MND a.s.

Annual Report

2021

This document is an English translation
of the Czech Annual Report

Contents:

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 of 31 December 2021, 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 Energy Storage a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 27732894;
- **MND Energie 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;
- **Oriv Holding a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 11735376;
- **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, Ukraine;

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

3. Jointly controlled entities

As at 31 December 2021, the following entities were jointly controlled or associated entities vis-à-vis the Company (pursuant to Section 22, par. 3, point (b) and (c) of Act No. 563/1991 Coll., on Accounting, as amended):

- **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

Principal business activities of MND Group are:

- sale of gas and electricity to households and small businesses;
- energy commodities trading;
- operation of underground gas storage and provision of gas storage services;
- exploration and production of oil and natural gas;
- drilling contractor services, focusing on drilling of oil and gas exploration and production wells and hydro and geothermal wells and well workover and abandonment.
- investment in renewable energy sources and the development of new technologies.

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. Sale of gas and electricity to households and small businesses

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 2021, the MND Group continued to offer advantageous energy contracts to households at fair prices. Price advantage is supported by correct conditions that are based on values and principles that the MND Group considers key for its long-term successful operation in the market. These principles include fair and comprehensible customer care as well as stability and customer care including the maximum degree of processes digitalization of the processes. 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 gas sales. In 2021, the MND customer base grew by 28 080 customers to a total of 114 540 First-hand gas customers. MND has thus 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.

In 2021, the MND Group continued to sell electricity to households, which it has been offering to customers since mid-2014. In 2021, the number of electricity customers increased by 53 504 to a total of 129 444. Thanks to this, MND is the sixth largest electricity supplier in the Czech Republic.

At the end of 2021, the MND Group exceeded the threshold of 243 000 customers in total for both energy commodities.

After the contribution of a part of the enterprise, the subsidiary MND Energie a.s. is the energy supplier to households and small businesses since 1 November 2021.

6. Energy commodities trading

The MND Group developed its activities as a licensed gas and electricity trader both on the Czech market and abroad. In 2021, they continued to sell gas from its own production and utilised gas storage facilities in the Czech Republic, Germany, Austria, the Netherlands with a total storage capacity exceeding 9 TWh. Storage capacity was also sold on a secondary basis as a flexibility service and as a security of supply service in accordance with applicable legislation. In 2021, over 200 TWh of gas and 20 TWh of electricity were traded in physical and financial markets. MND actively developed models of automatic and autonomous trading in selected market segments and also traded emission allowances and coal in the form of financial contracts.

7. Underground gas storage

The MND Group operates the Uhřice underground gas storage facility (UGS Uhřice). UGS Uhřice consists of two storage structures that, in addition to natural gas storage, are also suitable for storing electricity through hydrogen gas. UGS Uhřice (Energy Storage Uhřice) is ready from 1 January 2022 to receive energy in the form of hydrogen up to concentrations of 5% in a mixture with natural gas at the entry point of MS Brumovice. The total current storage capacity of the Uhřice UGS is 320 million m^3, with the potential for further development up to 350 million m^3.

Through its ownership interest in Moravia Gas Storage a.s., the MND Group also participates in the operation of the Dambořice UGS, which was put in use in 2016. Its total storage capacity after the end of the build-up period will be 448 million m^3.

8. Exploration and production of hydrocarbons

The MND Group is the largest Czech group producing oil and natural gas. The Group holds four exploration areas covering a total area of 1 710 km^2 in the region of south-eastern Moravia. The subsidiaries hold six exploration and mining licenses with a total area of 295 km^2 in Ukraine. These exploration areas are covered by a network of 2D seismic measurements and, to a large extent, a network of 3D seismic measurements. In 2021, the Group carried out seismic measurements in the Girska license area in western Ukraine. Based on the results and interpretation of seismic measurements and other geological information, the Group conducts the design and implementation of exploratory wells to discover new oil and gas fields. In 2021, the Group drilled one production well and two exploratory wells in South Moravia and four production wells in western Ukraine.

The Group produces oil and/or natural gas from 36 deposits in the region of south-eastern Moravia. Oil production in 2021 reached 91 thousand m^3 and natural gas supplies from own production 87 million m^3. Subsidiaries in Ukraine produced 113 million m^3 of natural gas from the Girska and Beregivska fields.

9. Drilling and workover activities

In 2021, the Group drilled six wells for external customers, a major project being the drilling of a geothermal well in the United Kingdom for the Eden project in the Cornwall area. In addition, the MND Group carried out drilling works with Bentec 450, Bentec 350, Bentec 250, MD150, Rig 40 and Rig 30 rigs in Germany, Hungary and Croatia.

In 2021, the Group carried out a total of 58 well workovers and abandonments in the Czech Republic. Of this total amount, 27 well workovers and 4 abandonments were carried out for the Group's own needs, 10 workovers of underground gas storage wells and 17 abandonments of old environmental burdens for external customers.

10. Investments in renewable energy sources and new development projects

The group enters a project to build a wind power plant in western Ukraine. The Group will have a 50% stake in the Ukrainian company LIMITED LIABILITY COMPANY "ORIV WINDPARK", with its registered office at Lviv, 79007, Sichovykh Striltsiv, 12 ap. 9, registration number 38057121 (ORIV WINDPARK). The partner in the joint venture will be Ivena Limited, with which the Group has been cooperating since 2014 in gas production in western Ukraine. It is the construction of a wind power plant with an output of 54.6 MWh in the Lviv region. The planned annual production is 150 GWh. Project preparation is completed, financing is secured, and preparatory construction work are currently underway. The installation of 10 turbines was to take place in 2022 and electricity production was to start in 2023. Completion of the acquisition is postponed until the end of June 2022.

The Group, in cooperation with the Austrian company Green Well, has started testing work on the Hrušky Z40 well for the possible use of geothermal energy.

In 2021, the Group completed the installation of a cogeneration unit to produce electricity and heat at its production facility in Dambořice and plans to install another cogeneration unit in 2022.

The Group is a partner of the Czech-Norwegian project CO2-SPICER - Pilot project of CO2 storage in a carbonate deposit. The main objective of the project is to prepare a pilot carbon dioxide storage on the oil and gas deposit in production, thus creating a model example for the potential implementation of other carbon dioxide storages in the Czech Republic and in Europe. Other partners are the Czech Geological Survey, the Institute of Geophysics of the CAS, the VSB -Technical University of Ostrava and the NORCE Norwegian Research Centre AS.

Together with other partners, the Group is preparing the Carbon Capture & Storage project, which aims to assess the possibility of building and operating a commercial underground storage facility for storing carbon dioxide captured during industrial production.

The Group participates in a study to assess the possibility of utilising unused exploratory wells and former production wells as groundwater resources.

11. Human resources

As at 31 December 2021, the MND Group companies employed 795 people.

12. 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.

13. Corporate social responsibility and sponsorship

The MND Group has an active social responsibility program to support a wide range of beneficial and charitable events and civic associations in the Czech Republic. Consistent with the scope and location of its business and respect for the environment, MND directs its activities to improve the quality of the environment in the communities where it operates.

MND has been cooperating on joint projects with the Dolní Morava Biosphere Reserve, o.p.s. concerning the protection of natural and cultural diversity and sustainable economic development.

MND financially supports wide range of other projects focusing mainly on sports, culture and education, especially supporting children in sports.

14. MND Group's financial results and state of assets in 2021

The MND Group reported a consolidated profit of CZK 285 million for 2021 after tax, representing year-on-year increase of CZK 278 million. Revenue amounted to CZK 118 021 million in the period concerned. The consolidated result from operating activities amounted to CZK 503 million for the period under review and consolidated profit from financial operations amounted to CZK -238 million.

The financial results were favourably affected by the increase in oil and gas prices and higher gas production following the acquisition of shares in subsidiaries in Ukraine.

The MND Group assets as at 31 December 2021 were as follows:

- property, plant and equipment of CZK 7 194 million, intangible fixed assets of CZK 151 million and non-current financial assets of CZK 2 288 million;
- current assets of CZK 22 947 million; comprising inventories of CZK 4 738 million, current receivables and other receivables (including income tax receivables and derivative financial instruments) of CZK 15 826 million, current financial assets of CZK 533 million and cash and cash equivalents of CZK 1 850 million.

The MND Group's equity as at 31 December 2021 was CZK 6 460 million, of which equity attributable to the shareholder amounted to CZK 6 215 million, total liabilities amounted to CZK 26 504 million.

In 2021, the MND Group companies did not have their own shares or interim certificates in their ownership.

15. 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 32, 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.

16. Development outlook for the upcoming period

In 2021, the MND Group recorded a slight decrease in oil production and a significant increase in natural gas production in its exploration and production activities. In 2022, compared to the 2021 level, it expects a stable level of hydrocarbon production in the Czech Republic and a slight decrease in gas production in Ukraine. In sales of gas and electricity to end customers, the MND Group expects a further increase in the number of off-taking customers. MND Group's financial performance will depend to a large extent on oil, gas and electricity price developments in European markets.

17. Subsequent events

Significant subsequent events are disclosed in note 34 of the notes to the consolidated financial statements.

Prague, 27 May 2022

Miroslav Jestřabík
Member of the Board of Directors

Jiří Ječmen
Member of the Board of Directors

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

The company MND a.s., with its registered office in Hodonín, Úprkova 807/6, postal code 695 01, ID no. 28483006, incorporated in the Commercial Register kept with the Regional Court in Brno, registration no. B 6209 (hereinafter the “**Company**”) acted in the accounting period from 1st January, 2021 to 31st December, 2021 (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, par. 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)	2021
Expenses / Purchases	
Purchases of services	863
Revenues / Sales	
Total sales	1 061

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 2022

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 2021

COMPANY	Seat, Identification No. / Registration No.
"Horyzonty" LLC	L'vivska Oblast, L'viv, 79005, Akademika Pavlova 6C, Office 7, Ukraine, reg. No. 36828617
AEC a.s.	Voctářova 2500/20a, Libeň, post code 180 00, Prague 8, Czech Republic, identification No. 04772148
AEC s.r.o.	Prievozská 1978/6, post code 821 09, Bratislava, Slovak Republic, identification No. 31384072
AleaX AG	Fabrikstraße 4, 9496 Balzers, Liechtenstein, registr. No. FL-0002.629.106-8
Allwyn Entertainment AG	Weinmarkt 9, 6004 Lucerne, Switzerland, reg. No. CHE-157.119.805
Allwyn Entertainment Ltd.	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 13157556
Allwyn Sub AG	Weinmarkt 9, 6004 Lucerne, Switzerland, reg. No. CHE-348.874.140
Aricoma Capital a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 11834587
Aricoma Group a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 04615671
Aricoma Group AB	Stockholm, Box 6350, post code 102 35, Sweden, reg. No. 559239-3473
Aricoma Group International AB	c/o Aspia AB, Box 91, 851 02 Sundsvall, Sweden, reg. No. 559235-9748
AUTOCONT a.s.	Hornopolní 3322/34, Moravská Ostrava, 702 00 Ostrava, Czech Republic, identification No. 04308697
AUTOCONT SRL	Avenue Louise 231, 1050 Bruxelles, Belgium, reg. No. 0767.591.979
AUTOCONT s.r.o.	Krasovského 14, Bratislava - mestská časť Petržalka, post code 851 01, Slovak Republic, identification No. 36396222
Blue Rosemarine Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08797200
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27457622
BOSM Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 06773878
Cachi Valle Aventuras S.A. (in liquidation)	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registr. No. IGTJ de Salta Folio 71/2 asiento 2465 L 10
CAI Hungary Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registr. No. 08-09-027729
CAI Ontario Inc. (in liquidation)	200 Bay Street, Royal Bank Plaza, M5J 2Z4 Ontario, Canada, registr. No.1164748
CAIO AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registr. 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, reg No. 038898d
Casino Odense K/S	Claus Bergs Gade 7, 5000 Odense C, Denmark, registr. No. 14920293
Casino Sopron Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registr. No. 08-09-009273
Casino St. Moritz AG	Via Veglia 3, 7500 St. Moritz, Switzerland, registr. No. CHE-107.653.178
Casinoland IT-Systeme GmbH	Lister Meile 2, 30161 Hannover, Germany, registr. No. HRB 61326
Casinos Austria (Liechtenstein) AG	Vorarlberger Strasse 210, 9486 Schaanwald, Liechtenstein, registr. No. FL-0002.543.564-5
Casinos Austria (Swiss) AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registr. No. CHE-100.189.949
Casinos Austria AG Liegenschaftsverwaltungs und Leasing GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN114288x
Casinos Austria Aktiengesellschaft	Rennweg 44, 1038 Vienna, Austria, registr. No. FN99639d
Casinos Austria International (Mazedonien) Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 400167g
Casinos Austria International Belgium S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registr. No. 0502.785.246

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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 2021

COMPANY	Seat, Identification No. / Registration No.
Casinos Austria International GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 131441x
Casinos Austria International Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN37681p
Casinos Austria International Ltd.	Sofitel Hotel, Level 3, 249 Turbot Street, 4000 Brisbane, QLD, Australia, registr. No. ACN: 065998807, ABN: 065998807
Casinos Austria Management GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN38657z
Casinos Austria Sicherheitstechnologie GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN94404f
Casinos Event Immobilien GmbH	Lister Meile 2, 30161 Hannover, Germany, registr. No. HRB 201793
Casinos International AG	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registr. No. CHE-279.843.175
CCB Congress Center Baden Betriebsgesellschaft m.b.H.	Kaiser Franz Ring 1, 2500 Baden, Austria, regsitr. No. FN67046y
CES EA s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 08028656
Cleverlance Deutschland GmbH	Eduard-Schopf-Allee 1, 28217 Bremen, Germany, registration No. 32267
Cleverlance Enterprise Solutions s.r.o.	Voctářova 2500/20a, Libeň, post code 180 00, Prague 8, Czech Republic, identification No. 27408787
Cleverlance Group a.s.	Voctářova 2500/20a, Libeň, post code 180 00, Prague 8, Czech Republic, identification No. 04771915
Cleverlance H2B a.s.	Tuřanka 1519/115a, Brno, Slatina, post code 627 00, Czech Republic, identification No. 28223756
Cleverlance Slovakia s.r.o.	Prievozská 1978/6, post code 821 09, Bratislava, Slovak Republic, identification No. 35942487
Cloud4com SK, s.r.o.	Staré Grunty 36, post code 841 04, Bratislava, Slovak Republic, identification No. 50569694
CLS Beteiligungs GmbH	Goldschmiedg. 3, 1010 Vienna, Austria, reg. No. FN84419x
Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Republic of Ireland, reg. No. 506335
Complejo Monumento Güemes S.A. (in liquidation)	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registr.No. FOLIO 187/88 ASIENTO 2288 LIBRO 9
Coopera Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08682802
Cuisino Ges. m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN54015i
Deutsche Sportwetten GmbH	Karmarschstr. 37+39, D-30159 Hannover, Germany, registr. No. 219939
Entretenimientos y Jegos de Azar (EN.J.A.S.A.) S.A. (in liquidation)	Del Milagro 142, 4400 Salta, Argentina, registr. No. IGTJ de Salta Folio 65/6 asiento 2462 L 10
FM&S Czech a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 04283112
Fortuna 1 ApS	c/o Casino Odense K/S, Claus Bergs Gade 7, 5000 Odense C, Denmark, registr. No. 14909087
Geologichne byreau "Lviv" LLC	L'vivska Oblast, L'viv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine, reg. No. 31978102
G-JET s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 27079171
Glücks- und Unterhaltungsspiel Betriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN241637z
HELLENIC LOTTERIES S.A.	112 Athinon Avenue, GR 104 42, Athens, Greece, registration No.132846101000
HORSE RACES S.A.	112 Athinon Avenue, GR 104 42, Athens, Greece, registration No. 25891401000
IGNIS HOLDING a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 07435304
Inmobiliara Ovale S.A.	Ignacio Carrera Pinto 109, 2720426 San Antonio, Chile, registr. No. 14996/10019
INTERMOS Praha s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 63076349
INTERMOS VALVES, s.r.o.	Bratislava-mestská časť Staré Mesto, Moskovská 13, post code 811 08, Slovak Republic, identification No. 35898411

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 2021

COMPANY	Seat, Identification No. / Registration No.
Internet Projekt, s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 08526541
IPM – Industrial Portfolio Management a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04572034
Italian Gaming Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04828526
Javorina Management AB	c/o Aspia AB, Box 91, 851 02 Sundsvall, Sweden, reg. No. 559235-8393
JTU Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 02612020
Kaizen Gaming International Limited (only activities in Greece and Cyprus)	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registr. 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, registr. No. C58362
KBOC Investering B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No. 52308944
KKCG a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27107744
KKCG Development a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08295484
KKCG Entertainment & Technology B.V. (in liquidation)	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No. 58856765
KKCG Industry B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No. 27271144
KKCG Methanol Holdings LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI No. 36-4831670
KKCG Real Estate Group a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Lucerne, Switzerland, reg. No. CHE-292.174.442
KKCG TechLabs s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 14042479
KKCG Technologies Finance s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 14038641
KKCG Technologies s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07171234
KKCG US Advisory LLC	125 High Street, Boston, MA-02110, United States of America, reg. No. 84-2817214
KOMIX s.r.o.	Drtinova 467/2a, Smíchov, post code 150 00, Prague 5, Czech Republic, identification No. 47117087
Kura Basin Operating Company LLC	70 Kostava Street (5 Gamsakhurdia Avenue), Tbilisi, Georgia, reg. No. 405171567
Kynero Consulting a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 24193461
Leisure & Enterteinment S.A. (in liquidation)	Del Milagro 142, 4400 Salta, Argentina, registr. 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, EI. No.32-0521898
Liberty One O&M LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI. No. 30-0975326
Liberty Two Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI. No. 30-0988055
LIE2 AG	Fabrikstrasse 4, 9496 Balzers, Liechtenstein, registr. No. FL-0002.606.855-3
LTB Beteiligungs GmbH	Universitätsring 10, 1010 Vienna, Austria, reg. No. FN84439a
LWD 8, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26498545
Media Marketing & Communication, a.s.	Evropská 866/63, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09771492
Medial Beteiligungs-Gesellschaft m.b.h.	Universitätsring 10, 1010 Vienna, Austria, reg. No. FN117154k
MEDICEM Group a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 07118422
Medicem Inc.	125 High Street, Boston, MA-02110, United States of America, EI. No. 38-4126132
MEDICEM Institute s.r.o.	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, Czech Republic, identification No. 26493331

Annex No. 1 - List of related parties

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2021

COMPANY	Seat, Identification No. / Registration No.
MEDICEM Technology s.r.o	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, Czech Republic, identification No. 48036374
Metanol d.o.o.	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, reg. No. 6564534000
MND a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 28483006
MND Drilling & Services a.s.	Velkomoravská 900/405, post code 696 18, Lužice, Czech Republic, identification No. 25547631
MND Drilling Germany GmbH	31582 Nienburg, Domänenweg 7, Germany, reg. No. HRB206722
MND Energie a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 29137624
MND Gas Storage a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 27732894
MND Gas Storage Germany GmbH	64665 Alsbach-Hähnlein, Birkenweg 2, Germany, reg. No. HRB96046
MND Germany GmbH	Lüneburger Heerstraβe 77A, 29223 Celle, Germany, reg. No. HRB207844
MND Group AG	Kapellgasse 21, 6004 Lucerne, Switzerland, reg. No. CHE-448.401.517
MND Prodej a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09002359
MND Samara Holding B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No.52990680
MND Ukraine a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 08957517
Moravia Systems a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 26915189
NAP Poland Sp. z o.o.	59 Zlota Street, 00-120 Warsaw, Poland, reg. No. 913726
Nazvrevi Oil Company Limited	P.O.Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY, reg. No. 1-32991
NEUROSOFT S.A.	466 Irakliou Avenue & Kiprou Street, 141 22 Iraklio Attikis, Athens, Greece, registration No. 84923002000
Nikolajka Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08797072
Nikolajka Residence s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26205271
Ninotsminda Oil Company Limited	195 Arch. Makarios III Ave., Neocleous House, 3030 Limassol, Cyprus, reg. No. C74623
NOVECON a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 08270783
ÖLG Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registr. 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, 443099, Russia, reg. 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, GR 104 42, Athens, Greece, registration No. 3823201000
OPAP SPORTS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration No. HE133603
Oriv Holding a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 11735376
Österreichische Klassenlotterie Vertriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN468412t
Österreichische Lotterien GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN54472g
Österreichische Sportwetten GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN196645i
Pernerova Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08682844

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 2021

COMPANY	Seat, Identification No. / Registration No.
POM Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 06773800
Precarpathian energy company LLC	Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka, Ukraine, reg. No. 36042045
Rabcat Computer Graphics GmbH	Rennweg 40-50/1/6 (1.OG), 1030 Vienna, Austria, registr. No. FN276027y
Relax Rezidence Cihlářka, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05662079
Rezervoarji d.o.o	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, reg. No. 6564470000
RUBIDIUM HOLDINGS LIMITED	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE 287956
SALEZA, a.s. (bankrupt, insolvent, insolvency proceedings initiated)	K Žižkovu 851, post code 19093, Prague 9, Czech Republic, identification No. 47116307
SAZKA a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26493993
SAZKA Asia a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05266289
SAZKA Austrian Gaming Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04047788
SAZKA Czech a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24852104
SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE314350
SAZKA DELTA HELLENIC HOLDINGS LIMITED	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE320752
SAZKA DELTA MANAGEMENT LTD	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE314151
SAZKA Entertainment AG	Weinmarkt 9, 6004 Lucerne, Switzerland, reg. No. CHE-366.705.452
SAZKA FTS a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 01993143
SAZKA Group a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24287814
SAZKA Group CZ a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08993165
SAZKA Group Financing (Czech Republic) 2, a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09771522
SAZKA Group Financing (Czech Republic) a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07877838
SAZKA Group Financing a.s.	Dúbravská cesta 14, 841 04 Bratislava - mestká časť Karlova Ves, Slovak Republic, identification No. 51142317
SAZKA Group UK Holding Ltd.	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 13154201
SAZKA Group UK Limited	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 08869774
SAZKA Services s.r.o.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05111901
SAZKAmobil 5G a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07911319
SC Czech ACI, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 10969551
SC Czech ACJ, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 10969560
Seavus DOOEL	11 Oktomvri 33A, 1000 Skopje, Republic of North Macedonia, reg. No. 5323983
Seavus AB	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. No. 556588-5935
Seavus DOO (BA)	Ivana Franje Jukica 7, Banja Luka, Bosnia and Hercegovina, Republic of Serbia, reg. No. 57-01-0252-17
Društvo za Informatičku Technologiju Seavus DOO	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 North Macedonia, reg. No. 6643140
Seavus FLLC	FLLC SEAVUS, 25A Internatsionalnaya st., office 420, Minsk, 220 030, Republic of Belarus, reg. No. 190835458

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 2021

COMPANY	Seat, Identification No. / Registration No.
Seavus GmbH	Itziker Dorf Strasse 57, 8627 Grüningen, Switzerland, reg. No. CHE-020.4.049.285-2
Seavus S.R.L.	MD-2071, str. Alba-Iulia, 79/1, mun. Kishinev, Republic of Moldova, reg. No. 1020600026584
Seavus SHPK	Njësia Bashkiake nr. 5, Rruga Abdyl Frasheri, Ndërtesa 8, Hyrja 7, Ap. 25, 1019 Tirana, Republic of Albania, reg. No. L62225007B
Seavus Sp. z o.o.	59 Zlota Street, 00-120 Warsaw, Poland, reg. No. 913203
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, United states of America, reg. No. 000873055
Spielbanken Niedersachsen GmbH	Karmarschstraße 37-39, 30159 Hannover, Germany, registr. No. HRB 50373
SPORTLEASE a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 62361546
Springtide Ventures s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 01726587
Stoiximan Limited	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registr. No. C95597
STR Czech s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07728344
Stratiteq Sweden AB	Gustav Adolfs Torg 10 A, 211 39 Malmö, Sweden, reg. No. 556622-2682
SUPERMARINE, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08062773
Theta Real s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27631842
TORA DIRECT S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registr. No. 5641201000
TORA WALLET SINGLE MEMBER S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, registr. No. 139861001000
US Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States, EI. No. 81-1952040
VESTINLOG, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05629276
Viage Production S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registr. No. 0474.725.225
Vinohradská 230 a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 26203944
VSU Czech s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08062897
win2day International GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN371257t
WINWIN International GmbH (in liquidation)	Rennweg 44, 1038 Vienna, Austria, registr. No. FN366572d

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

Contracting party	Contract no.	Object of contract	Date of contract
AUTOCONT a.s.	NS/2021/0100	Contract for work	1.4.2021
AUTOCONT a.s.	NS/2021/0111	Agreement for the provision of datacenter, cloud and other services	26.10.2021
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	NS/2021/0067	Lease agreement Bořislavka Centrum	8.7.2021
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	NS/2021/0071	Lease agreement Bořislavka Centrum (customer office)	8.7.2021
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	NSO/2021/0045	Agreement for cooperation and distribution of information content	12.5.2021
FM&S Czech a.s.	NS/2021/0052	Contract for the provision of fitness services	12.5.2021
FM&S Czech a.s.	NS/2021/0053	Contract for the provision of company catering	12.5.2021
FM&S Czech a.s.	NS/2021/0054	Lease agreement and for the provision of services	12.5.2021
LLC Geologichne bureau "Lviv"	PS/2021/0015	Contract for Services	1.04.2021
LLC Horyzonty	PS/2021/0003	Contract for ICT Services	31.12.2020
LLC Horyzonty	PS/2021/0011	Contract for Works and Services	11.1.2021
LLC Horyzonty	PS/2021/0016	Contract for Services	1.04.2021
LLC Precarpathian energy company	PS/2021/0014	Contract for Services	1.04.2021
MND Drilling & Services a.s.	NS/2021/0002	Contract for work – Well workover Ždánice 53	7.1.2021
MND Drilling & Services a.s.	NS/2021/0003	Contract for work – Well workover Ždánice 88	7.1.2021
MND Drilling & Services a.s.	NS/2021/0006	Contract for work – Well workover Borkovany 4	21.1.2021
MND Drilling & Services a.s.	NS/2021/0009	Contract for work – Well workover Ždánice 58	4.2.2021
MND Drilling & Services a.s.	NS/2021/0013	Contract for work – Well workover Ždánice 29	8.2.2021
MND Drilling & Services a.s.	NS/2021/0014	Contract for work – Drilling of the well Borkovany 7	12.2.2021
MND Drilling & Services a.s.	NS/2021/0016	Contract for work – Well workover Poštorná 8	12.2.2021
MND Drilling & Services a.s.	NS/2021/0029	Contract for work – Drilling of the well Klobouky 5	22.3.2021
MND Drilling & Services a.s.	NS/2021/0030	Contract for work – Well workover Uhřice 77a	25.3.2021
MND Drilling & Services a.s.	NS/2021/0036	Contract for work – Well workover Uhřice 105a	8.4.2021
MND Drilling & Services a.s.	NS/2021/0037	Contract for work – Well workover Žarošice 14H	8.4.2021
MND Drilling & Services a.s.	NS/2021/0038	Contract for work – Well workover Uhřice 49	9.4.2021
MND Drilling & Services a.s.	NS/2021/0044	Contract for work – Well workover Ždánice 67	28.4.2021

Contracting party	Contract no.	Object of contract	Date of contract
MND Drilling & Services a.s.	NS/2021/0045	Contract for work – Well workover Uhřice 84	28.4.2021
MND Drilling & Services a.s.	NS/2021/0051	Contract for work – Well workover Poddvorov 109	4.5.2021
MND Drilling & Services a.s.	NS/2021/0055	Contract for work – Well workover Uhřice 83	17.5.2021
MND Drilling & Services a.s.	NS/2021/0060	Contract for work – Well workover Žarošice 6A	26.5.2021
MND Drilling & Services a.s.	NS/2021/0061	Contract for work – Well workover Uhřice 64	31.5.2021
MND Drilling & Services a.s.	NS/2021/0068	Contract for work – Well workover Borehole Klobouky 5	24.6.2021
MND Drilling & Services a.s.	NS/2021/0070	Contract for work – Well workover Borkovany 7 borehole	12.7.2021
MND Drilling & Services a.s.	NS/2021/0078	Contract for work – Well workover Uhřice 89	22.7.2021
MND Drilling & Services a.s.	NS/2021/0091	Contract for work – Drilling of the well Čeložnice 1	24.8.2021
MND Drilling & Services a.s.	NS/2021/0094	Contract for work – Well workover Ždánice 95	30.8.2021
MND Drilling & Services a.s.	NS/2021/0095	Contract for work to carry out the disposal of a set of 10 wells	8.9.2021
MND Drilling & Services a.s.	NS/2021/0102	Contract for work – Well workover Ždánice 27	22.9.2021
MND Drilling & Services a.s.	NS/2021/0107	Contract for work – Well workover Hrušky Z40	30.9.2021
MND Drilling & Services a.s.	NS/2021/0114	Contract for work – Well workover Lubná 21	20.10.2021
MND Drilling & Services a.s.	NS/2021/0117	Contract for work – Well workover Borkovany 101	25.10.2021
MND Drilling & Services a.s.	NS/2021/0121	Contract for Work – Well workover Klobouky 5	4.11.2021
MND Drilling & Services a.s.	NS/2021/0122	Contract for work – Well workover Čeložnice 1 borehole	4.11.2021
MND Drilling & Services a.s.	NS/2021/0149	Contract for work – Well workover Čeložnice 1 borehole	30.12.2021
MND Drilling & Services a.s.	PS/2021/0008	Contract of sale	31.3.2021
MND Drilling & Services a.s.	PS/2021/0047	Car Rental Agreement	8.9.2021
MND Drilling & Services a.s.	PS/2021/0070	Contract for work to clean Uh 68aH	6.12.2021
MND Drilling & Services a.s.	RO/2210013	Design and construction work 2021	04.01.2021
MND Drilling & Services a.s.	RO/2210025	Rebilling of service water abstraction	31.12.2021
MND Drilling & Services a.s.	RO/2210029	Repairs of smaller vehicles incl. tires	04.01.2021
MND Drilling & Services a.s.	RO/2210033	Technical gases	31.12.2021
MND Drilling & Services a.s.	RO/2210038		31.12.2021
MND Drilling & Services a.s.	RO/2210040	Flaw detection work in 2021	31.07.2021
MND Drilling & Services a.s.	RO/2210041	Inspection and service of slings and lifting device	04.01.2021
MND Drilling & Services a.s.	RO/2210075	Provision of cleaning work	31.12.2021
MND Drilling & Services a.s.	RO/2210091	Participation of the warehouse worker in weighing	28.02.2022
MND Energie a.s.	NS/2021/0124	Contract for the Provision of Services – Economic and Other Services	27.10.2021

Contracting party	Contract no.	Object of contract	Date of contract
MND Energie a.s.	NS/2021/0125	IT Service Agreement	27.10.2021
MND Energie a.s.	NS/2021/0140	HR Service Agreement	27.10.2021
MND Energie a.s.	OE/2021/0013	EFET Electricity	1.11.2021
MND Energie a.s.	OP/2021/0079	EFET Gas	1.11.2021
MND Energie a.s.	PS/2021/0062	HR Service Agreement	27.10.2021
MND Energie a.s.	PS/2021/0063	Lease	27.10.2021
MND Energie a.s.	PS/2021/0064	Sublease agreement Bořislavka Centrum	27.10.2021
MND Energie a.s.	PS/2021/0065	Contract for the Provision of Services – Economic and Other Services	27.10.2021
MND Energie a.s.	PS/2021/0066	IT Service Agreement	27.10.2021
MND Energie a.s.	PS/2021/0075	Sublease agreement Bořislavka Centrum	27.10.2021
MND Energie a.s.	PSO/2021/0008	Agreement for the use of the domain name and related services	27.10.2021
MND Energy Storage a.s.	NS/2021/0031	Secondary sale settlement agreement	25.1.2021
MND Energy Storage a.s.	NSO/2021/0043	Cooperation agreement	26.4.2021
MND Energy Storage a.s.	OP/2021/0055	Gas storage contract	22.03.2022
MND Energy Storage a.s.	OP/2021/0099	Gas storage contract	18.10.2021
MND Gas Storage Germany GmbH	OP/2021/0038	Long Form Transaction Confirmation	17.02.2021
Oriv Holding a.s.	PS/2021/0061	Contract for the Provision of Services – Economic and Other Services	1.11.2021
SAZKA a.s.	OP/2021/0061	Service Agreement	2.6.2021
SAZKA a.s.	PSO/2021/0003	Donation contract	24.3.2021
SAZKA a.s.	PSO/2021/0004	Donation contract	20.4.2021
Vinohradská 230 a.s.	PS/2021/0050	Contract of sale	30.9.2021
Vinohradská 230 a.s.	PS/2021/0051	Contract of sale	30.9.2021

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.	1301261258	Contract for bundled natural gas supply services	06.03.2018
AUTOCONT a.s.	1301261269	Contract for bundled natural gas supply services	06.03.2018
AUTOCONT a.s.	2301052908	Contract for bundled electricity supply services	13.12.2017
AUTOCONT a.s.	2301062511	Contract for bundled electricity supply services	17.09.2020
AUTOCONT a.s.	2301062533	Contract for bundled electricity supply services	17.09.2020
AUTOCONT a.s.	2301062544	Contract for bundled electricity supply services	17.09.2020
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
AUTOCONT a.s.	NS/2014/0407	SPLA Software services	30.12.2014
AUTOCONT a.s.	NS/2015/0141	Partial contract for the provision of services – HO-LU data circuit	28.08.2015
AUTOCONT a.s.	NS/2016/0045	Service Agreement – SQLaaS	03.05.2016
AUTOCONT a.s.	NS/2016/0046	Service Agreement – Infor EAM Hosting	04.05.2016
AUTOCONT a.s.	NS/2016/0094	Service Agreement – IaaS for vDC MND07	29.07.2016
AUTOCONT a.s.	NS/2017/0008	Partial Service Agreement – Operation and Management of PaaS Environments	06.02.2017
AUTOCONT a.s.	NS/2019/0242	Service Agreement - Microsoft Cloud Services	13.12.2019
AUTOCONT a.s.	NS/2020/0076	Contract for work	30.06.2020
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	1386974988	Contract for bundled natural gas supply services	08.12.2020
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	2301064469	Contract for bundled electricity supply services	04.12.2020
FM&S Czech a.s.	2110197309	Contract for bundled electricity supply services	15.09.2016
KKCG a.s.	NS/2016/0079	Contract for services	30.05.2016
KKCG a.s.	NS/2020/0070	ICT Service Contract	8.6.2020
KKCG a.s.	PS/2020/0068	Purchase contract – sale of BMW vehicle	18.12.2020
KKCG AG	NS/2016/0107	Trademark License Agreement	23.8.2016
Kynero Consulting a.s.	RO/2200022	Contract for work – print of ID Card	28.01.2020
LLC Horyzonty	PS/2020/0012	Contract for services	1.4.2020
Media Marketing & Communication, a.s.	NS/2018/0128/I	Advertising Contract	22.8.2018
Media Marketing & Communication, a.s.	OP/2020/0061	Advertising Contract	2.1.2021
MND Drilling & Services a.s.	13583	Contract for bundled natural gas supply services	01.01.2017

Contracting party	Contract no.	Object of contract	Date of contract
MND Drilling & Services a.s.	1386975131	Contract for bundled natural gas supply services	03.11.2020
MND Drilling & Services a.s.	2301064414	Contract for bundled electricity supply services	04.12.2020
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
MND Drilling & Services a.s.	724.42-461/03	Contract for 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/2005/0266	Contract for work – administrative economic services	01.09.2005
MND Drilling & Services a.s.	NS/2006/0209	Contract for 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 for re-invoicing of costs- water, sewage Lužice	30.01.2015
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/2019/0119	Contract for services of steam generator	31.12.2020
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/2020/0128	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	Frame contract – gas supply	27.12.2016
MND Drilling & Services a.s.	PS/2004/0003	Contract for re-invoicing of costs - electricity Lužice	10.02.2004
MND Drilling & Services a.s.	PS/2007/0062	Contract for mining rescue services	20.12.2007

Contracting party	Contract no.	Object of contract	Date of contract
MND Drilling & Services a.s.	PS/2012/0012	Frame contract - repairs, preventive check, maintenance, emergency	01.05.2012
MND Drilling & Services a.s.	PS/2013/0043	Lease contract– land Lužice	30.07.2013
MND Drilling & Services a.s.	PS/2014/0003	Agreement for 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 for insurance premium re-invoicing	26.11.2015
MND Drilling & Services a.s.	PS/2020/0058	Re- invoicing of costs for operation and maintenance of VN64 line	2.11.2020
MND Drilling & Services a.s.	PS/2020/0059	Frame contract – HR services	30.10.2020
MND Energie a.s.	OP/2017/0073	Contract for services – energy commodity trading	27.02.2017
MND Energie a.s.	OP/2019/0173	Frame contract – gas supply	29.08.2019
MND Energie a.s.	PS/2012/0052	Contract for services – accounting, tax evidence and salary payments services	31.12.2012
MND Energy Storage a.s.	NS/2011/0174	Lease contract – Uhřice wells	22.06.2011
MND Energy Storage a.s.	NS/2015/0248	Purchase contract – condensate sale	28.12.2015
MND Energy Storage a.s.	OP/2012/0041	Merger of gas storage contracts	30.04.2012
MND Energy Storage a.s.	OP/2017/0240	Gas storage contract	20.10.2017
MND Energy Storage a.s.	OP/2017/0241	Gas storage contract	20.10.2017
MND Energy Storage a.s.	OP/2018/0012	Gas storage contract	12.03.2018
MND Energy Storage a.s.	OP/2018/0285	Gas storage contract	10.12.2018
MND Energy Storage a.s.	OP/2019/0035	Contract for trading dispatching services	02.01.2019
MND Energy Storage a.s.	OP/2019/0333	Gas storage contract	05.07.2019
MND Energy Storage a.s.	OP/2020/0001	Gas storage contract	06.01.2020
MND Energy Storage a.s.	OP/2020/0110	Gas storage contract	17.03.2020
MND Energy Storage a.s.	OP/2020/0123	Merger of gas storage contracts	31.03.2020
MND Energy Storage a.s.	OP/2020/0132	Gas storage contract	31.03.2020
MND Energy Storage a.s.	OP/2020/0140	Gas storage contract	12.05.2020
MND Energy Storage a.s.	PS/2008/0101	Contract for storage of drilling cores	28.02.2008
MND Energy Storage a.s.	PS/2008/0113	Lease contract - business premises	30.05.2008
MND Energy Storage a.s.	PS/2009/0012	Contract for electronical communication services	30.01.2009

Contracting party	Contract no.	Object of contract	Date of contract
MND Energy Storage a.s.	PS/2009/0019	Contract for mining rescue services (UGS Uhřice, other sites)	30.04.2009
MND Energy Storage a.s.	PS/2009/0025	Contract for administration of mining measuring documentation (UGS Uhřice, other sites)	30.04.2009
MND Energy Storage a.s.	PS/2010/0057	Contract for services – economic and other	03.02.2013
MND Energy Storage a.s.	PS/2010/0059	Purchase contract – vehicle acquisition, insurance expenses	23.02.2016
MND Energy Storage a.s.	PS/2015/0006	Professional liability insurance – re-invoicing of insurance premium	02.01.2015
MND Energy Storage a.s.	PS/2016/0002	Contract for services – technical equipment services	13.01.2016
MND Energy Storage a.s.	PS/2016/0021	Contract for reservoir engineering and geology services	30.04.2016
MND Energy 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 Gas Storage Germany GmbH	OP/2020/0139	Storage Contract	13.6.2020
MND Prodej a.s.	NS/2020/0131	Contract for trading cooperation	17.12.2020
MND Prodej a.s.	PS/2020/0062	Contract for Services	30.10.2020
MND Prodej a.s.	PS/2020/0065	Contract for Services	17.12.2020
MND Prodej a.s.	PS/2020/0066	Contract for Services	17.12.2020
MND Ukraine a.s.	PS/2020/0064	Contract for the provision of services – bookkeeping, tax records and payroll agenda	5.11.2020
Moravia Gas Storage a.s.	2301064436	Contract for bundled electricity supply services	04.12.2020
Moravia Systems a.s.	13542	Contract for bundled natural gas supply services	01.01.2017
Moravia Systems a.s.	2301064447	Contract for bundled electricity supply services	04.12.2020
Moravia Systems a.s.	NS/2019/0081	Frame contract – supply of goods	15.07.2019
Moravia Systems a.s.	PS/2020/0052	Lease contract	12.08.2020
Relax Rezidence Cihlářka, s.r.o.	32862	Contract for bundled natural gas supply services	26.04.2020
SAZKA a.s.	13621	Contract for bundled natural gas supply services	01.01.2017
SAZKA a.s.	15163	Contract for bundled natural gas supply services	01.01.2018
SAZKA a.s.	15967	Contract for bundled electricity supply services	01.01.2018
SAZKA a.s.	15969	Contract for bundled electricity supply services	01.01.2018
SAZKA a.s.	2110171360	Contract for bundled electricity supply services	08.03.2016
SAZKA a.s.	NSO/2014/0123	Contract for the settlement of relations within a VAT group	29.10.2014

Contracting party	Contract no.	Object of contract	Date of contract
Vinohradská 230 a.s.	12641	Contract for bundled natural gas supply services	01.01.2016
Vinohradská 230 a.s.	13345	Contract for bundled electricity supply services	01.01.2017
Vinohradská 230 a.s.	724.42-045/01	Lease contract – business premises at Vinohradská, Prague	01.02.2001
Vinohradská 230 a.s.	NS/2005/0017	Contract for catering services	03.01.2005
Vinohradská 230 a.s.	NS/2017/0134	Contract for lease of movables	01.06.2017
Vinohradská 230 a.s.	RO/2200018	Catering service order	30.11.2020

III. Consolidated financial statements of MND a.s. as at 31 December 2021

prepared in accordance with International Financial Reporting Standards

as adopted by the European Union

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Consolidated statement of financial position	**Note**	**31/12/2021**	**31/12/2020**
Assets			
Underground gas storages		2 123	2 193
Land		184	175
Buildings and structures		959	826
Oil and gas wells		1 508	1 386
Oil and gas property		625	795
Machinery and equipment		1 627	1 713
Other tangible fixed assets and assets under construction		168	342
Property, plant and equipment	5	*7 194*	*7 430*
Intangible assets	6	151	34
Equity-accounted investees	7	542	443
Non-current trade and other receivables	9	360	65
Non-current receivables from derivative financial instruments	19	1 347	565
Other non-current investments	8	39	36
Non-current financial assets		*2 288*	*1 109*
Deferred tax asset	28	384	182
Total non-current assets		**10 017**	**8 755**
Inventories	11	4 738	2 586
Current trade and other receivables	9	7 049	2 346
Income tax receivables		10	2
Current receivables from derivative financial instruments	19	8 767	1 863
Other current financial assets	10	533	61
Cash and cash equivalents	12	1 850	3 134
Total current assets		**22 947**	**9 992**
Total assets		**32 964**	**18 747**

The notes on pages 33 to 93 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Consolidated statement of financial position (continued)	**Note**	**31/12/2021**	**31/12/2020**
Liabilities and equity			
Equity			
Share capital	14	1 000	1 000
Capital contributions and other reserves		782	724
Retained earnings and profit/loss for the current period		4 433	4 218
Equity attributable to the shareholder of the Company		*6 215*	*5 942*
Non-controlling interests	15	*245*	*179*
Total equity		**6 460**	**6 121**
Liabilities			
Loans, bonds issued - non-current portion	16	176	2 451
Non-current lease liabilities	17	256	78
Non-current trade and other payables	18	259	396
Non-current liabilities from derivative financial instruments	19	2 353	446
Non-current provisions	20	1 270	1 235
Deferred tax liability	28	434	457
Total non-current liabilities		**4 748**	**5 063**
Loans, bonds issued - current portion	16	4 807	1 751
Current lease liabilities	17	33	20
Current trade and other payables	18	3 128	4 139
Income tax liability		216	13
Current liabilities from derivative financial instruments	19	13 526	1 610
Current provisions	20	46	30
Total current liabilities		**21 756**	**7 563**
Total liabilities		**26 504**	**12 626**
Total equity and liabilities		**32 964**	**18 747**

The notes on pages 33 to 93 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Consolidated statement of comprehensive income	**Note**	**2021**	**2020**
Revenue	21	118 021	45 970
Other operating income	22	198	361
Total income		**118 219**	**46 331**
Materials and goods used	23	-112 564	-41 979
Services used	23	-2 669	-2 455
Personnel expenses	24	-728	-718
Depreciation, amortisation and impairment	25	-899	-627
Other operating expenses	26	-856	-269
Result from operating activities		**503**	**283**
Interest income	27	7	4
Other finance income	27	3	56
Finance costs	27	-248	-299
Result from financing activities		**-238**	**-239**
Share of profit (+)/ loss (-) of equity-accounted investees, net of tax	7	80	-16
Profit or loss before tax		**345**	**28**
Income tax expense	28	-60	-21
		285	**7**
Profit or loss for the year			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences of foreign operations		67	--
Change in fair value of hedging instruments, net of tax		-41	-93
Change in fair value of hedging instruments reclassified to profit or loss, net of tax		28	--
Share of other comprehensive income/loss of equity-accounted investees		17	-3
Other comprehensive income/loss, net of tax	29	**71**	**-96**
Total comprehensive income/loss for the period		**356**	**-89**
Profit/ loss attributable to:			
Owners of the Company		183	7
Non-controlling interests		102	--
Total profit or loss for the year		**285**	**7**
Total comprehensive income/loss attributable to:			
Owners of the Company		241	-89
Non-controlling interests		115	--
Total comprehensive income/loss for the year		**356**	**-89**
Earnings per share:	14		
Basic earnings / loss (-) per share (in CZK thousands)		3.66	0.14
Diluted earnings / loss (-) per share (in CZK thousands)		3.66	0.14

The notes on pages 33 to 93 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Consolidated statement of changes in equity

2021	Share capital	Other contributions and reserves	Translation reserve	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 2021	**1 000**	**826**	**--**	**-67**	**-35**	**4 218**	**5 942**	**179**	**6 121**
Profit or loss for 2021	--	--	--	--	--	183	**183**	102	**285**
Other comprehensive income/loss	--	--	54	-13	17	--	**58**	13	**71**
Total comprehensive income/loss	**--**	**--**	**54**	**-13**	**17**	**183**	**241**	**115**	**356**
Transactions with owners of the Company, reported directly in equity:									
Other	--	--	--	--	--	32	32	-32	--
Decrease in other capital contributions	--	--	--	--	--	--	--	-17	-17
Total transactions with owners of the Company, reported directly in equity	**--**	**--**	**--**	**--**	**--**	**32**	**32**	**-49**	**-17**
Balance at 31 December 2021	**1 000**	**826**	**54**	**-80**	**-18**	**4 433**	**6 215**	**245**	**6 460**

The notes on pages 33 to 93 are an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2021 (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 and Profit (+)/loss (-) for the year	Equity	Non-controlling interests	Total equity
Balance at 1 January 2020	**1 000**	**110**	**26**	**-32**	**4 211**	**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**
Increase in other capital contributions (Note 14)	--	716	--	--	--	**716**	--	**716**
Total transactions with owners of the Company, reported directly in equity	**--**	**716**	**--**	**--**	**--**	**716**	**179**	**895**
Balance at 31 December 2020	**1 000**	**826**	**-67**	**-35**	**4 218**	**5 942**	**179**	**6 121**

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Consolidated statement of cash flows	**Note**	**2021**	**2020**
Operating activities			
Net profit (+) / loss (-) for the year		285	7
Adjustments for:			
Share of profit (-) / loss (+) of equity-accounted investees		-80	16
Interest expense (net of interest income)	27	155	163
Tax expense (+) / income (-)	28	60	21
Effect of currency translation (gains - / losses +)	27	61	3
Depreciation of property, plant and equipment	25	808	560
Amortisation of intangible assets	25	17	24
Depreciation of right of use	25	42	31
Impairment of property, plant and equipment	25	32	12
Income from current financial assets	27	-2	-5
Non-cash changes of financial derivatives		6 120	2 241
Non-cash changes of inventories		-3	3
Gain (-) / loss (+) on sale of non-current assets	22	--	-2
Other non-cash operations		12	--
Cash flow from operating activities before changes in working capital and provisions		**7 507**	**3 074**
Increase (+) / decrease (-) in provisions		-1	-70
Increase (-) / decrease (+) in inventories		-2 151	-250
Increase (-) / decrease (+) in receivables		-5 084	-302
Increase (+) / decrease (-) in current liabilities		-1 151	657
Cash flows from operating activities		**-880**	**3 109**
Interest paid		-141	-143
Income tax paid		-97	-18
Net cash flows generated from operating activities		**-1 118**	**2 948**
Investing activities			
Proceeds from sale of non-current assets		6	10
Income from current financial assets	27	2	5
Interest received		6	1
Contribution into joint venture / Acquisition of subsidiaries, net of cash acquired	13	-1	62
Acquisition of property, plant and equipment and intangible assets		-532	-231
Increase (-) /decrease (+) in current financial assets, net		-474	-25
Cash flows from investing activities		**-993**	**-178**
Financing activities			
Drawing of loans and borrowings (+)	16	18 861	18 969
Repayment of (-) loans and borrowings	16	-17 988	-20 349
Payments of lease liabilities	17	-33	-28
Payments to NCI from other funds	15	-17	--
Cash flows from financing activities		**823**	**-1 408**
Net increase in cash and cash equivalents		-1 288	1 362
Effect of foreign exchange movements in cash and cash equivalents		4	--
Cash and cash equivalents at 1 January		**3 134**	**1 772**
Cash and cash equivalents at 31 December	12	**1 850**	**3 134**

The notes on pages 33 to 93 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.

In June 2021, an extraordinary event occurred when the Lužice Technology Park was hit by a tornado. Part of the buildings on the premises, where the subsidiary MND Drilling & Services a.s. and partly also the Company operate, was destroyed and damaged by the tornado. Based on this natural disaster, an impairment of tangible fixed assets in the amount of CZK 95 million was recognised. Compensation from the insurance company was set off in the profit and loss account against the recognised impairment of tangible fixed assets and the remaining value of the insurance claims (CZK 82 million) was included in Other operating income (Note 22).

1.2. Principal activities

The principal business activities of the MND Group are:

- exploration and production of oil and natural gas;
- sales of gas and electricity to households and small businesses and trading in energy commodities;
- operation of underground gas storages and provision of gas storage services;
- drilling contractor services, focusing on drilling of oil and gas exploration and production wells and hydro and geothermal wells and workover operations and plug and abandon 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 of 31 December 2021 and include the accounting period ended 31 December 2021.

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Company name and registered office:	Ownership interest of the Group at 31/12/2021	Ownership interest of the Group at 31/12/2020	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 Energie a.s. (formerly MND Energy Trading a.s.)(1) Vinohradská 1511/230, 100 00 Praha 10, Czech Republic	100%	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. Úprkova 807/6, 695 01 Hodonín, Czech Republic	80%	80 %	full
Subsidiary: „Horyzonty" LLC Lvivska Oblast, Lviv, 79005, Akademika Pavlova 6C, Office 7, Ukraine	80%	80 %	full
Subsidiary: Geologichne byreau "Lviv" LLC Lviv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine	80%	80 %	full
Subsidiary: Precarpathian energy company LLC Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka 62, Ukraine	80%	80 %	full
Subsidiary: Oriv Holding a.s.(2) Úprkova 807/6, 695 01, Hodonín, Czech Republic	100%	--	full

(1) On 27 August 2021, a change of business name to MND Energie a.s. was registered in the Commercial Register.
(2) On July 21, 2021, a new company Oriv Holding a.s. was established.

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

1.4. Statutory body and supervisory board

The board of directors as at 31 December 2021:

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

Supervisory board as at 31 December 2021:

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

1.5. Sole shareholder of the Company as at 31 December 2021

MND Group AG	100%

Registered office:
Kapellgasse 21
6004 Lucerne
Switzerland

The MND Group and its parent company MND Group AG are part of the consolidation unit of KKCG AG based in Switzerland. The ultimate owner is VALEA FOUNDATION registered in Liechtenstein, whose designated beneficiary is Mr. Karel Komárek.

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 2021

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 2021.

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

Amendment to IFRS 4: Insurance Contracts – *Extension of the Temporary Exemption from the Application of IFRS 9*

The amendments to IFRS 4 change the fixed expiry date of the temporary exemption from the application of IFRS 9 *Financial Instruments* that is specified in IFRS 4 *Insurance Contracts* so that entities apply IFRS 9 to annual periods beginning on or after 1 January 2023 (instead of 1 January 2021).

This amendment did not have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - *Interest Rate Benchmark Reform - Phase 2*

The new standard amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 allow entities to reflect the effect of the transition from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk-free rates' or RFRs) without accounting impacts on the usefulness of the information provided to users of financial statements.

Adjustments are applied retrospectively and any adjustments are recognised in the appropriate components of equity as at 1 January 2021.

The amendments to the standards had no impact on the consolidated financial statements.

Amendment to IFRS 16: Leases –*COVID-19-Related rent concessions after 30 June 2021*

In March 2021, the IASB issued an amendment to IFRS 16 COVID-19-Related rent concessions after 30 June 2021 that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022 under the IFRS 16 COVID-19-Related rent concessions amendment.

The practical expedient allows the lessee to elect not to assess whether the rent concession related to the COVID-19 pandemic constitutes a lease modification. A lessee that makes this election shall account for any change in lease payments that results from rent concession related to the COVID-19 pandemic, in accordance with IFRS 16 procedures for changes that do not constitute a modification of the lease.

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

a) a change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the lease consideration immediately preceding the change;

b) any reduction in lease payments only applies to payments that were originally due on or before 30 June 2022 (a rent concession meets this condition if it would result in a reduction in lease payments on or before 30 June 2022 and an increase in lease payments that extend beyond June 2022);

c) there is no substantive change in other lease terms.

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 2022 or later:

- IFRS 17: *Insurance Contracts* (including the June 2020 amendments to IFRS 17)
- Amendment to IFRS 3: *Business Combinations* – Reference to the 2018 Conceptual Framework
- Amendment to IAS 16: *Property, Plant and Equipment* — Proceeds before Intended Use
- Amendment to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2021 Cycle – Amendments to IFRS 1 *First time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 41 *Agriculture*

Standards, interpretations and amendments issued before 31 December 2021 but not endorsed by EU

The following Standards, Amendments and Interpretations are not yet effective for the period ending 31 December 2021 and are not expected to have a significant impact on the Group's consolidated financial statements.

Effective Date 1 January 2023:

- Amendment to IFRS 17: *Insurance Contracts* – Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendment to IAS 1: *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current
- Amendment to IAS 1: *Presentation of Financial Statements* and IFRS Practice Statement 2: *Making Materiality Judgements* – Disclosure of Liabilities as Current or Non-Current
- Amendment to IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Accounting Estimates
- Amendment to IAS 12: *Income Taxes* – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

No effective date has been set:

- Amendment to IFRS 10: *Consolidated Financial Statements* and IAS 28: *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(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 3(f));
- 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 20; accounting policy 3(j)).

(e) Determination of fair value (Note 32)

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 32 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 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 2021 (in millions of Czech crowns)

iii. Right of use of leased assets

Contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of the time in exchange for consideration. For such contracts a lessee recognizes a right of use asset and a lease liability. The right of use of asset is depreciated and the liability accrues interest.

Right of use of asset is initially measured in the amount of recognized lease liability, plus advance payments or related accrued payments less rent concessions. Further, the initial measurement of right of use should be increased by the following items, when significant:

- initial direct lease costs paid by the lessee, and
- provision for estimated costs of dismantling and removal of the identified asset or restoration of the site where the asset was installed.

Right of use asset and leasing liability are not recognized for short-term leases (when the lease maturity is 12 months or less) and for low value leased asset (the value below CZK 120 000 or EUR 4 500). Payments of these leases are recognised in the statement of comprehensive income as an expense over the term of the lease.

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. Licences

Licences mainly comprise purchased exploration licences.

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
Licences	2 - 20 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. 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 n profit or loss for the appropriate period.

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. 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 and currency derivative financial instruments are recognised in the profit or loss from operating activities; changes in the fair value of 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 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 this 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, 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) 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.

(j) 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.

(k) 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 and gas storage (see Note 21).

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 or over 5 years for contracts for an indefinite period.

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 is 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 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 or drilling services are 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.

Revenues from gas storage

The Group provides services to its customers on the basis of annual or long-term contracts for the storage of natural gas. The services are invoiced to customers monthly in a fixed amount. The Group classifies revenues as satisfaction of obligation over time. The Group recognises revenue using the output method. Contracts do not contain a significant financing component, because invoices are payable within 30 days.

ii) Other revenue

Revenue from trading in gas and electricity

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.

(l) Finance income and costs

Finance income comprises interest income on funds invested, 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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(p):

Information on segments for the year ended 31 December 2021	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 (Note 21)	1 945	115 541	875	--	**118 361**	-340	**118 021**
of which: External revenue	*1 917*	*115 519*	*585*	--	***118 021***	--	*118 021*
Intersegment revenue	*28*	*22*	*290*	--	***340***	*-340*	--
Other income	31	61	75	38	**205**	-7	**198**
Materials, consumables and services	-315	-114 614	-524	-68	**-115 521**	288	**-115 233**
Other operating expenses, including personnel expenses	-636	-663	-337	-7	**-1 643**	59	**-1 584**
Depreciation and amortisation expense	-632	-143	-91	-1	**-867**	--	**-867**
Impairment of property, plant and equipment	-32	--	--	--	**-32**	--	**-32**
Profit or loss from operating activities	**361**	**182**	**-2**	**-38**	**503**	**--**	**503**
Share of profit or loss of equity-accounted investees	--	80	--	--	**80**	--	**80**
Profit or loss from operating activities incl. share of profit or loss of equity-accounted investees	**361**	**262**	**-2**	**-38**	**583**	**--**	**583**
Interest income	4	1	2	--	**7**	--	**7**
Interest expense	-23	-41	-6	-92	**-162**	--	**-162**
Other finance income (+) / expense (-)	-5	-89	9	2	**-83**	--	**-83**
Profit or loss from financial operations	**-24**	**-129**	**5**	**-90**	**-238**	**--**	**-238**
Acquisition of property, plant and equipment and intangible assets	**-466**	**-64**	**-2**	**--**	**-532**	**--**	**-532**

The Group holds non-current assets in Ukraine with a net book value of CZK 1 171 million as at 31 December 2021.

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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 holds non-current assets in Ukraine with a net book value of CZK 1,107 million as at 31 December 2020.

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5. Property, plant and equipment

2021	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 cost as at 1 January 2021	**3 650**	**4 615**	**118**	**109**	**1 521**	**25**	**795**	**3 450**	**32**	**325**	**20**	**14 660**
Accumulated depreciation and impairment as at 1 January 2021	**-1 457**	**-3 229**	**-17**	**-35**	**-706**	**-14**	**--**	**-1 750**	**-19**	**--**	**-3**	**-7 230**
Net book value as at 1 January 2021	**2 193**	**1 386**	**101**	**74**	**815**	**11**	**795**	**1 700**	**13**	**325**	**17**	**7 430**
Additions	36	271	--	32	21	227	--	42	3	28	--	660
Disposals	-2	-12	--	-3	-1	-4	--	-1	--	--	--	-23
Transfers	3	50	--	--	71	--	--	62	--	-175	-12	-1
Depreciation expense for the current year	-107	-218	--	-16	-70	-21	-220	-178	-5	-15	--	-850
Impairment of assets*)	--	-19	-5	--	-94	--	--	-9	--	--	--	-127
Change in value	--	34	--	1	--	--	--	--	--	--	--	35
Effect of currency translation	--	16	--	--	4	--	50	--	--	--	--	70
Net book value as at 31 December 2021	**2 123**	**1 508**	**96**	**88**	**746**	**213**	**625**	**1 616**	**11**	**163**	**5**	**7 194**
Acquisition cost as at 31 December 2021	**3 685**	**4 890**	**118**	**122**	**1 597**	**235**	**847**	**3 511**	**35**	**163**	**8**	**15 211**
Accumulated depreciation and impairment as at 31 December 2021	**-1 562**	**-3 382**	**-22**	**-34**	**-851**	**-22**	**-222**	**-1 895**	**-24**	**--**	**-3**	**-8 017**

In 2021, the major additions to tangible assets include capitalised oil and gas wells and recognition of the right to use buildings and structures (new office buildings).

In 2021, no borrowing costs were capitalised due to insignificance.

*) see Note 25 for more information on the impairment of non-current assets

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

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 cost as at 1 January 2020	**3 647**	**4 464**	**118**	**99**	**1 333**	**24**	**--**	**3 317**	**40**	**468**	**17**	**13 527**
Accumulated depreciation and impairment as at 1 January 2020	**-1 353**	**-3 124**	**-3**	**-16**	**-645**	**-7**	**--**	**-1 582**	**-24**	**--**	**-3**	**-6 757**
Net book value as at 1 January 2020	**2 294**	**1 340**	**115**	**83**	**688**	**17**	**--**	**1 735**	**16**	**468**	**14**	**6 770**
Effects of new acquisitions*)	--	221	--	--	56	2	795	5	--	24	--	**1 103**
Additions	4	3	--	10	--	--	--	21	2	124	4	**168**
Disposals	--	--	--	--	--	-1	--	-1	--	-6	--	**-8**
Transfers	2	36	--	--	133	--	--	114	--	-284	-1	**--**
Depreciation expense for the current year	-107	-220	--	-19	-58	-7	--	-174	-5	-1	--	**-591**
Impairment of assets	--	6	-14	--	-4	--	--	--	--	--	--	**-12**
Net book value as at 31 December 2020	**2 193**	**1 386**	**101**	**74**	**815**	**11**	**795**	**1 700**	**13**	**325**	**17**	**7 430**
Acquisition cost as 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 as at 31 December 2020	**-1 457**	**-3 229**	**-17**	**-35**	**-706**	**-14**	**--**	**-1 750**	**-19**	**--**	**-3**	**-7 230**

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

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

*) see Note 13 New acquisitions for more information on asset movements due to new acquisition

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6. Intangible assets

2021	Licences	Software	Intangible assets under construction	Other	Total
Acquisition cost as at 1 January 2021	**31**	**233**	**1**	**2**	**267**
Accumulated depreciation and impairment as at 1 January 2021	**-22**	**-210**	**--**	**-1**	**-233**
Net book value as at 1 January 2021	**9**	**23**	**1**	**1**	**34**
Additions	81	6	35	12	**134**
Transfers	1	2	-3	1	**1**
Disposals	--	--	--	-2	**-2**
Depreciation expense for the current year	-2	-15	--	--	**-17**
Effect of currency translation	1	--	--	--	**1**
Net book value as at 31 December 2021	**90**	**16**	**33**	**12**	**151**
Acquisition cost as at 31 December 2021	**114**	**239**	**33**	**13**	**399**
Accumulated depreciation and impairment as at 31 December 2021	**-24**	**-223**	**--**	**-1**	**-248**

2020	Licences	Software	Intangible assets under construction	Other	Total
Acquisition cost as at 1 January 2020	**438**	**225**	**1**	**1**	**665**
Accumulated depreciation and impairment as at 1 January 2020	**-433**	**-191**	**--**	**-1**	**-625**
Net book value as at 1 January 2020	**5**	**34**	**1**	**--**	**40**
Effect of new acquisitions	5	--	--	--	**5**
Additions	--	11	1	2	**14**
Transfers	--	1	-1	--	**--**
Disposals	--	--	--	-1	**-1**
Depreciation of the current year	-1	-23	--	--	**-24**
Net book value as at 31 December 2020	**9**	**23**	**1**	**1**	**34**
Acquisition cost as at 31 December 2020	**31**	**233**	**1**	**2**	**267**
Accumulated depreciation and impairment as at 31 December 2020	**-22**	**-210**	**--**	**-1**	**-233**

In 2020, valuable rights worth CZK 412 million were disposed. The value consists of out-of-date seismic data which were fully depreciated.

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7. Equity-accounted investees

	Ownership interest	31/12/2021	31/12/2020
Moravia Gas Storage a.s.	50 %	542	443
Equity accounted investees		**542**	**443**

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.	31/12/2021	31/12/2020
Non-current assets	3 587	3 678
Current assets	184	215
of which: cash and cash equivalents	125	149
Non-current liabilities	-2 693	-3 036
of which: financial liabilities with the exception of trade and other payables and provisions	-2 624	-3 024
Current liabilities	-276	-253
of which: financial liabilities with the exception of trade and other payables and provisions	-223	-194
Net assets (100%)	802	604
Group’s share of net assets (50%)	401	302
Fair value adjustment	141	141
Carrying amount of interest in joint venture	**542**	**443**
Revenue	530	440
Depreciation and amortisation expense	-206	-190
Interest expense	-122	-111
Income tax (current and deferred)	-37	8
Profit/Loss from continuing operations (100%)	160	-33
Other comprehensive income (100%)	34	-6
Group’s share of total profit or loss of the joint venture (50%)	**80**	**-16**
Group’s share of other comprehensive income of the joint venture (50%)	**17**	**-3**

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.

The change in the value of the equity-accounted investee in 2021 of CZK 99 million (2020: CZK -20 million) comprises a contribution to the company's equity of CZK 2 million (2020: CZK 0 million), share of profit or loss of CZK 80 million (2020: CZK -16 million), share of other comprehensive income of CZK 17 million (2020: CZK -3 million).

In 2021 and 2020, the Group did not receive any dividends from the joint venture.

As at 31 December the Group had the following receivables and liabilities and recognised the following income and expenses in respect of the joint venture in the reporting period:

	2021	2020
Current and non-current receivables	16	3
Current and non-current liabilities	4	4
Revenue and other operating income	39	15
Materials and energy used, services and other operating expenses	-15	-21

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8. Other non-current investments

	31/12/2021	31/12/2020
Long-term restricted cash	39	36
Total other non-current investments	**39**	**36**

Long-term restricted cash represents funds at a bank account to cover statutory provisions for renewal and restoration. For Credit quality see Note 32b) Credit risk.

9. Trade and other receivables

Non-current trade and other receivables	31/12/2021	31/12/2020
Non-current loans	254	--
Non-current trade receivables	1	1
Non-current refundable deposits	7	5
Non-current receivables – financial	**262**	**6**
Non-current contract costs	88	21
Non-current trade advances	3	28
Non-current prepaid expenses	7	10
Non-current receivables - other	**98**	**59**
Total non-current trade and other receivables	**360**	**65**

For credit quality of non-current trade and other receivables see Note 32(b) Credit risk.

Current trade and other receivables	31/12/2021	31/12/2020
Current trade receivables	1 283	1 027
Current refundable deposits	697	402
Current loans	24	25
Current contract assets	236	130
Other current receivables	4 171	111
Current receivables - financial	**6 411**	**1 695**
Current trade advances	421	563
Current prepaid expenses	55	57
Current receivables from other taxes	132	22
Current contract costs	30	9
Current receivables - other	**638**	**651**
Total current trade and other receivables	**7 049**	**2 346**

As at 31 December 2021, net overdue current receivables totalled CZK 15 million (at 31 December 2020: CZK 11 million). As at 31 December 2021, an allowance for receivables totalled CZK 27 million (at 31 December 2020: CZK 78 million). For credit quality and amount of provision see Note 32(b) Credit risk.

In 2021, other current receivables include a receivable from a clearing system member of CZK 4 160 million (2020: CZK 103 million).

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10. Other current financial assets

	31/12/2021	31/12/2020
Other current financial assets	533	61
Total other current financial assets	**533**	**61**

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 32b) Credit risk.

11. Inventories

	31/12/2021	31/12/2020
Material	194	234
Goods	4 503	2 319
Own products (oil)	28	24
Work in progress and semi-finished goods	9	7
Advances for inventories	4	2
Total inventories	**4 738**	**2 586**

In 2021, material includes an allowance for material of CZK 12 million (2020: CZK 15 million).

Goods include gas for trading at fair value of CZK 4 491 million (2020: CZK 2 305 million).

12. Cash and cash equivalents

	31/12/2021	31/12/2020
Cash in hand	1	1
Cash at bank	1 126	2 850
Cash equivalents	481	265
Fixed-term deposits (less than 90 days)	242	18
Total cash and cash equivalents	**1 850**	**3 134**

Cash equivalents represents excess cash at accounts of clearing system members. For Credit quality see Note 32b) Credit risk.

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13. New acquisitions

In 2021, the Group did not make any 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 3a)iii.

Tangible fixed assets include a significant item Oil and gas property in amount of CZK 795 million, which represents the value of recoverable 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.

14. Equity

	31/12/2021	31/12/2020
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 CZK 20 000 per share. The share capital has been fully paid-up. All shares have the same rights and no restrictions.

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 31 December 2020, the Company´s other funds were increased by CZK 716 million 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	**2021**	**2020**
Net profit (+) / loss (-) attributable to ordinary shareholders	183	7
Net profit (+) / loss (-) attributable to ordinary shareholders	**183**	**7**

Weighted average number of ordinary shares	**Number of shares**	**Weight**	**2021**	**2020**
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 CZK thousand)			**3.66**	**0.14**
Diluted earnings (+) / loss (-) per share for the year (in CZK thousand)			**3.66**	**0.14**

15. Non-controlling interests

In 2021, the Group had the following non-controlling interests:

Consolidated statement of financial position as at 31 December 2021	**MND Ukraine a.s. subgroup**
Non-current assets	1 175
Current assets	475
Non-current liabilities	137
Current liabilities	286
Net assets attributable to the group	1 227
Percentage of non-controlling interest	20.00 %
Carrying amount of non-controlling interest	**245**
Consolidated statement of comprehensive income for 2021	
Revenues	1 162
Profit (+) /loss (-) for the period	512
Other comprehensive income	67
Total comprehensive income	579
Percentage of non-controlling interest	20.00 %
Profit or loss allocated to non-controlling interest	**102**
Other comprehensive income allocated to non-controlling interest	**13**
Total comprehensive profit or loss allocated to non-controlling interest	**115**

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In 2020, the Group had the following non-controlling interests:

Consolidated statement of financial position as at 31 December 2020	MND Ukraine a.s. subgroup
Non-current assets	1 108
Current assets	90
Non-current liabilities	156
Current liabilities	148
Net assets attributable to the group	894
Percentage of non-controlling interest	20.00 %
Carrying amount of non-controlling interest	**179**

16. Loans and bonds issued

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	31/12/2021	31/12/2020
Non-current bank loans	143	205
Non-current borrowings from companies outside the Group	33	46
Bonds issued – non-current portion	--	2 200
Total non-current loans and bonds	**176**	**2 451**

Current loans and bonds	31/12/2021	31/12/2020
Current bank loans	2 534	1 470
Current portion of non-current bank loans	51	100
Other current borrowings	10	172
Bonds issued – current portion	2 212	9
Total current loans and bonds	**4 807**	**1 751**

Bond liabilities are classified as current in this accounting period as they mature in 2022. Non-current loans from companies outside the group represent a non-current loan from a non-bank entity. The loan was drawn down to finance the acquisition of a drilling rig.

In 2021, other current loans include specific short-term financing of gas inventories of CZK 0 million. CZK (as at 31 December 2020: CZK 161 million) from a banking entity.

As at 31 December 2021, current bank loans include a short-term bank loan for the purpose of financing gas inventory in the amount of CZK 2 474 million (as at 31 December 2020: CZK 1 470 million).

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Bank loans

The bank loans are due as follows:

	31/12/2021	31/12/2020
Due within 1 year	2 585	1 570
Due within 1 – 5 years	--	205
Due in more than 5 years	143	--
	2 728	**1 775**

The loans received by the Group are secured by land, buildings, and facilities of CZK 688 million (at 31 December 2020: CZK 1 059 million); inventories of CZK 1 438 million (at 31 December 2020: CZK 1 192 million); receivables of CZK 134 million (at 31 December 2020: CZK 525 million) and bank accounts of CZK 416 million (at 31 December 2020: CZK 1 196 million).

Based on the terms and conditions, the Group companies must maintain specific financial debt covenants. As at 31 December 2021 and 31 December 2020, the Group companies fulfilled these covenants.

Loan interest rates are based on PRIBOR, EURIBOR and a margin that ranges from 1.00% to 1.85% (2020: 1.23% - 1.85%).

As at 31 December 2021, the total amount of the Group's undrawn credit facilities is CZK 0 million (2020: CZK 210 million).

The transaction currencies of loans, bonds and borrowings as at 31 December 2021 are EUR and CZK; the balance of loans with the EUR transaction currency is CZK 2 711 million (2020: CZK 1 953 million) and the balance of loans with the CZK transaction currency is CZK 2 272 million (2020: CZK 2 249 million).

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 CZK 3 million; the total nominal value of bonds is CZK 2 202 million. The emission of bonds was issued in the Czech Republic in compliance with Czech law. The transaction costs of CZK 13 million 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:

	2021	2020
Balance at 1 January	**4 202**	**5 527**
Cash flows		
Drawing of loans and borrowings	18 861	18 969
Repayment of loans and borrowings	-17 988	-20 349
Interest paid from previous years (-)	-9	--
Non-cash changes		
Unpaid interest for the current period	12	--
Foreign exchange differences recognised in profit or loss	-95	52
Other non-monetary transactions	--	3
Balance at 31 December	**4 983**	**4 202**

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17. Lease liabilities

Lease liabilities	31/12/2021	31/12/2020
Lease liabilities – non-current	256	78
Lease liabilities - current	33	20
Total lease liabilities	**289**	**98**

Reconciliation of movements of lease liabilities with cash flows:

	2021	2020
Balance at 1 January	**98**	**113**
Cash flows		
Payment of lease liabilities	-33	-28
Non-cash changes		
Recognition of lease liabilities	224	11
Effect of new acquisitions	--	2
Balance at 31 December	**289**	**98**

The value of recognition of lease liabilities and lease modifications consists primarily of the recognition of new lease liabilities from the lease of office premises (CZK 195 million).

For detail of right of use assets see the asset table in Note 5.

18. Trade and other payables

Non-current trade and other payables	31/12/2021	31/12/2020
Other non-current liabilities	259	396
Total non-current trade and other payables	**259**	**396**

All other non-current liabilities are due between 1 and 5 years. Other non-current liabilities include payables arising from natural gas storage contracts of CZK 252 million (2020: CZK 387 million).

Current trade and other payables	31/12/2021	31/12/2020
Trade payables	1 711	3 052
Other current liabilities	31	10
Current payables - financial	**1 742**	**3 062**
Current contract liabilities	1 133	885
Other current payables to the state	134	93
Current payables to employees	115	88
Current deferred income	4	11
Current payables - other	**1 386**	**1 077**
Total current trade and other payables	**3 128**	**4 139**

As at 31 December 2021, current overdue trade liabilities totalled CZK 0 million. CZK (as at 31 December 2020: CZK 0 million). Current trade payables include liabilities from natural gas storage contracts of CZK 407 million (2020: CZK 507 million).

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19. Derivative financial instruments

The Group uses the derivative financial instruments mainly for trading in 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".

Book value of receivables and payables from derivative financial instruments is as follows:

	31/12/2021			31/12/2020		
	Hedging derivatives	Trading derivatives	**Total**	Hedging derivatives	Trading derivatives	**Total**
Long-term receivables	--	1 347	1 347	--	565	565
Short-term receivables	57	8 710	8 767	21	1 842	1 863
Total receivables from derivative financial instruments	**57**	**10 057**	**10 114**	**21**	**2 407**	**2 428**
Long-term payables	-3	-2 350	-2 353	-19	-427	-446
Short-term payables	-119	-13 407	-13 526	-84	-1 526	-1 610
Total payables from derivative financial instruments	**-122**	**-15 757**	**-15 879**	**-103**	**-1 953**	**-2 056**

All financial derivatives are stated at fair value as at 31 December 2021 and 31 December 2020 and categorised to Level 2 in the fair value hierarchy.

Hedging derivatives

The Group had the following financial derivatives for hedging:

2021	Year of maturity	Nominal value	Average hedged rate	Fair value
Interest rate swaps	2022	2 202	1.56 %	57
Total receivables from hedging derivatives				**57**
Interest rate swaps	2025	194	0.48 %	-5
Currency forwards	2022	2 362	25.8 CZK/EUR	-66
Currency forwards	2022	406	21.8 CZK/USD	-13
Commodity swaps	2022	415	70.2 USD/bbl	-38
Total payables from hedging derivatives				**-122**
Total hedging financial derivatives				**-65**

2020	Year of maturity	Nominal value	Average hedged rate	Fair value
Currency forwards	2021	303	23.0 CZK/USD	15
Currency forwards	2021	643	26.2 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	26.8 CZK/EUR	-5
Interest rate swaps	2021	39	1.31 %	--
Commodity swaps	2021	314	44.0 USD/bbl	-46
Currency swaps	2021	184	26.1 CZK/EUR	-1
Currency forwards	2021	659	26.6 CZK/EUR	-8
Total payables from hedging derivatives				**-103**
Total hedging financial derivatives				**-82**

The hedge relationships are effective through the accounting period (see accounting policies in Note 3(e).

Hedge accounting criteria were fulfilled as at 31 December 2021 and 2020 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.

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Trading derivatives

Besides the hedging derivatives the Group held the derivatives for trading as they do not fulfil the hedge accounting criteria as at 31 December 2021 and 31 December 2020. These derivatives are classified as "Trading derivatives" and recognized in fair value.

The Group had the following financial derivatives for trading:

2021	Year of maturity	Fair value
Commodity forward	2024	9 809
Commodity future	2023	202
Commodity forward	2023	3
Commodity forward	2022	43
Total receivables from trading derivatives		**10 057**
Commodity forward	2024	-13 446
Commodity future	2023	-2 271
Commodity forward	2022	-35
Currency swap	2022	-5
Total payables from trading derivatives		**-15 757**
Total trading financial derivatives		**-5 700**

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**

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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20. Provisions

	Provision for decommissioning, renewals and restoration	Other provisions	Total
Balance 1 January 2021	1 264	1	1 265
Additions	12	1	13
Utilization	-16	--	-16
Release	-1	--	-1
Unwinding of discount	18	--	18
Change in value	36	--	36
Effect of currency translation	1	--	1
Balance 31 December 2021	**1 314**	**2**	**1 316**
Thereof:			
Non-current provisions	1 270	--	1 270
Current provisions	44	2	46

Provisions for decommissioning, renewals and restorations are established based on rules described in Note 3(j). For 2021 interest rate 2.6 – 3.2 % p. a. were used. In calculating provisions, the expected inflation of 2.0 % p. a. was used. The Group expects that costs will be incurred between 2022 and 2052.

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21. 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:

2021 **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
Revenue from trading in gas	--	97 418	--	**97 418**
Revenue from trading in electricity	--	11 158	--	**11 158**
Revenue from the sale of gas to end customers	--	3 441	--	**3 441**
Revenue from the sale of electricity to end customers	--	2 999	--	**2 999**
Revenue from the sale of goods	10	--	--	**10**
Revenue from the sale of produced oil	568	--	--	**568**
Revenue from the sale of produced gas	1 311	--	--	**1 311**
Revenue from the provision of services	28	52	39	**119**
Revenue from drilling activities	--	--	535	**535**
Revenue from gas storage	--	451	--	**451**
Revenue from the sale of products	--	--	11	**11**
Total revenue	**1 917**	**115 519**	**585**	**118 021**

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	Drilling	Revenue
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**

2021 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue
Revenue recognised at a point in time	--	92	42	**134**
Revenue recognised over time	1 917	6 851	543	**9 311**
Subtotal	**1 917**	**6 943**	**585**	**9 445**
Revenue from commodity trading	--	108 576	--	**108 576**
Total revenue	**1 917**	**115 519**	**585**	**118 021**

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2020 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue
Revenue recognised at a point in 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	--	**38 995**
Total revenue	**1 051**	**44 470**	**449**	**45 970**

Revenue based on geographical position of a point of sale	2021	2020
Czechia	50 112	10 781
Germany	28 806	11 799
Netherlands	31 855	17 812
Austria	2 713	3 349
Slovakia	2 783	1 659
Ukraine	1 162	5
United Kingdom	474	281
Other	116	284
Total revenue	**118 021**	**45 970**

In 2021, the Group reported revenue of CZK 20 670 million (2020: CZK 5 960 million) for one customer. This revenue was allocated to the Trading in gas and electricity, gas storage segment.

The remaining performance obligations relate to the contracts whose initial expected duration is one year or less, or to the contracts concluded for an indefinite period with a notice period shorter than 1 year, therefore the Group does not disclose their value.

In 2021, CZK 883 million was recognised (2020: CZK 567 million) in revenue from the value of contract liabilities as at 31 December 2020 (Note 18).

Revenues in the segment Oil and gas exploration and production of CZK 755 million (2020: CZK 1 051 million) were realized in Czechia, the remaining sales were realized in Ukraine.

Sales in the segment Trading in gas and electricity, gas storage were realized in the countries of the European Union.

22. Other operating income

	2021	2020
Income from grants	10	7
Gain on sale of non-current assets	--	2
Income from lease	5	3
Gain from trading in commodity contracts	--	262
Fines and default interest	39	3
Remaining operating income	144	84
Total other operating income	**198**	**361**

The remaining operating income include the amount of compensation from the insurance company for damage caused by a natural disaster in the amount of CZK 84 million.

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23. Consumption of materials, goods and services

	2021	2020
Cost of goods sold	2	3
Cost of sale of gas and electricity to end customers	3 950	2 757
Cost of trading in gas and electricity	108 344	38 978
Materials and energy used	268	241
Total materials and goods used	**112 564**	**41 979**
Services used relating to revenue	2 269	2 108
Lease expenses	62	68
Other services	328	266
Amortisation of contract costs	16	12
Changes in product and work-in-progress inventories	-6	1
Total services used	**2 669**	**2 455**
Total consumption of materials, goods and services	**115 233**	**44 434**

Lease expenses in 2021 and 2020 comprise short-term leases of CZK 60 million. CZK (2020: CZK 68 million) and variable lease payments of CZK 2 million (2020: CZK 0 million).

Other services include costs of services provided by a statutory auditor to the MND Group of CZK 5 million (2020: CZK 5 million).

	2021	2020
Audit	5	5
Total	**5**	**5**

24. Personnel expenses

	2021	2020
Payroll expenses	532	530
Social security and health insurance expenses	169	165
Other social expenses	27	23
Total personnel expenses	**728**	**718**

The average number of employees in 2021 was 810 (2020: 814 employees).

25. Depreciation, amortisation and impairment

	2021	2020
Depreciation of property, plant and equipment (Note 5)	808	560
Impairment of property, plant and equipment (Note 5)	32	12
Amortisation of intangible assets (Note 6)	17	24
Depreciation of right of use (Note 5)	42	31
Total depreciation, amortisation and impairment	**899**	**627**

Impairment of tangible fixed assets (Note 5) of CZK 127 million due to the natural disaster was compensated by the insurance claim of CZK 95 million.

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26. Other operating costs

	2021	2020
Repairs and maintenance	74	42
Travel expenses	23	16
Fees	261	121
Other taxes	3	6
Insurance premiums	21	19
Loss from trading in commodity contracts	366	--
Credit loss allowance for financial assets	28	37
Write off receivables	12	7
Other overhead operating expenses	68	21
Total other operating expenses	**856**	**269**

The most significant part of the fees represents charges for produced oil and gas of CZK 260 million (2020: CZK 76 million) and fees for mining areas and fees for exploration areas of CZK 37 million (2020: CZK 42 million).

	2021	2020
Profit from trading in commodity contracts	9 622	2 334
Loss from trading in commodity contracts	-9 988	-2 072
Net profit (+)/loss (-) from trading in commodity contracts	**-366**	**262**

27. Finance income and costs

	2021	2020
Interest income	7	4
Total interest income	**7**	**4**
Income from current financial assets	2	5
Other finance income	1	51
Total finance income	**3**	**56**
Interest expense	-150	-162
Interest expense on leases	-12	-5
Other finance costs	-25	-129
Loss from foreign exchange transactions	-61	-3
Total finance costs	**-248**	**-299**
Net profit/loss from financial operations	**-238**	**-239**

28. Taxation

Income tax expense

	2021	2020
Current tax expense		
Current year	291	27
Changes in estimates relating to the previous year	--	-6
Total current tax expense	**291**	**21**
Deferred tax expense	-231	--
Total income tax (expense + / income -)	**60**	**21**

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Reconciliation of effective tax rate

	2021	%	2020	%
Profit or loss before tax	**345**		**28**	
Income tax using the valid tax rate	66	19.0 %*	5	19.0 %*
Effect of tax non-deductible expenses	4	1.1 %	11	39.8 %
Effect of tax-exempt income	3	0.9 %	--	0.0 %
Effect of accumulated tax loss claimed in the current period	-6	-1.7 %	--	0.0 %
Effect of not recognised deferred tax asset related to tax loss of current period	14	4.1 %	--	0.0 %
Effect of share of profit (-) / loss (+)-of equity-accounted investee, net of tax	-15	-4.4 %	3	10.7 %
Effect of different tax rate in companies within the Group	-6	-1.7 %	--	0.0 %
Other effects	--	0.0 %	2	5.5 %
Total income tax expense / Effective tax rate	**60**	**17.3 %**	**21**	**75.0 %**

* Tax rate valid in the Czech Republic

Corporate income tax rates according to the countries where the Group companies mainly operate:

	Tax rate	
	2021	2020
Czechia	19 %	19 %
Ukraine	18 %	18 %

Deferred tax

	31/12/2021	31/12/2020
Deferred tax asset	384	182
Deferred tax liability	-434	-457
Net amount of deferred tax	**-50**	**-275**

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.

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Change in deferred tax

2021	Balance at 1/1/2021	Change in 2021			Balance at 31/12/2021
	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Effect of currency translation	Deferred tax asset (+)/liability (-)
Deferred tax asset (+)/liability (-)	**-275**	**231**	**3**	**-9**	**-50**
Property, plant and equipment	-481	23	--	-9	-467
Derivative financial instruments*	105	709	3	--	817
Total inventories	-93	-483	--	--	-576
Total receivables	1	-14	--	--	-13
Lease liabilities	-4	8	--	--	4
Total liabilities	5	4	--	--	9
Provisions	151	25	--	--	176
Tax losses carried-forward	41	-41	--	--	--

* The net deferred tax receivable arising from derivative financial instruments totalling CZK 817 million is a result of offsetting of deferred tax liability from derivative financial instruments assets in amount of CZK 1 774 million and deferred tax asset arising from derivative financial instruments liabilities and liabilities from gas storage contracts in amount of CZK 2 591 million.

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 CZK 105 million is a result of offsetting of deferred tax liability from derivative financial instruments assets in amount of CZK 409 million and deferred tax asset arising from derivative financial instruments liabilities and liabilities from gas storage contracts in amount of CZK 512 million.

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Based on the financial projections, the Group expects that it will be able to utilise the recognised deferred tax asset against future profits. The amount of the unrecognised deferred tax asset is as follows:

	Unrecognised deferred tax asset	
	31/12/2021	31/12/2020
Tax losses carried forward	97	7
Total unrecognised deferred tax asset	**97**	**7**

Tax losses carried forward

Tax losses carried forward, for which a deferred tax asset has not been recognized, expire as follows:

	31/12/2021	31/12/2020
Expire in the period		
till 2022	23	7
till 2026	74	--
Total tax losses carried forward	**97**	**7**

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29. Other comprehensive income

	2021	2020
Change in fair value of hedging instruments, before tax	-51	-115
Change in fair value of hedging instruments – deferred tax	10	22
Change in fair value of hedging instruments, after tax	**-41**	**-93**
Change in fair value of hedging instruments transferred to profit/loss, before tax	35	--
Change in fair value of hedging instruments transferred to profit/loss - deferred tax	-7	--
Change in fair value of hedging instruments transferred to profit/loss, after tax	**28**	**--**
Share of other comprehensive income of equity-accounted investees	17	-3
Share of other comprehensive income of equity-accounted investees	**17**	**-3**
Translation of foreign operations into the Group's presentation currency	**67**	**--**
Total other comprehensive income	**71**	**-96**

2021	Currency translation reserve	Hedging reserve	Share on funds of equity-accounted investees	Other comprehensive profit or loss attributable to the shareholder of the company	Other comprehensive income attributable to non-controlling interests	Total other comprehensive income
Exchange rate differences from translation to presentation currency	54			**54**	13	**67**
Share of other comprehensive income of equity-accounted investees			17	**17**	--	**17**
Change in fair value of hedging instruments		-13		**-13**	--	**-13**
Total other comprehensive income, after tax	**54**	**-13**	**17**	**58**	**13**	**71**

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**

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30. 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 of termination. In 2021, CZK 5 million (2020: CZK 3 million) was recognised as income from leases in the statement of comprehensive income (Note 22).

31. Related parties

Payroll expenses, bonuses and other personnel expenses incurred in respect of key employees of the Group are disclosed in the following table:

	2021		2020	
	Board of directors and supervisory board	Executive management	Board of directors and supervisory board	Executive management
Payroll expenses	--	18	--	19
Social security and health insurance expenses	2	4	2	4
Bonuses to statutory body members	6	--	6	--
Total	**8**	**22**	**8**	**23**

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 2021 and 31 December 2020:

	31/12/2021	31/12/2020
Non-current trade and other receivables	95	27
Current trade and other receivables	36	36
Current loans provided	24	--
Other current financial assets	533	61
Total receivables	**688**	**124**
Current trade and other liabilities	82	7
Total liabilities	**82**	**7**

Other current financial assets of CZK 533 million (2020: CZK 61 million) represent receivables from KKCG Structured Finance AG under cash-pooling contracts (see Note 10).

The receivables, payables, income and expenses of the Joint venture are disclosed in Note 7.

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Related-party transactions for the period ended 31 December 2021 and 31 December 2020:

	2021	2020
Revenue and other operating income	118	99
Interest income	2	8
Other financial income	3	1
Total revenue	**123**	**108**
Consumption of materials and goods	19	4
Consumed services	167	198
Other operating expenses	1	--
Total costs	**187**	**202**

Expenses charged by related parties include in particular the lease of drilling rigs (MND Drilling Germany GmbH), services related to drilling work (MND Germany GmbH) and the lease of office premises (Vinohradská 230 a.s. and BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.).

Revenue recognized in respect of related parties include in particular the sale of gas and electricity (Sazka a.s.), the interest received on cash-pooling contracts (KKCG Structured Finance AG) and wells workovers and the provision of advisory services (MND Gas Storage Germany GmbH).

32. 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.

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 receivables and payables, 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 creditworthiness, 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 2021	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables - financial	261	--	--	1	262
Non-current receivables from derivative instruments	1 347	--	--	--	1 347
Non-current restricted cash	--	--	39	--	39
Other current financial assets	533	--	--	--	533
Current receivables – financial	6 147	4	--	260	6 411
Current receivables from derivative instruments	8 710	--	57	--	8 767
Cash and cash equivalents	481	--	1 369	--	1 850
Total	**17 479**	**4**	**1 465**	**261**	**19 209**

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	1 167	6	306	216	1 695
Current receivables from derivative instruments	1 841	--	22	--	1 863
Cash and cash equivalents	266	--	2 868	--	3 134
Total	**3 865**	**6**	**3 272**	**217**	**7 360**

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Ageing structure of financial assets

At 31 December 2021	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	***301***	--	--	--	--	--	***301***
Non-current loans	254	--	--	--	--	--	254
Non-current refundable deposits	7	--	--	--	--	--	7
Non-current receivables - other	1	--	--	--	--	--	1
Non-current restricted cash	39	--	--	--	--	--	39
Current receivables - financial	***6 398***	**17**	**8**	**1**	**49**	**-62**	***6 411***
Current trade receivables	1 271	16	7	1	14	-26	1 283
Current loans provided to related parties	24	--	--	--	--	--	24
Current loans granted to non-group undertakings	--	--	--	--	35	-35	--
Current contract assets	236	--	--	--	--	--	236
Current refundable deposits	697	--	--	--	--	--	697
Other current receivables	4 170	1	1	--	--	-1	4 171
Other current financial assets	***533***	--	--	--	--	--	***533***
Other current financial assets	533	--	--	--	--	--	533
Cash and cash equivalents	***1 850***	--	--	--	--	--	***1 850***
Cash in hand	1	--	--	--	--	--	1
Bank accounts and cash equivalents	1 607	--	--	--	--	--	1 607
Fixed-term deposits	242	--	--	--	--	--	242
Total	**9 082**	**17**	**8**	**1**	**49**	**-62**	**9 095**

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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	1	--	--	--	--	--	1
Non-current refundable deposits	5	--	--	--	--	--	5
Non-current restricted cash	36	--	--	--	--	--	36
Current receivables - financial	***1 722***	**20**	**8**	**24**	**34**	**-113**	***1 695***
Current trade receivables	1 019	19	7	22	32	-72	1 027
Current loans provided to related parties	60	--	--	--	--	-35	25
Current contract assets	130	--	--	--	--	--	130
Current refundable deposits	402	--	--	--	--	--	402
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**

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. Non-current and current 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 consists of financial assets whose credit quality has increased, and to which was created 100% impairment allowance.

At 31 December 2021	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1 850**	--	--	--	--	**1 850**
Cash in hand	1	--	--	--	--	1
Bank accounts and cash equivalents	1 607	--	--	--	--	1 607
Fixed-term deposits	242	--	--	--	--	242
Other current financial assets	**533**	**--**	**--**	**--**	**--**	**533**
Other current financial assets	533	--	--	--	--	533
Non-current restricted cash	**39**	**--**	**--**	**--**	**--**	**39**
Non-current restricted cash	39	--	--	--	--	39
Class 2						
Current receivables - financial	**63**	--	**35**	**6 375**	**-62**	**6 411**
Current trade receivables	38	--	--	1 271	-26	1 283
Current loans provided to related parties	24	--	--	--	--	24
Current loans granted to non-group undertakings	--	--	35	--	-35	--
Current contract assets	--	--	--	236	--	236
Current refundable deposits	1	--	--	696	--	697
Other current receivables	--	--	--	4 172	-1	4 171
Non-current receivables - financial	**262**	--	**--**	--	--	**262**
Non-current loans	254	--	--	--	--	254
Non-current refundable deposits	7	--	--	--	--	7
Non-current receivables - other	1	--	--	--	--	1
Total	**2 747**	**--**	**35**	**6 375**	**-62**	**9 095**

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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 and cash equivalents	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	11	**--**	5	1 083	-72	1 027
Current loans provided to related parties	25	--	35	--	-35	25
Current contract assets	--	--	--	130	--	130
Current refundable deposits	2	--	--	400	--	402
Other current receivables	--	--	--	117	-6	111
Non-current receivables - financial	**6**	**--**	**--**	**--**	**--**	**6**
Other trade and other receivables	1	--	--	--	--	1
Non-current refundable deposits	5	--	--	--	--	5
Total	**3 275**	**--**	**40**	**1 730**	**-113**	**4 932**

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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 2021	**--**	**--**	**-40**	**-73**	**-113**
Effect of spin-off	--	--	--	77	77
Additions – increase in allowance recognized in profit or loss during the year	--	--	--	-35	-35
Write-offs – receivables written off during the year as uncollectible	--	--	--	7	7
Transfers	--	--	5	-5	--
Effect of currency translation	--	--	--	2	2
Balance at 31 December 2021	**--**	**--**	**-35**	**-27**	**-62**

	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**

Impairment matrix for current trade and other receivables as at 31 December 2021:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**6 335**	**0.03 %**	**-2**	**6 333**
Current trade receivables	1 233	0.16 %	-2	1 231
Contract assets - current	236	0.00 %	--	236
Current refundable deposits	696	0.00 %	--	696
Other current receivables	4 170	0.00 %	--	4 170
Past due < 90 days	**17**	**11.76 %**	**-2**	**15**
Current trade receivables	16	12.50 %	-2	14
Other current receivables	1	0.00 %	--	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	**1**	**100.00 %**	**-1**	**--**
Current trade receivables	1	100.00 %	-1	--
Past due >365 days	**14**	**100.00 %**	**-14**	**--**
Current trade receivables	14	100.00 %	-14	--
Total	**6 375**	**0.42 %**	**-27**	**6 348**

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Impairment matrix for current trade and other receivables as at 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	1 008	0.30 %	-3	1 005
Contract assets - current	130	0.00 %	--	130
Current refundable deposits	400	0.00 %	--	400
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**

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

Non-current and current receivables - financial, non-current and current receivables from derivative instruments, non-current restricted cash, other current financial assets, cash and cash equivalents	31/12/2021	31/12/2020
Czechia	8 172	4 374
Germany	1 283	786
Switzerland	981	510
Austria	367	370
Slovakia	1 432	219
Ukraine	689	66
United Kingdom	6 042	1 007
Other countries	243	28
Total	**19 209**	**7 360**

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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 2021	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	1 347	--	1 347	-110	**1 237**
Current receivables from derivative instruments	8 767	--	8 767	-2 237	**6 530**
Current receivables	12 895	-6 697	6 198	--	**6 198**
Total	**23 009**	**-6 697**	**16 312**	**-2 347**	**13 965**
Liabilities					
Non-current liabilities from derivative instruments	2 337	--	2 337	-110	**2 227**
Current liabilities from derivative instruments	13 523	--	13 523	-2 237	**11 286**
Current liabilities	7 961	-6 697	1 264	--	**1 264**
Total	**23 821**	**-6 697**	**17 124**	**-2 347**	**14 777**

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**

(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 of companies in the Group (CZK, UAH).

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. In 2021, lower oil prices of USD 1 per barrel would cause a decrease in profit before tax of approximately CZK 12 million without hedging. In 2021, the impact of the appreciation of CZK against the US dollar by CZK 1 would result in a decrease in profit or loss before tax by CZK 39 million without hedging. In contrast, oil price growth and the depreciation CZK against the USD would have a positive impact on the result from operating activities the same amount.

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 2021/2022 would result in a decrease in profit or loss before tax of CZK 23 million 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 currency forward and currency 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 CZK 75 million. The Group calculates the risk on all individual commodities in the framework of speculative trading using VaR metrics, both at individual trader positions and overall. Values of VaR was CZK 3 million at the year-end 2021. In 2021 the average value of VaR was CZK 5 million.

Currency risk analysis

As of 31 December 2021, and 2020, 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:

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At 31 December 2021	EUR	USD	Other	Total
Non-current receivables – financial	252	--	--	252
Non-current receivables from derivative instruments	1 347	--	--	1 347
Other current financial assets	378	--	--	378
Current receivables - financial	5 302	1	27	5 330
Current receivables from derivative instruments	8 711	57	--	8 768
Cash and cash equivalents	794	13	9	816
Total assets	**16 784**	**71**	**36**	**16 891**
Non-current loans and interest-bearing borrowings	-176	--	--	-176
Non-current liabilities from derivative instruments	-2 353	--	--	-2 353
Current loans and interest-bearing borrowings *)	-2 535	--	--	-2 535
Current payables - financial	-433	-26	-2	-461
Current liabilities from derivative instruments	-13 527	--	--	-13 527
Total liabilities	**-19 024**	**-26**	**-2**	**-19 052**
Total	**-2 240**	**45**	**34**	**-2 161**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loan loans and borrowings of CZK 2 474 million for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

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 CZK 1 630 million for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Currency risk sensitivity analysis

As at 31 December 2021, the potential appreciation (depreciation) of EUR or USD against CZK could impact the measurement of financial instruments denominated in the foreign currency and gas inventories denominated in EUR and impact profit or loss by an amount disclosed in the following table. This analysis assumes that all other variables remain constant.

Effect recognised in CZK million	**Profit or loss** 10% appreciation + profit/ - loss	 10% depreciation + profit/ - loss
2021		
EUR	225	-225
USD	4	-4

Effect recognised in CZK million	**Profit or loss** 10% appreciation + profit/ - loss	 10% depreciation + profit/ - loss
2020		
EUR	78	-78
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 result from operating activities.

(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, valuation of financial instruments and for trading and risk management purposes.

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

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

At 31 December 2021	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity/on demand	Total
Assets							
Non-current receivables - financial	262	383	--	8	375	--	383
Non-current receivables from derivative instruments	1 347	2 264	--	2 264	--	--	2 264
Non-current restricted cash	39	39	--	--	--	39	39
Other current financial assets	533	533	533	--	--	--	533
Current receivables - financial	6 411	6 411	6 411	--	--	--	6 411
Current receivables from derivative instruments	8 767	8 630	8 630	--	--	--	8 630
Total	**17 359**	**18 260**	**15 574**	**2 272**	**375**	**39**	**18 260**
Cash and cash equivalents	1 850	1 850	--	--	--	1 850	**1 850**
Liabilities							
Non-current loans and interest-bearing borrowings	-176	-179	--	-34	-145	--	-179
Non-current lease liabilities	-256	-325	--	-163	-162	--	-325
Non-current liabilities - financial	-259	-259	--	-259	--	--	-259
Non-current liabilities from derivative instruments	-2 353	-1 388	--	-1 388	--	--	-1 388
Current loans and interest-bearing borrowings	-4 807	-4 890	-4 890	--	--	--	-4 890
Current lease liabilities	-33	-48	-48	--	--	--	-48
Current liabilities - financial	-1 742	-1 742	-1 742	--	--	--	-1 742
Current liabilities from derivative instruments	-13 526	-8 785	-8 785	--	--	--	-8 785
Total	**-23 152**	**-17 616**	**-15 465**	**-1 844**	**-307**	**--**	**-17 616**
Net balance – liquidity risk (financial assets & liabilities)	**-3 943**	**2 494**	**109**	**428**	**68**	**1 889**	**2 494**
Non-bank guarantees issued	--	-37	--	-37	--	--	-37
Net balance – liquidity risk (including off-balance sheet)	**-3 943**	**2 457**	**109**	**391**	**68**	**1 889**	**2 457**

The following table shows the detailed breakdown of the maturity of derivative instruments up to 1 year as at 31 December 2021:

Due	< 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Total
Receivables from derivative instruments	5 014	1 452	762	1 402	8 630
Liabilities arising from derivative instruments	-5 070	-1 122	-1 680	-913	-8 785
Net cash flow from derivative instruments	**-56**	**330**	**-918**	**489**	**-155**

Consolidated financial statements for the year ended 31 December 2021 (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	Undefined maturity/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 lease commitment	--	-184	-21	-74	-89	--	-184
Non-bank guarantees issued	--	-62	--	-62	--	--	-62
Net balance – liquidity risk (including off-balance sheet)	**-2 454**	**3 075**	**1 567**	**-1 492**	**-134**	**3 134**	**3 075**

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

(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.

	31/12/2021	31/12/2020
Bank loans and bonds issued	4 983	4 202
Less: current debts for the financing of gas inventory	-2 474	-1 631
Less: cash and cash equivalents	-1 850	-3 134
Net debt (+) / surplus (-)	**659**	**-563**
Total equity	**6 460**	**6 121**
Net debt to equity ratio	**0.102**	**-0.092**

(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 31/12/2021		Fair value at 31/12/2021		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Commodity forwards	9 855	--	--	9 855	--
Commodity futures	202	--	--	202	--
Interest rate swap	--	57	--	57	--
Financial liabilities measured at fair value					
Interest rate swap	--	-5	--	-5	--
Currency swap	-5	--	--	-5	--
Commodity swap	--	-38	--	-38	--
Commodity forwards	-13 481	--	--	-13 481	--
Commodity futures	-2 271	--	--	-2 271	--
Currency forward	--	-79	--	-79	--

Inventory of gas for trading is measured at fair value with carrying amount of CZK 4 491 million under Level 2.

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

	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 CZK 2 305 million 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 2021 and 2020, there were not transfers between individual levels of the fair value hierarchy.

33. Items not recognised in the statement of financial position

The Group records issued non-bank guarantees for the liabilities of related companies in the amount of CZK 560 million (2020: CZK 592 million). Out of that CZK 122 million (2020: CZK 129 million) was issued in favour 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 favour of the Group.

The Group records the bank guarantees received in the amount of CZK 105 million (2020: CZK 0 million) for liabilities of the Group's customers.

Consolidated financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

34. Material subsequent events

At the end of February 2022, ongoing political tensions between Russia and Ukraine escalated into Russia's military invasion to Ukraine. The global response to Russia's violation of international law and aggression against Ukraine has been the imposition of extensive sanctions and restrictions on business activities in Russia and trade with Russia and Russian companies. We consider these fact as non-adjusting subsequent events. The overall impact of recent developments has been reflected in increased volatility in financial and commodity markets and other negative consequences for the economy. The Group monitors the current situation and is aware of the risks associated with it for the Group's activities, which are in particular the adverse effects of international economic sanctions imposed on Russia, business interruptions (including supply chains), restrictions on trade with Russia and Russian companies, increased incidence of cyber-attacks, risk of violation of legal and regulatory rules and restrictions on the convertibility of the Ukrainian currency. The current development is currently unclear and the possible impact on the Group's activities cannot be predicted with certainty. The Group takes measures to reduce the prospective impact of the current situation on Group’s operations. The Group produces natural gas in western Ukraine in the Lviv region. This activity has not been affected by the war between Russia and Ukraine, and the Group continues to produce and drill exploratory and production wells in the area. The Group had net assets in Ukraine with a carrying amount of CZK 1 211 million as of 31 December 2021. The assets were not affected by the war.

On 3 March 2022, the Group issued unsecured MND VAR/27 bonds in book form, which were admitted for trading on the regulated market of Prague Stock Exchange under ISIN CZ0003538183. The bonds have a variable interest rate of 3M PRIBOR + 2.8 % p. a. and will mature on March 3, 2027. Bond coupons are paid out quarterly in arrears. The nominal value of one bond is CZK 3 million, the total nominal value is CZK 2 202 million. The emission was issued under Czech law and in the Czech Republic. 450 bonds with a nominal value of CZK 1 350 million were subscribed in exchange for bonds of the ISIN CZ0003517708 issue. 284 bonds with a nominal value of CZK 852 million were subscribed for cash. The funds raised will be used to repay the remaining bonds of the ISIN CZ0003517708 issue, which is due in November 2022.

In addition to the above, there were no other events subsequent to year end that would have a significant impact on consolidated financial statements as at 31 December 2021.

Date: 27 May 2022	Signature of the statutory body:	
	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 2021

prepared in accordance with International Financial Reporting Standards

as adopted by the European Union

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Separate statement of financial position	**Note**	**31/12/2021**	**31/12/2020**
Assets			
Land		165	156
Buildings and structures		682	534
Oil and gas wells		1 223	1 221
Machinery and equipment		451	456
Other tangible fixed assets and assets under construction		141	296
Property, plant and equipment	4	*2 662*	*2 663*
Intangible assets	5	17	26
Investments in subsidiaries	6	4 083	4 365
Investments in joint ventures and associates	6	415	413
Non-current trade and other receivables	8	257	50
Non-current receivables from derivative financial instruments	14	1 422	721
Other non-current investments	7	39	37
Non-current financial assets		*6 216*	*5 586*
Deferred tax asset	25	390	188
Total non-current assets		**9 285**	**8 463**
Inventories	10	4 581	2 420
Current trade and other receivables	8	6 306	2 198
Current receivables from derivative financial instruments	14	8 856	1 956
Other current financial assets	9	373	--
Cash and cash equivalents	11	1 147	2 871
Total current assets		**21 263**	**9 445**
Total assets		**30 548**	**17 908**

The notes on pages 103 to 152 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Separate statement of financial position (continued)	**Note**	**31/12/2021**	**31/12/2020**
Liabilities and equity			
Equity			
Share capital	12	1 000	1 000
Capital contributions and other reserves		1 344	1 358
Retained earnings and profit/loss for the current period		3 362	3 645
Equity attributable to the shareholder of the Company		*5 706*	*6 003*
Total equity		**5 706**	**6 003**
Liabilities			
Loans and bonds issued - non-current portion	13	--	2 200
Non-current lease liabilities	14	247	105
Non-current trade and other payables	15	333	552
Non-current liabilities from derivative financial instruments	16	2 369	479
Non-current provisions	17	1 229	1 202
Total non-current liabilities		**4 178**	**4 538**
Loans and bonds issued - current portion	13	4 685	1 640
Current lease liabilities	14	28	19
Current trade and other payables	15	2 233	4 071
Income tax liabilities		127	--
Current liabilities from derivative financial instruments	16	13 547	1 609
Current provisions	17	44	28
Total current liabilities		**20 664**	**7 367**
Total liabilities		**24 842**	**11 905**
Total equity and liabilities		**30 548**	**17 908**

The notes on pages 103 to 152 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Separate statement of comprehensive income	**Note**	**2021**	**2020 restated**
Continuing operations			
Revenue	18	113 447	42 185
Other operating income	19	114	225
Total income		**113 561**	**42 410**
Materials and goods used	20	-111 532	-40 358
Services used	20	-932	-1 046
Personnel expenses	21	-321	-340
Depreciation, amortisation and impairment	22	-431	-412
Other operating expenses	23	-617	-220
Result from operating activities		**-272**	**34**
Interest income	24	4	1
Other finance income	24	2	133
Finance costs	24	-252	-247
Result from financing activities		**-246**	**-113**
Profit or loss before tax from continuing operations		**-518**	**-79**
Income tax expense	25	102	26
Profit or loss for the year from continuing operations		**-416**	**-53**
Profit or loss for the year from discontinued operations	26	**133**	**117**
Total profit or loss for the year		**-283**	**64**
Items that are or may be reclassified to profit or loss:			
Change in fair value of hedging instruments, net of tax		-42	-92
Change in fair value of hedging instruments reclassified to profit or loss, net of tax		28	--
Other comprehensive income/loss for the year (net of tax)	27	**-14**	**-92**
Total comprehensive income/loss for the year		**-297**	**-28**
Profit or loss attributable to:			
Shareholder of the Company		-283	64
Total profit or loss for the year		**-283**	**64**
Total comprehensive income/loss attributable to:			
Owners of the Company		-297	-28
Total comprehensive income/loss for the year		**-297**	**-28**

Separate statement of comprehensive income	**Note**	**2021**	**2020 restated**
Earnings per share:	12		
Basic earnings / loss (-) per share (in thousands of Czech crowns)		-5.660	1.286
of that from continuing operations		-8.320	-1.060
of that from discontinued operations		2.660	2.346
Diluted earnings / loss (-) per share (in thousands of Czech crowns)		-5.660	1.286
of that from continuing operations		-8.320	-1.060
of that from discontinued operations		2.660	2.346

The notes on pages 103 to 152 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Separate statement of changes in equity

2021	Share capital	Other contributions and reserves	Hedging reserve	Retained earnings	Profit (+)/Loss (-) for the year	Total equity
Balance at 1 January 2021	**1 000**	**1 420**	**-62**	**3 581**	**64**	**6 003**
Profit or loss for 2021	--	--	--	--	-283	-283
Other comprehensive income/loss	--	--	-14	--	--	-14
Total comprehensive income/loss	**--**	**--**	**-14**	**--**	**-283**	**-297**
Transactions with owners of the Company, reported directly in equity:						
Reallocation of profit for 2020	--	--	--	64	-64	**--**
Increase in other capital contributions (Note 12)			--	--	--	--
Total transactions with owners of the Company, reported directly in equity	**--**	--	--	64	-64	--
Balance at 31 December 2021	**1 000**	**1 420**	**-76**	**3 645**	**-283**	**5 706**

The notes on pages 103 to 152 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2021 (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 12)		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 103 to 152 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Separate statement of cash flows	Note	2021	2020
Operating activities			
Net profit (+) / loss (-) for the year - continuing operations		-416	-53
Net profit (+) / loss (-) for the year - discontinued operations		133	117
Adjustments for:			
Interest expense (net of interest income)	24	150	157
Tax expense (+) / income (-)	25	-70	1
Effect of currency translation (gains - / losses +)	24	83	3
Depreciation of property, plant and equipment	22	364	364
Amortisation of intangible assets	22	13	22
Depreciation of right of use	22	36	29
Impairment of property, plant and equipment	22	64	12
Income from dividends and current financial assets	24	-2	-80
Non-cash changes of financial derivatives		6 209	2 344
Non-cash changes of inventories		14	1
Gain (-) / loss (+) on sale of non-current assets	19	-2	-1
Cash flow from operating activities before changes in working capital and provisions		**6 576**	**2 916**
Increase (+) / decrease (-) in provisions		-7	-89
Increase (-) / decrease (+) in inventories		-2 175	-276
Increase (-) / decrease (+) in receivables		-4 501	-442
Increase (+) / decrease (-) in current liabilities		-2 021	688
Cash flows from operating activities		**-2 128**	**2 797**
Interest paid		-135	-134
Net cash flows generated from operating activities		**-2 263**	**2 663**
Investing activities			
Proceeds from sale of non-current assets	19	32	2
Profit shares received (dividends) and payments from other capital funds received	24,6	385	75
Income from current financial assets	22	2	5
Interest received		2	1
Acquisition of property, plant and equipment and intangible assets	4,5	-297	-208
Investments in subsidiaries and joint ventures, net of cash acquired		-105	-1
Decrease (+) / Increase (-) in current financial assets, net		-375	--
Cash flows from investing activities		**-356**	**-126**
Financial activities			
Drawing of loans and borrowings (+)	13	18 742	18 789
Repayment of (-) loans and borrowings	13	-17 818	-19 984
Payments of lease liabilities	14	-29	-27
Cash flows from financing activities		**895**	**-1 222**
Net decrease (-) / increase (+) in cash and cash equivalents		-1 724	1 315
Cash and cash equivalents at 1 January	11	**2 871**	**1 556**
Cash and cash equivalents at 31 December	11	**1 147**	**2 871**

The notes on pages 103 to 152 are an integral part of these financial statements.

Notes to the separate financial statements

Contents

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

1. General information about company

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.

In June 2021, an extraordinary event occurred when the Lužice Technology Park was hit by a tornado. Part of the buildings on the premises were destroyed and damaged by the tornado. Based on this natural disaster, an impairment of tangible fixed assets in the amount of CZK 32 million was recognised. Compensation from the insurance company was set off in the profit and loss account against the recognised impairment of tangible fixed assets and the remaining value of the insurance claim (CZK 18 million) was included in Other operating income (Note 19).

MND a.s. has contributed into MND Energie a.s. a part of the enterprise representing a separate organizational unit "Retail Division" on the basis of a contract concluded on 26 October 2021. Contribution certificate was deposited in the Commercial Register as of 1 November 2021. For this reason, the Statement of comprehensive income has been adjusted for discontinued operations, including the comparative figures, see Note 26.

1.2. Principal activities

The Company carries out the following principal business activities:

- prospecting, exploration and production of oil and natural gas, and
- sales of gas and electricity to end customers and trading in electricity and gas.

1.3. Statutory body and supervisory board

The board of directors as at 31 December 2021:

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

Supervisory board as at 31 December 2021:

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

1.4. Sole shareholder of the Company as at 31 December 2021

MND Group AG 100%
Registered office:
Kapellgasse 21
6004 Lucerne
Switzerland

The Company together with its parent company MND Group AG are part of the consolidation unit of KKCG AG based in Switzerland. The ultimate owner is VALEA FOUNDATION registered in Liechtenstein, whose designated beneficiary is Mr. Karel Komárek.

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 2021

The preparation of these 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 2021.

These amendments did not have any significant impact on the Company's separate financial statements.

Amendment to IFRS 4: Insurance Contracts – *Extension of the Temporary Exemption from the Application of IFRS 9*

The amendments to IFRS 4 change the fixed expiry date of the temporary exemption from the application of IFRS 9 *Financial Instruments* that is specified in IFRS 4 *Insurance Contracts* so that entities apply IFRS 9 to annual periods beginning on or after 1 January 2023 (instead of 1 January 2021).

This amendment did not have a material impact on the Company's consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - *Interest Rate Benchmark Reform - Phase 2*

The new standard amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 allow entities to reflect the effect of the transition from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk-free rates' or RFR) without accounting impacts on the usefulness of the information provided to users of financial statements.

Adjustments are applied retrospectively and any adjustments are recognised in the appropriate equity components as at 1 January 2021.

The amendment to the standards had no impact on the separate financial statements.

Amendment to IFRS 16: Leases –*COVID-19-Related rent concessions after 30 June 2021*

In March 2021, the IASB issued an amendment to IFRS 16 COVID-19-Related rent concessions after 30 June 2021 that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022 under the IFRS 16 COVID-19-Related rent concessions amendment.

The practical expedient allows the lessee to elect not to assess whether the rent concession related to the COVID-19 pandemic constitutes a lease modification. A lessee that makes this election shall account for any change in lease payments that results from rent concession related to the COVID-19 pandemic, in accordance with IFRS 16 procedures for changes that do not constitute a modification of the lease.

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

a) a change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the lease consideration immediately preceding the change;

b) any reduction in lease payments only applies to payments that were originally due on or before 30 June 2022 (a rent concession meets this condition if it would result in a reduction in lease payments on or before 30 June 2022 and an increase in lease payments that extend beyond June 2022);

c) there is no substantive change in other lease terms.

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 financial statements.

Effective date 1 January 2022 or later:

- IFRS 17: *Insurance Contracts* (including the June 2020 amendments to IFRS 17)
- Amendment to IFRS 3: *Business Combinations* – Reference to the 2018 Conceptual Framework
- Amendment to IAS 16: *Property, Plant and Equipment* — Proceeds before Intended Use
- Amendment to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2021 Cycle – Amendments to IFRS 1 *First time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 41 *Agriculture*

Standards, interpretations and amendments issued before 31 December 2021 but not endorsed by EU

The following Standards, Amendments and Interpretations are not yet effective for the period ending 31 December 2021 and not expected to have a significant impact on the Company's financial statements.

Effective Date 1 January 2023:

- Amendment to IFRS 17: *Insurance Contracts* – Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendment to IAS 1: *Presentation of Financial Statements* – Classification of Liabilities as Current or Long-Term
- Amendment to IAS 1: *Presentation of Financial Statements* and IFRS Practice Statement 2: *Making Materiality Judgements* – Disclosure of Liabilities as Current or Non-Current
- Amendment to IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Accounting Estimates
- Amendment to IAS 12: *Income Taxes* – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

No effective date has been set:

- Amendment to IFRS 10: *Consolidated Financial Statements* and IAS 28: *Investments in Associates and Joint Ventures* – Sale or Transfer of Assets between an Investor and its Associate or Joint Venture

(b) Basis of measurement

The 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, CZK million), 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 3f);
- 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 17; accounting policy 3(j)).

(e) Determination of fair value (Note 30)

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 30 Risk management, in part (f).

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Company 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 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

Contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of the time in exchange for consideration. For such contracts a lessee recognizes a right of use asset and a lease liability. The right of use of asset is depreciated and the liability accrues interest.

Right of use of asset is initially measured in the amount of recognized lease liability, plus advance payments or related accrued payments less rent concessions. Further, the initial measurement of right of use should be increased by the following items, when significant:

- initial direct lease costs paid by the lessee, and
- provision for estimated costs of dismantling and removal of the identified asset or restoration of the site where the asset was installed.

Right of use asset and leasing liability are not recognized for short-term leases (when the lease maturity is 12 months or less) and for low value leased asset (the value below CZK 120 000 or EUR 4 500). Payments of these leases are recognised in the statement of comprehensive income as an expense over the term of the lease.

iv. Assets held for sale

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

v. Subsequent costs

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

vi. Depreciation expense

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

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

Buildings and halls	20 - 50 years
Structures	20 - 40 years
Oil and gas wells	expected production period
Machinery and equipment	3 - 15 years
Information technology	3 - 6 years
Motor vehicles	4 - 10 years
Inventory	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. 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.

ii. 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.

iii. 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
Licences	2 - 13 years
Other intangible assets	3 - 6 years

iv. 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 cash and non-cash contributions in the Company's capital and distributions from the Company's capital and 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 separate 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. 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. 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 and currency derivative financial instruments are recognised in the profit or loss from operating activities; changes in the fair value of 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, 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, 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) 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.

(j) 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.

(k) 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 (see Note 18).

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

Contract costs

The Company provides sales agents with commissions as remuneration for activities that lead to obtaining new customers for the sale of gas and electricity. The costs of acquiring a contract are recognised if an entitlement to the commission arises at the moment the contract with the customer is actually obtained and the commission would not be paid had the contract not been obtained. Capitalised contract costs are subsequently recognised in profit or loss over the term of the contract or over 5 years for contracts for an indefinite period.

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 is 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

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 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.

(l) Finance income and costs

Finance income comprises interest income on funds invested, 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.

(m) Income Tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the 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.

(n) 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.

(o) 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.

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4. Property, plant and equipment

2021	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 constructio n	Other tangible assets	Total
Acquisition cost as at 1 January 2021	**4 573**	**103**	**105**	**1 114**	**68**	**1 156**	**1**	**277**	**22**	**7 419**
Accumulated depreciation and impairment as at 1 January 2021	**-3 352**	**-18**	**-34**	**-628**	**-20**	**-700**	**-1**	**--**	**-3**	**-4 756**
Net book value as at 1 January 2021	1 221	85	71	486	48	456	--	277	19	**2 663**
Additions	192	--	32	---	226	37	1	21	--	509
Disposals	-30	--	-4	--	-42	--	--	--	--	-76
Contribution	--			--	--	-3				-3
Transfers	30	--	--	67	--	62	--	-149	-11	-1
Depreciation expense of the current year	-205	--	-15	-52	-20	-93	--	-15	-1	-401
Impairment of assets*)	-19	-5	--	-31	--	-9	--	--	--	-64
Change in value	34	--	1	--	--	--	--	--	--	35
Net book value as at 31 December 2021	**1 223**	**80**	**85**	**470**	**212**	**450**	**1**	**134**	**7**	**2 662**
Acquisition cost as at 31 December 2021	**4 707**	**103**	**118**	**1 169**	**229**	**1 222**	**2**	**134**	**11**	**7 695**
Accumulated depreciation and impairment as a December 2021	**-3 484**	**-23**	**-33**	**-699**	**-17**	**-772**	**-1**	**--**	**-4**	**-5 033**

In 2021, the major additions to tangible assets include capitalised oil and gas wells and recognition of the right to use buildings and structures (new office buildings).
In 2021, no borrowing costs were capitalized due to insignificance.
*) see Note 22 for more information on the impairment of non-current assets

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

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

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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5. Intangible assets

2021	Licences	Software	Intangible assets under construction	Other	Total
Acquisition cost as at 1 January 2021	**17**	**211**	**1**	**--**	**229**
Accumulated depreciation and impairment as at 1 January 2021	**-14**	**-189**	**--**	**--**	**-203**
Net book value as at 1 January 2021	**3**	**22**	**1**	**--**	**26**
Additions	--	3	13	--	**16**
Transfers	--	--	--	1	**1**
Disposals	--	--	--	--	**--**
Contribution	-2	-7	-2	-1	**-12**
Depreciation expense of the current year	-1	-13	--	--	**-14**
Net book value as at 31 December 2021	--	5	12	--	**17**
Acquisition cost as at 31 December 2021	**3**	**128**	**12**	**--**	**143**
Accumulated depreciation and impairment as at 31 December 2021	**-3**	**-123**	**--**	**--**	**-126**

2020	Licences	Software	Intangible assets under construction	Total
Acquisition cost as at 1 January 2020	**429**	**203**	**1**	**633**
Accumulated depreciation and impairment as at 1 January 2020	**-424**	**-173**	**--**	**-597**
Net book value as at 1 January 2020	**5**	**30**	**1**	**36**
Additions	--	11	1	**12**
Transfers	--	1	-1	**--**
Disposals	--	--	--	**--**
Depreciation expense of the current year	-2	-20	--	**-22**
Net book value as at 31 December 2020	3	22	1	**26**
Acquisition cost as at 31 December 2020	**17**	**211**	**1**	**229**
Accumulated depreciation and impairment as at 31 December 2020	**-14**	**-189**	**--**	**-203**

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

31/12/2021	Ownership interest	Shares held	Nominal value of shares	Carrying amount at 31 December 2021
MND Drilling & Services a.s.	100 %	74	211	1 421
MND Energy Storage a.s. (formerly MND Gas Storage a.s.)	100 %	2 438 001	1 749	2 023
MND Energie a.s. (formerly MND Energy Trading a.s.)	100 %	97 500	1 950	148
Oriv Holding a.s.	100 %	2	2	5
MND Ukraine a.s.	80 %	20	2	486
Moravia Gas Storage a.s.	50 %	50	1	415
Total investments in subsidiaries and joint ventures				**4 498**

On 21 July 2021, the Company established a new company Oriv Holding a.s.

On 27 August 2021, a change of business name of MND Energie a.s. was recorded in the Commercial Register.

31/12/2020	Ownership interest	Shares held	Nominal value of shares	Carrying amount at 31 December 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 2020, the company sold its share in IGNIS HOLDING a.s. (formerly 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.

7. Other non-current investments

	31/12/2021	31/12/2020
Long-term restricted cash	39	37
Total other non-current investments	**39**	**37**

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.

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8. Trade and other receivables

Non-current trade and other receivables	31/12/2021	31/12/2020
Non-current loans	251	--
Non-current trade receivables	--	--
Non-current refundable deposits	2	--
Non-current receivables – financial	**253**	**--**
Non-current contract costs	--	21
Non-current trade advances	3	28
Non-current prepaid expenses	1	1
Non-current receivables - other	**4**	**50**
Total non-current trade and other receivables	**257**	**50**

For credit quality of non-current trade and other receivables see Note 30b) Credit risk.

Current trade and other receivables	31/12/2021	31/12/2020
Current trade receivables	1 344	947
Current refundable deposits	668	400
Current contract assets	13	127
Other current receivables	4 163	105
Current receivables - financial	**6 188**	**1 579**
Current trade advances	46	561
Current prepaid expenses	46	49
Current receivables from other taxes	26	--
Current contract costs	--	9
Current receivables - other	**118**	**619**
Total current trade and other receivables	**6 306**	**2 198**

As at 31 December 2021, net overdue current receivables totalled CZK 4 million (as at 31 December 2020: CZK 10 million). As at 31 December 2021 an allowance for receivables totalled CZK 17 million (as at 31 December 2020: 73 million). For credit quality and amount of provision see Note 30b) Credit risk.

In 2021, other short-term receivables include a receivable from a clearing system member totalling CZK 4 160 million (2020: CZK 103 million).

9. Other current financial assets

	31/12/2021	31/12/2020
Other current financial assets	373	--
Total other current financial assets	**373**	**--**

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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10. Inventories

	31/12/2021	31/12/2020
Material	49	77
Goods	4 503	2 320
Own products (oil)	27	23
Advances for inventories	2	--
Total inventories	**4 581**	**2 420**

In 2021, material includes an allowance for material of CZK 10 million (as at 31 December 2020: CZK 11 million).

Goods include gas for trading at a fair value of CZK 4 491 million (as at 31 December 2020: CZK 2 305 million).

11. Cash and cash equivalents

	31/12/2021	31/12/2020
Cash at bank	666	2 606
Cash equivalents	481	265
Total cash and cash equivalents	**1 147**	**2 871**

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

12. Equity

	31/12/2021	31/12/2020
Share capital	1 000	1 000

The share capital consists of 50 000 ordinary certificated registered shares with a nominal value of CZK 20 000 per share. The share capital has been fully paid-up. All shares have the same rights and no restrictions.

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: CZK 613 million) and a non-monetary contribution described below.

As at 31 December 2020, the Company's other funds were increased by CZK 716 million through the 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	2021	2020
Net profit (+) / loss (-) attributable to ordinary shareholders	-283	64
Net profit (+) / loss (-) attributable to ordinary shareholders	**-283**	**64**

Weighted average number of ordinary shares	Number of shares	Weight	2021	2020
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 CZK thousand)			**-5.660**	**1.286**
of that continuing operations			-8.320	-1.060
of that discontinued operations			2.660	2.346
Diluted earnings (+) / loss (-) per share for the year (in CZK thousand)			**-5.660**	**1.286**
of that continuing operations			-8.320	-1.060
of that discontinued operations			2.660	2.346

13. Loans and bonds issued

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	31/12/2021	31/12/2020
Bonds issued – non-current portion	--	2 200
Total non-current loans and bonds	**--**	**2 200**

Current loans and bonds	31/12/2021	31/12/2020
Current bank loans	2 473	1 470
Other current borrowings	--	161
Bonds issued – current portion	2 212	9
Total current loans and bonds	**4 685**	**1 640**

Bond liabilities are classified as current in this accounting period as they mature in 2022.

In 2021, other current borrowings represent specific short-term financing of gas inventories of CZK 0 million (2020: CZK 161 million) from a banking entity.
As at 31 December 2021, current bank loans include a short-term bank loan for the purpose of financing gas inventories of CZK 2 474 million (as at 31 December 2020: CZK 1 470 million).

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Bank loans

The bank loans are due as follows:

	31/12/2021	31/12/2020
Due within 1 year	2 473	1 470
	2 473	**1 470**

The loans received are secured by pledged inventories of CZK 1 438 million (as at 31 December 2020: CZK 1 192 million), pledged receivables of CZK 63 million (as at 31 December 2020: CZK 432 million) and pledged receivables from current accounts of CZK 416 million (as at 31 December 2020: CZK 1 196 million)

Based on the contractual terms, the Company must maintain specific financial debt covenant. As of 31 December 2021 and as of 31 December 2020 the Company has fulfilled this covenant.

As at 31 December 2021, the total amount of the Company's undrawn credit facilities is CZK 0 million (as at 31 December 2020: CZK 210 million).

Interest rate on loan is based on EURIBOR and margin.

The transaction currencies of loans, bonds and borrowings as at 31 December 2021 are EUR and CZK, of which the balance of loans and borrowings with the EUR transaction currency is CZK 2 473 million (as at 31 December 2020: CZK 1 631 million) and the balance of bonds with the CZK transaction currency is CZK 2 212 million (as at 31 December 2020: CZK 2 209 million).

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 CZK 3 million; the total nominal value of bonds is CZK 2 202 million. The emission of bonds was issued in the Czech Republic in compliance with Czech law. The transaction costs of CZK 13 million 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:

	2021	2020
Balance at 1 January	**3 840**	**4 991**
Cash flows		
Drawing of loans and borrowings	18 742	18 789
Repayment of loans and borrowings	-17 818	-19 984
Interest paid from previous years (-)	-9	--
Non-cash changes		
Unpaid interest for the current period	12	**--**
Foreign exchange differences recognised in profit or loss	-81	41
Other non-monetary transactions	-1	3
Balance at 31 December	**4 685**	**3 840**

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14. Lease liabilities

Lease liabilities	31/12/2021	31/12/2020
Lease liabilities – non-current	247	105
Lease liabilities - current	28	19
Total lease liabilities	**275**	**124**

Reconciliation of movements of lease liabilities with cash flows:

	2021	2020
Balance at 1 January	**124**	**141**
Cash flows		
Payment of lease liabilities	**-30**	-27
Non-cash changes		
Recognition of lease liabilities	181	10
Balance at 31 December	**275**	**124**

The value of recognition of lease liabilities and lease modifications consists primarily of the recognition of new lease liabilities from the lease of office space (CZK 149 million).

For detail of rights to use assets see the asset table in Note 5.

15. Trade and other payables

Non-current trade and other payables	31/12/2021	31/12/2020
Other non-current liabilities	333	552
Total non-current trade and other payables	**333**	**552**

All other non-current liabilities are due between 1 and 5 years. Other non-current liabilities include payables arising from natural gas storage contracts of CZK 327 million (2020: CZK 544 million).

Current trade and other payables	31/12/2021	31/12/2020
Trade payables	1 321	3 040
Other current liabilities	23	9
Current payables - financial	**1 344**	**3 049**
Current contract liabilities	803	885
Other current payables to the state	25	68
Current payables to employees	55	58
Current deferred income	5	11
Current payables - other	**888**	**1 022**
Total current trade and other payables	**2 232**	**4 071**

As at 31 December 2021, the Company does not record any overdue current trade payables (as at 31 December 20: 0 million CZK). Current trade payables include liabilities from natural gas storage contracts of CZK 413 million (2020: CZK 603 million).

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16. Derivative financial instruments

The Company uses the derivative financial instruments mainly for trading in 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".

Carrying amounts of receivables and payables from derivative financial instruments are as follows:

	31/12/2021			31/12/2020		
	Hedging derivatives	Trading derivatives	**Total**	Hedging derivatives	Trading derivatives	**Total**
Long-term receivables	--	1 422	1 422	--	721	**721**
Short-term receivables	57	8 799	8 856	21	1 935	**1 956**
Total receivables from derivative financial instruments	**57**	**10 221**	**10 278**	**21**	**2 656**	**2 677**
Long-term payables	--	-2 369	-2 369	-15	-464	**-479**
Short-term payables	-117	-13 430	-13 547	-82	-1 527	**-1 609**
Total payables from derivative financial instruments	**-117**	**-15 799**	**-15 916**	**-97**	**-1 991**	**-2 088**

All financial derivatives are stated at fair value as at 31 December 2021 (and 31 December 2020) and categorised to Level 2 in the fair value hierarchy.

Hedging derivatives

The Company had the following financial derivatives for hedging:

2021	Year of maturity	Nominal value	Average hedged rate	Fair value
Interest rate swaps	2022	2 202	1.56 %	57
Total receivables from hedging derivatives				**57**
Currency forwards	2022	2 362	25.782 CZK/EUR	-66
Currency forwards	2022	406	21.796 CZK/USD	-13
Commodity swaps	2022	415	70.163 USD/bbl	-38
Total payables from hedging derivatives				**-117**
Total hedging financial derivatives				**-60**

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**

The hedge relationships are effective through the accounting period (see accounting policies in Note 3(e).

Hedge accounting criteria were fulfilled as at 31 December 2021 and 2020 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.

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Trading derivatives

Besides the hedging derivatives the Company held the derivatives for trading as they do not fulfil the hedge accounting criteria as at 31 December 2021 and 31 December 2020. These derivatives are classified as "Trading derivatives" and recognized in fair value.

The Company had the following financial derivatives for trading:

2021	Year of maturity	Fair value
Commodity forward	2024	9 973
Commodity future	2023	202
Commodity forward	2023	3
Commodity forward	2022	43
Total receivables from trading derivatives		**10 221**
Commodity forward	2024	-13 497
Commodity future	2023	-2 271
Commodity forward	2022	-26
Currency swap	2022	-5
Total payables from trading derivatives		**-15 799**
Total trading financial derivatives		**-5 578**

2020	Year of maturity	Fair 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**

The Company 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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17. Provisions

31/12/2021	Provision for decommissioning, renewal and restoration
Balance 1 January 2021	1 230
Additions	7
Utilization	-16
Unwinding of discount	16
Change in value	36
Balance 31 December 2021	**1 273**
Thereof:	
Non-current provisions	1 229
Current provisions	44

Provisions for decommissioning, renewals and restorations are established based on rules described in Note 3(j). For 2021 interest rates in range of 2.6 – 3.2 % p. a. were used. In calculating provisions, the expected inflation of 2.0 % p. a. was used. The Group expects that costs will be incurred between 2022 and 2052.

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18. Revenue

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

2021 **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
Revenue from trading in gas	--	97 819	**97 819**
Revenue from trading in electricity	--	11 398	**11 398**
Revenue from the sale of gas to end customers	--	1 400	**1 400**
Revenue from the sale of electricity to end customers	--	1 393	**1 393**
Revenue from the sale of goods	10	--	**10**
Revenue from the sale of produced oil	567	--	**567**
Revenue from the sale of produced gas	386	--	**386**
Revenue from the provision of services	53	51	**104**
Revenue from gas storage	--	370	**370**
Total revenue	**1 016**	**112 431**	**113 447**

2020 - restated **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
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	--	666	**666**
Revenue from the sale of electricity to end customers	--	1 107	**1 107**
Revenue from the sale of goods	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**	**41 120**	**42 185**

Revenue based on geographical position of a point of sale	2021	2020 - restated
Czechia	47 094	7 290
Germany	28 680	11 654
Netherlands	31 855	17 812
Austria	2 713	3 268
Slovakia	2 768	1 649
Ukraine	5	5
United Kingdom	315	277
Other	17	230
Total revenue	**113 447**	**42 185**

In 2021, the Company reported revenue of CZK 20 670 million (2020: CZK 5 960 million) for one customer. This revenue was allocated to the Trading in gas and electricity, gas storage segment.

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The remaining performance obligations relate to the contracts whose initial expected duration is one year or less, or to the contracts concluded for an indefinite period with a notice period shorter than 1 year, therefore the Company does not disclose their value.

In 2021, CZK 883 million was recognised (2020: CZK 567 million) in revenue from the value of contract liabilities as at 31 December 2020 (Note 18).

19. Other operating income

	2021	2020 - restated
Income from grants	3	--
Gain on sale of non-current assets	2	1
Income from lease	5	1
Gain from trading in commodity contracts	--	182
Fines and default interest	39	1
Remaining operating income	65	40
Total other operating income	**114**	**225**

The remaining operating income includes the amount of compensation from the insurance company for damage caused by a natural disaster in the amount of CZK 18 million.

20. Consumption of materials, goods and services

	2021	2020 - restated
Cost of goods sold	2	--
Cost of sale of gas and electricity to end customers	2 314	1 264
Cost of trading in gas and electricity	109 086	38 979
Materials and energy used	130	115
Total materials and goods used	**111 532**	**40 358**
Services used relating to revenue	822	954
Lease expenses	7	7
Other services	106	86
Amortisation of contract costs	--	--
Changes in product and work-in-progress inventories	-3	-1
Total services used	**932**	**1 046**
Total consumption of materials, goods and services	**112 464**	**41 404**

Services used relating to sales include primarily the cost of gas and electricity distribution, that the Company uses to supply gas and electricity to end customers.

Lease expenses in 2021 and 2020 represent the cost of short-term lease.

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

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21. Personnel expenses

	2021	2020 - restated
Payroll expenses	234	251
Social security and health insurance expenses	74	78
Other social expenses	13	11
Total personnel expenses	**321**	**340**

The average number of employees in 2021 was 375 (2020: 402 employees).

22. Depreciation, amortisation and impairment

	2021	2020 - restated
Depreciation of property, plant and equipment	362	362
Impairment of property, plant and equipment	32	12
Amortisation of intangible assets	5	9
Depreciation of right of use	32	29
Total depreciation, amortisation and impairment	**431**	**412**

Impairment of tangible fixed assets of CZK 64 million due to a natural disaster was compensated by the insurance claim of CZK 32 million.

23. Other operating costs

	2021	2020 – restated
Repairs and maintenance	78	62
Travel expenses	3	2
Fees	113	120
Other taxes	2	2
Insurance premiums	7	7
Loss from trading in commodity contracts	369	--
Credit loss allowance for financial assets	3	14
Write off receivables	--	--
Other overhead operating expenses	42	13
Total other operating expenses	**617**	**220**

The most significant part of the fees represents charges for produced oil and gas of CZK 75 million (2020: CZK 76 million) and fees for mining areas and fees for exploration areas of CZK 37 million (2020: CZK 42 million).

	2021	2020 – restated
Profit from trading in commodity contracts	10 906	2 254
Loss from trading in commodity contracts	-11 275	-2 072
Net profit (+)/loss (-) from trading in commodity contracts	**-369**	**182**

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24. Finance income and costs

	2021	2020 - restated
Interest income	4	1
Total interest income	**4**	**1**
Dividend income	--	75
Income from current financial assets	2	5
Gain on foreign exchange transactions	--	3
Other finance income	--	50
Total finance income	**6**	**134**
Interest expense	-142	-152
Interest expense on leases	-11	-6
Other finance costs	-16	-89
Loss from foreign exchange transactions	-83	--
Total finance costs	**-252**	**-247**
Net profit/loss from financial operations	**-246**	**-113**

25. Taxation

Income tax expense

	2021	2020
Current tax expense		
Current year	127	--
Total current tax expense	**127**	**--**
Deferred tax expense	-198	1
Total income tax (expense + / income -)	**-71**	**1**
of that tax from continuing operations	**-102**	**-26**
of that tax from discontinued operations	**31**	**27**

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Reconciliation of effective tax rate

	2021	%	2020 - restated	%
Profit or loss before tax	**-518**		**-79**	
Income tax using the valid tax rate	-98	19.0 %*	-15	19.0 %*
Effect of tax non-deductible expenses that do not result in deferred tax	1	-0.19 %	2	-2.53 %
Effect of tax-exempt income	-1	0.19 %	-14	17.72 %
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	-4	0.77 %	1	-1.27 %
Total income tax expense / Effective tax rate	**-102**	**19.77 %**	**-26**	**32.92 %**

* Tax rate valid in the Czech Republic

Deferred tax

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

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

Change in deferred tax

2021	Balance at 1/1/2021	Change in 2021		Balance at 31/12/2021
	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/ liability (-)
Deferred tax asset (+)/liability (-)	**188**	**198**	**4**	**390**
Property, plant and equipment	-21	-13	--	-34
Derivative financial instruments*	111	709	4	824
Total inventories	-95	-482	--	-577
Total receivables	2	-1	--	1
Lease liabilities	1	--	--	1
Total liabilities	4	1	--	5
Provisions	145	25	--	170
Tax losses carried-forward	41	-41	--	--

*The net deferred tax asset arising from derivative financial instruments totalling CZK 824 million is primarily a result of offsetting of gross deferred tax liability from derivative financial instruments assets of CZK 1 775 million and deferred tax asset arising from derivative financial instruments liabilities and liabilities from storage contracts of CZK 2 599 million.

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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 asset arising from derivative financial instruments totalling CZK 111 million is a result of offsetting of the gross deferred tax liability from derivative financial instruments assets in the amount of CZK 456 million and deferred tax receivable from derivative financial instruments liabilities and liabilities from storage contracts in the amount of CZK 567 million.

26. Discontinued operations

	From the statement of comprehensive income	
	2021	2020
Total revenue	2 685	3 282
Total expenses	-2 521	-3 137
Profit or loss before tax	***164***	***145***
Income tax	-31	-28
Profit or loss after tax from discontinued operations	**133**	**117**

	From the cash flow statement	
	2021	2020
Cash flow from operating activities	-78	125
Cash flow from investing activities	-2	-2
Overall impact on cash reduction/increase	**-80**	**123**

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27. Other comprehensive income

	2021	2020
Change in fair value of hedging instruments, before tax	-52	-112
Change in fair value of hedging instruments – deferred tax	10	20
Change in fair value of hedging instruments, after tax	**-42**	**-92**
Change in fair value of hedging instruments transferred to profit/loss, before tax	34	--
Change in fair value of hedging instruments transferred to profit/loss - deferred tax	-6	--
Change in fair value of hedging instruments transferred to profit/loss, after tax	**28**	**--**
Total other comprehensive income	**-14**	**-92**

28. 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 of termination. In 2021, CZK 5 million (2020: CZK 1 million) was recognised as income from leases in the statement of comprehensive income (Note 19).

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 Company are disclosed in the following table:

	2021		2020	
	Board of directors and supervisory board	Executive management	Board of directors and supervisory board	Executive management
Payroll expenses	--	30	--	26
Social security and health insurance expenses	1	8	1	6
Bonuses to statutory body members	2	--	2	--
Total	**3**	**38**	**3**	**32**

In 2021, the members of the Board of Directors of MND a.s. received bonuses in the amount of CZK 2 million (2020: CZK 2 million).

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.

Related-party balances as at 31 December 2021 and 31 December 2020:

	31/12/2021	31/12/2020
Non-current trade and other receivables	29	27
Current trade and other receivables	327	8
Other current financial assets	373	--
Total receivables	**729**	**35**
Current trade and other liabilities	428	69
Total liabilities	**428**	**69**

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Other current financial assets of CZK 373 million (2020: CZK 0 million) represent a receivable from KKCG Structured Finance AG under cash pooling contracts (see Note 9).

Related-party transactions for the period ended 31 December 2021 and 31 December 2020:

	2021	2020
Revenue and other operating income	1 056	198
Interest income	2	5
Other income – re-invoicing	3	3
Total revenue	**1 061**	**206**
Consumption of materials and goods	298	37
Consumed services	506	504
Other operating expenses	59	52
Total costs	**863**	**593**

Expenses charged by the related parties include, in particular, the costs of drilling and workover operations, the costs of gas storage services and the cost of lease of office premises (Vinohradská 230 a.s. and BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.).

Revenue recognized in respect of related parties include in particular the sale of gas and electricity (MND Energie a.s.) and interest received from the contracts on cash pooling (KKCG Structured Finance AG).

30. 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 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 the 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, commodity futures and commodity forwards) 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.

The Company is also exposed to liquidity risk. Liquidity risk is managed 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 amount of credit risk represents 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 2021	Companies (non-financial institutions)	Financial institutions	Individuals	Total
Assets				
Non-current receivables - financial	252	--	--	252
Non-current receivables from derivative instruments	1 422	--	--	1 422
Non-current restricted cash	--	39	--	39
Other current financial assets	373	--	--	373
Current receivables – financial	6 189	--	--	6 189
Current receivables from derivative instruments	8 799	57	--	8 856
Cash and cash equivalents	481	666	--	1 147
Total	**17 516**	**762**	**--**	**18 278**

At 31 December 2020	Companies (non-financial institutions)	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**

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Ageing structure of financial assets

At 31 December 2021	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	***291***	**--**	**--**	**--**	**--**	**--**	***291***
Non-current loans	251	--	--	--	--	--	251
Non-current refundable deposits	1	--	--	--	--	--	1
Non-current restricted cash	39	--	--	--	--	--	39
Current receivables - financial	***6 188***	**6**	**--**	**1**	**11**	**-17**	***6 189***
Current trade receivables	1 343	6	--	1	11	-17	1 344
Current contract assets	14	--	--	--	--	--	14
Current refundable deposits	668	--	--	--	--	--	668
Other current receivables	4 163	--	--	--	--	--	4 163
Other current financial assets	***373***	**--**	**--**	**--**	**--**	**--**	***373***
Other current financial assets	373	--	--	--	--	--	373
Cash and cash equivalents	***1 147***	**--**	**--**	**--**	**--**	**--**	***1 147***
Cash in hand	--	--	--	--	--	--	--
Bank accounts and cash equivalents	1 147	--	--	--	--	--	1 147
Total	**7 999**	**6**	**--**	**1**	**11**	**-17**	**8 000**

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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
Current contract assets	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**

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. Non-current and current 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 2021	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1 147**	--	--	--	--	**1 147**
Cash in hand	--	--	--	--	--	--
Bank accounts and cash equivalents	1 147	--	--	--	--	1 147
Other current financial assets	**373**	**--**	**--**	**--**	**--**	**373**
Other current financial assets	373	--	--	--	--	373
Non-current restricted cash	**39**	**--**	**--**	**--**	**--**	**39**
Non-current restricted cash	39	--	--	--	--	39
Class 2						
Current receivables - financial	**314**	--	**--**	**5 892**	**-17**	**6 189**
Trade receivables	314	--	--	1 047	-17	1 344
Current contract assets	--	--	--	14	--	14
Current refundable deposits	--	--	--	668	--	668
Other current receivables	--	--	--	4 163	--	4 163
Non-current receivables - financial	**252**	--	**--**	--	--	**252**
Non-current loans	251	--	--	--	--	251
Non-current refundable deposits	1	--	--	--	--	1
Total	**2 125**	**--**	**--**	**5 892**	**-17**	**8 000**

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**

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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 2021	**--**	**--**	**--**	**-73**	**-73**
Effect of spin-off	--	--	--	77	**77**
Additions				-28	**-28**
Reversals – receivables written off	--	--	--	7	**7**
Balance at 31 December 2021	**--**	**--**	**--**	**-17**	**-17**

	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**
Reversals – receivables written off	--	--	--	8	**8**
Balance at 31 December 2020	**--**	**--**	**--**	**-73**	**-73**

Impairment matrix for current financial receivables as at 31 December 2021:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**6 188**	**0.05 %**	**-3**	**6 185**
Current trade receivables	1 343	0.22 %	-3	1 340
Contract assets - current	14	0.00 %	--	14
Current refundable deposits	668	0.00 %	--	668
Other current receivables	4 163	0.00 %	--	4 163
Past due < 90 days	**6**	**33.33 %**	**-2**	**4**
Current trade receivables	6	33.33 %	-2	4
Past due 91-180 days	**--**	**0.00 %**	**--**	**--**
Current trade receivables	--	0.00 %	--	--
Past due 181-365 days	**1**	**100.00 %**	**-1**	**--**
Current trade receivables	1	100.00 %	-1	--
Past due >365 days	**11**	**100.00 %**	**-11**	**--**
Current trade receivables	11	100.00 %	-11	--
Total	**6 206**	**0.27 %**	**-17**	**6 189**

Impairment matrix for current financial receivables as at 31 December 2020:

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	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**1 571**	**0.19 %**	**-3**	**1 568**
Current trade receivables	939	0.32 %	-3	936
Contract assets - current	127	0.00 %	--	127
Current refundable deposits	400	0.00 %	--	400
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**

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

Non-current and current receivables - financial, non-current and current receivables from derivative instruments, non-current restricted cash, other current financial assets, cash and cash equivalents	31/12/2021	31/12/2020
Czechia	7 970	4 355
Germany	1 208	749
Switzerland	855	449
Austria	362	364
Slovakia	1 428	215
Ukraine	252	2
United Kingdom	6 014	1 007
Other countries	189	22
Total	**18 278**	**7 163**

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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 2021	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	1 422	--	1 422	-110	1 312
Current receivables from derivative instruments	8 856	--	8 856	-2 237	6 619
Current receivables	12 894	-6 705	6 189	--	6 189
Total	**23 172**	**-6 705**	**16 467**	**-2 347**	**14 120**
Liabilities					
Non-current liabilities from derivative instruments	2 369	--	2 369	-110	2 259
Current liabilities from derivative instruments	13 547	--	13 547	-2 237	11 310
Current liabilities	8 049	-6 705	1 344	--	1 344
Total	**23 965**	**-6 705**	**17 260**	**-2 347**	**14 913**

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**

(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 assess possible impact of changes in foreign exchange rates on 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 from the sale of oil in USD, from the sale of gas, electricity and other 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 2021 would result in a decrease in profit or loss before tax of approximately CZK 12 million without hedging. The effect of CZK appreciation against USD by CZK 1 in 2021 would result in a decrease in profit or loss before tax of CZK 39 million without hedging. In contrast, oil price growth and the depreciation of CZK against USD would have a positive impact on profit or loss before tax in the same amount.

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 2021/2022 would result in a decrease in profit or loss before tax of CZK 23 million 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 CZK 75 million. The Company calculates the risk on all individual commodities in the framework of speculative trading using VaR metrics, both at individual trader positions and overall. Value of VaR was CZK 3 million at the year-end 2021. In 2021 the average value of VaR was CZK 5 million.

Currency risk analysis (in CZK million)

As at 31 December 2021 and as at 31 December 2020, the Company is exposed to currency 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:

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

At 31 December 2021	EUR	USD	Other	Total
Non-current receivables – financial	252	--	--	252
Non-current receivables from derivative instruments	1 422	--	--	1 422
Other current financial assets	373	--	--	373
Current receivables - financial	5 037	1	--	5 038
Current receivables from derivative instruments	8 799	57	--	8 856
Cash and cash equivalents	760	11	--	771
Total assets	**16 643**	**69**	**--**	**16 712**
Non-current liabilities from derivative instruments	-2 350	--	--	-2 350
Current loans and interest-bearing borrowings *)	-2 474	--	--	-2 474
Current payables - financial	-123	-23	--	-146
Current liabilities from derivative instruments	-13 547	--	--	-13 547
Total liabilities	**-18 494**	**-23**	**--**	**-18 517**
Total	**-1 851**	**46**	**--**	**-1 805**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loans and borrowings of CZK 2 474 million for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

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 derivative 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 CZK 1 630 million for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

Currency risk sensitivity analysis

As at 31 December 2021, the potential appreciation (depreciation) of EUR or USD against CZK could impact the measurement of financial instruments denominated in the foreign currency and gas inventories denominated in EUR and impact profit or loss by an amount disclosed in the following table. This analysis assumes that all other variables remain constant.

Effect recognised in CZK million	**Profit or loss**	
	10% appreciation + profit/ - loss	10% depreciation + profit/ - loss
2021		
EUR	264	-264
USD	5	-5

Effect recognised in CZK million	**Profit or loss**	
	10% appreciation + profit/ - loss	10% depreciation + profit/ - loss
2020		
EUR	100	-100
USD	-1	-1

iii. 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.

(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, valuation of financial instruments and for trading and risk management purposes.

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

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

At 31 December 2021	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity/on demand	Total
Assets							
Non-current receivables - financial	252	373	--	--	373	--	373
Non-current receivables from derivative instruments	1 422	2 340	--	2 340	--	--	2 340
Non-current restricted cash	39	39	--	39	--	--	39
Other current financial assets	373	373	373	--	--	--	373
Current receivables - financial	6 189	6 189	6 189	--	--	--	6 189
Current receivables from derivative instruments	8 856	8 718	8 718	--	--	--	8 718
Total	**17 131**	**18 032**	**15 280**	**2 379**	**373**	**--**	**18 032**
Cash and cash equivalents	1 147	1 147	--	--	--	1 147	**1 147**
Liabilities							
Non-current lease liabilities	-247	-315	--	-155	-160	--	-315
Non-current liabilities - financial	-333	-441	--	-441	--	--	-441
Non-current liabilities from derivative instruments	-2 369	-1 403	--	-1 403	--	--	-1 403
Current loans and interest-bearing borrowings	-4 685	-4 768	-4 768	--	--	--	-4768
Current lease liabilities	-28	-42	-42	--	--	--	-42
Current liabilities - financial	-1 344	-1 344	-1 344	--	--	--	-1 344
Current liabilities from derivative instruments	-13 547	-8 808	-8 808	--	--	--	- -8 808
Total	**-22 553**	**-17 121**	**-14 962**	**-1 999**	**-160**	**--**	**-17 121**
Net balance – liquidity risk (financial assets and liabilities)	**-4 275**	**2 058**	**318**	**380**	**213**	**1 147**	**2 058**

The following table shows the detailed breakdown of the maturity of derivative instruments up to 1 year as at 31 December 2021:

Due	< 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Total up to 1 year
Receivables from derivative instruments	5 103	1 452	761	1 402	8 718
Liabilities arising from derivative instruments	-5 093	-1 122	-1 680	-913	-8 808
Net cash flow from derivative instruments	**10**	**330**	**-919**	**489**	**-90**

Separate financial statements for the year ended 31 December 2021 (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	Undefined maturity/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**
Off-balance sheet lease commitment	--	-184	-21	-74	-89	--	-184
Net balance – liquidity risk (including off-balance sheet)	**-2 490**	**3 112**	**1 615**	**-1 207**	**-167**	**2 871**	**3 112**

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

(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.

	31/12/2021	31/12/2020
Bank loans and bonds issued	4 685	3 840
Less: current debts for the financing of gas inventory	-2 474	-1 631
Less: cash and cash equivalents	-1 147	-2 871
Net debt (+) / surplus (-)	**1 064**	**-662**
Total equity	**5 706**	**6 003**
Net debt to equity ratio	**0.19**	**-0.11**

(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 31/12/2021		Fair value at 31/12/2021		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Commodity forwards	10 019	--	--	10 019	--
Commodity futures	202	--	--	202	--
Interest rate swap	--	57	--	57	--
Financial liabilities measured at fair value					
Currency swap	-5	--	--	-5	--
Commodity swap	--	-38	--	-38	--
Commodity forwards	-13 523	--	--	-13 523	--
Commodity futures	-2 271	--	--	-2 271	--
Currency forward	--	-79	--	-79	--

Inventory of gas for trading is measured at fair value of CZK 4 491 million under Level 2.

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

	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 measured at fair value in the amount of CZK 2 305 million 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 2021 and 2020, there were not transfers between individual levels of the fair value hierarchy.

Separate financial statements for the year ended 31 December 2021 (in millions of Czech crowns)

31. Material subsequent events

At the end of February 2022, ongoing political tensions between Russia and Ukraine escalated into conflict with Russia's military invasion of to Ukraine. The global response to Russia's violation of international law and aggression against Ukraine has been the imposition of extensive sanctions and restrictions on business activities in Russia and business trade with Russia and Russian companies. We consider these facts as non-adjusting subsequent events. The overall impact of recent developments has been reflected in increased volatility in financial and commodity markets and other negative consequences for the economy. Business risks include adverse effects of international economic sanctions imposed on Russia, business interruptions (including supply chains), restrictions on trade with Russia and Russian companies, increased incidence of cyber-attacks, risk of violation of legal and regulatory rules and restrictions on the convertibility of the Ukrainian currency and many others. The current development is currently unclear and the possible impact on the Group's activities cannot be predicted with certainty. As at 31 December 2021, the Company had a financial investment in the subsidiary MND Ukraine a.s. with a carrying amount of CZK 486 million, a long-term loan provided to Oriv Windpark LLC with a carrying amount of CZK 251 million and a trade receivable from Horyzonty LLC in the amount of CZK 2 million.

On 3 March 2022, the Company issued unsecured MND VAR/27 bearer bonds in book form, which were admitted for trading on the regulated market of Prague Stock Exchange under ISIN CZ0003538183. The bonds have a variable interest rate of 3M PRIBOR + 2.8% p. a. and will mature on 3 March 2027. Bond coupons are paid out quarterly in arrears. The nominal value of one bond is CZK 3 million, the total nominal value is CZK 2 202 million. The emission was issued under Czech law and in the Czech Republic. 450 bonds with a nominal value of CZK 1 350 million were subscribed in exchange for bonds of the ISIN CZ0003517708 issue. 284 bonds with a nominal value of CZK 852 million was subscribed for cash. The funds raised will be used to repay the remaining bonds of the ISIN CZ0003517708 issue, which is due in November 2022.

In addition to the above, there were no other events subsequent to year end that would have had a significant impact on the separate financial statements as at 31 December 2021.

Date:	Signature of the statutory body:	
27 May 2022		
	Miroslav Jestřabík	Jiří Ječmen
	Member of the Board of Directors	Member of the Board of Directors

V. Independent auditor's report

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 2021, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2021 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 2021, and of the Company's separate financial performance and separate cash flows for the year ended 31 December 2021 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 2021;
- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021; 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 2021;
- the separate statement of comprehensive income for the year ended 31 December 2021;
- the separate statement of changes in equity for the year ended 31 December 2021;
- the separate statement of cash flows for the year ended 31 December 2021; and
- the notes to the separate financial statements including significant accounting policies and other explanatory information.

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Basis for opinion

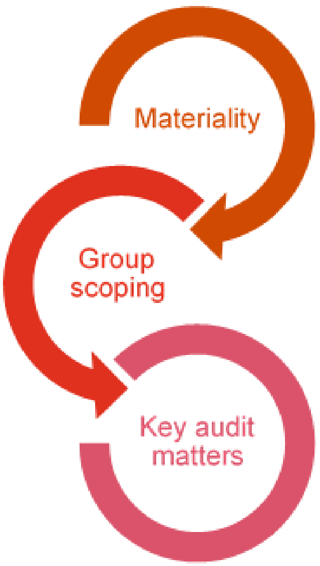
We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council (the “EU Regulation”) and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the “Audit regulations”). These standards consist of International 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, the Act on Auditors and the EU Regulation.

Our audit approach



Overview

The overall materiality for the Group and the Company was set at 0.9% of average total sales for the years 2019 – 2021, which represents approximately CZK 702 million for the Group and CZK 683 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 99% 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 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, if any, both individually and in aggregate, on each set of financial statements as a whole.

Overall Group materiality	CZK 702 milion
Overall Company materiality	CZK 683 milion
How we determined it	Materiality for the Group and the Company was determined as 0.9 % of average total sales for the years 2019 – 2021.
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 negative profit before tax in 2019, reached slight profit in 2020 and in 2021, the Company showed negative profit before tax and the Group positive), 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 0.9 % of total sales.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of each set of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments (consolidated and separate financial statements).	
(consolidated financial statements: see Note 3, para (e) and Note 19 and 32) (separate financial statements: see Note 3, para (e) and Note 16 and 30). 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 19 and 32 to the consolidated financial statements and Note 16 and 30 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 95% of the Group's total assets and 99% 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 their 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 a 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 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 disclosures, 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

Information required by the EU Regulation

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 2021 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 three years.

Provided non-audit services

We declare that the PwC Network has not provided non-audit services to the Company and its subsidiaries 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.

The engagement partner on the audit resulting in this independent auditor's report is Tomáš Frýbort.

27 May 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by

Jan Musil

Tomáš Frýbort
Statutory Auditor, Licence No. 2292