MND a.s.

Annual Report

2020

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 2020, 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 Ukraine a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 08957517;
- **Horyzonty LLC**, with its registered office at Lvivska Oblast, Lviv, 79005, Akademika Pavlova 6c, Office 7, Ukraine;
- **Geologichne byreau Lviv LLC**, with its registered office at Lvivska Oblast, Lviv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine;
- **Precarpathian energy company LLC**, with its registered office at Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Schevchenka 62, Ukraine.

(the Company and its controlled entities together the “**MND Group**” or “**Group**”).

On 31 December 2020, the Group acquired an 80% share in MND Ukraine a.s. in the form of a non-monetary contribution of shares outside the share capital from the parent company MND Group AG. As part of this acquisition, the following companies were acquired, that are 100% owned by MND Ukraine a.s. – the subsidiaries “Horyzonty” LLC, Geologichne byreau “Lviv” LLC and Precarpathian energy company LLC established in Ukraine.

As the acquisition took place on 31 December 2020, the acquisition of new companies did not affect the Group´s profit or loss for reporting period 2020.

3. Jointly controlled and associated entities

As at 31 December 2020, 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 2020, the MND Group carried out its principal business activities, which are:

- prospecting, exploration and production of oil and natural gas;
- energy commodities trading;
- sale of gas and electricity to end customers;
- 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 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 2020, 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 2020 amounted to 99 thousand m^3 and the delivery of produced gas to 78 million m^3. One exploration well and one side-track of exploration well were realised.

6. Drilling and workover operations

In 2020, a total of nine wells were drilled, of which two were in the Czech Republic and seven abroad. The year 2020 was significantly affected by the Covid-19 pandemic and at the same time by a significant global decrease in oil price. Mainly for these reasons, there was uncertainty in the Oil & Gas market in 2020, which was reflected in the postponement of planned projects or their complete cancellation by operators. In 2020, the MND Group carried out drilling operations using the drilling rigs Bentec 450, Bentec 350, Bentec 250, MD150, Rig 40 and Rig 30 for wells in Austria, Germany, France and Croatia.

In 2020, the MND Group carried out a total of 74 subsurface well workover and abandonment projects. Furthermore, a total 22 re-abandonment projects relating to old environmental burdens in the Czech Republic were completed.

7. Energy commodities trading

As a licensed trader, the MND Group traded gas and electricity both in the Czech Republic and abroad. In 2020, 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 13 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 195 TWh of gas and 28 TWh of electricity was traded in 2020 in physical and financial markets. MND also actively traded in emission allowances and coal in the form of financial contracts.

8. Sale of gas and electricity

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 2020, 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. We believe that the customers appreciate 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 2020, customer portfolio grew by 4 050 new customers for gas consumption to the total of 86 460 *Plyn z první ruky* (Gas from the Source) customers. MND has strengthened its position on the market, where it is the fifth largest gas supplier in the Czech Republic in terms of the number of customers.

The MND Group continued to sell electricity to households in 2020, which has been offered as a supplementary product to its customers from mid-2014. In 2020, there were acquired 14 948 new customers for electricity consumption, with the total number of customers reaching 75 940. As a result, MND Group is the seventh largest electricity supplier in the Czech Republic.

9. 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 with storage capacity of 135 - 145 million m^3 launched its operation in 2012. The total storage capacity of the Uhřice UGS is 320 - 330 million m^3, with the potential for further development of up to 350 million m^3, mostly on storage formation Uhřice-South. The current daily withdrawal rate is 10 million m^3 and the injection rate is 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. Its total storage capacity after the end of the build-up period will be 448 million m^3.

10. Human resources

As at 31 December 2020, the MND Group companies employed 746 people, of which 425 held positions in the technical-economic sphere and 312 performed blue-collar work.

11. 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.

12. 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 pond of Chateau Lednice.

The MND Group also supports a wide range of projects focusing mainly on sports, culture and education, especially focuses on supporting children in sports.

13. MND Group’s financial results and state of assets in 2020

The MND Group recognised a consolidated profit for the year 2020 of CZK 7 million after tax, representing year-on-year increase of CZK 263 million. Revenues amounted to CZK 45 970 million in the period concerned. Consolidated result from operating activities was CZK 283 million; consolidated result from financing activities was CZK -239 million.

The MND Group’s assets as at 31 December 2020 were as follows:

- property, plant and equipment of CZK 7 430 million, intangible assets of CZK 34 million and non-current financial assets of CZK 1 109 million;
- current assets of CZK 9 992 million, comprising inventories of CZK 2 586 million, current receivables and other receivables (including current tax and derivative financial instruments) of CZK 4 211 million, current financial assets of CZK 61 million and cash and cash equivalent of CZK 3 134 million.

The MND Group’s equity as at 31 December 2020 was CZK 6 121 million, of which equity attributable to the shareholder was CZK 5 942 million and liabilities totalled CZK 12 626 million. In 2020, the MND Group companies did not have their own shares or interim certificates in their ownership.

14. 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.

15. Development outlook for the upcoming period

In 2020, the MND Group reported in its exploration and production business an increase in oil and natural gas production. Compared to the 2020 level, the MND Group expects that hydrocarbon production will decrease in 2021 in the Czech Republic and that gas production in Ukraine will significantly increase. 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, gas and electricity prices in European markets.

16. Subsequent events

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, 21 May 2021

Miroslav Jestřabík	Jiří Ječmen
Member of the Board of Directors	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, 2020 to 31st December, 2020 (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.

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 millions of Czech crowns)	**2020**
Expenses / Purchases	
Purchases of services	593

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 2021

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 2020

COMPANY	Registered seat, Identification number / Registration number
"Horyzonty" LLC	L'vivska Oblast, L'viv, 79005, Akademika Pavlova 6C, Office 7, Ukraine, reg. no 36828617
AEC a.s. (formerly AEC Group a.s.)	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 04772148
AEC s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovak Republic, identification no. 31384072
AleaX AG	Fabrikstraße 4, 9496 Balzers, Liechtenstein, registration no. FL-0002.629.106-8
ANTAIOS s.r.o.	Ostrava, Moravská Ostrava, Nemocniční 987/12, post code 702 00, identification no. 28345801;
Aricoma Group a.s.	Prague 4, Chodov, Líbalova 2348/1, post code 149 00, identification no. 04615671
Aricoma Group AB	Stockholm, Box 6350, post code 102 35, Sweden, reg. No. 559239-3473
Austrian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04047788
AUTOCONT a.s.	Hornopolní 3322/34, Moravská Ostrava, 702 00 Ostrava, identification no. 043 08 697
AUTOCONT s.r.o.	Krasovského 14, Bratislava - mestská časť Petržalka, post code 851 01, Slovak Republic, identification no. 36 396 222
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27457621
BOSM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 06773877
Cachi Valle Aventuras S.A.	Av. Francisco de Uriondo 330, 4400 Salta, Argentina. Registration no. IGTJ de Salta Folio 71/2 asiento 2465 L 10
CAI Hungary Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registration no. 08-09-027729
CAI Ontario Inc.	200 BAY STREET, ROYAL BANK PLAZA, M5J 2Z4 Ontario, Canada, registration no. 1164748
CAIO AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registration no. CHE-159.186.971
CAIO DK ApS	c/o Nordic Gambling ApS, Flæsketorvet 68, 2, 1711 København V, Denmark, registration no. 40909990
CAME Holding GmbH	Universitätsring 10, 1010 Vienna, Austria, registration no. 038898d
Casino Odense K/S	Claus Bergs Gade 7, 5000 Odense C, Denmark, registration no. 14920293
Casino Sopron Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registration no. 08-09-009273
Casino St. Moritz AG	Kempinski Grand Hotel des Bains, Via Mezdi 29, 7500 St Moritz, Switzerland, registration no. CHE-107.653.178
Casinoland IT-Systeme GmbH	Lister Meile 2, 30161 Hannover, Germany, registration no. HRB 61326
Casinos Austria (Liechtenstein) AG	Vorarlberger Strasse 210, 9486 Schaanwald, Liechtenstein, registration no. FL-0002.543.564-5
Casinos Austria (Swiss) AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registration no. CHE-100.189.949
Casinos Austria AG Liegenschaftsverwaltungs und Leasing GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN114288x
Casinos Austria International (Mazedonien) Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN 400167g
Casinos Austria International Belgium S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registration no. 0502.785.246
Casinos Austria International GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN 131441x
Casinos Austria International Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN37681p
Casinos Austria International Ltd.	Mercure Hotel Level 1, 85-97 North Quay, Brisbane City QLD 4000, Australia, registration no. ACN: 065998807, ABN: 065998807
Casinos Austria Management GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN38657z
Casinos Austria Maritime Corp.	3440 Hollywood Blvd. Ste 415, 33021 Hollywood, USA, registration no. 59-2715677
Casinos Austria Sicherheitstechnologie GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN94404f
Casinos Austria VLT AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registration no. CHE-279.843.175
Casinos Event Immobilien GmbH	Lister Meile 2, 30161 Hannover, Germany, registration no. HRB 201793

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 2020

COMPANY	Registered seat, Identification number / Registration number
Casinos Austria Aktiengesellschaft	Rennweg 44, 1038 Vienna, Austria, registration no. FN99639d
CES EA s.r.o.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 08028656
Cleverlance Deutschland GmbH	Eduard-Schopf-Allee 1, 28217 Bremen, Germany, registration no. 32267
Cleverlance Enterprise Solutions s.r.o. (forlmerly Cleverlance Enterprise Solutions a.s.)	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 27408787
Cleverlance Group a.s.	Prague 8, Libeň, Voctářova 2500/20a, post code 180 00, identification no. 04771915
Cleverlance H2B a.s.	Brno, Slatina, Tuřanka 1519/115a, post code 627 00, identification no. 28223756
Cleverlance Slovakia s.r.o.	Bratislava, Prievozská 1978/6, post code 821 09, Slovak Republic, identification no. 35942487
Cloud4com SK, s.r.o.	Bratislava, Staré Grunty 36, post code 841 04, Slovak Republic, identification no. 50569694
Cloud4com, a.s.	Prague 7, Holešovice, U Uranie 954/18, post code 170 00, identification no. 24660329
CLS Beteiligungs GmbH	Goldschmiedg. 3, 1010 Vienna, Austria, regitration no. FN84419x
Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Republic of Ireland, registration no. 506335
Complejo Monumento Güemes S.A.	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registration no. FOLIO 187/88 ASIENTO 2288 LIBRO 9
CCB Congress Center Baden Betriebsgesellschaft m.b.H.	Kaiser Franz Ring 1, 2500 Baden, Austria, FN67046y
Cuisino Ges. m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration no. FN54015i
DataSpring s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 28808681
DEADALUS TECHNOLOGIES FZC	Silicon Oasis Headquaters, DSOA Street, DSOA, 341568 Dubai, United Arab Emirates, tax registr. no. 100227112800003
Deutsche Sportwetten GmbH	Karmarschstr. 37+39, D-30159 Hannover, Germany, registration no. 219939
Eleganta, a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27627985
Entretenimientos y Jegos de Azar (EN.J.A.S.A.) S.A.	Del Milagro 142, 4400 Salta, Argentina, registration no. IGTJ de Salta Folio 65/6 asiento 2462 L 10
FM&S Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04283112
Fortuna 1 ApS	c/o Casino Odense K/S, Claus Bergs Gade 7, 5000 Odensee C, Denmark, registration no. 14909087
Geologichne byreau "Lviv" LLC	L'vivska Oblast, L'viv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine, registration no.31978102
G-JET s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27079171
Glücks- und Unterhaltungsspiel Betriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration no. FN241637z
Great Blue Heron Gaming Com.	200 BAY STREET, ROYAL BANK PLAZA, M5J 2Z4 Ontario, Canada, registration no. 960662070
HELLENIC LOTTERIES S.A.	112 Athinon Avenue, Athens, Greece, registration no.25891401000
HORSE RACES S.A.	112 Athinon Avenue, Athens, Greece, registration no.132846101000
IGNIS HOLDING a.s. (formerly MND Oil & Gas a.s.)	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07435304
INDUSTRIAL CENTER 28/23 SP. Z O.O.	ul.Twarda 18, 00-105 Warszawa, Poland, registration no.1132912313
Inmobiliara Ovale S.A.	Ignacio Carrera Pinto 109, 2720426 San Antonio, Chile, registration no. 14996/10019
INTERMOS Praha s.r.o.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 63076349
INTERMOS VALVES, s.r.o.	Bratislava-mestská časť Staré Mesto, Moskovská 13, post code 811 08, Slovak Republic, identification no. 35898411
Internet Projekt, s.r.o.	Prague 2, Nové Město, Vyšehradská 1376/43, post code 128 00, identification no. 08526541
IPM – Industrial Portfolio Management a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04572033
Italian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 04828526
JTU Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 02612020

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 2020

COMPANY	Registered seat, Identification number / Registration number
Kaizen Gaming International Limited (only activities in Greece and Cyprus)	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registration no. C43209
KAIZEN Gaming Limited (only activities in Greece and Cyprus)	Office 1/1007, Level G, Quantum House 75, Abate Rigord Street, Ta'Xbiex XBX 1120 Malta, registration no. C58362
KKCG a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 27107744
KKCG Development a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08295484
KKCG Entertainment & Technology B.V. (in liquidation)	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 58856765
KKCG Industry B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 27271144
KKCG Investments AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-271.643.388
KKCG Methanol Holdings LLC	1675 South State Street, Suite B, Dover, DE, County of Kent, 19901, United States of America, registration no. 36-4831670
KKCG Real Estate Group a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-292.174.442
KKCG Technologies s.r.o.	Vinohradská 1511/230, Strašnice, 100 00 Prague 10, identification no. 07171234
KKCG US Advisory LLC	125 High Street, Boston, MA-02110, United States of America, registration no. 84-2817214
Kura Basin Operating Company LLC	70 Kostava Street (5 Gamsakhurdia Avenue), Tbilisi, Georgia, registration no. 405171567
Kynero Consulting a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 24193461
Leisure & Enterteinment S.A.	Del Milagro 142, 4400 Salta, Argentina, registration no. IGTJ de Salta Folio 253/4 asiento 3484 L 13
Liberty One Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no.32-0521898
Liberty One O&M LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no. 30-0975326
Liberty Two Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, registration no.30-0988055
LIE2 AG	Fabrikstrasse 4, 9496 Balzers, Liechtenstein, registration no. FL-0002.606.855-3
LP Drilling S.r.l.	29016 Cortemaggiore, Salvo D'Acquisto 5, Italy, registration no. 01294260334
LTB Beteiligungs GmbH	Universitätsring 10, 1010 Vienna, Austria, registration no. FN84439a
Medial Beteiligungs-Gesellschaft m.b.h.	Universitätsring 10, 1010 Vienna, Austria, registration no.117154k
MEDICEM Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07118422
Medicem Inc.	125 High Street, Boston, MA-02110, United States of America, registration no. 38-4126132
MEDICEM Institute s.r.o.	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, identification no. 26493331
MEDICEM Technology s.r.o	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, identification no. 48036374
Metanol d.o.o.	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, registration no. 6564534000
MND a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 28483006
MND Drilling & Services a.s.	Lužice, Velkomoravská 900/405, post code 696 18, identification no. 25547631
MND Drilling Germany GmbH	31582 Nienburg, Domänenweg 7, Germany, registration no. HRB206722
MND Energie a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 09002359
MND Energy Trading a.s	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 29137624
MND Gas Storage a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 27732894
MND Gas Storage Germany GmbH	64665 Alsbach-Hähnlein, Birkenweg 2, Germany, registration no. HRB96046
MND Georgia B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 52308944
MND Germany GmbH	Lüneburger Heerstraβe 77A, 29223 Celle, Germany, registration no. HRB207844
MND Samara Holding B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, registration no. 52990680
MND Ukraine a.s.	Hodonín, Úprkova 807/6, post code 695 01, identification no. 08957517

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 2020

COMPANY	Registered seat, Identification number / Registration number
MND Group AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no.CHE-448.401.517
Moravia Systems a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 26915189
Nazvrevi Oil Company Limited	P.O.Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY, registration no. 1-32991
NEUROSOFT S.A.	466 Irakliou Avenue & Kiprou Street, 141 22 Iraklio Attikis, Athens, Greece, registration no.84923002000
Ninotsminda Oil Company Limited	195 Arch. Makarios III Ave., Neocleous House, 3030 Limassol, Cyprus, registration no. C74623
NOVECON a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08270783
OAKDALE a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27380912
ÖLG Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN268558p
Ontrax Göteborg AG	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. no. 556615-0032
OOO MND Samara	ul. Alexeya Tolstogo 92, Samara, Samarská obl., 443099, Russia, registration no. 1046301405094
OPAP CYPRUS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE140568
OPAP INTERNATIONAL LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE145913
OPAP INVESTMENT LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE297411
OPAP S.A.	112 Athinon Avenue, Athens, Greece, registration no.3823201000
OPAP SPORTS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration no. HE133603
Österreichische Klassenlotterie Vertriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registration no. FN468412t
Österreichische Lotterien GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN54472g
Österreichische Sportwetten GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN196645i
PDC INDUSTRIAL CENTER 48 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, registration no.5252630921
POM Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 06773800
Precarpathian energy company LLC	Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka 62, Ukraine, registration no. 36042045
Rabcat Computer Graphics GmbH	Rennweg 40-50/1/6 (1.OG), 1030 Vienna, Austria, registration no. FN276027y
Relax Rezidence Cihlářka, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05662079
Rezervoarji d.o.o	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, registration no. 6564470000
RUBIDIUM HOLDINGS LIMITED	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 287956
SALEZA, a.s. (v konkurzu, v úpadku, zahájeno insolvenční řízení)	Prague 9, K Žižkovu čp. 851, post code 19093, identification no. 471 16 307
SAZKA a.s.	Prague 9, K Žižkovu 851, post code 190 93, identification no. 26493993
SAZKA Asia a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 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, registration no.0314057663
SAZKA Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24852104
SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD (formerly EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD)	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 314350

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 2020

COMPANY	Registered seat, Identification number / Registration number
SAZKA DELTA HELLENIC HOLDINGS LIMITED (formerly EMMA DELTA HELLENIC HOLDINGS LIMITED)	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 320752
SAZKA DELTA MANAGEMENT LTD (formerly EMMA DELTA MANAGEMENT LTD)	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registration no. HE 314151
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, registration no.0313898374
SAZKA Entertainment AG	Kapellgasse 21, 6004 Lucerne, Switzerland, registration no. CHE-366.705.452
SAZKA FTS a.s.	Prague 9, Vysočany, K Žižkovu 851/4, post code 190 00, identification no. 01993143
SAZKA Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24287814
SAZKA Group CZ a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08993165
SAZKA Group Financing (Czech Republic) a.s. (formerly SAZKA Group Holding a.s.)	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07877838
SAZKA Group Financing a.s.	Dúbravská cesta 14, Bratislava - mestká časť Karlova Ves, post code 841 04, Slovak Republic, identification no. 51142317
SAZKA Group UK Limited (formerly) KKCG UK Limited	London, One Connaught Place, 5th Floor, W2 2ET, United Kingdom, registration no. 08869774
SAZKA Services s.r.o. (formerly Kavárna štěstí s.r.o.)	Prague 9, K Žižkovu 851/4, post code 190 00, identification no. 05111901
SAZKAmobil 5G a.s. (formerly Italian GNTN Holding a.s.)	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07911319
Seavus DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, reg. no. 5323983
Seavus AB	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. no. 556588-5935
Seavus CISC	Area 18, 18, Baghramyan avenue, Arabkir, Yerevan city, 0019, Armenia, Code of the legal entity: 50129257
Seavus DOO (BA)	Ivana Franje Jukica 7, Banja Luka, Bosna I Hercegovina, Republika Srpska, reg. no. 57-01-0252-17
Seavus DOO (RS)	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, reg. no. 20177861
Seavus Educational and Development Center DOO	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, reg.no. 29508429
Seavus Educational and Development Center DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, reg. no. 6643140
Seavus Enterprise Foundation	11 Oktomvri 33A, 1000 Skopje, Republic of Macedonia, reg. no. 7026714
Seavus FLLC	FLLC SEAVUS, 25A Internatsionalnaya st., office 420, Minsk, 220 030, Belarus, reg. no. 190835458
Seavus GmbH	Itziker Dorf Strasse 57, 8627 Grüningen, Switzerland, ID. No. CH – 020.4.049.285-2
Seavus Group Holding BV	Hoogoorddreef 15, 1101BA Amsterdam, Netherland, reg. No. 34316211
Seavus S.R.L.	MD-2071, str. Alba-Iulia, 79/1, mun. Chisinau, Moldova, reg. No. 1020600026584
Seavus SHPK	Njësia Bashkiake nr. 5, Rruga Abdyl Frasheri, Ndërtesa 8, Hyrja 7, Ap. 25, 1019 Tiranë, ID no. L62225007B
Seavus Stockholm AB	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. no. 556594-4799
Seavus USA Inc.	2352 Main Street, Suite 200, Concord, MA 01742, ID. No. 000873055
SG INDUSTRIAL CENTER 02 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland, registration no.5272464443
SIL Servis Partner a.s.	Ostrava, Slezská Ostrava, Těšínská 1970/56, post code 710 00, identification no. 25830953
Spielbanken Niedersachsen GmbH	Karmarschstraße 37-39, 30159 Hannover, Germany, registration no. HRB 50373
SPORTLEASE a.s.	Prague 9, K Žižkovu 851, post code 190 93, identification no. 62361546
Springtide Ventures s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 01726587
Stoiximan Limited	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registration no. C95597
STR Czech s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 07728344
SUPERMARINE, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08062773

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 2020

COMPANY	Registered seat, Identification number / Registration number
Tatte Property, a.s.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 24841935
Theta Real s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 27631842
TOK Poland Sp. Z o.o.	ul. Twarda 18, 00-105 Warszawa, Poland, Reg. č 5252689699
TORA DIRECT S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registration no.5641201000
TORA WALLET S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registration no.139861001000
US Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States, registration no. 81-1952040
VESTINLOG, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 05629276
Viage Production S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registration no. 0474.725.225
Vinohradská 230 a.s.	Prague 10, Vinohradská 1511/230, post code 100 00, identification no. 26203944
Vitalpeak Limited	8 Alasias street, Christodoulides Building, 3095 Limassol, Cyprus, registration no. HE 228204
VSU Czech s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, post code 100 00, identification no. 08062897
win2day International GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN371257t
WINWIN International GmbH	Rennweg 44, 1038 Vienna, Austria, registration no. FN366572d
WOODSLOCK a.s.	Prague 4, Líbalova 2348/1, post code 149 00, identification no. 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.	1400023405	Contract for associated gas supply service	12.08.2020
AUTOCONT a.s.	2400014485	Contract for associated electricity supply service	16.09.2020
AUTOCONT a.s.	NS/2020/0076	Contract for work	30.06.2020
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	1400024329	Contract for associated gas supply service	23.11.2020
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	2400016421	Contract for associated electricity supply service	23.11.2020
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	NS/2020/0123	Future lease contract	17.12.2020
Cleverlance Enterprise Solutions a.s.	NSO/2020/0046	Contract for confidential information protection	05.10.2020
DataSpring s.r.o.	2400012527	Contract for associated electricity supply service	10.01.2020
DataSpring s.r.o.	RO/2200111	Purchase order	30.11.2020
KKCG a.s.	NS/2020/0070	Contract for ICT services	08.06.2020
KKCG a.s.	PS/2020/0068	Purchase contract – sale of vehicle	18.12.2020
KKCG Technologies s.r.o.	PSO/2020/0007	Donation contract	20.11.2020
Kynero Consulting a.s.	RO/2200022	Contract for work – print of ID Card	18.12.2020
LLC Geologichne bureau "Lviv"	PS/2020/0013	Contract for Services	01.04.2020
LLC Horyzonty	PS/2020/0012	Contract for Services	01.04.2020
LLC Precarpathian energy company	OP/2020/0080	EFET Gas	10.03.2020
LLC Precarpathian energy company	PS/2020/0014	Contract for Services	01.04.2020
MND Drilling & Services a.s.	1400005255	Contract for associated gas supply service	09.10.2020
MND Drilling & Services a.s.	NS/2019/0265	Contract for work – Well workover Hrušky 128	02.01.2020
MND Drilling & Services a.s.	NS/2020/0002	Contract for work – Well workover Hrušky 94	31.03.2020
MND Drilling & Services a.s.	NS/2020/0005	Contract for work – Well workover Lubná 18	31.03.2020
MND Drilling & Services a.s.	NS/2020/0008	Contract for work – Well workover Ždánice 11	31.03.2020
MND Drilling & Services a.s.	NS/2020/0009	Contract for work – Well workover Ždánice 124	22.01.2020

Contracting party	Contract no.	Object of contract	Date of contract
MND Drilling & Services a.s.	NS/2020/0013	Contract for work – Well workover Ždánice 52	31.03.2020
MND Drilling & Services a.s.	NS/2020/0015	Contract for work – Well workover Ždánice 95	31.03.2020
MND Drilling & Services a.s.	NS/2020/0019	Contract for work – Well workover Klobouky 3	30.04.2020
MND Drilling & Services a.s.	NS/2020/0022	Contract for work – Well workover Uhřice 35	30.04.2020
MND Drilling & Services a.s.	NS/2020/0030	Contract for work – Well workover Uhřice 90A	31.05.2020
MND Drilling & Services a.s.	NS/2020/0055	Contract for work – Well workover Prušánky 4b	30.06.2020
MND Drilling & Services a.s.	NS/2020/0068	Purchase contract – Sale of material Borkovany 7	26.05.2020
MND Drilling & Services a.s.	NS/2020/0069	Purchase contract – Sale of material Šakvice 1	26.05.2020
MND Drilling & Services a.s.	NS/2020/0071	Contract for work - Repair of wellhead Uhřice 22	31.07.2020
MND Drilling & Services a.s.	NS/2020/0072	Contract for work - Repair of wellhead Uhřice 78a	31.07.2020
MND Drilling & Services a.s.	NS/2020/0073	Contract for work – Well workover Uhřice 87	31.08.2020
MND Drilling & Services a.s.	NS/2020/0079	Contract for work – Well workover Poddvorov 109	30.09.2020
MND Drilling & Services a.s.	NS/2020/0081	Contract for work – Well workover Otnice 101	30.11.2020
MND Drilling & Services a.s.	NS/2020/0086	Purchase contract – Sale of material Klobouky 5	13.07.2020
MND Drilling & Services a.s.	NS/2020/0089	Contract for work – Well workover Poddvorov 128	30.09.2020
MND Drilling & Services a.s.	NS/2020/0090	Frame contract – Work of cementing and pressure aggregates	27.07.2020
MND Drilling & Services a.s.	NS/2020/0098	Contract for work – Well Borkovany 6 termination without workover	30.09.2020
MND Drilling & Services a.s.	NS/2020/0100	Contract for work - Well workover Uhřice 102	30.09.2020
MND Drilling & Services a.s.	NS/2020/0118	Contract for work – Drilling well side track Šakvice 1a	31.12.2020
MND Drilling & Services a.s.	NS/2020/0128	Frame contract – environment services	02.12.2020
MND Drilling & Services a.s.	NS/2020/0130	Contract for work – Well workover Prušánky 5	14.12.2020
MND Drilling & Services a.s.	NS/2020/0137	Contract for work – Well workover Lanžhot 37	21.12.2020
MND Drilling & Services a.s.	OP/2016/0234	Contract for associated gas supply service	09.10.2019
MND Drilling & Services a.s.	PS/2020/0021	Lease contract	25.05.2020
MND Drilling & Services a.s.	PS/2020/0058	Re- invoicing of costs for operation and maintenance of VN64 line	02.11.2020
MND Drilling & Services a.s.	PS/2020/0059	Frame contract – HR services	30.10.2020
MND Drilling & Services a.s.	RO/2200049	Flaw detection work	31.08.2020

Contracting party	Contract no.	Object of contract	Date of contract
MND Drilling & Services a.s.	RO/2200060	Design and construction work	17.01.2020
MND Drilling & Services a.s.	RO/2200061	Re-invoicing of use of utility water	31.12.2020
MND Drilling & Services a.s.	RO/2200062	Vehicle repairs	17.01.2020
MND Drilling & Services a.s.	RO/2200063	Technical gases	31.12.2020
MND Drilling & Services a.s.	RO/2200075	Purchase of material	31.12.2020
MND Drilling & Services a.s.	RO/2200083	Binding instruments inspection	28.01.2020
MND Drilling & Services a.s.	RO/2200094	Cleaning services	31.12.2020
MND Drilling & Services a.s.	RO/2200106	Participation of a warehouse worker in the weighing of pipe material	31.10.2020
MND Drilling & Services a.s.	RS/2200001	Sale of goods from stock	17.01.2020
MND Drilling & Services a.s.	RS/2200004	Training for work at heights	
MND Drilling & Services a.s.	RS/2200005	Cementing silos work	
MND Drilling & Services a.s.	RS/2200006	Evaluation of logging measurement	
MND Drilling & Services a.s.	RS/2200007	Laboratory services	
MND Drilling & Services a.s.	RS/2200010	Reprographic work	
MND Drilling & Services a.s.	RS/2200037	Inserting and removing the plug from the PK cone	
MND Drilling & Services a.s.	RS/2200040	Re-invoicing of electricity Šakvice 1	
MND Energie a.s.	NS/2020/0131	Contract for trading cooperation	17.12.2020
MND Energie a.s.	PS/2020/0062	Contract for Services	30.10.2020
MND Energie a.s.	PS/2020/0065	Contract for Services	09.12.2020
MND Energie a.s.	PS/2020/0066	Contract for Services	11.12.2020
MND Energy Trading a.s.	OE/2020/0016	Frame contract – electricity supply	22.07.2020
MND Gas Storage a.s.	2400016553	Contract for associated electricity supply service	24.11.2020
MND Gas Storage a.s.	OP/2020/0001	Gas storage agreement	06.01.2020
MND Gas Storage a.s.	OP/2020/0110	Gas storage agreement	17.03.2020
MND Gas Storage a.s.	OP/2020/0123	Merger of gas storage contracts	18.03.2021
MND Gas Storage a.s.	OP/2020/0132	Gas storage agreement	18.03.2021
MND Gas Storage a.s.	OP/2020/0140	Gas storage agreement	12.05.2020

Contracting party	Contract no.	Object of contract	Date of contract
MND Gas Storage a.s.	OP/2020/0184	Gas storage agreement	01.06.2020
MND Gas Storage a.s.	OP/2020/0301	Gas storage agreement	03.09.2020
MND Gas Storage a.s.	RS/2200002	Sale of goods from stock	17.09.2020
MND Gas Storage a.s.	RS/2200013	Laboratory services	30.01.2020
MND Gas Storage a.s.	RS/2200017	Services associated with the supply of electricity.	
MND Gas Storage a.s.	RS/2200020	Electricity re-invoicing	
MND Gas Storage a.s.	RS/2200043	Geodetic works	27.05.2020
MND Gas Storage a.s.	RS/2200045	Work with high-lift platform	
MND Gas Storage a.s.	RS/2200054	Evaluation of production logging measurement	17.12.2020
MND Gas Storage Germany GmbH	OP/2020/0139	Gas Storage Contract	13.06.2020
MND Gas Storage Germany GmbH	OP/2020/0315	Long Form Transaction Confirmation	05.11.2020
MND Gas Storage Germany GmbH	OP/2020/0431	Long Form Transaction Confirmation	09.12.2020
MND Ukraine a.s.	PS/2020/0064	Contract for services	03.12.2020
Moravia Systems a.s.	1400023152	Contract for associated gas supply service	22.06.2020
Moravia Systems a.s.	2400016520	Contract for associated electricity supply service	24.11.2020
Moravia Systems a.s.	PS/2020/0052	Lease contract	12.08.2020
SAZKA a.s.	1400001328	Contract for associated gas supply service	07.04.2020
SAZKA a.s.	2400013891	Contract for associated electricity supply service	08.04.2020
SAZKA a.s.	PSO/2020/0008	Donation contract	29.12.2020
Vinohradská 230 a.s.	1400003550	Contract for associated gas supply service	08.07.2020
Vinohradská 230 a.s.	2400013880	Contract for associated electricity supply service	08.07.2020
Vinohradská 230 a.s.	RO/2200018	Catering service order	30.11.2020

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.	NS/2019/0158	Contract for sub-licensing	28.06.2019
AUTOCONT a.s.	724.42-736/03	Licence contract Navision	18.12.2003
DataSpring s.r.o.	2400005982	Contract for associated electricity supply service	29.05.2018
DataSpring s.r.o.	1400005255 (OP/2016/0234)	Contract for associated gas supply service	15.03.2019
DataSpring s.r.o.	NS/2014/0407	SPLA Software services	30.12.2014
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.	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
KKCG a.s.	NS/2016/0079	Contract for services	30.05.2016
Kynero Consulting a.s.	NS/2012/0194	Contract for security services	01.06.2012
Kynero Consulting a.s.	RO/2190044	Contract for work – print of ID Card	28.01.2020
LLC Geologichne bureau "Lviv"	PS/2019/0021	Contract for services	01.04.2019
LLC Horyzonty	PS/2019/0018	Contract for services	01.04.2019
LLC Horyzonty	PS/2020/0006	Contract for IT services	31.12.2019
LLC Precarpathian energy company	PS/2019/0020	Contract for services	01.04.2019
MND Drilling & Services a.s.	1400005255	Contract for associated gas supply service	15.03.2019
MND Drilling & Services a.s.	724.42-007/01	Contract for work – economic and payroll services	19.01.2001
MND Drilling & Services a.s.	724.42-146/01	Contract for work - ICT services	20.06.2001

Contracting party	Contract no.	Object of contract	Date of contract
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/I	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 economic 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- water, sewage Lužice	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/2018/0257	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.	NS/2019/0001	Frame contract – Wells development	16.01.2019
MND Drilling & Services a.s.	NS/2019/0117	Contract for work – Well abandonment Lužice 148	31.03.2020
MND Drilling & Services a.s.	NS/2019/0119	Contract for services of steam generator	31.12.2020
MND Drilling & Services a.s.	NS/2019/0214	Contract for work – Well drilling Bošovice 6	31.01.2020
MND Drilling & Services a.s.	NS/2019/0255	Contract for work - Wells abandonment in the year 2020	30.11.2020
MND Drilling & Services a.s.	NS/2019/0261	Contract for work – Well drilling Šakvice 1	31.05.2020
MND Drilling & Services a.s.	OP/2016/0234	Frame contract – gas supply	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/2012/0012	Frame contract - repairs, preventive check, maintenance, emergency	01.05.2012

Contracting party	Contract no.	Object of contract	Date of contract
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– land Lužice	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/2019/0173	Frame contract – gas supply	29.08.2019
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/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.	OP/2012/0041	Merger of gas storage contracts	30.04.2012
MND Gas Storage a.s.	OP/2017/0241	Merger of gas storage contracts	20.10.2017
MND Gas Storage a.s.	OP/2018/0012	Merger of gas storage contracts	12.03.2018
MND Gas Storage a.s.	OP/2018/0108	Merger of gas storage contracts	30.04.2018
MND Gas Storage a.s.	OP/2018/0112	Merger of gas storage contracts	30.04.2018
MND Gas Storage a.s.	OP/2018/0285	Merger of gas storage contracts	10.12.2018
MND Gas Storage a.s.	OP/2019/0035	Contract on trading dispatching services	02.01.2019
MND Gas Storage a.s.	OP/2019/0158	Merger of gas storage contracts	05.07.2019
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

Contracting party	Contract no.	Object of contract	Date of contract
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 for the provision of a mining rescue service and reimbursement of operating costs of Main mining rescue station	22.12.2016
MND Gas Storage Germany GmbH	PS/2015/0067	Contract for Services	30.09.2015
MND Group AG	PS/2016/0049	Contract for Services	30.09.2015
Moravia Systems a.s.	1400018576	Contract for associated gas supply service	30.05.2019
Moravia Systems a.s.	NS/2019/0081	Frame contract – supply of goods	15.07.2019
SAZKA a.s.	1400001328	Contract for associated gas supply service	10.05.2019
SAZKA a.s.	2400005366	Contract for associated electricity supply service	10.05.2019
SAZKA a.s.	NSO/2014/0123	Contract on the settlement of relations within a VAT group	29.10.2014
Springtide Ventures s.r.o.	OP/2014/0068	Contract for Services	17.09.2014
Vinohradská 230 a.s.	1400003550	Contract for associated gas supply service	20.03.2019
Vinohradská 230 a.s.	2400002363	Contract for associated electricity supply service	20.03.2019
Vinohradská 230 a.s.	724.42-045/01/I	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. as at 31 December 2020

prepared in accordance with International Financial Reporting Standards

as adopted by the European Union

Consolidated financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Consolidated statement of financial position	**Note**	**31/12/2020**	**31/12/2019**
Assets			
Underground gas storages		2 193	2 294
Land		175	198
Buildings and structures		826	705
Oil and gas wells		1 386	1 340
Oil and gas property		795	--
Machinery and equipment		1 713	1 751
Other tangible fixed assets and assets under construction		342	482
Property, plant and equipment	5	*7 430*	*6 770*
Intangible assets	6	34	40
Equity-accounted investees	7	443	463
Non-current trade and other receivables	9	65	33
Non-current receivables from derivative financial instruments	17	565	959
Other non-current investments	8	36	34
Non-current financial assets		*1 109*	*1 489*
Deferred tax asset	26	182	175
Total non-current assets		**8 755**	**8 474**
Inventories	11	2 586	2 339
Current trade and other receivables	9	2 346	2 024
Income tax receivables		2	2
Current receivables from derivative financial instruments	17	1 863	3 594
Other current financial assets	10	61	39
Cash and cash equivalents	12	3 134	1 772
Total current assets		**9 992**	**9 770**
Total assets		**18 747**	**18 244**

The notes on pages 32 to 89 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Consolidated statement of financial position (continued)	**Note**	**31/12/2020**	**31/12/2019**
Liabilities and equity			
Equity			
Share capital	14	1 000	1 000
Capital contributions and other reserves		724	104
Retained earnings and profit/loss for the current period		4 218	4 211
Equity attributable to the shareholder of the Company		*5 942*	*5 315*
Non-controlling interests	*13*	*179*	--
Total equity		**6 121**	**5 315**
Liabilities			
Loans, bonds issued - non-current portion	15	2 451	2 484
Non-current lease liabilities	15	78	86
Non-current trade and other payables	16	396	306
Non-current liabilities from derivative financial instruments	17	446	272
Non-current provisions	18	1 235	1 229
Deferred tax liability	26	457	337
Total non-current liabilities		**5 063**	**4 714**
Loans, bonds issued - current portion	15	1 751	3 043
Current lease liabilities	15	20	27
Current trade and other payables	16	4 139	3 504
Income tax liability		13	3
Current liabilities from derivative financial instruments	17	1 610	1 554
Current provisions	18	30	84
Total current liabilities		**7 563**	**8 215**
Total liabilities		**12 626**	**12 929**
Total equity and liabilities		**18 747**	**18 244**

The notes on pages 32 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income	**Note**	**2020**	**2019**
Revenue	19	45 970	69 329
Other operating income	20	361	62
Total income		**46 331**	**69 391**
Materials and goods used	21	-41 979	-65 578
Services used	21	-2 455	-2 271
Personnel expenses	22	-718	-782
Depreciation, amortisation and impairment	23	-627	-642
Other operating expenses	24	-269	-329
Result from operating activities		**283**	**-211**
Interest income	25	4	4
Other finance income	25	56	84
Finance costs	25	-299	-216
Result from financing activities		**-239**	**-128**
Share of profit/loss of equity-accounted investees, net of tax	7	-16	54
Profit or loss before tax		**28**	**-285**
Income tax expense	26	-21	29
Profit or loss for the year		**7**	**-256**
Items that are or may be reclassified to profit or loss:			
Change in fair value of hedging instruments, net of tax		-93	1
Change in fair value of hedging instruments reclassified to profit or loss, net of tax		--	4
Share of other comprehensive income/loss of equity-accounted investees		-3	-12
Other comprehensive income/loss, net of tax	27	**-96**	**-7**
Total comprehensive income/loss for the period		**-89**	**-263**
Profit/ loss attributable to:			
Owners of the Company		7	-256
Total profit or loss for the year		**7**	**-256**
Total comprehensive income/loss attributable to:			
Owners of the Company		-89	-264
Total comprehensive income/loss for the year		**-89**	**-264**
Earnings per share:	14		
Basic earnings / loss (-) per share (in thousands of Czech crowns)		0.14	-5.12
Diluted earnings / loss (-) per share (in thousands of Czech crowns)		0.14	-5.12

The notes on pages 32 to 89 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Consolidated statement of changes in equity

2020	Share capital	Other contributions and reserves	Hedging reserve	Share on funds of equity-accounted investees	Retained earnings	Profit/loss (-)for the year	Equity	Non-controlling interests	Total equity
Balance at 1 January 2020	**1 000**	**110**	**26**	**-32**	**4 467**	**-256**	**5 315**	**--**	**5 315**
Profit or loss for 2020	--	--	--	--	--	7	**7**	--	**7**
Other comprehensive income/loss	--	--	-93	-3	--	--	**-96**	--	**-96**
Total comprehensive income/loss	**--**	**--**	**-93**	**-3**	**--**	**7**	**-89**	**--**	**-89**
Transactions with owners of the Company, reported directly in equity:									
Effect of new acquisitions	--	--	--	--	--	--	--	179	**179**
Reallocation of loss for 2019	--	--	--	--	-256	256	--	--	**--**
Increase in other capital contributions (Note 14)	--	716	--	--	--	--	**716**	--	**716**
Total transactions with owners of the Company, reported directly in equity	**--**	**716**	**--**	**--**	**-256**	**256**	**716**	**179**	**895**
Balance at 31 December 2020	**1 000**	**826**	**-67**	**-35**	**4 211**	**7**	**5 942**	**179**	**6 121**

The notes on pages 32 to 89 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2020 (in millions 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**	**350**	**21**	**-20**	**4 706**	**-239**	**5 818**
Profit or loss for 2019	**--**	**--**	**--**	--	--	-256	**-256**
Other comprehensive income/loss	**--**	**--**	5	-12	--	--	**-7**
Total comprehensive income/loss	**--**	**--**	**5**	**-12**	**--**	**-256**	**-263**
Transactions with owners of the Company, reported directly in equity:							
Reallocation of loss for 2018	**--**	**--**	**--**	--	-239	239	**--**
Decrease in other capital contributions (Note 14)	**--**	-240	**--**	--	--	--	**-240**
Total transactions with owners of the Company, reported directly in equity	**--**	**-240**	**--**	**--**	**-239**	**239**	**-240**
Balance at 31 December 2019	**1 000**	**110**	**26**	**-32**	**4 467**	**-256**	**5 315**

The notes on pages 32 to 89 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Consolidated statement of cash flows	**Note**	**2020**	**2019**
Operating activities			
Net profit (+) / loss (-) for the year		7	-256
Adjustments for:			
Share of profit (-) / loss (+) of equity-accounted investees		16	-54
Interest expense (net of interest income)	25	163	172
Tax expense (+) / income (-)	26	21	-29
Effect of currency translation (gains - / losses +)	25	3	-37
Depreciation of property, plant and equipment	23	560	566
Amortisation of intangible assets	23	24	49
Depreciation of right of use	23	31	30
Impairment of property, plant and equipment	23	12	-3
Income from current financial assets	25	-5	-20
Non-cash changes of financial derivatives		2 241	-2 797
Non-cash changes of inventories		3	-11
Gain (-) / loss (+) on sale of non-current assets	20	-2	-2
Cash flow from operating activities before changes in working capital and provisions		**3 074**	**-2 392**
Increase (+) / decrease (-) in provisions		-70	-12
Increase (-) / decrease (+) in inventories		-250	1 125
Increase (-) / decrease (+) in receivables		-302	2 346
Increase (+) / decrease (-) in current liabilities		657	-427
Cash flows from operating activities		**3 109**	**640**
Interest paid		-143	-143
Income tax paid		-18	-30
Net cash flows generated from operating activities		**2 948**	**467**
Investing activities			
Proceeds from sale of non-current assets		10	18
Income from current financial assets	25	5	20
Interest received		1	3
Acquisition of subsidiaries, net of cash acquired	13	62	--
Acquisition of property, plant and equipment and intangible assets		-231	-553
Contribution to equity-accounted investees	7	--	-42
Increase (-)/decrease (+) in current financial assets, net		-25	1 105
Cash flows from investing activities		**-178**	**551**
Financing activities			
Drawing of loans and borrowings (+)	15	18 969	15 589
Repayment of (-) loans and borrowings	15	-20 349	-15 739
Payments of lease liabilities	15	-28	-27
Changes in equity		--	-240
Cash flows from financing activities		**-1 408**	**-417**
Net increase in cash and cash equivalents		**1 362**	**601**
Cash and cash equivalents at 1 January		**1 772**	**1 171**
Cash and cash equivalents at 31 December	13	**3 134**	**1 772**

The notes on pages 32 to 89 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Contents

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.

The existence of new coronavirus causing the disease COVID-19 was confirmed in early 2020 and has spread globally. The pandemic and restrictive measures taken to mitigate the health impact have caused disruption to many business and economic activities in the year ended 31 December 2020. The Group´s business and financial results were primarily affected by the worldwide decline in oil and gas prices and related decline in demand for drilling services. The Group took advantage of the decline in prices in trading in energy commodities and achieved higher profits in this activity, which exceeded the decrease in profit from effects of the COVID-19 pandemic in oil and gas production and in drilling services.

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 consolidated financial statements include financial statements of the companies below, which have been prepared as at 31 December 2020 and include the accounting period ended 31 December 2020.

Consolidated financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Company name and registered office:	Ownership interest of the Group at 31/12/2020	Ownership interest of the Group at 31/12/2019	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: IGNIS HOLDING a.s. (former MND Oil & Gas a.s.) *(1)* Vinohradská 1511/230, 100 00 Praha 10, Czech Republic	--	100%	full
Joint venture: Moravia Gas Storage a.s. Úprkova 807/6, 695 01 Hodonín, Czech Republic	50%	50%	equity
Subsidiary: MND Ukraine a.s. *(2)* Úprkova 807/6, 695 01 Hodonín, Czech Republic	80%	--	full
Subsidiary: „Horyzonty" LLC *(2)* Lvivska Oblast, Lviv, 79005, Akademika Pavlova 6C, Office 7, Ukraine	80%	--	full
Subsidiary: Geologichne byreau "Lviv" LLC *(2)* Lvivska Oblast, Lviv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine	80%	--	full
Subsidiary: Precarpathian energy company LLC *(2)* Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka 62, Ukraine	80%	--	full

(1) On 14 February 2020, the change of business name to IGNIS HOLDING a.s. was entered in the Business Register. On 20 February 2020, the company was sold to the parent company MND Group AG.

(2) On 31 December 2020, the Group acquired 80% share in MND Ukraine a.s. by non-monetary contribution of shares outside the share capital from the parent company MND Group AG. As part of this acquisition, companies were acquired, which are 100% owned by MND Ukraine a.s. - the subsidiaries 'Horyzonty' LLC, Geologichne byreau "Lviv" LLC and Precarpathian energy company LLC, established in Ukraine (see Note 13 of this Annex).

Consolidated financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

1.4. Statutory body and supervisory board

The board of directors as at 31 December 2020:

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 2020:

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 2020

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.

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 2020

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 2020.

These amendments did not have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 3: Definition of business.

The amendments to IFRS 3 modify the definition of an business in the sense that the existence of outputs is no longer a condition for the integrated set of activities and assets to meet the definition of an business. In order for an acquired set of activities and assets to be considered as business, it must contain at least an input and an essential process that together make a significant contribution to the ability to generate outputs.

The amendments to the standard remove the assessment of whether market participants are able to replace any missing inputs or processes and continue to generate outputs. The amendments also introduce additional guidance to help determine whether a significant process has been acquired. The amendments also introduce an optional concentration test allowing a simplified assessment of whether the acquired set of activities and assets does not constitute an enterprise. According to the optional concentration test, a set of activities and assets does not meet the enterprise's criteria if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and acquisitions of assets with the acquisition date of 1 January 2020 or later.

This amendment did not have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (Phase 1)

The IASB amended IFRS 9, IAS 39 and IFRS 7 in context of the reform of reference interest rates.

The amendments to the Standards modify the specific requirements for hedge accounting so that hedge accounting can continue to be applied to the hedges concerned even during periods of uncertainty before the ongoing interest rate reform changes the hedging items or hedging instruments affected by existing reference interest rates.

In context with the amendment, the disclosure of specific information about the extent to which the entity's hedging relationships are affected by the amendments is required.

The amendments to the standards are not relevant to the Group as the Group does not apply hedge accounting to the risks arising from the reference interest rate. The amendment to the standards had no impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8 - Definition of Material

The definition of „material" in IAS 8: Accounting policies, changes in accounting estimates and errors has been replaced by a reference to the definition of „material" in IAS 1: Presentation of financial statements. In addition, the board of IASB for ensuring consistency amended other standards and Conceptual framework, which contain a definition of the term „material" or refer to the term „material".

The definition of material helps companies decide, whether certain information should be included in the financial statements. The new definition has included the notion of "obscuring" relevant information with irrelevant information, which addresses situations where the effect is similar to omissions or misstatements. An entity is required to assess materiality in the context of the financial statements as a whole.

The term "primary users of financial statements," whom financial statements are directed, was also clarified. According to the new definition, primary users are existing and potential investors, lenders and other creditors that must rely on general purpose financial statements for much of the financial information.

This amendment did not have any significant impact on the Group's consolidated financial statements.

Amendments to References to the "Conceptual Framework" in IFRS Standards

IASB amended the relevant standards to refer to the Conceptual Framework. The amendments relate to standards IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38 and interpretations IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC_32. These amendments did not have any significant impact on the Group's consolidated financial statements

Amendments to IFRS 16: COVID-19 related rent concessions

In May 2020, the IASB published amendments to IFRS 16 entitled COVID-19 related rent concessions, which by introducing a practical expedient to IFRS 16, provide lesses with assistance in accounting for rent concessions that arose directly as a result of the COVID-19 pandemic. For use in the EU, these modifications were endorsed in October 2020.

The practical expedient allows lessees to decide not to assess whether the rent concession related to the COVID-19 pandemic constitutes a modification of the lease. Lessee, who decides for this option, accounts for any change in lease payments resulting from the rent concession related to the COVID-19 pandemic, in accordance with IFRS 16 for changes that do not constitute a lease modification.

The practical expedient only applies to rent concesions occuring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

- the change in lease payments results in a revised consideration in the lease that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- any reduction in lease payments applies only to payments that were originally due on or before 30 June 2021 (the lease concession meets this condition if it would lead to a reduction in lease payments on or before 30 June 2021 and an increase in lease payments payments beyond June 2021);
- there is no substantive change to other terms of the lease.

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 1 January 2021 or later:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 4: Insurance contracts – temporary exemption from applying IFRS 9

Standards, interpretations and amendments issued before 31 December 2020 but not endorsed by EU

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

Effective day 1 January 2022:

- Amendments to IFRS 3: References to Conceptional Framework
- Amendments to IAS 16: Property, Plant and Equipment: Income before its intended use
- Amendments to IAS 37: Onerous contracts – direct costs of fulfilling a contract
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Annual improvement process 2018 – 2020
- 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)
- IFRS 14: Regulatory Deferral Accounts (IASB effective date 1 January 2016, endorsement by EU awaits the final form of standard)

(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 based in the Czech Republic is the Czech crown (CZK), functional currency of the subsidiaries based in Ukraine is Ukrainian hryvnia (UAH).

These consolidated financial statements are presented in Czech crowns (CZK). All financial information reported in the consolidated financial statements is rounded to the nearest millions (MCZK), 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 timing of the decommissioning activities, expected inflation and discount rates. (Note 18; accounting policy 3(k)).

(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 (f).

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.

(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. Business combinations under common control

For business combinations resulting from transfers of interests in entities that are under the control of the shareholder that controls the Group (business combinations of companies under common control), the Group may determine the application of the acquisition accounting method or the predecessor value method and apply it to all similar transactions.

In the case of using the acquisition accounting method, the company will make full use of the requirements set out in IFRS 3 (see above - point i.).

When using the predecessor accounting method, assets are not measured at fair value at the acquisition date.

The difference between the consideration for the acquisition and the carrying amount of the identifiable assets and liabilities acquired, including goodwill recognized in the financial statements of the predecessor, is recognized directly in equity, therefore no goodwill is recognized in this transaction.

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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency of the Group, the Czech crown, at exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to presentation currency at average exchange rates for the reported period which are a reasonable approximation of the exchange rate at transaction date. Resulting foreign currency differences are recognised in other comprehensive income and equity as a separate component.

(c) Property, plant and equipment

i. Owned assets

Property, plant and equipment consists of underground gas storages, buildings and structures, oil and gas wells, oil and gas property, 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 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.

Consolidated financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

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. 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
Administrative buildings	20 - 60 years
Structures	20 - 40 years
Oil and gas wells	expected production period
Oil and gas property	expected production period
Machinery and equipment	3 - 20 years
Drilling rigs	20 - 40 years
Information technology	3 - 8 years
Motor vehicles	4 - 10 years
Inventory	3 - 14 years
Other property, plant and equipment	3 - 20 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.

(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 - 10 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.

This category includes mainly (short-term and long-term) trade and other receivables, provided loans and borrowings, restricted cash and other short-term financial assets (e.g. receivables arising from cash pooling agreements).

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).

Amortised cost is the amount at which a financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and, for financial assets less any allowance for expected credit losses (“ECL”). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the amount payable upon maturity using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

Trade and other receivables, loans provided

Trade and other receivables, loans provided are initially recognized on the date when they are originated and measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, less any impairment losses, if they are held to collect the cash flows and not expected to be sold.

When applying amortised cost, any difference between the cost and the value upon redemption is recognized in the consolidated statement of comprehensive income over the duration of the asset or liability, using the effective interest method.

The Group derecognizes trade receivables, other receivables and loans provided when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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. Financial derivatives and hedging 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.

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

All derivative transactions designated as hedging instruments are documented and the effectiveness of individual hedge relationships is evaluated on continuous basis. The Group decided to apply hedge accounting in accordance with IAS 39 after the application of IFRS 9 and so therefore maintains documentation of the hedge relationship between the hedged item and the hedging derivative in line with IAS 39.

The Group applies hedge accounting if:

- the hedge is in line with the Group's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- the hedge relationship is expected to be effective throughout its duration,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is effective throughout the accounting period, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80 - 125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk, and
- for cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

The hedging documentation contains information about the following:

- hedging derivatives,
- hedge effectiveness, and
- hedged items and risks that are being hedged.

Changes in the fair value of the derivative hedging instrument or designated non-derivative financial liability designated as a cash flow hedge are recognized directly in the other comprehensive income to the extent that the hedge is effective. The effective portion of changes in fair value of cash flow hedge is accumulated in "Hedging reserve" in equity. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss for the period.

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. The cumulative gain or loss previously recognized in equity as a "Hedging reserve" remains there until the forecast transaction occurs. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the associated gains and losses that were recognised in other comprehensive income are included in the initial cost or other carrying amount of the asset or liability.

In other cases, the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

If cash flows relating to recognized foreign currency receivables are hedged by other hedging instruments (e.g. designating foreign currency payables as the hedging instruments), the accounting treatment is the same as the treatment for hedging with financial derivatives.

The Group decided to apply cash flow hedge accounting to mitigate following risks:

Interest rate risk

The risk that is being hedged relates to change in future cash flows due to change in interest rates. The hedged items are future interest payments of long-term debts that are hedged by interest rate swaps (the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

Foreign currency rates risk

The risk that is being hedged relates to change in future cash flows due to change in foreign currency rates. The hedged items are future expected transactions that are hedged by hedging instruments (e.g. foreign currency payables/receivables designating as the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

Commodity price risk

The hedged items are cash flows from the sale of commodities that are hedged by commodity swaps (the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss. The risk that is being hedged relates to change in future cash flows due to change in prices of commodities sold.

Trading derivatives

Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives. Changes in the fair value of trading derivatives are recognized immediately in profit or loss.

Commodity contracts

Except for contracts for the purchase and sale of commodities concluded for the purpose of serving the Group's portfolio of end customers, the Group enters into commodity trading contracts for the purpose of generating a profit from short-term price fluctuations or traders' margin. The Group systematically settles similar contracts on a net basis, where cash corresponds to the net gain or loss on that contract upon settlement. The net settlement is realised either through exchange-traded instruments or via bilateral agreements by entering into offsetting contracts or through the sale of a contract prior to settlement.

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

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.

v. 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.

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 „low 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.

ii) 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.

iii) 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 2020	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	1 066	44 471	729	--	**46 266**	-296	**45 970**
of which: External revenue	1 051	44 470	449	--	**45 970**	--	**45 970**
Intersegment revenue	15	1	280	--	**296**	-296	**--**
Other income	7	345	16	--	**368**	-7	**361**
Materials, consumables and services	-240	-44 049	-384	-14	**-44 687**	253	**-44 434**
Other operating expenses, including personnel expenses	-447	-263	-323	-4	**-1 037**	50	**-987**
Depreciation and amortisation expense	-372	-138	-105	--	**-615**	**--**	**-615**
Impairment of property, plant and equipment	-12	--	--	--	**-12**	**--**	**-12**
Profit or loss from operating activities	**2**	**366**	**-67**	**-18**	**283**	**--**	**283**
Share of profit or loss of equity-accounted investees	**--**	-16	**--**	**--**	**-16**	**--**	**-16**
Profit or loss from operating activities incl. share of profit or loss of equity-accounted investees	**2**	**350**	**-67**	**-18**	**267**	**--**	**267**
Interest income	1	--	3	--	**4**	**--**	**4**
Interest expense	-26	-40	-8	-93	**-167**	**--**	**-167**
Other finance income (+) / expense (-)	-10	-24	-45	3	**-76**	**--**	**-76**
Profit or loss from financial operations	**-35**	**-64**	**-50**	**-90**	**-239**	**--**	**-239**
Acquisition of property, plant and equipment and intangible assets	**-191**	**-24**	**-16**	**--**	**-231**	**--**	**-231**

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 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	67 265	1 153	--	**69 743**	-414	**69 329**
of which: External revenue	1 305	67 257	767	--	**69 329**	--	**69 329**
Intersegment revenue	20	8	386	--	**414**	-414	**--**
Other income	13	14	37	5	**69**	-7	**62**
Materials, consumables and services	-449	-67 111	-604	-22	**-68 186**	337	**-67 849**
Other operating expenses, including personnel expenses	-510	-241	-438	-6	**-1 195**	84	**-1 111**
Depreciation and amortisation expense	-367	-160	-118	--	**-645**	**--**	**-645**
Impairment of property, plant and equipment	3	--	--	--	**3**	**--**	**3**
Profit or loss from operating activities	**15**	**-233**	**30**	**-23**	**-211**	**--**	**-211**
Share of profit or loss of equity-accounted investees	**--**	54	--	--	**54**	**--**	**54**
Profit or loss from operating activities incl. share of profit or loss of equity-accounted investees	**15**	**-179**	**30**	**-23**	**-157**	**--**	**-157**
Interest income	1	1	2	--	**4**	**--**	**4**
Interest expense	-38	-40	-10	-92	**-180**	**--**	**-180**
Other finance income (+) / expense (-)	9	20	1	18	**48**	**--**	**48**
Profit or loss from financial operations	**-28**	**-19**	**-7**	**-74**	**-128**	**--**	**-128**
Acquisition of property, plant and equipment and intangible assets	**-407**	**-28**	**-133**	**--**	**-568**	**--**	**-568**

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5. Property, plant and equipment

2020	Underground gas storages	Wells	Land	Right of use land	Buildings and structures	Right of use buildings and structures	Oil and gas property	Machinery and equipment	Right of use machinery and equipment	Tangible assets under construction	Other tangible assets	Total
Acquisition costs												
Balance at 1 January 2020	3 647	4 464	118	99	1 333	24	--	3 317	40	468	17	**13 527**
Effect of new acquisitions	--	221	--	--	56	2	795	5	--	24	--	**1 103**
Additions	4	4	--	8	--	--	--	21	2	124	4	**167**
Disposals	-3	-109	--	--	-1	-1	--	-17	--	-7	--	**-138**
Transfers	2	36	--	--	133	--	--	124	-10	-284	-1	**--**
Change in valuation	--	-1	--	2	--	--	--	--	--	--	--	**1**
Balance at 31 December 2020	**3 650**	**4 615**	**118**	**109**	**1 521**	**25**	**795**	**3 450**	**32**	**325**	**20**	**14 660**
Accumulated depreciation and impairment												
Balance at 1 January 2020	1 353	3 124	3	16	645	7	--	1 582	24	--	3	**6 757**
Depreciation expense for the current year	107	220	--	19	58	7	--	174	5	1	--	**591**
Disposals	-3	-109	--	--	-1	--	--	-16	--	-1	--	**-130**
Transfers	--	--	--	--	--	--	--	10	-10	--	--	**--**
Impairment of assets	--	-6	14	--	4	--	--	--	--	--	--	**12**
Balance at 31 December 2020	**1 457**	**3 229**	**17**	**35**	**706**	**14**	**--**	**1 750**	**19**	**--**	**3**	**7 230**
Net book value												
1 January 2020	2 294	1 340	115	83	688	17	--	1 735	16	468	14	**6 770**
31 December 2020	**2 193**	**1 386**	**101**	**74**	**815**	**11**	**795**	**1 700**	**13**	**325**	**17**	**7 430**

In 2020, the major additions to tangible assets related to additions to tangible assets under construction are mainly represented by buildings and wells under construction.

In 2020, no borrowing costs were capitalised due to insignificance.

* see note 13: New acquisition for more information on asset movements due to new acquisition

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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	3 663	4 247	101	--	1 385	--	3 135	87	387	27	**13 032**
Identification of IFRS 16 lease as at 1 January 2019	--	--	--	76	--	24	--	3	--	--	**103**
Additions	5	116	17	23	12	--	158	9	197	10	**547**
Disposals	-21	-4	--	--	-67	--	-58	--	-4	-2	**-156**
Transfers	--	105	--	--	3	--	82	-59	-112	-18	**1**
Balance at 31 December 2019	**3 647**	**4 464**	**118**	**99**	**1 333**	**24**	**3 317**	**40**	**468**	**17**	**13 527**
Accumulated depreciation and impairment											
Balance at 1 January 2019	1 259	2 918	3	--	656	--	1 400	69	--	3	**6 308**
Depreciation expense for the current year	115	212	--	16	57	7	179	7	3	0	**596**
Disposals	-21	-4	--	--	-67	--	-49	--	-3	--	**-144**
Transfers	--	--	--	--	--	--	52	-52	--	--	**--**
Impairment of assets	--	-2	--	--	-1	--	--	--	--	--	**-3**
Balance at 31 December 2019	**1 353**	**3 124**	**3**	**16**	**645**	**7**	**1 582**	**24**	**--**	**3**	**6 757**
Net book value											
1 January 2019	2 404	1 329	98	--	729	--	1 735	18	387	24	**6 724**
31 December 2019	**2 294**	**1 340**	**115**	**83**	**688**	**17**	**1 735**	**16**	**468**	**14**	**6 770**

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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6. Intangible assets

2020	Intellectual property rights	Software	Intangible assets under construction	Other	Total
Acquisition cost					
Balance at 1/1/2020	*438*	*225*	*1*	*1*	***665***
Effect of new acquisition	*5*	--	--	--	***5***
Additions	--	*11*	*1*	*2*	***14***
Transfers	--	*1*	*-1*	--	**--**
Disposals	*-412*	*-4*	--	*-1*	***-417***
Balance at 31/12/2020	***31***	***233***	***1***	***2***	***267***
Accumulated amortisation					
Balance at 1/1/2020	*433*	*191*	--	*1*	***625***
Amortisation expense for the current year	*1*	*23*	--	--	***24***
Disposals	*-412*	*-4*	--	--	***-416***
Balance at 31/12/2020	***22***	***210***	**--**	***1***	***233***
Net book value					
1 January 2020	*5*	*34*	*1*	--	***40***
31 December 2020	***9***	***23***	***1***	***1***	***34***

The disposal of appreciable rights in amount of MCZK 412 consists of out-of-date seismic data which were fully depreciated.

2019	Intellectual property rights	Software	Intangible assets under construction	Other	Total
Acquisition cost					
Balance at 1/1/2019	*436*	*206*	*1*	*1*	***644***
Additions	*2*	*19*	*1*	*3*	***25***
Transfers	--	--	*-1*	--	***-1***
Disposals	--	--	--	*-3*	***-3***
Balance at 31/12/2019	***438***	***225***	***1***	***1***	***665***
Accumulated amortisation					
Balance at 1/1/2019	*416*	*159*	--	*1*	***576***
Amortisation expense for the current year	*17*	*32*	--	--	***49***
Disposals	--	--	--	--	**--**
Balance at 31/12/2019	***433***	***191***	**--**	***1***	***625***
Net book value					
1 January 2019	*20*	*47*	*1*	--	***68***
31 December 2019	***5***	***34***	***1***	**--**	***40***

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7. Equity-accounted investees

	Ownership interest	31/12/2020	31/12/2019
Moravia Gas Storage a.s.	50 %	443	463
Equity accounted investees		**443**	**463**

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.	31/12/2020	31/12/2019
Non-current assets	3 678	3 581
Current assets	215	129
of which: cash and cash equivalents	149	75
Non-current liabilities	-3 036	-2 965
of which: financial liabilities with the exception of trade and other payables and provisions	-3 024	-2 952
Current liabilities	-253	-102
of which: financial liabilities with the exception of trade and other payables and provisions	-194	-46
Net assets (100%)	604	643
Group’s share of net assets (50%)	302	322
Fair value adjustment	141	141
Carrying amount of interest in joint venture	**443**	**463**
Revenue	440	347
Depreciation and amortisation expense	-190	-116
Interest expense	-111	-81
Income tax (current and deferred)	8	32
Profit/Loss from continuing operations (100%)	-33	108
Other comprehensive income (100%)	-6	-24
Group’s share of total profit or loss of the joint venture (50%)	**-16**	**54**
Group’s share of other comprehensive income of the joint venture (50%)	**-3**	**-12**

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.

A change in the value of the equity-accounted investee in 2020 of MCZK -20 (2019: 37 MCZK) comprises a contribution to the company‘s equity of MCZK 0 (2019: 42 MCZK), the share of profit or loss of equity-accounted investees of MCZK -16 (2019: 54 MCZK), the share of other comprehensive income of MCZK -3 (2019: -12 MCZK) and share on unrealised profit from mutual sales of assets, including related deferred tax, of MCZK 0 (2019: -2 MCZK).

In 2020 and 2019, 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:

	31/12/2020	31/12/2019
Current receivables	3	3
Current liabilities	4	2
Revenue and other operating income	15	50
Materials and energy used, services and other operating expenses	-21	-8

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8. Other non-current investments

Other non-current investments	31/12/2020	31/12/2019
Long-term restricted cash	36	34
Total other non-current investments	**36**	**34**

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	31/12/2020	31/12/2019
Non-current trade receivables and advances	34	33
Non-current contract costs	21	--
Non-current prepaid expenses	10	--
Total non-current trade and other receivables	**65**	**33**

For Credit quality see Note 30b) Credit risk.

Current trade and other receivables	31/12/2020	31/12/2019
Current trade receivables and advances	1 992	1 693
Current loans provided	25	32
Current contract assets	130	89
Other current receivables	111	122
Prepaid expenses	57	55
Other tax receivables	22	10
Contract costs	9	23
Total current trade and other receivables	**2 346**	**2 024**

As at 31 December 2020, net overdue current receivables totalled MCZK 11 (at 31 December 2019: MCZK 38). As at 31 December 2020, an allowance for receivables totalled MCZK 78 (at 31 December 2019: MCZK 42). For Credit quality and amount of provision see Note 30b) Credit risk.

In 2020, other short-term receivables include a receivable from clearing system member totalling MCZK 103 (2019: MCZK 101).

10. Other current financial assets

	31/12/2020	31/12/2019
Other current financial assets	61	39
Total other current financial assets	**61**	**39**

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

	31/12/2020	31/12/2019
Material	234	229
Goods	2 319	2 078
Own products (oil)	24	22
Work in progress and semi-finished goods	7	9
Advances for inventories	2	1
Total inventories	**2 586**	**2 339**

In 2020, material includes an allowance for material of MCZK 15 (2019: MCZK 12).

Goods include gas for trading valued at fair value in the amount of MCZK 2 305 (2019: MCZK 2 055).

12. Cash and cash equivalents

	31/12/2020	31/12/2019
Cash in hand	1	1
Cash at bank	2 850	1 667
Cash equivalents	265	104
Fixed-term deposits (less than 90 days)	18	--
Total cash and cash equivalents	**3 134**	**1 772**

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

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13. New acquisitions

On 31 December 2020, the Group acquired an 80% share in MND Ukraine a.s. in the form of a non-monetary contribution of shares outside the share capital from the parent company MND Group AG. As part of this acquisition, companies were acquired, 100% owned by MND Ukraine a.s. – the subsidiaries “Horyzonty” LLC, Geologichne byreau “Lviv” LLC and Precarpathian energy company LLC established in Ukraine.

It is a business combination under common control in which the Group has chosen to apply the acquisition method of accounting in accordance with IFRS 3 and the accounting policy described in note 2a)iii.

Tangible fixed assets include a significant item Oil and gas property in amount of MCZK 795, which represents the value of gas reserves of the MND Ukraine a.s. subgroup.

The acquisitions of subgroup MND Ukraine a.s. had the following effect on the Group´s consolidated financial statements.

2020	**Subgroup MND Ukraine a.s.**
Tangible fixed assets	1 100
Intangible assets	7
Other non-current assets	1
Current receivables	27
Cash and cash equivalents	62
Other current assets	2
Non-current liabilities	-156
Current liabilities	-148
Net assets	895
Non-controlling interest acquired (20 %)	-179
Consideration paid	716
Consideration paid, satisfied in cash	--
Contribution to equity	716
Cash acquired	62
Net cash outflow (+)/inflow (-) in 2020	62

As the acquisition took place on 31 December 2020, the acquisition of new companies did not affect the Group´s profit or loss for reporting period 2020.

A more detailed presentation of items of tangible fixed assets is quantified in the table of property, plant and equipment in Note 5.

14. Equity

	31/12/2020	31/12/2019
Share capital	1 000	1 000

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 and as a result of non-monetary contribution described below.

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

As at 31 December 2020, the Company´s other funds were increased by MCZK 716 through a non-monetary contribution of an 80% share in MND Ukraine a.s. from the parent company MND Group AG.

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Earnings per share

Profit (+) / loss (-) attributable to ordinary shareholders	2020	2019
Net profit (+) / loss (-) attributable to ordinary shareholders	7	-256
Net profit (+) / loss (-) attributable to ordinary shareholders	**7**	**-256**

Weighted average number of ordinary shares	Number of shares	Weight	2020	2019
Issued ordinary shares at 1 January	50 000	1	50 000	50 000
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)			**0,142**	**-5,125**
Diluted earnings (+) / loss (-) per share for the year (in TCZK)			**0,142**	**-5,125**

15. 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	31/12/2020	31/12/2019
Non-current bank loans	205	237
Non-current borrowings from companies outside the Group	46	50
Bonds issued – non-current portion	2 200	2 197
Total non-current loans and bonds	**2 451**	**2 484**

Current loans and bonds	31/12/2020	31/12/2019
Current bank loans	1 470	1 477
Current portion of non-current bank loans	100	138
Other current borrowings	172	1 418
Bonds issued – current portion	9	10
Total current loans and bonds	**1 751**	**3 043**

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 2020 other current borrowings include specific current financing of gas inventories of MCZK 161 (2019: MCZK 1 408) from a banking entity.

As at 31 December 2020, current bank loans include a short-term bank loan for the purpose of financing gas inventory totalling MCZK 1 470 (at 31 December 2019: MCZK 1 377).

The Group has committed to lease office space since May 1, 2021. The present value of this future liability is MCZK 152. Future cash flows are shown in the liquidity risk table (Note 30d).

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Bank loans

The bank loans are due as follows:

	31/12/2020	31/12/2019
Due within 1 year	1 570	1 615
Due within 1 – 5 years	205	222
Due in more than 5 years	--	15
	1 775	**1 852**

Loans received by the Group are secured by property, plant and equipment of MCZK 1 059 (at 31 December 2019: MCZK 1 082); pledged inventories of MCZK 1 192 (at 31 December 2019: MCZK 976); pledged receivables of MCZK 525 (at 31 December 2019: MCZK 235); and pledged receivables from current accounts of MCZK 1 196 (at 31 December 2019: MCZK 443).

Based on the loans contractual conditions the Group companies need to fulfil specific financial debt indicators. As at 31 December 2020 and 31 December 2019 the Group companies fulfilled these indicators.

Interest rates on loans are based on PRIBOR and EURIBOR rates and a margin which ranges between 1.23 % and 1.85 % (2019: 1.00 % - 1.35 %).

As at 31 December 2020, the total amount of undrawn credit facilities of the Group is MCZK 210 (2019: MCZK 0).

The transaction currencies of loans, bonds and borrowings as at 31 December 2020 are EUR and CZK; the balance of loans with the EUR transaction currency is MCZK 1 953 (2019: MCZK 3 155) and the balance of loans with the CZK transaction currency is MCZK 2 249 (2019: MCZK 2 372).

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 MCZK 3; the total nominal value of bonds is MCZK 2 202. The issue of bonds was carried out in the Czech Republic in compliance with Czech law. The transaction costs of MCZK 13 associated with the issue of bonds were deducted from the value of bonds and are amortised over the maturity period of the bond.

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

	2020	2019
Balance at 1 January	**5 527**	**5 704**
Cash flows		
Drawing of loans and borrowings	18 969	15 589
Repayment of loans and borrowings	-20 349	-15 739
Non-cash changes		
Foreign exchange differences recognised in profit or loss	52	-46
Other non-monetary transactions	3	19
Balance at 31 December	**4 202**	**5 527**

Lease liabilities

Lease liabilities	31/12/2020	31/12/2019
Lease liabilities – non-current	78	86
Lease liabilities - current	20	27
Total lease liabilities	**98**	**113**

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Reconciliation of movements of lease liabilities with cash flows:

	2020	2019
Balance at 1 January	**113**	**5**
Cash flows		
Payment of lease liabilities	-28	-27
Non-cash changes		
Recognition of lease liabilities	11	135
Effect of new acquisitions	2	--
Balance at 31 December	**98**	**113**

16. Trade and other payables

Non-current trade and other payables	31/12/2020	31/12/2019
Other non-current liabilities	396	306
Total non-current trade and other payables	**396**	**306**

Other non-current liabilities are due within 5 years. Other non-current liabilities include payables arising from contracts for gas storage of MCZK 387 (2019: MCZK 272).

Current trade and other payables	31/12/2020	31/12/2019
Trade payables	3 052	2 724
Other current liabilities	10	10
Current contract liabilities	885	574
Payables to the state	93	87
Payables to employees	88	109
Current deffered income	11	--
Total current trade and other payables	**4 139**	**3 504**

As at 31 December 2020, current overdue trade payables totalled MCZK 0 (2019: MCZK 0). Short-term trade payables include payables arising from contracts for gas storage of MCZK 507 (2019: MCZK 417).

17. Derivative financial instruments

The Group uses the derivative financial instruments mainly for trading with electricity, gas and emissions allowances and to hedge the currency, interest and commodity risks. When the hedge accounting requirements are fulfilled, derivatives are designated and recognized as "Hedging derivatives".

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Carrying amount of receivables as payables from derivative financial instruments is as follows:

	31/12/2020			31/12/2019		
	Hedging derivatives	Trading derivatives	**Total**	Hedging derivatives	Trading derivatives	**Total**
Long-term receivables	--	565	**565**	19	940	**959**
Short-term receivables	21	1 842	**1 863**	19	3 575	**3 594**
Total receivables from derivative financial instruments	**21**	**2 407**	**2 428**	**38**	**4 515**	**4 553**
Long-term payables	-19	-427	**-446**	-4	-268	**-272**
Short-term payables	-84	-1 526	**-1 610**	-2	-1 552	**-1 554**
Total payables from derivative financial instruments	**-103**	**-1 953**	**-2 056**	**-6**	**-1 820**	**-1 826**

All financial derivatives are stated at fair value as at 31 December 2020 and 31 December 2019 and categorised to Level 2 in the fair value hierarchy.

Hedging derivatives

As at 31 December 2020, the Group had the following financial derivatives for hedging:

2020	Year of maturity	Nominal value	Average hedged rate	Fair value
Currency forwards	2021	303	22.954 CZK/USD	15
Currency forwards	2021	643	26.241 CZK/EUR	6
Total receivables from hedging derivatives				**21**
Interest rate swaps	2025	247	0.48%	-6
Interest rate swaps	2022	2 202	1.56%	-37
Currency forwards	2022	367	26.785 CZK/EUR	-5
Interest rate swaps	2021	39	1.31%	--
Commodity swaps	2021	314	43.95 USD/bbl	-46
Currency swaps	2021	184	26.096 CZK/EUR	-1
Currency forwards	2021	659	26.593 CZK/EUR	-8
Total payables from hedging derivatives				**-103**
Total hedging financial derivatives				**-82**

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

2019	Year of maturity	Nominal value	Average hedged rate	Fair value
Interest rate swaps	2022	2 202	1.56%	38
Interest rate swaps	2021	65	1.31%	--
Total receivables from hedging derivatives				**38**
Interest rate swaps	2025	254	0.48%	-6
Total payables from hedging derivatives				**-6**
Total hedging financial derivatives				**32**

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

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Hedge accounting criteria were fulfilled as at 31 December 2020 and 2019 for all the derivates which are recognized as "Hedging derivatives". The changes in the fair value for such derivatives are recognized directly in the other comprehensive income. The Group does not recognize any hedge ineffectiveness arising from these forwards and swaps in the consolidated profit or loss statement.

Fair values of hedging derivatives stated in the table above corresponds to value obtained from the financial institution with whom the Group entered into the derivative transaction in question.

Trading derivatives

Besides the hedging derivatives the Group held the derivatives for trading as they do not fulfill the hedge accounting criteria as at 31 December 2020 and 31 December 2019. These derivatives are classified as "Trading derivatives" and recognized in fair value.

The Group had the following financial derivatives for trading:

2020	Year of maturity	Fair value
Commodity forward	2023	1 264
Commodity forward	2022	867
Commodity future	2022	275
Currency forward	2021	1
Total receivables from trading derivatives		**2 407**
Commodity forward	2023	-1 733
Currency forward	2021	-13
Commodity forward	2021	-207
Total payables from trading derivatives		**-1 953**
Total trading financial derivatives		**454**

2019	Year of maturity	Fair value
Commodity forward	2024	272
Commodity forward	2021	634
Commodity future	2021	25
Currency forward	2021	9
Commodity forward	2020	3 499
Commodity future	2020	61
Currency forward	2020	15
Currency swap	2020	--
Total receivables from trading derivatives		**4 515**
Commodity forward	2021	-266
Commodity future	2021	-1
Currency forward	2021	-2
Commodity forward	2020	-1 538
Currency forward	2020	-12
Currency swap	2020	-1
Total payables from trading derivatives		**-1 820**
Total trading financial derivatives		**2 695**

The Group held trading derivatives in a form of currency forward, currency swap and commodity future and commodity forward. For fair value determination, a market comparison technique was used and the inputs were based on the same fair value hierarchy.

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18. Provisions

At 31 December 2020	Provision for decommissioning, renewal and restoration	Other provisions	Total
Balance 1 January 2020	1 313	1	1 314
Effect of new acquisitions	18	--	18
Additions	5	--	5
Utilization	-94	--	-94
Unwinding of discount	23	--	23
Effect of currency translation	-1	--	-1
Balance 31 December 2020	**1 264**	**1**	**1 265**
Thereof:			
Non-current provisions	1 235	--	1 235
Current provisions	29	1	30

Provisions for decommissioning, renewals and restorations are established based on rules described in Note 3(k). For 2020 interest rate 1 – 1.4 % 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 2021 and 2052.

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 December2020 **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 31/12/2020
Revenue from trading in gas	--	33 859	--	**33 859**
Revenue from trading in electricity	--	5 136	--	**5 136**
Revenue from the sale of gas to end customers	--	2 551	--	**2 551**
Revenue from the sale of electricity to end customers	--	2 463	--	**2 463**
Revenue from the sale of goods	2	--	2	**4**
Revenue from the sale of produced oil	588	--	--	**588**
Revenue from the sale of produced gas	434	--	--	**434**
Revenue from the provision of services	27	41	46	**114**
Revenue from drilling activities	--	--	391	**391**
Revenue from gas storage	--	420	--	**420**
Revenue from the sale of products	--	--	10	**10**
Total revenue	**1 051**	**44 470**	**449**	**45 970**

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At 31 December 2019 **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	--	**54 974**
Revenue from trading in electricity	--	7 909	--	**7 909**
Revenue from the sale of gas to end customers	--	2 375	--	**2 375**
Revenue from the sale of electricity to end customers	--	1 820	--	**1 820**
Revenue from the sale of goods (purchased oil)	93	--	--	**93**
Revenue from the sale of produced oil	780	--	--	**780**
Revenue from the sale of produced gas	395	--	--	**395**
Revenue from the provision of services	37	39	69	**145**
Revenue from drilling activities	--	--	685	**685**
Revenue from gas storage	--	140	--	**140**
Revenue from the sale of products	--	--	13	**13**
Total revenue	**1 305**	**67 257**	**767**	**69 329**

At 31 December 2020 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue at 31/12/2020
Revenue recognised at a point time	--	--	37	37
Revenue recognised over time	1 051	5 475	412	6 938
Subtotal	**1 051**	**5 475**	**449**	**6 975**
Revenue from commodity trading	--	--	--	**38 995**
Total revenue	**1 051**	**5 475**	**449**	**45 970**

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	--	--	39	**39**
Revenue recognised over time	1 305	4 374	728	**6 407**
Subtotal	**1 305**	**4 374**	**767**	**6 446**
Revenue from commodity trading	--	--	--	**62 883**
Total revenue	**1 305**	**4 374**	**767**	**69 329**

Revenue based on geographical position of a point of sale	2020	2019
Czech Republic	10 781	12 393
Hungary	229	382
Germany	11 799	17 969
Netherlands	17 812	29 251
Austria	3 349	6 749
Slovakia	1 659	2 333
Other	341	252
Total revenue	**45 970**	**69 329**

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In 2020, the Group reported revenue of MCZK 5 960 (2019: MCZK 7 440) 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.

In 2020, in revenues was recognized MCZK 567 from the value of contract liabilities as at 31 December 2019 (Note 16).

20. Other operating income

	2020	2019
Income from grants	7	--
Gain on sale of non-current assets	2	2
Income from lease	3	12
Gain from trading with commodity contracts	262	--
Fines and default interest	3	23
Remaining operating income	84	25
Total other operating income	**361**	**62**

	2020	2019
Gain from traiding with commodity contracts	2 334	2 040
Loss from trading with commodity contracts	2 072	-2 066
Net gain / loss (-) from trading with commodity contracts	**262**	**-26**

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21. Consumption of materials, goods and services

	2020	2019
Cost of goods sold	3	88
Cost of sale of gas and electricity to end customers	2 757	2 368
Cost of trading in gas and electricity	38 978	62 789
Materials and energy used	241	333
Total materials and goods used	**41 979**	**65 578**
Services used relating to revenue	2 108	1 831
Lease expenses	68	127
Other services	266	284
Amortisation of contract costs	12	12
Changes in product and work-in-progress inventories	1	17
Total services used	**2 455**	**2 271**
Total consumption of materials, goods and services	**44 434**	**67 849**

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 2020 and 2019 comprise short term leases.

Other services include costs of services provided by a statutory auditor to the MND Group of MCZK 5 (2019: MCZK 4).

	2020	2019
Audit	5	4
Total	**5**	**4**

22. Personnel expenses

	2020	2019
Payroll expenses	530	570
Social security and health insurance expenses	165	187
Other social expenses	23	25
Total personnel expenses	**718**	**782**

The average number of employees in 2020 was 814 (2019: 894 employees).

23. Depreciation, amortisation and impairment

	2020	2019
Depreciation of property, plant and equipment (Note 5)	560	566
Impairment of property, plant and equipment (Note 5)	12	-3
Amortisation of intangible assets (Note 6)	24	49
Depreciation of right of use	31	30
Total depreciation, amortisation and impairment	**627**	**642**

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24. Other operating expenses

	2020	2019
Repairs and maintenance	42	51
Travel expenses	16	39
Fees	121	112
Other taxes	6	6
Insurance premiums	19	22
Loss from trading in commodity contracts	--	26
Credit loss allowance for financial assets	37	18
Write off receivables	7	8
Other overhead operating expenses	21	47
Total other operating expenses	**269**	**329**

The most significant part of fees represents charges for extracted oil and gas of MCZK 76 (2019: MCZK 70) and payments for mining areas and fees for exploration areas of MCZK 42 (2019: 40).

25. Finance income and costs

	2020	2019
Interest income	4	4
Total interest income	**4**	**4**
Gain on foreign exchange operations	--	37
Income from current financial assets	5	20
Other finance income	51	27
Total finance income	**56**	**84**
Interest expense	-162	-175
Interest expense on leases	-5	-5
Other finance costs	-129	-36
Loss from foreign exchange transactions	-3	--
Total finance costs	**-299**	**-216**
Net profit/loss from financial operations	**-239**	**-128**

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26. Taxation

Income tax expense

	2020	2019
Current tax expense		
Current year	27	31
Changes in estimates relating to the previous year	-6	--
Total current tax expense	**21**	**31**
Deferred tax expense	--	-60
Total income tax (expense + / income -)	**21**	**-29**

Reconciliation of effective tax rate

	2020	%	2019	%
Profit or loss before tax	**28**		**-285**	
Income tax using the valid tax rate	5	19.0%*	-54	19.0%*
Effect of tax non-deductible expenses that do not result in deferred tax	11	39.8%	8	-2.9%
Effect of tax exempt income	--	0.0%	-3	0.9%
Donation for charitable purposes	--	0.0%	-1	0.3%
Tax relating to prior periods	--	0.0%	29	-10.1%
Effect of share of profit (-) / loss (+)-of equity-accounted investee, net of tax	3	10.7%	-10	3.6%
Other effects	2	5.5%	2	-0.7%
Total income tax expense / Effective tax rate	**21**	**75.0%**	**-29**	**10.1%**

* Tax rate valid in the Czech Republic

Deferred tax

	31/12/2020	31/12/2019
Deferred tax asset	182	175
Deferred tax liability	-457	-337
Net amount of deferred tax	**-275**	**-162**

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 2020 and 2019.

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Change in deferred tax

2020	Balance at 1/1/2020	Change in 2020			Balance at 31/12/2020
	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Changes from business combinations	Deferred tax asset (+)/liability (-)
Deferred tax asset (+)/liability (-)	**-162**	**--**	**22**	**-135**	**-275**
Property, plant and equipment	-478	136	--	-139	-481
Intangible assets	1	-1	--	--	--
Derivative financial instruments*	-425	508	22	--	105
Total inventories	201	-294	--	--	-93
Total receivables	5	-4	--	--	1
Lease liabilities	22	-26	--	--	-4
Total liabilities	9	-4	--	--	5
Provisions	227	-80	--	4	151
Tax losses carried-forward	276	-235	--	--	41

* The net deferred tax receivable arising from derivative financial instruments totalling MCZK 105 is a result of offsetting of deferred tax liability from derivative financial instruments assets in amount of MCZK 409 and deferred tax asset arising from derivative financial instruments liabilities and liabilities from gas storage contracts in amount of MCZK 512.

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 (-)	**-220**	**59**	**-1**	**-162**
Property, plant and equipment	-470	-8	--	-478
Intangible assets	--	1	--	1
Non-current and current financial assets	--	--	--	--
Derivative financial instruments*	-5	-419	-1	-425
Total inventories	3	198	--	201
Total receivables	20	-14	--	6
Lease liabilities	--	21	--	21
Total liabilities	8	1	--	9
Provisions	224	3	--	227
Tax losses carried-forward	--	276	--	276

* The net liability tax receivable arising from derivative financial instruments totalling MCZK 425 is a result of offsetting of deferred tax liability from derivative financial instruments assets in amount of MCZK 850 and deferred tax asset arising from derivative financial instruments liabilities and liabilities from gas storage contracts in amount of MCZK 425.

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27. Other comprehensive income

	2020	2019
Change in the fair value of hedging instruments, before tax	-115	1
Change in the fair value of hedging instruments – deferred tax	22	--
Change in the fair value of hedging instruments, after tax	**-93**	**1**
Change in the fair value of hedging instruments transferred to profit/loss, before tax	--	5
Change in the fair value of hedging instruments transferred to profit/loss - deferred tax	--	-1
Change in the fair value of hedging instruments transferred to profit/loss, after tax	**--**	**4**
Share of other comprehensive income of equity-accounted investees	-3	-12
Share of other comprehensive income of equity-accounted investees	**-3**	**-12**
Total other comprehensive income	**-96**	**-7**

2020	**Hedging reserve**	**Share on funds of equity-accounted investees**	**Total other comprehensive income**
Share of other comprehensive income of equity-accounted investees	--	-3	-3
Change in the fair value of hedging instruments	-93	--	-93
Total other comprehensive income, after tax	**-93**	**-3**	**-96**

2019	**Hedging reserve**	**Share on funds of equity-accounted investees**	**Total other comprehensive income**
Share of other comprehensive income of equity-accounted investees	--	-12	-12
Change in the fair value of hedging instruments	5	--	5
Total other comprehensive income, after tax	**5**	**-12**	**-7**

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 2020, MCZK 3 (2019: MCZK 12) was recognised as income from leases in the statement of comprehensive income (Note 20).

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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:

	2020		2019	
	Board of directors and supervisory board	Executive management	Board of directors and supervisory board	Executive management
Payroll expenses	--	36	--	36
Social security and health insurance expenses	3	9	4	10
Bonuses to statutory body members	12	--	14	--
Total	**15**	**45**	**18**	**46**

In 2020, members of the board of directors of MND a.s. received bonuses of MCZK 2 (2019: MCZK 3).

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 2020 and 31 December 2019:

	Receivables		**Payables**	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	27	27	--	--
DataSpring s.r.o.	--	--	1	1
KKCG a.s.	--	--	1	1
KKCG AG	--	--	4	6
Moravia Systems a.s.	--	3	--	2
Cestovní kancelář FISCHER, a.s.	--	--	--	1
Conectart s.r.o.	--	--	--	15
Vinohradská 230 a.s.	1	3	1	1
LP Drilling S.r.l.	--	39	--	--
MND Drilling Germany GmbH	7	9	--	10
MND Gas Storage Germany GmbH	--	1	--	--
MND Germany GmbH	27	1	--	6
HORYZONTY LLC	--	1	--	--
KKCG Structured Finance AG	61	39	--	--
Kynero Consulting a.s.	--	--	--	1
SafeDX s.r.o.	--	1	--	--
SAZKA a.s.	1	1	--	--
Total	**124**	**125**	**7**	**44**

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

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 2020 and 31 December 2019:

	Income		Expenses	
	2020	2019	2020	2019
DataSpring s.r.o.	3	3	8	10
KKCG a.s.	--	--	8	9
KKCG AG	--	--	3	2
Moravia Systems a.s.	--	2	5	9
Cestovní kancelář FISCHER, a.s.	--	--	--	3
Conectart s.r.o.	--	--	62	125
Vinohradská 230 a.s.	4	3	14	14
LP Drilling S.r.l.	3	11	--	--
MND Drilling Germany GmbH	1	5	32	65
MND Gas Storage Germany GmbH	13	8	--	21
MND Germany GmbH	1	--	63	47
HORYZONTY LLC	--	4	--	--
KKCG Structured Finance AG	5	20	--	--
KKCG Technologies s.r.o.	33	--	--	--
Kynero Consulting a.s.	--	--	4	4
SafeDX s.r.o.	1	4	--	--
SAZKA a.s.	44	8	--	--
AUTOCONT a.s.	--	--	3	3
Liberty Two Methanol LLC	--	2	--	--
Total	**108**	**70**	**202**	**312**

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) 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 2020	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables - financial	5	--	--	1	6
Non-current receivables from derivative instruments	525	--	40	--	565
Non-current restricted cash	--	--	36	--	36
Other current financial assets	61	--	--	--	61
Current receivables – financial	1 382	6	306	1	1 695
Current receivables from derivative instruments	1 841	--	22	--	1 863
Cash and cash equivalents	266	--	2 868	--	3 134
Total	**4 080**	**6**	**3 272**	**2**	**7 360**

At 31 December 2019-	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables – financial	32	--	--	1	33
Non-current receivables from derivative instruments	932	--	27	--	959
Non-current restricted cash	--	--	34	--	34
Other current financial assets	39	--	--	--	39
Current receivables – financial	1 803	4	--	129	1 936
Current receivables from derivative instruments	3 559	--	35	--	3 594
Cash and cash equivalents	105	--	1 667	--	1 772
Total	**6 470**	**4**	**1 763**	**130**	**8 367**

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Ageing structure of financial assets

At 31 December 2020	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	**42**	**--**	**--**	**--**	**--**	**--**	**42**
Non-current receivables - financial	6	--	--	--	--	--	6
Non-current restricted cash	36	--	--	--	--	--	36
Current receivables - financial	**1 722**	**20**	**8**	**24**	**34**	**-113**	**1 695**
Current trade receivables	1 421	19	7	22	32	-72	1 429
Current loans provided to related parties	60	--	--	--	--	-35	25
Contract assets – current	130	--	--	--	--	--	130
Other current receivables	111	1	1	2	2	-6	111
Other current financial assets	**61**	**--**	**--**	**--**	**--**	**--**	**61**
Other current financial assets	61	--	--	--	--	--	61
Cash and cash equivalents	**3 134**	**--**	**--**	**--**	**--**	**--**	**3 134**
Cash in hand	1	--	--	--	--	--	1
Bank accounts and cash equivalents	3 115	--	--	--	--	--	3 115
Fixed-term deposits	18	--	--	--	--	--	18
Total	**4 959**	**20**	**8**	**24**	**34**	**-113**	**4 932**

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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	**67**	**--**	**--**	**--**	**--**	**--**	**67**
Non-current receivables - financial	33	--	--	--	--	--	33
Non-current restricted cash	34	--	--	--	--	--	34
Current receivables - financial	**1 894**	**47**	**11**	**10**	**16**	**-42**	**1 936**
Current trade receivables	1 652	46	10	9	16	-40	1 693
Current loans provided to related parties	32	--	--	--	--	--	32
Contract assets – current	89	--	--	--	--	--	89
Other current receivables	121	1	1	1	--	-2	122
Other current financial assets	**39**	**--**	**--**	**--**	**--**	**--**	**39**
Other current financial assets	39	--	--	--	--	--	39
Cash and cash equivalents	**1 772**	**--**	**--**	**--**	**--**	**--**	**1 772**
Cash in hand	1	--	--	--	--	--	1
Bank accounts and cash equivalents	1 771	--	--	--	--	--	1 771
Total	**3 772**	**47**	**11**	**10**	**16**	**-42**	**3 814**

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. Class 3 consiss off financial assets whose credit quality has increased and to which was created 100% impairment allowance.

At 31 December 2020	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**3 134**	**--**	**--**	**--**	**--**	**3 134**
Cash in hand	1	--	--	--	--	1
Bank accounts in banks	3 115	--	--	--	--	3 115
Fixed-term deposits	18	--	--	--	--	18
Other current financial assets	**61**	**--**	**--**	**--**	**--**	**61**
Other current financial assets	61	--	--	--	--	61
Non-current restricted cash	**36**	**--**	**--**	**--**	**--**	**36**
Non-current restricted cash	36	--	--	--	--	36
Class 2						
Current receivables - financial	**38**	**--**	**40**	**1 730**	**-113**	**1 695**
Current trade receivables	13	**--**	5	1 483	-72	1 429
Current loans provided to related parties	25	--	35	--	-35	25
Contract assets – current	--	--	--	130	--	130
Other current receivables	--	--	--	117	-6	111
Non-current receivables - financial	**6**	**--**	**--**	**--**	**--**	**6**
Other trade and other receivables	6	--	--	--	--	6
Total	**3 275**	**--**	**40**	**1 730**	**-113**	**4 932**

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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**	**--**	**--**	**--**	**--**	**1 772**
Cash in hand	1	--	--	--	--	1
Bank accounts in banks	1 771	--	--	--	--	1 771
Other current financial assets	**39**	**--**	**--**	**--**	**--**	**39**
Other current financial assets	39	--	--	--	--	39
Non-current restricted cash	**34**	**--**	**--**	**--**	**--**	**34**
Non-current restricted cash	34	--	--	--	--	34
Class 2						
Current receivables – financial	**57**	**--**	**--**	**1 921**	**-42**	**1 936**
Current trade receivables	25	**--**	**--**	1 708	-40	1 693
Current loans provided to related parties	32	--	--	--	--	32
Contract assets – current	--	--	--	89	--	89
Other current receivables	--	--	--	124	-2	122
Non-current receivables – financial	**33**	**--**	**--**	**--**	**--**	**33**
Non-current trade and other receivables	33	--	--	--	--	33
Total	**1 935**	**--**	**--**	**1 921**	**-42**	**3 814**

Movements in impairment allowances are shown in the following table:

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2020	**--**	**--**	**--**	**-42**	**-42**
Additions – increase in allowance recognized in profit or loss during the year	**--**	**--**	-40	-42	**-82**
Reversals – amounts unused	**--**	**--**	**--**	4	**4**
Write-offs – receivables written off during the year as uncollectible	**--**	**--**	**--**	7	**7**
Balance at 31 December 2020	**--**	**--**	**-40**	**-73**	**-113**

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2019	**--**	**--**	**--**	**-24**	**-24**
Additions – increase in allowance recognized in profit or loss during the year	**--**	**--**	**--**	-26	**-26**
Reversals – amounts unused	**--**	**--**	**--**	--	**--**
Write-offs – receivables written off during the year as uncollectible	**--**	**--**	**--**	8	**8**
Balance at 31 December 2019	**--**	**--**	**--**	**-42**	**-42**

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Impairment matrix for current trade and other receivables as of 31 December 2020:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**1 649**	**0.18%**	**-3**	**1 646**
Current trade receivables	1 408	0.21%	-3	1 405
Contract assets - current	130	0.00%	--	130
Other current receivables	111	0.00%	--	111
Past due < 90 days	**15**	**26.67%**	**-4**	**11**
Current trade receivables	14	21.43%	-3	11
Other current receivables	1	100.00%	-1	--
Past due 91-180 days	**8**	**100.00%**	**-8**	**--**
Current trade receivables	7	100.00%	-7	--
Other current receivables	1	100.00%	-1	--
Past due 181-365 days	**24**	**100.00%**	**-24**	**--**
Current trade receivables	22	100.00%	-22	--
Other current receivables	2	100.00%	-2	--
Past due >365 days	**34**	**100.00%**	**-34**	**--**
Current trade receivables	32	100.00%	-32	--
Other current receivables	2	100.00%	-2	
Total	**1 730**	**4.22%**	**-73**	**1 657**

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**	**0.11%**	**-2**	**1 841**
Current trade receivables	1 633	0.12%	-2	1 631
Contract assets - current	89	0.00%	--	89
Other current receivables	121	0.00%	--	121
Past due < 90 days	**41**	**7.32%**	**-3**	**38**
Current trade receivables	40	7.50%	-3	37
Other current receivables	1	0.00%	--	1
Past due 91-180 days	**10**	**100.00%**	**-10**	**--**
Current trade receivables	9	100.00%	-9	--
Other current receivables	1	100.00%	-1	--
Past due 181-365 days	**11**	**100.00%**	**-11**	**--**
Current trade receivables	10	100.00%	-10	--
Other current receivables	1	100.00%	-1	--
Past due >365 days	**16**	**100.00%**	**-16**	**--**
Current trade receivables	16	100.00%	-16	--
Total	**1 921**	**2.19%**	**-42**	**1 879**

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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	**31/12/2020**	**31/12/2019**
Czech Republic	4 374	4 533
Germany	786	798
Switzerland	510	842
Italy	1	39
Austria	370	534
Slovakia	219	99
Ukraine	66	--
Great Britain	1 007	1 432
Other countries	27	90
Total	**7 360**	**8 367**

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

Offsetting in the balance sheet

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.

Potential 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 potential offsetting.

At 31 December 2020	Gross amount before offsetting	Offsetting in the balance sheet	Net amount in the balance sheet	Potential offsetting	Amount after potential offsetting
Assets					
Non-current receivables from derivative instruments	565	--	565	-54	511
Current receivables from derivative instruments	1 863	--	1 863	-160	1 703
Current receivables	5 312	-3 735	1 577	-136	1 441
Total	**7 740**	**3 735**	**4 005**	**-350**	**3 655**
Liabilities					
Non-current liabilities from derivative instruments	442	--	442	-54	388
Current liabilities from derivative instruments	1 608	--	1 608	-296	1 312
Current liabilities	6 690	-3 735	2 955	--	2 955
Total	**8 740**	**-3 735**	**5 005**	**-350**	**4 655**

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At 31 December 2019	Gross amount before offsetting	Offsetting in the balance sheet	Net amount in the balance sheet	Potential offsetting	Amount after potential offsetting
Assets					
Non-current receivables from derivative instruments	959	--	959	-40	919
Current receivables from derivative instruments	3 594	--	3 594	-978	2 616
Current receivables	6 306	-4 370	1 936	--	1 936
Total	**10 859**	**-4 370**	**6 489**	**-1 018**	**5 471**
Liabilities					
Non-current liabilities from derivative instruments	272	--	272	-40	232
Current liabilities from derivative instruments	1 554	--	1 554	-978	576
Current liabilities	7 678	-4 370	3 308	--	3 308
Total	**9 504**	**-4 370**	**5 134**	**-1 018**	**4 116**

(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 from the sale of oil in USD, from the sale of gas, electricity and other energy commodities 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 energy commodities 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 2020 would result in a decrease in profit or loss before tax of approximately MCZK 15 without hedging. The effect of CZK appreciation against USD by CZK 1 in 2020 would result in a decrease in profit or loss before tax of MCZK 25 without hedging. 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 2020/2021 would result in a decrease in profit or loss before tax of MCZK 34 without hedging 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 was MCZK 75. 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 MCZK 2 at the year-end 2020. In 2020 the average value of VaR was MCZK 6.

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Currency risk analysis

As of 31 December 2020 and 2019, the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated statement of financial position. Financial assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

At 31 December 2020	EUR	USD	Other	Total
Non-current receivables – financial	--	--	--	--
Non-current receivables from derivative instruments	565	--	--	565
Non-current restricted cash	--	--	--	--
Other current financial assets	--	--	--	--
Current receivables - financial	1 124	43	--	1 167
Current receivables from derivative instruments	1 842	21	--	1 863
Cash and cash equivalents	1 450	18	--	1 468
Total assets	**4 981**	**82**	**--**	**5 063**
Non-current loans and interest-bearing borrowings	-251	--	--	-251
Non-current lease liabilities	--	--	--	--
Non-current liabilities from derivative instruments	-446	--	--	-446
Other non-current liabilities	-388	--	--	-388
Current loans and interest-bearing borrowings *)	-1 702	-41	--	-1 743
Current lease liabilities	--	--	--	--
Current payables - financial	-2 167	-2	-1	-2 170
Current liabilities from derivative instruments	-1 564	-46	--	-1 610
Total liabilities	**-6 518**	**-89**	**-1**	**-6 608**
Total	**-1 537**	**-7**	**-1**	**-1 545**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loan loans and borrowings of MCZK 1 630 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 2019	EUR	USD	Other	Total
Non-current receivables – financial	1	--	--	1
Non-current receivables from derivative instruments	959	--	--	959
Non-current restricted cash	--	--	--	--
Other current financial assets	--	--	--	--
Current receivables - financial	898	29	2	929
Current receivables from derivative instruments	3 575	--	--	3 575
Cash and cash equivalents	246	2	1	249
Total assets	**5 679**	**31**	**3**	**5 713**
Non-current loans and interest-bearing borrowings	-274	--	--	-274
Non-current lease liabilities	--	--	--	--
Non-current liabilities from derivative instruments	-272	--	--	-272
Other non-current liabilities	-276	--	--	-276
Current loans and interest-bearing borrowings *)	-2 881	--	--	-2 881
Current lease liabilities	--	--	--	--
Current payables - financial	-2 010	-24	-1	-2 035
Current liabilities from derivative instruments	-1 554	--	--	-1 554
Total liabilities	**-7 267**	**-24**	**-1**	**-7 292**
Total	**-1 588**	**7**	**2**	**-1 579**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loans and borrowings of MCZK 2 784 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 2020, 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 MCZK	**Profit or loss**	
	10% appreciation + profit/ - loss	10% depreciation + profit/ - loss
2020		
EUR	78	-78
USD	-1	1

Effect recognised in MCZK	**Profit or loss**	
	10% appreciation + profit/ - loss	10% appreciation + profit/ - loss
2019		
EUR	49	-49
USD	1	-1

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) 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 sufficient 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.

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

At 31 December 2020	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	On demand	Total
Assets							
Non-current receivables - financial	6	6	--	1	5	--	6
Non-current receivables from derivative instruments	565	2 517	--	2 517	--	--	2 517
Non-current restricted cash	36	36	--	36	--	--	36
Other current financial assets	61	61	61	--	--	--	61
Current receivables - financial	1 695	1 695	1 695	--	--	--	1 695
Current receivables from derivative instruments	1 863	8 848	8 848	--	--	--	8 848
Total	**4 226**	**13 163**	**10 604**	**2 554**	**5**	**--**	**13 163**
Cash and cash equivalents	3 134	3 134	--	--	--	3 134	**3 134**
Liabilities							
Non-current loans and interest-bearing borrowings	-2 451	-2 544	--	-2 544	--	--	-2 544
Non-current lease liabilities	-78	-97	--	-47	-50	--	-97
Non-current liabilities - financial	-396	-396	--	-396	--	--	-396
Non-current liabilities from derivative instruments	-446	-923	--	-923	--	--	-923
Current loans and interest-bearing borrowings	-1 751	-1 853	-1 853	--	--	--	-1 853
Current lease liabilities	-20	-24	-24	--	--	--	-24
Current liabilities - financial	-3 062	-3 062	-3 062	--	--	--	-3 062
Current liabilities from derivative instruments	-1 610	-4 077	-4 077	--	--	--	-4 077
Total	**-9 814**	**-12 976**	**-9 016**	**-3 910**	**-50**	**--**	**-12 976**
Net balance – liquidity risk (financial assets & liabilities)	**-2 454**	**3 321**	**1 588**	**-1 356**	**-45**	**3 134**	**3 321**
Off-balance sheet future commitment to leasing of office space	--	-184	-21	-74	-89	--	-184
Net balance – liquidity risk (including off-balance sheet)	**-2 454**	**3 137**	**1 567**	**-1 430**	**-134**	**3 134**	**3 137**

Consolidated financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

At 31 December 2019	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	On demand	Total
Assets							
Non-current receivables	33	33	--	33	--	--	33
Non-current receivables from derivative instruments	959	3 798	--	3 798	--	--	3 798
Non-current restricted cash	34	34	--	34	--	--	34
Other current financial assets	39	39	39	--	--	--	39
Current receivables - financial	1 936	1 937	1 937	--	--	--	1 937
Current receivables from derivative instruments	3 594	6 351	6 351	--	--	--	6 351
Total	**6 595**	**12 192**	**8 327**	**3 865**	**--**	**--**	**12 192**
Cash and cash equivalents	1 772	1 772	--	--	--	1 772	**1 772**
Liabilities							
Bank loans and borrowings	-2 484	-2 666	--	-2 645	-21	--	-2 666
Non-current lease liabilities	-86	-109	--	-54	-55	--	-109
Other non-current liabilities	-306	-306	--	-306	--	--	-306
Non-current liabilities from derivative instruments	-272	-1 397	--	-1 397	--	--	-1 397
Current loans and interest-bearing borrowings	-3 043	-3 148	-3 148	--	--	--	-3 148
Current lease liabilities	-27	-32	-32	--	--	--	-32
Current liabilities - financial	-3 308	-3 308	-3 308	--	--	--	-3 308
Current liabilities from derivative instruments	-1 554	-5 606	-5 606	--	--	--	-5 606
Total	**-11 080**	**-16 572**	**-12 094**	**-4 402**	**-76**	**--**	**-16 572**
Net balance – liquidity risk (including off-balance sheet)	**-2 713**	**-2 608**	**-3 767**	**-537**	**-76**	**1 772**	**-2 608**

(e) 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.

	31/12/2020	31/12/2019
Bank loans and bonds issued	4 202	5 527
Less: current debts for the financing of gas inventory	-1 631	-2 784
Less: cash and cash equivalents	-3 134	-1 772
Net debt (+) / surplus (-)	**-563**	**971**
Total equity	**6 121**	**5 315**
Debt to equity ratio	**-0.092**	**0.18**

Consolidated financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

(f) 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 31/12/2020		Fair value at 31/12/2020		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Commodity forwards	2 131	--	--	2 131	--
Commodity futures	275	--	--	275	--
Currency forward	1	21	--	22	--
Financial liabilities measured at fair value					
Interest rate swap	--	-43	--	-43	--
Currency swap	--	-1	--	-1	--
Commodity swap	--	-46	--	-46	--
Commodity forwards	-1 940	--	--	-1 940	--
Currency forward	-13	-13	--	-26	--

Inventory of gas for trading is valued at fair value with carrying amount of MCZK 2 305 under Level 2.

	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	--	38	--	38	--
Currency swap	--	--	--	--	--
Commodity forwards	4 405	--	--	4 405	--
Commodity futures	86	--	--	86	--
Currency forward	24	--	--	24	--
Financial liabilities measured at fair value					
Interest rate swap	--	-6	--	-6	--
Currency swap	-1	--	--	-1	--
Commodity forwards	-1 804	--	--	-1 804	--
Commodity futures	-1	--	--	-1	--
Currency forward	-14	--	--	-14	--

Inventory of gas for trading is valued at fair value with carrying amount of MCZK 2 055 under Level 2.

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 2020 and 2019, there were not transfers between individual levels of the fair value hierarchy.

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 MCZK 592 (2019: MCZK 448). Out of MCZK 129 was issued in favor of the State of Hessen in Germany in connection with provision of natural gas storage services by MND Gas Storage Germany GmbH in Germany. This liability is fully offset by a financial guarantee issued by MND Group AG in favor of the Group.

The Group records bank guarantees issued in the amount of MCZK 1 406 (2019: MCZK 1 208) and guarantess received from related party in amount of MCZK 289 in favour of Group's business counterparties and customers relating to the Group´s outstanding liabilities and performance obligations.

The Group has committed to lease office space since May 1, 2021. The present value of this future liability is MCZK 152. Future cash flows are shown in the liquidity risk table (Note 30d)

32. Material subsequent events

No events have occurred subsequent to year end that would have a significant impact on consolidated financial statements as at 31 December 2020.

Date: Signature of the authorised representative:

21 May 2021

Miroslav Jestřabík — Member of the Board of Directors

Jiří Ječmen — Member of the Board of Directors

IV. Separate financial statements of MND as at 31 December 2020

prepared in accordance with International Financial Reporting Standards

as adopted by the European Union

Separate financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Separate statement of financial position	**Note**	**31/12/2020**	**31/12/2019**
Assets			
Land		156	179
Buildings and structures		534	464
Oil and gas wells		1 221	1 406
Machinery and equipment		456	420
Other tangible fixed assets and assets under construction		296	448
Property, plant and equipment	4	*2 663*	*2 917*
Intangible assets	5	26	37
Investments in subsidiaries	6	4 365	3 651
Investments in joint ventures and associates	6	413	413
Non-current trade and other receivables	8	50	32
Non-current receivables from derivative financial instruments	14	721	1 137
Other non-current investments	7	37	34
Non-current financial assets		*5 586*	*5 267*
Deferred tax asset	23	188	167
Total non-current assets		**8 463**	**8 388**
Inventories	9	2 420	2 145
Current trade and other receivables	8	2 198	1 758
Current receivables from derivative financial instruments	14	1 956	3 731
Cash and cash equivalents	10	2 871	1 556
Total current assets		**9 445**	**9 190**
Total assets		**17 908**	**17 578**

The notes on pages 98 to 145 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Separate statement of financial position (continued)	**Note**	**31/12/2020**	**31/12/2019**
Liabilities and equity			
Equity			
Share capital	11	1 000	1 000
Capital contributions and other reserves		1 358	734
Retained earnings and profit/loss for the current period		3 645	3 581
Equity attributable to the shareholder of the Company		*6 003*	*5 315*
Total equity		**6 003**	**5 315**
Liabilities			
Loans and bonds issued - non-current portion	12	2 200	2 197
Non-current lease liabilities	12	105	115
Non-current trade and other payables	13	552	441
Non-current liabilities from derivative financial instruments	14	479	268
Non-current provisions	15	1 202	1 214
Total non-current liabilities		**4 538**	**4 235**
Loans and bonds issued - current portion	12	1 640	2 794
Current lease liabilities	12	19	26
Current trade and other payables	13	4 071	3 571
Current liabilities from derivative financial instruments	14	1 609	1 553
Current provisions	15	28	84
Total current liabilities		**7 367**	**8 028**
Total liabilities		**11 905**	**12 263**
Total equity and liabilities		**17 908**	**17 578**

The notes on pages 98 to 145 are an integral part of these financial statements.

Separate statement of comprehensive income	**Note**	**2020**	**2019**
Revenue	16	45 425	68 489
Other operating income	17	266	43
Total income		**45 691**	**68 532**
Materials and goods used	18	-41 854	-65 372
Services used	18	-2 569	-2 323
Personnel expenses	19	-411	-397
Depreciation, amortisation and impairment	20	-427	-429
Other operating expenses	21	-250	-279
Result from operating activities		**180**	**-268**
Interest income	22	1	2
Other finance income	22	133	171
Finance costs	22	-249	-201
Result from financing activities		**-115**	**-28**
Profit or loss before tax		**65**	**-296**
Income tax expense	23	-1	69
Profit or loss for the year		**64**	**-227**
Items that are or may be reclassified to profit or loss:			
Change in fair value of hedging instruments, net of tax		-92	2
Change in fair value of hedging instruments reclassified to profit or loss, net of tax		--	4
Other comprehensive income/loss for the year (net of tax)	24	**-92**	**6**
Total comprehensive income/loss for the year		**-28**	**-221**
Profit or loss attributable to:			
Shareholder of the Company		64	-227
Total profit or loss for the year		**64**	**-227**
Total comprehensive income/loss attributable to:			
Owners of the Company		-28	-221
Total comprehensive income/loss for the year		**-28**	**-221**
Earnings per share:	11		
Basic earnings / loss (-) per share (in thousands of Czech crowns)		1.286	-4.546
Diluted earnings / loss (-) per share (in thousands of Czech crowns)		1.286	-4.546

The notes on pages 98 to 145 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Separate statement of changes in equity

2020	Share capital	Other contributions and reserves	Hedging reserve	Retained earnings	Profit/Loss (-) for the year	Total equity
Balance at 1 January 2020	**1 000**	**704**	**30**	**3 808**	**-227**	**5 315**
Profit or loss for 2020	--	--	--	--	64	**64**
Other comprehensive income/loss	--	--	-92	--	--	**-92**
Total comprehensive income/loss	**--**	**--**	**-92**	**--**	**64**	**-28**
Transactions with owners of the Company, reported directly in equity:						
Reallocation of loss for 2019	--	--	--	-227	227	**--**
Increase in other capital contributions (Note 11)		716	--	--	--	**716**
Total transactions with owners of the Company, reported directly in equity	**--**	**716**	**--**	**-227**	**227**	**716**
Balance at 31 December 2020	**1 000**	**1 420**	**-62**	**3 581**	**64**	**6 003**

The notes on pages 98 to 145 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Separate statement of changes in equity

2019	Share capital	Other contributions and reserves	Hedging reserve	Retained earnings	Profit/Loss (-) for the year	Total equity
Balance at 1 January 2019	**1 000**	**944**	**24**	**3 955**	**-147**	**5 776**
Profit or loss for 2019	--	--	--	--	-227	**-227**
Other comprehensive income	--	--	6	--	--	**6**
Total comprehensive income	**--**	**--**	**6**	**--**	**-227**	**-221**
Transactions with owners of the Company, reported directly in equity:						
Reallocation of loss for 2018	--	--	--	-147	147	**--**
Decrease in other capital contributions (Note 11)	--	-240	--	--	--	**-240**
Total transactions with owners of the Company, reported directly in equity	**--**	**-240**	**--**	**-147**	**147**	**-240**
Balance at 31 December 2019	**1 000**	**704**	**30**	**3 808**	**-227**	**5 315**

The notes on pages 98 to 145 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

Separate statement of cash flows	**Note**	**2020**	**2019**
Operating activities			
Net profit (+) / loss (-) for the year		64	-227
Adjustments for:			
Interest expense (net of interest income)	22	157	166
Tax expense (+) / income (-)	23	1	-69
Effect of currency translation (gains - / losses +)	22	3	-37
Depreciation of property, plant and equipment	20	364	360
Amortisation of intangible assets	20	22	46
Depreciation of right of use	20	29	26
Impairment of property, plant and equipment	20	12	-3
Income from dividends and current financial assets	22	-80	-108
Non-cash changes of financial derivatives		2 344	-3 112
Non-cash changes of inventories		1	-10
Gain (-) / loss (+) on sale of non-current assets	17	-1	-1
Cash flow from operating activities before changes in working capital and provisions		**2 916**	**-2 969**
Increase (+) / decrease (-) in provisions		-89	-11
Increase (-) / decrease (+) in inventories		-276	1 124
Increase (-) / decrease (+) in receivables		-442	2 404
Increase (+) / decrease (-) in current liabilities		688	-115
Cash flows from operating activities		**2 797**	**433**
Interest paid		-134	-135
Income tax paid		--	--
Net cash flows generated from operating activities		**2 663**	**298**
Investing activities			
Proceeds from sale of non-current assets	17	2	2
Profit shares received (dividends)	22	75	90
Income from current financial assets	22	5	18
Interest received		1	2
Acquisition of property, plant and equipment and intangible assets	4,5	-208	-429
Investments in subsidiaries and joint ventures		-1	-42
Decrease (+) in current financial assets, net		--	-42
Cash flows from investing activities		**-126**	**655**
Financial activities			
Drawing of loans and borrowings (+)	12	18 789	15 074
Repayment of (-) loans and borrowings	12	-19 984	-15 108
Payments of lease liabilities	12	-27	-23
Changes in equity		--	-240
Cash flows from financing activities		**-1 222**	**-297**
Net increase / decrease in cash and cash equivalents		**1 315**	**656**
Cash and cash equivalents at 1 January	10	**1 556**	**900**
Cash and cash equivalents at 31 December	10	**2 871**	**1 556**

The notes on pages 98 to 145 are an integral part of these financial statements.

Notes to the separate financial statements

Contents

Separate financial statements for the year ended 31 December 2020 (in millions 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.

The existence of new coronavirus causing the disease COVID-19 was confirmed in early 2020 and has spread globally. The pandemic and restrictive measures taken to mitigate the health impact have caused disruption to many business and economic activities in the year ended 31 December 2020. The Company´s business and financial results were primarily affected by the worldwide decline in oil and gas prices. The Company took advantage of the decline in prices in trading in energy commodities and achieved higher profits in this activity, which exceeded the decrease in profit from effects of the COVID-19 pandemic in oil and gas.

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 2020:

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 2020:

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 2020

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 2020

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 2020.

These amendments did not have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 3: Definition of business.

The amendments to IFRS 3 modify the definition of an business in the sense that the existence of outputs is no longer a condition for the integrated set of activities and assets to meet the definition of an business. In order for an acquired set of activities and assets to be considered as business, it must contain at least an input and an essential process that together make a significant contribution to the ability to generate outputs.

The amendments to the standard remove the assessment of whether market participants are able to replace any missing inputs or processes and continue to generate outputs. The amendments also introduce additional guidance to help determine whether a significant process has been acquired. The amendments also introduce an optional concentration test allowing a simplified assessment of whether the acquired set of activities and assets does not constitute an enterprise. According to the optional concentration test, a set of activities and assets does not meet the enterprise's criteria if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and acquisitions of assets with the acquisition date of 1 January 2020 or later.

This amendment did not have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (Phase 1)

The IASB amended IFRS 9, IAS 39 and IFRS 7 in context of the reform of reference interest rates.

The amendments to the Standards modify the specific requirements for hedge accounting so that hedge accounting can continue to be applied to the hedges concerned even during periods of uncertainty before the ongoing interest rate reform changes the hedging items or hedging instruments affected by existing reference interest rates.

In context with the amendment, the disclosure of specific information about the extent to which the entity's hedging relationships are affected by the amendments is required.

The amendments to the standards are not relevant to the Company as the Company does not apply hedge accounting to the risks arising from the reference interest rate. The amendment to the standards had no impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8 - Definition of Material

The definition of „material" in IAS 8: Accounting policies, changes in accounting estimates and errors has been replaced by a reference to the definition of „material" in IAS 1: Presentation of financial statements. In addition, the board of IASB for ensuring consistency amended other standards and Conceptual framework, which contain a definition of the term „material" or refer to the term „material".

The definition of material helps companies decide, whether certain information should be included in the financial statements. The new definition has included the notion of "obscuring" relevant information with irrelevant information, which addresses situations where the effect is similar to omissions or misstatements. An entity is required to assess materiality in the context of the financial statements as a whole.

The term "primary users of financial statements," whom financial statements are directed, was also clarified. According to the new definition, primary users are existing and potential investors, lenders and other creditors that must rely on general purpose financial statements for much of the financial information.

This amendment did not have any significant impact on the Company's consolidated financial statements.

Amendments to References to the "Conceptual Framework" in IFRS Standards

IASB amended the relevant standards to refer to the Conceptual Framework. The amendments relate to standards IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38 and interpretations IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC_32. These amendments did not have any significant impact on the Company's separate financial statements.

Amendments to IFRS 16: COVID-19 related rent concessions

In May 2020, the IASB published amendments to IFRS 16 entitled COVID-19 related rent concessions, which by introducing a practical expedient to IFRS 16, provide lesses with assistance in accounting for rent concessions that arose directly as a result of the COVID-19 pandemic. For use in the EU, these modifications were endorsed in October 2020.

The practical expedient allows lessees to decide not to assess whether the rent concession related to the COVID-19 pandemic constitutes a modification of the lease. Lessee, who decides for this option, accounts for any change in lease paymentsresulting from the rent concession related to the COVID-19 pandemic, in accordance with IFRS 16 for changes that do not constitute a lease modification.

The practical expedient only applies to rent concesions occuring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

- the change in lease payments results in a revised consideration in the lease that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- any reduction in lease payments applies only to payments that were originally due on or before 30 June 2021 (the lease concession meets this condition if it would lead to a reduction in lease payments on or before 30 June 2021 and an increase in lease payments beyond June 2021);
- there is no substantive change to other terms of the lease.

Other standards endorsed by EU but not yet effective

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

Effective date 1 January 2021 or later:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 4: Insurance contracts – temporary exemption from applying IFRS 9

Standards, interpretations and amendments issued before 31 December 2020 but not endorsed by EU

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

Effective day 1 January 2022:

- Amendments to IFRS 3: References to Conceptional Framework
- Amendments to IAS 16: Property, Plant and Equipment: Income before its intended use
- Amendments to IAS 37: Onerous contracts – direct costs of fulfilling a contract
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Annual improvement process 2018 – 2020
- 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)
- IFRS 14: Regulatory Deferral Accounts (IASB effective date 1 January 2016, endorsement by EU awaits the final form of standard)

(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 millions (MCZK), 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 timing of the decommissioning activities, expected inflation and discount rates. (Note 15; accounting policy 3(k)).

(e) Determination of fair value (Note 27)

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 27. Risk management, in part (f).

3. Significant accounting policies

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

(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 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. The right of use of asset is depreciated over the lease term. In the separate 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.

Separate financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

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.

This category includes mainly (short-term and long-term) trade and other receivables, provided loans and borrowings, restricted cash and other short-term financial assets (e.g. receivables arising from cash pooling agreements).

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).

Amortised cost is the amount at which a financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and, for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the amount payable upon maturity using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

Trade and other receivables, loans provided

Trade and other receivables, loans provided are initially recognized on the date when they are originated and measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, less any impairment losses, if they are held to collect the cash flows and not expected to be sold.

When applying amortised cost, any difference between the cost and the value upon redemption is recognized in the statement of comprehensive income over the duration of the asset or liability, using the effective interest method.

The Company derecognizes trade receivables, other receivables and loans provided when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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. Financial derivatives and hedging 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.

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

All derivative transactions designated as hedging instruments are documented and the effectiveness of individual hedge relationships is evaluated on continuous basis. The Company decided to apply hedge accounting in accordance with IAS 39 after the application of IFRS 9 and so therefore maintains documentation of the hedge relationship between the hedged item and the hedging derivative in line with IAS 39.

The Company applies hedge accounting if:

- the hedge is in line with the Company's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- the hedge relationship is expected to be effective throughout its duration,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is effective throughout the accounting period, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80 - 125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk, and
- for cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

The hedging documentation contains information about the following:

- hedging derivatives,
- hedge effectiveness, and
- hedged items and risks that are being hedged.

Changes in the fair value of the derivative hedging instrument or designated non-derivative financial liability designated as a cash flow hedge are recognized directly in the other comprehensive income to the extent that the hedge is effective. The effective portion of changes in fair value of cash flow hedge is accumulated in "Hedging reserve" in equity. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss for the period.

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. The cumulative gain or loss previously recognized in equity as a "Hedging reserve" remains there until the forecast transaction occurs. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the associated gains and losses that were recognised in other comprehensive income are included in the initial cost or other carrying amount of the asset or liability.

In other cases, the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

If cash flows relating to recognized foreign currency receivables are hedged by other hedging instruments (e.g. designating foreign currency payables as the hedging instruments), the accounting treatment is the same as the treatment for hedging with financial derivatives.

The Company decided to apply cash flow hedge accounting to mitigate following risks:

Interest rate risk

The risk that is being hedged relates to change in future cash flows due to change in interest rates. The hedged items are future interest payments of long-term debts that are hedged by interest rate swaps (the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

Foreign currency rates risk

The risk that is being hedged relates to change in future cash flows due to change in foreign currency rates. The hedged items are future expected transactions that are hedged by hedging instruments (e.g. foreign currency payables/receivables designating as the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

Commodity price risk

The hedged items are cash flows from the sale of commodities that are hedged by commodity swaps (the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss. The risk that is being hedged relates to change in future cash flows due to change in prices of commodities sold.

Trading derivatives

Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives. Changes in the fair value of trading derivatives are recognized immediately in profit or loss.

Commodity contracts

Except for contracts for the purchase and sale of commodities concluded for the purpose of serving the Company's portfolio of end customers, the Company enters into commodity trading contracts for the purpose of generating a profit from short-term price fluctuations or traders' margin. The Company systematically settles similar contracts on a net basis, where cash corresponds to the net gain or loss on that contract upon settlement. The net settlement is realised either through exchange-traded instruments or via bilateral agreements by entering into offsetting contracts or through the sale of a contract prior to settlement.

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

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.

v. 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.

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 „low credit risk". In these cases 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 16).

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.

ii) 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.

iii) 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 2020 (in millions of Czech crowns)

4. Property, plant and equipment

2020	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 2020	4 643	103	95	982	68	1 052	1	433	18	**7 395**
Additions	5	--	8	--	--	18	--	116	4	**151**
Disposals	-109	--	--	-1	-1	-17	--	-1	--	**-129**
Transfers	35	--	--	133	--	103	--	-271	--	**--**
Change in valuation	-1	--	2	--	1	--	--	--	--	**2**
Balance at 31 December 2020	**4 573**	**103**	**105**	**1 114**	**68**	**1 156**	**1**	**277**	**22**	**7 419**
Accumulated depreciation and impairment										
Balance 1 January 2020	3 237	3	16	576	10	633	--	--	3	**4 478**
Depreciation expense for the current year	231	--	18	49	10	83	1	1	--	**393**
Disposals	-109	--	--	-1	--	-16	--	-1	--	**-127**
Impairment of assets	-7	15	--	4	--	--	--	--	--	**12**
Balance at 31 December 2020	**3 352**	**18**	**34**	**628**	**20**	**700**	**1**	**--**	**3**	**4 756**
Net book value										
1 January 2020	1 406	100	79	406	58	419	1	433	15	**2 917**
31 December 2020	**1 221**	**85**	**71**	**486**	**48**	**456**	**--**	**277**	**19**	**2 663**

In 2020, the major additions to tangible assets related to additions to tangible assets under construction are mainly represented by buildings and wells under construction.

In 2020, no borrowing costs were capitalised due to insignificance.

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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 cost										
Balance at 1 January 2019	4 443	86	--	968	--	1 018	--	363	13	**6 891**
Identification of IFRS 16 lease as at 1 January 2019	--	--	73	--	67	--	1	--	--	**141**
Additions	123	17	22	11	1	41	--	181	10	**406**
Disposals	-27	--	--	--	--	-14	--	-3	--	**-44**
Transfers	104	--	--	3	--	7	--	-108	-5	**1**
Balance at 31 December 2019	**4 643**	**103**	**95**	**982**	**68**	**1 052**	**1**	**433**	**18**	**7 395**
Accumulated depreciation and impairment										
Balance at 1 January 2019	3 035	3	--	528	--	570	--	--	3	**4 139**
Depreciation expense for the current year	231	--	16	49	10	77	--	3	--	**386**
Disposals	-27	--	--	--	--	-14	--	-3	--	**-44**
Impairment of assets	-2	--	--	-1	--	--	--	--	--	**-3**
Balance at 31 December 2019	**3 237**	**3**	**16**	**576**	**10**	**633**	**--**	**--**	**3**	**4 478**
Net book value										
1 January 2019	1 408	83	--	440	--	448	--	363	10	**2 752**
31 December 2019	**1 406**	**100**	**79**	**406**	**58**	**419**	**1**	**433**	**15**	**2 917**

The most significant additions to property, plant and equipment in 2019 were capitalised wells. Additions to property, plant and equipment under construction in 2019 comprise buildings and structures under construction that were not put in use.

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

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5. Intangible assets

2020	Intellectual property rights	Software	Intangible assets under construction	Total
Acquisition cost				
Balance at 1/1/2020	429	203	1	**633**
Additions	--	11	1	**12**
Transfers	--	1	-1	**--**
Disposals	-412	-4	--	**-416**
Balance at 31/12/2020	**17**	**211**	**1**	**229**
Accumulated amortisation				
Balance at 1/1/2020	424	173	--	**597**
Amortisation expense for the current year	2	20	--	**22**
Disposals	-412	-4	**--**	**-416**
Balance at 31/12/2020	**14**	**189**	**--**	**203**
Net book value				
1 January 2020	5	30	1	**36**
31 December 2020	**3**	**22**	**1**	**26**

2019	Intellectual property rights	Software	Intangible assets under construction	Total
Acquisition cost				
Balance at 1/1/2019	427	186	1	**614**
Additions	2	17	1	**20**
Transfers	--	--	-1	**-1**
Disposal	--	--	--	**--**
Balance at 31/12/2019	**429**	**203**	**1**	**633**
Accumulated amortisation				
Balance at 1/1/2019	407	144	--	**551**
Amortisation expense for the current year	17	29	--	**46**
Disposals	--	--	--	**--**
Balance at 31/12/2019	**424**	**173**	**--**	**597**
Net book value				
1 January 2019	20	42	1	**63**
31 December 2019	**5**	**30**	**1**	**36**

The disposals of intangible assets consist mainly of out-of-date seismic data, which were fully depreciated.

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6. Investments in subsidiaries and joint ventures

31 December 2020	Ownership interest	Shares held	Nominal value of shares / interest	Carrying amount at 31/12/2020
MND Drilling & Services a.s.	100 %	74	211	1 421
MND Gas Storage a.s.	100 %	2 438 001	2 001	2 178
MND Energy Trading a.s.	100 %	2 500	50	50
MND Ukraine a.s.	80 %	20	2	716
Moravia Gas Storage a.s.	50 %	50	1	413
Total investments in subsidiaries and joint ventures				**4 778**

On 20 February, the Company sold its share in IGNIS HOLDING a.s. (former MND Oil & Gas a.s.). On 31 December 2020, the Company acquired an 80% share in MND Ukraine a.s. in the form of a non-monetary contribution of shares outside the share capital from the parent company MND Group AG.

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	1 421
MND Gas Storage a.s.	100%	2 438 001	2 001	2 178
MND Energy Trading a.s.	100%	2 500	50	2
MND Oil & Gas a.s.	100%	2	1	2
Moravia Gas Storage a.s.	50%	50	1	413
Total investments in subsidiaries and joint ventures				**4 064**

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 MCZK 42 (MEUR 1.6).

7. Other non-current investments

	31/12/2020	31/12/2019
Long-term restricted cash	37	34
Total other non-current investments	**37**	**34**

Long-term restricted cash represents funds at a bank account to cover statutory provisions for renewal and restoration. For Credit quality see Note 27b) Credit risk.

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8. Trade and other receivables

Non-current trade and other receivables	31/12/2020	31/12/2019
Non-current trade receivables and advances	28	32
Non-current contract costs	21	--
Non-current prepaid expenses	1	--
Total non-current trade and other receivables	**50**	**32**

For Credit quality see Note 27b) Credit risk.

Current trade and other receivables	31/12/2020	31/12/2019
Current trade receivables and advances	1 908	1 485
Prepaid expenses	49	44
Current contract assets	127	89
Other current receivables	105	117
Current contract costs	9	23
Total current trade and other receivables	**2 198**	**1 758**

As at 31 December 2020, net overdue current receivables totalled MCZK 10 (as at 31 December 2019: MCZK 33). As at 31 December 2020, an allowance for receivables totalled MCZK 73 (as at 31 December 2019: MCZK 40). For Credit quality and amount of provision see Note 27b) Credit risk.

In 2020, other short-term receivables include a receivable from clearing system member totalling MCZK 103 (as at 31 December 2019: MCZK 101).

9. Inventories

	31/12/2020	31/12/2019
Material	77	45
Goods	2 320	2 078
Own products (oil)	23	22
Total inventories	**2 420**	**2 145**

In 2020, material includes an allowance for material of MCZK 11 (as at 31 December 2019: MCZK 10).

Goods include gas for trading valued at fair value in the amount of MCZK 2 305 (as at 31 December 2019: MCZK 2 055).

10. Cash and cash equivalents

	31/12/2020	31/12/2019
Cash at bank	2 606	1 452
Cash equivalents	265	104
Total cash and cash equivalents	**2 871**	**1 556**

Cash equivalents represents excess cash at accounts of settlements system members. For Credit quality see Note 27b) Credit risk.

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11. Equity

	31/12/2020	31/12/2019
Share capital	1 000	1 000

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 2020: MCZK 613) and a non-monetary contribution described below.

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

As at 31 December 2020, the Company's other funds were increased by MCZK 716 through the non-monetary contribution of an 80% share in MND Ukraine a.s. from the parent company MND Group AG.

Earnings per share

Profit (+) / loss (-) attributable to ordinary shareholders (in TCZK)	**2020**	**2019**
Net profit (+) / loss (-) attributable to ordinary shareholders	64	-227
Net profit (+) / loss (-) attributable to ordinary shareholders	**64**	**-227**

Weighted average number of ordinary shares	**Number of shares**	**Weight**	**2020**	**2019**
Issued ordinary shares at 1 January	50 000	1	50 000	50 000
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)			**1.286**	**-4.546**
Diluted earnings (+) / loss (-) per share for the year (in TCZK)			**1.286**	**-4.546**

12. 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 loans and bonds	31/12/2020	31/12/2019
Bonds issued - non-current portion	2 200	2 197
Total non-current loans and bonds	**2 200**	**2 197**

Current loans and bonds	31/12/2020	31/12/2019
Current bank loans	1 470	1 377
Other current borrowings	161	1 408
Bonds issued – current portion	9	9

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Total current loans and bonds	**1 640**	**2 794**

In 2020, other current borrowings represent specific current financing of gas inventories of MCZK 161 (2019: MCZK 1 408 from a banking entity) from a non-banking entity.

As at 31 December 2020, current bank loans include a short-term bank loan for the purpose of financing gas inventory totalling MCZK 1 470 (as at 31 December 2019: MCZK 1 377).

The Company has committed to lease office space since May 1, 2021. The present value of this future liability is MCZK 152. Future cash flows are shown in the liquidity risk table (Note 27d)).

Bank loans

The bank loans are due as follows:

	31/12/2020	31/12/2019
Due within 1 year	1 470	1 377
	1 470	**1 377**

Loans received are secured by pledged inventories of MCZK 1 192 (as at 31 December 2019: MCZK 976), pledged receivables of MCZK 432 (as at 31 December 2019: MCZK 171) and pledged receivables from current accounts of MCZK 1 196 (as at 31 December 2019: MCZK 443).

Based on the contractual conditions, the Company must fulfil specific financial debt indicator. The Company fulfilled this indicator as at 31 December 2020 and 31 December 2019.

As at 31 December 2020, the total amount of undrawn credit facilities of the Company is MCZK 210 (as at 31 December 2019: MCZK 0).

Interest rate on loan is based on EURIBOR rates and a margins.

The transaction currencies of loans, bonds and borrowings as at 31 December 2020 are EUR and CZK, of which the balance of loans and borrowings with the EUR transaction currency is MCZK 1 631 (as at 31 December 2019: MCZK 2 785) and the balance of bonds with the CZK transaction currency is MCZK 2 209 (as at 31 December 2019: MCZK 2 206).

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 MCZK 3; the total nominal value of bonds is MCZK 2 202. The issue of bonds was carried out in the Czech Republic in compliance with Czech law. The transaction costs of MCZK 13 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	31/12/2020	31/12/2019
Lease liabilities – non-current	105	115
Lease liabilities - current	19	26
Total lease liabilities	**124**	**141**

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

	2020	2019
Balance at 1 January	**4 991**	**5 066**
Cash flows		
Drawing of loans and borrowings	18 789	15 031
Repayment of loans and borrowings	-19 984	-15 085
Non-cash changes		
Foreign exchange differences recognised in profit or loss	41	-41
Other non-monetary transactions	3	20
Balance 31 December	**3 840**	**4 991**

Reconciliation of movements of lease liabilities with cash flows:

	2020	2019
Balance 1 January	**141**	**--**
Cash flows		
Payment of lease liabilities	-27	-23
Non-cash changes		
Recognition of lease liabilities	10	164
Balance 31 December	**124**	**141**

13. Trade and other payables

Non-current trade and other payables	31/12/2020	31/12/2019
Other non-current liabilities	552	441
Total non-current trade and other payables	**552**	**441**

Other non-current liabilities are due within 5 years. Other non-current liabilities include payables arising from contracts for gas storage of MCZK 544 (2019: MCZK 407).

Current trade and other payables	31/12/2020	31/12/2019
Trade payables	3 051	2 885
Current contract liabilities	885	573
Payables to the state	68	48
Payables to employees	58	56
Other current liabilities	9	9
Total current trade and other payables	**4 071**	**3 571**

As at 31 December 2020, the Company does not record any overdue current trade payables (at 31 December 2019: MCZK 0). Short-term trade payables include payables arising from contracts for gas storage of MCZK 603 (2019: MCZK 564).

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14. Derivative financial instruments

The Company uses the derivative financial instruments mainly for trading in electricity, gas, coal and emissions allowances and to hedge the currency, interest and commodity risks. When the hedge accounting requirements are fulfilled, derivatives are designated and recognized as "Hedging derivatives".

Carrying amount of receivables as payables from derivative financial instruments is as follows:

	31/12/2020			31/12/2019		
	Hedging derivatives	Trading derivatives	Total	Hedging derivatives	Trading derivatives	Total
Long-term receivables	--	721	**721**	18	1 118	**1 136**
Short-term receivables	21	1 935	**1 956**	19	3 713	**3 732**
Total receivables from derivative financial instruments	**21**	**2 656**	**2 677**	**37**	**4 831**	**4 868**
Long-term payables	-15	-464	**-479**	--	-268	**-268**
Short-term payables	-82	-1 527	**-1 609**	--	-1 553	**-1 553**
Total payables from derivative financial instruments	**-97**	**-1 991**	**-2 088**	**--**	**-1 821**	**-1 821**

All financial derivatives are stated at fair value as at 31 December 2020 and 31 December 2019 and categorised to Level 2 in the fair value hierarchy.

Hedging derivatives

The Company had the following financial derivatives for hedging:

2020	Year of maturity	Nominal value	Average hedged rate	Fair value
Currency forwards	2021	303	22.954 CZK/USD	15
Currency forwards	2021	643	26.241 CZK/EUR	6
Total receivables from hedging derivatives				**21**
Interest rate swaps	2022	2 202	1.56%	-37
Currency forwards	2022	367	27.785 CZK/EUR	-5
Commodity swaps	2021	314	43.95 USD/bbl	-46
Currency swaps	2021	184	26.096 CZK/EUR	-1
Currency forwards	2021	659	26.593 CZK/EUR	-8
Total payables from hedging derivatives				**-97**
Total hedging financial derivatives				**-76**

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

2019	Year of maturity	Nominal value	Average hedged rate	Fair value
Interest rate swaps	2022	2 202	1.56%	37
Total receivables from hedging derivatives				**37**
Total hedging financial derivatives				**37**

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

Hedge accounting criteria were fulfilled as at 31 December 2020 and 31 December 2019 for all the derivates which are recognized as „Hedging derivatives". The changes in the fair value for such derivatives are recognized directly in the other comprehensive income. The Company does not recognize any hedge ineffectiveness arising from these forwards and swaps in the profit or loss statement. Fair values of hedging derivatives stated in the table above corresponds to value obtained from the financial institution with whom the Company entered into the derivative transaction in question.

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Trading derivatives

Besides the hedging derivatives the Company held the derivatives for trading as they do not fulfill the hedge accounting criteria as at 31 December 2020 and 31 December 2019. These derivatives are classified as "Trading derivatives" and recognized in fair value.

The Company had the following financial derivatives for trading:

2020	Year of maturity	Nominal value
Commodity forward	2023	1 264
Commodity forward	2022	1 117
Commodity future	2022	274
Currency forward	2021	1
Total receivables from trading derivatives		**2 656**
Commodity forward	2023	-1 770
Currency forward	2021	-14
Commodity forward	2021	-207
Total payables from trading derivatives		**-1 991**
Total trading financial derivatives		**665**

2019	Year of maturity	Nominal value
Commodity forward	2024	407
Commodity forward	2021	678
Commodity future	2021	25
Currency forward	2021	9
Commodity forward	2020	3 636
Commodity future	2020	61
Currency forward	2020	15
Total receivables from trading derivatives		**4 831**
Commodity forward	2021	-266
Commodity future	2021	-1
Currency forward	2021	-2
Commodity forward	2020	-1 539
Currency forward	2020	-12
Currency swap	2020	-1
Total payables from trading derivatives		**-1 821**
Total trading financial derivatives		**3 010**

The Company held trading derivatives in a form of currency forward, currency swap and commodity forward and future. For fair value determination, a market comparison technique was used and the inputs were based on the same fair value hierarchy.

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15. Provisions

At 31 December 2020	Provision for decommissioning, renewal and restoration
Balance 1 January 2020	1 298
Additions	4
Utilization	-94
Change in provision	-1
Unwinding of discount	23
Balance 31 December 2020	**1 230**
thereof:	
Non-current provisions	1 202
Current provisions	28

Provisions for decommissioning, renewals and restorations are established based on rules described in Note 3(k). For 2020 interest rate 1 – 1.4 % 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 2021 and 2052.

16. 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:

2020 **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 31/12/2020
Revenue from trading in gas	--	33 861	**33 861**
Revenue from trading in electricity	--	5 136	**5 136**
Revenue from the sale of gas to end customers	--	2 550	**2 550**
Revenue from the sale of electricity to end customers	--	2 463	**2 463**
Revenue from the sale of goods (purchased oil)	2	--	**2**
Revenue from the sale of produced oil	587	--	**587**
Revenue from the sale of produced gas	434	--	**434**
Revenue from the provision of services	42	30	**72**
Revenue from gas storage	--	320	**320**
Total revenue	**1 065**	**44 360**	**45 425**

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2019 **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	**54 977**
Revenue from trading in electricity	--	7 909	**7 909**
Revenue from the sale of gas to end customers	--	2 376	**2 376**
Revenue from the sale of electricity to end customers	--	1 820	**1 820**
Revenue from the sale of goods (purchased oil)	93	--	**93**
Revenue from the sale of produced oil	780	--	**780**
Revenue from the sale of produced gas	395	--	**395**
Revenue from the provision of services	57	32	**89**
Revenue from gas storage	--	50	**50**
Total revenue	**1 325**	**67 164**	**68 489**

2020 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Revenue at 31/12/2020
Revenue recognised at a point time	--	--	**--**
Revenue recognised over time	1 065	5 363	**6 428**
Subtotal	**1 065**	**5 363**	**6 428**
Revenue from commodity trading	--	--	**38 997**
Total revenue	**1 065**	**5 363**	**45 425**

2019 **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	--	3	**3**
Revenue recognised over time	1 325	4 275	**5 600**
Subtotal	**1 325**	**4 278**	**5 603**
Revenue from commodity trading	--	--	**62 886**
Total revenue	**1 325**	**4 278**	**68 489**

Revenue based on geographical position of a point of sale	2020	2019
Czech Republic	10 530	12 105
Hungary	228	296
Germany	11 654	17 876
Netherlands	17 812	29 253
Austria	3 268	6 630
Slovakia	1 649	2 322
Other	284	7
Total revenue	**45 425**	**68 489**

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In 2020, the Company reported revenue of MCZK 5 960 (2019: MCZK 7 440) 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.

In 2020, in revenues was recognized MCZK 567 from the value of contract liabilities as at 31 December 2019 (Note 13).

17. Other operating income

	2020	2019
Gain on sale of non-current assets	1	1
Income from operating lease	1	1
Fines and default interest	1	3
Gain from trading in commodity contracts	182	16
Remaining operating income	81	22
Total other operating income	**266**	**43**

	2020	2019
Gain from traiding with commodity contracts	2 254	2 083
Loss from trading with commodity contracts	-2 072	-2 067
Net gain / loss (-) from trading with commodity contracts	**182**	**16**

18. Consumption of materials, goods and services

	2020	2019
Cost of goods sold	--	88
Cost of sale of gas and electricity to end customers	2 757	2 368
Cost of trading in gas and electricity	38 979	62 788
Materials and energy used	118	128
Total materials and goods used	**41 854**	**65 372**
Services used relating to revenue	2 306	2 042
Lease expenses	7	10
Other services	245	261
Amortisation of contract costs	12	12
Changes in product and work-in-progress inventories	-1	-2
Total services used	**2 569**	**2 323**
Total consumption of materials, goods and services	**44 423**	**67 695**

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 2020 and 2019 represent short term leases.

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

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19. Personnel expenses

	2020	2019
Payroll expenses	303	290
Social security and health insurance expenses	95	92
Other social expenses	13	15
Total personnel expenses	**411**	**397**

The average number of employees in 2020 was 402 (2019: 415 employees).

20. Depreciation, amortisation and impairment

	2020	2019
Depreciation of property, plant and equipment (Note 4)	364	360
Impairment of property, plant and equipment (Note 4)	12	-3
Amortisation of intangible assets (Note 5)	22	46
Depreciation of right of use	29	26
Total depreciation, amortisation and impairment	**427**	**429**

21. Other operating expenses

	2020	2019
Repairs and maintenance	63	103
Travel expenses	2	5
Fees	120	112
Other taxes	2	2
Insurance premiums	7	7
Other overhead operating expenses	56	50
Total other operating expenses	**250**	**279**

The most significant part of fees represent charges for extracted oil and gas of MCZK 76 (2019: MCZK 70) and payments for mining areas and fees for exploration areas of MCZK 42 (2019: MCZK 40).

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22. Finance income and costs

	2020	2019
Interest income	1	2
Gain on foreign exchange operations	3	37
Income from dividends	75	90
Income from current financial assets	5	18
Other finance income	50	26
Total finance income	**134**	**173**

	2020	2019
Interest expense	-152	-162
Interest expense on leases	-6	-6
Other finance costs	-91	-33
Total finance costs	**-249**	**-201**
Net profit/loss from financial operations	**-115**	**-28**

23. Taxation

Income tax expense

	2020	2019
Deferred tax expense	1	-69
Total income tax (expense + / income -)	**1**	**-69**

Reconciliation of effective tax rate

	2020	%	2019	%
Profit or loss before tax	**65**		**-296**	
Income tax using the valid tax rate	12	19.0%*	-56	19.0%*
Effect of tax non-deductible expenses that do not result in deferred tax	2	3.08%	5	-1.69%
Effect of tax exempt income	-14	-21.54%	-19	6.42%
Donation for charitable purposes	--	0.00%	--	0.00%
Tax credits	--	0.00%	--	0.00%
Tax relating to prior periods	--	0.00%	--	0.00%
Other effects	1	1.54%	1	-0.34%
Total income tax expense / Effective tax rate	**1**	**2.08%**	**-69**	**23.31%**

* Tax rate valid in the Czech Republic

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.

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Change in deferred tax

2020	Balance at 1/1/2020	Change in 2020		Balance at 31/12/2020
	Deferred tax asset (+)/liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/liability (-)
Deferred tax asset (+)/liability (-)	**167**	**1**	**20**	**188**
Property, plant and equipment	-139	118	--	-21
Intangible assets	1	-1	--	--
Derivative financial instruments*	-434	525	20	111
Total inventories	200	-295	--	-95
Total receivables	5	-3	--	2
Lease liabilities	27	-26	--	1
Total liabilities	7	-3	--	4
Provisions	224	-79	--	145
Tax losses carried-forward	276	-235	--	41

* The net deferred tax receivable arising from derivative financial instruments totalling MCZK 111 is a result of offsetting of deferred tax liability from long-term and short-term derivative financial instruments assets in theamount of MCZK 456 and deferred tax asset arising from long-term and short-term derivative financial instruments liabilities and liabilities from gas storage contracts in the amount of MCZK 567.

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 (-)	**100**	**68**	**-1**	**167**
Property, plant and equipment and intangible assets	-143	4	--	-139
Intangible assets	--	1	--	1
Derivative financial instruments*	-6	-427	-1	-434
Total inventories	2	198	--	200
Total receivables	22	-17	--	5
Lease liabilities	--	27	--	27
Total liabilities	4	3	--	7
Provisions	221	3	--	224
Tax losses carried-forward	--	276	--	276

* The net deferred tax liability arising from derivative financial instruments totalling MCZK 434 is a result of offsetting of deferred tax liability from long-term and short-term derivative financial instruments assets in amount of MCZK 911 and deferred tax asset arising from long-term and short-term derivative financial instruments liabilities and liabilities from gas storage contracts in amount of MCZK 477.

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24. Other comprehensive income

	2020	2019
Change in the fair value of hedging instruments, before tax	-112	3
Change in the fair value of hedging instruments – deferred tax	20	-1
Change in the fair value of hedging instruments, after tax	**-92**	**2**
Change in the fair value of hedging instruments transferred to profit/loss, before tax	--	5
Change in the fair value of hedging instruments transferred to profit/loss - deferred tax	--	-1
Change in the fair value of hedging instruments transferred to profit/loss after tax	**--**	**4**
Total other comprehensive income	**-92**	**6**

25. 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 2020, MCZK 1 (2019: MCZK 1) was recognised as income from leases in the statement of comprehensive income (Note 17).

26. 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:

	2020		2019	
	Board of directors and supervisory board	Executive management	Board of directors and supervisory board	Executive management
Payroll expenses	--	26	--	24
Social security and health insurance expenses	1	6	1	5
Bonuses to statutory body members	2	--	3	--
Total	**3**	**32**	**4**	**29**

In 2020, members of the board of directors of MND a.s. received bonuses of MCZK 2 (2019: MCZK 3).

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 2020 and 31 December 2019:

	Receivables		Payables	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	27	27	--	--
Conectart s.r.o.	--	--	--	15
DataSpring s.r.o.	--	--	1	1
KKCG a.s.	--	--	1	1
KKCG AG	--	--	2	6
MND Drilling & Services a.s.	2	2	59	105
MND Gas Storage a.s.	1	2	1	17
Moravia Gas Storage a.s.	1	1	4	2
HORYZONTY LLC	2	1	--	--
SafeDX s.r.o.	--	1	--	--
SAZKA a.s.	1	1	--	--
Vinohradská 230 a.s.	1	3	1	1
Total	**35**	**38**	**69**	**148**

Receivables from BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o. represent a long-term advance for the lease of office premises.

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Related-party transactions for the period ended 31 December 2020 and 31 December 2019:

	Income		Expenses	
	2020	2019	2020	2019
DataSpring s.r.o.	3	3	7	8
KKCG a.s.	--	--	8	9
KKCG AG	--	--	2	1
KKCG Technologies s.r.o.	33	--	--	--
KKCG Structured Finance AG	5	18	--	--
Moravia Systems a.s.	--	--	3	4
MND Drilling & Services a.s.	11	41	307	384
MND Gas Storage a.s.	83	76	165	165
MND Energy Trading a.s.	2	1	--	109
Moravia Gas Storage a.s.	6	12	21	9
MND Gas Storage Germany GmbH	10	2	--	21
HORYZONTY LLC	5	3	--	--
Kynero Consulting a.s.	--	--	2	2
Conectart s.r.o.	--	--	62	125
SafeDX s.r.o.	1	4	--	--
SAZKA a.s.	44	8	--	--
Vinohradská 230 a.s.	3	3	14	14
AUTOCONT a.s.	--	--	2	3
Liberty Two Methanol LLC	--	2	--	--
Total	**206**	**173**	**593**	**854**

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 (Moravia Gas Storage a.s. and Sazka a.s.) and the interest received from the contracts on cash-pooling (KKCG Structured Finance AG).

27. 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 Management Department 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 2020	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables from derivative instruments	681	--	40	--	721
Non-current restricted cash	--	--	37	--	37
Current receivables – financial	1 272	--	305	1	1 578
Current receivables from derivative instruments	1 934	--	22	--	1 956
Cash and cash equivalents	265	--	2 606	--	2 871
Total	**4 152**	**--**	**3 010**	**1**	**7 163**

At 31 December 2019	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables - financial	32	--	--	--	32
Non-current receivables from derivative instruments	1 110	--	27	--	1 137
Non-current restricted cash	--	--	34	--	34
Other current financial assets	--	--	--	--	--
Current receivables – financial	1 606	--	--	129	1 735
Current receivables from derivative instruments	3 697	--	34	--	3 731
Cash and cash equivalents	104	--	1 452	--	1 556
Total	**6 549**	**--**	**1 547**	**129**	**8 225**

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Ageing structure of financial assets

At 31 December 2020	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	***37***	**--**	**--**	**--**	**--**	**--**	***37***
Non-current restricted cash	37	--	--	--	--	--	37
Current receivables - financial	***1 571***	**14**	**8**	**24**	**34**	**-73**	***1 578***
Current trade receivables	1 339	13	7	22	32	-67	1 346
Contract assets – current	127	--	--	--	--	--	127
Other current receivables	105	1	1	2	2	-6	105
Cash and cash equivalents	***2 871***	**--**	**--**	**--**	**--**	**--**	***2 871***
Cash in hand	--	--	--	--	--	--	--
Bank accounts and cash equivalents	2 871	--	--	--	--	--	2 871
Total	**4 479**	**14**	**8**	**24**	**34**	**-73**	**4 486**

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***	**--**	**--**	**--**	**--**	**--**	***66***
Non-current trade and other receivables	32	--	--	--	--	--	32
Non-current restricted cash	34	--	--	--	--	--	34
Current receivables - financial	***1 660***	**33**	**11**	**11**	**16**	**-40**	***1 691***
Current trade receivables	1 455	32	10	10	16	-38	1 485
Contract assets – current	89	--	--	--	--	--	89
Other current receivables	116	1	1	1	--	-2	117
Cash and cash equivalents	***1 556***	**--**	**--**	**--**	**--**	**--**	***1 556***
Cash in hand	--	--	--	--	--	--	--
Bank accounts and cash equivalents	1 556	--	--	--	--	--	1 556
Total	**3 282**	**33**	**11**	**11**	**16**	**-40**	**3 313**

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.

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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 2020	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**2 871**	**--**	**--**	**--**	**--**	**2 871**
Cash in hand	--	--	--	--	--	--
Bank accounts and cash equivalents	2 871	--	--	--	--	2 871
Non-current restricted cash	**37**	**--**	**--**	**--**	**--**	**37**
Non-current restricted cash	37	--	--	--	--	37
Class 2						
Current receivables – financial	**8**	**--**	**--**	**1 643**	**-73**	**1 578**
Current trade receivables	8	**--**	**--**	1 405	-67	1 346
Contract assets – current	--	--	--	127	--	127
Other current receivables	--	--	--	111	-6	105
Total	**2 916**	**--**	**--**	**1 643**	**-73**	**4 486**

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**	**--**	**--**	**--**	**--**	**1 556**
Cash in hand	--	--	--	--	--	--
Bank accounts and cash equivalents	1 556	--	--	--	--	1 556
Non-current restricted cash	**34**	**--**	**--**	**--**	**--**	**34**
Non-current restricted cash	34	--	--	--	--	34
Class 2						
Current receivables – financial	**8**	**--**	**--**	**1 723**	**-40**	**1 691**
Current trade receivables	8	**--**	**--**	1 515	-38	1 485
Contract assets – current	--	--	--	89	--	89
Other current receivables	--	--	--	119	-8	117
Non-current receivables – financial	**32**	**--**	**--**	**--**	**--**	**32**
Non-current trade and other receivables	32	--	--	--	--	32
Total	**1 630**	**--**	**--**	**1 723**	**-40**	**3 313**

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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 2020	--	--	--	**-40**	**-40**
Additions – increase in allowance recognized in profit or loss during the year	--	--	--	-42	**-42**
Reversals – amounts unused	--	--	--	1	**1**
Write-offs – receivables written off during the year as uncollectible	--	--	--	8	**8**
Balance at 31 December 2020	--	--	--	**-73**	**-73**

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2019	--	--	--	**-24**	**-24**
Additions – increase in allowance recognized in profit or loss during the year	--	--	--	-24	**-24**
Write-offs – receivables written off during the year as uncollectible	--	--	--	--	**--**
Effect of currency translation	--	--	--	8	**8**
Balance at 31 December 2018	--	--	--	**-40**	**-40**

Impairment matrix for current trade and other receivables as of 31 December 2020:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**1 571**	**0.19%**	**-3**	**1 568**
Current trade receivables	1 339	0.22%	-3	1 336
Contract assets - current	127	0.00%	--	127
Other current receivables	105	0.00%	--	105
Past due < 90 days	**14**	**28.57%**	**-4**	**10**
Current trade receivables	13	23.08%	-3	10
Other current receivables	1	100.00%	-1	--
Past due 91-180 days	**8**	**100.00%**	**-8**	**--**
Current trade receivables	7	100.00%	-7	--
Other current receivables	1	100.00%	-1	--
Past due 181-365 days	**24**	**100.00%**	**-24**	**--**
Current trade receivables	22	100.00%	-22	--
Other current receivables	2	100.00%	-2	--
Past due >365 days	**34**	**100.00%**	**-34**	**--**
Current trade receivables	32	100.00%	-32	--
Other current receivables	2	100.00%	-2	--
Total	**1 651**	**4.42%**	**-73**	**1 578**

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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	**1 660**	**0.12%**	**-2**	**1 658**
Current trade receivables	1 455	0.14%	-2	1 453
Contract assets - current	89	0.00%	--	89
Other current receivables	116	0.00%	--	116
Past due < 90 days	**33**	**0.00%**	**--**	**33**
Current trade receivables	32	0.00%	--	32
Other current receivables	1	0.00%	--	1
Past due 91-180 days	**11**	**100.00%**	**-11**	**--**
Current trade receivables	10	100.00%	-10	--
Other current receivables	1	100.00%	-1	
Past due 181-365 days	**11**	**100.00%**	**-11**	**--**
Current trade receivables	10	100.00%	-10	--
Other current receivables	1	100.00%	-1	--
Past due >365 days	**16**	**100.00%**	**-16**	**--**
Current trade receivables	16	100.00%	-16	--
Total	**1 731**	**2.31%**	**-40**	**1 691**

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

Non-current and current receivables - financial, non-current and current receivables from derivativel instruments, non-current restricted cash, other current financial assets, cash and cash equivalents	31/12/2020	31/12/2019
Czech Republic	4 355	4 606
Germany	749	773
Switzerland	449	802
Austria	364	454
Slovakia	215	94
Great Britain	1 007	1 432
Other countries	24	64
Total	**7 163**	**8 225**

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

Offsetting in the balance sheet

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.

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Potential 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 Potential offsetting.

At 31 December 2020	Gross amount before offsetting	Offsetting in the balance sheet	Net amount in the balance sheet	Potential offsetting	Amount after potential offsetting
Assets					
Non-current receivables from derivative instruments	721	--	721	-54	667
Current receivables from derivative instruments	1 956	--	1 956	-160	1 796
Current receivables	5 293	-3 735	1 558	-136	1 422
Total	**7 970**	**-3 735**	**4 235**	**-350**	**3 885**
Liabilities					
Non-current liabilities from derivative instruments	479	--	479	-53	426
Current liabilities from derivative instruments	4 071	--	4 071	-297	3 774
Current liabilities	6 784	-3 735	3 049	--	3 049
Total	**11 334**	**-3 735**	**7 599**	**-350**	**7 249**

At 31 December 2019	Gross amount before offsetting	Offsetting in the balance sheet	Net amount in the balance sheet	Potential offsetting	Amount after potential offsetting
Assets					
Non-current receivables from derivative instruments	1 137	--	1 137	-40	1 097
Current receivables from derivative instruments	3 731	--	3 731	-978	2 753
Current receivables	6 127	-4 370	1 757	--	1 757
Total	**10 995**	**-4 370**	**6 625**	**-1 018**	**5 607**
Liabilities					
Non-current liabilities from derivative instruments	269	--	269	-40	229
Current liabilities from derivative instruments	1 553	--	1 553	-978	575
Current liabilities	7 941	-4 370	3 571	--	3 571
Total	**9 763**	**-4 370**	**5 393**	**-1 018**	**4 375**

(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, from the sale of gas, electricity and energy commodities in EUR.

Risk exposure arising from energy commodities 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 2020 would result in a decrease in profit or loss before tax of approximately MCZK 15 without hedging. The effect of CZK appreciation against USD by CZK 1 in 2020 would result in a decrease in profit or loss before tax of MCZK 25 without hedging. 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 2020/2021 would result in a decrease in profit or loss before tax of MCZK 34 without hedging 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 simulation method is applied 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 was MCZK 75. 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. Value of VaR was MCZK 2 at the year-end 2020. In 2020 the average value of VaR was MCZK 6.

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Currency risk analysis (in MCZK)

As of 31 December 2020 and 31 December 2019, the Company is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Financial assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

At 31 December 2020	EUR	USD	Other	Total
Non-current receivables - financial	--	--	--	--
Non-current receivables from derivative instruments	721	--	--	721
Non-current restricted cash	--	--	--	--
Other current financial assets	--	--	--	--
Current receivables - financial	1 074	2	--	1 076
Current receivables from derivative instruments	1 935	21	--	1 956
Cash and cash equivalents	1 422	11	--	1 433
Total assets	**5 152**	**34**	**--**	**5 186**
Non-current loans and interest-bearing borrowings	--	--	--	--
Non-current lease liabilities	--	--	--	--
Non-current liabilities from derivative instruments	-479	--	--	-479
Other non-current liabilities	-545	--	--	-545
Current loans and interest - bearing borrowings *)	-1 630	--	--	-1 630
Current lease liabilities	--	--	--	--
Current payables - financial	-2 255	--	-1	-2 256
Current liabilities from financial instruments	-1 563	-46	--	-1 609
Total liabilities	**-6 472**	**-46**	**-1**	**-6 519**
Total	**-1 320**	**-12**	**-1**	**-1 333**

*) The item Current loans and interest - bearing borrowings (EUR) comprises current bank loans and borrowings of MCZK 1 630 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 2019	EUR	USD	Other	Total
Non-current receivables – financial	--	--	--	--
Non-current receivables from derivative instruments	959	--	--	959
Non-current restricted cash	--	--	--	--
Other current financial assets	--	--	--	--
Current receivables - financial	769	2	2	773
Current receivables from derivative instruments	3 575	--	--	3 575
Cash and cash equivalents	197	1	--	198
Total assets	**5 500**	**3**	**2**	**5 505**
Non-current loans and interest-bearing borrowings	--	--	--	--
Non-current lease liabilities	--	--	--	--
Non-current liabilities from derivative instruments	-269	--	--	-269
Other non-current liabilities	-275	--	--	-275
Current loans and interest - bearing borrowings *)	-2 784	--	--	-2 784
Current lease liabilities	--	--	--	--
Current payables - financial	-1 982	-1	--	-1 983
Current liabilities from financial instruments	-1 552	--	--	-1 552
Total liabilities	**-6 862**	**-1**	**--**	**-6 863**
Total	**-1 362**	**2**	**2**	**-1 358**

*) The item Current loans and interest - bearing borrowings (EUR) comprises current bank loans and borrowings of MCZK 2 784 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 2020, 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 MCZK	**Profit or loss**	
	10% appreciation + profit/ - loss	10% appreciation + profit/ - loss
At 31 December 2020		
EUR	100	-100
USD	-1	-1

Effect recognised in TCZK	**Profit or loss**	
	10% appreciation + profit/ - loss	10% appreciation + profit/ - loss
At 31 December 2019		
EUR	72	-72
USD	--	--

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) 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 and liabilities arising from energy commodities trading in organized markets (margining) and on a bilateral basis.

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 sufficient 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:

Separate financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

At 31 December 2020	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	On demand	Total
Assets							
Non-current receivables from derivative instruments	721	2 674	--	2 674	--	--	2 674
Non-current restricted cash	37	37	--	37	--	--	37
Current receivables - financial	1 578	1 578	1 578	--	--	--	1 578
Current receivables from derivative instruments	1 956	8 942	8 942	--	--	--	8 942
Total	**4 292**	**13 231**	**10 520**	**2 711**	**--**	**--**	**13 231**
Cash and cash equivalents	2 871	2 871	--	--	--	2 871	2 871
Liabilities							
Non-current loans and interest-bearing borrowings	-2 200	-2 282	--	-2 282	--	--	-2 282
Non-current lease liabilities	-105	-132	--	-54	-78	--	-132
Non-current liabilities - financial	-552	-552	--	-552	--	--	-552
Non-current liabilities from derivative instruments	-479	-956	--	-956	--	--	-956
Current loans and interest-bearing borrowings	-1 640	-1 735	-1 735	--	--	--	-1 735
Current lease liabilities	-19	-24	-24	--	--	--	-24
Current liabilities - financial	-3 049	-3 049	-3 049	--	--	--	-3 049
Current liabilities from derivative instruments	-1 609	-4 076	-4 076	--	--	--	-4 076
Total	**-9 653**	**-12 806**	**-8 884**	**-3 844**	**-78**	**--**	**-12 806**
Net balance – liquidity risk (financial assets & liabilities)	**-2 490**	**3 296**	**1 636**	**-1 133**	**-78**	**2 871**	**3 296**
Future commitment to leasing	--	-184	-21	-74	-89	--	-184
Net balance – liquidity risk (including off-balance sheet)	**-2 490**	**3112**	**1 615**	**-1 207**	**-167**	**2 871**	**3 112**

Separate financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

At 31 December 2019	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	On demand	Total
Assets							
Non-current receivables	32	32	--	32	--	--	32
Non-current receivables from derivative instruments	1 137	3 976	--	3 976	--	--	3 976
Non-current restricted cash	34	34	--	34	--	--	34
Current receivables - financial	1 735	1 735	1 735	--	--	--	1 735
Current receivables from derivative instruments	3 731	10 371	10 371	--	--	--	10 371
Total	**6 669**	**16 148**	**12 106**	**4 042**	**--**	**--**	**16 148**
Cash and cash equivalents	1 556	1 556	--	--	--	1 556	1 556
Liabilities							
Non-current loans and interest-bearing borrowings	-2 197	-2 370	--	-2 370	--	--	-2 370
Non-current lease liabilities	-115	-147	--	-60	-87	--	-147
Other non-current liabilities	-441	-441	--	-441	--	--	-441
Non-current liabilities from derivative instruments	-269	-1 393	--	-1 393	--	--	-1 393
Current loans and interest-bearing borrowings	-2 794	-2 893	-2 893	--	--	--	-2 893
Current lease liabilities	-26	-32	-32	--	--	--	-32
Current liabilities - financial	-3 571	-3 571	-3 571	--	--	--	-3 571
Current liabilities from derivative instruments	-1 553	-5 605	-5 605	--	--	--	-5 605
Total	**-10 966**	**-16 452**	**-12 101**	**-4 264**	**-87**	**--**	**-16 452**
Net balance – liquidity risk	**-2 741**	**1 252**	**5**	**-222**	**-87**	**1 556**	**1 252**

(e) 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.

	31/12/2020	31/12/2019
Bank loans, bonds issued and borrowings	3 840	4 990
Less: current debts for the financing of gas inventory	-1 631	-2 784
Less: cash and cash equivalents	-2 871	-1 556
Net debt	**-662**	**650**
Total equity	**6 003**	**5 315**
Debt to equity ratio	**-0.11**	**0.12**

Separate financial statements for the year ended 31 December 2020 (in millions of Czech crowns)

(f) 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 31/12/2020		Fair value at 31/12/2020		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Commodity forwards	2 381	--	--	2 381	--
Commodity futures	274	--		274	
Currency forward	1	21	--	22	--
Financial liabilities measured at fair value					
Interest rate swap	--	-37	--	-37	--
Currency swap	--	-1	--	-1	--
Commodity swap	--	-46	--	-46	--
Commodity forwards	-1 977	--	--	-1 977	--
Currency forward	-14	-13	--	-27	--

Inventory of gas for trading is valued at fair value with carrying amount of MCZK 2 305 under Level 2.

	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	--	37	--
Commodity forwards	4 405	--	--	4 405	--
Commodity futures	86	--	--	86	--
Currency forward	24	--	--	24	--
Financial liabilities measured at fair value					
Currency swap	-2	--	--	-2	--
Commodity forwards	-1 804	--	--	-1 804	--
Commodity futures	-1	--	--	-1	--
Currency forward	-14	--	--	-14	--

Inventory of gas for trading is valued at fair value with carrying amount of MCZK 2 055 under Level 2.

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 2020 and 2019, there were not transfers between individual levels of the fair value hierarchy.

28. Liabilities not recognised in the statement of financial position

The Company issued no non-bank guarantees in 2020 and 2019.

The Company records bank guarantees issued in the amount of MCZK 1 083 (2019: MCZK 751) and guarantess received from related party in amount of MCZK 289 in favour of Company's business counterparties and customers relating to the Company's outstanding liabilities and performance obligations.

The Company has committed to lease office space since May 1, 2021. The present value of this future liability is MCZK 152. Future cash flows are shown in the liquidity risk table (Note 27d)).

29. Material subsequent events

No other subsequent events occurred that would have a significant impact on financial statements as at 31 December 2020.

Date:

21 May 2021

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

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Independent auditor's report

To the shareholder of MND a.s.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion:

- the 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 2020, of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2020, of the Company's separate financial performance and separate cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated statement of changes in equity for the year ended 31 December 2020;
- the consolidated statement of cash flows for the year ended 31 December 2020; and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2020;
- the separate statement of comprehensive income for the year ended 31 December 2020;
- the separate statement of changes in equity for the year ended 31 December 2020;
- the separate statement of cash flows for the year ended 31 December 2020; and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

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Basis for opinion

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

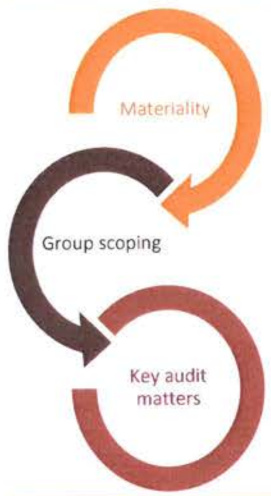
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



The overall materiality for the Group and the Company was set at 0.75% of average total sales for the years 2018 – 2020, which represents approximately CZK 464 million for the Group and CZK 458 million for the Company.

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.

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. As in all of our audits, 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 as a whole.

Overall Group materiality	CZK 464 million (CZK 312 million for the previous period)
Overall materiality for the Company standing alone	CZK 458 million (CZK 308 million for the previous period)
How we determined it	Materiality for the Group and the Company was determined as 0.75% of average total sales for the years 2018 – 2020.
Rationale for the materiality benchmark applied	We also considered using profit before tax as a benchmark, but as it is volatile for both the Company and the Group in the recent years (the Company and the Group showed losses in the previous years and reached slight profit in 2020), 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 0.75% of total sales.

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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
Valuation of financial instruments	
(consolidated financial statements: see Note 3, para (e) and Note 17 and 30) (separate financial statements: see Note 3, para (e) and Note 14 and 27). 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 17 and 30 to the consolidated financial statements and Note 14 and 27 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 of internal control focused on the completeness and accuracy of data in the Company's information systems; • testing of the accuracy of data in the Company's information systems on a selected sample; • 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 Group 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 94% 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

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

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 legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

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

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

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

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 of the financial statements that give true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union 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 Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 2020 by the general meeting of shareholders of the Company on 8 October 2019. Our uninterrupted engagement as auditors of the Group and the Company has lasted for two years.

Provided non-audit services

To the best of our knowledge and belief, we declare that PwC Network has not provided to the Company and its subsidiaries non-audit services that are prohibited under Article 5 (1) of the EU Regulation, as amended by the Czech law following Article 5 (3) of the EU Regulation.

In addition to the statutory audit, no other services were provided by us to the Group.

21 May 2021

PricewaterhouseCoopers Audit, s.r.o.
represented by

Jan Musil

Tomáš Frýbort
Statutory Auditor, Licence No. 2292