

# **NET4GAS Holdings, s.r.o. Consolidated Annual Report 2014**

## **Content**

**Definition of the Consolidated Group**

**Profile of Companies of the Consolidated Group**

**Report on Operations**

Key Economic Events & Indicators

Main Events 2014 and Expected Development of the Companies

Human Resources

Environmental Protection

Health and Safety at Work

Risk Management System

**Post Balance Sheet Events**

**Persons Responsible for the Consolidated Annual Report**

**Report on Relations**

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

**Abbreviations Used**

**Annex no. 1**

**Auditor's Report on the Consolidated Financial Statements and Consolidated Financial Statements**

**Annex no. 2**

**Auditor's Report on the Financial Statements and Financial Statements**

## Definition of the Consolidated Group

The Consolidated Group consists of the parent company – NET4GAS Holdings, s.r.o. ("**NET4GAS Holdings**") and companies that are directly or indirectly controlled by NET4GAS Holdings, namely NET4GAS, s.r.o. ("**NET4GAS**") and BRAWA, a.s. ("**BRAWA**").

**NET4GAS Holdings** is a holding company and its main scope of activity is management of the Consolidated Group.

**NET4GAS** holds an exclusive gas Transmission System Operator (TSO) licence in the Czech Republic and secures international transit of natural gas across the Czech Republic, domestic transmission of natural gas to partners in the Czech Republic and operation of a flexible, demand-oriented transmission system, and the provision of associated commercial and technical services.

**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, 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.

## Profile of Companies of Consolidated Group

### 1. NET4GAS Holdings

Commercial name:	NET4GAS Holdings, s.r.o.
Registered office:	Na hřebenech II 1718/8, Nusle, 140 00 Prague 4
Legal form:	Limited Liability Company
Identification no.:	291 35 001
Registered in:	the Commercial Register maintained by the Municipal Court in Prague, File no. C 202655
Shareholders:	Allianz Infrastructure Czech HoldCo II S.à r.l. (50%) Borealis Novus Parent B.V. (50%)

### Company Management of NET4GAS Holdings as of 31 December 2014

In alphabetical order:

#### **Ralph Adrian Berg**

Executive Director

Position held since: 5 August 2013

Date of birth: 21 June 1972

Education: Universidad de Buenos Aires (Law)

Membership in bodies of other companies: Member of the Supervisory Board of Caruna Networks OY

Other business activities: none

#### **Jaroslava Korpancová**

Executive Director

Position held since: 15 February 2013

Date of birth: 14 August 1974

Education: Cambridge University, MA (Law); Member of the Bar of England and Wales; Member of the New York Bar Association

Membership in bodies of other companies: Board Member at Solveig Gas Norway; Board Member at Silex Gas Norway (both companies are members of the Gassled partnership)

Other business activities: none

#### **Sebastien Sherman**

Executive Director

Position held since: 15 February 2013

Date of birth: 19 November 1972

Education: Queen's University (Economics)

Membership in bodies of other companies: Board Member at Scotia Gas Networks Group of Companies; Board Member at Ciel Satellite Group of Companies; Board Member at Airports Worldwide Group of Companies

Other business activities: none

#### **Melchior Stahl**

Executive Director

Position held since: 5 August 2013

Date of birth: 6 January 1960

Education: European Business School in Oestrich, Bachelor of Science; Harvard Business School (MBA)

Membership in bodies of other companies: Board Member at Solveig Gas Norway; Board Member at Silex Gas Norway (both companies are members of the Gassled partnership); Board Member at Chicago Parking Meters, LLC

Other business activities: Chief Investment Officer at Allianz Capital Partners GmbH

## 2. NET4GAS

Commercial name: NET4GAS, s.r.o.  
Registered office: Prague 4 - Nusle, Na Hřebenech II 1718/8, Postal Code 14021  
Legal form: Limited Liability Company  
Identification no.: 272 60 364  
Registered in: the Commercial Register maintained by the Municipal Court in Prague, File no. C 108316  
Shareholder: NET4GAS Holdings (100%)

### Supervisory Board as of 31 December 2014

In alphabetical order:

#### **Ralph Adrian Berg**

Member of the Supervisory Board

Member since: 2 August 2013

Date of birth: 21 June 1972

Education: Universidad de Buenos Aires (Law)

Membership in bodies of other companies: Member of the Supervisory Board of Caruna Networks OY

Other business activities: none

#### **Radek Hromek**

Member of the Supervisory Board

Member since: 23 December 2011

Date of birth: 21 October 1973

Education: Secondary Vocational School (Engineering)

Membership in bodies of other companies: none

Other business activities: none

#### **Jaroslava Korpancová**

Member of the Supervisory Board

Member since: 2 August 2013

Date of birth: 14 August 1974

Education: Cambridge University, MA (Law); Member of the Bar of England and Wales; Member of the New York Bar Association

Membership in bodies of other companies: Board Member at Solveig Gas Norway; Board Member at Silex Gas Norway (both companies are members of the Gassled partnership)

Other business activities: none

#### **Sebastien Sherman**

Member of the Supervisory Board

Member since: 2 August 2013

Date of birth: 19 November 1972

Education: Queen's University (Economics)

Membership in bodies of other companies: Board Member at Scotia Gas Networks Group of Companies; Board Member at Ciel Satellite Group of Companies; Board Member at Airports Worldwide Group of Companies

Other business activities: none

### **Melchior Stahl**

Member of the Supervisory Board

Member since: 2 August 2013

Date of birth: 6 January 1960

Education: European Business School in Oestrich, Bachelor of Science; Harvard Business School (MBA)

Membership in bodies of other companies: Board Member at Solveig Gas Norway; Board Member at Silex Gas Norway (both companies are members of the Gassled partnership); Board Member at Chicago Parking Meters, LLC

Other business activities: Chief Investment Officer at Allianz Capital Partners GmbH

## **Changes in the Supervisory Board in 2014**

On 28 July 2014, Ing. Jan Zaplatfleš submitted a letter of resignation from the Supervisory Board.

His position as a member of the Supervisory Board of NET4GAS was terminated on 30 September 2014. No other changes occurred in the composition of the Supervisory Board during 2014.

## **Company Management of NET4GAS as of 31 December 2014**

### **Andreas Rau**

Executive Director and CEO

Position held since: 1 December 2013

Date of birth: 18 December 1967

Education: Ruhr-University in Bochum (Mechanical Engineering); Rheinisch-Westfälische Technische Hochschule Aachen (European Studies)

Membership of bodies of other companies: Member of the Supervisory Board of BRAWA, a.s.

Other business activities: none

### **Ing. Radek Benčík, MBA**

Executive Director and COO

Position held since: 1 October 2011

Date of birth: 2 January 1966

Education: Brno University of Technology (Mechanical Engineering); Nottingham Trent University (MBA)

Membership in bodies of other companies: Member of the Supervisory Board of BRAWA, a.s.; Member of the Board of the Czech Gas Association

Other business activities: none

### **Ing. Václav Hrach, Ph.D.**

Executive Director and CFO

Position held since: 1 March 2014

Date of birth: 22 April 1974

Education: Czech Technical University in Prague, Faculty of Engineering (Economics and Business Management, master and postgraduate degree)

Membership of bodies of other companies: none

Other business activities: none

## Changes in Company Management during 2014

The Supervisory Board of NET4GAS appointed Ing. Václav Hrach, Ph.D. to act as Statutory Representative and Chief Financial Officer (CFO) with effect from 1 March 2014. No other changes occurred in the composition of the company's management during 2014.

### 3. BRAWA

Commercial name:	BRAWA, a.s.
Registered office:	Na Hřebenech II 1718/8, Nusle, 140 21 Prague
Legal form:	Joint stock company
Identification no.:	247 57 926
Registered in:	the Commercial Register maintained by the Municipal Court in Prague, File no. B 16622
Shareholder:	NET4GAS (100%)

### Supervisory Board as of 31 December 2014

In alphabetical order:

#### **Ing. Radek Benčík, MBA**

Member of the Supervisory Board

Position held since: 1 July 2014

Member since: 1 July 2014

(in the Supervisory Board continuously since 20 March 2012)

#### **Dr. Martin Kolář, MBA**

Member of the Supervisory Board

Position held since: 1 July 2014

Member since: 1 July 2014

(in the Supervisory Board continuously since 20 March 2012)

#### **Andreas Rau**

Member of the Supervisory Board

Position held since: 19 February 2014

Member since: 19 February 2014

### Board of Directors as of 31 December 2014

#### **Ing. Martin Slabý**

Chairman of the Board of Directors

Position held since: 4 January 2013

Member since: 4 January 2013

#### **Ing. Jan Martinec**

Vice Chairman of the Board of Directors

Position held since: 7 July 2014

Member since: 7 July 2014

# Report on Operations

## Key Economic Events & Indicators

### Recapitalisation project of NET4GAS

In summer 2014, NET4GAS completed the process of optimising its long-term capital structure, which involves a mix of equity financing, a subordinated loan from the companies Allianz Infrastructure Luxembourg I S.a r.l. and Borealis Novus Holdings B.V., bonds and bank loans. The resultant capital gearing ratio – roughly 2/3 debt to 1/3 equity plus a subordinated loan– is on par with the capital structure of other European gas and electricity infrastructure operators, including in markets such as Germany and the United Kingdom.

NET4GAS publicly announced the start of this process in early April 2014. Its proposed new capital structure was presented to two leading rating agencies, and received a BBB rating from both Fitch (positive outlook) and Standard & Poor's (stable outlook). This "investment grade" rating reflects the ample financial strength of NET4GAS to meet its future obligations and investment needs.

In terms of its new debt structure, NET4GAS issued bonds with maturities of 6.5, 7 and 12 years and secured bank loans with a maturity of 4 years, adding up to a total of EUR 1.015 billion (CZK 27.9 billion) at the issue date of the bonds. The 6.5-year bonds were primarily placed in the Czech Republic, and attracted keen interest among Czech investors. With a total value of CZK 7.0 billion, this was the largest koruna denominated corporate bond issue made by a Czech company for a decade.

In designing its capital structure, NET4GAS took advantage of the favourable financial market conditions and secured very good terms which are fixed for the bonds until maturity. End customers can be assured that the new capital structure will have no negative impact on their gas bills under the current regulatory framework.

This new capital structure is based on conservative and prudent business assumptions, and is designed to allow the smooth implementation of all the investments planned in the long-term development of the transmission system.

### Economic indicators

Selected indicators for 2014 (in accordance with Czech accounting legislation)	NET4GAS Holdings	NET4GAS	BRAWA
Total sales (CZK millions)	0	8,791	682
Operating profit (CZK millions)	-9	3,897	624
Profit before taxation (CZK millions)	4,907	3,623	628
Profit after taxation (CZK millions)	4,907	2,966	509
Acquisition of fixed assets (CZK millions)	0	491	16,8
Number of employees (converted to FTE)	0	503	0

### Revenues, costs, profit

In 2014, NET4GAS Holdings achieved a profit before taxation of CZK 4,907 million. The profit was generated mostly from the incomes from shares in controlled entities in the amount of 7,491 million CZK.

In 2014, **NET4GAS** achieved a profit before taxation of CZK 3,623 million, profit after taxation was CZK 2,966 million, and operating profit amounted to CZK 3,897 million.

The company NET4GAS generated a profit from its core business operations – transit of natural gas for international customers and domestic transmission. Its operating revenues amounted to CZK 8,919 million and operating costs were CZK 5,022 million. Its financial result showed a loss of CZK 274 million at the end of the fiscal year.

In 2014, **BRAWA** achieved a profit before taxation of CZK 628 million, profit after tax was CZK 509 million. The operating profit amounted to CZK 624 million and was generated from its core business operation – lease

of the GAZELLE pipeline. Its operating revenues amounted to CZK 756 million and operating costs were CZK 132 million. Its financial result showed a profit of CZK 4 million at the end of the fiscal year.

### **Asset structure**

The total assets of **NET4GAS Holdings** in 2014 amounted to CZK 2,500 million CZK, of which fixed assets accounted for CZK 2,488 million, representing 99,5 %, These fixed assets consisted only of the ownership interest in NET4GAS.

The total assets of **NET4GAS** in 2014 amounted to CZK 52,608 million, of which fixed assets accounted for CZK 48,281 million, representing 92 %. The main components of these assets were tangible fixed assets valued at CZK 40,034 million, financial fixed assets valued at CZK 8,025 million and intangible fixed assets valued at CZK 222 million. As of 31 December 2014, current and other assets amounted to CZK 4,327 million, representing 8 % of all assets. Roughly 58 % of current and other assets and roughly 37 % of cash consisted of short-term receivables.

The total assets of **BRAWA** in 2014 amounted to CZK 8,264 million, of which fixed assets accounted for CZK 7,451 million, representing 90 % of total assets. These assets consisted principally of tangible fixed assets valued at CZK 7,451 million. As of 31 December 2014, current and other assets amounted to CZK 813 million, representing 10 % of all assets. Roughly 99 % of current and other assets consisted of short-term receivables.

### **Investments**

**NET4GAS Holdings** did not make any investments during 2014.

The **NET4GAS's** total acquisition of fixed assets during 2014 amounted to CZK 491 million, of which investments into intangible assets accounted for CZK 50 million.

Most of the **NET4GAS's** investments into tangible assets in 2014 went into the reconstruction of a section of DN 700 pipeline between Hrušky and Kyselovice, at a cost of CZK 49 million, construction of the new TU12J Hostim Shut-off Valve at a cost of CZK 42 million, and a project of piggability of DN 500 line between Libhošť and Štramberk at a cost of CZK 40 million. Progress was also made with the **OPTIMUS** programme, involving projects of overall operational optimisation of the Břeclav and Kouřim compressor stations, where the expenditure was CZK 55 million.

**BRAWA's** total expenditure into tangible assets during 2014 amounted to CZK 16.8 million, and was focused primarily on necessary modifications to the Přimda Junction Point in the amount of CZK 6 million and on settlements with landowners in the amount of CZK 6 million.

### **Liability structure**

In 2014, the equity of **NET4GAS Holdings** amounted to CZK 1,115 million, representing roughly 44,8 % of its total liabilities and equity. Its liabilities and other liabilities and equity amounted to CZK 1,385 million.

In 2014, **NET4GAS** implemented a new capital structure, as part of which it issued bonds with a nominal value of CZK 7,000 million and a maturity of 6.5 years, as well as 7-year bonds valued at EUR 300 million and 12-year bonds worth EUR 160 million. In addition, the company took out bank loans of CZK 7,144 million and USD 54 million. A reduction was also made in the company's registered capital.

The equity of **NET4GAS** amounted to CZK 5,088 million as at 31 December 2014, representing roughly 10 % of its total liabilities and equity. Its liabilities, accruals and deferred income amounted to CZK 47,521 million, of which long-term liabilities and bank loans (in particular bonds issued and loans taken out from a bank consortium, loan from the companies Allianz Infrastructure Luxembourg I S.a r.l. and Borealis Novus Holdings B.V., deferred tax liability and liabilities arising from financial derivatives) accounted for around 93 %, short-term liabilities approximately 7 %. In 2014, **BRAWA's** equity amounted to CZK 8,025 million, representing roughly 97 % of its total liabilities and equity. Its liabilities and other liabilities and equity amounted to a total of CZK 239 million, of which long-term liabilities (a deferred tax liability) accounted for around 99 %, short-term liabilities roughly 1 %.



## **Research and development activities**

The companies of the Consolidated Group did not make any major expenditures into research and development in 2014.

## **Branch offices of the companies of the Consolidated Group**

The companies of the Consolidated Group have no branch offices either in the Czech Republic or abroad.

## **Main Events 2014 and Expected Development of the Companies**

### **Main Events and expected development of NET4GAS Holdings**

In 2014, NET4GAS Holdings operated and managed its assets in accordance with its long-term plan. In 2014, NET4GAS Holdings paid up the entire facility that it drew in 2011 in connection with the acquisition of NET4GAS.

Year 2015 and subsequent years shall be characterized by a steady fulfilment of a long-term business plan of NET4GAS Holdings and the entire Consolidated Group.

### **Asset development projects implemented by NET4GAS**

#### **Moravia pipeline project**

The Moravia pipeline is one of the most important planned projects undertaken by NET4GAS in the coming years. Its construction will substantially increase the security of gas supplies for the Moravian regions, increase exit capacity into the domestic zone, and enable the connection of greater injection and withdrawal capacities of underground gas storage facilities located in central and northern Moravia. The pipeline contributes significantly both to the development of the gas market and to increased flexibility in the operation of gas infrastructure in the Czech Republic. On top of that, it will ensure safe and reliable supplies of a more environmentally friendly energy source for industry and district heating in the South Moravian, Moravian, Olomouc and Zlín regions. The pipeline is planned to run between the municipalities of Tvrdonice in the Břeclav district and Libhošť in the Nový Jičín district.

In 2014, NET4GAS submitted an application for development consent to the Czech Ministry for Regional Development. Meanwhile, work also went ahead on finalising the project documentation required for this development consent – for which NET4GAS received an EU grant in 2012. The preparation of this project documentation is co-financed under the Trans-European Energy Networks programme (TEN-E) to the extent of 46 % of the eligible costs involved. In 2014, work also started on preparing the specifications for a tender for the next stage of documentation, and the process of settling land ownership rights was commenced. In autumn 2014 the project was included among the candidates for the second Projects of Common Interest (PCI) list.

Subject to developments in the Czech regulatory environment, NET4GAS might be able to make definitive investment decisions about this project in 2015. The pipeline is scheduled to be put into operation in 2019.

#### **Projects of Common Interest (PCI)**

EU Regulation 347/2013, whose primary aim is to facilitate and expedite the implementation of strategically important projects in the field of energy, introduces (among other things) the status of "Project of Common Interest" (PCI). This status can be granted to projects which contribute significantly to the completion of the internal market in energy, the security of supplies, and the implementation of strategic priority corridors with cross-border impacts. The list of PCIs is to be updated every two years. The NET4GAS projects which were included on the PCI list in 2013 (STORK II, BACI and Oberkappel) play an important role in the creation of a north-south corridor. At the end of 2014, NET4GAS once again submitted all these projects, along with the Moravia project, as candidates for the second PCI list. Final approval of the PCI list will be given in 2015.

#### **Czech-Polish interconnection project II**

The main objective of the Czech-Polish interconnection project II (STORK II) is to construct a second bidirectional Czech-Polish pipeline to allow the safe and reliable transmission of gas between the two countries. The new interconnector will be part of both the Czech and the Polish gas systems, and will raise their cross-border transmission capacity. The construction of this transmission corridor will enable flexible natural gas transmission within Central and Eastern Europe. The project has been awarded PCI status. Jointly implementing the STORK II and Moravia projects, by building only one pipeline for the section where they run

together, presents an opportunity to reduce the implementation costs compared to constructing a separate pipeline for each of the projects.

The length of the section of new high-pressure gas pipeline (DN 1000, PN 73.5) on the Czech side that runs independently of the Moravia project is approximately 52 km. The project's Polish partner is GAZ-SYSTEM,S.A. The work carried out in 2014 consisted of surveys and preparation of the documentation required for development consent. In 2014, the project was also awarded a CEF (Connecting Europe Facility) grant for the next stage of preparation. Subject to developments in the Czech regulatory environment, NET4GAS might be able to make definitive investment decisions about this project in 2015.

#### ***Bidirectional Austrian-Czech Interconnection project***

During 2014, the groundwork was laid for "BACI" – a Bidirectional Austrian-Czech Interconnection, and NET4GAS worked on preparing the documentation required for development consent. In 2012, NET4GAS was awarded a grant under the EU's Trans-European Energy Networks programme (TEN-E) covering 50 % of the total eligible costs for the preparation work. The project has been awarded PCI status under EU Regulation 347/2013, and in 2014 also received funding from the CEF programme for the next stage of preparatory work.

The project's partner is the Austrian TSO Gas Connect Austria GmbH. The anticipated length of this new high-pressure gas pipeline (DN 800, PN 85) in the Czech Republic will be about 12 km.

#### ***Oberkappel pipeline project***

In 2014, NET4GAS completed the preparations for an EIA and geological and hydrological surveys for another potential project which would establish a direct connection between the Czech and Austrian transit systems – the Oberkappel project. The project has been awarded PCI under EU Regulation 347/2013..

#### **Increasing reverse flow capacities at Lanžhot BTS**

The goals of this project were to increase the firm exit capacity of the Lanžhot Border Transfer Station (BTS) to 780 GWh per day and to arrange for this to be accepted as entry capacity by the Slovak TSO eustream. The main tasks involved in the project were relocating the 15-metre long DN 700 connector pipe, reversing the direction of the meter run in the third Lanžhot BTS section of pipe, reconstruction of the custody transfer metering system and modifications to the control system. The project was completed in September 2014.

#### **OPTIMUS: compressor station upgrade programme**

In 2014, NET4GAS continued the preparations for its compressor station (CS) upgrade programme "OPTIMUS", which covers the Kouřim and Břeclav stations. This programme will ensure that, after 2019 in particular, capacity demand along the west-east axis will be covered, and capacity demands will also be met for the connection of underground gas storage facilities and for gas transmission to northern Moravia and Poland via the STORK I pipeline, i.e. along the north-south axis. The number and locations of the compressor units involved are based on the long-term asset development plan of NET4GAS.

The gas turbine-driven compressor units and associated technology will undergo major modernisation. The upgrade will primarily involve modification of the combustion chambers to meet the emission limits on CO and NO<sub>x</sub>, raising the efficiency of the existing turbines, installing remote control from the dispatching centre and measures to ensure a high level of operational safety and reliability.

In 2014, the principal project designer drew up an overall plan for the future form of the upgraded compressor stations, which was then elaborated into initial project documentation. This documentation includes a hazard and operability study (HAZOP) and an energy audit for both CSs.

A low-emission combustion chamber pilot project performed in 2014 tested out the principle of modifying 6-MW turbine compressors to meet the emission limits on CO and NO<sub>x</sub>. This pilot project is in trial operation on one of the turbine compressor units at the Kouřim CS, and after its evaluation NET4GAS will make these modifications on other turbine compressors. Projects are also ongoing that are aimed at increasing the efficiency and performance parameters of the existing turbine compressor units. In 2014, these modifications were made to further two units at the Kouřim CS.

Implementation of the actual upgrading project is scheduled for 2016–2017 at the Kouřim CS and 2017–2018 at the Břeclav CS, followed by commissioning operation in 2019.

### **Decommissioning of Hostim Compressor Station**

NET4GAS shut down the Hostim Compressor Station (CS) as of 31 December 2013. A decision was therefore made to sell the original CS site, including any unusable technology, while NET4GAS would retain ownership of the station yard piping.

The main tasks involved in this project were physical disconnection of the Hostim CS from the transmission system, reconstruction of its input and output facilities into a new TU12J Hostim Shut-off Valve making maximum use of the existing piping, and installation of equipment for its operation. NET4GAS definitively vacated and sold the Hostim CS site in July 2014.

### **New Planá nad Lužnicí Transfer Station**

In 2014, C-Energy Bohemia s.r.o based in Planá nad Lužnicí upgraded a heat source at its existing heating plant as part of a greening project aimed at more environmentally friendly production. The new technology is based on a combination of a coal-fired heat source and a gas-fired cogeneration unit. In May 2014, the Czech Ministry of Industry and Trade issued a building use permit for a high-pressure gas connection joined to an industrial gas pipeline, allowing the entire site to be directly connected to the NET4GAS transmission system in 2014.

## **Asset maintenance projects implemented by NET4GAS**

### **Scheduled pipeline inspections**

#### ***Initial inspection of the GAZELLE pipeline***

In 2014, the final results were processed from an inspection carried out in October 2013 on two sections of the GAZELLE DN 1400 pipeline (Brandov–Malměřice and Malměřice–Přimda) with a total length of approximately 160 km. The results confirmed the high quality of this newly built high-pressure pipeline.

#### ***In-line inspection of DN 300 lines***

An in-line inspection was completed in 2014 on two sections of DN 300 pipeline, running from Olešná to Barchov and from Hájek to Měcholupy, with a total length of around 47 km. Preliminary and final results were processed from both sections, and a reconstruction project was approved for the pipeline, which will be carried out during 2015.

#### ***In-line inspection of DN 1000 lines***

In 2014, in-line inspection work was completed on eleven DN 1000 line sections whose total length adds up to around 730 km. The preliminary results of these inspections available at the end of the year showed no serious defects requiring immediate repair. The final results will be evaluated in 2015.

### **Scheduled DN 700 line repairs**

In 2014, a further stage of pipe replacement was carried out on the DN 700 pipeline Hrušky–Kyselovice–Libhošť–Děhylov, which is the only line to supply gas to northern Moravia and Poland, and is also the sole gas source for filling the underground gas storage facilities at Třanovice, Štramberk and Lobodice. The Rataje–Bezměrov line section with a total length of 2,756.7 m was replaced. This means that as of the end of 2014 a total of 455 pieces of pipe with an overall length of 5,455.2 m have been replaced on the line since the beginning of the project. A further repair of 2,673.6 m of the pipeline will be undertaken in 2015 according to the set schedule.

### **Piggability of DN 500 lines**

In 2014, necessary modifications were made to ensure the piggability of two DN 500 PN 63 line sections for the purposes of in-line cleaning and inspection: the Limuzy–Štolmíř–Vykáň pipeline and the Libhošť–

Štramberk pipeline. Both pipelines are now designed to be piggable using transportable chambers, which can be employed at other such modified sections of DN 500 pipeline. Verification is carried out to ensure the pipes are clear, and then they are returned to operation. The associated construction work will be completed in 2015.

### **Capacity sales by NET4GAS**

In 2014, the NET4GAS Capacity Sales team handled contracting and contract service, including quantity allocation and invoicing, for a total of 3,414 contracts.

Great attention was given to increasing the additional capacity offered, including the preparation of relevant technical solutions. A significant increase was successfully achieved in the amount of firm capacity offered both at the Olbernhau, Brandov and Hora Svaté Kateřiny entry points and at the Lanžhot exit point. Additional firm capacity was also offered on a daily and monthly basis at the Český Těšín exit point. Extensive use has been made of a system for the dynamic redirection of unused capacity to locations with a capacity shortage.

A further area of activity in the field of capacity sales was work connected with the implementation of the European Union's Third Energy Package. This primarily involved the incorporation of capacity allocation procedures into the Network Code, and compliance with extended obligations to publish data on the new ENTSOG Transparency Platform.

In 2014, preparations were also undertaken for the implementation of balancing rules, which will be a crucial change in European gas market rules during 2015 and 2016.

In collaboration with neighbouring transmission system, distribution system and storage system operators, amendments were also made to connection agreements in order to reflect the new requirements of EU legislation.

### **Specialised maintenance technology of NET4GAS**

NET4GAS owns and operates unique specialised technology for the maintenance of gas installations and infrastructure, and also has qualified professionals with the requisite know-how. This equipment allows operators to minimise, or practically reduce to zero, the volume of gas which would otherwise have to be released into the air during scheduled pipeline repairs. Thanks to its sophisticated use of T. D. Williamson drilling, tapping and plugging machines and a mobile compressor station during scheduled pipeline repairs, NET4GAS is one of the leading European gas transmission system operators in the field of environmental protection as regards minimising the quantity of gas released into the air.

NET4GAS also offers the use of its unique technology to other gas infrastructure operators. In 2014, its mobile compressor station was employed on external customers' infrastructure in the Czech Republic, Germany and Austria, pumping a grand total of 1.25 million Nm<sup>3</sup> of natural gas (while NET4GAS pumped further 2.15 million Nm<sup>3</sup> on its own transmission system in 2014). And NET4GAS plans to go on contributing to environmental protection in the Czech Republic and abroad in the coming years by using its specialised maintenance technology on its own transmission system as well as at external customers (see also the "Environmental Protection" section).

### **Overlay network of NET4GAS**

In 2014, the IT team successfully met demands made by NET4GAS operations units for uninterrupted connection to be maintained with key points of the transmission system in the event of a power blackout in the Czech Republic. In technical terms, this service involves the automatic activation of a wide area (WAN) overlay network if a state of emergency is declared, in particular due to a blackout, flooding or other events with an extensive impact on infrastructure. This will ensure that connection with critical points is maintained if the other nodes of the NET4GAS WAN structure fail. Thanks to this overlay network, services dependent on network computing connectivity (such as remote operation of telemetry control systems, commercial data collection, IP

telephony, etc.) will remain available at selected critical locations even if these kinds of nationwide electricity outages should occur.

## **New market design**

In 2014, NET4GAS pressed ahead with activities aimed at furthering gas market integration, in particular within the framework of the Gas Regional Initiative for the South-South East region (GRI SSE), the Agency for the Cooperation of Energy Regulators (ACER), the Visegrad Group (V4) and the European Network of Transmission System Operators for Gas (ENTSOG), and also as a member of other professional associations.

The GRI SSE brings together governments, regulators and gas TSOs from eleven EU member states, as well as the European Commission and other relevant stakeholders. Its aim is to achieve significant progress in various regulatory areas, e.g. through pilot projects, and particularly the early implementation of network codes, applying a “bottom up” approach to completion of the internal energy market.

NET4GAS took part in three pilot projects in 2014 – the CEETR project (Central and Eastern Europe Trading Region) involving the Czech Republic, Slovakia and Austria, and two pilot projects enabling shippers to reserve bundled cross-border capacities via an online platform.

Although the CEETR project was put on hold in 2013, the basic findings made during its preceding stage remain of principal importance, and are also useful in other market integration projects.

NET4GAS collaborated on the two further pilot projects, on one side with the German TSO ONTRAS and the online capacity platform PRISMA, and on the other with the Polish TSO GAZ-SYSTEM which has established the online capacity platform GSA. These projects were aimed at offering bundled transmission capacity at the Czech-German border point Hora Svaté Kateřiny–Sayda and the Czech-Polish border point Český Těšín–Cieszyn by means of capacity auctions in line with the procedures set out in the Network Code on Capacity Allocation Mechanisms (the “CAM NC”). This group plans to already be offering bundled capacity products in the first half of 2015, so it is fair to say that both of these pilot projects are implementing early measures to support market integration.

The Visegrad Group (V4), an alliance of the member states Hungary, Poland, Slovakia and Czech Republic, continued to focus primarily on gas supply security in its region, and for this purpose agreed to establish a common V4 gas market. The group has established a V4 Gas Forum as a working body for the ministries involved, and has also invited national regulatory authorities and gas transmission system operators to participate in the further development of these issues. In mid-2014, Hungary was replaced at the helm of the group by Slovakia, which then proposed updating the work plan for next year. This plan focuses on three main areas: development of a joint preventive action plan for the V4 region covering crisis scenarios and stress tests; harmonised implementation of the relevant EU network codes; and not least importantly activities aimed at further market integration, in particular an analysis of the impact of the revised ACER Gas Target Model (“GTM 2”) on gas markets in the V4 region. NET4GAS welcomed the proposed work plan, supports the activities in all three areas, and is ready to continue building on them in 2015 when the Czech Republic takes over the V4 presidency. NET4GAS regards the V4 group as an initiative of major importance in promoting market integration thanks to the collective involvement of politicians, regulators and gas shippers working together on common themes.

2014 saw continuing collaboration with Gas Connect Austria on the joint project “BACI” (“Bidirectional Austrian-Czech Interconnection”). As of 2014, this project, which is aimed at the construction of a direct interconnection between the Czech and Austrian gas markets, has reached the stage of an assessment of the possible models for appropriate integration of this potential new pipeline into the existing gas markets, so that it brings the greatest benefit for shippers, traders, suppliers and ultimately all gas customers. NET4GAS has noted a positive response to the topic of Czech-Austrian market integration from politicians of both countries. The project could potentially also be coordinated and combined with the market integration activities of the V4 group.

In 2014, NET4GAS continued to take an active role in the development of further ACER Framework Guidelines and ENTSOG Network Codes, in particular the rules of the Network Code on Harmonised Tariff Structures for Gas (TAR NC) and for capacity increase (an amendment to the CAM NC).

### **Preparations for the forthcoming regulatory period in the Czech Republic**

Under Decree No. 195/2014 Coll. regarding the method for price regulation and price regulation procedures in the gas sector, the Energy Regulatory Office has extended the 3<sup>rd</sup> regulatory period by a further year, so that the final year will be 2015. On 15 December 2014 the Czech Energy Regulatory Office launched a public consultation process on the new draft methodology for electricity and gas sector regulation in the 4<sup>th</sup> regulatory period, which is scheduled to begin on 1 January 2016.

### **Main Events and expected development of BRAWA**

In 2014, BRAWA operated and managed its assets in accordance with its long-term plan. Its core activities were therefore managing its property – the GAZELLE pipeline – and its lease to the transmission system operator NET4GAS.

In March 2014, after completing the last outstanding works, the construction contractor officially handed over the ultimate part of the GAZELLE pipeline.

In May 2014, BRAWA then obtained the last remaining building use permit, and GAZELLE made the formal transition from trial operation to permanent operation.

For year 2015 and subsequent years shall be typical a steady fulfilment of a long-term business plan of BRAWA – lease of the GAZELLE pipeline to the transmission system operator. BRAWA's business plan does not expect any further investments or business development beyond the existing contractual relations.

## Human Resources

**NET4GAS Holdings** and **BRAWA** had no employees as of 31 December 2014.

As of 31 December 2014, the number of employees working at **NET4GAS** was 506. This was 10 fewer than in 2013 as a result of rationalisation measures and the decommissioning of the Hostim Compressor Station. As of the same date, 21 % of employees working at **NET4GAS** were women, out of which 9 % in managerial positions. In top management, women accounted for 8 %. The higher proportion of male employees is a consequence of the **NET4GAS**'s line of business.

The standard of employees' working and social conditions in **NET4GAS** was defined under a Collective Agreement valid from 2012 to the end of 2014. **NET4GAS** has adhered to the conditions set out under this Collective Agreement. In the third quarter of 2014 collective bargaining was initiated to negotiate a new Collective Agreement for the 2015–2020 period, which was then concluded in December 2014. **NET4GAS** has also been developing special programmes in the area of its social policy. **NET4GAS** also provided support for the employment of handicapped persons. Every job was given an assessment to determine its suitability or unsuitability for handicapped persons, and then advertised as such.

In 2014, **NET4GAS** invested 2.7 % of the company's annual personnel costs into the professional training of its employees. The average expenditure on training per employee was CZK 19,091. The education structure of **NET4GAS** employees has remained stable.

## Environmental Protection

Environmental protection is a top priority, and the companies of Consolidated Group see this as more than just a question of meeting statutory requirements. Protecting the environment is above all an aspect of the corporate social responsibility of the companies – towards their suppliers, business partners, employees and all the other stakeholders involved.

**NET4GAS Holdings**, as a holding company, does not conduct any activity that has or could have a negative impact on the environment.

The management of **NET4GAS** has adopted a long-term "Environmental Protection Policy". Its environmental protection activities are guided by cutting-edge scientific knowledge, and it carefully selects environmentally friendly technologies. Protection of the environment is incorporated into all its procedures and decision-making processes, and **NET4GAS** is committed to maintaining and continuously improving its environmental management system in line with ISO 14001.

In 2014, **NET4GAS** continued its exemplary record of statutory compliance in the areas of nature conservation and landscape protection, emergency preparedness, prevention and remediation of environmental damage, integrated pollution prevention, prevention of air pollution, reduction of greenhouse gas emissions, waste and water management and the handling of chemical products and mixtures. In line with government and local government requirements, designated operational facilities have accident and emergency plans prepared in advance in case of any environmental incidents, as well as to prevent any serious accidents caused by the selected dangerous substances specified by law.

No environmental incidents occurred at **NET4GAS** facilities in 2014. All its compressor stations were operated in accordance with their valid integrated permits issued under Act No. 76/2002 Coll. on integrated pollution prevention and control, the integrated pollution register and amending certain Acts. The **NET4GAS**'s continued compliance with these state-issued permits is a solid guarantee that its approach to environmental protection is correct at all levels.

In 2014, the Czech Environmental Inspectorate carried out an integrated inspection on compliance with the mandatory conditions for operation stipulated in the valid integrated permit for the Kralice Compressor Station. An inspection covering compliance with the mandatory conditions of an IPPC permit for the Břeclav Compressor Station was also carried out by the South Moravian Regional Authority, and the Regional Public Health Authority in Jihlava performed a check on the operation of the Kralice Compressor Station to assess



its compliance with applicable legislation on noise and water management. No infringements of the operator's obligations were found during these checks by government authorities.

NET4GAS is in compliance with the requirements of Act No. 25/2008 Coll. on the integrated register of environmental pollution and the system for performing reporting obligations, in conjunction with Regulation (EC) No 166/2006 of the European Parliament and of the Council concerning the establishment of a European Pollutant Release and Transfer Register.

NET4GAS is also in compliance with the current legislation on greenhouse gases, in particular Act No. 383/2012 Coll. on the conditions for trading in greenhouse gas emissions allowances, and submitted a due report to the Czech Ministry of the Environment on the carbon dioxide emission allowances consumed at its compressor stations.

No measures were imposed by competent authorities to sanction or reprimand NET4GAS in 2014.

No environmental incidents or other serious events endangering the environment occurred in 2014 in connection with the **BRAWA's business or other activities**.

## Health and Safety at Work

**NET4GAS Holdings and Brawa** had no employees.

**NET4GAS** pays rigorous attention to the issue of health and safety at work, and is proud to say that its standards in this field rank it among leading companies. The safety programmes and strategies employed at NET4GAS go beyond the requirements made by legislation, regular audits and inspections, and meet OHSAS 18001 specifications. This applies as much to the company's suppliers as to its own employees, and that is why its safety management system extends to its partner organisations too. Its central aim is for every employee to return home just as healthy as he or she came to work.

Unfortunately, despite all the measures and efforts taken to create a "safe working environment", two NET4GAS employees were injured during their work in 2014. However, these accidents were not caused by negligence or any failure to comply with occupational health and safety or fire safety procedures, but by the unforeseeable sequence of events which preceded them. NET4GAS therefore still considers 2014 to have been a very positive year, especially taking into account the number of hours of work performed by its employees and suppliers, and not least of all the number of hours of compressor operation at compressor stations.

## Risk Management System

The companies of Consolidated Group manage their risks with due care and diligence.

The risks affecting NET4GAS are identified on a continually updated basis, evaluated in terms of the likelihood of their occurrence and the extent of the potential damage, then monitored and subjected to ongoing reporting. In the context of the recapitalisation project an overview of the risks involved was set out in the prospectus for the issued bonds.

Currency risks were among the NET4GAS's most significant risks in 2014 due to its foreign currency revenues and expenditures, and also its new foreign currency financing. However, the currency composition of its new capital structure is helping to offset the currency risks stemming, in particular, from the company's revenues. Significant currency risks in its capital structure have been hedged using financial derivatives, and thanks to this and other measures it can be concluded that, overall, the risks identified do not present a threat to the financial stability of NET4GAS.

To secure a return on NET4GAS's surplus capital during 2014, the company made use of term deposits and bills of note offered by leading banking institutions. No significant price, credit, liquidity or cash flow risks were identified in connection with the instruments concluded.

## Post Balance Sheet Events

**NET4GAS** – On 22 January 2015 the issuance of the fourth series of bonds took place with a nominal value of EUR 50,000,000 and maturity on 28 July 2026. The bonds were used to repay the part of the bank loans denominated in CZK.

NET4GAS Holdings, as the sole shareholder of **NETGAS**, appointed Lenka Kovačovská to the position of a member of the Supervisory Board with effect as of 26 March 2015. Furthermore, as of 1 July 2015, Sebastien Sherman was substituted in the Supervisory Board by Kenton Bradbury.

NET4GAS, as the sole shareholder of **BRAWA**, approved the abolition of the reserve fund in BRAWA and corresponding amendment of the Articles of Association on 17 March 2015. The financial means accumulated in the reserve fund shall be transferred to the account of retained earnings. NET4GAS at the same time approved the distribution of the financial means from the account of retained earnings to the sole shareholder.

On its meeting held on 17 March 2015, the Supervisory Board of **BRAWA** elected Dr. Martin Kolář, MBA Chairman of the Supervisory Board and Ing. Radek Benčík, MBA Vice-Chairman of the Supervisory Board. No other changes occurred in the composition of the Supervisory Board.

On 26 June 2015, the general meeting of **NET4GAS Holdings** approved the resignation of Sebastien Sherman from the position of the executive director and appointed Kenton Bradbury as the new executive director with the effect from 1 July 2015.

No other events occurred after the balance sheet date which would have a significant impact on the **NET4GAS Holdings** Consolidated Annual Report 2014.

## Persons Responsible for the Consolidated 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 1 October 2015



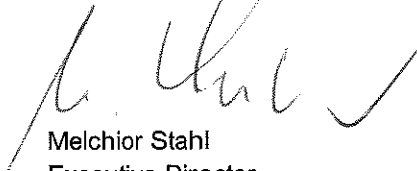
Kenton Bradbury  
Executive Director



Ralph Berg  
Executive Director



Jaroslava Korpancová  
Executive Director



Melchior Stahl  
Executive Director

## Report on Relations

The Executive Directors of NET4GAS Holdings, s.r.o. (the "Company") have drawn up, in accordance with Section 82 of Act No. 90/2012 Coll., the Business Corporations Act (the "BCA"), this 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 (the "Related Parties") during 2014 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 Consolidated Annual Report 2014, and is provided to the Company's shareholders for their review within the same period of time and under the same conditions as the Financial Statements.

### 1. Controlling entities

In the accounting period ending 31 December 2014 the Company was controlled:

(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 shareholder of the Company with an ownership interest of 50 %, and which together have the status of controlling entities in relation to the Company pursuant to 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 Statutory Representatives of the Company have drawn up the present Report on Relations on the basis of the information provided by these controlling entities and the other information at their 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 a holding company through which its shareholders indirectly control NET4GAS, s.r.o., with its registered office at Na Hřebenech II 1718/8, Nusle, Prague 4, 140 00, Czech Republic, ID No. 272 60 364, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 108316 ("NET4GAS").

The Company is commonly controlled by Allianz Infrastructure Czech HoldCo II S.à r.l. and Borealis Novus Parent B.V., and the control is based mainly on the fact that these companies are shareholders in the Company and appoint and remove the Company's Executive Directors.

### 4. Agreements concluded between the Company and 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 any agreements concluded in preceding accounting periods which were in effect during the last accounting period, a list of which forms Annex No. 3 to this Report on Relations. It has therefore not been necessary to secure compensation for damage or to conclude any agreements on such compensation. The values of performance and counter-performance in Related Party transactions during the last accounting period are shown in the Notes to the Financial Statements as of 31 December 2014.

**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 prepared as at 31 December 2014**

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 accounting period ended 31 December 2014 the Company incurred no damage as a result of agreements with controlling entities or Related Parties, or as a consequence of other acts or actions performed in the interest or at the instigation of the same, which were concluded or undertaken during the last accounting period or in any preceding accounting period.

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

In the 2014 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. This was, and continues to be, among other things also an important factor for the ongoing development and functioning of the Company.

**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 Executive Directors and was submitted for review to the Company's auditor, who is responsible for verifying the financial statements in accordance with specific legislation.



**Kenton Bradbury**  
Executive Director



**Jaroslava Korpancová**  
Executive Director



**Ralph Berg**  
Executive Director



**Melchior Stahl**  
Executive Director

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

**Allianz Infrastructure Czech HoldCo II S.à r.l. (50 %) and Borealis Novus Parent B.V. (50 %)**

100 % NET4GAS Holdings, s.r.o.

100 % NET4GAS, s.r.o.

BRAWA, a.s.

## Annex No. 2 Agreements concluded between the Company and controlling entities or Related Parties in the last accounting period

Contracting party	Agreement	Date of conclusion	Details
NET4GAS, s.r.o.	Amendment No. 1 to the Loan Agreement	16 January 2014	This amendment adjusted the limits for short-term loans provided (for the purposes of cash pooling) under a Loan Agreement of 11 November 2013.
NET4GAS, s.r.o.	Amendment No. 2 to the Loan Agreement	21 March 2014	This amendment adjusted the limits for roll-over loans provided (for the purposes of cash pooling) under a Loan Agreement of 11 November 2013.
NET4GAS, s.r.o.	Credit Facility Agreement	25 March 2014	Under this agreement the Company provided NET4GAS, s.r.o. with a loan which was then repaid/set off in full over the course of the accounting period.
NET4GAS, s.r.o.	Agreement on the Maturity and Repayment of Short-term Loan Tranches in connection with the Loan Agreement	15 July 2014	Under this agreement the Company and NET4GAS, s.r.o. agreed on the early repayment of short term loans provided under a Loan Agreement of 11 November 2013.
NET4GAS, s.r.o. (multi-party agreement)	ISDA Novation Agreement	23 July 2014	Under this agreement NET4GAS Holdings, s.r.o., gratuitously assigned an instrument for hedging interest rate risk (an interest rate swap) to NET4GAS, s.r.o.
NET4GAS, s.r.o.	Loan agreement	28 July 2014	Under this agreement NET4GAS, s.r.o. provided a loan to the Company which was fully settled during 2014.
NET4GAS, s.r.o. (multi-party agreement)	Assignment, set-off and loan agreement	28 July 2014	Under this agreement (aside from other undertakings not concerning NET4GAS, s.r.o.) NET4GAS Holdings, s.r.o. assigned a Loan Agreement of 21 December 2011 to Allianz Infrastructure Luxembourg I S.a r.l. and Borealis Novus Holdings B.V., and NET4GAS, s.r.o., as the borrower, granted its consent to that assignment.
NET4GAS, s.r.o. (multi-party agreement)	Global Settlement Deed	28 July 2014	This agreement set out, among other things, conditions with regard to the cash flows obtained from bond issues, bank loans and related transactions.
Allianz Infrastructure Czech HoldCo II S.à r.l.	Agreement on Pledge Termination	28 July 2014	In connection with the termination and repayment of the facility agreement dated 28 March 2013, agreements securing this loan were also terminated.

Borealis Novus Parent B.V. (multi-party agreement) NET4GAS, s.r.o.	Set-off Agreement	15 July 2014	Under this agreement the Company and NET4GAS, s.r.o. set off their mutual, valid and enforceable receivables, namely all of NET4GAS, s.r.o. receivables based on cash pooling (cash pooling is detailed in Annex No. 3) against the corresponding part of the Company's receivables for payment of profit shares and retained earnings.
NET4GAS, s.r.o.	Agreement on the termination of the Credit Facility Agreement	15 July 2014	This agreement prematurely terminated a Credit Facility Agreement of 25 March 2014.
NET4GAS, s.r.o.	Set-off Agreement	19 August 2014	Under this agreement the Company and NET4GAS Holdings set off their mutual, valid and enforceable receivables, namely the entire receivable of NET4GAS, s.r.o. under a Loan Agreement against the corresponding part of the receivable of the Company arising from the reduction of the registered capital of NET4GAS, s.r.o.
NET4GAS, s.r.o.	Agreement on the Non-Cash Exchange of Foreign and Czech Currency	24 September 2014	Under this agreement Czech currency was exchanged for corresponding amounts in US dollars and euros using the Czech National Bank exchange rate at the date of execution of the agreement.
Allianz Infrastructure Czech HoldCo II S.à r.l. Borealis Novus Parent B.V. (multi-party agreement)	Set-off Agreement	19 December 2014	Under this agreement the Company and Allianz Infrastructure Czech HoldCo II S.à r.l. and Borealis Novus Parent B.V. set off their mutual, valid and enforceable receivables, namely (i) the entire receivable of the Company under a Loan Agreement against the entire receivable of Allianz Infrastructure Czech HoldCo II S.à r.l. arising from return of the contribution outside the registered capital and (ii) the entire receivable of the Company under a Loan Agreement against the entire receivable of Borealis Novus Parent B.V. arising from return of the contribution outside the registered capital.

### Annex No. 3 Agreements concluded between the Company and controlling entities or Related Parties in previous accounting periods and effective in 2014

Contracting party	Agreement	Date of conclusion	Details
NET4GAS, s.r.o. BRAWA, a.s. ("BRAWA") (multi-party agreement)	Agreement Ref. No. ZBA/2013/14 on the provision of Real Unidirectional Cash Pooling	8 July 2013	These agreements lay down a framework for cash pooling of Czech currency (among the Company, BRAWA, a.s. and NET4GAS, s.r.o.) and US dollars and euros (between the Company and NET4GAS, 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.	Agreement Ref. No. TBA/2013/16 on the provision of Real Unidirectional Cash Pooling	11 November 2013	
NET4GAS, s.r.o.	Agreement Ref. No. TBA/2013/15 on the provision of Real Unidirectional Cash Pooling	11 November 2013	
NET4GAS, s.r.o.	Agreement on the provision of loans	11 November 2013	
NET4GAS, s.r.o.	Guarantee Agreement	18 November 2013	Under this agreement NET4GAS, s.r.o. undertook, in connection with a Loan Agreement of 28 March 2013 between the Company and lender banks, to provide the lender banks with security for the loan (consisting of a pledge of enterprise, receivables from bank accounts, insurance and trade receivables and shares in BRAWA, a.s.). Following the repayment of the loan in full all the respective security agreements were terminated on 28 July 2014, and no security provided under these agreements was realised.
BRAWA, a.s.	Guarantee Agreement	15 December 2013	Under this agreement BRAWA, a.s. undertook, in connection with a Loan Agreement of 28 March 2013 between the Company and lender banks, to provide the lender banks with security for the loan (consisting of a of enterprise, receivables from bank accounts, insurance and trade



			receivables). Following the repayment of the loan in full all the respective security agreements were terminated on 28 July 2014, and no security provided under these agreements was realised.
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**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	Acts performed	Date
Allianz Infrastructure Czech HoldCo II S.à r.l. Borealis Novus Parent B.V.	Decision on an advance payment of profit share in the amount of CZK 2,664,480,000 (to be divided in equal parts between the shareholders).	30 September 2014
NET4GAS, s.r.o.	Report on Financial Assistance which relates to a Credit Facility Agreement from 28 July 2014 (detailed in Annex No. 2). The entire document is publicly accessible in the Commercial Register's Collection of Instruments under Ref. No. C 108316/SL97/MSPH.	25 July 2014

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

## Abbreviations Used

ACER Agency for the Cooperation of Energy Regulators  
BACI Bidirectional Austrian-Czech Interconnection  
BTS Border Transfer Station  
CAM NC Network Code on Capacity Allocation Mechanisms  
CBI & HSSE  
CEETR Central East European Trading Region  
CEF Connecting Europe Facility  
CEO Chief Executive Officer  
CFO Chief Financial Officer  
COO Chief Operations Officer  
CS Compressor Station  
DN Diamètre Nominal  
EIA Environmental Impact Assessment  
ENTSOG European Network of Transmission System Operators for Gas  
EU European Union  
FTE Full-time equivalent  
GIE Gas Infrastructure Europe  
GRI SSE Gas Regional Initiative of the South, South-East region  
GTM Gas Target Model  
HAZOP Hazard and Operability Study  
IP Internet Protocol  
IPPC Integrated Pollution Prevention and Control  
IT Information Technology  
PCI Project of Common Interest  
PN Pressure Nominal  
TAR NC Network Code on Harmonised Tariff Structures for Gas  
TEN-E Trans-European Energy Networks  
TSO Transmission System Operator  
TU Trasový uzávěr / Shut-off valve  
UCT University of Chemistry and Technology  
USA United States of America  
V4 Visegrad Group (an alliance of four Central European countries – the Czech Republic, Slovakia, Hungary and Poland)  
WAN Wide Area Network



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

### **to the shareholders of NET4GAS Holdings, s.r.o.**

We have audited the standalone financial statements and consolidated financial statements of NET4GAS Holdings, s.r.o., identification number 291 35 001, with registered office at Na Hřebenech II 1718/8, Praha 4 ("the Company") and its subsidiaries (together "the Group") for year ended 31 December 2014 disclosed in the consolidated annual report and issued the opinion dated 3 March 2015 and 6 March 2015 respectively disclosed in the consolidated annual report.

#### **Report on the Consolidated Annual Report**

We have verified that the other information included in the consolidated annual report of the Company for the year ended 31 December 2014 is consistent with the consolidated financial statements and standalone financial statements which are included in this consolidated annual report. The Statutory Body is responsible for the accuracy of the consolidated annual report. Our responsibility is to express an opinion on the consistency of the consolidated annual report with the consolidated financial statements and the standalone financial statements based on our verification procedures.

#### ***Auditor's Responsibility***

We conducted our verification procedures in accordance with the International Standards on Auditing and therelated 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 consolidated 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 consolidated annual report of the Company for the year ended 31 December 2014 is consistent, in all material respects, with the consolidated financial statements and the standalone financial statements.

#### **Report on review of the Report on Relations**

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2014 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Body of the Company. Our responsibility is to express our conclusion on the Report based on performed review.

#### ***Scope of Review***

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

#### **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

***PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic T: +420 251 151 111, F: +420 251 156 111, www.pwc.com/cz***

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**Shareholders of NET4GAS Holdings, s.r.o.  
Independent auditor's report**

**Report on review of the Report on Relations (continued)**

*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.

1 October 2015

represented by

Václav Prýmek  
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

**Annex no. 1**

**Auditor's Report on the Consolidated Financial Statements and  
Consolidated Financial Statements**

***Group NET4GAS Holdings, s.r.o.***

**Consolidated Financial Statements  
and Independent Auditor's Report**

**31 December 2014**



## ***Independent auditor's report*** **to the shareholders of NET4GAS Holdings, s.r.o.**

We have audited the accompanying consolidated financial statements of NET4GAS Holdings, s.r.o., identification number 29135001, with registered office at Na hřebenech II 1718/8, Praha 4 - Nusle ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated balance sheet as at 31 December 2014, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the consolidated financial statements").

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

The Statutory Body is responsible for the preparation of the consolidated 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 consolidated 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.

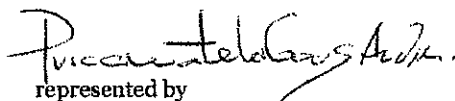
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group'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 Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

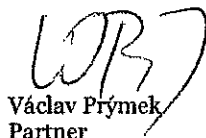
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

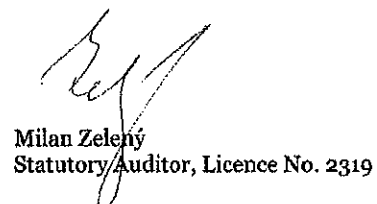
### ***Opinion***

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

6 March 2015

  
represented by

  
Václav Prýmek  
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.

**PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic T: +420 251 151 111, F: +420 251 156 111, [www.pwc.com/cz](http://www.pwc.com/cz)**

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 Licence No 021.



NET4GAS Holdings, s.r.o. as at 31 December 2014  
Czech Statutory Financial Statement Forms  
In thousand Czech crowns  
(Translation of financial statements originally issued in Czech - see Note 2 to the financial statements)

CONSOLIDATED BALANCE SHEET - LONG FORM

		Current year			Prior year
		Gross	Allowances	Net	Net
<b>TOTAL ASSETS</b>		<b>63 691 556</b>	<b>-19 543 033</b>	<b>44 148 523</b>	<b>47 464 416</b>
<b>A.</b>	<b>STOCK SUBSCRIPTIONS RECEIVABLE</b>				
<b>B.</b>	<b>FIXED &amp; FINANCIAL ASSETS</b>	<b>60 711 204</b>	<b>-19 542 498</b>	<b>41 168 706</b>	<b>42 822 885</b>
B. I.	Intangible assets	608 396	-386 109	222 287	256 977
B. I. 1	Foundation and organizational costs				
2	Research and development	59 751	-50 644	9 107	13 917
3	Software	397 375	-327 303	70 072	111 641
4	Patents, royalties and similar rights	6 569	-5 935	634	1 119
5	Goodwill				
6	Other intangibles assets	113 272	-2 227	111 045	110 702
7	Intangibles assets in progress	31 429		31 429	19 598
8	Advances granted for intangibles assets				
B. II.	Tangible assets	87 140 686	-19 655 789	47 484 897	49 456 280
B. II. 1	Land	194 493		194 493	209 328
2	Constructions	81 402 470	-15 634 876	45 767 594	47 437 988
3	Separate movable items and groups of movable items	5 320 565	-4 020 913	1 299 652	1 731 110
4	Perennial crops				
5	Livestock				
6	Other tangible assets	554		554	554
7	Tangible assets in progress	206 273		206 273	85 762
8	Advances granted for tangible assets	16 331		16 331	560
9	Gain or loss on revaluation of acquired property				
B. III.	Financial investments	0	0	0	0
B. III. 1	Subsidiaries				
2	Associates				
3	Other long-term securities and interests				
4	Loans and borrowings to subsidiaries and associates				
5	Other long-term investments				
6	Long-term investments in progress				
7	Advances granted for long-term investments				
B. IV.	Active/Passive consolidation difference (Goodwill/Badwill)	-7 037 878	499 400	-6 538 478	-6 890 372
B. V.	Investments accounted for under the equity method	0	0	0	0
<b>C.</b>	<b>CURRENT ASSETS</b>	<b>2 806 214</b>	<b>-535</b>	<b>2 805 679</b>	<b>3 914 449</b>
C. I.	Inventory	65 002	0	65 002	49 556
C. I. 1	Materials	65 002		65 002	49 556
2	Work-in-progress and semi-finished production				
3	Finished products				
4	Livestock				
5	Goods				
6	Advances granted for inventory				
C. II.	Long-term receivables	77	0	77	0
C. II. 1	Trade receivables				
2	Receivables to group companies with majority control				
3	Receivables to group companies with control of 20% - 50%				
4	Receivables from partners				
5	Long-term advances granted				
6	Unbilled revenue				
7	Other receivables	77		77	
8	Deferred tax asset				

The accompanying consolidated income statement and consolidated notes are an integral part of the consolidated financial statements.

NET4GAS Holdings, s.r.o. as at 31 December 2014  
 Czech Statutory Financial Statement Forms  
 In thousand Czech crowns  
 (Translation of financial statements originally issued in Czech - see Note 2 to the financial statements)

**CONSOLIDATED BALANCE SHEET - LONG FORM**

		Current year			Prior year
		Gross	Allowances	Net	Net
C. III.	Short-term receivables	1 136 047	-535	1 135 512	941 672
C. III. 1	Trade receivables	13 252	-535	12 717	322 738
2	Receivables to group companies with majority control				
3	Receivables to group companies with control of 20% - 50%				
4	Receivables from partners				
5	Social security and health insurance				
6	Due from government - tax receivables	383 099		383 099	194 461
7	Short-term advances granted	3 811		3 811	9 319
8	Unbilled revenue	735 885		735 885	411 254
9	Other receivables				3 800
C. IV.	Short-term financial assets	1 605 088	0	1 605 088	2 923 321
C. IV. 1	Cash	124		124	239
2	Bank accounts	1 604 964		1 604 964	2 923 082
3	Short-term securities and interests				
4	Short-term financial assets in progress				
D. I.	Accrued assets and deferred liabilities	174 138	0	174 138	727 082
D. I. 1	Prepaid expenses	174 138		174 138	726 993
2	Prepaid expenses (specific-purpose expenses)				
3	Unbilled revenue				89

The accompanying consolidated income statement and consolidated notes are an integral part of the consolidated financial statements.

NET4GAS Holdings, s.r.o. as at 31 December 2014  
 Czech Statutory Financial Statement Forms  
 in thousand Czech crowns  
 (Translation of financial statements originally issued in Czech - see Note 2 to the financial statements)

**CONSOLIDATED BALANCE SHEET - LONG FORM**

		Current year	Prior year
<b>TOTAL SHAREHOLDER'S EQUITY &amp; LIABILITIES</b>		<b>44 148 623</b>	<b>47 484 416</b>
<b>A.</b>	<b>SHAREHOLDER'S EQUITY</b>	<b>-2 824 267</b>	<b>2 696 204</b>
A. I.	Basic capital	200	200
A. I. 1	Registered capital	200	200
2	Own shares and ownership interests		
3	Changes in basic capital		
A. II.	Capital funds	-1 088 128	2 590 733
A. II. 1	Share premium (agio)		2 636 701
2	Other capital funds	197 934	
3	Gain or loss on revaluation of assets and liabilities	-1 206 062	-45 968
4	Gain or loss on revaluation of corporation transformations		
5	Gain or loss on corporation transformations		
6	Gain or loss on revaluation upon corporation transformations		
A. III.	Funds created from profit	0	0
A. III. 1	Reserve fund		
2	Statutory and other funds		
A. IV.	Profit (loss) for the previous years	4 271	0
IV. 1	Retained earnings for the previous years	4 271	
2	Accumulated loss of previous years		
3	Other retained earnings for previous years		
A. V.	Consolidated earnings of accounting period	-1 820 600	4 271
V. 1	Profit (loss) for the year (+ / -)	843 880	4 271
2	Approved decision on advances for profit distribution (+/-)	-2 664 480	
A. VI.	Consolidated reserve funds	0	0
A. VII.	Exchange rate gains (losses) from foreign consolidated entities	0	0
<b>B.</b>	<b>LIABILITIES</b>	<b>46 942 511</b>	<b>44 393 681</b>
B. I.	Provisions	234 699	328 627
B. I. 1	Provisions created under special legislation		
2	Provision for pensions and similar obligations		
3	Provision for corporate income tax		45 729
4	Other provisions	234 699	282 898
B. II.	Long-term liabilities	36 157 511	16 417 391
B. II. 1	Trade payables	4 355	4 561
2	Liabilities to group companies with majority control	11 000 000	11 475 794
3	Liabilities to group companies with control of 20% - 50%		
4	Liabilities to partners		
5	Long-term advances received		
6	Bonds payable	19 518 195	
7	Long-term notes payable		
8	Unbilled deliveries		
9	Other liabilities	1 040 039	
10	Deferred tax liability	4 584 922	4 937 036
B. III.	Current liabilities	2 176 146	1 462 270
B. III. 1	Trade payables	487 380	488 162
2	Liabilities to group companies with majority control		
3	Liabilities to group companies with control of 20% - 50%		
4	Liabilities to partners, co-operative members and participants in association		
5	Liabilities to employees	20 055	28 384
6	Liabilities arising from social security and health insurance	16 179	12 557
7	Due to government - taxes and subsidies	109 593	122 734
8	Short-term advances received	753 978	384 930
9	Bonds payable	227 082	
10	Unbilled deliveries	194 267	129 743
11	Other liabilities	367 612	295 760

The accompanying consolidated income statement and consolidated notes are an integral part of the consolidated financial statements.

NET4GAS Holdings, s.r.o. as at 31 December 2014  
 Czech Statutory Financial Statement Forms  
 in thousand Czech crowns  
 (Translation of financial statements originally issued in Czech - see Note 2 to the financial statements)

**CONSOLIDATED BALANCE SHEET - LONG FORM**

		Current year	Prior year
B. IV.	Bank loans and borrowings	8 374 155	26 185 393
B. IV. 1	Long-term bank loans	8 374 155	26 185 393
2	Short-term bank loans		
3	Borrowings		
C. I.	Accrued liabilities and deferred assets	30 269	475 531
C. I. 1	Accruals	30 269	475 531
2	Deferred Income		
D.	MINORITY CAPITAL	0	0
D. I.	Minority basic capital	0	0
D. II.	Minority capital funds	0	0
D. III.	Minority funds created from profit, including retained earnings	0	0
D. IV.	Minority earnings from current accounting period	0	0

The accompanying consolidated income statement and consolidated notes are an integral part of the consolidated financial statements.

## NET4GAS Holdings, s.r.o. as at 31 December 2014

## Czech Statutory Financial Statement Forms

In thousand Czech crowns

(Translation of financial statements originally issued in Czech - see Note 2 to the financial statements)

## CONSOLIDATED INCOME STATEMENT - LONG FORM

		Current year 2 014	Prior year 5 December 2012 - 31 December 2013
I.	Revenues from goods sold		
A.	Cost of goods sold		
+	<b>Gross margin</b>	0	0
II.	Production	8 857 903	3 520 486
II. 1	Revenue from sale of finished products and services	8 777 202	3 444 196
2	Change in inventory produced internally		
3	Own work capitalized	80 701	76 290
B.	Production related consumption	1 413 369	424 199
B. 1	Consumption of material and energy	749 864	26 422
B. 2	Services	663 505	397 777
+	<b>Value added</b>	7 444 534	3 096 287
C.	Personnel expenses	511 254	284 912
C. 1	Wages and salaries	366 984	220 029
C. 2	Bonuses to members of corporation management	534	220
C. 3	Social security and health insurance	124 045	59 146
C. 4	Other social costs	19 691	5 517
D.	Taxes and fees	14 556	4 007
E.	Amortization and depreciation of intangible and tangible fixed assets	2 518 624	1 128 333
	Settlement of negative consolidation difference (Negative goodwill)	351 894	147 506
	Settlement of active consolidation difference (Goodwill)		
III.	Revenue from sale of intangible and tangible fixed assets and materials	17 249	982
III. 1	Revenues from sale of intangible and tangible fixed assets	17 241	384
2	Revenue from sale of materials	8	598
F.	Net book value of intangible and tangible fixed assets and materials sold	90 460	2 266
F. 1	Net book value of intangible and tangible fixed assets sold	90 451	1 654
F. 2	Materials sold	9	612
G.	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	-165 051	66 199
IV.	Other operating revenues	107 353	21 634
H.	Other operating expenses	87 674	21 753
V.	Transfer of operating revenues		
I.	Transfer of operating expenses		
*	<b>Consolidated operating results</b>	4 863 513	1 758 939
VI.	Revenue from sale of securities and interests		
J.	Securities and interests sold		
VII.	Income from financial investments	0	0
VII. 1	Income from subsidiaries and associates		
2	Income from other long-term securities and interests		
3	Income from other financial investments		
VIII.	Income from short-term financial assets	339	304
K.	Expenses related to financial assets		
IX.	Gain on revaluation of securities and derivatives	4 380	-3 978
L.	Loss on revaluation of securities and derivatives	733 729	102 371
M.	Change in reserves and provisions relating to financial activities		
X.	Interest income	5 171	3 170
N.	Interest expense	1 559 798	734 680
XI.	Other finance income	332 207	331 952
O.	Other finance cost	1 292 077	965 539
XII.	Transfer of finance income		
P.	Transfer of finance cost		
*	<b>Consolidated result from financial activities</b>	-3 243 507	-1 471 342

The accompanying consolidated balance sheet and consolidated notes are an integral part of the consolidated financial statements.

NET4GAS Holdings, s.r.o. as at 31 December 2014  
 Czech Statutory Financial Statement Forms  
 in thousand Czech crowns  
 (Translation of financial statements originally issued in Czech - see Note 2 to the financial statements)

CONSOLIDATED INCOME STATEMENT - LONG FORM

		Current year 2 014	Prior year 5 December 2012 - 31 December 2013
Q	Tax on profit or loss on ordinary activities	776 426	283 326
Q 1	- due	835 337	358 726
Q 2	- deferred	-59 211	-75 400
**	<b>Consolidated result on ordinary activities after taxation</b>	<b>843 880</b>	<b>4 271</b>
X(II).	Extraordinary gains		
R.	Extraordinary losses		
S.	Tax on extraordinary profit or loss	0	0
S. 1	- due		
S. 2	- deferred		
*	<b>Consolidated result from extraordinary activities</b>	<b>0</b>	<b>0</b>
**	<b>Consolidated net result excluding equity income (loss)</b>	<b>843 880</b>	<b>4 271</b>
1	Earnings for the accounting period - group share	843 880	4 271
2	Earnings for the accounting period - minority share		
**	<b>Income / loss from equity method consolidation</b>	<b>0</b>	<b>0</b>
***	<b>Consolidated net result for the accounting period</b>	<b>843 880</b>	<b>4 271</b>
***	<b>Consolidated result of operations before tax</b>	<b>1 620 006</b>	<b>287 597</b>

The accompanying consolidated balance sheet and consolidated notes are an integral part of the consolidated financial statements.

## Consolidated cash flow statement for period ended 31 December 2014

(in thousand CZK)		5 December 2012 – 31 December 2013	
		2014	31 December 2013
<b>Cash flows from operating activities</b>			
	Net profit on ordinary activities before tax	1,620,006	287,597
<b>A.1</b>	<b>Adjustments for non-cash movements:</b>		
A.1.1	Depreciation/amortisation of fixed assets and consolidation difference	2,166,730	980,827
A.1.2	Changes in provisions	(165,048)	66,199
A.1.3	Less from disposal of fixed assets (+)	73,210	1,270
A.1.4	Foreign exchange differences	13,125	535,458
A.1.5	Net interest expenses (+) / income (-)	1,375,677	605,637
A.1.6	Other non-cash movements	714,233***	162,575
<b>A*</b>	<b>Net cash flow from operating activities before tax, and changes in working capital</b>	<b>5,797,933</b>	<b>2,639,563</b>
<b>A.2</b>	<b>Working capital changes:</b>		
A.2.1	Changes in receivables, prepayments and accrued income	129,402	(791,918)
A.2.2	Changes in short-term payables, accrued expenses and deferred income	483,567	112,809
A.2.3	Changes in inventories	17,744	(41,038)
<b>A**</b>	<b>Net cash flow from operating activities before tax and interests</b>	<b>6,428,646</b>	<b>1,919,416</b>
A.3	Interest paid	(1,911,337)****	(2,547)
A.4	Interest received	5,171	3,136
A.5	Income tax on ordinary activities paid	(1,037,938)	(656,212)
<b>A***</b>	<b>Net cash flow from operating activities</b>	<b>3,484,542</b>	<b>1,263,793</b>
<b>Cash flows from investing activities</b>			
B.1	Acquisition of fixed assets	(701,501)	(216,839)
B.2	Proceeds from the sale of fixed assets	17,241	384
B.3	Acquisition of subsidiary, net of cash acquired	-	(26,749,534)*
<b>B***</b>	<b>Net cash flow from investing activities</b>	<b>(684,260)</b>	<b>(26,965,989)</b>
<b>Cash flows from financing activities</b>			
C.1	Changes in long – term and short-term liabilities and loans	984,732**	25,988,616**
C.2	Change in equity:		
C.2.1	Increase in the share capital	-	200
C.2.2	Dividends paid	(2,664,480)	-
C.2.3	Impact of other changes in equity	(2,438,767)****	2,636,701
<b>C***</b>	<b>Net cash flow from financing activities</b>	<b>(4,118,515)</b>	<b>28,625,517</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>		<b>(1,318,233)</b>	<b>2,923,321</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,923,321</b>	-
<b>Cash and cash equivalents at the end of the year</b>		<b>1,605,088</b>	<b>2,923,321</b>

\* Acquisition of subsidiary, net of cash acquired represents paid purchase price for the subsidiary of CZK 31,531,358 thousand decreased by the cash and cash equivalents acquired of CZK 4,781,824 thousand.

\*\* Changes in long-term and short-term liabilities and loans represent cash flows related to received bank loans, received shareholders' loans as well as repayment of the Group's loan.

\*\*\* Other non-cash movements in 2014 represent mainly released prepaid expenses in connection with repaid bank loans.

\*\*\*\* Interest paid also includes the related settlement of interest rate swaps (see Note 12).

\*\*\*\*\* Of which, CZK 1,069,300 thousand was netted with receivables from related parties arising from borrowings provided.

## 1. General information

### 1.1. Introductory information about the Company

NET4GAS Holdings, s.r.o. ("the Company" or "the Consolidating Company") is a limited liability company incorporated on 5 December 2012 in the Czech Republic. The Company's registered office is located at Na Hřebenech II 1718/8, Nusle, 140 00 Praha 4, Czech Republic, and the business registration number (IČ) is 291 35 001. The Company was established as HYX Czech, s.r.o. The Company's name was changed from HYX Czech, s.r.o. to NET4GAS Holdings, s.r.o. on 8 August 2013.

The Company is involved in the renting of real property, including residential and non-residential premises. The purpose of the Company is holding the shares in other companies within NET4GAS Group.

The following significant changes were made to the Commercial Register entry in 2014:

- On 25 August 2014, the following record on pledges of the shares held by the two shareholders was deleted in the Commercial Register: "Pursuant to the contract creating the security interest in the 50% share in HYX Czech, s.r.o., which was entered into on 28 March 2013 by and between Allianz Infrastructure Czech HoldCo II S.à r.l. as a pledger, and UniCredit Bank Czech Republic, a.s. as a pledgee, the share held by Allianz Infrastructure Czech HoldCo II S.à r.l. is pledged in favour of UniCredit Bank Czech Republic, a.s., with its registered office at Želetavská 1525/1, Praha 4 - Michle, zip code 140 92, business registration number (IČ) 649 48 242, recorded in the Commercial Register maintained by the Municipal Court in Prague, reference No. B 3608, to secure the receivables specified in Article 1.1 of the security contract up to the amount of CZK 92,030,000,000.", and "Pursuant to the contract creating the security interest in the 50% share in HYX Czech, s.r.o., which was entered into on 28 March 2013 by and between Borealis Novus Parent B.V. as a pledger, and UniCredit Bank Czech Republic, a.s. as a pledgee, the share held by Borealis Novus Parent B.V. is pledged in favour of UniCredit Bank Czech Republic, a.s., with its registered office at Želetavská 1525/1, Praha 4 - Michle, zip code 140 92, business registration number (IČ) 649 48 242, recorded in the Commercial Register maintained by the Municipal Court in Prague, reference No. B 3608, to secure the receivables specified in Article 1.1 of the security contract up to the amount of CZK 92,030,000,000."

Shareholders holding a 10% or greater interest in the Company's share capital as at 31 December 2014 are as follows:

- Allianz Infrastructure Czech HoldCo II S.à r.l., L-2450 Luxembourg, 14, boulevard F.D. Roosevelt, the Grand Duchy of Luxembourg, business registration number: B 175770, share: 50%;
- Borealis Novus Parent B.V., 1011PZ Amsterdam, Muiderstraat 9, the Kingdom of the Netherlands, business registration number: 57412243, share: 50%.

Allianz Infrastructure Czech HoldCo II S.à r.l. has the ultimate parent company Allianz SE and Borealis Novus Parent B.V. has the ultimate parent company OMERS Administration Corporation.

Members of the statutory bodies as at 31 December 2013 and 2014 were as follows:

<b>Statutory Directors</b>	<b>Function</b>
Sebastian Sherman	Member
Jaroslava Korpancová	Member
Ralph Adrian Berg	Member
Melchior Stahl	Member

The Company had no employees in financial period ended 31 December 2013 and 2014.



## **1.2. Consolidated group description**

Pursuant to the Business Interest Sale Agreement dated 28 March 2013 entered into by and between RWE Gas International N.V. as the seller, and HYX Czech s.r.o. as the buyer, the Company acquired a 100% share in NET4GAS, s.r.o. effective 2 August 2013 when all of the conditions of control transfer over NET4GAS, s.r.o. were fulfilled. The transaction was financed through other capital fund increase (Note 8), by loans granted by the related parties of the shareholders (Note 16) and by bank loans (Note 11).

Pursuant to the contract creating the security interest in the 100% share in NET4GAS, s.r.o., which was entered into on 12 September 2013 by and between NET4GAS Holdings, s.r.o. as a pledger, and UniCredit Bank Czech Republic, a.s. as a pledgee, the above share held by the Company was pledged in favour of UniCredit Bank Czech Republic, a.s., with its registered office at Želetavská 1525/1, Praha 4 - Michle, zip code 140 92, business registration number (IČ) 649 48 242, recorded in the Commercial Register maintained by the Municipal Court in Prague, reference No. B 3608, to secure the receivables specified in Article 1.1 of the security contract up to the amount of CZK 92,030,000 thousand. On 25 August 2014, was this record on pledges of the shares deleted in the Commercial Register in connection with the full repayment of the bank loans received.

As at 1 January 2013 based on the Project on a spin-off with subsequent merger, which was published in the collection of documents, a part of the net assets of the company NET4GAS, s.r.o. related to the gas pipeline "VTL plynovod DN 1400 – HPS Brandov – Rozvadov" ("Gazelle") was transferred to the company BRAWA, a.s. On 15 January 2013 the gas pipeline Gazelle was put into operation.

BRAWA, a.s., 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 BRAWA, a.s. is NET4GAS, s.r.o.

NET4GAS, s.r.o. was incorporated on 29 June 2005 and has its registered office at Na Hřebenech II 1718/8, Prague 4 – Nusle, the Czech Republic. The company's main business activity is natural gas transmission in accordance with the Act No. 458/2000 Coll., on conditions for undertaking the business and for the execution of state administration in the energy sector and on changes to certain decrees. Identification number of the company is 272 60 364.

Pursuant to the contract of 28 March 2013, entered into by and between RWE Supply & Trading s.r.o., HYX Czech s.r.o. and NET4GAS, s.r.o., creditor's rights and duties arising from the contract concluded between RWE Supply & Trading s.r.o. and NET4GAS, s.r.o. of 21 December 2011, on the basis of which RWE Supply & Trading s.r.o. provided a loan of up to CZK 15,000,000,000 to NET4GAS, s.r.o., were transferred to the Company with effect from 2 August 2013. The face value of the loan was CZK 11,000,000,000 as at 2 August 2013.

PricewaterhouseCoopers Audit, s.r.o. audited the standalone financial statements of NET4GAS, s.r.o., BRAWA, a.s. and NET4GAS Holding, s.r.o. for the period ended 31 December 2014 and issued a report thereon which was unqualified.

In the following notes, the term "Group" is used to refer to the consolidation group. Figures used in the footnotes reflect the totals of NET4GAS, s.r.o., BRAWA, a.s. and NET4GAS Holdings, s.r.o. and are adjusted for elimination of transaction within the Group.

The consolidation group (the "Group") consists of Consolidating Company, NET4GAS, s.r.o. and BRAWA, a.s.

Consolidated financial statements are prepared based on data from Consolidating Company NET4GAS Holdings, s.r.o. and from the data of its directly or indirectly controlled subsidiaries.

The following table provides information on directly or indirectly controlled subsidiaries (below mentioned data are based on financial year from 1 January 2014 to 31 December 2014 and from 1 January 2013 to 31 December 2013).

**Group NET4GAS Holdings, s.r.o.**  
**Consolidated Financial Statements**  
**for the period ended 31 December 2014**

**Subsidiaries as at 31 December 2014**

Name	NET4GAS, s.r.o.	BRAWA, a.s.
Registered office	Czech Republic	Czech Republic
Acquisition cost of interest (in CZK thousand)	2,488,358	
Percentage of ownership	100%	100%
Share capital (in CZK thousand)	2,749,965	402,000
Equity (in CZK thousand)	5,087,739	8,025,468
Profit/loss for the current year	2,965,887	509,016
Retained earnings for the previous years (in CZK thousand)	-	-
Total assets (in CZK thousand)	52,608,309	8,264,104
Consolidation method	Full	Full
Date of acquisition	2 August 2013	2 August 2013

**Subsidiaries as at 31 December 2013**

Name	NET4GAS, s.r.o.	BRAWA, a.s.
Registered office	Czech Republic	Czech Republic
Acquisition cost of interest (in CZK thousand)	31,531,641	
Percentage of ownership	100%	100%
Share capital (in CZK thousand)	31,792,965	402,000
Equity (in CZK thousand)	39,752,096	7,915,420
Profit/loss for the current year	3,066,874	439,395
Retained earnings for the previous years (in CZK thousand)	2,310,205	(227)
Total assets (in CZK thousand)	57,601,060	8,218,464
Consolidation method	Full	Full
Date of acquisition	2 August 2013	2 August 2013

Investments in subsidiaries are consolidated by full consolidation method.

## **2. Basis of presentation of the consolidated financial statements**

The financial statements of Consolidating Company and of its subsidiaries included in consolidation, as well as accompanying consolidated financial statements, were prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic and were prepared under the historical cost convention except as disclosed below. Derivatives, securities and investments are shown at fair value.

Individual financial statements, as well as accompanying consolidated financial statements, of NET4GAS Holdings, s.r.o. have been prepared for the period from 1 January 2014 to 31 December 2014. Comparatives are presented for the period from 5 December 2012 to 31 December 2013.

The accompanying consolidated financial statements were prepared based on the direct method. Their purpose is to give a true and fair view of the assets, equity and liabilities, of the financial position and of profit or loss of the consolidation group as a whole and they are intended for shareholders and creditors.

The selected consolidation method should be applied to the accounting entities included in the consolidation group consistently and continually.

For the purpose of preparation of the consolidated financial statements, and in accordance with Czech Accounting standard for entrepreneurs Nr. 20, the Consolidating company summed up the information from their standalone financial statements with the information from the financial statements of its subsidiaries. Further, for these purposes (in accordance with Czech Accounting standard for entrepreneurs Nr. 20, Article 4.2.3.) the information for subsidiaries was included in the consolidated financial statements using the same presentation (gross/allowances/net) as in the standalone financial statements of the subsidiaries.

As described in the Note 1 above, acquisition of NET4GAS, s.r.o including its subsidiary BRAWA, a.s. has been effective as at 2 August 2013. For the purpose of preparing the consolidated financial statements for the period ended 31 December 2013, the subsidiaries were consolidated for the period from 1 August 2013 to 31 December 2013. Balances and transactions of subsidiaries NET4GAS, s.r.o. a BRAWA are included in the consolidated financial statements from 1 August 2013 to 31 December 2013, as the transactions of NET4GAS, s.r.o. and BRAWA, a.s. between 1 August 2013 and 2 August 2013 (date of the acquisition) are considered to be immaterial.

Depreciation schemes as determined by each subsidiary and related depreciation charges of both tangible and intangible fixed assets were not adjusted for the consolidated financial statements purposes.

### **3. Accounting policies**

#### **3.1. 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. Development costs of which results are intended for trading are capitalised as intangible fixed assets and recorded at the lower of cost and the value of future economic benefits. All other development costs are expensed as incurred.

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):

<b>Intangible fixed assets</b>	<b>Estimated useful life</b>
Research and development	6 years
Software	3 years
Royalties	1.5 – 6 years
Other intangible fixed assets	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 thousand per year are capitalised.

Emission allowances are presented by the Group as other intangible fixed assets.

Emission allowances allocated to the Group by the National Allocation Plan are recorded to the account Other intangible fixed assets and to the account Liabilities due to government – taxes and subsidies upon being credited to the Group account in the Register of Emission Allowances in the Czech Republic. Emission allowances allocated to the Group are recorded at market price. Liability from the emission rights is released to Other operating income when respective expenses are incurred.

The consumption of purchased emission allowances is recorded, on the basis of an estimate of actual CO2 emissions produced in the period, to the account Other operating expenses with a corresponding release of the liability recorded in the Liabilities due to government – taxes and subsidies caption to the account Other operating income provided that these are the allocated emission allowances.

The first-in-first-out method is applied for all disposals of emission allowances. Sales of emission allowances are recorded as Other operating revenues and are stated at the selling price.

### **3.2. 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 capitalised is recorded at cost.

Tangible fixed assets, except for land which is not depreciated, are depreciated applying the straight-line method over their estimated useful lives as follows:

<b>Tangible fixed assets</b>	<b>Estimated useful life</b>
Buildings and constructions	30 - 70 years
Plant, machinery and equipment	4 - 40 years
Furniture and fittings	4 - 8 years
Motor vehicles	5 - 8 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 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.

Repairs and maintenance expenditures of tangible fixed assets are expensed as incurred. Technical improvements of tangible fixed assets exceeding CZK 40 thousand per year are capitalised.

### **3.3. Consolidation difference**

A consolidation difference is the difference between the purchase price of shares and interests in a consolidated entity and their valuation reflecting the shareholding of the Consolidating Company in equity, valued at fair value, which is determined as the difference of fair values of assets and of fair values of liabilities as of the date of acquisition or as of the date of additional increase of participation. Revaluation of assets and liabilities of subsidiaries to fair value is performed only if the accounting valuation of assets and liabilities of subsidiaries significantly differs to their fair value at the date of acquisition.

The date of acquisition is the day from which the Consolidating Company effectively exercises its influence. The consolidation difference is amortized in accordance to the Czech Accounting Standard Nr. 20 on a straight-line basis over 20 years (unless a shorter period can be substantiated). The consolidation difference is charged or credited, as appropriate, to income from ordinary activities through the profit and loss statement captions Settlement of negative consolidation difference (Negative goodwill) or Settlement of active consolidation difference (Goodwill).

### **3.4. Inventories**

Raw materials are mainly spare parts for the gas pipeline network. Purchased inventories are stated at the lower of cost and net realisable amount. Cost includes all costs related with its acquisition (mainly transport costs, customs duty, etc.). The weighted average cost method is applied for all disposals.

A provision for inventory is created on the basis of an individual evaluation of inventories.

### **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. Temporary accounts of assets – prepaid expenses**

Prepaid expenses are expenses related to the following financial periods. The expenses are charged to income statement for the year to which they relate.

### **3.7. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

The Company uses so-called cash-pooling within the Group. A receivable (liability) that arises from cash-pooling is presented in the Cash flow statement as a part of the item Cash and Cash equivalents if it is due within three months after the balance sheet date. The related party transactions within the Group were eliminated during the preparation of the consolidated financial statements.

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

### **3.8. Foreign currency translation**

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at a fixed rate set at the first day of a month (which is the average Czech National Bank rate for the previous month). On the balance sheet date, monetary items are adjusted to the exchange rates as published by the Czech National Bank as at balance sheet date. Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to finance income for the year.

Companies in the Group consider advances paid for the acquisition of fixed assets or inventories as receivables denominated in foreign currency and therefore these assets are adjusted to the exchange rates as published by the Czech National Bank as at the balance sheet date.

### **3.9. Derivative financial instruments**

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, and other derivative financial instruments are initially recognised on the balance sheet at cost and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models. All derivatives are presented in long-term and short-term other receivables or in long-term and short-term other payables when their fair value is positive or negative, respectively.

Derivatives embedded in other financial instruments are not presented separately.

Changes in the fair value of derivatives held for trading are included in gain or loss on revaluation of securities and derivatives.

The Group designates certain derivatives prospectively as a hedge of future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way, provided that certain criteria, including defining the hedging strategy and hedging relationship before hedge accounting is applied and ongoing documentation of the actual and expected effectiveness of the hedge, are met.

Changes in the fair value of derivatives that qualify as effective cash flow hedges are recorded as revaluation reserve from assets and liabilities in equity and are transferred to the income statement and classified as an income or expense in the period during which the hedged item affects the income statement.

### **3.10. Bonds issued**

The Group initially recognises bonds issued and subordinated liabilities at cost at the date of their creation. These financial liabilities are after initial recognition measured at amortized cost.

The Group designates certain foreign currency bonds prospectively to hedge future cash flows from certain expected transactions (cash flow hedges). Recognition of so designated bonds as hedging instruments is possible only when certain criteria are met, including the definition of hedging strategy and the hedge relationship before starting hedge accounting and ongoing documentation of actual and expected effectiveness of hedging.

Foreign exchange differences arising from the revaluation of foreign currency bonds, including discounts on repayment of bonds met criteria of effective cash flow hedges are recognized as gains or losses from assets and liabilities in equity and in profit or loss are recognized in the same period in which the hedged item affects profit and loss statement.

Finance charges, including interest expense, are not included in hedging and are amortized to result for the financial period using the straight-line amortization method.

### **3.11. Equity**

The share capital of the Consolidating Company is stated at the amount recorded in the Commercial Register. Any increase or decrease in the share capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the financial statements date is recorded through changes in share capital.

Other capital funds consist of monetary contributions in excess of share capital.

The Company's decision to pay an interim dividend is reflected in the accounting as a decrease in equity and is presented on the balance sheet line - Interim dividend declared. Such an interim dividend or a part thereof is classified as a receivable from shareholders as at the balance sheet date in case the Company incurs loss or achieves lower profit than the value of the originally paid interim dividend.

### **3.12. Revenue recognition**

Companies in the Group recognize as revenue mainly income from fees collected for the gas transportation within and across the Czech Republic.

Sales are recognised upon the delivery of products and are stated net of discounts and value added tax.

### **3.13. Subsidies**

A subsidy is recognised when money is received or an irrevocable right to receive a subsidy exist.

A subsidy received for the acquisition of fixed assets (including technical improvement) can decrease either the cost of fixed assets or own work capitalised.

### **3.14. Leases**

The costs of assets held under both finance and operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognised in the balance sheet.

### **3.15. Provisions**

Companies in the Group recognise provisions relating to probable future obligations or expenditures, when the purpose of the obligations or expenditures is known but the precise amount, or the time when the obligation or expenditure will crystallise, is not known. However, provisions are not created for regular future operating expenditures or for expenditures directly related to future revenue transactions.

Companies in the Group recognise a provision for their 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.

### **3.16. Employment benefits**

Regular contributions are made to the state to fund the national pension plan. The Group also provides contributions to defined contribution plans operated by independent pension funds.

### **3.17. Interest expenses**

All borrowing costs are expensed. Long-term payables are not discounted.

### **3.18. Income tax**

The corporate income tax expense is calculated for each company in the Group based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences. In addition, the following items are taken into consideration: tax base decreasing items, tax deductible items and income tax reliefs. The corporate income tax expense in the consolidated income statement consists of the sum of corporate income tax expense of the Consolidating Company and other companies in the Group consolidated using the full consolidation method.

The deferred tax position is calculated for each company in the Group. 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.

Deferred tax from derivative financial instruments and borrowings denominated in foreign currencies designated to hedge future cash flows which are revalued in equity, is also recognised directly in equity.

The consolidated deferred tax position is a sum of the deferred tax positions of the Consolidating Company and other companies in the Group for which the full consolidation method has been used, adjusted for the effects of temporary differences resulting from the intercompany transactions.

### **3.19. Related parties**

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

- Parties, which directly or indirectly control the Group, their subsidiaries and associates;
- Parties, which have directly or indirectly significant influence on the Group;
- Members of the Group companies 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 16.

### 3.20. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the consolidated financial statements, are recognised in the consolidated 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 consolidated 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 consolidated financial statements.

## 4. Intangible fixed assets

(in thousand CZK)	1 January 2014	Additions/transfers	Disposals	31 December 2014
<b>Acquisition price</b>				
Research & development	72,921	-	(13,170)	59,751
Software	371,035	29,582	(3,242)	397,375
Royalties	6,569	-	-	6,569
Other intangible fixed assets	8,442	8,435	-	16,877
Intangible fixed assets in course of construction	19,598	11,831	-	31,429
Emission allowances	102,540	14,929	(21,074)	96,395
<b>Total</b>	<b>581,105</b>	<b>64,777</b>	<b>(37,486)</b>	<b>608,396</b>
<b>Accumulated amortisation</b>				
Research & development	(59,004)	(4,725)	13,085	(50,644)
Software	(259,394)	(71,151)	3,242	(327,303)
Royalties	(5,450)	(485)	-	(5,935)
Other intangible fixed assets	(280)	(1,947)	-	(2,227)
<b>Total</b>	<b>(324,128)</b>	<b>(78,308)</b>	<b>16,327</b>	<b>(386,109)</b>
<b>Net book value</b>	<b>256,977</b>			<b>222,287</b>

(in thousand CZK)	5 December 2012	Effect of acquisition	Additions / transfers	Disposals	31 December 2013
<b>Acquisition price</b>					
Research & development	-	83,559	-	(10,638)	72,921
Software	-	355,571	28,004	(12,540)	371,035
Royalties	-	6,569	-	-	6,569
Other intangible fixed assets	-	2,045	6,397	-	8,442
Intangible fixed assets in course of construction	-	8,009	11,589	-	19,598
Emission allowances	-	107,737	-	(5,197)	102,540
<b>Total</b>	-	<b>563,490</b>	<b>45,990</b>	<b>(28,375)</b>	<b>581,105</b>
<b>Accumulated amortisation</b>					
Research & development	-	(66,364)	(3,278)	10,638	(59,004)
Software	-	(235,340)	(36,594)	12,540	(259,394)
Royalties	-	(4,720)	(730)	-	(5,450)
Other intangible fixed assets	-	(105)	(175)	-	(280)
<b>Total</b>	-	<b>(306,529)</b>	<b>(40,777)</b>	<b>23,178</b>	<b>(324,128)</b>
<b>Net book value</b>	-	<b>256,961</b>			<b>256,977</b>



## 5. Tangible fixed assets

(in thousand CZK)	1 January 2014	Additions/ transfers	Disposals	31 December 2014
<b>Acquisition price</b>				
Land	200,328	1,494	(7,329)	194,493
Buildings, halls and other construction	61,582,318	185,232	(365,080)	61,402,470
Equipment	5,699,821	151,183	(530,439)	5,320,565
Other tangible assets	554	-	-	554
Tangible fixed assets in course of construction	85,762	120,511	-	206,273
Advances paid for tangible assets	560	15,771	-	16,331
<b>Total</b>	<b>67,569,343</b>	<b>474,191</b>	<b>(902,848)</b>	<b>67,140,686</b>
<b>Accumulated depreciation</b>				
Buildings, halls and other construction	(14,031,852)	(1,857,471)	283,547	(15,605,776)
Equipment	(3,968,711)	(581,436)	529,234	(4,020,913)
Provision for constructions	(112,500)	-	83,400	(29,100)
<b>Total</b>	<b>(18,113,063)</b>	<b>(2,438,907)</b>	<b>896,181</b>	<b>(19,655,789)</b>
<b>Net book value</b>	<b>49,456,280</b>			<b>47,484,897</b>

(in thousand CZK)	5 December 2012	Effect of acquisition	Additions/ transfers	Disposals	31 December 2013
<b>Acquisition price</b>					
Land	-	199,355	973	-	200,328
Buildings, halls and other construction	-	61,398,955	-	(7,476)	61,582,318
Equipment	-	5,605,029	224,328	(129,536)	5,699,821
Other tangible assets	-	554	-	-	554
Tangible fixed assets in course of construction	-	157,418	(71,656)	-	85,762
Advances paid for tangible assets	-	4,773	(4,213)	-	560
<b>Total</b>	-	<b>67,366,084</b>	<b>340,271</b>	<b>(137,012)</b>	<b>67,569,343</b>
<b>Accumulated depreciation</b>					
Buildings, halls and other construction	-	(13,240,792)	(798,536)	7,476	(14,031,852)
Equipment	-	(3,806,505)	(291,742)	129,536	(3,968,711)
Provision for constructions	-	(73,300)	(44,200)	5,000	(112,500)
<b>Total</b>	-	<b>(17,120,597)</b>	<b>(1,134,478)</b>	<b>142,012</b>	<b>(18,113,063)</b>
<b>Net book value</b>	-	<b>50,245,487</b>			<b>49,456,280</b>

On 15 January 2013 the gas pipeline Gazelle was put into operation.

## 6. Receivables

(in thousand CZK)	31 December 2014	31 December 2013
Trade receivables		
- current	10,006	321,028
- overdue	3,246	2,504
<b>Total trade receivables</b>	<b>13,252</b>	<b>323,532</b>
Estimated receivables	735,885	411,254
Other receivables	386,910	207,580
<b>Total net book value of receivables</b>	<b>1,136,047</b>	<b>942,366</b>
Provision for doubtful receivables	(535)	(794)
<b>Net book value of short-term receivables</b>	<b>1,135,512</b>	<b>941,572</b>
Other long-term receivables	77	-
<b>Net book value of long-term receivables</b>	<b>77</b>	<b>-</b>
<b>Total net book value of receivables</b>	<b>1,135,589</b>	<b>941,572</b>

None of the receivables are due after more than 5 years. Information about guarantee for bank loans granted to the Consolidation Company NET4GAS Holdings, s.r.o. is disclosed in Notes 1 and 11.

## 7. Prepaid expenses

Prepaid expenses mostly represent the fees related to the bank loan acquisition.

Prepaid expenses as at 31 December 2014 represent mainly prepaid expenses related to the bank loans acquired during 2014 which will be charged to the income statement over the duration of individual facility.

Prepaid expenses as at 31 December 2014 were as follows:

<b>(in thousand CZK)</b>	<b>Prepaid expenses as at 31 December 2014</b>
Bank loan CZK	40,515
Bank loan USD	6,944
Other prepaid expenses	126,678
<b>Total</b>	<b>174,137</b>

Pursuant to the Facility Agreement of 28 March 2013 entered into by and between HYX Czech s.r.o., UniCredit Bank AG, London Branch and UniCredit Bank Czech Republic a.s., there are fees related to the acquisition of the individual bank loans. Agency fee expenses were set up annually. The Arrangement fees and Ticking fees were set up for the whole duration of each loan facility. The Arrangement fees and Ticking fees are therefore presented as prepaid specific-purpose expenses and are charged to income statement in period to which they relate. The Arrangement fees and Ticking fees were accrued over the duration of individual facility.

Prepaid expenses as at 31 December 2013 were as follows:

<b>(in thousand CZK)</b>	<b>Prepaid expenses as at 31 December 2013</b>
<b>Consortium of banks</b>	
Bank loan EUR	164,093
Bank loan USD	153,287
Bank loan CZK	90,338
CAPEX loan CZK	60,859
CAPEX loan EUR	108,573
Revolving loan CZK	47,547
<b>Total</b>	<b>624,697</b>

The prepaid expenses were charged to income in 2014 in amount of CZK 624,697 thousand because of premature repayment of bank loans.

For information about bank loans (see Note 11).

## 8. Equity of the Group and the Consolidating Company

Statement of changes in Group equity :

(in thousand CZK)	Regis-tered capital	Other capital funds	Gain or loss on revaluation of assets and liabilities	Retained earnings from the prior periods	Consolidated result for the period	Advances for profit distribution	Total
<b>As at 5 December 2012</b>	<b>200</b>	-	-	-	-	-	<b>200</b>
Other capital funds contribution	-	7,728,300	-	-	-	-	7,728,300
Decrease of other capital funds	-	(5,091,599)	-	-	-	-	(5,091,599)
Revaluation of derivatives	-	-	(45,968)	-	-	-	(45,968)
Consolidated result of period	-	-	-	-	4,271	-	4,271
<b>As at 31 December 2013</b>	<b>200</b>	<b>2,636,701</b>	<b>(45,968)</b>	-	<b>4,271</b>	-	<b>2,595,204</b>
Retained earnings allocation	-	-	-	4,271	(4,271)	-	-
Revaluation of derivatives	-	-	(1,160,094)	-	-	-	(1,160,094)
Decision on advances on profit distribution	-	-	-	-	-	(2,664,480)	(2,664,480)
Decrease of other capital funds	-	(2,438,767)	-	-	-	-	(2,438,767)
Consolidated result of period	-	0	-	-	843,880	-	843,880
<b>As at 31 December 2014</b>	<b>200</b>	<b>197,934</b>	<b>(1,206,062)</b>	<b>4,271</b>	<b>843,880</b>	<b>(2,664,480)</b>	<b>(2,824,257)</b>

The Group records negative equity of CZK 2,824,257,000 as at 31 December 2014. The negative equity balance as at 31 December 2014 is mainly attributable to the consolidation method used and to the method of amortization of negative consolidation difference. The negative consolidation difference of CZK 7,037,878,000 related to the acquisition of NET4GAS, s.r.o. as of 2 August 2013. It was calculated as the difference between the purchase price of 100% shares of NET4GAS, s.r.o. and their valuation reflecting the shareholding of the Consolidating Company in equity, valued at fair value, which was determined as the difference of fair values of assets and of fair values of liabilities as of the date of the acquisition. The negative consolidation difference is amortized on a straight-line basis over 20 years. The total balance of the negative consolidation difference is CZK 6,538,478,000 as at 31 December 2014. For more details see Notes 1.2. and 3.3.

The Group of NET4GAS Holdings, s.r.o. does not face any going concern issues. All Group companies posted positive equity in their standalone financial statements as at 31 December 2014 and the negative equity on the Group level is not expected to have any legal consequences.

Information about shareholders is presented in Note 1.

On the basis of the other capital fund contribution contract entered into between the Consolidating Company and its shareholders on 29 July 2013, other capital funds were increased by CZK 7,728,300,000.

The Consolidating Company's General Meeting of Shareholders held on 13 November 2013 decided on other capital fund decrease of CZK 5,091,599,000.

Gain or loss on revaluation of assets and liabilities represent changes in fair value of derivatives, which are classified as cash flow hedges (see Note 12).

As at 30 September 2014 the executive directors of the Consolidating Company decided on payment of advances for profit distribution to the shareholders in amount of CZK 2,664,480,000.

The General Meeting of the Consolidating Company held on 19 December 2014 decided on return of other capital funds to the shareholders in amount of CZK 534,650,000 to shareholder Allianz Infrastructure Czech HoldCo II S.à r.l. and in amount of CZK 534,650,000 to the shareholder Borealis Novus Parent B.V. Based on "Set-off and Assignment Agreement" from 19 December 2014 between the Consolidating Company and companies Allianz Infrastructure Luxembourg I S.à r.l., Allianz Infrastructure Czech HoldCo I S.à r.l., Allianz Infrastructure Czech HoldCo II S.à r.l., Borealis Novus Holdings B.V. and Borealis Novus Parent B.V. was this return of other capital funds set off with receivable arising from loan inclusive related interests in amount of CZK 534,650,000 towards Allianz Infrastructure Luxembourg I S.à r.l. and receivable arising from loan inclusive related interests in amount of CZK 534,650,000 towards Borealis Novus Holdings B.V. (see Note 16.).

The General Meeting of the Consolidating Company held on 19 December 2014 further decided on return of other capital funds to the shareholders in amount of CZK 684,734,000 to the shareholder Allianz Infrastructure Czech HoldCo II S.à r.l. and in amount of CZK 684,734,000 to the shareholder Borealis Novus Parent B.V.

## 9. Provisions

(in thousand CZK)	Other provisions	Income tax provision decreased by advances	Total
<b>Opening balance as at 5 December 2012</b>	-	-	-
Effect of acquisition	289,089	174,376	463,465
Charge for the period	60,074	(128,647)	(68,573)
Released in the period	(659)	-	(659)
Used in the period	(65,606)	-	(65,606)
<b>Closing balance as at 31 December 2013</b>	<b>282,898</b>	<b>45,729</b>	<b>328,627</b>
Charge for the period	33,008	-	33,008
Released in the period	(50,788)	-	(50,788)
Used in the period	(30,419)	(45,729)	(76,148)
<b>Closing balance as at 31 December 2014</b>	<b>234,699</b>	-	<b>234,699</b>

Analysis of the current and deferred income tax (see Note 13).

Negative charge for the period related to the income tax provision is caused by higher amount of advances for current income tax paid than current income tax charge for the period.

Other provisions represent mainly provisions for restructuring, provision for employment benefits and provisions for severance payments and share option programme.

## 10. Liabilities

(in thousand CZK)	31 December 2014	31 December 2013
Trade payables:		
- current	487,176	488,162
- overdue	204	-
<b>Total trade payables</b>	<b>487,380</b>	<b>488,162</b>
Short-term advances received	753,978	384,930
Estimated payables	194,267	129,743
Bonds issued***	227,082	-
Other payables:		
- current	513,439	459,435
<b>Total short-term liabilities</b>	<b>2,176,146</b>	<b>1,462,270</b>
Trade payables	4,355	4,561
Liabilities to companies with majority control	11,000,000	11,475,794
Bonds issued**	19,518,195	-
Other liabilities (fair value of derivatives) ***	1,040,039	-
Deferred tax liability****	4,594,922	4,937,036
Bank loans**	8,374,155	26,185,393
<b>Total long-term liabilities</b>	<b>44,531,666</b>	<b>42,602,784</b>
<b>Total short-term and long-term liabilities</b>	<b>46,707,812</b>	<b>44,065,054</b>

\* see Note 16 Related party transactions

\*\* see Note 11 Bank loans and other borrowings

\*\*\* see Note 12 Derivative financial instruments

\*\*\*\* see Note 13 Income tax

Short term advances received include mainly advance payments for transportation of gas.

Other short-term liabilities as at 31 December 2014 included mainly liabilities arising from financial derivatives in the amount of CZK 215,826,000 (as at 31 December 2013: CZK 266,074,000). In addition, other short-term liabilities included subsidies received from the European Commission based on Commission decision concerning the granting of Union financial aid in the field of Regulation Trans-European energetic networks. In 2014 the grant in the amount of CZK 7,308,000 was provided for Action no. 2011-G190/11-ENER/11/TEN-E – SI2.636400 (as at 31 December 2013: CZK 7,229,000).

As at 31 December 2014, the Group records in Liabilities due to government – taxes and subsidies CZK 96,395,000 (as at 31 December 2013: CZK 102,540,000) related to emission allowances not consumed as at the balance sheet date.

Furthermore, other payables in the amount of CZK 193,859,000 (as at 31 December 2013: CZK 76,874,000) represent mainly deposits received from customers.

Long-term trade liabilities arise from long-term retentions in the amount of CZK 4,355,000 (as at 31 December 2013: CZK 4,561,000).

The above mentioned trade and other payables have not been secured against any assets of the Group.

The information on pledges related to the bank loans as at 31 December 2013 is disclosed in Note 11.

The information on due dates of the loans provided by related parties, bonds and bank loans is disclosed in Note 11.

The Group does not have as at 31 December 2014 any overdue liabilities related to social or health insurance or any other overdue liabilities to tax authorities or other state institutions.

The Group had as at 31 December 2013 no overdue payables to social or health insurance. As at 31 December 2013, the Consolidating Company recorded CZK 6,667,000 of unpaid tax liability related to value added tax.

The Group's commitments are disclosed in Note 17.

## **11. Bank loans and other borrowings**

<b>(in thousand CZK)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Long-term loans	8,374,155	26,185,393
<b>Total bank loans and overdrafts</b>	<b>8,374,155</b>	<b>26,185,393</b>
Bonds - interest payment maturing within 1 year	227,082	-
<b>Total short-term borrowings</b>	<b>227,082</b>	-
Bonds maturing after more than 1 year	19,518,195	-
<b>Total long-term borrowings</b>	<b>19,518,195</b>	-

Analysis of the loans and other borrowings as short-term and long-term items:

<b>(in thousand CZK)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Bonds – interest payment maturing within 1 year	227,082	-
<b>Total short-terms loans and borrowings</b>	<b>227,082</b>	-
Long-term loans due between 1 – 5 years	8,374,155	26,185,393
<b>Total loans and borrowings due between 1 – 5 years</b>	<b>8,374,155</b>	<b>26,185,393</b>
Bonds maturing after 5 years	19,518,195	-
<b>Total loans and borrowings due after 5 years</b>	<b>19,518,195</b>	-

Analysis of the Group bank loans used as at 31 December 2014:

Bank consortium	Due date	Interest rate (%) in accounting period 2014	Amount in loan currency used as at 31 December 2014	Amount used as at 31 December 2014 (thousand CZK)
Bank loan in CZK	28 July 2018	3M PRIBOR + margin	7,144,224,000 CZK	7,144,224
Bank loan in USD	28 July 2018	3M LIBOR + margin	53,864,000 USD	1,229,931
<b>Total bank loans</b>				<b>8,374,155</b>

Bank loans have certain financial covenants attached to them. Violation of these covenants can lead to immediate maturity of the debt.

The Group has, due to conditions stated in loan contracts, a limited right to lien the property of the company NET4GAS, s.r.o. in favour of another creditor.

Analysis of the Group bank loans used as at 31 December 2013 by the Consolidating Company:

Consortium of banks	Terms/ Conditions	Interest rate in the period ended 31 December 2013	Total limit	Amount used as at 31 December 2013 in currency	Amount used as at 31 December 2013 in CZK thousands
Bank loan EUR	2 August 2018	2.591%	350,000 ths. EUR	332,500 ths. EUR	9,118,813
Bank loan USD	2 August 2016	2.147%	600,000 ths. USD	570,000 ths. USD	11,339,580
Bank loan CZK	2 August 2018	2.965%	5,000,000 ths. CZK	4,750,000 ths. CZK	4,750,000
CAPEX loan CZK	2 August 2018	2.855%	3,200,000 ths. CZK	977,000 ths. CZK	977,000
CAPEX loan EUR	2 August 2018	-	220,000 ths. EUR	-	-
Revolving loan CZK	2 August 2018	-	2,500,000 ths. CZK	-	-
<b>Total</b>					<b>26,185,393</b>

The bank loans used as at 31 December 2013 (described above) and related obligations were fully paid as at 28 July 2014.

The above stated bank loans as at 31 December 2013 were granted pursuant to the Facility Agreement of 28 March 2013 entered into by and between HYX Czech s.r.o., UniCredit Bank AG, London Branch and UniCredit Bank Czech Republic, a.s.

The CAPEX loan denominated in EUR and the revolving loan were not used as at 31 December 2013 or during 2014.

The Facility Agreement included the specific terms and conditions to be fulfilled. As at 31 December 2013 the Group was in compliance with these conditions.

The interest expense relating to bank loans for period 2014 and 2013 was CZK 362,204,000 and CZK 263,896,000, respectively. The breakdown of additional fees related to bank loan arrangements is also described in Note 7.

Analysis of bonds issued:

	Nominal amount of issue	Due date	Coupon rate p.a. (%)	Annual coupon repayment date	31 December 2014 (in thousand CZK)
Bond EUR, serial no. 1, ISIN XS1090450047	300,000,000 EUR	28.7.2021	2.5	Each 28.7. in arrears	8,311,412
Bond EUR, serial no 2, ISIN XS1090449627	160,000,000 EUR	28.7.2026	3.5	Each 28.7. in arrears	4,459,704
Bond CZK, serial no 3, ISIN XS1090620730	7,000,000,000 CZK	28.1.2021	2.25	Each 28.1. in arrears	6,974,161
<b>Total bonds</b>					<b>19,745,277</b>

Issuance terms of all above stated bonds are approved by the decision made by the Central Bank of Ireland. On 28 July 2014 these bonds were admitted to trading on the Irish Stock Exchange PLC regulated market.

Upon repaying the nominal value and paying the interest income, the respective taxes and charges under the Czech laws will be withheld from the payments made to bondholders.

Bonds denominated in foreign currency are part of hedge accounting, where in combination with below stated currency swaps they represent the hedging instrument for hedging of future cash flows from certain expected transactions.

Bonds are stated at amortized cost, reduced by acquisition-related costs.

The Company did not record any bonds issued as at 31 December 2013.

Information on loans provided by related parties is disclosed in Note 16.

## 12. Derivative financial instruments

### 12.1. Derivatives held for trading

The fair value of derivatives is presented in Other receivables if positive, or in Other liabilities if negative:

(in thousand CZK)	31 December 2013		Notional amount
	Fair value Positive	Fair value Negative	
Currency forwards	2,480	(91,031)	2,247,322
Currency swaps	-	(3,002)	437,977
<b>Total trading agreements</b>	<b>2,480</b>	<b>(94,033)</b>	

Notional amount represents net presentation of total volume of concluded transactions. The notional amount of derivatives has been translated into CZK at the exchange rate published by the Czech National Bank as at 31 December 2013.

All derivatives held for trading were settled as at 31 December 2014, i.e. their fair value was nil as at 31 December 2014.

Changes in fair value of trading derivatives are recorded in the income statement.

### 12.2. Derivatives meeting the criteria for hedge accounting –Cash flow hedging agreements

The Group has concluded several derivative contracts and classifies derivatives as hedging derivatives. As at 31 December 2014 and 2013, the derivatives were revalued at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables, respectively.

The change in fair value of the above-described cash flow hedging instruments is recognised in the hedging reserve in equity until the hedged items are recognised in the profit and loss account, or the asset or liability arising from the hedged forecasted transaction or the Company's commitment is recognised.

The following table summarizes face values and positive or negative values of outstanding hedging derivatives as at 31 December 2014:

(in thousand CZK)	31 December 2014		Notional amount
	Fair value Positive	Fair value Negative	
Swaps – Cross Currency Swaps	-	(1,255,865)	9,981,000
			(360,000,000 EUR)
<b>Total cash flow hedging derivatives</b>	<b>-</b>	<b>(1,255,865*)</b>	<b>9,981,000</b>

\* Of which, CZK 215,826,000 represents the short-term portion and CZK 1,040,039,000 represents the long-term portion.

The following table summarizes face values and positive or negative values of outstanding hedging derivatives as at 31 December 2013:

(in thousand CZK)	31 December 2013		
	Fair value		Notional amount
	Positive	Negative	
Swaps	-	(43,322)	399,000,000 USD
Swaps	-	(50,371)	232,750,000 EUR
Swaps	-	(78,348)	3,325,000,000 CZK
<b>Total hedging derivatives</b>	-	<b>(172,041)</b>	

Hedging derivatives included derivatives that were designated as hedging instruments in a hedge of an interest rate risk on future cash flows and that met the criteria for hedge accounting.

On 28 July 2014 the derivatives contracts were settled in connection with premature repayment of the bank loans, to which these were concluded. The Interest rate contracts were revaluated at fair value and the negative fair value was included in other payables. These were subsequently repaid.

Expenses from swap contracts that were assigned to the interest expense were CZK 178,950,000 and CZK 126,073,000 in 2014 and 2013, respectively. The loss on revaluation of the above hedging derivatives was CZK 709,116,000 in 2014.

### 13. Income tax

Analysis of the income tax expense:

(in thousand CZK)	Financial period ending 31 December 2014	Financial period ending 31 December 2013
Current tax expense (19%)	837,475	358,726
Deferred tax expense	(59,211)	(75,400)
Adjustment of prior year tax expense based on final CIT return and additional income tax returns	(2,138)	-
<b>Total income tax expense</b>	<b>776,126</b>	<b>283,326</b>

Analysis of current tax:

(in thousand CZK)	Financial period ending 31 December 2014	Financial period ending 31 December 2013
Profit before tax (NET4GAS, s.r.o. and BRAWA, a.s.)	3,852,006	1,466,186
Profit / (Loss) before tax (NET4GAS Holdings, s.r.o.)	4,907,336	(1,326,095)
Elimination of received dividend (NET4GAS Holdings, s.r.o.)	(7,491,230)	-
Amortization of negative consolidation difference	351,894	147,506
Total profit before tax	1,620,006	287,597
Non-taxable revenues	(360,592)	54,704
Difference between accounting and tax depreciation/amortisation	777,021	272,201
Tax non-deductible expenses	144,468	101,485
Gifts	(5,198)	(6,316)
Tax loss used	56	(227)
Amortization of negative consolidation difference	(351,894)	(147,506)
Tax non-deductible expenses (NET4GAS Holdings, s.r.o.)	1,891,327	1,258,663
Elimination of the tax loss (NET4GAS Holdings, s.r.o.)	692,567	67,432
Net taxable profit	4,407,761	1,888,033
<b>Corporate income tax at 19%</b>	<b>837,475</b>	<b>358,726</b>
Adjustment of prior year tax expense based on final CIT return and additional income tax returns	(2,138)	-
<b>Total current tax</b>	<b>835,337</b>	<b>358,726</b>



The amount of tax loss of NET4GAS Holdings, s.r.o., was increased on CZK 624,879,000 in the final corporate tax return in 2013 due to change in method of calculation in comparison with preliminary calculation and change to tax deductibility of foreign exchange losses. The amounts presented in 2014 are based on preliminary calculation using the same method of computation as in 2013 corporate income tax return.

The deferred tax was calculated at 19% (the rate enacted for 2014 and subsequent years).

Analysis of deferred tax asset/(liability):

(in thousand CZK)	31 December 2014	31 December 2013
<b>Deferred tax liability arising from:</b>		
Difference between accounting and tax net book value of fixed assets	(4,922,446)	(4,997,163)
<b>Total deferred tax liability</b>	<b>(4,922,446)</b>	<b>(4,997,163)</b>
<b>Deferred tax asset arising from:</b>		
Other provisions and allowances	44,621	60,127
Cash flow hedging	282,903	8,734
Tax losses (NET4GAS Holdings, s.r.o.)	250,315	12,812
<b>Not recorded deferred tax receivable NET4GAS Holdings, s.r.o.</b>	<b>(250,315)</b>	<b>(21,546)</b>
<b>Total deferred tax asset</b>	<b>327,524</b>	<b>60,127</b>
<b>Net deferred tax asset / (liability)</b>	<b>(4,594,922)</b>	<b>(4,937,036)</b>

Due to the prudence reasons the Consolidating Company did not record its deferred tax asset due to the limited probability of its future realization.

#### 14. Revenue analysis

Revenue from operating activities:

(in thousand CZK)	Financial period ending 31 December 2014	Financial period ending 31 December 2013
Transportation		
- foreign customers	7,486,650	2,791,169
- domestic customers	1,261,962	634,641
Other – domestic	28,590	18,386
<b>Total sales of own products and services</b>	<b>8,777,202</b>	<b>3,444,196</b>
Own work capitalised	80,701	76,290
Sales of long-term assets and raw materials	17,249	982
Other operating income	107,353	21,634
<b>Total income from operating activities</b>	<b>8,982,505</b>	<b>3,543,102</b>

#### 15. Employees

The Consolidating Company and BRAWA, a.s. do not employ any employees.

Below presented figures relate specifically to the NET4GAS, s.r.o.:

	Financial period ending 31 December 2014	Financial period ending 31 December 2013
Statutory representatives of NET4GAS, s.r.o. who are employees	3	2
Average number of other members of management	13	12
Average number of other staff	487	514
<b>Total number of employees</b>	<b>503</b>	<b>528</b>

**Group NET4GAS Holdings, s.r.o.**  
Consolidated Financial Statements  
for the period ended 31 December 2014

The management of NET4GAS, s.r.o. includes statutory directors and other directors subordinated to them.

<b>(in thousand CZK)</b>	<b>Management</b>	<b>Other staff</b>	<b>Total</b>
<b>2014</b>			
Wages and salaries	58,228	308,756	366,984
Emoluments of Board members	534	-	534
Social security costs	10,887	113,158	124,045
Other social costs	468	19,223	19,691
<b>Total staff costs</b>	<b>70,117</b>	<b>441,137</b>	<b>511,254</b>
<b>2013</b>			
Wages and salaries	65,678	154,351	220,029
Emoluments of Board members	220	-	220
Social security costs	6,249	52,897	59,146
Other social costs	-	5,517	5,517
<b>Total staff costs</b>	<b>72,147</b>	<b>212,765</b>	<b>284,912</b>

Other transactions with the Company's management are disclosed in Note 16 – Related party transactions.

## **16. Related party transactions**

The Consolidated Company was involved in the related party transactions and recorded following balances with related parties:

Long-term payables to related parties as at 31 December 2013 (in CZK thousands):

<b>Related party</b>	<b>Terms/Due dates</b>	<b>31 December 2013</b>
Allianz Infrastructure Luxembourg I S.à r.l.	20 years	5,737,897
Borealis Novus Holdings B.V.	20 years	5,737,897

The above mentioned loans were provided by shareholders in connection with the financing of subsidiary NET4GAS, s.r.o. acquisition (see Note 1. 2.). These long-term payables to related parties were fully paid as at 31 December 2014.

Long-term payables to related parties as at 31 December 2014 (in CZK thousands):

<b>Related party</b>	<b>Terms/Due dates</b>	<b>31 December 2014</b>
Allianz Infrastructure Luxembourg I S.à r.l.	28 July 2044	5,500,000
Borealis Novus Holdings B.V.	28 July 2044	5,500,000

These long-term payables to related parties as at 31 December 2014 represent a fully subordinated loan provided on 28 July 2014.

The interest expenses from loans granted by related parties were CZK 723,119,000 and CZK 342,330,000 in financial period ending 31 December 2014 and 2013, respectively. As at 31 December 2013, CZK 137,041,000 was added to the long-term payables to related parties and amount of CZK 205,289,000 was presented as accruals.

The company cars are made available for use by members of Group management. The total acquisition cost of cars is CZK 14,577,000 (2013: CZK 12,186,000).

The foreign members of Group management were provided with accommodation, the related rent totalled CZK 1,625,000 in 2014 (2013: CZK 749,000).

The members of management were provided with long-term bonus programme, for which the provision in the amount of CZK 20,847,000 was created in 2014 (2013: CZK 12,508,000).

Besides the above mentioned remuneration and benefits there was no other consideration provided in 2014 and 2013 to the Company's shareholders, members of the statutory and supervisory boards and management either in cash or in kind.

## 17. Commitments

Capital commitments contracted by the Group were CZK 19,319,000 as at 31 December 2014 mainly related to Optimus project (as at 31 December 2013: CZK 46,442,000 mainly related to Gazelle project).

The Group has the following other than capital commitments mainly in respect of services:

(in thousand CZK)	31 December 2014	31 December 2013
Current within one year	698,238	730,171
Due after one year but within five years	705,928	763,860
<b>Total commitments in respect of operational leases</b>	<b>1,404,166</b>	<b>1,494,031</b>

## 18. Contingent liabilities

The bank issued guarantees on behalf of the Group towards third parties in the amount of CZK 41,595,000 as at 31 December 2014 (2013: CZK 49,491,000).

The management of the Group is not aware of any other significant unrecorded contingent liabilities as at 31 December 2014 and 2013.

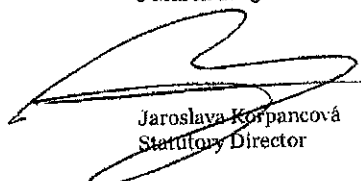
The information on terms and conditions of the loans received is disclosed in other notes of these notes to the consolidated financial statements.

## 19. Subsequent events


On 22 January 2015 the issuance of the fourth series of bonds took place with a nominal value of EUR 50,000,000 and with a maturity on 28 July 2026. The bonds were used to repay the part of the bank loans denominated in CZK.

No other events have occurred subsequent to year-end that would have a material impact on the consolidated financial statements as at 31 December 2014.

6 March 2015



Jaroslava Korpancová  
Statutory Director



Sebastien Sherman  
Statutory Director

**Annex no. 2**

**Auditor's Report on the Financial Statements and Financial Statements**

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**NET4GAS Holdings, s. r. o.**

**Auditor's Report and Financial Statements for the period ended  
31 December 2014**

(Translation of Financial Statements Originally Issued in Czech –  
See Note 2 to the Financial Statements)



## ***Independent auditor's report*** **to the shareholders of NET4GAS Holdings, s.r.o.**

We have audited the accompanying financial statements of NET4GAS Holdings, s.r.o., identification number 29135001, with registered office at Na hřebenech II 1718/8, Praha 4 - Nusle ("the Company"), which comprise the balance sheet as at 31 December 2014, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

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

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

### ***Auditor's Responsibility***

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

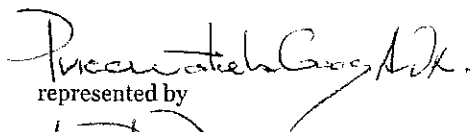

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


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

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

3 March 2015

  
represented by  
  
Václav Prýmek  
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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PricewaterhouseCoopers Audit, s.r.o., registered seal 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 Licence No 021.

Company name: NET4GAS Holdings, s.r.o.

Identification number: 29135001

Legal form: limited liability company

Primary business: renting of real property, including residential and non-residential premises

Balance sheet date: 31 December 2014

Date of preparation of the financial statements: 3 March 2015

## BALANCE SHEET

(in thousand Czech crowns)

Ref. a	ASSETS b	31.12.2014			31.12.2013
		Gross 1	Provision 2	Net 3	Net 4
	<b>TOTAL ASSETS</b>	<b>2,499,846</b>	-	<b>2,499,846</b>	<b>45,040,376</b>
<b>B.</b>	<b>Fixed assets</b>	<b>2,488,358</b>	-	<b>2,488,358</b>	<b>31,531,358</b>
<b>B. III.</b>	<b>Long-term investments</b>	<b>2,488,358</b>	-	<b>2,488,358</b>	<b>31,531,358</b>
<b>B. III. 1.</b>	<b>Investments in subsidiaries</b>	<b>2,488,358</b>	-	<b>2,488,358</b>	<b>31,531,358</b>
<b>C.</b>	<b>Current assets</b>	<b>11,488</b>	-	<b>11,488</b>	<b>12,884,321</b>
<b>C. II.</b>	<b>Long-term receivables</b>	-	-	-	<b>11,000,000</b>
1.	Receivables - subsidiaries / controlling parties	-	-	-	11,000,000
<b>C. III.</b>	<b>Short-term receivables</b>	<b>11,488</b>	-	<b>11,488</b>	-
1.	Receivables - subsidiaries / controlling parties	11,488	-	11,488	-
<b>C. IV.</b>	<b>Financial assets</b>	-	-	-	<b>1,884,321</b>
1.	Cash at bank	-	-	-	1,884,321
<b>D. I.</b>	<b>Prepayments and accrued income</b>	-	-	-	<b>624,697</b>
<b>D. I. 1.</b>	<b>Prepaid expenses</b>	-	-	-	<b>624,697</b>

Ref. a	LIABILITIES AND EQUITY b	31.12.2014	31.12.2013
		5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,499,846</b>	<b>45,040,376</b>
<b>A.</b>	<b>Equity</b>	<b>1,114,895</b>	<b>1,264,838</b>
<b>A. I.</b>	<b>Share capital</b>	<b>200</b>	<b>200</b>
A. I. 1.	Share capital	200	200
<b>A. II.</b>	<b>Capital contributions</b>	<b>197,934</b>	<b>2,590,733</b>
1.	Other capital contributions	197,934	2,636,701
2.	Assets and liabilities revaluation	-	(45,968)
<b>A. IV.</b>	<b>Retained earnings / Accumulated losses</b>	<b>(1,326,095)</b>	<b>-</b>
1.	Accumulated losses	(1,326,095)	-
<b>A. V. 1.</b>	<b>Profit / (loss) for the current period</b>	<b>4,907,336</b>	<b>(1,326,095)</b>
<b>A. V. 2.</b>	<b>Approved decision on advances for profit distribution (-)</b>	<b>(2,664,480)</b>	<b>-</b>
<b>B.</b>	<b>Liabilities</b>	<b>1,384,538</b>	<b>43,297,244</b>
<b>B. II.</b>	<b>Long-term liabilities</b>	<b>-</b>	<b>11,475,794</b>
1.	Liabilities - subsidiaries / controlling parties	-	11,475,794
<b>B. III.</b>	<b>Short-term liabilities</b>	<b>1,384,538</b>	<b>5,636,057</b>
B. III. 1.	Trade payables	-	21,346
2.	Liabilities - subsidiaries / controlling parties	1,382,588	5,401,302
3.	Taxes and state subsidies payable	-	6,667
4.	Estimated payables	1,950	34,701
5.	Other payables	-	172,041
<b>B. IV.</b>	<b>Bank loans &amp; overdrafts</b>	<b>-</b>	<b>26,185,393</b>
B. IV. 1.	Long-term bank loans	-	26,185,393
<b>C. I.</b>	<b>Accruals and deferred income</b>	<b>413</b>	<b>478,294</b>
C. I. 1.	Accrued expenses	413	478,294



Company name: NET4GAS Holdings, s.r.o.

Identification number: 29135001

Legal form: limited liability company

Primary business: renting of real property, including residential and non-residential premises

Balance sheet date: 31 December 2014

Date of preparation of the financial statements: 3 March 2015

## INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	DESCRIPTION b	Accounting period	
		2014 1	5.12.2012 - 31.12.2013 2
B.	Cost of sales		
1.	Services	9,273	69,997
+	<b>Added value</b>	<b>9,273</b>	<b>69,997</b>
D.	Taxes and charges	(9,273)	(69,997)
IV.	Other operating income	-	8
H.	Other operating expenses	35	-
*	<b>Operating result</b>	<b>(9,273)</b>	<b>(70,005)</b>
VII.	Income from long-term investments		
VII. 1.	Income from investments in subsidiaries and associates	7,491,230	-
L.	Loss on revaluation of securities and derivatives	7,491,230	-
X.	Interest income	709,116	-
N.	Interest expense	280,213	194,740
XI.	Other financial income	1,030,559	741,408
O.	Other financial expenses	18,204	195,479
*	<b>Financial result</b>	<b>1,133,363</b>	<b>904,901</b>
**	<b>Profit or loss on ordinary activities after taxation</b>	<b>4,916,609</b>	<b>(1,256,090)</b>
***	<b>Net profit / (loss) for the financial period</b>	<b>4,907,336</b>	<b>(1,326,095)</b>
****	<b>Net profit / (loss) before taxation</b>	<b>4,907,336</b>	<b>(1,326,095)</b>

## NET4GAS Holdings, s.r.o. as at 31 December 2014

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)  
(Translation of financial statements originally issued in Czech - see Note 2 to the financial statements)

Appendix 1

## CASH FLOW STATEMENT

For the year ended 31 December 2014

		Current year	Prior year 2013
<b>Cash flows from operating activities</b>			
<b>Z.</b>	<b>Profit or loss on ordinary activities before taxation (+/-)</b>	<b>4 907 336</b>	<b>-1 326 095</b>
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	-5 103 062	1 082 126
1.	Foreign exchange differences	13 125	535 458
2.	Interest expense and interest income	571 396	420 595
3.	Interest expense swaps	178 950	126 073
4.	Received profit shares	-7 491 230	
5.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	624 697	
<b>A *</b>	<b>Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>-1 195 726</b>	<b>-243 969</b>
A. 2.	Change in non-cash components of working capital	-60 763	-561 984
1.	Change in other receivables and in prepaid expenses and unbilled revenue		-624 697
2.	Change in other payables, short-term loans and in accruals and deferred income	-60 763	62 713
<b>A **</b>	<b>Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>-1 256 489</b>	<b>-805 953</b>
A. 3. 1.	Interest paid	-1 634 514	*
<b>A ***</b>	<b>Net cash provided by (used in) operating activities</b>	<b>-2 891 003</b>	<b>-805 953</b>
<b>Cash flows from investing activities</b>			
B. 1. 1.	Purchase of fixed assets		-31 531 358
2. 1.	Loans granted	11 000 000	-11 000 000
3. 1.	Interest received	280 206	194 740
4. 1.	Received profit shares	7 491 230	
5. 1.	Other incomes from shares in subsidiaries	29 043 000	***
<b>B ***</b>	<b>Net cash provided by (used in) investing activities</b>	<b>47 814 436</b>	<b>-42 336 618</b>
<b>Cash flows from financing activities</b>			
C. 1.	Change in long-term liabilities and long-term, resp. short-term, loans	-41 693 019	42 389 991
C. 2. 1.	Effect of changes in basic capital on cash		200
2.	Profit shares paid	-2 664 480	
3.	Effect of other changes in basic capital on cash	-2 438 767	****
<b>C ***</b>	<b>Net cash provided by (used in) financing activities</b>	<b>-46 796 266</b>	<b>45 026 892</b>
<b>F.</b>	<b>Net increase (decrease) in cash</b>	<b>-1 872 833</b>	<b>1 884 321</b>
<b>P.</b>	<b>Cash and cash equivalents at beginning of year</b>	<b>1 884 321</b>	<b>0</b>
<b>R.</b>	<b>Cash and cash equivalents at end of year</b>	<b>11 488</b>	<b>1 884 321</b>

\* Paid interests includes also related settlement of interest swaps (see point 11.)

\*\* Provided loan was transferred in the amount of CZK 5 500 000 thousand to Allianz Infrastructure Luxembourg I S.à.r.l. and in the amount of CZK 5 500 000 thousand to Borealis Novus Holdings B.V. (see point 4. and 14.)

\*\*\* Thereof CZK 7 355 087 thousand was set-off with the obligations arising from received loans and obligations from cash-pooling.

\*\*\*\* Receivable from the reduction of the share capital of the subsidiary was set off with the obligations arising from received loans.

\*\*\*\*\* Thereof CZK 1 069 300 thousand was set off with receivables to related parties arising from the provided loans.

## 1. DESCRIPTION OF THE COMPANY

NET4GAS Holdings, s.r.o. ("the Company") is a limited liability company incorporated on 5 December 2012 in the Czech Republic. The Company's registered office is located at Na hřebenech II 1718/8, Nusle, 140 00 Praha 4, Czech Republic, and the business registration number (IČ) is 291 35 001. The Company was established as HYX Czech, s.r.o. The Company's name was changed from HYX Czech, s.r.o. to NET4GAS Holdings, s.r.o. on 8 August 2013.

The Company is involved in the renting of real property, including residential and non-residential premises. The purpose of the Company is holding shares in other companies for NET4GAS Group.

The following changes were made to the Commercial Register entry in 2014:

- On 25 August 2014, pledges of the shares held by the two shareholders were deleted in the Commercial Register as follows: "Pursuant to the contract creating the security interest in the 50% share in HYX Czech, s.r.o., which was entered into on 28 March 2013 by and between Allianz Infrastructure Czech HoldCo II S.à r.l. as a pledgor, and UniCredit Bank Czech Republic, a.s. as a pledgee, the share held by Allianz Infrastructure Czech HoldCo II S.à r.l. is pledged in favor of UniCredit Bank Czech Republic, a.s., with its registered office at Želetavská 1525/1, Praha 4 - Michle, zip code 140 92, business registration number (IČ) 649 48 242, recorded in the Commercial Register maintained by the Municipal Court in Prague, reference No. B 3608, to secure the receivables specified in Article 1.1 of the security contract up to the amount of CZK 92,030,000,000.", and "Pursuant to the contract creating the security interest in the 50% share in HYX Czech, s.r.o., which was entered into on 8 March 2013 by and between Borealis Novus Parent B.V. as a pledgor, and UniCredit Bank Czech Republic, a.s. as a pledgee, the share held by Borealis Novus Parent B.V. is pledged in favor of UniCredit Bank Czech Republic, a.s., with its registered office at Želetavská 1525/1, Praha 4 - Michle, zip code 140 92, business registration number (IČ) 649 48 242, recorded in the Commercial Register maintained by the Municipal Court in Prague, reference No. B 3608, to secure the receivables specified in Article 1.1 of the security contract up to the amount of CZK 92,030,000,000."

Shareholders holding a 10% or greater interest in the Company's share capital as at 31 December 2014 are as follows:

- Allianz Infrastructure Czech HoldCo II S.à r.l., L-2450 Luxembourg, 14, boulevard F.D. Roosevelt, the Grand Duchy of Luxembourg, business registration number: B 175770, share: 50%;
- Borealis Novus Parent B.V., 1011PZ Amsterdam, Muiderstraat 9, the Kingdom of the Netherlands, business registration number: 57412243, share: 50%.

Allianz Infrastructure Czech HoldCo II S.à r.l. has the ultimate parent company Allianz SE and Borealis Novus Parent B.V. has the ultimate parent company OMERS Administration Corporation.

The Company is the parent company of NET4GAS s.r.o. The accompanying financial statements have been prepared as separate financial statements.

Members of the statutory bodies as at 31 December 2014 and 2013 were as follows:

<u>Statutory representatives</u>	
Statutory representative:	Sebastien Sherman
Statutory representative:	Jaroslava Korpancová
Statutory representative:	Ralph Adrian Berg
Statutory representative:	Melchior Stahl

There were no employees in the period ending 31 December 2014 and 2013.

The Company holds a 100% share in NET4GAS, s.r.o.. For the description of the share and related transactions, refer to Notes 4 and 14.

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with the Czech accounting legislation in force in years 2012, 2013 and 2014 and are prepared based on historical values apart from items defined below.

The financial statements have been prepared for period from 1 January 2014 to 31 December 2014. The preceding financial statements have been prepared for the period from 5 December 2012 to 31 December 2013, i.e. for the first period of the Company's existence. Therefore, the information in the income statement for the current period cannot be directly compared with the information in the income statement for the previous period, however, the transactions from 5 December 2012 to 31 December 2012 have no significant impact on the comparability of the information.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Company in preparing the 2014 and 2013 financial statements are as follows:

### **a) Financial Assets**

Short-term financial assets consist of cash at bank.

Pursuant to the one-way CZK cashpooling agreement entered into by and between NET4GAS, s.r.o. and BRAWA, a.s. and Československá obchodní banka, a.s., to which the Company acceded, on the basis of the contract for the provision of real one-way USD cashpooling entered into by and between NET4GAS, s.r.o., the Company and Československá obchodní banka, a.s., and also pursuant to the contract for the provision of real one-way EUR cashpooling entered into by and between NET4GAS, s.r.o., the Company and Československá obchodní banka, a.s., a system for utilization of idle money of individual group companies, i.e. cash pool, has been introduced as part of the cash pool organized by Československá obchodní banka, a.s.

Cash deposited in or used from this system as at the date of the financial statements is reported in 'Short-term receivables - subsidiaries / controlling parties' or 'Short-term liabilities - subsidiaries / controlling parties', as appropriate, in the accompanying balance sheet. Change in the deposited cash is reported in 'Loans and borrowings' in the accompanying cash-flow statement in cases it cannot be defined as cash or cash equivalents.

Long-term financial assets in line 'Investments in subsidiaries' consist of ownership interests, which are controlled by the Company.

Interests in controlled entities are valued at their acquisition cost, which includes the purchase price and direct costs related to the acquisition (e.g. fees and commissions paid to agents and stock exchanges) and reflects the possible value of impairment.

### **b) Receivables**

Both long- and short-term receivables are carried at their nominal value after allowance for doubtful accounts, which is charged to the income statement based on ageing of receivables and individual evaluation of liquidity of debtors.

### **c) Prepaid expenses**

Prepaid expenses are expenses related to the following financial periods. The expenses are charged to the income statement for the year to which they relate.

**d) Derivatives**

Derivatives are initially measured at cost. Derivatives are recorded in other short-/long-term receivables (where the fair value is positive) or payables (where the fair value is negative), as appropriate, in the accompanying balance sheet.

Derivatives embedded in other financial instruments are not presented separately.

Derivatives are classified as derivatives held for trading or hedging derivatives. The latter are designated as either fair value hedges (hedging of fair value of certain assets or liabilities) or cash flow hedges (hedging of future cash flows from certain assets or liabilities or expected transactions). In order to qualify for hedge accounting, the change in the fair value of a derivative or of its estimated cash flow must offset, in whole or in part, the change in the fair value or cash flow arising from the hedged item. In addition, there must be formal documentation of the hedging relationship at inception and the Company must prove that the hedging relationship is highly effective. In all other cases, derivatives are recognized as held-for-trading.

Derivatives are revalued to fair value as at the balance sheet date. Changes in the fair value of derivatives held for trading are reported in financial expenses or income from revaluation of derivatives. Changes in the fair value of derivatives designated as fair value hedges are also recognized in financial expenses or income, together with the change in the fair value of the hedged item attributable to the risk being hedged. Changes in the fair value of derivatives designated as cash flow hedges are taken to equity and reflected in the balance sheet through gain or loss on revaluation of assets and liabilities. These are reflected as income or expenses in financial period, in which hedged items influence the income statement. Any ineffective portion of the hedge is reported in income.

**e) Equity**

The share capital of the Company is stated at the amount recorded in the Commercial Register. Any increase or decrease in the share capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the financial statements date is recorded through changes in share capital.

Other capital funds consist of monetary contributions in excess of share capital.

In the first year in which profit is generated, the Company allocates 10% of profit after tax (however, not more than 5% of share capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated 5% of profit after tax until it reaches 10% of share capital. These funds can only be used to offset losses.

The Company's decision to pay an interim dividend is reflected in the accounting as a decrease in equity and is presented on the balance sheet line - Interim dividend declared. Such an interim dividend or a part thereof is classified as a receivable from shareholders as at the balance sheet date in case the Company incurs loss or achieves lower profit than the value of the originally paid interim dividend.

**f) Provisions and Liabilities**

The Company creates provisions for losses and risks, which are probable and the related purpose is known, but the amount and timing of the expense cannot be precisely recognized. The provisions are not created for operational expenses nor for expenses directly connected to the future revenues. The Company creates provision for future liability for corporate income tax reduced by paid advances. The resulting difference is presented as short term receivables in cases the paid advances are higher than provision for corporate income tax.

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other payables.

Short-term and long-term loans are recorded at their nominal values. Any portion of long-term debt which is due within one year of the balance sheet date is classified as short-term debt.

3

The accompanying balance sheet, income statement and cash-flow statement are an integral part of the financial statements.

Liabilities or contingent liabilities, if any, that are not recorded in the balance sheet because significant uncertainties exist with respect to the amount, title or timing of the expected outflow of benefits are described in Note 13.

**g) Foreign Currency Transactions**

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at a fixed rate set at the first day of a month (which is the average Czech National Bank rate for the previous month). On the balance sheet date, monetary items are adjusted to the exchange rates as published by the Czech National Bank as at balance sheet date.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to finance income for the year.

**h) Recognition of Revenues and Expenses**

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

**i) Income Tax**

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences. In addition, the following items are taken into consideration: tax base decreasing items, tax deductible items and income tax reliefs.

The deferred tax asset or liability reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization. The deferred tax asset is booked only if it is probable that it will be tax recoverable in future.

**j) Cash flow, cash and cash equivalents**

The cash flow was prepared by using the indirect method.

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

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

**k) Related parties**

Related parties of the Company are:

- parties that have direct or indirect majority control of the Company and companies, where these parties have major or substantial control,
- parties that have direct or indirect substantial control of the Company,
- the members of statutory and supervisory bodies, directors and executive officers of the Company or its parent company and their family members, including Companies, where these members have major or substantial control,
- subsidiaries, associates and joint ventures.

NET4GAS Holdings, s. r. o.

Auditor's Report and Financial Statements for the period ended 31 December 2014

**l) Interest expenses**

All the interest expenses are charged to income statement. The long-term liabilities are not discounted.

**m) Subsequent Events**

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

**4. FIXED ASSETS****Long-Term Financial Investments (in CZK thousands)**

## Summary of changes in long-term financial investments

	As at 5 December 2012	Additions	Disposals	As at 31 December 2013	Additions	Disposals	As at 31 December 2014
Subsidiaries	-	31,531,358	-	31,531,358	-	29,043,000	2,488,358
Total	-	31,531,358	-	31,531,358	-	29,043,000	2,488,358

Pursuant to the "Business Interest Sale Agreement" of 28 March 2013 entered into by and between RWE Gas International N.V. as the seller, and HYX Czech s.r.o. as the buyer, the Company acquired a 100% share in NET4GAS, s.r.o. effective 2 August 2013, when all the conditions of control transfer over the company NET4GAS, s.r.o. were fulfilled. The transaction was financed through other capital fund increase (see Note 7), by loans granted by the related parties of shareholders (see Note 14) and by bank loans (see Note 9).

On 14 August 2014, the Commercial Register recorded the reduction of the registered capital of the company NET4GAS, s.r.o. by the amount of CZK 29,043,000 thousand based on a filed application of the company NET4GAS, s.r.o. on reduction of its registered capital. The corresponding receivable of CZK 29,043,000 thousand of the Company was accounted for as decrease of financial investments in subsidiaries.

Subsidiaries as at 31 December 2014 were as follows (in CZK thousands):

Name	NET4GAS, s.r.o.
Registered office	Praha 4 - Nusle, Na Hřebenech II 1718/8, zip code 140 21
Percentage of ownership	100%
Assets	52,608,309
Equity	5,087,739
Share capital	2,749,965
Capital funds	(628,113)
Reserve funds and other funds created from profit	-
Retained earnings	-
Result for the year 2014	2,965,887
Profit shares obtained in financial period ending 31 December 2014	7,491,230

The financial information about NET4GAS, s.r.o. as at 31 December 2014 was obtained from its standalone audited financial statements.

The profit shares were received based on decision of the Company as a sole shareholder of NET4GAS, s.r.o. from 4 April 2014 and 25 June 2014.



Subsidiaries as at 31 December 2013 were as follows (in CZK thousands):

Name	NET4GAS, s.r.o.
Registered office	Praha 4 - Nusle, Na Hřebeněch II 1718/8, zip code 140 21
Percentage of ownership	100%
Assets	57,601,060
Equity	39,752,096
Share capital	31,792,965
Capital funds	467,900
Reserve funds and other funds created from profit	2,114,152
Retained earnings	2,310,205
Result for the year 2013	3,066,874
Profit shares obtained in financial period ending 31 December 2013	-

The financial information about NET4GAS, s.r.o. as at 31 December 2013 was obtained from its standalone audited financial statements.

As at 31 December 2013, pursuant to the contract creating the security interest in the 100% share in NET4GAS, s.r.o., which was entered into on 12 September 2013 by and between NET4GAS Holdings, s.r.o. as a pledger, and UniCredit Bank Czech Republic, a.s. as a pledgee, the above share held by the Company was pledged in favor of UniCredit Bank Czech Republic, a.s., with its registered office at Želetavská 1525/1, Praha 4 - Michle, zip code 140 92, business registration number (IČ) 649 48 242, recorded in the Commercial Register maintained by the Municipal Court in Prague, reference No. B 3608, to secure the receivables specified in Article 1.1 of the security contract up to the amount of CZK 92,030,000 thousand. This pledge was deleted on 25 August 2015 in connection with repayment of loans, to which the pledge was established.

Loans to subsidiaries as at 31 December 2014 and 31 December 2013 were as follows (in CZK thousands):

Company	Maturity	31 December 2014	31 December 2013
NET4GAS, s.r.o.	10 years	-	11,000,000

Pursuant to the contract of 28 March 2013, entered into by and between RWE Supply & Trading CZ, a.s., HYX Czech, s.r.o. and NET4GAS, s.r.o., creditor's rights and duties arising from the contract concluded between RWE Supply & Trading CZ, a.s. and NET4GAS, s.r.o. of 21 December 2011, on the basis of which RWE Supply & Trading CZ, a.s. provided an available loan facility of up to CZK 15,000,000 thousand to NET4GAS, s.r.o., were transferred to the Company with effect from 2 August 2013. The face value of the loan was CZK 11,000,000 thousand as at 2 August 2013.

Pursuant to the 'Assignment, Set-off and Loan Agreement' of 28 July 2014, entered into by and between the Company and Allianz Infrastructure Luxembourg I S.à r.l., Borealis Novus Holdings B.V. and NET4GAS, s.r.o., the Company assigned the receivable in the total amount of CZK 11,000,000 thousand, thereof the amount of CZK 5,500,000 thousand to Allianz Infrastructure Luxembourg I S.à r.l. and the amount of CZK 5,500,000 thousand to Borealis Novus Holdings B.V. (see also Note 14).

## 5. RECEIVABLES

The Company has only receivables from related parties (see Note 14). Information on loan provided to the related party are in Notes 4 and 14.

**6. PREPAID EXPENSES**

Pursuant to the "Facility Agreement" of 28 March 2013 entered into by and between the Company, UniCredit Bank AG, London Branch and UniCredit Bank Czech Republic, a.s., there were fees related to the acquisition of the individual bank loans. Agency fees expenses were set up annually. The Arrangement fees and Ticking fees were set up for the whole duration of each loan facility. The Arrangement fees and Ticking fees were therefore presented in previous financial statements as prepaid expenses and were charged to income statement in period to which they related. The Arrangement fees and Ticking fees were accrued over the duration of individual facility.

The prepaid expenses were charged to income statement in 2014 in amount of CZK 624,697 thousand because of premature repayment of bank loans.

Prepaid expenses as at 31 December 2013 were as follows (in CZK thousands):

UniCredit Bank Czech Republic, a.s.	„Arrangement fees” and „Ticking fees”	Expenses charged to income statement in 2013	Prepaid expenses	in CZK thousands
Bank loan EUR	178,984	14,891	164,093	-
Bank loan USD	177,943	24,656	153,287	-
Bank loan CZK	98,536	8,198	90,338	-
CAPEX loan CZK	66,382	5,523	60,859	-
CAPEX loan EUR	118,425	9,853	108,573	-
Revolving loan CZK	51,862	4,314	47,547	-
<b>Total</b>	<b>692,132</b>	<b>67,435</b>	<b>624,697</b>	
Short term portion	-	-	-	161,931
Long term portion	-	-	-	462,766

For information on bank loans and borrowings refer to Note 9.

**7. EQUITY**

Statement of changes in equity as at 31 December 2014 (in CZK thousands):

	As at 31 December 2013	Transfer of prior year profit	Revaluation of derivatives	Decision on advances on profit distribution	Decrease of other capital funds	Current period result	As at 31 December 2014
Share capital	200	-	-	-	-	-	200
Other capital funds	2,636,701	-	-	-	(2,438,767)	-	197,934
Differences arising from revaluation of assets and liabilities	(45,968)	-	45,968	-	-	-	-
Accumulated loss of previous years	-	(1,326,095)	-	-	-	-	(1,326,095)
Current period result	(1,326,095)	1,326,095	-	-	-	4,907,336	4,907,336
Advances on profit distribution	-	-	-	(2,664,480)	-	-	(2,664,480)
<b>Total</b>	<b>1,264,838</b>	<b>-</b>	<b>45,968</b>	<b>(2,664,480)</b>	<b>(2,438,767)</b>	<b>4,907,336</b>	<b>1,114,895</b>

NET4GAS Holdings, s. r. o.

Auditor's Report and Financial Statements for the period ended 31 December 2014

On 30 June 2014, the Company's General Meeting decided to transfer the loss of the year 2013 on accumulated losses of the previous years.

Differences of CZK 45,968 thousand arising from the revaluation of assets and liabilities were settled as a result of ending of cash flow hedges agreements (see Note 11).

As at 30 September 2014 the executive directors decided on payment of advances for profit distribution to shareholders in amount of CZK 2,664,480 thousand.

The General Meeting of the Company held on 19 December 2014 decided on return of other capital funds to shareholders in amount of CZK 534,650 thousand to shareholder Allianz Infrastructure Czech HoldCo II S.à r.l and in amount of CZK 534,650 thousand to shareholder Borealis Novus Parent B.V. . Based on "Set-off and Assignment Agreement" from 19 December 2014 between the Company and companies Allianz Infrastructure Luxembourg I S.à r.l., Allianz Infrastructure Czech HoldCo I S.à r.l., Allianz Infrastructure Czech HoldCo II S.à r.l., Borealis Novus Holdings B.V. and Borealis Novus Parent B.V. was this return of other capital funds set off with receivable arising from loan inclusive related interests in amount of CZK 534,650 thousand towards shareholder Allianz Infrastructure Luxembourg I S.à r.l and receivable arising from loan inclusive related interests in amount of CZK 534,650 thousand towards shareholder Borealis Novus Holdings B.V. (see Note 14).

The General Meeting of the Company held on 19 December 2014 further decided on return of other capital funds to shareholders in amount of CZK 684,734 thousand to shareholder Allianz Infrastructure Czech HoldCo II S.à r.l and in amount of CZK 684,734 thousand to shareholder Borealis Novus Parent B.V.

Statement of changes in equity as at 31 December 2013 (in CZK thousands):

	As at 5 December 2012	Other capital funds contribution	Decrease of other capital funds	Revaluation of derivatives	Current period result	As at 31 December 2013
Share capital	200	-	-	-	-	200
Other capital funds	-	7,728,300	(5,091,599)	-	-	2,636,701
Differences arising from revaluation of assets and liabilities	-	-	-	(45,968)	-	(45,968)
Current period result	-	-	-	-	(1,326,095)	(1,326,095)
Total	200	7,728,300	(5,091,599)	(45,968)	(1,326,095)	1,264,838

On the basis of the Other Capital Funds Contribution Contract from 29 July 2013, other capital funds were increased by CZK 7,728,300 thousand.

The Company's General Meeting of Shareholders held on 13 November 2013 decided on other capital fund decrease of CZK 5,091,599 thousand.

Differences of CZK 45,968 thousand arising from the revaluation of assets and liabilities were due to changes in the fair value of derivatives, which are classified as cash flow hedges (see Note 11.).

Information on shareholders of the Company is in Note 1.

## **8. CURRENT LIABILITIES**

As at 31 December 2014 and 31 December 2013, the Company had no significant overdue current payables.

As at 31 December 2014, the Company did not have any unpaid tax liabilities. As at 31 December 2013, the Company recorded CZK 6,667 thousand of unpaid tax liability related to value added tax.

9

The accompanying balance sheet, income statement and cash-flow statement are an integral part of the financial statements.

NET4GAS Holdings, s. r. o.

Auditor's Report and Financial Statements for the period ended 31 December 2014

As at 31 December 2013 the other current liabilities comprised negative fair values of outstanding derivatives (see Note 11.). These derivatives were settled as at 28 July 2014.

As at 31 December 2014, the estimated payables included unbilled services of CZK 1,950 thousand. As at 31 December 2013, the unbilled deliveries included unbilled advisory services of CZK 3,458 thousand, estimates of "Commitment fees" of CZK 16,034 thousand (i.e. of fees for unused lines of credit), and unbilled guarantees of CZK 15,209 thousand to be recharged by group companies.

Payables to related parties are described in Note 14.

Trade payables and other liabilities were not secured by Company's assets and their maturity is less than five years.

## 9. BANK LOANS AND BORROWINGS

As at 28 July 2014, the bank loans and related obligations were fully paid.

Bank loans as at 31 December 2013 were as follows (in thousands):

Consortium of banks	Terms/ Conditions	Interest rate for period ending 31 December 2013 p.a.	Total limit in currency of loan in thousands	Amount in currency of loan in thousands	Amount in CZK thousands
Bank loan EUR	2 August 2018	2.591 %	350,000 EUR	332,500 EUR	9,118,813
Bank loan USD	2 August 2016	2.147 %	600,000 USD	570,000 USD	11,339,580
Bank loan CZK	2 August 2018	2.965 %	5,000,000 CZK	4,750,000 CZK	4,750,000
CAPEX loan CZK	2 August 2018	2.855 %	3,200,000 CZK	977,000 CZK	977,000
CAPEX loan EUR	2 August 2018		220,000 EUR	-	-
Revolving loan CZK	2 August 2018		2,500,000 CZK	-	-
Total					26,185,393
Instalments in next year					-
Instalments in following years					26,185,393

The above bank loans were granted pursuant to the "Facilities Agreement" of 28 March 2013 entered into by and between the Company, UniCredit Bank AG, London Branch and UniCredit Bank Czech Republic, a.s.

The CAPEX loan denominated in EUR and the revolving loan were not used as at 31 December 2013 or during 2014.

The above bank loans were fully repaid on 28 July 2014 by cash provided by NET4GAS, s.r.o. based on "Credit Facility Agreement" between the Company and NET4GAS, s.r.o. from 28 July 2014. This obligation of the Company was netted with receivable towards NET4GAS, s.r.o. from decrease of share capital of NET4GAS, s.r.o. as described in Note 4.

The interest expense relating to bank loans for 2014 and 2013 were CZK 362,204 thousand and CZK 263,896 thousand.

For the breakdown of additional fees related to bank loan arrangements and use, refer to Note 6.

The "Facilities Agreement" included the specific terms and conditions to be fulfilled. As at 31 December 2013, the Company was in compliance with these terms and condition. As at 31 December 2014, the Company records no bank loans.

The assets of subsidiaries were used as security to the bank loans and other liabilities. Information on this pledge is described in Notes 1. and 4.

10

The accompanying balance sheet, income statement and cash-flow statement are an integral part of the financial statements.

**10. OTHER LIABILITIES**

As at 31 December 2014 accruals included unpaid interest of CZK 413 thousand accrued on loans granted by companies in the group.

As at 31 December 2013 accruals included, in particular, unpaid interest of CZK 214,398 thousand accrued on loans granted by companies in group and interests from bank loans in amount of CZK 263,896 thousand and were charged to income for the year in which they were incurred.

**11. DERIVATIVES**

In 2013 the Company concluded several derivative contracts and classified derivatives as hedging derivatives. As at 31 December 2013, the derivatives were revalued at fair value, negative fair values of derivatives being included in other payables.

The following table summarizes face values and fair values of outstanding hedging derivatives as at 31 December 2013 (in CZK thousands):

	2013		
	Contractual/ Notional value in thousands	Positive in CZK thousands	Fair value Fair value in CZK thousands
Interest rate contracts			
Swaps	399,000 USD	-	(43,322)
Swaps	232,750 EUR	-	(50,371)
Swaps	3,325,000 CZK	-	(78,348)
Total hedging derivatives	-	-	(172,041)

Hedging derivatives included derivatives that were designated as hedging instruments of assets and liabilities in a hedge of an interest rate risk and that meet the criteria for hedge accounting.

As at 31 December 2013 the change in real value of the cash flow hedges was presented as loss on revaluation of assets and liabilities in equity.

On 28 July 2014 the derivatives contracts were settled in connection with premature repayment of the bank loans, to which these were concluded. The interest rate contracts were revalued at fair value and the negative fair value was included in other payables. These were subsequently repaid. As at 28 July 2014, the change in real value of these cash flow hedges was presented as loss on revaluation of assets and liabilities in equity and then charged to income statement as loss on revaluation of derivatives.

Expenses from swap contracts that were assigned to the costs of interests were in 2014 and 2013 CZK 178,950 thousand and CZK 126,073 thousand.

The loss on revaluation of derivatives was CZK 709,116 thousand in 2014.

**12. INCOME TAXES**

The preliminary corporate income tax computation (in CZK thousands):

	As at 31 December 2014	As at 31 December 2013
Profit or Loss before taxes	4,907,336	(1,326,095)
Nontaxable revenues		
Income from subsidiaries	(7,491,230)	-
Non-deductible expenses		
Consultancy services	9,308	55,168
Interest expenses	854,674	483,310
Loss on revaluation of swaps	525,715	-
Foreign exchange losses	-	657,486
Bank fees	501,630	62,691
Other	-	8
Tax loss	(692,567)	(67,432)

The amount of tax loss was increased on CZK 624,879 thousand in the final corporate tax return in 2013 due to change in method of calculation in comparison with preliminary calculation and change to tax deductibility of foreign exchange losses. The amounts presented in 2014 are based on preliminary calculation using the same method of computation as in 2013 corporate income tax return.

The Company quantified deferred taxes as follows (in CZK thousands):

Deferred tax Items	As at 31 December 2014		As at 31 December 2013	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Other temporary differences:				
Hedging derivatives recognized into equity, net	-	-	8,734	-
Tax loss	250,315	-	12,812	-
Total amount to be recognized in equity	-	-	8,734	-
Total amount to be recognized in income tax on profit or loss on ordinary activities	250,315	-	12,812	-

As at 31 December 2014, the Company did not recognize deferred tax assets of CZK 250,315 thousand into profit or loss on the basis that its recovery is not probable.

As at 31 December 2013, the Company did not recognize deferred tax assets of CZK 8,734 thousand and CZK 12,812 thousand into equity and profit or loss, respectively, on the basis that their recovery is not probable.

**13. COMMITMENTS AND CONTINGENCIES**

The Company had no other commitments and / or contingent liabilities and assets which were not shown on the balance sheet as at 31 December 2014 and 31 December 2013.

Information about the conditions of loans are listed in other notes of this Notes to financial statements.

**14. RELATED PARTY INFORMATION**

The members of statutory bodies, directors and executive officers were granted no loans, guarantees, advances or other benefits in period ending 31 December 2014 and 31 December 2013 and they do not hold any shares in the Company.

Long-term receivables from related parties (refer also to Note 4.) as at 31 December 2014 and 31 December 2013 were as follows (in CZK thousands):

Related party	Terms/Due dates	Rate p.a.	31 December 2014	31 December 2013
NET4GAS, s.r.o.	10 years	4.22%	-	11,000,000

Based on "Assignment, Set-off and Loan Agreement" from 28 July 2014 among the Company and Allianz Infrastructure Luxembourg I S.à r.l., Borealis Novus Holdings B.V. and NET4GAS, s.r.o, was this loan first transferred as described in Note 4.

Thereafter it was partly netted with the balance of long term liability in amount of CZK 4,966,502 thousand against the company Allianz Infrastructure Luxembourg I S.à r.l. and with the balance of long term liability in amount of CZK 4,966,502 thousand against the company Borealis Novus Holdings B.V.

Based on this agreement the remaining receivable in nominal amount of CZK 533,498 thousand inclusive interest in amount of CZK 1,152 thousand, i.e. total of CZK 534,650 thousand, was transferred towards company Allianz Infrastructure Luxembourg I S.à r.l. and the receivable in nominal amount of CZK 533,498 thousand inclusive interest in amount of CZK 1,152 thousand, i.e. total of CZK 534,650 thousand, towards company Borealis Novus Holdings B.V. These receivables were thereafter netted based on "Set-off and Assignment Agreement" from 19 December 2014 with liability arising from the repayment of contribution into other capital funds, as described in Note 7.

Interest income on the loans granted to related parties totaled CZK 279,356 thousand in 2014 and CZK 194,706 thousand in 2013.

Short-term receivables from related parties as at 31 December 2014 and 31 December 2013 were as follows (in CZK thousands):

Related party	Terms/Due dates	Rate p.a.	31 December 2014	31 December 2013
NET4GAS, s.r.o. – Cash pooling	3 months from notice delivery	0.15%	11,488	-
Total			11,488	-

Interest income on cash-pooling totaled CZK 847 thousand in 2014.

The revenues from share in NET4GAS, s.r.o. were CZK 7,491,230 thousand in 2014.

Long-term payables (loans) from related parties as at 31 December 2014 and 31 December 2013 were as follows (in CZK thousands):

Related party	Terms/Due dates	Rate p.a.	31 December 2014	31 December 2013
Společnost Allianz Infrastructure Luxembourg I S.à r.l.	20 years	7%	-	5,737,897
Borealis Novus Holdings B.V.	20 years	7%	-	5,737,897
Total			-	11,475,794

Long-term payables from related parties were fully paid as at 31 December 2014.

The interest expenses from loans granted by related parties as stated above were in 2014 CZK 428,593 thousand and in 2013 CZK 342,330 thousand. During 2013 CZK 137,041 thousand were added to the long-term payables from related parties and amount of CZK 205,289 thousand was presented as accruals.

Short-term payables companies with majority control as at 31 December 2014 and 31 December 2013 were as follows (in CZK thousands):

Related party	Terms/Due dates	Rate p.a.	31 December 2014	31 December 2013
NET4GAS, s.r.o.- CZK	13 November 2014	1.27%	-	5,091,599
NET4GAS, s.r.o.- CZK	13 November 2014	1.25%	-	200,000
NET4GAS, s.r.o.- EUR	13 November 2014	1.10%	-	109,700
NET4GAS, s.r.o.- CZK	Cash-pooling		-	3
NET4GAS, s.r.o.- CZK	23 March 2015	0.94%	178,968	-
NET4GAS, s.r.o.- EUR	23 March 2015	0.69%	804,025	-
NET4GAS, s.r.o.- USD	23 March 2015	0.85%	399,595	-
<b>Total</b>			<b>1,382,588</b>	<b>5,401,302</b>

Interest expense incurred on the short-term payables from companies with majority control was CZK 60,731 thousand in 2014 and CZK 9,109 thousand in 2013.

Interest expense incurred on cash-pooling was CZK 81 thousand in 2014. For details of cash-pooling liabilities, refer to Note 3.

Accrued interest from loans provided by related parties as at 31 December 2014 was in amount of CZK 413 thousand.

The Company recorded as at 31 December 2013 accruals amounting to CZK 15,209 thousand representing fees for guarantees provided within the group. All of these liabilities related to fees for guaranties provided within the Group were settled during the year 2014. For further information refer to Note 15.

## 15. SIGNIFICANT ITEMS OF INCOME STATEMENT

### Services (in CZK thousands):

	Financial period ending 31 December 2014	Financial period ending 31 December 2013
Statutory audit	596	494
Advisory services	5,522	28,826
Legal services	3,155	40,677
<b>Total</b>	<b>9,273</b>	<b>69,997</b>



NET4GAS Holdings, s. r. o.

Auditor's Report and Financial Statements for the period ended 31 December 2014

Finance income (in CZK thousands):

	Financial period ending 31 December 2014	Financial period ending 31 December 2013
Income from subsidiaries	7,491,230	-
Interest income	280,213	194,740
Foreign exchange gains	18,204	195,479
Total	7,789,647	390,219

Finance cost (in CZK thousands):

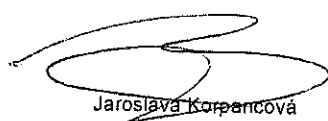
	Financial period ending 31 December 2014	Financial period ending 31 December 2013
Interest expense	1,030,559	741,408
Loss on revaluation of swaps	709,116	-
Foreign exchange rate losses	400,563	779,519
Arrangement and Ticking fees	624,697	67,435
Agency fees	-	3,113
Commitment fees	51,702	39,560
Fees for guarantees provided by group companies	56,173	15,209
Other banking fees	228	65
Total	2,873,038	1,646,309

**16. SUBSEQUENT EVENTS**

No events occurred after the financial statements' date, which would have a significant impact on the financial situation of the Company and should be disclosed in the notes to the financial statements.

**17. STATEMENT OF CHANGES IN EQUITY (SEE NOTE 7)**

3 March 2015



Jaroslava Korpánová  
Statutory Representative



Sebastien Sherman  
Statutory Representative

15

The accompanying balance sheet, income statement and cash-flow statement are an integral part of the financial statements.