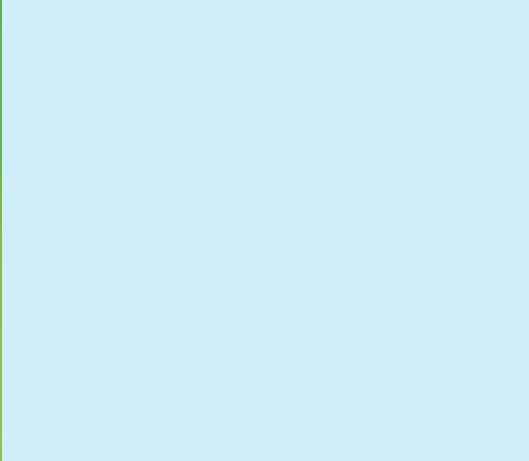
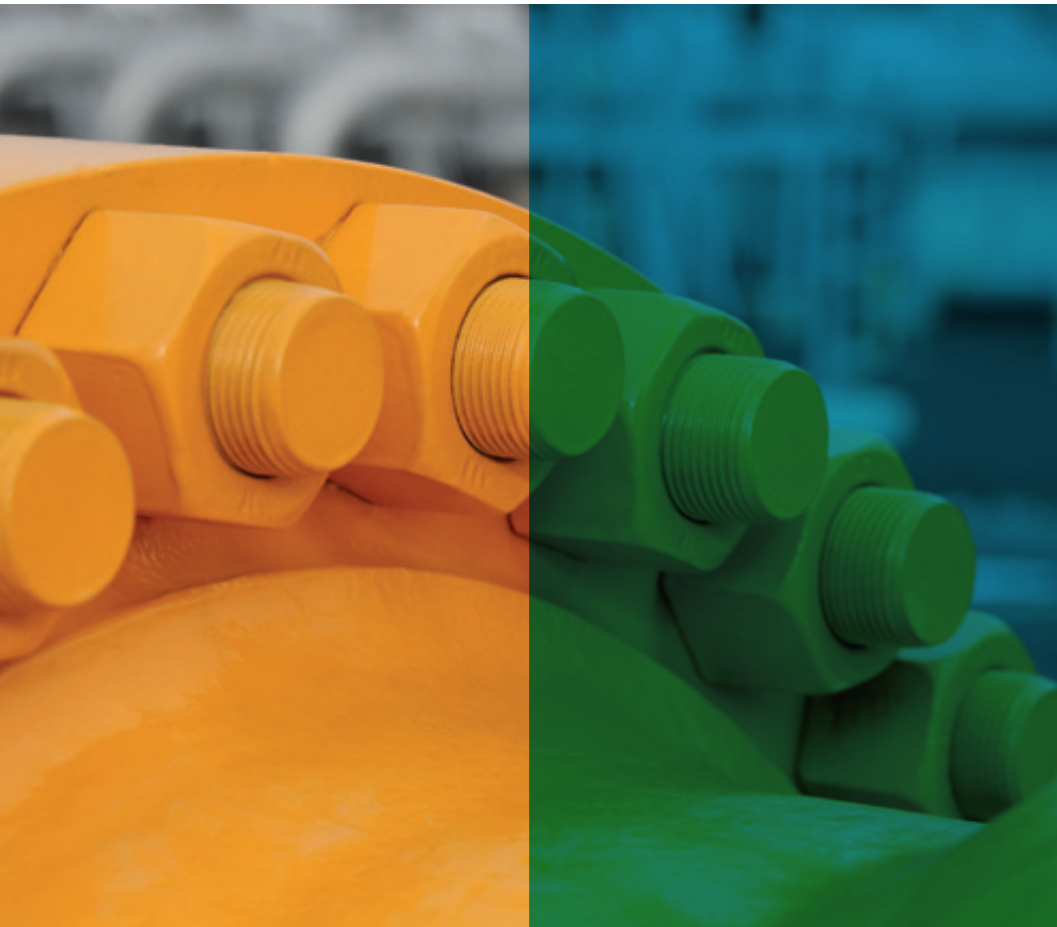


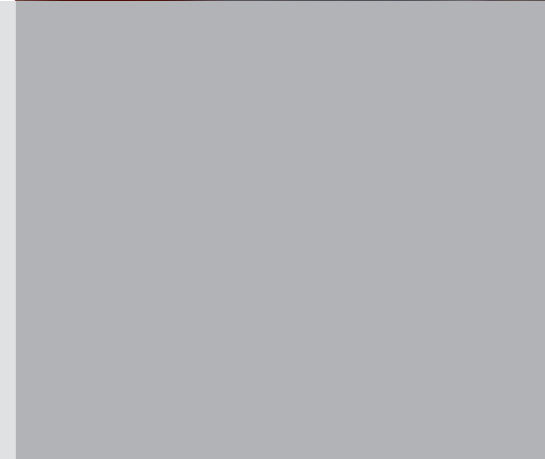
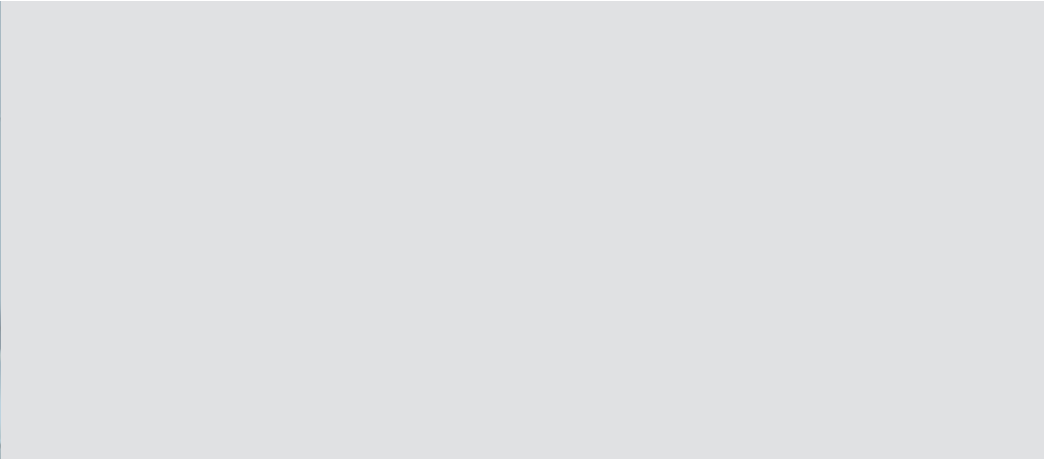
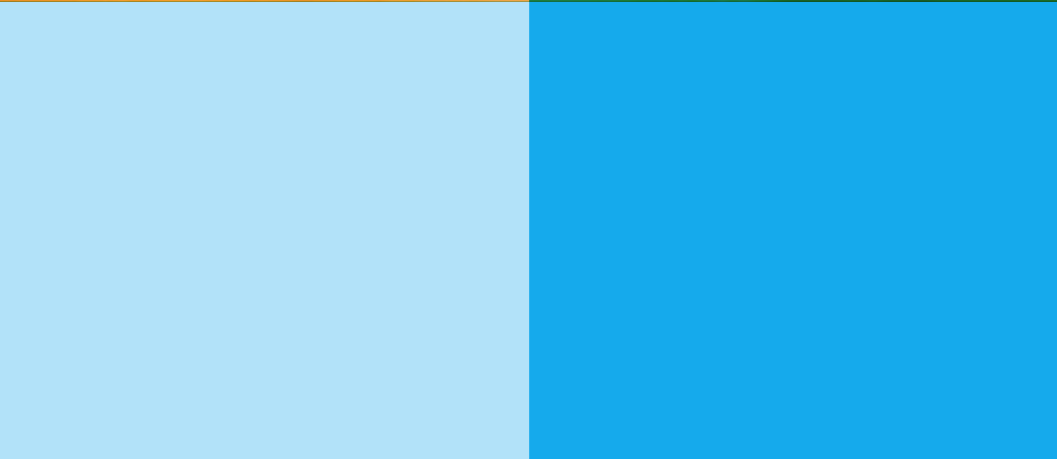
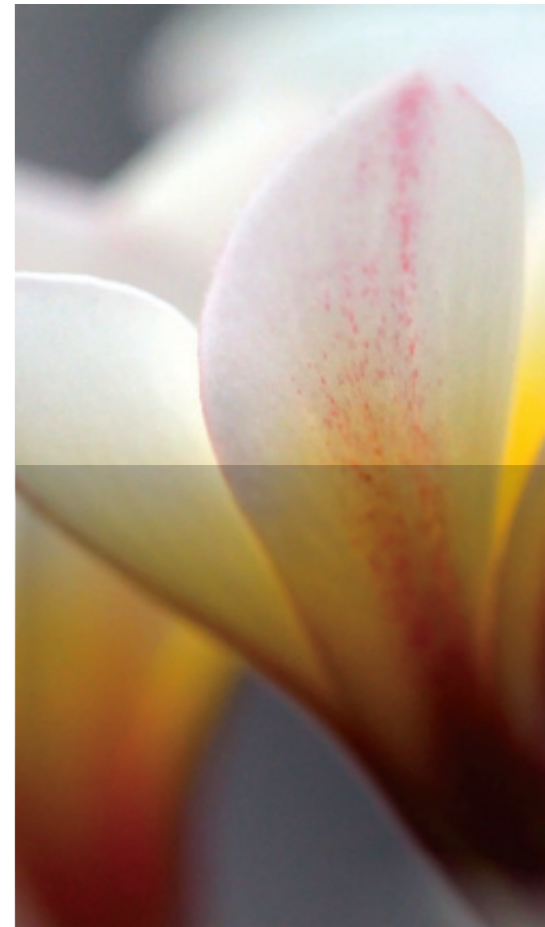
Annual Report
2014





For more than 40 years our net for gas has been connecting energy markets, guaranteeing security, reliability and operational excellence to uphold our commitments to present and future generations.

NET4GAS
Connecting Markets



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5 Foreword by the CEO

Ladies and Gentlemen,

For NET4GAS, 2014 was the first full year of operation under the new ownership of Allianz Infrastructure Czech HoldCo II S.à r.l. and Borealis Novus Parent B.V., our strong and long-term oriented shareholders. Most importantly, under the new ownership we have continued to provide our customers with safe and reliable gas transmission services on a 24/7 basis.

In 2014, we achieved a solid financial result, with our operating profit of CZK 3.9 billion, a fraction under the year before. Our total annual gas transmission reached the level of 47.4 billion cubic metres. Of this, 7.2 bcm went to the Czech market, where domestic consumption was down 1 bcm year-on-year, mainly due to a mild winter. Our capacity sales team handled more than 3,400 gas transmission contracts overall.

2014 was also a year of major geopolitical events which heavily influenced the activities of NET4GAS, above all the Ukraine crisis. This reinforced the trend towards reverse flow bookings in the Czech Republic, and has ultimately led to the complete physical reversal of gas flows, which now run north-south and west-east, in contrast to the traditional east-west flows. However, thanks to our fully flexible infrastructure and the spare capacities we have been able to offer, we have coped with this change in flow patterns very well.

In summer 2014, we successfully implemented a new capital structure, in which our rather costly short term debt has been replaced by a long-term mix of bonds and bank loans with favourable terms. This capital structure, which is founded on conservative business plan assumptions, will allow us to pursue our envisaged investment programme valued at around CZK 10 billion over the coming years. Our new capital structure and this investment programme have won us an investment grade rating of BBB from both Fitch (positive outlook) and Standard & Poor's (stable outlook).

To increase the flexibility and reliability of natural gas transmission and security of supply in Central and Eastern Europe, we have kept up the progress with our flagship projects Moravia and the STORK II project for a Polish-Czech gas interconnector. STORK II is already on the EU's Project of Common Interest (PCI) list since 2013, and is cited as a critical project by the European Commission in its European Energy Security Strategy of May 2014. Subject to developments in the Czech regulatory environment, we might be able to make definitive investment decisions about these projects in 2015.

We have also continued to shape our future by taking a proactive role in a number of European initiatives, including those of the Visegrad Group, through which we promote greater market integration in Europe.

The most significant milestone ahead of us in 2015 will be the decision of the Czech Energy Regulatory Office on the new rules for domestic gas transmission, which are to apply as of 2016. We trust these new rules will create sufficient regulatory stability and visibility, which are essential factors in investment decisions.

I take this opportunity to thank, first of all, our entire team of NET4GAS employees for their hard work in 2014. Let me also express my gratitude to our shareholders, customers, suppliers and partners for pulling together with us. Our three strategic pillars of Asset Flexibility, Operational Excellence and New Market Design will remain the clear focus of our continuing work in 2015.

Andreas Rau
Chief Executive Officer
NET4GAS, s.r.o.

Company Profile

We secure efficient, safe and reliable gas transmission services for our customers 24/7.



NET4GAS secures:

International transit
of natural gas across
the Czech Republic

Domestic transmission
of natural gas to
partners in the Czech
Republic

Operation of a flexible,
demand-oriented
transmission system,
and the provision of
associated commercial
and technical services

NET4GAS at a glance

- Holds an exclusive gas Transmission System Operator (TSO) licence in the Czech Republic.
- Has sufficient transmission capacities to satisfy both domestic and foreign demand.
- Transmits more than 45 billion m³ of natural gas each year (of which around 15-20 % is for domestic consumption).
- Operates more than 3,800 km of pipelines.
- Operates three border transfer stations, four compressor stations, and nearly a hundred transfer stations for the purpose of domestic distribution.
- Is a member of the Czech Gas Association, the international organisations ENTSOG, GIE, EASEE-gas, and Marcogaz working groups.
- Has more than 500 employees.
- Is committed to its corporate social responsibility.



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Our strategy

Our mission

Our mission is to secure efficient, safe and reliable gas transmission services for our customers 24 hours a day, 7 days a week, and to provide sufficient capacities in all supply situations based on a non-discriminatory and transparent approach.

Our vision

As a major Central European gas Transmission System Operator, NET4GAS will play an active role in connecting and integrating European gas markets to the benefit of both Czech and other European gas customers.

Highly qualified employees are our company's foundation stone and most valued resource. Their team-oriented work and target-driven approach are major factors in the company's continuous development, which is focused clearly on the three strategic pillars of asset flexibility, operational excellence and new market design.

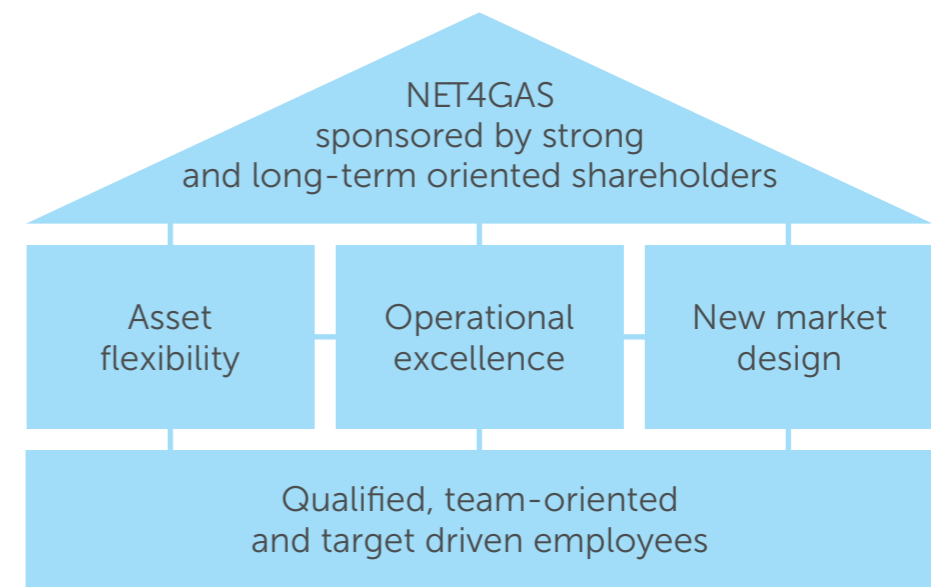
Along with the range of attractive capacity products we offer our customers, increasing our asset flexibility by building and optimising new and existing cross-border interconnectors allows us to respond swiftly to changing gas flow patterns in Europe, while strongly supporting further market integration.

We strive for operational excellence to meet our customers' expectations and to manage the financial and operational demands of increasing regulation and growing competition on energy markets.

We will continue to take a pro-active role in the development of the new EU gas market structure guided by the Vision for a European Gas Target Model, and by doing so will contribute to the creation of functioning gas markets, especially in Central and Eastern Europe where we operate.

In achieving our vision and attaining our strategic goals we receive major sponsorship from our strong and long-term oriented shareholders, who thus safeguard the fulfilment of our company strategy.

We are also fully aware of our corporate social responsibility, and we strictly follow an environmental policy committed to both present and future generations.



Ownership and Organisational Structure

We can rely on the sponsorship
of strong and long-term oriented
shareholders.



Ownership

as of 31 December 2014

For the entirety of 2014, NET4GAS, s.r.o. (hereinafter "NET4GAS") was wholly owned by NET4GAS Holdings, s.r.o., which in turn is owned by a consortium formed by Allianz Infrastructure Czech HoldCo II S.à r.l. (50 %) and Borealis Novus Parent B.V. (50 %).

Supervisory Board

as of 31 December 2014

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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 of 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 of bodies of other companies: none

Other business activities: none

Jaroslava Korpanec

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 of 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 of 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 of 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 on the Supervisory Board in 2014

On 28 July 2014, Ing. Jan Zaplatílek submitted a letter of resignation from the Supervisory Board. His position as a member of the Supervisory Board of NET4GAS terminated on 30 September 2014. No other changes occurred in the composition of the Supervisory Board during 2014.

Company Management

as of 31 December 2014

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Radek Benčík

Andreas Rau

Václav Hrach

Andreas Rau

Statutory Representative 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

Statutory Representative 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 of 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.

Statutory Representative 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's and postgraduate level)

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.

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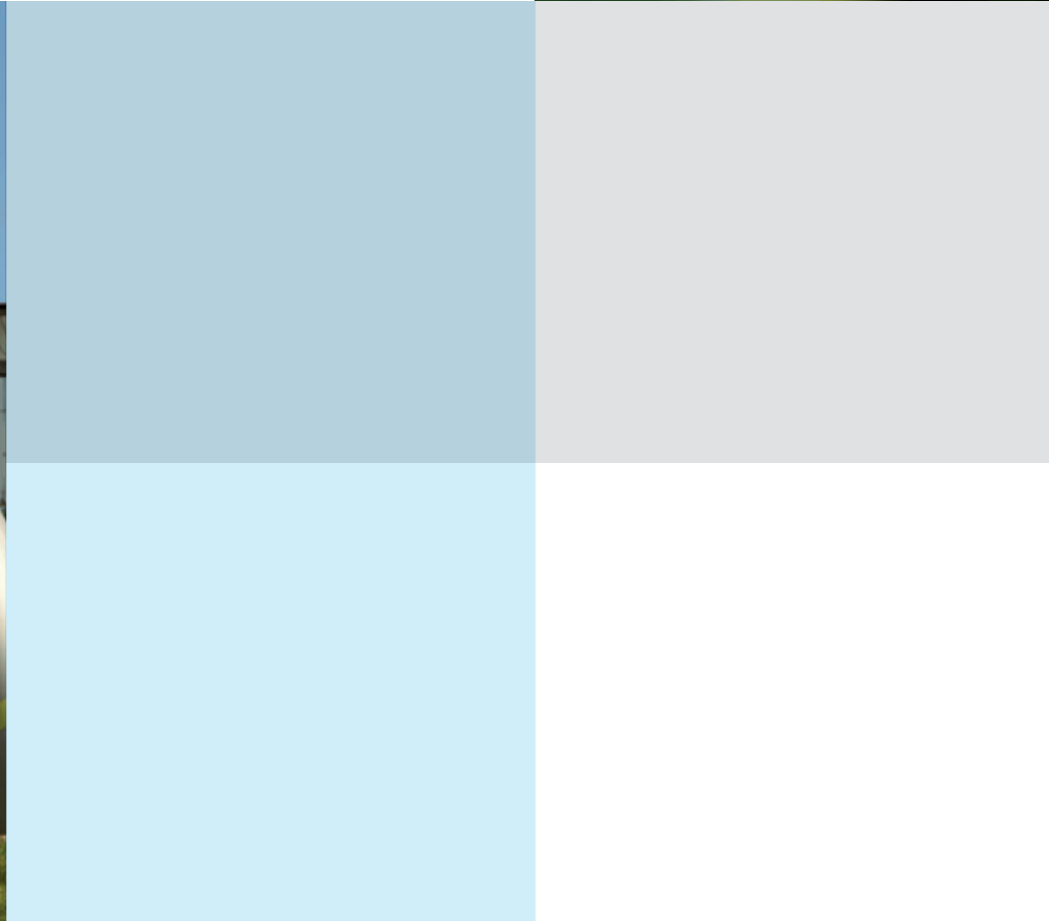
Organisational structure of the company

as of 31 December 2014



Report on Operations

We provide sufficient capacities
in all supply situations based
on a non-discriminatory
and transparent approach.



Key Economic Events & Indicators

18 19

Recapitalisation project

We have completed the implementation of a new long-term capital structure and are ready for key investments into the development of our gas transmission system.

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.à 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 the 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. This has secured the company long-term against the type of interest rate fluctuations which commonly occur in external sources of financing. 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 smooth implementation of all the investments planned in the long-term development of the transmission system.

Economic indicators

Selected indicators	2014
Total revenue (CZK million)	8,791
Operating profit (CZK million)	3,897
Financial result (CZK million)	(274)
Profit before taxation (CZK million)	3,623
Profit after taxation (CZK million)	2,966
Acquisition of fixed assets (CZK million)	491
Number of employees (converted to FTE)	503

Revenues, costs, profit

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

Asset structure

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 total assets. Roughly 58 % of current and other assets and roughly 37 % of cash consisted of short-term receivables.

Investments

The company'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 company'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.

Structure of liabilities and equity

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 share 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.à 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 %.

Research and development activities

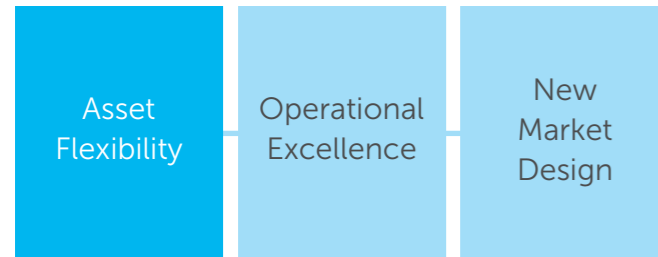
NET4GAS did not make any major expenditure into research and development in 2014.

Branches

NET4GAS has no branches either in the Czech Republic or abroad.

Asset flexibility

We are enhancing our asset flexibility in order to be able to respond swiftly to changing gas flow patterns in Europe.



Asset development projects

Moravia pipeline project



The Moravia pipeline is one of the most important 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 under EU Regulation 347/2013. 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 the 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.

Thanks to our investment projects, the Czech Republic is one of the countries playing a lead role in ensuring the energy security of the European Union.



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 status 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_x, 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_x. 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

We are constantly upgrading our transmission system, using state-of-the-art technologies to keep up with market demands.

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

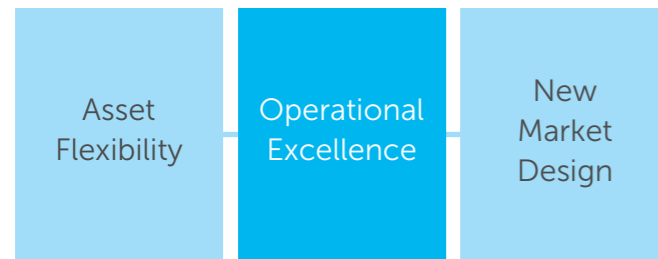
In 2014, a further stage of pipe replacement was carried out on the DN 700 pipeline Hrušky–Kyselovice–Libhošť–Děhylov, which is the only line to supply gas to northern Moravia and Poland, and is also the sole gas source for filling the underground gas storage facilities at Třanovice, Štramberk and Lobodice. 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.

Operational excellence

We strive for increasing our operational excellence in order to manage the financial and operational challenges of growing competition on energy markets.



Capacity sales

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

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 Nm³ of natural gas (while NET4GAS pumped further 2.15 million Nm³ 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

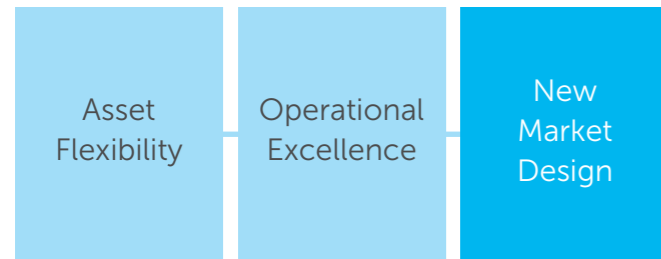
In 2014, the IT team successfully met demands made by NET4GAS operations units for uninterrupted connection to be maintained with key points of the transmission system in the event of a power blackout in the Czech Republic. In technical terms, this service involves the automatic activation of a wide 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.

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.



New market design

We are shaping our future by taking a pro-active role in European structures, allowing us to play a part in developing the future European Gas Model and in furthering market integration to the benefit of gas customers.



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 3rd 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 4th regulatory period, which is scheduled to begin on 1 January 2016.

Human Resources

Highly qualified, team-oriented and target-driven employees are our company's foundation stone and most valued resource.

Number of employees

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 company's line of business.

Social policy

The standard of our employees' working and social conditions 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. For example, it is helping young families with the process of returning to work, in particular by staying in contact with mothers during their parental leave, allowing them to actively participate in company projects even during this period, and not least of all by offering them

a home office option during difficult times. And just as in previous years, in 2014 NET4GAS employees had an opportunity to obtain financial support for a pre-school which their children attend.

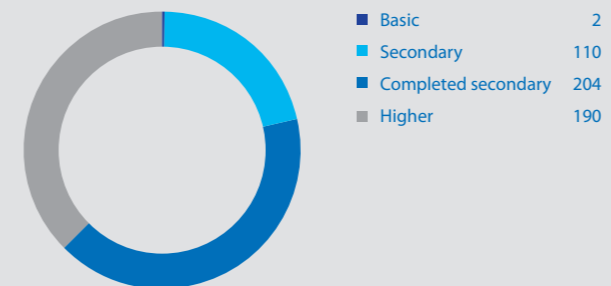
NET4GAS also provided support for the employment of handicapped persons. Every job was given an assessment to determine its suitability or unsuitability for handicapped persons, and then advertised as such.

Professional training and career development

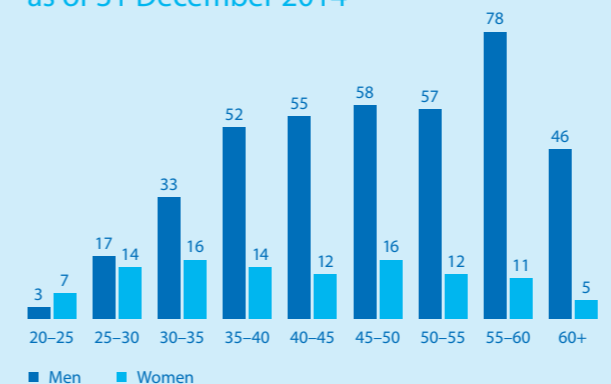
In 2014, NET4GAS invested 2.7 % of the company's annual personnel costs into the professional training of its employees. The average expenditure on training per employee was CZK 19,091. The education structure of NET4GAS employees has remained stable.

The company also continued its "Internship" programme for students and the "Trainee" programme for graduates, which are aimed at retaining specialist know-how and helping senior staff who are going into retirement pass on their experience to new employees (for more about how NET4GAS works with students see the section "Corporate Philanthropy").

Employee education structure as of 31 December 2014



Employee age structure as of 31 December 2014



Health and Safety at Work

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.

Environmental Protection

We are fully aware of our corporate social responsibility, and we strictly follow an environmental policy committed to both present and future generations.

Environmental protection is a top priority, and NET4GAS sees this as more than just a question of meeting statutory requirements. Protecting the environment is above all an aspect of the company's corporate social responsibility – towards its suppliers, business partners, employees and all the other stakeholders involved. The company's management has therefore 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.

Statutory compliance

NET4GAS strives to absolutely minimise the environmental impact of the operation of its gas transmission system. In 2014, it 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 company'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.

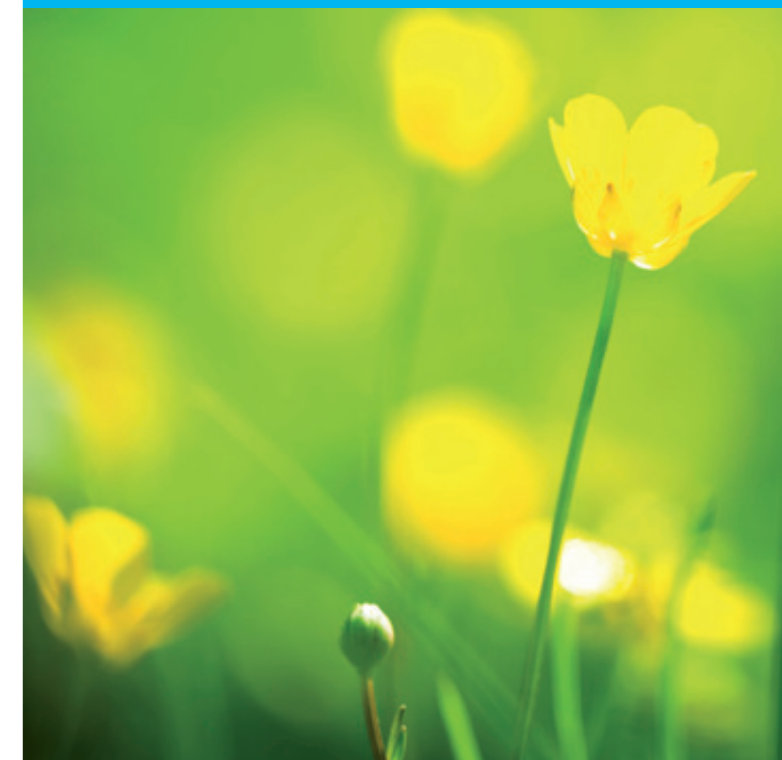
Activities going beyond legislation

NET4GAS has a sense of responsibility for environmental protection during its operations that goes beyond what is required by law. An example is the company's mobile compressor station, which is unique across the whole of Europe. By using this equipment to pump gas into a neighbouring section of pipeline before repairing a pipe in 2014, NET4GAS prevented the discharge of 2.15 million Nm³ of natural gas from its transmission system into the air. Without the mobile compressor, this greenhouse gas would have had to be released into the atmosphere for safety reasons (see also section „Specialised maintenance technology“).

The company also continued in 2014 with its programme "NET4GAS Closer to Nature", which supports projects aimed at nature conservation and environmental protection (see the section "Corporate Philanthropy").

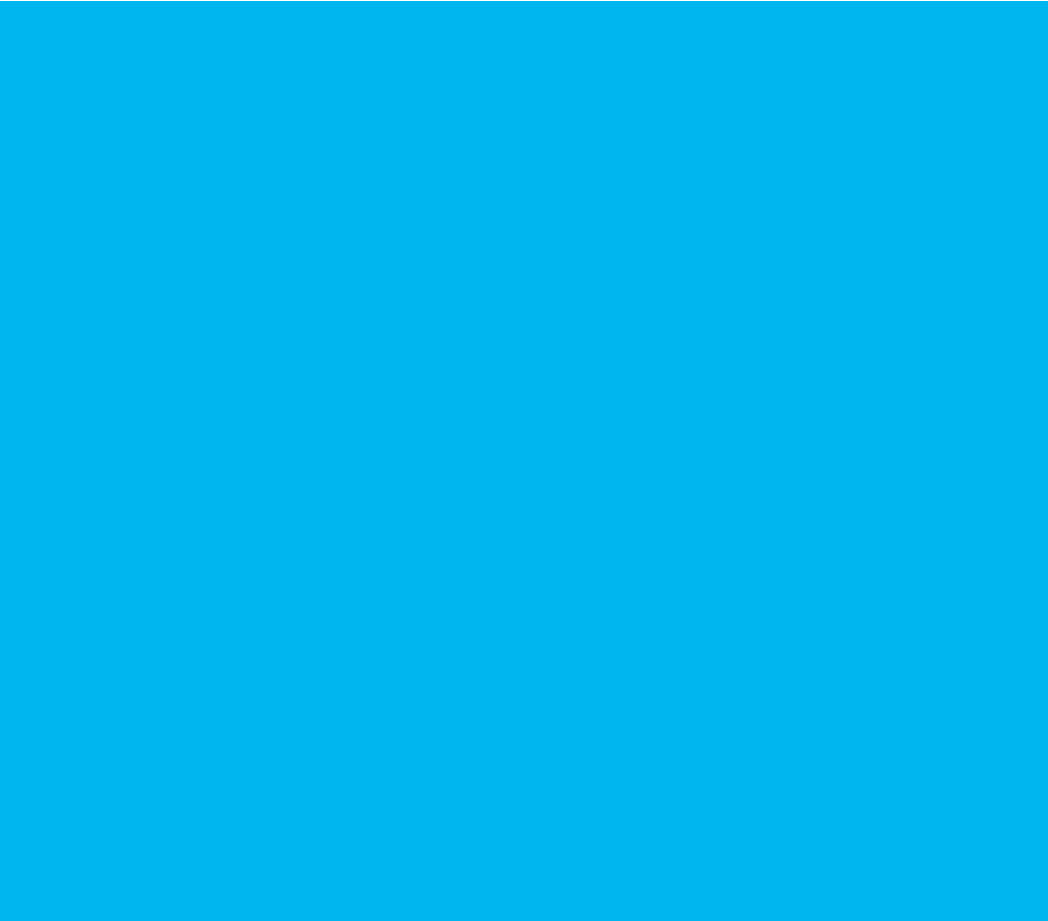
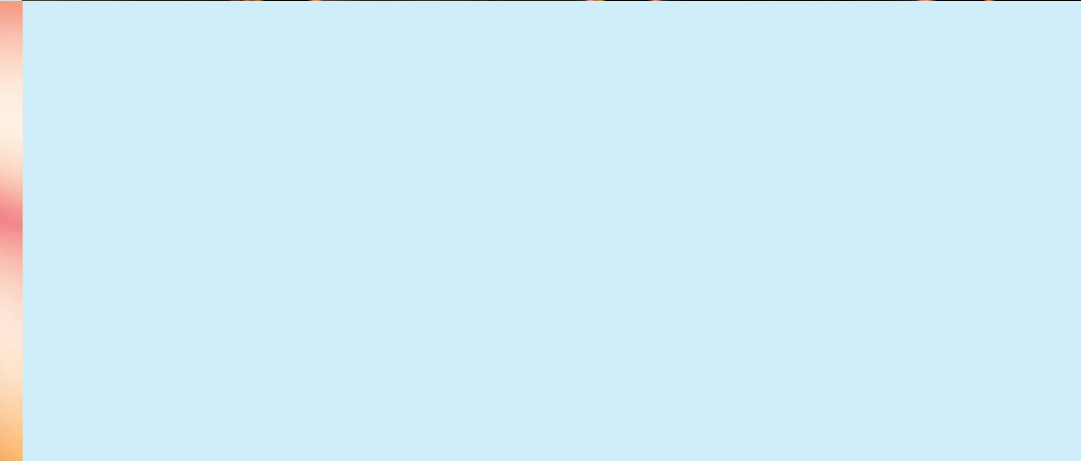
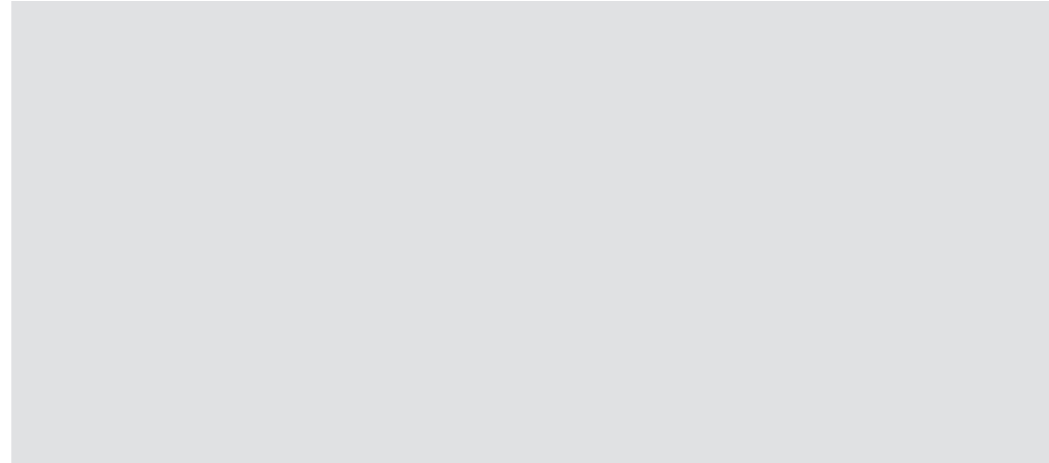
Of course, recycling, energy conservation and other environmentally friendly activities continued to be an everyday part of NET4GAS operations.

NET4GAS strives to absolutely minimise the environmental impact of the operation of its gas transmission system.



Internal Control Principles

We have internal control principles in place as a preventive measure, and as a means to achieve better results.



NET4GAS has internal control principles in place as a preventive measure, and as a means to achieve better results. These principles are implemented through advisory bodies to the company's management whose role is to perform internal control and risk management, as well as independent institutions overseeing the areas of ethics and fraud prevention.

Internal Audit Committee

The role of the Internal Audit Committee is to carry out regular monitoring and evaluation of the company's processes and activities, and to reduce potential risks. It forms an integral component of the company's management and control system, and is also an important means for achieving continuous improvement at NET4GAS.

Each year an Internal Audit Plan is prepared and approved. In 2014, audits were carried out on core processes in the following areas: Inventory Management, Cost Management in the Business Development Department, Settlement of Land Ownership Rights and Construction Permit Procedures, Organisational Structure Changes as of 1 January 2014, Sponsorship and Grants, and Project Management.

Risk Management System

NET4GAS manages its 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 company'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 its 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.

Code of Conduct

In 2014, the Compliance Officer for the Code of Conduct continued to monitor adherence to the Code, which is one of the key management documents of NET4GAS. The Annual Report on Compliance with the Code of Conduct contained no findings regarding violations of the Code.

NET4GAS is conscious of its role in society and its responsibility both towards its customers and business partners and towards its owner and employees. It has therefore committed itself to a clear set of principles which form a framework for its activities in the business and social spheres. These are defined for the company and its employees by its Code of Conduct, and are based on personal responsibility, honesty, loyalty, and respect for others and the environment.

NET4GAS focuses its energies primarily on providing its customers with the services they need, and achieving a corresponding level of commercial success. Only by constantly striving for higher quality and performance can the company continue to achieve adequate revenues for its sole member.

NET4GAS is committed to upholding the rules and regulations applying to human rights, labour relations, environmental protection and the fight against corruption. It undertakes to carry out its activities at all times in accordance both with the law and with unwritten social, cultural and ethical codes. It also subscribes to the fundamental principles forming a basis for the United Nations "Global Compact" initiative.

The press releases of NET4GAS are always complete, relevant, accurate in their content, comprehensible and up-to-date, and it respects the professional independence of journalists and the media.

In view of its importance for the economy and society, NET4GAS realises the need for dialogue with state authorities and political parties, although the company itself remains politically neutral. At the same time, it seeks dialogue with groups that are affected by its activities, or whose activities have a direct impact on its business.

NET4GAS endeavours to make its actions an example to others that will advance the principles laid down in its Code of Conduct. With this aim in mind, it encourages all its business partners to adopt the Code and consider its rules their own.

Ombudsman and fraud prevention

The Ombudsman in this context is an independent position which chiefly involves collecting complaints and information relating to fraudulent activities or to activities which are in conflict with the company's internal regulations or the law. The Ombudsman evaluates these submissions before convening an investigation committee, whose role is to make an independent assessment and evaluation and then propose corrective measures. The Ombudsman may also be contacted by parties outside the company.

In 2014, the position of Ombudsman was performed for NET4GAS by an outside law firm. At the end of 2014 the Ombudsman received a complaint, which related to the imposition of sanctions against Russia by the EU, USA and Canada and the technical specifications for a particular supply tendering procedure. The complaint was found to be unsubstantiated and thus closed in March 2015.

Corporate Philanthropy

We are aware of our social responsibility and are therefore actively extending our commitments to corporate philanthropy.



An integral aspect of the good reputation of a modern company is its responsible conduct towards local communities, the environment, its shareholders, suppliers and partners, and not least of all its own employees. And an integral part of the concept of corporate social responsibility is corporate philanthropy.

NET4GAS has a strong sense of its corporate social responsibility, and therefore in 2014 it continued to actively extend its commitments to corporate philanthropy and sponsorship in the following areas:

- NET4GAS Closer to Nature: nature and the environment protection
- NET4GAS Closer to Knowledge: education, training and research
- NET4GAS Closer to Regions: community development
- Companius: a programme supporting employees' volunteer activities

NET4GAS Closer to Nature

Come on a trip with us at www.closetonature.cz!

NET4GAS is both a reliable and safe gas transmission system operator, and at the same time pursues a responsible policy aimed at protecting nature and the environment for current and future generations. The commercial operations of NET4GAS are very closely connected with the issue of nature conservation, as during both the construction and the operation of its gas infrastructure it must comply with strict environmental standards. In fact, its concern for the natural environment extends even beyond the requirements of legislation. This principle not only underlies the company's responsible entrepreneurship, but is also the basis for its long-term strategy of corporate philanthropy and sponsorship, which has been implemented under the programme NET4GAS Closer to Nature since 2007. NET4GAS has been systematically providing long-term support to projects where a major aspect of sustainable development is expressed by precisely that motto – "Closer to Nature" – and can therefore be proud that in the long run it is the Czech Republic's largest private corporate donor in the field of nature conservation.

General partnership with the ČSOP

The general partnership between NET4GAS and the Czech Union for Nature Conservation (ČSOP) has pursued a clear and unchanging vision since the collaboration first began in 2007. And that is to present attractive and valuable natural sites to the public, and to use both education and fun as means to raise awareness about the reasons for their protection.

In 2014, NET4GAS and the ČSOP opened up a further seven sites of natural value to the public, bringing the total over their 8-year partnership to 68. The estimated number of visitors to locations included under the NET4GAS Closer to Nature programme is now in the region of an impressive 75,000 each year. This collaboration has also extended to the renovation of existing sites and promotion of the programme, in particular during

the ČSOP's annual "Meeting with Nature" campaign as well as the presentation of sites through the international Geocaching game, a spring arts and crafts competition for kids and a Christmas Closer to Nature quiz.

"The NET4GAS Closer to Nature programme is a unique form of support for us, allowing long-term, systematic promotion of our country's natural as well as cultural and historical treasures to the public. The long-term nature of this collaboration is particularly important for us. Without this support, the high quality and sometimes demanding groundwork, the actual work on the sites, and even the effort to improve things just wouldn't be possible. While many non-profit organisations are in danger of closing down at the present time because they haven't established solid collaboration with a socially responsible company, we have the assurance of continuity. We're enormously grateful to NET4GAS for that."

Ing. Petr Stýblo
Head of the Office of the Central Executive Board of the ČSOP

Sites opened to the public with ČSOP in 2014

Libušín Fortification

Project manager: ČSOP, Kladno district sub-organisation
Opening date: 23 May 2014

Location: Libušín, district of Kladno, Central Bohemian region

At Libušín hill fort, history and nature are interwoven with man's destructive impact on the land, as well as his later efforts to repair it. The site lies in the vicinity of an expanse of former coal mines, where it is interesting to observe the various stages of controlled remediation and of natural recovery without human input. On this nature trail, which has eleven stopping points along the way, visitors can learn about more than 200 local species of plants, which provide shelter and food to countless animal species. The

Church of St. George, a wooden bell tower and the sexton's cottage all still survive inside the castle walls.

Lušová Valley

Project manager: ČSOP, "Orchidea Wallachia" sub-organisation
Opening date: 23 June 2014

Location: Lušová, district of Vsetín, Zlín region

Lušová Valley is a fine example of a well-preserved fragment of Carpathian pasture land. In some areas, the local people still live off the land in smallholdings, and this contributes to preservation of the wealth of nature for future generations. An info panel informs visitors of the sweeping changes that have affected this landscape over the past few decades. It also presents a number of animal and plant species whose existence crucially depends on the continued low-impact husbandry of the Carpathian pastures and meadows (namely, butterflies and orchids).

Zásmuky Pheasantry

Project manager: ČSOP, Zásmuky district sub-organisation
Opening date: 25 June 2014

Location: Zásmuky, district of Kolín, Central Bohemian region

The Zásmuky Pheasantry trail familiarises locals and tourists alike with the history of this game preserve – in particular, the raising of a stock of white stag kept as hunting trophies in the past, and an ancient oak tree known as Leopold. It also presents the animals and plants that visitors can see here. Little ones, in particular, will be kept entertained by a variety of interactive features for them to play with.

Avenue beneath Hořinkova Cabin

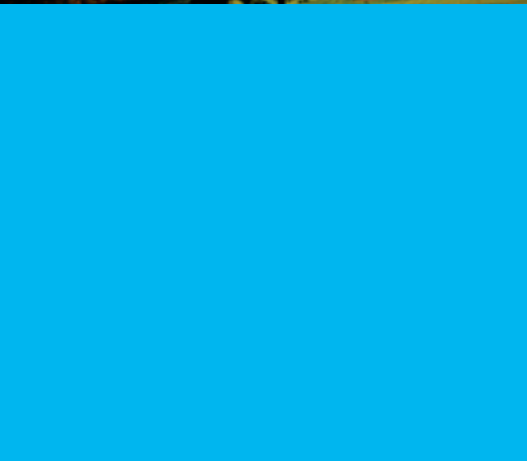
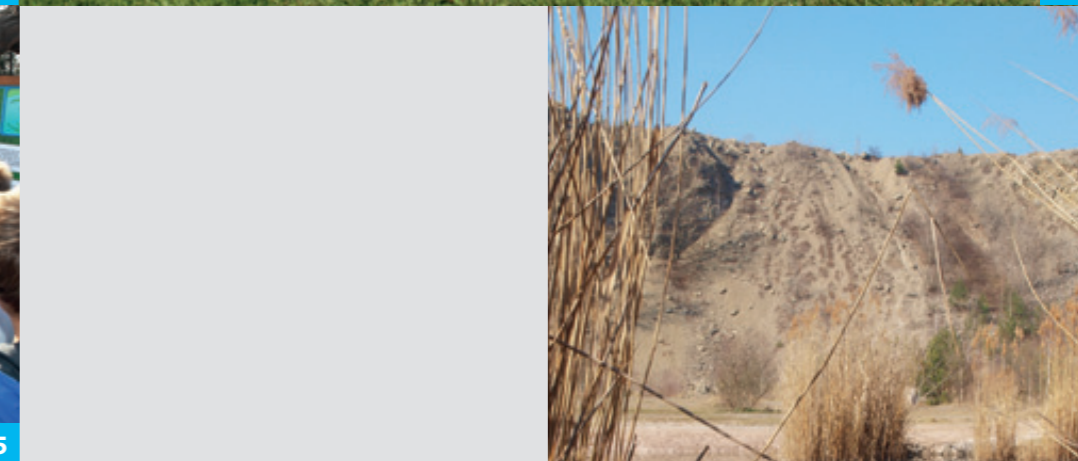
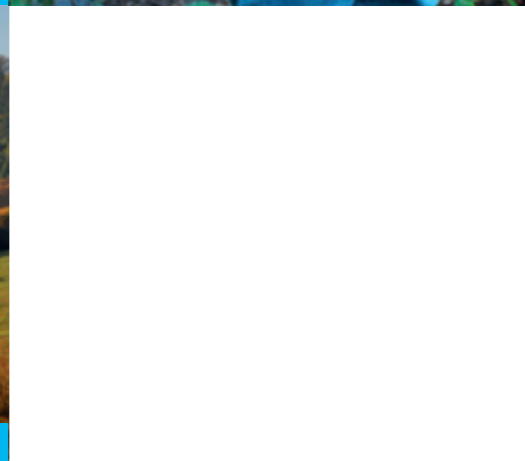
Project manager: ČSOP, Buchlovice district sub-organisation
Opening date: 11 September 2014

Location: Buchlovice, district of Uherské Hradiště, Zlín region

At this site a remarkable avenue of maples has been restored so that visitors can walk safely along it by a paved path to Buchlov Castle, rest on the newly installed benches, delight in the singularly beautiful surrounding countryside and drink in the atmosphere of this old tree-lined avenue. From an information panel visitors can learn about the people and reasons behind the avenue's creation and restoration, as well as about its role as a landscape feature, as an important habitat and a migratory path for fauna and flora alike.



- 1) Libušín Fortification
- 2) Zásmuky Pheasantry
- 3) Chlum
- 4) Avenue beneath Hořínkova Cabin
- 5) Through a Landscape of Floods
- 6) Lušová Valley
- 7) Hády Quarries and Surroundings



Chlum

Project manager: ČSOP, Klenice district sub-organisation

Opening date: 27 September 2014

Location: Nepřevázka, district of Mladá Boleslav, Central Bohemian region

Chlum is a popular destination for long walks and outdoor recreation. The site is unique, in particular, because of its wealth of natural sights and archaeological monuments, such as the occurrence of rare and protected plant and animal species, ancient fortifications, castle remnants, and Slavic burial-mounds. The local heritage is presented by means of ten information panels and interactive play features, QR codes link to webpages on the internet.

Through a Landscape of Floods

Project manager: ČSOP, Studénka district sub-organisation

Opening date: 9 October 2014

Location: Jeseník nad Odrou / Suchdol nad Odrou, district of Nový Jičín, Moravian-Silesian region

The "Through a Landscape of Floods" nature trail is set within the floodplains of the Oder River at the southernmost end of the Oder Valley (Poodří) protected landscape area. It leads through a territory of unique interest in terms of its geomorphological, hydrological, and biological qualities. A very wide range of topics are addressed by the nine stopping points along the trail, the aim being to present both the natural water cycle and human land use as basic requirements for preserving biodiversity. Along its 4.5 km track, the trail teaches visitors in an entertaining and playful way about the local wildlife, which may be completely overrun by flood water as many as several times a year.

Hády Quarries and Surroundings

Project manager: ČSOP, "Hády Land Stewardship Association" sub-organisation

Opening date: 9 November 2014

Location: Brno, district of Brno-město, South Moravian region

This nature trail with eight stopping points leads visitors through the backdrop of former limestone quarries and their immediate surroundings. It presents the southern slope of Hády Hill as a pearl of nature, abundant in protected plant and animal species and with an intriguing story to tell. It is rounded off by a breathtaking panoramic view of Brno and Southern Moravia.

Support for the ČSOP young environmentalists association

It is growing increasingly difficult in this day and age to encourage children and young people to develop a close relationship with nature. In 2014, after a year of "trial" collaboration, NET4GAS therefore decided to give its support to the nationwide science and nature competitions Zlatý list ("Golden Leaf") and Ekologická olympiáda ("Ecological Olympiad") organised by the young environmentalists association of the ČSOP by becoming their general partner.

"NET4GAS is a true partner to Golden Leaf and the Ecological Olympiad. Although I think the word "partner" is often overused in the business world, judging by my own experience it's the right word to use in the context of these ČSOP competitions. Someone who'll help you out in a difficult situation, who offers you prospects for the future, who has a special relationship with you, and treats you with trust and respect – these are the kinds of things I value in a partner in my personal life. And it's a similar pleasure and source of support to have that kind of partner in your working life too. So we're very happy to have found one."

Ing. Jiří Kučera

President of the young environmentalists association of the ČSOP

Golden Leaf is a nationwide science and ecology competition for primary and secondary school students. Its main aim is to bring together kids who have a profound interest in the natural world at an event where they can test out and compare their knowledge through competition. The competition emphasises more than just theoretical "school" knowledge – it also involves hands-on work in the natural environment and for its benefit. The Ecological Olympiad is a nationwide secondary school competition which focuses on comparing knowledge and skills in the areas

of ecology, nature conservation and care for the environment. It particularly prioritises the practical application of knowledge and skills in solving real problems in the field, as well as the cultivation of teamwork.

General partnership with the project "Natura in Green"

In 2014, NET4GAS continued to collaborate on a joint project with the Beleco association (formerly DAPHNE Czech Republic) entitled "Natura in Green – Management of Europe's Special Areas of Conservation Influenced by Former Military Activities". As its name suggests, this project is aimed at restoring scientifically valuable biotopes at sites impacted by former military activities. Due to their quality, the areas involved are listed as Europe's Special Areas of Conservation in the framework of Natura 2000. Pilot projects ran at the locations Blšanský Chlum Hill (in the Louny district) and Načeratice Hill (district of Znojmo). Full support for these projects was expressed by all those involved, including the Ústí and South Moravian regions.

Main partnership with the Naše příroda magazine

2014 was the fourth year that NET4GAS has been the main partner of the Naše příroda ("Our Nature") civic association, providing support for the publication of its magazine of the same name.

"The fact that the "Our Nature" magazine exists at all is largely thanks to the financial support of our main partner, NET4GAS. We would like to express our sincerest gratitude not only for the kind assistance as our partner, but above all for their help in fostering a socially responsible attitude to the environment."

Aleš Darebník

Naše příroda, o. s.

NET4GAS Closer to Knowledge

This second pillar of philanthropy and sponsoring has its foundation in the focus of NET4GAS on operational excellence delivered by a trained and qualified team. Sustainable development would be impossible without quality training, education, research and development. NET4GAS therefore supports all of these areas under its programme NET4GAS Closer to Knowledge. Under this programme NET4GAS has provided help and support to dozens of kindergartens, primary and secondary schools, universities and higher education institutions, as well as other initiatives. NET4GAS is thereby endeavouring to build a close relationship with students, as this is something which has been neglected in the past. The consequences are now being felt by Czech industry, particularly in the area of qualified technical positions.

"The motivational scholarships offered in collaboration with NET4GAS have genuinely increased students' interest in fields focusing on gas industry issues. Since our partnership began we have once again seen a growing trend in student numbers. Thank you."

Doc. Ing. Karel Ciahotný, CSc.

Director of the Institute of Gas, Coke Chemistry and Air Protection at the UCT Prague

In 2014, NET4GAS continued to develop its general partnership with the Institute of Gas, Coke Chemistry and Air Protection of the Faculty of Environmental Technology at the University of Chemistry and Technology (UCT) Prague, as well as its partnership with the Institute of Materials Engineering of the Faculty of Mechanical Engineering at the Czech Technical University in Prague. This included awarding motivational scholarships to exceptional students, proposing topics for bachelor's, master's and doctoral theses, organising specialist lectures and trips for students, consulting with students on their theses, and hiring students under the Internship and Trainee programmes (see the "Human Resources" section).

NET4GAS Closer to Regions

Long-term development and maintenance of the gas transmission system, which runs through almost every one of the regions of the Czech Republic, is a cornerstone of NET4GAS business operations. As a good neighbour, the company targets its third programme – NET4GAS Closer to Regions – on community development in all of the areas where it operates.

In 2014, NET4GAS continued its general partnership with the VIA Foundation in its programme “The Place Where We Live”. Five projects were undertaken whose goal was to create or restore public spaces with the help of local inhabitants.

The conditions for receiving support are that the public must be able to influence the future form of the space during the planning process, and must contribute their own voluntary work during its construction. It is also assumed that opportunities will be created for close cooperation among the non-profit sector, local government and local businesses. The aim of the programme is to stimulate the development of local community life. Each of the chosen organisations received a grant as well as access to free training in the area of community planning.

Locations officially opened with the VIA Foundation in 2014

Strmilov municipality

Location: Strmilov, district of Jindřichův Hradec, South Bohemian region
Project: “Strmilov – A Nice Place to Live”

My Activity, o.p.s.

Location: City of Prague
Project: “Krejčárek Community Garden”

Nebovidská tvrz, o.s.

Location: Nebovidy, district of Kolín, Central Bohemian region
Project: “Let’s Restore Nebovidy’s Village Green”

Naše Chyšecko, o.s.

Location: Chyšky, district of Písek, South Bohemian region
Project: “Remodelling of public space in the village of Chyšky”

NATVRDLÍ, o.s.

Location: Velvary, district of Kladno, Central Bohemian region
Project: “The “Malovarák” pond & leisure site in Velvary”

“On behalf of all the active citizens who are transforming decaying public spaces in their communities into decent places to meet, our thanks go to NET4GAS for its support. “The Place Where We Live” is a key programme for the VIA Foundation, and as in previous years could not have gone ahead without the support of its partners.”

Štěpán Zelinger

Project Manager for the VIA Foundation’s “The Place Where We Live” programme

Companius

NET4GAS targets its corporate philanthropy not only at external projects, but internal ones too. Under the Companius Programme it provides assistance to individual and team projects of company employees who in their free time are engaged in organisations focusing on sports, culture and the arts, education, social issues, or the core area of its corporate philanthropy – nature conservation. NET4GAS supported a total of 33 employees and non-profit organisations under this programme in 2014.

Post Balance Sheet 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 maturity on 28 July 2026. The bonds were used to repay the part of the bank loans denominated in CZK.

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

Persons Responsible for the Annual Report

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

In Prague, on 14 April 2015



Andreas Rau
Statutory Representative

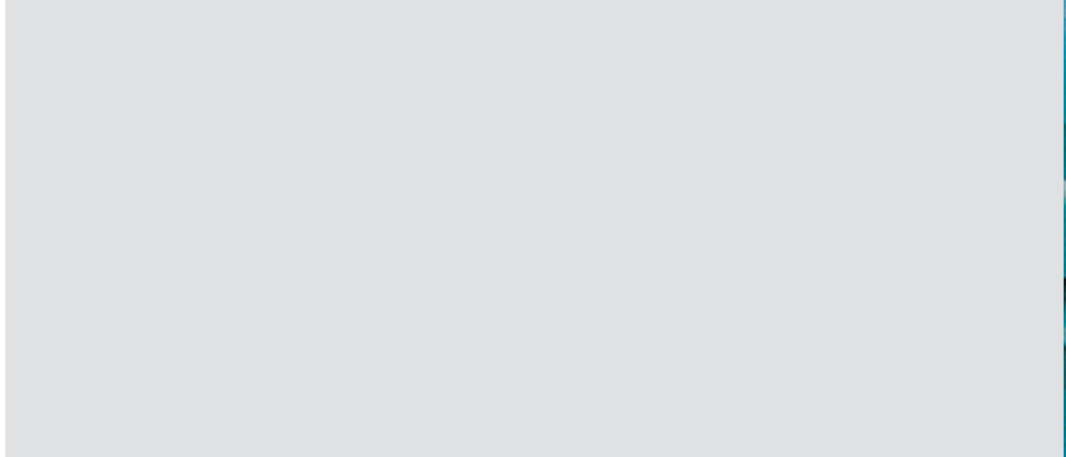


Ing. Radek Benčík, MBA
Statutory Representative



Ing. Václav Hrach, Ph.D.
Statutory Representative

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Balance Sheet (in thousand Czech crowns)

	31. 12. 2014			31. 12. 2013
	Gross	Provision	Net	Net
TOTAL ASSETS	72,349,913	(19,741,604)	52,608,309	57,601,060
B. Fixed assets	68,022,459	(19,741,069)	48,281,390	50,078,179
B. I. Intangible fixed assets	608,321	(386,069)	222,252	256,929
1. Research & development	59,676	(50,604)	9,072	13,869
2. Software	397,375	(327,303)	70,072	111,641
3. Royalties	6,569	(5,935)	634	1,119
4. Other intangible fixed assets	113,272	(2,227)	111,045	110,702
5. Intangible fixed assets in the course of construction	31,429	–	31,429	19,598
B. II. Tangible fixed assets	59,388,670	(19,355,000)	40,033,670	41,905,830
B. II. 1. Land	192,810	–	192,810	198,645
2. Constructions	53,652,220	(15,334,087)	38,318,133	39,892,458
3. Equipment	5,320,565	(4,020,913)	1,299,652	1,731,110
4. Other tangible fixed assets	554	–	554	554
5. Tangible fixed assets in the course of construction	206,190	–	206,190	82,548
6. Advances paid for tangible fixed assets	16,331	–	16,331	515
B. III. Long-term investments	8,025,468	–	8,025,468	7,915,420
B. III. 1. Investments in subsidiaries	8,025,468	–	8,025,468	7,915,420
C. Current assets	4,152,903	(535)	4,152,368	7,411,454
C. I. Inventories	65,057	–	65,057	49,556
C. I. 1. Raw materials	65,057	–	65,057	49,556
C. II. Long-term receivables	77	–	77	–
1. Other receivables	77	–	77	–
C. III. Short-term receivables	2,494,784	(535)	2,494,249	6,369,639
C. III. 1. Trade receivables	15,008	(535)	14,473	339,551
2. Receivables – subsidiaries / controlling parties	1,371,107	–	1,371,107	5,401,302
3. Taxes – receivables from the state	369,112	–	369,112	191,939
4. Short-term advances paid	3,673	–	3,673	9,153
5. Estimated receivables	735,884	–	735,884	423,893
6. Other receivables	–	–	–	3,801
C. IV. Financial assets	1,592,985	–	1,592,985	992,259
C. IV. 1. Cash in hand	124	–	124	239
2. Cash at bank	1,592,861	–	1,592,861	992,020
D. I. Prepayments and accrued income	174,551	–	174,551	111,427
D. I. 1. Prepaid expenses	174,138	–	174,138	102,229
2. Accrued income	413	–	413	9,198

	31. 12. 2014	31. 12. 2013
TOTAL LIABILITIES AND EQUITY	52,608,309	57,601,060
A. Equity	5,087,739	39,752,096
A. I. Share capital	2,749,965	31,792,965
A. I. 1. Share capital	2,749,965	31,792,965
A. II. Capital contributions	(628,113)	467,900
1. Other capital contributions	28,732	28,732
2. Assets and liabilities revaluation	(656,845)	439,168
A. III. Other reserves	–	2,114,152
A. III. 1. Reserve fund	–	2,114,152
A. IV. Retained earnings / Accumulated losses	–	2,310,205
A. IV. 1. Retained earnings	–	2,310,205
A. V. Profit / (loss) for the current period	2,965,887	3,066,874
B. Liabilities	47,490,210	17,842,556
B. I. Provisions	234,699	282,898
1. Other provisions	234,699	282,898
B. II. Long-term liabilities	35,921,712	15,815,874
B. II. 1. Trade payables	4,355	4,561
2. Liabilities – subsidiaries / controlling parties	11,000,000	11,000,000
3. Debentures and bonds issued	19,518,195	–
4. Other liabilities	1,040,039	–
5. Deferred tax liability	4,359,123	4,811,313
B. III. Short-term liabilities	2,959,644	1,743,784
B. III. 1. Trade payables	554,863	430,096
2. Liabilities – subsidiaries / controlling parties	661,819	484,035
3. Liabilities to employees	20,055	28,384
4. Liabilities for social security and health insurance	16,162	12,540
5. Taxes and state subsidies payable	109,585	116,059
6. Short-term advances received	753,978	384,930
7. Debentures and bonds issued	227,082	–
8. Estimated payables	248,514	164,047
9. Other payables	367,586	123,693
B. IV. Bank loans & overdrafts	8,374,155	–
B. IV. 1. Long-term bank loans	8,374,155	–
C. I. Accruals and deferred income	30,360	6,408
C. I. 1. Accrued expenses	30,360	6,408

Income Statement (in thousand Czech crowns)

		Accounting period	
		2014	2013
II.	Sales of production	8,868,012	9,130,612
II.	1. Sales of own products and services	8,790,720	9,050,610
	2. Own work capitalised	77,292	80,002
B.	Cost of sales	2,082,185	1,485,359
B.	1. Raw materials and consumables used	749,863	184,699
	2. Services	1,332,322	1,300,660
+	Added value	6,785,827	7,645,253
C.	Staff costs	510,619	589,381
C.	1. Wages and salaries	366,984	435,493
	2. Emoluments of board members	60	100
	3. Social security and health insurance costs	123,884	134,142
	4. Other social costs	19,691	19,646
D.	Taxes and charges	14,551	10,600
E.	Depreciation and amortisation expense	2,403,086	2,588,418
III.	Sales of fixed assets and raw materials	17,249	1,188
III.	1. Sales of fixed assets	17,241	590
	2. Sales of raw materials	8	598
F.	Net book value of fixed assets and raw materials sold	90,460	7,653
F.	1. Net book value of fixed assets sold	90,451	7,041
	2. Net book value of raw materials sold	9	612
G.	Changes in operating provisions and complex prepaid expenses	(165,051)	70,616
IV.	Other operating income	33,765	34,755
H.	Other operating expenses	86,157	41,295
*	Operating result	3,897,019	4,373,233
VII.	Income from long-term investments	398,968	-
VII.	1. Income from investments in subsidiaries and associates	398,968	-
VIII.	Income from short-term investments	339	316
IX.	Gain on revaluation of securities and derivatives	4,380	18,260
L.	Loss on revaluation of securities and derivatives	24,613	272,569
X.	Interest income	63,657	17,051
N.	Interest expense	868,696	470,964
XI.	Other financial income	362,609	244,899
O.	Other financial expenses	211,049	113,829
*	Financial result	(274,405)	(576,836)

		Accounting period	
		2014	2013
Q.	Tax on profit or loss on ordinary activities	656,727	729,523
Q.	1. – current	826,014	962,342
	2. – deferred	(169,287)	(232,819)
**	Profit or loss on ordinary activities after taxation	2,965,887	3,066,874
***	Net profit / (loss) for the financial period	2,965,887	3,066,874
****	Net profit / (loss) before taxation	3,622,614	3,796,397

Statement of changes in shareholder's equity Year ended 31 December 2014

(CZK'000)	Notes	Share capital	Reserve fund	Assets and liabilities revaluation	Other capital funds	Retained earnings	Total
As at 1 January 2013		31,792,965	1,775,378	-	28,732	6,775,461	40,372,536
Contribution to reserve fund		-	338,774	-	-	(338,774)	-
Profit distribution paid		-	-	-	-	(4,126,482)	(4,126,482)
Shares in subsidiary revaluation	5	-	-	439,168	-	-	439,168
Net profit for 2013		-	-	-	-	3,066,874	3,066,874
As at 31 December 2013		31,792,965	2,114,152	439,168	28,732	5,377,079	39,752,096
Fair value revaluation							
- financial derivatives	11	-	-	(1,206,061)	-	-	(1,206,061)
- share in subsidiary	5	-	-	110,048	-	-	110,048
Reserve fund cancellation	7	-	(2,114,152)	-	-	2,114,152	-
Share capital reduction	7	(29,043,000)	-	-	-	-	(29,043,000)
Profit distribution paid		-	-	-	-	(7,491,231)	(7,491,231)
Net profit for 2014		-	-	-	-	2,965,887	2,965,887
As at 31 December 2014		2,749,965	-	(656,845)	28,732	2,965,887	5,087,739

Cash flow statement Year ended 31 December 2014

(CZK'000)	2014	2013
Cash flows from operating activities		
Net profit on ordinary activities before tax	3,622,614	3,796,397
A.1 Adjustments for non-cash movements:		
A.1.1 Depreciation/amortisation of fixed assets	2,403,086	2,588,418
A.1.2 Changes in provisions	(165,051)	70,616
A.1.3 Loss from disposal of fixed assets	73,210	6,451
A.1.4 Profit distribution income	(398,968)	-
A.1.5 Net interest expense/(income)	805,039	453,913
A.1.6 Other non-cash movements	(89,412)	5,978
A.1.7 Change in fair value of financial derivatives	-	77,504
A* Net cash flow from operating activities before tax and changes in working capital	6,250,518	6,999,277
A.2 Working capital changes:		
A.2.1 Changes in receivables and prepayments and accrued income	(265,603)	(354,475)
A.2.2 Changes in short-term payables, accrued expenses and deferred income	949,590	(122,863)
A.2.3 Changes in inventories	17,689	(43,505)
A** Net cash flow from operating activities before tax	6,952,194	6,478,434
A.3 Interest paid	(615,867)	(470,964)
A.4 Interest received	72,442	8,335
A.5 Income tax on ordinary activities paid	(969,345)	(1,140,902)
A.6 Dividends received	398,968	-
A*** Net cash flow from operating activities	5,838,392	4,874,903
Cash flows from investing activities		
B.1 Acquisition of fixed assets	(587,700)	(301,358)
B.2 Proceeds from the sale of fixed assets	17,241	590
B.3 Loans to related parties	5,401,302	(5,401,302)
B*** Net cash flow from investing activities	4,830,843	(5,702,070)
Cash flows from financing activities		
C.1 Changes in long- and short-term liabilities	27,659,044	(962)
C.2 Changes in equity:		
C.2.1 Equity distribution paid to shareholders	(29,403,000)*	-
C.2.2 Profit distribution paid	(7,491,230)**	(4,126,482)
C*** Net cash flow from financing activities	(8,875,186)	(4,127,444)
Net increase/(decrease) in cash and cash equivalents	1,794,049	(4,954,611)
Cash and cash equivalents as at the beginning of the year	508,224	5,462,835
Cash and cash equivalents as at the end of the year	2,302,273	508,224

* Liability from decrease of share capital was partially netted with receivables from provided loans in the amount of CZK 26,516,680,000.

** From which CZK 7,355,087,000 was netted with receivables from loans provided as well as from cash-pooling receivables (shown in B.3).

Notes to Financial Statements

for the year ended 31 December 2014

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1. General information

1.1. Introductory information about the Company

NET4GAS, s.r.o. ("the Company") 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 primary 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 (the Energy Act). Identification number of the Company is 272 60 364.

Based on agreement of share transfer change of the sole shareholder took place on 2 August 2013. The company NET4GAS Holdings, s.r.o. became sole shareholder of the Company.

The Statutory Directors as at 31 December 2014 and 2013 were as follows:

As at 31 December 2014	As at 31 December 2013
Andreas Rau	Andreas Rau (since 1 December 2013)
Radek Benčík	Radek Benčík
Václav Hrach (since 1 March 2014)	

The members of the Supervisory Board as at 31 December 2014 and 2013 were as follows:

As at 31 December 2014	Function	As at 31 December 2013	Function
Radek Hromek	Member	Radek Hromek	Member
Sebastien Sherman	Member	Jan Zaplatílek	Member
Ralph Adrian Berg	Member	Sebastien Sherman	Member
Melchior Stahl	Member	Ralph Adrian Berg	Member
Jaroslava Korpancová	Member	Melchior Stahl	Member
		Jaroslava Korpancová	Member

On 2 August 2013 the following Supervisory Board memberships were terminated: Mr. Herrmann, Mr. Muhr, Mr. Terium and Mr. Böwing. At the same date the following persons became new members of the Supervisory Board – Mr. Sherman, Mr. Berg, Mr. Stahl and Mrs. Korpancová.

On 30 September 2014 Mr. Zaplatílek ceased to be a Member in the Supervisory Board.

The Company had four Proxies as at 31 December 2014 and five Proxies as at 31 December 2013.

The Company is organised as follows:

The General Meeting is the supreme body of the Company. The body governing the Company's activities and acting on its behalf are Statutory Directors, who always act two together. Also two Proxies can together act on behalf of the Company. The Supervisory Board is the controlling body of the Company.

Management of the Company is divided into three departments titled as follows: Section of General Manager, Section of Operation and Section of Finance.

The Company updated its Articles of Association that are now fully governed by the new Corporations Act. This fact became effective as at the date of its registration in the Commercial Register, specifically on 27 February 2014.

A reduction of capital to the amount of CZK 2,749,965,000 was incorporated into the Commercial Register on 14 August 2014.

On 25 August 2014 the lien to the share in the Company was in regarded to provided bank loans to the parent company NET4GAS Holdings, s.r.o. in favour of a mortgage creditor, UniCredit Bank Czech Republic, a.s., deleted from the Commercial Register (the lien was registered on 15 October 2013).

2. Accounting policies

2.1. Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic and have been prepared under the historical cost convention except as disclosed below. Derivatives, securities and investments (except for investments in subsidiaries and associates) are shown at fair value. Investments in subsidiaries and associates are valued by the equity method.

2.2. Intangible fixed assets

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

Purchased intangible fixed assets are initially recorded at cost, which includes all costs related with its acquisition. All research costs are expensed. 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 the shorter or longer period):

Intangible fixed assets	Estimated useful life
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 40,000 per year are capitalised.

Emission allowances are presented by the Company as Other intangible fixed assets.

Emission allowances allocated to the Company by the National Allocation Plan are recorded to the account Other intangible fixed assets and to the account Taxes and state subsidies payable upon being credited to the Company in the Register of Emission Allowances in the Czech Republic. Liability from the emission rights is released to Other operating income when respective expenses are incurred.

The consumption of emission allowances is recorded to other operating expenses on the basis of an estimate of actual CO₂ emissions produced in the period against other operating costs with simultaneous de-cognition of liability registered under the tax and subsidy item against other operating revenues, in case of emission allowance allocation. Emission allowances allocated to the Company free of charge are recorded at market price.

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

2.3. Tangible fixed assets

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

Purchased 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:

Tangible fixed assets	Estimated useful life
Buildings and constructions	30 – 70 years
Plant, machinery and equipment	4 – 40 years
Inventory	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 40,000 per year are capitalised.

2.4. Investments in subsidiaries

Investments in subsidiaries represent ownership interests in enterprises that are controlled by the Company (“the subsidiary”).

Investments in subsidiaries and associates are accounted for by the equity method of accounting. Under this method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognise the investor’s share of the equity of the subsidiary or the associate as at the balance sheet date. Revaluation of investment by using the equity method of accounting is recorded through the Company’s equity.

2.5. Inventories

Raw materials are mainly spare parts for the transmission system. 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.

2.6. Receivables

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

2.7. 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. If the liability arising from cash-pooling represents a form of financing then it is not presented in the cash flow statement as a part of the item Cash and Cash equivalents.

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

2.8. Foreign currency translation

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

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

2.9. 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.

Certain derivatives embedded in other financial instruments are not treated as separate derivatives.

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

The Company designates certain derivatives prospectively 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.

2.10. Bonds issued

The Company initially 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 Company designates certain foreign currency bonds to hedge future cash flows from selected forecasted transaction (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.

2.11. Revenue recognition

The Company recognizes as revenue mainly income from fees collected for the gas transportation within and across the Czech Republic.

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

2.12. Subsidies

The Company accounts for subsidies when once received, or at the time when it is beyond doubts that the subsidies will be received, i.e. receiving document on subsidies payment authorization.

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

2.13. 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.

2.14. Provisions

The Company recognises 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.

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

2.15. Employment benefits

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

2.16. Interest expense

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

2.17. Deferred tax

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

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.

2.18. Related parties

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

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

Material transactions and outstanding balances with related parties, are disclosed in Notes 14 and 15.

2.19. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the financial statements.

3. Intangible fixed assets

(CZK'000)	1 January 2014	Additions / transfers	Disposals	31 December 2014
Cost				
Research & development	72,846	–	(13,170)	59,676
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 the course of construction	19,598	11,831	–	31,429
Emission allowances	102,540	14,929	(21,074)	96,395
Total	581,030	64,777	(37,486)	608,321
Accumulated amortisation				
Research & development	(58,977)	(4,712)	13,085	(50,604)
Software	(259,394)	(71,151)	3,242	(327,303)
Royalties	(5,450)	(485)	–	(5,935)
Other intangible fixed assets	(280)	(1,947)	–	(2,227)
Total	(324,101)	(78,295)	16,327	(386,069)
Net book value	256,929			222,252

(CZK'000)	1 January 2013	Additions / transfers	Disposals	31 December 2013
Cost				
Research & development	83,372	399	(10,925)	72,846
Software	330,928	52,648	(12,541)	371,035
Royalties	6,419	150	–	6,569
Other intangible fixed assets	–	8,442	–	8,442
Intangible fixed assets in the course of construction	14,898	4,700	–	19,598
Emission allowances	111,015	1,492	(9,967)	102,540
Total	546,632	67,831	(33,433)	581,030
Accumulated amortisation				
Research & development	(61,319)	(8,583)	10,925	(58,977)
Software	(188,019)	(83,916)	12,541	(259,394)
Royalties	(3,186)	(2,264)	–	(5,450)
Other intangible fixed assets	–	(280)	–	(280)
Total	(252,524)	(95,043)	23,466	(324,101)
Net book value	294,108			256,929

4. Tangible fixed assets

(CZK'000)	1 January 2014	Additions / transfers	Disposals	31 December 2014
Cost				
Land	198,645	1,494	(7,329)	192,810
Buildings, halls and other constructions	53,851,522	165,247	(364,549)	53,652,220
Equipment	5,699,821	151,183	(530,439)	5,320,565
Other tangible fixed assets	554	–	–	554
Tangible fixed assets in the course of construction	82,548	123,642	–	206,190
Advances paid for tangible fixed assets	515	15,816	–	16,331
Total	59,833,605	457,382	(902,317)	59,388,670
Accumulated depreciation				
Buildings, halls and other constructions	(13,846,564)	(1,741,946)	283,523	(15,304,987)
Equipment	(3,968,711)	(581,436)	529,234	(4,020,913)
Provision for constructions	(112,500)	–	83,400	(29,100)
Total	(17,927,775)	(2,323,382)	896,157	(19,355,000)
Net book value	41,905,830			40,033,670

(CZK'000)	1 January 2013	Additions / transfers	Disposals	31 December 2013
Cost				
Land	198,038	1,225	(618)	198,645
Buildings, halls and other constructions	53,377,829	482,278	(8,585)	53,851,522
Equipment	5,558,277	294,266	(152,722)	5,699,821
Other tangible fixed assets	554	–	–	554
Tangible fixed assets in the course of construction	494,315	(411,767)	–	82,548
Advances paid for tangible fixed assets	554	(39)	–	515
Total	59,629,567	365,963	(161,925)	59,833,605
Accumulated depreciation				
Buildings, halls and other constructions	(12,048,601)	(1,806,548)	8,585	(13,846,564)
Equipment	(3,427,912)	(693,521)	152,722	(3,968,711)
Provision for constructions	(73,300)	(44,200)	5,000	(112,500)
Total	(15,549,813)	(2,544,269)	166,307	(17,927,775)
Net book value	44,079,754			41,905,830

As at 31 December 2013 the Company acted as a guarantor for the bank loans of the parent company NET4GAS Holdings, s.r.o. In 2014 the guarantee was terminated. Information about guarantees is disclosed in Note 18.

5. Investments in subsidiaries

31. December 2014	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2014 net profit (CZK'000)	Net assets (CZK'000)	2014 dividend income (CZK'000)
Czech entities								
BRAWA, a.s.	402,000	CZK 1,000	7,476,252	8,025,468	100	509,016	8,025,468	398,968
Total				8,025,468				398,968
Provision for diminution in value				–				
Net book value				8,025,468				

31. December 2013	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2013 net profit (CZK'000)	Net assets (CZK'000)	2013 dividend income (CZK'000)
Czech entities								
BRAWA, a.s.	402,000	CZK 1,000	7,476,252	7,915,420	100	439,395	7,915,420	–
Total				7,915,420				–
Provision for diminution in value				–				
Net book value				7,915,420				

BRAWA, a.s. with its registered office at Na Hřebenech II 1718/8, Prague – Nusle was incorporated based on the notary deed effective as at 27 October 2010. The company was registered in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 16622 based on the order of the Municipal Court in Prague, which came into force on 10 November 2010. The sole shareholder of the company is NET4GAS, s.r.o.

Based on the 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. The spin-off value as at 1 January 2013 was CZK 7,076,252,000.

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

From 25 January 2013 the share capital of BRAWA, a.s. was increased by CZK 400,000 thousand and registered in the Commercial Register.

6. Receivables

(CZK'000)	31 December 2014	31 December 2013
Trade receivables – current	11,762	337,841
– overdue	3,246	2,504
Total trade receivables	15,008	340,345
Estimated receivables	735,884	423,893
Other receivables – current	1,743,892	5,606,194
Total other receivables	2,479,776	5,606,194
Provision for doubtful receivables	(535)	(794)
Net book value of short-term receivables	2,494,249	6,369,638
Other long-term receivables	77	–
Net book value of long-term receivables	77	–
Total net book value of receivables	2,494,326	6,369,638

None of the receivables are due after more than 5 years.

As at 31 December 2013 the Company acted as a guarantor for the bank loans of the parent company NET4GAS Holdings, s.r.o. In 2014 the guarantee was terminated. Information about guarantees is disclosed in Note 18.

Other short-term receivables as at 31 December 2014 include mainly Cash-pooling receivables from NET4GAS Holdings, s.r.o. in the amount of CZK 1,371,107,000 (as at 31 December 2013: CZK 5,401,302,000). Tax receivables as at 31 December 2014 amount CZK 369,112,000 (as at 31 December 2013: CZK 191,939,000). Furthermore, short-term advances in the amount of CZK 3,673,000 (as at 31 December 2013: CZK 9,153,000) and receivables from financial derivatives in the amount of CZK nil (as at 31 December 2013: CZK 2,480,000).

7. Equity

Until 2 August 2013 the Company was fully owned by RWE Gas International N. V. incorporated in the Netherlands and the ultimate parent company of the group was RWE Aktiengesellschaft incorporated in Germany.

Since 2 August 2013 the Company is fully owned by NET4GAS Holdings, s.r.o., incorporated in the Czech Republic and NET4GAS Holdings, s.r.o. is the parent company of the group.

Share capital reduction to the amount of CZK 2,749,965,000 was registered in the Commercial Register on 14 August 2014.

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

The Statutory Body of the Company decided to transfer the reserve fund to retained earnings on 4 April 2014.

The sole shareholder decided to distribute the legal reserve fund in the amount of CZK 2,114,152,000 to retained earnings on 4 April 2014.

The sole shareholder approved the financial statements for 2013 and decided about the allocation of profit earned in 2013 in the amount of CZK 3,066,874,000 on 4 April 2014. Profit was transferred to retained earnings and based on the decision of shareholder on 25 June 2014 was subsequently paid. It was also decided to pay out retained earnings from 2012 in the amount of CZK 2,310,205,000.

8. Provisions

(CZK'000)	Other provisions	Income tax provision net of advances	Total
Opening balance as at 1 January 2013	284,896	10,745	295,641
Charge for the year	68,591	–	68,591
Released in the year	(659)	(5,978)	(11,404)
Used in the year	(69,930)	(4,767)	(69,930)
Closing balance as at 31 December 2013	282,898	–	282,898
Charge for the year	33,008	–	33,008
Released in the year	(50,788)	–	(50,788)
Used in the year	(30,419)	–	(30,419)
Closing balance as at 31 December 2014	234,699	–	234,699

For an analysis of the current and deferred income tax, see Note 12 – Income tax.

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

Advances for income tax in the amount of CZK 1,139,322,000 paid by the Company as at 31 December 2014 (as at 31 December 2013: CZK 1,136,160,000) were netted off with the provision for income tax in the amount of CZK 828,152,000 as at 31 December 2014 (as at 31 December 2013: CZK 968,320,000).

9. Liabilities

(CZK'000)	31 December 2014	31 December 2013
Trade payables:		
– current	554,659	430,096
– overdue	204	–
Total trade payables	554,863	430,096
Payables – subsidiary – cash-pooling BRAWA, a.s.	661,819	484,035
Short-term advances received	753,978	384,930
Estimated payables	248,514	164,047
Bonds issued	227,082	–
Other payables:		
– current	513,388	280,676
Total short-term liabilities	2,959,644	1,743,784
Trade payables	4,355	4,561
Long-term borrowings ²	11,000,000	11,000,000
Bonds issued ³	19,518,195	–
Bank loans ³	8,374,155	–
Other liabilities (fair value of derivatives) ⁴	1,040,039	–
Deferred tax liability ¹	4,359,123	4,811,313
Total long-term liabilities	44,295,867	15,815,874
Total short-term and long-term liabilities	47,255,511	17,559,658

1 see note 12 Income Tax

2 see note 15 Related party transactions

3 see note 10 Bank loans and other borrowings

4 see note 11 Derivative financial instruments

Short-term advances received represent mainly advances received for gas transmission.

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 94,033,000).

Furthermore they include subsidies received from the European Commission based on the Commission decision concerning the granting of the Union financial aid in the field of Regulation Trans-European energetic networks. In 2014 the grant in the amount of CZK 7,308,000 as provided for Action no. 2011-G190/11-ENER/11/TEN-E – SI2.636400 (as at 31 December 2013: CZK 7,229,000).

The Company recorded taxes and state subsidies payable include CZK 96,395,000 (2013: CZK 102,540,000), in 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 particular 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 Company does not have any overdue payables related to social or health insurance or any other overdue payables to tax authorities or other state institutions.

The above mentioned payables have not been secured against any assets of the Company.

Long-term loans are represented by fully secondary loan provided by Allianz Infrastructure Luxembourg I S.à r.l. (CZK 5,500,000,000) and Borealis Novus Holdings B.V. (CZK 5,500,000,000), which is due on 28 July 2044 (30 years after the date of conclusion of the credit agreement concluded on 28 July 2014).

Information about the maturity of the bonds and bank loans are disclosed in Note 10.

Total non-cancellable future commitments in respect of operating leases (not recorded in the balance sheet) amounted to CZK 37,031,000 as at 31 December 2014 (as at 31 December 2013: CZK 47,898,000).

10. Bank loans and other borrowings

(CZK'000)	31 December 2014
Long-term loans due between 1 – 5 years	8,374,155
Total bank loans and overdrafts	8,374,155
Bonds – interest payment maturing within 1 year	227,082
Total short-term borrowings	227,082
Bonds maturing after more than 1 year	19,518,195
Total long-term borrowings	19,518,195

As at 31 December 2013 the Company did not register any bank loans and other loans except for loans from related parties (see Note 15).

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

(CZK'000)	31 December 2014
Bonds – interest payment maturing within 1 year	227,082
Total short-terms loans and borrowings	227,082
Long-term loans due between 1 – 5 years	8,374,155
Total loans and borrowings due between 1 – 5 years	8,374,155
Bonds maturing after 5 years	19,518,195
Total loans and borrowings due after 5 years	19,518,195

Analysis of the bank loans:

	Interest rate (%)	Currency	Balance as at 31 December 2014 (CZK'000)
Bank consortium (maturity on 28 July 2018)	3M PRIBOR + margin	CZK	7,144,224
Bank consortium (maturity on 28 July 2018)	3M LIBOR + margin	USD	1,229,931
Total bank loans			8,374,155

Seven banks with different shares participated on total bank loans as at 31 December 2014.

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

The Company has due to conditions stated in loan contracts a limited right to lien its property in favour of another creditor.

Analysis of the bonds issued:

	Emission notional value	Due date	Coupon rate p.a. (%)	Annual coupon repayment due date	31 December 2014 (CZK'000)
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 XS 1090449627	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
Total bonds					19,745,277

Emission conditions of all above stated bonds are approved by the decision made by the Central Bank of Ireland. On 28 July 2014 these bonds were accepted for trading on regulated market of Irish Stock Exchange PLC.

Bonds denominated in foreign currency represent a constituent of hedge accounting, which in combination with below stated currency swaps represent the hedging instrument for securing future cash flows resulting from selected prospective transactions.

Bonds are stated at amortized cost reduced by other acquisition costs.

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

Information on loans provided by related parties are disclosed in Note 15.

11. Derivative financial instruments

11.1. Financial derivatives held for trading

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

(CZK'000)	31 December 2013		Notional amount
	Positive	Negative	
Currency forwards	2,480	(91,031)	2,247,322
Currency swaps	–	(3,002)	437,977
Total trading agreements	2,480	(94,033)	

Notional amount represents net presentation of total volume of closed transactions. Notional amounts of derivatives were transferred to the CZK with foreign exchange rates of the Czech National Bank as at 31 December 2013.

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

Changes in fair value of trading derivatives are recorded in the profit and loss account.

11.2. Financial derivatives that meet the criteria for hedge accounting – Cash flow hedging agreements

(CZK'000)	31 December 2014		Notional amount
	Positive	Negative	
Swaps – Cross Currency Swaps	–	(1,255,865)	9,981,000 (EUR 360,000,000)
Total cash flow hedging derivatives	–	(1,255,865)*	9,981,000

* From which CZK 215,826,000 represents the short-term part and CZK 1,040,039,000 the long-term part.

As at 31 December 2013 the Company did not register financial derivatives that met the criteria for hedge accounting.

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.

12. Income tax

Analysis of the income tax expense:

(CZK'000)	2014	2013
Current tax expense	828,152	968,320
Deferred tax expense	(169,287)	(232,819)
Adjustment of prior year tax expense based on final CIT return	(2,138)	(5,978)
Total income tax expense	656,727	729,523

Analysis of current tax:

(CZK'000)	2014	2013
Net profit before taxation	3,622,614	3,796,397
Non-taxable items	(759,612)	(301,966)
Difference between accounting and tax depreciation	1,356,425	1,471,775
Non-taxable income	144,468	140,653
Gifts	(5,198)	(10,439)
Net taxable profit	4,358,697	5,096,420
Corporate income tax at 19%	828,152	968,320

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

Analysis of deferred tax asset/ liability:

(CZK'000)	31 December 2014	31 December 2013
Deferred tax liability arising from:		
Difference between accounting and tax net book value of assets	(4,686,647)	(4,871,440)
Total deferred tax liability	(4,686,647)	(4,781,440)
Deferred tax asset arising from:		
Other provisions and allowances	44,621	60,128
Cash flow hedges	282,903	-
Total deferred tax asset	327,524	60,128
Net deferred tax liability	(4,359,123)	(4,811,313)

13. Revenue analysis

Revenue analysis:

(CZK'000)	2014	2013
Transportation		
– foreign customers	7,486,650	6,957,827
– domestic customers	1,261,962	2,013,173
Other – domestic	42,108	79,610
Total sales of own products and services	8,790,720	9,050,610
Own work capitalised	77,292	80,002
Sales of fixed assets and raw materials	17,249	1,188
Other operating income	33,765	34,755
Total revenue from operating activities	8,919,026	9,166,555

14. Employees

	2014	2013
Statutory representatives who are employees	3	2
Average number of other members of management	13	12
Average number of other staff	487	514
Total number of employees	503	528

The Company's management includes Statutory Directors and other Directors subordinated to them.

(CZK'000)	Management	Other staff	Total
2014			
Wages and salaries	58,228	308,756	366,984
Emoluments of Board members	60	-	60
Social security costs	10,887	112,997	123,884
Other social costs	468	19,223	19,691
Total staff costs	69,643	440,976	510,619
2013			
Wages and salaries	92,657	342,836	435,493
Emoluments of Board members	100	-	100
Social security costs	12,439	121,703	134,142
Other social costs	354	19,291	19,646
Total staff costs	105,550	483,830	589,381

Other transactions with the Company's management are described in Note 15 – Related party transactions.

15. Related party transactions

The Company was involved in the following related party transactions:

(CZK'000)	2014	2013
Purchases/costs		
BRAWA, a.s. (pipeline rent, interests, sale of assets) ^{2,1}	683,382	675,970
NET4GAS Holdings, s.r.o. (interest expense) ²	277,933	194,706
Borealis Novus Holdings B.V. (interest expense)	147,263	-
Allianz Infrastructure Luxembourg I S.à r.l. (interest expense)	147,263	-
RWE Supply & Trading CZ, a.s. (gas, services, interest expense) ¹	-	464,155
RWE Interní služby, s.r.o. (assets, services) ¹	-	49
Other companies within the RWE Group ¹	-	7,653
Total purchases and costs	1,255,841	1,342,533
Sales – Transmission (transit and domestic transport)		
RWE Supply & Trading CZ, a.s. ¹	-	1,258,306
Regional distributors within the RWE Group ¹	-	494,324
Total sales for transmission	-	1,752,630
Other sales		
BRAWA, a.s. (services, assets) ^{2,1}	10,619	45,280
NET4GAS Holdings, s.r.o. (services, interest income) ²	115,061	24,299
RWE Supply & Trading CZ, a.s. (services, interest income) ¹	-	4,856
RWE Gas Storage, s.r.o. (services, assets) ¹	-	3,540
Other companies within the RWE Group ¹	-	1,552
Total other sales	125,680	79,527

1 There are only related party transactions within the RWE group realised until 2 August 2013 included in 2013 (date of sale of the Company to the new owner).

2 Related party transactions within the NET4GAS Holdings, s.r.o. group and with related parties of the new parent company since 2 August 2013 are included.

The following related party balances were outstanding as at:

(CZK'000)	31 December 2014	31 December 2013
Trade receivables		
BRAWA, a.s.	1,756	16,813
Total trade receivables	1,756	16,813
Other receivables and prepayments		
NET4GAS Holdings, s.r.o. (accrued income)	7	-
Total other receivables	7	-
Estimated receivables		
BRAWA, a.s.	-	192
NET4GAS Holdings, s.r.o.	-	15,190
Total estimated receivables	-	15,382
Receivables arising from cash-pooling and other loans:		
NET4GAS Holdings, s.r.o.	1,371,107	5,401,302
Total receivables arising from cash-pooling and other loans	1,371,107	5,401,302
Total receivables	1,372,870	5,433,497

(CZK'000)	31 December 2014	31 December 2013
Trade payables:		
BRAWA, a.s.	68,219	74,142
Total trade payables	68,219	74,142
Estimated payables:		
BRAWA, a.s.	56,491	57,459
NET4GAS Holdings, s.r.o.	413	-
Total estimated payables	56,904	57,459
Payables arising from cash-pooling		
BRAWA, a.s.	661,819	484,035
Total payables arising from cash-pooling	661,819	484,035
Long-term loan		
Borealis Novus Holdings B.V.	5,500,000	-
Allianz Infrastructure Luxembourg I S. à r.l.	5,500,000	-
NET4GAS Holdings, s.r.o.	-	11,000,000
Total other payables	11,000,000	11,000,000
Total payables	11,786,942	11,615,636

Other payables represent mainly a loan in the amount of CZK 11,000,000,000. The loan was provided by RWE Transgas, a.s., and transferred on 2 August 2013 to the company NET4GAS Holdings, s.r.o. On 28 July 2014 the loan was refinanced by Borealis Novus Holdings B.V. and Allianz Infrastructure Luxembourg I S.à r.l., each of them provided equally CZK 5,500,000,000. It is a fully secondary loan with maturity date on 28 July 2044 at the earliest (30 years after the conclusion of the loan contract).

The Company's cars are made available for use by members of management. The total acquisition costs are CZK 14,577,000 (2013: CZK 12,186,000).

The Company provides foreign members of management with accommodation, in 2014 rent totalled to CZK 1,625,000 (2013: CZK 749,000).

The Company provides members of management 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 sole shareholder, members of the Statutory and Supervisory Board and management either in cash or in kind.

16. Fees paid and payable to the audit company

The information relating to the fees paid and payable for services performed by the audit company PricewaterhouseCoopers Audit, s.r.o. is included in the consolidated financial statements of the parent company.

17. Commitments

The Company has contracted future capital commitments especially in relation with the Optimus project in the amount of were CZK 19,319,000 as at 31 December 2014 (as at 31 December 2013: CZK 46,442,000 especially in relation with the construction of the Gazelle pipeline).

The Company has the following non-capital commitments resulting from leases:

(CZK'000)	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
Total commitments in respect of operational leases	1,404,166	1,494,031

18. Contingent liabilities

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

The Company records contingent liabilities arising from guarantees for bank loans that have been provided to the parent company NET4GAS Holdings, s.r.o. in the amount of CZK 26,449,289,000 as at 31 December 2013. The guarantee for bank loans to the parent company was terminated and removed from the Commercial Register on 25 August 2014.

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

19. Cash flow statement

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

(CZK'000)	31 December 2014	31 December 2013
Stamps and vouchers	124	239
Cash in bank	1,592,861	992,020
Receivable/(liability) arising from Cash-pooling ¹	709,288	(484,035)
Total cash and cash equivalents	2,302,273	508,224

¹ Receivables arising from cash-pooling as at 31 December 2013 in the amount of CZK 5,401,302,000 represent the deposits with maturity higher than 3 months and therefore are not included in cash and cash equivalents in the cash flow statement.

20. 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 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 financial statements as at 31 December 2014.

3 March 2015



Andreas Rau
Statutory Representative



Radek Benčík
Statutory Representative



Václav Hrach
Statutory Representative

Report on Relations

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The Managing Directors of NET4GAS, s.r.o. (hereinafter the "Company") have drawn up, in accordance with Section 82 of Act No. 90/2012 Coll., the Business Corporations Act (hereinafter "BCA"), the following Report on Relations covering the relations among the Company and controlling entities and among the Company and other entities controlled by the same controlling entities (hereinafter "Related Parties") during 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 Annual Report 2014, and is provided to the Company's member for its review within the same period of time and under the same conditions as the Financial Statements.

1. Controlling entities

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

a) directly by

NET4GAS Holdings, s.r.o., with its registered office at Na Hřebenech II 1718/8, Nusle, Prague 4, 140 00, Czech Republic, ID No. 291 35 001, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File No. 202655 (hereinafter "NET4GAS Holdings");

b) indirectly by

(i) Allianz Infrastructure Czech HoldCo II S.à r.l., with its registered office at L-2450 Luxembourg, 14, boulevard F.D. Roosevelt, Grand Duchy of Luxembourg, registration number: B 175770, and (ii) Borealis Novus Parent B.V., with its registered office at 1011PZ Amsterdam, Muiderstraat 9, Kingdom of the Netherlands, registration number: 57412243, each of which is a member of NET4GAS Holdings with an ownership interest of 50 %, and which together have the status of controlling entities in relation to NET4GAS Holdings by virtue of Section 75(3) of the BCA.

2. Other Related Parties

The Company requested the above controlling entities to provide a list of any other entities controlled by the same controlling entities during the last accounting period, and the 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

In 2014, the Company carried out its activities as an independent transmission system operator in accordance with Section 58b et seq. of Act No. 458/2000 Coll., the Energy Act (hereinafter the "Energy Act"), and as such operated independently of controlling entities and other Related Parties.

NET4GAS Holdings, as the controlling entity, exercised its rights and performed its obligations in respect of the Company in compliance with legislation, in particular as laid down in the BCA and the Energy Act.

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 amounting to CZK 508,774,000 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 (as for all the other Related Parties) in terms of the increased financial stability which they ensured. This was, and continues to be, among other things also an important factor for the ongoing development and functioning of all the Related Parties.

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 Statutory Representatives on 6 March 2015, and was submitted for review to the Supervisory Board and to the Company's auditor, who is responsible for verifying the financial statements in accordance with specific legislation.

In Prague, on 6 March 2015



Andreas Rau
Statutory Representative



Ing. Radek Benčík, MBA
Statutory Representative



Ing. Václav Hrach, Ph.D.
Statutory Representative

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. (50.00 %) and Borealis Novus Parent B.V. (50.00 %)	
100.00 %	NET4GAS Holdings, s.r.o.
	100.00 % NET4GAS, s.r.o.
	BRAWA, a.s.

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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
BRAWA, a.s.	Amendment No. 2 to an Agreement on the provision of selected services	27 January 2014	This amendment to an Agreement on the provision of selected services of 31 December 2012 (detailed in Annex No. 3) updated the terms and conditions of that Agreement (the specification of the services, the prices, the persons responsible, etc.).
BRAWA, a.s.	Agreement for the Offset of Mutual Claims	14 April 2014	Under this agreement BRAWA, a.s. and the Company set off their mutual, valid and enforceable receivables, namely the Company's entire receivable for payment of a dividend against the corresponding part of a receivable of BRAWA, a.s. based on cash pooling (cash pooling is detailed in Annex No. 3).
NET4GAS Holdings, 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 Holdings, 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 Holdings, s.r.o.	Credit Facility Agreement	25 March 2014	Under this agreement NET4GAS Holdings, s.r.o. provided the Company with a loan which was then repaid/set off in full over the course of the accounting period.
NET4GAS Holdings, 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 NET4GAS Holdings, s.r.o. and the Company agreed on the early repayment of short-term loans provided under a Loan Agreement of 11 November 2013.
NET4GAS Holdings, s.r.o.	Set-off Agreement	15 July 2014	Under this agreement NET4GAS Holdings, s.r.o. and the Company set off their mutual, valid and enforceable receivables, namely all of the Company's receivables based on cash pooling (cash pooling is detailed in Annex No. 3) against the corresponding part of the receivables of NET4GAS Holdings, s.r.o. for payment of profit shares and retained earnings.

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 Holdings, 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 Holdings, s.r.o.	Credit Facility Agreement	28 July 2014	Under this agreement the Company provided NET4GAS Holdings, s.r.o. with a loan which was then repaid/set off in full over the course of the accounting period.
NET4GAS Holdings, s.r.o.	Set-off Agreement	19 August 2014	Under this agreement NET4GAS Holdings, s.r.o. and the Company set off their mutual, valid and enforceable receivables, namely the Company's entire receivable under a Loan Agreement against the corresponding part of the receivable of NET4GAS Holdings, s.r.o. arising from the reduction of the Company's registered capital.
NET4GAS Holdings, 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.
NET4GAS Holdings, 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 the Company.
NET4GAS Holdings, s.r.o. (multi-party agreement)	Assignment, set-off and loan agreement	28 July 2014	Under this agreement (aside from other undertakings not concerning the Company) NET4GAS Holdings, s.r.o. assigned a Loan Agreement of 21 December 2011 to Allianz Infrastructure Luxembourg I S.à r.l. and Borealis Novus Holdings B.V., and the Company, as the borrower, granted its consent to that assignment.
NET4GAS Holdings, 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 Company transactions.

Contracting party	Agreement	Date of conclusion	Details
BRAWA, a.s.	Agreement on the provision of selected services	31 December 2012	The subject matter of this agreement is the Company's provision of the following services to BRAWA, a.s.: completion of the construction work on the GAZELLE project (supervision), accounting, controlling, tax issues, payroll administration, cash-flow, risk management, insurance, facility management, purchasing and logistics.
BRAWA, a.s.	Lease Agreement	31 December 2012	Under this agreement BRAWA, a.s. leases gas infrastructure to the Company, consisting primarily of the interconnector "High-pressure DN 1400 gas pipeline – Brandov BTS–Rozvadov" of approximately 160 km in length.
BRAWA, a.s.	Agreement on the provision of loans	2 July 2013	
NET4GAS Holdings, s.r.o. BRAWA, a.s. (multi-party agreement)	Agreement Ref. No. ZBA/2013/14 on the provision of Real Unidirectional Cash Pooling	8 July 2013	
NET4GAS Holdings, s.r.o.	Agreement Ref. No. TBA/2013/16 on the provision of Real Unidirectional Cash Pooling	11 November 2013	These agreements lay down a framework for cash pooling of Czech currency (among the Company, BRAWA, a.s. and NET4GAS Holdings, s.r.o.) and US dollars and euros (between the Company and NET4GAS Holdings, s.r.o.), the purpose of which is to optimise the use of funds within the related parties and to reduce transaction costs.
NET4GAS Holdings, s.r.o.	Agreement Ref. No. TBA/2013/15 on the provision of Real Unidirectional Cash Pooling	11 November 2013	
NET4GAS Holdings, s.r.o.	Agreement on the provision of loans	11 November 2013	

Supervisory Board Report

Contracting party	Agreement	Date of conclusion	Details
NET4GAS Holdings, s.r.o.	Guarantee Agreement, as amended by Amendment No. 1 of 15 December 2013	18 November 2013	Under this agreement the Company undertook, in connection with a Loan Agreement of 28 March 2013 between NET4GAS Holdings, s.r.o. and lender banks, to provide the lender banks with security for the loan (consisting of a charge over plant and machinery, receivables from bank accounts, insurance and trade receivables, an ownership interest in the Company 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.

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	Details
NET4GAS Holdings, s.r.o.	Report on Financial Assistance	25 July 2014	This Report on Financial Assistance relates to a Credit Facility Agreement of 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.
NET4GAS Holdings, s.r.o.	Shareholder Loan Agreement concluded between the Company and Allianz Infrastructure Luxembourg I S.à r.l. and Borealis Novus Holdings B.V.	28 July 2014	Under this agreement Allianz Infrastructure Luxembourg I S.à r.l. and Borealis Novus Holdings B.V. provided a loan to the Company.

The Supervisory Board of NET4GAS, s.r.o. (hereinafter the "Company") has continuously monitored the Company's business activities, its results, and the performance of the powers and responsibilities of the Company's Management. At all of its meetings in 2014 the Supervisory Board had a quorum, and it discussed all of the matters for which it is responsible under applicable legal regulations, the Company's Articles of Association and decisions adopted by the sole member acting in the capacity of the General Meeting. The Company's Management provided its comments in regard to all of the matters discussed by the Supervisory Board.

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

The Supervisory Board has reviewed the Company's annual financial statements for the fiscal year 2014, its Report on Operations and its Report on Relations.

The Supervisory Board recommends to the General Meeting to approve the annual financial statements for the period ended on 31 December 2014 and the 2014 profit distribution proposal of the Statutory Representatives.

In the course of 2014, changes were effected in the Supervisory Board's composition. On 28 July 2014, Ing. Jan Zaplatílek submitted a letter of resignation from the Supervisory Board. His position as a member of the Supervisory Board of NET4GAS, s.r.o. terminated on 30 September 2014. No other changes occurred in the composition of the Supervisory Board during 2014.

The Supervisory Board expresses its gratitude to all employees for their work for the Company in 2014.

In Prague, on 27 March 2015



Jaroslava Korpanec

On behalf of the Supervisory Board of NET4GAS, s.r.o.

Auditor's Report on the Financial Statements

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Independent auditor's report to the shareholder of NET4GAS, s.r.o.

We have audited the accompanying financial statements of NET4GAS, s.r.o., identification number 27260364, 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.

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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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.

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

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Independent auditor's report to the shareholder of NET4GAS, s.r.o.

We have audited the financial statements of NET4GAS, s.r.o., identification number 272 60 364, with registered office at Na Hřebenech II 1718/8, Praha 4 ("the Company") for the year ended 31 December 2014 disclosed in the annual report on pages 48–73 and issued the opinion dated 3 March 2015 and disclosed on pages 82–83.

Report on the Annual Report

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

Auditor's Responsibility

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

Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2014 is consistent, in all material respects, with the financial statements.

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

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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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, as well as the decision to prepare the Report in accordance with the requirements of the Corporations Act (90/2012 Coll.), is the responsibility of the Statutory Body of the Company. Our responsibility is to express our conclusion on the Report based on performed review.

Scope of Review

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

Conclusion

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

14 April 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.

Abbreviations Used

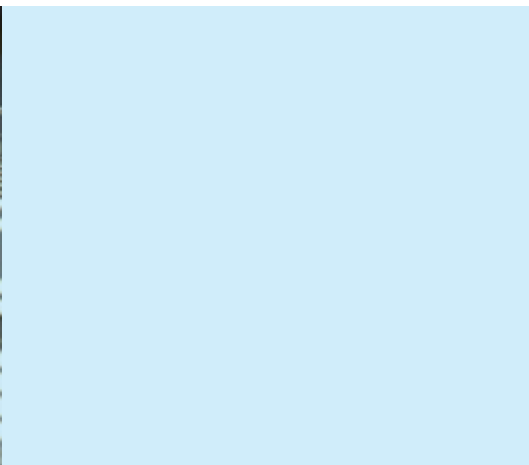
ACER	Agency for the Cooperation of Energy Regulators
BACI	Bidirectional Austrian-Czech Interconnection
BCA	Business Corporations Act
BTS	Border Transfer Station
CAM NC	Network Code on Capacity Allocation Mechanisms
CBI & HSSE	Continual Business Improvement & Health, Safety and Security
CEETR	Central East European Trading Region
CEF	Connecting Europe Facility
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CS	Compressor Station
ČSOP	Český svaz ochránců přírody / Czech Union for Nature Conservation
DN	Diamètre Nominal
EASEE-gas	European Association for the Streamlining of Energy Exchange – gas
EIA	Environmental Impact Assessment
ENTSO-G	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
GSA	GAZ-SYSTEM Auction Platform
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

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A PDF version of the NET4GAS Annual Report 2014 is available on the company's website in Czech and in English. In all matters of interpretation of information, views or opinions, the Czech version of the annual report takes precedence over the English version.

This is an annual report of NET4GAS, s.r.o., not a consolidated annual report of the NET4GAS Group, which includes NET4GAS, s.r.o. and BRAWA, a.s.

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NET4GAS, s.r.o.

Na Hřebenech II 1718/8
140 21 Prague 4 – Nusle
Czech Republic

Tel.: +420 220 221 111
Fax: +420 220 225 498

Email: info@net4gas.cz
Web: www.net4gas.cz