



BRAWA, a.s. Annual Report for the year ended 30 November 2016

Contents

| | |
|--|---|
| Company Profile..... | 2 |
| Report on Operations..... | 3 |
| Post Balance Sheet Events | 4 |
| Report on Relations | 5 |
| Persons Responsible for the Annual Report..... | 9 |
| Financial Statements | |
| Independent Auditor's Report | |

Company Profile

BRAWA, a.s. (hereinafter referred to as "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 85 bar, connects the transmission systems of the Czech Republic and the Federal Republic of Germany at the border points Brandov and Rozvadov. NET4GAS, s.r.o. is the operator of the GAZELLE pipeline.

Shareholder

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

Supervisory Board as of 30 November 2016

Martin Kolář

Chairman of the Supervisory Board

Position held since: 20 September 2016

Membership since: 1 July 2016

(in the Supervisory Board continuously since 20 March 2012)

Radek Benčík

Vice-Chairman of the Supervisory Board

Position held since: 20 September 2016

Membership since: 1 July 2016

(in the Supervisory Board continuously since 20 March 2012)

Andreas Rau

Member of the Supervisory Board

Membership since: 19 February 2016

(in the Supervisory Board continuously since 19 February 2014)

Changes on the Supervisory Board

No changes occurred in the composition of the Supervisory Board of BRAWA in the year ended 30 November 2016.

Board of Directors as of 30 November 2016

Jan Martinec

Chairman of the Board of Directors

Position held since: 11 November 2015

Membership since: 7 July 2014

Miroslav Holý

Vice-Chairman of the Board of Directors

Position held since: 11 November 2015

Membership since: 1 November 2015

Changes on the Board of Directors

No changes occurred in the composition of the Board of Directors of BRAWA in the year ended 30 November 2016.

Report on Operations

Main Events and Expected Development of the Company

In the year ended 30 November 2016, BRAWA operated and managed its assets in accordance with its long-term plan. Its core activity was 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 Indicators

| Selected indicators | 1. 12. 2015 – 30. 11. 2016 |
|---|-----------------------------------|
| Total revenue (CZK million) | 661 |
| Operating profit (CZK million) | 537 |
| Profit before taxation (CZK million) | 538 |
| Profit after taxation (CZK million) | 432 |
| Acquisition of fixed assets (CZK million) | 1 |
| Number of employees (converted to FTE) | 0 |

Revenues, costs, profit

In the year ended 30 November 2016, BRAWA achieved a profit before taxation of CZK 538 million, and profit after tax was CZK 432 million. The operating profit amounted to CZK 537 million and was generated from its core business operation – lease of the GAZELLE pipeline. Its operating revenues amounted to CZK 661 million and operating costs were CZK 123 million. Its financial result showed a profit of CZK 1 million.

Asset structure

As of 30 November 2016, the total assets of BRAWA amounted to netto CZK 8,286 million, of which fixed assets accounted for CZK 7,246 million, representing 87 % of total assets. These assets consisted of tangible fixed assets. As of 30 November 2016, current and other assets amounted to CZK 1,040 million, representing 13 % of all assets. Roughly 99 % of current and other assets consisted of short-term receivables, cash represented 1 %.

Structure of liabilities and equity

As of 30 November 2016, BRAWA's equity amounted to CZK 7,908 million, representing roughly 95 % of its total liabilities and equity. Its liabilities amounted to CZK 378 million, of which long-term liabilities (deferred tax liability) accounted for almost 100 %.

Investments

BRAWA's total expenditure into tangible fixed assets during the year ended 30 November 2016 amounted to CZK 1 million.

Investment instruments

BRAWA does not use any investment instruments, except for several deals with the bills of exchange.

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.

Human Resources

BRAWA had no employees as of 30 November 2016.

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 year ended 30 November 2016 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 year ended 30 November 2016.

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 year ended 30 November 2016 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 year ended 30 November 2016, 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 year ended 30 November 2016 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 shareholder 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 common 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 other Related Parties

The agreements concluded between the Company and controlling entities or other Related Parties during the last accounting period are listed in Annex No. 2 to this Report on Relations. Agreements concluded in preceding accounting periods which were in effect during the last accounting period form Annex No. 3 to this Report on Relations. 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 2016.

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, the Company, in addition to concluding agreements as specified in Article 4 of this Report on Relations, also performed acts at the instigation or in the interest of controlling entities or Related Parties as specified in Annex No. 4 to this Report on Relations.

6. No damage

In the last accounting period, 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. It has therefore not been necessary to secure compensation for damage or to conclude any agreements on such compensation.

7. Advantages and disadvantages resulting from relations with Related Parties

In the last accounting period, the relations among the controlling entities and Related Parties were an advantage for the Company in terms of the increased financial stability which they ensured.

In the last accounting period, the Company had an agreement in place with the controlling entity, NET4GAS, for the provision of services in the following areas: GAZELLE project supervision, construction and assembly work within the construction, accounting, controlling, tax issues, payroll administration, cash-flow, risk management, insurance, facility management, purchasing and logistics, corporate affairs and network documentation. 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 19 December 2016, and was submitted for review to the Supervisory Board.

In Prague, on 19 December 2016



Jan Martinec
Chairman of the Board of Directors



Miroslav Holý
Vice-Chairman of the Board of Directors

Annex No. 1 Structure of relations among controlling entities and other Related Parties in the last accounting period

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 other Related Parties in the last accounting period

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

- Reposting insurance premiums (three orders)

Annex No. 3 Agreements concluded between the Company and controlling entities or other Related Parties in previous accounting periods and effective in the last accounting period

| Contracting party | Agreement | Date of conclusion | Details |
|---|---|--------------------|--|
| NET4GAS, s.r.o. | Agreement on the provision of selected services as amended by Amendment No. 1 on 20 December 2013, Amendment No. 2 on 27 January 2014, Amendment No. 3 on 6 February 2015 and Amendment No. 4 on 30 November 2015 | 31 December 2012 | The subject matter of this agreement is the provision of the following services by NET4GAS, s.r.o to the BRAWA, a.s.: GAZELLE project supervision, construction and assembly work within the construction, accounting, controlling, tax issues, payroll administration, cash-flow, risk management, insurance, facility management, purchasing and logistics, corporate affairs and 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 as amended by Amendment No. 1 on 16 July 2015 | 2 July 2013 | These agreements lay down a framework for cash pooling in Czech currency among BRAWA, a.s. 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 Ref. No. ZBA/2012/14 on the provision of Real Unidirectional Cash Pooling as amended by Amendment No. 1 on 11 November 2013 | 8 July 2013 | |

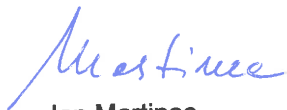
Annex No. 4 Acts performed in the last accounting period at the instigation or in the interest of controlling entities or other Related Parties

| Controlling entity or Related Party | Acts performed | Date | Details |
|-------------------------------------|---|------------------|---|
| NET4GAS, s.r.o. | Resolution of the sole shareholder of the Company | 22 December 2015 | The subject matter of the Resolution is the approval of the payment of the profit generated for the period of 11 months ended 30 November 2015. |

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 19 December 2016



Jan Martinec
Chairman of the Board of Directors



Miroslav Holý
Vice-Chairman of the Board of Directors

Financial Statements

BRAWA, a.s.

Financial statements

30 November 2016

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.

Company name: BRAWA, a.s.

Identification number: 24757926

Legal form: Joint Stock Company

Primary business: Lease of real estate, flats and commercial premises

Balance sheet date: 30 November 2016

Date of preparation of the financial statements: 19 December 2016

BALANCE SHEET

(in thousand Czech crowns)

| Ref. a | ASSETS b | 30.11.2016 | | | 30.11.2015 |
|----------------|---|------------------|------------------|------------------|------------------|
| | | Gross 1 | Provision 2 | Net 3 | Net 4 |
| | TOTAL ASSETS | 8,808,888 | (523,085) | 8,285,803 | 8,178,857 |
| B. | Fixed assets | 7,768,731 | (523,084) | 7,245,647 | 7,360,788 |
| B. I. | Intangible fixed assets | 75 | (64) | 11 | 24 |
| B. I. 1. | Research & development | 75 | (64) | 11 | 24 |
| B. II. | Tangible fixed assets | 7,768,656 | (523,020) | 7,245,636 | 7,360,764 |
| B. II. 1. | Land | 1,683 | - | 1,683 | 1,683 |
| 2. | Constructions | 7,766,973 | (523,020) | 7,243,953 | 7,359,075 |
| 3. | Tangible fixed assets in the course of construction | - | - | - | 6 |
| C. | Current assets | 1,040,027 | - | 1,040,027 | 818,048 |
| C. III. | Short-term receivables | 1,034,365 | - | 1,034,365 | 123,571 |
| C. III. 1. | Trade receivables | 66,215 | - | 66,215 | 67,530 |
| 2. | Receivables - subsidiaries / controlling parties | 901,363 | - | 901,363 | 41 |
| 3. | Taxes - receivables from the state | 11,872 | - | 11,872 | 257 |
| 4. | Estimated receivables | 54,915 | - | 54,915 | 55,743 |
| C. IV. | Financial assets | 5,662 | - | 5,662 | 694,477 |
| C. IV. 1. | Cash at bank | 5,662 | - | 5,662 | 694,477 |
| D. I. | Prepayments and accrued income | 130 | (1) | 129 | 21 |
| D. I. 1. | Prepaid expenses | 20 | (1) | 19 | 21 |
| 2. | Accrued income | 110 | - | 110 | - |

| Ref. a | LIABILITIES AND EQUITY b | 30.11.2016 | 30.11.2015 |
|----------------|--|------------------|------------------|
| | | 5 | 6 |
| | TOTAL LIABILITIES AND EQUITY | 8,285,803 | 8,178,857 |
| A. | Equity | 7,908,403 | 7,883,913 |
| A. I. | Share capital | 402,000 | 402,000 |
| A. I. 1. | Share capital | 402,000 | 402,000 |
| A. II. | Capital contributions | 7,074,252 | 7,074,252 |
| A. II. 1. | Other capital contributions | 7,074,252 | 7,074,252 |
| A. V. | Profit / (loss) for the current period | 432,151 | 407,661 |
| B. | Liabilities | 377,400 | 294,944 |
| B. I. | Provisions | - | 17,598 |
| B. I. 1. | Income tax provision | - | 17,598 |
| B. II. | Long-term liabilities | 375,998 | 275,474 |
| B. II. 1. | Deferred tax liability | 375,998 | 275,474 |
| B. III. | Short-term liabilities | 1,402 | 1,872 |
| B. III. 1. | Trade payables | 1,101 | 1,526 |
| 2. | Liabilities for social security and health insurance | 17 | 25 |
| 3. | Taxes and state subsidies payable | 8 | 11 |
| 4. | Estimated payables | 250 | 271 |
| 5. | Other payables | 26 | 39 |

Company name: BRAWA, a.s.

Identification number: 24757926

Legal form: Joint Stock Company

Primary business: Lease of real estate, flats and commercial premises

Balance sheet date: 30 November 2016

Date of preparation of the financial statements: 19 December 2016

INCOME STATEMENT

(in thousand Czech crowns)

| Ref. | DESCRIPTION | Accounting period | |
|---------|---|--------------------------|-------------------------------------|
| | | year ended 30.11.2016 | of 11 months ended 30.11.2015 |
| a | b | 1 | 2 |
| II. | Sales of production | 660,514 | 612,036 |
| II. 1. | Sales of own products and services | 660,514 | 612,036 |
| B. | Cost of sales | 6,399 | 6,000 |
| B. 1. | Services | 6,399 | 6,000 |
| + | Added value | 654,115 | 606,036 |
| C. | Staff costs | 611 | 557 |
| C. 1. | Emoluments of board members | 456 | 416 |
| C. 2. | Social security and health insurance costs | 155 | 141 |
| D. | Taxes and charges | 10 | 14 |
| E. | Depreciation and amortisation expense | 116,183 | 106,163 |
| III. | Sales of fixed assets and raw materials | - | 361 |
| III. 1. | Sales of fixed assets | - | 361 |
| F. | Net book value of fixed assets and raw materials sold | - | 270 |
| F. 1. | Net book value of fixed assets sold | - | 270 |
| H. | Other operating expenses | 221 | 233 |
| * | Operating result | 537,090 | 499,160 |
| VIII. | Income from short-term investments | 96 | - |
| X. | Interest income | 512 | 317 |
| XI. | Other financial income | 38 | 185 |
| O. | Other financial expenses | 49 | 422 |
| * | Financial result | 597 | 80 |
| Q. | Tax on profit or loss on ordinary activities | 105,536 | 91,579 |
| Q. 1. | - current | 5,012 | 51,904 |
| Q. 2. | - deferred | 100,524 | 39,675 |
| ** | Profit or loss on ordinary activities after taxation | 432,151 | 407,661 |
| *** | Net profit / (loss) for the financial period | 432,151 | 407,661 |
| **** | Net profit / (loss) before taxation | 537,687 | 499,240 |

Statement of changes in shareholders' equity
Year ended 30 November 2016

| (CZK'000) | Share capital | Reserve fund | Other capital funds | Retained earnings | Total |
|---|----------------------|---------------------|----------------------------|--------------------------|------------------|
| As at 1 January 2015 | 402,000 | 40,200 | 7,074,252 | 509,016 | 8,025,468 |
| Dividends paid and cancellation of reserve fund | - | (40,200) | - | (509,016) | (549,216) |
| Net profit for year | - | - | - | 407,661 | 407,661 |
| As at 30 November 2015 | 402,000 | - | 7,074,252 | 407,661 | 7,883,913 |
| Dividends paid | - | - | - | (407,661) | (407,661) |
| Net profit for year | - | - | - | 432,151 | 432,151 |
| As at 30 November 2016 | 402,000 | - | 7,074,252 | 432,151 | 7,908,403 |

Cash flow statement

Year ended 30 November 2016

| (CZK'000) | Year ended 30 November 2016 |
|---|--|
| Cash flows from operating activities | |
| | Net profit on ordinary activities before tax |
| | 537,687 |
| A.1 | Adjustments for non-cash movements: |
| A.1.1 | Depreciation and amortisation expense |
| | 116,183 |
| A.1.2 | Net interest income |
| | (512) |
| A.1.3 | Other non-cash movements |
| | 2 |
| | Net cash flow from operating activities before tax, changes in working capital, interest paid |
| A* | 653,360 |
| A.2 | Change in non-cash components of working capital |
| A.2.1 | Change in trade receivables and other assets |
| | (27,070) |
| A.2.2 | Change in trade payables, other payables, short-term loans and accruals |
| | 28,592 |
| A** | Net cash flow from operating activities before tax and interest |
| | 654,882 |
| A.3 | Interest received |
| | 402 |
| A.4 | Income tax on ordinary activities paid |
| | (34,308) |
| A*** | Net cash flow from operating activities |
| | 620,976 |
| Cash flows from investing activities | |
| B.1 | Acquisition of fixed assets |
| | (808) |
| B*** | Net cash flow from investing activities |
| | (808) |
| Cash flows from financing activities | |
| C.1.1 | Dividend paid |
| | (407,661) |
| C*** | Net cash flow from financing activities |
| | (407,661) |
| | Net increase in cash and cash equivalents |
| | 212,507 |
| | Cash and cash equivalents as at the beginning of the year |
| | 694,518 |
| | Cash and cash equivalents as at the end of the year |
| | 907,025 |

BRAWA, a.s.

Notes to the financial statements
for the year ended 30 November 2016

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 in Prague - 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 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.

According to the decision made, the Company's accounting period ends 30 November. Therefore, information is not fully comparable between 2016 and 2015 since accounting period for the year 2015 depicts information only for 11 months.

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

The members of the Board of Directors as at 30 November 2016 and 30 November 2015 were as follows:

| Name | Position |
|---------------|-----------------|
| Jan Martinec | Chairman |
| Miroslav Holý | Vice-Chairman |

As at 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 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 Supervisory Board as at 30 November 2016 and 30 November 2015 were as follows:

| Name | Position |
|--------------|-----------------|
| Martin Kolář | Chairman |
| Radek Benčík | Vice-Chairman |
| Andreas Rau | Member |

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.

BRAWA, a.s.

Notes to the financial statements
for the year ended 30 November 2016

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):

| Intangible fixed assets | Estimated useful life |
|--------------------------------|------------------------------|
| 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:

| Tangible fixed assets | Estimated useful life |
|------------------------------|------------------------------|
| 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 capitalized.

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.

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. 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 group. A receivable that arises from cash-pooling is presented in the Cash flow statement as a part of the item Cash and Cash equivalents.

BRAWA, a.s.

Notes to the financial statements
for the year ended 30 November 2016

The Company has prepared a Cash flow statement using the indirect method.

2.6. 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.

2.7. Revenue analysis

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

2.8. 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.

2.9. 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.

2.10. 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.

2.11. 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 year ended 30 November 2016**3. Intangible fixed assets**

| (CZK'000) | 1 December 2015 | Additions / transfers | 30 November 2016 |
|---------------------------------|-----------------|--------------------------|------------------|
| Cost | | | |
| Research & development | 75 | - | 75 |
| Total | 75 | - | 75 |
| Accumulated amortisation | | | |
| Research & development | (51) | (13) | (64) |
| Total | (51) | (13) | (64) |
| Net book value | 24 | | 11 |

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

4. Tangible fixed assets

| (CZK'000) | 1 December 2015 | Additions / transfers | 30 November 2016 |
|---|------------------|--------------------------|------------------|
| Cost | | | |
| Land | 1,683 | - | 1,683 |
| Buildings, halls and other constructions | 7,765,925 | 1,048 | 7,766,973 |
| Tangible fixed assets in the course of construction | 6 | (6) | - |
| Total | 7,767,614 | 1,042 | 7,768,656 |
| Accumulated depreciation | | | |
| Buildings, halls and other constructions | (406,850) | (116,170) | (523,020) |
| Total | (406,850) | (116,170) | (523,020) |
| Net book value | 7,360,764 | | 7,245,636 |

| (CZK'000) | 1 January 2015 | Additions / transfers | Disposals | 30 November 2015 |
|---|-------------------|--------------------------|--------------|---------------------|
| Cost | | | | |
| 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 |
| Total | 7,752,016 | 15,959 | (361) | 7,767,614 |
| Accumulated depreciation | | | | |
| Buildings, halls and other constructions | (300,789) | (105,882) | 91 | (406,850) |
| Total | (300,789) | (105,882) | 91 | (406,850) |
| Net book value | 7,451,227 | | | 7,360,764 |

BRAWA, a.s.

Notes to the financial statements
for the year ended 30 November 2016

5. Receivables

| (CZK'000) | 30 November 2016 | 30 November 2015 |
|---|-------------------------|-------------------------|
| Trade receivables - current | 66,215 | 67,530 |
| Receivables - subsidiaries/controlling parties - cash-pooling | 901,363 | 41 |
| Estimated receivables | 54,915 | 55,743 |
| Taxes –receivables from the state | 11,872 | 257 |
| Total net book value of receivables | 1,034,365 | 123,571 |

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

6. Equity

Authorised and issued share capital:

| | 30 November 2016 | | 30 November 2015 | |
|---|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | No. of pieces | Carrying value (CZK'000) | No. of pieces | Carrying value (CZK'000) |
| 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.

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 22 December 2015 approved the financial statements of the Company for the period 11 months ended 30 November 2015 and decided about the allocation of profit earned in 2015 in the amount of thousand CZK 407,661.

7. Liabilities

| (CZK'000) | 30 November 2016 | 30 November 2015 |
|---|-------------------------|-------------------------|
| Trade payables - current | 1,101 | 1,526 |
| Other payables - current | 51 | 75 |
| Estimated payables | 250 | 271 |
| Total short-term liabilities | 1,402 | 1,872 |
| Deferred tax liability | 375,998 | 275,474 |
| Total long-term liabilities | 375,998 | 275,474 |
| Total short-term and long-term liabilities | 377,400 | 277,346 |

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.

8. Income tax

Analysis of the income tax expense:

| (CZK'000) | Year ended 30 November 2016 | Period of 11 months ended 30 November 2015 |
|--|------------------------------------|---|
| Current tax expense | 4,837 | 51,895 |
| Adjustment in respect of current income tax of previous year | 175 | 9 |
| Deferred tax expense | 100,524 | 39,675 |
| Total income tax expense | 105,536 | 91,579 |

Analysis of current tax:

| (CZK'000) | Year ended 30 November 2016 | Period of 11 months ended 30 November 2015 |
|---|------------------------------------|---|
| Net profit before taxation | 537,687 | 499,240 |
| Differences between accounting and tax depreciation | (512,233) | (226,378) |
| Items increasing the tax base | 6 | 270 |
| Net taxable profit | 25,460 | 273,132 |
| Corporate income tax at 19% | 4,837 | 51,895 |

Advances for the income tax in the amount of thousand CZK 16,534 paid by the Company as at 30 November 2016 (as at 30 November 2015: thousand CZK 34,296) were netted with provision for the income tax in the amount of thousand CZK 4,837 created as at 30 November 2016 (as at 30 November 2015: thousand CZK 51,895).

Deferred tax liability can be analysed as follows:

| (CZK'000) | 30 November 2016 | 30 November 2015 |
|--|-------------------------|-------------------------|
| Deferred tax liability: | | |
| Difference between accounting and tax net book value of fixed assets | (375,998) | (275,474) |
| Total net deferred tax liability | (375,998) | (275,474) |

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

9. Revenue analysis

Revenues for the year 2016 and 2015 consist of income from the lease of the Gazelle pipeline to the parent company NET4GAS, s.r.o. based on the transmission licence in the Czech republic.

10. Employees

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

BRAWA, a.s.

Notes to the financial statements
for the year ended 30 November 2016

11. Related party transactions

The Company realized following transactions with related parties:

| (CZK'000) | Year ended 30 November 2016 | Period of 11 months ended 30 November 2015 |
|-------------------------------------|--|---|
| Revenues/Sales | | |
| NET4GAS, s.r.o. (lease of pipeline) | 660,514 | 612,036 |
| NET4GAS, s.r.o. (sale of assets) | - | 361 |
| NET4GAS, s.r.o. (interests) | 494 | 282 |
| Total | 661,008 | 612,679 |
| Costs/Purchases | | |
| NET4GAS, s.r.o. (services, assets) | 5,980 | 5,097 |
| Total | 5,980 | 5,097 |

The following related party balances were outstanding as at:

| (CZK'000) | 30 November 2016 | 30 November 2015 |
|--------------------------------------|-------------------------|-------------------------|
| Trade receivables | | |
| NET4GAS, s.r.o. | 66,215 | 67,530 |
| Total trade receivables | 66,215 | 67,530 |
| Estimated receivables | | |
| NET4GAS, s.r.o. | 54,915 | 55,743 |
| Total estimated receivables | 54,915 | 55,743 |
| Receivables from cash-pooling | | |
| NET4GAS, s.r.o. | 901,363 | 41 |
| Total receivables | 1,022,493 | 123,314 |
| Accrued income | | |
| NET4GAS, s.r.o. | 110 | - |
| Total accrued income | 110 | - |
| Trade payables | | |
| NET4GAS, s.r.o. | 686 | 1,225 |
| Total trade payables | 686 | 1,225 |

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 2016 and 2015.

12. Contingent liabilities

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 30 November 2016 and 30 November 2015.

13. Cash flow statement

Analysis of cash and cash equivalents disclosed in the Cash flow statement:

| (CZK'000) | 30 November 2016 | 30 November 2015 |
|--|-------------------------|-------------------------|
| Cash on hand and in transit | 5,662 | 694,477 |
| Receivable/(liability) arising from cash-pooling | 901,363 | 41 |
| Cash and cash equivalents | 907,025 | 694,518 |

14. Subsequent events

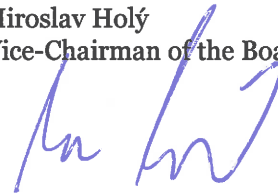
No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 30 November 2016.

19 December 2016

Jan Martinec
Chairman of the Board of Directors



Miroslav Holý
Vice-Chairman of the Board of Directors



Independent Auditor's Report



Independent auditor's report

to the shareholder of BRAWA, a.s.

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 2016, 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 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 2016, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Other information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is not materially inconsistent with the financial statements or our knowledge about the Company obtained in the course of the audit of the financial statements, whether the annual report was prepared in compliance with legal requirements, and whether the other information does not appear to be otherwise materially misstated.



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

If, based on the work we have performed, we conclude that the aforementioned requirements of the other information are not met, we are obliged to report that fact herein.

We have nothing to report in this regard.

19 December 2016

Pracovník společnosti

represented by

(Signature)

**Václav Prýmék
Partner**

(Signature)

**Milan Zelený
Statutory Auditor, Evidence 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.

© BRAWA, a.s. 2016

ID No.: 24757926

The BRAWA, a.s. Annual Report for the year ended 30 November 2016 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.

Na Hřebenech II 1718/8

140 21 Prague 4 – Nusle

Czech Republic

Tel.: +420 220 221 111

Fax: +420 220 225 498