

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

ANNUAL REPORT

2022

## 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 2022, 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 2022

The Company reported a profit of CZK 237,698 thousand for the year ended 31 December 2022. As at 31 December 2022, the Company's equity amounted to CZK 1,246,780 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> at the end of 2022.

### 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 2022, 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 2022, the registered number of employees, members of the Board of Directors and the Supervisory Board of the Company was 38.

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 Moravia Gas Storage a.s. 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 2022. In 2022, 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 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 2023/2024.

## **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.

On 25 February 2023, Council Regulation (EU) No. 2023/427 EU was issued amending a Regulation (EU) No. 833/2014, which, with effect from 26 February 2023, prohibited underground gas storage operators from providing storage capacity to entities established in Russia. The company fully respects this regulation and for the upcoming storage year has sold its storage capacity in its entirety to customers who are not subject to the restrictions set out in the relevant regulation.



In addition to the above, no events have occurred subsequent to year-end that would have a material impact on the annual report as at 31 December 2022.

Hodonín, 30 March 2023



Sergey Tregub  
Member of the Board of Directors category A



Ing. Pavel Marek  
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 2022.

### 1. Financial results and assets state

The Company's profit for the year ended 31 December 2022 amounted to CZK 237,698 thousand. As at 31 December 2022, the Company's total assets and equity amounted to CZK 3,238,701 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 2023/2024.

Hodonín, 30 March 2023



Sergey Tregub  
Member of the Board of Directors category A



Ing. Pavel Marek  
Member of the Board of Directors category B



### III. Financial Statements as at 31 December 2022



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

Financial statements

31 December 2022

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 2022  
Date of preparation of the financial statements: 30 March 2023

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

Ref. a	ASSETS b	Row c	31.12.2022			31.12.2021
			Gross 1	Provision 2	Net 3	Net 4
	<b>TOTAL ASSETS</b>	<b>001</b>	<b>4 158 001</b>	<b>(919 300)</b>	<b>3 238 701</b>	<b>3 237 716</b>
<b>B.</b>	<b>Fixed assets</b>	<b>003</b>	<b>3 860 609</b>	<b>(919 300)</b>	<b>2 941 309</b>	<b>3 046 636</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>004</b>	<b>36 613</b>	<b>(771)</b>	<b>35 842</b>	<b>19 008</b>
B. I. 2.	Royalties	006	627	(326)	301	408
B. I. 2. 1.	Software	007	249	(162)	87	168
B. I. 2. 2.	Other royalties	008	378	(164)	214	240
B. I. 4.	Other intangible fixed assets	010	35 040	(445)	34 595	18 133
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	946	-	946	467
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	946	-	946	467
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>014</b>	<b>3 823 996</b>	<b>(918 529)</b>	<b>2 905 467</b>	<b>3 027 628</b>
B. II. 1.	Land and constructions	015	1 949 596	(411 508)	1 538 088	1 550 808
B. II. 1. 1.	Land	016	172 517	-	172 517	172 517
B. II. 1. 2.	Constructions	017	1 777 079	(411 508)	1 365 571	1 378 291
B. II. 2.	Equipment	018	1 867 119	(506 235)	1 360 884	1 424 359
B. II. 4.	Other tangible fixed assets	020	3 562	(273)	3 289	3 307
B. II. 4. 3.	Tangible fixed assets - other	023	3 562	(273)	3 289	3 307
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	3 719	(513)	3 206	49 154
B. II. 5. 1.	Advances paid for tangible fixed assets	025	-	-	-	22 946
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	3 719	(513)	3 206	26 208
<b>C.</b>	<b>Current assets</b>	<b>037</b>	<b>295 300</b>	<b>-</b>	<b>295 300</b>	<b>189 356</b>
<b>C. I.</b>	<b>Inventories</b>	<b>038</b>	<b>12 022</b>	<b>-</b>	<b>12 022</b>	<b>9 529</b>
C. I. 1.	Raw materials	039	12 022	-	12 022	9 529
<b>C. II.</b>	<b>Receivables</b>	<b>046</b>	<b>131 176</b>	<b>-</b>	<b>131 176</b>	<b>55 322</b>
C. II. 1.	Long-term receivables	047	50 838	-	50 838	5 805
C. II. 1. 4.	Deferred tax asset	051	-	-	-	-
C. II. 1. 5.	Receivables - other	052	50 838	-	50 838	5 805
C. II. 1. 5. 2.	Long-term advances paid	054	5 555	-	5 555	5 805
C. II. 1. 5. 4.	Other receivables	054	45 283	-	45 283	-
C. II. 2.	Short-term receivables	057	80 338	-	80 338	49 517
C. II. 2. 1.	Trade receivables	058	49 614	-	49 614	44 090
C. II. 2. 4.	Receivables - other	061	30 724	-	30 724	5 427
C. II. 2. 4. 1.	Receivables from shareholders	062	193	-	193	977
C. II. 2. 4. 3.	Taxes - receivables from the state	064	1 454	-	1 454	4 009
C. II. 2. 4. 4.	Short-term advances paid	065	560	-	560	434
C. II. 2. 4. 5.	Estimated receivables	066	458	-	458	-
C. II. 2. 4. 6.	Other receivables	067	28 059	-	28 059	7
<b>C. IV.</b>	<b>Cash</b>	<b>075</b>	<b>152 102</b>	<b>-</b>	<b>152 102</b>	<b>124 505</b>
C. IV. 1.	Cash in hand	076	52	-	52	75
C. IV. 2.	Cash at bank	077	152 050	-	152 050	124 430
<b>D.</b>	<b>Prepayments and accrued income</b>	<b>078</b>	<b>2 092</b>	<b>-</b>	<b>2 092</b>	<b>1 724</b>
D. 1.	Prepaid expenses	079	2 092	-	2 092	1 724



Ref. a	LIABILITIES AND EQUITY b	Row c	31.12.2022	31.12.2021
			5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>082</b>	<b>3 238 701</b>	<b>3 237 716</b>
<b>A.</b>	<b>Equity</b>	<b>083</b>	<b>1 246 780</b>	<b>913 368</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>473 860</b>	<b>378 146</b>
A. II. 2.	Capital contributions	090	473 860	378 146
A. II. 2. 1.	Other capital contributions	091	414 519	413 750
A. II. 2. 2.	Assets and liabilities revaluation	092	59 341	(35 604)
<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>532 822</b>	<b>360 628</b>
A. IV. 1.	Retained earnings or (accumulated losses)	100	532 822	360 628
<b>A. V.</b>	<b>Profit / (loss) for the current period</b>	<b>102</b>	<b>237 698</b>	<b>172 194</b>
<b>B. + C.</b>	<b>Liabilities</b>	<b>104</b>	<b>1 991 770</b>	<b>2 324 291</b>
<b>B.</b>	<b>Provisions</b>	<b>105</b>	<b>16 489</b>	<b>15 884</b>
B. 3.	Tax-deductible provisions	108	8 602	8 555
B. 4.	Other provisions	109	7 887	7 329
<b>C.</b>	<b>Payables</b>	<b>110</b>	<b>1 975 281</b>	<b>2 308 407</b>
<b>C. I.</b>	<b>Long-term payables</b>	<b>111</b>	<b>1 636 546</b>	<b>2 089 080</b>
C. I. 2.	Liabilities due to financial institutions	115	1 520 475	2 025 543
C. I. 8.	Deferred tax liability	121	116 071	37 644
C. I. 9.	Liabilities - other	122	-	25 893
C. I. 9. 3.	Other liabilities	125	-	25 893
<b>C. II.</b>	<b>Short-term payables</b>	<b>126</b>	<b>338 735</b>	<b>219 327</b>
C. II. 2.	Liabilities due to financial institutions	130	303 294	154 679
C. II. 3.	Short-term advances received	131	6 000	-
C. II. 4.	Trade payables	132	3 580	18 399
C. II. 8.	Liabilities - other	136	25 861	46 249
C. II. 8. 3.	Liabilities to employees	139	2 261	2 320
C. II. 8. 4.	Liabilities for social security and health insurance	140	883	749
C. II. 8. 5.	Taxes and state subsidies payable	141	3 759	1 921
C. II. 8. 6.	Estimated payables	142	18 925	23 160
C. II. 8. 7.	Other liabilities	143	33	18 099
<b>D.</b>	<b>Accruals and deferred income</b>	<b>147</b>	<b>151</b>	<b>57</b>
D. 1.	Accrued expenses	148	151	57

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## INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2022	2021
			1	2
<b>I.</b>	<b>Sales of products and services</b>	<b>01</b>	<b>668 900</b>	<b>530 093</b>
<b>A.</b>	<b>Cost of sales</b>	<b>03</b>	<b>114 089</b>	<b>130 444</b>
A. 2.	Raw materials and consumables used	05	13 705	20 003
A. 3.	Services	06	100 384	110 441
<b>C.</b>	<b>Own work capitalised</b>	<b>08</b>	<b>-</b>	<b>(720)</b>
<b>D.</b>	<b>Staff costs</b>	<b>09</b>	<b>54 797</b>	<b>57 991</b>
D. 1.	Wages and salaries	10	42 568	45 412
D. 2.	Social security, health insurance and other costs	11	12 229	12 579
D. 2. 1.	Social security and health insurance costs	12	11 132	11 380
D. 2. 2.	Other costs	13	1 097	1 199
<b>E.</b>	<b>Value adjustments in operating activities</b>	<b>14</b>	<b>161 616</b>	<b>151 262</b>
E. 1.	Value adjustments of fixed assets	15	161 616	151 262
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	161 103	151 262
E. 1. 2.	Value adjustments in respect of intangible and tangible fixed assets - temporary	17	513	-
<b>III.</b>	<b>Operating income - other</b>	<b>20</b>	<b>786</b>	<b>1 877</b>
III. 1.	Sales of fixed assets	21	16	81
III. 2.	Sales of raw materials	22	-	1 732
III. 3.	Other operating income	23	770	64
<b>F.</b>	<b>Operating expenses - other</b>	<b>24</b>	<b>21 614</b>	<b>10 539</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	331	387
F. 4.	Operating provisions and complex prepaid expenses	28	605	(4 404)
F. 5.	Other operating expenses	29	20 678	14 410
<b>*</b>	<b>Operating result</b>	<b>30</b>	<b>317 570</b>	<b>182 454</b>
VI.	Interest and similar income	39	1 336	-
VI. 2.	Other interest and similar income	41	1 336	-
J.	Interest and similar expenses	43	78 107	85 072
J. 2.	Other interest and similar expenses	45	78 107	85 072
VII.	Other financial income	46	54 514	115 923
K.	Other financial expenses	47	1 459	1 005
<b>*</b>	<b>Financial result</b>	<b>48</b>	<b>(23 716)</b>	<b>29 846</b>
<b>**</b>	<b>Net profit / (loss) before tax</b>	<b>49</b>	<b>293 854</b>	<b>212 300</b>
<b>L.</b>	<b>Tax on profit or loss</b>	<b>50</b>	<b>56 156</b>	<b>40 106</b>
L. 2.	Tax on profit or loss - deferred	52	56 156	40 106
<b>**</b>	<b>Net profit / (loss) after tax</b>	<b>53</b>	<b>237 698</b>	<b>172 194</b>
<b>***</b>	<b>Net profit / (loss) for the financial period</b>	<b>55</b>	<b>237 698</b>	<b>172 194</b>
<b>*</b>	<b>Net turnover for the financial period</b>	<b>56</b>	<b>725 536</b>	<b>647 893</b>

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## STATEMENT OF CASH FLOWS

(in thousand Czech crowns)

Ref. a	TEXT b	Accounting period	
		2022	2021
		1	2
	<b>Cash flows from operating activities</b>		
	<b>Net profit /(loss) before tax</b>	<b>293 854</b>	<b>212 300</b>
A. 1.	Adjustments for non-cash movements:	179 491	105 345
A. 1. 1.	Depreciation and amortisation of fixed assets	161 103	151 262
A. 1. 2.	Change in provisions and provisions for impairment	1 118	(4 404)
A. 1. 3.	(Profit)/loss from sales of fixed assets	(16)	39
A. 1. 5.	Net interest expense/(income)	76 771	85 072
A. 1. 6.	Other non-cash movements	(59 485)	(126 624)
<b>A *</b>	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>473 345</b>	<b>317 645</b>
A. 2.	Non-cash working capital changes:	(14 097)	(3 368)
A. 2. 1.	Change in receivables and prepayments	(604)	(5 828)
A. 2. 2.	Change in payables and accruals	(11 000)	(8 958)
A. 2. 3.	Change in inventories	(2 493)	11 418
<b>A **</b>	<b>Net cash flow from operating activities before tax</b>	<b>459 248</b>	<b>314 277</b>
A. 3.	Interest paid	(78 107)	(85 072)
<b>A ***</b>	<b>Net cash flow from operating activities</b>	<b>381 141</b>	<b>229 205</b>
B. 1.	Acquisition of fixed assets	(56 339)	(92 368)
B. 2.	Proceeds from sale of fixed assets	16	81
B. 3.	Interest received	1 336	-
<b>B ***</b>	<b>Net cash flow from investing activities</b>	<b>(54 987)</b>	<b>(92 287)</b>
C. 1.	Change in long- and short-term liabilities from financing activities	(299 326)	(165 457)
C. 2.	Changes in equity:	769	3 907
C. 2. 3.	Other cash contributions received from shareholders	769	3 907
<b>C ***</b>	<b>Net cash flow from financing activities</b>	<b>(298 557)</b>	<b>(161 550)</b>
	<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>27 597</b>	<b>(24 632)</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>124 505</b>	<b>149 137</b>
	<b>Cash and cash equivalents at the end of the year</b>	<b>152 102</b>	<b>124 505</b>

Company name: Moravia Gas Storage a.s.

Identification number: 285 06 065

Legal form: joint-stock company

Primary business: gas storage

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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 2021</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	et	-	-	-	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>
Fair value gains/(losses)							
- Financial derivatives	-	-	94 945	-	-	-	94 945
Allocation to funds	-	769	-	-	-	-	769
Net profit/(loss) for the current period	-	-	-	-	237 698	-	237 698
<b>As at 31 December 2022</b>	<b>2 000</b>	<b>414 519</b>	<b>59 341</b>	<b>400</b>	<b>770 520</b>	<b>-</b>	<b>1 246 780</b>

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

Financial statements

31 December 2022

## **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.

## **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 and the geopolitical situation caused by the conflict in Ukraine when assessing the valuation of assets and liabilities.

The financial statements for the year ended 31 December 2022 were prepared under the assumption the company will continue as a going concern.

### **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.

## **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.

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.



### 3. Intangible fixed assets

Intangible fixed assets, primarily consisting of emission rights, amounted to CZK 34,594 thousand as at 31 December 2022 (as at 31 December 2021: CZK 18,082 thousand), recognized in line item "Other intangible fixed assets".

### 4. Tangible fixed assets

(CZK'000)	1 January 2022	Additions/ transfers	Disposals	31 December 2022
<b>Cost</b>				
Land	172,517	0	0	172,517
Constructions	1,722,233	54,846	0	1,777,079
Equipment	1,837,257	29,862	0	1,867,119
Other tangible fixed assets	3,538	24	0	3,562
Advances paid for tangible fixed assets and tangible fixed assets in the course of construction	49,154	(45,435)	0	3,719
<b>Total</b>	<b>3,784,699</b>	<b>39,297</b>	<b>0</b>	<b>3,823,996</b>
<b>Accumulated depreciation and allowances</b>				
Constructions	(343,942)	(67,567)	0	(411,509)
Equipment	(412,898)	(93,848)	0	(506,746)
Other tangible fixed assets	(231)	(43)	0	(274)
<b>Total</b>	<b>(757,071)</b>	<b>(161,458)</b>	<b>0</b>	<b>(918,529)</b>
<b>Net book value</b>	<b>3,027,628</b>			<b>2,905,467</b>

(CZK'000)	1 January 2021	Additions/ transfers	Disposals	31 December 2021
<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 and allowances</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>

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.

As at 31 December 2022, the company created an allowance for unsuccessful investment "UGS Dambořice well Uh 34" in the amount of CZK 513 thousand. Completion of the investment would not lead to an improvement in the operating parameters of the Dambořice underground gas storage and would be economically inefficient.

### 5. Inventories

The Company did not create a provision for inventories as at 31 December 2022 and 2021.

## **6. Receivables**

Overdue receivables as at 31 December 2022 amounted to CZK 0 thousand (as at 31 December 2021: CZK 0 thousand).

The provision for doubtful receivables as at 31 December 2022 was CZK 0 thousand (as at 31 December 2021: 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 2021 and decided about the allocation of the profit for 2021 of CZK 172,194 thousand on 17 June 2022. The profit for 2021 was transferred to retained earnings.

Up to the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2022.

## **8. Provisions**

In accordance with applicable legislation, the Company created provision for remediation and reclamation amounted to CZK 8,602 thousand as at 31 December 2022 (as at 31 December 2021: CZK 8,555 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 572,967 thousand as at 31 December 2022 (as at 31 December 2021:

CZK 637,203 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 2022 and 2021.

## **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 2022 the total amount of the loan was CZK 1,823,769 thousand (as at 31 December 2021: CZK 2,180,222 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 2022 and 2021.

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 12,301 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**

(CZK'000)	31 December 2022			31 December 2021		
	Fair value		Notional amount	Fair value		Notional amount
	Positive	Negative		Positive	Negative	
Interest rate swaps (short-term part)	27,977	0	-	-	(18,063)	-
Interest rate swaps (long-term part)	45,283	0	-	-	(25,893)	-
<b>Total interest rate hedging derivatives</b>	<b>73,260</b>		<b>1,436,554</b>	-	<b>(43,956)</b>	<b>1,461,312</b>
<b>Total cash-flow hedging derivatives</b>	<b>73,260</b>		<b>1,436,554</b>	-	<b>(43,956)</b>	<b>1,461,312</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:

<b>(CZK'000)</b>	<b>2022</b>	<b>2021</b>
<b>As at 1 January</b>	<b>(43,956)</b>	<b>(86,511)</b>
Increase / (decrease) for the year	117,216	42,555
<b>As at 31 December</b>	<b>73,260</b>	<b>(43,956)</b>

## **12. Revenue analysis**

Revenue analysis:

<b>(CZK'000)</b>	<b>2022</b>	<b>2021</b>
Gas storage		
- domestic revenue	103,292	19,686
- foreign revenue	532,448	509,905
Revenue from other services	33,160	502
<b>Total sales of own products and services</b>	<b>668,900</b>	<b>530,093</b>
<b>Other operating income</b>	<b>786</b>	<b>1,877</b>
<b>Total operating income</b>	<b>669,686</b>	<b>531,970</b>

## **13. Related party transactions**

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

<b>(CZK'000)</b>	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Sales of services	516,940	517,914
<b>Total</b>	<b>516,940</b>	<b>517,914</b>
<b>Costs / Purchases</b>		
Purchase of material	9,521	4,161
Purchase of property	814	21,022
Purchase of services	77,910	86,486
<b>Total</b>	<b>88,245</b>	<b>111,669</b>

The following related party balances were outstanding as at:

<b>(CZK'000)</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Receivables</b>		
Trade receivables	44,827	43,447
<b>Total</b>	<b>44,827</b>	<b>43,417</b>
<b>Liabilities</b>		
Liabilities to companies within the consolidation group	2,342	15,706
Out of which:		
Trade payables	2,342	15,706
<b>Total</b>	<b>2,342</b>	<b>15,706</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 2022 in the amount of CZK 1,296 thousand (2021: CZK 1,515 thousand).

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

## 14. Employees

	2022		2021	
	number	CZK'000	number	CZK'000
Emoluments to the members of the Statutory Body	4	15,275	4	15,877
Emoluments to members of the Supervisory Board	6	11,903	6	12,371
Wages and salaries to other management	1	1,143	1	1,500
Wages and salaries to other employees	24	14,247	24	15,664
Social security costs		11,132		11,380
Other social costs		1,097		1,199
<b>Wages and salaries total</b>	<b>35</b>	<b>54,797</b>	<b>35</b>	<b>57,991</b>

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

## 15. Income tax

The income tax expense analysis:

(CZK'000)	2022	2021
Deferred tax expense	56,156	40,106
<b>Total income tax expense</b>	<b>56,156</b>	<b>40,106</b>

The deferred tax was calculated at 19% (the rate enacted for 2022 and subsequent years).

The deferred tax asset / (liability) analysis:

(CZK'000)	31 December 2022	31 December 2021
<b>Deferred tax asset / (liability) arising from:</b>		
Difference between accounting and tax net book value of fixed assets	(118,828)	(48,384)
Provisions	1,499	1,393
Hedging derivatives recorded in equity	(13,920)	8,351
Tax losses carried forward	15,178	996
<b>Net deferred tax asset / (liability)</b>	<b>(116,071)</b>	<b>(37,644)</b>

The Company has tax losses as at 31 December 2022 of CZK 79,884 thousand (as at 31 December 2021: CZK 5,242 thousand), which will likely be utilised in 2023.

## 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.

On 25 February 2023, Council Regulation (EU) No. 2023/427 EU was issued amending a Regulation (EU) No. 833/2014, which, with effect from 26 February 2023, prohibited underground gas storage operators from providing storage capacity to entities established in Russia. The company fully respects this regulation and for the upcoming storage year has sold its storage capacity in its entirety to customers who are not subject to the restrictions set out in the relevant regulation.

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 2022.

30 March 2023



Sergey Tregub  
Member of the Board of Directors category A



Ing. Pavel Marek  
Member of the Board of Directors category B

## IV. Independent Auditor's Report



(Translation of a report originally issued in Czech)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Moravia Gas Storage a.s.:

### **Opinion**

I have audited the accompanying financial statements of Moravia Gas Storage a.s. (the Company), registered seat Úprkova 807/6, Hodonín, prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2022, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

### **Basis for Opinion**

I conducted my audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. My responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Other Matter**

The financial statements for the year ended 31 December 2021 were audited by another auditors who expressed an unqualified opinion thereon dated 31 March 2022.

### **Other Information**

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

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

Based on the procedures performed, to the extent I am able to assess it, I report that:

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

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

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

The Board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic 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 is responsible for overseeing the Company's financial reporting process.

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

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above 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 above law or regulation, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 control.
- Obtain an understanding of internal control 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 control.
- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.



Mgr. Václav Moll  
statutory auditor, license no. 2311  
Říčmanice č.ev. 190, Czech Republic



30 March 2023