at 31 December 2010



* On 1 January 2011 the company entered into liquidation

NET4GAS Transmission Grid





Abbreviations Used

ITO – Independent Transmission Operator
HPS – Border Transfer Station/Hraniční předávací stanice
KS – Compressor Station/Kompresní stanice
PZP – Underground Gas Storage Facility (UGS)/Podzemní zásobník plynu
ČMI – Czech Metrology Institute/Český metrologický institut
LBL – Lanžhot–Baumgarten Leitung
ENTSO – European Network of Transmission System Operators for Gas
ACER – Agency for the Cooperation of Energy Regulators
MŽP – Ministry of the Environment/Ministerstvo životního prostředí
OBA – Operating Balance Agreement
EP – European Parliament
EEPR – European Energy Programme for Recovery

NET4GAS, s.r.o.

Na Hřebenech II 1718/8, 140 21 Prague 4-Nusle, Czech Republic
tel.: +420 220 221 111, fax: +420 220 225 498
www.net4gas.cz