

**NET4GAS Holdings Group  
Consolidated Annual Report 2022**

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## Consolidated Group Data

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

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

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

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

## Profile of Consolidated Group Companies

### NET4GAS Holdings

<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 Luxembourg I S.à r.l. (50%)</li><li>▪ Borealis Novus Parent B.V. (50%)</li></ul>

### NET4GAS Holdings Statutory Directors as of 31 December 2022

#### **Michael Raymond Mc Nicholas**

Statutory Director and Executive Officer

Position held since: 1 August 2021

#### **Mario Fischer**

Statutory Director and Executive Officer

Position held since: 15 August 2022

#### **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

In the course of 2022, one change took place in the composition of the Executive Officers of NET4GAS Holdings. Jaroslava Korpancová resigned as the Company's Executive Officer by her letter of 18 July 2022. Her term of office expired on 14 August 2022. Under a decision of the Company's General Meeting dated 10 August 2022, Mario Fischer was appointed the Company's Executive Officer effective as of 15 August 2022.

## 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 00 Prague 4 - Nusle, Czech Republic
<b>Shareholder:</b>	NET4GAS Holdings (100%)

### NET4GAS Supervisory Board as of 31 December 2022

#### **Michael Raymond Mc Nicholas**

Chairman of the Supervisory Board  
Position held since: 24 June 2022  
Member since: 1 August 2021

#### **Mario Fischer**

Member of the Supervisory Board  
Member since: 15 August 2022

#### **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 2022, the following changes took place in the composition of the NET4GAS Supervisory Board. Under a letter of 18 July 2022, Jaroslava Korpancová resigned as a Member of the Supervisory Board. Her term of office expired on 14 August 2022. Under a decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting dated 1 August 2022, Mario Fischer was elected as a new Member of the Supervisory Board effective as of 15 August 2022.

In the meeting of the Supervisory Board of the NET4GAS held on 24 June 2022, Michael Raymond Mc Nicholas was elected to the position of the Chairman of the Supervisory Board of NET4GAS with effect as of 24 June 2022.

### NET4GAS Statutory Directors as of 31 December 2022

#### **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 2021

(NET4GAS Statutory Director continuously since 1 October 2011)

### **Václav Hrach**

Statutory Director and CFO

Position held since: 1 March 2019

(NET4GAS Statutory Director continuously since 1 March 2014)

### **Changes in the NET4GAS Statutory Directors**

No changes occurred in the composition of the NET4GAS Statutory Directors in 2022.

### **NET4GAS Audit Committee as of 31 December 2022**

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

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

#### **Michal Petrman**

Chairman of the Audit Committee

Position held since: 15 September 2016

Member since: 1 June 2016

#### **Mario Fischer**

Member of the Audit Committee

Member since: 1 April 2022

#### **Stanislav Staněk**

Member of the Audit Committee

Member since: 1 June 2016

#### **Alberto Rozza**

Member of the Audit Committee

Member since: 1 July 2022

#### **Pavel Závitkovský**

Member of the Audit Committee

Member since: 1 June 2016

### **Changes in the NET4GAS Audit Committee**

In the course of 2022, the following changes took place in the composition of the NET4GAS Audit Committee. Under a letter of 24 February 2022, Igor Lukin resigned as a Member of the Audit Committee. His term of office expired on 31 March 2022. Under a decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting dated 3 March 2022, Mario Fischer was appointed as a new Member of the Audit Committee effective as of 1 April 2022.

Further, on 30 June 2022 the three-years term of office of Delphine Voeltzel has expired. Under a decision of the sole shareholder of NET4GAS exercising the powers of the General Meeting dated 17 June 2022, Alberto Rozza was appointed as a new Member of the Audit Committee effective as of 1 July 2022.

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 20 May 2022, Michal Petrman, Stanislav Staněk and Pavel Závitkovský were re-appointed as independent members of the Audit Committee effective as of 1 June 2022, following their one-year term of office. On 23 June 2022, 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 00 Prague 4 - Nusle, Czech Republic
<b>Shareholder:</b>	NET4GAS (100%)

### **Supervisory Board of BRAWA as of 31 December 2022**

#### **Martin Kolář**

Chairman of the Supervisory Board

Position held since: 11 July 2022

Membership since: 1 July 2022

(in the Supervisory Board continuously since 20 March 2012)

#### **Radek Benčík**

Vice-Chairman of the Supervisory Board

Position held since: 11 July 2022

Membership since: 1 July 2022

(in the Supervisory Board continuously since 20 March 2012)

#### **Andreas Rau**

Member of the Supervisory Board

Membership since: 19 February 2022

(in the Supervisory Board continuously since 19 February 2014)

#### **Changes in the Supervisory Board**

No changes occurred in the composition of the Supervisory Board of BRAWA in 2022. Under a decision of the sole shareholder of BRAWA dated 25 January 2022, Andreas Rau was re-elected as a Member of the Supervisory Board. Under a decision of the sole shareholder of BRAWA dated 14 June 2022, Martin Kolář and Radek Benčík were re-elected as Members of the Supervisory Board. On 11 July 2022, 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 2022**

#### **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 composition of the Board of Directors of BRAWA in 2022.



## Consolidated Report on Operations of the NET4GAS Holdings Group 2022

### NET4GAS Group Main Financial Indicators

Selected indicators*	2022 (CZK million)
Revenue	12,949
Operating profit	9,095
Profit before taxation	7,981
Profit after taxation	6,529
Capital expenditure to tangible and intangible assets in 2022	3,683

\* according to CZ GAAP

#### Revenues, costs, profit

The Group'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 acts (the "Energy Act").

In 2022, the Group achieved a profit before taxation of CZK 7,981 million, profit after taxation was CZK 6,529 million. The operating profit of the Group amounted to CZK 9,095 million, the majority formed by NET4GAS. The Group generated profit from its core business operations – transit of natural gas and domestic transmission.

Its total revenue amounted to CZK 12,949 million, total operating costs were CZK 3,854 million.

#### Asset structure

The total assets of the Group in 2022 amounted to CZK 59,193 million, of which fixed assets accounted for CZK 49,675 million, representing 84 % of total assets. The components of these assets were tangible fixed assets valued at CZK 53,282 million, intangible fixed assets valued at CZK 116 million.

As of 31 December 2022, current assets amounted to CZK 9,259 million, representing 16 % of total assets. Receivables comprised approximately 14 % and short-term financial assets approximately 64 %.

#### Investments

In 2022, the Groups Capital expenditures amounted to CZK 3,683 million. As at 31 December 2022 the total amount of work in progress was CZK 519 million. In 2022, the Group finished long-term projects in the amount of CZK 4,516 million (additions to fixed assets at cost).

#### Structure of liabilities and equity

The Group's equity as of 31 December 2022 was CZK 14,374 million. All Group entities reported positive values of equity in their separate financial statements.

Liabilities amounted to CZK 44,604 million. Long-term liabilities and borrowings (particularly bonds, utilised loan, deferred taxes liability, and liabilities arising from derivative instruments) accounted for about 93 %.

#### Investment instruments and financial derivatives

To secure a return on its available cash during 2022, 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 2022. 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.

#### 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

As a result of the Russian invasion of Ukraine, both rating agencies set the credit ratings of NET4GAS at the beginning of March to “review for downgrade” (Moody’s) and “rating watch negative” (Fitch), respectively. In the course of the year, both agencies downgraded and subsequently confirmed the company’s credit ratings to Ba2 “negative outlook” (Moody’s – 27 June 2022) and BB+ “negative outlook” (Fitch – 10 October 2022). As of 6 December 2022, NET4GAS decided to terminate the credit rating service provided by Moody’s, whereupon Moody’s suspended its subsequent credit ratings as of 21 December 2022. The credit rating service provided by Fitch continues to be provided as of 31 December 2022.

NET4GAS responded to the existing external geopolitical uncertainties by building a financial reserve, the adoption of savings measures, and a temporary suspension of payment of profit shares to shareholders. No change in the financing of the company occurred in 2022. The company continues its active monitoring of market conditions and of the geopolitical circumstances in which it operates and carries on its analysis of the possibilities of enhancing its financial resilience in its role as the owner and operator of critical infrastructure in the Czech Republic.

On 4 January 2023, the company announced that it had not received the last monthly payments due under key contracts with its main customer. The company is currently checking the reason for failure to pay those liabilities. In its opinion, such failure represents a breach of contractual obligations by its main customer.

## NET4GAS Main Business Operations

The total volume of natural gas transmitted in 2022 amounted to 30.92 billion cubic meters (bcm), including 7.51 bcm for consumption in the Czech Republic. Compared to 2021, total transport has decreased by 20.80 bcm. The decline in the total amount of gas transmitted compared to 2021 was caused by the change of natural gas flows in Europe in connection with the current geopolitical situation.

Domestic transport declined in 2022 by 1.94 bcm compared to 2021, particularly due to higher average temperatures and gas consumption reduction relating to the current situation and high prices in the energy markets.

NET4GAS fulfilled its contractual commitments encompassing a total of 12,646 gas transmission agreements. The year-on-year increase in the number of contracts was mainly due to a significant increase in interest among traders in the reservation of short-term transport capacities in respect to border points and virtual gas storage points

In 2022, NET4GAS continued to implement the domestic project Moravia Capacity Extension (MCE), the objective of which is to expand the output capacity of the natural gas transmission system for the Central and Northern Moravian region, thereby ensuring the continued security of supplies in the region. The project involves the construction of about 85 kilometres of a new DN 1000 PN 73.5 high-pressure pipeline between the existing distribution nodes Tvrdonice and Bezměrov (a high-pressure gas pipeline) and the related adjustments to the Břeclav compression station. The construction work started at the beginning of 2022, and both permits, for the high-pressure pipeline and for adjustments to the Břeclav compression station, started at the beginning of 2022. These were completed and issued within 2022 to the extent of allowing the start of trial operation of the high-pressure gas pipeline and obtaining consent for the adjustments to the Břeclav compression station. The work on the MCE project will continue in 2023 and will involve the removal of defects and the completion of unfinished work.

The annual auction for incremental capacity on the border between the Czech Republic and the Austrian Trading Zone East took place in July 2022 in accordance with Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems (CAM NC). This auction was based on a prior non-binding request for this capacity received in 2019. Based on this non-binding request, NET4GAS and Gas Connect Austria prepared a new cross-border connection project, the capacity of which they offered in this auction; however, no market participant reserved any incremental capacity in this auction at any of the offer levels. Hence, the economic test ended with a negative result on both sides of the Czech-Austrian border, and the relevant incremental capacity process was terminated.

The second incremental capacity project is being prepared in cooperation with the Polish operator GAZ-SYSTEM on the basis of a non-binding request for incremental capacity received in 2021. The proposal of the project was consulted with the market at the beginning of 2022. However, in response to the change of the geopolitical situation and the related change of gas flows to Europe, both companies started a broader discussion about further variants of the technical solution that would potentially allow faster implementation of this project. Simultaneous discussions are being carried on with the Polish party, the Czech Ministry of Industry and Trade, and other authorities on the possible implementation of this project outside the incremental capacity process described in CAM NC.

As regards capacity in the direction from Poland to the Czech Republic, the Czech Ministry of Industry and Trade granted the transmission system operator an exemption from enabling the two-way flow at the Cieszyn border point, with effect until 31 December 2023. Preparatory work on eight projects to customer connections to the transmission system and on the enhancement of the existing transmission system capacity was carried out in 2022. NET4GAS succeeded in obtaining six final and effective building permits for the construction of those projects. One project to increase the output capacity of the transmission system was completed in summer 2022. Furthermore, NET4GAS received two new requests for connections. The technical solution of those projects consists of the construction of two new DN 150 – DN 500 pipelines with lengths varying between 0.1 to 7.5 kilometres, of an expansion of the existing transmission stations, and an increase in trading measurement capacity.

Further significant projects implemented in 2022 were aimed at the modernization of the transmission system in accordance with the long-term maintenance plan.

NET4GAS continues to be active in the area of innovation. Against the backdrop of the current discussion on the transition to a low-carbon economy in Europe, NET4GAS continues to analyse the options for greening natural gas to demonstrate that natural gas 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 to generate renewable gases that are injected into the transmission system. The first phase of project documentation was completed in 2022. The decision whether to continue with the project will be taken in Q1/2023. From an accounting point of view, the above mentioned detail is not research and development expenditure for the fiscal year 2022.

NET4GAS continued in 2022 to be one of the sponsors of the European Hydrogen Backbone initiative. The project is aimed at building a European backbone hydrogen infrastructure, primarily based on repurposing existing gas networks, and effectively connecting major (potential) hydrogen production and consumption sites. As part of the continuation of this 2022 work, the study identified, among others, five hydrogen import corridors (in significant accordance with the corridors specified in the RePower EU plan). From an accounting point of view, the above mentioned detail is not research and development expenditure for the fiscal year 2022.

NET4GAS is also one of the founders of the initiative Central European Hydrogen Corridor, aimed at examining the possibilities of transmitting hydrogen from Ukraine through Slovakia and the Czech Republic to Germany and joined in 2022 the Sunshyne initiative, which investigates the possibilities of transporting hydrogen from North Africa. NET4GAS continues to actively carry on a large-scale internal project with the aim of mapping the existing infrastructure and its preparedness for the transmission of hydrogen, both in its pure form and in the form of various blends with natural gas. Hitherto, our results have confirmed the assumptions that the existing gas infrastructure can be used to a significant extent for transporting hydrogen. From an accounting point of view, the above mentioned detail is not research and development expenditure for the fiscal year 2022.

In October 2022, the European Commission launched a new call for the presentation of requests for new energy infrastructure projects, i.e. for the status of the Project of Common Interest/Project of Mutual Interest. Under this call, NET4GAS presented two candidate projects concerning the development of hydrogen infrastructure – the Central European Hydrogen Corridor and the Czech-German Hydrogen Interconnector projects.

## **BRAWA Business Operations**

The core activity of BRAWA in 2022 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 2022.

As of 31 December 2022, NET4GAS had 563 employees, 18.74% of whom were women. Women accounted for 11.76% of employees in management positions. The educational background of the company's workforce has remained stable. The standard of NET4GAS employees' working and social conditions is defined under a Collective Agreement valid from 2020 to 2024. As of 31 December 2022, BRAWA had no employees.

As part of its human resources and social policy, NET4GAS offers its employees programs and benefits that include retirement savings and life insurance contributions, lump-sum meal contributions, five days of vacation above the legal requirement, 3 sick days, flexible working time, premium healthcare, contributions for leisure activities, language courses and assistance for families with young children. NET4GAS facilitates the return of employees to work after parental leave, particularly through maintaining contact, 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 that their children attend.

Cooperation continues 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 continues to support the employment of handicapped persons. Every position is assessed in view of its suitability for handicapped individuals and advertised as such where applicable.

## Code of Conduct

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

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

The Code of Conduct forms the basis for the creation of further internal documentation and every employee is acquainted with it. Moreover, annual reporting on the implementation of the Code of Conduct is introduced. In 2022, 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 NET4GAS 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 2022, the NET4GAS Group fulfilled all obligations resulting from environmental protection legislation. 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 2022, these plans fulfilled the role of preventive measures only, as no environmental accident occurred at any Group facilities.

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 2022, the Group continued to support nature conservation and environmental protection projects under the NET4GAS Closer to Nature program.

## Reducing Emissions

In 2022, the NET4GAS Group continued in its efforts to reduce methane and CO2 emissions, and in 2022, after identifying a number of potential projects leading to a reduction of emissions, it started to carry out expanded analyses to implement the most viable projects.

As regards methane emission reduction, this includes the acquisition a low-pressure mobile compressor, which will make it possible as early as 2023 to remove a substantial amount of methane from various parts of the pipeline before the latter is depressurised during maintenance work. Another project that was implemented in 2022 involves increasing the frequency of gas leak inspections. As regards CO2 reduction, purchasing electricity from renewable sources has been identified as the most efficient measure, which was implemented in respect to almost all electricity consumption at NET4GAS.

## Report on Relations of NET4GAS Holdings, s.r.o. 2022

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 2022 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 2022 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 2022, the Company was controlled by:

(i) Allianz Infrastructure Luxembourg I S.à r.l., with its registered office at L-2450 Luxembourg, 14, boulevard F.D. Roosevelt, Grand Duchy of Luxembourg, registration number: B 157276, 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 Luxembourg I 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 2022 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 10 March 2023

A handwritten signature in black ink that reads "M. m. Nicholas". The signature is written in a cursive, somewhat stylized font.

Michael Raymond Mc Nicholas  
Statutory Director

Igor Emilievic Lukin  
Statutory Director

## 7. Advantages and disadvantages resulting from relations with Related Parties

In the 2022 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 10 March 2023

Michael Raymond Mc Nicholas  
Statutory Director



Digitally signed by Igor  
Lukin  
Date: 2023.03.16  
18:35:00 +01'00'

Igor Emilievic Lukin  
Statutory Director



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

Allianz Infrastructure Luxembourg I S.à r.l. (50.00%) and Borealis Novus Parent B.V. (50.00%)  
100.00% NET4GAS Holdings, s.r.o.  
100.00% NET4GAS, s.r.o.  
BRAWA, a.s.

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

Contracting Party	Agreement	Date of conclusion	Details
NET4GAS, s.r.o. (multilateral agreement)	Amendment No. 2 to the Agreement Ref. No. ZBA/2017/07 on the Provision of Real Unidirectional Cash Pooling	26 May 2022	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., BRAWA, a.s. (multilateral agreement)	Amendment No. 2 to the Agreement Ref. No. ZBA/2017/07 on the Provision of Real Unidirectional Cash Pooling	26 May 2022	
NET4GAS, s.r.o.	Agreement on Settlement of Advance Dividend	23 September 2022	The subject of the contract is the settlement of advance dividend
Allianz Infrastructure Luxembourg	Agreement on Settlement of Advance Dividend	29 September 2022	The subject of the contract is the settlement of advance dividend
Borealis Novus Parent B.V.	Agreement on Settlement of Advance Dividend	29 September 2022	The subject of the contract is the settlement of advance dividend
NET4GAS, s.r.o.	Amendment no. 5 to the Loan Agreement	22 December 2022	The subject of the Amendment is the Price and the method of its determination, specification of the services provided, as well as a list of responsible persons of the Provider

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

Contracting Party	Agreement	Date of conclusion	Details
NET4GAS, s.r.o.	Agreement on the Provision of Loans, as amended by Amendment No. 1 of 16 January 2014, Amendment No. 2 of 21 March 2014, 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.

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

<b>Controlling or related party</b>	<b>Act</b>	<b>Date</b>	<b>Details</b>
Allianz Infrastructure Luxembourg I S.à r.l. Borealis Novus Parent B.V.	Decision of the Company's General Meeting	29 September 2022	The decision regarding the distribution of the profit of the Company generated in the year 2021

## Post Balance Sheet Events

Subsequent events are described in the Annex no.1 Consolidated Financial Statements, Note 19 Subsequent Events.

## 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 10 March 2023



Michael Raymond Mc Nicholas  
Statutory Director

Igor Emilievic Lukin  
Statutory Director

## Post Balance Sheet Events

Subsequent events are described in the Annex no.1 Consolidated Financial Statements, Note 19 Subsequent Events.

## 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 10 March 2023

Michael Raymond Mc Nicholas  
Statutory Director



Digitally signed by Igor  
Lukin  
Date: 2023.03.16  
18:35:15 +01'00'

Igor Emilievic Lukin  
Statutory Director

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

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**Name of the Company:** NET4GAS Holdings, s.r.o.  
**Registered Office:** Na hřebenech II 1718/8, 140 00 Prague 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 10 March 2023.**

<b>Statutory body of the reporting entity:</b>	<b>Signature</b>
<b>Michael Raymond Mc Nicholas</b> Statutory Executive	
<b>Igor Emilievic Lukin</b> Statutory Executive	



**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**Name of the Company:** NET4GAS Holdings, s.r.o.  
**Registered Office:** Na hřebenech II 1718/8, 140 00 Prague 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 10 March 2023.**

<b>Statutory body of the reporting entity:</b>	<b>Signature</b>
<b>Michael Raymond Mc Nicholas</b> Statutory Executive  <b>Igor Emilievic Lukin</b> Statutory Executive	  Digitally signed by Igor Lukin Date: 2023.03.16 18:35:27 +01'00'

**CONSOLIDATED BALANCE SHEET**  
full version

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

As of  
31.12.2022  
(in CZK million)

Na hřebenech II 1718/8  
Nusle  
140 00, Praha

		31.12.2022			31.12.2021
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>93 043</b>	<b>33 850</b>	<b>59 193</b>	<b>51 642</b>
<b>B.</b>	<b>Fixed assets</b>	<b>83 525</b>	<b>33 850</b>	<b>49 675</b>	<b>48 112</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<b>727</b>	<b>611</b>	<b>116</b>	<b>104</b>
B.I.1.	Research and development	50	50	-	-
B.I.2.	<i>Valuable rights</i>	<b>561</b>	<b>544</b>	<b>17</b>	<b>27</b>
B.I.2.1.	Software	555	538	17	27
B.I.2.2.	Other valuable rights	6	6	-	-
B.I.4.	Other intangible fixed assets	28	17	11	23
B.I.5.	<i>Prepayments for intangible fixed assets and intangible fixed assets under construction</i>	<b>88</b>	-	<b>88</b>	<b>54</b>
B.I.5.1.	Prepayments for intangible fixed assets	29	-	29	9
B.I.5.2.	Intangible fixed assets under construction	59	-	59	45
<i>B.II.</i>	<i>Tangible fixed assets</i>	<b>89 836</b>	<b>36 554</b>	<b>53 282</b>	<b>52 083</b>
B.II.1.	<i>Land and structures</i>	<b>79 358</b>	<b>29 877</b>	<b>49 481</b>	<b>47 389</b>
B.II.1.1.	Land	310		310	307
B.II.1.2.	Structures	79 048	29 877	49 171	47 082
B.II.2.	Tangible movable assets and <del>sets</del> of tangible movable assets	9 735	6 677	3 058	3 117
B.II.4.	<i>Other tangible fixed assets</i>	<b>1</b>	-	<b>1</b>	<b>1</b>
B.II.4.3.	Other tangible fixed assets	1		1	1
B.II.5.	<i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	<b>742</b>	-	<b>742</b>	<b>1 576</b>
B.II.5.1.	Prepayments for tangible fixed assets	282	-	282	150
B.II.5.2.	Tangible fixed assets under construction	460	-	460	1 426
	<b>Positive/negative goodwill on consolidation</b>	<b>(7 038)</b>	<b>(3 315)</b>	<b>(3 723)</b>	<b>(4 075)</b>
<b>C.</b>	<b>Current assets</b>	<b>9 259</b>	-	<b>9 259</b>	<b>3 403</b>
<i>C.I.</i>	<i>Inventories</i>	<b>228</b>	-	<b>228</b>	<b>182</b>
C.I.1.	Material	228	-	228	182
<i>C.II.</i>	<i>Receivables</i>	<b>2 219</b>	-	<b>2 219</b>	<b>1 869</b>
C.II.1.	Long-term receivables	<b>904</b>	-	<b>904</b>	<b>684</b>
C.II.1.5.	<i>Receivables - other</i>	<b>904</b>	-	<b>904</b>	<b>684</b>
C.II.1.5.4.	Sundry receivables	904	-	904	684
<i>C.II.2.</i>	<i>Short-term receivables</i>	<b>1 315</b>	-	<b>1 315</b>	<b>1 185</b>
C.II.2.1.	Trade receivables	274	-	274	97
C.II.2.4.	<i>Receivables - other</i>	<b>1 041</b>	-	<b>1 041</b>	<b>1 088</b>
C.II.2.4.3.	State - tax receivables	21	-	21	16
C.II.2.4.4.	Short-term prepayments made	3	-	3	3
C.II.2.4.5.	Estimated receivables	529	-	529	861
C.II.2.4.6.	Sundry receivables	488	-	488	208
<i>C.III.</i>	<i>Current financial assets</i>	<b>5 863</b>	-	<b>5 863</b>	<b>1 053</b>
C.III.2.	Other current financial assets	5 863	-	5 863	1 053
<i>C.IV.</i>	<i>Cash</i>	<b>949</b>	-	<b>949</b>	<b>299</b>
C.IV.2.	Cash at bank	949	-	949	299
<b>D.</b>	<b>Other assets</b>	<b>259</b>	-	<b>259</b>	<b>127</b>
D.1.	Deferred expenses	126	-	126	127
D.3.	Accrued income	133	-	133	-

		31.12.2022	31.12.2021
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>59 193</b>	<b>51 642</b>
<b>A.</b>	<b>Equity</b>	<b>14 374</b>	<b>7 520</b>
A.II.	<i>Share premium and capital funds</i>	7 068	6 743
A.II.2.	<i>Capital funds</i>	7 068	6 743
A.II.2.1.	Other capital funds	5 381	5 381
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	1 687	1 362
A.IV.	<i>Retained earnings (+/-)</i>	3 677	59
A.IV.1.	Accumulated profits brought forward	3 677	59
A.V.	<i>Profit or loss for the current period (+/-)</i>	6 529	4 118
A.VI.	Profit share prepayments declared (-)	(2 900)	(3 400)
<b>B.+C.</b>	<b>Liabilities</b>	<b>44 604</b>	<b>43 647</b>
<b>B.</b>	<b>Reserves</b>	<b>301</b>	<b>266</b>
B.II.	Income tax reserve	2	8
B.IV.	Other reserves	299	258
<b>C.</b>	<b>Payables</b>	<b>44 303</b>	<b>43 381</b>
C.I.	<i>Long-term payables</i>	41 376	41 169
C.I.1.	<i>Bonds issued</i>	18 643	18 787
C.I.1.1.	Convertible bonds	18 643	18 787
C.I.1.2.	Payables to credit institutions	14 474	14 474
C.I.4.	Trade payables	13	15
C.I.8.	Deferred tax liability	7 036	6 935
C.I.9.	<i>Payables - other</i>	1 210	958
C.I.9.3.	Sundry payables	1 210	958
C.II.	<i>Short-term payables</i>	2 927	2 212
C.II.1.	<i>Bonds issued</i>	427	312
C.II.1.1.	Convertible bonds	427	312
C.II.3.	Short-term prepayments received	559	568
C.II.4.	Trade payables	402	592
C.II.8.	<i>Other payables</i>	1 539	740
C.II.8.3.	Payables to employees	42	30
C.II.8.4.	Social security and health insurance payables	22	15
C.II.8.5.	State - tax payables and subsidies	27	35
C.II.8.6.	Estimated payables	665	452
C.II.8.7.	Sundry payables	783	208
<b>D.</b>	<b>Other liabilities</b>	<b>215</b>	<b>475</b>
D.1.	Accrued expenses	180	74
D.2.	Deferred income	35	401

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

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

Year ended  
31.12.2022  
(in CZK million)

Na hřebenech II 1718/8  
Nusle  
140 00, Praha

		Year ended 31.12.2022	Year ended 31.12.2021
I.	Sales of products and services	12 949	10 372
A.	Purchased consumables and services	1 080	939
A.2.	Consumed material and energy	572	445
A.3.	Services	508	494
C.	Own work capitalised (-)	(147)	(138)
D.	Staff costs	748	711
D.1.	Payroll costs	545	532
D.2.	Social security and health insurance costs and other charges	203	179
D.2.1.	Social security and health insurance costs	181	165
D.2.2.	Other charges	22	14
E.	Adjustments to values in operating activities	2 449	2 498
E.1.	Adjustments to values of intangible and tangible fixed assets	2 449	2 499
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	2 453	2 503
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	(4)	(4)
E.3.	Adjustments to values of receivables	-	(1)
	Release of negative goodwill on consolidation	352	352
III.	Other operating income	50	69
III.1.	Sales of fixed assets	-	1
III.3.	Sundry operating income	50	68
F.	Other operating expenses	126	175
F.1.	Net book value of sold fixed assets	1	-
F.3.	Taxes and charges	7	12
F.4.	Reserves relating to operating activities and complex deferred expenses	52	51
F.5.	Sundry operating expenses	66	112
*	<b>Operating profit or loss (+/-)</b>	<b>9 095</b>	<b>6 608</b>
VI.	Interest income and similar income	544	6
VI.2.	Other interest income and similar income	544	6
J.	Interest expenses and similar expenses	1 663	786
J.2.	Other interest expenses and similar expenses	1 663	786
VII.	Other financial income	464	565
K.	Other financial expenses	459	1 383
*	<b>Financial profit or loss (+/-)</b>	<b>(1 114)</b>	<b>(1 598)</b>
**	<b>Profit or loss before tax (+/-)</b>	<b>7 981</b>	<b>5 010</b>
L.	Income tax	1 452	892
L.1.	Due income tax	1 427	861
L.2.	Deferred income tax (+/-)	25	31
**	<b>Profit or loss net of tax (+/-)</b>	<b>6 529</b>	<b>4 118</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>6 529</b>	<b>4 118</b>
*	Net turnover for the current period	14 007	11 012

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**

NET4GAS Holdings, s.r.o.

Corporate ID 291 35 001

Year ended  
31.12.2022  
(in CZK million)

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 share prepayments declared	TOTAL EQUITY
<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>
Gains or loss on fair value remeasurement - fin. derivatives	-	1 438	-	-	-	1 438
Distribution of profit	-	-	4 543	(4 543)	-	-
Profit shares paid	-	-	(3 288)	-	3 209	(79)
Profit share prepayments declared	-	-	-	-	(3 400)	(3 400)
Increase in other capital funds	3 959	-	-	-	-	3 959
Decrease in other capital funds	(11 286)	-	-	-	-	(11 286)
Consolidated profit for the period	-	-	-	4 118	-	4 118
<b>Balance at 31 December 2021</b>	<b>5 381</b>	<b>1 362</b>	<b>59</b>	<b>4 118</b>	<b>(3 400)</b>	<b>7 520</b>
Gains or loss on fair value remeasurement - fin. derivatives	-	325	-	-	-	325
Distribution of profit	-	-	4 118	(4 118)	-	-
Profit shares paid	-	-	(500)	-	3 400	2 900
Profit share prepayments declared	-	-	-	-	(2 900)	(2 900)
Consolidated profit for the period	-	-	-	6 529	-	6 529
<b>Balance at 31 December 2022</b>	<b>5 381</b>	<b>1 687</b>	<b>3 677</b>	<b>6 529</b>	<b>(2 900)</b>	<b>14 374</b>

**CONSOLIDATED CASH FLOW  
STATEMENT**

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

Year ended  
31.12.2022  
(in CZK million)

Na hřebenech II 1718/8  
Nusle  
140 00, Praha

		Year ended 31.12.2022	Year ended 31.12.2021
P.	Opening balance of cash and cash equivalents	299	2 226
	<i>Cash flows from ordinary activities (operating activities)</i>	-	-
Z.	Profit or loss before tax	7 981	5 010
A.1.	Adjustments for non-cash transactions	3 053	3 014
A.1.1.	Depreciation of fixed assets	2 101	2 151
A.1.2.	Change in provisions and reserves	31	64
A.1.3.	Profit on sale of Intangible assets	-	-
A.1.3.	Profit on the sale of fixed assets	1	(2)
A.1.4.	Exchange rate differences	(2)	(6)
A.1.5.	Interest expense and interest income	1 119	780
A.1.6.	Adjustments for other non-cash transactions	(197)	27
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>11 034</b>	<b>8 024</b>
A.2.	Change in working capital	(4 285)	(1 406)
A.2.1.	Change in operating receivables and other assets	(481)	(1 089)
A.2.2.	Change in operating payables and other liabilities	1 052	759
A.2.3.	Change in inventories	(46)	(23)
A.2.4.	Change in current financial assets	(4 810)	(1 053)
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>6 749</b>	<b>6 618</b>
A.3.	Interest paid	(1 440)	(681)
A.4.	Interest received	411	6
A.5.	Income tax paid from ordinary operations	(1 454)	(806)
<b>A.***</b>	<b>Net operating cash flows</b>	<b>4 266</b>	<b>5 137</b>
	<i>Cash flows from investing activities</i>	-	-
B.1.	Fixed assets expenditures	(3 616)	(2 609)
B.2.	Proceeds from fixed assets sold	-	1
<b>B.***</b>	<b>Net investment cash flows</b>	<b>(3 616)</b>	<b>(2 608)</b>
	<i>Cash flow from financial activities</i>	-	-
C.1.	Change in payables from financing	-	6 349
C.2.	Impact of changes in equity	-	(10 805)
C.2.1.	Cash increase in other capital funds	-	3 959
C.2.2.	Capital payments to partners	-	(11 286)
C.2.3.	Profit shares paid	-	(78)
C.2.4.	Profit shares advances paid	-	(3 400)
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-</b>	<b>(4 456)</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>650</b>	<b>(1 927)</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>949</b>	<b>299</b>

# ***Group NET4GAS Holdings***

Notes to the consolidated financial statements

31 December 2022

## 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 2022 are:

- Allianz Infrastructure Luxembourg I S.à r.l., L-2450 Luxembourg, 14, boulevard F.D. Roosevelt, Grand Duchy of Luxembourg, Registration number: B 157276, share: 50%,
- Borealis Novus Parent B.V., 1011PZ Amsterdam, Muiderstraat 9, Kingdom of the Netherlands, Registration number: 57412243, share: 50%.

Allianz Infrastructure Luxembourg I 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 2022 or 31 December 2021.

Statutory Directors as of 31 December 2022:

Michael Raymond Mc Nicholas	Position held since 1 August 2021
Delphine Voeltzel	Position held since: 16 April 2019
Igor Emilievic Lukin	Position held since: 1 May 2020
Mario Fischer	Position held since: 15 August 2022

During 2022 there was a change in the composition of the NET4GAS Holdings management. Jaroslava Korpancova ceased to be the Statutory Director and her term of office expired on 14 August 2022 and the change was registered in the Commercial Register on 1 December 2022. Mario Fischer became Statutory Director on 15 August 2022 and the change was registered in the Commercial Register on 1 December 2022.

### 1.2. Consolidated group description

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

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

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

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



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 2022**

<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)	9,077	5,835
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 2022	For the period of 12 months ended 30 November 2022
Registered capital (in CZK million)	2,750	402
Equity (in CZK million)	18,154	6,252
Profit for the current period (in CZK million)	6,243	280
Total assets (in CZK million)	68,450	7,081
Consolidation method	Full	Full
Date of acquisition	2 August 2013	2 August 2013

**Subsidiaries for the year ended 2021**

<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)	9,077	5,972
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 2021	For the period of 12 months ended 30 November 2021
Registered capital (in CZK million)	2,750	402
Equity (in CZK million)	11,586	6,469
Profit for the current year (in CZK million)	3,757	312
Total assets (in CZK million)	61,257	7,239
Consolidation method	Full	Full
Date of acquisition	2 August 2013	2 August 2013

The reporting period of BRAWA, a.s., for 2022 began on 1 December 2021 and ended on 30 November 2022. For the preparation of the Group's consolidated financial statements as of 31 December 2022, the actual transactions of BRAWA, a.s. for the period from January to December 2022 and balances as of 31 December 2022 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 2022 to 31 December 2022. Comparatives are presented for the period from 1 January 2021 to 31 December 2021.

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. Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred. Technical improvements on tangible fixed assets exceeding CZK 80 thousand per year are capitalised.

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.

#### **Assessment of non-current asset impairment for the year ended 31.12.2022**

In connection with the ongoing military conflict in Ukraine and the sanctions imposed against the Russian Federation, the subsidiary NET4GAS, s.r.o. has analysed the possible impact of this situation on its business as at the date of these financial statements. The subsidiary's management has prepared several scenarios of possible future developments with respect to the use of the transmission system and the supply of gas through the transmission system and has analysed the impact of these scenarios on its future operations, profit or loss and possible impairment of the Subsidiary's non-current assets. The scenarios were based on market assumptions at the time of their preparation and include both the continuation of Russian gas flows to Europe and the termination of Russian gas supplies to Europe. In the case of the continuation of Russian gas supplies to Europe, the NET4GAS, s.r.o. expects lower volumes of such supplies compared to historical volumes, given the EU's plans to diversify its gas sources and its efforts to reduce its dependence on Russian gas. In scenarios where Russian gas supplies to Europe are terminated, the flows are based on the assumption of gas demand and supply developments in the CEE region and the existence of available gas infrastructure, including the expected development of LNG terminals. Scenarios based on non-Russian gas supplies assume flows of approximately 2/3 of the historical average for 2019-2021. Actual future gas flows may differ from the NET4GAS's estimates and these differences may be significant.

The cash flows estimated under the different scenarios were discounted to present value using the weighted average cost of capital (WACC). At the reporting date, our calculation took into account, among other things, the cost of external financing and the NET4GAS's cost of equity. In calculating the cost of equity, the Subsidiary NET4GAS took into account the yield to maturity of Czech government bonds, a risk premium derived from the Czech market risk premium and a beta coefficient calculated based on data from a group including relevant energy companies. The data were collected from reliable external sources.

Based on the assessment of the above scenarios, the Subsidiary NET4GAS has not identified any impairment of property, plant and equipment as of 31 December 2022 that would require an adjustment to the financial statements in accordance with applicable accounting policies. However, future developments cannot be reliably estimated; therefore, the need for future adjustments to the amounts of property, plant and equipment cannot be excluded.

On 4 January 2023, NET4GAS, s.r.o. published the following information:

*"NET4GAS, s.r.o. ("N4G") continues to actively monitor the market conditions and geopolitical situation in which it operates and analyses its options to promote financial resilience in its role as owner and operator of critical infrastructure in the Czech Republic. N4G notes that it has not received the latest monthly payments due under its material contracts with a major Russian shipper (the "Major Shipper"). N4G's revenues under these material contracts accounted for approximately three quarters of N4G's total 2021 revenues. With respect to the uncertainties related to the current geopolitical situation, N4G notes that, when confirming the current rating of N4G in its announcement of 19 October 2022, Fitch Ratings stated that its base scenario already incorporates full or near-complete shut-off of Russian pipeline gas to Europe and no payments from the Major Shipper, which includes the non-payment that is the subject of this announcement. N4G is currently investigating the reasons for this non-payment, which in N4G's view represents a contractual breach on the part of the Major Shipper. N4G further notes that it is currently able to cover its ongoing operating and financing costs."*

#### **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 value of cash equivalents as of 31/12/2022 reached the amount of CZK 5,863 million.

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. Liquidity risk and Going concern**

The Subsidiary NET4GAS has prepared a liquidity analysis which is based on a very conservative projection of future cash flows assuming, among other things, only revenues from the delivery of gas to the Czech Republic and a very small portion of contracted transit revenues (not related to the situation with the Major Shipper as described in Note 2.3.). The Group does not plan to pay dividends. Management believes that the situation does not affect the going concern assumption in 2023.

## **2.22. 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.

The windfall tax (temporary) has been introduced for a period of 3 years (i.e. 2023-2025) starting 1 January 2023 and will operate as a 60% surcharge on corporate income tax. Specifically listed companies based on the type of industry (including gas transmission that relates to NET4GAS, s.r.o.) shall be subject to the windfall tax. The windfall tax shall apply to the excess profit determined as the difference between the tax base in the given year and the average of the tax bases for the last 4 years (2018-2021) increased by 20%. Furthermore, the windfall tax should be reported in the financial statements as part of the income tax payable. NET4GAS, s.r.o., as a taxpayer, continuously evaluates the potential impact of windfall tax on the Company.

## **2.23. 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 2022	Additions / transfers	Disposals	31 December 2022
<b>Cost</b>				
Research	51	-	(1)	50
Software	546	13	(4)	555
Other royalties	6	1	(1)	6
Other intangible fixed assets	42	-	(14)	28
Advances paid for intangible fixed assets	9	20	-	29
Intangible fixed assets under construction	45	14	-	59
<b>Total</b>	<b>699</b>	<b>57</b>	<b>(20)</b>	<b>727</b>
<b>Accumulated amortisation</b>				
Research	(51)	-	1	(50)
Software	(519)	(23)	4	(538)
Other royalties	(6)	-	-	(6)
Other intangible fixed assets	(19)	(1)	3	(17)
<b>Total</b>	<b>(595)</b>	<b>(24)</b>	<b>8</b>	<b>(611)</b>
<b>Net book value</b>	<b>104</b>			<b>116</b>

(CZK million)	1 January 2021	Additions / transfers	Disposals	31 December 2021
<b>Cost</b>				
Research	51	-	-	51
Software	540	13	(7)	546
Other royalties	6	-	-	6
Other intangible fixed assets	20	22	-	42
Advances paid for intangible fixed assets	-	9	-	9
Intangible fixed assets under construction	29	16	-	45
<b>Total</b>	<b>646</b>	<b>60</b>	<b>(7)</b>	<b>699</b>
<b>Accumulated amortisation</b>				
Research	(51)	-	-	(51)
Software	(498)	(28)	7	(519)
Other royalties	(6)	-	-	(6)
Other intangible fixed assets	(19)	-	-	(19)
<b>Total</b>	<b>(574)</b>	<b>(28)</b>	<b>7</b>	<b>(595)</b>
<b>Net book value</b>	<b>72</b>			<b>104</b>

As of 31 December 2022, other intangible fixed assets included CZK12 million emission allowances (as of 31 December 2021: CZK 22 million).

#### 4. TANGIBLE FIXED ASSETS

(CZK million)	1 January 2022	Additions / transfers	Disposals	31 December 2022
<b>Cost</b>				
Land	307	4	(1)	310
Constructions	75,098	3,950	-	79,048
Tangible fixed assets and their sets	9,293	506	(64)	9,735
Other tangible fixed assets	1	-	-	1
Advances paid for tangible fixed assets	150	132	-	282
Tangible fixed assets under construction	1,426	(966)	-	460
<b>Total</b>	<b>86,275</b>	<b>3,626</b>	<b>(65)</b>	<b>89,836</b>
<b>Accumulated depreciation</b>				
Constructions	(27,929)	(1,864)	-	(29,793)
Tangible fixed assets and their sets	(6,176)	(565)	64	(6,677)
Provision for constructions	(87)	3	-	(84)
<b>Total</b>	<b>(34,192)</b>	<b>(2,425)</b>	<b>64</b>	<b>(36,554)</b>
<b>Net book value</b>	<b>52,083</b>			<b>53,282</b>

(CZK million)	1 January 2021	Additions / transfers	Disposals	31 December 2021
<b>Cost</b>				
Land	283	24	-	307
Constructions	74,549	549	-	75,098
Tangible fixed assets and their sets	8,924	402	(33)	9,293
Other tangible fixed assets	1	-	-	1
Advances paid for tangible fixed assets	207	12	(69)	150
Tangible fixed assets under construction	717	709	-	1,426
<b>Total</b>	<b>84,681</b>	<b>1,696</b>	<b>(102)</b>	<b>86,275</b>
<b>Accumulated depreciation</b>				
Constructions	(25,958)	(1,971)	-	(27,929)
Tangible fixed assets and their sets	(5,707)	(503)	34	(6,176)
Provision for constructions	(91)	4	-	(87)
<b>Total</b>	<b>(31,756)</b>	<b>(2,470)</b>	<b>34</b>	<b>(34,192)</b>
<b>Net book value</b>	<b>52,925</b>			<b>52,083</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 3,723 million as of 31 December 2022 (as of 31 December 2021: CZK 4,075 million).

#### 6. RECEIVABLES

Overdue receivables as of 31 December 2022 amounted to CZK 174 million (as of 31 December 2021: CZK 54 million).

As of 31 December 2022, receivables were not covered by material guarantees and none of them had maturity greater than 5 years (as of 31 December 2021: no receivables had maturities greater than 5 years).

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

Income tax prepayments of CZK 1,448 million made by NET4GAS, s.r.o. as of 31 December 2022 (as of 31 December 2021: CZK 842 million) were offset against the reserve for income tax of CZK 1,427 million as of 31 December 2022 (as of 31 December 2021: CZK 859 million).

Income tax prepayments of CZK 7 million paid by BRAWA, a.s. as of 31 December 2022 (as of 31 December 2021: CZK 9 million) were offset against the provision for income tax of CZK 8 million as of 31 December 2022 (as of 31 December 2021: CZK 8 million).

## 7. DEFERRED EXPENSES

Deferred expenses as of 31 December 2022 and 31 December 2021 represent, *inter alia*, expenses related to the acquisition of bank loans recognised on an accruals basis over the term of individual loans.

Deferred expenses were as follows:

(CZK million)	31 December 2022	31 December 2021
Bank loans	43	52
Other deferred expenses	83	75
<b>Total</b>	<b>126</b>	<b>127</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 14,374 million as of 31 December 2022 (as of 31 December 2021: CZK 7,520 million). All Group companies recognised positive equity in their separate financial statements prepared as of 31 December 2022 and 31 December 2021.

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 29 September 2022, the General Meeting approved the financial statements of the Company for the year 2021 and decided to distribute part of the profit for the year 2021 in the amount of 500 million CZK to Company's shareholders. The General Meeting decided to transfer the remaining part of the profit for 2021 in the amount of 3,726 million CZK to retained earnings of previous years.

The Company's claim in the amount of 3,400 million CZK for the repayment of the 2021 Advance Dividend was settled by offsetting the claim of the Shareholders for the 2022 Advance Dividend in the amount of 2,900 million CZK and claim of the Shareholders for the payment of a share of the profit for the year 2021 in the amount of 500 million CZK.

Increase / decrease in additional equity contributions:

Month/Year	(CZK million)	Comments on the settlement of the increase / decrease
January 2021	592	Cash received*
March 2021	(7,922)	Cash paid
July 2021	(3,364)	Cash paid
July 2021	3,367	Cash received**
<b>Total decrease in 2021</b>	<b>(7,327)</b>	

2022 no movement

<b>Total decrease in 2022</b>	<b>-</b>
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\* For the purposes of the Capacity4Gas project funding, Funding Agreement was concluded based on which the shareholders increased other capital funds.

\*\*For the purposes of the Moravia Capacity Extension project funding, Funding Agreement was concluded based on which the shareholders increased other capital funds.

## 9. RESERVES

(CZK million)	Other reserves	Income tax provision net of advances	Total
<b>Opening balance as of 1 January 2021</b>	<b>199</b>	-	<b>199</b>
Charge for the year	163	8	171
Released in the year	-	-	-
Used in the year	104	-	104
<b>Closing balance as of 31 December 2021</b>	<b>258</b>	<b>8</b>	<b>266</b>
Charge for the year	136	2	138
Released in the year	10	8	18
Used in the year	85	-	85
<b>Closing balance as of 31 December 2022</b>	<b>299</b>	<b>2</b>	<b>301</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 2022, they mainly included unbilled supplies of services, material and acquisition of fixed assets (estimated payables) in the amount of CZK 665 million (as of 31 December 2021: CZK 452 million) and deposits received from customers as of 31 December 2022 in the amount of CZK 658 million (as of 31 December 2021: CZK 81 million).

The Company provided no off-balance sheet material guarantees.

## 11. BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans:

(CZK million)	Interest rate (%)	Currency	31 December 2022	31 December 2021
Consortium of banks	PRIBOR + margin	CZK	14,474	14,474
<b>Total bank loans</b>			<b>14,474</b>	<b>14,474</b>

The Group's bonds issued are as follows:

	Nominal amount of issue	Due date	Annual coupon repayment date	31 December 2022 (CZK million)	31 December 2021 (CZK million)
Bond EUR, serial no. 2, ISIN XS1090449627**	EUR 160,000,000	28 July 2026	Each 28 July In arrears	3,901	4,019
Bond EUR, serial no. 4, ISIN XS1172113638**	EUR 50,000,000	28 July 2026	Each 28 July In arrears	1,218	1,255
Bond CZK, domestic, serial no. 5, ISIN CZ0003519472*	CZK 2,643,000,000	17 July 2025	Each 17 July In arrears	2,668	2,666
Bond CZK, domestic, serial no. 6, ISIN CZ0003529786*	CZK 4,098,000,000	28 Jan 2028	Each 28 Jan/Jul In arrears	4,235	4,115
Bond CZK domestic, serial no. 7, ISIN CZ0003529794*	CZK 6,900,000,000	28 Jan 2031	Each 28 Jan In arrears	7,047	7,044
<b>Total bonds</b>				<b>19,069</b>	<b>19,099</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 2.745 and 8,39% p.a.

The bond with serial no. 2. was accepted for trading on a regulated market of the Irish Stock Exchange on 28 July 2014. The 2015 bonds, serial no. 4, were issued via private placement. Domestic "CZ" bonds were accepted for trading on a regulated market of the Prague Stock Exchange on 17 July 2018 (bond with serial no. 5) and 28 January 2021 (bonds with serial no. 6 – 7). 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 2022.

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 2022, the Group has contractual investment commitments relating to tangible fixed assets in the amount of CZK 848 million (31 December 2021: CZK 782 million). The commitments relate exclusively to the Moravia Capacity Extension.

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

(CZK million)	31 December 2022	31 December 2021
Due within one year	28	31
<b>Total commitments in respect of operating leases and rental</b>	<b>264</b>	<b>164</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 2022 (outstanding receivables and payables from currency swaps as of 31 December 2021).

(CZK million)	31 December 2022		31 December 2021	
	Trade with positive fair value	Trade with negative fair value	Trade with positive fair value	Trade with negative fair value
<b>Currency forwards and swaps: fair value, as at the reporting period, of</b>				
- USD receivable on settlement (+)	-	-	-	-
-USD payable on settlement (-)	-	-	-	(439)
- EUR payable on settlement (-)	-	-	-	-
- CZK receivable on settlement (+)	-	-	-	427
<b>Fair value of foreign exchange forwards and swaps</b>				
- current	-	-	-	(12)

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

(CZK million)	2022	2021
<b>As of 1 January</b>	(12)	-
Fair value of currency swaps acquired during the year	12	(12)
Fair value of currency swaps settled during the year	-	-
<b>As of 31 December</b>	-	(12)

### 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 2022 and 31 December 2021, 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 2022:

(CZK million)	31 December 2022		Nominal value
	Fair value Positive	Fair value Negative	
Currency interest rate swaps	108	(1,333)	(EUR 210 mil. + USD 100mil.)
Interest rate swap	1,278	-	7,400
<b>Total cash flow hedging derivatives</b>	<b>1,386</b>	<b>(1,333)</b>	<b>14,726</b>

\* Of which CZK 361 million represents the current portion and CZK (307) 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 2021:

(CZK million)	31 December 2021		Nominal value
	Fair value Positive	Fair value Negative	
Currency interest rate swaps	44	1,012	(EUR 210 mil, USD 100 mil.)
Interest rate swap	789	-	7,400
<b>Total cash flow hedging derivatives</b>	<b>833</b>	<b>1,012</b>	<b>14,816</b>

\* Of which CZK 95 million represents the current portion and CZK -274 million represents the non-current portion.

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

(CZK million)	2022	2021
Opening balance as of 1 January	(179)	(1,523)
Charge for the year (+/-)	233	1,344
Closing balance as of 31 December	54	(179)

## 14. RELATED PARTY TRANSACTIONS

All material transactions (except equity transactions disclosed in note 8) 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 2022 and 31 December 2021.

### 14.2 Borrowings to related parties

The Group had no receivables from related parties as of 31 December 2022 and 31 December 2021.

No loans were provided in 2022 and 2021 to the Company's statutory directors, members of the Supervisory Board and other members of management.

## 15. EMPLOYEES

	2022		2021	
	number	(CZK million)	number	(CZK million)
Salaries to key management	17	67	16	78
Wages and salaries to other employees	546	478	543	454
Social security costs	-	181	-	165
Other social costs	-	22	-	14
<b>Wages and salaries total</b>	<b>563</b>	<b>748</b>	<b>559</b>	<b>711</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 14 million (2021: CZK 12 million).

The foreign members of Group management were provided with accommodation, with the related rental cost totalling CZK 1 million in 2022 (2021: CZK 2 million).

## 16. INCOME TAX

The current tax analysis:

<b>(CZK million)</b>	<b>2022</b>	<b>2021</b>
Current tax (19%)	1,435	859
Deferred tax	25	31
Adjustment of prior-year tax based on the income tax return filed	(8)	2
<b>Total income tax expense</b>	<b>1,452</b>	<b>892</b>

The current tax includes:

<b>(CZK million)</b>	<b>2022</b>	<b>2021</b>
Net profit before taxation	7,981	5,010
Difference between accounting and tax depreciation/amortisation	(138)	(187)
Tax non-deductible expenses	66	58
Gifts	(4)	(8)
Amortisation of negative goodwill on consolidation	(352)	(352)
Tax base	7,553	4,521
<b>Current corporate income tax at 19 %</b>	<b>1,435</b>	<b>859</b>

The deferred tax asset/ (liability) analysis:

<b>(CZK million)</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Deferred tax liability arising from:</b>		
Difference between net and tax book values of assets	(6,696)	(6,671)
Cash flow hedges	(396)	(319)
<b>Total deferred tax liability</b>	<b>(7,092)</b>	<b>(6,990)</b>
<b>Deferred tax asset arising from:</b>		
Other reserves and provisions	56	55
Tax losses (NET4GAS Holdings, s.r.o.)	4	5
Unrecognised tax receivable from NET4GAS Holdings, s.r.o.	(4)	(5)
<b>Total deferred tax asset</b>	<b>56</b>	<b>55</b>
<b>Net deferred tax liability</b>	<b>(7,036)</b>	<b>(6,935)</b>

The income tax rate of 19% was used for the calculation as of 31 December 2022 and 2021.

A potential deferred tax asset arising from a tax loss of CZK 4 million as of 31 December 2022 (as of 31 December 2021: CZK 5 million) was not recognised as its future utilisation is unlikely.

NET4GAS Holdings, s.r.o. had tax losses as of 31 December 2022 of CZK 19 million.

## 17. AUDIT COSTS AND OTHER SERVICES PROVIDED BY THE STATUTORY AUDITOR

<b>(CZK million)</b>	<b>2022</b>	<b>2021</b>
Statutory audits of the financial statements of Group companies and related services	3	2
Agreed-upon procedures related to grants received from the European Commission	-	-
Other non-audit services	-	-
<b>Total</b>	<b>3</b>	<b>2</b>



## 18. SALES

Sales analysis:

<b>(CZK million)</b>	<b>2022</b>	<b>2021</b>
Transportation		
- Foreign customers	10,863	8,841
- Domestic customers	2,086	1,531
Other – domestic	-	-
<b>Sales of own products and services</b>	<b>12,949</b>	<b>10,372</b>
Other operating income	50	69
<b>Total operating income</b>	<b>12,999</b>	<b>10,441</b>
Interest income and similar income – subsidiaries or controlling party	-	-
Other interest income and similar income	544	6
Other financial income	464	565
<b>Net turnover for the reporting period</b>	<b>14,007</b>	<b>11,012</b>

## 19. SUBSEQUENT EVENTS

On 4 January 2023, the Subsidiary NET4GAS, s.r.o. released regulatory information (see Note 2.3 for the full wording) in which it stated that it had not received the latest monthly payments due under its material contracts with the Major Shipper. Since that time, the situation has not changed, and the Major Shipper has not paid the invoices due (which constitutes a breach of contract).

On 24 January 2023, Fitch Ratings stated that NET4GAS's rating was not affected by the cessation of payments from the NET4GAS's Major Shipper (as already reflected in their previous projections), but uncertainty was growing.

The Company's management continuously monitors the current situation and assesses potential impacts on its business. As of the date of these financial statements, management believes that the situation does not affect the going concern assumption in 2023. However, it cannot be ruled out that there will be further developments in this situation, which may subsequently have a significant impact on the Company's financial position, financial results, cash flows and assets.

No other events occurred after the balance sheet date that would have a significant impact on the financial statements.

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

**SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

**Components of the Separate Financial Statements:**

**Balance Sheet**

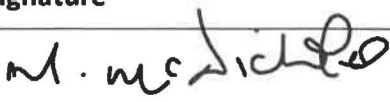
**Profit and Loss Account**

**Statement of Changes in Equity**

**Cash Flow Statement**

**Notes to the Financial Statements**

**These separate financial statements were prepared on 10 March 2023.**

<b>Statutory body of the reporting entity:</b>	<b>Signature</b>
<b>Michael Raymond Mc Nicholas</b> statutory executive	
<b>Igor Emilievic Lukin</b> statutory executive	

**SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

**Name of the Company:** NET4GAS Holdings, s.r.o.  
**Registered Office:** Na hřebenech II 1718/8, 140 00 Prague 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 Financial Statements**

**These separate financial statements were prepared on 10 March 2023.**

<b>Statutory body of the reporting entity:</b>	<b>Signature</b>
<b>Michael Raymond Mc Nicholas</b> statutory executive  <b>Igor Emilievic Lukin</b> statutory executive	 Digitally signed by Igor Lukin Date: 2023.03.16 18:35:44 +01'00'

**BALANCE SHEET**

full version

As of  
31.12.2022  
(in CZK million)NET4GAS Holdings, s.r.o.  
Corporate ID 291 35 001Na hřebenech II 1718/8  
140 00 Praha 4 - Nusle

		31.12.2022			31.12.2021
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>9 137</b>	-	<b>9 137</b>	<b>9 140</b>
<b>B.</b>	<b>Fixed assets</b>	<b>9 077</b>	-	<b>9 077</b>	<b>9 077</b>
<i>B.III.</i>	<i>Non-current financial assets</i>	<i>9 077</i>	-	<i>9 077</i>	<i>9 077</i>
B.III.1.	Equity investments - controlled or controlling entity	9 077	-	9 077	9 077
<b>C.</b>	<b>Current assets</b>	<b>60</b>	-	<b>60</b>	<b>63</b>
<i>C.II.</i>	<i>Receivables</i>	<i>60</i>	-	<i>60</i>	<i>63</i>
<i>C.II.2.</i>	<i>Short-term receivables</i>	<i>60</i>	-	<i>60</i>	<i>63</i>
C.II.2.2.	Receivables - controlled or controlling entity	60	-	60	63

		31.12.2022	31.12.2021
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>9 137</b>	<b>9 140</b>
<b>A.</b>	<b>Equity</b>	<b>6 148</b>	<b>6 207</b>
A.II.	<i>Share premium and capital funds</i>	5 381	5 381
A.II.2.	<i>Capital funds</i>	5 381	5 381
A.II.2.1.	Other capital funds	5 381	5 381
A.IV.	<i>Retained earnings (+/-)</i>	3 726	-
A.IV.1.	Accumulated profits brought forward	3 726	-
A.V.	<i>Profit or loss for the current period (+/-)</i>	(59)	4 226
A.VI.	Profit share prepayments declared (-)	(2 900)	(3 400)
<b>B.+C.</b>	<b>Liabilities</b>	<b>2 989</b>	<b>2 933</b>
<b>B.</b>	<b>Reserves</b>	<b>88</b>	<b>32</b>
B.IV.	Other reserves	88	32
<b>C.</b>	<b>Payables</b>	<b>2 901</b>	<b>2 901</b>
C.II.	<i>Short-term payables</i>	2 901	2 901
C.II.4.	Trade payables	1	1
C.II.8.	<i>Other payables</i>	2 900	2 900
C.II.8.1.	Payables to partners	2 900	2 900

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

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

Year ended  
31.12.2022  
(in CZK million)

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

		Year ended 31.12.2022	Year ended 31.12.2021
A.	Purchased consumables and services	4	4
A.3.	Services	4	4
D.	Staff costs	-	38
D.1.	Payroll costs	-	34
D.2.	Social security and health insurance costs and other charges	-	4
D.2.1.	Social security and health insurance costs	-	4
F.	Other operating expenses	58	5
F.4.	Reserves relating to operating activities and complex deferred expenses	58	5
*	<b>Operating profit or loss (+/-)</b>	<b>(62)</b>	<b>(47)</b>
IV.	Income from non-current financial assets - equity investments	-	4 253
IV.1.	Income from equity investments - controlled or controlling entity	-	4 253
VI.	Interest income and similar income	2	-
VI.1.	Interest income and similar income - controlled or controlling entity	2	-
VII.	Other financial income	3	30
K.	Other financial expenses	2	10
*	<b>Financial profit or loss (+/-)</b>	<b>3</b>	<b>4 273</b>
**	<b>Profit or loss before tax (+/-)</b>	<b>(59)</b>	<b>4 226</b>
**	<b>Profit or loss net of tax (+/-)</b>	<b>(59)</b>	<b>4 226</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>(59)</b>	<b>4 226</b>
*	Net turnover for the current period	5	4 283

**STATEMENT OF  
CHANGES IN EQUITY**

NET4GAS Holdings, s.r.o.

Corporate ID 291 35 001

Year ended  
31.12.2022  
(in CZK million)

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 2020</b>	-	<b>12 708</b>	-	<b>3 288</b>	<b>(3 209)</b>	<b>12 787</b>
Distribution of profit or loss	-		-	(3 288)	3 209	(79)
Profit shares paid	-	3 959	-	-	-	3 959
Increase in other capital funds	-	-11 286	-	-	-	(11 286)
Profit share prepayments declared	-	-	-	-	(3 400)	(3 400)
Profit or loss for the current period	-	-	-	4 226	-	4 226
<b>Balance at 31 December 2021</b>	-	<b>5 381</b>	-	<b>4 226</b>	<b>(3 400)</b>	<b>6 207</b>
Distribution of profit or loss	-	-	3 726	(4 226)	-	(500)
Profit shares paid	-	-	-	-	500	500
Profit or loss for the current period	-	-	-	(59)	-	(59)
<b>Balance at 31 December 2022</b>	-	<b>5 381</b>	<b>3 726</b>	<b>(59)</b>	<b>(2 900)</b>	<b>6 148</b>



## CASH FLOW STATEMENT

Year ended  
31.12.2022  
(in CZK million)

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

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

		Year ended 31.12.2022	Year ended 31.12.2021
	<i>Cash flows from ordinary activities (operating activities)</i>	-	-
Z.	Profit or loss before tax	(59)	4 226
A.1.	Adjustments for non-cash transactions	55	(4 249)
A.1.2.	Change in provisions and reserves	57	4
A.1.4.	Revenues from profit shares	-	(4 253)
A.1.5.	Interest expense and interest income	(2)	-
A.1.6.	Adjustments for other non-cash transactions	-	-
A.*	<b>Net operating cash flow before changes in working capital</b>	<b>(4)</b>	<b>(23)</b>
A.2.	Change in working capital	-	(3 169)
A.2.2.	Change in operating payables and other liabilities	-	(3 169)
A.**	<b>Net cash flow from operations before tax</b>	<b>(4)</b>	<b>(3 192)</b>
A.3.	Interest paid	-	-
A.4.	Interest received	2	-
A.7.	Received profit shares	-	4 253
A.7.	Advances on profit distribution received	-	2 900
A.8.	Increase of investment	-	(3 981)
A.9.	Decrease of investment	-	10 831
A.***	<b>Net operating cash flows</b>	<b>(2)</b>	<b>10 811</b>
	<i>Cash flows from investing activities</i>	-	-
B.3.	Loans and borrowings to related parties	2	(6)
B.***	<b>Net investment cash flows</b>	<b>2</b>	<b>(6)</b>
	<i>Cash flow from financial activities</i>	-	-
C.2.	Impact of changes in equity	-	(10 805)
C.2.1.	Cash increase in other capital funds	-	3 959
C.2.2.	Capital payments to partners	-	(11 286)
C.2.3.	Profit shares paid	-	(78)
C.2.4.	Advances on profit shares paid	-	(3 400)
C.***	<b>Net financial cash flows</b>	<b>-</b>	<b>(10 805)</b>

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

Separate financial statements

31 December 2022

## **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 2022 or 31 December 2021.

Statutory Directors as of 31 December 2022:

Michael Raymond Mc Nicholas	Position held since 1 August 2021
Delphine Voeltzel	Position held since: 16 April 2019
Igor Emilievic Lukin	Position held since: 1 May 2020
Mario Fischer	Position held since: 15 August 2022

During 2022 there was a change in the composition of the NET4GAS Holdings management. Jaroslava Korpancova resigned as the Statutory Director and her term of office expired on 14 August 2022 and the change was registered in the Commercial Register on 1 December 2022. Mario Fischer became Statutory Director on 15 August 2022 and the change was registered in the Commercial Register on 1 December 2022.

There were no employees in the period ending 31 December 2022 and 2021. 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 impairment.

### **2.3. Assessment of non-current asset impairment for the year ended 31. 12. 2022**

In connection with the ongoing military conflict in Ukraine and the sanctions imposed against the Russian Federation, the subsidiary NET4GAS, s.r.o. has analysed the possible impact of this situation on its business as at the date of these financial statements. The subsidiary's management has prepared several scenarios of possible future developments with respect to the use of the transmission system and the supply of gas through the transmission system and has analysed the impact of these scenarios on its future operations, profit or loss and possible impairment of the Subsidiary's non-current assets. The scenarios were based on market assumptions at the time of their preparation and include both the continuation of Russian gas flows to Europe and the termination of Russian gas supplies to Europe. In the case of the continuation of Russian gas supplies to Europe, the NET4GAS, s.r.o. expects lower volumes of such supplies compared to historical volumes, given the EU's plans to diversify its gas sources and its efforts to reduce its dependence on Russian gas. In scenarios where Russian gas supplies to Europe are terminated, the flows are based on the assumption of gas demand and supply developments in the CEE region and the existence of available gas infrastructure, including the expected development of LNG terminals. Scenarios based on non-Russian gas supplies assume flows of approximately 2/3 of the historical average for 2019-2021. Actual future gas flows may differ from the NET4GAS's estimates and these differences may be significant.

The cash flows estimated under the different scenarios were discounted to present value using the weighted average cost of capital (WACC). At the reporting date, our calculation took into account, among other things, the cost of external financing and the NET4GAS's cost of equity. In calculating the cost of equity, the Subsidiary NET4GAS took into account the yield to maturity of Czech government bonds, a risk premium derived from the Czech market risk premium and a beta coefficient calculated based on data from a group including relevant energy companies. The data were collected from reliable external sources.

Based on the assessment of the above scenarios, the Subsidiary NET4GAS has not identified any impairment of property, plant and equipment as of 31 December 2022 that would require an adjustment to the financial statements in accordance with applicable accounting policies. However, future developments cannot be reliably estimated; therefore, the need for future adjustments to the amounts of property, plant and equipment cannot be excluded.

On 4 January 2023, NET4GAS, s.r.o. published the following information:

*"NET4GAS, s.r.o. ("N4G") continues to actively monitor the market conditions and geopolitical situation in which it operates and analyses its options to promote financial resilience in its role as owner and operator of critical infrastructure in the Czech Republic. N4G notes that it has not received the latest monthly payments due under its material contracts with a major Russian shipper (the "Major Shipper"). N4G's revenues under these material contracts accounted for approximately three quarters of N4G's total 2021 revenues. With respect to the uncertainties related to the current geopolitical situation, N4G notes that, when confirming the current rating of N4G in its announcement of 19 October 2022, Fitch Ratings stated that its base scenario already incorporates full or near-complete shut-off of Russian pipeline gas to Europe and no payments from the Major Shipper, which includes the non-payment that is the subject of this announcement. N4G is currently investigating the reasons for this non-payment, which in N4G's view*

*represents a contractual breach on the part of the Major Shipper. N4G further notes that it is currently able to cover its ongoing operating and financing costs."*

## **2.4. 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.

## **2.5. 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.

## **2.6. 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.

## **2.7. 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.

## **2.8. Interest expense**

All borrowing costs are expensed.

## **2.9. Liquidity risk and Going concern**

The Subsidiary NET4GAS has prepared a liquidity analysis which is based on a very conservative projection of future cash flows assuming, among other things, only revenues from the delivery of gas to the Czech Republic and a very small portion of contracted transit revenues (not related to the situation with the Major Shipper as described in Note 2.3.). The Company does not plan to pay dividends. Management believes that the situation does not affect the going concern assumption in 2023.

## **2.10. Deferred tax**

Deferred tax is recognized 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 recognized if it is probable that sufficient future taxable profit will be available against which the asset can be utilized.

## 2.11. 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.

## 2.12. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognized 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 recognized in the financial statements.

## 3. INVESTMENTS IN SUBSIDIARIES

(CZK million) 31 December 2022	Cost	Share (%)	2022 net profit	Net assets	2022 profit distribution income	2022 advance profit distribution received
<b>Czech entities</b>						
NET4GAS, s.r.o.	9,077	100 %	6,243	18,155	-	2,900
<b>Total</b>	<b>9,077</b>	<b>100 %</b>	<b>6,243</b>	<b>18,155</b>	<b>-</b>	<b>2,900</b>
(CZK million) 31 December 2021	Cost	Share (%)	2021 net profit	Net assets	2021 profit distribution income	2021 advance profit distribution received
<b>Czech entities</b>						
NET4GAS, s.r.o.	9,077	100 %	3,757	11,586	4,253	2,900
<b>Total</b>	<b>9,077</b>	<b>100 %</b>	<b>3,757</b>	<b>11,586</b>	<b>4,253</b>	<b>2,900</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 profit and advances of the subsidiary:

On 23 September 2022, the Company approved the financial statements of the subsidiary NET4GAS, s.r.o. for the year 2021 and decided to transfer the profit for the year 2021 in the amount of 3,757 million CZK to retained earnings of previous years.

The 2022 Advance Dividend was settled by offsetting the corresponding claim of the Shareholders against the Company's claim in the same amount for the repayment of the 2021 Advance Dividend.

#### 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 2022	31 December 2021
Allianz Infrastructure Luxembourg I 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 Luxembourg I 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

<i>Month/Year</i>	<i>(CZK million)</i>	<i>Comment to the settlement of the increase / decrease</i>
January 2021	592	Incoming payment*
March 2021	-7,922	Outgoing payment
July 2021	-3,364	Outgoing payment
July 2021	3,367	Incoming payment**
<b>Total decrease in 2021</b>	<b>-7,327</b>	
2022 no movement	-	
<b>Total decrease in 2022</b>	<b>-</b>	

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

\*\* For purpose of Moravia Capacity Extension project funding a Funding agreement was concluded based on which the shareholders increased other capital funds.

#### Profit and advance payments:

On 29 September 2022, the General Meeting approved the financial statements of the Company for the year 2021 and decided to distribute part of the profit for the year 2021 in the amount of 500 million CZK to Company's shareholders. The General Meeting decided to transfer the remaining part of the profit for 2021 in the amount of 3,726 million CZK to retained earnings of previous years.

The Company's claim in the amount of 3,400 million CZK for the repayment of the 2021 Advance Dividend was settled by offsetting the claim of the Shareholders for the 2022 Advance Dividend in the amount of 2,900 million CZK and claim of the Shareholders for the payment of a share of the profit for the year 2021 in the amount of 500 million CZK.

Profit and advance payments:

Month/Year	(CZK million)	Comment to the settlement of the increase / decrease
March 2021	(78)	Outgoing payment - profit
December 2021	(3,400)	Outgoing payment - advance
<b>Total decrease in 2021 (advances)</b>	<b>(3,400)</b>	
September 2022	(500)	Profit 2021
September 2022	(2,900)	Advance 2022
September 2022	3,400	Advance 2021
<b>Total decrease in 2022 (advances)</b>	<b>(500)</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 2022 and 31 December 2021, 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 2022.

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 million):

Related party	Nature of relationship	Terms/Due dates	Interest rate p.a.	31 December 2022
NET4GAS, s.r.o.	Subsidiary	3 months from notice delivery	7,91 %	29
			2,22 % (EUR)	24
			4,99 % (USD)	7
<b>Total</b>				<b>60</b>
Related party	Nature of relationship	Terms/Due dates	Interest rate p.a.	31 December 2021
NET4GAS, s.r.o.	Subsidiary	3 months from notice delivery	3,35 %	30
			0,0 % (EUR)	26
			0,0 % (USD)	7
<b>Total</b>				<b>63</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 2 million in 2022 (2021: CZK 0 million).



Income from investments in NET4GAS, s.r.o. amounted to CZK 0 million in 2022 (2021: CZK 4,253 million).

No short-term payables from related parties in 2022 and 2021.

Interest expense incurred on the short-term payables from the controlling company was CZK 0 million in 2022 (2021: CZK 0 million).

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 million)</b>	<b>2022</b>	<b>2021</b>
Net profit before taxation (+) / Loss (-)	(59)	4,226
<i>Non-taxable income</i>		
Income from subsidiaries	-	(4,253)
<i>Non-deductible expenses</i>		
Consultancy services	62	47
Interest expenses	-	-
Tax base	3	20
<b>Deduction of tax losses</b>	<b>(3)</b>	<b>(20)</b>
<b>Corporate income tax at 19%</b>	<b>-</b>	<b>-</b>

A potential net deferred tax asset of CZK 4 million as at 31 December 2022 (as at 31 December 2021: CZK 5 million) 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 2022 and 2021.

As at 31 December 2022, the Company had tax losses of CZK19 million. 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 2 mil CZK last in 2024 and amount of 17 mil CZK last in 2025.

## 11. SUBSEQUENT EVENTS

On 4 January 2023, the Subsidiary NET4GAS, s.r.o. released regulatory information (see Note 2.3 for the full wording) in which it stated that it had not received the latest monthly payments due under its material contracts with the Major Shipper. Since that time, the situation has not changed, and the Major Shipper has not paid the invoices due (which constitutes a breach of contract).

On 24 January 2023, Fitch Ratings stated that NET4GAS's rating was not affected by the cessation of payments from the NET4GAS's Major Shipper (as already reflected in their previous projections), but uncertainty was growing.

The Company's management continuously monitors the current situation and assesses potential impacts on its business. As of the date of these financial statements, management believes that the situation does not affect the going concern assumption in 2023. However, it cannot be ruled out that there will be further developments in this situation, which may subsequently have a significant impact on the Company's financial position, financial results, cash flows and assets.

No other events occurred after the balance sheet date that would have a significant impact on the financial statements.

**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 2022, 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 2022, 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 2022, 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 2022, 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.

### Emphasis of Matter

We draw attention to Notes 2.3, 2.9 and 11 of the separate financial statements and to Notes 2.3, 2.21 and 19 of the consolidated financial statements which describe military conflict in Ukraine and the sanctions imposed against the Russian Federation and the cessation of payments from the NET4GAS's Major Shipper. The management has not identified any impairment of property, plant and equipment and believes that the situation does not affect the going concern assumption. However, future developments cannot be reliably estimated and it cannot be ruled out that there will be further developments which may subsequently have a significant impact on the Company's financial position, financial results, cash flows and assets. Our opinion is not modified in respect of this matter.

### 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 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 10 March 2023

Audit firm:

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



Statutory auditor:

Václav Loubek  
registration no. 2037



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ID No.: 29135001

A PDF version of the NET4GAS Holdings Group Consolidated Annual Report 2022 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.