



## **BRAWA, a.s. Annual Report for the accounting period of 11 months ended 30 November 2015**

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## Company Profile

BRAWA, a.s. (hereinafter "BRAWA") is the sole owner of the line sections of the GAZELLE gas pipeline. This 166 kilometre pipeline, with a pipe diameter of DN 1400 and a design pressure of 84 bar, connects the transmission systems of the Czech Republic and the Federal Republic of Germany at the border points Brandov, in the Ore Mountains, and Rozvadov, on the western border of the Czech Republic.

BRAWA is the owner of the GAZELLE pipeline. NET4GAS, s.r.o., which holds an exclusive gas Transmission System Operator licence in the Czech Republic, is the operator of the GAZELLE pipeline pursuant to transparent operating contracts.

## Shareholder

BRAWA's sole shareholder is NET4GAS, s.r.o.

## Supervisory Board as of 30 November 2015

### Dr. Martin Kolář, MBA

Chairman of the Supervisory Board

Position held since: 1 July 2014

Member since: 1 July 2014

(in the Supervisory Board continuously since 20 March 2012)

### Ing. Radek Benčík, MBA

Vice-Chairman of the Supervisory Board

Position held since: 17 March 2015

Member since: 1 July 2014

(in the Supervisory Board continuously since 20 March 2012)

### Andreas Rau

Member of the Supervisory Board

Position held since: 19 February 2014

Member since: 19 February 2014

## Changes on the Supervisory Board

The Supervisory Board of BRAWA at its meeting on 17 March 2015 re-elected Dr. Martin Kolář, MBA, Chairman of the Supervisory Board, and elected Ing. Radek Benčík, MBA, Vice-Chairman of the Supervisory Board. No other changes occurred in the Supervisory Board of BRAWA in the accounting period of 11 months ended 30 November 2015.

## **Board of Directors as of 30 November 2015**

### **Ing. Jan Martinec**

Chairman of the Board of Directors

Position held since: 11 November 2015

Member since: 7 July 2014

### **Ing. Miroslav Holý**

Vice-Chairman of the Board of Directors

Position held since: 11 November 2015

Member since: 1 November 2015

### **Changes on the Board of Directors**

As of 30 September 2015, Martin Slabý resigned from the post of the Chairman and Member of the Board of Directors of BRAWA. By the decision of the sole shareholder dated 27 October 2015, Ing. Miroslav Holý was elected a new Member of the Board of Directors, with effect from 1 November 2015. On 11 November 2015, the Board of Directors elected Ing. Jan Martinec its Chairman and Ing. Miroslav Holý its Vice-Chairman, with effect from 11 November 2015. No other changes occurred in the Board of Directors of BRAWA in the accounting period of 11 months ended 30 November 2015.

## Report on Operations

### Main Events and Expected Development of the Company

In the accounting period of 11 months ended 30 November 2015, BRAWA operated and managed its assets in accordance with its long-term plan. Its core activities were therefore managing its property – the GAZELLE pipeline – and its lease to the transmission system operator NET4GAS, s.r.o.

The next accounting period will be characterised by stable performance of the company's long-term business plan – i.e. the lease of the GAZELLE pipeline to the transmission system operator. The company's business plan does not anticipate any further investments or commercial development beyond the scope of the already existing contractual relationship.

### Main Economic Events and Indicators

#### Change in the accounting period

On 26 August 2015, NET4GAS, s.r.o., as the sole shareholder of BRAWA, decided to amend the Articles of Association in the Article 29.3. Changing this Article changes the accounting period of the company as follows:

- 2015 accounting period ends on 30 November 2015,
- the following accounting periods will always begin on 1 December and end on 30 November.

With respect to the change in the accounting period, the below stated economic indicators for the year 2015 correspond to the period from 1 January 2015 to 30 November 2015.

<b>Selected indicators</b>	<b>1. 1. – 30. 11. 2015</b>
Total revenue (CZK million)	612
Operating profit (CZK million)	499
Profit before taxation (CZK million)	499
Profit after taxation (CZK million)	408
Acquisition of fixed assets (CZK million)	16
Number of employees (converted to FTE)	0

#### Revenues, costs, profit

In the accounting period of 11 months ended 30 November 2015, BRAWA achieved a profit before taxation of CZK 499 million, and profit after tax was CZK 408 million. The operating profit amounted to CZK 499 million and was generated from its core business operation – lease of the GAZELLE pipeline. Its operating revenues amounted to CZK 612 million and operating costs were CZK 113 million. Its financial result showed a profit of CZK 0.08 million.

#### Asset structure

As of 30 November 2015, the total assets of BRAWA amounted to netto CZK 8,179 million, of which fixed assets accounted for CZK 7,361 million, representing 90 % of total assets. These assets consisted principally of tangible fixed assets valued at CZK 7,361 million. As of 30 November 2015, current and other assets amounted to CZK 818 million, representing 10 % of all assets. Roughly 85 % of current and other assets consisted of cash, short-term receivables represent 15 %.

## Structure of liabilities and equity

As of 30 November 2015, BRAWA's equity amounted to CZK 7,884 million, representing roughly 96 % of its total liabilities and equity. Its liabilities amounted to CZK 295 million, of which long-term liabilities (a deferred tax liability) accounted for around 93 %, short-term liabilities roughly 7 %.

## Investments

BRAWA's total expenditure into tangible assets during the accounting period of 11 months ended 30 November 2015 amounted to CZK 16 million, and was focused primarily on reconstruction of the receiving cleaning pig trap of the DN 1400 at the junction point RU02 Rozvadov in the amount of CZK 14 million.

## Investment instruments

BRAWA does not use any investment instruments.

## Research and development activities

BRAWA did not make any major expenditure into research and development.

## Branches

BRAWA has no branches either in the Czech Republic or abroad.

## Abolition of the reserve fund

NET4GAS, s.r.o., as the sole shareholder of BRAWA, approved the abolition of the reserve fund in BRAWA and corresponding amendment of the Articles of Association (deletion of Article 31) on 17 March 2015. The financial means accumulated in the reserve fund were transferred to the account of retained earnings. NET4GAS, s.r.o. at the same time approved the distribution of the financial means from the account of retained earnings to the sole shareholder.

## Human Resources

BRAWA had no employees as of 30 November 2015.

## Environmental Protection

Environmental protection is an issue which BRAWA sees as more than just a matter of meeting statutory requirements. Protecting the environment is above all an aspect of the company's corporate social responsibility. No environmental incidents or other serious events endangering the environment occurred in the accounting period of 11 months ended 30 November 2015 in connection with the company's business or other activities.

## Post Balance Sheet Events

No events occurred after the balance sheet date which would have a significant impact on the BRAWA, a.s. Annual Report for the accounting period of 11 months ended 30 November 2015.

## Report on Relations

The Board of Directors of BRAWA, a.s. (hereinafter the “Company” or “BRAWA”) has drawn up, in accordance with Section 82 of Act No. 90/2012 Coll., the Business Corporations Act (hereinafter “BCA”), the following Report on Relations covering the relations among the Company and controlling entities and among the Company and other entities controlled by the same controlling entities (hereinafter “Related Parties”) during the accounting period of 11 months ended 30 November 2015 in all cases where the Company is aware of the existence of such Related Parties. This Report on Relations forms an integral part of the Company’s Annual Report for the accounting period of 11 months ended 30 November 2015, and is provided to the shareholder of the Company for its review within the same period of time and under the same conditions as the Financial Statements.

### 1. Controlling entities

In the accounting period of 11 months ended 30 November 2015 the Company was controlled:

#### a) directly by

NET4GAS, s.r.o., with its registered office at Na Hřebenech II 1718/8, Nusle, Prague 4, 140 21, Czech Republic, ID No. 272 60 364, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File No. 108316 (hereinafter “NET4GAS”);

#### b) indirectly by

- NET4GAS Holdings, s.r.o., with its registered office at Na Hřebenech II 1718/8, Nusle, Prague 4, 140 00, Czech Republic, ID No. 291 35 001, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File No. 202655 (hereinafter “NET4GAS Holdings”), as the sole member of NET4GAS;
- (i) Allianz Infrastructure Czech HoldCo II S.à r.l., with its registered office at L-2450 Luxembourg, 14, boulevard F.D. Roosevelt, Grand Duchy of Luxembourg, registration number: B 175770, and (ii) Borealis Novus Parent B.V., with its registered office at 1011PZ Amsterdam, Muiderstraat 9, Kingdom of the Netherlands, registration number: 57412243, each of which is a member of NET4GAS Holdings with an ownership interest of 50 %, and which together have the status of controlling entities in relation to NET4GAS Holdings by virtue of Section 75(3) of the BCA.

### 2. Other Related Parties

The Company requested the above controlling entities to provide a list of any other entities controlled by the same controlling entities during the last accounting period, and the Board of Directors of the Company has drawn up the present Report on Relations on the basis of the information provided by these controlling entities and the other information at its disposal.

The relevant structure of the relations among the controlling entities and the controlled entity and other Related Parties is set out in Annex No. 1 to this Report on Relations.

### 3. Role of the controlled entity, method and means of control

The Company is the owner of assets used by the controlling entity (NET4GAS) in its business activities on the basis of the lease of such assets from the Company.

The Company is controlled by NET4GAS, where this relationship of control is based primarily on the fact that NET4GAS is the sole shareholder in the Company and appoints the members of the Company’s Board of Directors and Supervisory Board.

### 4. Valid agreements between the Company and controlling entities or Related Parties

The agreements concluded between the Company and controlling entities or Related Parties during the last accounting period of 11 months ended 30 November 2015 are listed in Annex No. 2 to this Report on Relations. No damage has been incurred by the Company due to the performance of these agreements or any agreements concluded in preceding accounting periods which were in effect during the last accounting period, a list of which forms Annex No. 3 to this Report on Relations. It has therefore not been necessary to secure

compensation for damage or to conclude any agreements on such compensation. The values of performance and counter-performance in Related Party transactions during the last accounting period are shown in the Notes to the Financial Statements as of 30 November 2015.

#### **5. Acts performed in the last accounting period at the instigation or in the interest of controlling entities or Related Parties in respect of assets exceeding 10 % of the Company's equity as per the last financial statements**

In the last accounting period of 11 months ended 30 November 2015 the Company performed no acts at the instigation or in the interest of controlling entities or Related Parties in respect of assets exceeding 10 % of the Company's equity as per the last financial statements, save for concluding agreements as specified in Article 4 of this Report on Relations and the change in the accounting period.

#### **6. No damage**

In the accounting period of 11 months ended 30 November 2015 the Company incurred no damage as a result of agreements with controlling entities or Related Parties, or as a consequence of other acts or actions performed in the interest or at the instigation of the same, which were concluded or undertaken during the last accounting period or in any preceding accounting period.

#### **7. Advantages and disadvantages resulting from relations with Related Parties**

In the accounting period of 11 months ended 30 November 2015, the relations among the controlling entities and Related Parties were an advantage for the Company (as for all the other Related Parties) in terms of the increased financial stability which they ensured. This was, and continues to be, among other things also an important factor for the ongoing development and functioning of all Related Parties.

In the accounting period of 11 months ended 30 November 2015, the Company had an agreement in place with the controlling entity, NET4GAS, for the provision of services in the following areas: completion of the construction work on the GAZELLE project, accounting, controlling, tax issues, payroll administration, cash-flow, risk management, insurance, corporate affairs, facility management, purchasing and logistics. This cooperation benefits the Company by allowing the streamlining of its internal processes.

#### **8. Confidentiality**

None of the information contained in this Report on Relations constitutes a trade secret of the Company.

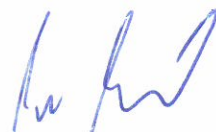
#### **9. Conclusion**

This Report on Relations was verified by the Company's auditor, who is responsible for verifying the financial statements in accordance with specific legislation, approved by the Company's Board of Directors on 17 December 2015, and was submitted for review to the Supervisory Board.

In Prague, on 17 December 2015



Ing. Jan Martinec  
Chairman of the Board of Directors



Ing. Miroslav Holý  
Vice-Chairman of the Board of Directors



## Annex No. 1 Structure of relations among controlling entities and Related Parties in the last accounting period of 11 months ended 30 November 2015

**Allianz Infrastructure Czech HoldCo II S.à r.l. (50.00 %) and Borealis Novus Parent B.V. (50.00 %)**

100.00 % NET4GAS Holdings, s.r.o.

100.00 % NET4GAS, s.r.o.

BRAWA, a.s.

## Annex No. 2 Agreements concluded between the Company and controlling entities or Related Parties in the last accounting period of 11 months ended 30 November 2015

Contracting party	Agreement	Date of conclusion	Details
NET4GAS, s.r.o.	Amendment No. 3 to an Agreement on the provision of selected services	6 February 2015	The amendment to an Agreement on the provision of selected services of 31 December 2012 updated the terms and conditions of that Agreement (the specification of the services, the prices, the persons responsible, etc.). The prices agreed for these services however remain at the level customary in the ordinary course of business following this update.
NET4GAS, s.r.o.	Amendment No. 4 to an Agreement on the provision of selected services	30 November 2015	The amendment to an Agreement on the provision of selected services of 31 December 2012 specifies additional services related to the shortened accounting period.
NET4GAS, s.r.o.	Amendment No. 1 to an Agreement on the provision of loans	16 July 2015	The amendment to an Agreement on the provision of loans of 2 July 2013 adjusts the price of granted / received loans under cash pooling.

### Orders of BRAWA at NET4GAS, s.r.o.:

- Reposting insurance premiums (three orders)
- Auxiliary operational material (one order)
- Logistic services (one order)
- Special gas material (one order)

### Orders of NET4GAS, s.r.o. at BRAWA

- Special gas material (two orders)



**Annex No. 3 Agreements concluded between the Company and controlling entities or Related Parties in previous accounting periods and effective in the accounting period of 11 months ended 30 November 2015**

Contracting party	Agreement	Date of conclusion	Details
NET4GAS, s.r.o.	Agreement on the provision of selected services	31 December 2012	The subject matter of this agreement is the provision of the following services by NET4GAS, s.r.o to the BRAWA: supervision of the GAZELLE project, construction and installation work within the construction, accounting, controlling, tax issues, payroll administration, cash-flow, risk management, insurance, facility management, purchasing and logistics, corporate affairs, network documentation.
NET4GAS, s.r.o.	Lease Agreement	31 December 2012	Under this agreement BRAWA leases gas infrastructure to NET4GAS, s.r.o., consisting primarily of the interconnector “High-pressure DN 1400 gas pipeline – Brandov BTS – Rozvadov” of approximately 160 km in length.
NET4GAS, s.r.o.	Agreement on the provision of loans	2 July 2013	These agreements lay down a framework for cash pooling of Czech currency among BRAWA and the companies NET4GAS, s.r.o. and NET4GAS Holdings, s.r.o., the purpose of which is to optimise the use of funds within the Related Parties and to reduce transaction costs.
NET4GAS, s.r.o., NET4GAS Holdings, s.r.o. (multi-party agreement)	Agreement on the provision of Real Unidirectional Cash Pooling	8 July 2013	

## Persons Responsible for the Annual Report

We hereby declare on our honour that the information stated in this Annual Report is true and that no material facts have been omitted or misstated.

In Prague, on 17 December 2015



Ing. Jan Martinec  
Chairman of the Board of Directors



Ing. Miroslav Holý  
Vice-Chairman of the Board of Directors

**Financial Statements**

***BRAWA, a.s.***

Financial statements

30 November 2015

**Note**

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

**BRAWA, a.s.**

Financial statements

for the period of 11 months ended 30 November 2015

**Statement of changes in shareholders' equity****Period of 11 months ended 30 November 2015**

<b>(CZK'000)</b>	<b>Share capital</b>	<b>Reserve fund</b>	<b>Other capital funds</b>	<b>Retained earnings</b>	<b>Total</b>
<b>As at 1 January 2014</b>	<b>402,000</b>	-	<b>7,074,252</b>	<b>439,168</b>	<b>7,915,420</b>
Contribution to reserve fund	-	40,200	-	(40,200)	-
Dividends paid	-	-	-	(398,968)	(398,968)
Net profit for 2014	-	-	-	509,016	509,016
<b>As at 31 December 2014</b>	<b>402,000</b>	<b>40,200</b>	<b>7,074,252</b>	<b>509,016</b>	<b>8,025,468</b>
Dividends paid and cancellation of reserve fund	-	(40,200)	-	(509,016)	(549,216)
Net profit for 2015	-	-	-	407,661	407,661
<b>As at 30 November 2015</b>	<b>402,000</b>	-	<b>7,074,252</b>	<b>407,661</b>	<b>7,883,913</b>

Company name: BRAWA, a.s.  
 Identification number: 24757926  
 Legal form: Joint Stock Company  
 Primary business: Lease of real estates, flats and commercial premises  
 Balance sheet date: 30 November 2015  
 Date of preparation of the financial statements: 17 December 2015

## BALANCE SHEET

(in thousand Czech crowns)

Ref. a	ASSETS b	30.11.2015			31.12.2014
		Gross 1	Provision 2	Net 3	Net 4
	<b>TOTAL ASSETS</b>	<b>8,585,758</b>	<b>(406,901)</b>	<b>8,178,857</b>	<b>8,264,104</b>
<b>B.</b>	<b>Fixed assets</b>	<b>7,767,689</b>	<b>(406,901)</b>	<b>7,360,788</b>	<b>7,451,262</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>75</b>	<b>(51)</b>	<b>24</b>	<b>35</b>
1.	Research & development	75	(51)	24	35
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>7,767,614</b>	<b>(406,850)</b>	<b>7,360,764</b>	<b>7,451,227</b>
B. II. 1.	Land	1,683	-	1,683	1,683
2.	Constructions	7,765,925	(406,850)	7,359,075	7,449,461
3.	Tangible fixed assets in the course of construction	6	-	6	83
<b>C.</b>	<b>Current assets</b>	<b>818,048</b>	<b>-</b>	<b>818,048</b>	<b>812,757</b>
<b>C. III.</b>	<b>Short-term receivables</b>	<b>123,571</b>	<b>-</b>	<b>123,571</b>	<b>800,654</b>
C. III. 1.	Trade receivables	67,530	-	67,530	68,219
2.	Receivables - subsidiaries / controlling parties	41	-	41	661,819
3.	Taxes - receivables from the state	257	-	257	13,987
4.	Short-term advances paid	-	-	-	138
5.	Estimated receivables	55,743	-	55,743	56,491
<b>C. IV.</b>	<b>Financial assets</b>	<b>694,477</b>	<b>-</b>	<b>694,477</b>	<b>12,103</b>
1.	Cash at bank	694,477	-	694,477	12,103
<b>D. I.</b>	<b>Prepayments and accrued income</b>	<b>21</b>	<b>-</b>	<b>21</b>	<b>85</b>
D. I. 1.	Prepaid expenses	21	-	21	1
2.	Accrued income	-	-	-	84

Ref. a	LIABILITIES AND EQUITY b	30.11.2015	31.12.2014
		5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,178,857</b>	<b>8,264,104</b>
<b>A.</b>	<b>Equity</b>	<b>7,883,913</b>	<b>8,025,468</b>
<b>A. I.</b>	<b>Share capital</b>	<b>402,000</b>	<b>402,000</b>
A. I. 1.	Share capital	402,000	402,000
<b>A. II.</b>	<b>Capital contributions</b>	<b>7,074,252</b>	<b>7,074,252</b>
A. II. 1.	Other capital contributions	7,074,252	7,074,252
<b>A. III.</b>	<b>Other reserves</b>	<b>-</b>	<b>40,200</b>
A. III. 1.	Reserve fund	-	40,200
<b>A. V.</b>	<b>Profit / (loss) for the current period</b>	<b>407,661</b>	<b>509,016</b>
<b>B.</b>	<b>Liabilities</b>	<b>294,944</b>	<b>238,636</b>
<b>B. I.</b>	<b>Provisions</b>	<b>17,598</b>	<b>-</b>
B. I. 1.	Income tax provision	17,598	-
<b>B. II.</b>	<b>Long-term liabilities</b>	<b>275,474</b>	<b>235,799</b>
B. II. 1.	Deferred tax liability	275,474	235,799
<b>B. III.</b>	<b>Short-term liabilities</b>	<b>1,872</b>	<b>2,837</b>
B. III. 1.	Trade payables	1,526	2,492
B. III. 2.	Liabilities for social security and health insurance	25	17
B. III. 3.	Taxes and state subsidies payable	11	8
B. III. 4.	Estimated payables	271	294
B. III. 5.	Other payables	39	26



Company name: BRAWA, a.s.  
 Identification number: 24757926  
 Legal form: Joint Stock Company  
 Primary business: Lease of real estates, flats and commercial premises  
 Balance sheet date: 30 November 2015  
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## INCOME STATEMENT

(in thousand Czech crowns)

Ref.  a	DESCRIPTION  b	Accounting period	
		of 11 months ended 30.11.2015	year 2014
		1	2
II.	Sales of production	612,036	682,074
II. 1.	Sales of own products and services	612,036	682,074
B.	Cost of sales	6,000	14,094
B. 1.	Raw materials and consumables used	-	1
B. 2.	Services	6,000	14,093
<b>+</b>	<b>Added value</b>	<b>606,036</b>	<b>667,980</b>
C.	Staff costs	557	635
C. 1.	Emoluments of board members	416	474
C. 2.	Social security and health insurance costs	141	161
D.	Taxes and charges	14	5
E.	Depreciation and amortisation expense	106,163	115,538
III.	Sales of fixed assets and raw materials	361	561
III. 1.	Sales of fixed assets	361	561
F.	Net book value of fixed assets and raw materials sold	270	506
F. 1.	Net book value of fixed assets sold	270	506
IV.	Other operating income	-	73,553
H.	Other operating expenses	233	1,482
<b>*</b>	<b>Operating result</b>	<b>499,160</b>	<b>623,928</b>
X.	Interest income	317	758
XI.	Other financial income	185	5,608
O.	Other financial expenses	422	1,879
<b>*</b>	<b>Financial result</b>	<b>80</b>	<b>4,487</b>
Q.	Tax on profit or loss on ordinary activities	91,579	119,399
Q. 1.	- current	51,904	9,323
Q. 2.	- deferred	39,675	110,076
<b>**</b>	<b>Profit or loss on ordinary activities after taxation</b>	<b>407,661</b>	<b>509,016</b>
<b>***</b>	<b>Net profit / (loss) for the financial period</b>	<b>407,661</b>	<b>509,016</b>
<b>****</b>	<b>Net profit / (loss) before taxation</b>	<b>499,240</b>	<b>628,415</b>

**BRAWA, a.s.**

Notes to the financial statements  
for the period of 11 months ended 30 November 2015

## 1. General information

### 1.1. Introductory information about the Company

BRAWA, a.s. ("the Company") was incorporated on 10 November 2010 and has its registered office at Praze - Nusle, Na Hřebenech II 1718/8. The Company's primary business activities are lease of real estates, flats and commercial premises. Identification number of the Company is 247 57 926.

By the decision of the sole shareholder of the Company A dated 4 August 2015, the company NET4GAS, s.r.o. in the course of General meeting of the Company has changed its statutes in article 29/3, which is connected with accounting period of Company.

With effect from 2015, a new accounting period ends 30 November. Accounting period for year 2015 begins on 1 January 2015 and ends on 30 November 2015. Accounting period 2015 is 11 months and therefore not fully comparable with the previous accounting period 2014.

Accounting period 2016 and the following period will start on 1 December of the current year and end on 30 November of the following year.

The sole shareholder of the Company is NET4GAS, s.r.o.

The members of the Board of Directors as at 30 November 2015 are as follows:

<b>Name</b>	<b>Position</b>
Jan Martinec	Chairman
Miroslav Holý	Vice-Chairman

The Board of Directors acts on behalf of the Company. At least two members of the Board of Directors act jointly on behalf of the Company.

The members of the Board of Directors as at 31 December 2014 are as follows:

<b>Name</b>	<b>Position</b>
Martin Slabý	Chairman
Jan Martinec	Vice-Chairman

As of 30 September 2015, Martin Slabý resigned from the post of the Chairman and Member of the Board of Directors of the Company. By the decision of the sole shareholder dated 27 October 2015, Miroslav Holý was elected a new Member of the Board of Directors, with effect from 1 November 2015. On 11 November 2015, the Board of Directors of the Company elected Jan Martinec its Chairman and Miroslav Holý its Vice-Chairman, with effect from 11 November 2015.

The members of the Supervisory Board as at 30 November 2015 and 31 December 2014 were as follows:

<b>Name</b>	<b>Position</b>
Martin Kolář	Chairman
Radek Benčík	Member
Andreas Rau	Member

The Supervisory Board of the Company at its meeting on 17 March 2015 re-elected Martin Kolář Chairman of the Supervisory Board, and elected Radek Benčík, Vice-Chairman of the Supervisory Board. No other changes occurred in the Supervisory Board of the Company in the accounting period of 11 months ended 30 November 2015.

In line with amendment of its partnership agreement the Company has conformed to Business Corporation Act as a whole. This fact came into effect by date of registration into the Commercial Register on 18 June 2014.



## **2. Accounting policies**

### **2.1. 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.

### **2.2. Intangible fixed assets**

All intangible assets with a useful life longer than one year and a unit cost of more than CZK 60,000 are treated as intangible fixed assets.

Purchased intangible fixed assets are initially recorded at cost, which includes all costs related with its acquisition. All research costs are expensed.

Intangible fixed assets are amortised applying the straight-line method over their estimated useful lives as follows (unless the agreement or licence conditions states the shorter or longer period):

<b>Intangible fixed assets</b>	<b>Estimated useful life</b>
Research & development	3 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 created 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.

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

### **2.3. Tangible fixed assets**

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

Acquired tangible fixed assets are initially recorded at cost, which includes all costs related with its acquisition. Own work capitalised is recorded at cost.

Tangible fixed assets, except for land which is not depreciated, are depreciated over their estimated useful lives as follows:

<b>Tangible fixed assets</b>	<b>Estimated useful life</b>
Buildings and constructions	30-70 years

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

Repairs and maintenance expenditures related to the pipeline are incurred by the lessee. Technical improvements of tangible fixed assets exceeding CZK 40,000 per year are capitalised.

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

**BRAWA, a.s.**

Notes to the financial statements  
for the period of 11 months ended 30 November 2015

**2.4. Receivables**

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

**2.5. Foreign currency translation**

Transactions denominated in a foreign currency are translated and recorded at the fixed exchange rate determined by the Company as at the first day of the month.

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.

The Company treats advances paid for the acquisition of fixed assets or inventories as receivables and therefore these assets are translated at the exchange rate published by the Czech National Bank as at the balance sheet date.

**2.6. Revenue analysis**

Sales are recognised as at the date the services are rendered and are stated net of discounts and value added tax.

**2.7. Provisions**

The Company recognises a provision for its future income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable the difference is recognised as a short-term receivable.

**2.8. Deferred tax**

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

**2.9. Related parties**

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

- parties, which directly or indirectly control the Company, their subsidiaries and associates;
- parties, which have directly or indirectly significant influence on the Company;
- members of the Company's or parent company's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence.

Material transactions and outstanding balances with related parties are disclosed in Note 11.

**2.10. 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.



**BRAWA, a.s.**

Notes to the financial statements  
for the period of 11 months ended 30 November 2015

**3. Intangible fixed assets**

(CZK'000)	1 January 2015	Additions / transfers	30 November 2015
<b>Cost</b>			
Research & development	75	-	75
<b>Total</b>	<b>75</b>	<b>-</b>	<b>75</b>
<b>Accumulated amortisation</b>			
Research & development	(40)	(11)	(51)
<b>Total</b>	<b>(40)</b>	<b>(11)</b>	<b>(51)</b>
<b>Net book value</b>	<b>35</b>		<b>24</b>

(CZK'000)	1 January 2014	Additions / transfers	31 December 2014
<b>Cost</b>			
Research & development	75	-	75
<b>Total</b>	<b>75</b>	<b>-</b>	<b>75</b>
<b>Accumulated amortisation</b>			
Research & development	(27)	(13)	(40)
<b>Total</b>	<b>(27)</b>	<b>(13)</b>	<b>(40)</b>
<b>Net book value</b>	<b>48</b>		<b>35</b>

**4. Tangible fixed assets**

(CZK'000)	1 January 2015	Additions / transfers	Disposals	30 November 2015
<b>Cost</b>				
Land	1,683	-	-	1,683
Buildings, halls and other constructions	7,750,250	16,036	(361)	7,765,925
Tangible fixed assets in the course of construction	83	(77)	-	6
<b>Total</b>	<b>7,752,016</b>	<b>15,959</b>	<b>(361)</b>	<b>7,767,614</b>
<b>Accumulated depreciation</b>				
Buildings, halls and other constructions	(300,789)	(105,882)	91	(406,850)
<b>Total</b>	<b>(300,789)</b>	<b>(105,882)</b>	<b>91</b>	<b>(406,850)</b>
<b>Net book value</b>	<b>7,451,227</b>			<b>7,360,764</b>

(CZK'000)	1 January 2014	Additions / transfers	Disposals	31 December 2014
<b>Cost</b>				
Land	1,683	-	-	1,683
Buildings, halls and other constructions	7,730,796	19,985	(531)	7,750,250
Tangible fixed assets in the course of construction	3,214	(3,131)	-	83
Advances paid for tangible fixed assets	45	(45)	-	-
<b>Total</b>	<b>7,735,738</b>	<b>16,809</b>	<b>(531)</b>	<b>7,752,016</b>
<b>Accumulated depreciation</b>				
Buildings, halls and other constructions	(185,288)	(115,525)	24	(300,789)
<b>Total</b>	<b>(185,288)</b>	<b>(115,525)</b>	<b>24</b>	<b>(300,789)</b>
<b>Net book value</b>	<b>7,550,450</b>	<b>(98,716)</b>	<b>(507)</b>	<b>7,451,227</b>

**BRAWA, a.s.**

Notes to the financial statements  
for the period of 11 months ended 30 November 2015

**5. Receivables**

<b>(CZK'000)</b>	<b>30 November 2015</b>	<b>31 December 2014</b>
Trade receivables - current	67,530	68,219
Receivables - subsidiaries/controlling parties - cash-pooling	41	661,819
Estimated receivables	55,743	56,491
Other receivables	257	14,125
<b>Total net book value of receivables</b>	<b>123,571</b>	<b>800,654</b>

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

**6. Equity**

Authorised and issued share capital

	<b>30 November 2015</b>		<b>31 December 2014</b>	
	<b>No. of pieces</b>	<b>Carrying value (CZK'000)</b>	<b>No. of pieces</b>	<b>Carrying value (CZK'000)</b>
Ordinary shares of CZK 1,000 fully paid	402,000	402,000	402,000	402,000

The Company is fully owned by NET4GAS, s.r.o., registered in the Czech Republic.

The Company is fully governed by the new Corporations Act (see Note 1.1); and did not create a reserve fund in 2015.

By the decision of the sole shareholder of the Company dated 17 March 2015, the company NET4GAS, s.r.o. has decided to change articles of incorporation - dissolve article 31 (reserve fund), dissolve the reserve fund and to move all resources of the reserve fund to retained earnings. The funds were then distributed to the sole shareholder.

The general meeting of the shareholders dated 17 March 2015 approved the financial statements for 2014 of the Company and decided about the allocation of profit earned in 2014 of CZK 509,016,000 on 17 March 2015.

**7. Liabilities**

<b>(CZK'000)</b>	<b>30 November 2015</b>	<b>31 December 2014</b>
Trade payables - current	1,526	2,492
Other payables - current	75	51
Estimated payables	271	294
<b>Total short-term liabilities</b>	<b>1,872</b>	<b>2,837</b>
Deferred tax liability	275,474	235,799
<b>Total long-term liabilities</b>	<b>275,474</b>	<b>235,799</b>
<b>Total short-term and long-term liabilities</b>	<b>277,346</b>	<b>238,636</b>

Trade and other payables have not been secured against 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.

**BRAWA, a.s.**

Notes to the financial statements  
for the period of 11 months ended 30 November 2015

**8. Income tax**

Analysis of the income tax expense:

<b>(CZK'000)</b>	<b>Period of 11 months ended</b>	
	<b>30 November 2015</b>	<b>Year 2014</b>
Current tax expense	51,904	9,323
Deferred tax expense	39,675	110,076
<b>Total income tax expense</b>	<b>91,579</b>	<b>119,399</b>

Analysis of current tax:

<b>(CZK'000)</b>	<b>Period of 11 months ended</b>	
	<b>30 November 2015</b>	<b>Year 2014</b>
Net profit before taxation	499,240	628,415
Differences between accounting and tax depreciation	(226,378)	(579,404)
Items increasing the tax base	270	56
Net taxable profit	273,132	49,067
<b>Corporate income tax at 19%</b>	<b>51,895</b>	<b>9,323</b>

The deferred tax was calculated at 19% (the rate enacted for 2015 and subsequent years).

Advances for the income tax in the amount of CZK 34,296,000 (as at 31 December 2014: CZK 22,864,000) paid by the Company as at 30 November 2015 were netted with provision for the income tax in the amount of CZK 51,895,000 (as at 31 December 2014: CZK 9,323,000) created as at 30 November 2015.

Deferred tax liability can be analysed as follows:

<b>(CZK'000)</b>	<b>30 November 2015</b>	<b>31 December 2014</b>
<b>Deferred tax liability:</b>		
Difference between accounting and tax net book value of fixed assets	(275,474)	(235,799)
<b>Total net deferred tax liability</b>	<b>(275,474)</b>	<b>(235,799)</b>

**9. Revenue analysis**

Revenues for the year 2015 and 2014 consist of income from the lease of the Gazelle pipeline to the parent company NET4GAS, s.r.o. based on the transmission licence.

**10. Employees**

The Company does not have any employees and pays only cash remuneration to the members of the Board of Directors.



**BRAWA, a.s.**

Notes to the financial statements  
for the period of 11 months ended 30 November 2015

**11. Related party transactions**

The following related party transactions occurred in 2014 and 2015:

<b>(CZK'000)</b>	<b>Period of 11 months ended</b>	
	<b>30 November 2015</b>	<b>Year 2014</b>
<b>Revenues/Sales</b>		
NET4GAS, s.r.o. (lease of pipeline)	612,036	682,074
NET4GAS, s.r.o. (sale of assets)	361	561
NET4GAS, s.r.o. (interests)	282	747
NET4GAS Holdings, s.r.o. (other financial income)	-	1,958
<b>Total</b>	<b>612,679</b>	<b>685,340</b>
<b>Costs/Purchases</b>		
NET4GAS, s.r.o. (services, assets)	5,097	10,619
<b>Total</b>	<b>5,097</b>	<b>10,619</b>

The following related party balances were outstanding as at:

<b>(CZK'000)</b>	<b>30 November 2015</b>	<b>31 December 2014</b>
<b>Trade receivables</b>		
NET4GAS, s.r.o.	67,530	68,219
<b>Total trade receivables</b>	<b>67,530</b>	<b>68,219</b>
<b>Estimated receivables</b>		
NET4GAS, s.r.o.	55,743	56,491
<b>Total estimated receivables</b>	<b>55,743</b>	<b>56,491</b>
<b>Receivables from cash-pooling</b>		
NET4GAS, s.r.o.	41	661,819
<b>Total receivables</b>	<b>123,314</b>	<b>786,529</b>
<b>Trade payables</b>		
NET4GAS, s.r.o.	1,225	1,756
<b>Total trade payables</b>	<b>1,225</b>	<b>1,756</b>

Except for the remuneration mentioned in Note 10 there were no benefits either in cash or in kind provided to the members of the Company's Boards during 2015 and 2014.

**12. Contingent liabilities**

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 30 November 2015 and 31 December 2014.

**13. Subsequent events**

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 30 November 2015.

17 December 2015



Jan Martinec  
Chairman of the Board of Directors



Ing. Miroslav Holý  
Vice-Chairman of the Board of Directors

**Independent Auditor's Report**



## ***Independent auditor's report***

**to the shareholder of BRAWA, a.s.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of BRAWA, a.s., identification number 24757926, with registered office at Na Hřebenech II 1718/8, Nusle, Praha ("the Company"), which comprise the balance sheet as at 30 November 2015, the income statement and statement of changes in equity for the period of 11 months then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

#### *Statutory Body's Responsibility for the Financial Statements*

The Statutory Body 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 control as the Statutory Body 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 about whether the financial statements are free from material misstatement.

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 30 November 2015 and its financial performance for the period of 11 months then ended in accordance with Czech accounting legislation.

### **Report on Other Legal Requirements**

#### Report on the Annual Report

In addition we have verified that the other information included in the annual report of the Company for the period of 11 months ended 30 November 2015 is consistent with the financial statements which are included in this annual report. The Statutory Body 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.

#### 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.

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Shareholder of BRAWA, a.s.  
Independent auditor's report

## Report on Other Legal Requirements (continued)

### *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 period of 11 months ended 30 November 2015 is consistent, in all material respects, with the financial statements.

### 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 period of 11 months ended 30 November 2015 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Body of the Company. Our responsibility is to express our conclusion 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 82 of the Corporations Act.

17 December 2015

*PricewaterhouseCoopers Audit*  
represented by

*W13*  
Václav Prýmek  
Partner

*Milan Zelený*  
Milan Zelený  
Statutory Auditor, Licence No. 2319

#### 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

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The BRAWA, a.s. Annual Report for the accounting period of 11 months ended 30 November 2015 is also available in Czech. In all matters of the interpretation of information, views or opinions, the Czech version of the Annual Report takes precedence over the English version.

BRAWA, a.s.

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