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Jihomoravská plynárenská

ANNUAL REPORT 2009

RWE
The energy to lead

Key Ratios 2009 (CAS)

	2009
Total sales (CZK m)	19,152
EBITDA (CZK m)	1,340
Operating result (CZK m)	1,265
Profit before taxation (CZK m)	2,244
Profit after taxation (CZK m)	1,990
Investments (CZK m)	25
Number of employees (FTE)	715

The term “JMP” and “the Company” used in the text refers to the company name Jihomoravská plynárenská, a.s.

The term “JMP Net” and “Subsidiary” used in the text refers to the company name JMP Net, s.r.o.

Abbreviations used

a.s.	Public limited company	JMP Net	JMP Net, s.r.o.
AG	Aktiengesellschaft (public limited company)	KPI	key performance indicator
CAS	Czech Accounting Standards	MND	Moravské naftové doly, a.s.
DN	inner diameter	MO	Small business customers
DOM	Household customers	NTL	Low-pressure pipeline network
ERO	Energy Regulatory Office	PZ	Gas facilities
IFRS	International Financial Reporting Standards	RWE Transgas	RWE Transgas, a.s.
IS-U	Customer Information System	s.p.	State enterprise
IT	Information Technologies	s.r.o./spol. s r.o.	Limited liability company
JMP	Jihomoravská plynárenská, a.s.	STL	Medium-pressure pipeline network
JMP Group	consolidated venture of Jihomoravská plynárenská, a.s. and JMP Net, s.r.o.	VTL	High pressure (pressures up to 4 MPa)

SHOWER INSTEAD OF BATH

One full bathtub needs as much water as three to four refreshing showers.



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CLOSE THE WATER TAP

Shutting the faucet when washing or brushing teeth helps reduce water consumption.



1 THE CHAIRMAN 'S STATEMENT

Dear Shareholders, Ladies and Gentlemen,

In looking over the results of the company Jihomoravská plynárenská, a.s. activities in 2009, certain facts that accompanied JMP's performance during the reported year need to be mentioned. Sales of natural gas were affected by the consequences of the worldwide economic recession that caused a drop in gas consumption, particularly in the segment of large industrial customers. Competition in the entirely liberalized marketplace intensified, driven by an important decline of gas prices on short-term markets. Further, the total amount of natural gas sold in the year under review was affected by above-average warm weather in April and September when temperatures reached summer levels. Overall, the year-on-year decrease in natural gas sales amounted to 3.5%.

Gas supplies for JMP were secured by purchases from the supplier, RWE Transgas, a.s. smaller part was procured from Moravské naftové doly, a.s. ("MND"). Our decision to concentrate on maximum reliability in purchasing natural gas was proved correct, especially during the January gas crisis when we continued to provide supplies to all customers with no restrictions in a situation where the flow of Russian gas from Slovakia to Moravia was completely interrupted.

In 2009, competition activities found their way to all customer segments, causing a decrease in the total number of client's for the first time in JMP's history. JMP responded to this development promptly by devising marketing strategies that involved the creation and introduction of a number of new products intended to meet the needs of all types of customers with regard to both improving business terms and simplifying and accelerating communication. At the same time, we launched a reacquisition campaign, where the objective was to approach and bring back clients who have switched to other suppliers.

As regards network operation and the provision of network services, all the planned parameters were fulfilled. No extraordinary events took place in 2009, which would jeopardize the security and reliability of the distribution system operated by our subsidiary JMP Net, s.r.o. to which services were provided. Close attention was paid to work safety and environmental protection, where JMP mostly achieved positive results.



Inspection authorities (State Energy Inspection, Energy Regulatory Office, Financial Office) did not find any material deficiencies in JMP's business operations. Similarly, cooperation with all other partners, designers, investors, local governments, and other organizations was marked by maximum openness and a high level of professionalism.

In light of the conditions that existed a year ago, it should be noted that last year's developments proved correct the forecast predicting that the negative effects of the preceding year's situation and the extraordinary effect that worsened the financial results at the very end of 2008 would be compensated in 2009. In concluding this introduction, I am very pleased to say that this forecast has come true, as evidenced by the economic results of 2009.

I therefore want to take this opportunity to thank all JMP's employees for their work in the previous year.



Tomáš Tichý
Chairman of the Board of Directors

2 REPORT OF THE SUPERVISORY BOARD FOR 2009

In 2009, the Supervisory Board was composed of nine members who supervised activities carried out by the Board of Directors with regard to JMP's business and verified whether the Board of Directors proceeded in accordance with generally binding regulations, the Articles of Association, and resolutions of JMP's General Meetings.

During the year under review, the Supervisory Board held one extraordinary and four regular sessions and formed a quorum on all occasions. The Board of Directors regularly informed the Supervisory Board of JMP's current affairs, economic results, and financial situation. In doing so, the Board of Directors presented documents that were supplemented by verbal comments of its members during the Supervisory Board's discussions on individual matters.

The oversight activity of the Supervisory Board in the reported year mainly focused on:

- financial results, including ongoing updates of forecasts for 2009;
- monitoring the development of receivables and payables;
- the in-progress corporate restructuring, particularly its effectiveness from the viewpoint of the growing competition on the liberalized gas market in the Czech Republic, economic benefits, and compliance with legal regulations (Labor Code) and the Collective Agreement;
- preparation of the Annual General Meeting in 2009, including the review of JMP's Financial Statements and the JMP Group's Consolidated Financial Statements compiled as at 31 December 2008 and the Report of the Board of Directors compiled in accordance with Section 66a(9) of the Commercial Code;
- preparation of an Extraordinary General Meeting in 2009.

The Supervisory Board states that all activities of the Board of Directors were carried out in accordance with the Articles of Association and other generally binding regulations.

At its extraordinary meeting held on 17 September 2009, the Supervisory Board approved PricewaterhouseCoopers Audit, s.r.o. as the auditor of JMP's Financial Statements as at 31 December 2009; the auditor was subsequently approved by the General Meeting of JMP held on 2 December 2009.

On 22 March 2010, the Supervisory Board reviewed the Report of the Board of Directors compiled in accordance with Section 66a(9) of the Commercial Code and stated no objections regarding the completeness and content of this report. At the same meeting, the Supervisory Board discussed and reviewed JMP's Financial Statements as at 31 December 2009, including the Auditor's Report and the Profit Distribution Proposal for 2009.

Like the auditor, the Supervisory Board concluded that the submitted Financial Statements give a true and fair view of the financial position of JMP as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

The Supervisory Board recommends to the General Meeting to approve the Financial Statements as at 31 December 2009 and the Profit Distribution Proposal for 2009 submitted by the Board of Directors.

The Supervisory Board extends its thanks to all employees for their work for JMP in 2009.

Prague, 22 March 2010



Martin Herrmann
Chairman of the Supervisory Board

3 MANAGEMENT REPORT FOR 2009

3.1 JMP Profile

Jihomoravská plynárenská, a.s. started to operate as a trader with natural gas in consequence of the unbundling of the trading of natural gas and the transmission of this commodity in response to European Union regulations and the amended provisions of the Energy Act. JMP sells, distributes, and supplies natural gas to customers throughout the South Moravian, Zlín, and Vysočina Regions and in parts of the Olomouc and Pardubice Regions.

3.2 Results

Revenues, Expenses, Profit

In 2009, JMP earned CZK 1,989,677 thousand in net profit, a year-on-year increase by CZK 1,466,616 thousand (280.4%).

Profit before taxes in the reported year amounted to CZK 2,244,430 thousand, an increase by CZK 1,770,356 thousand (373.4%) compared to the year 2008. The value of natural gas sales margin was the most important factor that positively affected financial performance in 2009, followed by the release of a liability to SHARI COMMERCIAL S.A. into revenues.

Sales of natural gas and other services declined year-on-year by CZK 299,166 thousand (from CZK 19,451,453 thousand to CZK 19,152,287 thousand), mainly due to a lower price of gas.

Assets and Liabilities

The total balance of JMP's assets as at 31 December 2009 amounted to CZK 17,816,908 thousand, a year-on-year decrease by CZK 3,227,972 thousand. The most substantial decline in assets, by CZK 2,464,280 thousand, concerned short-term pre-paid items (i.e., advance payments made, in particular, for the purchase of natural gas); the most substantial decline in liabilities, by CZK 3,025,329 thousand, concerned anticipated liabilities.

Investments

During the year under review, JMP executed investment projects in accordance with the approved investment plan. We acquired assets with the total value of CZK 25,284 thousand; most investments were made into building reconstruction projects and purchases of equipment and machinery.

JMP executed all investment projects in the Czech Republic and financed them using its own resources.

The amount of funds allocated to planned investments has been optimized from the viewpoint of needs and resources until the year 2012. Projects foreseen in the approved mid-term plan mainly include investments into the buildings, equipment, and machinery. All investments will be made in the Czech Republic. The average annual value of planned investments into assets during 2010 to 2012 amounts to approximately CZK 25 million.

Research and Development

JMP does not carry out the research and development of new products and has not carried out research and development activities in the last three years.

Organizational Units of JMP

According to its incorporation data registered in the Commercial Register, JMP does not have any organizational units in the Czech Republic or abroad.

3.3 Gas Business

Gas Purchase

Like in previous years, JMP used two sources for purchasing natural gas. The key supplier was RWE Transgas that accounted for 95% of the total volume of purchased gas, and JMP bought the remaining 5% from MND. The dramatic situation on the European gas market during the gas crisis confirmed the reliability of RWE Transgas as a natural gas supplier. The needs of all customers were fulfilled with no restrictions in gas supplies.

Gas Sale

JMP supplied to its end customers 18,995,711 MWh of natural gas, a year-on-year decrease in sales of this commodity by 3.5%, which confirmed forecasts predicting that new gas traders entering the Czech natural gas market would result in the loss of some customers. This phenomenon, combined with the impact of the economic recession and the ensuing drop in industrial production, was most prevalent in the Key Account (Industrial) segment, where we registered a year-on-year decrease by as much as 7%. The year-on-year decrease in consumption was even more significant during the summer when natural gas was used for production purposes only.

A slight increase in annual consumption was recorded in the Small Business segment, mainly due to the transfer of some customers from other segments. In the Household segment, sales decreased by one percent. However, an important trend, which concerns the Household segment in particular, is a relatively high number of customers who have switched to other suppliers.

Sales and Purchase of Natural Gas (MWh)

	2009	2008
Purchase	18,976,018	19,703,884
Sales		
Key Account (industrial)	8,673,193	9,316,900
Small Business	2,822,052	2,772,642
Households	7,500,466	7,596,076
Total sales	18,995,711	19,685,618

Customers

As of 31 December 2009, JMP had 620,523 customers. In the course of the reported year, 20,181 clients took advantage of the possibilities offered by the entirely liberalized natural gas market and switched to a different supplier. Despite the fact that we acquired 2,858 new customers, mostly in the Household segment, there was a year-on-year decrease in the number of clients who receive natural gas supplies from JMP for the first time in JMP's history. This, however, is an expected outcome of the market liberalization process, where customers routinely change their supplier. The current situation on the domestic market allows customers to choose from several different suppliers.

Development of the Number of Customers

	2009	2008
Key Account (industrial)	1,801	1,932
Small Business	39,478	40,660
Households	579,244	595,254
Total	620,523	637,846

3.4 Business Activities**Network Operation Management Department**

As regards network operation management, JMP provides services relating to the administrative and technical activities carried out by the distribution system operator JMP Net. JMP's services include assessing gas and other structures as part of construction proceedings, defining conditions for connection to the distribution network, maintaining technical documents, and representing the owner of the distribution system in communicating with building authorities and in dealing with ownership issues concerning gas facilities.

Business Activities

In 2009, the Network Operation Management Department issued 34,775 assessments for construction proceedings, defined 5,853 conditions for connection to the distribution system, and took over the operation of 3,058 new or reconstructed gas facilities.

	2009
Assessments	34,775
Conditions for connection to the distribution system	5,853
Taken over gas facilities	3,058

Network Construction Department

The Network Construction Department is responsible for planning and executing construction projects for the RWE Group's regional distribution companies in the Czech Republic as part of the reconstruction of existing and construction of new gas facilities. Services provided by this department include the expert supervision of gas facility construction projects financed by other investors. In 2009, the department completed the planning of 54 projects worth approximately CZK 302 million and executed 124 projects of small and large scope, where the total value amounted to some CZK 375 million. The objective in the year 2010 is to improve efficiency and to continue to optimize individual processes and work tasks.

Most Important Projects

Extensive low- and medium-pressure pipeline reconstruction projects were executed for the regional distributor JMP Net in Kuřim, Prostějov, Hodonín, and Zlín.

Metering and Technical Services Department

Throughout the reported year, the Metering and Technical Services Department concentrated on improving processes and key performance indicators.

As regards the disconnection of defaulting customers, we succeeded in improving the "Termination by Estimate after 30 Days" parameter by 30% despite the fact that submitted disconnection requests increased by 20%, where this indicator amounted to 13% and 9% in 2008 and 2009, respectively. We managed to surpass the 10% limit, which is the new KPI value for the year 2010.

Centralizing meter reading operations for customers served on a collective basis into a single department proved very successful. Among other positive factors, this measure resulted in a considerable increase in the number of claims processed in a timely manner from 90% to 98.9%. The total number of claims processed in 2009 was 6,386.

In 2010, the department will focus on a further intensification of this trend by increasing the effectiveness and quality of provided services.

Network Documentation Department

The main responsibility of the Network Documentation Department is compiling and managing digital documents and plans, including technical, financial, and organization information on gas facilities. In 2009, 15,644 new structures and updated records were entered into the Graphic Information System (GIS). In addition, the department provides digital data on gas facilities to third parties. In 2009, we processed 6,435 data applications.

Network Operation and Maintenance Department and Dispatching Department

As in previous periods, the primary task of this division in 2009 was ensuring the effective and reliable operation of the distribution system and providing the gas supply service to end customers. The Network Operation and Maintenance Department was responsible for JMP's both strategic and routine management of the operation and maintenance of gas facilities as well as for technical dispatching services. The division carried out inspections, provided emergency services, repaired defects, and secured dispatching tasks for the high-pressure section of the distribution system.

In the first half of 2009, we completed a restructuring of the Network Operation and Maintenance Department, where the main objective was to optimize the JMP organizational structure. As part of the restructuring, the number of regional centers was reduced from 7 to 4 and the number of districts from 54 to 27. Operation districts and the newly created Specialist Department were managed from our Brno-based Competence Center.

Competence Center employees carried out inspections, maintenance, and repairs on 17,964 km of gas pipelines, 1,390 transfer and regulation stations, and 310 corrosion protection units. Active corrosion protection systems cover 3,254 km of the total length of pipelines operated by JMP.

In 2009, 40,385 and 38,274 defects were identified and repaired, respectively, including 19,422 and 18,047 gas leaks.

A number of pipeline defects resulting in an interruption of gas supplies to end customers were caused by third-party damage to gas facilities. In 2009, there were 114 such defects.

An important aspect of the distribution system security was providing a round-the-clock emergency service. During the year under review, the 1239 telephone line received 36,924 calls, where 5,858 necessitated an action on the part of the Emergency Service Team.

Dispatching Center employees secured the management and monitoring of the high-pressure system. In 2009, online systems monitored 66 transfer and regulating stations, and dispatching employees handled 106 defects at these facilities, which necessitated an action on the part of the emergency service staff.

Extraordinary Events

On 7 to 20 January 2009, majority of European states faced the so-called gas crisis, caused by disruption of gas transport through Ukraine and suspension of transit through the Czech Republic in the direction East – West. This unexpected crisis checked up readiness of all JMP's specialized departments with regard to unexpected situations and it verified the rules set up for resolving such extraordinary situations.

On 14 July 2009, a serious accident occurred on Křiby Street in Zlín, where a partial landslide in an urban area caused a rupture of a DN 200 medium-pressure steel pipeline. The leak was contained and a complicated repair of the conduit was performed. Additional preventive measures were taken to ensure that pipelines in the endangered locality can be operated safely in the future.

Other Activities

Competence Center employees managed two electricity production facilities that produced a total of 1,950 MWh in 2009.

As to third-party servicing for GE Jenbacher cogeneration units, we catered to 67 installations in the reported year. Newly installed cogeneration units are mainly used in biogas facilities.

3.5 Business, Marketing and Communication Activities

Marketing

Throughout 2009, the RWE Transgas Marketing Department, which is responsible for the centralized provision of marketing services for all regional gas companies of the RWE Group in the Czech Republic, continued to improve the product portfolio and services offered in all customer segments. The slogan "Always Better Services" was used as a central theme that permeated RWE's marketing activities all the way through the reported year.

Close attention was paid to Business and Retail customers, an area where key communication projects were executed, while we continued to focus on the Key Account segment, as well. A new product we introduced in 2009 was the expanded RWE ONLINE SERVIS, a free application that allows the efficient administration of client accounts, including sending invoices in electronic form and making changes in contractual data, from any computer without the need to visit a customer service center.

Other products newly offered in the reported year included the conduct of efficiency checks of boilers and air conditioning systems, the issue of energy efficiency certificates for buildings, and free consulting under the *Green Light for Savings* program. The trend of expanding and improving the product portfolio will continue in the upcoming period.

During the year under review, we also improved customer service in the Retail segment by expanding the business hours of the Customer Service Line to 24 hours a day, seven days a week. In addition, we embraced Skype as another modern communication means that allows customers to handle their requests.

One of the most important events in 2009 was the launch of RWE PREMIUM, a new program that allows customers in the Retail segment to receive high discounts from RWE's partners and to use special offers for a broad assortment of brand-name consumer suppliers. The program is based on long-term contracts between RWE and selected partners (SULKO, s.r.o., DEKTRADE, a.s., Viessmann, spol. s r.o., Karma Český Brod, a.s., Mora-top, s.r.o., and Energ, spol. s r.o.) whose products and services make up the core of the RWE PREMIUM program.

Marketing activities in the first half of 2009 mainly focused on approaching potential customers with an offer to purchase individual service lines, to take advantage of one-time discounts on commodity purchases, and to buy gas boilers under special conditions. In the second half of the year, we concentrated on existing customers who were offered advantageous terms for replacing old gas appliances or participating in the benefits of the RWE Premium program. In response to continuing interest in reducing energy consumption, we launched a communication campaign in the second semester, where the topic was search for savings. The active interest of customers in RWE's products and services testifies to our ongoing commitment to the efficient use of energy resources. In conducting the above activities, the Marketing Department paid close attention to monitoring and analyzing the needs of all customers in individual market segments. Thanks to this strategy, we were able to understand thoroughly the needs of individual clients and to focus marketing activities on selected target groups in a more precise manner.

Sponsorship

In 2009, JMP provided financial support for various events and projects important from the long-term viewpoint in such areas as culture, sports, and social services both in our operating territory and elsewhere in the Czech Republic.

As to country-wide activities, JMP co-financed the projects *RWE – Energy of Czech Film* and *RWE – Energy of Czech Skiing*.

For a seventh year in a row, JMP was the general partner of the Blue Days Festival, which aims to prevent pathological social phenomena among young persons. In addition, we continued our official partnership with the world renowned music festival Moravian Autumn, the second largest classical music showcase in the Czech Republic. As an extension of our support for the *RWE – Energy of Czech Film* program, JMP also took part in organizing the Summer Film School in Uherské Hradiště. Other activities included the long-term general partnership with the Extra League volleyball team JMP Volleyball Brno and financial backing for the JMP Volleyball Project, which focuses on promoting volleyball among young people in the South Moravian Region. Charitable activities mainly included support for projects of the Children's Clinic of the Brno University Hospital, the St. Anna University Hospital, and the Niké Endowment Fund. Like in previous years, we provided assistance to voluntary firefighting units, daycare centers, primary schools, protected workshops, handicapped children, and children suffering from physical and mental disorders.

Strategy

In 2009, JMP's strategic priorities mainly focused on stabilizing our share of the natural gas market and entering the electric power market in the conditions of a global economic crisis.

Natural gas sales were affected by aggressive activities of our competitors in practically all customer segments. Another important factor that had to be dealt with was the uncertainty of industrial customers regarding future economic developments and the resultant conservative approach to planning consumption and contracting natural gas purchases for 2010.

The Sales Department faced the abovementioned challenges by continuing to expand the portfolio of products and services to meet the current needs of our customers in consideration of the impacts of the economic crisis. Business processes and information systems were continually improved to ensure JMP's ability to conduct efficiently activities relating to changes of suppliers and acquisitions of new customers in the liberalized marketplace. We implemented risk management measures in our business activities in order to prevent their undesirable impact on JMP's economic position.

3.6 Human Resources

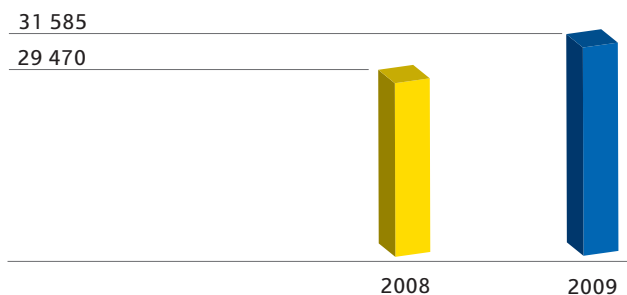
Employees

In 2009, the average headcount (full-time equivalent) in JMP was 715, a decrease by 66 employees from 2008.

Wages

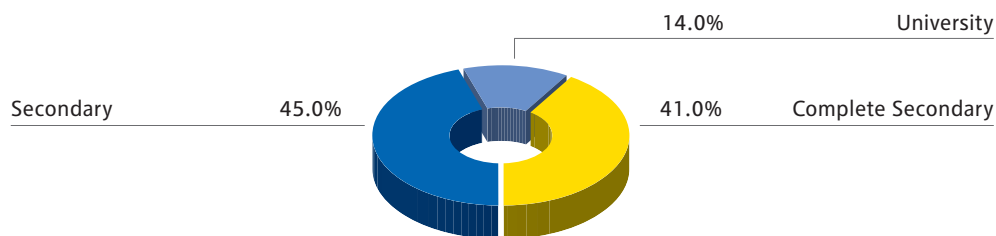
In 2009, wages developed in accordance with JMP's business strategy and the remuneration principles and wage increases agreed in the Collective Agreement.

Average Wage Development (CZK) JMP



Employee Training and Career Development

Employee Structure by Qualification in 2009



Employee Training and Career Development

In 2009, JMP paid close attention to obligatory legislative and gas-sector training. In addition, we focused on improving language proficiency, soft skills, technical abilities, and IT knowledge, including the use of modern experience-based learning methods. JMP supported employees who increased and deepened their qualifications under part-time study programs.

In the year under review, we completed a training program that aimed to train internal lecturers, and for the first time, internal lecturers trained our staff, which resulted in considerable cost savings for JMP. We launched the "Academy for Foremen and Specialist Foremen" and, in the framework of the RWE CZ Group, the "Management Academy". JMP launched the "Training Program for Talented Employees", a pilot project for exceptional workers identified by the Assessment Center.

As in previous years, the RWE CZ Group continued the two-year Perspectives program, which is intended for employees with a high-growth potential and responds flexibly to new trends in management training methods. JMP prepared a project entitled "Academy for Gas Sector Specialists" and submitted it with an application for financial assistance under the European Social Fund based on the Training Is a Chance scheme under the Human Resources and Employment Operating Program. JMP continued to pursue close partnerships with selected schools and universities.

Social Policy

JMP developed and supported its social program for employees. Using the Social Fund's personal accounts, we disbursed contributions for individual recreation, cultural and sporting events, healthcare, and education. JMP offered employees and their family members the possibility to use our own recreational facilities. In the spring and fall of 2009, employees received vitamin packages and were offered participation in the Healthcare Prevention Program. In addition, employees could take advantage of free flu vaccination.

3.7 Information Technologies

IT services were outsourced to RWE Interní služby, s.r.o. The main IT activity in 2009 was the successfully completed implementation of MS Office 2007 and an upgrade of the SAP IS-U system.

In the SAP central system, administration services for the Small Business and Household segments were secured by specialists from RWE Zákaznické služby, s.r.o.

JMP's IT security was improved by the installation of CSA – Cisco Security Agent that allows verifying Internet access.

As part of the TELCO services, we optimized tariffs for reading units and online transmission systems.

In line with the Fénix project, IT technologies were implemented for JMP to ensure organizational changes and to secure work processes in the area of network operation and maintenance.

3.8 Environmental Protection

JMP continued the implementation of the ISO 14 001 environmental management system, which began in 2008. This system defines processes for the continuing reduction of the negative impacts of JMP's operations on the environment. During the reported year, we prepared the procedural documents required for the ISO 14 001 standard, which will form a basis for the future development of JMP's environmental protection policies. The process will continue during the upcoming months.

By providing active support for the remediation of past environmental pollution, JMP strives to alleviate the harmful impact of contamination in former city gas production facilities. The process is a long-term endeavor that takes place in close cooperation with the Ministry of Environment, the Ministry of Finance, and the Czech Environmental Inspectorate. As regards the remediation of past environmental pollution, monitoring activities continued in Prostějov, and cleanup work was performed in Brno.

In 2009, JMP was not subject to any fines from government authorities.

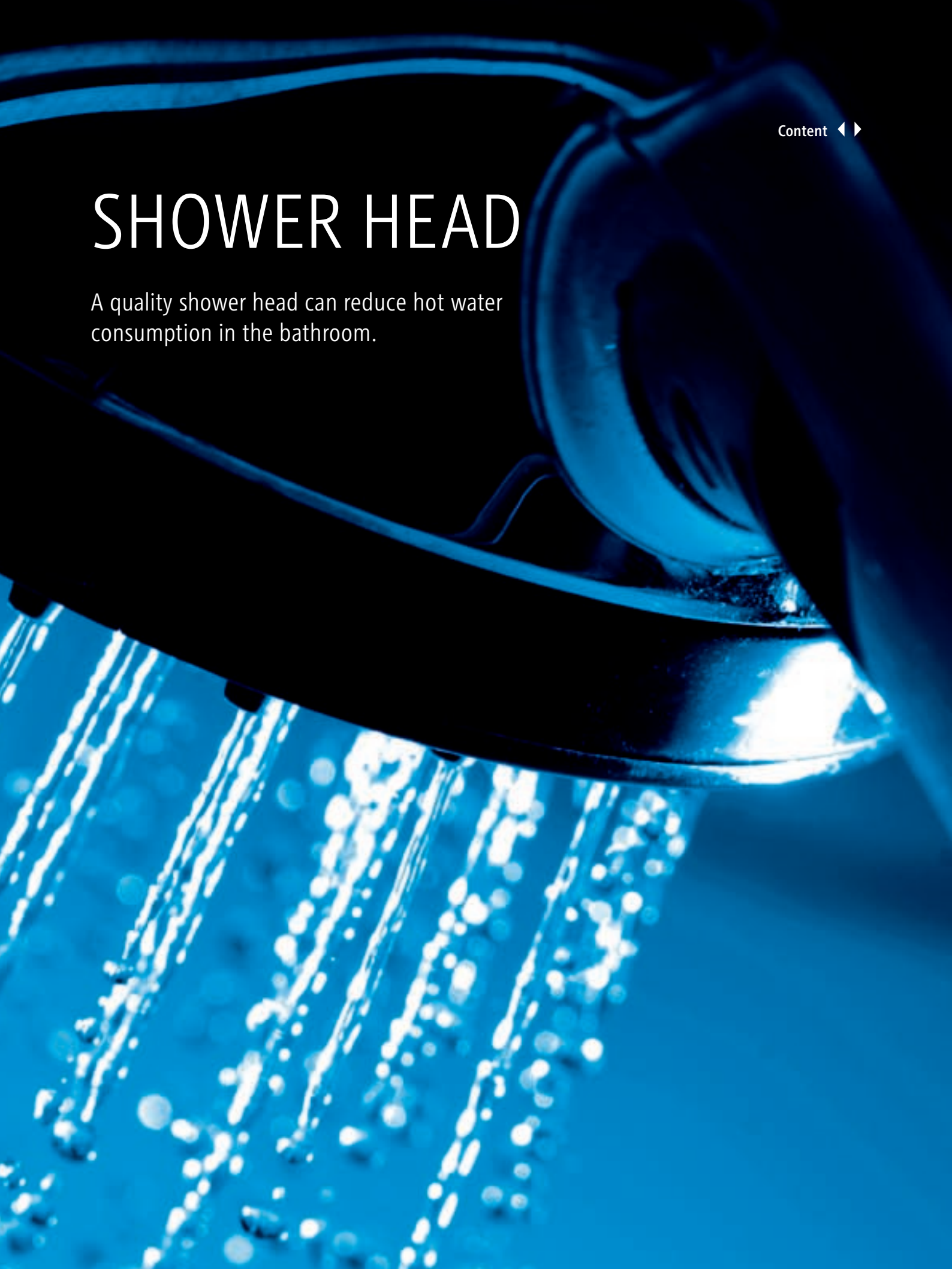
3.9 Outlook

JMP's continuing long-term objective is to maintain significant the share of the natural gas market and to secure the reliable and safe operation of gas facilities. This goal will be accomplished, among others, by the planned focus on using modern technologies in all operations.

It is expected that 2010 will bring intensified activities on the part of our competitors, which JMP will confront by expanding its product portfolio, among other measures. Close attention will be paid to improving the quality of customer service in all segments, including clients served on an individual and collective basis.

SHOWER HEAD

A quality shower head can reduce hot water consumption in the bathroom.



4 ABOUT THE ISSUER

4.1 General Information

Company name:	Jihomoravská plynárenská, a.s.
Registered office:	Plynárenská 499/1, 657 02 Brno
Company No.:	49970607
Legal form:	Public limited company

JMP's Establishment and Inception

JMP was founded in accordance with the law of the Czech Republic, namely Section 172(2)(3) and Section 171(1) of Act No. 513/1991 Coll., the Commercial Code (Article 1 of JMP's Articles of Association). JMP was founded on 12 October 1993 under a single act completed by the National Property Fund of the Czech Republic, as the sole founder, with its registered address at Rašínovo nábřeží 42, Prague, based on a Memorandum of Association having the form of a notarial deed. JMP was incorporated on 1 January 1994 by registration in the Commercial Register administered by the Brno Regional Court under Section B, Entry 1246.

4.2 JMP Shareholders and Securities

Share Capital

The share capital was paid on the day JMP was incorporated by means of the contribution referred to in the Memorandum of Association and appraised in the approved privatization project for Český plynárenský podnik, a state-owned enterprise with its registered address at Belgická 26, Prague 2.

The share capital in the amount of CZK 2,687,482,800 is divided into 1,493,046 shares, each with a nominal value of CZK 1,800. During the preceding two years, there were no changes in the value of JMP's share capital.

The conditions for increasing or reducing the share capital are outlined in JMP's Articles of Association.

Securities

The shares were issued in connection with the incorporation of JMP on 1 January 1994, and they are JMP's common shares. As at 31 December 2009, the shares were not listed on the official stock market pursuant to Act No. 256/2004 Coll. on Conducting Business on the Capital Market.

Type	Common share	Common share
Form	Bearer share	Registered share
Kind	Uncertificated	Uncertificated
Volume	985,409	507,637
ISIN	CZ0005078956	770950000438
Total value	CZK 1,773,736,200	CZK 913,746,600
Nominal value per share	CZK 1,800	CZK 1,800
Taxation of revenues from the securities in the country of the issuer's domicile	Revenues from the securities are taxed in accordance with Act No. 586/1992 Coll. on Income Tax, as amended.	
Payer of tax deducted from revenues from the securities	Issuer	Issuer
Security transfer	Shares are transferred through the Securities Center	
Limitations of transferability	None	None
Trading on regulated markets in the Czech Republic	The shares are not listed	The shares are not listed
Trading on regulated markets abroad	The securities have not been accepted for trading on any foreign market	
Name and registered office of the bank or financial institution through which security holders can exercise their ownership rights related to the securities, in particular through which revenues from the securities are paid	Dividends are paid by JMP using the services of ADMINISTRATOR, spol. s r.o. with its registered address at Husova 109, 284 01 Kutná Hora	
Net revenues to the issuer derived from the issue	None	

Shareholders as at 31 December 2009

Name	Registered office	Share in share capital %
RWE Gas International B.V.	Diamantlaan 15, WV Hoofddorp, Nizozemské království	47.66
RWE Transgas, a.s.	Limuzská 12/3135, 100 98 Praha 10-Strašnice, Česká republika	2.46
E.ON Czech Holding AG	Denisstrasse 2, 803 35 Mnichov, Germany	43.73
Other legal persons		5.10
Natural persons		0.56
Municipalities		0.49

Based on the value of their stake in the share capital, the above shareholders exercise voting rights at the General Meeting. As at 31 December 2009, JMP was a part of the RWE Group. As at that date, RWE Aktiengesellschaft indirectly held a 50.12% stake in JMP's share capital. RWE Aktiengesellschaft controlled RWE Gas International B.V. and RWE Transgas, a.s.

The ties and control structure of companies associated under the RWE Group as at 31 December 2009 are described on the third page of the cover as an annex to the Report of the Jihomoravská plynárenská, a.s. Board of Directors on Relations between Related Parties as at 31 December 2009 (Chapter 7). JMP is not aware of the structure of indirect shares in voting rights with regard to other shareholders.

Right to a Dividend and Time Limit for Dividend Payout

The record date is the day of the General Meeting that makes a decision to pay dividends. Unless otherwise decided by the General Meeting, dividends are payable within three months after the day on which the General Meeting makes a decision to distribute profit. The right to the payment of a dividend expires after a four-year limitation period.

Investor's Timetable

General Meeting – 13 May 2010

Contact Details for Shareholders

Matters concerning Jihomoravská plynárenská, a.s. shareholders are handled by the Corporate Office.

Contact person: Andrea Hrvolová
T +420 532 227 505
F +420 545 211 131
E andrea.hrvolova@rwe.cz

Contact Address: Jihomoravská plynárenská, a.s.
Plynárenská 499/1
657 02 Brno

4.3 JMP Governing and Supervisory Bodies

The Board of Directors as at 31 December 2009

Tomáš Tichý

Chairman of the Board of Directors, CEO

Born:

31 March 1947

Education:

Czech Technical University, Prague, Faculty of Mechanical Engineering

Membership of bodies of other companies:

Chairman of the Supervisory Board – JMP Net, s.r.o.;

Member of the Supervisory Board – GASFINAL, a.s.;

Managing Director – RWE Distribuční služby, s.r.o.

Any other business activities:

None

Dušan Malý

Vice-Chairman of the Board, CFO

Born:

21 March 1974

Education:

University of Economics, Prague, Faculty of Finances and Accounting;

MBA – ESCP-EAP, Berlin

Membership of bodies of other companies:

Managing Director – RWE Distribuční služby, s.r.o.;

Vice-Chairman of the Supervisory Board JMP Net, s.r.o.

Any other business activities:

None

Martin Kárník

Member of the Board of Directors, CCO

Born:

1 March 1965

Education:

VŠB-Technical University of Ostrava, Faculty of Mining;

MBA, Dominican university of Chicago, (BBS)

Membership of bodies of other companies:

None

Any other business activities:

None

The term of office of the JMP Board of Directors is five years. Members of the Board of Directors are appointed and discharged by JMP's Supervisory Board. JMP does not have any special rules for appointing and discharging members of the Board of Directors.

Changes in the JMP Board of Directors in 2009

At its meeting held on 15 December 2008, the Supervisory Board of JMP reappointed Tomáš Tichý a member of the Board of Directors for another term and appointed Dušan Malý a new member of the Board of Directors effective as of 1 January 2009.

At its meeting held on 5 January 2009, the Board of Directors of JMP appointed Tomáš Tichý the Chairman of the Board of Directors and Dušan Malý the Vice-Chairman of the Board of Directors effective as of 6 January 2009.

At its extraordinary meeting held on 17 September 2009, the JMP Supervisory Board discussed the resignation of Dušan Jurečka from the position of a member of the Board of Directors of JMP. On the same day, the Supervisory Board appointed Martin Kárník a new member of the Board of Directors effective as of 18 September 2009.

The Supervisory Board as at 31 December 2009

The Supervisory Board has nine members. Six are elected by the General Meeting and three by JMP's employees.

Martin Herrmann

Chairman of the Supervisory Board

Born:

3 July 1967

Education:

Westfälische Wilhems-Universität, Münster, Economics

Membership of bodies of other companies:

Chairman of the Board of Directors – RWE Transgas, a.s.;

Chairman of the Supervisory Board – Severomoravská plynárenská, a.s., Východočeská plynárenská, a.s. and RWE Energie, a.s.;

Vice-Chairman of the Supervisory Board – RWE Transgas Net, s.r.o., and RWE Gas Storage, s.r.o.

Any other business activities:

None

Vladimír Vurm

Vice-Chairman of the Supervisory Board

Born:

19 September 1946

Education:

Czech Technical University, Prague, Faculty of Mechanical Engineering

Membership of bodies of other companies:

Vice-Chairman of the Supervisory Board – Severomoravská plynárenská, a.s., Východočeská plynárenská, a.s. and RWE Energie, a.s.

Any other business activities:

None

Dr Arnošt Thon

Member of the Supervisory Board

Born:

30 October 1940

Education:

Jan Evangelista Purkyně University, Brno, Faculty of Natural Sciences

Membership of bodies of other companies:

Managing Director and member A. T. PLYN s.r.o.

Any other business activities:

Consulting

Michael Fehn

Member of the Supervisory Board

Born:

16 December 1958

Education:

Technische Universität München, elektrotechnika

Membership of bodies of other companies:

Chairman of the Board of Directors – E.ON Czech Holding AG;

Managing Director E.ON Czech Holding Verwaltungs GmbH a E.ON Česká republika, s.r.o.;

Chairman of the Supervisory Board – Pražská plynárenská, a.s., E.ON Energie, a.s. and E.ON Trend, s.r.o.;

Vice-Chairman of the Supervisory Board – Pražská plynárenská Holding, a.s., E.ON Distribuce, a.s. and Schmack Biogas AG

Any other business activities:

None

Olga Sedláčková

Member of the Supervisory Board

Born:

3 October 1956

Education:

Secondary School of Economics, Brno

Membership of bodies of other companies:

None

Any other business activities:

None

Holger Carl

Member of the Supervisory Board

Born:

8 October 1964

Education:

Fachhochschule Münster–Steinfurt, Supply Technology

Membership of bodies of other companies:

Chairman of the Supervisory Board Mestio Consulting, a.s.*

Any other business activities:

None

Tomáš Varcop

Member of the Supervisory Board

Born:

15 April 1965

Education:

Technical University, Brno, Faculty of Mechanical Engineering;

MBA from the University of Pittsburgh

Membership of bodies of other companies:

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

Member of the Supervisory Board – Severomoravská plynárenská, a.s. and Východočeská plynárenská, a.s.

Any other business activities:

None

Jiří Šrámek

Member of the Supervisory Board

Born:

27 October 1967

Education:

Technical University, Brno, Faculty of Civil Engineering

Membership of bodies of other companies:

None

Any other business activities:

Winemaking

* Effective as of 13 January 2010, Mestio Consulting, a.s., changed its commercial name to EČS - Elektrárna Čechy-Střed, a.s.

Jiří Handel

Member of the Supervisory Board

Born:

25 April 1963

Education:

Secondary Industrial School, Brno

Membership of bodies of other companies:

None

Any other business activities:

None

The term of office of members of the JMP Supervisory Board is five years. JMP does not have any special rules for appointing and discharging members of the Supervisory Board.

Changes in the JMP Supervisory Board in 2009

Following the end of the term of office of members of JMP's Supervisory Board Karel Henc and Olga Sedláčková, an election of JMP's Supervisory Board members appointed by employees was held on 9 June 2009. Jiří Handel was elected as a new member of JMP's Supervisory Board effective as of 25 June 2009 and Olga Sedláčková was re-elected as a member of JMP's Supervisory Board of JMP.

4.4 Persons Responsible for the Annual Report and Audit of Financial Statements

Auditors and Audit Firm Responsible for Auditing the Financial Statements of JMP during 2005 to 2009

Audit firm:

PricewaterhouseCoopers Audit, s.r.o.

Kateřinská 40/466, 120 00 Prague 2

Registered on the list of audit firms of the Chamber of Auditors of the Czech Republic

Certificate No. 021

Auditor in charge:

Tomáš Bašta

Licence No. 1966

Brno, 30 March 2010



Person Responsible for Accounting

Ivana Chalupová

Accounting and Taxation Manager

Persons Responsible for the Jihomoravská plynárenská, a.s. 2009 Annual Report

We hereby certify that the information stated in this Annual Report is truthful and that no important facts that could have a material effect on the accurate and correct assessment of the issuer and securities issued by the issuer have been omitted or misrepresented.



Tomáš Tichý

Chairman of the Board of Directors

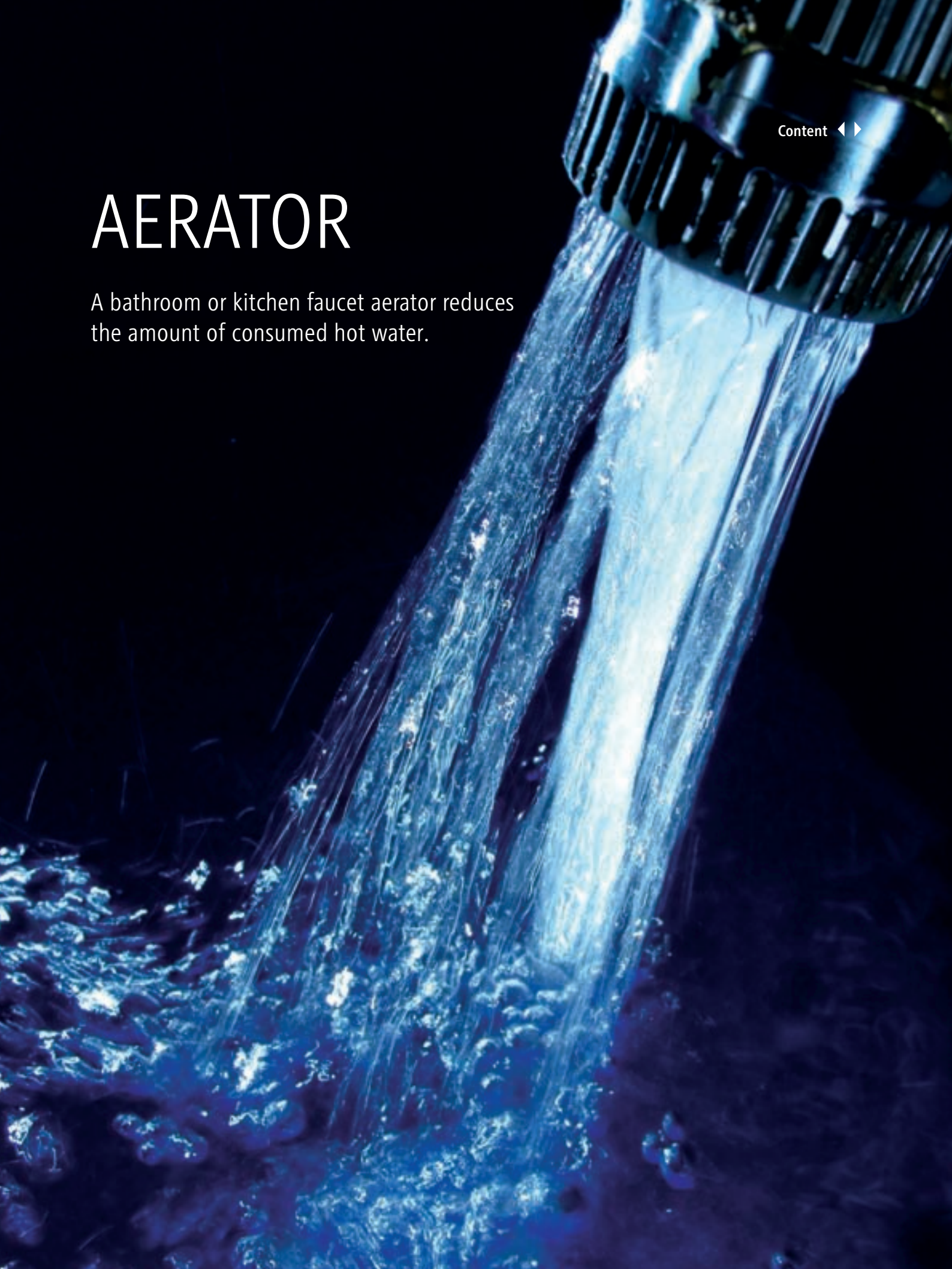


Dušan Malý

Vice-Chairman of the Board of Directors

AERATOR

A bathroom or kitchen faucet aerator reduces the amount of consumed hot water.



5 FINANCIAL PART

5.1 Financial Statements

BALANCE SHEET (in thousand Czech crowns)

Ref.	ASSETS	31. 12. 2009		31. 12. 2008	
		Gross 1	Provision 2	Net 3	Net 4
a	b				
	TOTAL ASSETS	19,247,485	(1,430,577)	17,816,908	21,044,880
B.	Fixed assets	10,130,839	(1,173,825)	8,957,014	8,997,401
B. I.	Intangible fixed assets	197,358	(197,149)	209	566
B. I. 1.	Software	166,737	(166,737)	-	61
B. I. 2.	Other intangible fixed assets	30,621	(30,412)	209	505
B. II.	Tangible fixed assets	2,192,815	(812,676)	1,380,139	1430,850
B. II. 1.	Land	47,150	-	47,150	47,238
B. II. 2.	Constructions	1,638,396	(427,371)	1,211,025	1,245,989
B. II. 3.	Equipment	496,877	(386,150)	110,727	136,940
B. II. 4.	Other tangible fixed assets	576	-	576	558
B. II. 5.	Tangible fixed assets in the course of construction	10,661	-	10,661	125
B. II. 6.	Adjustment to acquired fixed assets	(845)	845	-	-
B. III.	Long-term investments	7,740,666	(164,000)	7,576,666	7,565,985
B. III. 1.	Investments in controlled entities/subsidiaries	7,565,985	-	7,565,985	7,565,985
B. III. 2.	Investments in associates	174,681	(164,000)	10,681	-
C.	Current assets	9,115,524	(256,752)	8,858,772	12,046,639
C. I.	Inventories	14,007	(6,182)	7,825	8,156
C. I. 1.	Raw materials	14,007	(6,182)	7,825	8,156
C. II.	Long-term receivables	35,873	-	35,873	70,181
C. II. 1.	Long-term advances paid	45	-	45	9
C. II. 2.	Other receivables	20,000	-	20,000	-
C. II. 3.	Deferred tax asset	15,828	-	15,828	70,172
C. III.	Short-term receivables	9,064,938	(250,570)	8,814,368	11,967,953
C. III. 1.	Trade receivables	416,557	(250,570)	165,987	181,009
C. III. 2.	Receivables – controlling entities/subsidiaries	275,454	-	275,454	-
C. III. 3.	Taxes and state subsidies receivable	68,799	-	68,799	200,326
C. III. 4.	Short-term advances paid	1,405,037	-	1,405,037	3,869,317
C. III. 5.	Anticipated assets	6,892,307	-	6,892,307	7,716,867
C. III. 6.	Other receivables	6,784	-	6,784	434
C. IV.	Financial assets	706	-	706	349
C. IV. 1.	Cash in hand	287	-	287	338
C. IV. 2.	Cash at bank	419	-	419	11
D. I.	Accruals and deferrals	1,122	-	1,122	840
D. I. 1.	Prepaid expenses	964	-	964	496
D. I. 2.	Accrued revenue	158	-	158	344

BALANCE SHEET – continued (in thousand Czech crowns)

Ref.	LIABILITIES AND EQUITY	31. 12. 2009	31. 12. 2008
a	b	6	7
	TOTAL LIABILITIES AND EQUITY	17,816,908	21,044,880
A.	Equity	7,805,972	6,366,060
A. I.	Share capital	2,687,483	2,687,483
A. I. 1.	Share capital	2,687,483	2,687,483
A. II.	Capital contributions	2,291,393	2,291,393
A. II. 1.	Other capital contributions	2,291,393	2,291,393
A. III.	Reserve fund and other reserves	990,476	990,798
A. III. 1.	Statutory reserve fund	556,897	556,897
	2. Statutory and other reserves	433,579	433,901
A. IV.	Retained earnings	(153,057)	(126,675)
A. IV. 1.	Retained profits	(153,057)	(126,675)
A. V.	Profit (loss) for the current period (+/-)	1,989,677	523,061
B.	Liabilities	10,010,926	14,678,223
B. I.	Provisions	226,483	19,289
B. I. 1.	Income tax provision	177,369	-
	2. Other provisions	49,114	19,289
B. II.	Long-term liabilities	47,678	21,533
B. II. 1.	Other liabilities	47,678	21,533
B. III.	Short-term liabilities	9,736,765	14,637,401
B. III. 1.	Trade payables	612,342	593,552
	2. Liabilities - controlling entities / subsidiaries	-	1,762,337
	3. Liabilities to shareholders and co-ventures	1,402	1,477
	4. Liabilities to employees	17,465	23,027
	5. Liabilities for social security and health insurance	9,337	9,751
	6. Taxes and state subsidies payable	21,241	24,116
	7. Short-term advances received	7,782,096	7,737,389
	8. Anticipated liabilities	1,255,251	4,280,580
	9. Other payables	37,631	205,172
C. I.	Accruals and deferrals	10	597
C. I. 1.	Accruals	10	597

INCOME STATEMENT (in thousand Czech crowns)

Ref.	DESCRIPTION	Accounting period	
		2009	2008
a	b	1	2
II.	Sales of production	19,152,287	19,451,453
II. 1.	Sales of own products and services	19,152,287	19,451,453
B.	Cost of sales	17,840,576	18,961,861
B. 1.	Raw materials and consumables	17,282,422	18,414,782
2.	Services	558,154	547,079
+	Added value	1,311,711	489,592
C.	Staff costs	391,223	397,582
C. 1.	Wages and salaries	283,522	289,019
2.	Emoluments of board members	1,790	1,758
3.	Social security and health insurance costs	95,640	99,302
4.	Other social costs	10,271	7,503
D.	Taxes and charges	6,830	2,274
E.	Depreciation of long-term assets	75,175	78,942
III.	Sale of long-term assets and raw materials	17,447	23,833
III. 1.	Sale of long-term assets	2,188	8,413
2.	Sale of raw materials	15,259	15,420
F.	Net book value of long-term assets and raw materials sold	14,692	18,672
F. 1.	Net book value of long-term assets sold	579	6,815
2.	Net book value of raw materials sold	14,113	11,857
G.	Increase/(decrease) in operating provisions	84,471	16,909
IV.	Other operating income	526,920	9,290
H.	Other operating charges	18,693	27,833
*	Operating result	1,264,994	(19,497)
VII.	Income from long-term investments	984,176	747,778
VII. 1.	Income from investments in controlled entities/subsidiaries and associates	975,075	747,778
2.	Income from investments in other securities	9,101	-
IX.	Gain on revaluation of securities and derivatives	187,931	5
L.	Loss on revaluation of securities and derivatives	13,802	203,169
X.	Interest income	3,163	3,150
N.	Interest expense	34,596	52,241
XI.	Other financial income	35,451	109
O.	Other financial expense	182,887	2,061
*	Financial result	979,436	493,571
Q.	Tax on profit or loss on ordinary activities	254,753	(48,987)
Q. 1.	- current	200,409	(947)
2.	- deferred	54,344	(48,040)
**	Profit or loss on ordinary activities after taxation	1,989,677	523,061
***	Net profit (loss) for the financial period	1,989,677	523,061
***	Net profit (loss) before taxation	2,244,430	474,074

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2009

	Share capital CZK'000	Other capital contributions CZK'000	Statutory reserve fund CZK'000	Statutory and other reserves CZK'000	Retained earnings CZK'000	Total CZK'000
As at 1 January 2008	2,687,483	2,291,393	556,897	441,939	554,154	6,531,866
Reserve fund use	-	-	-	(8,038)	-	(8,038)
Dividends paid	-	-	-	-	(680,829)	(680,829)
Net profit for the current period	-	-	-	-	523,061	523,061
As at 31 December 2008	2,687,483	2,291,393	556,897	433,901	396,386	6,366,060
Reserve fund use	-	-	-	(322)	-	(322)
Dividends paid	-	-	-	-	(549,443)	(549,443)
Net profit for the current period	-	-	-	-	1,989,677	1,989,677
As at 31 December 2009	2,687,483	2,291,393	556,897	433,579	1,836,620	7,805,972

CASH FLOW STATEMENT

Year ended 31 December 2009

	2009 CZK'000	2008 CZK'000
Cash flows from operating activities		
Net profit on ordinary activities before tax	2,244,430	474,074
A.1 Adjustments for non-cash movements:	(1,433,561)	(386,315)
A.1.1 Depreciation and amortisation of fixed assets	75,175	78,942
A.1.2 Change in provisions	84,471	16,909
A.1.3 Profit from disposal of fixed assets	(1,609)	(1,598)
A.1.4 Dividend income	(984,176)	(747,778)
A.1.5 Net interest expense	31,433	49,091
A.1.6 Other non-cash movements	(638,855)	218,119
A* Net cash flow from operating activities before tax, changes in working capital	810,869	87,759
A.2 Working capital changes:	1,061,596	(463,386)
A.2.1 Change in receivables and prepayments	3,494,199	(2,042,789)
A.2.2 Change in short-term payables and accruals	(2,434,715)	1,581,771
A.2.3 Change in inventories	2,112	(2,368)
A** Net cash flow from operating activities before tax	1,872,465	(375,627)
A.3 Interest paid	(35,181)	(52,475)
A.4 Interest received	3,348	3,102
A.5 Income tax on ordinary activities paid	13,460	(69,221)
A.7 Dividends received	756,879	517,300
A*** Net cash flow from operating activities	2,610,971	23,079
Cash flows from investing activities		
B.1 Acquisition of fixed assets	(25,171)	(66,248)
B.2 Proceeds from the sale of fixed assets	2,188	8,413
B*** Net cash flow from investing activities	(22,983)	(57,835)
Cash flows from financing activities		
C.1 Change in long- and short-term liabilities	(1,800,000)	800,000
C.2 Changes in equity		
C.2.5 Direct payments from reserves	(322)	(8,038)
C.2.6 Dividends paid	(549,518)	(680,738)
C*** Net cash flow from financing activities	(2,349,840)	111,224
Net increase in cash and cash equivalents	238,148	76,468
Cash and cash equivalents as at the beginning of the year	38,012	(38,456)
Cash and cash equivalents as at the end of the year	276,160	38,012

5.2 Notes to Financial Statements

Year ended 31 December 2009

1 GENERAL INFORMATION

Jihomoravská plynárenská, a.s. ("the Company" or "JMP") has been registered in the Commercial Register kept with the Regional Court in Brno section B insert 1246. The Company was incorporated on 1 January 1994 and has its registered office at Brno Plynárenská 499/1 Czech Republic. The Company's identification number is 49970607.

The Company has been traded at the Prague stock exchange since 1995. From 18 August 2008 bearer shares (ISN CZ0005078956) were excluded from the trading on the official share market that is organised by RM-Systém, a.s., and from 1 September 2008 bearer shares (ISIN CZ0005078956) were excluded from the official regulated market organised by Burza cenných papírů Praha, a.s. Last trading day was 29 August 2008. Act No. 458/2000 Coll. as amended, on conditions for undertaking the business and for the execution of state administration in the energy sector (the Energy Act) governs rendering of services and related rights and obligations except for general legal norms.

The Company main business is trade with natural gas.

As at 1 January 2007 the Company separated part of its business in accordance with the European Union Directives and the amendment of the Energy Act and contributed this part of the business related to natural gas distribution to its subsidiary JMP Net, s.r.o. ("the Subsidiary" or "JMP Net"). JMP Net assumed the role of the distribution network provider. The Company carries on trading with natural gas and the Subsidiary operates the distribution network.

Effective from 1 January 2007 the full gas market liberalisation took place and as a result of this all end customers have a choice of their gas supplier. The price regulation of the Energy Regulatory Office ("ERO") by the means of regulating maximum gas prices ceased effective from 1 April 2007. With respect to the dominant position of regional RWE gas companies on the Czech market ERO performs a general oversight over price levels in accordance with the act number 526/1990 Coll. Act on prices as amended.

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

	Position	Appointment
Mr Tomáš Tichý	Chairman	6 January 2009
Mr Dušan Malý	Vice-Chairman	6 January 2009
Mr Martin Kárník	Member	18 September 2009

Mr Dušan Jurečka terminated his position as a member of the Board of Directors as at 17 September 2009.

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

	Position	Appointment
Mr Martin Herrmann	Chairman	4 May 2007
Mr Vladimír Vurm	Vice-Chairman	16 June 2009
Mr Arnošt Thon	Member	22 June 2007
Mr Michael Fehn	Member	12 June 2008
Mrs Olga Sedláčková	Member	25 June 2009
Mr Holger Carl	Member	13 May 2008
Mr Tomáš Varcop	Member	13 May 2008
Mr Jiří Šrámek	Member	2 July 2008
Mr Jiří Handel	Member	25 June 2009

Mr Karel Henc terminated his position as a member of the Supervisory Board as at 24 June 2009.

Statutory body who governs the Company's activities and acts on its name is the Board of Directors.

Administration of the Company is divided into four divisions: Network division, Division of operation and maintenance of networks, Services division and Trade division. These divisions are managed by responsible directors.

In accordance with Generally Accepted Accounting Principles in the Czech Republic the Company does not prepare consolidated financial statements as it is included into the consolidated group of a parent company – RWE Aktiengesellschaft registered in Opernplatz 1, 45128 Essen, Germany which prepares consolidated financial statements in accordance with International Financial Reporting Standards.

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 derivatives which are shown at fair value.

Ongoing global economic crisis

The ongoing global economic crisis has resulted in among other things a lower level of capital market funding, lower liquidity levels across the banking sector and at times higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the subsequent development of the ongoing economic crisis is proving to be impossible to reliably anticipate and guard against effects of the crisis.

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available management has properly reflected the revised estimates of expected future cash flows in its impairment assessments.

Fair values of derivative financial instruments were established by the Company using valuation techniques which include the use of recent arm's length transaction, discounted cash-flows analysis, option pricing models and other valuation techniques commonly used by market participants. The valuation models conditions represent current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date.

Management of the Company evaluated all information available and currently does not assume significant impact of the economic recession on the Company's business specifically on liquidity and funding of the Company. Management of the Company believes it is taking all the necessary measures to support the sustainability and growth of the Company's business under the current circumstances.

(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 initially recorded at cost which includes all costs incurred in bringing the assets to their present location and condition.

Intangible fixed assets are amortised applying the straight-line or accelerated basis over their estimated useful lives as follows:

Software	3-4 years
Other intangible fixed assets	2-6 years

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

Constructions, buildings, land, works of art and assets acquired through finance lease are considered as tangible fixed assets regardless the cost.

Acquired tangible fixed assets are initially recorded at costs which include all costs incurred in bringing the assets to their present location and condition. Assets received as gifts are recorded at replacement cost as at the date of receipt.

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

Buildings and constructions	14-50 years
Equipment	2-14 years

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

Repairs and maintenance expenditures of tangible fixed assets are charged to expense as incurred. Enhancements of tangible fixed assets are capitalised.

(d) Investments in controlled entities/subsidiaries and investments in associates

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

Investments in associates represent enterprises over which the Company has significant influence which is the power to participate in the financial and operating policy decisions but not control ("the associate").

Investments in subsidiaries and associates are recorded at cost less a provision for diminution in value.

The Subsidiary is obliged to transfer its profit after the obligatory allocation to the statutory reserve fund to the Company based on the agreement on profit transfer.

(e) Other securities and investments

The Company classifies securities and investments other than investments in Subsidiary and associates as trading, available-for-sale or held-to-maturity.

All securities and investments are initially recorded at cost including transaction costs. Held-to-maturity investments are subsequently accounted for at amortised cost. Other investments are subsequently accounted for at fair value. The fair value is determined as the market value of the securities as at the balance sheet date. Measurement of non-traded securities is based on management estimates based on recognised models or valuation techniques.

(f) Inventories

Inventories are stated at the lower of cost and net realisable amount. Cost includes the appropriate overheads incurred to bring inventory to its present state and location (mainly transport costs, customs duty, etc.). The weighted average cost method is applied for all disposals.

A provision is created for slow-moving and obsolete inventory based on an analysis of turnover and individual evaluation of inventories.

(g) 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.

(h) Unbilled gas

A part of revenues of categories low-volume customers and households which are invoiced within the billing cycles of the maximum length of 18 months is represented by revenues for unbilled gas and distribution. The unbilled gas is an item derived from calculation in which the actual billing together with own and technological consumption and balance differences is deducted from the total natural gas purchased by the Company. In such a way the derived value of unbilled gas is allocated to individual connecting points of individual customers' categories using a model of expected consumption which is based on historical consumption and is driven by the valid price lists of the Company.

The model for the unbilled gas calculation was further fine-tuned in 2008.

(i) 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 debt securities traded in public markets.

The Company uses so-called cash-pooling within the RWE 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 the liability arising from cash-pooling represents a form of financing then it is not presented in the Cash Flow statement as a part of the item Cash and Cash equivalents.

(j) Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling as at the transaction date.

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.

When investments and securities are measured at fair value any foreign exchange translation difference is considered to be part of the fair value re-measurement.

(k) 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 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 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.

Certain derivatives embedded in other financial instruments are not treated as separate derivatives.

Changes in the fair value of derivatives held for trading are included in net profit or loss from financial transactions.

The fair value of derivatives is calculated as the present value of expected future cash flows from derivatives. The expected cash flows are based on current market conditions (commodity prices, foreign exchange rates, interest rates) as at balance sheet date.

Company does not apply hedge accounting.

(l) Revenue recognition

Revenues from sales of goods and services are presented net of Value Added Tax and net of discounts and are measured at fair value of the consideration received or receivable.

a) Revenues from sale and distribution of natural gas

Revenue from natural gas supplies is recognised when the commodity is delivered. Revenue from the sale of natural gas on the liberalised market that was fully liberalised effective 1 January 2007 in accordance with article 55 of act No. 458/2000 Coll. is measured based on the commodity value reflecting all costs for purchase of natural gas including the gross margin that covers costs of gas trade and eligible profit and also other energy services related to gas deliveries to the customer in the required quantity and at the required time.

Effective 1 April 2007 the end customers' price for high-volume customers with annual consumption higher than 5 million m³ is calculated using the price formula linked to quotation of reference fuels and foreign exchange rates. The price formula mirrors the same arrangement on the side of the natural gas purchase.

Other high-volume and middle-volume customers have the opportunity to conclude a contract using either the price formula (see above) or fixed price for a pre-set period of one month for customers with consumption over 630 thousand m³ or fixed price for a pre-set period of three months based on the Company's valid price list for customers with consumption below 630 thousand m³. Prices for other customers are fixed for a pre-set period of three months in accordance with up-to-date price list of the Company. The quarterly price reflects corrections arising from the difference between planned and actual costs for natural gas purchases in previous periods.

The final price of natural gas supplies includes energy activities such as distribution transportation and storage. Distribution and transportation prices are regulated by ERO and storage prices are contractual prices.

Natural gas supplies to categories high-volume and middle-volume customers are billed on a monthly basis based on actual readings of consumption. Natural gas supplies to categories low-volume customers and households are billed periodically based on the reading of the consumption at each connecting point which is performed at least once in 18 months.

Revenues from categories low-volume and households customers comprise the revenue billed based on gas meters readings and so-called unbilled gas supplies.

b) Other revenues

Other revenues of the Company are recognised as follows:

- Revenues from service level agreements ("SLA") are recognised when services are provided;
- Interest income is recognised on a time-proportion basis using the effective interest rate method;
- Dividends/shares of profit from the subsidiary are recognised when the right to receive the payment is established.

(m) Leases

The costs of assets held under both finance and operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognised in the balance sheet.

(n) 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 recognises a provision for an unpaid obligation relating to income tax. 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.

(o) Employment benefits

The Company recognises a provision for unpaid holidays.

The Company recognises an estimated payable relating to rewards and bonuses of employees. The Company takes into account an expected average ratio of payments for social and health insurance and payroll expenses when creating the estimated payable.

The Company pays its employees contributions to the State pension system which is managed on the basis of defined contribution scheme. In accordance with the valid Collective Agreement the Company makes monthly contributions to pension scheme for its employees.

(p) Interest costs

All interest expenses are expensed.

(q) Deferred taxation

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

(r) 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; and/or
- subsidiaries and associates and joint-venture companies.

Material transactions and outstanding balances with related parties are disclosed in Notes 15 Employee analysis and 16 Related party transactions.

(s) Cash flow statement

The Company has prepared a cash flow statement following the indirect method. Cash equivalents represent short-term liquid investments which are readily convertible for a known amount of cash.

(t) 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 TRANSITION TO CZECH ACCOUNTING STANDARDS

As a result of the delisting of the Company's shares from the Prague Stock Exchange secondary market the Company discontinued reporting in accordance with the International Financial Reporting Standards ("IFRS") in 2009 and started reporting in accordance with the generally accepted accounting principles in the Czech Republic ("CZ GAAP").

a) Equity reconciliation as at 31 December 2008

	CZK'000
IFRS equity as at 31 December 2008	5,340,168
Provision to fixed assets for sale	6,123
Depreciation of fixed assets for sale	(972)
Finance lease	(14,416)
Technical enhancement of fixed assets	10,727
Gifts	17
Residual value of disposed fixed assets - gifts	(121)
Difference in value of investment in JMP Net	1,020,498
Social fund	4,294
Deferred tax	(258)
CZ GAAP equity as at 31 December 2008	6,366,060

b) Reconciliation of net profit for the year ended as at 31 December 2008

	CZK'000
IFRS net profit for the year ended as at 31 December 2008	549,745
Provision to fixed assets for sale	(1,047)
Depreciation of fixed assets for sale	(352)
Finance lease	3,419
Technical enhancement of fixed assets	(236)
Residual value of disposed fixed assets - gifts	110
Release of restructuring provision	(29,984)
Social fund	(4,534)
Deferred tax	5,940
CZ GAAP net profit for the year ended as at 31 December 2008	523,061

4 INTANGIBLE FIXED ASSETS

Cost

	1 January 2009 CZK'000	Additions/ transfers CZK'000	Disposals CZK'000	31 December 2009 CZK'000
Software	166,737	-	-	166,737
Other intangible fixed assets	30,621	-	-	30,621
Total	197,358	-	-	197,358

Accumulated amortisation

	1 January 2009 CZK'000	Additions CZK'000	Disposals CZK'000	31 December 2009 CZK'000
Software	166,676	61	-	166,737
Other intangible fixed assets	30,116	296	-	30,412
Total	196,792	357	-	197,149
Net book value	566			209

Cost

	1 January 2008 CZK'000	Additions/ transfers CZK'000	Disposals CZK'000	31 December 2008 CZK'000
Software	166,737	-	-	166,737
Other intangible fixed assets	30,621	-	-	30,621
Total	197,358	-	-	197,358

Accumulated amortisation

	1 January 2008 CZK'000	Additions CZK'000	Disposals CZK'000	31 December 2008 CZK'000
Software	166,086	590	-	166,676
Other intangible fixed assets	29,820	296	-	30,116
Total	195,906	886	-	196,792
Net book value	1,452			566

5 TANGIBLE FIXED ASSETS**Cost**

	1 January 2009 CZK'000	Additions/ transfers CZK'000	Disposals CZK'000	31 December 2009 CZK'000
Land	47,238	26	114	47,150
Constructions	1,636,332	4,186	2,122	1,638,396
Equipment	539,766	10,518	53,407	496,877
Other tangible fixed assets	558	18	-	576
Tangible fixed assets in the course of construction	125	10,536	-	10,661
Total	2,224,019	25,284	55,643	2,193,660

Accumulated depreciation

	1 January 2009 CZK'000	Additions CZK'000	Disposals CZK'000	31 December 2009 CZK'000
Constructions	390,343	38,980	1,952	427,371
Equipment	402,826	36,319	52,995	386,150
Total	793,169	75,299	54,947	813,521
Net book value	1,430,850			1,380,139

Cost

	1 January 2008 CZK'000	Additions/ transfers CZK'000	Disposals CZK'000	31 December 2008 CZK'000
Land	47,238	-	-	47,238
Constructions	1,585,610	54,332	3,610	1,636,332
Equipment	612,036	18,296	90,566	539,766
Other tangible fixed assets	558	-	-	558
Tangible fixed assets in the course of construction	1,523	(1,398)	-	125
Advances paid for tangible fixed assets	5,352	(5,352)	-	-
Total	2,252,317	65,878	94,176	2,224,019

Accumulated depreciation

	1 January 2008 CZK'000	Additions CZK'000	Disposals CZK'000	31 December 2008 CZK'000
Constructions	353,796	37,803	1,256	390,343
Equipment	447,908	40,196	85,278	402,826
Total	801,704	77,999	86,534	793,169
Net book value	1,450,613			1,430,850

The Company uses assets under finance lease contracts that are recorded as tangible fixed assets in the financial statements after the expiration of the lease and ownership transfer. The Company has no active finance lease contracts as at 31 December 2009.

6 INVESTMENTS IN CONTROLLED ENTITIES/SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES

As at 31 December 2009:

Czech entities	Number of shares	Nominal value	Cost CZK'000	Carrying value	% of share capital	2009 net profit CZK'000	Net Assets CZK'000	2009 dividend income CZK'000
Subsidiary								
JMP Net, s.r.o. Plynárenská 499/1, Brno			7,565,985	7,565,985	100	1,026,394*	10,572,558*	747,778
Associates								
GASFINAL, a.s. Plynární 788/5, Ostrava	6,120	CZK 1,000						
	425	CZK 2,453	10,681	10,681	47.75	5,424*	23,802*	9,101
Teplárna Kyjov, a.s. Havlíčková 180, Kyjov	3,280	CZK 50,000	164,000	164,000	32.09	534*	676,044*	-
				7,740,666				
Provision				(164,000)				
Net book value				7,576,666				

* Unaudited

The Company reported transfer of profit of JMP Net for 2009 of CZK 975,075 thousand as at 31 December 2009.

The value of investment in GASFINAL, a.s., was re-assessed in 2009 and the provision was fully released.

As at 31 December 2008:

Czech entities	Number of shares	Nominal value	Cost CZK'000	Carrying value	% of share capital	2009 net profit CZK'000	Net Assets CZK'000	2009 dividend income CZK'000
Subsidiary								
JMP Net, s.r.o. Plynárenská 499/1, Brno			7,565,985	7,565,985	100	787,135	10,293,942	517,300
Associates								
GASFINAL, a.s. Plynární 788/5, Ostrava	6,120	CZK 1,000						
	425	CZK 2,453	10,681	10,681	47.75	20,070*	37,438*	-
Teplárna Kyjov, a.s. Havlíčkova 180, Kyjov	3,280	CZK 50,000	164,000	164,000	32.09	772*	675,510*	-
			7,740,666					
Provision				(174,681)				
Net book value			7,565,985					

* Unaudited

There are no differences between the percentage of ownership and the percentage of voting rights in any company mentioned above.

The change in the provision for the diminution in value of investments in associated undertakings may be analysed as follows:

	Subsidiary undertakings		Associated undertakings	
	2009 CZK'000	2008 CZK'000	2009 CZK'000	2008 CZK'000
As at 1 January	-	-	174,681	174,681
Charge for the year	-	-	-	-
Released during the year	-	-	(10,681)	-
Written off during the year	-	-	-	-
As at 31 December	-	-	164,000	174,681

As at 18 July 2006 the Company concluded an agreement with its Subsidiary on profit transfer. The company JMP Net is obliged to transfer its profit after the obligatory allocation to the statutory reserve and social funds to the Company based on the agreement. The agreement is concluded for indefinite period.

JMP Net is in accordance with the agreement obliged to transfer profit within 30 days after the approval of ordinary or extraordinary financial statements by the General Meeting. The amount will be transferred to the bank account of the Company.

The Company is obliged to settle economic loss of JMP Net if its net profit of the year of the year will be loss which will not be able to be settled from the reserve fund or other disponsible resources.

7 INVENTORIES

The Company created a provision related to obsolete inventories as at 31 December 2009 of CZK 6,182 thousand (2008: CZK 7,963 thousand).

The change in the provision for diminution in value is analysed as follows:

	2009 CZK'000	2008 CZK'000
Opening balance as at 1 January	7,963	7,963
Charge for the year	-	-
Released during the year	(72)	-
Written off during the year	(1,709)	-
Closing balance as at 31 December	6,182	7,963

8 RECEIVABLES

	31 December 2009 CZK'000	31 December 2008 CZK'000
Trade receivables		
- current	91,776	65,373
- overdue	324,781	299,582
	416,557	364,955
Intragroup receivables	275,454	-
Short-term advances paid	1,405,037	3,869,317
Anticipated assets	6,892,307	7,716,867
Other receivables		
- current	75,583	200,760
	9,064,938	12,151,899
Provision for doubtful receivables	(250,570)	(183,946)
Net book value of short-term receivables	8,814,368	11,967,953
Other long-term receivables	20,045	9
Deferred tax asset	15,828	70,172
Total long-term receivables	35,873	70,181
Total net book value of receivables	8,850,241	12,038,134

Intragroup receivables relate to cash-pooling receivable towards RWE Transgas, a.s. (Note 16 Related party transactions).

Receivables outstanding have not been secured and none of them are due after more than 5 years.

Short-term advances paid consist mainly of advances paid for gas and distribution of CZK 1,401,266 thousand (2008: CZK 3,864,398 thousand).

Anticipated receivables consist mainly of receivables relating to unbilled gas to customers for CZK 5,833,244 thousand (2008: CZK 6,873,729 thousand) and profit transfer from JMP Net amounted to CZK 975,075 thousand (2008: CZK 747,778 thousand).

Long-term receivables contain long-term security paid to OTE, a.s., amounted to CZK 20,000 thousand (2008: CZK 0).

The change in the provision for doubtful receivables may be analysed as follows:

	2009 CZK'000	2008 CZK'000
Opening balance as at 1 January	183,946	177,910
Charge for the year	304,879	207,422
Released during the year	(230,890)	(189,173)
Written off during the year	(7,365)	(12,213)
Closing balance as at 31 December	250,570	183,946

9 EQUITY

Authorised and issued share capital

	31 December 2009		31 December 2008	
	No.	Carrying value CZK'000	No.	Carrying value CZK'000
Ordinary shares of CZK 1,800 fully paid				
- registered share	985,409	1,773,736	985,409	1,773,736
- bearer share	507,637	913,747	507,637	913,747
	1,493,046	2,687,483	1,493,046	2,687,483

The primary shareholders exceeding 20% of the share capital are as follows:

	31 December 2009 %	31 December 2008 %
RWE GAS International B.V.	47.66	47.66
E.ON Czech Holding AG	43.73	43.73
Other shareholders (less than 20%)		
- RWE Transgas, a.s.	2.46	2.46
- Other shareholders	6.15	6.15
	100.00	100.00

The ultimate mother company is RWE Aktiengesellschaft registered in Opernplatz 1, 45128 Essen, Germany. Companies controlled directly or indirectly by RWE Aktiengesellschaft are stated as "RWE Group" in this Financial statements.

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

The net profit of CZK 549,745 thousand for 2008 reported in statutory financial statements in accordance with International Financial Reporting Standards (Note 3 Transition to Czech accounting standards) was approved and allocated by the General Meeting on 11 May 2009.

Negative retained profits are caused by the distribution of profits reported in accordance with IFRS in prior years.

10 PROVISIONS

	Restructuring provision CZK'000	Environmental and other provisions CZK'000	Income tax provision CZK'000	Provision for liabilities to employees CZK'000	Total CZK'000
Opening balance as at 1 January 2008	-	4,848	33,637	3,568	42,053
Charge for the year	10,890	-	-	2,251	13,141
Released in the year	-	-	(947)	-	(947)
Used in the year	-	(349)	(32,690)	(1,919)	(34,958)
Closing balance as at 31 December 2008	10,890	4,499	-	3,900	19,289
Charge for the year	11,830	283	177,368	33,096	222,577
Released in the year	(1,035)	-	-	-	(1,035)
Used in the year	(9,855)	(1,721)	-	(2,772)	(14,348)
Closing balance as at 31 December 2009	11,830	3,061	177,368	34,224	226,483

For an analysis of the current and deferred income tax see Note 13 Taxation.

11 LIABILITIES

	31 December 2009 CZK'000	31 December 2008 CZK'000
Trade payables		
- current	612,342	109,572
- overdue	-	483,980
	612,342	593,552
Intragroup liabilities	-	1,762,337
Short-term advances received	7,782,096	7,737,389
Anticipated liabilities	1,255,251	4,280,580
Other payables		
- current	87,076	263,543
Total short-term payables	9,736,765	14,637,401
Other long-term payables	47,678	21,533
Total short-term and long-term liabilities	9,784,443	14,658,934

Intragroup liabilities include a liability from cash-pooling as at 31 December 2009 for CZK 0 thousand (2008: CZK 1,762,337 thousand).

Short-term advances received include mainly advances received from customers for gas for CZK 7,722,231 thousand (2008: CZK 7,647,412 thousand).

Anticipated liabilities include mainly accrual relating to natural gas distribution for CZK 1,169,585 thousand (2008: CZK 1,131,616 thousand) and also accrual relating to natural gas purchase for December 2009 for CZK 0 thousand (2008: CZK 3,050,367 thousand).

Other payables represent mainly financial derivative instruments revaluation for CZK 35,567 thousand (2008: CZK 203,169 thousand), see Note 12 Financial derivative instruments.

Trade and other payables have not been secured over any assets of the Company and are not due after more than 5 years.

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.

In 2004 Český plynárenský podnik, s.p. sold its receivable amounting to CZK 472,096 thousand due from the Company to Mr Peter Kmeř who brought a legal action against the Company for the repayment. Based on the agreement from 8 December 2008 was the receivable transferred to SHARI COMMERCIAL S.A., British Virgin Islands. Regional Court in Brno decided to reject this claim and as a result of no appeal from SHARI COMMERCIAL S.A. the decision became legitimate on 18 December 2009. Relevant liability was by JMP netted against other operating revenues (Note 14 Revenue analysis) and in this way it increased net result of 2009.

12 DERIVATIVE FINANCIAL INSTRUMENTS

The Company provides to category high-volume customers a price product which enables fixing of a price for a selected period and a selected volume of gas supplies. A condition is to conclude a contract with a price formula and minimum fixed volume of gas for the whole period. The Company hedges the market risks related to these products by entering into commodity index swaps.

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

	31 December 2009		31 December 2008	
	Fair value		Fair value	
	Positive CZK'000	Negative CZK'000	Positive CZK'000	Negative CZK'000
Trading agreements				
Derivative type CIS (commodity index swap)	6,493	(35,567)	5	(203,169)
Currency forward	39	-	-	-
Total	6,532	(35,567)	5	(203,169)

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.

Change in derivative financial instruments fair value and related gains and losses from financial operations:

	2009 CZK'000	2008 CZK'000
Change in financial derivatives fair value - positive	187,931	5
Change in financial derivatives fair value - negative	(13,802)	(203,169)
Gains from commodity derivatives	33,348	-
Losses from commodity derivatives	(179,177)	-
Total	28,300	(203,164)

Gains and losses from derivative financial instruments are represented in "Other financial revenues" and "Other financial costs".

13 TAXATION

The income tax expense consists of the following:

	2009 CZK'000	2008 CZK'000
Current tax expense	200,122	-
Adjustment of prior year tax expense, additional tax	287	(947)
Deferred tax expense	54,344	(48,040)
Total income tax expense	254,753	(48,987)

Current tax can be analysed as follows:

	2009 CZK'000	2008 CZK'000
Net profit before taxation	2,244,430	474,074
Tax non-deductible expense	60,895	33,127
Tax-free income	(1,023,311)	(784,370)
Tax loss deduction	(277,170)	-
Gifts	(2,900)	-
Net taxable profit	1,001,944	(277,170)
Corporate taxation at 20% (2008: 21%)	200,389	-
Tax relief	(267)	-
Total income tax charge	200,122	-

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

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

	31 December 2009 CZK'000	31 December 2008 CZK'000
Deferred tax liability:		
Accelerated tax depreciation of fixed assets	(40,984)	(37,221)
	(40,984)	(37,221)
Deferred tax asset:		
Reserves	9,332	3,825
Provisions	47,480	50,108
Tax loss carried forward	-	53,460
	56,812	107,393
Net deferred tax asset	15,828	70,172

The Company had tax loss as at 31 December 2008 of CZK 277,170 thousand which was fully utilised as at 31 December 2009 and is not transferred to next years.

14 REVENUE ANALYSIS

Sales of own products and services have been generated as follows:

	2009 CZK'000	2008 CZK'000
Revenues from sale and distribution of natural gas		
- domestic	18,235,124	18,536,674
Revenue from SLA (agreements relating to providing of services within RWE group)	860,894	865,724
Other	56,269	49,055
Total	19,152,287	19,451,453

Other operating revenues in 2009 included mainly revenue from write off of liability towards SHARI COMMERCIAL S.A. amounting to CZK 472,096 thousand which arose from legal claim with Peter Kmeř (Note 11 Liabilities).

15 EMPLOYEE ANALYSIS

Employee numbers	2009	2008
Members of Statutory bodies who are employees	3	3
Average number of other members of management	712	778
Total	715	781
Members of the Supervisory Board who are employees	3	3

The Company's management includes statutory representatives.

	Management CZK'000	Other staff CZK'000	Total CZK'000
2009			
Wages and salaries	10,895	274,417	285,312
Social security costs	1,197	87,339	88,536
Other social costs	34	17,341	17,375
Total	12,126	379,097	391,223
2008			
Wages and salaries	9,849	280,928	290,777
Social security costs	770	92,607	93,377
Other social costs	28	13,400	13,428
Total	10,647	386,935	397,582

Other transactions with the Company's management are described in Note 16 Related party transactions.

16 RELATED PARTY TRANSACTIONS

All material transactions with related parties are presented in this note. All these transactions have occurred under standard market conditions.

	2009 CZK'000	2008 CZK'000
Revenues		
Sales of natural gas	563,252	462,906
Sales of services	877,780	858,723
Revenues from derivative financial instruments (Note 12 Derivative financial instruments)	221,279	5
Other revenues	5,981	4,253
JMP Net (profit transfer)	975,075	747,778
Dividend received from GASFINAL, a.s.	9,101	-
Interest revenues	3,159	3,150
Total revenues	2,655,627	2,076,815
Costs		
Purchase of natural gas	13,385,906	14,714,368
Purchase of services	397,815	381,443
Costs from commodity derivatives (Note 12 Derivative financial instruments)	192,979	203,169
Distribution and transport of natural gas	3,273,653	3,088,720
Other costs	1,496	42
Interest costs	34,501	50,964
Total costs	17,286,350	18,438,706

The following related party balances were outstanding:

	31 December 2009 CZK'000	31 December 2008 CZK'000
Trade receivables	70,503	25,311
Short-term advances paid	1,401,655	3,864,206
Anticipated assets	61,757	76,523
Receivable from profit transfer		
- JMP Net	975,075	747,778
Receivable from change of real value of derivative financial instruments (Note 12 Derivative financial instruments)	6,532	5
Provided cash-pooling	275,602	-
Total assets	2,791,124	4,713,823
Trade payables	553,053	65,630
Short-term advances received	59,532	88,932
Anticipated liabilities	1,200,181	4,212,054
Payable from change of real value of derivative financial instruments (Note 12 Derivative financial instruments)	35,567	203,169
Accepted cash-pooling	-	1,762,590
Total liabilities	1,848,333	6,332,375

Financial means drawn or provided in the form of roll over loans within cash-pooling pay daily interest rate derived from the loan contract based on PRIBOR and PRIBID for each particular day.

The Company did not draw or provide any short-term loan within cash-pooling as at 31 December 2009.

Company cars are made available for use by board members and other management. Total remuneration for the members of the board of directors was CZK 670 thousand (2008: CZK 633 thousand). Total remuneration for the members of the supervisory board was CZK 1,120 thousand (2008: CZK 1,125 thousand). This remuneration is part of the employee costs.

17 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 RWE Aktiengesellschaft.

18 COMMITMENTS

Capital commitments contracted by the Company were CZK 4,292 thousand as at 31 December 2009 (2008: CZK 0 thousand).

The Company has the following commitments in respect of operational leases:

	31 December 2009 CZK'000	31 December 2008 CZK'000
Current within one year	468	377
Due after one year but within five years	468	359
	936	736

19 CONTINGENT LIABILITIES

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

20 EXTRAORDINARY ITEMS

JMP has not reported any extraordinary revenues or losses in both 2009 and 2008.

21 CASH FLOW STATEMENT

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

	31 December 2009 CZK'000	31 December 2008 CZK'000
Cash on hand and in transit	142	272
Cash in bank	419	11
Cash equivalents included in short-term investments	145	66
Receivable arising from cash-pooling	275,454	37,663
Cash and cash equivalents	276,160	38,012

22 SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2009.

18 February 2010



Tomáš Tichý
Chairman of the Board of Directors
CEO



Dušan Malý
Vice-Chairman of the Board of Directors
CFO

6 INDEPENDENT AUDITOR'S REPORT

6.1 Auditor's Report on the Financial Statements



PricewaterhouseCoopers Audit, s.r.o.
 Kateřinská 40/466
 120 00 Prague 2
 Czech Republic
 Telephone +420 251 151 111
 Facsimile +420 251 156 111

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JIHOMORAVSKÁ PLYNÁRENSKÁ, A.S.

We have audited the accompanying financial statements of Jihomoravská plynárenská, a.s., identification number 49970607, with registered office at Plynárenská 499/1, Brno ("the Company"), which comprise the balance sheet as at 31 December 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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Shareholders of Jihomoravská plynárenská, a.s.
Independent auditor's report

Auditor's Responsibility (continued)

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

18 February 2010

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

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

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

Tomáš Bašta
Statutory Auditor, Licence No. 1966

Note

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

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



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 120 00 Prague 2
 Czech Republic
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF JIHOMORAVSKÁ PLYNÁRENSKÁ, A.S.

We have audited the financial statements of Jihomoravská plynárenská, a.s., identification number 49970607, with registered office at Plynárenská 499/1, Brno ("the Company") for the year ended 31 December 2009 disclosed in the annual report in chapter 5 and issued the opinion dated 18 February 2010 and disclosed in chapter 6.1.

Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent with the financial statements referred to above. The Board of Directors 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 2009 is consistent, in all material respects, with the financial statements.

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

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Shareholder of Jihomoravská plynárenská, a.s., Independent auditor's report

Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2009 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

Scope of Review

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

Conclusion

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

30 March 2010

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

PricewaterhouseCoopers Audit, s.r.o.

represented by partner

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

Tomáš Bašta

Statutory Auditor, Licence No. 1966

Note

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

7 REPORT OF THE JIHOMORAVSKÁ PLYNÁRENSKÁ, A.S. BOARD OF DIRECTORS ON RELATIONS BETWEEN RELATED PARTIES AS AT 31 DECEMBER 2009

Whereas Jihomoravská plynárenská, a.s. ("JMP") has not entered into a controlling contract as a controlled entity that would be in effect during 2009, the Board of Directors has compiled this report on relations between JMP and controlling parties and between JMP and other parties controlled by the same controlling parties ("related parties") for 2009, insofar as such persons are known to JMP. The report ("report") was compiled in accordance with Section 66a(9) of Act No. 513/1991 Coll., the Commercial Code, as amended, and it constitutes an integral part of the JMP 2009 Annual Report. JMP's shareholders will have the report available at the same time and under the same conditions as the annual financial statements.

1. Controlling parties

Throughout the past fiscal reporting period, JMP was controlled by the following parties:

a) Directly

- RWE Gas International B.V., with its registered office at Diamantlaan 15, 2132 WV Hoofddorp, Kingdom of the Netherlands, was a JMP shareholder holding a 47.66% share in its voting rights, and
- RWE Transgas, a.s., with its registered office at Limuzská 12/3135, 100 98 Prague 10-Strašnice, Company No. 26460815, was a JMP shareholder holding a 2.46% share in its voting rights, and was directly controlled by its shareholder – RWE Gas International B.V. The total share of both companies acting in concert in JMP's voting rights was 50.12%.

b) Indirectly

- RWE Energy Aktiengesellschaft ("RWE Energy AG"), with its registered address at Rheinlanddamm 24, 44139 Dortmund, Federal Republic of Germany, was the sole member of RWE Gas International B.V. (until 7 September 2009, merger into RWE AG), and
- RWE Aktiengesellschaft ("RWE AG"), with its registered address at Opernplatz 1, 45128 Essen, Federal Republic of Germany, was the sole shareholder of RWE Energy AG.

2. Other related parties

JMP has requested the above listed controlling parties to provide a list of other parties that were controlled by the same controlling parties in the last fiscal reporting period. The present report was compiled based on information provided by the controlling parties and other information available to the JMP Board of Directors. The ties and the controlling structure between companies within the RWE Group as at 31 December 2009 are shown on the third page of the cover of this Annual Report.

3. Contracts signed by JMP and related parties, services rendered, and payments received

In the last fiscal reporting period, JMP and related parties entered into the contracts referred to in Annex No. 1. JMP has not incurred any damage by performing these contracts, including contracts signed in preceding accounting periods. There was, therefore, no need to secure compensation for damage or enter into any agreements to this effect. The value of services rendered and payments made between related parties in the last fiscal reporting period is specified in Note 16 of the Notes to the Financial Statements as at 31 December 2009.

4. Other legal acts completed in the interest of related parties

During the last fiscal reporting period, JMP completed no legal acts in the interest of related parties.

5. Measures adopted in the interest or at the request of related parties

In the last financial year did not accept JMP, respectively did not have any measures in order or at the related parties.

6. Non-existence of damage

In the last fiscal reporting period, no damage was caused to JMP under contracts with related parties, other legal acts completed in the interest of related parties, or measures carried out in the interest or at the request of such parties, which were executed or adopted in the past or preceding fiscal periods.

7. Confidentiality

This report does not contain any information that would constitute JMP's trade secret.

8. Summary

This report was approved by the Board of Directors of JMP on 1 March 2010, and it has been presented for examination to the JMP Supervisory Board and the auditor who reviews the financial statements in accordance with the law.

Brno, 1 March 2010



Tomáš Tichý
Chairman of the Board of Directors



Dušan Malý
Vice-Chairman of the Board of Directors

ANNEX NO. 1

Contracts Signed between JMP and Related Parties in the Last Accounting Period

Contracting party	Contract type/subjekt matter	Quantity
RWE Interní služby, s.r.o.	Orders	2
	Annexes No. 2 and 3 to Commercial Lease Agreement	2
	Annex No. 2 to Facility Management Services Agreement	1
	Annex No. 2 to Transport Services Agreement	1
	Annex No. 2 to Vehicle Fleet Maintenance Services Agreement	1
	Annex No. 3 to Mobile Telephone and IP Telephone Lease, Logistics, and Billing Services Agreement	1
	Annexes No. 3 and 4 to Information Technology Services Agreement	2
	Annex No. 2 to Purchasing and Logistics Services Agreement	1
	Annex No. 2 to Central Payroll Processing Services Agreement	1
	RWE Plynoprojekt, s.r.o.	Orders
Commercial Lease Agreement		1
Annexes No. 1 and 2 to Commercial Lease Agreement		2
Agreement on Non-Profit Transfer of Jointly Used Electricity Supply from a Secondary Electric Meter for a CNG Fuel Station		1
RWE IT Czech, s.r.o.	Human Resources and Security Management Services Agreement	1
	Movables Lease Agreement	1
RWE Transgas, a.s.	Orders	1
	Annex No. 4 to Master Agreement – Currency, Interest, and Commodity Swap Transactions dated 10 November 2005	1
	Annexes No. 11 and 12 to Agreement on Natural Gas Purchase and Sale – Five-Year with Structuring Service No. 1	2
	Annex No. 7 to Master Agreement on Terms for Natural Gas Purchase and Sale	1
	Annexes No. 7 and 8 to Marketing Services Agreement	2
	Annex No. 2 to Consulting – P&O Services Agreement	1
	Annex No. 3 to SLA Consulting – TG Governance Services Agreement	1
	SLA Public Relations Services Agreement	1
	Annexes No. 1 and 2 to SLA Sales Management and Support Services Agreement	2
	Annexes No. 2, 3 and 4 to Commercial Lease Agreement	3
	Annexes No. 1 and 2 to Mandate Agreement – Currency Transactions	2
	Annexes No. 2 and 3 to Cash-pooling Agreement	2
	Annex No. 1 to Agreement on Security Joint Trade Dispatching (ODIS)	1
	Annex No. 1 to Master Agreement on Trading Unused Tolerances	1
	Master Agreement on Natural Gas Purchase and Sale	3
	Master Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 3	1
	Annex No. 1 to Master Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 3	1

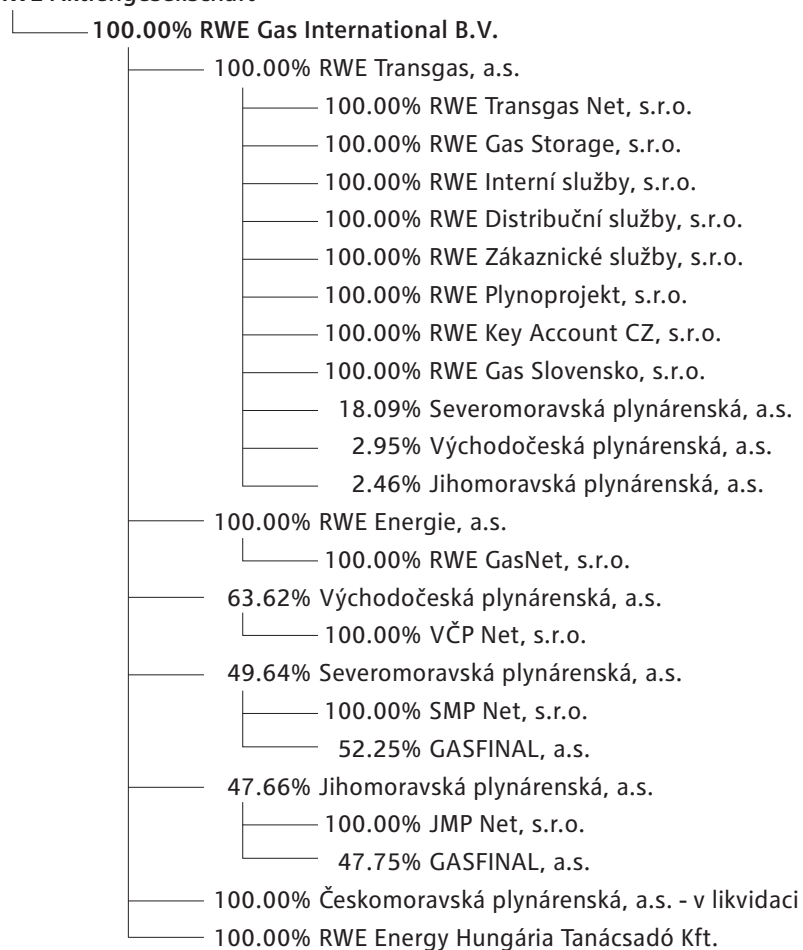
Contracting party	Contract type/subjekt matter	Quantity
RWE Transgas, a.s.	Master Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 4	1
	Master Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 5	1
	Master Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 6	1
	Master Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 7	1
	Master Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 8	1
	Master Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 9	1
	Annexes No. 1 and 2 to Master Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 2	2
	Annex No. 5 to Loan Agreement	1
	Non-Disclosure Agreement	1
RWE Transgas Net, s.r.o.	Annex No. 1 to ArGUS Consulting SLA	1
	Gas Transmission Agreement	1
	Annexes No. 1, 2, 3, 4, 5, 6, 7 and 8 to Gas Transmission Agreement	8
	Agreement on Transfer of Liability for Deviations	1
RWE Transgas Net, s.r.o./ RWE Energie, a.s.	Transmission Capacity Transfer Agreement	1
RWE Transgas Net, s.r.o./ Severomoravská plynárenská, a.s.	Transmission Capacity Transfer Agreement pursuant to Article 22 of the Transmission Network Code Settlement Agreement	1
Severomoravská plynárenská, a.s.	Settlement Agreement	1
RWE Distribuční služby, s.r.o.	Orders	7
	Annexes No. 2 and 3 to Commercial Lease Agreement	2
RWE Zákaznické služby, s.r.o.	Annex No. 3 to Billing Services Agreement	1
	Annexes No. 3 and 4 to Call Center Services Agreement	2
	Annexes No. 4 and 5 to Debt Collection Services Agreement for Small Business and Household Customer Segments	2
	Annexes No. 3 and 4 to Agreement on Services in the Area of Personal and Written Contact with Small Business and Household Customers	2
	Annex No. 2 to Press Center Services Agreement	1
	Annexes No. 2, 3 and 4 to Commercial Lease Agreement	3
	Agreement on Transfer of Rights and Obligations	1
JMP Net, s.r.o.	Annex No. 4 to Gas Facility Construction Planning Services Agreement	1
	Annex No. 4 to Gas Facility Construction Services Agreement	1
	Annex No. 4 to Agreement on Gas Facility Construction Supervision Services for Third-Party Investors	1
	Annex No. 4 to Technical Dispatching Services Agreement	1
	Annex No. 4 to Network Documentation Services Agreement	1
	Annex No. 5 to Metering Services Agreement	1
	Annex No. 4 to Gas Facility Operations Management Agreement	1
	Annex No. 4 to Network Operations and Maintenance Services Agreement	1

Content ◀ ▶

Contracting party	Contract type/subjekt matter	Quantity
JMP Net, s.r.o.	Annexes No. 2 and 3 to Commercial Lease Agreement	2
RWE Key Account CZ, s.r.o.	Commercial Lease Agreement	1
	Annexes No. 1 and 2 to Commercial Lease Agreement	2
	Aggregate Electricity Supply Services Agreement	1
Východočeská plynárenská, a.s.	Information Protection Agreement	1

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

RWE Aktiengesellschaft



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