

NET4GAS Holdings, s.r.o.
CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated Annual Report 2019

NET4GAS Holdings Group

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Consolidated Group Data

The Consolidated Group (further referred to as “Group” or “NET4GAS Holdings Group”) consists of the parent company NET4GAS Holdings, s.r.o. (further referred to as “NET4GAS Holdings”) and companies that are directly or indirectly controlled by NET4GAS Holdings, namely NET4GAS, s.r.o. (further referred to as “NET4GAS”) and BRAWA, a.s. (further referred to as “BRAWA”).

NET4GAS Holdings is a holding company and its main scope of activity is management of the Consolidated Group.

NET4GAS holds an exclusive gas Transmission System Operator (TSO) licence in the Czech Republic. The company secures the international transit of natural gas across the Czech Republic, domestic transmission of natural gas to partners in the Czech Republic and associated commercial and technical services.

BRAWA is the sole owner of the GAZELLE gas pipeline. This 166-kilometre pipeline, with a pipe diameter of DN 1400 and a design pressure of 85 bar, connects the transmission systems of the Czech Republic and the Federal Republic of Germany at the border points Brandov and Rozvadov. NET4GAS is the operator of the GAZELLE pipeline.

Profile of Consolidated Group Companies

NET4GAS Holdings

Company name:	NET4GAS Holdings, s.r.o.
Identification number:	291 35 001
Date of registration in the Commercial Register:	5 December 2012
Address:	Na Hřebenech II 1718/8, 140 21 Prague 4 - Nusle, Czech Republic
Shareholders:	<ul style="list-style-type: none">▪ Allianz Infrastructure Czech HoldCo II S.à r.l. (50%)▪ Borealis Novus Parent B.V. (50%)

NET4GAS Holdings Statutory Directors as of 31 December 2019

Andrew Cox

Statutory Director and Executive Officer
Position held since: 11 May 2017

John Anthony Guccione

Statutory Director and Executive Officer
Position held since: 1 September 2019

Jaroslava Korpancová

Statutory Director and Executive Officer
Position held since: 15 February 2013

Delphine Voeltzel

Statutory Director and Executive Officer
Position held since: 16 April 2019

Changes in the NET4GAS Holdings Statutory Directors

In the course of 2019, two changes were made in the composition of the Executive Officers of NET4GAS Holdings. Under a letter dated 11 April 2019, Kenton Edward Bradbury resigned as Executive Officer. His term of office as the Company's Executive Officer expired on 15 April 2019. Under a decision of the Company's General Meeting dated 15 April 2019, Delphine Voeltzel was appointed the Company's new Executive Officer effective as of 16 April 2019.

Under a letter dated 27 June 2019, Mikhail Nahorny resigned as Executive Officer of NET4GAS Holdings. His term of office as the Company's Executive Officer expired on 31 August 2019. Under a decision of the Company's General Meeting dated 12 August 2019, John Anthony Guccione was appointed the Company's new Executive Officer effective as of 1 September 2019.

There were no other changes in the composition of the Company's Executive Officers.

NET4GAS

Company name:	NET4GAS, s.r.o.
Identification number:	272 60 364
Date of registration in the Commercial Register:	29 June 2005
Address:	Na Hřebenech II 1718/8, 140 21 Prague 4 - Nusle, Czech Republic
Shareholder:	NET4GAS Holdings (100%)

NET4GAS Supervisory Board as of 31 December 2019

Jaroslava Korpancová

Chairwoman of the Supervisory Board

Position held since: 28 June 2019

Member since: 2 August 2018

(On the Supervisory Board continuously since 2 August 2013)

Andrew Cox

Member of the Supervisory Board

Member since: 11 May 2017

John Anthony Guccione

Member of the Supervisory Board

Member since: 1 July 2019

Georg Nowack

Member of the Supervisory Board

Member since: 6 December 2018

Delphine Voeltzel

Member of the Supervisory Board

Member since: 16 April 2019

Changes in the NET4GAS Supervisory Board

In the course of 2019, changes took place in the composition of the NET4GAS Supervisory Board. Under a letter dated 11 April 2019, Kenton Edward Bradbury resigned as the Chairman of the Supervisory Board. His term of office expired on 15 April 2019. Under a decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting dated 12 April 2019, Delphine Voeltzel was elected as a new Member of the Supervisory Board effective as of 16 April 2019.

Under a letter dated 27 June 2019, Mikhail Nahorny resigned as a Member of the Supervisory Board. His term of office expired on 30 June 2019. Under a decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting dated 28 June 2019, John Anthony Guccione was elected as a new Member of the Supervisory Board effective as of 1 July 2019.

On 28 June 2019, Jaroslava Korpancová was elected as the new Chairwoman of the Supervisory Board.

NET4GAS Statutory Directors as of 31 December 2019

Andreas Rau

Statutory Director and CEO

Position held since: 1 December 2018

(NET4GAS Statutory Director continuously since 1 December 2013)

Radek Benčík

Statutory Director and COO

Position held since: 1 October 2016

(NET4GAS Statutory Director continuously since 1 October 2011)

Václav Hrach

Statutory Director and CFO

Position held since: 1 March 2019

(NET4GAS Statutory Director continuously since 1 March 2014)

Changes in the NET4GAS Statutory Directors

No changes occurred in the composition of the NET4GAS Statutory Directors in 2019. On 5 October 2018, the NET4GAS Supervisory Board re-elected Andreas Rau and Václav Hrach Statutory Directors of the company for a further five-year term.

NET4GAS Audit Committee as of 31 December 2019

Following the issue of investment securities accepted for trading on the regulated European market, NET4GAS has become a public interest entity within the meaning of Act No. 563/1991 Coll. on Accounting, as amended, and is subject to the duty to establish an Audit Committee. The main responsibilities of the Audit Committee include monitoring the efficiency of the internal control system and the risk management system, overseeing the effectiveness of internal audit and securing its functional independence, monitoring the compilation of financial statements and consolidated financial statements, recommending the statutory auditor, assessing the independence of the statutory auditor and the audit company, evaluating the provision of supplementary services, and overseeing the conduct of mandatory audit.

The NET4GAS Audit Committee was established under a decision of the NET4GAS Statutory Directors on 31 May 2016.

Michal Petrman

Chairman of the Audit Committee

Position held since: 15 September 2016

Member since: 1 June 2016

Igor Lukin

Member of the Audit Committee

Member since: 1 June 2016

Stanislav Staněk

Member of the Audit Committee

Member since: 1 June 2016

Delphine Voeltzel

Member of the Audit Committee

Member since: 1 July 2019

Pavel Závitkovský

Member of the Audit Committee

Member since: 1 June 2016

Changes in the NET4GAS Audit Committee

In line with the statutes of the Audit Committee, under the decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting dated 16 May 2019, Michal Petrman, Stanislav Staněk and Pavel Závítkovský were re-appointed as independent members of the Audit Committee effective as of 1 June 2019, following their one-year term of office. Under the same decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting, Mikhail Nahorny and Igor Lukin were re-appointed as of 1 June 2019 as Members of the Audit Committee following their three-year term of office.

On 27 June 2019, Michal Petrman was re-elected as the Chairman of the Audit Committee.

In the course of 2019, changes took place in the composition of the NET4GAS Audit Committee. Under a letter dated 27 June 2019, Mikhail Nahorny resigned as a Member of the Audit Committee. His term of office expired on 30 June 2019. Under a decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting dated 28 June 2019, Delphine Voeltzel was appointed as a new Member of the Audit Committee effective as of 1 July 2019.

BRAWA

Company name:	BRAWA, a.s.
Identification number:	247 57 926
Date of registration in the Commercial Register:	10 November 2010
Address:	Na Hřebenech II 1718/8, 140 21 Prague 4 - Nusle, Czech Republic
Shareholder:	NET4GAS (100%)

BRAWA Supervisory Board as of 31 December 2019

Martin Kolář

Chairman of the Supervisory Board
Position held since: 2 November 2018
Membership since: 1 July 2018
(in the Supervisory Board continuously since 20 March 2012)

Radek Benčík

Vice-Chairman of the Supervisory Board
Position held since: 2 November 2018
Membership since: 1 July 2018
(in the Supervisory Board continuously since 20 March 2012)

Andreas Rau

Member of the Supervisory Board
Membership since: 19 February 2018
(in the Supervisory Board continuously since 19 February 2014)

Changes in the Supervisory Board

No changes occurred in the composition of the Supervisory Board of BRAWA in 2019.

BRAWA Board of Directors as of 31 December 2019

Jan Martinec

Chairman of the Board of Directors
Position held since: 7 July 2019
Member since: 7 July 2019
(On the Board of Directors continuously since 7 July 2014)

Miroslav Holý

Vice-Chairman of the Board of Directors
Position held since: 11 November 2015
Member since: 1 November 2015

Changes in the Board of Directors

No changes occurred in the composition of the Board of Directors of BRAWA in 2019. Under a decision of the sole shareholder of BRAWA dated 25 June 2019, Jan Martinec was re-elected as a Member of the Board of Directors following the end of his five-year term of office. Under a decision of the Board of Directors of BRAWA dated 7 July 2019, Jan Martinec was re-elected as the Chairman of the Board of Directors.

Consolidated Report on Operations of the NET4GAS Holdings Group 2019

NET4GAS Group Main Financial Indicators

Selected indicators*	2019 (CZK million)
Revenue	8,053
Operating profit	5,356
Profit before taxation	4,433
Profit after taxation	3,645
Investments – capital expenditure into tangible and intangible assets	9,053

* according to CZ GAAP

Revenues, costs, profit

In 2019, the Group achieved a profit before taxation of CZK 4,433 million, profit after taxation was CZK 3,645 million. The operating profit of the Group amounted to CZK 5,356 million, the majority formed by NET4GAS. The Group generated a profit from its core business operations – transit of natural gas and domestic transmission. Its operating income amounted to CZK 8,274 million and operating costs were CZK 2,918 million.

Asset structure

The total assets of the Group in 2019 amounted to CZK 48,856 million, of which fixed assets accounted for CZK 45,402 million, representing 93% of total assets. The components of these assets were tangible fixed assets valued at CZK 50,069 million, intangible fixed assets valued at CZK 112 million and a negative goodwill on consolidation amounting to CZK (4,779) million.

As of 31 December 2019, current assets amounted to CZK 3,353 million, representing 7% of total assets. Current assets comprised current liabilities (approximately 34%) and cash (approximately 64%).

Investments

In 2019, the Group made investments in the total amount of CZK 9,053 million (additions of fixed assets at cost), of which CZK 58 million is attributable to intangible fixed assets and CZK 8,995 million to tangible fixed assets. The most significant investment of CZK 4,178 million was within the Capacity4Gas project.

Structure of liabilities and equity

The Group's equity as of 31 December 2019 was CZK 8,510 million. All Group entities reported positive values of equity in their separate financial statements.

Liabilities and other liabilities amounted to CZK 39,913 million. Long-term liabilities and borrowings (particularly bonds, utilised loan, deferred taxes liability, and liabilities arising from derivative instruments) accounted for about 83%.

Investment instruments and financial derivatives

To secure a return on its available cash during 2019, the Group made use of term deposits and bills of exchange offered by leading banking institutions. For the purpose of hedging contractual cash flows (income from the transmission of natural gas and from a foreign currency bond) against currency risks, the Group used financial derivatives in 2019.

The Group manages its financial risks, which include primarily currency, interest rate, credit and liquidity risks. Risks are continuously monitored and assessed, and hedged if necessary.

Research and development activities

The Group did not make any major expenditure on research and development in 2019.

Branches or other parts of business premises abroad

None of the companies in the Group has branches or other parts of business premises abroad.

NET4GAS Main Financial Operations

In 2019, NET4GAS extended the maturity of bank financing in the amount of CZK 7.074 billion by three years, from 2022 to 2025, under unchanged commercial terms. The transaction did not change the value of the company's debt.

Moody's Investors Service and Fitch Ratings awarded NET4GAS the Baa2 and BBB ratings, respectively, with a stable outlook. As in previous years, the company therefore maintained its ratings within the investment-grade category. The ratings continue to reflect the fact that NET4GAS possesses the financial strength to fully meet its present and future obligations in a timely manner and is prepared to carry out planned long-term investments.

NET4GAS Main Business Operations

The total volume of natural gas transmitted in 2019 amounted to 43.4 billion cubic meters (bcm), of which 8.6 bcm was transmitted for the needs of the Czech Republic. Unlike in 2018, when natural gas transmission reached record-high values, total transmission in 2019 dropped by 4.7 bcm. In contrast, domestic transmission in 2019 was 0.4 bcm higher than in 2018, mainly thanks to an increase in gas consumed for electricity generation.

NET4GAS fulfilled its contractual commitments under 7,456 gas transmission agreements in 2019. The continuing trend of transmission capacity booking, particularly on day-to-day and intraday basis, resulted in a considerable year-over-year rise of the number of signed transmission contracts for a second year in a row.

The year 2019 saw the successfully completed virtualization of border points in accordance with Commission Regulation (EU) 2017/459 of 16 March 2017. NET4GAS now offers transmission capacity for Germany at the VIP Brandov – GASPOOL and VIP Waidhaus – NCG virtual border points and for Slovakia and Poland at the Lanžhot and Český Těšín border points.

NET4GAS continued the execution of projects aimed at the development of the gas transmission system. Focus concentrated on the Capacity4Gas Project, which entered the implementation stage in 2017 following the confirmation of demand for new long-term cross-border capacity at the annual auction on the PRISMA platform. The objective of this project is to build new gas infrastructure and to interconnect it with the German pipeline system, including the EUGAL pipeline. The project aims to contribute to enhancing the security of supply in the Czech Republic, as well as throughout Central and Eastern Europe, and at the same time further reinforce the Czech Republic's strategic role in international gas transit. The main reason behind the project is to respond to the increasing gap between supply and demand for natural gas in Europe. The project is being executed in two stages. The first stage was completed in 2019. The completion of the second stage is planned till the end of 2020.

In 2019, NET4GAS continued preparatory works on projects included in the third List of Projects of Common Interest (PCI). Work on the projects was performed in accordance with European Parliament and Council Regulation (EU) 347/2013, which aims to facilitate and accelerate the implementation of strategically important projects in the energy sector. The following projects had the PCI status in 2019: the Czech-Polish Gas Interconnector* ** and the Bidirectional Austrian-Czech Interconnection (BACI)* **. The two projects form a part of the so-called north-south gas corridor in Central Europe. In both cases, a final decision on the investment has not been taken.



In 2019, NET4GAS signed two new connection agreements with new customers and began work on design documentation for both new projects. At the same time, the reported year saw the continuation of work on a project aimed at connecting gas liquefaction facilities to the transmission system.

To ensure the safe and reliable transmission of natural gas, the Company continued to maintain and upgrade the transmission system. In 2019, all compressor stations successively underwent a partial upgrade, including most turbine assemblies. In accordance with the long-term maintenance plan for the transmission system, the

pipework in the inlet unit of the Břeclav compressor station was refurbished, and line valves on the Břeclav-Hostim DN 800 pipeline were replaced.

NET4GAS is also active in the area of innovation. Against the backdrop of the current debate on the transition to a low-carbon economy in Europe, NET4GAS together with innogy Česká republika a.s. decided to analyse options for greening of natural gas and demonstrate that gas is a viable alternative for storing renewable energy. The joint project combines the Power2Gas technology, which relies on electrolytic deposition to produce hydrogen using electricity, and biogas purification in order to produce renewable gases that are injected into the transmission and distribution systems. In 2019, the project entered the feasibility study stage.

BRAWA Business Operations

The core activity of BRAWA in 2019 was managing its property, the GAZELLE pipeline, and its lease to the transmission system operator NET4GAS.

Human Resources

NET4GAS Holdings and BRAWA had no employees as of 31 December 2019.

As of 31 December 2019, NET4GAS had 546 employees, 19.6% of whom were women. Women accounted for 15.6% of employees in management positions. The education structure of the company's workforce remained stable. The standard of NET4GAS employees' working and social conditions is defined under a Collective Agreement valid 2015–2020. As of 31 December 2019, BRAWA had no employees.

As part of its human resources and social policy, NET4GAS offers its employees programs and benefits that include, inter alia, retirement savings and life insurance contributions, restaurant vouchers, five days of vacation above the legal requirement, sick days, flexible working time, premium healthcare, contributions for leisure activities, or assistance for families with young children. NET4GAS facilitates the return of employees to work, particularly through maintaining contact on parental leave, supporting their active participation in projects and employee events, and allowing them to work from home. As in previous years, employees had an opportunity to obtain financial support for a pre-school which their children attend.

Cooperation continued with schools, students, and graduates with the aim of supporting fields of study related to the company's business and fostering technical expertise. NET4GAS also continued to support the employment of handicapped persons. Every position was assessed in view of suitability for handicapped individuals and advertised as such where applicable.

Code of Conduct

The Group is conscious of its role in society and its responsibility towards all its stakeholders and the environment, in which it operates. It has therefore committed itself to a clear set of principles which form a framework for its activities in the business and social spheres defined by the Code of Conduct. Its adherence is monitored by the Compliance Officer.

The conduct of the Group and the employees is based on personal responsibility, honesty, loyalty, and respect for others, their safety and the environment. The Group supports the internationally declared human rights, promotes their protection and at the same time ensures that no violation of human rights occurs in the Group. It also acts against all forms of corruption, including extortion and bribery.

The Code of Conduct forms the basis for the creation of further internal documentation and every employee is acquainted with it. Moreover, annual reporting on the implementation of the Code of Conduct is introduced. In 2019, the Compliance Officer did not receive any notification of a violation of the Code of Conduct.

Environmental Protection

Close attention was paid to environmental protection, which the Group regards not only from the viewpoint of fulfilling legal requirements, but also, and more importantly, as a part of its corporate social responsibility. Environmental protection is taken into consideration in all decisions and processes with the aim of minimizing any burden the company's operations might place on the natural world.

In 2019, the Group complied with all legal requirements pertaining to environmental protection. In accordance with requirements of the central and local governments, designated facilities have contingency plans to respond to accidents as per the Water Act. In 2019, these plans fulfilled the role of preventive measures only, as no environmental accident occurred at any Group facilities. The final reports of local and central government authorities that performed inspections concluded that the Group is compliant with duties arising under the integrated license and laws and regulations in effect.

The Group's commitment to environmental protection goes beyond the scope of legal requirements. An example is the consistent use of a mobile compressor that serves for removal of natural gas from a pipeline section undergoing repairs and thanks to that the pumped gas is not released into the atmosphere. Recycling, energy savings, and other environment-friendly activities were and remain an integral part of our operations. In 2019, the Group continued to support nature conservation and environmental protection projects under the NET4GAS Closer to Nature program.

Report on Relations of NET4GAS Holdings, s.r.o. 2019

The Statutory Directors of NET4GAS Holdings, s.r.o. (further referred to in this Report on Relations as the “Company”) have drawn up, in accordance with Section 82 of Act No. 90/2012 Coll., the Business Corporations Act (the “BCA”), this following Report on Relations covering the relations among the Company and controlling entities and among the Company and other entities controlled by the same controlling entities (the “Related Parties”) during 2019 in all cases where the Company is aware of the existence of such Related Parties. This Report on Relations forms an integral part of the NET4GAS Holdings Group Consolidated Annual Report 2019 and is provided to the Company’s shareholders for their review within the same period of time and under the same conditions as the Financial Statements.

1. Controlling entities

In the accounting period ended 31 December 2019, the Company was controlled by:

(i) Allianz Infrastructure Czech HoldCo II S.à r.l., with its registered office at L-2450 Luxembourg, 14, boulevard F.D. Roosevelt, Grand Duchy of Luxembourg, registration number: B 175770, and (ii) Borealis Novus Parent B.V., with its registered office at 1011PZ Amsterdam, Muiderstraat 9, Kingdom of the Netherlands, registration number: 57412243, each of which is a shareholder of the Company with an ownership interest of 50 %, and which together have the status of controlling entities in relation to the Company pursuant to Section 75(3) of the BCA.

2. Other Related Parties

The Company requested the above controlling entities to provide a list of any other entities controlled by the same controlling entities during the most recent accounting period, and the Statutory Directors of the Company have drawn up the present Report on Relations on the basis of the information provided by these controlling entities and the other information at their disposal.

The structure of the relations among the controlling entities and the controlled entity and other Related Parties is set out in Annex No. 1 to this Report on Relations.

3. Role of the controlled entity, method and means of control

The Company is a holding company through which its shareholders indirectly control NET4GAS, s.r.o., with its registered office at Na Hřebenech II 1718/8, Nusle, Prague 4, 140 00, Czech Republic, ID No. 272 60 364, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 108316.

The Company is commonly controlled by Allianz Infrastructure Czech HoldCo II S.à r.l. and Borealis Novus Parent B.V., and the control is based mainly on the fact that these companies are shareholders in the Company and appoint and remove the Company's Statutory Directors.

4. Agreements concluded between the Company and Related Parties

The agreements concluded between the Company and controlling entities or Related Parties during the most recent accounting period are listed in Annex No. 2 to this Report on Relations. The agreements concluded in preceding accounting periods which were in effect during the most recent accounting period form Annex No. 3 to this Report on Relations.

5. Acts performed in the most recent accounting period at the instigation or in the interest of controlling entities or Related Parties

In the most recent accounting period, the Company, in addition to concluding agreements as specified in Article 4 of this Report on Relations, also performed acts at the instigation or in the interest of controlling entities or Related Parties as specified in Annex No. 4 to this Report on Relations.

6. No damage

In the most recent accounting period, the Company incurred no damage as a result of agreements with controlling entities or Related Parties, or as a consequence of other acts or actions performed in the interest or at the instigation of the same, which were concluded or undertaken during the most recent accounting period or in any preceding accounting period. It has therefore not been necessary to secure compensation for damage or to conclude any agreements on such compensation.

7. Advantages and disadvantages resulting from relations with Related Parties

In the 2019 accounting period, relations among the controlling entities and Related Parties were an advantage for the Company in terms of increased financial stability.

8. Confidentiality

None of the information disclosed in this Report on Relations constitutes a trade secret of the Company.

9. Conclusion

This Report on Relations was approved by the Company's Statutory Directors.

In Prague, on 31 March 2020



Jaroslava Korpancová
Statutory Director



Delphine Voeltzel
Statutory Director

Annex No. 1 Structure of relations among controlling entities and Related Parties in the most recent accounting period

Allianz Infrastructure Czech HoldCo II S.à r.l. (50.00%) and Borealis Novus Parent B.V. (50.00%)

100.00% NET4GAS Holdings, s.r.o.

100.00% NET4GAS, s.r.o.

BRAWA, a.s.

Annex No. 2 Agreements concluded between the Company and controlling entities or Related Parties in the most recent accounting period

Contracting Party	Agreement	Date of conclusion	Details
NET4GAS, s.r.o.	Agreement on personal data processing	6 December 2019	This agreement sets out the rights and obligations of the parties with respect to the processing of relevant personal data.
NET4GAS, s.r.o.	Amendment 2 to Service Level Agreement for Selected Services	6 December 2019	The amendment contains a list of provided support services.
NET4GAS, s.r.o.	Amendment 4 to Agreement on the Provision of Loans	11 November 2019	The amendment defines the change of interest rates.

Orders of NET4GAS, s.r.o. at NET4GAS Holdings, s.r.o. in the most recent accounting period

- Reposting HR agency services

Annex No. 3 Agreements concluded between the Company and controlling entities or Related Parties in previous accounting periods and effective in the most recent accounting period

Contracting Party	Agreement	Date of conclusion	Details
NET4GAS, s.r.o.	Agreement on the Provision of Loans, as amended by Amendment No. 1 of 16 January 2014, Amendment No. 2 of 21 March 2014, and Amendment No. 3 of 16 July 2015	11 November 2013	
NET4GAS, s.r.o., BRAWA, a.s. (multilateral agreement)	Agreement Ref. No. ZBA/2017/07 on the Provision of Real Unidirectional Cash Pooling as amended by Amendment 001 of 27 September 2018	9 November 2017	The agreements lay down a framework for cash pooling in Czech crowns (between NET4GAS, s.r.o., BRAWA, a.s., and NET4GAS Holdings, s.r.o.) and US dollars and euros (between NET4GAS, s.r.o. and NET4GAS Holdings, s.r.o.), the purpose of which is to optimize the use of funds in the framework of related party transactions and to reduce transaction costs.
NET4GAS, s.r.o. (multilateral agreement)	Agreement Ref. No. ZBA/2017/08 on the Provision of Real Unidirectional Cash Pooling as amended by Amendment 001 of 27 September 2018	9 November 2017	
NET4GAS, s.r.o. (multilateral agreement)	Agreement Ref. No. ZBA/2017/09 on the Provision of Real Unidirectional Cash Pooling as amended by Amendment 001 of 27 September 2018	9 November 2017	
NET4GAS, s.r.o.	Service Level Agreement for Selected Services	25 June 2015	The subject matter of the agreement is the provision of the following services by NET4GAS, s.r.o. to NET4GAS Holdings, s.r.o.: accounting, controlling, tax issues, cash-flow, contract management, and PR service.
NET4GAS, s.r.o. (multilateral agreement)	Funding Agreement	9 June 2017	The subject matter of the agreement, concluded between NET4GAS, s.r.o. and the companies NET4GAS Holdings, s.r.o., Allianz Infrastructure Luxembourg I S.à r.l. and OMERS Administration Corporation, is the definition of the possibility of financing an investment project of NET4GAS, s.r.o. by NET4GAS Holdings, s.r.o.
Allianz Infrastructure Czech HoldCo II S.à r.l., Borealis Novus Parent B.V. (multilateral agreement)	Parent Funding Agreement	9 June 2017	The subject matter of the agreement, concluded between NET4GAS Holdings, s.r.o. and Allianz Infrastructure Luxembourg I S.à r.l., Allianz Infrastructure Czech HoldCo II S.à r.l., OMERS Administration Corporation and Borealis Novus Parent B.V., is a definition of the possibility of financing NET4GAS, s.r.o. in order to meet the needs arising from the Funding Agreement on 9 June 2017.

Annex No. 4 Acts performed in the most recent accounting period at the instigation or in the interest of controlling entities or Related Parties

Controlling or related party	Act	Date	Details
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's General Meeting	1 April 2019	The subject of the decision was the approval of the voluntary payment of contributions other than to the registered capital in accordance with the Financing Agreement of 9 June 2017 and the Senior Financing Agreement of 9 June 2017.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's Executive Officers	1 April 2019	The subject of the decision was the approval of the voluntary payment of contributions other than to the registered capital in accordance with the Financing Agreement of 9 June 2017 and the Senior Financing Agreement of 9 June 2017.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's General Meeting	15 April 2019	The subject of the decision was the settlement of the Company's loss in 2018 and the approval of a proposal for the distribution of retained profit from previous years as a payment of share in profit for 2018 to the Company's members.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's Executive Officers	2 September 2019	The subject of the decision was the approval of the voluntary payment of contributions other than to the registered capital in accordance with the Financing Agreement of 9 June 2017 and the Senior Financing Agreement of 9 June 2017.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's General Meeting	9 September 2019	The subject of the decision was the approval of the voluntary payment of contributions other than to the registered capital in accordance with the Financing Agreement of 9 June 2017 and the Senior Financing Agreement of 9 June 2017.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's Executive Officers	27 September 2019	The subject of the decision was a prepayment for dividends for 2019.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's General Meeting	7 October 2019	The subject of the decision was the approval of the payment of the Company's retained profit from previous years and the approval of return of contributions other than to the registered capital.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's Executive Officers	2 December 2019	The subject of the decision was the approval of the voluntary payment of contributions other than to the registered capital in accordance with the Financing Agreement of 9 June 2017 and the Senior Financing Agreement of 9 June 2017.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's General Meeting	9 December 2019	The subject of the decision was the approval of the voluntary payment of contributions other than to the registered capital in accordance with the Financing Agreement of 9 June 2017 and the Senior Financing Agreement of 9 June 2017.

Post Balance Sheet Events

No events have occurred subsequent to year-end that would have a material impact on the consolidated annual report for the year ended 31 December 2019.

In 2020 and in the years to come, the NET4GAS Holdings Group will continue to proactively participate in shaping the European energy market and to promote the use of natural gas as the most environmentally friendly fossil fuel, as well as the increased use of “green gases” in the long term.

Persons Responsible for the Consolidated Annual Report

We hereby declare on our honour that the information stated in this Consolidated Annual Report is true and that no material facts have been omitted or misstated.

In Prague, on 24 April 2020



Jaroslava Korpancová
Statutory Director



Delphine Voeltzel
Statutory Director

Annex no. 1: Consolidated Financial Statements



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Name of the Company: NET4GAS Holdings, s.r.o.
Registered Office: Na hřebenech II 1718/8, 140 00 Praha 4 – Nusle
Legal Status: Limited Liability Company
Corporate ID: 291 35 001

Components of the Consolidated Financial Statements:

Consolidated Balance Sheet
Consolidated Profit and Loss Account
Consolidated Statement of Changes in Equity
Consolidated Cash Flow Statement
Notes to the Consolidated Financial Statements

These consolidated financial statements were prepared on 24 April 2020.

Statutory body of the reporting entity:	Signature
Delphine Voeltzel statutory executive	
Jaroslava Korpancová statutory executive	

BALANCE SHEET
full version

NET4GAS Holdings, s.r.o.
Corporate ID 291 35 001

As of
31.12.2019
(in CZK thousand)

Na Hřebenec II 1718/8
Nusle
140 21, Praha

		31.12.2019			31.12.2018
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	76 659	27 803	48 856	43 202
B.	Fixed assets	73 156	27 754	45 402	37 833
<i>B.I.</i>	<i>Intangible fixed assets</i>	<i>647</i>	<i>535</i>	<i>112</i>	<i>147</i>
B.I.1.	Research and development	52	52		
B.I.2.	<i>Valuable rights</i>	<i>524</i>	<i>466</i>	<i>58</i>	<i>37</i>
B.I.2.1.	Software	518	460	58	37
B.I.2.2.	Other valuable rights	6	6		
B.I.4.	Other intangible fixed assets	44	17	27	85
B.I.5.	<i>Prepayments for intangible fixed assets and intangible fixed assets under construction</i>	<i>27</i>		<i>27</i>	<i>25</i>
B.I.5.2.	Intangible fixed assets under construction	27		27	25
<i>B.II.</i>	<i>Tangible fixed assets</i>	<i>79 547</i>	<i>29 478</i>	<i>50 069</i>	<i>42 817</i>
B.II.1.	<i>Land and structures</i>	<i>65 237</i>	<i>24 228</i>	<i>41 009</i>	<i>39 947</i>
B.II.1.1.	Land	281		281	248
B.II.1.2.	Structures	64 956	24 228	40 728	39 699
B.II.2.	Tangible movable assets and	8 128	5 250	2 878	961
B.II.4.	<i>Other tangible fixed assets</i>	<i>1</i>		<i>1</i>	<i>1</i>
B.II.4.3.	Other tangible fixed assets	1		1	1
B.II.5.	<i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	<i>6 181</i>		<i>6 181</i>	<i>1 908</i>
B.II.5.1.	Prepayments for tangible fixed assets	403		403	225
B.II.5.2.	Tangible fixed assets under construction	5 778		5 778	1 683
	Positive/negative goodwill on consolidation	-7 038	-2 259	-4 779	-5 131
C.	Current assets	3 402	49	3 353	5 257
<i>C.I.</i>	<i>Inventories</i>	<i>97</i>		<i>97</i>	<i>75</i>
C.I.1.	Material	97		97	75
<i>C.II.</i>	<i>Receivables</i>	<i>1 143</i>	<i>49</i>	<i>1 094</i>	<i>1 093</i>
<i>C.II.2.</i>	<i>Short-term receivables</i>	<i>1 143</i>	<i>49</i>	<i>1 094</i>	<i>1 093</i>
C.II.2.1.	Trade receivables	479	49	430	282
C.II.2.4.	<i>Receivables - other</i>	<i>664</i>		<i>664</i>	<i>811</i>
C.II.2.4.3.	State - tax receivables	18		18	86
C.II.2.4.4.	Short-term prepayments made	2		2	2
C.II.2.4.5.	Estimated receivables	493		493	668
C.II.2.4.6.	Sundry receivables	151		151	55
<i>C.III.</i>	<i>Current financial assets</i>				<i>2 787</i>
C.III.2.	Other current financial assets				2 787
<i>C.IV.</i>	<i>Cash</i>	<i>2 162</i>		<i>2 162</i>	<i>1 302</i>
C.IV.2.	Cash at bank	2 162		2 162	1 302
D.	Other assets	101		101	110
D.1.	Deferred expenses	101		101	110
D.3.	Accrued income				2

		31.12.2019	31.12.2018
	TOTAL LIABILITIES & EQUITY	48 856	43 202
A.	Equity	8 510	6 286
<i>A.II.</i>	<i>Share premium and capital funds</i>	8 910	5 440
<i>A.II.2.</i>	<i>Capital funds</i>	8 910	5 440
<i>A.II.2.1.</i>	<i>Other capital funds</i>	9 089	5 389
<i>A.II.2.2.</i>	<i>Gains or losses from the revaluation of assets and liabilities (+/-)</i>	-179	51
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	715	-926
<i>A.IV.1.</i>	<i>Accumulated profits brought forward</i>	715	
<i>A.IV.2.</i>	<i>Accumulated losses brought forward (-)</i>		-926
<i>A.V.</i>	<i>Profit or loss for the current period (+/-)</i>	3 645	3 272
<i>A.VI.</i>	<i>Profit share prepayments declared (-)</i>	-4 760	-1 500
B.+C.	Liabilities	39 913	36 877
B.	Reserves	224	176
<i>B.II.</i>	<i>Income tax reserve</i>	48	5
<i>B.IV.</i>	<i>Other reserves</i>	176	171
C.	Payables	39 689	36 701
<i>C.I.</i>	<i>Long-term payables</i>	35 213	34 918
<i>C.I.1.</i>	<i>Bonds issued</i>	19 879	20 010
<i>C.I.1.1.</i>	<i>Convertible bonds</i>	19 879	20 010
<i>C.I.2.</i>	<i>Payables to credit institutions</i>	7 074	7 074
<i>C.I.4.</i>	<i>Trade payables</i>	39	10
<i>C.I.8.</i>	<i>Deferred tax liability</i>	6 507	6 566
<i>C.I.9.</i>	<i>Payables - other</i>	1 714	1 258
<i>C.I.9.3.</i>	<i>Sundry payables</i>	1 714	1 258
<i>C.II.</i>	<i>Short-term payables</i>	4 476	1 783
<i>C.II.1.</i>	<i>Bonds issued</i>	277	278
<i>C.II.1.1.</i>	<i>Convertible bonds</i>	277	278
<i>C.II.3.</i>	<i>Short-term prepayments received</i>	389	435
<i>C.II.4.</i>	<i>Trade payables</i>	1 224	197
<i>C.II.8.</i>	<i>Other payables</i>	2 586	873
<i>C.II.8.3.</i>	<i>Payables to employees</i>	25	24
<i>C.II.8.4.</i>	<i>Social security and health insurance payables</i>	13	13
<i>C.II.8.5.</i>	<i>State - tax payables and subsidies</i>	32	93
<i>C.II.8.6.</i>	<i>Estimated payables</i>	2 159	429
<i>C.II.8.7.</i>	<i>Sundry payables</i>	357	314
D.	Other liabilities	433	39
<i>D.1.</i>	<i>Accrued expenses</i>	2	29
<i>D.2.</i>	<i>Deferred income</i>	431	10

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

NET4GAS Holdings, s.r.o.
Corporate ID 291 35 001

Year ended
31.12.2019
(in CZK thousand)

Na Hřebenech II 1718/8
Nusle
140 21, Praha

		Year ended 31.12.2019	Year ended 31.12.2018
I.	Sales of products and services	8 053	7 334
A.	Purchased consumables and services	614	553
A.2.	Consumed material and energy	159	97
A.3.	Services	455	456
C.	Own work capitalised (-)	-178	-152
D.	Staff costs	706	597
D.1.	Payroll costs	518	437
D.2.	Social security and health insurance costs and other charges	188	160
D.2.1.	Social security and health insurance costs	173	146
D.2.2.	Other charges	15	14
E.	Adjustments to values in operating activities	2 004	1 887
E.1.	Adjustments to values of intangible and tangible fixed assets	1 956	1 887
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	1 960	1 891
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	-4	-4
E.3.	Adjustments to values of receivables	48	
	Recognition of negative goodwill on consolidation	352	352
III.	Other operating income	221	54
III.1.	Sales of fixed assets	143	
III.3.	Sundry operating income	78	54
F.	Other operating expenses	124	61
F.1.	Net book value of sold fixed assets	48	1
F.3.	Taxes and charges	9	11
F.4.	Reserves relating to operating activities and complex deferred expenses	5	13
F.5.	Sundry operating expenses	62	36
*	Operating profit or loss (+/-)	5 356	4 794
VI.	Interest income and similar income	26	7
VI.2.	Other interest income and similar income	26	7
J.	Interest expenses and similar expenses	726	641
J.2.	Other interest expenses and similar expenses	726	641
VII.	Other financial income	352	318
K.	Other financial expenses	575	511
*	Financial profit or loss (+/-)	-923	-827
**	Profit or loss before tax (+/-)	4 433	3 967
L.	Income tax	788	695
L.1.	Due income tax	792	816
L.2.	Deferred income tax (+/-)	-4	-121
**	Profit or loss net of tax (+/-)	3 645	3 272
***	Profit or loss for the current period (+/-)	3 645	3 272
*	Net turnover for the current period	8 652	7 713

**STATEMENT OF
CHANGES IN EQUITY**

NET4GAS Holdings, s.r.o.
Corporate ID 291 35 001

Year ended
31.12.2019
(in CZK thousand)

Na Hřebenech II 1718/8
Nusle
140 21, Praha

	Other capital funds	Gains or losses from the revaluation of assets and liabilities	Profit or loss for prior periods	Profit or loss for the current period	Profit share prepayments	TOTAL EQUITY
Balance at 31 December 2017	4 203	465	-3 867	2 941		3 742
Gains or losses from fair value remeasurement - fin. derivatives		-414				-414
Distribution of profit or loss			2 941	-2 941		
Profit share prepayments made					-1 500	-1 500
Increase in other capital funds	1 186					1 186
Consolidated profit or loss for the current period				3 272		3 272
Balance at 31 December 2018	5 389	51	-926	3 272	(1 500)	6 286
Gains or losses from fair value remeasurement - fin. derivatives		-230				-230
Distribution of profit or loss			1 641	-3 272	1 500	-131
Profit share prepayments made					-4 760	-4 760
Increase in other capital funds	7 545					7 545
Decrease in other capital funds	-3 845					-3 845
Consolidated profit or loss for the current period				3 645		3 645
Balance at 31 December 2019	9 089	-179	715	3 645	-4 760	8 510

CASH FLOW STATEMENT

NET4GAS Holdings, s.r.o.
Corporate ID 291 35 001

Year ended
31.12.2019
(in CZK thousand)

Na Hřebenech II 1718/8
Nusle
140 21, Praha

		Year ended 31.12.2019	Year ended 31.12.2018
P.	Opening balance of cash and cash equivalents	1 302	630
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	4 433	3 967
A.1.	Adjustments for non-cash transactions	2 731	2 211
A.1.1.	Depreciation of fixed assets	1 608	1 539
A.1.2.	Change in provisions and reserves	43	15
A.1.3.	Profit from the sale of intangible assets	-95	
A.1.3.	Profit/(loss) on the sale of fixed assets		1
A.1.4.	Revenues from profit shares	-1	-3
A.1.5.	Interest expense and interest income	700	634
A.1.6.	Adjustments for other non-cash transactions	476	25
A.*	Net operating cash flow before changes in working capital	7 164	6 178
A.2.	Change in working capital	2 669	-2 521
A.2.1.	Change in operating receivables and other assets	-77	-370
A.2.2.	Change in operating payables and other liabilities	-19	-40
A.2.3.	Change in inventories	-22	-7
A.2.4.	Change in current financial assets	2 787	-2 104
A.**	Net cash flow from operations before tax	9 833	3 657
A.3.	Interest paid	-754	-648
A.4.	Interest received	29	5
A.5.	Increase of financial investment	-676	-636
A.***	Net operating cash flows	8 432	2 378
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-6 476	-1 392
B.2.	Proceeds from fixed assets sold	95	
B.***	Net investment cash flows	-6 381	-1 392
	<i>Cash flow from financial activities</i>		
C.2.	Impact of changes in equity	-1 191	-314
C.2.1.	Cash increase in share capital	7 545	1 186
C.2.2.	Capital payments to partners	-3 845	
C.2.3.	Profit share prepayments made	-131	
C.2.3.	Other cash contributions made by partners	-4 760	-1 500
C.***	Net financial cash flows	-1 191	-314
F.	Net increase or decrease in cash and cash equivalents	860	672
R.	Closing balance of cash and cash equivalents	2 162	1 302

Group NET4GAS Holdings

Notes to the consolidated financial statements

31 December 2019

1. General information

1.1. Introductory information about the Company

NET4GAS Holdings, s.r.o. (the "Company") was incorporated on 5 December 2012 by the Municipal Court in Prague, Section C, Insert 202655 and has its registered office at Na hřebenech II 1718/8, Nusle, 140 00 Prague 4, Czech Republic. The identification number of the Company is 291 35 001. The Company's primary business activities are holding shares in other companies for the NET4GAS Group.

The Company's shareholders as of 31 December 2019 are:

- Allianz Infrastructure Czech HoldCo II S.à r.l., L-2450 Luxembourg, 14, boulevard F.D. Roosevelt, Grand Duchy of Luxembourg, Registration number: B 175770, share: 50%,
- Borealis Novus Parent B.V., 1011PZ Amsterdam, Muiderstraat 9, Kingdom of the Netherlands, Registration number: 57412243, share: 50%.

Allianz Infrastructure Czech HoldCo II S.à r.l. has the ultimate parent company Allianz SE and Borealis Novus Parent B.V. has the ultimate parent company OMERS Administration Corporation.

The Company had no arrangements that are not included in the balance sheet as of 31 December 2019 or 31 December 2018.

Statutory Directors as of 31 December 2019:

Jaroslava Korpancová	Position held since: 15 February 2013
Delphine Voeltzel	Position held since: 16 April 2019
John Anthony Guccione	Position held since: 1 September 2019
Andrew Cox	Position held since: 11 May 2017

On 16 April 2019, Delphine Voeltzel became the Company's Statutory Director. This fact was recorded in the Register of Companies on 31 May 2019. On 1 September 2019, John Anthony Guccione became the Company's Statutory Director. This fact was recorded in the Register of Companies on 22 October 2019.

On 31 March 2019, Kenton Bradbury was removed from the Register of Companies. On 22 October 2019, Mikhail Nahorny was removed from the Register of Companies.

1.2. Consolidated group description

The consolidation group (the "Group") consists of the Consolidating Company, NET4GAS, s.r.o. and BRAWA, a.s.

NET4GAS, s.r.o. was incorporated based on the decision of the Municipal Court in Prague, Section C, Insert 108316, on 29 June 2005 and has its registered office at Na Hřebenech II 1718/8, Prague 4 – Nusle, the Czech Republic. The company's main business activity is natural gas transmission in accordance with Act No. 458/2000 Coll., on conditions for undertaking business and on the execution of state administration in the energy sector and on changes to certain decrees. The identification number of the company is 272 60 364.

BRAWA, a.s., was incorporated based on the decision of the Municipal Court in Prague, Section B, Insert 16622, on 10 November 2010 and has its registered office in Prague – Nusle, Na Hřebenech II 1718/8. The company's primary business activity is the lease of real estate, flats and non-residential premises. The identification number of the company is 247 57 926. The sole shareholder of BRAWA, a.s. is NET4GAS, s.r.o.

In the following notes, the term "Group" refers to the consolidation group. The figures presented in the consolidated balance sheet and consolidated income statement reflect the totals of NET4GAS, s.r.o., BRAWA, a.s. and NET4GAS Holdings, s.r.o. adjusted for the elimination of mutual transactions within the Group.

Group NET4GAS Holdings

Notes to the consolidated financial statements
for the year ended 31 December 2019

The consolidated financial statements are prepared based on data from the Consolidating Company NET4GAS Holdings, s.r.o. and on data of its directly or indirectly controlled subsidiaries.

The following table provides information on the subsidiaries:

Subsidiaries as of 31 December 2019

Name	NET4GAS, s.r.o.	BRAWA, a.s.
Registered office	Czech Republic	Czech Republic
Acquisition cost of interest (in CZK million)	11,526	6,332
Share in %	100%	100%
GAAP	International Financial Reporting Standards as adopted by the European Union	Czech GAAP
Data from separate financial statements	For the year ended 31 December 2019	For the period of 12 months ended 30 November 2019
Registered capital (in CZK million)	2,750	402
Equity (in CZK million)	13,303	6,794
Profit for the current period (in CZK million)	3,336	387
Total assets (in CZK million)	59,837	7,610
Consolidation method	Full	Full
Date of acquisition	2 August 2013	2 August 2013

Subsidiaries as of 31 December 2018

Name	NET4GAS, s.r.o.	BRAWA, a.s.
Registered office	Czech Republic	Czech Republic
Acquisition cost of interest (in CZK million)	7,009	6,587
Share in %	100%	100%
GAAP	International Financial Reporting Standards as adopted by the European Union	Czech GAAP
Data from separate financial statements	For the year ended 31 December 2018	For the period of 12 months ended 30 November 2018
Registered capital (in CZK million)	2,750	402
Equity (in CZK million)	11,431	7,122
Profit for the current year (in CZK million)	2,938	390
Total assets (in CZK million)	54,595	7,678
Consolidation method	Full	Full
Date of acquisition	2 August 2013	2 August 2013

The reporting period of BRAWA, a.s., for 2019 began on 1 December 2018 and ended on 30 November 2019. For the preparation of the Group's consolidated financial statements as of 31 December 2019, the actual transactions BRAWA,a.s. for period from January to December 2019 and balances as of 31 December 2019 were used.

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic on the historical cost valuation basis except as disclosed below. Derivatives and securities are stated at fair value. The consolidated financial statements are presented in millions of Czech crowns, unless stated otherwise.

The consolidated financial statements, as well as the accompanying separate financial statements of NET4GAS Holdings, s.r.o. have been prepared for the period from 1 January 2019 to 31 December 2019. Comparatives are presented for the period from 1 January 2018 to 31 December 2018.

The consolidated financial statements were prepared based on the direct method. Their purpose is to give a true and fair view of the assets, liabilities, financial position and profit or loss of the consolidation group as a whole.

The selected consolidation method is applied to all entities included in the consolidation group consistently and continually.

For the purpose of preparation of the consolidated financial statements and in accordance with Czech Accounting Standard for Entrepreneurs No. 20, the consolidating Company added up the reclassified and adjusted information from its separate financial statements with the information provided by its subsidiaries.

It is not required to adjust the depreciation schemes as determined by each subsidiary and related depreciation charges of both tangible and intangible fixed assets for the consolidated financial statements purposes.

2.2. Intangible fixed assets

All intangible assets with a useful life longer than one year and an acquisition cost of more than CZK 60 thousand are treated as intangible fixed assets.

Purchased intangible fixed assets are initially recorded at cost, which includes all costs related to acquisition. All research costs are expensed. Costs of development whose results are intended for trading are capitalised as intangible assets and recorded at the lower of acquisition cost or the value of future economic benefits. All other development costs are expensed as incurred.

Intangible fixed assets are amortised applying the straight-line method over their estimated useful lives as follows (unless an agreement or licence conditions state a shorter or longer period):

Intangible fixed assets	Estimated useful life
Development	6 years
Software	3 years
Royalties	1.5 - 6 years
Other intangible fixed assets	6 years

The amortisation plan is updated during the useful life of the intangible fixed assets based on changes of the expected useful life.

An impairment provision is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by the asset.

Technical improvements on intangible fixed assets exceeding CZK 10 thousand per year are capitalised.

Emission allowances are presented by the Group as other intangible fixed assets.

Emission allowances allocated to the Group by the National Allocation Plan are recognised under 'Other intangible fixed assets' and 'State – tax payables and subsidies' upon being credited to the Group account in the Register of Emission Allowances in the Czech Republic. Emission allowances allocated to the Group are measured at market price at the date of acquisition. Liability from the emission rights is released to 'Other operating income' when the respective expenses are incurred.

The consumption of purchased emission allowances is recorded to other operating expenses on the basis of an expert estimate of actual CO₂ emissions produced in the period. At the same time, the emission allowances liability recorded in taxes and subsidies is released in other operating income if this involves the consumption of allocated emission allowances.

The first-in-first-out method is applied for all disposals of emission allowances. Sales of emission allowances are recorded as other operating income and are stated at the selling price.

2.3. Tangible fixed assets

All tangible assets with a useful life greater than one year and a acquisition cost of more than CZK 10 thousand are treated as tangible fixed assets. Purchased tangible fixed assets are initially recorded at cost, which includes all costs related to acquisition. Own work capitalised is recorded at cost.

Tangible fixed assets, except for land which is not depreciated, are depreciated applying the straight-line method over their estimated useful lives as follows:

Tangible fixed assets	Estimated useful life
Buildings and constructions	30 - 70 years
Plant, machinery and equipment	4 - 40 years
Furniture and fittings	4 - 8 years
Motor vehicles	5 - 8 years

The depreciation plan is updated during the useful life of the tangible fixed assets based on the expected useful life.

An impairment provision is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by this asset.

Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred. Technical improvements on tangible fixed assets exceeding CZK 40 thousand per year are capitalised.

2.4. Negative goodwill on consolidation

Goodwill on consolidation is the difference between the purchase price of shares and interests in a consolidated entity and their valuation reflecting the shareholding of the Consolidating Company in equity, which value is determined as the difference between the fair values of assets and liabilities as of the date of acquisition. Remeasurement of assets and liabilities of subsidiaries at fair value is performed for the purpose of calculating the goodwill on consolidation only if the valuation of assets and liabilities of subsidiaries in the accounting records significantly differs from their fair value at the date of acquisition.

The date of acquisition is the day from which the Consolidating Company effectively exercises its influence. The goodwill on consolidation is amortised in accordance with Czech Accounting Standard for Entrepreneurs No. 20 on a straight-line basis over 20 years (unless a shorter period can be substantiated). The negative goodwill on consolidation is credited to income from operating activities (see Note 5).

2.5. Determining the fair value

Financial derivatives are measured at fair value by the Group.

The Group uses the discounted cash-flow model for determining the fair values of currency forwards and currency interest rate swaps, with the exclusive use of market parameters.

2.6. Inventories

Raw materials principally comprise spare parts for the gas pipeline network. Purchased inventories are stated at cost less provisions. Cost includes all costs related to the acquisition of inventory (mainly transport costs, customs duty, etc.). The weighted average method is applied for inventory valuation.

A provision is created based on an individual evaluation of inventories.

2.7. Receivables

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

For receivables related to core revenues, the following criteria apply. The Company assesses the asset impairment of 10% for receivables when any portion of instalment is overdue for more than one fiscal year and less than two fiscal years; 25% when it is overdue for more than two and less than three fiscal years; 50% when it is overdue for more than three and less than four fiscal years; and of 100% when it is overdue for more than four fiscal years. The approach may be modified based on underlying information which is available in individual cases.

2.8. Temporary assets – deferred expenses

Deferred expenses relate to subsequent reporting periods. They are recognised under expenses in the period to which they relate.

2.9. Cash and cash equivalents

Cash and cash equivalents include cash on hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents include current liquid assets which are easily convertible into cash in an amount agreed in advance and not expected to be subject to material fluctuations in value over time. Cash equivalents are, for example, deposits with a maturity of less than three months from the date of acquisition and liquid debt securities held for trading in public markets.

The Group has prepared a consolidated cash flow statement using the indirect method.

2.10. Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the fixed exchange rate determined by the Group on the first day of the month.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as of the balance sheet date. All exchange rate gains and losses on cash, receivables and liabilities balances are presented in the profit and loss account.

Companies in the Group consider advances paid for the acquisition of fixed assets or inventories as receivables denominated in a foreign currency and, therefore, these assets are translated using the exchange rates promulgated by the Czech National Bank as of the balance sheet date.

2.11. Derivative financial instruments

Derivative financial instruments including currency forwards and currency interest rate swaps are initially recognised at cost in the balance sheet and subsequently are remeasured at their fair value. Fair values

are derived by applying discounted cash flow models, with the exclusive use of market parameters. All derivatives are presented in other long-term and short-term receivables or payables when their fair value is positive or negative, respectively.

Derivatives embedded in other financial instruments are not treated as separate derivatives.

Changes in the fair value of derivatives held for trading are included in other financial expenses or other financial income from the revaluation of securities and derivatives.

The Group pre-determines certain derivatives as a hedge of future cash flows attributable to the selected asset or liability or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way, provided that certain criteria are met, such as defining the hedging strategy and hedging relationship before hedge accounting is applied and ongoing documentation of the actual and expected effectiveness of the hedge. Cash flows arising from currency interest rate swaps depend on contractual terms and the movement of exchange rates.

Changes in the fair value of financial derivatives that qualify as effective cash flow hedges are recorded as gains or losses from the valuation of assets and liabilities in equity and are classified as an income or expense in the period during which the hedged item affects the profit and loss account. The gain or loss relating to the ineffective portion of the cash flow hedge is directly recognised under other financial expenses or income, as applicable.

2.12. Bonds issued and other borrowings

The Group initially recognises bonds issued and other borrowings and subordinated liabilities at cost at the date of their creation. Upon initial recognition, these financial liabilities are measured at amortised cost.

The Group pre-determines certain foreign currency bonds and loans to hedge future cash flows from certain expected transactions (cash flow hedges). Recognition of bonds designated as hedging instruments in this way is only possible when certain criteria are met, including the definition of the hedging strategy and the hedge relationship before hedge accounting is applied, and ongoing documentation of the actual and expected effectiveness of hedging.

Foreign exchange rate gains or losses from the revaluation of foreign currency bonds and other borrowings, including discounts on the repayment of bonds and other borrowings that met the criteria of effective cash flow hedges, are recognised as gains or losses from assets and liabilities in equity and in profit or loss in the same period in which the hedged item affects the profit and loss statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in equity at that time remains in equity until the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in other comprehensive income is immediately transferred to profit or loss within 'Other financial expense (income)'.

Related finance charges, including interest expense, are not included in hedging and are charged to profit or loss using the straight-line amortisation method on an accruals basis.

2.13. Equity

The Group's decision to make profit share prepayments is recognised as a decrease in equity and is presented in the balance sheet line 'Profit share prepayments declared'. Such a profit share prepayment or a part thereof is recognised as a receivable from shareholders as of the balance sheet date if the Group incurs a loss or generates a profit lower than the value of profit share prepayments.

2.14. Reserves

The Companies of the Group recognise reserves to cover their liabilities or expenses the nature of which is clearly defined and which are either likely to be incurred or certain to be incurred as of the balance sheet date but uncertain as to their amount or as to the date on which they will arise. The reserve recognised as

of the balance sheet date represents the best estimate of expenses that are likely to be incurred, or for liabilities the amount required for their settlement.

The Companies of the Group recognise a reserve for their future income tax payable net of income tax prepayments. If the prepayments made are higher than the estimated income tax payable, the difference is recognised as a short-term receivable.

2.15. Employment benefits

The Group recognises a reserve for the employees' outstanding vacation days, remuneration and bonuses.

Regular contributions are made to the state to fund the national pension insurance scheme. The Companies in the Group also provide contributions to supplementary pension schemes operated by independent pension funds.

2.16. Revenue recognition

Companies in the Group recognise as revenue mainly income for gas transportation within and across the Czech Republic. Sales are recognised upon the delivery of products and are stated net of discounts and value added tax.

2.17. Subsidies

A subsidy is recognised when received or when an irrevocable right to receive a subsidy originates.

A subsidy received for either the acquisition of fixed assets (including technical improvement) or for the settlement of interest charged to the cost of assets can either decrease the cost of assets or own work capitalised.

2.18. Related parties

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

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

Material transactions and outstanding balances with related parties, are disclosed in Note 14.

2.19. Leases

The costs of assets held under both finance and operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the lease term. Future lease payments which do not fall due as of the balance sheet date are disclosed in the notes but not presented in the balance sheet.

2.20. Interest expense

All interest expenses are recognised as part of expenses. Long-term payables are not discounted.

2.21. Income tax payable and deferred tax

The corporate income tax expense is calculated for each company in the Group based on the statutory tax rate and accounting profit before taxes, increased or decreased by the appropriate permanent and temporary tax non-deductible expenses and revenues. In addition, the following items are taken into consideration: items decreasing the tax base, tax deductible items and income tax relief. The corporate income tax expense in the consolidated profit and loss account consists of the sum of corporate income

tax expense of the Consolidating Company and other companies in the Group consolidated using the full consolidation method.

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

Deferred tax from derivative financial instruments and borrowings denominated in foreign currencies designated to hedge future cash flows which are revalued to equity, is also recognised directly in equity.

The consolidated deferred tax position is a sum of the deferred tax positions of the Consolidating Company and other companies in the Group for which the full consolidation method has been used, adjusted for the effects of temporary differences resulting from intercompany transactions.

2.22. Subsequent events

The effects of events which occurred between the balance sheet date and the date of preparation of the consolidated financial statements are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as of the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed but are not themselves recognised in the financial statements.

3. Intangible fixed assets

(CZK million)	1 January 2019	Additions / transfers	Disposals	31 December 2019
Cost				
Research	54	0	(2)	52
Software	491	53	(26)	518
Other royalties	7	0	(1)	6
Other intangible fixed assets	99	3	(58)	44
Intangible fixed assets under construction	25	2	0	27
Total	676	58	(87)	647
Accumulated amortisation				
Research	(54)	0	2	(52)
Software	(454)	(32)	26	(460)
Other royalties	(7)	0	1	(6)
Other intangible fixed assets	(14)	(3)	0	(17)
Total	(529)	(35)	29	(535)
Net book value	147			112

(CZK million)	1 January 2018	Additions / transfers	Disposals	31 December 2018
Cost				
Research	54	0	0	54
Software	496	14	(19)	491
Other royalties	7	0	0	7
Other intangible fixed assets	100	0	(1)	99
Intangible fixed assets under construction	11	14	0	25
Total	668	28	(20)	676
Accumulated amortisation				
Research	(54)	0	0	(54)
Software	(439)	(34)	19	(454)
Other royalties	(7)	0	0	(7)
Other intangible fixed assets	(11)	(3)	0	(14)
Total	(511)	(37)	19	(529)
Net book value	157			147

As of 31 December 2019, other intangible fixed assets included CZK 24 million relating to emission allowances (as of 31 December 2018: CZK 78 million).

4. **Tangible fixed assets**

(CZK million)	1 January 2019	Additions / transfers	Disposals	31 December 2019
Cost				
Land	248	33	0	281
Constructions	62,254	2,706	(4)	64,956
Tangible fixed assets and their sets	5,994	2,161	(27)	8,128
Other tangible fixed assets	1	0	0	1
Advances paid for tangible fixed assets	225	178	0	403
Tangible fixed assets under construction	1,683	4,095	0	5,778
Total	70,405	9,173	(31)	79,547
Accumulated depreciation				
Constructions	(22,456)	(1,682)	4	(24,133)
Tangible fixed assets and their sets	(5,033)	(243)	26	(5,250)
Provision for constructions	(99)	4	0	(95)
Total	(27,588)	(1,921)	30	(29,478)
Net book value	42,817			50,069

(CZK million)	1 January 2018	Additions / transfers	Disposals	31 December 2018
Cost				
Land	185	63	0	248
Constructions	61,994	260	0	62,254
Tangible fixed assets and their sets	5,950	52	(8)	5,994
Other tangible fixed assets	1	0	0	1
Advances paid for tangible fixed assets	25	200	0	225
Tangible fixed assets under construction	662	1,021	0	1,683
Total	68,817	1,596	(8)	70,405
Accumulated depreciation				
Constructions	(20,804)	(1,652)	0	(22,456)
Tangible fixed assets and their sets	(4,840)	(201)	8	(5,033)
Provision for constructions	(103)	4	0	(99)
Total	(25,747)	(1,849)	8	(27,588)
Net book value	43,070			42,817

5. **Negative goodwill on consolidation**

The negative goodwill on consolidation of CZK 7,038 million relates to the acquisition of NET4GAS, s.r.o. as of 2 August 2013. It was calculated as the difference between the purchase price of 100% shares in NET4GAS, s.r.o. and their valuation reflecting the shareholding of the Consolidating Company in equity, the value of which was determined as the difference between the fair values of assets and liabilities as of the date of the acquisition. The negative goodwill on consolidation is amortised on a straight-line basis over 20 years. The total balance of the negative goodwill on consolidation is CZK 4,779 million as of 31 December 2019 (as of 31 December 2018: CZK 5,131 million).

6. **Receivables**

Overdue receivables as of 31 December 2019 amounted to CZK 347 million (as of 31 December 2018: CZK 240 million).

As of 31 December 2019, receivables were not covered by material guarantees and none of them had maturity greater than 5 years (as of 31 December 2018: no receivables had maturities greater than 5 years).

The Group records no off-balance sheet receivables or contingent receivables.

Income tax prepayments of CZK 746 million made by NET4GAS, s.r.o. as of 31 December 2019 (as of 31 December 2018: CZK 830 million) were offset against the reserve for income tax of CZK 784 million as of 31 December 2019 (as of 31 December 2018: CZK 803 million).

Income tax prepayments of CZK 6 million paid by BRAWA, a.s. as of 31 December 2019 (as of 31 December 2018: CZK 4 million) were offset against the provision for income tax of CZK 16 million as of 31 December 2019 (as of 31 December 2018: CZK 9 million).

7. Deferred expenses

Deferred expenses as of 31 December 2019 and 31 December 2018 represent, *inter alia*, expenses related to the acquisition of bank loans recognised on an accruals basis over the term of individual loans.

Deferred expenses were as follows:

(CZK million)	31 December 2019	31 December 2018
Bank loans	20	13
Other deferred expenses	81	97
Total	101	110

For information about bonds and bank loans, see Note 11 Bank loans and other borrowings.

8. Equity

NET4GAS Holdings, s.r.o. prepares the consolidated financial statements of the largest group of entities of which the Company forms a part as a subsidiary. The consolidated financial statements of the largest group of entities can be obtained on Company's web page.

The Group records equity of CZK 8,510 million as of 31 December 2019 (as of 31 December 2018: CZK 6,286 million). All Group companies recognised positive equity in their separate financial statements prepared as of 31 December 2019 and 31 December 2018.

Information on the Company's shareholders is disclosed in Note 1.

Gains or losses from the revaluation of assets and liabilities represent changes in the fair values of derivatives which are classified as cash flow hedges (see Note 13).

On 15 April 2019, the general meeting of shareholders approved the financial statements for 2018 and decided about transferring the 2018 loss of CZK 4 million to the Company's retained earnings (as of 20 April 2018: profit of CZK 1,635 million). The general meeting of shareholders also approved the distribution of CZK 1,631 million from the Company's retained earnings and offsetting the amount against a prepayment of CZK 1,500 thousand, which was fully paid in 2018.

On 7 October 2019, the general meeting of shareholders approved distribution of the Company's retained earnings in the amount of CZK 131 million.

In 2019, a profit share prepayment in the amount of CZK 4,760 million was made. In 2018, a profit share prepayment in the amount of CZK 1,500 million was made.

Increase / decrease in additional equity contributions:

Month/Year	(CZK million)	Comments on the settlement of the increase / decrease
August 2018	548	Cash received*
November 2018	638	Cash received*
Total increase in 2018	1,186	
April 2019	1,573	Cash received*
September 2019	3,049	Cash received*
September 2019	-3,845	Cash paid
November 2019	2,923	Cash received*
Total increase in 2019	3,700	

* For the purposes of the Capacity4Gas project funding, Funding Agreement was concluded based on which the sole shareholder increased other capital funds.

9. Reserves

(CZK million)	Other reserves	Income tax provision net of advances	Total
Opening balance as of 1 January 2018	158	0	158
Charge for the year	72	5	77
Released in the year	(2)	0	(2)
Used in the year	(57)	0	(57)
Closing balance as of 31 December 2018	171	5	176
Charge for the year	72	48	120
Released in the year	0	0	0
Used in the year	67	5	72
Closing balance as of 31 December 2019	176	48	224

For an analysis of the current and deferred income taxes, see Note 16.

Other reserves principally comprise reserves for remuneration and employee benefits, reserves for severance payments and the share option programme.

10. Payables

Payables are not covered by material guarantees and none of their maturities is greater than 5 years.

Long-term payables include:

- Debentures and bonds issued (Note 11);
- Long-term trade payables – retention fee;
- Deferred tax liability; and
- Other long-term payables – long-term payables from financial derivatives.

Short-term payables include:

- Payables from future coupon payments from issued bonds (Note 11);
- Short-term prepayments received – mainly prepayments received for the transportation of gas;
- Trade payables; and
- Other short-term payables:

As of 31 December 2019, they mainly included unbilled supplies of services, material and acquisition of fixed assets (estimated payables) in the amount of CZK 1,935 million (as of 31 December 2018: CZK 479 million), short-term payables arising from financial derivatives in the amount of CZK 242 million (as of 31 December 2018: CZK 231 million) and deposits received from customers as of 31 December 2019 in the amount of CZK 113 million (as of 31 December 2018: CZK 81 million).

In addition, other short-term payables included subsidies received from the European Commission based on its decision to grant financial aid for projects of mutual interest in the field of trans-European energy networks. In 2019, the financial aid amounted to CZK 13 million (as of 31 December 2018: CZK 10 million).

As of the financial statements date, the Group recorded 'State – tax payables and subsidies' of CZK 24 million (as of 31 December 2018: CZK 78 million), which corresponds to emission allowances not consumed as of the balance sheet date.

The Company provided no off-balance sheet material guarantees.

11. Bank loans and other borrowings

Analysis of bank loans:

(CZK million)	Interest rate (%)	Currency	31 December 2019	31 December 2018
Consortium of banks	1M PRIBOR + margin	CZK	7,074	7,074
Total bank loans			7,074	7,074

None of these loans have a maturity longer than in 2025.

In 2019 there was extension of maturity date of bank borrowings by 3 years, from 2022 to 2025.

The Group's bonds issued are as follows:

	Nominal amount of issue	Due date	Annual coupon repayment date	31 December 2019 (CZK million)	31 December 2018 (CZK million)
Bond EUR, serial no. 1, ISIN XS1090450047	EUR 300,000,000	28 July 2021	Each 28 July in arrears	7,680	7,762
Bond EUR, serial no. 2, ISIN XS1090449627	EUR 160,000,000	28 July 2026	Each 28 July. in arrears	4,101	4,149
Bond CZK, serial no. 3, ISIN XS1090620730	CZK 4,354,300,000	28 Jan 2021	Each 28 Jan in arrears	4,434	4,424
Bond EUR, serial no. 4, ISIN XS1172113638	EUR 50,000,000	28 July 2026	Each 28 July in arrears	1,281	1,296
Bond CZK, domestic, ISIN CZ0003519472	CZK 2,643,000,000	17 July 2025	Each 17 July in arrears	2,660	2,657
Total bonds				20,156	20,288

The coupon rates of the above-mentioned bonds oscillate between 2.25 and 3.50% p.a.

The bonds with serial np. 1 – 3 were accepted for trading on the Irish Stock Exchange PLC regulated market on 28 July 2014. The 2015 bonds, serial no. 4, were issued via private placement. The domestic "CZ" bond was accepted for trading on the Prague Stock Exchange regulated market on 17 July 2018. Upon repaying the nominal value and paying the interest income, the respective taxes and charges under the Czech laws will be withheld from the payments made to bondholders.

12. Commitments and contingent liabilities

Management of the Group is not aware of any contingent liabilities as of 31 December 2019.

The loan documentation and contracts and documentation governing bonds does not contain any quantitative covenants. The agreements only stipulate several qualitative covenants, such as a limited right to pledge the assets of NET4GAS, s. r. o. in favour of the creditor, loss of licence and change of controlled entities. Violation of the covenants could lead to the immediate repayment of loans.

As of 31 December 2019, the Group has contractual investment commitments relating to tangible fixed assets in the amount of CZK 3,104 million (31 December 2018: CZK 3,277 million). The commitments relate exclusively to the Capacity4Gas project.

The Group has the following commitments in respect of operating leases:

(CZK million)	31 December 2019	31 December 2018
Due within one year	40	75
Total commitments in respect of operating leases and rental	220	75

13. Derivative financial instruments

The Group uses financial derivatives with banks for hedging the financial risks that the Group is exposed to.

The Company uses fixed derivative agreements with contractually defined terms of cash flows. Their value is mainly influenced by developments in foreign exchange rates.

13.1. Derivatives held for trading

The Group had no outstanding receivables from currency forwards as of 31 December 2019 (as of 31 December 2018: 473 thousand CZK).

(CZK million)	31 December 2019		31 December 2018	
	Trade with positive fair value	Trade with negative fair value	Trade with positive fair value	Trade with negative fair value
Currency forwards: fair value for the year:				
- CZK receivables to be settled	0	0	100	0
- EUR liabilities to be settled	0	0	(100)	0
Fair value of foreign exchange forwards				
- current	0	0	0	0

Changes in the fair value of derivatives held for trading are recorded in the income statement:

(CZK million)	2019	2018
As of 1 January	0	0
Fair value of currency swaps acquired during the year	2	30
Fair value of currency swaps settled during the year	(2)	(30)
As of 31 December	0	0

13.2 Derivatives meeting the criteria for hedge accounting

The Group has concluded contracts on currency interest rate swaps and currency swaps, which are classified as hedging derivatives for hedging cash flows.

As of 31 December 2019 and 31 December 2018, derivatives were remeasured at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables respectively.

Change in the fair value of hedging derivatives is recognised in the hedging reserve in equity until the hedged items affect profit or loss, or the hedged forecasted transaction results in an asset or liability.

The following table summarises the nominal values and the positive or negative fair values of open hedging derivatives as of 31 December 2019:

(CZK million)	31 December 2019		Nominal value
	Fair value Positive	Fair value Negative	
Currency interest rate swaps	0	1,956	10,418 (EUR 410 million)
Total cash flow hedging derivatives	0	1,956	10,418

* Of which CZK 242 million represents the current portion and CZK 1,714 million represents the non-current portion.

The following table summarises the face values and the positive or negative values of outstanding hedging derivatives as of 31 December 2018:

(CZK million)	31 December 2018		Nominal value
	Fair value		
	Positive	Negative	
Currency interest rate swaps	0	1,489	10,547 (EUR 410 million)
Total cash flow hedging derivatives	0	1,489	10,547

* Of which CZK 231 million represents the current portion and CZK 1,258 million represents the non-current portion.

Changes in the fair value of interest rate derivatives recorded in equity:

(CZK million)	2019	2018
Opening balance as of 1 January	(1,489)	(1,044)
Charge for the year (+/-)	(467)	(445)
Closing balance as of 31 December	(1,956)	(1,489)

14. Related party transactions

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

14.1 Loans from related parties

The Group had no payables to related parties as of 31 December 2019 and 31 December 2018.

14.2 Borrowings to related parties

The Group had no receivables from related parties as of 31 December 2019 and 31 December 2018.

Interest income related to short-term loans to related parties amounted to CZK 0 million in 2019 (2018: CZK 0 million).

No loans were provided in 2019 and 2018 to the Company's statutory directors, members of the Supervisory Board and other members of management.

15. Employees

	2019		2018	
	number	(CZK million)	number	(CZK million)
Salaries to key management	16	72	16	59
Wages and salaries to other employees	530	446	510	378
Social security costs	0	173	0	146
Other social costs	0	15	0	14
Wages and salaries total	546	706	526	597

Key management represents Statutory Directors and managers directly reporting to them.

The company cars available for use to members of Group management have acquisition cost of CZK 13 million (2018: CZK 13 million).

The foreign members of Group management were provided with accommodation, with the related rental cost totalling CZK 2 million in 2019 (2018: CZK 2 million).

16. Income tax

The current tax analysis:

(CZK million)	2019	2018
Current tax (19%)	800	812
Deferred tax	(4)	(121)
Adjustment of prior-year tax based on the income tax return filed	(8)	4
Total income tax expense	788	695

The current tax includes:

(CZK million)	2019	2018
Net profit before taxation	4,433	3,967
Difference between accounting and tax depreciation/amortisation	29	626
Tax non-deductible expenses	127	44
Gifts	(26)	(4)
Amortisation of negative goodwill on consolidation	(352)	(352)
Tax base	4,211	4,281
Current corporate income tax at 19 %	800	812

The deferred tax asset/ (liability) analysis:

(CZK million)	31 December 2019	31 December 2018
Deferred tax liability arising from:		
Difference between net and tax book values of assets	(6,599)	(6,605)
Cash flow hedges	42	(12)
Total deferred tax liability	(6,557)	(6,617)
Deferred tax asset arising from:		
Other reserves and provisions	50	51
Tax losses (NET4GAS Holdings, s.r.o.)	7	138
Unrecognised tax receivable from NET4GAS Holdings, s.r.o.	(7)	(138)
Total deferred tax asset	50	51
Net deferred tax liability	(6,507)	(6,566)

The income tax rate of 19% was used for the calculation as of 31 December 2019 and 2018.

A potential deferred tax asset arising from a tax loss of CZK 7 million as of 31 December 2019 (as of 31 December 2018: CZK 138 million) was not recognised as its future utilisation is unlikely.

NET4GAS Holdings, s.r.o. had tax losses as of 31 December 2019 of CZK 36 million, which can be gradually utilised until 2024.

17. Audit costs and other services provided by the statutory auditor

(CZK million)	2019	2018
Statutory audits of the financial statements of Group companies and related services	2	2
Agreed-upon procedures related to grants received from the European Commission	0	0
Other non-audit services	0	0
Total	2	2

18. Sales

Sales analysis:

(CZK million)	2019	2018
Transportation		
- Foreign customers	6,357	6,205
- Domestic customers	1,696	1,129
Other – domestic	0	0
Sales of own products and services	8,053	7,334
Other operating income	221	54
Total operating income	8,274	7,388
Interest income and similar income – subsidiaries or controlling party	0	0
Other interest income and similar income	26	7
Other financial income	352	318
Net turnover for the reporting period	8,652	7,713

19. Subsequent events

The Covid-19 pandemic development and its potential impact on the Company in the 2020 fiscal year:

Given the nature of the business activity (ship-or-pay international gas transit contracts, domestic regulated gas trading) and the inevitable need for continuous gas delivery, N4G Holdings' services are and will be necessary. Potential impacts on the Company and the supply chain are regularly reviewed by management in line with the dynamic of the situation.

No other events occurred subsequent to the balance sheet date that would have a material impact on the separate financial statements for the year ended 31 December 2019.

Annex no. 2: Separate Financial Statements

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Name of the Company: NET4GAS Holdings, s.r.o.
Registered Office: Na hřebenech II 1718/8, 140 00 Praha 4 - Nusle
Legal Status: Limited Liability Company
Corporate ID: 291 35 001

Components of the Separate Financial Statements:

Balance Sheet



Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Separate Financial Statements

These separate financial statements were prepared on 24 April 2020.

Statutory body of the reporting entity:	Signature
Delphine Voeltzel statutory executive	
Jaroslava Korpancová statutory executive	

BALANCE SHEET
full version

NET4GAS Holdings, s.r.o.
Corporate ID 291 35 001

As of
31.12.2019
(in CZK thousand)

Na Hřebenech II 1718/8
Nusle
140 21, Praha

		31.12.2019			31.12.2018
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	11 556 889		11 556 889	7 028 284
B.	Fixed assets	11 525 574		11 525 574	7 009 003
<i>B.III.</i>	<i>Non-current financial assets</i>	<i>11 525 574</i>		<i>11 525 574</i>	<i>7 009 003</i>
B.III.1.	Equity investments - controlled or controlling entity	11 525 574		11 525 574	7 009 003
C.	Current assets	31 287		31 287	19 259
<i>C.II.</i>	<i>Receivables</i>	<i>31 287</i>		<i>31 287</i>	<i>19 259</i>
<i>C.II.2.</i>	<i>Short-term receivables</i>	<i>31 287</i>		<i>31 287</i>	<i>19 259</i>
C.II.2.1.	Trade receivables	90		90	
C.II.2.2.	Receivables - controlled or controlling entity	31 197		31 197	19 242
C.II.2.4.	<i>Receivables - other</i>				<i>17</i>
C.II.2.4.3.	State - tax receivables				17
D.	Other assets	28		28	22
D.3.	Accrued income	28		28	22

		31.12.2019	31.12.2018
	TOTAL LIABILITIES & EQUITY	11 556 889	7 028 284
A.	Equity	9 886 480	5 519 927
<i>A.I.</i>	<i>Share capital</i>	200	200
A.I.1.	Share capital	200	200
<i>A.II.</i>	<i>Share premium and capital funds</i>	9 089 439	5 388 526
A.II.2.	<i>Capital funds</i>	9 089 439	5 388 526
A.II.2.1.	Other capital funds	9 089 439	5 388 526
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>		1 635 254
A.IV.1.	Accumulated profits brought forward		1 635 254
A.V.	<i>Profit or loss for the current period (+/-)</i>	5 557 074	-4 053
A.VI.	Profit share prepayments declared (-)	-4 760 233	-1 500 000
B.+C.	Liabilities	1 670 407	1 508 352
C.	Payables	1 670 407	1 508 352
C.II.	<i>Short-term payables</i>	1 670 407	1 508 352
C.II.4.	Trade payables	457	296
C.II.6.	Payables - controlled or controlling entity		7 906
C.II.8.	<i>Other payables</i>	1 669 950	1 500 150
C.II.8.1.	Payables to partners	1 669 715	1 500 000
C.II.8.5.	State - tax payables and subsidies	74	
C.II.8.6.	Estimated payables	161	150
D.	Other liabilities	2	5
D.1.	Accrued expenses	2	5

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

NET4GAS Holdings, s.r.o.
Corporate ID 291 35 001

Year ended
31.12.2019
(in CZK thousand)

Na Hřebenech II 1718/8
Nusle
140 21, Praha

		Year ended 31.12.2019	Year ended 31.12.2018
A.	Purchased consumables and services	4 571	3 979
A.3.	Services	4 571	3 979
F.	Other operating expenses	3	6
F.3.	Taxes and charges	3	
F.5.	Sundry operating expenses		6
*	Operating profit or loss (+/-)	-4 574	-3 985
IV.	Income from non-current financial assets - equity investments	5 580 601	
IV.1.	Income from equity investments - controlled or controlling entity	5 580 601	
VI.	Interest income and similar income	376	139
VI.1.	Interest income and similar income - controlled or controlling entity	376	139
J.	Interest expenses and similar expenses	63	43
J.1.	Interest expenses and similar expenses - controlled or controlling entity	63	43
VII.	Other financial income	20 497	32 376
K.	Other financial expenses	39 763	32 540
*	Financial profit or loss (+/-)	5 561 648	-68
**	Profit or loss before tax (+/-)	5 557 074	-4 053
**	Profit or loss net of tax (+/-)	5 557 074	-4 053
***	Profit or loss for the current period (+/-)	5 557 074	-4 053
*	Net turnover for the current period	5 601 474	32 515

**STATEMENT OF
CHANGES IN EQUITY**

NET4GAS Holdings, s.r.o.

Corporate ID 291 35 001

Year ended
31.12.2019
(in CZK thousand)

Na Hřebenech II 1718/8
Nusle
140 21, Praha

	Share capital	Capital funds	Accumulated profits brought forward	Profit or loss for the current period	Profit share prepayments	TOTAL EQUITY
Balance at 31 December 2017	200	4 203 462	1 635 254			5 838 916
Decision on profit share prepayments					-1 500 000	-1 500 000
Increase in capital funds		1 185 064				1 185 064
Profit or loss for the current period				-4 053		-4 053
Balance at 31 December 2018	200	5 388 526	1 635 254	-4 053	-1 500 000	5 519 927
Distribution of profit or loss			-4 053	4 053		0
Profit shares paid			-1 631 201		1 500 000	-131 201
Increase in capital funds		7 545 479				7 545 479
Decrease in capital funds		-3 844 566				-3 844 566
Decision on profit share prepayments					-4 760 233	-4 760 233
Profit or loss for the current period				5 557 074		5 557 074
Balance at 31 December 2019	200	9 089 439	0	5 557 074	-4 760 233	9 886 480

CASH FLOW STATEMENT

NET4GAS Holdings, s.r.o.
Corporate ID 291 35 001

Year ended
31.12.2019
(in CZK thousand)

Na Hřebenech II 1718/8
Nusle
140 21, Praha

		Year ended 31.12.2019	Year ended 31.12.2018
P.	Opening balance of cash and cash equivalents		
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	5 557 074	-4 053
A.1.	Adjustments for non-cash transactions	-5 580 722	-151
A.1.4.	Revenues from profit shares	-5 580 601	
A.1.5.	Interest expense and interest income	-313	-95
A.1.6.	Adjustments for other non-cash transactions	192	-56
A.*	Net operating cash flow before changes in working capital	-23 648	-4 204
A.2.	Change in working capital	-1 499 828	-1 206
A.2.1.	Change in operating receivables and other assets	-73	351
A.2.2.	Change in operating payables and other liabilities	-1 499 755	-1 557
A.**	Net cash flow from operations before tax	-1 523 476	-5 410
A.3.	Interest paid	-66	-40
A.4.	Interest received	371	120
A.7.	Received profit shares	5 580 601	
A.7.	Received profit share prepayments	1 669 715	1 500 000
A.8.	Expenses to increase capital funds in a subsidiary	-7 526 255	-1 185 064
A.9.	Income from reduction of capital funds of a subsidiary	3 009 684	
A.***	Net operating cash flows	1 210 574	309 606
	<i>Cash flows from investing activities</i>		
B.3.	Loans and borrowings to related parties	-12 147	2 575
B.***	Net investment cash flows	-12 147	2 575
	<i>Cash flow from financial activities</i>		
C.1.	Borrowings from related parties	-7 906	2 755
C.2.	Impact of changes in equity	-1 190 521	-314 936
C.2.1.	Contributions to capital funds	7 545 479	1 185 064
C.2.2.	Payments from capital funds	-3 844 566	
C.2.3.	Profit share paid	-131 201	
C.2.4.	Other cash contributions made by partners	-4 760 233	-1 500 000
C.***	Net financial cash flows	-1 198 427	-312 181
F.	Net increase or decrease in cash and cash equivalents		
R.	Closing balance of cash and cash equivalents		

NET4GAS Holdings, s.r.o.

Separate financial statements

31 December 2019

1. General information

1.1. Introductory information about the Company

NET4GAS Holdings, s.r.o. ("the Company") is a limited liability company incorporated on 5 December 2012 by the Municipal Court in Prague, Section C, Insert 202655 and has its registered office at Na hřebenech II 1718/8, Nusle, 140 00 Prague 4, Czech Republic, and the business registration number (IČ) is 291 35 001. The Company was established as HYX Czech, s.r.o. The Company's name was changed from HYX Czech, s.r.o. to NET4GAS Holdings, s.r.o. on 8 August 2013. The Company's main business activity is holding shares in other companies for NET4GAS Group.

The Company is the parent company of NET4GAS, s.r.o. The accompanying financial statements have been prepared as separate financial statements.

The Company has no arrangements that are not included in the balance sheet as at 31 December 2019 or 31 December 2018.

Statutory Directors as of 31 December 2019:

Jaroslava Korpancová	Position held since: 15 February 2013
Delphine Voeltzel	Position held since: 16 April 2019
John Anthony Guccione	Position held since: 1 September 2019
Andrew Cox	Position held since: 11 May 2017

There were no employees in the period ending 31 December 2019 and 2018.

The Company updated its Articles of Association that are now fully governed by the new Corporations Act. This fact became effective as at 20 March 2015.

2. Accounting policies

2.1. Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic relevant for large companies and have been prepared under the historical cost convention.

2.2. Investments in subsidiaries

Investments in subsidiaries represent ownership interests in enterprises that are controlled by the Company ("the subsidiary").

Investments in subsidiaries are recorded at cost less a provision for diminution in value.

2.3. Receivables

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

2.4. Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the fixed exchange rate determined by the Company for the month as at the first day of the period.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement and presented net.

2.5. Equity

The Company's decision to pay an interim profit distribution is reflected in the accounting as a decrease in equity and is presented on the balance sheet line - Less advances on profit distribution paid. Such an advance on profit distribution paid or a part thereof is classified as a receivable from shareholders as at the balance sheet date if the Company incurs a loss or achieves lower profit than the value of the originally paid advance profit distribution.

2.6. Related parties

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

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

Material transactions and outstanding balances with related parties are disclosed in Note 8.

2.7. Interest expense

All borrowing costs are expensed.

2.8. Deferred tax

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

2.9. Cash-flow statement

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

The Company has prepared a Cash-flow statement using the indirect method.

2.10. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed, but are not themselves recognised in the financial statements.

3. Investments in subsidiaries

(CZK thousand)			2019 net		2019 profit	2019 advance
31 December 2019	Cost	Share (%)	profit	Net assets	distribution	profit distribution
					income	received
Czech entities						
NET4GAS, s.r.o.	11,556,889	100 %	3,336,025	13,303,169	5,580,601	1,669,715
Total	11,556,889	100 %	3,336,025	13,303,169	5,580,601	1,669,715

(CZK thousand)			2018 net		2018 profit	2018 advance
31 December 2018	Cost	Share (%)	profit	Net assets	distribution	profit distribution
					income	received
Czech entities						
NET4GAS, s.r.o.	7,009,003	100 %	2,937,864	11,430,551	-	1,500,000
Total	7,009,003	100 %	2,937,864	11,430,551	-	1,500,000

NET4GAS, s.r.o. was incorporated on 29 June 2005 by the Municipal Court in Prague, Section C, Insert 108316 and has its registered office at Na Hřebenech II 1718/8, Prague 4 – Nusle, the Czech Republic. The company's main business activity is natural gas transmission in accordance with the Act No. 458/2000 Coll., on conditions for undertaking the business and for the execution of state administration in the energy sector and on changes to certain decrees. Identification number of the company is 272 60 364.

On 3 April 2019, it was decided to increase the surcharges outside the registered capital of the subsidiary NET4GAS, s.r.o. in the amount of 1 572 912 ths. The amount was paid on 4 April 2019. On 13 September 2019, it was decided to increase the surcharges outside the registered capital of the subsidiary NET4GAS, s.r.o. in the amount of 3 049 280 ths. The amount was paid on 18 September 2019. On 27 September 2019, it was decided to repay the surcharge outside the share capital of the subsidiary NET4GAS, s.r.o. in the amount of 3 009 684 ths. CZK. The amount was received on 16 October 2019. On 9 December 2019, it was decided to increase the surcharges outside the registered capital in the subsidiary NET4GAS, s.r.o. in the amount of 2 904 063 ths. CZK. The amount was paid on 13 December 2019.

On 15 April 2019 the General Meeting approved the financial statements of the Company for the year 2018 and decided to transfer the loss for the year 2018 in the amount of CZK 4,053 ths. CZK to retained earnings. The General Meeting decided to use the amount of CZK 1,500,000 ths. CZK from the retained earnings account from previous years as a distribution of profit share of NET4GAS, s.r.o. for the year 2018. The receivable was offset against the advance for profit of 1 500 000 ths. CZK paid on the basis of a decision of the Company's Managing Directors dated 5 October 2018

On 27 September, it was decided to pay a share of the earnings NET4GAS, Ltd. in the amount of 2 566 316 ths. CZK. The amount was received on 16 October in 2019.

On 6 December 2019 it was decided to pay a share of the profit of previous years NET4GAS, s.r.o. in the amount of 1 514 285 ths. CZK. The amount was received on 18 December 2019. On 6 December 2019, it was decided to pay an advance on the share of NET4GAS, s.r.o. for the year 2019 in the amount of 1 669 715 ths. CZK. The amount was received on 18 December 2019.

4. Receivables

The Company has no overdue receivables.

Unsettled receivables have not been covered by guarantees.

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

5. Equity

The shareholders:

(in %)	31 December 2019	31 December 2018
Allianz Infrastructure Czech HoldCo II S.à r.l., L-2450 Luxembourg, 14, boulevard F.D. Roosevelt, Luxembourg, Registration number: B 175770	50	50
Borealis Novus Parent B.V., 1011PZ Amsterdam, Muiderstraat 9, Netherlands, Registration number: 57412243	50	50
Total	100	100

Allianz SE is the ultimate parent company for Allianz Infrastructure Czech HoldCo II S.à r.l. and OMERS Administration Corporation is the ultimate parent company for Borealis Novus Parent B.V.

The Company does not form a part of any upper consolidation group.

The Company is fully governed by the new Corporations Act (see Note 1) and used the option not to create a reserve fund. This fact is further enabled by the Articles of Association of the Company.

The Company prepares the consolidated financial statements of the largest group of entities of which the Company forms a part as a subsidiary. The consolidated financial statements of the largest group of entities of which the Company forms a part as a subsidiary can be obtained on Company's web page.

Increase / decrease in Capital contributions outside registered capital: On 1 April 2019, the General Meeting decided to increase the surcharges outside the registered capital in the amount of CZK 1,572,912 ths. CZK. The amount was received on 2 April 2019. On 2 September 2019, the General Meeting decided to increase the surcharges outside the registered capital in the amount of 3,049,280 ths. CZK. The amount was paid on 12 September 2019. On 27 September it was decided to repay the surplus of Other Capital Funds in the amount of CZK 3,844,566 ths CZK. the amount was received on 16 October 2019. On 9 December 2019, it was decided to increase the surcharges outside the registered capital in the amount of 2 923 287 ths. CZK. The amount was paid on 12 December 2019

Increase / decrease in Capital contributions outside registered capital

<i>Month/Year</i>	<i>(CZK thousand)</i>	<i>Comment to the settlement of the increase / decrease</i>
August 2018	547,256	Incoming payment*
November 2018	637,808	Incoming payment*
Total increase in 2018	1,185,064	
April 2019	1,572,912	Incoming payment*
September 2019	3,049,280	Incoming payment*
October 2019	-3,844,566	Other capital funds released - outgoing payment
November 2019	2,923,287	Incoming payment*
Total increase in 2019	3,700,913	

* For purpose of Capacity4Gas project funding a Funding agreement was concluded based on which the sole shareholder increased other capital funds.

Profit and advance payments:

On 15 April 2019 the General Meeting approved the financial statements of the Company for the year 2018 and decided to transfer the loss for the year 2018 in the amount of CZK 4,053 ths. CZK to retained earnings. The General Meeting decided to use the amount of CZK 1,500,000 ths. CZK from the retained earnings account from previous years as a distribution of profit share of NET4GAS, s.r.o. for the year 2018. The receivable was offset against the advance for profit of 1 500 000 ths. CZK paid on the basis of a decision of the Company's Managing Directors dated 5 October 2018

On 27 September 2019 it was decided to pay an advance for the year 2019 in the amount of 1 600 233 ths. CZK. The amount was paid on 16 October 2019. On 6 December 2019 it was decided to pay a dividend's advance on the profit share for the year 2019 in the amount of CZK 3,160,000 ths CZK. The amount was paid on 18 December, 2019. Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2019.

Profit and advance payments:

<i>Month/Year</i>	<i>(CZK thousand)</i>	<i>Comment to the settlement of the increase / decrease</i>
October 2018	-1 500 000	Outgoing payment - advance
Total decrease in 2018	-1 500 000	
October 2019	-1 600 233	Outgoing payment - advance
December 2019	-3 160 000	Outgoing payment - advance
Total decrease in 2019	4 760 233	

6. Payables, commitments and contingent liabilities

Trade payables and other liabilities were not secured by Company's assets and their maturity is less than 5 years.

The Company provide no other guarantees except those recognized in the balance sheet.

As at 31 December 2019 and 31 December 2018, the Company had no significant overdue current payables.

7. Commitments and contingent liabilities

The management of the Company is not aware of any contingent liabilities as at 31 December 2019.

The Company has no investment commitments and no operating lease and other commitments.

8. Related party transactions

Short-term receivables from related parties were as follows (in CZK thousand):

Related party	Nature of relationship	Terms/Due dates	Interest rate p.a.	31 December 2019
NET4GAS, s.r.o.	Subsidiary	3 months from notice delivery	1.6 % (CZK) 0 % (EUR) 1,14 % (USD)	17 031 6 933 7 233
Total	-	-		31 197
Related party	Nature of relationship	Terms/Due dates	Interest rate p.a.	31 December 2018
NET4GAS, s.r.o.	Subsidiary	3 months from notice delivery	1,36%	19,242
Total	-	-		19,242

Interest income related to short-term loans to related parties amounted to CZK 376 thousand in 2019 (2018: CZK 139 thousand).

Income from investments in NET4GAS, s.r.o. amounted to CZK 5,580,601 thousand in 2019 (2018: CZK 0 thousand).

Short-term payables from related parties were as follows (in CZK thousand):

Related party	Nature of relationship	Terms/Due dates	Interest rate p.a.	31 December 2019
NET4GAS, s.r.o.	Subsidiary	3 months from notice delivery	-	0
Total	-	-	-	0

Related party	Nature of relationship	Terms/Due dates	Interest rate p.a.	31 December 2018
NET4GAS, s.r.o.	Subsidiary	3 months from notice delivery	0,33 % (EUR) 3,08 % (USD)	7,906
Total	-	-	-	7,906

Interest expense incurred on the short-term payables from the controlling company was CZK 63 thousand in 2019 (2018: CZK 43 thousand).

No loans, guarantees or other benefits have been granted to the Company's directors, members of the Supervisory Board and other members of management.

9. Fees paid and payable to the audit company

The information relating to the fees paid and payable for services performed by the audit company Deloitte Audit s.r.o. is included in the consolidated financial statements of the Company.

10. Income tax

The current tax analysis:

(CZK thousand)	2019	2018
Net profit before taxation	5 557 074	(4,053)
<i>Non-taxable income</i>		
Income from subsidiaries	(5 580 601)	-
<i>Non-deductible expenses</i>		
Consultancy services	21 231	4,026
Interest expenses	63	43
Tax base	(2 233)	16
Deduction of tax losses	0	(16)
Corporate income tax at 19%	0	-

A potential net deferred tax asset of CZK 6,808 thousand as at 31 December 2019 (as at 31 December 2018: CZK 137,971 thousand) has not been recognized as it is not probable that future taxable profit will be available against which the unused tax credits can be utilized. The 19% rate has been used to calculate it as at 31 December 2019 and 2018.

As at 31 December 2019, the Company had tax losses of CZK 35,399 thousand. Tax losses can be deducted from the tax base pursuant to Section 34 (1) to (3) of the Income Tax Act as follows: 7 339 ths. CZK last in 2020, 26 260 ths. CZK last in 2022 and the amount of 2 233 ths. CZK last in 2024.

11. Subsequent events

The Covid-19 development and its potential impact on the Company

Given the nature of the Company business no implications with regard to key Company functions are anticipated.

Annex no. 3: Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT **To the Partners of NET4GAS Holdings, s.r.o.**

Having its registered office at: Na hřebenech II 1718/8, Nusle, 140 00 Praha 4

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the accompanying separate financial statements of NET4GAS Holdings, s.r.o. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2019, the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We have audited the accompanying consolidated financial statements of NET4GAS Holdings, s.r.o and its subsidiaries (the "Group") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the consolidated balance sheet as of 31 December 2019, the consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion:

- The accompanying separate financial statements give a true and fair view of the financial position of NET4GAS Holdings, s.r.o. as of 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.
- The accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other Information in the Consolidated Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the separate and consolidated financial statements and auditor's report thereon. The Statutory Executives are responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information. In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge

obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

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

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

Responsibilities of the Company's Statutory Executives for the Financial Statements

The Statutory Executives are responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Statutory Executives determine is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, the Statutory Executives are responsible for assessing the Company's and the Group'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 Statutory Executives either intend to liquidate the Company or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated 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 Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Executives.
- Conclude on the appropriateness of the Statutory Executives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or the Group'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 separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated 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 separate and 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 Statutory Executives 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.

In Prague on 24 April 2020

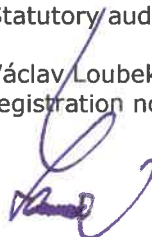
Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Václav Loubek
registration no. 2037



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ID No.: 29135001

A PDF version of the NET4GAS Holdings Group Consolidated Annual Report 2019 is available on the website of NET4GAS Holdings in Czech and in English. In all matters of interpretation, the Czech version of the annual report takes precedence over the English version.