

**NET4GAS Holdings Group  
Consolidated Annual Report 2020**

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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 the management of the Consolidated Group.

NET4GAS holds an exclusive gas Transmission System Operator (TSO) licence in the Czech Republic. The Company provides 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

<b>Company name:</b>	NET4GAS Holdings, s.r.o.
<b>Identification number:</b>	291 35 001
<b>Date of registration in the Commercial Register:</b>	5 December 2012
<b>Address:</b>	Na hřebenech II 1718/8, 140 00 Prague 4 - Nusle, Czech Republic
<b>Shareholders:</b>	<ul style="list-style-type: none"><li>▪ Allianz Infrastructure Czech HoldCo II S.à r.l. (50%)</li><li>▪ Borealis Novus Parent B.V. (50%)</li></ul>

### NET4GAS Holdings Statutory Directors as of 31 December 2020

#### **Alastair Colin Hall**

Statutory Director and Executive Officer

Position held since: 1 September 2020

#### **Jaroslava Korpancová**

Statutory Director and Executive Officer

Position held since: 15 February 2013

#### **Igor Emilievic Lukin**

Statutory Director and Executive Officer

Position held since: 1 May 2020

#### **Delphine Voeltzel**

Statutory Director and Executive Officer

Position held since: 16 April 2019

### Changes in the NET4GAS Holdings Statutory Directors

The Executive Officers of NET4GAS Holdings changed in 2020. Andrew Cox resigned as the Company's Executive Officer. His term of office expired on 30 April 2020. Under a decision of the Company's General Meeting dated 29 April 2020, Igor Emilievic Lukin was appointed the Company's Executive Officer effective as of 1 May 2020. Moreover, John Anthony Guccione resigned as the Company's Executive Officer. His term of office expired on 31 August 2020. Under a decision of the Company's General Meeting dated 24 August 2020, Alastair Colin Hall was appointed the Company's Executive Officer effective as of 1 September 2020.

## NET4GAS

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

### NET4GAS Supervisory Board as of 31 December 2020

#### 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)

#### Alastair Colin Hall

Member of the Supervisory Board

Member since: 1 September 2020

#### Igor Emilievic Lukin

Member of the Supervisory Board

Member since: 1 May 2020

#### 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 2020, changes took place in the NET4GAS Supervisory Board. . Through a letter, Andrew Cox resigned as Member of the Supervisory Board. His term of office expired on 30 April 2020. Under a decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting dated 9 April 2020, Igor Emilievic Lukin was elected as a new Member of the Supervisory Board effective as of 1 May 2020. Moreover, through a letter, John Anthony Guccione resigned as Member of the Supervisory Board. His term of office expired on 31 August 2020. Under a decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting dated 7 August 2020, Alastair Colin Hall was elected as a new Member of the Supervisory Board effective as of 1 September 2020.

### NET4GAS Statutory Directors as of 31 December 2020

#### 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**

Statutory Directors of NET4GAS did not change in 2020..

### **NET4GAS Audit Committee as of 31 December 2020**

Following the issue of investment securities accepted for trading on the regulated European market, NET4GAS has become a public interest entity in terms 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 ensuring 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 the 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 Emilievic 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**

No changes occurred 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 12 May 2020, Michal Petrman, Stanislav Staněk and Pavel Závitkovský were re-appointed independent members of the Audit Committee effective as of 1 June 2020, following their one-year term of office. On 18 June 2020, Michal Petrman was re-elected as the Chairman of the Audit Committee.

## BRAWA

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

### Supervisory Board of BRAWA as of 31 December 2020

#### Martin Kolář

Chairman of the Supervisory Board

Position held since: 6 August 2020

Membership since: 1 July 2020

(in the Supervisory Board continuously since 20 March 2012)

#### Radek Benčík

Vice-Chairman of the Supervisory Board

Position held since: 6 August 2020

Membership since: 1 July 2020

(in the Supervisory Board continuously since 20 March 2012)

#### Andreas Rau

Member of the Supervisory Board

Membership since: 19 February 2020

(in the Supervisory Board continuously since 19 February 2014)

### Changes in the Supervisory Board

No changes occurred in the Supervisory Board of BRAWA in 2020. Under a decision of the sole shareholder of BRAWA dated 10 February 2020, Andreas Rau was re-elected as Member of the Supervisory Board. Under a decision of the sole shareholder of BRAWA dated 16 June 2020, Martin Kolář and Radek Benčík were re-elected as Members of the Supervisory Board. On 6 August 2020, Martin Kolář was re-elected as Chairman and Radek Benčík as Vice-Chairman of the Supervisory Board.

### Board of Directors of BRAWA as of 31 December 2020

#### Jan Martinec

Chairman of the Board of Directors

Position held since: 7 July 2019

Membership since: 7 July 2019

(in the Board of Directors continuously since 7 July 2014)

#### Miroslav Holý

Vice-Chairman of the Board of Directors

Position held since: 17 December 2020

Membership since: 30 November 2020

(in the Board of Directors continuously since 1 November 2015)

### Changes in the Board of Directors

No changes occurred in the Board of Directors of BRAWA in 2020. Under a decision of the sole shareholder of BRAWA dated 30 November 2020, Miroslav Holý was re-elected as Member of the Board of Directors. Under a decision of the Board of Directors of BRAWA dated 17 December 2020, Miroslav Holý was re-elected Vice-Chairman of the Board of Directors, with effect from 17 December 2020.

# Consolidated Report on Operations of the NET4GAS Holdings Group 2020

## NET4GAS Group Main Financial Indicators

Selected indicators*	2020 (CZK million)
Revenue	10,028
Operating profit	6,753
Profit before tax	5,539
Profit after tax	4,543
Investments – long-term projects finished in 2020	10,450
Capital expenditure to tangible and intangible assets in 2020	5,389

\* according to CZ GAAP

### Revenues, costs, profit

In 2020, the Group generated profit before tax of CZK 5,539 million, profit after tax was CZK 4,543 million. The operating profit of the Group amounted to CZK 6,753 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 10,200 million and operating costs were CZK 3,447 million.

### Asset structure

The total assets of the Group in 2020 amounted to CZK 51,909 million, of which fixed assets accounted for CZK 48,570 million, representing 94% of total assets. The components of these assets were tangible fixed assets valued at CZK 52,925 million, intangible fixed assets valued at CZK 72 million and negative goodwill on consolidation amounting to CZK (4,427) million.

As of 31 December 2020, current assets amounted to CZK 3,205 million, representing 6% of total assets. Current assets comprised current liabilities (approximately 26%) and cash (approximately 69%).

### Investments

In 2020, the Group finished long-term projects in the amount of CZK 10,450 million (additions to fixed assets at cost). The most significant investment of CZK 9,707 million was made within the Capacity4Gas project. Capital expenditures in 2020 amounted to CZK 5,389 million.

### Structure of liabilities and equity

The Group's equity as of 31 December 2020 was CZK 12,770 million. All Group entities reported positive values of equity in their separate financial statements.

Liabilities and other liabilities amounted to CZK 38,681 million. Long-term liabilities and borrowings (particularly bonds, utilised loan, deferred tax liability, and liabilities arising from derivative instruments) accounted for about 58%.

### Investment instruments and financial derivatives

To secure a return on its available cash during 2020, 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 2020. 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 2020.

### 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 2020, Moody's Investors Service and Fitch Ratings affirmed NET4GAS's Baa2 and BBB investment grade ratings, respectively, with a stable outlook. The ratings continue to reflect the fact that NET4GAS possesses the financial strength to fulfil all of its present and future obligations in a timely manner, and is prepared to carry out its planned long-term investments.

Securing financing on a continuous basis is very important, not least, in relation to a responsible approach towards the company's creditors. Therefore, in 2020 the company secured two committed bank loans in the amount of CZK 7.4 billion due in 2028 and CZK 2.875 billion due in 2025, neither of which has been drawn as of the date of the financial statements. Subsequently, NET4GAS optimized its capital structure at the end of 2020 and in the second half of January 2021, the company issued domestic Czech crown bonds in the amount of CZK 4.098 billion, which will reach maturity in 2028, and in the amount of CZK 6.900 billion, that will reach maturity in 2031 (see Post Balance Sheet Events). All financing actions have been prepared under the ongoing presumption that the company's ratings from the two leading rating agencies remain unchanged.

## NET4GAS Main Business Operations

The total volume of natural gas transmitted in 2020 amounted to 48.0 billion cubic meters (bcm), including 8.7 bcm for consumption in the Czech Republic. The total amount of transmitted gas increased by 4.6 bcm compared to 2019 as a result of the completion of a part of the Capacity4Gas project and the resulting higher volume of gas transmitted in the direction to Slovakia. Despite the Covid-19 pandemic, domestic transmission grew by 0.1 bcm in 2020 compared to 2019 due to the slightly colder climatic conditions in the Czech Republic.

In 2020, NET4GAS fulfilled its contractual commitments under 7,634 gas transmission agreements. The number of agreements that were entered into increased year-over-year once again, underscoring the ongoing trend of short-term transmission capacity bookings, mainly on a daily and intraday basis.

NET4GAS continued executing projects aimed at the development of the natural gas transmission system in 2020. Focus concentrated on completing 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. Completed in 2019, the first stage of the project mainly consisted of building the new Otvice Compressor Station and an interconnection pipeline to the new EUGAL pipeline in Germany near the Hora Svaté Kateřiny Transfer Station, and an extension of the Lanžhot Measuring Station on the Czech-Slovak border. In December 2020, NET4GAS obtained all of the necessary permits for putting into operation a new 150-kilometer DN 1400 PN 85 high-pressure pipeline connecting the new Kateřinský Potok Junction Point to the modified Přimda Junction Point. This milestone marked the successful completion of the second and last stage of the Capacity4Gas project. The new infrastructure built within the framework of the Capacity4Gas project aims to strengthen interconnections between the Czech Republic and the entire Central and Eastern European region to Western European gas markets, providing access to diversified gas supplies at competitive prices, including access to liquefied natural gas (LNG) terminals planned to be built in Germany. At the same time, it enhances the strategic role of the Czech Republic in international gas transit, also with a view to the possible future transportation of renewable gases, including hydrogen. The Capacity4Gas project has had a favorable economic impact thanks to the extensive construction activity in the Czech Republic with the high level of participation of Czech contractors and subcontractors. The subsequent operation of the new gas infrastructure is another positive factor as regards the Czech economy.

In 2020, the Moravia Capacity Extension domestic project entered the implementation stage. The project consists of building approximately 85 kilometers of a new DN 1000 PN 73.5 high-pressure pipeline between the existing Tvrdonice and Bezměrov Junction Points. Its objective is to increase the future output capacity of the transmission system for natural gas supplied to Central and Northern Moravia with a view to ensuring the continued security of supply in the region.

Under Commission Regulation (EU) 2017/459 of March 16, 2017, establishing a network code on capacity allocation mechanisms in gas transmission systems (CAM NC), NET4GAS is required to conduct consultations with transmission system operators in neighbouring countries regarding the market demand for incremental capacity at the borders of the NET4GAS system at least once every two years. During the most recent consultation on market demand, held in 2019, NET4GAS and transmission system operators from neighbouring countries received noncommittal long-term inquiries from network users for capacity on the Czech-Austrian and Czech-Polish borders. In response, incremental capacity projects have been initiated by NET4GAS in partnership with Gas Connect Austria and Gaz-System. In accordance with CAM NC, the incremental capacity between the Czech Republic and Austria and between the Czech Republic and Poland will be offered at the European annual capacity auction in July 2021. In 2020, proposals for both of the projects were submitted to the Energy Regulatory Office, which is to set transmission tariffs, as well as other parameters for the new border points for the upcoming auction. The approval of the projects will depend on the results of the annual capacity auction, subject to a positive outcome of economic tests carried out on both sides of the border.

To ensure the safe and reliable transmission of natural gas, NET4GAS continued to maintain and upgrade the transmission system throughout 2020. Reconstruction work was mainly carried out in connection with the completion of the Capacity4Gas project and in accordance with the long-term network maintenance plan. In addition to the in-progress upgrade of compressor stations and the Přimda Junction Point, the commercial metering system at the Drahelčice Transfer Station was upgraded by the installation of ultrasound technology, and another stage of the modernization of river crossings was launched. In addition, several line valve stations were refurbished.

In 2020, NET4GAS continued projects aimed at building direct connections to the transmission system for customers, such as a new power / heating plant, an industrial zone, a gas liquefaction facility, cogeneration units, and a gas storage facility. In connection with the transition of industrial operations to a low-carbon economy, such as switching from coal to natural gas, the demand for the direct connection of customers to the NET4GAS transmission system is expected to rise in the near future.

Considering the anticipated significant increase in end-consumer consumption in the upcoming years, the local distribution system operator requested an increase in the capacity for Northern Bohemia in 2020. The project is expected to include the modernization of the NET4GAS transfer station, including enlarging the commercial metering system and upgrading the control system.

NET4GAS is active in the area of innovation. Against the backdrop of the current debate on the transition to a low-carbon economy in Europe, NET4GAS has undertaken an analysis of the options for greening natural gas in an effort to demonstrate that it is a viable alternative for storing renewable energy. The Greening of Gas project combines the Power2Gas technology, which relies on electrolytic deposition to produce hydrogen using electricity, and the biological purification of biogas in order to generate renewable gases that are injected into the transmission and distribution systems. A feasibility study was carried out in 2020, confirming the viability of the project and identifying a suitable site. Moreover, NET4GAS was one of the sponsors of the “European Hydrogen Backbone” in 2020, a study aimed at examining methods for building European backbone hydrogen infrastructure in the forthcoming years, with a major contribution being made by existing gas networks.

## **BRAWA Business Operations**

The core activity of BRAWA in 2020 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 2020.

As of 31 December 2020, NET4GAS had 546 employees, 19.2% of whom were women. Women accounted for 14.7% 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 2020–2024. As of 31 December 2020, 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 (see NET4GAS Corporate Philanthropy). 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 that 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 2020, 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 2020, the Group complied with all legal requirements pertaining to environmental protection. In accordance with the requirements of the central and local governments, designated facilities have contingency plans to respond to accidents as per the Water Act. In 2020, these plans fulfilled the role of preventive measures only, as no environmental accident occurred at any Group facilities. The local and central government authorities found no deficiencies in the control of compliance with obligations arising for the Group under the laws and regulations in effect and the integrated license.

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 the 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 the operations. In 2020, 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. 2020

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 2020 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 2020 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 2020, 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 21, 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

There were no agreements concluded between the Company and controlling entities or Related Parties during the most recent accounting period. The agreements concluded in preceding accounting periods which were in effect during the most recent accounting period form Annex No. 2 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. 3 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 2020 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 26 March 2021



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 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, Amendment No. 3 of 16 July 2015 and Amendment No. 4 of 11 November 2019	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 as amended by Amendment No. 2 of 6 December 2019	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.
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.
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.

### Appendix No. 3 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	7 February 2020	The subject matter of the decision is the approval of the voluntary payment of contributions outside 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	30 April 2020	The subject matter of the decision is the approval of a proposal for the distribution of retained earnings from the previous years as a payment of share in profit for 2019 to the shareholders of the Company.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's General Meeting	3 June 2020	The subject matter of the decision is the approval of the voluntary payment of contributions outside 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	10 June 2020	The subject of the decision was the approval of the payment of the Company's retained earnings from previous years.
Allianz Infrastructure Czech HoldCo II S.à r.l.,Borealis Novus Parent B.V.	Decision of the Company's General Meeting	14 December 2020	The subject matter of the decision is the approval of the return of contributions outside the registered capital which were voluntarily provided by the shareholders of the Company.



## Post Balance Sheet Events

NET4GAS utilised favourable market conditions and on 18 January 2021 successfully launched a CZK-denominated bond offering in an aggregate volume of CZK 10.998 billion. The dual-tranche transaction consisted of a 7-year bond in the volume of CZK 4.098 billion paying a floating rate coupon of 6M PRIBOR plus 0.95% (paid semi-annually) and a 10-year bond in the volume of CZK 6.900 billion bearing a fixed annual coupon of 2.745%. By launching the bond, the capital structure of NET4GAS continues to be based on conservative and prudent business assumptions, which are also in line with the investment grade ratings of Baa2 by Moody's Investors Service and BBB by Fitch Ratings.

After assessing all currently available information, including the impacts of the persisting COVID-19 pandemic, the management believes that the ability of the Group to continue as a going concern in the following reporting period is not endangered. The financial statements have been prepared on this assumption.

In 2021 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 26 March 2021



Jaroslava Korpancová  
Statutory Director



Delphine Voeltzel  
Statutory Director

**Annex no. 1: Consolidated Financial Statements**

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**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 26 March 2021.

Statutory body of the reporting entity:	Signature
<b>Delphine Voeltzel</b> Statutory Executive	
<b>Jaroslava Korpancová</b> Statutory Executive	

**CONSOLIDATED BALANCE SHEET**  
full version

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

As of  
31.12.2020  
(in CZK million)

Na hřebenech II 1718/8  
Nusle  
140 00, Praha

		31.12.2020			31.12.2019
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>81 629</b>	<b>29 720</b>	<b>51 909</b>	<b>48 856</b>
<b>B.</b>	<b>Fixed assets</b>	<b>78 289</b>	<b>29 719</b>	<b>48 570</b>	<b>45 402</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<b>646</b>	<b>574</b>	<b>72</b>	<b>112</b>
B.I.1.	Research and development	51	51	-	-
B.I.2.	Valuable rights	<b>546</b>	<b>504</b>	<b>42</b>	<b>58</b>
B.I.2.1.	Software	540	498	42	58
B.I.2.2.	Other valuable rights	6	6	-	-
B.I.4.	Other intangible fixed assets	20	19	1	27
B.I.5.	Prepayments for intangible fixed assets and intangible fixed assets under construction	<b>29</b>	-	<b>29</b>	<b>27</b>
B.I.5.2.	Intangible fixed assets under construction	29		29	27
<i>B.II.</i>	<i>Tangible fixed assets</i>	<b>84 681</b>	<b>31 756</b>	<b>52 925</b>	<b>50 069</b>
B.II.1.	Land and structures	<b>74 832</b>	<b>26 049</b>	<b>48 783</b>	<b>41 009</b>
B.II.1.1.	Land	283		283	281
B.II.1.2.	Structures	74 549	26 049	48 500	40 728
B.II.2.	Tangible movable assets and	8 924	5 707	3 217	2 878
B.II.4.	Other tangible fixed assets	<b>1</b>	-	<b>1</b>	<b>1</b>
B.II.4.3.	Other tangible fixed assets	1		1	1
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under construction	<b>924</b>	-	<b>924</b>	<b>6 181</b>
B.II.5.1.	Prepayments for tangible fixed assets	207		207	403
B.II.5.2.	Tangible fixed assets under construction	717		717	5 778
	Positive/negative goodwill on consolidation	<b>(7 038)</b>	<b>-2 611</b>	<b>-4 427</b>	<b>(4 779)</b>
<b>C.</b>	<b>Current assets</b>	<b>3 206</b>	<b>1</b>	<b>3 205</b>	<b>3 353</b>
<i>C.I.</i>	<i>Inventories</i>	<b>158</b>	-	<b>158</b>	<b>97</b>
C.I.1.	Material	158		158	97
<i>C.II.</i>	<i>Receivables</i>	<b>822</b>	<b>1</b>	<b>821</b>	<b>1 094</b>
<i>C.II.2.</i>	<i>Short-term receivables</i>	<b>822</b>	<b>1</b>	<b>821</b>	<b>1 094</b>
C.II.2.1.	Trade receivables	139	1	138	430
C.II.2.4.	Receivables - other	<b>683</b>	-	<b>683</b>	<b>664</b>
C.II.2.4.3.	State - tax receivables	60		60	18
C.II.2.4.4.	Short-term prepayments made	3		3	2
C.II.2.4.5.	Estimated receivables	608		608	493
C.II.2.4.6.	Sundry receivables	12		12	151
<i>C.IV.</i>	<i>Cash</i>	<b>2 226</b>	-	<b>2 226</b>	<b>2 162</b>
C.IV.2.	Cash at bank	2 226		2 226	2 162
<b>D.</b>	<b>Other assets</b>	<b>134</b>	-	<b>134</b>	<b>101</b>
D.1.	Deferred expenses	134		134	101

		31.12.2020	31.12.2019
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>51 909</b>	<b>48 856</b>
<b>A.</b>	<b>Equity</b>	<b>12 770</b>	<b>8 510</b>
A.II.	<i>Share premium and capital funds</i>	<b>12 632</b>	<b>8 910</b>
A.II.2.	<i>Capital funds</i>	<b>12 632</b>	<b>8 910</b>
A.II.2.1.	Other capital funds	12 708	9 089
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	(76)	(179)
A.IV.	<b>Retained earnings (+/-)</b>	<b>(1 196)</b>	<b>715</b>
A.IV.1.	Accumulated profits brought forward	-	715
A.IV.2.	Accumulated losses brought forward (-)	(1 196)	-
A.V.	<b>Profit or loss for the current period (+/-)</b>	<b>4 543</b>	<b>3 645</b>
A.VI.	Profit share prepayments declared (-)	(3 209)	(4 760)
<b>B.+C.</b>	<b>Liabilities</b>	<b>38 681</b>	<b>39 913</b>
<b>B.</b>	<b>Reserves</b>	<b>199</b>	<b>224</b>
B.II.	Income tax reserve		48
B.IV.	Other reserves	199	176
<b>C.</b>	<b>Payables</b>	<b>38 482</b>	<b>39 689</b>
C.I.	<b>Long-term payables</b>	<b>22 605</b>	<b>35 213</b>
C.I.1.	<i>Bonds issued</i>	<b>8 117</b>	<b>19 879</b>
C.I.1.1.	Convertible bonds	8 117	19 879
C.I.2.	Payables to credit institutions	7 074	7 074
C.I.4.	Trade payables	30	39
C.I.8.	Deferred tax liability	6 567	6 507
C.I.9.	<i>Payables - other</i>	<b>817</b>	<b>1 714</b>
C.I.9.3.	Sundry payables	817	1 714
C.II.	<b>Short-term payables</b>	<b>15 877</b>	<b>4 476</b>
C.II.1.	<i>Bonds issued</i>	<b>12 497</b>	<b>277</b>
C.II.1.1.	Convertible bonds	12 497	277
C.II.3.	Short-term prepayments received	563	389
C.II.4.	Trade payables	898	1 224
C.II.8.	<i>Other payables</i>	<b>1 919</b>	<b>2 586</b>
C.II.8.3.	Payables to employees	30	25
C.II.8.4.	Social security and health insurance payables	16	13
C.II.8.5.	State - tax payables and subsidies	19	32
C.II.8.6.	Estimated payables	1 032	2 159
C.II.8.7.	Sundry payables	822	357
<b>D.</b>	<b>Other liabilities</b>	<b>458</b>	<b>433</b>
D.1.	Accrued expenses	9	2
D.2.	Deferred income	449	431

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
structured by the nature of expense method

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

Year ended  
31.12.2020  
(in CZK million)

Na hřebenech II 1718/8  
Nusle  
140 00, Praha

		Year ended 31.12.2020	Year ended 31.12.2019
I.	Sales of products and services	10 028	8 053
A.	Purchased consumables and services	775	614
A.2.	Consumed material and energy	350	159
A.3.	Services	425	455
C.	Own work capitalised (-)	(167)	(178)
D.	Staff costs	718	706
D.1.	Payroll costs	531	518
D.2.	Social security and health insurance costs and other charges	187	188
D.2.1.	Social security and health insurance costs	171	173
D.2.2.	Other charges	16	15
E.	Adjustments to values in operating activities	2 304	2 004
E.1.	Adjustments to values of intangible and tangible fixed assets	2 352	1 956
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	2 356	1 960
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	(4)	(4)
E.3.	Adjustments to values of receivables	(48)	48
	Release of negative goodwill on consolidation	352	352
III.	Other operating income	172	221
III.1.	Sales of fixed assets	53	143
III.2.	Sales of material	1	-
III.3.	Sundry operating income	118	78
F.	Other operating expenses	169	124
F.1.	Net book value of sold fixed assets	29	48
F.2.	Net book value of sold material	1	-
F.3.	Taxes and charges	20	9
F.4.	Reserves relating to operating activities and complex deferred expenses	22	5
F.5.	Sundry operating expenses	97	62
*	<b>Operating profit or loss (+/-)</b>	<b>6 753</b>	<b>5 356</b>
VI.	Interest income and similar income	8	26
VI.2.	Other interest income and similar income	8	26
J.	Interest expenses and similar expenses	660	726
J.2.	Other interest expenses and similar expenses	660	726
VII.	Other financial income	763	352
K.	Other financial expenses	1 325	575
*	<b>Financial profit or loss (+/-)</b>	<b>(1 214)</b>	<b>(923)</b>
**	<b>Profit or loss before tax (+/-)</b>	<b>5 539</b>	<b>4 433</b>
L.	Income tax	996	788
L.1.	Due income tax	961	792
L.2.	Deferred income tax (+/-)	35	(4)
**	<b>Profit or loss net of tax (+/-)</b>	<b>4 543</b>	<b>3 645</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>4 543</b>	<b>3 645</b>
*	Net turnover for the current period	10 971	8 652

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**

Year ended  
31.12.2020  
(in CZK million)

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

Na hřebenech II 1718/8  
Nusle  
140 00, Praha

	Other capital funds	Gains or losses from the revaluation of assets and liabilities	Retained earnings	Profit for the period	Profit shares advances paid	TOTAL EQUITY
<b>Balance at 31 December 2018</b>	<b>5 389</b>	<b>51</b>	<b>(926)</b>	<b>3 272</b>	<b>(1 500)</b>	<b>6 286</b>
Gains or loss on fair value remeasurement - fin. derivatives		(230)				(230)
Allocation of profit			1 641	(3 272)	1 500	(131)
Profit shares advances paid					(4 760)	(4 760)
Increase in other capital funds	7 545					7 545
Decrease in other capital funds	(3 845)					(3 845)
Consolidated profit for the period				3 645		3 645
<b>Balance at 31 December 2019</b>	<b>9 089</b>	<b>(179)</b>	<b>715</b>	<b>3 645</b>	<b>(4 760)</b>	<b>8 510</b>
Gains or loss on fair value remeasurement - fin. derivatives		103				103
Distribution of profit			3 645	(3 645)		-
Profit shares paid			(5 556)		4 760	(796)
Profit shares advances paid					(3 209)	(3 209)
Increase in other capital funds	4 419					4 419
Decrease in other capital funds	(800)					(800)
Consolidated profit for the period				4 543		4 543
<b>Balance at 31 December 2020</b>	<b>12 708</b>	<b>(76)</b>	<b>(1 196)</b>	<b>4 543</b>	<b>(3 209)</b>	<b>12 770</b>

**CONSOLIDATED CASH FLOW  
STATEMENT**

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

Year ended  
31.12.2020  
(in CZK million)

Na hřebenech II 1718/8  
Nusle  
140 00, Praha

		Year ended 31.12.2020	Year ended 31.12.2019
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>2 162</b>	<b>1 302</b>
	<b><i>Cash flows from ordinary activities (operating activities)</i></b>		
Z.	Profit or loss before tax	5 539	4 433
A.1.	Adjustments for non-cash transactions	2 555	2 731
A.1.1.	Depreciation of fixed assets	2 004	1 608
A.1.2.	Change in provisions and reserves	(30)	43
A.1.3.	Profit on sale of Intangible assets	(24)	(95)
A.1.4.	Exchange rate differences	(6)	(1)
A.1.5.	Interest expense and interest income	652	700
A.1.6.	Adjustments for other non-cash transactions	(41)	476
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>8 094</b>	<b>7 164</b>
A.2.	Change in working capital	612	2 669
A.2.1.	Change in operating receivables and other assets	327	(77)
A.2.2.	Change in operating payables and other liabilities	346	(19)
A.2.3.	Change in inventories	(61)	(22)
A.2.4.	Change in current financial assets	-	2 787
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>8 706</b>	<b>9 833</b>
A.3.	Interest paid	(654)	(754)
A.4.	Interest received	8	29
A.5.	Income tax paid from ordinary operations	(1 056)	(676)
<b>A.***</b>	<b>Net operating cash flows</b>	<b>7 004</b>	<b>8 432</b>
	<b><i>Cash flows from investing activities</i></b>		
B.1.	Fixed assets expenditures	(6 577)	(6 476)
B.2.	Proceeds from fixed assets sold	24	95
<b>B.***</b>	<b>Net investment cash flows</b>	<b>(6 553)</b>	<b>(6 381)</b>
	<b><i>Cash flow from financial activities</i></b>		
C.2.	Impact of changes in equity	(387)	(1 191)
C.2.1.	Cash increase in other capital funds	4 419	7 545
C.2.2.	Capital payments to partners	(800)	(3 845)
C.2.3.	Profit shares paid	(797)	(131)
C.2.4.	Profit shares advances paid	(3 209)	(4 760)
<b>C.***</b>	<b>Net financial cash flows</b>	<b>(387)</b>	<b>(1 191)</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>64</b>	<b>860</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>2 226</b>	<b>2 162</b>



# ***Group NET4GAS Holdings***

Notes to the consolidated financial statements

31 December 2020

## **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 activity is holding shares in other companies for the NET4GAS Group.

The Company's shareholders as of 31 December 2020 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 2020 or 31 December 2019.

Statutory Directors as of 31 December 2020:

Jaroslava Korpancová	Position held since: 15 February 2013
Delphine Voeltzel	Position held since: 16 April 2019
Igor Emilievic Lukin	Position held since: 1 May 2020
Alastair Colin Hall	Position held since: 1 September 2020

During 2020 there was a change in the composition of the NET4GAS Holdings management. Igor Emilievic Lukin became Statutory Director on 1 May 2020 and the change was registered in the Commercial Register on 5 January 2021. Alastair Colin Hall became Statutory Director on 1 September 2020 and the change was registered in the Commercial Register on 5 January 2021. Andrew Cox resigned as the Statutory Director and his term of office expired on 30 April 2020 and the change was registered in the Commercial Register on 5 January 2021. John Antony Guccione resigned as the Statutory Director and his term of office expired on 31 September 2020 and the change was registered in the Commercial Register on 5 January 2021.

### **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.

**Group NET4GAS Holdings**

Notes to the consolidated financial statements  
for the year ended 31 December 2020

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.

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 for the year ended 2020**

<b>Name</b>	<b>NET4GAS, s.r.o.</b>	<b>BRAWA, a.s.</b>
<b>Registered office</b>	<b>Czech Republic</b>	<b>Czech Republic</b>
Acquisition cost of interest (in CZK million)	15,927	6,157
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 2020	For the period of 12 months ended 30 November 2020
Registered capital (in CZK million)	2,750	402
Equity (in CZK million)	17,225	6,651
Profit for the current period (in CZK million)	4,253	319
Total assets (in CZK million)	62,180	7,357
Consolidation method	Full	Full
Date of acquisition	2 August 2013	2 August 2013

**Subsidiaries for the year ended 2019**

<b>Name</b>	<b>NET4GAS, s.r.o.</b>	<b>BRAWA, a.s.</b>
<b>Registered office</b>	<b>Czech Republic</b>	<b>Czech Republic</b>
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 year (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

The reporting period of BRAWA, a.s., for 2020 began on 1 December 2019 and ended on 30 November 2020. For the preparation of the Group’s consolidated financial statements as of 31 December 2020, the actual transactions of BRAWA,a.s. for the period from January to December 2020 and balances as of 31 December 2020 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 2020 to 31 December 2020. Comparatives are presented for the period from 1 January 2019 to 31 December 2019.

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):

<b>Intangible fixed assets</b>	<b>Estimated useful life</b>
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 CO<sub>2</sub> 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:

<b>Tangible fixed assets</b>	<b>Estimated useful life</b>
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, the value of which 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**

Monetary assets and liabilities are translated into the Company's functional currency at the official spot exchange rate of the Czech National Bank ("CNB") on the dates of the transactions.

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.

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 'Other long-term and short-term 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 exert 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 2020	Additions / transfers	Disposals	31 December 2020
<b>Cost</b>				
Research	52	0	(1)	51
Software	518	23	(1)	540
Other royalties	6	0	0	6
Other intangible fixed assets	44	0	(24)	20
Intangible fixed assets under construction	27	25	(23)	29
<b>Total</b>	<b>647</b>	<b>48</b>	<b>(49)</b>	<b>646</b>
<b>Accumulated amortisation</b>				
Research	(52)	0	1	(51)
Software	(460)	(39)	1	(498)
Other royalties	(6)	0	0	(6)
Other intangible fixed assets	(17)	(26)	24	(19)
<b>Total</b>	<b>(535)</b>	<b>(65)</b>	<b>26</b>	<b>(574)</b>
<b>Net book value</b>	<b>112</b>			<b>72</b>

(CZK million)	1 January 2019	Additions / transfers	Disposals	31 December 2019
<b>Cost</b>				
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
<b>Total</b>	<b>676</b>	<b>58</b>	<b>(87)</b>	<b>647</b>
<b>Accumulated amortisation</b>				
Research	(54)	0	2	(52)
Software	(454)	(32)	26	(460)
Other royalties	(7)	0	1	(6)
Other intangible fixed assets	(14)	(3)	0	(17)
<b>Total</b>	<b>(529)</b>	<b>(35)</b>	<b>29</b>	<b>(535)</b>
<b>Net book value</b>	<b>147</b>			<b>112</b>

As of 31 December 2020, other intangible fixed assets included no emission allowances (as of 31 December 2019: CZK 24 million).

#### 4. **Tangible fixed assets**

(CZK million)	1 January 2020	Additions / transfers	Disposals	31 December 2020
<b>Cost</b>				
Land	281	2	0	283
Constructions	64,956	9,593	0	74,549
Tangible fixed assets and their sets	8,128	800	(4)	8,924
Other tangible fixed assets	1	0	0	1
Advances paid for tangible fixed assets	403	56	(252)	207
Tangible fixed assets under construction	5,778	5,361	(10,422)	717
<b>Total</b>	<b>79,547</b>	<b>15,812</b>	<b>(10,678)</b>	<b>84,681</b>
<b>Accumulated depreciation</b>				
Constructions	(24,133)	(1,825)	0	(25,958)
Tangible fixed assets and their sets	(5,250)	(461)	4	(5,707)
Provision for constructions	(95)	4	0	(91)
<b>Total</b>	<b>(29,478)</b>	<b>(2,282)</b>	<b>4</b>	<b>(31,756)</b>
<b>Net book value</b>	<b>50,069</b>			<b>52,925</b>

(CZK million)	1 January 2019	Additions / transfers	Disposals	31 December 2019
<b>Cost</b>				
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
<b>Total</b>	<b>70,405</b>	<b>9,173</b>	<b>-31</b>	<b>79,547</b>
<b>Accumulated depreciation</b>				
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)
<b>Total</b>	<b>(27,588)</b>	<b>(1,921)</b>	<b>30</b>	<b>(29,478)</b>
<b>Net book value</b>	<b>42,817</b>			<b>50,069</b>

#### 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 4,427 million as of 31 December 2020 (as of 31 December 2019: CZK 4,779 million).

#### 6. **Receivables**

Overdue receivables as of 31 December 2020 amounted to CZK 14 million (as of 31 December 2019: CZK 347 million).

As of 31 December 2020, receivables were not covered by material guarantees and none of them had maturity greater than 5 years (as of 31 December 2019: no receivables had maturities greater than 5 years).

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

Income tax prepayments of CZK 992 million made by NET4GAS, s.r.o. as of 31 December 2020 (as of 31 December 2019: CZK 746 million) were offset against the reserve for income tax of CZK 952 million as of 31 December 2020 (as of 31 December 2019: CZK 784 million).

Income tax prepayments of CZK 11 million paid by BRAWA, a.s. as of 31 December 2020 (as of 31 December 2019: CZK 6 million) were offset against the provision for income tax of CZK 5 million as of 31 December 2020 (as of 31 December 2019: CZK 16 million).

## **7. Deferred expenses**

Deferred expenses as of 31 December 2020 and 31 December 2019 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:

<b>(CZK million)</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Bank loans	36	20
Other deferred expenses	98	81
<b>Total</b>	<b>134</b>	<b>101</b>

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 Group records equity of CZK 12,770 million as of 31 December 2020 (as of 31 December 2019: CZK 8,510 million). All Group companies recognised positive equity in their separate financial statements prepared as of 31 December 2020 and 31 December 2019.

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 24 April 2020, the general meeting of shareholders approved the financial statements for 2019 and decided about transferring CZK 5,556 million to the Company's retained earnings (as of 15 April 2019: loss of CZK 4 million). The general meeting of shareholders also approved the distribution of CZK 4,760 million from the Company's retained earnings and offsetting the amount against a prepayment of CZK 4,760 million, which was fully paid in 2019.

On 10 June 2020, the general meeting of shareholders approved distribution of the Company's retained earnings in the amount of CZK 796 million.

In 2020, a profit share prepayment in the amount of CZK 3,209 million was made. In 2019, a profit share prepayment in the amount of CZK 4,760 million was made.

**Group NET4GAS Holdings**

Notes to the consolidated financial statements  
for the year ended 31 December 2020

Increase / decrease in additional equity contributions:

<b>Month/Year</b>	<b>(CZK million)</b>	<b>Comments on the settlement of the increase / decrease</b>
April 2019	1,573	Cash received*
September 2019	3,049	Cash received*
September 2019	(3,845)	Cash paid
November 2019	2,923	Cash received*
<b>Total increase in 2019</b>	<b>3,700</b>	
February 2020	972	Cash received*
April 2020	3,447	Cash received*
December 2020	(800)	Cash paid
<b>Total increase in 2020</b>	<b>3,619</b>	

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

## 9. Reserves

<b>(CZK million)</b>	<b>Other reserves</b>	<b>Income tax provision net of advances</b>	<b>Total</b>
<b>Opening balance as of 1 January 2019</b>	<b>171</b>	<b>5</b>	<b>176</b>
Charge for the year	72	48	120
Released in the year	0	0	0
Used in the year	67	5	72
<b>Closing balance as of 31 December 2019</b>	<b>176</b>	<b>48</b>	<b>224</b>
Charge for the year	91	0	91
Released in the year	0	0	0
Used in the year	68	48	116
<b>Closing balance as of 31 December 2020</b>	<b>199</b>	<b>0</b>	<b>199</b>

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 2020, they mainly included unbilled supplies of services, material and acquisition of fixed assets (estimated payables) in the amount of CZK 1,032 million (as of 31 December 2019: CZK 1,935 million), short-term payables arising from financial derivatives in the amount of CZK 710 million (as of 31 December 2019: CZK 242 million) and deposits received from customers as of 31 December 2020 in the amount of CZK 110 million (as of 31 December 2019: CZK 113 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 2020, the financial aid amounted to CZK 0 million (as of 31 December 2019: CZK 13 million).

The Company provided no off-balance sheet material guarantees.

## 11. Bank loans and other borrowings

Analysis of bank loans:

<b>(CZK million)</b>	<b>Interest rate (%)</b>	<b>Currency</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Consortium of banks	1M PRIBOR + margin	CZK	7,074	7,074
<b>Total bank loans</b>			<b>7,074</b>	<b>7,074</b>

In 2020 the Group acquired two committed term loan facilities in total amount of CZK 10,275 million (CZK 2,875 million with maturity on 31 July 2025 and CZK 7,400 million with maturity on 28 July 2028). Both term loan facilities were undrawn as of 31 December 2020 and are available for utilization until 28 July 2021. The interest rate of the CZK 7,400 million term loan has been pre-hedged by new interest rate swap.

The Group's bonds issued are as follows:

	<b>Nominal amount of issue</b>	<b>Due date</b>	<b>Annual coupon repayment date</b>	<b>31 December 2020 (CZK million)</b>	<b>31 December 2019 (CZK million)</b>
Bond EUR, serial no. 1, ISIN XS1090450047**	EUR 300,000,000	28 July 2021	Each 28 July in arrears	7,944	7,680
Bond EUR, serial no. 2, ISIN XS1090449627**	EUR 160,000,000	28 July 2026	Each 28 July. in arrears	4,239	4,101
Bond CZK, serial no. 3, ISIN XS1090620730*	CZK 4,354,300,000	28 Jan 2021	Each 28 Jan in arrears	4,444	4,434
Bond EUR, serial no. 4, ISIN XS1172113638**	EUR 50,000,000	28 July 2026	Each 28 July in arrears	1,324	1,281
Bond CZK, domestic, ISIN CZ0003519472*	CZK 2,643,000,000	17 July 2025	Each 17 July in arrears	2,663	2,660
<b>Total bonds</b>				<b>20,614</b>	<b>20,156</b>

\* Bonds issued in denominations of CZK 3,000,000.

\*\* Bonds issued in denominations of EUR 100,000.

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 2020.

The loan documentation and contracts and documentation governing bonds do 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 2020, the Group has contractual investment commitments relating to tangible fixed assets in the amount of CZK 1,634 million (31 December 2019: CZK 3,104 million). The commitments relate exclusively to the Capacity4Gas project.

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

<b>(CZK million)</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Due within one year	39	40
<b>Total commitments in respect of operating leases and rental</b>	<b>193</b>	<b>220</b>

### **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 outstanding receivables and payables from currency swaps as of 31 December 2020 (no outstanding receivables and payables from currency forwards and swaps as of 31 December 2019).

<b>(CZK million)</b>	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Trade with positive fair value</b>	<b>Trade with negative fair value</b>	<b>Trade with positive fair value</b>	<b>Trade with negative fair value</b>
<b>Currency forwards and swaps: fair value, as at the reporting period, of</b>				
- USD receivable on settlement (+)	0	1,925	0	0
- EUR payable on settlement (-)	0	(1,930)	0	0
<b>Fair value of foreign exchange forwards and swaps</b>				
- current	<b>0</b>	<b>(5)</b>	<b>0</b>	<b>0</b>

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

<b>(CZK million)</b>	<b>2020</b>	<b>2019</b>
<b>As of 1 January</b>	<b>0</b>	<b>0</b>
Fair value of currency swaps acquired during the year	(5)	2
Fair value of currency swaps settled during the year	0	(2)
<b>As of 31 December</b>	<b>(5)</b>	<b>0</b>

#### **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 2020 and 31 December 2019, 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 2020:

<b>(CZK million)</b>	<b>31 December 2020</b>		
	<b>Fair value</b>		<b>Nominal value</b>
	<b>Positive</b>	<b>Negative</b>	
Currency interest rate swaps	0	1,280	10,760 (EUR 410 million)
Interest rate swap	0	243	7,400
<b>Total cash flow hedging derivatives</b>	<b>0</b>	<b>1,523</b>	<b>18,160</b>

\* Of which CZK 706 million represents the current portion and CZK 817 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 2019:

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

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

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

<b>(CZK million)</b>	<b>2020</b>	<b>2019</b>
<b>Opening balance as of 1 January</b>	(1,956)	(1,489)
Charge for the year (+/-)	433	(467)
<b>Closing balance as of 31 December</b>	<b>(1,523)</b>	<b>(1,956)</b>

#### **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 2020 and 31 December 2019.

##### **14.2 Borrowings to related parties**

The Group had no receivables from related parties as of 31 December 2020 and 31 December 2019.

Interest income related to short-term loans to related parties amounted to CZK 0 million in 2020 (2019: CZK 0 million).

No loans were provided in 2020 and 2019 to the Company's statutory directors, members of the Supervisory Board and other members of management.



## 15. Employees

	2020		2019	
	number	(CZK million)	number	(CZK million)
Salaries to key management	16	73	16	72
Wages and salaries to other employees	530	458	530	446
Social security costs	-	171	-	173
Other social costs	-	16	-	15
<b>Wages and salaries total</b>	<b>546</b>	<b>718</b>	<b>546</b>	<b>706</b>

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 12 million (2019: CZK 13 million).

The foreign members of Group management were provided with accommodation, with the related rental cost totalling CZK 2 million in 2020 (2019: CZK 2 million).

## 16. Income tax

The current tax analysis:

(CZK million)	2020	2019
Current tax (19%)	954	800
Deferred tax	35	(4)
Adjustment of prior-year tax based on the income tax return filed	7	(8)
<b>Total income tax expense</b>	<b>996</b>	<b>788</b>

The current tax includes:

(CZK million)	2020	2019
Net profit before taxation	5,539	4,433
Difference between accounting and tax depreciation/amortisation	(165)	29
Tax non-deductible expenses	6	127
Gifts	(7)	(26)
Amortisation of negative goodwill on consolidation	(352)	(352)
Tax base	5,021	4,211
<b>Current corporate income tax at 19 %</b>	<b>954</b>	<b>800</b>

The deferred tax asset/ (liability) analysis:

(CZK million)	31 December 2020	31 December 2019
<b>Deferred tax liability arising from:</b>		
Difference between net and tax book values of assets	(6,635)	(6,599)
Cash flow hedges	17	42
<b>Total deferred tax liability</b>	<b>(6,618)</b>	<b>(6,557)</b>
<b>Deferred tax asset arising from:</b>		
Other reserves and provisions	51	50
Tax losses (NET4GAS Holdings, s.r.o.)	9	7
Unrecognised tax receivable from NET4GAS Holdings, s.r.o.	(9)	(7)
<b>Total deferred tax asset</b>	<b>51</b>	<b>50</b>
<b>Net deferred tax liability</b>	<b>(6,567)</b>	<b>(6,507)</b>

The income tax rate of 19% was used for the calculation as of 31 December 2020 and 2019.

A potential deferred tax asset arising from a tax loss of CZK 9 million as of 31 December 2020 (as of 31 December 2019: CZK 7 million) was not recognised as its future utilisation is unlikely.

NET4GAS Holdings, s.r.o. had tax losses as of 31 December 2020 of CZK 46 million.

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

<b>(CZK million)</b>	<b>2020</b>	<b>2019</b>
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
<b>Total</b>	<b>2</b>	<b>2</b>

### **18. Sales**

Sales analysis:

<b>(CZK million)</b>	<b>2020</b>	<b>2019</b>
Transportation		
- Foreign customers	8,141	6,357
- Domestic customers	1,887	1,696
Other – domestic	0	0
<b>Sales of own products and services</b>	<b>10,028</b>	<b>8,053</b>
Other operating income	172	221
<b>Total operating income</b>	<b>10,200</b>	<b>8,274</b>
Interest income and similar income – subsidiaries or controlling party	0	0
Other interest income and similar income	8	26
Other financial income	763	352
<b>Net turnover for the reporting period</b>	<b>10,971</b>	<b>8,652</b>

### **19. Subsequent events**

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

Despite the uncertainties related to the COVID-19 outbreak, having assessed all the currently available information, the management believes that the Entity's ability to continue as a going concern is not at risk and the use of this assumption in the preparation of the financial statements therefore continues to be appropriate and there is currently no material uncertainty regarding this assumption.

In 2020 the company secured two committed bank loans in amount of a CZK 7.4 billion due in 2028 and a CZK 2.875 billion due in 2025, neither of which has been drawn as at the date of the financial statements. Subsequently, NET4GAS optimized its capital structure at the end of 2020 and in the second half of January 2021 issued domestic Czech crown bonds in the amount of CZK 4.098 billion that will reach maturity in 2028, and in the amount of CZK 6.900 billion that will reach maturity in 2031. All financing steps have been prepared always under the consideration that the Company's ratings from the two leading rating agencies remain unchanged.

No other events have occurred subsequent to the balance sheet date that would have a material impact on the separate financial statements for the year ended 31 December 2020.

**Annex no. 2: Separate Financial Statements**

**SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

**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 26 March 2021.**

<b>Statutory body of the reporting entity:</b>	<b>Signature</b>
<b>Delphine Voeltzel</b> Statutory Executive	
<b>Jaroslava Korpancová</b> Statutory Executive	

**BALANCE SHEET**

full version

As of  
31.12.2020  
(in CZK thousand)

NET4GAS Holdings, s.r.o.

Corporate ID 291 35 001

Na hřebenech II 1718/8  
140 00 Praha 4 - Nusle

		31.12.2020			31.12.2019
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>15 983 643</b>	-	<b>15 983 643</b>	<b>11 556 889</b>
<b>B.</b>	<b>Fixed assets</b>	<b>15 927 061</b>	-	<b>15 927 061</b>	<b>11 525 574</b>
<i>B.III.</i>	<i>Non-current financial assets</i>	<i>15 927 061</i>	-	<i>15 927 061</i>	<i>11 525 574</i>
B.III.1.	Equity investments - controlled or controlling entity	15 927 061		15 927 061	11 525 574
<b>C.</b>	<b>Current assets</b>	<b>56 581</b>	-	<b>56 581</b>	<b>31 287</b>
<i>C.II.</i>	<i>Receivables</i>	<i>56 581</i>	-	<i>56 581</i>	<i>31 287</i>
<i>C.II.2.</i>	<i>Short-term receivables</i>	<i>56 581</i>	-	<i>56 581</i>	<i>31 287</i>
C.II.2.1.	Trade receivables	-		-	90
C.II.2.2.	Receivables - controlled or controlling entity	56 581		56 581	31 197
<b>D.</b>	<b>Other assets</b>	<b>1</b>	-	<b>1</b>	<b>28</b>
D.1.	Deferred expenses	1		1	-
D.3.	Accrued income	-		-	28

		31.12.2020	31.12.2019
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>15 983 643</b>	<b>11 556 889</b>
<b>A.</b>	<b>Equity</b>	<b>12 786 586</b>	<b>9 886 480</b>
A.I.	<i>Share capital</i>	200	200
A.I.1.	Share capital	200	200
A.II.	<i>Share premium and capital funds</i>	<b>12 707 945</b>	<b>9 089 439</b>
A.II.2.	<i>Capital funds</i>	<b>12 707 945</b>	<b>9 089 439</b>
A.II.2.1.	Other capital funds	12 707 945	9 089 439
A.IV.	<i>Retained earnings (+/-)</i>	-	-
A.V.	<i>Profit or loss for the current period (+/-)</i>	<b>3 287 599</b>	<b>5 557 074</b>
A.VI.	Profit share prepayments declared (-)	-3 209 158	-4 760 233
<b>B.+C.</b>	<b>Liabilities</b>	<b>3 197 057</b>	<b>1 670 407</b>
<b>B.</b>	<b>Reserves</b>	<b>27 557</b>	
B.IV.	Other reserves	27 557	-
<b>C.</b>	<b>Payables</b>	<b>3 169 500</b>	<b>1 670 407</b>
C.II.	<i>Short-term payables</i>	<b>3 169 500</b>	<b>1 670 407</b>
C.II.4.	Trade payables	515	457
C.II.8.	<i>Other payables</i>	<b>3 168 985</b>	<b>1 669 950</b>
C.II.8.1.	Payables to partners	3 168 690	1 669 715
C.II.8.5.	State - tax payables and subsidies	98	74
C.II.8.6.	Estimated payables	197	161
<b>D.</b>	<b>Other liabilities</b>		<b>2</b>
D.1.	Accrued expenses	-	2

**PROFIT AND LOSS ACCOUNT**  
structured by the nature of expense method

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

Year ended  
31.12.2020  
(in CZK thousand)

Na hřebenech II 1718/8  
140 00 Praha 4 - Nusle

		Year ended 31.12.2020	Year ended 31.12.2019
A.	Purchased consumables and services	3 816	4 571
A.3.	Services	3 816	4 571
F.	Other operating expenses	27 503	3
F.3.	Taxes and charges	3	3
F.4.	Reserves relating to operating activities and complex deferred expenses	27 500	-
*	<b>Operating profit or loss (+/-)</b>	<b>-31 319</b>	<b>-4 574</b>
IV.	Income from non-current financial assets - equity investments	3 336 025	5 580 601
IV.1.	Income from equity investments - controlled or controlling entity	3 336 025	5 580 601
VI.	Interest income and similar income	97	376
VI.1.	Interest income and similar income - controlled or controlling entity	97	376
J.	Interest expenses and similar expenses	-	63
J.1.	Interest expenses and similar expenses - controlled or controlling entity	-	63
VII.	Other financial income	89 261	20 497
K.	Other financial expenses	106 465	39 763
*	<b>Financial profit or loss (+/-)</b>	<b>3 318 918</b>	<b>5 561 648</b>
**	<b>Profit or loss before tax (+/-)</b>	<b>3 287 599</b>	<b>5 557 074</b>
**	<b>Profit or loss net of tax (+/-)</b>	<b>3 287 599</b>	<b>5 557 074</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>3 287 599</b>	<b>5 557 074</b>
*	Net turnover for the current period	3 425 383	5 601 474

**STATEMENT OF  
CHANGES IN EQUITY**

Year ended  
31.12.2020  
(in CZK thousand)

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

Na hřebenech II 1718/8  
140 00 Praha 4 - Nusle

	Share capital	Other capital funds	Accumulated profits brought forward	Profit or loss for the current period	Profit share prepayments	TOTAL EQUITY
<b>Balance at 31 December 2018</b>	<b>200</b>	<b>5 388 526</b>	<b>1 635 254</b>	<b>-4 053</b>	<b>-1 500 000</b>	<b>5 519 927</b>
Distribution of profit or loss			-4 053	4 053		-
Profit shares paid			-1 631 201		1 500 000	-131 201
Increase in other capital funds		7 545 479				7 545 479
Decrease in other capital funds		-3 844 566				-3 844 566
Profit share prepayments declared					-4 760 233	-4 760 233
Profit or loss for the current period				5 557 074		5 557 074
<b>Balance at 31 December 2019</b>	<b>200</b>	<b>9 089 439</b>	<b>-</b>	<b>5 557 074</b>	<b>-4 760 233</b>	<b>9 886 480</b>
Distribution of profit or loss			796 841	-5 557 074	4 760 233	-
Profit shares paid			-796 841			-796 841
Increase in other capital funds		4 418 506				4 418 506
Decrease in other capital funds		-800 000				-800 000
Profit share prepayments declared					-3 209 158	-3 209 158
Profit or loss for the current period				3 287 599		3 287 599
<b>Balance at 31 December 2020</b>	<b>200</b>	<b>12 707 945</b>	<b>-</b>	<b>3 287 599</b>	<b>-3 209 158</b>	<b>12 786 586</b>



**CASH FLOW  
STATEMENT**

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

Year ended  
31.12.2020  
(in CZK thousand)

Na hřebenech II 1718/8  
140 00 Praha 4 - Nusle

		Year ended 31.12.2020	Year ended 31.12.2019
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	-	-
	<b><i>Cash flows from ordinary activities (operating activities)</i></b>		
Z.	Profit or loss before tax	3 287 599	5 557 074
A.1.	Adjustments for non-cash transactions	-3 308 399	-5 580 722
A.1.2.	Change in provisions and reserves	27 557	
A.1.4.	Revenues from profit shares	-3 336 025	-5 580 601
A.1.5.	Interest expense and interest income	-97	-313
A.1.6.	Adjustments for other non-cash transactions	166	192
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>-20 800</b>	<b>-23 648</b>
A.2.	Change in working capital	-1 669 505	-1 499 828
A.2.1.	Change in operating receivables and other assets	90	-73
A.2.2.	Change in operating payables and other liabilities	-1 669 595	-1 499 755
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>-1 690 305</b>	<b>-1 523 476</b>
A.3.	Interest paid	-2	-66
A.4.	Interest received	123	371
A.7.	Received profit shares	3 336 025	5 580 601
A.7.	Advances on profit distribution received	3 168 690	1 669 715
A.8.	Increase of investment	-4 401 487	-7 526 255
A.9.	Decrease of investment	-	3 009 684
<b>A.***</b>	<b>Net operating cash flows</b>	<b>413 044</b>	<b>1 210 574</b>
	<b><i>Cash flows from investing activities</i></b>		
B.3.	Loans and borrowings to related parties	-25 550	-12 147
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-25 550</b>	<b>-12 147</b>
	<b><i>Cash flow from financial activities</i></b>		
C.1.	Loans from related parties	-	-7 906
C.2.	Impact of changes in equity	-387 494	(1 190 521)
C.2.1.	Cash increase in other capital funds	4 418 506	7 545 479
C.2.2.	Capital payments to partners	-800 000	-3 844 566
C.2.3.	Profit shares paid	-796 842	-131 201
C.2.4.	Advances on profit shares paid	-3 209 158	-4 760 233
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-387 494</b>	<b>-1 198 427</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>-</b>	<b>-</b>

***NET4GAS Holdings, s.r.o.***

Separate financial statements

31 December 2020

## **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 2020 or 31 December 2019

Statutory Directors as of 31 December 2020:

Jaroslava Korpancová	Position held since: 15 February 2013
Delphine Voeltzel	Position held since: 16 April 2019
Igor Emilievic Lukin	Position held since: 1 May 2020
Alastair Colin Hall	Position held since: 1 September 2020

During 2020 there was a change in the composition of the NET4GAS Holdings management.

Igor Emilievic Lukin became Statutory Director on 1 May 2020 and the change was registered in the Commercial Register on 5 January 2021. Alastair Colin Hall became Statutory Director on 1 September 2020 and the change was registered in the Commercial Register on 5 January 2021. Andrew Cox resigned as the Statutory Director and his term of office expired on 30 April 2020 and the change was registered in Commercial Register on 5 January 2021. John Antony Guccione resigned as the Statutory Director and his term of office expired on 31 September 2020 and the change was registered in Commercial Register on 5 January 2021.

There were no employees in the period ending 31 December 2020 and 2019. The Company updated its Articles of Association that are now fully governed by the new Corporations Act.

## **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**

Monetary assets and liabilities are translated into Company's functional currency at the official spot exchange rate of the Czech National Bank ("CNB") on the dates of the transactions.

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 advances 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) 31 December 2020	Cost	Share (%)	2020 net profit	Net assets	2020 profit distribution income	2020 advance profit distribution received
<b>Czech entities</b>						
NET4GAS, s.r.o.	15,927,061	100 %	4,252,891	17,225,766	3,336,025	3,168,690
<b>Total</b>	<b>15,927,061</b>	<b>100 %</b>	<b>4,252,891</b>	<b>17,225,776</b>	<b>3,336,025</b>	<b>3,168,690</b>
(CZK thousand) 31 December 2019	Cost	Share (%)	2019 net profit	Net assets	2019 profit distribution income	2019 advance profit distribution received
<b>Czech entities</b>						
NET4GAS, s.r.o.	11,525,574	100 %	3,336,025	13,303,169	5,580,601	1,669,715
<b>Total</b>	<b>11,525,574</b>	<b>100 %</b>	<b>3,336,025</b>	<b>13,303,169</b>	<b>5,580,601</b>	<b>1,669,715</b>

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.

The surcharges outside the registered capital of the subsidiary:

On 12 February 2020, it was decided to increase the surcharges outside the registered capital of the subsidiary NET4GAS, s.r.o. in the amount of 954,811 ths. CZK. The amount was paid on 12 February 2020.

On 5 June 2020, it was decided to increase the surcharges outside the registered capital of the subsidiary NET4GAS, s.r.o. in the amount of 3,446,675 ths. The amount was paid on 8 June 2020.

The profit and advances of the subsidiary:

On 24 April 2020, the Company approved the financial statements of the subsidiary NET4GAS, s.r.o. for the year 2019 and decided about distribution of 2019 profit in amount of 3,336,025 ths. CZK to the sole shareholder NET4GAS Holdings s.r.o. It was decided to pay the remaining amount of 2019 profit in amount of 1,666,310 ths. CZK. The amount was received 29 June 2020. The amount of 1,669,715 ths. CZK was received as the advance for profit in 2019.

On 5 June 2020, it was decided to pay an advance on the share of NET4GAS, s.r.o. for the year 2020 in the amount of 1,535,690 ths. CZK. The amount was received on 29 June 2020.

On 7 December 2020, it was decided to pay an advance on the share of NET4GAS, s.r.o. for the year 2020 in the amount of 1,633,000 ths. CZK. The amount was received on 17 December 2020.

### 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 2020	31 December 2019
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
<b>Total</b>	<b>100</b>	<b>100</b>

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 7 February 2020, the General Meeting decided to increase the surcharges outside the registered capital in the amount of CZK 971,831 ths. CZK. The amount was received on 11 February 2020.

On 3 June 2020, the General Meeting decided to increase the surcharges outside the registered capital in the amount of 3,446,675 ths. CZK. The amount was paid on 5 June 2020.

On 14 December 2020, it was decided to decrease the surcharges outside the registered capital in the amount of 800,000 ths. CZK. The amount was paid on 17 December 2020.

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>
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*
<b>Total increase in 2019</b>	<b>3,700,913</b>	
February 2020	971,831	Incoming payment*
June 2020	3,446,674	Incoming payment*
December 2020	(800,000)	Other capital funds released - outgoing payment
<b>Total increase in 2020</b>	<b>3,618,506</b>	

\* 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 24 April 2020, the General Meeting approved the financial statements of the Company for the year 2019 and decided to transfer the profit for the year 2019 in the amount of CZK 5,557,074 ths. CZK to retained earnings. The General Meeting decided to use the amount of CZK 4,760,233 ths. CZK from the retained earnings account from previous years as a distribution of profit share of NET4GAS, s.r.o. for the year 2019. The receivable was offset against the advance for profit of 4,760,233 ths. CZK paid on the basis of a decision of the Company's Managing Directors dated 27 September 2019 and 6 December 2019.

On 5 June 2020, it was decided to pay a dividend's advance on the profit share for the year 2020 in the amount of 2,405,158 ths. CZK. The amount was paid on 29 June 2020.

On 10 June 2020, it was decided to distribute retained earnings from previous years in amount of 796,842ths. CZK. The amount was paid on 29 June 2020.

On 7 December 2020, it was decided to pay a dividend's advance on the profit share for the year 2020 in the amount of CZK 804,000 ths CZK. The amount was paid on 17 December 2020. Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2020.

Profit and advance payments:

<u>Month/Year</u>	<u>(CZK thousand)</u>	<u>Comment to the settlement of the increase / decrease</u>
October 2019	(1,600,233)	Outgoing payment - advance
December 2019	(3,160,000)	Outgoing payment - advance
<b>Total decrease in 2019</b>	<b>(4,760,233)</b>	
June 2020	(796,841)	Outgoing payment - profit
<b>Total decrease in 2020 (profit)</b>	<b>(796,841)</b>	
June 2020	(2,405,158)	Outgoing payment - advance
December 2020	(804,000)	Outgoing payment - advance
<b>Total decrease in 2020 (advances)</b>	<b>(3,209,158)</b>	

## **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 2020.

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 2020
			0,0% (CZK)	14 976
NET4GAS, s.r.o.	Subsidiary	3 months from notice delivery	0,0 % (EUR)	35 047
			0,0 % (USD)	6 558
<b>Total</b>	-	-		<b>56 581</b>

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

The receivables from the cash-pooling bore interest at a rate that depends on the 1-day PRIBOR rate of -0.4%. If the calculated interest rate is less than 0, the interest rate of 0% shall be used.

Interest income related to short-term loans to related parties amounted to CZK 97 thousand in 2020 (2019: CZK 376 thousand).

Income from investments in NET4GAS, s.r.o. amounted to CZK 3,336,025 thousand in 2020 (2019: CZK 5,580,601 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 2020
			-	0
NET4GAS, s.r.o.	Subsidiary	3 months from notice delivery	-	
<b>Total</b>	-	-	-	<b>0</b>

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

Interest expense incurred on the short-term payables from the controlling company was CZK 0 thousand in 2020 (2019: CZK 63 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:

<b>(CZK thousand)</b>	<b>2020</b>	<b>2019</b>
Net profit before taxation	3,287,599	5,557,074
<i>Non-taxable income</i>		
Income from subsidiaries	(3,336,025)	(5,580,601)
<i>Non-deductible expenses</i>		
Consultancy services	31,364	21 231
Interest expenses	0	63
Tax base	(17,063)	(2,233)
<b>Deduction of tax losses</b>	0	0
<b>Corporate income tax at 19%</b>	0	0

A potential net deferred tax asset of CZK 8,656 thousand as at 31 December 2020 (as at 31 December 2019: CZK 6,808 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 2020 and 2019.

As at 31 December 2020, the Company had tax losses of CZK 45,556 thousand. The tax losses can be deducted from the tax base pursuant to Section 34 (1) to (3) of the Income Tax Act as follows: amount of 26,260 ths. CZK last in 2022, amount of 2,233 ths. CZK last in 2024 and amount of 17,063 ths. CZK last in 2025.

## **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

#### 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 2020, 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 2020, 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 2020, 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 2020, 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 26 March 2021

Audit firm:

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



Statutory auditor:

Václav Loubek  
registration no. 2037



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A PDF version of the NET4GAS Holdings Group Consolidated Annual Report 2020 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.