

# Moravia Gas Storage a.s.

## ANNUAL REPORT

2021

## I. Text part

### 1. Information about the Company

Moravia Gas Storage a.s. („the Company”) was established by a sole shareholder on 5 December 2008 and was incorporated in the Commercial Register on 19 December 2008 and is registered in the Commercial Register maintained by the Regional Court in Brno under file number B 5870.

### 2. Company activities

On 1 July 2016, the Company put into operation one of the largest and most modern underground gas storage facilities in the Czech Republic, built on a partially mined oil deposit in Dambořice.

In 2021, the Company operated an underground gas storage facility and provided gas storage services under an energy license.

In its activities, the Company complies with the principles of environmental protection and labour regulations.

The Company does not engage in research and development activities and has no organizational unit abroad.

### 3. Financial management of the Company in 2021

The Company reported a profit of CZK 172,194 thousand for the year ended 31 December 2021. As at 31 December 2021, the Company's equity amounted to CZK 913,368 thousand.

### 4. Operation of Dambořice's underground gas storage facility

Dambořice underground gas storage (UGS) was put into operation on 1 July 2016. Planned maximum storage capacity is 448 million m<sup>3</sup>.

The gas storage is equipped with state-of-the-art technology that enables its high flexibility in injection and recovery of gas.

The gas storage facility successfully completed the storage season, enabling the gas storage capacity of 420 million m<sup>3</sup>.

### 5. Activities in the field of environmental protection and occupational safety

In 2017, the Company was certified to ISO 14 001 and OHSAS 18001 standards, completing the process of implementing the integrated management system for quality, safety and environmental protection, which the Company started in 2016.

The introduction of the certified management system ISO 14 001 and OHSAS 18001 has led to an increase in the overall awareness of employees regarding environmental protection, occupational safety and process safety.

In 2021, the Company fulfilled its obligation to perform its activities to the maximum satisfaction of its customers, while respecting the requirements of safety and health protection, the environment and the prevention of major accidents.

## 6. Human resources

At the end of 2021, the registered number of employees, members of the Board of Directors and the Supervisory Board of the Company was 35.

The Company supports employee education and provides quality facilities for personal and professional development of each individual employee. As part of employee care, the Company focuses on creating a quality work environment with a wide range of employee benefits.

## 7. Acquisition of own shares, branches abroad

The company did not acquire any own shares in 2021. In 2021, the Company did not have a branch or other part of the business plant located abroad.

## 8. Overview of the development of the Company in the following period

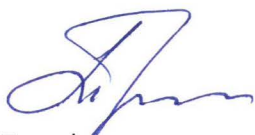
The Company will continue its work within the start-up period of the Dambořice UGS facility with the aim of achieving the planned storage capacity of 448 million m<sup>3</sup>, a daily production capacity of 7.5 million m<sup>3</sup> and a daily injection capacity of 4.5 million m<sup>3</sup> by 2022/2023.

## 9. Subsequent events

The Company's Board of Directors monitors the current geopolitical situation caused by the conflict in Ukraine and is aware of the associated risks for the Company's activities, which are mainly the international sanctions and their possible impact on the business entities' economic sphere. The recent development is currently incomprehensible and possible impacts on the Company's operations cannot therefore be predicted with certainty. Therefore, the Company's management continuously monitors the situation and prepares steps in advance to possibly mitigate the impact of the situation on the Company. In light of this fact, the Board of Directors of the Company does not perceive the current geopolitical and related economic situation as a significant risk for the Company's further activities and economic position in the following period.

No other events have occurred subsequent to the balance sheet date that would have a material impact on the annual report as at 31 December 2021.

Hodonín, 31 March 2022



Sergey Tregub  
Member of the Board of Directors category A



Mgr. Slavomír Halla, Ph.D.  
Member of the Board of Directors category B

## II. Report on the Company's business activities and the state of its assets

Moravia Gas Storage a.s. („the Company”) was established as a project company for the purpose of realization of plans in the field of natural gas storage.

Following the commissioning of the Dambořice underground gas storage in 2016, the Company continued to provide gas storage services under an energy license in 2021.

### 1. Financial results and assets state

The Company's profit for the year ended 31 December 2021 amounted to CZK 172,194 thousand. As at 31 December 2021, the Company's total assets and equity amounted to CZK 3,237,716 thousand.

### 2. Outlook of the Company in the following period

The Company will operate the underground gas storage Dambořice and provide gas storage services under an energy license. Also, in the subsequent period, work will continue within the start-up period of Dambořice UGS with the aim of achieving the planned operational characteristics (daily output and storage capacity) of Dambořice UGS by 2022/2023.

Hodonín, 31 March 2022



Sergey Tregub  
Member of the Board of Directors category A



Mgr. Slavomír Halla, Ph.D.  
Member of the Board of Directors category B

**III. Financial Statements as at 31 December 2021**

***Moravia Gas Storage a.s.***

Financial statements

31 December 2021

Company name: Moravia Gas Storage a.s.  
 Identification number: 285 06 065  
 Legal form: joint-stock company  
 Primary business: gas storage  
 Balance sheet date: 31 December 2021  
 Date of preparation of the financial statements: 31 March 2022

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

Ref.	ASSETS	Row	31.12.2021			31.12.2020
			Gross 1	Provision 2	Net 3	Net 4
a	b	c				
	<b>TOTAL ASSETS</b>	<b>001</b>	<b>3 995 400</b>	<b>(757 684)</b>	<b>3 237 716</b>	<b>3 337 500</b>
<b>B.</b>	<b>Fixed assets</b>	<b>003</b>	<b>3 804 320</b>	<b>(757 684)</b>	<b>3 046 636</b>	<b>3 105 650</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>004</b>	<b>19 621</b>	<b>(613)</b>	<b>19 008</b>	<b>596</b>
B. I. 2.	Royalties	006	627	(219)	408	313
B. I. 2. 1.	Software	007	249	(81)	168	48
B. I. 2. 2.	Other royalties	008	378	(138)	240	265
B. I. 4.	Other intangible fixed assets	010	18 527	(394)	18 133	283
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	467	-	467	-
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	467	-	467	-
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>014</b>	<b>3 784 699</b>	<b>(757 071)</b>	<b>3 027 628</b>	<b>3 105 054</b>
B. II. 1.	Land and constructions	015	1 894 750	(343 942)	1 550 808	1 437 715
B. II. 1. 1.	Land	016	172 517	-	172 517	172 517
B. II. 1. 2.	Constructions	017	1 722 233	(343 942)	1 378 291	1 265 198
B. II. 2.	Equipment	018	1 837 257	(412 898)	1 424 359	1 153 461
B. II. 4.	Other tangible fixed assets	020	3 538	(231)	3 307	3 348
B. II. 4. 3.	Tangible fixed assets - other	023	3 538	(231)	3 307	3 348
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	49 154	-	49 154	510 530
B. II. 5. 1.	Advances paid for tangible fixed assets	025	22 946	-	22 946	197 224
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	26 208	-	26 208	313 306
<b>C.</b>	<b>Current assets</b>	<b>037</b>	<b>189 356</b>	<b>-</b>	<b>189 356</b>	<b>229 797</b>
<b>C. I.</b>	<b>Inventories</b>	<b>038</b>	<b>9 529</b>	<b>-</b>	<b>9 529</b>	<b>20 947</b>
C. I. 1.	Raw materials	039	9 529	-	9 529	20 947
<b>C. II.</b>	<b>Receivables</b>	<b>046</b>	<b>55 322</b>	<b>-</b>	<b>55 322</b>	<b>59 713</b>
C. II. 1.	Long-term receivables	047	5 805	-	5 805	16 479
C. II. 1. 4.	Deferred tax asset	051	-	-	-	10 548
C. II. 1. 5.	Receivables - other	052	5 805	-	5 805	5 931
C. II. 1. 5. 2.	Long-term advances paid	054	5 805	-	5 805	5 931
C. II. 2.	Short-term receivables	057	49 517	-	49 517	43 234
C. II. 2. 1.	Trade receivables	058	44 090	-	44 090	41 844
C. II. 2. 4.	Receivables - other	061	5 427	-	5 427	1 390
C. II. 2. 4. 1.	Receivables from shareholders	062	977	-	977	-
C. II. 2. 4. 3.	Taxes - receivables from the state	064	4 009	-	4 009	-
C. II. 2. 4. 4.	Short-term advances paid	065	434	-	434	427
C. II. 2. 4. 5.	Estimated receivables	066	-	-	-	957
C. II. 2. 4. 6.	Other receivables	067	7	-	7	6
<b>C. IV.</b>	<b>Cash</b>	<b>075</b>	<b>124 505</b>	<b>-</b>	<b>124 505</b>	<b>149 137</b>
C. IV. 1.	Cash in hand	076	75	-	75	104
C. IV. 2.	Cash at bank	077	124 430	-	124 430	149 033
<b>D.</b>	<b>Prepayments and accrued income</b>	<b>078</b>	<b>1 724</b>	<b>-</b>	<b>1 724</b>	<b>2 053</b>
D. 1.	Prepaid expenses	079	1 724	-	1 724	2 053

Ref. a	LIABILITIES AND EQUITY b	Row c	31.12.2021	31.12.2020
			5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>082</b>	<b>3 237 716</b>	<b>3 337 500</b>
<b>A.</b>	<b>Equity</b>	<b>083</b>	<b>913 368</b>	<b>702 797</b>
<b>A. I.</b>	<b>Share capital</b>	<b>084</b>	<b>2 000</b>	<b>2 000</b>
A. I. 1.	Share capital	085	2 000	2 000
<b>A. II.</b>	<b>Share premium and capital contributions</b>	<b>088</b>	<b>378 146</b>	<b>339 769</b>
A. II. 2.	Capital contributions	090	378 146	339 769
A. II. 2. 1.	Other capital contributions	091	413 750	409 843
A. II. 2. 2.	Assets and liabilities revaluation	092	(35 604)	(70 074)
<b>A. III.</b>	<b>Reserves from profit</b>	<b>096</b>	<b>400</b>	<b>400</b>
A. III. 1.	Other reserve funds	097	400	400
<b>A. IV.</b>	<b>Retained earnings / Accumulated losses</b>	<b>099</b>	<b>360 628</b>	<b>392 659</b>
A. IV. 1.	Retained earnings or (accumulated losses)	100	360 628	392 659
<b>A. V.</b>	<b>Profit / (loss) for the current period</b>	<b>102</b>	<b>172 194</b>	<b>(32 031)</b>
<b>B. + C.</b>	<b>Liabilities</b>	<b>104</b>	<b>2 324 291</b>	<b>2 634 663</b>
<b>B.</b>	<b>Provisions</b>	<b>105</b>	<b>15 884</b>	<b>20 288</b>
B. 3.	Tax-deductible provisions	108	8 555	8 508
B. 4.	Other provisions	109	7 329	11 780
<b>C.</b>	<b>Payables</b>	<b>110</b>	<b>2 308 407</b>	<b>2 614 375</b>
<b>C. I.</b>	<b>Long-term payables</b>	<b>111</b>	<b>2 089 080</b>	<b>2 413 108</b>
C. I. 2.	Liabilities due to financial institutions	115	2 025 543	2 347 772
C. I. 8.	Deferred tax liability	121	37 644	-
C. I. 9.	Liabilities - other	122	25 893	65 336
C. I. 9. 3.	Other liabilities	125	25 893	65 336
<b>C. II.</b>	<b>Short-term payables</b>	<b>126</b>	<b>219 327</b>	<b>201 267</b>
C. II. 2.	Liabilities due to financial institutions	130	154 679	124 533
C. II. 4.	Trade payables	132	18 399	48 256
C. II. 8.	Liabilities - other	136	46 249	28 478
C. II. 8. 3.	Liabilities to employees	139	2 320	2 297
C. II. 8. 4.	Liabilities for social security and health insurance	140	749	831
C. II. 8. 5.	Taxes and state subsidies payable	141	1 921	687
C. II. 8. 6.	Estimated payables	142	23 160	3 360
C. II. 8. 7.	Other liabilities	143	18 099	21 303
<b>D.</b>	<b>Accruals and deferred income</b>	<b>147</b>	<b>57</b>	<b>40</b>
D. 1.	Accrued expenses	148	57	40



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## INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2021	2020
			1	2
<b>I.</b>	<b>Sales of products and services</b>	<b>01</b>	<b>530 093</b>	<b>440 816</b>
<b>A.</b>	<b>Cost of sales</b>	<b>03</b>	<b>130 444</b>	<b>122 903</b>
A. 2.	Raw materials and consumables used	05	20 003	10 075
A. 3.	Services	06	110 441	112 828
<b>C.</b>	<b>Own work capitalised</b>	<b>08</b>	<b>(720)</b>	<b>(1 996)</b>
<b>D.</b>	<b>Staff costs</b>	<b>09</b>	<b>57 991</b>	<b>54 017</b>
D. 1.	Wages and salaries	10	45 412	42 830
D. 2.	Social security, health insurance and other costs	11	12 579	11 187
D. 2. 1.	Social security and health insurance costs	12	11 380	10 399
D. 2. 2.	Other costs	13	1 199	788
<b>E.</b>	<b>Value adjustments in operating activities</b>	<b>14</b>	<b>151 262</b>	<b>138 797</b>
E. 1.	Value adjustments of fixed assets	15	151 262	138 797
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	151 262	138 797
<b>III.</b>	<b>Operating income - other</b>	<b>20</b>	<b>1 877</b>	<b>264</b>
III. 1.	Sales of fixed assets	21	81	190
III. 2.	Sales of raw materials	22	1 732	76
III. 3.	Other operating income	23	64	(2)
<b>F.</b>	<b>Operating expenses - other</b>	<b>24</b>	<b>10 539</b>	<b>12 511</b>
F. 1.	Net book value of fixed assets sold	25	120	-
F. 2.	Cost of raw materials sold	26	26	-
F. 3.	Taxes and charges	27	387	327
F. 4.	Operating provisions and complex prepaid expenses	28	(4 404)	4 619
F. 5.	Other operating expenses	29	14 410	7 565
<b>*</b>	<b>Operating result</b>	<b>30</b>	<b>182 454</b>	<b>114 848</b>
J.	Interest and similar expenses	43	85 072	81 819
J. 2.	Other interest and similar expenses	45	85 072	81 819
VII.	Other financial income	46	115 923	-
K.	Other financial expenses	47	1 005	72 025
<b>*</b>	<b>Financial result</b>	<b>48</b>	<b>29 846</b>	<b>(153 844)</b>
<b>**</b>	<b>Net profit / (loss) before tax</b>	<b>49</b>	<b>212 300</b>	<b>(38 996)</b>
<b>L.</b>	<b>Tax on profit or loss</b>	<b>50</b>	<b>40 106</b>	<b>(6 965)</b>
L. 2.	Tax on profit or loss - deferred	52	40 106	(6 965)
<b>**</b>	<b>Net profit / (loss) after tax</b>	<b>53</b>	<b>172 194</b>	<b>(32 031)</b>
<b>***</b>	<b>Net profit / (loss) for the financial period</b>	<b>55</b>	<b>172 194</b>	<b>(32 031)</b>
<b>*</b>	<b>Net turnover for the financial period</b>	<b>56</b>	<b>647 893</b>	<b>441 080</b>

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## STATEMENT OF CASH FLOWS

(in thousand Czech crowns)

Ref. a	TEXT b	Accounting period	
		2021	2020
		1	2
	<b>Cash flows from operating activities</b>		
	<b>Net profit /(loss) before tax</b>	<b>212 300</b>	<b>(38 996)</b>
A. 1.	Adjustments for non-cash movements:	105 345	298 108
A. 1. 1.	Depreciation and amortisation of fixed assets	151 262	138 797
A. 1. 2.	Change in provisions and provisions for impairment	(4 404)	4 619
A. 1. 3.	(Profit)/loss from sales of fixed assets	39	(190)
A. 1. 5.	Net interest expense/(income)	85 072	81 819
A. 1. 6.	Other non-cash movements	(126 624)	73 063
<b>A *</b>	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>317 645</b>	<b>259 112</b>
A. 2.	Non-cash working capital changes:	(3 368)	16 568
A. 2. 1.	Change in receivables and prepayments	(5 828)	(7 033)
A. 2. 2.	Change in payables and accruals	(8 958)	34 224
A. 2. 3.	Change in inventories	11 418	(10 623)
<b>A **</b>	<b>Net cash flow from operating activities before tax</b>	<b>314 277</b>	<b>275 680</b>
A. 3.	Interest paid	(85 072)	(81 819)
<b>A ***</b>	<b>Net cash flow from operating activities</b>	<b>229 205</b>	<b>193 861</b>
B. 1.	Acquisition of fixed assets	(92 368)	(291 590)
B. 2.	Proceeds from sale of fixed assets	81	190
<b>B ***</b>	<b>Net cash flow from investing activities</b>	<b>(92 287)</b>	<b>(291 400)</b>
C. 1.	Change in long- and short-term liabilities from financing activities	(165 457)	171 855
C. 2.	Changes in equity:	3 907	-
C. 2. 3.	Other cash contributions received from shareholders	3 907	
<b>C ***</b>	<b>Net cash flow from financing activities</b>	<b>(161 550)</b>	<b>171 855</b>
	<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(24 632)</b>	<b>74 316</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>149 137</b>	<b>74 821</b>
	<b>Cash and cash equivalents at the end of the year</b>	<b>124 505</b>	<b>149 137</b>

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## STATEMENT OF CHANGES IN EQUITY

(in thousand Czech crowns)

	Share capital	Other capital contributions	Assets and liabilities revaluation	Other reserve funds	Retained earnings or (accumulated losses)	Restatement of retained earnings	Total
<b>As at 1 January 2020</b>	<b>2 000</b>	<b>409 843</b>	<b>(63 804)</b>	<b>400</b>	<b>281 595</b>	<b>111 064</b>	<b>741 098</b>
Fair value gains/(losses)							
- Financial derivatives	-	-	(6 270)	-	-	-	(6 270)
Net profit/(loss) for the current period	-	-	-	-	(32 031)	-	(32 031)
Restatement of retained earnings	-	-	-	-	111 064	(111 064)	-
<b>As at 31 December 2020</b>	<b>2 000</b>	<b>409 843</b>	<b>(70 074)</b>	<b>400</b>	<b>360 628</b>	<b>-</b>	<b>702 797</b>
Fair value gains/(losses)							
- Financial derivatives	-	-	34 470	-	-	-	34 470
Allocation to funds	-	3 907	-	-	-	-	3 907
Net profit/(loss) for the current period	-	-	-	-	172 194	-	172 194
<b>As at 31 December 2021</b>	<b>2 000</b>	<b>413 750</b>	<b>(35 604)</b>	<b>400</b>	<b>532 822</b>	<b>-</b>	<b>913 368</b>

## **1. General information**

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

Moravia Gas Storage a.s. ("the Company") was incorporated on 19 December 2008 by the Regional Court in Brno, Section B, Insert 5870 and has its registered office at Úprkova 807/6, Hodonín. The Company's primary business activity is providing gas storage services on the basis of an energy license.

The Company is not a member/shareholder with unlimited liability in any undertaking.

The existence of the novel coronavirus causing the COVID-19 disease was confirmed in early 2020 and has spread globally. The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities. In connection with the above, the Company has adopted a Directive that addresses the preparation of the workplace for infectious diseases, and the risks in relation to office work have been assessed. Employees were given the opportunity by the Company to work from home, the so-called home office. The pandemic itself and the restrictive measures taken do not affect the scope and quality of the storage services provided to the Company.

## **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 relevant for medium sized companies and have been prepared under the historical cost convention except as disclosed below.

Management has considered the impact of the novel coronavirus causing the COVID-19 disease when assessing the valuation of assets and liabilities and going concern assumptions.

### **2.2. Tangible and intangible fixed assets**

All intangible (and tangible) assets with a useful life longer than one year and a unit cost of more than CZK 80 thousand (CZK 80 thousand) are treated as intangible (and tangible) fixed assets.

Purchased intangible and tangible fixed assets are initially recorded at cost, which includes all costs related to their acquisition.

Intangible and tangible fixed assets are amortised/depreciated applying the straight-line method over their estimated useful lives.

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 this asset.

Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred. Technical improvements of intangible and tangible fixed assets are capitalised.

Tangible fixed assets are also a special construction - an underground gas storage facility. This is an underground space used for the storage of natural gas, but it does not need to be reproduced and is therefore not depreciated. The gas storage is reported as part of the land.

### **2.3. Inventories**

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 first-in-first-out method is applied for all disposals, except for decline in technological gas stocks, where the Company used weighted average cost.

## **2.4. Receivables**

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

## **2.5. 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 working 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 and presented net.

The Company treats advances paid for the acquisition of fixed assets or inventories as part of these assets and therefore these assets are paid in a foreign currency and are not translated as at the balance sheet date because related future cash flows are not subject to foreign exchange rate risk.

## **2.6. Changes in accounting policies and corrections of prior period errors**

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

## **2.7. Derivative financial instruments**

Derivative financial instruments including currency forwards, forward rate agreements, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments are initially recognised on the balance sheet at cost and are subsequently re-measured at their fair value. All derivatives are presented in other receivables or in other payables when their fair value is positive or negative, respectively. Derivatives embedded in other financial instruments are not reported separately.

The Company designates certain derivatives prospectively as either a hedge of the fair value of a recognised asset or liability (fair value hedge), or 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 fair-value hedges are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

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.

## **2.8. Provisions**

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The Company recognises a provision for its 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.

**Moravia Gas Storage a.s.**

Notes to financial statements  
for the year ended 31 December 2021

The Company creates provisions in accordance with special legal regulations. These are provisions for reclamation and remediation of land affected by mining pursuant to Act no. 44/1988 Coll., in accordance with § 10 of Act no. 593/92 Coll. Creation and use of provisions is subject to the approval of the District Mining Authority.

**2.9. Revenue recognition**

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

**2.10. Related parties**

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

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

Material transactions and outstanding balances with related parties are disclosed in Notes 13 and 14.

**2.11. 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.

**2.12. Interest expense**

Interest expense on borrowings to finance the acquisition of intangible and tangible fixed assets are capitalised during the period of completion and preparation of the asset for its intended use. Other borrowing costs are expensed.

**2.13. Deferred tax**

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

**2.14. Cash-flow statement**

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

**2.15. 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 quantified and disclosed but are not themselves recognised in the financial statements.

## **Moravia Gas Storage a.s.**

Notes to financial statements  
for the year ended 31 December 2021

### **3. Intangible fixed assets**

Intangible fixed assets, primarily consisting of emission rights, amounted to CZK 18,082 thousand as at 31 December 2021 (as at 31 December 2020: CZK 110 thousand), recognized in line item "Other intangible fixed assets".

### **4. Tangible fixed assets**

<b>(CZK'000)</b>	<b>1 January 2021</b>	<b>Additions/ transfers</b>	<b>Disposals</b>	<b>31 December 2021</b>
<b>Cost</b>				
Land	172,517	-	-	172,517
Constructions	1,544,732	177,501	-	1,722,233
Equipment	1,480,592	357,019	(354)	1,837,257
Other tangible fixed assets	3,538	-	-	3,538
Advances paid for tangible fixed assets and tangible fixed assets in the course of construction	510,530	(461,376)	-	49,154
<b>Total</b>	<b>3,711,909</b>	<b>73,144</b>	<b>(354)</b>	<b>3,784,699</b>
<b>Accumulated depreciation</b>				
Constructions	(279,534)	(64,408)	-	(343,942)
Equipment	(327,131)	(85,892)	125	(412,898)
Other tangible fixed assets	(190)	(41)	-	(231)
<b>Total</b>	<b>(606,855)</b>	<b>(150,341)</b>	<b>125</b>	<b>(757,071)</b>
<b>Net book value</b>	<b>3,105,054</b>			<b>3,027,628</b>

<b>(CZK'000)</b>	<b>1 January 2020</b>	<b>Additions/ transfers</b>	<b>Disposals</b>	<b>31 December 2020</b>
<b>Cost</b>				
Land	172,517	-	-	172,517
Constructions	1,488,383	56,349	-	1,544,732
Equipment	1,454,948	25,658	(14)	1,480,592
Other tangible fixed assets	3,538	-	-	3,538
Advances paid for tangible fixed assets and tangible fixed assets in the course of construction	332,121	178,409	-	510,530
<b>Total</b>	<b>3,451,507</b>	<b>260,416</b>	<b>(14)</b>	<b>3,711,909</b>
<b>Accumulated depreciation</b>				
Constructions	(214,831)	(64,703)	-	(279,534)
Equipment	(253,153)	(73,978)	-	(327,131)
Other tangible fixed assets	(149)	(41)	-	(190)
<b>Total</b>	<b>(468,133)</b>	<b>(138,722)</b>	<b>-</b>	<b>(606,855)</b>
<b>Net book value</b>	<b>2,983,374</b>			<b>3,105,054</b>

Additions of tangible fixed assets consist mainly of the modification of mining boreholes and the inclusion of an investment in the modification of gas drying technology.

The Company records different amounts of accounting and tax valuation for land. It does not follow from the current intentions of the Company's management that this difference will result in a tax liability in the future and is therefore not included in the calculation of deferred tax.

### **5. Inventories**

The Company did not create a provision for inventories as at 31 December 2021 and 2020.

### **6. Receivables**

Overdue receivables as at 31 December 2021 amounted to CZK 0 thousand (as at 31 December 2020: CZK 0 thousand).

## ***Moravia Gas Storage a.s.***

Notes to financial statements  
for the year ended 31 December 2021

The provision for doubtful receivables as at 31 December 2021 was CZK 0 thousand (as at 31 December 2020: CZK 0 thousand).

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

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

## **7. Equity**

The Company is owned by MND a.s., incorporated in Czech Republic and GAZPROM EXPORT LLC, incorporated in Russian Federation. Each of the above companies owns half of the Company's shares.

Due to its ownership structure, the Company as a joint venture belongs to two different groups of entities.

The Company KKCG AG with the registered office at Kapellgasse 21, 6004 Lucerne, the Swiss Confederation and PJSC GAZPROM with registered office at Lakhtin passage, 2/3, building 1, Lakhta – Olgino, Petrohrad, Russian Federation, prepares the consolidated financial statements of the largest group of entities of which the Company forms a part as a subsidiary. Those consolidated financial statements can be obtained at the registered office of the consolidating companies. KKCG AG applies the equity method for consolidation, PJSC GAZPROM uses the proportional method.

The Company MND a.s. with the registered office at Úprkova 807/6, 695 01 Hodonín prepares the consolidated financial statements of the smallest group of entities of which the Company forms a part as a subsidiary and is presented as equity method. These consolidated financial statements will be published in the Commercial Register within the statutory time limit.

Due to the fact that the Company is not fully governed by the new Corporations Act, a reserve fund is created from the profit of the Company according to law and may not be distributed to shareholders, but may be used to offset losses only.

The general meeting of shareholders approved the financial statements for 2020 and decided about the allocation of the loss incurred in 2020 of CZK 32,031 thousand on 2 July 2021. The Company's Board of Directors decided to cover the incurred loss from retained earnings of previous years.

Up to the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2021.

## **8. Provisions**

In accordance with applicable legislation, the Company created provision for remediation and reclamation amounted to CZK 8,555 thousand as at 31 December 2021 (as at 31 December 2020: CZK 8,508 thousand).

## **9. Payables, commitments and contingent liabilities**

Payables have not been secured against any assets of the Company and are not due after more than 5 years.

Total non-cancellable future commitments in respect of operating leases (not recorded in the balance sheet) amounted to CZK 637,203 thousand as at 31 December 2021 (as at 31 December 2020: CZK 859,043 thousand). The Company does not have any liabilities or commitments that are not recognised in the balance sheet.

The Company did not provide any guarantees which were not recorded in the balance sheet.

The management of the Company is not aware of any contingent liabilities as at 31 December 2021 and 2020.



## 10. Bank loans

The Company closed in March 2014 agreement for the provision of a long-term syndicated investment loan for the construction of an underground gas storage facility Dambořice amounted to EUR 100,000 thousand with ING BANK (branch ING-DiBa AG), ČESKÁ SPOŘITELNA, a.s. and HYPO NOE GRUPPE BANK AG. As at 31 December 2021 the total amount of the loan was CZK 2,180,222 thousand (as at 31 December 2020: CZK 2,472,305 thousand).

This loan has been repaid semi-annually since 2021 in the amounts specified in the Loan Agreement of increased of the available funds of the Company. The final maturity of the loan is in 2025. Certain contractual conditions apply to the loan. Breach of these terms and conditions may result in the immediate maturity of the loans. These conditions were not breached in 2021 and 2020.

This loan is secured:

- lien on all the Company's assets;
- lien on the Company's current and future receivables;
- lien on a commercial plant;
- lien on the Company's shares;
- lien on bank guarantee of receivables amounted to CZK 53,975 thousand;
- an obligation for shareholders to provide a surcharge outside the share capital, if necessary.

## 11. Derivative financial instruments

The Company uses financial derivatives in the form of interest rate swaps. Their value is influenced mainly by development in prices of the interest rates where appropriate.

### 11.1. Financial derivatives that meet criteria for hedge accounting – Cash-flow hedging agreements

	31 December 2021			31 December 2020		
	Fair value		Notional amount	Fair value		Notional amount
(CZK'000)	Positive	Negative		Positive	Negative	
Interest rate swaps (short-term part)	-	(18,063)	-	-	(21,174)	-
Interest rate swaps (long-term part)	-	(25,893)	-	-	(65,336)	-
<b>Total interest rate hedging derivatives</b>	-	<b>(43,956)</b>	<b>1,461,312</b>	-	<b>(86,510)</b>	<b>1,652,774</b>
<b>Total cash-flow hedging derivatives</b>	-	<b>(43,956)</b>	<b>1,461,312</b>	-	<b>(86,510)</b>	<b>1,652,774</b>

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 firm commitment is recognised.

Change in fair value of interest rate derivatives recorded in equity:

(CZK'000)	2021	2020
<b>As at 1 January</b>	<b>(86,511)</b>	<b>(78,770)</b>
Increase / (decrease) in valuation for the year	21,237	20,573
The fair value of interest rate swaps derecognised during the year in the income statement	21 318	(28,314)
<b>As at 31 December</b>	<b>(43,956)</b>	<b>(86,511)</b>

## 12. Revenue analysis

Revenue analysis:

(CZK'000)	2021	2020
Gas storage		
- domestic revenue	19,686	70,715
- foreign revenue	509,905	369,610
Revenue from other services	502	491
<b>Total sales of own products and services</b>	<b>530,093</b>	<b>440,816</b>
<b>Other operating income</b>	<b>1,877</b>	<b>264</b>
<b>Total operating income</b>	<b>531,970</b>	<b>441,080</b>

## 13. Related party transactions

All material transactions with related parties are presented in this note.

(CZK'000)	2021	2020
<b>Revenues</b>		
Sales of services	517,914	390,262
<b>Total</b>	<b>517,914</b>	<b>390,262</b>
<b>Costs / Purchases</b>		
Purchase of material	4,161	639
Purchase of property	21,022	1,294
Purchase of services	86,486	99,350
<b>Total</b>	<b>111,669</b>	<b>101,283</b>

The following related party balances were outstanding as at:

(CZK'000)	31 December 2021	31 December 2020
<b>Receivables</b>		
Trade receivables	43,447	34,145
<b>Total</b>	<b>43,417</b>	<b>34,145</b>
<b>Liabilities</b>		
Liabilities to companies within the consolidation group	15,706	2,735
Out of which:		
Trade payables	15,706	2,735
<b>Total</b>	<b>15,706</b>	<b>2,735</b>

No loans or collateral or other benefits were provided to the members of the Board of Directors, Supervisory Board and administrative bodies except of non-cash benefits for the year 2021 in the amount of CZK 1,515 thousand (2020: CZK 1,336 thousand).

Company cars are made available for use by the members of the Board of Directors.

## 14. Employees

	2021		2020	
	number	CZK'000	number	CZK'000
Emoluments to the members of the Statutory Body	4	15,877	4	15,033
Emoluments to members of the Supervisory Board	6	12,371	6	13,538
Wages and salaries to other management	1	1,500	1	1,450
Wages and salaries to other employees	24	15,664	25	12,809
Social security costs		11,380		10,399
Other social costs		1,199		788
<b>Wages and salaries total</b>	<b>35</b>	<b>57,991</b>	<b>36</b>	<b>54,017</b>

The Company's management includes senior staff members directly reporting to the statutory body.

## **15. Income tax**

The income tax expense analysis:

<b>(CZK'000)</b>	<b>2021</b>	<b>2020</b>
Deferred tax expense	40,106	(6,965)
<b>Total income tax expense</b>	<b>40,106</b>	<b>(6,965)</b>

The deferred tax was calculated at 19% (the rate enacted for 2021 and subsequent years).

The deferred tax asset / (liability) analysis:

<b>(CZK'000)</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Deferred tax asset / (liability) arising from:</b>		
Difference between accounting and tax net book value of fixed assets	(48,384)	(23,775)
Provisions	1,393	627
Other temporary differences	8,351	18,049
Tax losses carried forward	996	15,647
<b>Net deferred tax asset / (liability)</b>	<b>(37,644)</b>	<b>10,548</b>

The Company has tax losses as at 31 December 2021 of CZK 5,242 thousand (as at 31 December 2020: CZK 83,184 thousand), which can be utilised up to 2022.

## **16. Subsequent events**

The Company's Board of Directors monitors the current geopolitical situation caused by the conflict in Ukraine and is aware of the associated risks for the Company's activities, which are mainly the international sanctions and their possible impact on the business entities' economic sphere. The recent development is currently incomprehensible and possible impacts on the Company's operations cannot therefore be predicted with certainty. Therefore, the Company's management continuously monitors the situation and prepares steps in advance to possibly mitigate the impact of the situation on the Company. In light of this fact, the Board of Directors of the Company does not perceive the current geopolitical and related economic situation as a significant risk for the Company's further activities and economic position in the following period.

In addition to the above, no events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2021.

31 March 2022



Sergey Tregub  
Member of the Board of Directors category A



Mgr. Slavomír Halla, Ph.D.  
Member of the Board of Directors category B

## IV. Independent Auditor's Report



English translation

## Independent auditor's report

to the shareholders of Moravia Gas Storage a.s.

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### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Moravia Gas Storage a.s., with its registered office at Úprkova 807/6, Hodonín (the "Company") as at 31 December 2021, of the Company's financial performance and cash flows for the year ended 31 December 2021 in accordance with Czech accounting legislation.

### What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2021,
- the income statement for the year ended 31 December 2021,
- the statement of changes in equity for the year ended 31 December 2021,
- the statement of cash flows for the year ended 31 December 2021, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

### Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

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### Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include the financial statements and auditor's report thereon.

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Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

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### Responsibilities of the board of directors and supervisory board of the Company for the financial statements

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

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

The supervisory board of the Company is responsible for overseeing the financial reporting process.

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### Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

31 March 2022

PricewaterhouseCoopers Audit, s.r.o.  
represented by

Jan Musil

Tomáš Frýbort  
Statutory Auditor, Licence No. 2292

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.