



## **BRAWA, a.s. Annual Report for the year ended 30 November 2017**

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## 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 2017

### 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 2017.

## Board of Directors as of 30 November 2017

### 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 2017.

## Report on Operations

### Main Events and Expected Development of the Company

In the year ended 30 November 2017, 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. 2016 – 30. 11. 2017
Total revenue from sale of services (CZK million)	613
Operating profit (CZK million)	492
Profit before taxation (CZK million)	493
Profit after taxation (CZK million)	400
Acquisition of fixed assets (CZK million)	0.3
Number of employees (converted to FTE)	0

#### Revenues, costs, profit

In the year ended 30 November 2017, BRAWA achieved a profit before taxation of CZK 493 million, and profit after tax was CZK 400 million. The operating profit amounted to CZK 492 million and was generated from its core business operation – lease of the GAZELLE pipeline. Its operating revenues amounted to CZK 615 million and operating costs were CZK 123 million. Its financial result showed a profit of CZK 1 million.

#### Asset structure

As of 30 November 2017, the total assets of BRAWA amounted to netto CZK 8,344 million, of which fixed assets accounted for CZK 7,130 million, representing 85 % of total assets. These assets consisted of tangible fixed assets. As of 30 November 2017, current and other assets amounted to CZK 1,214 million, representing 15 % of all assets. Roughly 99.6 % of current and other assets consisted of short-term receivables, cash represented 0.4 %.

#### Structure of liabilities and equity

As of 30 November 2017, BRAWA's equity amounted to CZK 7,876 million, representing roughly 94 % of its total liabilities and equity. Its liabilities amounted to CZK 468 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 2017 amounted to CZK 0.3 million.

#### Investment instruments

In the year ended 30 November 2017, BRAWA did not use any investment instruments.

## **Research and development activities**

In the year ended 30 November 2017, 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 2017.

## **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 2017 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 2017.

## 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 2017 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 2017, 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 2017 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.

## **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 15 December 2017, and was submitted for review to the Supervisory Board.

In Prague, on 15 December 2017



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

Contracting party	Agreement	Date of conclusion	Details
NET4GAS, s.r.o.	Amendment No. 1 to Lease Agreement on 31 December 2012	February 15, 2017	The subject matter of the amendment is an update of the WACC profit margin to a new level effective as of 1 January 2017.
NET4GAS, s.r.o.	Amendment No. 5 to Agreement on the provision of selected services on 31 December 2012	30 December 2016	The subject matter of the amendment is an update of the monthly lump-sum remittance depending on the specification of the services, the price and the responsible person under the terms of the agreement. The prices for the services provided after the update are agreed at a common trade rate.
NET4GAS, s.r.o.	Purchase agreement	2 February 2017	The subject matter of the agreement is a transfer of real estate of BRAWA, a.s. to NET4GAS, s.r.o.
NET4GAS, s.r.o.	Purchase agreement	2 February 2017	The subject matter of the agreement is a transfer of real estate of BRAWA, a.s. to NET4GAS, s.r.o.
NET4GAS, s.r.o.	Purchase agreement	2 February 2017	The subject matter of the agreement is a transfer of real estate of BRAWA, a.s. to NET4GAS, s.r.o.
NET4GAS, s.r.o., NET4GAS Holdings, s.r.o. (multi-party agreement)	Agreement Ref. No. ZBA/2017/07 on the provision of Real Unidirectional Cash Pooling	9 November 2017	This agreement lays 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. This agreement replaces the Agreement Ref. No. ZBA/2012/14 on the provision of Real Unidirectional Cash Pooling on 8 July 2013 as amended by Amendment No. 1 on 11 November 2013 in its entirety.

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

- Reposting insurance premiums (three orders)
- Reposting insurance broker services (one order)

### 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	

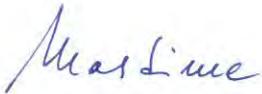
### Annex No. 4 Acts performed in the last accounting period at the instigation or in the interest of controlling entities or other Related Parties

Controlling entity or Related Party	Acts performed	Date	Details
NET4GAS, s.r.o.	Resolution of the sole shareholder of the Company	20 December 2016	The subject matter of the Resolution is the approval of the payment of the profit generated for the period of 12 months ended 30 November 2016.

## 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 15 December 2017



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 2017

**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 2017  
 Date of preparation of the financial statements: 15 December 2017

**BALANCE SHEET**  
 (in thousand Czech crowns)

Ref. a	ASSETS b	Row c	30.11.2017			30.11.2016
			Gross 1	Provision 2	Net 3	Net 4
	<b>TOTAL ASSETS</b>	<b>001</b>	<b>8 982 933</b>	<b>(639 275)</b>	<b>8 343 658</b>	<b>8 285 803</b>
<b>B.</b>	<b>Fixed assets</b>	<b>003</b>	<b>7 769 036</b>	<b>(639 275)</b>	<b>7 129 761</b>	<b>7 245 647</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>004</b>	<b>75</b>	<b>(75)</b>	<b>-</b>	<b>11</b>
B. I. 1.	Research & development	005	75	(75)	-	11
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>014</b>	<b>7 768 961</b>	<b>(639 200)</b>	<b>7 129 761</b>	<b>7 245 636</b>
B. II. 1.	Land and constructions	015	7 768 961	(639 200)	7 129 761	7 245 636
B. II. 1. 1.	Land	016	1 667	-	1 667	1 683
B. II. 1. 2.	Constructions	017	7 767 294	(639 200)	7 128 094	7 243 953
<b>C.</b>	<b>Current assets</b>	<b>037</b>	<b>1 213 740</b>	<b>-</b>	<b>1 213 740</b>	<b>1 040 027</b>
<b>C. II.</b>	<b>Receivables</b>	<b>046</b>	<b>1 208 496</b>	<b>-</b>	<b>1 208 496</b>	<b>1 034 365</b>
C. II. 2.	Short-term receivables	057	1 208 496	-	1 208 496	1 034 365
C. II. 2. 1.	Trade receivables	058	61 629	-	61 629	66 215
C. II. 2. 2.	Receivables - subsidiaries and controlling party	059	1 093 977	-	1 093 977	901 363
C. II. 2. 4.	Receivables - other	061	52 890	-	52 890	66 787
C. II. 2. 4. 3.	Taxes - receivables from the state	064	2 126	-	2 126	11 872
C. II. 2. 4. 5.	Estimated receivables	066	50 764	-	50 764	54 915
<b>C. IV.</b>	<b>Cash</b>	<b>071</b>	<b>5 244</b>	<b>-</b>	<b>5 244</b>	<b>5 662</b>
C. IV. 2.	Cash at bank	073	5 244	-	5 244	5 662
<b>D.</b>	<b>Prepayments and accrued income</b>	<b>074</b>	<b>157</b>	<b>-</b>	<b>157</b>	<b>129</b>
D. 1.	Prepaid expenses	075	21	-	21	19
D. 3.	Accrued income	077	136	-	136	110

Ref. a	LIABILITIES AND EQUITY b	Row c	30.11.2017	30.11.2016
			5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>078</b>	<b>8 343 658</b>	<b>8 285 803</b>
<b>A.</b>	<b>Equity</b>	<b>079</b>	<b>7 875 772</b>	<b>7 908 403</b>
<b>A. I.</b>	<b>Share capital</b>	<b>080</b>	<b>402 000</b>	<b>402 000</b>
A. I. 1.	Share capital	081	402 000	402 000
<b>A. II.</b>	<b>Share premium and capital contributions</b>	<b>084</b>	<b>7 074 252</b>	<b>7 074 252</b>
A. II. 2.	Capital contributions	086	7 074 252	7 074 252
A. II. 2. 1.	Other capital contributions	087	7 074 252	7 074 252
<b>A. V.</b>	<b>Profit / (loss) for the current period</b>	<b>099</b>	<b>399 520</b>	<b>432 151</b>
<b>B. + C.</b>	<b>Liabilities</b>	<b>101</b>	<b>467 886</b>	<b>377 400</b>
<b>C.</b>	<b>Liabilities</b>	<b>107</b>	<b>467 886</b>	<b>377 400</b>
<b>C. I.</b>	<b>Long-term liabilities</b>	<b>108</b>	<b>466 696</b>	<b>375 998</b>
C. I. 8.	Deferred tax liability	118	466 696	375 998
<b>C. II.</b>	<b>Short-term liabilities</b>	<b>123</b>	<b>1 190</b>	<b>1 402</b>
C. II. 4.	Trade payables	129	889	1 101
C. II. 8.	Liabilities - other	133	301	301
C. II. 8. 4.	Liabilities for social security and health insurance	137	17	17
C. II. 8. 5.	Taxes and state subsidies payable	138	8	8
C. II. 8. 6.	Estimated payables	139	250	250
C. II. 8. 7.	Other liabilities	140	26	26

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 Identification number: 24757926  
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## INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period ended	
			30.11.2017	30.11.2016
			1	2
<b>I.</b>	<b>Sales of products and services</b>	<b>01</b>	<b>613 425</b>	<b>660 514</b>
<b>A.</b>	<b>Cost of sales</b>	<b>03</b>	<b>5 380</b>	<b>6 399</b>
A. 3.	Services	06	5 380	6 399
<b>D.</b>	<b>Staff costs</b>	<b>09</b>	<b>611</b>	<b>611</b>
D. 1.	Wages and salaries	10	456	456
D. 2.	Social security, health insurance and other social costs	11	155	155
D. 2. 1.	Social security and health insurance costs	12	155	155
<b>E.</b>	<b>Value adjustments in operating activities</b>	<b>14</b>	<b>116 192</b>	<b>116 183</b>
E. 1.	Value adjustments of fixed assets	15	116 192	116 183
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	116 192	116 183
<b>III.</b>	<b>Operating income - other</b>	<b>20</b>	<b>1 295</b>	<b>-</b>
III. 1.	Sales of fixed assets	21	170	-
III. 3.	Other operating income	23	1 125	-
<b>F.</b>	<b>Operating expenses - other</b>	<b>24</b>	<b>214</b>	<b>231</b>
F. 1.	Net book value of fixed assets sold	25	16	-
F. 3.	Taxes and charges from operating activities	27	5	10
F. 5.	Other operating expenses	29	193	221
<b>*</b>	<b>Operating result</b>	<b>30</b>	<b>492 323</b>	<b>537 090</b>
VI.	Interest and similar income	39	1 257	512
VI. 1.	Interest and similar income - subsidiaries or controlling party	40	1 257	494
VI. 2.	Other interest and similar income	41	-	18
VII.	Other financial income	46	7	134
K.	Other financial expenses	47	352	49
<b>*</b>	<b>Financial result</b>	<b>48</b>	<b>912</b>	<b>597</b>
<b>**</b>	<b>Net profit / (loss) before taxation</b>	<b>49</b>	<b>493 235</b>	<b>537 687</b>
<b>L.</b>	<b>Tax on profit or loss</b>	<b>50</b>	<b>93 715</b>	<b>105 536</b>
L. 1.	Tax on profit or loss - current	51	3 017	5 012
L. 2.	Tax on profit or loss - deferred	52	90 698	100 524
<b>**</b>	<b>Net profit / (loss) after taxation</b>	<b>53</b>	<b>399 520</b>	<b>432 151</b>
<b>***</b>	<b>Net profit / (loss) for the financial period</b>	<b>55</b>	<b>399 520</b>	<b>432 151</b>
	<b>Net turnover for the financial period</b>	<b>56</b>	<b>615 984</b>	<b>661 160</b>

Company name: BRAWA, a.s.  
 Identification number: 24757926  
 Legal form: Joint Stock Company  
 Primary business: Lease of real estate, Flats and commercial premises  
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## CASH FLOW STATEMENT

(in thousand Czech crowns)

Ref. a	TEXT b	Accounting period ended	
		30.11.2017 1	30.11.2016 2
	<b>Cash flows from operating activities</b>		
	<b>Net profit/(loss) on ordinary activities before tax</b>	<b>493 235</b>	<b>537 687</b>
A. 1.	Adjustments for non-cash movements:	114 799	115 673
A. 1. 1.	Depreciation and amortisation of fixed assets	116 192	116 183
A. 1. 3.	(Profit)/loss from disposal of fixed assets	(154)	-
A. 1. 5.	Net interest expense/(income)	(1 257)	(512)
A. 1. 6.	Other non-cash movements	18	2
A *	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>608 034</b>	<b>653 360</b>
A. 2.	Working capital changes:	8 694	1 522
A. 2. 1.	Change in receivables and prepayments	8 748	(27 070)
A. 2. 2.	Change in short-term payables and accruals	(54)	28 592
A **	<b>Net cash flow from operating activities before tax</b>	<b>616 728</b>	<b>654 882</b>
A. 4.	Interest received	1 232	402
A. 5.	(Income tax paid)/ Repayment of Income tax received	6 697	(34 308)
A ***	<b>Net cash flow from operating activities</b>	<b>624 657</b>	<b>620 976</b>
B. 1.	Acquisition of fixed assets	(480)	(808)
B. 2.	Proceeds from sale of fixed assets	170	-
B ***	<b>Net cash flow from investing activities</b>	<b>(310)</b>	<b>(808)</b>
C. 2.	Changes in equity:	(432 151)	(407 661)
C. 2. 6.	Dividends paid	(432 151)	(407 661)
C ***	<b>Net cash flow from financing activities</b>	<b>(432 151)</b>	<b>(407 661)</b>
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>192 196</b>	<b>212 507</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>907 025</b>	<b>694 518</b>
	<b>Cash and cash equivalents at the end of the year</b>	<b>1 099 221</b>	<b>907 025</b>

**Statement of changes in shareholder's equity**  
Year ended 30 November 2017

(CZK'000)	Share capital	Other capital funds	Retained earnings	Total
<b>As at 1 December 2015</b>	<b>402,000</b>	<b>7,074,252</b>	<b>407,661</b>	<b>7,883,913</b>
Dividends paid	-	-	(407,661)	(407,661)
Net profit for year	-	-	432,151	432,151
<b>As at 30 November 2016</b>	<b>402,000</b>	<b>7,074,252</b>	<b>432,151</b>	<b>7,908,403</b>
Dividends paid	-	-	(432,151)	(432,151)
Net profit for year	-	-	399,520	399,520
<b>As at 30 November 2017</b>	<b>402,000</b>	<b>7,074,252</b>	<b>399,520</b>	<b>7,875,772</b>

## **1. General information**

### **1.1. Introductory information about the Company**

BRAWA, a.s. ("the Company") was incorporated on 10 November 2010 by the Municipal Court in Prague, Section B, Insert 16622 and has its registered office in Prague - Nusle, Na Hřebenech II 1718/8. The Company's primary business activities registered in the Commercial Register are lease of real estates, flats and commercial premises. The Company is the owner of the line sections of the GAZELLE gas pipeline to the transmission system operator NET4GAS, s.r.o. Identification number of the Company is 247 57 926.

The Company updated its Articles of Association that are now fully governed by the new Corporations Act. This fact became effective as at 11 June 2014.

The Company is not a shareholder having unlimited liability in any undertaking.

## **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. Comparative figures**

Based on the amendment to the Act on Accounting and implementing Decree effective from 1 January 2016, individual items of the balance sheet and income statement are presented in a different structure.

In order to ensure the comparability of items presented in the financial statements, the comparative figures were reclassified in accordance with Czech accounting standard no. 24: "The comparative figures for the accounting period beginning in 2016".

### **2.3. 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 related with its acquisition. All research costs are expensed.

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

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

The amortization 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 thousand per year are capitalised.

**BRAWA, a.s.**

Notes to the financial statements  
for the year ended 30 November 2017

**2.4. 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.

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

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 related to the pipeline are incurred by the lessee. Technical improvements of tangible fixed assets exceeding CZK 40 thousand per year are capitalized.

**2.5. 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.

**2.6. 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.

Balances of accrued expenses and accrued income denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date.

**2.7. Changes of accounting policies and corrections of prior period errors**

Changes to accounting policies (inclusive of deferred tax impact) and corrections of errors arising from incorrect accounting or unrecorded expenses and income in prior periods, if material, are recorded on financial statements line Restatements of retained earnings.

## **2.8. 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 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. Revenue recognition**

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

## **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 9.

## **2.11. 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.

## **2.12. Cash-flow statement**

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

The Company uses so-called cash-pooling within the group. A receivable (liability) that arises from cash-pooling is presented in the Cash-flow statement as a part of the item Cash and Cash equivalents. If 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.

## **2.13. 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

(CZK'000)	1 December 2016	Additions / transfers	30 November 2017
<b>Cost</b>			
Research & development	75	-	75
<b>Total</b>	<b>75</b>	<b>-</b>	<b>75</b>
<b>Accumulated amortisation</b>			
Research & development	(64)	(11)	(75)
<b>Total</b>	<b>(64)</b>	<b>(11)</b>	<b>(75)</b>
<b>Net book value</b>	<b>11</b>		<b>-</b>

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

### 4. Tangible fixed assets

(CZK'000)	1 December 2016	Additions / transfers	Disposals	30 November 2017
<b>Cost</b>				
Land	1,683	-	(16)	1,667
Constructions	7,766,973	321	-	7,767,294
<b>Total</b>	<b>7,768,656</b>	<b>321</b>	<b>(16)</b>	<b>7,768,961</b>
<b>Accumulated depreciation</b>				
Constructions	(523,020)	(116,180)	-	(639,200)
<b>Total</b>	<b>(523,020)</b>	<b>(116,180)</b>	<b>-</b>	<b>(639,200)</b>
<b>Net book value</b>	<b>7,245,636</b>			<b>7,129,761</b>

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

## 5. Receivables

<b>(CZK'000)</b>	<b>30 November 2017</b>	<b>30 November 2016</b>
Trade receivables – current		
- until maturity	61,295	66,215
- overdue <30 days	334	0
Receivables - subsidiaries/controlling parties - cash-pooling	1,093,977	901,363
Estimated receivables	50,764	54,915
Taxes –receivables from the state	2,126	11,872
<b>Total net book value of receivables</b>	<b>1,208,496</b>	<b>1,034,365</b>

The provision for doubtful receivables as at 30 November 2017 or as at 30 November 2016 was not recognized.

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

The Company has no receivables nor provided any guarantees which are not included in the balance sheet.

Advances for income tax of CZK 5,000 thousand paid by the Company by 30 November 2017 (by 30 November 2016: CZK 16,534 thousand) are netted off with the provision for income tax of CZK 3,017 thousand as at 30 November 2017 (as at 30 November 2016: CZK 4,837 thousand).

## 6. Equity

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

Authorised and issued share capital:

	<b>30 November 2017</b>		<b>30 November 2016</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 NET4GAS, s.r.o. with the registered office at Prague - Nusle, Na Hřebenech II 1718/8 prepares the consolidated financial statements of the smallest group of entities of which the Company forms a part as a subsidiary. The consolidated financial statements are prepared for the accounting period corresponding to the calendar year and are published in the Collection of Documents and on the NET4GAS website.

The Company NET4GAS Holdings, s.r.o. with the registered office at Prague - Nusle, Na Hřebenech II 1718/8 prepares the consolidated financial statements of the largest group of entities of which the Company forms a part as a subsidiary. The consolidated financial statements are prepared for the accounting period corresponding to the calendar year and are published in the Collection of Documents.

The Company is fully governed by the new Corporations Act (see Note 1) and used the option not to create a reserve fund. This fact is further enabled by the Articles of Association of the Company.

The general meeting of the sole shareholder decided to transfer the reserve fund to retained earnings on 17 March 2015.

The Company expects the net profit for the year ended 30 November 2017 to be fully approved to distribution to the sole shareholder.

## 7. Payables, commitments and contingent liabilities

(CZK'000)	30 November 2017	30 November 2016
Trade payables - current	889	1,101
Estimated payables	250	250
Other payables - current	51	51
<b>Total short-term liabilities</b>	<b>1,190</b>	<b>1,402</b>
Deferred tax liability	466,696	375,998
<b>Total long-term liabilities</b>	<b>466,696</b>	<b>375,998</b>
<b>Total short-term and long-term liabilities</b>	<b>467,886</b>	<b>377,400</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 liabilities or commitments that are not recognised in the balance sheet

The Company provided no other guarantees except those recognised in the balance sheet.

The management of the Company is not aware of any contingent liabilities as at 30 November 2017.

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. Revenue

Revenues for the year ended 30 November 2017 and the year ended 30 November 2016 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.

## 9. Related party transactions

The Company realized following transactions with related parties:

(CZK'000)	Year ended 30 November 2017	Year ended 30 November 2016
<b>Revenues/Sales</b>		
NET4GAS, s.r.o. (lease of pipeline)	613,425	660,514
NET4GAS, s.r.o. (sale of assets)	170	-
NET4GAS, s.r.o. (interests)	1,257	494
<b>Total</b>	<b>614,852</b>	<b>661,008</b>
<b>Costs/Purchases</b>		
NET4GAS, s.r.o. (services, assets)	4,717	5,980
<b>Total</b>	<b>4,717</b>	<b>5,980</b>

**BRAWA, a.s.**Notes to the financial statements  
for the year ended 30 November 2017

The following related party balances were outstanding as at:

(CZK'000)	30 November 2017	30 November 2016
<b>Trade receivables</b>		
NET4GAS, s.r.o.	61,287	66,215
<b>Receivables from cash-pooling</b>		
NET4GAS, s.r.o.	1,093,977	901,363
<b>Estimated receivables</b>		
NET4GAS, s.r.o.	50,764	54,915
<b>Total receivables</b>	<b>1,206,028</b>	<b>1,022,493</b>
<b>Accrued income – interest from cash-pooling</b>		
NET4GAS, s.r.o.	136	110
<b>Total accrued income</b>	<b>136</b>	<b>110</b>
<b>Trade payables</b>		
NET4GAS, s.r.o.	507	686
<b>Total trade payables</b>	<b>507</b>	<b>686</b>

Receivables from cash-pooling interest at a rate of 0.15 % p.a.

Remuneration to members of statutory bodies:

(CZK'000)	30 November 2017	30 November 2016
Remuneration to members of statutory bodies	456	456

The Board of Directors and the Supervisory Board did not receive any loans, advances or loans, any collateral or other benefits in 2017 and 2016 than those listed above.

## 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.

Other transactions with the Company's management are described in Note 9 - Related party transactions.

## 11. Income tax

Analysis of the income tax expense:

(CZK'000)	Year ended 30 November 2017	Year ended 30 November 2016
Current tax expense (19%)	3,017	4,837
Deferred tax expense	90,698	100,524
Adjustment in respect of current income tax of previous year	0	175
<b>Total income tax expense</b>	<b>93,715</b>	<b>105,536</b>

The deferred tax was calculated at 19% (the rate enacted for 2016 and subsequent years).

Analysis of current income tax:

(CZK'000)	Year ended 30 November 2017	Year ended 30 November 2016
Net profit before taxation	493,235	537,687
Differences between accounting and tax depreciation	(477,358)	(512,233)
Items increasing the tax base	0	6
Net taxable profit	15,877	25,460
<b>Corporate income tax at 19%</b>	<b>3,017</b>	<b>4,837</b>

**BRAWA, a.s.**

Notes to the financial statements  
for the year ended 30 November 2017

Deferred tax liability can be analysed as follows:

<b>(CZK'000)</b>	<b>30 November 2017</b>	<b>30 November 2016</b>
<b>Deferred tax liability:</b>		
Difference between accounting and tax net book value of fixed assets	(466,696)	(375,998)
<b>Total net deferred tax liability</b>	<b>(466,696)</b>	<b>(375,998)</b>

## 12. Cash-flow statement

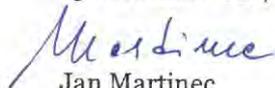
Analysis of cash and cash equivalents disclosed in the Cash flow statement:

<b>(CZK'000)</b>	<b>30 November 2017</b>	<b>30 November 2016</b>
Cash at banks	5,244	5,662
Receivable arising from cash-pooling	1,093,977	901,363
<b>Cash and cash equivalents</b>	<b>1,099,221</b>	<b>907,025</b>

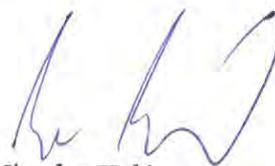
## 13. Subsequent events

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 30 November 2017.

15 December 2017



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.**

### *Opinion*

We have audited the accompanying financial statements of BRAWA, a.s., with its registered office at Na Hřebenech II 1718/8, Praha 4 ("the Company") prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 30 November 2017, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 November 2017 of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

### *Basis for Opinion*

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. 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 materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

### *Responsibilities of the Board of Directors and Supervisory Board for the Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Evidence No 021.



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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

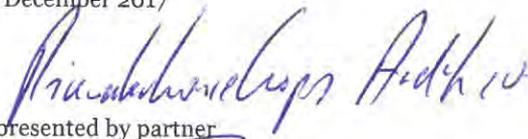
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above stated requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors, Supervisory Board and Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15 December 2017

  
represented by partner

Tomáš Bašta  
Statutory Auditor, Evidence 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.\*

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ID No.: 24757926

The BRAWA, a.s. Annual Report for the year ended 30 November 2017 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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