

2013

Annual Report



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Company Profile

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

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

Ownership Structure and Company Bodies ²

Shareholder

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

Supervisory Board as of 31 December 2013

Dr. Martin Kolář, MBA

Chairman of the Supervisory Board

Position held since: 18 June 2012

Member since: 20 March 2012

Ing. Radek Benčík, MBA

Vice-Chairman of the Supervisory Board

Position held since: 18 June 2012

Member since: 20 March 2012

Thomas Kleefuß

Member of the Supervisory Board

Member since: 29 January 2013

Board of Directors as of 31 December 2013

Ing. Martin Slabý

Chairman of the Board of Directors

Position held since: 4 January 2013

Member since: 4 January 2013

Ing. Pavlína Kouřilová

Vice-Chairman of the Board of Directors

Position held since: 4 January 2013

Member since: 4 January 2013

Report on Operations ³

Key Economic Indicators

Selected indicators	2013
Total sales (CZK millions)	678
EBITDA (CZK millions)	655
Operating profit (CZK millions)	547
Profit before taxation (CZK millions)	542
Profit after taxation (CZK millions)	439
Acquisition of fixed assets (CZK millions)	312
Number of employees (converted to FTE)	0

Revenues, costs, profit

In 2013, BRAWA achieved a profit before taxation of CZK 542 million, profit after tax was CZK 439 million, and operating profit amounted to CZK 547 million.

The company's profit was generated from its core business operation – lease of the GAZELLE pipeline. Its total sales amounted to CZK 678 million and operating costs were CZK 131 million. Its financial result showed a loss of CZK 5 million at the end of the fiscal year.

Asset structure

The total assets of BRAWA in 2013 amounted to CZK 8,219 million, of which fixed assets accounted for CZK 7,551 million, representing 92%. These assets consisted principally of tangible fixed assets valued at CZK 7,551 million. As of 31 December 2013, current and other assets amounted to CZK 668 million, representing 8% of all assets. Roughly 93% of current and other assets consisted of short-term receivables.

Liability structure

In 2013, BRAWA's equity amounted to CZK 7,915 million, representing roughly 96% of its total liabilities and equity. Its liabilities and provisions amounted to a total of CZK 303 million, of which long-term liabilities (a deferred tax liability) accounted for around 42%, short-term liabilities roughly 43% and provisions approximately 15%.

Investments

As of 1 January 2013, the GAZELLE pipeline assets owned by NET4GAS, s.r.o. were transferred to BRAWA under a De-merger by Spin-off Project, which was published in the Commercial Register's Collection of Instruments. BRAWA's total investments during 2013 amounted to CZK 312 million into tangible assets. Investments were targeted at completing the section of the GAZELLE pipeline running from the Brandov Border Transfer Station to the Přimda Junction Point and on to Waidhaus at the German border.

Research and development activities

BRAWA did not make any major expenditures into research and development in 2013.

Organisational units

BRAWA has no organisational units either in the Czech Republic or abroad.

Main Events

As of 1 January 2013, the GAZELLE pipeline assets owned by NET4GAS, s.r.o. were transferred to BRAWA under a Demerger by Spin-off Project, which was published in the Commercial Register's Collection of Instruments.

Human Resources

BRAWA had no employees as of 31 December 2013.

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 2013 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 financial statements of BRAWA as of 31 December 2013.

Future Outlook

2014 and subsequent years 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.

Persons Responsible for the Annual Report

Persons responsible for the BRAWA, a.s. Annual Report 2013

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 4 March 2014



Ing. Martin Slabý
Chairman
of the Board of Directors



Ing. Pavlína Kouřilová
Vice-Chairman
of the Board of Directors

Financial Statements

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Balance Sheet (in thousand Czech crowns)

		31/12/2013		31/12/2012	
		Gross	Provision	Net	Net
TOTAL ASSETS		8,403,779	(185,315)	8,218,464	1,834
B.	Fixed assets	7,735,813	(185,315)	7,550,498	-
B. I.	Intangible fixed assets	75	(27)	48	-
	1. Research & development	75	(27)	48	-
B. II.	Tangible fixed assets	7,735,738	(185,288)	7,550,450	-
B. II. 1.	Land	1,683	-	1,683	-
	2. Constructions	7,730,796	(185,288)	7,545,508	-
	3. Tangible fixed assets in the course of construction	3,214	-	3,214	-
	4. Advances paid for tangible fixed assets	45	-	45	-
C.	Current assets	667,837	-	667,837	1,833
C. III.	Short-term receivables	621,096	-	621,096	-
C. III. 1.	Trade receivables	74,172	-	74,172	-
	2. Receivables – subsidiaries / controlling parties	484,035	-	484,035	-
	3. Taxes – receivables from the state	2,522	-	2,522	-
	4. Short-term advances paid	166	-	166	-
	5. Estimated receivables	60,201	-	60,201	-
C. IV.	Financial assets	46,741	-	46,741	1,833
	1. Cash at bank	46,741	-	46,741	1,833
D. I.	Prepayments and accrued income	129	-	129	1
D. I. 1.	Prepaid expenses	67	-	67	-
	2. Complex prepaid expenses	-	-	-	1
	3. Accrued income	62	-	62	-

		31/12/2013	31/12/2012
TOTAL LIABILITIES AND EQUITY		8,218,464	1,834
A.	Equity	7,915,420	1,773
A. I.	Share capital	402,000	2,000
A. I. 1.	Share capital	402,000	2,000
A. II.	Capital contributions	7,074,252	-
	1. Other capital contributions	7,074,252	-
A. IV.	Retained earnings / Accumulated losses	(227)	(37)
	1. Accumulated losses	(227)	(37)
A. V.	Profit / (loss) for the current period	439,395	(190)
B.	Liabilities	303,044	61
B. I.	Provisions	45,729	-
	1. Income tax provision	45,729	-
B. II.	Long-term liabilities	125,723	-
	1. Deferred tax liability	125,723	-
B. III.	Short-term liabilities	131,592	61
B. III. 1.	Trade payables	127,705	-
	2. Liabilities for social security and health insurance	17	-
	3. Taxes and state subsidies payable	8	-
	4. Estimated payables	3,836	61
	5. Other payables	26	-

Income Statement

(in thousand Czech crowns)

	Accounting period	
	2013	2012
II. Sales of production	678,328	–
II. 1. Sales of own products and services	675,696	–
2. Own work capitalised	2,632	–
B. Cost of sales	14,515	182
B. 1. Raw materials and consumables used	2	–
2. Services	14,513	182
+ Added value	663,813	(182)
C. Staff costs	611	–
1. Emoluments of board members	456	–
2. Social security and health insurance costs	155	–
D. Taxes and charges	6	2
E. Depreciation and amortisation expense	113,040	–
H. Other operating expenses	2,780	–
* Operating result	547,376	(184)
X. Interest income	352	3
XI. Other financial income	6,873	–
O. Other financial expenses	12,191	9
* Financial result	(4,966)	(6)
Q. Tax on profit or loss on ordinary activities	103,015	–
Q. 1. – current	45,729	–
2. – deferred	57,286	–
** Profit or loss on ordinary activities after taxation	439,395	(190)
*** Net profit / (loss) for the financial period	439,395	(190)
**** Net profit / (loss) before taxation	542,410	(190)

Statement of changes in shareholder's equity

Year ended 31 December 2013

	Share capital	Other capital funds	Retained earnings / (accumulated losses)	Total
(CZK'000)				
As at 1 January 2012	2,000	–	(37)	1,963
Net loss for 2012	–	–	(190)	(190)
As at 31 December 2012	2,000	–	(227)	1,773
Transformation impact	–	7,074,252	–	7,074,252
As at 1 January 2013	2,000	7,074,252	(227)	7,076,025
Increase of share capital	400,000	–	–	400,000
Net profit for 2013	–	–	439,395	439,395
As at 31 December 2013	402,000	7,074,252	439,168	7,915,420

Cash flow statement

Year ended 31 December 2013

	2013	2012
	(CZK'000)	(CZK'000)
Cash flows from operating activities		
Net profit/(loss) on ordinary activities before tax	542,410	(190)
A.1 Adjustments for non-cash movements:		
A.1.1 Depreciation/amortisation of fixed assets	113,040	–
A.1.2 Net interest income	(352)	(3)
A* Net cash flow from operating activities before tax, changes in working capital	655,098	(193)
A.2 Working capital changes:		
A.2.1 Changes in receivables and prepayments and accrued income	(136,924)	(1)
A.2.2 Changes in short-term payables, accrued expenses and deferred income	(77,604)	61
A** Net cash flow from operating activities before tax	440,570	(133)
A.3 Interest received	352	3
A*** Net cash flow from operating activities	440,922	(130)
Cash flows from investing activities		
B.1 Acquisition of fixed assets	(311,979)	–
B*** Net cash flow from investing activities	(311,979)	–
Cash flows from financing activities		
C.2 Changes in equity:		
C.2.1 Cash inflow from the increase of share capital	400,000	–
C*** Net cash flow from financing activities	400,000	–
Net increase/(decrease) in cash and cash equivalents	528,943	(130)
Cash and cash equivalents as at the beginning of the year	1,833	1,963
Cash and cash equivalents as at the end of the year	530,776	1,833

1. General information**Introductory information about the Company**

BRAWA, a.s. ("the Company"), based on the decision of the Municipal court in Prague, section B, insert 16622, was incorporated on 10 November 2010 and has its registered office in Prague – Nusle, Na Hřebenech II 1718/8. The Company's primary business activity is lease of real estates, flats and commercial premises. Identification number of the Company is 247 57 926.

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

On 1 January 2013 a portion of assets of NET4GAS, s.r.o. connected with the linking pipeline "VTL plynovod DN 1400 – HPS Brandov – Rozvadov" ("Gazelle") was transferred to the company BRAWA, a.s. based on the spin-off project. This event was included in the commercial register.

The members of the Board of Directors as at 31 December 2013 were as follows:

Name	Position	Date of appointment
Martin Slabý	Chairman	4 January 2013
Pavčina Kouřilová	Vice-Chairman	4 January 2013

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. If the Board of Directors has one member, the Chairman of the Board of Directors acts individually.

The members of the Supervisory Board as at 31 December 2013 were as follows:

Name	Position	Date of appointment
Martin Kolář	Chairman	18 June 2012
Radek Benčík	Vice-Chairman	18 June 2012
Thomas Kleefuss	Member	29 January 2013

The member of the Board of Directors as at 31 December 2012 was as follows:

Name	Position	Date of appointment
Ivan Cestr	Chairman	10 November 2010

The members of the Supervisory Board as at 31 December 2012 were as follows:

Name	Position	Date of appointment
Martin Kolář	Chairman	18 June 2012
Radek Benčík	Vice-Chairman	18 June 2012
Tomáš Salamon	Member	10 November 2010

During 2012 several changes in the bodies of the Company were made. As of 10 February 2012 Radim Doležálek terminated his membership in the Supervisory Board. As of 20 March 2012 Martin Kolář and Radek Benčík were registered as a Chairman and a Vice-Chairman of the Supervisory Board. As of 14 May 2012 Roman Deneš terminated his membership in the Supervisory Board of the Company.

2. Spin-Off

As of 11 October 2012 the companies NET4GAS, s.r.o. and BRAWA, a.s. prepared the spin-off project with a transfer of a portion of net assets of NET4GAS, s.r.o. to BRAWA, a.s. ("Project").

The spin-off according to the Project means a spin-off of a specified portion of net assets of the company NET4GAS, s.r.o. (spun-off company), the spun-off portion of net assets was transferred to the existing company BRAWA, a.s. By spin-off, the spun-off company was neither dissolved nor passed out of existence. The sole partner of the spun-off company was RWE Gas International N.V., incorporated in the Netherlands, and the sole shareholder of the successor company was NET4GAS, s.r.o.

According to the spin-off project, a portion of net assets was spun-off, i.e. assets and liabilities of NET4GAS, s.r.o. were merged into the company BRAWA, a.s. The spun-off portion of net assets of the company NET4GAS, s.r.o. was merged into the successor company BRAWA, a.s. and presented in Other capital funds.

Ownership title to the Gazelle pipeline, including related assets and liabilities, were part of the net assets spun-off from NET4GAS, s.r.o. and subsequently merged to BRAWA, a.s.

(Net in CZK'000)	Spun-off portion of assets (accounting values)
Fixed assets	
Research & development	60
Land	1,683
Constructions	1,269,624
Tangible assets in the course of construction	6,130,870
Advances paid for tangible fixed assets	19,946
Current assets	
Trade receivables	266
Liabilities	
Deferred tax liability	68,437
Trade payables	189,604
Estimated payables	90,156
Total	7,074,252

The effective date of the spin-off was 1 January 2013. The spin-off was registered in the Commercial Register on 25 January 2013.

3. Accounting policies

3.1. 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.

3.2. Intangible fixed assets

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

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

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

Intangible fixed assets	Estimated useful life
Research & development	6 years

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

A provision for impairment is 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.

3.3. 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	45–70 years

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

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

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

3.4. 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 deposits with 3 months (or shorter) notice and liquid debt securities traded in public markets.

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.

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

3.5. 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.

3.6. 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.

3.7. Revenue analysis

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

3.8. 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.

3.9. 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.

3.10. 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 12.

4. Intangible fixed assets

(CZK'000)	31 December 2012	Transformation impact	1 January 2013	Additions/transfers	31 December 2013
Cost					
Research & development	–	75	75	–	75
Total	–	75	75	–	75
Accumulated amortisation					
Research & development	–	(15)	(15)	(12)	(27)
Total	–	(15)	(15)	(12)	(27)
Net book value	–	60	60	–	48

As at 31 December 2012 the Company did not own any intangible fixed assets.

3.11. 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.

5. Tangible fixed assets

(CZK'000)	31 December 2012	Transformation impact	1 January 2013	Additions/transfers	31 December 2013
Cost					
Land	–	1,683	1,683	–	1,683
Buildings, halls and other constructions	–	1,341,885	1,341,885	6,388,911	7,730,796
Tangible fixed assets in the course of construction	–	6,130,870	6,130,870	(6,127,656)	3,214
Advances paid for tangible fixed assets	–	19,946	19,946	(19,901)	45
Total	–	7,494,384	7,494,384	241,354	7,735,738
Accumulated depreciation					
Buildings, halls and other constructions	–	(72,261)	(72,261)	(113,027)	(185,288)
Total	–	(72,261)	(72,261)	(113,027)	(185,288)
Net book value	–	7,422,123	7,422,123	–	7,550,450

The Gazelle pipeline was put into operation on 15 January 2013.

As at 31 December 2012 the Company did not own any tangible fixed assets.

6. Receivables

(CZK'000)	31 December 2012	Transformation impact	1 January 2013	31 December 2013
Trade receivables – current	–	266	266	74,172
Receivables – subsidiaries /controlling parties	–	–	–	484,035
Estimated receivables	–	–	–	60,201
Other receivables	–	–	–	2,688
Net book value of short-term receivables	–	266	266	621,096

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

7. Equity

The Company is fully owned by NET4GAS, s.r.o., incorporated in the Czech Republic and the Parent Company of the whole group till 2 August 2014 was RWE Aktiengesellschaft, incorporated in Germany. Since 2 August 2014 the group is NET4GAS Holdings, s.r.o., incorporated in the Czech Republic.

Authorised and issued share capital:

	31 December 2013		31 December 2012	
	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	2,000	2,000

As at 25 January 2013 the registered capital of the Company was increased to CZK 402,000,000.

On 11 March 2013 the general meeting approved the financial statements for 2012 and decided about the allocation of loss incurred in 2012 of CZK 190,000 into accumulated losses.

8. Liabilities

(CZK'000)	31 December 2012	Transformation impact	1 January 2013	31 December 2013
Trade payables – current	–	189,604	189,604	127,705
Total trade payables	–	189,604	189,604	127,705
Other payables – current	–	–	–	51
Total other payables	–	–	–	51
Estimated payables	61	90,156	90,217	3,836
Total short-term liabilities	61	279,760	279,821	131,592
Deferred tax liability	–	68,437	68,437	125,723
Total long-term liabilities	–	68,437	68,437	125,723
Total short-term and long-term liabilities	61	348,197	348,258	257,315

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.

9. Income tax

In 2012 the Company incurred tax losses, therefore no income tax for the year 2012 is recognised.

Analysis of the income tax expense:

(CZK'000)	2013	2012
Current tax expense (19%)	45,729	–
Deferred tax expense	57,286	–
Total income tax expense	103,015	–

Analysis of current tax:

(CZK'000)	2013	2012
Net profit before taxation	542,410	(190)
Differences between accounting and tax depreciation	(301,506)	–
Tax losses	(227)	–
Net taxable profit	240,677	(190)
Current income tax at 19%	45,729	–

The deferred tax was calculated at 19% (the rate enacted for 2013 and subsequent years).

Analysis of deferred tax liability:

(CZK'000)	31 December 2012	Transformation impact	1 January 2013	31 December 2013
Difference between accounting and tax net book value of fixed assets	–	(68,437)	(68,437)	(125,723)
Net deferred tax liability	–	(68,437)	(68,437)	(125,723)

10. Employees

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

11. Revenue analysis

Revenues for the year 2013 consist of income from the lease of the Gazelle pipeline to the parent company NET4GAS, s.r.o. based on the transmission licence.

12. Related party transactions

In 2012 the Company did not carry out any transactions with related parties. The related party transactions in 2013 are described below:

(CZK'000)	2013	2012
Purchases/costs		
NET4GAS, s.r.o. (services, fixed assets)	45,280	-
Total	45,280	-
Revenues		
NET4GAS, s.r.o. (lease of pipeline)	675,696	-
NET4GAS, s.r.o. (interests)	274	-
NET4GAS Holdings, s.r.o. (other financial income)	19	-
Total	675,989	-

The following related party balances were outstanding as at:

(CZK'000)	31 December 2013	31 December 2012
Trade receivables		
NET4GAS, s.r.o.	74,142	-
Trade receivables total	74,142	-
Estimated receivable		
NET4GAS, s.r.o.	57,459	-
NET4GAS Holdings, s.r.o.	19	-
Estimated receivable total	57,478	-
Receivables from cash-pooling:		
NET4GAS, s.r.o.	484,035	-
Receivables total	615,655	-
Trade payables		
NET4GAS, s.r.o.	16,813	-
Trade payables total	16,813	-
Estimated payable		
NET4GAS, s.r.o.	192	-
Estimated payable total	192	-
Payables total	17,005	-

Except for the remuneration mentioned in Note 10 there were no benefits neither in cash nor in kind provided to the members of the Company's Boards during 2012 and 2013.

13. Contingent liabilities

The Company has a contingent liability arising from guarantee of bank loan provided to the ultimate parent company NET4GAS Holdings, s.r.o. which was in the amount of CZK 977,155,000 as at 31 December 2013.

14. Cash flow statement

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

(CZK'000)	31 December 2013	31 December 2012
Cash in bank	46,741	1,833
Receivable arising from cash-pooling	484,035	-
Cash and cash equivalents	530,776	1,833

15. Subsequent events

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2013.

10 February 2014



Martin Slabý
Chairman of the Board of Directors



Pavlína Kouřilová
Vice-Chairman of the Board of Directors

Supervisory Board Report

The Supervisory Board of BRAWA, a.s. (hereinafter the "Company") was comprised of three members for the duration of 2013. However, changes were effected in the Supervisory Board's composition. As of 29 January 2013, Mgr. Tomáš Salamon ceased to be a member of the Supervisory Board, and as from 29 January 2013 Mr. Thomas Kleefuß became a new member of the Supervisory Board. For the entire period of 2013, the position of Chairman of the Supervisory Board was held by Dr. Martin Kolář, MBA, and the position of Vice-Chairman of the Supervisory Board by Ing. Radek Benčík, MBA.

In performing its supervisory activity the Supervisory Board did not find anything inconsistent with generally applicable legal regulations, the Company's Articles of Association or any decision of the sole shareholder acting in the capacity of the General Meeting.

On 21 February 2014, the Supervisory Board reviewed the Company's annual financial statements for the period ended on 31 December 2013 and the 2013 profit distribution proposal of the Chairman of the Board of Directors. The Supervisory Board concluded that the annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, its financial performance and its cash flows for the period then ended in accordance with Czech accounting legislation. The Supervisory Board recommends to the General Meeting (to the sole shareholder) to approve the annual financial statements for the period ended on 31 December 2013 and the 2013 profit distribution proposal of the Chairman of the Board of Directors.

The Supervisory Board has received a Report on Operations compiled by the Board of Directors for the fiscal year 2013, reviewed the same at its meeting held on 21 February 2014, and has no reservations in this regard.

The Supervisory Board has also received a Report on Relations as of 31 December 2013, reviewed the same at its meeting held on 21 February 2014, and has no reservations in this regard.

In Prague, on 21 February 2014



Dr. Martin Kolář, MBA
Chairman of the Supervisory Board

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Report on Relations

In view of the fact that BRAWA, a.s. (hereinafter the "Company" or "BRAWA") did not enter into any control agreement effective in 2013 under which it would be the controlled entity, the Board of Directors of the Company has drawn up, in accordance with Section 82 of Act No. 90/2012 Coll., the Business Corporations Act, 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 2013 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 2013, and is provided to the shareholder of the Company for its review within the same period of time and under the same conditions as the Financial Statements.

1. Controlling entities

In the accounting period ended 31 December 2013 the Company was controlled:

a) directly, for the entire accounting period, by

NET4GAS, s.r.o., with its registered office at Na Hřebenech II 1718/8, Nusle, Prague 4, 14021, Czech Republic, ID No. 27260364, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File No. 108316 (hereinafter "NET4GAS");

b) indirectly, to 2 August 2013, by

– RWE Gas International N.V., with its registered office at 5211AK 's-Hertogenbosch, Willemsplein 4, Kingdom of the Netherlands, registration number 34168241 (hereinafter "RWE GI"), as the sole member of NET4GAS;

– RWE Aktiengesellschaft, with its registered office at Opernplatz 1, 45128 Essen, Federal Republic of Germany (hereinafter "RWE AG"), as the sole shareholder of RWE GI;

c) indirectly, from 2 August 2013, by

– NET4GAS Holdings, s.r.o., with its registered office at Na Hřebenech II 1718/8, Nusle, Prague 4, 14000, Czech Republic, ID No. 29135001, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File No. 202655 (hereinafter "NET4GAS Holdings"), which became the sole member of NET4GAS pursuant to an Agreement on the Transfer of an Ownership Interest entered into on 2 August 2013 by and between NET4GAS Holdings (to 8 August 2013 operating under its original business name HYX Czech, s.r.o.) and RWE GI;

– (i) Allianz Infrastructure Czech HoldCo II S.à r.l., with its registered office at L 2450 Luxembourg, 14, boulevard F.D. Roosevelt, Grand Duchy of Luxembourg, registration number B 175770, and (ii) Borealis Novus Parent B.V., with its registered office at 1011PZ Amsterdam, Muiderstraat 9, Kingdom of the Netherlands, registration number 57412243, each of which is a member of NET4GAS Holdings with an ownership interest of 50 %, and which together have the status of controlling entities in relation to NET4GAS Holdings by virtue of Section 75 of the Business Corporations Act.

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 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.

As of 1 January 2013, the GAZELLE pipeline assets owned by NET4GAS were transferred to BRAWA under a Demerger by Spin-off Project, which was published in the Commercial Register's Collection of Instruments.

4. Agreements concluded between the Company and controlling entities or Related Parties

The agreements concluded between the Company and controlling entities or Related Parties during the last accounting period are listed in Annex No. 2 to this Report on Relations. No damage has been incurred by the Company due to the performance of these agreements or agreements concluded in preceding accounting periods, effective also in the last accounting period, which are listed in Annex No. 3 to this Report on Relations. Therefore it has not been necessary to secure compensation for damage or to conclude any agreements on such compensation. The values of performance and counter performance in Related Party Transactions during the last accounting period are shown under Note 12 of the Notes to the Financial Statements as of 31 December 2013.

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

a) prior to 2 August 2013:

In the period from 1 January 2013 to 2 August 2013, the Company performed no acts at the instigation or in the interest of controlling entities or Related Parties, save for concluding agreements as specified in Article 4 of this Report on Relations.

b) from 2 August 2013:

In the period from 2 August 2013 to 31 December 2013, 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

The Company incurred no damage during the accounting period ended 31 December 2013 as a result of agreements with controlling entities or Related Parties, or as a consequence of other acts or actions performed in the interest or at the instigation of the same, which were concluded or undertaken during the last accounting period or in any preceding accounting period.

7. Advantages and disadvantages resulting from relations with Related Parties

In the 2013 accounting period, the relations among the controlling entities and Related Parties were an advantage for the Company (as for all the other companies in the respective group) in terms of the increased financial stability which they ensured. This was, and continues to be, among other things also an important factor for the ongoing development and functioning of the entire group.

In 2013, the Company had an agreement in place with the controlling entity, NET4GAS, for the provision of services in the following areas: completion of the construction work on the GAZELLE project (supervision), accounting, controlling, tax issues, payroll administration, cash flow, risk management, insurance, facility management, purchasing and logistics. This cooperation benefits the Company by allowing the streamlining of its internal processes.

8. Confidentiality

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

9. Conclusion

This Report on Relations was approved by the Company's Board of Directors on 12 February 2014, and was submitted for review to the Supervisory Board and to the Company's auditor, who is responsible for verifying the financial statements in accordance with specific legislation.

In Prague, on 12 February 2014



Ing. Martin Slabý
Chairman
of the Board of Directors



Ing. Pavlína Kouřilová
Vice-Chairman
of the Board of Directors

a) Structure of relations in the period from 1 January 2013 to 2 August 2013

RWE Aktiengesellschaft	
100.00 %	RWE Beteiligungsverwaltung Ausland GmbH
98.00 %	RWE East, s.r.o.
51.00 %	EČS – Elektrárna Čechy-Střed, a.s.
100.00 %	RWE Gas International N.V.
100.00 %	RWE Česká republika a.s.
100.00 %	RWE Zákaznické služby, s.r.o.
100.00 %	RWE Interní služby, s.r.o.
100.00 %	RWE Gas Storage, s.r.o.
100.00 %	RWE Gas Slovensko, s.r.o.
100.00 %	RWE Energo, s.r.o.
85.00 %	KA Contracting SK, s.r.o.
98.20 %	TEPLO Rumburk, s.r.o.
65.04 %	RWE Grid Holding, a.s.
100.00 %	RWE Distribuční služby, s.r.o.
100.00 %	RWE GasNet, s.r.o.
100.00 %	JMP Net, s.r.o.
100.00 %	SMP Net, s.r.o.
100.00 %	VČP Net, s.r.o.
49.00 %	RWE Service CZ, s.r.o.
100.00 %	RWE Supply & Trading CZ, a.s.
100.00 %	RWE Energie, a.s.
100.00 %	RWE Key Account CZ, s.r.o.
100.00 %	NET4GAS, s.r.o.
100.00 %	BRAWA, a.s.
100.00 %	Východočeská plynárenská, a.s.
100.00 %	Severomoravská plynárenská, a.s.
100.00 %	Jihomoravská plynárenská, a.s.
100.00 %	JMP DS, s.r.o.
100.00 %	RWE Gas Transit, s.r.o.
2.00 %	RWE East, s.r.o.
1.00 %	RWE IT Czech s.r.o.

b) Structure of relations in the period from 2 August 2013 to 31 December 2013

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.
100.00 %	BRAWA, a.s.

Annex No. 2

Agreements concluded between the Company and controlling entities or Related Parties in the last accounting period

Contracting party	Type of agreement / subject matter	Number
NET4GAS, s.r.o.	Agreement on subscription for shares	1
NET4GAS, s.r.o.	Agreement on the provision of loans	1
NET4GAS, s.r.o. (multilateral agreement)	Agreement Ref. No. ZBA/2013/14 on the provision of Real Unidirectional Cash Pooling	1
NET4GAS, s.r.o.	Agreement on the assignment of a receivable between BRAWA, a.s. and NET4GAS, s.r.o.	1
NET4GAS, s.r.o.	Amendment No. 1 to an Agreement on the provision of selected services	1
NET4GAS, s.r.o.	Purchase Order	1
NET4GAS, s.r.o., NET4GAS Holdings, s.r.o. (multilateral agreement)	Amendment No. 1 to an Agreement Ref. No. ZBA/2013/14 on the provision of Real Unidirectional Cash Pooling	1
NET4GAS Holdings, s.r.o.	Guarantee Agreement	1

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Annex No. 3

Agreements concluded between the Company and controlling entities or Related Parties in preceding accounting periods and effective in 2013

Contracting party	Type of agreement / subject matter	Number
NET4GAS, s.r.o.	Agreement on the provision of selected services	1
NET4GAS, s.r.o.	Lease Agreement	1

Annex No. 4

Acts performed in the last accounting period at the instigation or in the interest of controlling entities or Related Parties

Controlling entity or Related Party	Act matter	Number
NET4GAS Holdings, s.r.o.	Agreement on the creation of a charge*	4

* More details are disclosed in Notes to the Company's Financial Statements.

Auditor's Report on the Financial Statements

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Independent auditor's report to the shareholder of BRAWA, a.s.

We have audited the accompanying financial statements of BRAWA, a.s., identification number 247 57 926, with registered office at Praha – Nusle, Na Hřebenech II 1718/8 (“the Company”), which comprise the balance sheet as at 31 December 2013, 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.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

10 February 2014

represented by

Reinhard Langenhövel
Partner

Milan Zelený
Statutory Auditor, Licence No. 2319

Note

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

Auditor's Report on the Annual Report and Report on Relations

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Independent auditor's report to the shareholder of BRAWA, a.s.

We have audited the financial statements of BRAWA, a.s., identification number 247 57 926, with registered office at Na Hřebenech II 1718/8, Praha 4 ("the Company") for the year ended 31 December 2013 disclosed in the annual report on pages 6–19 and issued the opinion dated 10 February 2014 and disclosed on pages 28–29 in the annual report.

Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2013 is consistent with the financial statements which are included in this annual report on pages 6–19. The Statutory Body is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

Auditor's Responsibility

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

Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2013 is consistent, in all material respects, with the financial statements.

The maintenance and integrity of the Company's website is the responsibility of its Statutory Body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the annual report since it was initially presented on the website.

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Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2013 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Body of the Company. Our responsibility is to express our opinion on the Report based on performed review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the requirements of Article 82 of the Corporations Act.

4 March 2014

represented by

Reinhard Langenhövel
Partner

Milan Zelený
Statutory Auditor, Licence No. 2319

Note

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

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ID No.: 24757926

The Annual Report 2013 of BRAWA, a.s. is available also in Czech.

In all matters of interpretation of information, views or opinions, the Czech version of the Annual Report takes precedence over the English version.

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