MND a.s.

Annual Report

2019

This document is an English translation
of the Czech Annual Report

Content:

I. Report on the Company's business activities and state of its assets (consolidated)

1. Company

MND a.s. ("**the Company**") was established by a sole founder on 30 September 2008, under the original name ORTOKLAS a.s. The Company was incorporated on 3 November 2008 and is recorded in the Commercial Register maintained by the Regional Court in Brno under file number B 6209.

2. Consolidated group

As at 31 December 2019, the Company formed a consolidated group with the following entities that are controlled entities vis-à-vis the Company pursuant to Section 74 et seq. of Act No. 90/2012 Coll., on Business Corporations, as amended:

- **MND Drilling & Services a.s.**, with its registered office at Velkomoravská 900/405, Lužice, post code 696 18, ID No. 25547631;
- **MND Gas Storage a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 27732894;
- **MND Energy Trading a.s.**, with its registered office at Strašnice, Vinohradská 1511/230, Praha 10, post code 100 00, ID No. 29137624;
- **MND Oil & Gas a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 07435304;

(the Company and its controlled entities together the "**MND Group**").

3. Jointly controlled and associated entities

As at 31 December 2019, the following entities were jointly controlled or associated entities vis-à-vis the Company (pursuant to Section 22(3)(b) and (c) of Act No. 563/1991 Coll., on Accounting, as amended), forming a part of the consolidated group:

- **Moravia Gas Storage a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 285 06 065.

4. Business activities of the MND Group

From 1 January to 31 December 2019, the MND Group carried out its principal business activities, which are:

- prospecting, exploration and production of oil and natural gas
- gas and electricity trading
- operation of underground gas storage and provision of gas storage services
- drilling contractor services, focusing on drilling and completion of oil and gas exploration and production wells, underground gas storage wells and hydro and geothermal wells. The MND Group also carries out surface and subsurface well workover operations as well as plug and abandonment operations on wells.

The activities were carried out in the Czech Republic and abroad. The MND Group does not engage in research and development. MND a.s. had a branch in Slovakia, which was closed and removed from the commercial register as at 19 February 2019. Other MND Group companies do not have any branches abroad.

5. Exploration activities and hydrocarbon production

The MND Group is the biggest Czech group producing crude oil and natural gas. In 2019, it carried out exploration activities at six exploration areas covering a total area of 2 241 km^2 in the South-East Moravian Region and continued to produce hydrocarbons from 39 fields. The production of crude oil for 2019 amounted to 87 thousand m^3 and the delivery of produced gas to 77 million m^3. Two new production wells, Bošovice 4, 5 were drilled. The drilling of well Bošovice 6 was not completed due to technical difficulties. Moreover, the Charvátská Nová Ves 10 and Březí 4 exploration wells were realised.

6. Drilling and workover operations

As a drilling contractor, the MND Group drilled 20 wells in 2019, of which six were in the Czech Republic and 14 abroad. The MND Group succeeded in establishing its position as a European drilling contractor. In 2019, the MND Group carried out drilling operations using the drilling rigs Bentec 450, 350, 250, MD 150 and Rig 40 for wells in France, Austria, Romania, Hungary and Germany.

In 2019, the MND Group carried out a total of 50 subsurface well workover and 8 abandonment projects and participated in 20 re-abandonment projects relating to old environmental burdens in the Czech Republic. In 2019 the long-term campaign for abandoning wells in Germany using the MD 150 rig was completed, the MND Group abandoned thirteen wells during 2017-2019. MND Group also carried out one abandonment project in Hungary.

7. Gas and electricity trading

As a licensed trader, the MND Group traded gas and electricity both in the Czech Republic and abroad. In 2019, they continued to sell gas from its own production and utilised gas storage facilities in the Czech Republic, Germany, Austria, Netherlands and Ukraine with a total storage capacity of more than 11 TWh. Storage capacity was also sold on a secondary basis as a flexibility service and as a security of supply service in accordance with relevant legislation. A total of almost 140 TWh of gas was traded in 2019. The MND Group further developed its trade in electricity by supplying electricity both to end customers and electricity traders. Electricity was traded in the Czech Republic, Slovakia, Germany, Hungary and France. For portfolio hedging purposes the MND Group commenced trading with financial contracts for emission allowances.

Since 2014, the MND Group has been striving to move the energy supply market to a better customer experience with simplicity, long-term benefits and fair dealing. In 2019, the MND Group continued to offer advantageous energy contracts to households at fair prices, within which we perceive both price advantage and correct conditions that are based on values and principles that the MND Group considers key for its successful operation in the market. These principles include fair and comprehensible customer care as well as contracts for an indefinite period without hidden sanctions and unnecessary fees. We believe that the customers appreciates these principles and thanks to this, today MND is already one of the most important energy suppliers.

In the household segment, the MND Group focuses on the sale of gas. In 2019, there were acquired 16 191 new customers for gas consumption, with its customer portfolio increasing by 24% to 82 410 *Plyn z první ruky* (Gas from the Source) customers.

The MND Group continued to sell electricity to households in 2019, which has been offered as a supplementary product to its customers from mid-2014. In 2019, there were acquired 17 780 new customers for electricity consumption, with the total number of customers reaching 60 992.

In mid-February 2020, the MND Group exceeded the number of 150,000 customers in total for both energy commodities.

8. Underground gas storage

The MND Group operates the Uhřice Underground Gas Storage (UGS). The Uhřice UGS consists of two storage formations. Storage formation Uhřice with storage capacity of 185 million m^3 launched its operation in 2001 and the second storage formation Uhřice-South launched its operation in 2012. The total storage capacity of the Uhřice UGS is 335 million m^3, with the potential for further development of up to 350 million m^3. The current daily withdrawal rate is 10 million m^3 and the injection rate 5 million m^3.

Through its equity interest in Morava Gas Storage a.s., the MND Group also participates in the operation of the Dambořice UGS, put into use in 2016.

9. Human resources

As at 31 December 2019, the MND Group companies employed 898 people, of which 485 held positions in the technical-economic sphere and 413 performed blue-collar work.

10. Education and social affairs

The MND Group encourages employee education and provides an environment that is conducive to the personal development of every employee. The educational system focuses on professional, managerial and language training. The Company also promotes cooperation with selected secondary schools and universities in the Czech Republic and abroad, with a focus on both increasing the qualifications of its employees, and on acquiring new talents, further developing their skills by giving them the opportunity to work with teams of experts. With respect to employee care, the MND Group focuses on creating a professional working environment with a broad selection of employee benefit options.

11. Corporate social responsibility and sponsorship

The MND Group runs an active CSR programme and promotes a whole range of beneficial and charitable activities and civic associations in the Czech Republic. Consistent with the scope and location of its business and its attitude toward the environment, the MND Group's activities focus on enhancing the environment in the communities where it operates.

The MND Group works on joint projects with the Biosphere reserve Dolní Morava, o.p.s. in the long term, focusing on the conservation of natural and cultural diversity and the support of sustainable economic and demographic development. Projects that are currently carried out include the Bažantnice Dúbrava forest park as well as the revitalisation of the Bošovice former vicarage gardens and every year the sustainability of the Garden of Gethsemane in Mikulov.

In 2019, the MND Group teamed up with the *Pro záchranu Motýlího ráje* (Rescuing the Butterfly Paradise) association in the Kyjov and Ždánice region and contributed to the material for the construction of a new hayloft. In addition, it supported the Ždánice Histo-Bike, a popular summer event in this area.

The MND Group also supports a wide range of projects focusing mainly on sports, culture and education. One of its most significant projects is providing for the long-term stability and prosperity of the FK Hodonín z.s. football club, allowing for the continuing operation of this youth sports club, and financial support to specialised classes at the Hodonín Athletic Club. In September 2019, MND became one of the main partners of the Czech Men's and Women's Athletics Teams Championship, which took place in Hodonín.

The MND Group focuses on supporting children in sports. For the fourth year in a row, it has been the general sponsor of the successful *Školky v pohybu* project, in the course of which physical activities lead by qualified coaches of FK Hodonín z.s. are carried out in local kindergartens. These activities support general physical abilities and skills, promote the health, joy and creativity of our children and constitute a prerequisite to any further development in any type of sports.

The MND Group participated in the Sport Analysis project and the sport development concept draft in the city of Hodonín.

As regards social services, the MND Group financially supports the BENATURA association’s annual beneficial ball whose proceeds go to the Children’s Home in Hodonín and the *Zelený dům pohody* in Hodonín designed for clients with mental disability.

12. MND Group’s financial results and state of assets in 2019

The MND Group recognised a consolidated loss for the year 2019 of CZK -256 million for 2019. Revenues amounted to CZK 69 329 million in the period concerned. Consolidated results from operating activities were CZK -211 million; consolidated result from financing activities was CZK -128 million.

The MND Group’s assets as at 31 December 2019 were as follows:

- property, plant and equipment of CZK 6 770 million, intangible assets of CZK 40 million and non-current financial assets of CZK 1 488 million;
- current assets of CZK 9 770 million, comprising inventories of CZK 2 339 million, current receivables and other receivables (including current tax and derivative financial instruments) of CZK 5 620 million, current financial assets of CZK 39 million and cash and cash equivalent of CZK 1 772 million.

The MND Group’s equity as at 31 December 2019 was CZK 5 315 million and liabilities totalled CZK 12 929 million. In 2019, the MND Group companies did not have their own shares or interim certificates in their ownership.

13. Information on risk management

The principal role of the MND Group’s risk management is to identify risks, determine a risk measurement method, quantify and analyse risk exposure, define a hedging strategy and the hedging implementation as such. The overall responsibility for setting up the MND Group’s risk management system and supervising its operation lies on the level of the board of directors. With regard to the diversity of operations and the corresponding risks, the management of each group company is responsible for setting up and monitoring risk management policies. Information on the MND Group’s risk management is disclosed in the notes to the financial statements in Note 30, which includes a description of investment instruments used by the MND Group and price, credit and liquidity risks as well as the risks connected with cash flows that the MND Group is exposed to.

14. Development outlook for the upcoming period

In 2019, the MND Group reported in its exploration and production business a decrease in oil and natural gas production. Compared to the 2019 level, the MND Group expects that hydrocarbon production will increase in 2020. In sales of gas and electricity to end customers MND Group expects further increase in the number of off-taking customers. The MND Group's financial performance will largely depend on the development of oil prices in world markets.

15. Subsequent events

In the first months of 2020, a coronavirus pandemic called Covid-19 broke out in the world, disrupting many business and economic activities. In connection with this pandemic, there has also been a significant drop in oil prices on world markets. The MND Group considers the outbreak of this pandemic and the related decline in oil prices to be subsequent events that do not lead to an adjustment to the financial statements. Potential impacts of the pandemic and the fall in oil prices to the Group's financial position and its results will be included in the profit or loss for the year 2020.

As the situation is unstable and evolving rapidly, it is not possible to estimate the potential impact of these events on the Group and the Company. The Company's management perceives the existing uncertainty and closely monitors the development of the situation. Both the Group and the Company have sufficient cash, positive working capital and a high level of equity. Both the Group and the Company are taking active steps to minimize the impact of current developments, in particular by optimizing the cost structure and decreasing capital expenditure. With regard to the above, neither the Group nor the Company assume that the situation poses significant uncertainty with respect to the going concern principle.

No further events occurred after the balance sheet day that would be significant in terms of the MND Group's business activity and financial position.

Prague, 22 May 2020

Miroslav Jestřabík
Member of the Board of Directors

Jiří Ječmen
Member of the Board of Directors

II. Report on relations between the controlling and controlled entities and between the controlled entity and other entities controlled by the same controlling entity

The company MND a.s., with its registered office in Hodonín, Úprkova 807/6, postal code 695 01, ID no. 28483006, incorporated in the Commercial Register kept with the Regional Court in Brno, registration no. B 6209 (hereinafter the "**Company**") acted in the accounting period from 1st January, 2019 to 31st December, 2019 (hereinafter the "**Accounting Period**") as a controlled entity in accordance with the provision of Section 74 et seq. of Act No. 90/2012 Coll., on business corporations and cooperatives, as amended (hereinafter the "**BCA**").

In compliance with Section 82 of the BCA, the Board of directors of the Company, as the controlled entity, has issued for the Accounting Period this report on relations between the controlling and controlled entities and between the controlled entity and other entities controlled by the same controlling entity (hereinafter the "**Report on Relations**" and "**Related Entities**"). This Report on Relations has been structured in accordance with Section 82 (2) and (4) of the BCA.

1. The structure of relations between the Company and other Related Entities

The Company is a member of the KKCG Group comprised of companies directly or indirectly controlled by KKCG AG, with its registered office at Kapellgasse 21, 6004 Lucerne, the Swiss Confederation, registration number CHE-326.367.231 (hereinafter the "**KKCG AG"**).

The Company is controlled by KKCG AG indirectly via its parent company, MND Group AG, with its registered office at Kapellgasse 21, 6004 Lucerne, the Swiss Confederation, registration number CHE-448.401.517, which is further controlled by MND Group B.V., with its registered office at Herikerbergweg 292, 1101CT Amsterdam, the Kingdom of the Netherlands, registration number 34246576, which is further controlled by KKCG AG.

The list of all the remaining entities of KKCG Group, *i.e.* companies directly or indirectly controlled by KKCG AG, constitutes Annex 1 to this Report on Relations.

2. Role of the Company

The role of the Company, as the controlled entity, is to conduct oil and gas prospecting, exploration and production operations and trade in gas and electricity.

3. Methods and means of control

The control of the Company is exercised via its 100% share in voting rights at the general meeting of the Company.

4. Overview of significant acts

In the Accounting Period the Company did not perform any acts upon the initiative or in the interest of KKCG AG, or of entities under KKCG AG control, concerning assets whose value exceeds 10 % of the Company's equity as specified in its most recent financial statement, except for those listed below.

(in thousands of Czech crowns)	**2019**
Expenses / Purchases	
Purchases of services	853 793

5. Overview of contracts

During the Accounting Period, the Company and KKCG AG, or any other entities controlled by KKCG AG, entered into the contracts attached as Annex 2 to this Report on Relations.

The contracts concluded between the Company and KKCG AG, or any other entities controlled by KKCG AG, prior to the commencement of the Accounting Period were still in force during the Accounting Period and are listed in Annex 3 to this Report on Relations.

6. Loss evaluation and settlement

The Company suffered no loss due to the influence of the controlling entities during the Accounting period.

7. Advantages and disadvantages of relations between Related Entities

The Company derives numerous benefits from its membership in the KKCG Group with KKCG AG, the controlling entity, which include, in particular, the opportunity to share its know-how and information (in compliance with the law and third-party contracts), to draw on the good name associated with the KKCG brand and to access intragroup and bank funding (*e.g.* the option to have its financial obligations secured by other entities within the group).

The Company is not aware of any disadvantages arising from its relations with the Related Entities.

The Company is not exposed to any specific risks resulting from relations with entities of KKCG Group, except for those, which results from standard membership in the international business group.

Annexes:

Annex 1 – List of Related Entities

Annex 2 – List of contracts between Related Entities concluded in the Accounting Period

Annex 3 – List of contracts between Related Entities concluded prior to the Accounting Period

Prague, 31 March 2020

Miroslav Jestřabík
Member of the Board of Directors

Jiří Ječmen
Member of the Board of Directors

Annex 1 – List of Related Entities

Annex No. 1 - List of related parties

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2019

COMPANY	Registered seat, Identification number / Registration number
"Horyzonty" LLC	L'vivska Oblast, L'viv, 79005, Akademika Pavlova 6C, Office 7, Ukraine, reg. n. 36828617
AEC a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, Czech Republic, ID 26236176
AEC Group a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, Czech Republic, ID 04772148
AEC s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovakia, ID 31384072
ANTAIOS s.r.o.	Ostrava, Moravská Ostrava, Nemocniční 987/12, post code 702 00, Czech Republic, ID 28345801
Aricoma Group a.s.	Prague 4, Chodov, Líbalova 2348/1, post code 149 00, Czech Republic, ID 04615671
Austrian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 04047788
AUTOCONT a.s.	Hornopolní 3322/34, Moravská Ostrava, Ostrava, post code 702 00, Czech Republic, ID 043 08 697
AUTOCONT s.r.o.	Krasovského 14, Bratislava - Petržalka, post code 851 01, Slovakia, ID 36 396 222
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 27457621
BOSM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 06773877
BXY Czech, a.s., v likvidaci	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 04559851
CAD Studio s.r.o.	Ostrava, Moravská Ostrava, Hornopolní 3322/34, post code 702 00, Czech Republic, ID 26197081
CAME Holding GmbH	Universitätsring 10, 1010 Vienna, Austria, reg. n. 038898d
CES EA s.r.o.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, Czech Republic, ID 08028656
Cestovní kancelář FISCHER, a.s.	Prague 4 – Nusle, Na Strži 65/1702, post code 140 62, Czech Republic, ID 26141647
CKF facility s.r.o.	Prague 4 – Nusle, Na Strži 65/1702, post code 140 62, Czech Republic, ID 28982738
Cleverlance Enterprise Solutions a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, Czech Republic, ID 27408787
Cleverlance Group a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, Czech Republic, ID 04771915
Cleverlance H2B a.s.	Brno, Slatina, Tuřanka 1519/115a, post code 627 00, Czech Republic, ID 28223756
Cleverlance Slovakia s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovakia, ID 35942487
Cloud4com SK, s.r.o.	Bratislava, Staré Grunty 36, post code 841 04, Slovakia, ID 50569694
Cloud4com, a.s.	Prague 7, Holešovice, U Uranie 954/18, post code 170 00, Czech Republic, ID 24660329
CLS Beteiligungs GmbH	Goldschmiedg. 3, 1010 Vienna, Austria, reg. n. FN84419x
Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Ireland, reg. n. 506335
Conectart s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, Czech Republic, ID 24728055
DataSpring s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, Czech Republic, ID 28808681
EMMA DELTA FINANCE PLC, in liquidation	Esperidon 5, 4th floor, Strovolos, 2001 Nicosia, Cyprus, reg. n. HE 284780
EMMA DELTA HELLENIC HOLDINGS LIMITED	Esperidon 5, 4th floor, Strovolos, 2001 Nicosia, Cyprus, reg. n. HE320752
EMMA DELTA MANAGEMENT LTD	Arch. Makariou III, 2-4, CAPITAL CENTER, 9th floor, 1065 Nicosia, Cyprus, reg. n. HE314151
EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD	Esperidon 5, 4th floor, Strovolos, 2001 Nicosia, Cyprus, reg. n. HE314350
FM&S Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 04283112
Geewa a.s.	Prague 9, Karlín, Sokolovská 366/84, post code 186 00, Czech Republic, ID 25617036
Geologichchne byreau "Lviv" LLC	L'vivska Oblast, L'viv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine, reg. n. 31978102

Annex No. 1 - List of related parties

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2019

COMPANY	Registered seat, Identification number / Registration number
G-JET s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 27079171
HELLENIC LOTTERIES S.A.	112 Athinon Avenue, Athens, Greek, reg. n. 25891401000
HORSE RACES S.A.	112 Athinon Avenue, Athens, Greek, reg. n. 132846101000
IGH Financing a.s., v likvidaci	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 05034353
INDUSTRIAL CENTER 28/23 SP. Z O.O.	ul.Twarda 18, 00-105 Warszawa, Poland, reg. n. 1132912313
INTERMOS Prague s.r.o.	Prague 10, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 63076349
INTERMOS VALVES, s.r.o.	Bratislava - Staré Mesto, Moskovská 13, post code 811 08, Slovakia, ID 35898411
Internet Projekt, s.r.o.	Prague 2, Nové Město, Vyšehradská 1376/43, post code 128 00, Czech Republic, ID 08526541
IPM – Industrial Portfolio Management a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 04572033
Italian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 04828526
Italian GNTN Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 07911319
JTU Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 02612020
Kavárna štěstí s.r.o.	Prague 9, K Žižkovu 851/4, post code 190 00, Czech Republic, ID 05111901
KKCG a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 27107744
KKCG Entertainment & Technology B.V. (in liquidation)	1101CT Amsterdam, Herikerbergweg 292, Netherlands, reg. n. 58856765
KKCG Industry B.V.	1101CT Amsterdam, Herikerbergweg 292, Netherlands, reg. n. 27271144
KKCG Investments AG	Kapellgasse 21, 6004 Luzern, Switzerland, reg. n. CHE-271.643.388
KKCG Methanol Holdings LLC	1675 South State Street, Suite B, Dover, DE, County of Kent, 19901, United States, reg. n. 36-4831670
KKCG Real Estate a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Luzern, Switzerland, reg. n. CHE-292.174.442
KKCG Technologies s.r.o.	Vinohradská 1511/230, Strašnice, Prague 10, post code 100 00, Czech Republic, ID 07171234
KKCG UK Limited	London, One Connaught Place, 5th Floor, W2 2ET, United Kingdom, reg. n. 8869774
KKCG US Advisory LLC	125 High Street, Boston, MA-02110, United States, reg. n. 84-2817214
Kura Basin Operating Company LLC	70 Kostava Street (5 Gamsakhurdia Avenue), Tbilisi, Georgia, reg. n. 405171567
Kynero Consulting a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 24193461
Liberty One Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States, reg. n. 32-0521898
Liberty One O&M LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States, reg. n. 30-0975326
Liberty Two Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States, reg. n. 30-0988055
LP Drilling S.r.l.	29016 Cortemaggiore, Salvo D'Acquisto 5, Italy, reg. n. 01294260334
LTB Beteiligungs GmbH	Universitätsring 10, 1010 Vienna, Austria, reg. n. FN84439a
Medial Beteiligungs-Gesellschaft m.b.H.	Universitätsring 10, 1010 Vienna, Austria, reg. n. 117154k
MEDICEM Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 07118422
Medicem Inc.	125 High Street, Boston, MA-02110, United States, reg. n. 38-4126132
MEDICEM Institute s.r.o.	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, Czech Republic, ID 26493331

Annex No. 1 - List of related parties

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2019

COMPANY	Registered seat, Identification number / Registration number
MEDICEM Technology s.r.o	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, Czech Republic, ID 48036374
Megalax Real, s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, Czech Republic, ID 07774656
Metanol d.o.o.	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, reg. n. 6564534000
MND a.s.	Hodonín, Úprkova 807/6, post code 695 01, Czech Republic, ID 28483006
MND Drilling & Services a.s.	Lužice, Velkomoravská 900/405, post code 696 18, Czech Republic, ID 25547631
MND Drilling Germany GmbH	31582 Nienburg, Domänenweg 7, Germany, reg. n. HRB206722
MND Energy Trading a.s	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 29137624
MND Gas Storage a.s.	Hodonín, Úprkova 807/6, post code 695 01, Czech Republic, ID 27732894
MND Gas Storage Germany GmbH	64665 Alsbach-Hähnlein, Birkenweg 2, Germany, reg. n. HRB96046
MND Georgia B.V.	1101CT Amsterdam, Herikerbergweg 292, Netherlands, reg. n. 52308944
MND Germany GmbH	Lüneburger Heerstraβe 77A, 29223 Celle, Germany, reg. n. HRB207844
MND Group B.V.	1101CT Amsterdam, Herikerbergweg 292, Netherlands, reg. n. 34246576
MND Oil & Gas a.s.	Úprkova 807/6, 695 01 Hodonín, Czech Republic, ID 07435304
MND Samara Holding B.V.	1101CT Amsterdam, Herikerbergweg 292, Netherlands, reg. n. 52990680
MND Ukraine B.V.	1101CT Amsterdam, Herikerbergweg 292, Netherlands, reg. n. 59394072
MNG Group AG	Kapellgasse 21, 6004 Luzern, Switzerland, reg. n. CHE-448.401.517
Moravia Systems a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 26915189
NEUROSOFT S.A.	466 Irakliou Avenue & Kiprou Street, 141 22 Iraklio Attikis, Athens, Greek, reg. n. 84923002000
OOO MND Samara	ul. Alexeya Tolstogo 92, Samara, Samarská obl., 443099, Russia, reg. n. 1046301405094
OPAP CYPRUS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Cyprus, reg. n. HE140568
OPAP INTERNATIONAL LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Cyprus, reg. n. HE145913
OPAP INVESTMENT LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Cyprus, reg. n. HE297411
OPAP S.A.	112 Athinon Avenue, Athens, Greek, reg. n. 3823201000
OPAP SPORTS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Cyprus, reg. n. HE133603
PDC INDUSTRIAL CENTER 48 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, reg. n. 5252630921
POM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 06773800
Precarpathian energy company LLC	Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka, Ukraine, reg. n. 36042045
Rezervoarji d.o.o	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, reg. n. 6564470000
RUBIDIUM HOLDING LIMITED	8 Alasias Street, Christodoulides Building, 3095 Limassol, Cyprus, reg. n. HE287956
SafeDX s.r.o.	Prague 9, Vysočany, K Žižkovu 813/2, post code 190 00, Czech Republic, ID 04585119
SALEZA, a.s. (v konkurzu, v úpadku, zahájeno insolvenční řízení)	Prague 9, K Žižkovu 851, post code 19093, Czech Republic, ID 471 16 307
SAZKA a.s.	Prague 9, K Žižkovu 851, post code 190 93, Czech Republic, ID 26493993
SAZKA Asia a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 05266289
Sazka Asia Vietnam Company Limited	3rd Floor, The Vista Building, 628C Xa Lo Ha Noi, An Phu Ward, District 2, Ho Chi Minh City, Viet Nam, reg. n. 0314057663

Annex No. 1 - List of related parties

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2019

COMPANY	Registered seat, Identification number / Registration number
SAZKA Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 24852104
Sazka Distribution Viet Nam Company Limited	3rd Floor, The Vista Building, 628C Xa Lo Ha Noi, An Phu Ward, District 2, Ho Chi Minh City, Viet Nam, reg. n. 0313898374
SAZKA FTS a.s.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, Czech Republic, ID 01993143
SAZKA Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 24287814
SAZKA Group Financing a.s.	Dúbravská cesta 14, Bratislava – district Karlova Ves, post code 841 04, Slovakia, ID 51142317
SAZKA Group Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 07877838
SAZKA Group Russia LLC	Prospect Mira 40, floor 8, premises I, room 11, 129090 Moscow, Russia, reg. n. 1177746915257
SG INDUSTRIAL CENTER 02 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, reg. n. 5272464443
SIL Servis Partner a.s.	Ostrava, Slezská Ostrava, Těšínská 1970/56, post code 710 00, Czech Republic, ID 25830953
SPORTLEASE a.s.	Prague 9, K Žižkovu 851, post code 190 93, Czech Republic, ID 62361546
Springtide Ventures s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 01726587
SUPERMARINE, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 08062773
Theta Real s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 27631842
TOK Poland Sp. Z o.o.	ul. Twarda 18, 00-105 Warszawa, Poland, reg. n. 5252689699
TORA DIRECT S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greek, reg. n. 5641201000
TORA WALLET S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greek, reg. n. 139861001000
US Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States, reg. n. 81-1952040
VESTINLOG, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 05629276
Vinohradská 230 a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 26203944
Vitalpeak Limited	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Cyprus, reg. n. HE 228204
VSU Czech s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, Czech Republic, ID 08062897
WOODSLOCK a.s.	Prague 4, Líbalova 2348/1, post code 149 00, Czech Republic, ID 27379434

Annex 2 – List of contracts between Related Entities concluded in the Accounting Period

Contracting party	Contract no.	Object of contract	Date of contract
AUTOCONT a.s.	NS/2019/0158	Contract for sub-licensing	28.06.2019
Cestovní kancelář FISCHER, a.s.	OP/2019/0010	Contract on business cooperation	22.01.2019
Conectart s.r.o.	OP/2019/0157	Contract on cooperation	15.07.2019
DataSpring s.r.o.	NS/2019/0242	Contract for services - Microsoft Cloud	13.12.2019
DataSpring s.r.o.	RO/2190121	Purchase order - IT	12.08.2019
Kynero Consulting a.s.	RO/2190044	Contract for work – print of ID Card	02.01.2019
Liberty Two Methanol LLC	PS/2019/0042	Contract for Services	02.05.2019
LLC Horyzonty	PS/2019/0018	Contract for Services	01.04.2019
LLC Horyzonty	PS/2019/0064	Agreement for Services	07.10.2019
MND Drilling & Services a.s.	NS/2019/0001	Frame contract – Slick line services	16.01.2019
MND Drilling & Services a.s.	NS/2019/0004	Contract for work - Well workover Ladná 3	29.01.2019
MND Drilling & Services a.s.	NS/2019/0005	Contract for work - Well workover Ladná 7	24.01.2019
MND Drilling & Services a.s.	NS/2019/0008	Contract for work - Well drilling Charvátská Nová Ves 10	16.01.2019
MND Drilling & Services a.s.	NS/2019/0019	Contract for work - Well workover Hrušky 260	08.02.2019
MND Drilling & Services a.s.	NS/2019/0026	Contract for work - Well workover Prušánky 2	19.02.2019
MND Drilling & Services a.s.	NS/2019/0031	Contract for work - Well workover Ždánice 119	21.02.2019
MND Drilling & Services a.s.	NS/2019/0040	Contract for work - Well workover Uhřice 70H	06.03.2019
MND Drilling & Services a.s.	NS/2019/0041	Contract for work - Well workover Uhřice 34	14.03.2019
MND Drilling & Services a.s.	NS/2019/0047	Contract for work - Well workover Uhřice 105a	14.03.2019
MND Drilling & Services a.s.	NS/2019/0056	Contract for work - Well workover Borkovany 6	03.04.2019
MND Drilling & Services a.s.	NS/2019/0058	Contract for work - Well drilling Bošovice 4	02.04.2019
MND Drilling & Services a.s.	NS/2019/0062	Contract for work - Well workover Uhřice 104A	15.04.2019

Contracting party	Contract no.	Object of contract	Date of contract
MND Drilling & Services a.s.	NS/2019/0067	Contract for work - Well workover Uhřice 102	15.04.2019
MND Drilling & Services a.s.	NS/2019/0079	Contract for work - Well workover Uhřice 61a	26.04.2019
MND Drilling & Services a.s.	NS/2019/0104	Contract for work - Well workover Poddvorov 129	29.05.2019
MND Drilling & Services a.s.	NS/2019/0107	Contract for work - Well workover Hrušky 121	04.06.2019
MND Drilling & Services a.s.	NS/2019/0115	Contract for work - Well abandonment Josefov 3	18.06.2019
MND Drilling & Services a.s.	NS/2019/0116	Contract for work - Well abandonment Josefov 7	12.06.2019
MND Drilling & Services a.s.	NS/2019/0117	Contract for work - Well abandonment Lužice 148	12.06.2019
MND Drilling & Services a.s.	NS/2019/0119	Contract for services –steam generator	04.07.2019
MND Drilling & Services a.s.	NS/2019/0128	Contract for work - Well workover Poddvorov 109	18.06.2019
MND Drilling & Services a.s.	NS/2019/0131	Contract for work - Well workover Ždánice 158	21.06.2019
MND Drilling & Services a.s.	NS/2019/0132	Contract for work - Well workover Poddvorov 107	24.06.2019
MND Drilling & Services a.s.	NS/2019/0138	Contract for work - Well abandonment Josefov 2	28.06.2019
MND Drilling & Services a.s.	NS/2019/0139	Contract for work - Well workover Lubná 21	28.06.2019
MND Drilling & Services a.s.	NS/2019/0148	Contract for work - Well drilling Bošovice 5	12.07.2019
MND Drilling & Services a.s.	NS/2019/0149	Contract for work - Well abandonment Hrušky 74	12.07.2019
MND Drilling & Services a.s.	NS/2019/0150	Contract for work - Well workover Ždánice 150	22.07.2019
MND Drilling & Services a.s.	NS/2019/0157	Contract for work - Well workover Ladná 5	19.08.2019
MND Drilling & Services a.s.	NS/2019/0161	Contract for work - Well workover Žižkov 28	31.07.2019
MND Drilling & Services a.s.	NS/2019/0162	Contract for work - Well abandonment Hrušky 156A	19.08.2019
MND Drilling & Services a.s.	NS/2019/0173	Contract for work - Well workover Mutěnice 8	29.08.2019
MND Drilling & Services a.s.	NS/2019/0174	Contract for work - Repair of wellhead Uhřice 84	28.08.2019
MND Drilling & Services a.s.	NS/2019/0188	Contract for work - Well workover Poštorná 8	24.09.2019
MND Drilling & Services a.s.	NS/2019/0189	Contract for work - Well workover Žarošice 7	02.10.2019
MND Drilling & Services a.s.	NS/2019/0194	Contract for work - Well workover Bošovice 4	24.09.2019
MND Drilling & Services a.s.	NS/2019/0211	Contract for work - Well abandonment Hrušky 4	21.10.2019
MND Drilling & Services a.s.	NS/2019/0214	Contract for work - Well drilling Bošovice 6	22.10.2019
MND Drilling & Services a.s.	NS/2019/0219	Contract for work - Well workover Bošovice 5	25.10.2019

Contracting party	Contract no.	Object of contract	Date of contract
MND Drilling & Services a.s.	NS/2019/0222	Contract for work - Well abandonment Hrušky 189	07.11.2019
MND Drilling & Services a.s.	NS/2019/0237	Contract for work - Well workover Ždánice 190H	10.11.2019
MND Drilling & Services a.s.	NS/2019/0245	Contract for work - Well workover Ždánice 192H	26.11.2019
MND Drilling & Services a.s.	NS/2019/0246	Contract for work - Well workover Josefov 24	26.11.2019
MND Drilling & Services a.s.	NS/2019/0252	Contract for work - Well workover Poštorná 14A	11.12.2019
MND Drilling & Services a.s.	NS/2019/0255	Contract for work - Wells abandonment in the year 2020	17.12.2019
MND Drilling & Services a.s.	NS/2019/0260	Cooperation agreement and conclusion of a future work contract	17.12.2019
MND Drilling & Services a.s.	NSO/2019/0073	Agreement on acceptance of general terms and conditions	31.12.2019
MND Drilling & Services a.s.	PS/2019/0005	Contract for work - well cleaning Uh 51	25.02.2019
MND Drilling & Services a.s.	PS/2019/0045	Contract for work - well cleaning Uhřice 103	24.07.2019
MND Drilling & Services a.s.	RO/2190046	Purchase of material from the seller's warehouses	07.01.2019
MND Drilling & Services a.s.	RO/2190047	Design and construction work in 2019	08.01.2019
MND Drilling & Services a.s.	RO/2190048	Re-invoicing of use of water in Žarošice	08.01.2019
MND Drilling & Services a.s.	RO/2190051	Vehicle repairs	08.01.2019
MND Drilling & Services a.s.	RO/2190052	Purchase of technical gases	08.01.2019
MND Drilling & Services a.s.	RO/2190057	Cleaning work - Lužice	08.01.2019
MND Drilling & Services a.s.	RO/2190101	Flaw detection work	31.01.2019
MND Drilling & Services a.s.	RO/2190111	Inspection and service of lashing and lifting equipment	25.02.2019
MND Drilling & Services a.s.	RS/2190002	Assembly and testing of rescue trolley	21.01.2019
MND Drilling & Services a.s.	RS/2190007	Laboratory services	02.01.2019
MND Drilling & Services a.s.	RS/2190008	Purchase of material	31.01.2019
MND Drilling & Services a.s.	RS/2190018	Reprographic work	02.01.2019
MND Drilling & Services a.s.	RS/2190024	Evaluation of logging measurement	25.02.2019
MND Drilling & Services a.s.	RS/2190033	Training for work at heights	11.01.2019
MND Drilling & Services a.s.	RS/2190039	Work at heights	11.01.2019
MND Drilling & Services a.s.	RS/2190052	Training of workers for work at heights	11.01.2019
MND Energy Trading a.s.	OP/2019/0120	Gas flexibility service contract	30.04.2019

Contracting party	Contract no.	Object of contract	Date of contract
MND Energy Trading a.s.	OP/2019/0173	Framework contract for the supply of natural gas	29.08.2019
MND Energy Trading a.s.	OP/2019/0286	Service Agreement	29.10.2019
MND Gas Storage a.s.	OP/2019/0035	Contract for the provision of business dispatching services	02.01.2019
MND Gas Storage a.s.	OP/2019/0048	Gas storage agreement	14.03.2019
MND Gas Storage a.s.	OP/2019/0082	Long Form Transaction Confirmation	05.04.2019
MND Gas Storage a.s.	OP/2019/0158	Gas storage agreement	05.07.2019
MND Gas Storage a.s.	OP/2019/0333	Gas storage agreement	26.11.2019
MND Gas Storage a.s.	RS/2190009	Sale of goods from stock	02.01.2019
MND Gas Storage a.s.	RS/2190010	Laboratory services	02.01.2019
MND Gas Storage a.s.	RS/2190016	Power consumption UGS Uhřice	02.01.2019
MND Gas Storage a.s.	RS/2190037	Training of staff	02.01.2019
MND Gas Storage Germany GmbH	OP/2019/0080	Trilateral Storage Agreement	27.03.2019
MND Gas Storage Germany GmbH	OP/2019/0085	Long Form Transaction Confirmation	25.04.2019
MND Gas Storage Germany GmbH	RO/2190038	Accommodation order	04.01.2019
MND Group B.V.	OP/2019/0083	ISDA agreement	28.03.2019
Moravia Systems a.s.	1400018576	Contract for associated gas supply service	30.05.2019
Moravia Systems a.s.	NS/2019/0029	Purchase contract for material - connection of Borkovany wells	19.02.2019
Moravia Systems a.s.	NS/2019/0050	Purchase contract for material - connection of Borkovany wells	19.03.2019
Moravia Systems a.s.	NS/2019/0066	Purchase contract stop valves	25.04.2019
Moravia Systems a.s.	NS/2019/0081	Framework contract for the supply of goods	15.07.2019
Moravia Systems a.s.	NS/2019/0113	Purchase contract	12.06.2019
Vinohradská 230 a.s.	RO/2190029	Catering service order	02.01.2019

Annex 3 – List of contracts between Related Entities concluded prior to the Accounting Period

Contracting party	Contract no.	Object of contract	Date of contract
AUTOCONT a.s.	1400011338	Contract for associated gas supply service	16.02.2018
AUTOCONT a.s.	724.42-735/04	Contract for services Navision	18.12.2003
AUTOCONT a.s.	724.42-736/03	Licence contract Navision	18.12.2003
Cestovní kancelář FISCHER, a.s.	NS/2011/0143	Frame cooperation contract – tourism	20.05.2011
Cestovní kancelář FISCHER, a.s.	RO/2160029	Service order – air transportation	01.01.2016
Conectart s.r.o.	NS/2016/0126	Contract for services	17.10.2016
Conectart s.r.o.	OP/2013/0233	Contract on cooperation – contact centre operation	01.12.2013
Conectart s.r.o.	OP/2015/0141	Contract on business representation	15.09.2015
Conectart s.r.o.	OP/2016/0019	Contract on business representation SMB	21.03.2016
DataSpring s.r.o.	2400005982	Contract for associated electricity supply service	22.12.2017
DataSpring s.r.o.	NS/2015/0141	Individual service contract – data circle HO-LU	28.08.2015
DataSpring s.r.o.	NS/2016/0045	Contract for services SQL as server	03.05.2016
DataSpring s.r.o.	NS/2016/0046	Contract for services Hosting Infor EAM 12/16	04.05.2016
DataSpring s.r.o.	NS/2016/0094	Contract for services - IaaS pro vDC MND07	29.07.2016
DataSpring s.r.o.	NS/2017/0008	Individual service contract – operation and maintenance of PaaS	06.02.2017
DataSpring s.r.o.	NS/2018/0059	Contract on ICT service	02.05.2018
DataSpring s.r.o.	OP/2014/0068	Hosting Gooddata, Keboola	17.09.2014
DataSpring s.r.o.	OP/2015/0159	Individual service contract (VO portal)	25.02.2016
DataSpring s.r.o.	OP/2015/0161	Individual service contract (USYS)	25.02.2016
IGNIS HOLDING a.s.	PS/2018/0046	Contract for services – accountancy, tax evidence, salary payments agenda	30.11.2018
Kavárna štěstí s.r.o.	1211717914	Contract for associated gas supply service	06.09.2017
Kavárna štěstí s.r.o.	2110203304	Contract for associated electricity supply service	18.10.2016
Kavárna štěstí s.r.o.	2211193072	Contract for associated electricity supply service	06.09.2017
KKCG a.s.	NS/2016/0079	Contract for services	30.05.2016
KKCG AG	NS/2016/0107	Trademarks license agreement	23.08.2016

KKCG UK LIMITED	NS/2014/0463	Agreement on provision of services	31.12.2014
Kynero Consulting a.s.	NS/2012/0194	Contract for security services	01.06.2012
Kynero Consulting a.s.	RO/2180033	Contract for work – print of ID Card	02.01.2018
LLC Horyzonty	PS/2019/0007	Contract for IT services	31.12.2018
MND Drilling & Services a.s.	1400005255	Contract for associated gas supply service	15.05.2000
MND Drilling & Services a.s.	724.42-007/01	Contract for work – accountancy and salary payment services	19.01.2001
MND Drilling & Services a.s.	724.42-146/01	Contract for work - ICT services	20.06.2001
MND Drilling & Services a.s.	724.42-444/00	Contract for work – cementation and pressure unit	28.02.2008
MND Drilling & Services a.s.	724.42-461/03	Contract on joint usage of Alcatel 4400 phone switchboard	01.07.2003
MND Drilling & Services a.s.	724.42-569/02	Contract for services	28.11.2002
MND Drilling & Services a.s.	NS/2004/0045	Frame contract – supply of utility and adjusted water	11.03.2004
MND Drilling & Services a.s.	NS/2005/0266	Contract for work – administrative economics services	01.09.2005
MND Drilling & Services a.s.	NS/2006/0209	Contract on joint usage of dining room and technology equipment	07.09.2006
MND Drilling & Services a.s.	NS/2011/0012	Frame contract – geological and physiological small-scale bursting works	21.01.2011
MND Drilling & Services a.s.	NS/2012/0108	Frame contract – repairs, preventive check, maintenance, emergency	01.05.2012
MND Drilling & Services a.s.	NS/2012/0168	Lease contract – business premises and lands	01.05.2012
MND Drilling & Services a.s.	NS/2013/0346	Frame contract – diesel oil supplies	31.10.2013
MND Drilling & Services a.s.	NS/2014/0462	Frame contract – machinery parts supply	31.12.2014
MND Drilling & Services a.s.	NS/2015/0038	Contract on re-invoicing of costs	30.01.2015
MND Drilling & Services a.s.	NS/2015/0076	Frame services contract – dewaxing	13.05.2015
MND Drilling & Services a.s.	NS/2016/0130	Frame contract – transportation and crane services	18.10.2016
MND Drilling & Services a.s.	NS/2017/0039	Lease contract – business premises and services related to lease	29.03.2017
MND Drilling & Services a.s.	NS/2018/0187	Contract for work - Well workover Ždánice 146	22.10.2018
MND Drilling & Services a.s.	NS/2018/0205	Contract for work - Well workover Ždánice 150	29.10.2018
MND Drilling & Services a.s.	NS/2018/0217	Purchase contract – material for "Zapojení sond Borkovany 4,6 a Klobouky" project	06.11.2018
MND Drilling & Services a.s.	NS/2018/0235	Contract for work - Well workover Ždánice 31	03.12.2018
MND Drilling & Services a.s.	NS/2018/0238	Contract for work - Well workover Ždánice 27	03.12.2018
MND Drilling & Services a.s.	NS/2018/0244	Contract for work - Well workover Ždánice 88	06.12.2018

MND Drilling & Services a.s.	NS/2018/0246	Contract for work – well Lanžhot 43 drilling	06.12.2018
MND Drilling & Services a.s.	NS/2018/0247	Contract for work – well Březí 4 drilling	11.12.2018
MND Drilling & Services a.s.	NS/2018/0254	Contract for work – well abandonment Ždánice 56	06.12.2018
MND Drilling & Services a.s.	NS/2018/0257	Frame contract – cleaning, renewing and storage of drilling tools	31.12.2018
MND Drilling & Services a.s.	NS/2018/0265	Lease contract – business premises and services related to lease	30.11.2018
MND Drilling & Services a.s.	OP/2016/0234	Contract for associated gas supply service	27.12.2016
MND Drilling & Services a.s.	PS/2004/0003	Contract on re-invoicing of costs - electricity Lužice	10.02.2004
MND Drilling & Services a.s.	PS/2007/0062	Contract on mining rescue services	20.12.2007
MND Drilling & Services a.s.	PS/2007/0062	Contract on mining rescue services – medical checks	30.12.2008
MND Drilling & Services a.s.	PS/2012/0012	Frame contract - repairs, preventive check, maintenance, emergency	01.05.2012
MND Drilling & Services a.s.	PS/2013/0007	Frame service contract – drilling geology supervision	28.06.2013
MND Drilling & Services a.s.	PS/2013/0043	Lease contract	30.07.2013
MND Drilling & Services a.s.	PS/2014/0003	Agreement on the use of mining water and expense settlement	02.01.2014
MND Drilling & Services a.s.	PS/2014/0028	Frame service contract - removal and assembly of mining rigs	23.07.2014
MND Drilling & Services a.s.	PS/2014/0039	Lease contract – business premises and services related to lease	03.11.2014
MND Drilling & Services a.s.	PS/2015/0082	Contract on insurance premium re-invoicing	26.11.2015
MND Drilling & Services a.s.	PS/2018/0028	Frame contract – HR services	31.08.2018
MND Energy Trading a.s.	OP/2017/0073	Contract for services – energy commodity trading	27.02.2017
MND Energy Trading a.s.	OP/2018/0111	Contract on gas flexibility service	30.03.2018
MND Energy Trading a.s.	PS/2012/0052	Contract for services – accounting, tax evidence and salary payments services	31.12.2012
MND Gas Storage a.s.	NS/2008/0108	Contract on shared use of data network	28.02.2008
MND Gas Storage a.s.	NS/2011/0174	Lease contract – Uhřice wells	22.06.2011
MND Gas Storage a.s.	NS/2015/0248	Purchase contract – condensate sale	28.12.2015
MND Gas Storage a.s.	NS/2016/0016	Frame contract – maintenance of INFOR system	01.02.2016
MND Gas Storage a.s.	OP/2012/0041	Merger of gas storage contract – yearly storage capacity with fixed output	30.04.2012
MND Gas Storage a.s.	OP/2018/0012	Storage contract - yearly storage capacity with fixed output	12.03.2018
MND Gas Storage a.s.	OP/2018/0108	Storage contract - monthly storage capacity with fixed output	30.04.2018
MND Gas Storage a.s.	OP/2018/0112	Storage contract – monthly storage capacity with fixed output	30.04.2018

MND Gas Storage a.s.	OP/2018/0203	Gas lease contract	31.08.2018
MND Gas Storage a.s.	OP/2018/0285	Storage contract - yearly storage capacity with fixed output	10.12.2018
MND Gas Storage a.s.	PS/2008/0101	Contract on storage of drilling cores	28.02.2008
MND Gas Storage a.s.	PS/2008/0113	Lease contract - business premises	30.05.2008
MND Gas Storage a.s.	PS/2009/0012	Contract on electronical communication services	30.01.2009
MND Gas Storage a.s.	PS/2009/0019	Contract on mining rescue services (UGS Uhřice, other sites)	30.04.2009
MND Gas Storage a.s.	PS/2009/0025	Contract on administration of mining measuring documentation (UGS Uhřice, other sites)	30.04.2009
MND Gas Storage a.s.	PS/2010/0057	Contract on services – economic and other	03.02.2013
MND Gas Storage a.s.	PS/2010/0059	Purchase contract – vehicle acquisition, insurance expenses	23.02.2016
MND Gas Storage a.s.	PS/2015/0006	Professional liability insurance – re-invoicing of insurance premium	02.01.2015
MND Gas Storage a.s.	PS/2016/0002	Contract for services – technical equipment services	13.01.2016
MND Gas Storage a.s.	PS/2016/0021	Contract for reservoir engineering and geology services	30.04.2016
MND Gas Storage a.s.	PS/2016/0073	Contract on mining rescue services and settlement of related costs	22.12.2016
MND Gas Storage Germany GmbH	OP/2018/0010	Gas Storage Contract	09.02.2018
MND Gas Storage Germany GmbH	PS/2015/0067	Contract for Services	30.09.2015
MND Group AG	PS/2016/0049	Contract for Services	01.08.2016
Moravia Systems a.s.	1400015848	Contract for associated gas supply service	06.12.2018
SafeDX s.r.o.	2400005971	Contract for associated electricity supply service	21.12.2017
SAZKA a.s.	1400001328	Contract for associated gas supply service	25.08.2017
SAZKA a.s.	2400005366	Contract for associated electricity supply service	20.12.2017
SAZKA a.s.	NSO/2014/0123	Contract on the settlement of relations within a VAT group	29.10.2014
Vinohradská 230 a.s.	1400003550	Contract for associated gas supply service	10.10.2017
Vinohradská 230 a.s.	2400002363	Contract for associated electricity supply service	10.10.2017
Vinohradská 230 a.s.	724.42-045/01	Lease contract – business premises at Vinohradská 230, Prague	01.02.2001
Vinohradská 230 a.s.	NS/2005/0017	Contract on catering services	03.01.2005
Vinohradská 230 a.s.	NS/2017/0134	Contract on lease of movables	01.06.2017

III. Consolidated financial statements of MND a.s. at 31 December 2019

prepared in accordance with International Financial Reporting Standards

as adopted by the European Union

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Consolidated statement of financial position	**Note**	**31/12/2019**	**31/12/2018**
Assets			
Underground gas storages		2 293 991	2 403 989
Land		197 524	98 425
Buildings and structures		705 367	729 047
Wells		1 340 016	1 329 530
Machinery and equipment		1 751 415	1 752 464
Other tangible fixed assets and assets under construction		481 985	411 057
Property, plant and equipment	5	*6 770 298*	*6 724 512*
Intangible assets	6	40 168	68 664
Equity-accounted investees	7	462 590	381 012
Non-current trade and other receivables	9	33 376	40 013
Non-current receivables from derivative financial instruments	12	958 736	342 347
Other non-current investments	8	33 674	30 730
Non-current financial assets		*1 488 376*	*794 102*
Deferred tax asset	26	175 330	99 932
Total non-current assets		**8 474 172**	**7 687 210**
Inventories	11	2 339 174	3 453 652
Current trade and other receivables	9	2 023 761	4 366 352
Income tax receivables		1 571	8 115
Current receivables from derivative financial instruments	12	3 594 097	4 512 096
Other current financial assets	10	39 392	1 146 956
Cash and cash equivalents	13	1 772 334	1 170 817
Total current assets		**9 770 329**	**14 657 988**
Total assets		**18 244 501**	**22 345 198**

The notes on pages 30 to 86 are an integral part of these consolidated financial statements.

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Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Consolidated statement of financial position (continued)	**Note**	**31/12/2019**	**31/12/2018**
Liabilities and equity			
Equity			
Share capital	14	1 000 000	1 000 000
Capital contributions and other reserves		104 404	351 654
Retained earnings and profit/loss for the current period		4 210 869	4 467 163
Equity attributable to the shareholder of the Company		*5 315 273*	*5 818 817*
Total equity		**5 315 273**	**5 818 817**
Liabilities			
Bank loans, bonds issued - non-current portion	15	2 484 065	2 552 166
Non-current lease liabilities	15	86 057	241
Non-current trade and other payables	16	306 208	6 937
Non-current liabilities from derivative financial instruments	17	272 333	357 470
Non-current provisions	18	1 229 240	1 268 018
Deferred tax liability	26	336 530	319 365
Total non-current liabilities		**4 714 433**	**4 504 197**
Bank loans, bonds issued - current portion	15	3 042 284	3 151 529
Current lease liabilities	15	27 011	4 781
Current trade and other payables	16	3 504 271	4 259 942
Income tax liability		3 168	8 298
Current liabilities from derivative financial instruments	17	1 553 683	4 573 122
Current provisions	18	84 378	24 512
Total current liabilities		**8 214 795**	**12 022 184**
Total liabilities		**12 929 228**	**16 526 381**
Total equity and liabilities		**18 244 501**	**22 345 198**

The notes on pages 30 to 86 are an integral part of these consolidated financial statements.

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Consolidated statement of comprehensive income	**Note**	**2019**	**2018**
Revenue	19	69 329 344	69 862 606
Other operating income	20	62 469	49 933
Total income		**69 391 813**	**69 912 539**
Materials and goods used	21	-65 577 755	-66 085 945
Services used	21	-2 271 270	-1 984 268
Personnel expenses	22	-782 073	-751 907
Depreciation, amortisation and impairment	23	-642 383	-761 873
Other operating expenses	24	-329 103	-384 431
Result from operating activities		**-210 771**	**-55 885**
Interest income	25	3 915	1 128
Other finance income	25	84 255	34 748
Finance costs	25	-216 234	-184 712
Result from financing activities		**-128 064**	**-148 836**
Share of profit/loss of equity-accounted investees, net of tax	7	53 871	-67 048
Profit or loss before tax		**-284 964**	**-271 769**
Income tax expense	26	28 670	32 765
Profit or loss for the year		**-256 294**	**-239 004**
Items that are or may be reclassified to profit or loss:			
Change in fair value of hedging instruments, net of tax		569	5 440
Change in fair value of hedging instruments reclassified to profit or loss, net of tax		4 258	-14 255
Share of other comprehensive income/loss of equity-accounted investees		-12 077	-4 750
Other comprehensive income/loss, net of tax	27	**-7 250**	**-13 565**
Total comprehensive income/loss for the period		**-263 544**	**-252 569**
Profit/ loss attributable to:			
Owners of the Company		-256 294	-239 004
Total profit or loss for the year		**-256 294**	**-239 004**
Total comprehensive income/loss attributable to:			
Owners of the Company		-263 544	-252 569
Total comprehensive income/loss for the year		**-263 544**	**-252 569**
Earnings per share:	14		
Basic earnings / loss (-) per share (in thousands of Czech crowns)		-5,125	-4,780
Diluted earnings / loss (-) per share (in thousands of Czech crowns)		-5,125	-4,780

The notes on pages 30 to 86 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Consolidated statement of changes in equity

2019	Share capital	Other contributions and reserves	Hedging reserve	Share on funds of equity-accounted investees	Retained earnings	Loss (-) for the year	Total equity
Balance at 1 January 2019	**1 000 000**	**350 574**	**20 905**	**-19 825**	**4 706 167**	**-239 004**	**5 818 817**
Profit or loss for 2019	--	--	--	--	--	-256 294	**-256 294**
Other comprehensive income/loss	--	--	4 827	-12 077	--	--	**-7 250**
Total comprehensive income/loss	**--**	**--**	**4 827**	**-12 077**	**--**	**-256 294**	**-263 544**
Transactions with owners of the Company, reported directly in equity:							
Reallocation of loss for 2018	--	--	--	--	-239 004	239 004	**--**
Decrease in other capital contributions (Note 14)	--	-240 000	--	--	--	--	**-240 000**
Total transactions with owners of the Company, reported directly in equity	**--**	**-240 000**	**--**	**--**	**-239 004**	**239 004**	**-240 000**
Balance at 31 December 2019	**1 000 000**	**110 574**	**25 732**	**-31 902**	**4 467 163**	**-256 294**	**5 315 273**

The notes on pages 30 to 86 are an integral part of these consolidated financial statements.

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Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Consolidated statement of changes in equity

2018	Share capital	Other contributions and reserves	Hedging reserve	Share on funds of equity-accounted investees	Retained earnings	Loss (-) for the year	Total equity
Balance at 1 January 2018	**1 000 000**	**350 574**	**29 720**	**-15 075**	**4 792 485**	**-86 318**	**6 071 386**
Profit or loss for 2018	--	--	--	--	--	-239 004	**-239 004**
Other comprehensive income/loss	--	--	-8 815	-4 750	--	--	**-13 565**
Total comprehensive income/loss	**--**	**--**	**-8 815**	**-4 750**	**--**	**-239 004**	**-252 569**
Transactions with owners of the Company, reported directly in equity:							
Reallocation of loss for 2017	--	--	--	--	-86 318	86 318	**--**
Total transactions with owners of the Company, reported directly in equity	**--**	**--**	**--**	**--**	**-86 318**	**86 318**	**--**
Balance at 31 December 2018	**1 000 000**	**350 574**	**20 905**	**-19 825**	**4 706 167**	**-239 004**	**5 818 817**

The notes on pages 30 to 86 are an integral part of these consolidated financial statements.

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Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Consolidated statement of cash flows	**Note**	**2019**	**2018**
Operating activities			
Net profit (+) / loss (-) for the year		-256 294	-239 004
Adjustments for:			
Share of profit (-) / loss (+) of equity-accounted investees		-53 871	67 048
Interest expense (net of interest income)	25	171 487	161 736
Tax expense (+) / income (-)	26	-28 670	-32 765
Effect of currency translation (gains - / losses +)	25	-37 366	-20 393
Depreciation of property, plant and equipment	23	566 359	685 164
Amortisation of intangible assets	23	48 938	61 679
Depreciation of right of use	23	29 916	--
Impairment of property, plant and equipment	23	-2 830	15 030
Income from current financial assets	25	-20 126	-11 963
Non-cash changes of financial derivatives		-2 797 007	52 082
Non-cash changes of inventories		-10 315	9 521
Gain (-) / loss (+) on sale of non-current assets	20	-2 197	-922
Cash flow from operating activities before changes in working capital and provisions		**-2 391 976**	**747 213**
Increase (+) / decrease (-) in provisions		-11 782	61 377
Increase (-) / decrease (+) in inventories		1 124 793	-822 275
Increase (-) / decrease (+) in receivables		2 345 671	-1 890 255
Increase (+) / decrease (-) in current liabilities		-426 745	1 288 313
Cash flows from operating activities		**639 961**	**-615 627**
Interest paid		-142 426	-131 742
Income tax paid		-29 729	-10 231
Net cash flows generated from operating activities		**467 806**	**-757 600**
Investing activities			
Proceeds from sale of non-current assets		17 604	22 350
Income from current financial assets	25	20 126	11 963
Interest received		2 512	1 128
Acquisition of property, plant and equipment and intangible assets		-551 553	-880 712
Contribution to equity-accounted investees	7	-41 754	-30 495
Decrease in current financial assets, net		1 104 619	357 055
Cash flows from investing activities		**551 554**	**-518 711**
Financing activities			
Drawing of loans and borrowings (+)	15	15 588 708	18 571 812
Repayment of (-) loans and borrowings	15	-15 739 413	-17 404 446
Payments of lease liabilities	15	-27 138	-1 912
Changes in equity		-240 000	--
Cash flows from financing activities		**-417 843**	**1 165 454**
Net increase / decrease in cash and cash equivalents		**601 517**	**-110 857**
Cash and cash equivalents at 1 January		**1 170 817**	**1 281 674**
Cash and cash equivalents at 31 December	13	**1 772 334**	**1 170 817**

The notes on pages 30 to 86 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Contents

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

1. General information about the Group

1.1. Description

MND a.s. ("the Company") was established by its sole founder on 30 September 2008 under the original corporate name ORTOKLAS a.s. The Company was incorporated on 3 November 2008 and is recorded in the Commercial Register maintained by the Regional Court in Brno under file number B 6209. The Company's registered office is at Úprkova 807/6, Hodonín, post code 695 01, identification number 284 83 006.

1.2. Principal activities

The MND Group carries out the following principal business activities:

- prospecting, exploration and production of oil and natural gas;
- trading in gas and electricity, including trading in gas using underground gas storages, sales of gas and electricity to end customers and trading in electricity and gas to generate profit from price movements;
- operation of underground gas storages and provision of gas storage services;
- drilling contractor services, focusing on drilling and completion of oil and gas exploration and production wells, underground gas storage wells and hydro and geothermal wells. The MND Group also carries out surface and subsurface well workover operations as well as plug and abandonment operations on wells.

1.3. Group companies

The following table details subsidiaries that are part of the consolidated group of MND a.s. ("the Group") and a joint venture and shows ownership interests held by the parent company in these companies.

"The Group" or "the MND Group" is hereinafter used as a reference name for this consolidated group and the joint venture.

The financial statements of the companies below have been prepared as at 31 December 2019 and include the accounting period ended 31 December 2019.

Company name and registered office:	Ownership interest at 31/12/2019	Ownership interest at 31/12/2018	Consolidation method
Parent company: MND a.s. Úprkova 807/6, 695 01 Hodonín, Czech Republic	--	--	full
Subsidiary: MND Drilling & Services a.s. Velkomoravská 900/405, 696 18 Lužice, Czech Republic	100%	100%	full
Subsidiary: MND Gas Storage a.s. Úprkova 807/6, 695 01 Hodonín, Czech Republic	100%	100%	full
Subsidiary: MND Energy Trading a.s. Vinohradská 1511/230, 100 00 Praha 10, Czech Republic	100%	100%	full
Subsidiary: MND Oil & Gas a.s. Úprkova 807/6, 695 01 Hodonín, Czech Republic *)	100%	--	full
Joint venture: Moravia Gas Storage a.s. Úprkova 807/6, 695 01 Hodonín, Czech Republic	50%	50%	equity

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

1.4. Statutory body and supervisory board

The board of directors as at 31 December 2019:

Chairman of the board of directors:	Karel Komárek
Vice-chairman of the board of directors:	Helmut Langanger
Member of the board of directors:	Ing. Jiří Ječmen
Member of the board of directors:	Dr. Ulrich Schöler
Member of the board of directors:	Ing. Miroslav Jestřabík

Supervisory board as at 31 December 2019:

Chairman of the supervisory board:	Ing. Robert Kolář
Member of the supervisory board:	Ing. Pavel Šaroch
Member of the supervisory board:	JUDr. Josef Novotný

1.5. Sole shareholder of the Company as at 31 December 2019

MND Group AG	100%

Registered office:

Kapellgasse 21

6004 Lucerne

Switzerland

The MND Group and its parent company are part of the consolidated group of KKCG AG with its registered office in Switzerland. Ultimate controlling party pursuant to IFRS standards is VALEA FOUNDATION.

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

New standards effective from 1 January 2019

The preparation of these consolidated financial statements involved the use of the following new or amended standards and interpretations, whose initial application is required for annual periods beginning on 1 January 2019.

IFRS 16 Leases

The Group has applied new IFRS 16 Leases from 1 January 2019, which is effective for accounting periods beginning on 1 January 2019 or later.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This results in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

New standard introduces for a lessee several exceptions from the scope of the standard, which relates to:

- leases with a lease term of 12 months or less and containing no purchase options, where the underlying asset has a low value.

The Group applied the above mentioned exception in case of short-term lease contracts for machinery, tools and equipment (remaining lease term is shorter than 12 months), which relates to underlying asset with a low value, and continues in recognising lease payments from these contracts in expenses.

The Group applied modified retrospective approach without restatement of comparative figures. The Group also applied practical expedient relating to the application of a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group recognised in the statement of financial position as at 31 December 2018 the following amounts from finance lease. Under a modified retrospective approach, for leases that were previously classified as finance leases, the Group recognized as at 1 January 2019 a right of use asset measured initially at the previous carrying amount of the finance lease asset under IAS 17 and a lease liability measured at the previous carrying amount of the lease liability under IAS 17. Subsequently, the company accounts for the right of use asset and lease liability in accordance with the general requirements of IFRS 16.

Statement of financial position as at 31 December 2018	**CZK thousands**	**Statement of financial position as at 1 January 2019**	**CZK thousands**
Machinery, tools and equipment - leased	17 416	Right of use machinery, tools and equipment	17 416
Lease liabilities – non-current	-241	Lease liabilities – non-current	-241
Lease liabilities - current	-4 781	Lease liabilities - current	-4 781

The Group leases land, non-residential premises, machinery, tools and equipment in the form of operating leases.

Lease liabilities recognised by the Group as at the date of initial application of IFRS 16 are measured at the present value of the remaining lease payments including those to be made over reasonably certain lease extension periods (when extension options exist) or excluding those in periods covered by lease termination options that are reasonably certain to be exercised (in case termination rights exist) discounted using the Group's incremental borrowing rate.

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

As at the date of initial application the Group recognised Right-of-use asset in the amount of the initial measurement of recognized lease liability plus advance payments or related accrued payments related to these lease recognised in the statements of financial position immediately before the date of initial application.

The impact of the application of IFRS 16 as at 1 January 2019 on the items of the statement of financial position was as follows:

	TCZK
Right of use land	75 686
Right of use buildings and halls	24 258
Right of use machinery, tools and equipment	3 272
Lease liabilities – non-current	74 845
Lease liabilities - current	28 371

Reconciliation of lease liabilities from operating lease, which were recognised as at 1 January 2019:

Operating lease commitments disclosed as at 31 December 2018 in CZK thousands	**108 726**
Adjustments as a result of a different treatment of extension and termination options	20 488
Short-term and low-value leases recognized on a straight-line basis as expense	-927
Discounted using the Group's incremental borrowing rate at 1 January 2019	-25 071
Lease liability recognized as at 1 January 2019	**103 216**

Other standards, interpretations and amendments applicable from 1 January 2019 or later

The Group does not expect that the following amendments to standards and interpretations will have a significant impact on the consolidated financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 28 (Amendments) Long term interests in associates and joint ventures
- IFRS 9 (Amendments): Prepayment Features with Negative Compensation
- Annual Improvements to IFRSs 2015 (2015 – 2017 Cycle)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Other standards endorsed by EU but not yet effective

The following standards, amendments and interpretations will not have a significant impact on the Group's consolidated financial statements.

Effective date IASB 1 January 2020:

- Amendments to IAS 1 and IAS 8: Definition of a material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS Standards

Standards, interpretations and amendments issued before 31 December 2019 but not endorsed by EU

The following standards, amendments and interpretations are not yet effective and will not have a significant impact on the Group's consolidated financial statements.

- Amendments to IFRS 3 Business Combinations (IASB effective date 1 January 2020)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (IASB effective date 1 January 2022)
- IFRS 17 Insurance contracts (IASB effective date 1 January 2023)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IASB effective date deferred indefinitely)

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(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, using the historical cost method, unless otherwise stated in the accounting policies.

(c) Functional and presentation currency

The functional currency of the Company and its subsidiaries is the Czech crown (CZK).

These consolidated financial statements are presented in Czech crowns (CZK). All financial information reported in the consolidated financial statements is rounded to the nearest thousand (TCZK), except when otherwise indicated.

(d) Use of significant accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the use of accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the Group management to make assumptions based on its own judgement in applying accounting policies. Consequently, the actual results often differ from these estimates.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are reported in the period in which the estimate is revised, if the revision impacts only this period, or in the revision period and future periods, if the revision impacts the current and future periods.

Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Impairments. Impairment calculations require the use of various estimates and assumptions depending on the business activity of the Group. The most significant estimates influencing the impairment models are commodity prices, oil and gas reserves, future production profiles, gross margins, operating expenses and discount rates. (Notes 5 and 6; accounting policy 3f);
- Provision for decommissioning, renewals and restorations. The Group establishes a provision for the renewal and restoration of areas affected by oil and gas extraction and provision for decommissioning of assets. Most of these activities will be performed in the distant future whereas decommissioning technologies, costs and environmental and safety regulations are constantly changing. The most significant estimates entering the provision calculation model are estimated costs and time of the decommissioning activities, expected inflation and discount rates. (Note 18; accounting policy 3k).

(e) Determination of fair value (Note 30)

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is defined as a price that would be received from the sale of an asset or paid for assuming a liability in an arm's length transaction between market participants at the measurement date irrespective of whether the price is directly observable or determined using an estimate carried out based on valuation methods. Fair values are determined based on quoted market prices, discounted cash flows or by means of valuation methods.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value hierarchy

The Group applies the following hierarchy for determining and disclosing the fair value of financial instruments by valuation method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: other input-based methods that have a significant impact on the reported fair value and that are observable either directly or indirectly
- Level 3: input-based methods that have a significant impact on the reported fair value and that are not based on observable market data

Potential transfers between individual levels are described in Note 30 Risk management, in part (g).

3. Significant accounting policies

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these consolidated financial statements, unless otherwise stated.

In 2019 the Group developed its business model of trading commodity, gas storage and similar contracts. Except for commodity purchase and sale agreements entered into to service the Group's portfolio of end customers, the Group enters in these contracts to generate a profit from short-term fluctuations in price or dealer's margin. In order to achieve this goal, the Group adopted systematic practice of settling similar contracts net in cash where the cash equal to the net gain or loss on the contract on exercise or settlement. The net settlement is realised either through exchange-traded instruments or via bilateral agreements by entering into offsetting contracts or by selling the contract before its exercise or lapse.

This business development resulted in change of presentation and measurement of the following contracts in the consolidated financial statements: commodity contracts, in particular purchase of natural gas for storage in the underground gas storage facility, its subsequent sale after the withdrawal from the underground gas storage, contracts for physical natural gas storage, contracts for gas flexibility service (virtual natural gas storage) and security of supply contracts.

These contracts typically require no initial net investment and are settled at future dates thereby meeting the definition of a derivative contracts. Simultaneously, they can no longer qualify for exemption applied for physical purchase and sale of a non-financial asset because they are exchange-traded or routinely net settled as described above; hence the Group measures these contracts in fair value.

As a consequence of these developments the Group elected commodity broker-traders exemption for gas inventories owned by MND a.s., which are measured at fair value less costs to sell with changes in fair value recognised in profit or loss in the period in which they arise.

(a) Basis of consolidation

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when the Group obtained control.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised value (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the difference is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

At the date of a business combination, non-controlling interests are accounted for at their proportionate share of the acquiree's identifiable net assets, which are generally measured at fair value.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group exercises control over an entity where it is exposed or it has the right to variable revenues from its interest in the entity and where it is able to influence these revenues through its power over the entity. Control assessment is done based on substantive potential voting rights as opposed to currently exercisable potential voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii. Other non-current investments

Other non-current investments are not consolidated and are recognised at cost, less any impairment loss after an acquisition.

iv. Joint ventures (equity-accounted investees)

Joint ventures are those entities over whose activities the Group has joint control. Joint ventures are recognised using the equity method (equity-accounted investees) and are initially recorded at acquisition cost. The Group's investment includes goodwill identified upon acquisition reduced by impairment losses. The consolidated financial statements include the Group's share of profit or loss recognised by equity-accounted investees from the date that joint control is obtained until the date that control ceases. Dividends received from a joint venture reduce the carrying amount of the investment. If the Group's share of losses exceeds the Group's investment in the equity-accounted investee, the carrying amount of this investment (including non-current investments) is decreased to zero and the recognition of other losses is suspended, except where the Group must make, or has made, payments in favour of the equity-accounted investee.

v. Transactions eliminated on consolidation

Intra-group balances and transactions, and any gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains on transactions with equity-accounted investees are eliminated to the extent of investment owned. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent, in which no evidence of impairment exists.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value at the date of acquisition are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss, except for financial instruments to hedge cash flows, which are recognised in other comprehensive income.

(c) Property, plant and equipment

i. Owned assets

Property, plant and equipment consists of underground gas storages, buildings and structures, oil and gas wells, production machinery, machinery and equipment, drilling rigs, information technology, motor vehicles, fixtures and fittings and other property, plant and equipment. Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy 3(f) ii).

The cost of self-constructed property, plant and equipment (including oil and gas wells) comprises the consumption of materials, wages and a portion of overhead costs directly associated with the production. Cost also includes an estimate of costs of dismantling and removing the items, as well as costs of land restoration.

The acquisition cost does not include administrative or other overhead costs or an initial operating loss. Research and development expenditure is not capitalised. Borrowing costs that are directly attributable to the acquisition of the relevant asset are capitalised until the acquisition is completed.

ii. Exploration costs

Costs incurred in the search and exploration for new oil and/or gas deposits including costs of wells are charged directly to expenses as incurred, with the exception of costs associated with successful exploratory wells ("the successful effort method"). Costs associated with successful exploratory wells are capitalised as property, plant and equipment if they are expected to provide future economic benefits and if they relate to wells under construction or wells that have not yet been assessed, no later than the end of the reporting period on condition that we do not have information that the well is unsuccessful. In case a capitalised well is subsequently assessed as unsuccessful, the capitalised expenditures are written off to expenses. The capitalised costs are tested for impairment at the end of each reporting period (see accounting policy

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3(f) ii). Once all technical, technological and legislative conditions for the commercial use of wells are met and the wells start to be used for commercial purposes, depreciation of these capitalised costs over the estimated life of the wells is commenced.

iii. Right of use of leased assets

Right of use of asset is recognised for lease contracts which meet definition of lease under IFRS 16 in the amount of recognized lease liability, plus advance payments or related accrued payments (see also Note 2 (a)). The right of use of asset is depreciated over the lease term. In the consolidated statement of financial position the Group presents the right of use of individual type of asset within the line item for given type of the asset.

iv. Assets held for sale

Assets with a significant carrying value that will be highly probably sold within one year of the reporting date, are not part of non-current assets and are stated as a separate item as part of current assets at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated.

v. Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and the expenditure can be measured reliably. All other expenses, including the costs of regular servicing of property, plant and equipment, are recognised directly in profit or loss.

vi. Depreciation expense

Property, plant and equipment are depreciated on a straight-line basis. Land is not depreciated. Right of use assets are depreciated over the shorter of the useful life of the asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case depreciation is over the useful life.

The estimated useful lives for the individual categories of property, plant and equipment are as follows:

Buildings and halls	20 - 50 years
Structures	20 - 40 years
Oil and gas wells	expected production period
Machinery and equipment	3 - 15 years
Drilling rigs	20 - 40 years
Information technology	3 - 6 years
Motor vehicles	4 - 10 years
Fixtures and fittings	3 - 14 years
Other property, plant and equipment	4 - 12 years

The oil and gas wells and related property are being depreciated for its estimated production life which ranges from 3 to 25 years and is based on expected length of production of hydrocarbons.

The underground gas storages item comprises more asset categories with different depreciation periods ranging from 3 to 50 years and land and cushion gas that are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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(d) Intangible assets

i. Intellectual property rights

Intellectual property rights mainly comprise purchased geological and geophysical data.

ii. Software and other intangible assets

Software and other intangible assets that are acquired by the Group and have finite (definite) useful lives are measured at cost less accumulated amortisation and any impairment losses.

iii. Subsequent costs

Subsequent expenditure in respect of intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iv. Amortisation expense

Apart from goodwill and other intangible assets with an indefinite useful life, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Software	2 - 7 years
Intellectual property rights	2 - 13 years
Other intangible assets	3 - 6 years

v. Research

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in profit or loss in the period when they were incurred.

(e) Financial instruments

i. Financial assets at amortised cost

Financial instruments held within a business model whose objective is to hold financial assets in order to collect contractual cash flows are measured at amortised cost. Contractual cash flows are solely payments of principal and interest.

In compliance with IFRS 9, the Group calculates effective rate of return at initial recognition, reflecting the relation between actually invested funds and future investment income. The effective interest rate is used as a discount factor for calculating premium or discount that is subsequently amortised over the lifetime of the financial asset.

At the same time, the Group tests the value of assets held in compliance with IFRS 9.

Allowances for financial assets are recognised in the amount of the expected credit loss of the relevant financial asset. Expected losses are reported in the profit or loss from operating activities (Note 3f).

ii. Financial assets measured at fair value through other comprehensive income ("FVOCI")

FVOCI is the classification of financial instruments for which dual business model applies, i.e. they are held for the purposes of both collecting contractual cash flows and selling financial assets. Contractual cash flows of instruments in this category are solely payments of principal and interest.

At initial recognition, an entity may classify an equity instrument as measured at FVOCI based on an irrevocable election. This option may be applied only in respect of instruments that are not held for trading and do not constitute derivatives.

Changes in the fair value of debt instruments measured at FVOCI are reported in other comprehensive income. Interest income, foreign exchange gains/losses and impairment losses are immediately reported in profit or loss. Changes in the fair value previously reported in other comprehensive income are reclassified to profit or loss at the moment the debt instrument is sold.

Gains or losses recognised in other comprehensive income for capital instruments are never reclassified from equity to profit or loss.

iii. Financial assets measured at fair value through profit or loss ("FVTPL")

A financial instrument is classified as measured at FVTPL if it is held for trading or within a business model whose objective is to manage a financial asset on the basis of fair value, i.e. it will be realised through sale, in contrast to the objective of holding this asset to obtain contractual cash flows. This category presents the "initial" or "residual" category, unless the requirements for classifying a financial asset as a financial asset at amortised cost or a financial asset at FVOCI are met. At initial recognition, the related transaction costs are reported in profit or loss at the moment they are incurred. Financial instruments at FVTPL are measured at fair value and their changes are reported in the profit or loss from financing activities.

iv. Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: trade and other payables, interest-bearing loans and borrowings, bonds issued and lease liabilities. These financial liabilities, other than financial liabilities at fair value through profit or loss, are recognised initially on the settlement date at fair value plus any directly attributable transaction costs. Subsequently, financial liabilities, other than financial liabilities at fair value through profit or loss, are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

v. Derivative financial instruments

The Group holds derivative financial instruments for trading in electricity, gas and emission allowances, and to hedge its currency, interest rate and commodity risk exposures arising from its operating, financial and investment activities. Derivatives that are not classified as hedging derivatives, are recognised as derivatives held-for-trading.

Commodity contracts

Forward contracts for the purchase and sale of gas and electricity, contracts for physical natural gas storage, contracts for gas flexibility service (virtual natural gas storage) and contracts for security of supply that can be settled net in cash or another financial instrument and which do not serve the purposes of the expected receipt or delivery of a commodity are considered financial instruments under IFRS 9 and they are measured at fair value through profit or loss and recognised as trading derivatives. Changes in their fair value are recognised in the profit or loss from operating activities.

Delivery of the commodity under commodity contracts is recognised either in inventory, or in revenues and cost of sales at fair value of the commodity, when the commodity is delivered

Changes in the fair value of commodity derivative financial instruments are recognised in the profit or loss from operating activities; changes in the fair value of currency and interest rate derivative instruments are reported in the profit or loss from financing activities.

Other derivative instruments

Derivative financial instruments are recognised at fair value and subsequent changes in fair value are charged to profit or loss, except as described below.

Cash flow hedges

Changes in fair value of a derivative hedging instrument or a non-derivative financial liability designated to hedge cash flows are charged directly to equity through other comprehensive income to the extent that the hedge is effective. The ineffective portion of the hedge is charged to profit or loss for the period. All derivative transactions designated as hedging instruments are documented and the efficiency of individual transactions is regularly evaluated.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. Cumulative gains or losses formerly recognised in equity remain there until the expected transaction is effected. If a non-financial asset is hedged, the amount recognised in equity is transferred to the carrying amount of an asset at the moment it is recognised. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period when the hedged item affects profit or loss.

The hedge relationships are effective through the accounting period, i.e. changes in cash flows of the hedging instruments attributable to the hedged risks are within a range of 80 % – 125 % of the changes in cash flows of the hedged instruments attributable to the hedged risk

The Group applies the exception for IFRS 9 for hedge accounting and continues to apply hedge accounting requirements under IAS 39.

vi. Current and non-current loans

Current and non-current loans are initially recognised at fair value and subsequently measured at amortised cost. A part of non-current loans due within one year of the end of the period are recognised as current loans.

vii. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and recognised in the balance sheet on a net basis if and only if the Group has a legally enforceable right for the offsetting and intends to settle them on the net basis.

(f) Impairment

i. Financial assets

IFRS 9 *Financial Instruments* introduces a model for impairment of financial assets and contract assets that are measured at amortised cost or fair value through other comprehensive income (FVOCI) – so called "expected credit losses" or "ECL" model.

The Group recognises an allowance based on expected credit losses for financial assets measured at amortised cost.

Measurement of ECLs

Simplified approach – Provisioning Matrix

Provisioning Matrix approach can be used for financial assets, which do not contain significant financing component. The Group applies this model primarily to short-term trade receivables.

In the provisioning matrix approach, impairment is calculated using the historical loss rate and adjusted for forward looking information. The Group monitors macroeconomic development of GDP and Czech National Bank forecast.

Significant receivables are assessed individually using expected discounted cash-flows method and an expert-based approach.

Significant increase in credit risk is not assessed for trade receivables subject to provisioning matrix approach as they are always measured at Lifetime ECL.

Standard ECL model – Stage model

The Group assesses, on a forward-looking basis, the ECL for the exposures arising from loans and borrowings and from other financial assets.

The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Long-term restricted cash, long-term trade and other receivables from government contracts, short-term financial assets, cash and cash equivalents and term deposits that are placed at strong and stable credit institutions that are meeting all requirements for capital and liquidity stipulated in Basel III are considered by the Group as assets with „!ow credit risk". In these case the Group applies the "low credit risk" exemption from standard ECL model and therefore do not assess a significant increase in credit risk for these assets.

The Group considers a financial asset to be in default, if:

- it is probable that the debtor will fail to pay its liabilities to the Group in full without the Group's intervention in form of realising security (if it has any); or
- the financial asset is more than 90 days past due.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives or not yet available for use, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or a group of assets (the "cash-generating unit", or "CGU") exceeds its recoverable amount. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Inventories

Inventories required for providing operating services are measured at the lower of cost and net realisable value.

The cost of inventories comprises the purchase price and costs directly associated with the acquisition. Acquisition costs are reduced with rebates, trade discounts and other similar items. Interest on loans received to acquire inventories (borrowing costs) is not capitalised.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Inventories of gas in underground gas storages are measured at fair value less costs to sell. Changes in the fair value less cost to sell of these inventories are recognised in the profit or loss from operating activities as Gain/Loss from trading in commodity contracts.

Work in progress and own products are measured at own cost, which also includes the appropriate part of production overheads determined based on normal operating capacity. Selling costs are not capitalised.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at the bank and short-term highly liquid investments (including fixed-term deposits) with original maturities of up to three months of the acquisition date. Bank overdraft accounts with a negative balance are not included in the statement of cash flows.

(i) Assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) are classified as held-for-sale if it is highly probable that they will be sold rather than further used.

The assets or disposal groups are subsequently measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except for the loss not being allocated to inventories, financial assets, deferred tax asset, which continue to be assessed according to other accounting policies of the Group. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in the statement of comprehensive income. Gains are recognised only up to the amount of any cumulative impairment loss.

(j) Equity

Share capital

The Company's issued share capital has been paid up in full. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity.

(k) Provisions

A provision is recognised in the consolidated statement of financial position if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision for decommissioning, renewal and restoration

The Group establishes a provision for renewal and restoration of land affected by production of oil and gas and also a provision for the decommissioning of assets. The amount of the provision is the best estimate of the expenditure needed to cover a liability at the end of the reporting period. The provision is adjusted to reflect the current estimate at the end of the period. The estimates of costs incurred on decommissioning of assets, renewal and restoration of land are based on current prices and the estimated inflation and are discounted using the market risk-free interest rate.

Actual expenses incurred for decommissioning, renewal and restoration during the year may differ from the estimates as a result of changes in regulations and technologies, an increase in personnel expenses, an increase in prices of raw materials and equipment or in the time needed to complete decommissioning, renewal and restoration, or a change in the inflation rate or long-term real interest rates.

The initial discounted expenses related to the decommissioning of property, plant and equipment are recognised as part of property, plant and equipment and depreciated over the estimated life of that asset.

Year-on-year changes relating to a future liability in connection with the decommissioning of property, plant and equipment that arise due to the change in estimates of future cash flows necessary to settle this liability or as a result of a change in the estimated real interest rate, are reflected as an increase in or decrease of capitalised property, plant and equipment in compliance with IFRIC 1.

The Group also establishes a provision for other liabilities with uncertain timing or value.

(l) Revenue and other operating income

i) Revenue (revenue from contracts with customers)

The Group‘s revenue includes in particular revenue from trading in gas and electricity, revenue from the sale of gas and electricity to end customers, revenue from the sale of produced oil and gas, revenue from the sale of goods, and revenue from the provision of services, including drilling activities (see Note 19).

The revenue is recognised at the moment the control over goods or services supplied is transferred to the customer in the amount of anticipated consideration that the Group expects it should receive for the goods or services. The Group companies apply a five-step model defined in IFRS 15 to determine the amount, time and method of revenue recognition. The amount of consideration that the Group expects to be entitled to is the transaction price. In determining the transaction price, the following factors are considered: the estimate of the variable portion of consideration (provided discounts, compensations, bonuses, sanctions and other similar items), the time value of money in case the contract contains a significant financing component, the fair value of potential non-monetary consideration, a portion of value that the customer will not pay (e.g. discount vouchers). The method and moment of revenue recognition depends on the method of control transfer: satisfaction of obligation at a point in time is reported at the moment the control over goods or services is transferred, satisfaction of obligation over time is recognised over the period during which the entity satisfies performance obligation. The Group measures revenue from satisfaction of obligation over time using the input method, i.e. the revenue is reported based on expenses incurred on satisfying the obligation in relation to the total expected expenses, with the exception of revenue from the sale of gas and electricity to end customers that is measured using the output method, as described below.

Contract costs

The Group provides sales agents with commissions as remuneration for activities that lead to obtaining new customers for the sale of gas and electricity. The costs of acquiring a contract are recognised if an entitlement to the commission arises at the moment the contract with the customer is actually obtained and the commission would not be paid had the contract not been obtained. Capitalised contract costs are subsequently recognised in profit or loss over the term of the contract.

Sale of oil

The Group sells produced and purchased oil to its customers based on annual or long-term contracts on oil supplies. Customers obtain control over the product at a place agreed for product delivery. The Group classifies revenue as satisfaction of obligation over time that is recognised for a calendar month depending on the actual volume of supplies. Contracts do not contain a financing component, because the invoices are payable within 30 days.

Sale of electricity and gas to end customers

The sale of gas and electricity to end customers is carried out based on contracts on combined gas or electricity supply services which include the supply of the commodity itself together with distribution services. Distribution services are provided to the Group by local distribution companies. The access to these services and their prices are regulated. The prices for distribution services form part of the price for combined services provided to the customers. The Group recognises the full amount of revenue for services, including the portion of distribution services, because it provides these services for itself (i.e. the Group is the principal).

The services of gas and electricity supplies for households are usually invoiced once per year and for corporate customers once per month or quarter, based on the actual consumption ascertained at consumption reading. Customers pay advances at a fixed amount on a monthly basis. Uninvoiced supplies of gas and electricity are recognised as contract assets. Advances received are recognised as contract liabilities.

When concluding a contract, the price for services can contain a variable consideration as a result of discounts provided to customers. Discounts are provided from list prices and the customers are charged with the prices less discounts.

The Group classifies revenue as satisfaction of obligation over time. The Company recognises revenue using the output method based on the estimated energy supplies. Contracts do not contain a significant financing component because of the advances payment scheme and delivery performed within a short period of time.

Revenue from drilling

Drilling services are provided to customers in the Czech Republic and abroad.

Drilling services are usually carried out at daily rates. The price for work performed then results from the amount of work actually done and it is invoiced to customers on a monthly basis. Drilling services are also partly provided on "turn-key" basis and invoiced to customers after the well is completed and handed over. The price is determined at a fixed amount for drilling of a well. Revenue is then recognised using the input method. The customer obtains control over the work in progress immediately, because if the contract is terminated by the customer, the Group is entitled to the reimbursement of expenses incurred and an adequate margin. Contracts do not contain a significant financing component, because the services are provided within a short period of time and the invoices are payable within 30 days. The Group classifies revenue as satisfaction of obligation over time.

Other revenue

Revenue from trading in gas and electricity and the sale of produced gas

Trading in gas and electricity is carried out based on framework contracts concluded under the EFET standard with other gas and electricity traders. Customers obtain control over the commodity at a delivery point which usually means a virtual point of the given gas or electricity grid. The Group classifies revenue as satisfaction of obligation over time that is recognised for a calendar month depending on the actual volume of supplies. Contracts do not contain a financing component, because the invoices are issued within a short period of time after the commodity is delivered and the invoices are payable within 30 days.

Revenue from ordinary transactions is recognised using agreed selling prices. Revenue from derivative commodity contracts that are settled by physical delivery is recognised at fair value of the given commodity at the beginning of the period of physical delivery.

ii) Other operating income

Lease income

Lease income from non-residential premises, office premises and moveable assets is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Grants

A conditional government grant is recognised initially in the statement of financial position as deferred income when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised as income in the period they were incurred. Grants that compensate for the expenses incurred in connection with the acquisition of a non-current asset, are recognised in other operating income in the statement of comprehensive income over the useful life of the asset.

(m) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets, changes in the fair value of financial assets at fair value through profit or loss, unless these are commodity derivative financial instruments and derivatives held-for-trading arising from forward contracts for the purchase or sale of gas and electricity, foreign exchange gains, and gains from hedging instruments recognised in profit or loss.

Finance costs comprise interest expense on loans and borrowings, unwinding of discount on provisions, foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss, unless these are commodity derivative financial instruments and derivatives held-for-trading arising from forward contracts for the purchase or sale of gas and electricity, losses from the impairment of financial assets and losses from hedging instruments that are recognised in profit or loss.

(n) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income, apart from deferred tax recognised directly in equity.

Current tax includes the tax estimate calculated from the taxable income for the year using tax rates valid at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries and jointly controlled entities, if it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Payment of dividends

The payment of dividends to the Company’s shareholders is recognised in the Group’s consolidated financial statements as a liability in the period in which the payment of dividends is approved by the Company’s shareholders.

(p) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

(q) Operating segments

Segment information is presented based on the internal management reports and information provided to the chief operating decision makers, as required by IFRS 8.

Operating segments were determined based on main products and services that the Group provides. The following three segments are concerned:

- exploration and production of oil and gas
- trading in gas and electricity and gas storage
- drilling.

Other unallocated operations represent joint expenses that are not attributable to any segment.

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4. Operating segments

The Group's operations are divided into the following operating segments – see Note 3(q):

Information on segments for the year ended 31 December 2019	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Other unallocated operations	Total	Intersegment eliminations	Total consolidation
Continuing activities							
Total revenue	1 325 090	67 264 800	1 153 723	--	**69 743 613**	-414 269	**69 329 344**
of which: External revenue	*1 304 920*	*67 257 138*	*767 286*	--	***69 329 344***	--	*69 329 344*
Intersegment revenue	*20 170*	*7 662*	*386 437*	--	***414 269***	*-414 269*	--
Other income	12 925	14 231	37 122	4 778	**69 056**	-6 587	**62 469**
Materials, consumables and services	-449 341	-67 110 862	-604 165	-21 898	**-68 186 266**	337 241	**-67 849 025**
Other operating expenses, including personnel expenses	-509 630	-241 359	-438 144	-5 658	**-1 194 791**	83 615	**-1 111 176**
Depreciation and amortisation expense	-367 340	-159 855	-117 708	-310	**-645 213**	--	**-645 213**
Impairment of property, plant and equipment	2 821	--	9	--	**2 830**	--	**2 830**
Profit or loss from operating activities	**14 525**	**-233 045**	**30 837**	**-23 088**	**-210 771**	**--**	**-210 771**
Share of profit or loss of equity-accounted investees	--	53 871	--	--	**53 871**	--	**53 871**
Profit or loss from operating activities incl. share of profit or loss of equity-accounted investees	**14 525**	**-179 174**	**30 837**	**-23 088**	**-156 900**	**--**	**-156 900**
Interest income	1 149	1 285	1 481	--	**3 915**	--	**3 915**
Interest expense	-38 016	-39 719	-9 677	-92 563	**-179 975**	--	**-179 975**
Other finance income (+) / expense (-)	8 965	19 992	851	18 188	**47 996**	--	**47 996**
Profit or loss from financial operations	**-27 902**	**-18 442**	**-7 345**	**-74 375**	**-128 064**	**--**	**-128 064**
Acquisition of property, plant and equipment and intangible assets	**-406 932**	**-28 390**	**-132 807**	**--**	**-568 129**	**--**	**-568 129**

The Group accounts for intersegment revenue and transactions using the same conditions as for the revenue and transactions with third parties.

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Information on segments for the year ended 31 December 2018	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Other unallocated operations	Total	Intersegment eliminations	Total consolidation
Continuing activities							
Total revenue	1 684 119	67 490 202	1 097 752	--	**70 272 073**	-409 467	**69 862 606**
of which: External revenue	*1 662 642*	*67 484 716*	*715 248*	--	*69 862 606*	--	*69 862 606*
Intersegment revenue	*21 477*	*5 486*	*382 504*	--	*409 467*	*-409 467*	--
Other income	4 780	20 055	22 142	8 639	**55 616**	-5 683	**49 933**
Materials, consumables and services	-326 981	-67 499 996	-552 189	-26 742	**-68 405 908**	335 695	**-68 070 213**
Other operating expenses, including personnel expenses	-532 838	-249 863	-426 328	-6 764	**-1 215 793**	79 455	**-1 136 338**
Depreciation and amortisation expense	-493 602	-143 207	-109 595	-439	**-746 843**	--	**-746 843**
Impairment of property, plant and equipment	-15 030	--	--	--	**-15 030**	--	**-15 030**
Profit or loss from operating activities	**320 448**	**-382 809**	**31 782**	**-25 306**	**-55 885**	**--**	**-55 885**
Share of profit or loss of equity-accounted investees	--	-67 048	--	--	**-67 048**	--	**-67 048**
Profit or loss from operating activities incl. share of profit or loss of equity-accounted investees	**320 448**	**-449 857**	**31 782**	**-25 306**	**-122 933**	**--**	**-122 933**
Interest income	645	256	227	--	**1 128**	--	**1 128**
Interest expense	-29 944	-32 136	-8 223	-92 561	**-162 864**	--	**-162 864**
Other finance income (+) / expense (-)	-17 450	23 194	-3 972	11 128	**12 900**	--	**12 900**
Profit or loss from financial operations	**-46 749**	**-8 686**	**-11 968**	**-81 433**	**-148 836**	**--**	**-148 836**
Acquisition of property, plant and equipment and intangible assets	**-476 732**	**-44 967**	**-359 013**	**--**	**-880 712**	**--**	**-880 712**

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5. Property, plant and equipment

2019	Underground gas storages	Wells	Land	Right of use land	Buildings and structures	Right of use buildings and structures	Machinery and equipment	Right of use machinery and equipment	Tangible assets under construction	Other tangible assets	Total
Acquisition costs											
Balance at 1 January 2019	3 662 837	4 247 414	101 274	--	1 384 843	--	3 134 648	86 923	387 379	26 488	**13 031 806**
Identification of IFRS 16 lease as at 1 January 2019	--	--	--	75 686	--	24 258	--	3 272	--	--	**103 216**
Additions	5 382	115 682	17 223	22 401	12 373	459	158 610	9 107	196 460	9 902	**547 599**
Disposals	-21 259	-3 615	-497	--	-66 908	--	-58 363	--	-3 806	-1 809	**-156 257**
Transfers	--	104 533	16	--	2 449	--	82 642	-59 151	-111 627	-18 025	**837**
Balance at 31 December 2019	**3 646 960**	**4 464 014**	**118 016**	**98 087**	**1 332 757**	**24 717**	**3 317 537**	**40 151**	**468 406**	**16 556**	**13 527 201**
Accumulated depreciation and impairment											
Balance at 1 January 2019	1 258 848	2 917 884	2 849	--	655 796	--	1 399 600	69 507	--	2 810	**6 307 294**
Depreciation expense for the current year	115 380	212 118	--	15 784	56 284	7 322	179 276	6 810	3 133	167	**596 274**
Disposals	-21 259	-3 616	--	--	-66 907	--	-48 920	--	-3 133	--	**-143 835**
Transfers	--	--	--	--	--	--	52 312	-52 312	--	--	**--**
Impairment of assets	--	-2 388	-54	--	-388	--	--	--	--	--	**-2 830**
Balance at 31 December 2019	**1 352 969**	**3 123 998**	**2 795**	**15 784**	**644 785**	**7 322**	**1 582 268**	**24 005**	--	**2 977**	**6 756 903**
Net book value											
1 January 2019	2 403 989	1 329 530	98 425	--	729 047	--	1 735 048	17 416	387 379	23 678	**6 724 512**
31 December 2019	**2 293 991**	**1 340 016**	**115 221**	**82 303**	**687 972**	**17 395**	**1 735 269**	**16 146**	**468 406**	**13 579**	**6 770 298**

In 2019, the major additions to tangible assets related to capitalised wells and purchase of drill pipe. In 2019 additions to tangible assets under construction are mainly represented by buildings and halls under construction.

In 2019, no borrowing costs were capitalised due to insignificance.

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2018	Underground gas storages - owned	Under-ground gas storages - leased	Wells	Land	Buildings and structures - owned	Buildings and structures - leased	Machinery and equipment - owned	Machinery and equipment - leased	PPE under construction	Other PPE	Total
Acquisition cost											
Balance at 1 January 2018	3 482 975	172 822	4 103 001	85 971	1 283 752	55 309	2 496 686	287 996	313 197	5 620	**12 287 329**
Additions	6 210	--	133 466	15 303	14 935	--	425 781	--	273 288	21 669	**890 652**
Disposals	-1 336	--	-3 559	--	-220	--	-9 980	--	-145 586	--	**-160 681**
Transfers	174 988	-172 822	--	--	86 376	-55 309	222 161	-201 073	-53 520	-801	**--**
Change in valuation	--	--	14 506	--	--	--	--	--	--	--	**14 506**
Balance at 31 December 2018	**3 662 837**	**--**	**4 247 414**	**101 274**	**1 384 843**	**--**	**3 134 648**	**86 923**	**387 379**	**26 488**	**13 031 806**
Accumulated depreciation and impairment											
Balance at 1 January 2018	1 028 858	126 015	2 685 945	2 849	546 496	49 827	1 068 657	231 301	4 947	2 702	**5 747 597**
Depreciation expense for the current year	101 610	3 600	223 137	--	57 024	--	157 577	20 779	121 328	108	**685 163**
Disposals	-1 235	--	-3 559	--	-220	--	-9 207	--	-126 275	--	**-140 496**
Transfers	129 615	-129 615	--	--	49 827	-49 827	182 573	-182 573	--	--	**--**
Impairment of assets	--	--	12 361	--	2 669	--	--	--	--	--	**15 030**
Balance at 31 December 2018	**1 258 848**	**--**	**2 917 884**	**2 849**	**655 796**	**--**	**1 399 600**	**69 507**	**--**	**2 810**	**6 307 294**
Net book value											
1 January 2018	2 454 117	46 807	1 417 056	83 122	737 256	5 482	1 428 029	56 695	308 250	2 918	**6 539 732**
31 December 2018	**2 403 989**	**--**	**1 329 530**	**98 425**	**729 047**	**--**	**1 735 048**	**17 416**	**387 379**	**23 678**	**6 724 512**

The most significant additions to property, plant and equipment in 2018 were the purchase of drilling rigs of TCZK 322 033 and capitalised wells. Additions to property, plant and equipment under construction in 2018 comprise buildings and structures under construction and wells that were not put in use.

Impairment losses for assets totalling TCZK 15 030 were recognised for wells and property, plant and equipment of one minor oil and gas field where oil and gas reserves were depleted sooner than expected.

In 2018, no borrowing costs were capitalised due to insignificance.

The change in valuation of TCZK 14 506 relates to the change in the provision for decommissioning, renewal and restoration.

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6. Intangible assets

2019	Intellectual property rights	Software	Intangible assets under construction	Other	Total
Acquisition cost					
Balance at 1/1/2019	435 872	206 390	1 131	1 091	**644 484**
Additions	1 695	18 293	1 116	3 159	**24 263**
Transfers	--	--	-837	--	**-837**
Disposals	--	-162	--	-2 986	**-3 148**
Balance at 31/12/2019	**437 567**	**224 521**	**1 410**	**1 265**	**664 763**
Accumulated amortisation					
Balance at 1/1/2018	415 861	158 874	--	1 085	**575 820**
Amortisation expense for the current year	16 929	32 009	--	--	**48 938**
Disposals	--	-163	--	--	**-163**
Balance at 31/12/2019	**432 790**	**190 720**	**--**	**1 085**	**624 595**
Net book value					
1 January 2019	20 011	47 516	1 131	6	**68 664**
31 December 2019	**4 777**	**33 801**	**1 410**	**180**	**40 168**

2018	Intellectual property rights	Software	Intangible assets under construction	Other	Total
Acquisition cost					
Balance at 1/1/2018	434 137	165 552	14 211	1 683	**615 583**
Additions	1 570	28 345	1 132	805	**31 852**
Transfers	165	14 047	-14 212	--	**--**
Disposals	--	-1 554	--	-1 397	**-2 951**
Balance at 31/12/2019	**435 872**	**206 390**	**1 131**	**1 091**	**644 484**
Accumulated amortisation					
Balance at 1/1/2018	384 810	129 799	--	1 239	**515 848**
Amortisation expense for the current year	31 051	30 629	--	--	**61 680**
Disposals	--	-1 554	--	-154	**-1 708**
Balance at 31/12/2018	**415 861**	**158 874**	**--**	**1 085**	**575 820**
Net book value					
1 January 2018	49 327	35 753	14 211	444	**99 735**
31 December 2018	**20 011**	**47 516**	**1 131**	**6**	**68 664**

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7. Equity-accounted investees

	Ownership interest	31/12/2019	31/12/2018
Moravia Gas Storage a.s.	50 %	462 590	381 012
Equity accounted investees		**462 590**	**381 012**

Investments in joint ventures are accounted for using the equity method.

Equity-accounted investee is not a publicly traded company, therefore, the publicly quoted price of its shares is not available.

Moravia Gas Storage a.s. operates an underground gas storage and provides gas storage services based on an energy licence.

The following table provides financial information on the joint venture:

Moravia Gas Storage a.s.	31/12/2019	31/12/2018
Non-current assets	3 581 063	2 656 696
Current assets	129 033	249 040
of which: cash and cash equivalents	74 822	211 452
Non-current liabilities	-2 965 278	-2 393 368
of which: financial liabilities with the exception of trade and other payables and provisions	-2 951 840	-2 311 033
Current liabilities	-102 378	-33 083
of which: financial liabilities with the exception of trade and other payables and provisions	-45 631	-109
Net assets (100%)	642 440	479 285
Group's share of net assets (50%)	321 220	239 642
Fair value adjustment	141 370	141 370
Carrying amount of interest in joint venture	**462 590**	**381 012**
Revenue	347 415	283 825
Depreciation and amortisation expense	-115 744	-157 858
Interest expense	-81 123	-89 452
Income tax (current and deferred)	32 432	31 845
Profit/Loss from continuing operations (100%)	107 742	-134 097
Other comprehensive income (100%)	-24 154	-9 500
Group's share of total profit or loss of the joint venture (50%)	**53 871**	**-67 048**
Group's share of other comprehensive income of the joint venture (50%)	**-12 077**	**-4 750**

The joint venture does not prepare financial statements under IFRS. The statutory financial statements were adjusted so as to correspond with IFRS for the purposes of consolidation and notes to the consolidated financial statements. Loss from continuing operations includes the impact of IFRS adjustments of TCZK 102 863.

A change in the value of the equity-accounted investee in 2019 of TCZK 37 130 comprises a contribution to the company's equity of TCZK 41 754, the share of profit or loss of equity-accounted investees of TCZK 53 871, the share of other comprehensive income of TCZK -12 077 and share on unrealised profit from mutual sales of assets, including related deferred tax, of TCZK - 1 971.

In 2019 and 2018, the Group did not receive any dividends from the joint venture.

The Group had the following receivables and liabilities and recognised the following income and expenses in respect of the joint venture:

	31/12/2019	31/12/2018
Current receivables	2 701	2 431
Current liabilities	1 681	525
Revenue and other operating income	49 689	14 631
Materials and energy used, services and other operating expenses	-8 149	-200

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8. Other non-current investments

Other non-current investments	31/12/2019	31/12/2018
Other investments	200	200
Long-term restricted cash	33 474	30 530
Total other non-current investments	**33 674**	**30 730**

Long-term restricted cash represents funds at a bank account to cover statutory provisions for renewal and restoration. For Credit quality see Note 30b) Credit risk.

9. Trade and other receivables

Non-current trade and other receivables	31/12/2019	31/12/2018
Other non-current receivables	33 376	40 013
Total non-current trade and other receivables	**33 376**	**40 013**

Other non-current receivables as at 31 December 2019 comprise non-current advances provided of TCZK 28 855 (2018: TCZK 33 564). For Credit quality see Note 30b) Credit risk.

Current trade and other receivables	31/12/2019	31/12/2018
Trade receivables	1 693 128	3 262 660
Current loans provided	31 834	--
Prepaid expenses	54 456	52 170
Current contract assets	89 156	795 989
Other current receivables	122 089	242 270
Other tax receivables	10 071	1 399
Contract costs	23 027	11 864
Total current trade and other receivables	**2 023 761**	**4 366 352**

As at 31 December 2019, net overdue current receivables totalled TCZK 38 478 (at 31 December 2018: TCZK 13 956. As at 31 December 2019, an allowance for receivables totalled TCZK 41 920 (at 31 December 2018: TCZK 24 095). For Credit quality and amount of provision see Note 30b) Credit risk.

In 2019, other short-term receivables include a receivable from clearing system member totalling TCZK 100 792 (2018: TCZK 226 819).

10. Other current financial assets

	31/12/2019	31/12/2018
Other current financial assets	39 392	1 146 956
Total other current financial assets	**39 392**	**1 146 956**

Other current financial assets comprise receivables relating to cash-pooling contracts with KKCG Structured Finance AG.

This item is not considered a cash equivalent and is presented as part of investing activities in the statement of cash flows. For Credit quality see Note 30b) Credit risk.

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11. Inventories

	31/12/2019	31/12/2018
Material	230 173	206 183
Goods	2 077 892	3 199 902
Own products (oil)	22 275	19 978
Work in progress and semi-finished goods	8 834	27 589
Total inventories	**2 339 174**	**3 453 652**

In 2019, work in progress and semi-finished goods include an allowance for work in progress of TCZK 0 (2018: TCZK 9 457) and material includes an allowance for material of TCZK 11 781 (2018: TCZK 12 185).

Goods include gas for trading valued at fair value in the amount of TCZK 2 054 972.

12. Receivables from derivative financial instruments

Non-current receivables from derivative financial instruments	31/12/2019	31/12/2018
Non-current hedging derivatives	18 385	16 134
Non-current trading derivatives	940 351	326 213
Total non-current receivables from derivative financial instruments	**958 736**	**342 347**

Current receivables from derivative financial instruments	31/12/2019	31/12/2018
Non-current hedging derivatives	19 251	14 246
Non-current trading derivatives	3 574 846	4 497 850
Total current receivables from derivative financial instruments	**3 594 097**	**4 512 096**

Increase in long-term derivative financial instrument receivables relates to the business development described in Note 3. Fair values of contracts for physical natural gas storage were recognised as receivables from derivative financial instrument.

13. Cash and cash equivalents

	31/12/2019	31/12/2018
Cash in hand	787	625
Cash at bank	1 667 292	1 090 982
Cash equivalents	104 255	79 210
Total cash and cash equivalents	**1 772 334**	**1 170 817**

Cash equivalents represents excess cash at accounts of settlements system members. For Credit quality see Note 30b) Credit risk.

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14. Equity

	31/12/2019	31/12/2018
Share capital	1 000 000	1 000 000

The parent company’s share capital consists of 50 000 ordinary certificated registered shares with a nominal value of TCZK 20 per share. The share capital has been fully paid-up.

As at 15 August 2018, the imposition of negative pledge on Company’s shares was entered in the Commercial Register.

Other capital contributions arose as a result of the shareholder‘s monetary contributions to strengthen the Group‘s equity.

As at 30 June 2019, the Company‘s other capital contributions were decreased by TCZK 240 000 by returning the contributed cash to the shareholder.

Earnings per share

Profit (+) / loss (-) attributable to ordinary shareholders (in TCZK)	**2019**	**2018**
Net profit (+) / loss (-) attributable to ordinary shareholders	-256 294	-239 004
Net profit (+) / loss (-) attributable to ordinary shareholders	**-256 294**	**-239 004**

Weighted average number of ordinary shares	**Number of shares**	**Weight**	**2019**	**2018**
Issued ordinary shares at 1 January	50 000	1	50 000	50 000
Newly issued shares	--		--	--
Issued ordinary shares at 31 December	50 000	1	50 000	50 000
Weighted average number of ordinary shares at 31 December	50 000	1	50 000	50 000
Basic earnings (+) / loss (-) per share for the year (in TCZK)			**-5,125**	**-4,780**
Diluted earnings (+) / loss (-) per share for the year (in TCZK)			**-5,125**	**-4,780**

15. Bank loans, bonds issued and lease liabilities

This note provides an overview of the contractual terms and conditions governing interest-bearing loans and borrowings of the Group.

Non-current bank loans and bonds	31/12/2019	31/12/2018
Non-current bank loans	237 170	296 710
Non-current borrowings from companies outside the Group	49 933	61 197
Bonds issued – non-current portion	2 196 962	2 194 259
Total non-current loans and bonds	**2 484 065**	**2 552 166**

Current loans and bonds	31/12/2019	31/12/2018
Current bank loans	1 477 222	1 750 675
Current portion of non-current bank loans	138 017	138 999
Other current borrowings	1 417 640	1 252 442
Bonds issued – current portion	9 405	9 413
Total current loans and bonds	**3 042 284**	**3 151 529**

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Non-current borrowings from companies outside the Group represent a non-current loan from a non-bank entity. The loan was drawn to finance the acquisition of a drilling rig.

In 2019 other current borrowings include specific current financing of gas inventories of TCZK 1 407 125 (2018: TCZK 1 242 003) from a banking entity.

As at 31 December 2019, current bank loans include a short-term bank loan for the purpose of financing gas inventory totalling TCZK 1 377 222 (at 31 December 2018: TCZK 1 620 675).

Bank loans

The bank loans are due as follows:

	31/12/2019	31/12/2018
Due within 1 year	1 615 239	1 889 674
Due within 1 – 5 years	222 026	296 710
Due in more than 5 years	15 144	--
	1 852 409	**2 186 384**

Loans received by the Group are secured by property, plant and equipment of TCZK 1 081 831 (at 31 December 2018: TCZK 1 097 059); pledged inventories of TCZK 975 898 (at 31 December 2018: TCZK 1 749 490); pledged receivables of TCZK 234 830 (at 31 December 2018: TCZK 528 766); and pledged receivables from current accounts of TCZK 443 292 (at 31 December 2018: TCZK 186 986).

Based on the loans contractual conditions the Group companies need to fulfil specific financial debt indicators. As at 31 December 2019 and 31 December 2018 the Group companies fulfilled these indicators.

Interest rates on loans are based on PRIBOR and EURIBOR rates and a margin which ranges between 1.0 % and 1.35 %.

As at 31 December 2019, the total amount of undrawn credit facilities of the Group is TCZK 0 (2018: 82 320).

The transaction currencies of loans, bonds and borrowings as at 31 December 2019 are EUR and CZK; the balance of loans with the EUR transaction currency is TCZK 3 154 757 (2018: TCZK 3 252 625) and the balance of loans with the CZK transaction currency is TCZK 2 371 594 (2018: TCZK 2 451 070).

Bonds issued

On 13 November 2017, the Group issued unsecured bearer bonds in book form, which were accepted for trading on the regulated market of Prague Stock Exchange (*Burza cenných papírů Praha, a. s.*) under ISIN CZ0003517708. These bonds have variable interest of 6M PRIBOR + 2.48% p. a. and will mature on 13 November 2022. Bond coupons are paid out semi-annually on a retrospective basis, always in May and November. The nominal value of one bond is TCZK 3 000; the total nominal value of bonds is TCZK 2 202 000. The issue of bonds was carried out in the Czech Republic in compliance with Czech law. The transaction costs of TCZK 13 495 associated with the issue of bonds were deducted from the value of bonds and are amortised over the maturity period of the bond.

Lease liabilities

Lease liabilities	31/12/2019	31/12/2018
Lease liabilities – non-current	86 057	241
Lease liabilities - current	27 011	4 781
Total lease liabilities	**113 068**	**5 022**

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The reconciliation of movements of non-current and current loans, issued bonds with cash flows:

	2019	2018
Balance at 1 January	**5 703 695**	**4 546 568**
Cash flows		
Drawing of loans and borrowings	15 588 708	18 571 812
Repayment of loans and borrowings	-15 739 413	-17 404 446
Non-cash changes		
Outstanding interest of current period	106	805
Foreign exchange differences recognised in profit or loss	-46 153	-11 044
Other non-monetary transactions	19 406	--
Balance 31 December	**5 526 349**	**5 703 695**

Reconciliation of movements of lease liabilities with cash flows:

	2019	2018
Balance 1 January	**5 023**	**6 935**
Cash flows		
Payment of lease liabilities	-27 138	-1 912
Non-cash changes		
Recognition of lease liabilities	135 183	--
Balance 31 December	**113 068**	**5 023**

16. Trade and other payables

Non-current trade and other payables	31/12/2019	31/12/2018
Other non-current liabilities	306 197	6 937
Non-current contract liabilities	11	--
Total non-current trade and other payables	**306 208**	**6 937**

Other non-current liabilities are due within 5 years. Other non-current liabilities include payables arising from contracts for gas storage of TCZK 272 151.

Current trade and other payables	31/12/2019	31/12/2018
Trade payables	2 723 798	2 522 921
Current contract liabilities	574 098	1 529 744
Other current liabilities	9 953	25 664
Payables to the state	87 677	59 474
Payables to employees	108 745	122 139
Total current trade and other payables	**3 504 271**	**4 259 942**

As at 31 December 2019, current overdue trade payables totalled TCZK 206 (2018: TCZK 231). Short-term trade payables include payables arising from contracts for gas storage of TCZK 416 962.

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17. Liabilities from derivative financial instruments

Non-current liabilities from derivative financial instruments	31/12/2019	31/12/2018
Non-current hedging derivatives	3 794	3 598
Non-current trading derivatives	268 539	353 872
Total non-current liabilities from derivative financial instruments	**272 333**	**357 470**

Current liabilities from derivative financial instruments	31/12/2019	31/12/2018
Non-current hedging derivatives	2 075	973
Non-current trading derivatives	1 551 608	4 572 149
Total current liabilities from derivative financial instruments	**1 553 683**	**4 573 122**

18. Provisions

At 31 December 2019	Provision for decommissioning, renewal and restoration	Other provisions	Total
Balance 1 January 2019	1 291 281	1 249	1 292 530
Additions	15 521	863	16 384
Utilization	-26 918	-1 248	-28 166
Unwinding of discount	32 870	--	32 870
Balance 31 December 2019	**1 312 754**	**864**	**1 313 618**
thereof:			
Non-current provisions	1 229 240	--	1 229 240
Current provisions	83 514	864	84 378

Provisions for decommissioning, renewals and restorations are established based on rules described in Note 3 (k). For 2019 interest rate 1.7 – 2 % p. a. were used. In calculating provisions, the expected inflation of 1.3 % p. a. was used. The Group expects that costs will be incurred between 2020 and 2052.

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19. Revenue

The following tables show the breakdown of total revenue for each segment based on the main type of goods, products or services and based on the recognition of revenue according to time perspective:

At 31 December2019 **Revenue based on the main type of goods, products or services**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue at 31/12/2019
Revenue from trading in gas	--	54 974 278	--	**54 974 278**
Revenue from trading in electricity	--	7 908 842	--	**7 908 842**
Revenue from the sale of gas to end customers	--	2 374 914	--	**2 374 914**
Revenue from the sale of electricity to end customers	--	1 820 112	--	**1 820 112**
Revenue from the sale of goods (purchased oil)	92 836	--	--	**92 836**
Revenue from the sale of produced oil	779 937	--	--	**779 937**
Revenue from the sale of produced gas	395 501	--	--	**395 501**
Revenue from the provision of services	36 646	39 132	68 570	**144 348**
Revenue from drilling activities	--	--	685 283	**685 283**
Revenue from gas storage	--	139 860	--	**139 860**
Revenue from the sale of products	--	--	13 433	**13 433**
Total revenue	**1 304 920**	**67 257 138**	**767 286**	**69 329 344**

At 31 December 2018 **Revenue based on the main type of goods, products or services**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue at 31/12/2018
Revenue from trading in gas	--	51 917 322	--	**51 917 322**
Revenue from trading in electricity	--	12 914 762	--	**12 914 762**
Revenue from the sale of gas to end customers	--	1 553 375	--	**1 553 375**
Revenue from the sale of electricity to end customers	--	1 000 802	--	**1 000 802**
Revenue from the sale of goods (purchased oil)	94 821	--	--	**94 821**
Revenue from the sale of produced oil	1 060 635	--	--	**1 060 635**
Revenue from the sale of produced gas	477 153	--	--	**477 153**
Revenue from the provision of services	30 033	27 664	42 254	**99 951**
Revenue from drilling activities	--	--	668 906	**668 906**
Revenue from gas storage	--	70 791	--	**70 791**
Revenue from the sale of products	--	--	4 088	**4 088**
Total revenue	**1 662 642**	**67 484 716**	**715 248**	**69 862 606**

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At 31 December 2019 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue at 31/12/2019
Revenue recognised at a point time	--	241	39 308	39 549
Revenue recognised over time	1 304 920	4 373 777	727 978	6 406 675
Subtotal	**1 304 920**	**4 374 018**	**767 286**	**6 446 224**
Revenue from commodity trading	--	--	--	**62 883 120**
Total revenue	**1 304 920**	**4 374 018**	**767 286**	**69 329 344**

At 31 December 2018 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue at 31/12/2018
Revenue recognised at a point time	--	37 069	26 462	**63 531**
Revenue recognised over time	1 662 642	2 615 563	688 786	**4 966 991**
Subtotal	**1 662 642**	**2 652 632**	**715 248**	**5 030 522**
Revenue from commodity trading	--	--	--	**64 832 084**
Total revenue	**1 662 642**	**2 652 632**	**715 248**	**69 862 606**

At 31 December 2019 **Revenue based on geographical position of a point of sale**	2019	2018
Czech Republic	12 392 888	13 602 945
Hungary	381 903	1 894 496
Germany	17 969 083	20 486 498
Netherlands	29 250 843	29 608 291
Austria	6 749 313	3 169 651
Slovakia	2 333 161	898 660
Other	252 153	202 065
Total revenue	**69 329 344**	**69 862 606**

In 2019, the Group reported revenue of TCZK 7 440 120 (2018: TCZK 7 674 807) in respect of one customer. This revenue was allocated to the trading in gas and electricity and gas storage segment.

The remaining performance obligations relate to the contracts whose original expected duration is one year or less or to the contracts concluded for an indefinite period with a notice period shorter than one year, therefore the Group does not disclose their value.

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20. Other operating income

	2019	2018
Income from grants	--	1 853
Gain on sale of material	247	326
Gain on sale of non-current assets	2 197	922
Income from lease	11 834	14 266
Fines and default interest	23 441	2 010
Remaining operating income	24 751	30 556
Total other operating income	**62 469**	**49 933**

21. Consumption of materials, goods and services

	2019	2018
Cost of goods sold (in particular purchased oil)	88 168	87 793
Cost of sale of gas and electricity to end customers	2 368 168	1 285 758
Cost of trading in gas and electricity	62 788 229	64 390 528
Materials and energy used	333 190	321 866
Total materials and goods used	**65 577 755**	**66 085 945**
Services used relating to revenue	1 831 215	1 516 000
Lease expenses	127 095	171 658
Other services	284 037	295 358
Amortisation of contract costs	12 465	5 327
Changes in product and work-in-progress inventories	16 458	-4 075
Total services used	**2 271 270**	**1 984 268**
Total consumption of materials, goods and services	**67 849 025**	**68 070 213**

Services used relating to revenue include in particular the cost of distribution of gas and electricity that the Group uses to supply gas and electricity to end customers.

Lease expense in 2019 comprise short term leases of TCZK 127 011 and leases of low value assets of TCZK 84.

Other services include costs of services provided by a statutory auditor to the MND Group of TCZK 4 017 (2018: TCZK 4 374).

	2019	2018
Audit	3 677	4 372
Tax advisory	140	--
Other services	200	2
Total	**4 017**	**4 374**

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22. Personnel expenses

	2019	2018
Payroll expenses	570 250	551 876
Social security and health insurance expenses	186 614	176 550
Other social expenses	25 209	23 481
Total personnel expenses	**782 073**	**751 907**

The average number of employees in 2019 was 894 (2018: 856 employees).

23. Depreciation, amortisation and impairment

	2019	2018
Depreciation of property, plant and equipment (Note 5)	566 359	685 164
Impairment of property, plant and equipment (Note 5)	-2 830	15 030
Amortisation of intangible assets (Note 6)	48 938	61 679
Depreciation of right of use	29 916	--
Total depreciation, amortisation and impairment	**642 383**	**761 873**

24. Other operating expenses

	2019	2018
Repairs and maintenance	51 273	60 288
Travel expenses	38 510	43 933
Fees	112 171	134 612
Other taxes	5 714	4 459
Insurance premiums	22 298	21 259
Loss from trading in commodity contracts	26 361	70 746
Credit loss allowance for financial assets	17 826	7 176
Write off receivables	8 223	1 804
Other overhead operating expenses	46 727	40 154
Total other operating expenses	**329 103**	**384 431**

The most significant part of fees represents charges for extracted oil and gas of TCZK 70 220 (2018: TCZK 94 645) and payments for mining areas and fees for exploration areas of TCZK 39 765 (2018: 37 776).

	2019	2018
Gain from trading in commodity contracts	-2 040 324	-221 745
Loss from trading in commodity contracts	2 066 685	292 491
Net loss from trading in commodity contracts	**26 361**	**70 746**

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25. Finance income and costs

	2019	2018
Interest income	3 915	1 128
Total interest income	**3 915**	**1 128**
Gain on foreign exchange operations	37 366	20 393
Income from current financial assets	20 126	11 963
Other finance income	26 763	2 392
Total finance income	**84 255**	**34 748**
Interest expense	-175 402	-162 864
Interest expense on leases	-4 573	--
Other finance costs	-36 259	-21 848
Total finance costs	**-216 234**	**-184 712**
Net profit/loss from financial operations	**-128 064**	**-148 836**

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26. Taxation

Income tax expense

	2019	2018
Current tax expense		
Current year	31 312	20 982
Changes in estimates relating to the previous year	-169	-137
Total current tax expense	**31 143**	**20 845**
Deferred tax expense	-59 813	-53 610
Total income tax (expense + / income -)	**-28 670**	**-32 765**

Reconciliation of effective tax rate

	2019	%	2018	%
Profit or loss before tax	**-284 964**		**-271 769**	
Income tax using the valid tax rate	-54 143	19.0%*	-51 636	19.0%*
Effect of tax non-deductible expenses that do not result in deferred tax	8 165	-2.87%	4 235	-1.56%
Effect of tax exempt income	-2 297	0.81%	-630	0.23%
Donation for charitable purposes	-778	0.27%	-932	0.34%
Tax credits	-149	0.05%	-290	0.11%
Tax relating to prior periods	28 759	-10.09%	1 659	-0.61%
Effect of share of profit (-) / loss (+)-of equity-accounted investee, net of tax	-10 236	3.59%	12 739	-4.69%
Other effects	2 009	-0.71%	2 090	-0.77%
Total income tax expense / Effective tax rate	**-28 670**	**10.06%**	**-32 765**	**12.06%**

* Tax rate valid in the Czech Republic

Deferred tax

	31/12/2019	31/12/2018
Deferred tax asset	175 330	99 932
Deferred tax liability	-336 530	-319 365
Net amount of deferred tax	**-161 200**	**-219 433**

For the purposes of consolidation, deferred tax assets and liabilities registered in respect of one tax authority are offset on the level of individual group companies.

In accordance with the accounting policy described in Note 3(n), deferred tax was calculated based on tax rates valid in the countries in which individual Group companies operate. All group companies primarily operate in the Czech Republic, therefore a tax rate of 19% was used.

Based on the financial outlooks, the Group expects that it will be able to utilise the deferred tax asset against future profits.

The amount of unrecognised deferred tax asset relating to tax loss carry-forwards was insignificant in 2019 and 2018.

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Change in deferred tax

2019	Balance at 1/1/2019	Change in 2019		Balance at 31/12/2019
	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/liability (-)
Deferred tax asset (+)/liability (-)	**-219 433**	**59 365**	**-1 132**	**-161 200**
Property, plant and equipment	-469 865	-7 795	--	-477 660
Intangible assets	-450	1 433	--	983
Non-current and current financial assets	178	-178	--	--
Hedging derivatives *	-4 903	-418 904	-1 132	-424 939
Total inventories	3 327	198 042	--	201 369
Total receivables	20 033	-14 549	--	5 484
Lease liabilities	--	21 483	--	21 483
Total liabilities	8 144	1 132	--	9 276
Provisions	224 103	2 716	--	226 819
Tax losses carried-forward	--	275 985	--	275 985

In 2019, the difference in change of deferred tax recognized in profit or loss in the amount of TCZK 448 is affected by mutual sales of tangible assets with a joint venture that was recognized against the equity accounted investee.

* The net deferred tax liability arising from derivative financial instruments totalling TCZK 424 939 is a result of offsetting of deferred tax liability from derivative financial instruments assets in amount of TCZK 849 602 and deferred tax asset arising from derivative financial instruments liabilities and liabilities from gas storage contracts in amount of TCZK 424 663.

2018	Balance at 1/1/2018	Change in 2018		Balance at 31/12/2018
	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/liability (-)
Deferred tax asset (+)/liability (-)	**-275 109**	**53 608**	**2 068**	**-219 433**
Property, plant and equipment and intangible assets	-503 430	33 115	--	-470 315
Non-current and current financial assets	204	-26	--	178
Hedging derivatives	-6 971	--	2 068	-4 903
Total inventories	2 002	1 325	--	3 327
Total receivables	2 492	17 541	--	20 033
Total liabilities	9 570	-1 426	--	8 144
Provisions	205 262	18 841	--	224 103
Tax losses carried-forward	15 762	-15 762	--	--

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27. Other comprehensive income

	2019	2018
Change in the fair value of hedging instruments, before tax	702	6 716
Change in the fair value of hedging instruments – deferred tax	-133	-1 276
Change in the fair value of hedging instruments, after tax	**569**	**5 440**
Change in the fair value of hedging instruments transferred to profit/loss, before tax	5 257	-17 599
Change in the fair value of hedging instruments transferred to profit/loss - deferred tax	-999	3 344
Change in the fair value of hedging instruments transferred to profit/loss, after tax	**4 258**	**-14 255**
Share of other comprehensive income of equity-accounted investees	-12 077	-4 750
Share of other comprehensive income of equity-accounted investees	**-12 077**	**-4 750**
Total other comprehensive income	**-7 250**	**-13 565**

28. Income from leases

The Group leases non-residential premises and movable assets. The lease contracts have been concluded either for a fixed term or for an indefinite period with the possibility to give a notice. In 2019, TCZK 11 834 (2018: TCZK 14 266) was recognised as income from leases in the statement of comprehensive income (Note 20).

29. Related parties

Payroll expenses, bonuses and other personnel expenses incurred in respect of members of the board of directors, supervisory board and executive management of the Group’s consolidated entities are disclosed in the following table:

	2019		2018	
	Board of directors and supervisory board	Executive management	Board of directors and supervisory board	Executive management
Payroll expenses	--	36 206	--	40 695
Social security and health insurance expenses	4 117	9 422	3 160	10 850
Bonuses to statutory body members	13 719	--	14 975	--
Total	**17 836**	**45 628**	**18 135**	**51 545**

In 2019, members of the board of directors of MND a.s. received bonuses of TCZK 3 319 (2018: TCZK 4 878).

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MND Group is part of the consolidated group of KKCG AG with its registered office in Switzerland. All companies presented below are the Group's related parties, because they are part of the same consolidated group.

Related-party balances as at 31 December 2019 and 31 December 2018:

	Receivables		**Payables**	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	27 394	33 147	--	--
DataSpring s.r.o.	298	317	1 015	714
KKCG a.s.	--	--	823	746
KKCG AG	--	--	6 342	10 035
Moravia Systems a.s.	2 643	115	2 470	2 839
Cestovní kancelář FISCHER, a.s.	--	--	513	65
Conectart s.r.o.	--	--	15 053	11 372
Theta Real s.r.o.	--	--	--	3
Vinohradská 230 a.s.	3 274	3 293	1 474	3 426
LP Drilling S.r.l.	38 837	882	--	--
MND Drilling Germany GmbH	8 817	2 986	9 802	11 641
MND Gas Storage Germany GmbH	531	2 470	14	15
MND Group AG	8	9	--	--
MND Germany GmbH	1 299	1 314	5 542	129
Geologichne bureau Lviv LLC	23	30	--	--
HORYZONTY LLC	776	838	--	--
Precarpathian energy company LLC	33	177	--	--
FM&S Czech a.s.	3	2	--	--
KKCG Structured Finance AG	39 392	1 146 956	--	--
Kynero Consulting a.s.	--	--	405	404
SafeDX s.r.o.	441	474	--	--
Kavárna štěstí s.r.o.	6	--	1	111
SAZKA a.s.	796	853	--	--
Liberty Two Methanol LLC	422	--	--	--
AUTOCONT a.s.	51	857	213	142
KKCG UK Limited	--	--	75	--
Kura Basin Operating Company LLC	4	--	--	--
Total	**125 048**	**1 194 720**	**43 742**	**41 642**

Receivables relating to KKCG Structured Finance AG represent receivables arising from cash-pooling agreement (see Note 10).

In 2018, the Group provided a long-term advance for the lease of office premises to BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.

Receivables, payables, revenues and expenses in relation to the joint venture are disclosed in Note 7.

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Related-party transactions for the period ended 31 December 2019 and 31 December 2018:

	Income		Expenses	
	2019	2018	2019	2018
DataSpring s.r.o.	2 615	2 435	9 542	12 862
KKCG a.s.	--	--	9 365	9 168
KKCG AG	--	--	1 765	1 401
Moravia Systems a.s.	2 301	205	9 509	9 303
Cestovní kancelář FISCHER, a.s.	--	--	3 203	1 049
G-JET s.r.o.	--	--	--	16
Conectart s.r.o.	--	--	124 740	104 340
Theta Real s.r.o.	--	322	--	--
TrustYard s.r.o.	--	8	--	--
Vinohradská 230 a.s.	3 033	3 265	14 459	17 636
LP Drilling S.r.l.	10 861	1 072	-120	75 880
MND Drilling Germany GmbH	5 366	2 817	64 944	99 843
MND Gas Storage Germany GmbH	7 789	22 643	20 636	69 700
MND Group AG	62	83	--	--
MND Germany GmbH	25	4	46 888	407
Geologichne bureau Lviv LLC	97	77	--	--
HORYZONTY LLC	3 479	41 916	--	--
Precarpathian energy company LLC	98	678	--	--
MND Ukraine B.V.	--	--	-12	--
FM&S Czech a.s.	8	5	--	314
KKCG Structured Finance AG	20 312	11 963	--	--
Kynero Consulting a.s.	--	--	4 046	4 100
SafeDX s.r.o.	3 925	3 135	--	--
Springtide Ventures s.r.o.	--	--	1	--
Kavárna štěstí s.r.o.	96	192	--	8
SAZKA a.s.	8 291	8 764	--	75
AUTOCONT a.s.	116	66	3 034	6 051
Ninotsminda Oil Company Limited	114	--	--	--
Liberty Two Methanol LLC	1 756	747	--	--
MND Group B.V.	--	--	-2	--
KKCG UK Limited	--	--	75	--
Total	**70 344**	**100 397**	**312 073**	**412 153**

Expenses charged by related parties include in particular services connected with obtaining new customers (Conectart s.r.o.), the lease and acquisition of drilling rigs (MND Drilling Germany GmbH), services related to drilling works (MND Germany GmbH), gas storage services (MND Gas Storage Germany GmbH) and the lease of office premises (Vinohradská 230 a.s.).

Revenues recognised in respect of related parties include in particular the sale of gas and electricity (Sazka a.s.), the interest received from the contracts on cash-pooling (KKCG Structured Finance AG), the lease of drilling rig LP Drilling S.r.l.), wells workovers and the provision of advisory services (MND Gas Storage Germany GmbH).

30. Risk management

(a) Financial risk management and financial instruments

This section describes in detail the financial and operational risks the Group is exposed to and its risk management methods. Risk management is one of the core components of MND Group corporate governance. The main focus is placed on quantifying risks the Group is exposed to in the market (the risk of changes in foreign exchange rates, interest rates and commodity prices) and the credit risk. The Group's risk management strategy concentrates on minimising potential negative impacts on the Group's financial results.

The principal role of the Group's risk management is to identify risks, determine a risk measurement method, quantify and analyse risk exposure, define a hedging strategy and the hedging implementation as such. The overall responsibility for setting up the Group's risk management system and supervising its operation lies on the level of the board of directors. With regard to the diversity of operations and the corresponding risks, the management of each Group company is responsible for setting up and monitoring risk management policies.

Main financial instruments used by the Group include bank loans, bonds and derivatives. The principal task of these financial instruments is to acquire necessary funds to finance Group companies' operations and hedge risks arising from the Group operations.

The most significant financial risks the Group is exposed to are market risks (the risk of changes in commodity prices, currency risk, interest rate risk and credit risk, in case an important business partner or a customer does not fulfil its contractual obligations). These risk management processes are approved and monitored by the top management of individual Group companies.

Group companies entered into derivative transactions (currency forwards, currency swaps, interest rate swaps and commodity swaps) with the aim to manage the risk of exchange rate, interest rate and commodity price fluctuations.

The Group is also exposed to interest rate risk that is reflected by the cash flow sensitivity and profit or loss on interest rates changes. Interest rate risk is mostly managed and hedged by using interest rate swaps (float to fix).

The Group is also exposed to liquidity risk. Liquidity risk is managed within the Group based on data about necessity of free resources and it is monitored through risk management and in cooperation with the company´s finance department. Apart from the cash flow report that is additionally simulated for various scenarios the Group also uses a system to monitor the management of receivables and payables balancing, diversification of liquidity resources and daily monitoring.

(b) Credit risk

Credit risk is a risk of financial loss to the Group if a customer or counterparty to a transaction fails to meet its contractual obligations, such as payment, acceptance of a commodity or service for a pre-arranged price, failure to deliver the agreed commodity or service.

The Group trades primarily with highly-rated partners. The Group follows the principle that all customers that want to use credit facilities undergo procedures for credit risk assessment that is applied by using own scoring model. The Group continuously monitors the balance of receivables on an individual and aggregate level.

MND Group companies generate revenue from the sale of oil, gas and electricity, the trade in gas and electricity, the provision of services connected with operation of underground gas storages and the drilling activities. All business counterparties are subject to individual analysis of credit-worthiness and they are assigned a credit limit. Credit limits are approved by the risk management committee based on external rating, if available, or based on internal risk assessment guidelines. Risk exposure is monitored for each counterparty on a daily basis, taking into consideration potential future impact. In relevant cases, the Group also requires the counterparty to provide a bank guarantee or its parent company's guarantee, an advance payment or credit support instrument with the aim to minimise the credit risk.

The total credit risk of the trading portfolio is monitored on an ongoing basis and calculated based on the expected loss, i.e. each counterparty is assigned internal credit rating with estimated probability of default. The expected loss is calculated by product of the default probability, the percentage of loss from a given exposure in the case of default and exposure to a counterparty at a given moment.

With respect to the credit risk arising from the Group's financial assets, comprising cash and cash equivalents and financial derivatives, the credit risk arises from a failure of the counterparty to discharge their obligations, where the maximum credit risk amount corresponds with the carrying amount of these instruments. The risk is mitigated by cooperating with reputable local and international banks and by diversifying the portfolio.

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For the calculation of credit exposure and the free trading limit, VaR at the 95% confidence level for holding period of 10 days is also taken into account in terms of credit risk calculation. The Risk Manager monitors credit exposure on a daily basis and if necessary makes remedial arrangements even in cooperation with the Risk Management Committee.

Credit risk by type of counterparty

At 31 December 2019	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables	32 365	--	--	1 011	33 376
Non-current receivables from financial instruments	931 696	--	27 040	--	958 736
Non-current restricted cash	--	--	33 474	--	33 474
Other current financial assets	39 392	--	--	--	39 392
Current receivables – financial	1 802 609	4 572	--	129 026	1 936 207
Current receivables from financial instruments	3 559 453	--	34 644	--	3 594 097
Cash and cash equivalents	104 959	--	1 667 375	--	1 772 334
Total	**6 470 474**	**4 572**	**1 762 533**	**130 037**	**8 367 616**

At 31 December 2018	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables and other non-current assets	23 775	--	15 872	366	40 013
Non-current receivables from financial instruments	342 347	--	--	--	342 347
Non-current restricted cash	--	--	30 530	--	30 530
Current trade receivables and other current assets	4 317 526	--	21 108	14 455	4 353 089
Other current financial assets	1 18 216	--	28 740	--	1 146 956
Current receivables from financial instruments	4 512 096	--	--	--	4 512 096
Cash and cash equivalents	79 421	--	1 091 396	--	1 170 817
Total	**10 393 381**	**--**	**1 187 646**	**14 821**	**11 595 848**

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Ageing structure of financial assets

At 31 December 2019	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	Past due more than 1 year	Impairment allowance	Total
Non-current receivables and restricted cash	***66 850***	**--**	**--**	**--**	**--**	**--**	***66 850***
Non-current trade and other receivables	33 376	--	--	--	--	--	33 376
Non-current restricted cash	33 474	--	--	--	--	--	33 474
Current trade receivables and other current assets	***1 893 452***	**47 277**	**10 739**	**10 290**	**16 369**	**-41 920**	***1 936 207***
Current trade receivables	1 651 415	46 225	9 475	9 651	16 369	-40 007	1 693 128
Current loans provided to related parties	31 834	--	--	--	--	--	31 834
Contract assets – current	89 156	--	--	--	--	--	89 156
Other current receivables	121 047	1 052	1 264	639	--	-1 913	122 089
Other current financial assets	***39 392***	**--**	**--**	**--**	**--**	**--**	***39 392***
Other current financial assets	39 392	--	--	--	--	--	39 392
Cash and cash equivalents	***1 772 334***	**--**	**--**	**--**	**--**	**--**	***1 772 334***
Cash in hand	787	--	--	--	--	--	787
Bank accounts	1 771 547	--	--	--	--	--	1 771 547
Total	**3 772 028**	**47 277**	**10 739**	**10 290**	**16 369**	**-41 920**	**3 814 783**

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At 31 December 2018	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	Past due more than 1 year	Impairment allowance	Total
Non-current receivables and restricted cash	***70 543***	**--**	**--**	**--**	**--**	**--**	***70 543***
Non-current trade and other receivables	40 013	--	--	--	--	--	40 013
Non-current restricted cash	30 530	--	--	--	--	--	30 530
Current trade receivables and other current assets	***4 339 132***	**15 447**	**3 981**	**5 071**	**13 553**	**-24 095**	***4 353 089***
Current trade receivables	3 248 703	15 447	3 981	5 071	13 553	-24 095	3 262 660
Contract assets – current	795 989	--	--	--	--	--	795 989
Other current receivables	294 440	--	--	--	--	--	294 440
Other current financial assets	***1 146 956***	**--**	**--**	**--**	**--**	**--**	***1 146 956***
Other current financial assets	1 146 956	--	--	--	--	--	1 146 956
Cash and cash equivalents	***1 170 817***	**--**	**--**	**--**	**--**	**--**	***1 170 817***
Cash in hand	625	--	--	--	--	--	625
Bank accounts	1 170 192	--	--	--	--	--	1 170 192
Total	**6 727 448**	**15 447**	**3 981**	**5 071**	**13 553**	**-24 095**	**6 741 405**

The Group tests the amount of financial assets held in accordance with IFRS 9 and recognises allowances for financial assets in compliance with the accounting policy specified in Note 3(e) i.

The following tables present credit quality of financial assets at amortised cost. Long-term and short-term derivative financial instrument assets are not included in the disclosures because they are measured at fair value through profit and loss.

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Credit quality of financial assets at amortised cost

The Group classifies the financial assets into the credit quality classes. Class 1 consists of high quality financial assets that do not have any indicators of impairment and fulfils the definition for "low credit risk". Class 2 consists of all other financial assets.

At 31 December 2019	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1 772 334**	**--**	**--**	**--**	**--**	**1 772 334**
Cash in hand	787	--	--	--	--	787
Bank accounts in banks	1 771 547	--	--	--	--	1 771 547
Other current financial assets	**39 392**	**--**	**--**	**--**	**--**	**39 392**
Other current financial assets	39 392	--	--	--	--	39 392
Non-current restricted cash	**33 474**	**--**	**--**	**--**	**--**	**33 474**
Non-current restricted cash	33 474	--	--	--	--	33 474
Class 2						
Current receivables	**56 749**	**--**	**--**	**1 921 378**	**-41 920**	**1 936 207**
Current trade receivables	24 868	**--**	**--**	1 708 267	-40 007	1 693 128
Current loans provided to related parties	31 834	--	--	--	--	31 834
Contract assets – current	47	--	--	89 109	--	89 156
Other current receivables	--	--	--	124 002	-1 913	122 089
Non-current receivables	**33 376**	**--**	**--**	**--**	**--**	**33 376**
Other trade and other receivables	33 376	--	--	--	--	33 376
Total	**1 935 325**	**--**	**--**	**1 921 378**	**-41 920**	**3 814 783**

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At 31 December 2018	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1 170 817**	**--**	**--**	**--**	**--**	**1 170 817**
Cash in hand	625	--	--	--	--	625
Bank accounts in banks	1 170 192	--	--	--	--	1 170 192
Other current financial assets	**1 146 956**	**--**	**--**	**--**	**--**	**1 146 956**
Other current financial assets	1 146 956	--	--	--	--	1 146 956
Non-current restricted cash	**30 530**	**--**	**--**	**--**	**--**	**30 530**
Non-current restricted cash	30 530	--	--	--	--	30 530
Current receivables – financial – selected accounts	**1 323**	**--**	**--**	**--**	**--**	**1 323**
Trade receivables from public tenders	1 323	--	--	--	--	1 323
Class 2						
Current receivables	**12 820**	**--**	**--**	**4 363 041**	**-24 095**	**4 351 766**
Current trade receivables	12 820	**--**	**--**	3 272 612	-24 095	3 261 337
Contract assets – current	--	--	--	795 989	--	795 989
Other current receivables	--	--	--	294 440	--	294 440
Non-current receivables	**40 013**	**--**	**--**	**--**	**--**	**40 013**
Non-current trade and other receivables	40 013	--	--	--	--	40 013
Total	**2 402 459**	**--**	**--**	**4 363 041**	**-24 095**	**6 741 405**

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Movements in impairment allowances are shown in the following table:

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2019	--	--	--	**-24 095**	**-24 095**
Additions – increase in allowance recognized in profit or loss during the year	--	--	--	-26 225	**-26 225**
Reversals – amounts unused	--	--	--	449	**449**
Write-offs – receivables written off during the year as uncollectible	--	--	--	7 951	**7 951**
Balance at 31 December 2019	--	--	--	**-41 920**	**-41 920**

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2018	--	--	--	**-16 929**	**-16 929**
Additions – increase in allowance recognized in profit or loss during the year	--	--	--	-10 202	**-10 202**
Write-offs – receivables written off during the year as uncollectible	--	--	--	3 262	**3 262**
Effect of currency translation	--	--	--	-226	**-226**
Balance at 31 December 2018	--	--	--	**-24 095**	**-24 095**

Impairment matrix for current trade and other receivables as of 31 December 2019:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**1 843 027**	**0,11%**	**-2 046**	**1 840 981**
Current trade receivables	1 632 872	0,13%	-2 046	1 630 826
Contract assets - current	89 109	0,00%	--	89 109
Other current receivables	121 046	0,00%	--	121 046
Past due < 90 days	**40 954**	**6,39%**	**-2 615**	**38 339**
Current trade receivables	39 902	6,53%	-2 606	37 296
Other current receivables	1 052	0,86%	-9	1 043
Past due 91-180 days	**10 739**	**98,71%**	**-10 600**	**139**
Current trade receivables	9 475	98,53%	-9 336	139
Other current receivables	1 264	100,00%	-1 264	--
Past due 181-365 days	**10 290**	**100,00%**	**-10 290**	**--**
Current trade receivables	9 651	100,00%	-9 651	--
Other current receivables	639	100,00%	-639	--
Past due >365 days	**16 369**	**100,00%**	**-16 369**	**--**
Current trade receivables	16 369	100,00%	-16 369	--
Total	**1 921 379**	**2,18%**	**-41 920**	**1 879 459**

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Impairment matrix for current trade and other receivables as of 31 December 2018:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**4 324 990**	**0,00%**	**-22**	**4 324 968**
Current trade receivables	3 234 561	0,00%	-22	3 234 539
Contract assets - current	795 989	0,00%	--	795 989
Other current receivables	294 440	0,00%	--	294 440
Past due < 90 days	**15 447**	**9,50%**	**-1 468**	**13 979**
Current trade receivables	15 447	9,50%	-1 468	13 979
Past due 91-180 days	**3 981**	**100,00%**	**-3 981**	**--**
Current trade receivables	3 981	100,00%	-3 981	--
Past due 181-365 days	**5 071**	**100,00%**	**-5 071**	**--**
Current trade receivables	5 071	100,00%	-5 071	--
Past due >365 days	**13 553**	**100,00%**	**-13 553**	**--**
Current trade receivables	13 553	100,00%	-13 553	--
Total	**4 363 042**	**0,55%**	**-24 095**	**4 338 947**

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Credit risk by region (by the counterparty's registered office)

Non-current and current receivables, non-current and current receivables from financial instruments, non-current restricted cash, other current financial assets, cash and cash equivalents	31/12/2019	31/12/2018
Czech Republic	4 533 287	7 082 857
Germany	798 087	290 201
Switzerland	841 824	2 112 083
Italy	39 245	882
Austria	533 818	71 857
Slovakia	99 151	274 703
Great Britain	1 432 447	1 085 210
Other countries	89 757	678 055
Total	**8 367 616**	**11 595 848**

Offsetting of receivables and liabilities from trading in gas and electricity:

The Company trades gas and electricity under EFET framework contracts. These contracts allow offsetting receivables and liabilities during their payment and also offsetting at early termination of a contract. Trade receivables and payables from these contracts were recognised in the balance sheet on a net basis after offsetting. Receivables and liabilities from derivative transactions include the remeasurement of commodity contracts that are considered financial instruments. With respect to these contracts there is a possibility of offsetting at early termination of a contract where the receivables and liabilities with the originally different maturity can be offset. This potential offsetting was not recognised in the balance sheet and is recorded in the column possibility of additional offsetting.

At 31 December 2019 **Financial assets and liabilities**	Gross amount before offsetting	Offsetting	Net amount in the balance sheet	Possibility of additional offsetting	Amount after possible additional offsetting
Current receivables	6 305 755	-4 369 548	1 936 207	--	**1 936 207**
Current payables	7 677 397	-4 369 548	3 307 849	--	**3 307 849**
Non-current receivables from derivative financial instruments	958 736	--	958 736	-39 950	**918 786**
Current receivables from derivative financial instruments	3 594 097	--	3 594 097	-977 693	**2 616 404**
Non-current liabilities from derivative financial instruments	272 333	--	272 333	-39 950	**232 383**
Current liabilities from derivative financial instruments	1 553 683	--	1 553 683	-977 693	**575 990**

At 31 December 2018 **Financial assets and liabilities**	Gross amount before offsetting	Offsetting	Net amount in the balance sheet	Possibility of additional offsetting	Amount after possible additional offsetting
Trade receivables	8 347 254	-5 084 594	3 262 660	--	**3 262 660**
Trade payables	7 607 515	-5 084 594	2 522 921	--	**2 522 921**
Current receivables from derivative financial instruments	4 512 096	--	4 512 096	-3 652 169	**859 927**
Non-current receivables from derivative financial instruments	342 347	--	342 347	-199 974	**142 373**
Current liabilities from derivative financial instruments	4 573 122	--	4 573 122	-3 652 169	**920 953**
Non-current liabilities from derivative financial instruments	357 470	--	357 470	-199 974	**157 496**

(c) Market risk

Market risk is the risk of changes in the value of assets, liabilities and cash flows denominated in foreign currency due to changes in foreign exchange rates, interest rates and commodity prices. The Group implemented policies and methodologies for monitoring and hedging these risks to which it is exposed.

i. Currency risk, commodity risk

The MND Group is exposed to currency risk as a result of its foreign currency transactions. These risks arise from purchases and sales in other than functional currency (CZK).

Group companies monitor currency risks on an ongoing basis and assess possible impact of changes in foreign exchange rates on Group transactions. A significant part of foreign currency exposure is hedged naturally, i.e. revenue and expenses are denominated in the same foreign currency, or by using currency forwards or swaps.

Group companies are exposed to currency risk when generating revenue in USD from the sale of oil in the Czech Republic and abroad and from the sale of gas in EUR. Group companies are exposed to currency risk from received non-current loans denominated in EUR that are not hedged against currency risk since the Group companies expect that the loans will be repaid from revenues in EUR from drilling services.

Risk exposure arising from gas and electricity trading is monitored on a daily basis by observing market prices, mark-to-market and value-at-risk of the open positions and is subject to approved limits for individual risk indicators. The exposure to market risk, within the limits approved by the board of directors and the Risk Management Committee, depends on the market conditions and expectations. All risk limits are monitored and reviewed on a regular basis.

Changes in commodity prices represent the highest risk for MND Group. The decrease in oil price by 1 USD/barrel in 2019 would result in a decrease in profit or loss before tax of approximately TCZK 12 421. The effect of CZK appreciation against USD by CZK 1 in 2019 would result in a decrease in profit or loss before tax of TCZK 33 946. In contrast, oil price growth and the depreciation of CZK against USD would have a positive impact on the results from operating activities.

In respect of gas trading while using underground gas storages, the main risk is the change of the summer/winter spread (the difference between summer and winter gas prices). The decrease in the summer/winter spread by 0.1 EUR/MWh in the storage period 2019/2020 would result in a decrease in profit or loss before tax of TCZK 25 744 in relation to the total working gas volume. Currency risk exposure (EUR position) from gas trading is relatively low since trading over natural gas storage capacities is financed by current loans denominated in EUR and open positions are hedged by FX forward and FX swap contracts

VaR is the basic metric for risk assessment at open trading positions in the Group. For its calculation, the Monte Carlo method is applied simulation at a 99% significance level and with 2 days horizon. Furthermore, the total utilization of risk capital shall not exceed the total risk capital for speculative trading that is CZK 62 million. The Group calculates the risk on all individual commodities in the framework of speculative trading using VaR metrics, both at individual trader positions and overall. Values of VaR was CZK 25.9 million at the year-end 2019. In 2019 the average value of VaR was CZK 13.7 million.

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Currency risk analysis (in TCZK)

At 31 December 2019	EUR	CZK	USD	Other	Total
Non-current receivables	1 275	32 101	--	--	33 376
Non-current receivables from financial instruments	958 706	30	--	--	958 736
Non-current restricted cash	--	33 474	--	--	33 474
Other current financial assets	--	39 392	--	--	39 392
Current receivables - financial	897 573	1 007 831	29 239	1 564	1 936 207
Current receivables from financial instruments	3 574 846	19 251	--	--	3 594 097
Cash and cash equivalents	246 378	1 523 271	2 126	559	1 772 334
Total assets	**5 678 778**	**2 655 350**	**31 365**	**2 123**	**8 367 616**
Non-current loans and interest-bearing borrowings	-274 049	-2 210 016	--	--	-2 484 065
Non-current lease liabilities	--	-86 057	--	--	-86 057
Non-current liabilities from financial instruments	-272 333	--	--	--	-272 333
Other non-current liabilities	-275 503	-30 705	--	--	-306 208
Current loans and interest-bearing borrowings *)	-2 880 707	-161 577	--	--	-3 042 284
Current lease liabilities	--	-27 011	--	--	-27 011
Current payables - financial	-2 009 547	-1 274 226	-23 530	-546	-3 307 849
Current liabilities from financial instruments	-1 553 683	--	--	--	-1 553 683
Total liabilities	**-7 265 822**	**-3 789 592**	**-23 530**	**-546**	**-11 079 490**
Total	**-1 587 044**	**-1 134 242**	**7 835**	**1 577**	**-2 711 874**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loan loans and borrowings of TCZK 2 784 347 for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

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At 31 December 2018	EUR	CZK	USD	Other	Total
Non-current trade receivables and other non-current assets	2 456	37 694	-137	--	40 013
Non-current receivables from financial instruments	326 076	16 134	137	--	342 347
Non-current restricted cash	--	30 530	--	--	30 530
Other current financial assets	--	1 146 956	--	--	1 146 956
Current trade receivables and other current assets - financial	2 638 014	1 687 200	27 172	703	4 353 089
Current receivables from financial instruments	4 497 850	14 246	--	--	4 512 096
Cash and cash equivalents	272 572	884 467	13 129	649	1 170 817
Total assets	**7 736 968**	**3 817 227**	**40 301**	**1 352**	**11 595 848**
Non-current loans and interest-bearing borrowings	-292 681	-2 259 726	--	--	-2 552 407
Other non-current liabilities	-1 789	-5 148	--	--	-6 937
Non-current liabilities from financial instruments	-357 470	--	--	--	-357 470
Current loans and interest-bearing borrowings *)	-2 959 944	-196 366	--	--	-3 156 310
Current payables and other payables - financial	-1 810 195	-2 259 928	-6 887	-1 319	-4 078 329
Current liabilities from financial instruments	-4 573 122	--	--	--	-4 573 122
Total liabilities	**-9 995 201**	**-4 721 168**	**-6 887**	**-1 319**	**-14 724 575**
Total	**-2 258 233**	**-903 941**	**33 414**	**33**	**-3 128 727**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loans and borrowings of TCZK 2 862 678 for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

Currency risk sensitivity analysis

As at 31 December 2019, the potential appreciation (depreciation) of EUR or USD against CZK could impact the measurement of financial instruments denominated in the foreign currency and impact equity and profit or loss by an amount disclosed in the following table. This analysis assumes that all other variables remain constant.

Effect recognised in TCZK	**Profit or loss**	
	10% appreciation + profit/ - loss	10% depreciation + profit/ - loss
At 31 December 2019		
EUR	49 085	-49 085
USD	784	-784

Effect recognised in TCZK	**Profit or loss**	
	10% appreciation + profit/ - loss	10% appreciation + profit/ - loss
At 31 December 2018		
EUR	-225 823	225 823
USD	3 341	-3 341

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ii. Interest rate risk

The Group is exposed to the risk of interest rate fluctuations primarily as a result of bank loans with floating interest rate. The Group continuously monitors the development in financial markets and based on the current situation decides whether loans will be drawn with either floating or fixed interest rate. The risk of increase in interest rates is monitored on an ongoing basis and if necessary, the application of standard tools for risk elimination (interest rate swap) is considered.

Non-current bonds of MND a.s. and non-current loans of MND Drilling & Services a.s. were issued and concluded with a floating interest rate, but the interest rate risk of these loans and bonds was hedged by interest rate swaps.

Interest rate swaps are concluded with the hedge ratio set at 1:1 so that all derivative conditions correspond with the hedged risk of cash flow changes due to floating interest rates. Potential hedge ineffectiveness can also be caused only by swap illiquidity or the counterparty's credit risk.

As the variable interest rate of non-current loans is hedged, the sensitivity of the Group's financial result from current revolving loans is very low and insignificant compared with the profit from operating activities before amortisation.

(d) Financial derivatives

Hedging derivatives

In order to mitigate the above risks, the following derivative financial instruments were concluded:

Fair value of hedging derivative instruments	At 31 December 2019		At 31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	37 636	5 869	30 379	4 571

The hedge relationships are effective through the accounting period, see accounting policy in note 2(e).

As at 31 December 2019, the Group had the following hedging derivatives:

	Due date	Fair value at 31/12/2019
Receivables from swap transactions – non-current	2022	18 355
Receivables from swap transactions – non-current	2021	30
Receivables from swap transactions – current	2020	19 251
Total receivables from hedging derivatives		**37 636**
Payables from swap transactions – non-current	2025	-3 794
Payables from swap transactions – current	2020	-2 075
Total liabilities from hedging derivatives		**-5 869**
Total hedging financial derivatives		**31 767**

As at 31 December 2019, the Group held derivatives to hedge future cash flows from the payments of interest arising from loan agreements (interest rate swaps).

As at 31 December 2018, the Group had the following hedging derivatives:

	Due	Fair value at 31/12/2018
Receivables from swap transactions – non-current	2021	519
Receivables from swap transactions – non-current	2022	15 615
Receivables from swap transactions – current	2019	13 559
Receivables from swap transactions – current	2019	686
Total receivables from hedging derivatives		**30 379**
Payables from swap transactions – non-current	2025	-3 598
Payables from swap transactions – current	2019	-973
Total liabilities from hedging derivatives		**-4 571**
Total hedging financial derivatives		**25 808**

As at 31 December 2018, the Group held derivatives to hedge future cash flows from the payment of interest arising from loan agreements (interest rate swaps).

The nominal values of hedging derivatives are shown in the following table. The amounts are presented in thousands of the contract currency.

Nominal value of hedging derivatives in the contract currency

		At 31 December 2019		At 31 December 2018	
	Currency	Assets	Liabilities	Assets	Liabilities
Interest rate swap	TEUR	--	10 004	--	10 400
Interest rate swap	TCZK	2 267 226	--	2 384 613	--

Gains or losses from changes in the fair value of hedging derivatives in the accounting period are recognised in equity in other comprehensive income.

Effect of hedge accounting in profit or loss and other comprehensive income

	Hedging gains (+)/losses (-) recognized in OCI	Cash flow hedge reclassified to profit or loss (the hedged item affected profit or loss)	Change in 2019
Cash flow hedge reserve, net of tax	569	4 258	4 827

	Hedging gains (+)/losses (-) recognized in OCI	Cash flow hedge reclassified to profit or loss (the hedged item affected profit or loss)	Change in 2018
Cash flow hedge reserve, net of tax	5 440	-14 255	-8 815

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Trading derivatives

Fair value of trading derivative instruments

	At 31 December 2019		At 31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Commodity forwards	4 404 890	1 804 082	4 801 333	4 908 751
Commodity futures	86 258	1 251	21 771	15 109
Currency swaps	267	1 020	518	752
Currency forwards	23 782	13 794	442	1 409

At 31 December 2019, the Group had the following financial derivatives for trading:

	Due date	Fair value at 31/12/2019
Receivables from forward transactions – non-current	2024	272 151
Receivables from forward transactions – non-current	2021	642 878
Receivables from futures transactions –current	2021	25 322
Receivables from forward transactions – current	2020	3 513 643
Receivables from futures transactions – current	2020	60 936
Receivables from swap transactions – current	2020	267
Total receivables from trading derivatives		**4 515 197**
Payables from forward transactions – non-current	2021	-267 288
Payables from futures transactions – non-current	2021	-1 251
Payables from forward transactions – current	2020	-1 550 588
Payables from swap transactions – current	2020	-1 020
Total liabilities from trading derivatives		**-1 820 147**
Total trading financial derivatives		**2 695 050**

As at 31 December 2019, the Group held trading derivatives in form of currency forwards, currency swaps and commodity forwards and futures.

As at 31 December 2018, the Group had the following financial derivatives for trading:

	Due date	Fair value at 31/12/2018
Receivables from swap transactions – non-current	2020	257
Receivables from futures transactions – current	2019	21 771
Receivables from swap transactions – current	2019	261
Receivables from forward transactions – non-current	2020	325 956
Receivables from forward transactions – current	2019	4 475 819
Total receivables from trading derivatives		**4 824 064**
Payables from futures transactions – non-current	2021	-15 109
Payables from forward transactions – non-current	2020	-338 747
Payables from swap transactions – non-current	2020	-16
Payables from forward transactions – current	2019	-4 571 413
Payables from swap transactions – current	2019	-736
Total liabilities from trading derivatives		**-4 926 021**
Total trading financial derivatives		**-101 957**

As at 31 December 2018, the Group held trading derivatives in form of currency forwards, currency swaps and commodity forwards and futures.

All financial derivatives were stated at fair value as at 31 December 2019 and 31 December 2018 were categorised to Level 2 in the fair value hierarchy.

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(e) Liquidity risk

Liquidity risk represents the possibility that the Group might not be able to fulfil its payment obligations primarily relating to amounts payable to the providers of bank loans and borrowings.

The Group monitors the risk of having insufficient funds on an ongoing basis by managing liquidity and monitoring the maturity of debts and investments, other assets and the expected cash flows from its operations.

The Group holds disposable liquid resources, i.e. cash, cash equivalents and current financial assets in currencies in which future cash needs are expected. To maintain liquidity, the Group uses bank loans and borrowings.

The Group uses proprietary IT tools for liquidity management, market management, valuation of financial instruments and for trading and risk management purposes.

The following table shows the Group's financial assets and liabilities by maturity:

At 31 December 2019	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity	Total
Assets							
Other non-current investments	200	200	--	--	--	200	200
Non-current receivables	33 376	33 376	--	33 376	--	--	33 376
Non-current receivables from financial instruments	958 736	3 798 082	--	3 798 082	--	--	3 798 082
Non-current restricted cash	33 474	33 474	--	33 474	--	--	33 474
Other current financial assets	39 392	39 392	39 392	--	--	--	39 392
Current receivables - financial	1 936 207	1 936 593	1 936 593	--	--	--	1 936 593
Current receivables from financial instruments	3 594 097	6 350 619	6 350 619	--	--	--	6 350 619
Total	**6 595 482**	**12 191 736**	**8 326 604**	**3 864 932**	**--**	**200**	**12 191 736**
Cash and cash equivalents	1 772 334	1 772 334	1 772 334	--	--	--	**1 772 334**
Liabilities							
Non-current loans and interest-bearing borrowings	-2 484 065	-2 666 148	--	-2 645 148	-21 000	--	-2 666 148
Non-current lease liabilities	-86 057	-108 933	--	-53 708	-55 225	--	-108 933
Other non-current liabilities	-306 208	-306 208	--	-306 208	--	--	-306 208
Non-current liabilities from financial instruments	-272 333	-1 397 003	--	-1 397 003	--	--	-1 397 003
Current loans and interest-bearing borrowings	-3 042 284	-3 147 909	-3 147 909	--	--	--	-3 147 909
Current lease liabilities	-27 011	-32 279	-32 279	--	--	--	-32 279
Current payables - financial	-3 307 849	-3 307 849	-3 307 849	--	--	--	-3 307 849
Current liabilities from financial instruments	-1 553 683	-5 606 323	-5 606 323	--	--	--	-5 606 323
Total	**-11 079 490**	**-16 572 652**	**-12 094 360**	**-4 402 067**	**-76 225**	**--**	**-16 572 652**
Net balance – liquidity	**-2 711 674**	**-2 608 582**	**-1 995 422**	**-537 135**	**-76 225**	**200**	**-2 608 582**

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At 31 December 2018	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity	Total
Assets							
Other non-current investments	200	200	--	--	--	200	200
Non-current receivables	40 013	40 013	--	6 866	33 147	--	40 013
Non-current receivables from financial instruments	342 347	389 810	--	389 810	--	--	389 810
Non-current restricted cash	30 530	30 530	--	30 530	--	--	30 530
Other current financial assets	1 146 956	1 146 956	1 146 956	--	--	--	1 146 956
Current trade and other receivables	4 353 089	4 353 089	4 353 089	--	--	--	4 353 089
Current receivables from financial instruments	4 512 096	4 744 954	4 744 954	--	--	--	4 744 954
Total	**10 425 231**	**10 705 552**	**10 244 999**	**427 206**	**33 147**	**200**	**10 705 552**
Cash and cash equivalents	1 170 817	1 170 817	1 170 817	--	--	--	**1 170 817**
Liabilities							
Bank loans and borrowings	-5 708 717	-6 103 438	-3 264 092	-2 820 326	-19 020	--	-6 103 438
Other non-current liabilities	-6 937	-6 937	--	-6 937	--	--	-6 937
Non-current liabilities from financial instruments	-357 470	-399 646	--	-399 646	--	--	-399 646
Current payables - financial	-4 078 329	-4 078 329	-4 078 329	--	--	--	-4 078 329
Current liabilities from financial instruments	-4 573 122	-4 792 024	-4 792 024	--	--	--	-4 792 024
Total	**-14 724 575**	**-15 380 374**	**-12 134 445**	**-3 226 909**	**-19 020**	**--**	**-15 380 374**
Net balance – liquidity	**-3 128 527**	**-3 504 005**	**-718 629**	**-2 799 703**	**14 127**	**200**	**-3 504 005**

(f) Capital management

The Group’s aim is to keep a strong capital base so as to maintain creditor and market confidence and sustain future development of own business.

Group companies are responsible for managing its capital structures and flexible in responding to potential condition changes in financial markets. With the aim to maintain and protect the strong capital basis, group companies may adjust dividend amount or other shareholders’ contributions. The Group aims to maintain an optimal ratio of net debt (loans and bonds, less current loans for the financing of gas inventory and cash and cash equivalents) to equity and the level of assets and liabilities utilising the high rating of the Group to obtain low-cost external funds.

	31/12/2019	31/12/2018
Bank loans and bonds issued	5 526 349	5 708 717
Less: current debts for the financing of gas inventory	2 784 347	2 862 678
Less: cash and cash equivalents	1 772 334	1 170 817
Net debt	**969 668**	**1 675 222**
Total equity	**5 315 273**	**5 818 817**
Debt to equity ratio	**0,18**	**0,29**

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(g) Fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value:

	Carrying amount at 31/12/2019		Fair value at 31/12/2019		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Interest rate swap	--	37 636	--	37 636	--
Currency swap	267	--	--	267	--
Commodity forwards	4 404 890	--	--	4 404 890	--
Commodity futures	86 258	--	--	86 258	--
Currency forward	23 782	--	--	23 782	--
Financial liabilities measured at fair value					
Interest rate swap	--	-5 869	--	-5 869	--
Currency swap	-1 020	--	--	-1 020	--
Commodity forwards	-1 804 082	--	--	-1 804 082	--
Commodity futures	-1 251	--	--	-1 251	--
Currency forward	-13 794	--	--	-13 794	--

Inventory of gas for trading is valued at fair value with carrying amount of TCZK 2 054 972 under Level 2.

	Carrying amount at 31/12/2018		Fair value at 31/12/2018		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Interest rate swap	--	30 379	--	30 379	--
Currency swap	518	--	--	518	--
Commodity forwards	4 801 333	--	--	4 801 333	--
Commodity futures	21 771	--	--	21 771	--
Currency forward	442	--	--	442	--
Financial liabilities measured at fair value					
Interest rate swap	--	-4 571	--	-4 571	--
Currency swap	-752	--	--	-752	--
Commodity forwards	-4 908 751	--	--	-4 908 751	--
Commodity futures	-15 109	--	--	-15 109	--
Currency forward	-1 409	--	--	-1 409	--

The fair values of financial derivatives fulfil the criteria of level 2 in compliance with the IFRS 13 hierarchy (the fair values are derived from market quotations of forward exchange rates, commodity prices and yield curves, however the financial derivatives are not directly traded in active financial markets).

In 2019 and 2018, there were not transfers between individual levels of the fair value hierarchy.

Consolidated financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

31. Liabilities not recognised in the statement of financial position

The Group records issued non-bank guarantee for a related party's liabilities up to the amount of TEUR 17 645 (2018: TEUR 17 645).

The Group records bank guarantees in the amount of TCZK 1 208 289 (2018: TCZK 1 178 842) issued in favour of Group's business counterparties and customers relating to the Group´s outstanding liabilities and performance obligations.

32. Material subsequent events

A pandemic caused by coronavirus called Covid-19 broke out in the world that caused disruption of many business and economic activities at the beginning of year 2020. In connection with the pandemic, there has also been a significant drop in oil prices on world markets. The Group considers the outbreak of this pandemic and related decline in oil prices to be subsequent events that do not lead to an adjustment in financial statements. Potential impacts of the pandemic and the fall in oil prices to the Group's financial position will be included in the profit or loss in year for the year 2020.

It is not possible to estimate the potential impact of these events on the Group because the situation is unstable and is evolving rapidly. The management of the Group perceives the existing uncertainty and monitors the situation intensively. The Group has sufficient cash equivalents, positive working capital and high level of equity. The Group takes active steps to minimize the impact of current development on the Group, in particular by optimizing its cost structure and decreasing capital expenditure. With regard to the above, the Group does not assume that the situation poses significant uncertainty in going concern of the Group.

Except for the above, no other subsequent events occurred that would have a significant impact on consolidated financial statements as at 31 December 2019.

Date:	Signature of the authorised representative:	
22 May 2020	Miroslav Jestřabík	Jiří Ječmen
	Member of the Board of Directors	Member of the Board of Directors

IV. Separate financial statements of MND as at 31 December 2019

prepared in accordance with International Financial Reporting Standards

as adopted by the European Union

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Separate statement of financial position	**Note**	**31/12/2019**	**31/12/2018**
Assets			
Land		179 449	82 719
Buildings and structures		463 852	440 264
Wells		1 406 466	1 407 342
Machinery and equipment		419 790	448 789
Other tangible fixed assets and assets under construction		447 681	373 303
Property, plant and equipment	4	*2 917 238*	*2 752 417*
Intangible assets	5	36 504	63 042
Investments in subsidiaries	6	3 651 185	3 651 185
Investments in joint ventures and associates	6	413 144	371 390
Other non-current investments	7	33 674	30 730
Non-current trade and other receivables	8	31 230	37 950
Non-current receivables from derivative financial instruments	11	1 137 182	341 828
Non-current financial assets		*5 266 415*	*4 433 083*
Deferred tax asset	25	167 148	99 932
Total non-current assets		**8 387 575**	**7 348 474**
Inventories	10	2 144 926	3 258 912
Current trade and other receivables	8	1 757 716	4 159 891
Current receivables from derivative financial instruments	11	3 731 420	4 511 409
Other current financial assets	9	--	1 017 513
Cash and cash equivalents	12	1 556 424	899 728
Total current assets		**9 190 486**	**13 847 453**
Total assets		**17 578 061**	**21 195 927**

The notes on pages 95 to 141 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Separate statement of financial position (continued)	**Note**	**31/12/2019**	**31/12/2018**
Liabilities and equity			
Equity			
Share capital	13	1 000 000	1 000 000
Capital contributions and other reserves		734 419	967 942
Retained earnings and profit/loss for the current period		3 580 980	3 808 303
Equity attributable to the shareholder of the Company		*5 315 399*	*5 776 245*
Total equity		**5 315 399**	**5 776 245**
Liabilities			
Bank loans and bonds issued - non-current portion	14	2 196 962	2 194 259
Non-current lease liabilities	14	114 821	--
Non-current trade and other payables	15	440 620	6 576
Non-current liabilities from derivative financial instruments	16	268 539	353 871
Non-current provisions	17	1 214 107	1 253 158
Total non-current liabilities		**4 235 049**	**3 807 864**
Bank loans and bonds issued - current portion	14	2 793 752	2 872 090
Current lease liabilities	14	26 323	--
Current trade and other payables	15	3 571 183	4 144 315
Current liabilities from financial derivatives	16	1 552 840	4 572 149
Current provisions	17	83 515	23 264
Total current liabilities		**8 027 613**	**11 611 818**
Total liabilities		**12 262 662**	**15 419 682**
Total equity and liabilities		**17 578 061**	**21 195 927**

The notes on pages 95 to 141 are an integral part of these financial statements.

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Separate statement of comprehensive income	**Note**	**2019**	**2018**
Revenue	18	68 489 366	69 114 889
Other operating income	19	43 220	18 197
Total income		**68 532 586**	**69 133 086**
Materials and goods used	20	-65 372 634	-65 876 898
Services used	20	-2 322 747	-2 070 225
Personnel expenses	21	-396 932	-380 841
Depreciation, amortisation and impairment	22	-429 378	-566 012
Other operating expenses	23	-279 055	-349 968
Result from operating activities		**-268 160**	**-110 858**
Finance income	24	172 823	90 994
Finance costs	24	-200 969	-169 085
Result from financing activities		**-28 146**	**-78 091**
Profit or loss before tax		**-296 306**	**-188 949**
Income tax expense	25	68 983	41 571
Profit or loss for the year		**-227 323**	**-147 378**
Items that are or may be reclassified to profit or loss:			
Change in fair value of hedging instruments, net of tax		2 220	8 556
Change in fair value of hedging instruments reclassified to profit or loss, net of tax		4 257	-14 255
Other comprehensive income/loss for the year (net of tax)	26	**6 477**	**-5 699**
Total comprehensive income/loss for the year		**-220 846**	**-153 077**
Profit or loss attributable to:			
Shareholder of the Company		-227 323	-147 378
Total profit or loss for the year		**-227 323**	**-147 378**
Total comprehensive income/loss attributable to:			
Owners of the Company		-220 846	-153 077
Total comprehensive income/loss for the year		**-220 846**	**-153 077**
Earnings per share:	13		
Basic earnings / loss (-) per share (in thousands of Czech crowns)		-4,546	-2,948
Diluted earnings / loss (-) per share (in thousands of Czech crowns)		-4,546	-2,948

The notes on pages 95 to 141 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Separate statement of changes in equity

2019	Share capital	Other contributions and reserves	Hedging reserve	Retained earnings	Loss (-) for the year	Total equity
Balance at 1 January 2019	**1 000 000**	**944 310**	**23 632**	**3 955 681**	**-147 378**	**5 776 245**
Profit or loss for 2019	--	--	--	--	-227 323	-227 323
Other comprehensive income/loss	--	--	6 477	--	--	6 477
Total comprehensive income/loss	**--**	**--**	**6 477**	**--**	**-227 323**	**-153 077**
Transactions with owners of the Company, reported directly in equity:						
Reallocation of loss for 2018	--	--	--	-147 378	147 378	**--**
Decrease in other capital contributions (Note 13)		-240 000	--	--	--	-240 000
Total transactions with owners of the Company, reported directly in equity	**--**	**-240 00**	**--**	**-147 378**	**147 378**	**-240 000**
Balance at 31 December 2019	**1 000 000**	**704 310**	**30 109**	**3 808 303**	**-227 323**	**5 315 399**

The notes on pages 95 to 141 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Separate statement of changes in equity

2018	Share capital	Other contributions and reserves	Hedging reserve	Retained earnings	Loss (-) for the year	Total equity
Balance at 1 January 2018	**1 000 000**	**944 310**	**29 331**	**4 064 967**	**-109 286**	**5 929 322**
Profit or loss for 2018	--	--	--	--	-147 378	**-147 378**
Other comprehensive income	--	--	-5 699	--	--	**-5 699**
Total comprehensive income	**--**	**--**	**-5 699**	**--**	**-147 378**	**-153 077**
Transactions with owners of the Company, reported directly in equity:						
Reallocation of loss for 2017	--	--	--	-109 286	109 286	**--**
Total transactions with owners of the Company, reported directly in equity	**--**	**--**	**--**	**-109 286**	**109 286**	**--**
Balance at 31 December 2018	**1 000 000**	**944 310**	**23 632**	**3 955 681**	**-147 378**	**5 776 245**

The notes on pages 95 to 141 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Separate statement of cash flows	Note	2019	2018
Operating activities			
Net profit (+) / loss (-) for the year		-227 323	-147 378
Adjustments for:			
Interest expense (net of interest income)	24	165 740	150 156
Tax expense (+) / income (-)	25	-68 983	-41 571
Effect of currency translation (gains - / losses +)	24	-36 545	-22 738
Depreciation of property, plant and equipment	22	360 412	492 082
Amortisation of intangible assets	22	46 244	58 891
Depreciation of right of use	22	25 543	--
Impairment of property, plant and equipment	22	-2 821	15 039
Income from dividends and current financial assets	24	- 108 188	-66 102
Non-cash changes of financial derivatives		-3 112 011	52 083
Non-cash changes of inventories		-10 209	9 528
Gain (-) / loss (+) on sale of non-current assets	19	- 1 117	-728
Cash flow from operating activities before changes in working capital and provisions		**-2 969 258**	**499 262**
Increase (+) / decrease (-) in provisions		-11 397	60 650
Increase (-) / decrease (+) in inventories		1 124 195	-798 226
Increase (-) / decrease (+) in receivables		2 404 122	-2 044 118
Increase (+) / decrease (-) in current liabilities		-114 643	1 325 863
Cash flows from operating activities		**433 019**	**-956 569**
Interest paid		-135 312	-121 069
Income tax paid		-21	-24
Net cash flows generated from operating activities		**297 686**	**-1 077 662**
Investing activities			
Proceeds from sale of non-current assets	19	1 627	13 929
Profit shares received (dividends)		90 000	74 166
Income from current financial assets		18 188	11 102
Interest received		2 169	857
Acquisition of property, plant and equipment and intangible assets	4,5	-428 704	-525 964
Investments in subsidiaries and joint ventures		-41 754	-32 594
Decrease (+) in current financial assets, net		1 014 569	357 915
Cash flows from investing activities		**656 095**	**-100 589**
Financial activities			
Drawing of loans and borrowings (+)	14	15 574 007	17 725 566
Repayment of (-) loans and borrowings	14	-15 108 041	-16 635 036
Payments of lease liabilities	14	-23 051	
Changes in equity		-240 000	--
Cash flows from financing activities		**-297 085**	**1 090 530**
Net increase / decrease in cash and cash equivalents		**656 696**	**-87 721**
Cash and cash equivalents at 1 January	12	**899 728**	**987 449**
Cash and cash equivalents at 31 December		**1 556 424**	**899 728**

The notes on pages 95 to 141 are an integral part of these financial statements.

Notes to the separate financial statements

Contents

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

1. General information about the Company

1.1. Description

MND a.s. ("the Company") was established by a sole founder on 30 September 2008 under the original name ORTOKLAS a.s. The Company was incorporated on 3 November 2008 and is recorded in the Commercial Register maintained by the Regional Court in Brno under file number B 6209. The Company's registered office is at Úprkova 807/6, Hodonín, post code 695 01, identification number 284 83 006.

1.2. Principal activities

The Company carries out the following principal business activities:
- prospecting, exploration and production of oil and natural gas;
- trading in gas and electricity, including trading in gas using underground gas storages, sales of gas and electricity to end customers and trading in electricity and gas to generate profit from price movements.

1.3. Statutory body and supervisory board

The board of directors as at 31 December 2019:

Chairman of the board of directors:	Karel Komárek
Vice-chairman of the board of directors:	Helmut Langanger
Member of the board of directors:	Ing. Jiří Ječmen
Member of the board of directors:	Dr. Ulrich Schöler
Member of the board of directors:	Ing. Miroslav Jestřabík

Supervisory board as at 31 December 2019:

Chairman of the supervisory board:	Ing. Robert Kolář
Member of the supervisory board:	Ing. Pavel Šaroch
Member of the supervisory board:	JUDr. Josef Novotný

1.4. Sole shareholder of the Company as at 31 December 2019

MND Group AG 100%

Registered office:

Kapellgasse 21

6004 Lucerne

Switzerland

The Company and its parent company are part of the consolidated group of KKCG AG with its registered office in Switzerland. Ultimate controlling party pursuant to IFRS standards is VALEA FOUNDATION.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

New standards effective from 1 January 2019

The preparation of these consolidated financial statements involved the use of the following new or amended standards and interpretations, whose initial application is required for annual periods beginning on 1 January 2019.

IFRS 16 Leases

The Company has applied new IFRS 16 Leases from 1 January 2019, which is effective for accounting periods beginning on 1 January 2019 or later.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This results in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

New standard introduces for a lessee several exceptions from the scope of the standard, which relates to:

- leases with a lease term of 12 months or less and containing no purchase options, where the underlying asset has a low value.

The Company applied the above mentioned exception in case of short-term lease contracts for machinery, tools and equipment (remaining lease term is shorter than 12 months), which relates to underlying asset with a low value, and continues in recognising lease payments from these contracts in expenses.

The Company applied modified retrospective approach without restatement of comparative figures. The Company also applied practical expedient relating to the application of a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company did not recognise in the statement of financial position as at 31 December 2018 any amounts from finance lease. Subsequently, the company accounts for the right of use asset and lease liability in accordance with the general requirements of IFRS 16.

The Company leases land, non-residential premises, machinery, tools and equipment in the form of operating leases.

Lease liabilities recognised by the Company as at the date of initial application of IFRS 16 are measured at the present value of the remaining lease payments including those to be made over reasonably certain lease extension periods (when extension options exist) or excluding those in periods covered by lease termination options that are reasonably certain to be exercised (in case termination rights exist) discounted using the Company's incremental borrowing rate.

As at the date of initial application the Company recognised Right-of-use asset in the amount of the initial measurement of recognized lease liability plus advance payments or related accrued payments related to these lease recognised in the statements of financial position immediately before the date of initial application.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

The impact of the application of IFRS 16 as at 1 January 2019 on the items of the statement of financial position was as follows:

	TCZK
Right of use land	72 913
Right of use buildings and halls	67 418
Right of use machinery, tools and equipment	1 003
Lease liabilities – non-current	115 920
Lease liabilities - current	25 414

Reconciliation of lease liabilities from operating lease, which were recognised as at 1 January 2019:

Operating lease commitments disclosed as at 31 December 2018 in CZK thousands	**104 890**
Adjustments as a result of a different treatment of extension and termination options	64 825
Short-term and low-value leases recognized on a straight-line basis as expense	-160
Discounted using the Company's incremental borrowing rate at 1 January 2019	-28 221
Lease liability recognized as at 1 January 2019	**141 334**

Other standards, interpretations and amendments applicable from 1 January 2019 or later

The Company does not expect that the following amendments to standards and interpretations will have a significant impact on the financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 28 (Amendments) Long term interests in associates and joint ventures
- IFRS 9 (Amendments): Prepayment Features with Negative Compensation
- Annual Improvements to IFRSs 2015 (2015 – 2017 Cycle)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Other standards, interpretations and amendments endorsed by EU but not yet effective

The following new standards, amendments and interpretations will not have a significant impact on the Company's separate financial statements.

Effective date IASB 1 January 2020:

- Amendments to IAS 1 and IAS 8: Definition of a material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS Standards

Standards, interpretations and amendments issued before 31 December 2019 but not endorsed by EU

The following standards, amendments and interpretations are not yet effective and will not have a significant impact on the Company's financial statements.

- Amendments to IFRS 3 Business Combinations (IASB effective date 1 January 2020)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (IASB effective date 1 January 2022)
- IFRS 17 Insurance contracts (IASB effective date 1 January 2023)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IASB effective date deferred indefinitely)

(b) Basis of measurement

The separate financial statements have been prepared on a going concern basis, using the historical cost method, unless otherwise stated in the accounting policies.

(c) Functional and presentation currency

The functional currency of the Company is the Czech crown (CZK).

These financial statements are presented in Czech crowns (CZK). All financial information reported in the financial statements is rounded to the nearest thousand (TCZK), except when otherwise indicated.

(d) Use of significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the Company management to make assumptions based on its own judgement in applying accounting policies. Consequently, the actual results often differ from these estimates.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are reported in the period in which the estimate is revised, if the revision impacts only this period, or in the revision period and future periods, if the revision impacts the current and future periods.

Judgements that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Impairments. Impairment calculations require the use of various estimates and assumptions depending on the business activity of the Company. The most significant estimates influencing the impairment models are commodity prices, oil and gas reserves, future production profiles, gross margins, operating expenses and discount rates. (Notes 4 and 5; accounting policy 3(f));
- Provision for decommissioning, renewals and restorations. The Company establishes a provision for the renewal and restoration of areas affected by oil and gas extraction and provision for decommissioning of assets. Most of these activities will be performed in the distant future whereas decommissioning technologies, costs and environmental and safety regulations are constantly changing. The most significant estimates entering the provision calculation model are estimated costs and time of the decommissioning activities, expected inflation and discount rates. (Note 17; accounting policy 3(k)).

(e) Determination of fair value (Note 29)

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is defined as a price that would be received from the sale of an asset or paid for assuming a liability in an arm’s length transaction between market participants at the measurement date irrespective of whether the price is directly observable or determined using an estimate carried out based on valuation methods. Fair values are determined based on quoted market prices, discounted cash flows or by means of valuation methods.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value hierarchy

The Company applies the following hierarchy for determining and disclosing the fair value of financial instruments by valuation method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: other input-based methods that have a significant impact on the reported fair value and that are observable either directly or indirectly
- Level 3: input-based methods that have a significant impact on the reported fair value and that are not based on observable market data

Potential transfers between individual levels are described in Note 29 Risk management, in part (g).

3. Significant accounting policies

Unless stated otherwise, the accounting policies described were applied consistently in all accounting periods reported in these separate financial statements.

In 2019 the Company developed its business model of trading commodity, gas storage and similar contracts. Except for commodity purchase and sale agreements entered into to service the Company's portfolio of end customers, the Company enters in these contracts to generate a profit from short-term fluctuations in price or dealer's margin. In order to achieve this goal, the Company adopted systematic practice of settling similar contracts net in cash where the cash equal to the net gain or loss on the contract on exercise or settlement. The net settlement is realised either through exchange-traded instruments or via bilateral agreements by entering into offsetting contracts or by selling the contract before its exercise or lapse.

This business development resulted in change of presentation and measurement of the following contracts in the financial statements: commodity contracts, in particular purchase of natural gas for storage in the underground gas storage facility, its subsequent sale after the withdrawal from the underground gas storage, contracts for physical natural gas storage, contracts for gas flexibility service (virtual natural gas storage) and security of supply contracts.

These contracts typically require no initial net investment and are settled at future dates thereby meeting the definition of a derivative contracts. Simultaneously, they can no longer qualify for exemption applied for physical purchase and sale of a non-financial asset because they are exchange-traded or routinely net settled as described above; hence the Company measures these contracts in fair value.

As a consequence of these developments the Company elected commodity broker-traders exemption for gas inventories, which are measured at fair value less costs to sell with changes in fair value recognised in profit or loss in the period in which they arise.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value at the date of acquisition are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss, except for financial instruments to hedge cash flows, which are recognised in other comprehensive income.

(b) Property, plant and equipment

i. Owned assets

Property, plant and equipment consists of buildings and structures, oil and gas wells, production machinery, machinery and equipment, information technology, motor vehicles, fixtures and fittings and other property, plant and equipment. Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy 3(f) ii).

The cost of self-constructed property, plant and equipment (including oil and gas wells) comprises the consumption of materials, wages and a portion of overhead costs directly associated with the production. Cost also includes an estimate of costs of dismantling and removing the items, as well as costs of land restoration.

The acquisition cost does not include administrative or other overhead costs or an initial operating loss. Research and development expenditure is not capitalised. Borrowing costs that are directly attributable to the acquisition of the relevant asset are capitalised until the acquisition is completed.

ii. Exploration costs

Costs incurred in the search and exploration for new oil and/or gas deposits including costs of wells are charged directly to expenses as incurred, with the exception of costs associated with successful exploratory wells ("the successful effort method"). Costs associated with successful exploratory wells are capitalised as property, plant and equipment if they are expected to provide future economic benefits and if they relate to wells under construction or wells that have not yet been assessed, no later than the end of the reporting period on condition that we do not have information that the well is unsuccessful. In case a capitalised well is subsequently assessed as unsuccessful, the capitalised expenditures are written off to expenses. The capitalised costs are tested for impairment at the end of each reporting period (see accounting policy

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

3(f) ii). Once all technical, technological and legislative conditions for the commercial use of wells are met and the wells start to be used for commercial purposes, depreciation of these capitalised costs over the estimated life of the wells is commenced.

iii. Right of use of leased assets

Right of use of asset is recognised for lease contracts which meet definition of lease under IFRS 16 in the amount of recognized lease liability, plus advance payments or related accrued payments (see also Note 2 (a)). The right of use of asset is depreciated over the lease term. In the consolidated statement of financial position the Company presents the right of use of individual type of asset within the line item for given type of the asset.

iv. Assets held for sale

Assets with a significant carrying value that will be highly probably sold within one year of the reporting date, are not part of non-current assets and are stated as a separate item as part of current assets at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated.

v. Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company, and the expenditure can be measured reliably. All other expenses, including the costs of regular servicing of property, plant and equipment, are recognised directly in profit or loss.

vi. Depreciation expense

Property, plant and equipment are depreciated on a straight-line basis. Land is not depreciated. Right of use assets are depreciated over the shorter of the useful life of the asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case depreciation is over the useful life.

The estimated useful lives for the individual categories of property, plant and equipment are as follows:

Buildings and halls	20 - 50 years
Structures	20 - 40 years
Oil and gas wells	expected production period
Machinery and equipment	3 - 15 years
Information technology	3 - 6 years
Motor vehicles	4 - 10 years
Fixtures and fittings	3 - 14 years
Other property, plant and equipment	4 - 12 years

The oil and gas wells and related property are being depreciated for its estimated production life which ranges from 3 to 25 years and is based on expected length of production of hydrocarbons.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(c) Intangible assets

i. Intellectual property rights

Intellectual property rights mainly comprise purchased geological and geophysical data.

ii. Software and other intangible assets

Software and other intangible assets that are acquired by the Company and have finite (definite) useful lives are measured at cost less accumulated amortisation and any impairment losses.

iii. Subsequent costs

Subsequent expenditure in respect of intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iv. Amortisation expense

Apart from goodwill and other intangible assets with an indefinite useful life, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Software	2 - 7 years
Intellectual property rights	2 - 13 years
Other intangible assets	3 - 6 years

v. Research

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in profit or loss in the period when they were incurred.

(d) Investments in subsidiaries and joint ventures

Subsidiaries are entities in which the Company controls financial and operational procedures. The Company is deemed to control subsidiaries following the satisfaction of requirements set by IFRS 10 - Consolidated Financial Statements. Among other things, these include the situation when the Company holds more than 50% of voting rights in another entity and other matters that would deny the control do not form an obstacle.

Joint ventures are entities over whose activities the Company exercises joint control, which arose from a contractual agreement and requires unanimous consent in case of strategic financial and operational decisions.

Investments in subsidiaries and joint ventures are recognised using the ‘deemed’ cost, which comprises the carrying amount based on Czech Accounting Standards as at the date of first adoption of IFRS, i.e. 1 January 2017 (the Company used the equity method valuation based on Czech Accounting Standards) that is impacted by potential contributions in the Company’s capital in the following periods. Investments in new subsidiaries or joint ventures are measured at acquisition cost.

(e) Financial instruments

i. Financial assets at amortised cost

Financial instruments held within a business model whose objective is to hold financial assets in order to collect contractual cash flows are measured at amortised cost. Contractual cash flows are solely payments of principal and interest.

In compliance with IFRS 9, the Company calculates effective rate of return at initial recognition, reflecting the relation between actually invested funds and future investment income. The effective interest rate is used as a discount factor for calculating premium or discount that is subsequently amortised over the lifetime of the financial asset.

At the same time, the Company tests the value of assets held in compliance with IFRS 9.

Allowances for financial assets are recognised in the amount of the expected credit loss of the relevant financial asset. Expected losses are reported in the profit or loss from operating activities (Note 3f).

ii. Financial assets measured at fair value through other comprehensive income ("FVOCI")

FVOCI is the classification of financial instruments for which dual business model applies, i.e. they are held for the purposes of both collecting contractual cash flows and selling financial assets. Contractual cash flows of instruments in this category are solely payments of principal and interest.

At initial recognition, an entity may classify an equity instrument as measured at FVOCI based on an irrevocable election. This option may be applied only in respect of instruments that are not held for trading and do not constitute derivatives.

Changes in the fair value of debt instruments measured at FVOCI are reported in other comprehensive income. Interest income, foreign exchange gains/losses and impairment losses are immediately reported in profit or loss. Changes in the fair value previously reported in other comprehensive income are reclassified to profit or loss at the moment the debt instrument is sold.

Gains or losses recognised in other comprehensive income for capital instruments are never reclassified from equity to profit or loss.

iii. Financial assets measured at fair value through profit or loss ("FVTPL")

A financial instrument is classified as measured at FVTPL if it is held for trading or within a business model whose objective is to manage a financial asset on the basis of fair value, i.e. it will be realised through sale, in contrast to the objective of holding this asset to obtain contractual cash flows. This category presents the "initial" or "residual" category, unless the requirements for classifying a financial asset as a financial asset at amortised cost or a financial asset at FVOCI are met. At initial recognition, the related transaction costs are reported in profit or loss at the moment they are incurred. Financial instruments at FVTPL are measured at fair value and their changes are reported in the profit or loss from financing activities.

iv. Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: trade and other payables, interest-bearing loans and borrowings, bonds issued and lease liabilities. These financial liabilities, other than financial liabilities at fair value through profit or loss, are recognised initially on the settlement date at fair value plus any directly attributable transaction costs. Subsequently, financial liabilities, other than financial liabilities at fair value through profit or loss, are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

v. Derivative financial instruments

The Company holds derivative financial instruments for trading in electricity, gas and emission allowances, and to hedge its currency, interest rate and commodity risk exposures arising from its operating, financial and investment activities. Derivatives that are not classified as hedging derivatives, are recognised as derivatives held-for-trading.

Commodity contracts

Forward contracts for the purchase and sale of gas and electricity, contracts for physical natural gas storage, contracts for gas flexibility service (virtual natural gas storage) and contracts for security of supply that can be settled net in cash or another financial instrument and which do not serve the purposes of the expected receipt or delivery of a commodity are considered financial instruments under IFRS 9 and they are measured at fair value through profit or loss and recognised as trading derivatives. Changes in their fair value are recognised in the profit or loss from operating activities.

Delivery of the commodity under commodity contracts is recognised either in inventory, or in revenues and cost of sales at fair value of the commodity, when the commodity is delivered

Changes in the fair value of commodity derivative financial instruments are recognised in the profit or loss from operating activities; changes in the fair value of currency and interest rate derivative instruments are reported in the profit or loss from financing activities.

Other derivative instruments

Derivative financial instruments are recognised at fair value and subsequent changes in fair value are charged to profit or loss, except as described below.

Cash flow hedges

Changes in fair value of a derivative hedging instrument or a non-derivative financial liability designated to hedge cash flows are charged directly to equity through other comprehensive income to the extent that the hedge is effective. The ineffective portion of the hedge is charged to profit or loss for the period. All derivative transactions designated as hedging instruments are documented and the efficiency of individual transactions is regularly evaluated.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. Cumulative gains or losses formerly recognised in equity remain there until the expected transaction is effected. If a non-financial asset is hedged, the amount recognised in equity is transferred to the carrying amount of an asset at the moment it is recognised. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period when the hedged item affects profit or loss.

The hedge relationships are effective through the accounting period, i.e. changes in cash flows of the hedging instruments attributable to the hedged risks are within a range of 80 % – 125 % of the changes in cash flows of the hedged instruments attributable to the hedged risk

The Company applies the exception for IFRS 9 for hedge accounting and continues to apply hedge accounting requirements under IAS 39.

vi. Current and non-current loans

Current and non-current loans are initially recognised at fair value and subsequently measured at amortised cost. A part of non-current loans due within one year of the end of the period are recognised as current loans.

vii. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and recognised in the balance sheet on a net basis if and only if the Company has a legally enforceable right for the offsetting and intends to settle them on the net basis.

(f) Impairment

i. Financial assets

IFRS 9 *Financial Instruments* introduces a model for impairment of financial assets and contract assets that are measured at amortised cost or fair value through other comprehensive income (FVOCI) – so called "expected credit losses" or "ECL" model.

The Company recognises an allowance based on expected credit losses for financial assets measured at amortised cost.

Measurement of ECLs

Simplified approach – Provisioning Matrix

Provisioning Matrix approach can be used for financial assets, which do not contain significant financing component. The Company applies this model primarily to short-term trade receivables.

In the provisioning matrix approach, impairment is calculated using the historical loss rate and adjusted for forward looking information. The Company monitors macroeconomic development of GDP and Czech National Bank forecast.

Significant receivables are assessed individually using expected discounted cash-flows method and an expert-based approach.

Significant increase in credit risk is not assessed for trade receivables subject to provisioning matrix approach as they are always measured at Lifetime ECL.

Standard ECL model – Stage model

The Company assesses, on a forward-looking basis, the ECL for the exposures arising from loans and borrowings and from other financial assets.

The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Long-term restricted cash, long-term trade and other receivables from government contracts, short-term financial assets, cash and cash equivalents and term deposits that are placed at strong and stable credit institutions that are meeting all requirements for capital and liquidity stipulated in Basel III are considered by the Company as assets with „!ow credit risk". In these case the Company applies the "low credit risk" exemption from standard ECL model and therefore do not assess a significant increase in credit risk for these assets.

The Company considers a financial asset to be in default, if:

- it is probable that the debtor will fail to pay its liabilities to the Company in full without the Company's intervention in form of realising security (if it has any); or
- the financial asset is more than 90 days past due.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives or not yet available for use, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or a group of assets (the "cash-generating unit", or "CGU") exceeds its recoverable amount. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Inventories

Inventories required for providing operating services are measured at the lower of cost and net realisable value.

The cost of inventories comprises the purchase price and costs directly associated with the acquisition. Acquisition costs are reduced with rebates, trade discounts and other similar items. Interest on loans received to acquire inventories (borrowing costs) is not capitalised.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Inventories of gas in underground gas storages are measured at fair value less costs to sell. Changes in the fair value less cost to sell of these inventories are recognised in the profit or loss from operating activities as Gain/Loss from trading in commodity contracts.

Work in progress and own products are measured at own cost, which also includes the appropriate part of production overheads determined based on normal operating capacity. Selling costs are not capitalised.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at the bank and short-term highly liquid investments (including fixed-term deposits) with original maturities of up to three months of the acquisition date. Bank overdraft accounts with a negative balance are not included in the statement of cash flows.

(i) Assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) are classified as held-for-sale if it is highly probable that they will be sold rather than further used.

The assets or disposal groups are subsequently measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except for the loss not being allocated to inventories, financial assets, deferred tax asset, which continue to be assessed according to other accounting policies of the Company. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in the statement of comprehensive income. Gains are recognised only up to the amount of any cumulative impairment loss.

(j) Equity

Share capital

The Company's issued share capital has been paid up in full. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity.

(k) Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision for decommissioning, renewal and restoration

The Company establishes a provision for renewal and restoration of land affected by production of oil and gas and also a provision for the decommissioning of assets. The amount of the provision is the best estimate of the expenditure needed to cover a liability at the end of the reporting period. The provision is adjusted to reflect the current estimate at the end of the period. The estimates of costs incurred on decommissioning of assets, renewal and restoration of land are based on current prices and the estimated inflation and are discounted using the market risk-free interest rate.

Actual expenses incurred for decommissioning, renewal and restoration during the year may differ from the estimates as a result of changes in regulations and technologies, an increase in personnel expenses, an increase in prices of raw materials and equipment or in the time needed to complete decommissioning, renewal and restoration, or a change in the inflation rate or long-term real interest rates.

The initial discounted expenses related to the decommissioning of property, plant and equipment are recognised as part of property, plant and equipment and depreciated over the estimated life of that asset.

Year-on-year changes relating to a future liability in connection with the decommissioning of property, plant and equipment that arise due to the change in estimates of future cash flows necessary to settle this liability or as a result of a change in the estimated real interest rate, are reflected as an increase in or decrease of capitalised property, plant and equipment in compliance with IFRIC 1.

The Company also establishes a provision for other liabilities with uncertain timing or value.

(l) Revenue and other operating income

i) Revenue (revenue from contracts with customers)

The Company's revenue includes in particular revenue from trading in gas and electricity, revenue from the sale of gas and electricity to end customers, revenue from the sale of produced oil and gas, revenue from the sale of goods, and revenue from the provision of services, including drilling activities (see Note 18).

The revenue is recognised at the moment the control over goods or services supplied is transferred to the customer in the amount of anticipated consideration that the Company expects it should receive for the goods or services. The Company applies a five-step model defined in IFRS 15 to determine the amount, time and method of revenue recognition. The amount of consideration that the Company expects to be entitled to is the transaction price. In determining the transaction price, the following factors are considered: the estimate of the variable portion of consideration (provided discounts, compensations, bonuses, sanctions and other similar items), the time value of money in case the contract contains a significant financing component, the fair value of potential non-monetary consideration, a portion of value that the customer will not pay (e.g. discount vouchers). The method and moment of revenue recognition depends on the method of control transfer: satisfaction of obligation at a point in time is reported at the moment the control over goods or services is transferred, satisfaction of obligation over time is recognised over the period during which the entity satisfies performance obligation. The Company measures revenue from satisfaction of obligation over time using the input method, i.e. the revenue is reported based on expenses incurred on satisfying the obligation in relation to the total expected expenses, with the exception of revenue from the sale of gas and electricity to end customers that is measured using the output method, as described below.

Contract costs

The Company provides sales agents with commissions as remuneration for activities that lead to obtaining new customers for the sale of gas and electricity. The costs of acquiring a contract are recognised if an entitlement to the commission arises at the moment the contract with the customer is actually obtained and the commission would not be paid had the contract not been obtained. Capitalised contract costs are subsequently recognised in profit or loss over the term of the contract.

Sale of oil

The Company sells produced and purchased oil to its customers based on annual or long-term contracts on oil supplies. Customers obtain control over the product at a place agreed for product delivery. The Company classifies revenue as satisfaction of obligation over time that is recognised for a calendar month depending on the actual volume of supplies. Contracts do not contain a financing component, because the invoices are payable within 30 days.

Sale of electricity and gas to end customers

The sale of gas and electricity to end customers is carried out based on contracts on combined gas or electricity supply services which include the supply of the commodity itself together with distribution services. Distribution services are provided to the Company by local distribution companies. The access to these services and their prices are regulated. The prices for distribution services form part of the price for combined services provided to the customers. The Company recognises the full amount of revenue for services, including the portion of distribution services, because it provides these services for itself (i.e. the Company is the principal).

The services of gas and electricity supplies for households are usually invoiced once per year and for corporate customers once per month or quarter, based on the actual consumption ascertained at consumption reading. Customers pay advances at a fixed amount on a monthly basis. Uninvoiced supplies of gas and electricity are recognised as contract assets. Advances received are recognised as contract liabilities.

When concluding a contract, the price for services can contain a variable consideration as a result of discounts provided to customers. Discounts are provided from list prices and the customers are charged with the prices less discounts.

The Company classifies revenue as satisfaction of obligation over time. The Company recognises revenue using the output method based on the estimated energy supplies. Contracts do not contain a significant financing component because of the advances payment scheme and delivery performed within a short period of time.

Other revenue

Revenue from trading in gas and electricity and the sale of produced gas

Trading in gas and electricity is carried out based on framework contracts concluded under the EFET standard with other gas and electricity traders. Customers obtain control over the commodity at a delivery point which usually means a virtual point of the given gas or electricity grid. The Company classifies revenue as satisfaction of obligation over time that is recognised for a calendar month depending on the actual volume of supplies. Contracts do not contain a significant financing component, because the invoices are issued within a short period of time after the commodity is delivered and the invoices are payable within 30 days.

Revenue from ordinary transactions is recognised using agreed selling prices. Revenue from derivative commodity contracts that are settled by physical delivery is recognised at fair value of the given commodity at the beginning of the period of physical delivery.

ii) Other operating income

Lease income

Lease income from non-residential premises, office premises and moveable assets is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Grants

A conditional government grant is recognised initially in the statement of financial position as deferred income when there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised as income in the period they were incurred. Grants that compensate for the expenses incurred in connection with the acquisition of a non-current asset, are recognised in other operating income in the statement of comprehensive income over the useful life of the asset.

(m) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets, changes in the fair value of financial assets at fair value through profit or loss, unless these are commodity derivative financial instruments and derivatives held-for-trading arising from forward contracts for the purchase or sale of gas and electricity, foreign exchange gains, and gains from hedging instruments recognised in profit or loss.

Finance costs comprise interest expense on loans and borrowings, unwinding of discount on provisions, foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss, unless these are commodity derivative financial instruments and derivatives held-for-trading arising from forward contracts for the purchase or sale of gas and electricity, losses from the impairment of financial assets and losses from hedging instruments that are recognised in profit or loss.

(n) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income, apart from deferred tax recognised directly in equity.

Current tax includes the tax estimate calculated from the taxable income for the year using tax rates valid at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries and jointly controlled entities, if it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Payment of dividends

The payment of dividends to the Company’s shareholders is recognised in the Company’s financial statements as a liability in the period in which the payment of dividends is approved by the Company’s shareholders.

(p) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

4. Property, plant and equipment

2019	Wells	Land	Right of use land	Buildings and structures	Right of use buildings and structures	Machinery and equipment	Right of use machinery and equipment	Tangible assets under construction	Other tangible assets	Total
Acquisition costs										
Balance at 1 January 2019	4 442 778	85 565	--	968 116	--	1 018 415	--	363 080	13 457	**6 891 411**
Identification of IFRS 16 lease as at 1 January 2019	--	--	72 913	--	67 418	--	1 003	--	--	**141 334**
Additions	123 539	17 163	22 401	11 243	459	40 832	--	180 757	9 901	**406 295**
Disposals	-26 918	-493	--	--	--	-13 868	--	-2 905	--	**-44 184**
Transfers	104 533	16	--	2 449	--	6 945	--	-107 871	-5 236	**836**
Balance at 31 December 2019	**4 643 932**	**102 251**	**95 314**	**981 808**	**67 877**	**1 052 324**	**1 003**	**433 061**	**18 122**	**7 395 692**
Accumulated depreciation and impairment										
Balance 1 January 2019	3 035 436	2 846	--	527 852	--	569 626	--	--	3 234	**4 138 994**
Depreciation expense for the current year	231 336	--	15 321	48 438	9 925	77 465	297	2 905	268	**385 955**
Disposals	-26 918	--	--	--	--	-13 851	--	-2 905	--	**-43 674**
Impairment of assets	-2 388	-51	--	-382	--	--	--	--	--	**-2 821**
Balance at 31 December 2019	**3 237 466**	**2 795**	**15 321**	**575 908**	**9 925**	**633 240**	**297**	**--**	**3 502**	**4 478 454**
Net book value										
1 January 2019	1 407 342	82 719	--	440 264	--	448 789	--	363 080	10 223	**2 747 167**
31 December 2019	**1 406 466**	**99 456**	**79 993**	**405 900**	**57 952**	**419 084**	**706**	**433 061**	**14 620**	**2 917 238**

In 2019, the major additions to tangible assets related to capitalised wells. In 2019 additions to tangible assets under construction are mainly represented by buildings and halls under construction.

In 2019, no borrowing costs were capitalised due to insignificance.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

2018	Wells	Land	Buildings and structures - owned	Buildings and structures - leased	Machinery and equipment - owned	Machinery and equipment - leased	PPE under construction	Other PPE	Total
Acquisition cost									
Balance at 1 January 2018	4 274 719	70 261	867 616	55 309	940 864	9 606	291 024	8 214	**6 517 613**
Additions	157 112	15 394	14 345	--	55 887	--	262 374	6 044	**511 066**
Disposals	-3 559	--	-220	--	-8 925	--	-139 070	--	**-151 774**
Transfers	--	--	86 375	-55 309	30 589	-9 606	-51 248	-801	**--**
Change in valuation	14 506	--	--	--	--	--	--	--	**14 506**
Balance at 31 December 2018	**4 442 778**	**85 565**	**968 116**	**--**	**1 018 415**	**--**	**363 080**	**13 457**	**6 891 411**
Accumulated depreciation and impairment									
Balance at 1 January 2018	2 782 618	2 846	426 384	49 827	491 281	9 517	4 947	3 026	**3 770 446**
Depreciation expense for the current year	244 016	--	49 183	--	77 346	--	121 329	208	**492 082**
Disposals	-3 559	--	-220	--	-8 518	--	-126 276	--	**-138 573**
Transfers	--	--	49 827	-49 827	9 517	-9 517	--	--	**--**
Impairment of assets	12 361	--	2 678	--	--	--	--	--	**15 039**
Balance at 31 December 2018	**3 035 436**	**2 846**	**527 852**	**--**	**569 626**	**--**	**--**	**3 234**	**4 138 994**
Net book value									
1 January 2018	1 492 101	67 415	441 232	5 482	449 583	89	286 077	5 188	**2 747 167**
31 December 2018	**1 407 342**	**82 719**	**440 264**	**--**	**448 789**	**--**	**363 080**	**10 223**	**2 752 417**

The most significant additions to property, plant and equipment in 2018 were capitalised wells. Additions to property, plant and equipment under construction in 2018 comprise buildings and structures under construction and wells that were not put in use.

Impairment losses for assets totalling TCZK 15 030 were recognised for wells and property, plant and equipment of one minor oil and gas field where oil and gas reserves were depleted sooner than expected.

In 2018, no borrowing costs were capitalised due to insignificance.

The change in valuation of TCZK 14 506 relates to the change in the provision for decommissioning, renewal and restoration.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

5. Intangible assets

2019	Intellectual property rights	Software	Intangible assets under construction	Total
Acquisition cost				
Balance at 1/1/2019	426 794	185 746	1 131	**613 671**
Additions	1 695	17 732	1 116	**20 543**
Transfers	--	--	-837	**-837**
Disposals	**--**	**-162**	**--**	**-162**
Balance at 31/12/2019	**428 489**	**203 316**	**1 410**	**633 215**
Accumulated amortisation				
Balance at 1/1/2019	406 783	143 846	--	**550 629**
Amortisation expense for the current year	16 929	29 315	--	**46 244**
Disposals	**--**	-162	**--**	**-162**
Balance at 31/12/2019	**423 712**	**172 999**	**--**	**596 711**
Net book value				
1 January 2019	20 011	41 900	1 131	**63 042**
31 December 2019	**4 777**	**30 317**	**1 410**	**36 504**

2018	Intellectual property rights	Software	Intangible assets under construction	Total
Acquisition cost				
Balance at 1/1/2018	425 060	150 255	11 138	**586 453**
Additions	1 569	24 518	1 131	**27 218**
Transfers	165	10 973	-11 138	**--**
Balance at 31/12/2018	**426 794**	**185 746**	**1 131**	**613 671**
Accumulated amortisation				
Balance at 1/1/2018	375 732	116 006	--	**491 738**
Amortisation expense for the current year	31 051	27 840	--	**58 891**
Balance at 31/12/2018	**406 783**	**143 846**	**--**	**550 629**
Net book value				
1/1/2018	49 328	34 249	11 138	**94 715**
31/12/2018	**20 011**	**41 900**	**1 131**	**63 042**

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

6. Investments in subsidiaries and joint ventures

31 December 2019	Ownership interest	Shares held	Nominal value of shares / interest	Carrying amount at 31/12/2019
MND Drilling & Services a.s.	100 %	74	211 140	1 421 322
MND Gas Storage a.s	100 %	2 438 001	2 000 800	2 178 056
MND Energy Trading a.s.	100 %	2 500	50 000	49 807
MND Oil & Gas a.s.	100 %	2	1 000	2 000
Moravia Gas Storage a.s.	50 %	50	1 000	413 144
Total investments in subsidiaries and joint ventures				**4 064 329**

On 20 February 2019, the Company increased the value of investment in Moravia Gas Storage a.s. in form of a monetary contribution in equity of TCZK 41 754 (TEUR 1 625).

31 December 2018	Ownership interest	Shares held	Nominal value of shares / interest	Carrying amount at 31/12/2018
MND Drilling & Services a.s.	100%	74	211 140	1 421 322
MND Gas Storage a.s	100%	2 438 001	2 000 800	2 178 056
MND Energy Trading a.s.	100%	2 500	50 000	49 807
MND Oil & Gas a.s.	100%	2	1 000	2 000
Moravia Gas Storage a.s.	50%	50	1 000	371 390
Total investments in subsidiaries and joint ventures				**4 022 575**

On 2 January 2018, the Company increased the value of investment in Moravia Gas Storage a.s. in form of a monetary contribution in equity of TCZK 30 594 (TEUR 1 200). On 23 August 2018, MND Oil & Gas a.s. was established. The share capital of the newly established company of TCZK 2 000 was fully paid up. The company was recorded in the Commercial Register on 5 September 2018.

7. Other non-current investments

Other non-current investments	31/12/2019	31/12/2018
Other investments	200	200
Long-term restricted cash	33 474	30 530
Total other non-current investments	**33 674**	**30 730**

Long-term restricted cash represents funds at a bank account to cover statutory provisions for renewal and restoration. For Credit quality see Note 29b) Credit risk.

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8. Trade and other receivables

Non-current trade and other receivables	31/12/2019	31/12/2018
Other non-current receivables	31 230	37 950
Total non-current trade and other receivables	**31 230**	**37 950**

Other non-current receivables as at 31 December 2019 comprise non-current advances provided of TCZK 30 913 (2018: TCZK 33 564). For Credit quality see Note 29b) Credit risk.

Current trade and other receivables	31/12/2019	31/12/2018
Trade receivables	1 484 997	3 078 615
Receivables relating to other taxes	--	477
Prepaid expenses	43 547	33 909
Current contract assets	88 760	793 368
Other current receivables	117 385	241 658
Contract costs	23 027	11 864
Total current trade and other receivables	**1 757 716**	**4 159 891**

As at 31 December 2019, net overdue current receivables totalled TCZK 33 416 (at 31 December 2018: TCZK 8 405). As at 31 December 2019, an allowance for receivables totalled TCZK 39 524 (at 31 December 2018: TCZK 23 856). For Credit quality and amount of provision see Note 29b) Credit risk.

In 2019, other short-term receivables include a receivable from clearing system member totalling TCZK 100 792 (2018: TCZK 226 819).

9. Other current financial assets

	31/12/2019	31/12/2018
Other current financial assets	--	1 017 513
Total other current financial assets	**--**	**1 017 513**

Other current financial assets in 2018 comprise receivables relating to cash-pooling contracts with KKCG Structured Finance AG.

This item is not considered a cash equivalent and is presented as part of investing activities in the statement of cash flows. For Credit quality see Note 29b) Credit risk.

10. Inventories

	31/12/2019	31/12/2018
Material	44 462	39 032
Goods	2 077 892	3 199 902
Own products (oil)	22 275	19 978
Work in progress and semi-finished goods	297	--
Total inventories	**2 144 926**	**3 285 912**

In 2019, work in progress and semi-finished goods include an allowance for work in progress of TCZK 0 (at 31 December 2018: TCZK 9 457) and material includes an allowance for material of TCZK 9 956 (at 31 December 2018: TCZK 10 709).

Goods include gas for trading valued at fair value in the amount of TCZK 2 054 972.

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11. Receivables from derivative financial instruments

Non-current receivables from derivative financial instruments	31/12/2019	31/12/2018
Non-current hedging derivatives	18 355	15 615
Non-current trading derivatives	1 118 827	326 213
Total non-current receivables from derivative financial instruments	**1 137 182**	**341 828**

Current receivables from derivative financial instruments	31/12/2019	31/12/2018
Current hedging derivatives	18 816	13 599
Current trading derivatives	3 712 604	4 497 850
Total current receivables from derivative financial instruments	**3 731 420**	**4 511 409**

Increase in long-term derivative financial instrument receivables relates to the business development described in Note 3. Fair values of contracts for physical natural gas storage were recognised as receivables from derivative financial instrument.

12. Cash and cash equivalents

	31/12/2019	31/12/2018
Cash in hand	304	203
Cash at bank	1 451 865	820 315
Cash equivalents	104 255	79 210
Total cash and cash equivalents	**1 556 424**	**899 728**

Cash equivalents represents excess cash at accounts of settlements system members. For Credit quality see Note 29b) Credit risk.

13. Equity

	31/12/2019	31/12/2018
Share capital	1 000 000	1 000 000

The share capital consists of 50 000 ordinary certificated registered shares with a nominal value of TCZK 20 per share. The share capital has been fully paid-up.

As at 15 August 2018, the imposition of a negative pledge on Company’s shares was entered in the Commercial Register.

Other capital contributions arose as a result of the shareholder‘s monetary contributions to strengthen the Company‘s equity and the remeasurement of investments in subsidiaries and the joint venture using the equity method as at 1 January 2017 based on Czech Accounting Standards (at 31 December 2019: TCZK 613 311).

As at 30 June 2019, the Company‘s other capital contributions were decreased by TCZK 240 000 by returning the contributed cash to the shareholder.

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Earnings per share

Profit (+) / loss (-) attributable to ordinary shareholders (in TCZK)	2019	2018
Net profit (+) / loss (-) attributable to ordinary shareholders	-227 323	-147 378
Net profit (+) / loss (-) attributable to ordinary shareholders	**-227 323**	**-147 378**

Weighted average number of ordinary shares	**Number of shares**	**Weight**	**2019**	**2018**
Issued ordinary shares at 1 January	50 000	1	50 000	50 000
Newly issued shares	--		--	--
Issued ordinary shares at 31 December	50 000	1	50 000	50 000
Weighted average number of ordinary shares at 31 December	50 000	1	50 000	50 000
Basic earnings (+) / loss (-) per share for the year (in TCZK)			**-4,546**	**- 2,948**
Diluted earnings (+) / loss (-) per share for the year (in TCZK)			**-4,546**	**-2,948**

14. Bank loans, bonds issued and lease liabilities

This note provides an overview of the contractual terms and conditions governing interest-bearing loans and borrowings of the Company.

Non-current bank loans and bonds	31/12/2019	31/12/2018
Bonds issued - non-current portion	2 196 962	2 194 259
Total non-current loans and bonds	**2 196 962**	**2 194 259**

Current loans and bonds	31/12/2019	31/12/2018
Current bank loans	1 377 222	1 620 675
Other current borrowings	1 407 125	1 242 003
Bonds issued – current portion	9 405	9 412
Total current loans and bonds	**2 793 752**	**2 872 090**

In 2019, other current borrowings represent specific current financing of gas inventories of TCZK 1 407 125 (2018: TCZK 1 242 003) from a banking entity.

As at 31 December 2019, current bank loans include a short-term bank loan for the purpose of financing gas inventory totalling TCZK 1 377 222 (at 31 December 2018: TCZK 1 620 675).

Bank loans

The bank loans are due as follows:

	31/12/2019	31/12/2018
Due within 1 year	1 377 222	1 620 675
	1 377 222	**1 620 675**

Loans received are secured by pledged inventories of TCZK 975 898 (at 31 December 2018: 1 749 490), pledged receivables of TCZK 170 598 (at 31 December 2018: 397 499) and pledged receivables from current accounts of 443 292 (at 31 December 2018: 186 986).

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Based on the contractual conditions, the Company must fulfil specific financial debt indicator. The Company fulfilled this indicator as at 31 December 2019 and 31 December 2018.

As at 31 December 2019, the Company does not record any undrawn credit facilities (at 31 December 2018: TCZK 0).

The transaction currencies of loans, bonds and borrowings as at 31 December 2019 are EUR and CZK, of which the balance of loans and borrowings with the EUR transaction currency is TCZK 2 784 347 (at 31 December 2018: TCZK 2 862 678) and the balance of bonds with the CZK transaction currency is TCZK 2 206 367 (at 31 December 2018: TCZK 2 203 671).

Bonds issued

On 13 November 2017, the Company issued unsecured bearer bonds in book form, which were accepted for trading on the regulated market of Prague Stock Exchange (*Burza cenných papírů Praha, a.s.*) under ISIN CZ0003517708. These bonds have variable interest of 6M PRIBOR + 2.48% p. a. and will mature on 13 November 2022. Bond coupons are paid out semi-annually on a retrospective basis, always in May and November. The nominal value of one bond is TCZK 3 000; the total nominal value of bonds is TCZK 2 202 000. The issue of bonds was carried out in the Czech Republic in compliance with Czech law. The transaction costs of TCZK 13 495 associated with the issue of bonds were deducted from the value of bonds and are amortised over the maturity period of the bond.

Lease liabilities

Lease liabilities	31/12/2019	31/12/2018
Lease liabilities – non-current	114 821	--
Lease liabilities - current	26 323	--
Total lease liabilities	**141 144**	**--**

The reconciliation of movements of non-current and current loans, issued bonds with cash flows:

	2019	2018
Balance at 1 January	**5 066 349**	**3 988 776**
Cash flows		
Drawing of loans and borrowings	15 031 443	17 725 566
Repayment of loans and borrowings	-15 084 990	-16 635 036
Non-cash changes		
Foreign exchange differences recognised in profit or loss	-41 601	-12 957
Other non-monetary transactions	19 513	--
Balance 31 December	**4 990 714**	**5 066 349**

Reconciliation of movements of lease liabilities with cash flows:

	2019	2018
Balance 1 January	**--**	**--**
Cash flows		
Payment of lease liabilities	-23 051	--
Non-cash changes		
Recognition of lease liabilities	164 195	--
Balance 31 December	**141 144**	**--**

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15. Trade and other payables

Non-current trade and other payables	31/12/2019	31/12/2018
Other non-current liabilities	440 620	6 576
Total non-current trade and other payables	**440 620**	**6 576**

Other non-current liabilities are due within 5 years. Other non-current liabilities include payables arising from contracts for gas storage of TCZK 406 929.

Current trade and other payables	31/12/2019	31/12/2018
Trade payables	2 885 238	2 512 282
Current contract liabilities	573 264	1 529 263
Payables to the state	47 626	29 666
Payables to employees	55 558	65 525
Other current liabilities	9 497	7 579
Total current trade and other payables	**3 571 183**	**4 144 315**

As at 31 December 2019, the Company does not record any overdue current trade payables (at 31 December 2018: TCZK 0 tis.). Short-term trade payables include payables arising from contracts for gas storage of TCZK 564 582.

16. Liabilities from derivative financial instruments

Non-current liabilities from derivative financial instruments	31/12/2019	31/12/2018
Non-current hedging derivatives	--	--
Non-current trading derivatives	268 539	353 871
Total non-current liabilities from derivative financial instruments	**268 539**	**353 871**

Current liabilities from derivative financial instruments	31/12/2019	31/12/2018
Current hedging derivatives	--	--
Current trading derivatives	1 552 840	4 572 149
Total current liabilities from derivative financial instruments	**1 553 840**	**4 572 149**

17. Provisions

At 31 December 2019	Provision for decommissioning, renewal and restoration
Balance 1 January 2019	1 276 422
Additions	15 521
Utilization	-26 918
Unwinding of discount	32 597
Balance 31 December 2019	**1 297 622**
thereof:	
Non-current provisions	1 214 107
Current provisions	83 515

Provisions for decommissioning, renewals and restorations are established based on rules described in Note 3(k). For 2019 interest rate 1.7 – 2.0 % p. a. were used. In calculating provisions, the expected inflation of 1.3 % p. a. was used. The Company expects that costs will be incurred between 2020 and 2052.

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18. Revenue

The following tables show the breakdown of total revenue for each segment based on the main type of goods, products or services and based on the recognition of revenue according to time perspective:

At 31 December2019 **Revenue based on the main type of goods, products or services**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Revenue at 31/12/2019
Revenue from trading in gas	--	54 977 019	**54 977 019**
Revenue from trading in electricity	--	7 908 842	**7 908 842**
Revenue from the sale of gas to end customers	--	2 375 705	**2 375 705**
Revenue from the sale of electricity to end customers	--	1 820 113	**1 820 113**
Revenue from the sale of goods (purchased oil)	92 836	--	**92 836**
Revenue from the sale of produced oil	779 937	--	**779 937**
Revenue from the sale of produced gas	395 501	--	**395 501**
Revenue from the provision of services	56 816	31 932	**88 748**
Revenue from gas storage	--	50 665	**50 665**
Total revenue	**1 325 090**	**67 164 276**	**68 489 366**

At 31 December 2018 **Revenue based on the main type of goods, products or services**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Revenue at 31/12/2018
Revenue from trading in gas	--	51 920 520	**51 920 520**
Revenue from trading in electricity	--	12 914 762	**12 914 762**
Revenue from the sale of gas to end customers	--	1 553 375	**1 553 375**
Revenue from the sale of electricity to end customers	--	1 000 802	**1 000 802**
Revenue from the sale of goods (purchased oil)	94 821	--	**94 821**
Revenue from the sale of produced oil	1 060 635	--	**1 060 635**
Revenue from the sale of produced gas	477 153	--	**477 153**
Revenue from the provision of services	51 510	18 988	**70 498**
Revenue from gas storage	--	22 323	**22 323**
Total revenue	**1 684 119**	**67 430 770**	**69 114 889**

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At 31 December2019 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Revenue at 31/12/2019
Revenue recognised at a point time	--	2 741	**2 741**
Revenue recognised over time	1 325 090	67 161 535	**68 486 625**
Total revenue	**1 325 090**	**67 164 276**	**68 489 366**

At 31 December2018 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Revenue at 31/12/2018
Revenue recognised at a point time	--	39 041	**39 041**
Revenue recognised over time	1 684 119	67 391 729	**69 075 848**
Total revenue	**1 684 119**	**67 430 770**	**69 114 889**

At 31 December2019 **Revenue based on geographical position of a point of sale**	2019	2018
Czech Republic	12 105 278	13 406 719
Hungary	295 927	1 713 810
Germany	17 875 834	20 339 936
Netherlands	29 253 202	29 608 291
Austria	6 630 139	3 106 834
Slovakia	2 321 616	893 039
Other	7 730	46 260
Total revenue	**68 489 366**	**69 114 889**

In 2019, the Company reported revenue of TCZK 7 440 120 (2018: TCZK 7 674 807) in respect of one customer. This revenue was allocated to the trading in gas and electricity and gas storage segment.

The remaining performance obligations relate to the contracts whose original expected duration is one year or less or to the contracts concluded for an indefinite period with a notice period shorter than one year, therefore the Company does not recognise this amount.

19. Other operating income

	2019	2018
Gain on sale of material	33	45
Gain on sale of non-current assets	1 117	729
Income from operating lease	1 471	1 409
Fines and default interest	2 520	938
Gain from trading in commodity contracts	16 105	--
Remaining operating income	21 974	15 076
Total other operating income	**43 220**	**18 197**

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20. Consumption of materials, goods and services

	2019	2018
Cost of goods sold (in particular purchased oil)	88 181	87 793
Cost of sale of gas and electricity to end customers	2 368 168	1 285 758
Cost of trading in gas and electricity	62 788 226	64 392 648
Materials and energy used	128 059	110 699
Total materials and goods used	**65 372 634**	**65 876 898**
Services used relating to revenue	2 042 088	1 753 195
Lease expenses	9 615	39 946
Other services	261 173	273 872
Amortisation of contract costs	12 465	5 327
Changes in product and work-in-progress inventories	-2 594	-2 115
Total services used	**2 322 747**	**2 070 225**
Total consumption of materials, goods and services	**67 695 381**	**67 947 123**

Services used relating to revenue include in particular the cost of distribution of gas and electricity that the Company uses to supply gas and electricity to end customers.

Lease expense in 2019 comprise short term leases of TCZK 9 571 and leases of low value assets of TCZK 44.

Other services include costs of services provided by a statutory auditor; this information is disclosed in the consolidated financial statements.

21. Personnel expenses

	2019	2018
Payroll expenses	289 643	280 492
Social security and health insurance expenses	92 217	86 699
Other social expenses	15 072	13 650
Total personnel expenses	**396 932**	**380 841**

The average number of employees in 2019 was 415 (2018: 393 employees).

22. Depreciation, amortisation and impairment

	2019	2018
Depreciation of property, plant and equipment (Note 4)	360 412	492 082
Impairment of property, plant and equipment (Note 4)	-2 821	15 039
Amortisation of intangible assets (Note 5)	46 244	58 891
Depreciation of right of use	25 543	--
Total depreciation, amortisation and impairment	**429 378**	**566 012**

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23. Other operating expenses

	2019	2018
Repairs and maintenance	102 721	103 093
Travel expenses	5 045	5 194
Fees	111 693	134 016
Other taxes	1 593	1 560
Insurance premiums	7 586	7 311
Other overhead operating expenses	50 417	28 048
Loss from trading in commodity contracts	--	70 746
Total other operating expenses	**279 055**	**349 968**

The most significant part of fees represents charges for extracted oil and gas of TCZK 70 220 (2018: TCZK 94 645) and payments for mining areas and fees for exploration areas of TCZK 39 765 (2018: TCZK 37 776).

	2019	2018
Gain from trading in commodity contracts	-2 082 790	-221 745
Loss from trading in commodity contracts	2 066 685	292 491
Net gain/loss from trading in commodity contracts	**-16 105**	**70 746**

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24. Finance income and costs

	2019	2018
Interest income	2 169	857
Gain on foreign exchange operations	36 545	22 738
Income from dividends	90 000	55 000
Income from current financial assets	18 188	11 102
Other finance income	25 921	1 297
Total finance income	**172 823**	**90 994**

	2019	2018
Interest expense	-161 784	-151 013
Interest expense on leases	-6 125	--
Other finance costs	-33 060	-18 072
Total finance costs	**-200 969**	**-169 085**

Net profit/loss from financial operations	**-28 146**	**-78 091**

25. Taxation

Income tax expense

	2019	2018
Current tax expense		
Changes in estimates relating to the previous year	21	--
Total current tax expense	**21**	**--**
Deferred tax expense	-69 004	-41 571
Total income tax (expense + / income -)	**-68 983**	**-41 571**

Reconciliation of effective tax rate

	2019	%	2018	%
Profit or loss before tax	**-296 306**		**-188 949**	
Income tax using the valid tax rate	-56 298	19.0%*	-35 900	19.0%*
Effect of tax non-deductible expenses that do not result in deferred tax	5 662	-1.91%	3 990	-2.11%
Effect of tax exempt income	-19 375	6.54%	-10 450	5.53%
Donation for charitable purposes	--	0.00%	-17	0.01%
Tax credits	--	0.00%	-153	0.08%
Tax relating to prior periods	21	-0.01%	--	0.0%
Other effects	1 007	-0.34%	959	-0.51%
Total income tax expense / Effective tax rate	**-68 983**	**23.28%**	**-41 571**	**22.00%**

* Tax rate valid in the Czech Republic

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Deferred tax

In accordance with the accounting policy described in Note 3(n), deferred tax was calculated based on the tax rate of 19% valid in the Czech Republic.

Based on the financial outlooks, the Company expects that it will be able to utilise the deferred tax asset against future profits.

Change in deferred tax

2019	Balance at 1/1/2019	Change in 2019		Balance at 31/12/2019
	Deferred tax asset (+)/liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/liability (-)
Deferred tax asset (+)/liability (-)	**99 932**	**69 005**	**-1 519**	**167 418**
Property, plant and equipment	-143 217	3 928	--	-139 289
Intangible assets	-450	1 475	--	1 025
Non-current and current financial assets	178	-178	--	--
Hedging derivatives	-5 544	-426 971	-1 519	-434 034
Total inventories	2 121	197 976	--	200 097
Total receivables	22 353	-17 249	--	5 104
Lease liabilities	--	26 817	--	26 817
Total liabilities	3 849	3 589	--	7 438
Provisions	220 642	3 633	--	224 275
Tax losses carried-forward	--	275 985	--	275 985

* The net deferred tax liability arising from derivative financial instruments totalling TCZK 434 034 is a result of offsetting of deferred tax liability from long-term and short-term derivative financial instruments assets in amount of TCZK 910 802 and deferred tax asset arising from long-term and short-term derivative financial instruments liabilities and liabilities from gas storage contracts in amount of TCZK 476 768.

2018	Balance at 1/1/2018	Change in 2018		Balance at 31/12/2018
	Deferred tax asset (+)/liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/liability (-)
Deferred tax asset (+)/liability (-)	**57 025**	**41 571**	**1 336**	**99 932**
Property, plant and equipment and intangible assets	-161 249	17 582	--	-143 667
Non-current and current financial assets	204	-26	--	178
Hedging derivatives	-6 880	--	1 336	-5 544
Total inventories	1 033	1 088	--	2 121
Total receivables	2 038	20 315	--	22 353
Total liabilities	4 885	-1 036	--	3 849
Provisions	201 232	19 410	--	220 642
Tax losses carried-forward	15 762	-15 762	--	--

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26. Other comprehensive income

	2019	2018
Change in the fair value of hedging instruments, before tax	2 739	10 563
Change in the fair value of hedging instruments – deferred tax	-520	-2 007
Change in the fair value of hedging instruments, after tax	**2 219**	**8 556**
Change in the fair value of hedging instruments transferred to profit/loss, before tax	5 256	-17 598
Change in the fair value of hedging instruments transferred to profit/loss - deferred tax	-998	3 343
Change in the fair value of hedging instruments transferred to profit/loss after tax	**4 258**	**-14 255**
Total other comprehensive income	**6 477**	**-5 699**

27. Income from leases

The Company leases non-residential premises and movable assets. The lease contracts have been concluded either for a fixed term or for an indefinite period with the possibility to give a notice. In 2019, TCZK 1 471 (2018: 1 409) was recognised as income from leases in the statement of comprehensive income (Noted 19).

28. Related parties

Payroll expenses, bonuses and other personnel expenses incurred in respect of members of the board of directors, supervisory board and executive management of the Company are disclosed in the following table:

	2019		2018	
	Board of directors and supervisory board	Executive management	Board of directors and supervisory board	Executive management
Payroll expenses	--	24 219	--	28 602
Social security and health insurance expenses	581	5 429	584	7 405
Bonuses to statutory body members	3 511	--	5 071	--
Total	**4 092**	**29 648**	**5 655**	**36 007**

In 2019, members of the board of directors of MND a.s. received bonuses of TCZK 3 319 (2018: TCZK 4 878).

The Company is part of the consolidated group of KKCG AG with its registered office in Switzerland. All companies presented below are the Company’s related parties, because they are part of the same consolidated group.

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Related-party balances as at 31 December 2019 and 31 December 2018:

	Receivables		Payables	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
AUTOCONT a.s.	51	857	72	--
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	27 394	33 147	--	--
Cestovní kancelář FISCHER a.s.	--	--	22	65
Conectart s.r.o.	--	--	15 053	11 372
DataSpring s.r.o.	267	287	872	594
FM&S Czech a.s.	3	2	1	
Kavárna štěstí s.r.o.	6	--	--	111
KKCG a.s.	--	--	823	745
KKCG AG	--	--	5 730	9 481
KKCG Structured Finance AG	--	1 017 513	--	--
KKCG UK LIMITED	--	--	75	--
Kura Basin Operation	4	--	--	--
Kynero Consulting a.s.	--	--	227	226
Liberty Two Methanol LLC	422	--	--	--
LLC Geologichne Bureau	23	30	--	--
LLC Horyzonty	684	838	--	--
LLC Precarpathian energy company	33	177	--	--
MND Drilling & Services a.s	1 571	1 652	105 293	83 975
MND Energy Trading a.s.	46	58		11 361
MND Gas Storage a.s.	2 046	1 456	16 985	13 549
MND Gas Storage Germany GmbH	266	153	14	15
MND Group AG	8	9	--	--
MND Oil & Gas a.s.	2	2	--	--
Moravia Gas Storage a.s.	1 002	841	1 662	506
Moravia Systems a.s.	129	107	105	2 687
SafeDX s.r.o.	441	474	--	--
SAZKA a.s.	796	853	--	--
Theta Real a.s.	--	--	--	3
Vinohradská 230 a.s.	3 271	3 290	1 465	3 415
Total	**38 465**	**1 061 746**	**148 399**	**138 105**

Receivables relating to KKCG Structured Finance AG at 31 December 2018 represent receivables arising from cash-pooling agreement (see Note 9).

In 2018, the Company provided a long-term advance for the lease of office premises to BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.

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Related-party transactions for the period ended 31 December 2019 and 31 December 2018:

	Income		Expenses	
	2019	2018	2019	2018
MND Drilling & Services a.s	41 290	17 885	383 784	384 031
MND Gas Storage a.s.	76 337	66 030	165 132	163 037
Moravia Gas Storage a.s.	11 536	6 376	8 808	537
MND Energy Trading a.s.	520	819	108 452	61 674
MND Oil & Gas a.s.	23	2	--	--
MND Group AG	62	83	--	--
MND Group B.V.	2	--	--	--
MND Germany GmbH	--	4	--	--
MND Ukraine B.V.	12	--	--	--
MND Gas Storage Germany GmbH	1 521	1 639	20 654	69 749
LLC Horyzonty	3 388	41 916	--	--
LLC Geologichne Bureau Lviv	97	77	--	--
LLC Precarpathian energy company	98	678	--	--
KKCG a.s.	--	--	9 351	9 150
KKCG Structured Finance AG	18 188	11 102	--	--
KKCG AG	--	--	1 146	842
KKCG UK LIMITED	--	--	75	--
Cestovní kancelář FISCHER a.s.	--	--	337	672
Kynero Consulting a.s.	--	--	2 266	2 271
Moravia Systems a.s.	223	198	4 199	6 247
Vinohradská 230 a.s.	3 033	3 265	14 425	17 594
SAZKA a.s.	8 291	8 764	--	75
Conectart s.r.o.	--	--	124 740	104 340
Springtide Ventures s.r.o.	--	--	1	--
DataSpring s.r.o.	2 424	2 096	7 896	10 937
Theta Real a.s.	--	322	--	--
TrustYard s.r.o.	--	8	--	--
Kavárna štěstí s.r.o.	96	192	--	8
SafeDX s.r.o.	3 925	3 135	--	--
FM&S Czech a.s.	8	5	--	314
G-JET s.ro.	--	--	--	16
Kura Basin Operating Company LLC	153	--	--	--
Liberty Two Methanol LLC	1 756	747	--	--
AUTOCONT a.s.	116	66	2 527	5 818
Total	**173 099**	**165 409**	**853 793**	**837 312**

Expenses charged by related parties include in particular services connected with obtaining new customers (Conectart s.r.o.), the costs of drilling and workover operations, the costs of gas storage services and the costs of lease of office premises (Vinohradská 230 a.s.).

Revenues recognised in respect of related parties include in particular dividends received (MND Gas Storage a.s.), the sale of gas and electricity (MND Gas Storage a.s. and Sazka a.s.) and the interest received from the contract on cash-pooling (KKCG Structured Finance AG).

29. Risk management

(a) Financial risk management and financial instruments

This section describes in detail the financial and operational risks the Company is exposed to and its risk management methods. Risk management is one of the core components of the Company corporate governance. The main focus is placed on quantifying risks the Company is exposed to in the market (the risk of changes in foreign exchange rates, interest rates and commodity prices) and the credit risk. The Company's risk management strategy concentrates on minimising potential negative impacts on the Company's financial results.

The principal role of the Company's risk management is to identify risks, determine a risk measurement method, quantify and analyse risk exposure, define a hedging strategy and the hedging implementation as such. The overall responsibility for setting up the Company's risk management system and supervising its operation lies on the level of the board of directors.

Main financial instruments used by the Company include bank loans, bonds and derivatives. The principal task of these financial instruments is to acquire necessary funds to finance Company's operations and hedge risks arising from Company's operations.

The most significant financial risks the Company is exposed to are market risks (the risk of changes in commodity prices, currency risk, interest rate risk and credit risk, in case an important business partner or a customer does not fulfil its contractual obligations). These risk management processes are approved and monitored by the top management of the Company.

Company entered into derivative transactions (currency forwards, currency swaps, interest rate swaps and commodity swaps) with the aim to manage the risk of exchange rate, interest rate and commodity price fluctuations.

The Company is also exposed to interest rate risk that is reflected by the cash flow sensitivity and profit or loss on interest rates changes. Interest rate risk is mostly managed and hedged by using interest rate swaps (float to fix).

The Company is also exposed to liquidity risk. Liquidity risk is managed within the Company based on data about necessity of free resources and it is monitored through risk management and in cooperation with the company´s finance department. Apart from the cash flow report that is additionally simulated for various scenarios the Company also uses a system to monitor the management of receivables and payables balancing, diversification of liquidity resources and daily monitoring.

(b) Credit risk

Credit risk is a risk of financial loss to the Company if a customer or counterparty to a transaction fails to meet its contractual obligations, such as payment, acceptance of a commodity or service for a pre-arranged price, failure to deliver the agreed commodity or service.

The Company trades primarily with highly-rated partners. The Company follows the principle that all customers that want to use credit facilities undergo procedures for credit risk assessment that is applied by using own scoring model. The Company continuously monitors the balance of receivables on an individual and aggregate level.

The Company generates revenue from the sale of oil, gas and electricity, the trade in gas and electricity, the provision of services. All business counterparties are subject to individual analysis of credit-worthiness and they are assigned a credit limit. Credit limits are approved by the risk management committee based on external rating, if available, or based on internal risk assessment guidelines. Risk exposure is monitored for each counterparty on a daily basis, taking into consideration potential future impact. In relevant cases, the Company also requires the counterparty to provide a bank guarantee or its parent company's guarantee, an advance payment or credit support instrument with the aim to minimise the credit risk.

The total credit risk of the trading portfolio is monitored on an ongoing basis and calculated based on the expected loss, i.e. each counterparty is assigned internal credit rating with estimated probability of default. The expected loss is calculated by product of the default probability, the percentage of loss from a given exposure in the case of default and exposure to a counterparty at a given moment.

With respect to the credit risk arising from the Company's financial assets, comprising cash and cash equivalents and financial derivatives, the credit risk arises from a failure of the counterparty to discharge their obligations, where the maximum credit risk amount corresponds with the carrying amount of these instruments. The risk is mitigated by cooperating with reputable local and international banks and by diversifying the portfolio.

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For the calculation of credit exposure and the free trading limit, VaR at the 95% confidence level for holding period of 10 days is also taken into account in terms of credit risk calculation. The Risk Manager monitors credit exposure on a daily basis and if necessary makes remedial arrangements even in cooperation with the Risk Management Committee.

Credit risk by type of counterparty

At 31 December 2019	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables	30 913	--	--	357	31 230
Non-current receivables from financial instruments	1 110 172	--	27 010	--	1 137 182
Non-current restricted cash	--	--	33 474	--	33 474
Other current financial assets	--	--	--	--	--
Current receivables – financial	1 605 752	--	--	128 937	1 374 689
Current receivables from financial instruments	3 697 211	--	34 209	--	3 731 420
Cash and cash equivalents	104 559	--	1 451 865	--	1 556 424
Total	**6 548 607**	**--**	**1 546 558**	**129 254**	**8 224 419**

At 31 December 2018	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables	37 593	--	--	357	37 950
Non-current receivables from financial instruments	325 956	--	15 872	--	341 828
Other current financial assets	1 017 513	--	30 530	--	1 048 043
Current trade receivables and other current assets	4 145 039	477	--	14 375	4 159 891
Current receivables from financial instruments	4 490 414	--	20 995	--	4 511 409
Cash and cash equivalents	79 413	--	820 315	--	899 728
Total	**10 095 928**	**477**	**887 712**	**14 732**	**10 998 849**

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Ageing structure of financial assets

At 31 December 2019	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	Past due more than 1 year	Impairment allowance	Total
Non-current receivables and restricted cash	***64 704***	**--**	**--**	**--**	**--**	**--**	***64 704***
Non-current trade and other receivables	31 230	--	--	--	--	--	31 230
Non-current restricted cash	33 474	--	--	--	--	--	33 474
Current trade receivables and other current assets	***1 659 755***	**33 514**	**10 739**	**10 289**	**16 369**	**-39 524**	***1 691 142***
Current trade receivables	1 454 652	32 462	9 475	9 650	16 369	-37 611	1 484 997
Contract assets – current	88 760	--	--	--	--	--	88 760
Other current receivables	116 343	1 052	1 264	639	--	-1 913	117 385
Cash and cash equivalents	***1 556 424***	**--**	**--**	**--**	**--**	**--**	***1 556 424***
Cash in hand	304	--	--	--	--	--	304
Bank accounts	1 556 120	--	--	--	--	--	1 556 120
Total	**3 280 883**	**33 514**	**10 739**	**10 289**	**16 369**	**-39 524**	**3 312 270**

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At 31 December 2018	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	Past due more than 1 year	Impairment allowance	Total
Non-current receivables and restricted cash	***68 480***	**--**	**--**	**--**	**--**	**--**	***68 480***
Non-current trade and other receivables	37 950	--	--	--	--	--	37 950
Non-current restricted cash	30 530	--	--	--	--	--	30 530
Current trade receivables and other current assets	***4 105 235***	**9 656**	**3 981**	**5 071**	**13 553**	**-23 856**	***4 113 640***
Current trade receivables	3 070 133	9 656	3 981	5 071	13 553	-23 856	3 078 538
Contract assets – current	793 445	--	--	--	--	--	793 445
Other current receivables	241 657	--	--	--	--	--	241 657
Other current financial assets	***1 017 513***	**--**	**--**	**--**	**--**	**--**	***1 017 513***
Other current financial assets	1 017 513	--	--	--	--	--	1 017 513
Cash and cash equivalents	***899 728***	**--**	**--**	**--**	**--**	**--**	***899 728***
Cash in hand	203	--	--	--	--	--	203
Bank accounts	899 525	--	--	--	--	--	899 728
Total	**6 090 956**	**9 656**	**3 981**	**5 071**	**13 553**	**-23 856**	**6 099 361**

The Company tests the amount of financial assets held in accordance with IFRS 9 and recognises allowances for financial assets in compliance with the accounting policy specified in Note 3(e) i.

The following tables present credit quality of financial assets at amortised cost. Long-term and short-term derivative financial instrument assets are not included in the disclosures because they are measured at fair value through profit and loss.

Credit quality of financial assets at amortised cost

The Company classifies the financial assets into the credit quality classes. Class 1 consists of high quality financial assets that do not have any indicators of impairment and fulfils the definition for "low credit risk". Class 2 consists of all other financial assets.

At 31 December 2019	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1 556 424**	**--**	**--**	**--**	**--**	**1 556 424**
Cash in hand	304	--	--	--	--	304
Bank accounts in banks	1 556 120	--	--	--	--	1 556 120
Non-current restricted cash	**33 474**	**--**	**--**	**--**	**--**	**33 474**
Non-current restricted cash	33 474	--	--	--	--	33 474
Class 2						
Current receivables	**8 131**	**--**	**--**	**1 722 535**	**-39 524**	**1 691 142**
Current trade receivables	8 084	**--**	**--**	1 514 524	-37 611	1 484 997
Contract assets – current	47	--	--	88 713	--	88 760
Other current receivables	--	--	--	119 298	-1 913	117 385
Non-current receivables	**31 230**	**--**	**--**	**--**	**--**	**31 230**
Other trade and other receivables	31 230	--	--	--	--	31 230
Total	**1 629 259**	**--**	**--**	**1 722 535**	**-39 524**	**3 312 270**

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At 31 December 2018	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**899 728**	**--**	**--**	**--**	**--**	**899 728**
Cash in hand	203	--	--	--	--	203
Bank accounts in banks	899 525	--	--	--	--	899 525
Other current financial assets	**1 017 513**	**--**	**--**	**--**	**--**	**1 017 513**
Other current financial assets	1 017 513	--	--	--	--	1 017 513
Non-current restricted cash	**30 530**	**--**	**--**	**--**	**--**	**30 530**
Non-current restricted cash	30 530	--	--	--	--	30 530
Class 2						
Current receivables	**5 974**	**--**	**--**	**4 131 522**	**-23 856**	**4 113 640**
Current trade receivables	5 974	**--**	**--**	3 096 420	-23 856	3 078 538
Contract assets – current	--	--	--	793 445	--	793 445
Other current receivables	--	--	--	241 657	--	241 657
Non-current receivables	**37 950**	**--**	**--**	**--**	**--**	**37 950**
Non-current trade and other receivables	37 950	--	--	--	--	37 950
Total	**1 991 695**	**--**	**--**	**4 131 522**	**-23 856**	**6 099 361**

Movements in impairment allowances are shown in the following table:

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2019	**--**	**--**	**--**	**-23 856**	**-23 856**
Additions – increase in allowance recognized in profit or loss during the year	**--**	**--**	**--**	-23 828	-23 828
Reversals – amounts unused	**--**	**--**	**--**	448	448
Write-offs – receivables written off during the year as uncollectible	**--**	**--**	**--**	7 712	7 712
Balance at 31 December 2019	**--**	**--**	**--**	**-39 524**	**-39 524**

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2018	**--**	**--**	**--**	**-16 688**	**-16 688**
Additions – increase in allowance recognized in profit or loss during the year	**--**	**--**	**--**	-10 202	-10 202
Write-offs – receivables written off during the year as uncollectible	**--**	**--**	**--**	3 262	3 262
Effect of currency translation	**--**	**--**	**--**	-228	-228
Balance at 31 December 2018	**--**	**--**	**--**	**-23 856**	**-23 856**

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Impairment matrix for current trade and other receivables as of 31 December 2019:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**1 659 755**	**0.12 %**	**-2 029**	**1 657 726**
Current trade receivables	1 454 652	0.14 %	-2 028	1 452 624
Contract assets - current	88 760	0.00 %	--	88 760
Other current receivables	116 343	0.00 %	-1	116 342
Past due < 90 days	**33 514**	**0.71 %**	**-237**	**33 277**
Current trade receivables	33 462	0.70 %	-228	32 234
Other current receivables	1 052	0.86 %	-9	1 043
Past due 91-180 days	**10 739**	**98.71 %**	**-10 600**	**139**
Current trade receivables	9 475	98.53 %	-9 336	139
Other current receivables	1 264	100.00 %	-1 264	--
Past due 181-365 days	**10 289**	**100.00 %**	**-10 289**	**--**
Current trade receivables	9 650	100.00 %	-9 650	--
Other current receivables	639	100.00 %	-639	--
Past due >365 days	**16 369**	**100.00 %**	**-16 369**	**--**
Current trade receivables	16 369	100.00 %	-16 369	--
Total	**1 730 666**	**2.28 %**	**-39 524**	**1 691 142**

Impairment matrix for current trade and other receivables as of 31 December 2018:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**4 105 235**	**0.00 %**	**--**	**4 105 235**
Current trade receivables	3 070 133	0.00 %	--	3 070 133
Contract assets - current	793 445	0.00 %	--	793 445
Other current receivables	241 657	0.00 %	--	241 657
Past due < 90 days	**9 656**	**12.96 %**	**-1 251**	**8 405**
Current trade receivables	9 656	12.96 %	-1 251	8 405
Past due 91-180 days	**3 981**	**100.00 %**	**-3 981**	**--**
Current trade receivables	3 981	100.00 %	-3 981	--
Past due 181-365 days	**5 071**	**100.00 %**	**-5 071**	**--**
Current trade receivables	5 071	100.00 %	-5 071	--
Past due >365 days	**13 553**	**100.00 %**	**-13 553**	**--**
Current trade receivables	13 553	100.00 %	-13 553	--
Total	**4 137 496**	**0.58 %**	**-23 856**	**4 113 640**

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Credit risk by region (by the counterparty's registered office)

Non-current and current receivables, non-current and current receivables from financial instruments, non-current restricted cash, other current financial assets, cash and cash equivalents	31/12/2019	31/12/2018
Czech Republic	4 605 802	6 715 162
Germany	773 067	275 538
Switzerland	802 093	1 982 639
Austria	453 366	18 288
Slovakia	94 128	272 755
Great Britain	1 432 212	1 085 210
Other countries	63 751	649 257
Total	**8 224 419**	**10 998 849**

Offsetting of receivables and liabilities from trading in gas and electricity:

The Company trades gas and electricity under EFET framework contracts. These contracts allow offsetting receivables and liabilities during their payment and also offsetting at early termination of a contract. Trade receivables and payables from these contracts were recognised in the balance sheet on a net basis after offsetting. Receivables and liabilities from derivative transactions include the remeasurement of commodity contracts that are considered financial instruments. With respect to these contracts there is a possibility of offsetting at early termination of a contract where the receivables and liabilities with the originally different maturity can be offset. This potential offsetting was not recognised in the balance sheet and is recorded in the column possibility of additional offsetting.

At 31 December 2019 **Financial assets and liabilities**	Gross amount before offsetting	Offsetting	Net amount in the balance sheet	Possibility of additional offsetting	Amount after possible additional offsetting
Current receivables	6 127 264	-4 369 548	1 757 719	--	1 757 716
Current payables	7 940 731	-4 369 548	3 571 183	--	3 571 183
Current receivables from financial instruments	3 731 420	--	3 731 420	-977 693	2 753 727
Non-current receivables from financial instruments	1 137 182	--	1 137 183	-39 950	1 097 232
Current liabilities from financial instruments	1 552 840	--	1 552 840	-977 693	575 147
Non-current liabilities from financial instruments	268 539	--	268 539	-39 950	228 589

At 31 December 2018 **Financial assets and liabilities**	Gross amount before offsetting	Offsetting	Net amount in the balance sheet	Possibility of additional offsetting	Amount after possible additional offsetting
Trade receivables	8 163 209	-5 084 594	3 078 615	--	3 078 615
Trade payables	7 596 876	-5 084 594	2 512 282	--	2 512 282
Current receivables from financial instruments	4 511 409	--	4 511 409	-3 652 169	859 240
Non-current receivables from financial instruments	341 828	--	341 828	-199 974	141 854
Current liabilities from financial instruments	4 572 149	--	4 572 149	-3 652 169	919 980
Non-current liabilities from financial instruments	353 871	--	353 871	-199 974	153 897

(c) Market risk

Market risk is the risk of changes in the value of assets, liabilities and cash flows denominated in foreign currency due to changes in foreign exchange rates, interest rates and commodity prices. The Company implemented policies and methodologies for monitoring and hedging these risks to which it is exposed.

i. Currency risk, commodity risk

The Company is exposed to currency risk as a result of its foreign currency transactions. These risks arise from purchases and sales in other than functional currency (CZK).

The Company monitors currency risks on an ongoing basis and assesses possible impact of changes in foreign exchange rates on the Company's transactions. A significant part of foreign currency exposure is hedged naturally, i.e. revenue and expenses are denominated in the same foreign currency, or by using currency forwards or swaps.

The Company is exposed to currency risk when generating revenue in USD from the sale of oil in the Czech Republic and abroad and from the sale of gas in EUR.

Risk exposure arising from gas and electricity trading is monitored on a daily basis by observing market prices, mark-to-market and value-at-risk of the open positions and is subject to approved limits for individual risk indicators. The exposure to market risk, within the limits approved by the board of directors and the Risk Management Committee, depends on the market conditions and expectations. All risk limits are monitored and reviewed on a regular basis.

Changes in commodity prices represent the highest risk for the Company. The decrease in oil price by 1 USD/barrel in 2019 would result in a decrease in profit or loss before tax of approximately TCZK 12 421. The effect of CZK appreciation against USD by CZK 1 in 2019 would result in a decrease in profit or loss before tax of TCZK 33 946. In contrast, oil price growth and the depreciation of CZK against USD would have a positive impact on the results from operating activities.

In respect of gas trading while using underground gas storages, the main risk is the change of the summer/winter spread (the difference between summer and winter gas prices). The decrease in the summer/winter spread by 0.1 EUR/MWh in the storage period 2019/2020 would result in a decrease in profit or loss before tax of TCZK 25 744 in relation to the total working gas volume. Currency risk exposure (EUR position) from gas trading is relatively low since trading over natural gas storage capacities is financed by current loans denominated in EUR and open positions are hedged by FX forward and FX swap contracts.

VaR is the basic metric for risk assessment at open trading positions in the Company. For its calculation, the Monte Carlo method is applied simulation at a 99% significance level and with 2 days horizon. Furthermore, the total utilization of risk capital shall not exceed the total risk capital for speculative trading that is CZK 62 million. The Company calculates the risk on all individual commodities in the framework of speculative trading using VaR metrics, both at individual trader positions and overall. Values of VaR was CZK 25.9 million at the year-end 2019. In 2019 the average value of VaR was CZK 13.7 million.

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Currency risk analysis (in TCZK)

At 31 December 2019	EUR	CZK	USD	Other	Total
Non-current receivables	--	31 230	--	--	31 230
Non-current receivables from financial instruments	958 706	178 476	--	--	1 137 182
Non-current restricted cash	--	33 474	--	--	33 474
Current receivables - financial	768 655	962 037	2 433	1 564	1 734 689
Current receivables from financial instruments	3 574 847	156 575	--	--	3 731 422
Cash and cash equivalents	197 382	1 357 925	1 075	42	1 556 424
Total assets	**5 499 590**	**2 719 717**	**3 508**	**1 606**	**8 224 421**
Non-current loans and interest-bearing borrowings	--	-2 196 962	--	--	-2 196 962
Non-current lease liabilities	--	-114 821	--	--	-114 821
Non-current liabilities from financial instruments	-268 539	--	--	--	-268 539
Other non-current liabilities	-275 503	-165 117	--	--	-440 620
Current loans and interest-bearing borrowings *)	-2 784 347	-9 405	--	--	-2 793 752
Current lease liabilities	--	-26 323	--	--	-26 323
Current payables - financial	-1 981 748	-1 484 691	-1 160	-400	-3 467 999
Current liabilities from financial instruments	-1 551 608	-1 232	--	--	-1 552 840
Total liabilities	**-6 861 745**	**-3 998 551**	**-1 160**	**-400**	**-10 861 856**
Total	**-1 362 155**	**-1 278 834**	**2 348**	**1 206**	**-2 637 435**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loans and borrowings of TCZK 2 784 347 for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

At 31 December 2018	EUR	CZK	USD	Other	Total
Non-current receivables	1 029	36 921	--	--	37 950
Non-current receivables from financial instruments	326 213	15 615	--	--	341 828
Other current financial assets	--	1 048 043	--	--	1 048 043
Current receivables - financial	2 526 709	1 605 360	27 172	650	4 159 891
Current receivables from financial instruments	4 497 850	13 559	--	--	4 511 409
Cash and cash equivalents	215 671	673 746	10 265	46	899 728
Total assets	**7 567 472**	**3 393 244**	**37 437**	**696**	**10 998 849**
Non-current loans and interest-bearing borrowings	--	-2 194 259	--	--	-2 194 259
Other non-current liabilities	-5 388	-1 188	--	--	-6 576
Non-current liabilities from financial instruments	-353 871	--	--	--	-353 871
Current loans and interest-bearing borrowings *)	-2 862 678	-9 412	--	--	-2 872 090
Current payables - financial	-1 738 566	-2 398 888	-6 588	-273	-4 144 315
Current liabilities from financial instruments	-4 572 149	--	--	--	4 572 149
Total liabilities	**-9 532 652**	**-4 603 747**	**-6 588**	**-273**	**-14 143 260**
Total	**-1 965 180**	**-1 210 503**	**30 849**	**423**	**-3 144 411**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loans and borrowings of TCZK 2 862 678 for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

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Currency risk sensitivity analysis

As at 31 December 2019, the potential appreciation (depreciation) of EUR or USD against CZK could impact the measurement of financial instruments denominated in the foreign currency and impact equity and profit or loss by an amount disclosed in the following table. This analysis assumes that all other variables remain constant.

Effect recognised in TCZK	Profit or loss 10% appreciation + profit/ - loss	 10% appreciation + profit/ - loss
At 31 December 2019		
EUR	71 574	-71 574
USD	235	-235

Effect recognised in TCZK	Profit or loss 10% appreciation + profit/ - loss	 10% appreciation + profit/ - loss
At 31 December 2018		
EUR	-196 518	196 518
USD	3 085	-3 085

ii. Interest rate risk

The Company is exposed to the risk of interest rate fluctuations primarily as a result of bank loans with floating interest rate. The Company continuously monitors the development in financial markets and based on the current situation decides whether loans will be drawn with either floating or fixed interest rate. The risk of increase in interest rates is monitored on an ongoing basis and if necessary, the application of standard tools for risk elimination (interest rate swap) is considered.

Non-current bonds were issued and concluded with a floating interest rate, but the interest rate risk was hedged by interest rate swap.

Interest rate swaps are concluded with the hedge ratio set at 1:1 so that all derivative conditions correspond with the hedged risk of cash flow changes due to floating interest rates. Potential hedge ineffectiveness can also be caused only by swap illiquidity or the counterparty‘s credit risk.

As the variable interest rate of non-current bonds is hedged, the sensitivity of the financial result from current revolving loans is very low and insignificant compared with the profit from operating activities before amortisation.

(d) Financial derivatives

Hedging derivatives

In order to mitigate the above risks, the following derivative financial instruments were concluded:

Fair value of hedging derivative instruments	At 31 December 2019 Assets	At 31 December 2018 Assets
Interest rate swap	37 171	29 174

The hedge relationships are effective through the accounting period, see accounting policy in note 3e).

As at 31 December 2019, the Company had the following hedging derivatives:

	Due date	Fair value at 31/12/2019
Receivables from swap transactions – non-current	2022	18 355
Receivables from swap transactions – current	2020	18 816
Total receivables from hedging derivatives		**37 171**
Total hedging financial derivatives		**37 171**

As at 31 December 2019, the Company held derivatives to hedge future cash flows from the payments of interest arising from bonds (interest rate swap).

As at 31 December 2019, the Company had the following hedging derivatives:

	Due date	Fair value at 31/12/2018
Receivables from swap transactions – non-current	2022	15 615
Receivables from swap transactions – current	2019	13 559
Total receivables from hedging derivatives		**29 714**
Total hedging financial derivatives		**29 174**

As at 31 December 2018, the Company held derivatives to hedge future cash flows from the payment of interest from bonds (interest rate swap).

The nominal values of hedging derivatives are shown in the following table. The amounts are presented in thousands of the contract currency.

Nominal value of hedging derivatives in the contract currency

		At 31 December 2019		At 31 December 2018	
	Currency	Assets	Liabilities	Assets	Liabilities
Interest rate swap	TCZK	2 202 000	--	2 202 000	--

Gains or losses from changes in the fair value of hedging derivatives in the accounting period are recognised in equity in other comprehensive income

Effect of hedge accounting in profit or loss and other comprehensive income

	Hedging gains (+)/losses (-) recognized in OCI	Cash flow hedge reclassified to profit or loss (the hedged item affected profit or loss)	Change in 2019
Cash flow hedge reserve, net of tax	2 220	4 257	6 477

	Hedging gains (+)/losses (-) recognized in OCI	Cash flow hedge reclassified to profit or loss (the hedged item affected profit or loss)	Change in 2018
Cash flow hedge reserve, net of tax	8 556	-14 255	-5 699

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

Trading derivatives

Fair value of trading derivative instruments	At 31 December 2019		At 31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Commodity forwards	4 404 890	1 804 082	4 801 332	4 908 750
Commodity futures	86 258	1 251	21 771	15 109
Currency swaps	267	1 020	518	752
Currency forwards	23 782	13 794	442	1 409

At 31 December 2019, the Company had the following financial derivatives for trading:

	Due date	Fair value at 31/12/2019
Receivables from futures transactions – non-current	2021	25 322
Receivables from forward transactions – non-current	2021	821 354
Receivables from forward transactions – non-current	2024	272 151
Receivables from swap transactions – current	2020	267
Receivables from futures transactions – current	2020	60 936
Receivables from forward transactions – current	2020	3 651 401
Total receivables from trading derivatives		**4 831 431**
Payables from forward transactions – non-current	2021	-267 288
Payables from futures transactions – non-current	2021	-1 251
Payables from swap transactions – current	2020	-1 020
Payables from forward transactions – current	2020	-1 551 820
Total liabilities from trading derivatives		**-1 821 379**
Total trading financial derivatives		**3 010 352**

As at 31 December 2019, the Company held trading derivatives in form of currency forwards, currency swaps and commodity forwards and futures.

As at 31 December 2018, the Company had the following financial derivatives for trading:

	Due date	Fair value at 31/12/2018
Receivables from swap transactions – non-current	2020	257
Receivables from futures transactions – current	2019	21 771
Receivables from swap transactions – current	2019	261
Receivables from forward transactions – non-current	2020	325 956
Receivables from forward transactions – current	2019	4 475 819
Total receivables from trading derivatives		**4 824 064**
Payables from futures transactions – non-current	2021	-15 109
Payables from forward transactions – non-current	2020	-338 747
Payables from swap transactions – non-current	2020	-16
Payables from forward transactions – current	2019	-4 571 413
Payables from swap transactions – current	2019	-736
Total liabilities from trading derivatives		**-4 926 021**
Total trading financial derivatives		**-101 957**

As at 31 December 2018, the Company held trading derivatives in form of currency forwards, currency swaps and commodity forwards and futures.

All financial derivatives were stated at fair value as at 31 December 2019 and 31 December 2018 were categorised to Level 2 in the fair value hierarchy.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

(e) Liquidity risk

Liquidity risk represents the possibility that the Company might not be able to fulfil its payment obligations primarily relating to amounts payable to the providers of bank loans and borrowings.

The Company monitors the risk of having insufficient funds on an ongoing basis by managing liquidity and monitoring the maturity of debts and investments, other assets and the expected cash flows from its operations.

The Company holds disposable liquid resources, i.e. cash, cash equivalents and current financial assets in currencies in which future cash needs are expected. To maintain liquidity, the Company uses bank loans and borrowings.

The Company uses proprietary IT tools for liquidity management, market management, valuation of financial instruments and for trading and risk management purposes.

The following table shows the Company's financial assets and liabilities by maturity:

At 31 December 2019	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity	Total
Assets							
Other non-current investments	200	200	--	--	--	200	200
Non-current receivables	31 230	31 230	--	31 230	--	--	31 230
Non-current receivables from financial instruments	1 137 182	3 976 528	--	3 976 528	--	--	3 976 528
Non-current restricted cash	33 474	33 474	--	33 474	--	--	33 474
Current receivables - financial	1 734 689	1 734 689	1 734 689	--	--	--	1 734 689
Current receivables from financial instruments	3 731 420	10 370 764	10 370 764	--	--	--	10 370 764
Total	**6 668 195**	**16 146 885**	**12 105 453**	**4 041 232**	**--**	**200**	**16 146 885**
Cash and cash equivalents	1 556 424	1 556 424	1 554 424	--	--	--	1 556 424
Liabilities							
Non-current loans and interest-bearing borrowings	-2 196 962	-2 369 694	--	-2 369 694	--	--	-2 369 694
Non-current lease liabilities	-114 821	-147 013	--	-60 045	-86 968	--	-147 013
Other non-current liabilities	-440 620	-440 620	--	-440 620	--	--	-440 620
Non-current liabilities from financial instruments	-268 539	-1 393 209	--	-1 393 209	--	--	-1 393 209
Current loans and interest-bearing borrowings	-2 793 752	-2 892 607	-2 892 607	--	--	--	-2 892 607
Current lease liabilities	-26 322	-31 739	-31 739	--	--	--	-31 739
Current payables - financial	-3 571 183	-3 571 183	-3 571 183	--	--	--	-3 571 183
Current liabilities from financial instruments	-1 552 840	-5 605 480	-5 605 480	--	--	--	-5 605 480
Total	**-10 965 039**	**-16 451 545**	**-12 101 009**	**-4 263 568**	**-86 968**	**--**	**-16 451 545**
Net balance – liquidity	**-2 740 420**	**1 251 764**	**1 560 868**	**-222 336**	**-86 968**	**200**	**-1 251 764**

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

At 31 December 2018	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity	Total
Assets							
Other non-current investments	200	200	--	--	--	200	200
Non-current receivables	37 950	37 950	--	4 803	33 147	--	37 950
Non-current receivables from financial instruments	341 828	1562 816	--	1 562 816	--	--	1 562 816
Non-current restricted cash	30 530	30 530	30 530	--	--	--	30 530
Other current financial assets	1 017 513	1 017 513	1 017 513	--	--	--	1 017 513
Current trade and other receivables	4 159 891	4 159 891	4 159 891	--	--	--	4 159 891
Current receivables from financial instruments	4 511 409	10 501 677	10 501 677	--	--	--	10 501 677
Total	**10 099 321**	**17 310 577**	**15 709 611**	**1 567 619**	**33 147**	**200**	**17 310 577**
Cash and cash equivalents	899 728	899 728	899 728	--	--	--	899 728
Liabilities							
Non-current loans and interest-bearing borrowings	-2 194 259	-2 465 095	--	-2 465 095	--	--	-2 465 095
Other non-current liabilities	-6 576	-6 576	--	-6 576	--	--	-6 576
Non-current liabilities from financial instruments	-353 871	-1 438 843	--	-1 438 843	--	--	-1 438 843
Current loans and interest-bearing borrowings	-2 872 090	-2 967 664	-2 967 664	--	--	--	-2 967 664
Current payables	-4 144 315	-4 144 315	-4 144 315	--	--	--	-4 144 315
Current liabilities from financial instruments	-4 572 149	-10 203 402	-10 203 402	--	--	--	-10 203 402
Total	**-14 143 260**	**-21 225 895**	**-17 315 381**	**-3 910 514**	**--**	**--**	**-21 225 895**
Net balance – liquidity	**-3 144 211**	**-3 015 590**	**-706 042**	**-2 342 895**	**33 147**	**200**	**-3 015 590**

(f) Capital management

The Company's aim is to keep a strong capital base so as to maintain creditor and market confidence and sustain future development of own business.
The Company is responsible for managing its capital structure and flexible in responding to potential condition changes in financial markets. With the aim to maintain and protect the strong capital basis, the Company may adjust dividend amount or other shareholders' contributions. The Company aims to maintain an optimal ratio of net debt (loans and bonds less current loans for the financing of gas inventory and cash and cash equivalents) to equity and the level of assets and liabilities utilising the high rating of the Company to obtain low-cost external funds.

	31/12/2019	31/12/2018
Bank loans, bonds issued and borrowings	4 990 714	5 066 349
Less: current debts for the financing of gas inventory	2 784 347	2 862 678
Less: cash and cash equivalents	1 556 424	899 728
Net debt	**649 943**	**1 303 943**
Total equity	**5 315 399**	**5 766 245**
Debt to equity ratio	**0.12**	**0.23**

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

(g) Fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value:

	Carrying amount at 31/12/2019		Fair value at 31/12/2019		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Interest rate swap	--	37 170	--	37 170	--
Currency swap	267	--	--	267	--
Commodity forwards	4 404 890	--	--	4 404 890	--
Commodity futures	86 258	--		86 258	
Currency forward	23 782	--	--	23 782	--
Financial liabilities measured at fair value					
Currency swap	- 1 020	--	--	-1 020	--
Commodity forwards	-1 804 082	--	--	-1 804 082	--
Commodity futures	-1 251	--	--	-1 251	--
Currency forward	-13 794	--	--	-13 794	--

Inventory of gas for trading is valued at fair value with carrying amount of TCZK 2 054 972 under Level 2.

	Carrying amount at 31/12/2018		Fair value at 31/12/2018		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Interest rate swap	--	29 174	--	29 174	--
Currency swap	518	--	--	518	--
Commodity forwards	4 801 332	--	--	4 801 332	--
Commodity futures	21 771	--		21 771	
Currency forward	442	--	--	442	--
Financial liabilities measured at fair value					
Currency swap	-752	--	--	-752	--
Commodity forwards	-4 908 750	--	--	-4 908 750	--
Commodity futures	-15 109	--	--	-15 109	--
Currency forward	-1 409	--	--	-1 409	--

The fair values of financial derivatives fulfil the criteria of level 2 in compliance with the IFRS 13 hierarchy (the fair values are derived from market quotations of forward exchange rates, commodity prices and yield curves, however the financial derivatives are not directly traded in active financial markets).

In 2019 and 2018, there were not transfers between individual levels of the fair value hierarchy.

Separate financial statements for the year ended 31 December 2019 (in thousands of Czech crowns)

30. Liabilities not recognised in the statement of financial position

The Company issued no non-bank guarantees in 2019 (2018: TEUR 325).

The Company records bank guarantees received of TCZK 750 619 (2018: TCZK 664 223) issued in favour of Company's business counterparties and customers relating to the Company's outstanding liabilities and performance obligations.

31. Material subsequent events

A pandemic caused by coronavirus called Covid-19 broke out in the world that caused disruption of many business and economic activities at the beginning of year 2020. In connection with the pandemic, there has also been a significant drop in oil prices on world markets. The Company considers the outbreak of this pandemic and related decline in oil prices to be subsequent events that do not lead to an adjustment in financial statements. Potential impacts of the pandemic and the fall in oil prices to the Company's financial position will be included in the profit or loss in year for the year 2020.

It is not possible to estimate the potential impact of these events on the Company because the situation is unstable and is evolving rapidly. The management of the Company perceives the existing uncertainty and monitors the situation intensively. The Company has sufficient cash equivalents, positive working capital and high level of equity. The Company takes active steps to minimize the impact of current development on the Company, in particular by optimizing its cost structure and decreasing capital expenditure. With regard to the above, the Company does not assume that the situation poses significant uncertainty in going concern of the Company.

Except for the above, no other subsequent events occurred that would have a significant impact on consolidated financial statements as at 31 December 2019.

Date: 22 May 2020	Signature of the authorised representative: Miroslav Jestřabík Member of the Board of Directors Jiří Ječmen Member of the Board of Directors

V. Independent auditor's report

Independent auditor's report

to the shareholder of company MND a.s.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of MND a.s., with its registered office at Úprkova 807/6, Hodonín („the Company") and its subsidiaries (together "the Group") as at 31 December 2019, of their consolidated financial performance and their consolidated cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").
- the accompanying separate financial statements give a true and fair view of the financial position of the Company standing alone as at 31 December 2019, of its financial performance and its cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year ended 31 December 2019;
- the consolidated statement of changes in equity for the year ended 31 December 2019;
- the consolidated statement of cash flows for the year ended 31 December 2019; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

The Company's separate financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year ended 31 December 2019;
- the statement of changes in equity for the year ended 31 December 2019;
- the statement of cash flows for the year ended 31 December 2019; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Independent auditor's report

Basis for opinion

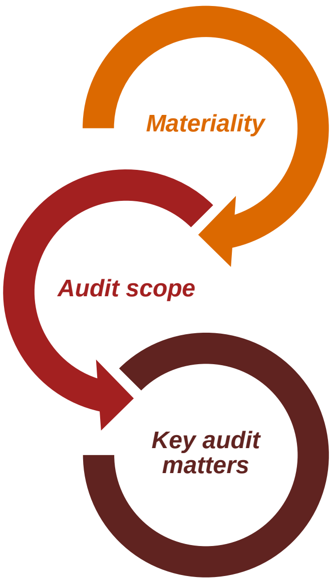
We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council ("the EU Regulation") and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together "Audit regulations"). These standards consist of International Standards on Auditing (ISAs) 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 Group and the Company in accordance with the Act on Auditors, EU Regulation and International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants accepted by the Chamber of Auditors of the Czech Republic (together "Ethic regulations"), and we fulfilled our other ethical responsibilities in accordance with the Ethic regulations.

Our audit approach

Overview



The overall Group materiality was set at 0.45% of total sales, which represents approximately CZK 312 million. The overall materiality for the Company was set at 0.45% of total sales, which is approximately CZK 308 million.

We have selected, including the Company, four entities that, in our opinion, based on their size or risk, require a full audit for consolidation purposes and we have performed the audits. The entities we audited accounted for 100% of the Group's total sales. On the remaining subsidiaries we performed audit procedures based on the audit scope described above in order to obtain sufficient audit evidence as a basis for issuing an opinion on the consolidated financial statements of the Group as a whole.

Provision for decommissioning, renewal and restoration (consolidated and separate financial statements)

Valuation of financial instruments (consolidated and separate financial statements)

As part of designing our audit, we determined the materiality and assessed the risks of material misstatement in the consolidated and separate financial statements (together the "financial statements"). In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for each set of financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on each set of financial statements.

Overall Group materiality	CZK 312 million
Overall materiality for the Company standing alone	CZK 308 million
How we determined it	Materiality for the Group and the Company was determined as 0.45% of total sales.
Rationale for the materiality benchmark applied	We also considered using profit before tax as a benchmark, but as both the Company and the Group showed losses in recent years, we have assessed total sales as the most stable usable benchmark, which is also relevant to the specifics of the industry in which the Group operates. We also considered the Group's and the Company's performance measurement, which is primarily oriented on EBITDA and we also considered the value of total assets. To reflect the impact of all these performance and financial position indicators, the basis for determining the materiality level was defined as 0.45% of total sales.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of each set of financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision for decommissioning, renewal and restoration (consolidated financial statements: see Note 3, para (k) and Note 18) (separate financial statements: see Note 3, para (k) and Note 17) The Company creates a provision for renewal and restoration of land affected by oil and gas extraction and a provision for liquidation of assets. The amount of the provision is based on the best estimate of the amount of expenditure required to cover related liabilities. At the end of the accounting period, the provision is adjusted to reflect the most up-to-date estimate. These provisions are based on significant accounting estimates as they include assumptions regarding the estimated liquidation, renewal and restoration costs, the estimated useful lives of individual assets and the discount rate.	Our audit procedures involved in particular: • an assessment of the appropriateness of the assumptions used to calculate the provision for liquidation, renewal and restoration, including an assessment of the amount of estimated future costs for calculating the provision; • cooperation with our valuation specialists to verify the adequacy of the discount rate used in calculating the provision; • comparison of the timing of liquidation, renewal and restoration with the information provided in the internal mining plans covering the expected mining time. The mining plans are the basis for the Company's mid-term financial plan approved by the Board of Directors; • retrospective evaluation of the accuracy of the estimates made by the Company in prior accounting periods to assess the reliability of the estimates and judgments of the Company; • an assessment of the mathematical accuracy of the provision calculation.
Valuation of financial instruments (consolidated financial statements: see Note 3, para (e) and Note 30) (separate financial statements: see Note 3, para (e) and Note 29) The fair value of financial instruments (including mainly commodity forwards and storage capacity contracts) is determined by calculations and models that use common but subjectively selected calculation methods and a range of market and market observable input data. Fair values of these financial instruments, including a description of the calculations, models and significant inputs used by the Group's and the Company's management in determining the fair value are disclosed in Note 30 to the consolidated financial statements and Note 29 to the separate financial statements together with other mandatory disclosures in accordance with IFRS 7, 9 and 13.	Our audit procedures around the fair values of these financial instruments were focused on the adequacy of the accounting methodology, the correctness and accuracy of fair value determination and the completeness and accuracy of the data entering the fair value calculations. Our procedures consisted of: • assessment of the accounting methodology; • assessment of the methodology of determination of fair value of particular types of the financial instruments; • verification of market conformity of the input data sample; • testing a set of controls focused on the completeness and accuracy of data in the Company's information systems; • confirmation of the completeness and existence of financial instruments in the Company's financial statements on a selected sample; • independent recalculation of the financial instruments' fair value on a sample basis; • verification of disclosures in the Notes to the financial statements of the Company and the Group in accordance with IFRS.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on each set of financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the share of individual subsidiaries on the Group financial position and performance and specifics of the industry in which the Group and the Company operate.

We have selected, including the parent company, four entities that, in our opinion, based on their size or risk, require a full audit performed by a group auditor and we have audited their financial statements in full.

The entities we audited accounted for 100% of the Group's total assets and 100% of sales. On the remaining subsidiaries we performed audit procedures based on the audit scope described above in order to obtain sufficient audit evidence as a basis for issuing an opinion on the consolidated financial statements of the Group as a whole.

Other information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the Annual Report but it does not include both of the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

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 Group and 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 law and regulation, in particular, whether the other information complies with law and 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 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 is prepared in compliance with the applicable legal requirements.

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

Responsibilities of the Board of Directors, Supervisory Board and Audit Committee of the Company for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU 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 Group and 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 Group or 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.

The Audit Committee of the Company is responsible for monitoring of the financial statements preparation process.

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 above-stated requirements, 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 Group and 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 Group and 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 Group or 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.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and Audit Committee 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.

We also provide the Audit Committee with a statement showing that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the Audit Committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued today in accordance with Article 11 of the EU Regulation.

Appointment of auditor and period of engagement

We were appointed as the auditors of the Group and the Company for year 2019 by the General Meeting of Shareholders of the Company on 8 October 2019. We are the auditors of the Group and the Company for the first year.

Provided non-audit services

In addition to the statutory audit, no other services were provided by us to the Group.

PwC Network did not provide prohibited services referred to in the Article 5 of the EU Regulation.

22 May 2020

PricewaterhouseCoopers Audit, s.r.o.

represented by

Jiří Zouhar

Tomáš Frýbort
Statutory Auditor, Licence No. 2292

Note

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