

Jihomoravská plynárenská, a.s.

[Content](#)

# ANNUAL REPORT 2010



**RWE**  
The energy to lead

## Key Ratios (CAS)

	<b>2010</b>
Total sales (CZK m)	17,659
EBITDA (CZK m)	1,165
Operating result (CZK m)	871
Profit before taxation (CZK m)	2,058
Profit after taxation (CZK m)	1,890
Investments (CZK m)	25
Number of employees (FTE)	709

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. EBITDA refers to operating earnings before depreciation and costs for creating provisions to assets.

## Abbreviations used

a.s.	Public limited company
AG	Aktiengesellschaft (public limited company)
CAS	Czech Accounting Standards
ERO	Energy Regulatory Office
IFRS	International Financial Reporting Standards
IT	Information Technologies
JMP	Jihomoravská plynárenská, a.s.
JMP Net	JMP Net, s.r.o.
MND	MND a.s.
OSH	Occupational Safety and Health
RWE Transgas	RWE Transgas, a.s.
s.p.	State enterprise
s.r.o./spol. s r.o.	Limited liability company

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ENERGY FOR YOUR COMPANY

# 1 THE CHAIRMAN'S STATEMENT

Dear Shareholders, Ladies and Gentlemen,

From many viewpoints, 2010 was an exceptional year for Jihomoravská plynárenská, a.s. The most important developments took place in the natural gas business. The situation on the European gas market, characterized by large differences between purchase prices negotiated in long-term contracts and prices charged on short-term markets, caused an unprecedented rise in competition among traders operating in the Czech Republic, similarly as in other countries. The number of supplier changes in all customer segments increased rapidly, resulting in a year-on-year loss of 3.5% of the total number of JMP's customers and, in consequence, a 6,1% overall decrease in natural gas sales, which were just short of the 18 TWh mark. In contrast, there was an increase in the number of clients who have returned to JMP after trying out other suppliers. We paid very close attention to improving customer relations, including the prompt processing of all client communication.

Most of the gas distributed to end customers was purchased from JMP's main supplier, RWE Transgas, a.s.; some 5% of the total volume of supplies was acquired from MND a.s. Gas supplies in 2010 were provided without complications, and whenever supplies to end customers were interrupted because of various technical reasons, it was due to short-term local defects that were repaired in the shortest possible time.

Another significant change was JMP's entry into the electricity business. In 2010, the Company began selling electric power in all customer segments under advantageous conditions, joining the ranks of traders that offer complete energy supply services and cover both natural gas and electric power.

Besides the two main business activities, the Company provided comprehensive natural gas distribution services based on agreements signed with our subsidiary JMP Net, s.r.o. All services were provided to the planned extent in conformity with the applicable quality standards. A Central distribution dispatching project was completed, and at the end of 2010, we opened an expanded and modernized



dispatching facility in Brno, which is responsible for managing the operation of both JMP Net and, newly, the distribution network of the Ostrava-based SMP Net, s.r.o. In October 2010, the Company passed a test of standards for providing services to distribution system operators and received a certificate for this specialization.

Oversight authorities (State Energy Inspection, financial authorities, and customs authorities) did not find any important deficiencies in JMP's business. Cooperation with all contractual partners, designers, investors, as well as local and central government authorities was rational and problem free.

Strong emphasis was placed on improving the quality of our services and enhancing employee qualifications. Based on a successful application, the Company received important financial assistance from the European Social Fund for a specialized gas training project, where more than 300 employees will participate.

Despite the more and more complicated situation on the market, JMP recorded an exceptionally favorable financial result in 2010. In view of this fact, I want to thank all employees for their contribution to our success.



**Tomáš Tichý**  
Chairman of the Board of Directors

## 2 REPORT OF THE SUPERVISORY BOARD FOR 2010

In 2010, 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 2010;
- monitoring the development of receivables and payables;
- the Company's business activities; JMP responded to the increasing competition on the liberalized energy market in the Czech Republic, particularly by entering into the electricity business as way of expanding its business activities;
- the preparation of the General Meeting in 2010, including a review of JMP's Financial Statements as at 31 December 2009 and the report of the Board of Directors compiled in accordance with Section 66a(9) of the Commercial Code.

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 regular meeting held on 22 March 2010, the Supervisory Board approved PricewaterhouseCoopers Audit, s.r.o. as the auditor of JMP's Financial Statements as at 31 December 2010; the auditor was subsequently approved by JMP's annual General Meeting on 13 May 2010.

On 21 March 2011, 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 2010, including the Auditor's Report and the Profit Distribution Proposal for 2010.

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 2010, 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 2010 and the Profit Distribution Proposal for 2010 submitted by the Board of Directors.

The Supervisory Board extends its thanks to all employees for their work for JMP in 2010.

Prague, 21 March 2011



**Martin Herrmann**  
Chairman of the Supervisory Board

## 3 MANAGEMENT REPORT FOR 2010

### 3.1 JMP Profile

Jihomoravská plynárenská, a.s., is primarily the trading company which core business is to sell the natural gas to end customers. In addition, the Company also provides services for the distribution network operator JMP Net.

### 3.2 Results

#### Revenues, Expenses, Profit

In 2010, JMP earned CZK 1,889,672 thousand in net profit, a year-on-year decline by CZK 100,005 thousand (5%).

Profit before taxes in the reported year amounted to CZK 2,058,214 thousand, a decline by 186,216 thousand (8%) compared to the year 2009. The value of the natural gas sales margin was the most important factor that positively affected the financial result in 2010. In contrast, economic performance was adversely affected by the addition to expenses of a provision for tangible fixed assets.

Sales of natural gas and other services declined year-on-year by CZK 1,493,301 thousand (from CZK 19,152,287 thousand to CZK 17,658,986 thousand), mainly due to customers who switched to other natural gas suppliers.

#### Assets and Liabilities

The total balance of JMP's assets as at 31 December 2010 amounted to CZK 17,920,132 thousand, a year-on-year decrease by CZK 103,224 thousand.

#### 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 25,025 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 2013. 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. During 2011 to 2013, the Company plans to invest approximately CZK 25 million annually into increasing the value of structures, machinery, and equipment. Other plans include investing CZK 40, 27, and 25 million into the renewal of the car fleet in 2011, 2012, and 2013, respectively.

#### 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

As in previous years, JMP used two sources for purchasing natural gas; the main supplier was RWE Transgas, a.s. that accounted for 95% of the total volume of purchased gas, and the remaining 5% was bought from MND Company.

#### Gas Sale

In 2010, JMP supplied 17,841,127 MWh of natural gas, a year-on-year decrease by 6.1%. Gas sales declined despite a favorable development of climatic conditions, as 2010 was among the colder years in the recent period, and the average temperature was 1.7 °C lower compared to 2009. This fact had a significant impact in the Household segment, where we succeeded in achieving sales that were higher by close to 4.4% than in the previous year. Sales in the Small Business segment increased as well due to the same reasons. The situation was different in the segment of customers with annual offtake above 630 MWh, where sales decreased by approximately 21% on the preceding year.

#### Sales and Purchases of Natural Gas (MWh)

	2010	2009
<b>Purchases</b>	<b>17,872,940</b>	<b>18,976,018</b>
Sales		
Key Account (industrial)	6,418,816	8,088,275
Small Business	2,899,161	2,822,052
Households	7,828,700	7,500,466
Other Traders*	694,450	584,917
<b>Total sales</b>	<b>17,841,127</b>	<b>18,995,711</b>

\* Other Traders include RWE Transgas, a.s., RWE Energie, a.s., Severomoravská plynárenská, a.s. and Východočeská plynárenská, a.s.

### Customers

As of 31 December 2010, JMP had 597,929 customers. Considered from the viewpoint of absolute figures, the highest number of customers who switched to another supplier were registered in the Household segment. In contrast, the highest percentage of clients that left our company were in the Key Account (Industrial) segment, where approximately one quarter of customers switched to another supplier in 2010. The current situation on the domestic market allows customers to choose from several different supply companies.

<b>Development of the Number of Customers</b>		
	<b>2010</b>	<b>2009</b>
Key Account (industrial)	1,315	1,801
Small Business	36,225	39,478
Households	560,389	579,244
<b>Total</b>	<b>597,929</b>	<b>620,523</b>

## 3.4 Electricity Business

In 2010, JMP successfully entered the electricity market with the aim to offer comprehensive gas and electricity supply services meeting the demands of clients in all customer segments. In the first half of the reported year, the Company focused on preparing suitable products, information systems, employee training programs, and marketing strategies relating to its entry into the electricity business. The second half of the year was marked by campaigns aimed at a securing a share of the electricity market.

### Electricity Purchase

Electricity purchases are ensured by JMP through RWE Key Account, s.r.o., which purchases electricity on the unregulated market and supplies it already structured to JMP.

### Electricity Sale

During the year under review, JMP sold 3,182 MWh of electric power to 2,870 end customers. The highest number of acquisitions (2,766) were achieved in the Household Retail segment.

<b>Electricity Purchase and Sale (MWh)</b>	
	<b>2010</b>
<b>Purchase</b>	<b>3,182</b>
Sales	
Key Account (industrial)	14
Business Retail	1,042
Households Retail	2,126
<b>Total sales</b>	<b>3,182</b>

<b>Number of Offtake Points</b>	
	<b>2010</b>
Key Account (industrial)	1
Business Retail	103
Households Retail	2,766
<b>Total sales</b>	<b>2,870</b>

## 3.5 Business and Marketing Activities, Sponsoring

### Business Activities

The business strategy in 2010 focused mainly on maintaining the company's share of the natural gas market and on active approaching the electricity market.

In conducting business activities, we carefully applied risk management methods to prevent adverse impact on JMP's financial performance.

### Marketing Activities

In 2010, marketing activities continued the ongoing trend of improving products and services for both existing and potential customers.

Developing the ensemble of measures referred to as "Always Better Services" was the most important initiative for customer retention on the retail market. The key activities included expanding products and services offered under RWE Premium, a program that also provides long-term support for the rational use of energy by JMP's customers.

Another focus of marketing activities was providing intensive support for our entry into the electricity business and for achieving the sales figures projected for 2010. Entirely new pricing products were developed – RWE Garant 2011 and RWE Stabil 2012 – and the portfolio of standard products

was expanded by an option allowing customers to receive an attractive bonus for signing an electricity supply contract, particularly in cases where several contracts were signed at the same time.

A part of marketing activities was concentrated on improving customer care, particularly on providing support for changes in the network of contact points and on developing the RWE ONLINE SERVIS. This application allows customers to manage their accounts at no charge from any personal computer without the necessity to visit a customer service center.

### Sponsoring

During 2010, JMP provided financial backing for important cultural events, sports, and social events.

As far as nation-wide long-term activities are concerned, JMP took part in financing the projects *RWE – Energy of Czech Film* and *RWE – Energy of Czech Skiing*.

JMP was the general partner of Donate Blood, a project organized by the Czech Radio's Brno branch, which focuses on promoting blood donor mobilization and finding first-time donors, including donors from the ranks of the Company's staff. In addition, we continued our official partnership with the music festival Moravian Autumn. To promote the RWE brand, we took part in the organization of the Summer Film School in Uherské Hradiště as a continuation of the project *RWE – Energy of Czech Film*.

As to charity and support for healthcare, we supported projects of the Niké Endowment Fund, the Children's Clinic of the Brno University Hospital, and the St. Anna University Hospital. In addition, we disbursed assistance for handicapped children, protected workshops, voluntary firefighting units, kindergartens, elementary schools, and regional ecology projects. Another area where we provided backing was the RWE COMPANIUS project, which aims to support charitable activities carried out by our employees in their free time.

## 3.6 Other Business Activities

Besides natural gas trading, JMP continued to improve the quality of its services related to the operation of the distribution system by JMP Net. The superior quality of our services has been confirmed by the successful completion of the certification of the transmission/distribution system operator in accordance with TPG 923 01. Under SLA agreements, the Company is responsible for the operation and maintenance of JMP Net's gas facilities, consumption metering, and assessing the parameters of natural gas, including the connection and disconnection of customers, pipeline construction, network operation management, and documentation administration. An important activity from the viewpoint of reliability and safety is the dispatching management of our network as well as the securing of a round-the-clock emergency service. As part of the official long-term strategy, JMP offers these services on top of the framework of approved SLAs.

### Network Operation and Maintenance

The continual improvement of the quality of processes and individual activities relating to network operation and management has had a positive impact on the reliability and safety of gas facilities run by JMP Net.

#### Scope of operated gas facilities

	<b>2010</b>
Length of pipelines (km)	18,007
Transfer and regulating stations	1,378
Corrosion protection stations	308

JMP carried out all inspection, maintenance, and repair tasks by the applicable deadlines. As at 31 December 2010, the number of non-repaired leaks of natural gas fell by more than 53% compared to the preceding year. Further, the amount of non-repaired underground leaks, which represent the highest risk on operated gas networks, was very low. All leaks were repaired by the applicable legislative deadlines. The organization and management of emergency services was maintained at a high standard. In the reported year, we reduced significantly the time needed by emergency crews to reach the site of emergencies reported using the 1239 line. In more than 99%, emergency workers arrived in less than 60 minutes.

#### Scope of operation and maintenance activities

	<b>2010</b>
Planned inspections	64,361
Leak repairs	17,318
Repairs not involving gas leaks	29,254
Calls received by the 1239 emergency line	14,328
Onsite interventions by emergency services	5,466

During 2010, two emergency events, which were classified as accidents, occurred, resulting in an interruption of natural gas supply to 604 customers. In both cases, gas supplies were restored within 48 hours.

As in the past, gas facilities were affected by floods, local inundations, and landslides. During May to August, incidents of this type caused damage to gas installations in the Kroměříž, Hodonín, and Brno operating districts. Most cases involved flooded regulating stations and damaged structures or access roads. In the municipality of Nikolčice, a landslide damaged a low-pressure pipeline. None of these incidents resulted in a major interruption in gas supplies.

A lasting problem faced by our Company is damage caused to our pipeline network by third parties. In the year under review, we recorded 88 incidents where third parties caused damage to our gas facilities that resulted in a natural gas leak. The ensuing repair costs exceeded CZK 900,000.

In the second half of 2010, the RWE Group in the Czech Republic completed centralizing distribution dispatching facilities. This centralization project included restructuring the JMP Dispatching Department. The Brno dispatching facility now manages not only the JMP Net distribution system, but, starting in 10/2010, also the distribution network of SMP Net. As part of the centralization project, we standardized online transmission from transfer and regulating stations that feature online control and monitoring systems. As of 31 December 2010, 217 and 421 JMP Net and SMP Net stations, respectively, were equipped with a remote monitoring system.

During the year under review, JMP secured the operation of two electricity production facilities that supplied the total of 3,331 MWh to the distribution network.

Other important activities included third-party servicing for GE Jenbacher cogeneration units. In 2010, we provided servicing for 75 installations.

### Metering and Technical Services

As regards metering, JMP had to respond continually to legislative requirements and to a large number of end customers who switched their supplier as a result of market liberalization. Consumption metering was completed by the applicable deadlines for all customers, including the compilation of data for gas consumption billing. We replaced, inspected, and calibrated metering devices, dismantled the meters of departing customers and debtors, dealt with unauthorized offtake, and carried out other related activities.

In the Household and Small Business segments, attention was paid to the quality of meter reading operations by increasing the amount of readings actually taken by our staff vis-à-vis customer-reported data.

#### Overview of metering and technical service tasks

	<b>2010</b>
Membrane gas meters up to G6	70,845
Gas meters over G6	6,601
Electronic metering systems	5,636
Meter readings – Key Account/Business	25,893
Meter readings – Small Business/Household	637,787
Unauthorized offtake	7,162

### Network Expansion

JMP secured the planning and execution of gas facility construction projects in accordance with the investment plan of JMP Net:

<b>Number of planned projects</b>	
	<b>2010</b>
Number of planned projects	59
The value of planned projects in thousands of CZK	297,100

<b>Number of completed projects</b>	
	<b>2010</b>
Number of completed projects	132
Value of completed projects in thousands of CZK	411,433

### Overview of the Most Important Projects in 2010:

- Reconstruction of Medium-Pressure Supply Conduit from HC03 in Hodonín;
- Reconstruction of Low-Pressure Installations in Moravské náměstí, Brandlova, Brno and Joštova and Česká, Brno.

Services related to network expansion included technical supervision of gas facility construction projects executed by third-party investors, which will be subsequently operated by JMP Net. In 2010, we supervised 2,254 such projects.

During the year, JMP responded to the new investment strategy of JMP Net, which expects a major increase in the amount of funds invested into network reconstruction in the next three years. There was a significant rise in the number of planned projects that forced JMP to increase its network construction planning capacity. Last year, JMP began offering these services to customers other than distribution system operators.

JMP improved considerably its construction and installation appraisal services. In cooperation with the Purchasing Department of RWE Interní služby, s.r.o., we defined new rules for reporting project execution savings. Thanks to the joint effort of employees from both companies, year-on-year savings of 4.8% were achieved as regards the cost of construction and installation work.

### Network Operation and Maintenance

In the area of network operation management, JMP provided services related to the administration and technical management of the distribution system to its operator, JMP Net. These services mainly included issuing assessments for gas facility and other construction projects as part of building-permit proceedings, defining conditions for connection to the distribution system, keeping technical documents, and representing JMP Net in communication with building authorities and in handling issues related to the ownership of gas assets.

During 2010, JMP issued 35,543 assessments for construction proceedings and 5,911 conditions for the connection of facilities to the distribution network. Further, we took over the operation of 2,390 new or reconstructed gas facilities. All assessment and conditions were issued by the applicable deadlines and conformed to the quality requirement set out in laws and in SLA agreements signed by the Company and JMP Net. The scope of issued documents was about the same as in the preceding year:

	2010	2009
Assessments	35,543	34,775
Conditions for connection to the distribution system	5,911	5,853
Taken over gas facilities	2,390	3,058

In 2010, we launched projects aimed at improving processes involving the connection of new offtake points to the distribution system and at allowing applicants for an assessment to submit their applications by electronic means. We refined cooperation with municipalities as regards the sharing of information on capital construction plans to improve the coordination of planned repairs and gas facility reconstruction projects with developments planned by municipalities in the same localities.

### Network Documentation

The main task of the Network Documentation Department is creating and managing digital drawings, including technical, financial, and organization data on gas facilities. During the reported year, 13,874 entries were made to the GIS system, including new projects and updates of data pertaining to existing structures. Another activity is providing third parties with digital data on gas facilities. In 2010, we processed 9,203 data requests, an increase by approximately 40% on the year 2009.

An important project executed in the year under review was the implementation of electronic administration of GIS data modification requests using the JIRA software. The new system will accelerate the transfer of information and improve the quality of data entered into the GIS system.

## 3.7 Human Resources

### Employees

In 2010, the average headcount (full-time equivalent) in JMP was 709, a decrease by 6 employees from 2009.

### Wages

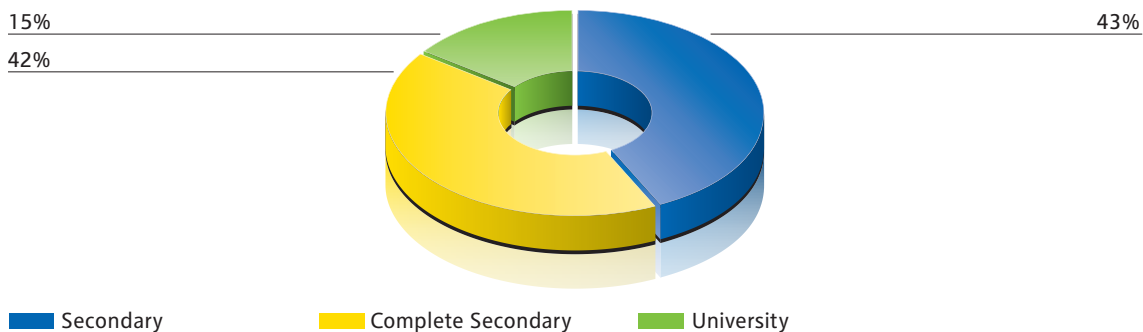
In 2010, wages developed in accordance with JMP's business strategy and the remuneration principles and wage increases agreed in the Collective Agreement.

The average wage in 2010 amounted to CZK 31,591.

### Employee Training and Career Development

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#### Employee Structure by Qualification in 2010



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### Employee Training and Career Development

As in previous years, JMP paid close attention to obligatory legislative and gas-sector training in 2010. In addition, we focused on improving language proficiency, soft skills, IT knowledge, and specialized technical abilities, including the use of modern experience-based learning methods. JMP continued to support employees engaged in improving and deepening their qualifications under part-time education programs.

We completed training programs aimed at talented employees and low and middle management staff members, such as "Training Program for Talented Employees", "Academy for Foremen and Specialist Foremen", and "Management Academy".

JMP received financial assistance from the European Social Fund for “Academy for Gas Industry Specialists”, a project created based on “The Training Is a Chance” scheme under the Human Resources and Employment operational program.

JMP continued to pursue close partnerships with selected schools and universities.

### Social Policy

JMP continued to develop and support its social program for employees. Using the new Benefit Program, we disbursed higher contributions for individual recreation, cultural and sporting events, healthcare, education, retirement savings programs, and life insurance. Like in the past, we offered employees and their family members the possibility to use the Company's recreational facilities.

In the spring and fall of 2010, employees received vitamin packages as part of the healthcare prevention program. In addition, employees were offered free flu vaccination in November and December.

## 3.8 Information Technologies

Comprehensive IT services were provided by RWE IS on an outsourcing basis. The main IT task in 2010 was optimizing transmission routes for the operation of the Central Distribution Dispatching Facility.

An important task was the start of the Management Information System (MIS) and the activation of Data Boxes in the framework of the Document Management System (DMS).

The functionality of the SAP central system was expanded by the addition of customer administration in the Small Business and Household segments, which is now secured by specialists from RWE Zákaznické služby, s.r.o.

The IT security policy of JMP was improved by making access to RWE systems available via the Single Sign On (SSO) application and by expanding system protection features. Employee services were aggregated under the HR portal.

In connection with the TELCO service, we completed the transfer and unification of the communication infrastructure for dispatching systems within the technology network and continued optimizing data tariffs for measuring devices and online metering systems.

In line with the RWE standard, JMP's multifunction printing services were successfully optimized as a comprehensive solution that has replaced outdated local machines.

## 3.9 Occupational Safety and Environmental Protection

### Occupational Safety and Health

During 2010, there were no accidents from the viewpoint of occupational health and safety or fire protection liable to result in serious direct harm to employees or the Company's assets. There were three work-related accidents resulting in absence from work, all involving a fall of a walking employee.

The set of rules pertaining to both OSH and fire protection is regularly verified by means of tests conforming to valid laws and regulations. The tests are complemented by thematic inspections and internal audits. In the course of 2010, no OSH inspection was carried out at JMP by government authorities or the UNIOS trade union.

JMP paid close attention to distributing personal protection aids to workers as well as to overseeing their correct use. JMP systematically collects employee suggestions aimed at improving the effectiveness of protective aids.

### Environmental Protection

In 2010, steps were taken toward implementing the ISO 14 001 environmental management system, where the Company has made a commitment to comply with legislative requirements and to increase the knowledge of employees about the importance of ecology and the possibilities of using environment-friendly technologies. The objective is to pass the positive and responsible approach to the natural world on to our suppliers and to create conditions that allow them to implement ecological measures to the maximum extent.

We compiled process-related documents in accordance with the requirements for the abovementioned ISO standard as a basis for improving environmental protection in JMP in the future.

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 in individual localities. 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, we continued a cleanup project in Brno and completed monitoring work in Prostějov.

During the reported year, no situation occurred that would be liable to have an adverse impact on the environment, and no government authority imposed any penalties against the Company.

### 3.10 Subsequent Events

No events, which would have an important impact on JMP or its activities, have occurred after the balance sheet date.

### 3.11 Outlook

We will continue to develop and strengthen activities that respond to the growing competition on the natural gas and electricity markets. Offering new products and improving the quality of services are the most important objectives as regards stabilizing JMP's position on the liberalized energy market. As to our operations, attention will focus on improving internal processes, increasing the effectiveness of field work management using modern technologies, and expanding our portfolio of services in all areas of the Company's business.



ENERGY FOR LEISURE TIME

## 4 ABOUT THE ISSUER

### 4.1 General Information

<b>Company name:</b>	Jihomoravská plynárenská, a.s.
<b>Registered office:</b>	Plynárenská 499/1, 657 02 Brno
<b>Company No.:</b>	49970607
<b>Legal form:</b>	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 office 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, which was 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. There have been no changes in the value of the share capital of JMP during the preceding two years.

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

#### Securities

The shares were issued in connection with the incorporation of JMP on 1 January 1994, and they are the common shares of JMP. As at 31 December 2010, the shares were not listed on the official stock market pursuant to Act No. 256/2004 Coll. on Conducting Business on the Capital Market.

Effective as of 18 August 2008, the Company's bearer shares (ISIN CZ0005078956) were withdrawn from trading on the official stock market organized by RM-System, a.s.

Effective as of 1 September 2008, the Company's bearer shares (ISIN CZ0005078956) were withdrawn from trading on the official regulated stock market of Burza cenných papírů Praha, a.s. (Prague Stock Exchange). The last trading day was 29 August 2008.

Type	Common share	Common share
Form	Bearer share	Registered share
Kind	Unicertificated	
Volume	985,409	507,637
ISIN/SIN/SIN	CZ0005078956	CZ0008467032*
Total value	CZK 1,773,736,200	CZK 913,746,600
Nominal value per share	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	
Security transfer	Shares are transferred through the Securities Center.	
Limitations of transferability	None	
Trading on regulated markets in the Czech Republic	The shares are not traded on any regulated market in Czech Republic.	
Trading on regulated markets abroad	The shares are not traded on any foreign regulated 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 ADMINISTRER, 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	

\* In connection with the transfer of records on booked and immobilized securities from the Securities Center to the Central Securities Depository Prague, the original SIN 770950000438 was changed to ISIN CZ0008467032 on 12 August 2010.

#### Shareholders as at 31 December 2010

Name	Registered office	Shake in share capital %
RWE Gas International B.V.	Diamantlaan 15, WV Hoofddorp, Kingdom of the Netherlands	47.66
RWE Transgas, a.s.	Limuzská 12/3135, 100 98 Praha 10-Strašnice, Czech Republic	2.46
E.ON Czech Holding AG	Denisstrasse 2, 803 35 Mnichov, Federal Republic of Germany	43.73
Other legal persons		5.10
Natural persons		0.61
Municipalities		0.44

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 2010, JMP was a member of the RWE Group. As at that date, RWE Aktiengesellschaft indirectly held a 50.12% stake in the share capital of JMP. RWE Aktiengesellschaft controlled RWE Gas International B.V. and RWE Transgas, a.s.

The control structure and ties between companies associated under the RWE Group as at 31 December 2010 are described on the third page of the cover of this Annual Report as an annex to the Report of the Jihomoravská plynárenská, a.s. Board of Directors on Relations between Related Parties as at 31 December 2010 (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 coincides with the reference date for attending the General Meeting where a decision to pay dividends is made. Unless otherwise decided by the General Meeting, dividends are payable within three months after the day on which the General Meeting decides to distribute profit. The right to the payment of a dividend expires after a four-year prescription period.

#### Investor's Timetable

General Meeting – 6 May 2011

#### 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 2010

#### 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 of Directors, 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:**

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

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

**Any other business activities:**

None



\* On 1 January 2011 the company entered into liquidation.

**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 2010**

There were no changes in the JMP Board of Directors in 2010.

**The Supervisory Board as at 31 December 2010**

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.;

Managing Director – RWE East, s.r.o.;

Chairman of the Supervisory Boards – Severomoravská plynárenská, a.s., Východočeská plynárenská, a.s.,  
RWE Energie, a.s. and RWE Gas Storage, s.r.o.;

Vice-Chairman of the Supervisory Board – NET4GAS, s.r.o.,

Member of the Supervisory Board – RWE Supply & Trading GmbH

**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 Boards – 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, electrical engineering

**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.

**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 ESČ – Elektrárna Čechy-Střed, a.s.

**Any other business activities:**

None

**Tomáš Varcop**

Member of the Supervisory Board

**Born:**

15 April 1965

**Education:**

Brno University of Technology, Faculty of Mechanical Engineering;

MBA from University of Pittsburgh

**Membership of bodies of other companies:**

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

Member of the Supervisory Boards – 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

### 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 2010

There were no changes in the JMP Supervisory Board in 2010.

## 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 2010:

**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 2011

### Person Responsible for Accounting



**Ivana Chalupová**

Accounting and Taxation Manager

### Persons Responsible for the Jihomoravská plynárenská, a.s. 2010 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

# ENERGY FOR PUBLIC SPACES

## 5 FINANCIAL PART

### 5.1 Financial Statements

<b>BALANCE SHEET (in thousand Czech crowns)</b>					
Ref.	ASSETS	31. 12. 2010			31. 12. 2009
		Gross	Provision	Net	Net
	<b>TOTAL ASSETS</b>	<b>19,645,819</b>	<b>(1,725,687)</b>	<b>17,920,132</b>	<b>17,816,908</b>
<b>B.</b>	<b>Fixed assets</b>	<b>10,138,176</b>	<b>(1,448,539)</b>	<b>8,689,637</b>	<b>8,957,014</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>194,231</b>	<b>(194,217)</b>	<b>14</b>	<b>209</b>
B. I. 1.	Software	164,893	(164,893)	-	-
	2. Other intangible fixed assets	29,338	(29,324)	14	209
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>2,203,279</b>	<b>(1,090,322)</b>	<b>1,112,957</b>	<b>1,380,139</b>
B. II. 1.	Land	46,953	-	46,953	47,150
	2. Constructions	1,647,321	(683,435)	963,886	1,211,025
	3. Equipment	495,200	(407,732)	87,468	110,727
	4. Other tangible fixed assets	595	-	595	576
	5. Tangible fixed assets in the course of construction	3,497	-	3,497	10,661
	6. Advances paid for tangible fixed assets	10,558	-	10,558	-
	7. Adjustment to acquired fixed assets	(845)	845	-	-
<b>B. III.</b>	<b>Long-term investments</b>	<b>7,740,666</b>	<b>(164,000)</b>	<b>7,576,666</b>	<b>7,576,666</b>
B. III. 1.	Investments in controlled entities / subsidiaries	7,565,985	-	7,565,985	7,565,985
	2. Investments in associates	174,681	(164,000)	10,681	10,681
<b>C.</b>	<b>Current assets</b>	<b>9,506,645</b>	<b>(277,148)</b>	<b>9,229,497</b>	<b>8,858,772</b>
<b>C. I.</b>	<b>Inventories</b>	<b>17,231</b>	<b>(7,093)</b>	<b>10,138</b>	<b>7,825</b>
C. I. 1.	Raw materials	17,231	(7,093)	10,138	7,825
<b>C. II.</b>	<b>Long-term receivables</b>	<b>71,718</b>	<b>-</b>	<b>71,718</b>	<b>35,873</b>
C. II. 1.	Long-term advances paid	60	-	60	45
	2. Other receivables	20,000	-	20,000	20,000
	3. Deferred tax asset	51,658	-	51,658	15,828
<b>C. III.</b>	<b>Short-term receivables</b>	<b>9,415,146</b>	<b>(270,055)</b>	<b>9,145,091</b>	<b>8,814,368</b>
C. III. 1.	Trade receivables	397,093	(270,055)	127,038	165,987
	2. Receivables – controlling entities / subsidiaries	-	-	-	275,454
	3. Taxes and state subsidies receivable	133,183	-	133,183	68,799
	4. Short-term advances paid	1,449,404	-	1,449,404	1,405,037
	5. Anticipated assets	7,409,860	-	7,409,860	6,892,307
	6. Other receivables	25,606	-	25,606	6,784
<b>C. IV.</b>	<b>Financial assets</b>	<b>2,550</b>	<b>-</b>	<b>2,550</b>	<b>706</b>
C. IV. 1.	Cash in hand	251	-	251	287
	2. Cash at bank	2,299	-	2,299	419
<b>D. I.</b>	<b>Accruals and deferrals</b>	<b>998</b>	<b>-</b>	<b>998</b>	<b>1,122</b>
D. I. 1.	Prepaid expenses	937	-	937	964
	2. Accrued revenue	61	-	61	158

<b>BALANCE SHEET – continued (in thousand Czech crowns)</b>			
Ref.	LIABILITIES AND EQUITY	31. 12. 2010	31. 12. 2009
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>17,920,132</b>	<b>17,816,908</b>
<b>A.</b>	<b>Equity</b>	<b>8,236,909</b>	<b>7,805,972</b>
<b>A. I.</b>	<b>Share capital</b>	<b>2,687,483</b>	<b>2,687,483</b>
A. I. 1.	Share capital	2,687,483	2,687,483
<b>A. II.</b>	<b>Capital contributions</b>	<b>2,291,393</b>	<b>2,291,393</b>
A. II. 1.	Other capital contributions	2,291,393	2,291,393
<b>A. III.</b>	<b>Reserve fund and other reserves</b>	<b>990,447</b>	<b>990,476</b>
A. III. 1.	Statutory reserve fund	556,897	556,897
	2. Statutory and other reserves	433,550	433,579
<b>A. IV.</b>	<b>Retained earnings</b>	<b>377,914</b>	<b>(153,057)</b>
A. IV. 1.	Retained profits	377,914	(153,057)
<b>A. V.</b>	<b>Profit (loss) for the current period (+/-)</b>	<b>1,889,672</b>	<b>1,989,677</b>
<b>B.</b>	<b>Liabilities</b>	<b>9,683,182</b>	<b>10,010,926</b>
<b>B. I.</b>	<b>Provisions</b>	<b>150,269</b>	<b>226,483</b>
B. I. 1.	Income tax provision	109,318	177,369
	2. Other provisions	40,951	49,114
<b>B. II.</b>	<b>Long-term liabilities</b>	<b>1,741</b>	<b>47,678</b>
B. II. 1.	Other liabilities	1,741	47,678
<b>B. III.</b>	<b>Short-term liabilities</b>	<b>9,531,172</b>	<b>9,736,765</b>
B. III. 1.	Trade payables	944,145	612,342
	2. Liabilities – controlling entities / subsidiaries	69,453	-
	3. Liabilities to shareholders and co-ventures	2,266	1,402
	4. Liabilities to employees	18,754	17,465
	5. Liabilities for social security and health insurance	9,958	9,337
	6. Taxes and state subsidies payable	17,737	21,241
	7. Short-term advances received	7,013,854	7,782,096
	8. Anticipated liabilities	1,425,475	1,255,251
	9. Other payables	29,530	37,631
<b>C. I.</b>	<b>Accruals and deferrals</b>	<b>41</b>	<b>10</b>
C. I. 1.	Accruals	41	10

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

Ref.	DESCRIPTION	Accounting period	
		2010	2009
II.	Sales of production	17,658,986	19,152,287
II. 1.	Sales of own products and services	17,658,986	19,152,287
B.	Cost of sales	16,103,290	17,840,576
B. 1.	Raw materials and consumables	15,523,182	17,282,422
	2. Services	580,108	558,154
<b>+</b>	<b>Added value</b>	<b>1,555,696</b>	<b>1,311,711</b>
C.	Staff costs	393,606	391,223
C. 1.	Wages and salaries	271,735	283,522
	2. Emoluments of board members	1,790	1,790
	3. Social security and health insurance costs	102,565	95,640
	4. Other social costs	17,516	10,271
D.	Taxes and charges	4,777	6,830
E.	Depreciation of long-term assets	73,197	75,175
III.	Sale of long-term assets and raw materials	23,914	17,447
III. 1.	Sale of long-term assets	11,969	2,188
	2. Sale of raw materials	11,945	15,259
F.	Net book value of long-term assets and raw materials sold	18,213	14,692
F. 1.	Net book value of long-term assets sold	9,007	579
	2. Net book value of raw materials sold	9,206	14,113
G.	Increase / (decrease) in operating provisions	232,950	84,471
IV.	Other operating income	47,794	526,920
H.	Other operating charges	33,950	18,693
<b>*</b>	<b>Operating result</b>	<b>870,711</b>	<b>1,264,994</b>
VII.	Income from long-term investments	1,195,441	984,176
VII. 1.	Income from investments in controlled entities / subsidiaries and associates	1,195,441	975,075
	2. Income from investments in other securities	-	9,101
IX.	Gain on revaluation of securities and derivatives	60,942	187,931
L.	Loss on revaluation of securities and derivatives	33,407	13,802
X.	Interest income	1,655	3,163
N.	Interest expense	4,618	34,596
XI.	Other financial income	11,013	35,451
O.	Other financial expense	43,523	182,887
<b>*</b>	<b>Financial result</b>	<b>1,187,503</b>	<b>979,436</b>
Q.	Tax on profit or loss on ordinary activities	168,542	254,753
Q. 1.	- current	204,373	200,409
	2. - deferred	(35,831)	54,344
<b>**</b>	<b>Profit or loss on ordinary activities after taxation</b>	<b>1,889,672</b>	<b>1,989,677</b>
<b>***</b>	<b>Net profit (loss) for the financial period</b>	<b>1,889,672</b>	<b>1,989,677</b>
<b>***</b>	<b>Net profit (loss) before taxation</b>	<b>2,058,214</b>	<b>2,244,430</b>

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2010						
	Share capital CZK'000	Other capital contributions CZK'000	Legal reserve fund CZK'000	Statutory and other reserves CZK'000	Retained earnings CZK'000	Total CZK'000
<b>As at 1 January 2009</b>	<b>2,687,483</b>	<b>2,291,393</b>	<b>556,897</b>	<b>433,901</b>	<b>396,386</b>	<b>6,366,060</b>
Reserve fund use	-	-	-	(322)	-	(322)
Dividends paid	-	-	-	-	(549,443)	(549,443)
Net profit for the current period	-	-	-	-	1,989,677	1,989,677
<b>As at 31 December 2009</b>	<b>2,687,483</b>	<b>2,291,393</b>	<b>556,897</b>	<b>433,579</b>	<b>1,836,620</b>	<b>7,805,972</b>
Reserve fund use	-	-	-	(29)	-	(29)
Dividends paid	-	-	-	-	(1,458,706)	(1,458,706)
Net profit for the current period	-	-	-	-	1,889,672	1,889,672
<b>As at 31 December 2010</b>	<b>2,687,483</b>	<b>2,291,393</b>	<b>556,897</b>	<b>433,550</b>	<b>2,267,586</b>	<b>8,236,909</b>

## CASH FLOW STATEMENT

<b>Year ended 31 December 2010</b>		<b>2010</b>	<b>2009</b>
		CZK'000	CZK'000
<b>Cash flows from operating activities</b>			
<b>Net profit on ordinary activities before tax</b>		<b>2,058,214</b>	<b>2,244,430</b>
<b>A.1</b>	<b>Adjustments for non-cash movements</b>	<b>(895,589)</b>	<b>(1,433,561)</b>
A.1.1	Depreciation and amortisation of fixed assets	73,197	75,175
A.1.2	Change in provisions	232,950	84,471
A.1.3	Profit from disposal of fixed assets	(2,962)	(1,609)
A.1.4	Dividend income	(1,195,441)	(984,176)
A.1.5	Net interest expense	2 963	31,433
A.1.6	Other non-cash movements	(6,296)	(638,855)
<b>A *</b>	<b>Net cash flow from operating activities before tax, changes in working capital</b>	<b>1,162,625</b>	<b>810,869</b>
<b>A.2</b>	<b>Working capital changes</b>	<b>(678,480)</b>	<b>1,061,596</b>
A.2.1	Change in receivables and prepayments	(407,678)	3,494,199
A.2.2	Change in short-term payables and accruals	(267,578)	(2,434,715)
A.2.3	Change in inventories	(3,224)	2,112
<b>A **</b>	<b>Net cash flow from operating activities before tax</b>	<b>484,145</b>	<b>1,872,465</b>
A.3	Interest paid	(4,588)	(35,181)
A.4	Interest received	1,752	3,348
A.5	Income tax on ordinary activities paid	(272,424)	13,460
A.7	Dividends received	975,075	756,879
<b>A ***</b>	<b>Net cash flow from operating activities</b>	<b>1,183,960</b>	<b>2,610,971</b>
<b>Cash flows from investing activities</b>			
B.1	Acquisition of fixed assets	(35,185)	(25,171)
B.2	Proceeds from the sale of fixed assets	11,969	2,188
<b>B ***</b>	<b>Net cash flow from investing activities</b>	<b>(23,216)</b>	<b>(22,983)</b>
<b>Cash flows from financing activities</b>			
C.1	Change in long- and short-term liabilities	(45,937)	(1,800,000)
C.2	Changes in equity	(1,457,870)	(549,840)
C.2.5	Direct payments from reserves	(29)	(322)
C.2.6	Dividends paid	(1,457,841)	(549,518)
<b>C ***</b>	<b>Net cash flow from financing activities</b>	<b>(1,503,807)</b>	<b>(2,349,840)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(343,063)</b>	<b>238,148</b>
<b>Cash and cash equivalents as at the beginning of the year</b>		<b>276,160</b>	<b>38,012</b>
<b>Cash and cash equivalents as at the end of the year</b>		<b>(66,903)</b>	<b>276,160</b>

## 5.2 Notes to Financial Statements

Year ended 31 December 2010

### 1 GENERAL INFORMATION

#### (a) Introductory information about the Company

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 499 70 607.

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. Shares are not traded on any regulated market in the Czech Republic. 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 company's business and related rights and obligations except for general legal norms.

The Company main business is trade with natural gas. Since 2010 the Company entered retail electricity market.

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 gas companies within RWE CZ Group 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 Board of Directors as at 31 December 2010 were as follows:

	<b>Position</b>	<b>Appointed</b>
Tomáš Tichý	Chairman	6 January 2009
Dušan Malý	Vice-Chairman	6 January 2009
Martin Kárník	Member	18 September 2009

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

	<b>Position</b>	<b>Appointed</b>
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

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.

### **(b) Impact of the global economic crisis on the Company**

The financial crisis that started during 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and very high volatility in stock markets. This financial crisis has led to a global economic recession that culminated in 2008 and 2009. In 2010 the global economy has been growing, but some branches are still significantly affected by the economic crisis. Indeed the subsequent development of the economic crisis is proving to be impossible to reliably anticipate and guard against effects thereof. Management is unable to reliably estimate the impact on the Company's financial position of any further possible deterioration of the economic 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.

## **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.

### **(b) Intangible fixed assets**

All intangible assets with a useful life longer than one year and a unit cost of more than CZK 60 thousand 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.

The company does not carry out the research and development in 2010 and 2009.

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

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

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

#### (c) Tangible fixed assets

All tangible assets with a useful life longer than one year and a unit cost of more than CZK 10 thousand 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 includes all costs related with its acquisition. 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

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

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

Repairs and maintenance expenditures of tangible fixed assets are charged to expense as incurred. Provisions are recorded for the cost of significant necessary repairs that are expected to be incurred in future periods as estimated by management of the Company. 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 legal 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 the Subsidiary and the 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.

**(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 CZ 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.

**(k) Derivative financial instruments**

Derivative financial instruments including foreign exchange contracts and commodity index swaps, 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.

#### **(I) 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.

#### **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 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 m<sup>3</sup> 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 m<sup>3</sup> 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 m<sup>3</sup>. 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.

#### **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.

Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by third parties.

#### **(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
- the Subsidiaries and the Associates and joint-venture companies.

Material transactions and outstanding balances with related parties are disclosed in Notes 14 Employee analysis and 15 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 INTANGIBLE FIXED ASSETS

<b>Cost</b>				
	<b>1 January 2010</b>	<b>Additions /</b>	<b>Disposals</b>	<b>31 December 2010</b>
	CZK'000	transfers	CZK'000	CZK'000
		CZK'000		
Software	166,737	-	1,844	164,893
Other intangible fixed assets	30,621	-	1,283	29,338
<b>Total</b>	<b>197,358</b>	<b>-</b>	<b>3,127</b>	<b>194,231</b>

<b>Accumulated amortisation</b>				
	<b>1 January 2010</b>	<b>Additions</b>	<b>Disposals</b>	<b>31 December 2010</b>
	CZK'000	CZK'000	CZK'000	CZK'000
Software	166,737	-	1,844	164,893
Other intangible fixed assets	30,412	195	1,283	29,324
<b>Total</b>	<b>197,149</b>	<b>195</b>	<b>3,127</b>	<b>194,217</b>
<b>Net book value</b>	<b>209</b>			<b>14</b>

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

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

#### 4 TANGIBLE FIXED ASSETS

<b>Cost</b>				
	<b>1 January 2010</b>	<b>Additions /</b>	<b>Disposals</b>	<b>31 December 2010</b>
	CZK'000	transfers	CZK'000	CZK'000
		CZK'000		
Land	47,150	-	197	46,953
Constructions	1,638,396	19,964	11,039	1,647,321
Equipment	496,877	12,206	13,883	495,200
Other tangible fixed assets	576	19	-	595
Tangible fixed assets in the course of construction	10,661	(7,164)	-	3,497
Advances paid for tangible fixed assets	-	10,558	-	10,558
Adjustment to acquired fixed assets	(845)	-	-	(845)
<b>Total</b>	<b>2,192,815</b>	<b>35,583</b>	<b>25,119</b>	<b>2,203,279</b>

<b>Accumulated depreciation and impairment</b>				
	<b>1 January 2010</b>	<b>Additions</b>	<b>Disposals</b>	<b>31 December 2010</b>
	CZK'000	CZK'000	CZK'000	CZK'000
Constructions	427,371	38,816	3,469	462,718
Equipment	386,150	34,161	12,579	407,732
Adjustment to acquired fixed assets	(845)	-	-	(845)
<b>Total</b>	<b>812,676</b>	<b>72,977</b>	<b>16,048</b>	<b>869,605</b>
Impairment to fixed assets	-	221,201	484	220,717
<b>Net book value</b>	<b>1,380,139</b>			<b>1,112,957</b>

The Company prepared a detailed analysis of valuation of its buildings. This analysis has focused on comparison of value in use of real estates owned by JMP to the net book value. Value in use has been calculated using revenue method based on discounted cash flows incoming from rent of parts of respective buildings and considering discounted repair expenses that will have to be spent over the remaining useful life of the asset. As a result of comparison of accounting net book values and value in use the Company has come to the decision to book one off impairment provision to tangible fixed assets.

## Content

<b>Cost</b>				
	<b>1 January 2009</b>	<b>Additions /</b>	<b>Disposals</b>	<b>31 December 2009</b>
	<b>CZK'000</b>	<b>transfers</b>	<b>CZK'000</b>	<b>CZK'000</b>
		<b>CZK'000</b>		
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
Adjustment to acquired fixed assets	(845)	-	-	(845)
<b>Total</b>	<b>2,223,174</b>	<b>25,284</b>	<b>55,643</b>	<b>2,192,815</b>

<b>Accumulated depreciation</b>				
	<b>1 January 2009</b>	<b>Additions</b>	<b>Disposals</b>	<b>31 December 2009</b>
	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>	<b>CZK'000</b>
Constructions	390,343	38,980	1,952	427,371
Equipment	402,826	36,319	52,995	386,150
Adjustment to acquired fixed assets	(845)	-	-	(845)
<b>Total</b>	<b>792,324</b>	<b>75,299</b>	<b>54,947</b>	<b>812,676</b>
<b>Net book value</b>	<b>1,430,850</b>			<b>1,380,139</b>

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 2010.

## 5 INVESTMENTS IN CONTROLLED ENTITIES/SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES

As at 31 December 2010								
	Number of shares	Nominal value CZK	Cost CZK'000	Carrying value CZK'000	% of share capital	2010 net profit CZK'000	Net assets CZK'000	2010 profit transfer CZK'000
<b>Czech entities</b>								
<b>Subsidiary</b>								
JMP Net, s.r.o. Plynárenská 499/1, Brno			7,565,985	7,565,985	100	1,258,359	10,855,843	975,075
<b>Associates</b>								
GASFINAL, a.s. Plynární 788/5, Ostrava	6,120	1,000						
	425	2,453	10,681	10,681	47.75	132*	18,538*	-
Teplárna Kyjov, a.s. Havlíčkova 180, Kyjov	3,280	50,000	164,000	164,000	32.09	(41,558)*	634,487*	-
				<b>7,740,666</b>				
Provision				(164,000)				
<b>Net book value</b>				<b>7,576,666</b>				

\* Unaudited.

The Company reported transfer of profit of JMP Net for 2010 of CZK 1,195,441 thousand as at 31 December 2010.

Extraordinary General Meeting of GASFINAL, a.s., decided on 2 November 2010 about dissolution of the company by liquidation with effective date 1 January 2011. The management of the Company expects the investment to be realised in full amount.

## Content

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

<b>As at 31 December 2009</b>								
	<b>Number of shares</b>	<b>Nominal value CZK</b>	<b>Cost CZK'000</b>	<b>Carrying value CZK'000</b>	<b>% of share capital</b>	<b>2009 net profit CZK'000</b>	<b>Net assets CZK'000</b>	<b>2009 dividend income/ profit transfer CZK'000</b>
<b>Czech entities</b>								
<b>Subsidiary</b>								
JMP Net, s.r.o Plynárenská 499/1, Brno			7 565 985	7 565 985	100	1 026 394*	10 572 558*	747 778
<b>Associates</b>								
GASFINAL, a.s. Plynární 788/5, Ostrava	6,120	1,000						
	425	2,453	10,681	10,681	47.75	5,424*	23,802*	9,101
Teplárna Kyjov, a.s. Havlíčková 180, Kyjov	3,280	50,000	164,000	164,000	32.09	534*	676,044*	-
				<b>7,740,666</b>				
Provision				(164,000)				
<b>Net book value</b>				<b>7,576,666</b>				

\* 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 the Associated undertakings may be analysed as follows:

	Subsidiary undertakings		Associated undertakings	
	2010 CZK'000	2009 CZK'000	2010 CZK'000	2009 CZK'000
As at 1 January	-	-	164,000	174,681
Charge for the year	-	-	-	-
Released during the year	-	-	-	(10,681)
Written off during the year	-	-	-	-
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>164,000</b>	<b>164,000</b>

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

The Subsidiary 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 the Subsidiary if its net profit of the year will be loss which will not be able to be settled from the reserve fund or other disposable resources.

## 6 INVENTORIES

The Company created a provision related to obsolete inventories as at 31 December 2010 of CZK 7,093 thousand (2009: CZK 6,182 thousand).

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

	2010 CZK'000	2009 CZK'000
Opening balance as at 1 January	6,182	7,963
Charge for the year	911	-
Released during the year	-	(72)
Written off during the year	-	(1,709)
<b>Closing balance as at 31 December</b>	<b>7,093</b>	<b>6,182</b>

## 7 RECEIVABLES

	31 December 2010 CZK'000	31 December 2009 CZK'000
Trade receivables		
– current	69,199	91,776
– overdue	327,894	324,781
	<b>397,093</b>	<b>416,557</b>
Intragroup receivables	-	275,454
Short-term advances paid	1,449,404	1,405,037
Anticipated assets	7,409,860	6,892,307
Other receivables		
– current	158,789	75,583
	<b>9,415,146</b>	<b>9,064,938</b>
Provision for doubtful receivables	(270,055)	(250,570)
Net book value of short-term receivables	9,145,091	8,814,368
Other long-term receivables	20,060	20,045
Deferred tax asset	51,658	15,828
<b>Total long-term receivables</b>	<b>71,718</b>	<b>35,873</b>
<b>Total net book value of receivables</b>	<b>9,216,809</b>	<b>8,850,241</b>

Intragroup receivables as at 31 December 2009 relate to cash-pooling receivable towards RWE Transgas, a.s. (Note 15 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 1,438,185 thousand (2009: CZK 1,401,266 thousand).

Anticipated receivables consist mainly of receivables relating to unbilled gas to customers for CZK 6,187,106 thousand (2009: CZK 5,833,244 thousand) and profit transfer from JMP Net amounted to CZK 1,195,441 thousand (2009: CZK 975,075 thousand).

Long-term receivables contain long-term security paid to OTE, a.s., amounted to CZK 20,000 thousand (2009: CZK 20,000 thousand).

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

	<b>2010</b> CZK'000	<b>2009</b> CZK'000
Opening balance as at 1 January	250,570	183,946
Charge for the year	178,416	304,879
Released during the year	(137,693)	(230,890)
Written off during the year	(21,238)	(7,365)
<b>Closing balance as at 31 December</b>	<b>270,055</b>	<b>250,570</b>

## 8 EQUITY

### Authorised and issued share capital

	<b>31 December 2010</b>		<b>31 December 2009</b>	
	No.	Carrying value CZK'000	No.	Carrying value CZK'000
Ordinary shares of CZK <b>1,800</b> fully paid				
– registered share	985,409	1,773,736	985,409	1,773,736
– bearer share	507,637	913,747	507,637	913,747
	<b>1,493,046</b>	<b>2,687,483</b>	<b>1,493,046</b>	<b>2,687,483</b>

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

	<b>31 December 2010</b> %	<b>31 December 2009</b> %
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
	<b>100.00</b>	<b>100.00</b>

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 CZ Group" in this Financial statements.

The legal 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.

Negative retained profits as at 31 December 2009 are caused by the distribution of profits reported in accordance with IFRS in prior years.

The net profit of CZK 1,989,677 thousand for 2009 was approved and allocated by the General Meeting on 13 May 2010 as follows – CZK 153,057 thousand was used to offset the accumulated losses and CZK 1,836,620 thousand was paid to shareholders.

## 9 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
<b>Opening balance as at 1 January 2009</b>	<b>10,890</b>	<b>4,499</b>	<b>-</b>	<b>3,900</b>	<b>19,289</b>
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)
<b>Closing balance as at 31 December 2009</b>	<b>11,830</b>	<b>3,061</b>	<b>177,368</b>	<b>34,224</b>	<b>226,483</b>
Charge for the year	-	8,567	109,318	5,903	123,788
Released in the year	-	-	-	(508)	(508)
Used in the year	-	(12)	(177,368)	(22,114)	(199,494)
<b>Closing balance as at 31 December 2010</b>	<b>11,830</b>	<b>11,616</b>	<b>109,318</b>	<b>17,505</b>	<b>150,269</b>

For an analysis of the current and deferred income tax see Note 12 Income tax.

## 10 LIABILITIES

	31 December 2010 CZK'000	31 December 2009 CZK'000
Trade payables		
– current	940,806	612,342
– overdue	3,339	-
	<b>944,145</b>	<b>612,342</b>
Intragroup liabilities	69,453	-
Short-term advances received	7,013,854	7,782,096
Anticipated liabilities	1,425,475	1,255,251
Other payables		
– current	78,245	87,076
Total short-term payables	9,531,172	9,736,765
Other long-term payables	1,741	47,678
<b>Total short-term and long-term liabilities</b>	<b>9,532,913</b>	<b>9,784,443</b>

Intragroup liabilities include a liability from cash-pooling as at 31 December 2010 for CZK 69,453 thousand (2009: CZK 0).

Short-term advances received include mainly advances received from customers for gas for CZK 6,947,292 thousand (2009: CZK 7,722,231 thousand).

Anticipated liabilities include mainly accrual relating to natural gas distribution for CZK 1,323,370 thousand (2009: CZK 1,169,585 thousand).

Other payables represent mainly financial derivative instruments revaluation for CZK 26,876 thousand (2009: CZK 35,567 thousand), see Note 11 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 the receivable was 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 13 Revenue analysis) and in this way it increased net result of 2009.

## 11 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 2010		31 December 2009	
	Fair value		Fair value	
	Positive CZK'000	Negative CZK'000	Positive CZK'000	Negative CZK'000
<b>Trading agreements</b>				
Derivative type CIS (commodity index swap)	25,360	(26,876)	6,493	(35,567)
Currency forward	15	-	39	-
<b>Total</b>	<b>25,375</b>	<b>(26,876)</b>	<b>6,532</b>	<b>(35,567)</b>

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:

	2010 CZK'000	2009 CZK'000
Change in financial derivatives fair value - positive	60,942	187,931
Change in financial derivatives fair value - negative	(33,407)	(13,802)
Gains from commodity derivatives	10,559	33,348
Losses from commodity derivatives	(40,801)	(179,177)
<b>Total</b>	<b>(2,707)</b>	<b>28,300</b>

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

## 12 INCOME TAX

The income tax expense consists of the following:

	<b>2010</b> CZK'000	<b>2009</b> CZK'000
Current tax expense	203,370	200,122
Adjustment of prior year tax expense, additional tax	1,003	287
Deferred tax expense	(35,831)	54,344
<b>Total income tax expense</b>	<b>168,542</b>	<b>254,753</b>

Current tax can be analysed as follows:

	<b>2010</b> CZK'000	<b>2009</b> CZK'000
Net profit before taxation	2,058,214	2,244,430
Tax non-deductible expense	273,981	60,895
Tax-free income	(1,256,449)	(1,023,311)
Tax loss deduction	-	(277,170)
Gifts	(3,868)	(2,900)
Net taxable profit	1,071,878	1,001,944
Corporate taxation at 19% (2009: 20%)	203,657	200,389
Tax relief	(287)	(267)
<b>Total income tax charge</b>	<b>203,370</b>	<b>200,122</b>

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

Deferred tax asset can be analysed as follows:

	<b>31 December 2010</b> CZK'000	<b>31 December 2009</b> CZK'000
<b>Deferred tax liability</b>		
Accelerated tax depreciation of fixed assets	(43,563)	(40,984)
<b>Deferred tax asset</b>		
Reserves	7,781	9,332
Provisions	87,440	47,480
	<b>95,221</b>	<b>56,812</b>
<b>Net deferred tax asset</b>	<b>51,658</b>	<b>15,828</b>

### 13 REVENUE ANALYSIS

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

	<b>2010</b> CZK'000	<b>2009</b> CZK'000
Revenues from sale and distribution of natural gas		
– domestic	16,629,745	18,235,124
Revenues from sale and distribution of electricity		
– domestic	10,087	-
Revenue from SLA (agreements relating to providing of services within RWE Group)	942,771	860,894
Other	76,383	56,269
<b>Total</b>	<b>17,658,986</b>	<b>19,152,287</b>

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 Kmeť (Note 10 Liabilities).

### 14 EMPLOYEES

	<b>2010</b>	<b>2009</b>
Employee numbers		
Members of management	3	3
Average number of other staff	706	712
<b>Total</b>	<b>709</b>	<b>715</b>
Members of the Supervisory Board who are employees	3	3

The Company's management includes members of Board of directors.

	Management CZK'000	Other staff CZK'000	Total CZK'000
<b>2010</b>			
Wages and salaries	12,144	261,381	273,525
Social security costs	1,741	87,468	89,209
Other social costs	89	30,783	30,872
<b>Total</b>	<b>13,974</b>	<b>379,632</b>	<b>393,606</b>
<b>2009</b>			
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
<b>Total</b>	<b>12,126</b>	<b>379,097</b>	<b>391,223</b>

Other transactions with the Company's management are described in Note 15 Related party transactions.

## 15 RELATED PARTY TRANSACTIONS

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

	2010 CZK'000	2009 CZK'000
<b>Revenues</b>		
Sales of natural gas	752,409	563,252
Sales of services	973,603	877,780
Revenues from derivative financial instruments (Note 11 Derivative financial instruments)	71,487	221,279
Other revenues	6,037	5,981
JMP Net (profit transfer)	1,195,441	975,075
Dividend received from GASFINAL, a.s.	-	9,101
Interest revenues	1,654	3,159
<b>Total revenues</b>	<b>3,000,631</b>	<b>2,655,627</b>
<b>Costs</b>		
Purchase of natural gas	11,611,144	13,385,906
Purchase of electricity	16,558	-
Purchase of services	413,304	397,815
Costs from commodity derivatives (Note 11 Derivative financial instruments)	74,169	192,979
Distribution and transport of natural gas	3,198,069	3,273,653
Other costs	605	1,496
Interest costs	4,579	34,501
<b>Total costs</b>	<b>15,318,428</b>	<b>17,286,350</b>

The following related party balances were outstanding:

	31 December 2010 CZK'000	31 December 2009 CZK'000
Trade receivables	37,812	70,503
Short-term advances paid	1,441,948	1,401,655
Anticipated assets	622	61,757
Receivable from profit transfer – JMP Net	1,195,441	975,075
Receivable from change of real value of derivative financial instruments (Note 11 Derivative financial instruments)	25,375	6,532
Provided cash-pooling	-	275,602
<b>Total assets</b>	<b>2,701,198</b>	<b>2,791,124</b>
Trade payables	887,858	553,053
Short-term advances received	60,106	59,532
Anticipated liabilities	1,357,385	1,200,181
Payable from change of real value of derivative financial instruments (Note 11 Derivative financial instruments)	26,876	35,567
Accepted cash-pooling	69,432	-
<b>Total liabilities</b>	<b>2,401,657</b>	<b>1,848,333</b>

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 2010.

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 (2009: CZK 670 thousand).

Total remuneration for the members of the supervisory board was CZK 1,120 thousand (2009: CZK 1,120 thousand). This remuneration is part of the employee costs.

## 16 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.

## 17 COMMITMENTS

Capital commitments contracted by the Company were CZK 0 as at 31 December 2010 (2009: CZK 4,292 thousand).

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

	31 December 2010 CZK'000	31 December 2009 CZK'000
Current within one year	425	468
Due after one year but within five years	429	468
	<b>854</b>	<b>936</b>

## 18 CONTINGENT LIABILITIES

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

## 19 EXTRAORDINARY ITEMS

JMP has not reported any extraordinary revenues or losses in both 2010 and 2009.

## 20 CASH FLOW STATEMENT

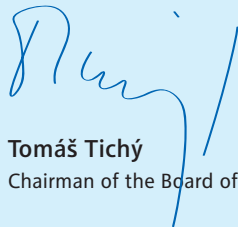
Cash and cash equivalents disclosed in the cash flow statement can be analysed as follows:

	31 December 2010 CZK'000	31 December 2009 CZK'000
Cash on hand and in transit	56	142
Cash in bank	2,299	419
Cash equivalents included in short-term investments	195	145
	<b>2,550</b>	<b>706</b>
Receivable/payable arising from cash-pooling	(69,453)	275,454
<b>Cash and cash equivalents</b>	<b>(66,903)</b>	<b>276,160</b>

## 21 SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2010.

18 February 2011



**Tomáš Tichý**  
Chairman of the Board of Directors



**Dušan Malý**  
Vice-Chairman of the Board of Directors

## 6 INDEPENDENT AUDITOR'S REPORT

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



#### **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 2010, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies (“the financial statements”).

#### *Statutory Representative’s Responsibility for the Financial Statements*

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

#### *Auditor’s Responsibility*

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

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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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

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

18 February 2011

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 that reads 'Tomáš Bašta'.

Tomáš Bašta  
Statutory Auditor, Licence No. 1966

Note

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

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



### **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 2010 disclosed in the annual report in chapter 5 and issued the opinion dated 18 February 2011 and disclosed in chapter 6.

#### *Report on the Annual Report*

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2010 is consistent with the financial statements referred to above. The Statutory Representative is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

#### *Auditor's Responsibility*

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

#### *Opinion*

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

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Phone: +420 251 151 111, Fax: +420 251 156 111, [www.pwc.com/cz](http://www.pwc.com/cz)*

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**Shareholders 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 2010 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Representative of the Company. Our responsibility is to express our opinion on the Report based on performed review.

*Scope of Review*

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

*Conclusion*

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

30 March 2011

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers Audit, s.r.o.'.

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

A handwritten signature in blue ink, appearing to read 'Tomáš Bašta'.

Tomáš Bašta  
Statutory Auditor, Licence No 1966

Note

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

## 7 REPORT OF THE JIHOMORAVSKÁ PLYNÁRENSKÁ, A.S. BOARD OF DIRECTORS ON RELATIONS BETWEEN RELATED PARTIES AS AT 31 DECEMBER 2010

Whereas Jihomoravská plynárenská, a.s. ("JMP") has not entered into a controlling contract as a controlled entity that would be in effect during 2010, 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 2010, 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 2010 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 Aktiengesellschaft ("RWE AG"), with its registered address at Opernplatz 1, 45128 Essen, Federal Republic of Germany, was the sole shareholder of RWE Gas International B.V.

### 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 2010 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 15 of the Notes to the Financial Statements as at 31 December 2010.

### 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 21 February 2011, 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.

Prague, on 21 February 2011



**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**

<b>Contracting party</b>	<b>Contract type/subjekt matter</b>	<b>Quantity</b>
RWE Interní služby, s.r.o.	Orders	2
	Annexes No. 3 and 4 to Facility Management Services Agreement	2
	Annex No. 4 to Mobile Telephone and IP Telephone Lease, Logistics and Billing Services Agreement	1
	Annexes No. 5 and 6 to Information Technology Services Agreement	2
	Annex No. 3 to Purchasing and Logistics Services Agreement	1
	Translation and Interpreting Services Agreement	1
	Agreement on Transfer of Rights and and Acceptance of Obligations	2
	Annexes No. 4 and 5 to Commercial Lease Agreement	2
	Agreement on Termination of Agreements (Central Payroll Processing Services Agreement)	1
RWE Plynoprojekt, s.r.o.	Annex No. 3 to Commercial Lease Agreement	1
	Framework Order – Repair of Odorisation Stations	7
	Orders	5
RWE IT Czech s.r.o.	Annex No. 1 to Commercial Lease and Sublease Agreement	1
	Agreement on Termination of Agreements (Human Resources and Security Management Services)	1
RWE Transgas, a.s.	Annexes No. 9, 10 and 11 to Marketing Services Agreement	3
	Annex No. 3 to Consulting – P&O Services Agreement	1
	Annex No. 4 to SLA Consulting – TG Governance Services Agreement	1
	Annexes No. 3 and 4 to SLA Sales Management and Support Services Agreement	2
	Annexes No. 5 and 6 to Commercial Lease Agreement	2
	Annex No. 3 to Mandate Agreement – Currency Transactions	1
	Annexes No. 4 a 5 to Cash-pooling Agreement	2
	Annex No. 2 to Agreement on Security Joint Trade Dispatching (ODIS)	1
	Annex No. 2 to Master Agreement on Trading Unused Tolerances	1
	Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 10	1
	Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 11	1
	Agreement on Natural Gas Purchase and Sale – One-Year with Structuring Service No. 12	1
	Termination of Natural Gas Purchase and Sale Agreement – Five-Year with Structuring Service No. 1, as amended by Annexes 1-12	1
	Annexes No. 6, 7 and 8 to Loan Agreement	3
	Natural Gas Purchase and Sale Agreement	1

## Content

<b>Contracting party</b>	<b>Contract type/subjekt matter</b>	<b>Quantity</b>
RWE Transgas, a.s.	Annexes No. 1 and 2 to Master Natural Gas Purchase and Sale Agreement	2
	Natural Gas Purchase and Sale Agreement – Baseload No. 1	1
	Annex No. 1 to Natural Gas Purchase and Sale Agreement – Baseload No. 1	1
	Natural Gas Purchase and Sale Agreement – Daily Profile No. 2	1
	Annex No. 1 to Natural Gas Purchase and Sale Agreement – Daily Profile No. 2	1
	Natural Gas Purchase and Sale Agreement – Daily Flexibility No. 3	1
	Annexes No. 1 and 2 to Natural Gas Purchase and Sale Agreement – Daily Flexibility No. 3	2
	Natural Gas Purchase and Sale Agreement – Standard No. 4	1
	Natural Gas Purchase and Sale Agreement – Standard No. 5	1
	Annex No. 1 to Natural Gas Purchase and Sale Agreement – Standard No. 5	1
	Natural Gas Purchase and Sale Agreement – Monthly Product No. 6	1
	Annex No. 1 to Natural Gas Purchase and Sale Agreement – Monthly Product No. 6	1
	Annexes No. 5, 6, and 7 to Master Agreement – Currency, Interest, and Commodity Swap Transactions	3
	Master Natural Gas Purchase and Sale Agreement	1
	Annex No. 1 to Master Natural Gas Purchase and Sale Agreement	1
	Master Natural Gas Buyback Agreement	1
	Annex No. 1 to Master Gas Trading Agreement	1
	Agreement on Provision of Staff Services	1
	Annexes No. 1 and 2 to Natural Gas Purchase and Sale Agreement – One-Year with Structuring Service No. 4	2
	RWE Transgas, a.s. Rules for Natural Gas Buyback at the Virtual Sales Point for Gas Traders Who Have Signed a Valid Master Natural Gas Purchase and Sale Agreement with RWE Transgas, a.s.	1
RWE Transgas, a.s./ NET4GAS, s.r.o.	Agreement on Transfer of Rights and Obligations – ArGUS Consulting Services	1
NET4GAS, s.r.o.	Annexes No. 2 and 3 to Agreement on Aggregated Natural Gas Supply Services	2
RWE Distribuční služby, s.r.o.	Annexes No. 4, 5 and 6 to Commercial Lease Agreement	3
	Orders	2
RWE Zákaznické služby, s.r.o.	Annexes No. 4 and 5 to Billing Services Agreement	2
	Annexes No. 5 and 6 to Call Center Services Agreement	2
	Annexes No. 6 and 7 to Debt Collection Services Agreement for Small Business and Household Customer Segment	2
	Annexes No. 5 and 6 to Agreement on Services in the Area of Personal and Written Contact with Small Business and Household Customers	2
	Annex No. 3 to Press Center Services Agreement	1

<b>Contracting party</b>	<b>Contract type/subjekt matter</b>	<b>Quantity</b>
RWE Zákaznické služby, s.r.o.	Acquisition Services Agreement	1
	Annex No. 1 to Acquisition Services Agreement	1
	Annexes No. 5, 6 and 7 to Commercial Lease Agreement	3
JMP Net, s.r.o.	Annex No. 5 to Technical Dispatching Services Agreement	1
	Technical Dispatching Services Agreement	1
	Network Documentation Services Agreement	1
	Annex No. 6 to Metering Services Agreement	1
	Metering Services Agreement	1
	Gas Facility Operations Management Agreement	1
	Network Operations and Maintenance Services Agreement	1
	Construction Services Agreement	1
	Agreement on Termination of Agreement (Annex No. 6 Technical Dispatching Services)	1
	Agreement on Termination of Agreement (Annex No. 5 Network Documentation Services)	1
	Agreement on Termination of Agreement (Annex No. 7 Metering Services)	1
	Agreement on Termination of Agreement (Annex No. 5 Gas Facility Operations Management)	1
	Agreement on Termination of Agreement (Annex No. 5 Network Operations and Maintenance Services)	1
	Agreement on Termination of Agreement (Annex No. 5 Gas Facility Construction Services)	1
	Agreement on Termination of Agreement (Annex No. 5 Gas Facility Construction Planning Services)	1
	Agreement on Termination of Agreement (Annex No. 5 Gas Facility Construction Supervision Services for Third-Party Investors)	1
	Annexes No. 4, 5 and 6 to Commercial Lease Agreement	3
	Commercial Lease Agreement	1
	Annexes No. 1 and 2 to Commercial Lease Agreement	2
	Media Supply Agreement for Building F1	1
Annex No. 1 to Media Supply Agreement for Building F1	1	
SMP Net, s.r.o.	Technical Dispatching Services Agreement	2
	Agreement on Termination of Agreements (Annex No. 1 Technical Dispatching Services)	1
RWE Key Account CZ, s.r.o.	Agreement on Electricity Sales Services to Customers of RWE Key Account CZ, s.r.o.	1
	Electricity Supply Cooperation Agreement	1
	Master Electricity Supply Agreement	1
	Annex No. 3 to Commercial Lease Agreement	1

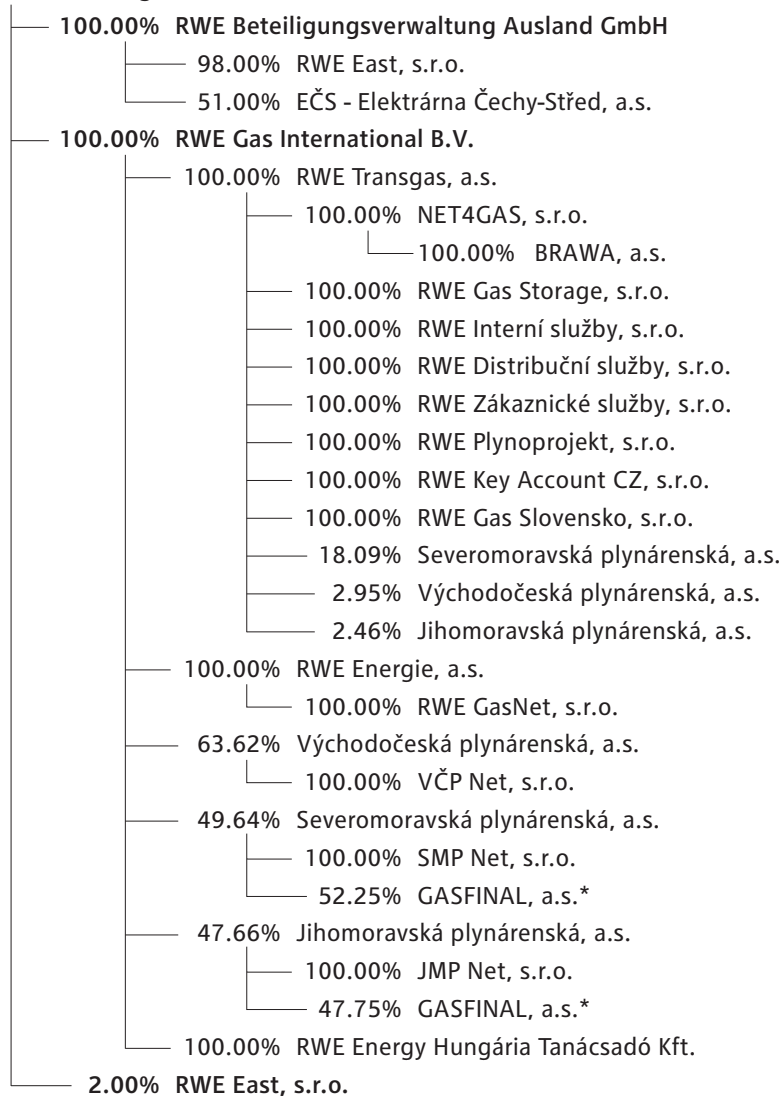
## Content

Contracting party	Contract type/subjekt matter	Quantity
RWE Interní služby, s.r.o., RWE Distribuční služby, s.r.o., RWE Gas Storage, s.r.o., JMP Net, s.r.o., RWE Key Account CZ, s.r.o., RWE Plynoprojekt, s.r.o., RWE IT Czech, s.r.o., RWE Energie, a.s., SMP Net, s.r.o., Severomoravská plynárenská, a.s., NET4GAS, s.r.o., RWE Transgas, a.s., VČP Net, s.r.o., Východočeská plynárenská, a.s., RWE Zákaznické služby, s.r.o., RWE GasNet, s.r.o.	Association Agreement for Award of Contract for RWE Group Vehicle Fleet Operating Lease	1
RWE Interní služby, s.r.o., RWE Distribuční služby, s.r.o., RWE Gas Storage, s.r.o., JMP Net, s.r.o., RWE Key Account CZ, s.r.o., RWE Plynoprojekt, s.r.o., RWE IT Czech, s.r.o., RWE Energie, a.s., SMP Net, s.r.o., Severomoravská plynárenská, a.s., RWE Transgas, a.s., VČP Net, s.r.o., Východočeská plynárenská, a.s., RWE Zákaznické služby, s.r.o., RWE GasNet, s.r.o.	Association Agreement for Award of Contract for RWE Paper Document Archivation	1



Scheme of the relations between and control of companies along the relevant line within the RWE Group as at 31 December 2010

RWE Aktiengesellschaft



\* On 1 January 2011 the company entered into liquidation.

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