

ANNUAL REPORT

2018

I. Report on the Company's business activities and the state of its assets

1. General information

MND Gas Storage a.s. ("the Company"), with its registered office at Úprkova 807/6, Hodonín, post code 695 01, identification number (IČ) 27732894, was established under the original corporate name Gas Storage a.s. on 10 May 2007 by its sole founder – Moravské naftové doly, a.s., with its registered office at Úprkova 807/6, Hodonín, post code 695 01, identification number (IČ) 26288583. The Company was registered on 30 May 2007 and is recorded in the Commercial Register maintained by the Regional Court in Brno under file number B.4925.

At present, the Company's sole shareholder is the legal successor of the original founder – MND a.s., with its registered office at Úprkova 807/6, Hodonín, post code 695 01, identification number (IČ) 284 83 006, recorded in the Commercial Register maintained by the Regional Court in Brno under file number B.6209.

2. Principal activities

The Company operates underground gas storage facilities and provides gas storage services based on an energy sector licence.

The Company does not carry out any research or development and has no branch or part of a business establishment abroad.

3. Financial performance, assets and liabilities

In 2018, profit before tax amounted to TCZK 18,084 and the profit after tax was TCZK 14,836.

As at 31 December 2018, the Company's assets totalled TCZK 2,452,192. Fixed assets amounting to TCZK 2,355,285 consist of intangible fixed assets of TCZK 5,077 and tangible fixed assets of TCZK 2,350,208. Current assets of TCZK 95,655 consist of inventories of TCZK 14,883, receivables of TCZK 29,564, and cash of TCZK 51,218.

As at 31 December 2018, the Company's equity amounted to TCZK 2,124,678, liabilities amounted to TCZK 314,394, of which bank loans totalled TCZK 130,000.

4. Operating underground gas storage facilities in Uhře and Uhře South

The underground gas storage facility in Uhře was put into operation in 2001 and extended by constructing a new part of the facility: Uhře South, in 2012. The potential of Uhře South allows for increasing the storage capacity to approximately 350 million m³ in the horizon of years 2022/2023. The Company's underground gas storage facilities are used as multiple cycle facilities, with unlimited injection or extraction periods (except for standard shutdowns for servicing, in accordance with rules set by the operator of the underground gas storage facility).

The most significant investment comprised the optimization of a separation circuit preventing leaks of glycol from drying lines.

In 2018, the Company continued developing software solution INFOR EAM, ensuring the administration of assets and facilities maintenance and management. By implementing the INFOR EAM software, the Company has significantly improved the efficiency of scheduling maintenance work and managing emergency servicing.

5. Quality management and environmental management system (EMS)

In 2018, the Company fulfilled the commitment to develop all of its activities to achieve the maximum level of customer satisfaction, while minimising the impacts of its production activities on the environment.

One of the tools to meet these goals was to maintain and comply with a certified environmental management system (EMS) in accordance with ISO 14001:2004, which, together with the OHSAS 18 001 standard implementing the HSE system into the Company, highly increased employee environmental awareness.

Accordingly, the Company adheres to work safety, environmental and process safety standards in line with the MND Group's policy.

6. Human resources

At the end of 2018, the Company had 38 employees. The number corresponds with the Company's needs and the scope of activities provided, as well as requirements of energy legislation for ensuring the Company's adequate independence in terms of its human resources.

7. Educational and social activities

The Company supports employee educational activities and provides a quality background for personal development of each individual employee. The Company also cooperates with certain high schools and universities in the Czech Republic and abroad, to further the professional qualifications of its employees, to recruit new talents and ensure their development within a team of professionals.

As part of employee care, MND Gas Storage a.s. strives to create a motivating work environment and offers a wide range of fringe benefits.

8. Sponsoring

Most of the Company's sponsoring activities focuses on special-purpose projects at both the local and regional level – aiming at children and youth, educational system, training, spare time activities, senior care and charity.

9. Acquisition of own shares, foreign branches

The Company did not acquire any of its own shares. The Company does not have a branch or another part of a business establishment abroad.

10. Prospects for development in the upcoming period

MND Gas Storage a.s. expects to further expand its customer portfolio in the upcoming period (2019/2020 storage period).

The Company endeavours to maximise the utilisation of the available storage capacities through long-term and short-term contracts, and through the portfolio of products offered to its customers at its website, in accordance with the applicable legislation and rules stipulated by the operator of the underground gas storage facility.

Thanks to the unique parameters of the Uhřetice underground gas storage facility, the Company can flexibly accommodate its business portfolio to market parameters without any delays. Within the technical parameters of the Uhřetice underground gas storage facility, the Company is ready to flexibly offer a portfolio

of products with no time delay.

11. Subsequent events

Subsequent to the balance sheet date, no other events that would have any material impact on the Company's activities or financial position have occurred.

In Hodonín, on 25 April 2019



Karel Luner
Chairman of the board of directors



Milan Dočkal
Member of the board of directors

II. Report on relations between related parties

The report of the board of directors of MND Gas Storage a.s. on relations between the controlling entity and the controlled entity and between the controlled entity and the entities controlled by the same controlling entity.

In the accounting period from 1 January 2018 to 31 December 2018 ("the Accounting Period") MND Gas Storage a.s., with its registered office at Úprkova 807/6, Hodonín, post code 695 01, identification number (ID No.) 277 32 894, recorded in the Commercial Register maintained by the Regional Court in Brno, file No. B.4925 ("the Company") was the controlled entity pursuant to the provisions of Section 74 et seq. of Act No. 90/2012 Coll., on Corporations and Cooperatives ("the Corporations Act").

Pursuant to the provisions of Section 82 of the Corporations Act, the board of directors of the Company as a controlled entity has prepared for the Accounting Period this report on relations between the controlling entity and the controlled entity and between the controlled entity and the entities controlled by the same controlling entity ("the Report on Relations" and the "Related Parties"). The Report on Relations has been prepared in accordance with the layout specified in Section 82 (2) and (4) of the Corporations Act.

1. Structure of relations between the Company and other Related Parties

The Company is part of the KKCG Group consisting of companies that are all, directly or indirectly, controlled by KKCG AG, with its registered office at Kapellgasse 21, 6004, Lucerne, the Swiss Confederation, registration number CHE-326.367.231 ("KKCG AG").

The Company is indirectly controlled by KKCG AG through its parent company MND a.s., with its registered office at Úprkova 807/6, Hodonín, post code 695 01, identification number (IČ) 284 83 006, recorded in the Commercial Register maintained by the Regional Court in Brno, section B, insert 6209, which is further controlled by MND Group AG, with its registered office in Lucerne, Kapellgasse 21, 6004, Swiss Confederation, registration number CHE-448.401.517, which is further controlled by MND Group B.V., with its registered office in 1101CT Amsterdam, Herikerbergweg 292, the Netherlands, reg. no. which is directly controlled by KKCG AG.

A list of all other companies within the KKCG Group, i.e. companies directly or indirectly controlled by KKCG AG, is included in the appendix to this Report on Relations.

2. Company's role

The Company's role, as a controlled entity, is to operate underground gas storage facilities and to provide the auxiliary services of a gas market participant, within the scope of the granted energy sector licence pursuant to Act No. 458/2000 Coll., on business conditions and public administration in the energy sectors, as amended.

3. Method and means of control

The Company is controlled through a 100% share of the voting rights at the Company's general meeting.

4. Summary of significant acts

In the Accounting Period, the Company did not make, at the initiative or in the interest of KKCG AG or entities controlled by KKCG AG, any acts concerning assets exceeding 10% of the Company's equity as determined from the most recent financial statements.

5. Overview of mutual contracts

During the Accounting Period the Company and KKCG AG, or the Company and other entities controlled by KKCG AG entered into the following contracts:

- With KKCG a.s.:
 - Contract on personal data processing dated 25 May 2018
- With MND a.s.:
 - Contract on gas storage dated 12 March 2018
 - Contract on gas storage dated 30 April 2018
 - Contract on loan of gas dated 31 August 2018
 - Long form transaction confirmation dated 7 September 2018
 - Contract on gas storage dated 18 October 2018
 - Contract on gas storage dated 10 December 2018
- With Moravia Systems a.s.:
 - Contract on maintenance and servicing of mechanical and electrical equipment – Brumovice measuring station dated 31 January 2018
 - Contract on maintenance and servicing of mechanical and electrical equipment – Uhřetice underground gas storage facility dated 31 January 2018

In addition, during the Accounting Period the Company and KKCG AG, or the Company and other entities controlled by KKCG AG entered into contracts in the simplified form of orders, or “year-long orders”, for small-scale supplies or services, for example design services, organisation of rescue worker training or professional training, provision of promotional items, preparation of technical projects in respect of borehole repairs, logging measurement, inspections of gas pipelines, reviews of electrical equipment, laboratory work, machining work and defectoscopy, geodetic work, repairs of panel parts of boreholes, or provision of catering (company meals), accommodation or purchase of air tickets.

During the Accounting Period, the following contracts entered into by the Company and KKCG AG, or by the Company and other entities controlled by KKCG AG prior to the beginning of the Accounting Period, were still in force:

- With AutoCont CZ a.s.:
 - Servicing contract dated 22 December 2011
 - Contract on ensuring the provision of licence rights to software dated 22 December 2011
- With DataSpring s.r.o.:
 - Contract on the provision of services – website hosting and service support dated 1 October 2014
 - Contract with the end user on the provision of services dated 19 January 2015
 - Contract on the provision of services dated 4 May 2016
 - Contract on the provision of iStore system hosting and service support dated 29 April 2016
 - Contract on the provision of services dated 15 February 2017

- With KKCG AG:
 - Licence contract on trademarks dated 30 August 2016
- With KKCG a.s.:
 - Contract on the provision of services – advisory services dated 3 January 2012
- With KKCG Structured Finances AG:
 - Cash pooling agreement dated 31 May 2016
- With Kynero Consulting a.s.:
 - Security services contract dated 1 June 2012
- With MND a.s.:
 - Contract on the storage of core samples dated 28 February 2008
 - Contract on the common use of data networks dated 28 February 2008
 - Agreement on the lease of non-residential premises dated 30 May 2008
 - Contract on the provision of electronic communication services dated 30 January 2009
 - Contract on maintaining mine surveying documentation (Uhřice underground gas storage facility and other) dated 30 April 2009
 - Contract on the provision of economic and other services dated 30 July 2010
 - Contract on the provision of control centre services dated 1 July 2011
 - Lease contract – Uhřice well dated 22 June 2011
 - Framework contract on the reservation of daily storage capacity with interruptible output dated 29 February 2012
 - Contract on merging contracts on gas storage for booking annual storage capacities with a fixed output dated 30 April 2012
 - Purchase contract dated 28 December 2015
 - Liability insurance - rebilling of premium dated 1 January 2015
 - Contract on servicing of mechanical equipment dated 13 January 2016
 - Framework agreement on the provision of INFOR system support dated 1 February 2016
 - Contract on the provision of bearing engineering and geology services dated 30 April 2016
 - Contract on the provision of mine rescue services and on coverage of costs of operation of the Mine Rescue Station (HBZS) dated 22 December 2016
- With MND Drilling & Services a.s.:
 - Framework agreement for carrying out logging work and small-scale blasting work dated 16 June 2008
 - Framework contract on the provision of well exploration services dated 16 June 2008
 - Contract on the provision of servicing dated 29 May 2012
- With MND Gas Storage Germany GmbH:
 - Service agreement for the provision of support services and consultancy dated

10 November 2014

- Framework car rental agreement dated 4 January 2016
- With Moravia Systems a.s.:
 - Framework contract for work – maintenance and servicing of mechanical and electrical equipment dated 31 January 2012
 - Purchase contract dated 15 November 2017

6. Assessment of damage incurred and its settlement

All the above legal acts were effected as part of the ordinary course of business under arm's length conditions and the Company received a corresponding consideration for all supplies provided under the above contracts; as a result, the Company incurred no damage from relations with Related Parties in the Accounting Period.

7. Assessment of advantages and disadvantages arising from relations with Related Parties

Membership in the KKCG Group with KKCG AG as the controlling entity enables the Company to take advantages of sharing know-how and information (within the scope permitted by law and contractual arrangements with third parties), benefiting from the good reputation of the KKCG brand and being able to access intra-group and bank financing of the Company (e.g. other Group entities can provide security for the Company's financial liabilities).

The Company has not identified any disadvantages arising from its relations with Related Parties.

Appendix: List of Related Parties

In Hodonín, on 25 April 2019

Karel Luner

Chairman of the board of directors

Milan Dočkal

Member of the board of directors

APPENDIX TO THE REPORT ON RELATIONS BETWEEN RELATED PARTIES

(a separate appendix attached, comprising 4 pages)

**List of companies controlled by KKCG AG, with its registered office at Kapellgasse 21, 6004 Lucerne,
Switzerland, registration No. CHE-236.367.231,
as of 31 December 2018**

COMPANY	Registered office, Identification number / Registration number
ANTAIOS s.r.o.	Ostrava, Moravská Ostrava, Nemocniční 987/12, Postal Code 702 00, Czech Republic, Identification No. 28345801
Austrian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 04047788
AUTOCONT a.s.	Hornopolská 3322/34, Moravská Ostrava, 702 00 Ostrava, Czech Republic, Identification No. 043 08 697
Belisar B.V.	1101CT Amsterdam, Herikerbergweg 292, The Netherlands, Registration No. 57169284
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 27457621
BOSM Czech, s.r.o.	Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Czech Republic, Identification No. 067 73 877
BBY Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 04559851
CAD Studio s.r.o.	Ostrava, Moravská Ostrava, Hornopolská 3322/34, Postal Code 702 00, Czech Republic, Identification No. 26197081
CAME Holding GmbH	Universitätsring 10, 1010 Vienna, Austria, Registration No. 038898d
Cestovní kancelář FISCHER, a.s.	Prague 4 – Nusle, Na Strži 65/1702, Postal Code 140 62, Czech Republic, Identification No. 26141647
CKF facility s.r.o.	Prague 4 – Nusle, Na Strži 65/1702, Postal Code 140 62, Czech Republic, Identification No. 28982738
CLS Beteiligungs GmbH	Goldschmiedg. 3, 1010 Vídeň, Austria, Registration No. FN84419x
Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Ireland, Registration No. 506335
Conectart s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, Postal Code 190 00, Czech Republic, Identification No. 24728055
DataSpring s.r.o.	Prague 9, Vysočany, K Žižkovu 851/4, Postal Code 190 00, Czech Republic, Identification No. 28808681
EMMA DELTA FINANCE PLC	Esperidon 5, 4th floor, Strovolos, 2001 Nicosia, Cyprus, Registration No. HE 284780
EMMA DELTA HELLENIC HOLDINGS LTD	Esperidon 5, 4th floor, Strovolos, 2001 Nicosia, Cyprus, Registration No. HE320752
EMMA DELTA MANAGEMENT LTD	Arch. Makariou III, 2-4, CAPITAL CENTER, 9th floor, 1065 Nicosia, Cyprus, Registration No. HE314151
EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD	Esperidon 5, 4th floor, Strovolos, 2001 Nicosia, Cyprus, Registration No. HE314350
FM&S Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 04283112
Geologichchne byureau "Lviv" LLC	L'vivska Oblast, L'viv, 79011, ul. Kubyovycha 18, Office 6, Ukraine
G-JET s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 27079171
"Horyzonty" LLC	L'vivska Oblast, L'viv, 79005, Akademika Pavlova 6C, Office 7, Ukraine, Registration No. 31978102
HELLENIC LOTTERIES S.A.	112 Athinon Avenue, Athens, Greece, Registration No. 25891401000
HORSE RACES S.A.	112 Athinon Avenue, Athens, Greece, Registration No. 132846101000
IGH Financing a.s.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 05034353
IGT Czech Republic LLC, organizační složka	Prague 9, K Žižkovu 4, Czech Republic, Identification No. 481 35 674
INDUSTRIAL CENTER 28/23 SP. Z O.O.	ul. Twarda 18, 00-105 Warsaw, Poland
INTERMOS Bratislava s.r.o.	Bratislava, Moskovská 13, Postal Code 811 08, Slovakia, Identification No. 35898411
INTERMOS Praha s.r.o.	Prague 10, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 63076349
IPM – Industrial Portfolio Management a.s.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 04572033
Italian Gaming Holding a.s.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 04828526
JTU Czech, s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 02612020
Kavárna štěstí s.r.o.	Prague 9, K Žižkovu 851/4, Postal Code 190 00, Czech Republic, Identification No. 05111901
KKCG a.s.	Prague 10, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 27107744
KKCG Director 1 B.V. (in liquidation)	1101CT Amsterdam, Herikerbergweg 292, The Netherlands, Registration No. 58856765
KKCG Entertainment & Technology B.V. (in liquidation)	1101CT Amsterdam, Herikerbergweg 292, The Netherlands, Registration No. 58856765
KKCG Industry B.V.	1101CT Amsterdam, Herikerbergweg 292, The Netherlands, Registration No. 27271144
KKCG Investments AG	Kapellgasse 21, 6004 Luzerne, Switzerland, Registration No. CHE-271.643.388
KKCG Real Estate a.s.	Prague 10, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Luzerne, Switzerland, Registration No. CHE-292.174.442

List of companies controlled by KKCG AG, with its registered office at Kapellgasse 21, 6004 Lucerne, Switzerland, registration No. CHE-236.367.231, as of 31 December 2018

COMPANY	Registered office, Identification number / Registration number
KKCG Technologies s.r.o.	Prague 10, Vinohradská 1511/230, Strašnice, Postal Code 100 00, Czech Republic, Identification No. 071 71 234
KKCG UK Limited	London, One Connaught Place, 5th Floor, W2 2ET, United Kingdom, Registration No. 8869774
KKCG US LLC	1675 South State Street, Suite B, Dover, DE, County of Kent, 19901, USA, Registration No. 36-4831670
Kura Basin Operating Company LLC	70 Kostava Street (5 Gamsakhurdia Avenue), Tbilisi, Georgia, Registration No. 405171567
Kynero Consulting a.s.	Prague 10, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 24193461
Liberty One Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, USA
Liberty One O&M LLC	400 Capitol Street, Suite 200, Charleston WV 25301, USA
Liberty Two Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, USA
LP Drilling S.r.l.	29016 Cortemaggiore, Salvo D'Acquisto 5, Italy, Registration No. 01294260334
LTB Beteteiligungs GmbH	Universitätsring 14, 1010 Vienna, Austria, Registration No. FN84439a
Medial Beteiligungs-Gesellschaft m.b.h.	Goldschmiedgasse 3, 1010 Vienna, Austria, Registration No. 117154k
MEDICEM Group a.s.	Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Czech Republic, Identification No. 071 18 422
MEDICEM Institute s.r.o.	Kamenné Žehrovice, Karlovarská třída 20, Postal Code 273 01, Czech Republic, Identification No. 26493331
MEDICEM Technology s.r.o	Kamenné Žehrovice, Karlovarská třída 20, Postal Code 273 01, Czech Republic, Identification No. 48036374
Metanol d.o.o.	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia
Minus5 d.o.o.	Karlovačka cesta 24, 10 000 Zagreb, Croatia, Registration No. 080697041
MND a.s.	Hodonín, Úprkova 807/6, Postal Code 695 01, Czech Republic, Identification No. 28483006
MND Drilling & Services a.s.	Lužice, Velkomoravská 900/405, Postal Code 696 18, Czech Republic, Identification No. 25547631
MND Drilling Germany GmbH	31582 Nienburg, Domänenweg 7, Germany, Registration No. HRB206722
MND Energy Trading a.s	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 29137624
MND Gas Storage a.s.	Hodonín, Úprkova 807/6, Postal Code 695 01, Czech Republic, Identification No. 27732894
MND Gas Storage Germany GmbH	64665 Alsbach-Hähnlein, Birkenweg 2, Germany, Registration No. HRB96046
MND Georgia B.V.	1101CT Amsterdam, Herikerbergweg 292, The Netherlands, Registration No. 52308944
MND Germany GmbH	Lüneburger Heerstraße 77A, 29223 Celle, Germany, Registration No. HRB207844
MND Group B.V.	1101CT Amsterdam, Herikerbergweg 292, The Netherlands, Registration No. 34246576
MND Oil & Gas a.s	Úprkova 807/6, 695 01 Hodonín, Czech Republic, Identification No. 074 35 304
MND Samara Holding B.V.	1101CT Amsterdam, Herikerbergweg 292, The Netherlands, Registration No. 52990680
MND Ukraine B.V.	1101CT Amsterdam, Herikerbergweg 292, The Netherlands, Registration No. 59394072
MNG Group AG	Kapellgasse 21, 6004 Luzerne, Switzerland, Registration No. CHE-448.401.517
Moravia Systems a.s.	Prague 10, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 26915189
NEUROSOFT S.A.	466 Irakliou Avenue & Kiprou Street, 141 22 Iraklio Attikis, Athens, Greece, Registration No. 84923002000
OOO Bellisar	Saratov, ulitsa Chelyuskintsev 68, 410031, Russia, Registration No. 1116317007674
OOO MND Samara	ul. Alexeya Tolstogo 92, Samara, Samarská obl., 443099, Russia, Registration No. 1046301405094
OPAP CYPRUS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Cyprus, Registration No. HE140568
OPAP INTERNATIONAL LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Cyprus, Registration No. HE145913
OPAP INVESTMENT LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Cyprus, Registration No. HE297411
OPAP S.A.	112 Athinon Avenue, Athens, Greece, Registration No. 3823201000
OPAP SERVICES S.A.	112 Athinon Avenue, Athens, Greece, Registration No. 5873501000
OPAP SPORTS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Cyprus, Registration No. HE133603
PDC INDUSTRIAL CENTER 48 SP. Z O.O.	ul. Twarda 18, 00-105 Warsaw, Poland
POM Czech, s.r.o.	Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Czech Republic, Identification No. 067 73 800
Precarpathian energy company LLC	Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka, Ukraine

**List of companies controlled by KKCG AG, with its registered office at Kapellgasse 21, 6004 Lucerne,
Switzerland, registration No. CHE-236.367.231,
as of 31 December 2018**

COMPANY	Registered office, Identification number / Registration number
Puni broj d.o.o.	Stupnička 10, 10 000 Zagreb, Croatia, Registration No. 080449012
Rezervoarji d.o.o	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia
RUBIDIUM HOLDING LIMITED	8 Alasias Street, Christodoulides Building, 3095 Limassol, Cyprus, Registration No. HE287956
SafeDX s.r.o.	Prague 9, Vysočany, K Žižkovu 813/2, Postal Code 190 00, Czech Republic, Identification No. 04585119
SALEZA, a.s. (In bancruptcy)	Prague 9, K Žižkovu 851, Postal Code 190 93, Czech Republic, Identification No. 471 16 307
SAZKA a.s.	Prague 9, K Žižkovu 851, Postal Code 190 93, Czech Republic, Identification No. 26493993
SAZKA Asia a.s.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 05266289
Sazka Asia Vietnam Company Limited	Kumho Asiana Plaza, 13th Floor, 39 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam, Registration No. 0314057663
SAZKA Czech a.s.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 24852104
Sazka Distribution Vietnam Joint Stock Company	No. 10 Pham Van Hai, Ward 2, Tan Binh District, Ho Chi Minh City, Vietnam, Registration No. 0313898374
SAZKA FTS a.s.	Prague 9, Vysočany, K Žižkovu 851/4, Postal Code 190 00, Czech Republic, Identification No. 01993143
SAZKA Group a.s.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 24287814
SAZKA Group Adriatic d.o.o.	Krčka 18/d, 10 000 Zagreb, Croatia, Registration No. 081147835
SAZKA Group Financing a.s.	Dúbravská cesta 14, Bratislava - mestská časť Karlova Ves, Postal Code 841 04, Slovakia, Identification No. 51142317
SAZKA Group PLC	One Connaught Place, London, W2 2ET, United Kingdom, Registration No. 11184992
SAZKA Group Russia LLC	Prospect Mira 40, floor 8, premise 1, room 11, 129090 Moskva, Russia, Registration No. 1177746915257
SG INDUSTRIAL CENTER 02 SP. Z O.O.	ul. Twarda 18, 00-105 Warszawa, Poland
SIL Servis Partner a.s.	Ostrava, Slezská Ostrava, Těšínská 1970/56, Postal Code 710 00, Czech Republic, Identification No. 25830953
SPORTLEASE a.s.	Prague 9, K Žižkovu 851, Postal Code 190 93, Czech Republic, Identification No. 62361546
Springtide Ventures s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 01726587
SUPER SPORT d.o.o.	Krčka 18/d, 10 000 Zagreb, Croatia, Registration No. 080352592
Theta Real s.r.o.	Prague 10, Strašnice, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 27631842
TOK Poland Sp. Z o.o.	ul. Złota 59, 00-120 Warszawa, Poland
TORA DIRECT S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, Registration No. 5641201000
TORA WALLET S.A.	108 Athinon Avenue and Chrimatistiriou Street, Athens, Greece, Registration No. 139861001000
US Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, USA
VESTINLOG, s.r.o.	Vinohradská 1511/230, Strašnice, 100 00 Prague 10, Czech Republic, Identification No. 056 29 276
Vinohradská 230 a.s.	Prague 10, Vinohradská 1511/230, Postal Code 100 00, Czech Republic, Identification No. 26203944
Vitalpeak Limited	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Cyprus, Registration No. HE 228204
WOODSLOCK a.s.	Prague 4, Libalova 2348/1, Postal Code 149 00, Czech Republic, Identification No. 27379434

III. Financial statements and notes to the financial statements

IV. Auditor's opinion

BALANCE SHEET

in full format

as at 31 December 2018

(in thousands of Czech crowns)

Translated from the Czech original

Name and regist. office of the Company

MND Gas Storage a.s.

Úprkova 807/9

69 501 Hodonín

Czech Republic

Identification number

27732894

Ident. a	ASSETS b	line c	Current period			Prior period
			Gross 1	Adjust. 2	Net 3	Net 4
	TOTAL ASSETS	1	3 527 487	-1 075 295	2 452 192	2 575 538
B.	Fixed assets	2	3 430 580	-1 075 295	2 355 285	2 453 427
B.I.	Intangible fixed assets	3	- 45 018	50 095	5 077	4 735
B.I.2.	Intellectual property rights	4	12 971	- 7 900	5 071	1 217
B.I.2.1.	Software	5	12 401	- 7 330	5 071	1 217
B.I.2.2.	Other intellectual property rights	6	570	- 570		
B.I.3.	Goodwill	7	- 59 079	59 079		
B.I.4.	Other intangible fixed assets	8	1 090	- 1 084	6	445
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	9				3 073
B.I.5.1.	Advance payments for intangible fixed assets	10				1 797
B.I.5.2.	Intangible fixed assets under construction	11				1 276
B.II.	Tangible fixed assets	12	3 475 598	-1 125 390	2 350 208	2 448 692
B.II.1.	Land and buildings	13	1 854 158	- 484 030	1 370 128	1 410 159
B.II.1.1.	Land	14	695 247		695 247	695 247
B.II.1.2.	Buildings	15	1 158 911	- 484 030	674 881	714 912
B.II.2.	Plant and equipment	16	1 247 403	- 641 133	606 270	663 166
B.II.4.	Other tangible fixed assets	17	373 118	- 227	372 891	372 953
B.II.4.3.	Other tangible fixed assets	18	373 118	- 227	372 891	372 953
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	19	919		919	2 414
B.II.5.2.	Tangible fixed assets under construction	20	919		919	2 414

MND Gas Storage a.s.

Balance sheet

as at 31 December 2018

Ident. a	ASSETS b	line c	Current period			Prior period
			Gross 1	Adjust. 2	Net 3	Net 4
C.	Current assets	21	95 665		95 665	121 122
C.I.	Inventories	22	14 883		14 883	9 629
C.I.1.	Raw materials	23	14 866		14 866	9 612
C.I.5.	Advance payments for inventories	24	17		17	17
C.II.	Receivables	25	29 564		29 564	28 015
C.II.1.	Long-term receivables	26	9		9	30
C.II.1.5.	Receivables - other	27	9		9	30
C.II.1.5.4.	Other receivables	28	9		9	30
C.II.2.	Short-term receivables	29	29 555		29 555	27 985
C.II.2.1.	Trade receivables	30	19 631		19 631	27 104
C.II.2.4.	Receivables - other	31	9 924		9 924	881
C.II.2.4.3.	Tax receivables	32	8 115		8 115	
C.II.2.4.4.	Short-term advances paid	33	55		55	54
C.II.2.4.5.	Estimated receivables	34	1 641		1 641	647
C.II.2.4.6.	Other receivables	35	113		113	180
C.IV.	Cash	36	51 218		51 218	83 478
C.IV.1.	Cash in hand	37	86		86	78
C.IV.2.	Bank accounts	38	51 132		51 132	83 400
D.	Deferrals	39	1 242		1 242	989
D.1.	Prepaid expenses	40	1 242		1 242	989

MND Gas Storage a.s.

Balance sheet

as at 31 December 2018

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
	TOTAL LIABILITIES AND EQUITY	41	2 452 192	2 575 538
A.	Equity	42	2 124 678	2 165 362
A.I.	Registered capital	43	2 000 800	2 000 800
A.I.1.	Registered capital	44	2 000 800	2 000 800
A.III.	Funds from profit	45	246	290
A.III.2.	Statutory and other funds	46	246	290
A.IV.	Retained earnings (+/-)	47	108 796	81 354
A.IV.1.	Retained profits (+/-)	48	108 796	81 354
A.V.	Profit (loss) for the current period (+/-)	49	14 836	82 918
B. + C.	Liabilities	50	327 393	410 043
B.	Provisions	51	12 999	13 703
B.2.	Income tax provision	52		864
B.3.	Tax-deductible provisions	53	8 660	8 330
B.4.	Other provisions	54	4 339	4 509
C.	Liabilities	55	314 394	396 340
C.I.	Long-term liabilities	56	166 117	175 647
C.I.8.	Deferred tax liability	57	166 117	175 647
C.II.	Short-term liabilities	58	148 277	220 693
C.II.2.	Liabilities to credit institutions	59	130 000	180 000
C.II.4.	Trade payables	60	9 647	13 417
C.II.8.	Liabilities - other	61	8 630	27 276
C.II.8.1.	Liabilities to shareholders/members	62		19 166
C.II.8.3.	Payables to employees	63	1 519	1 410
C.II.8.4.	Social security and health insurance liabilities	64	756	692
C.II.8.5.	Tax liabilities and subsidies	65	2 140	3 845
C.II.8.6.	Estimated payables	66	4 205	2 117
C.II.8.7.	Other payables	67	10	46
D.	Accruals	68	121	133
D.1.	Accrued expenses	69	121	133

INCOME STATEMENT
classification by nature
for the year ended 31 December 2018
(in thousands of Czech crowns)
Translated from the Czech original

Name and regist. office of the Company

MND Gas Storage a.s.
Úprkova 807/9
69 501 Hodonín
Czech Republic

Identification number

27732894

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
I.	Revenue from products and services	1	220 761	284 704
II.	Revenue from goods	2		1
A.	Cost of sales	3	61 309	50 728
A.2.	Materials and consumables	4	25 440	20 636
A.3.	Services	5	35 869	30 092
D.	Personnel expenses	6	34 777	32 604
D.1.	Wages and salaries	7	25 634	24 191
D.2.	Social security, health insurance and other expenses	8	9 143	8 413
D.2.1.	Social security and health insurance expenses	9	8 132	7 717
D.2.2.	Other expenses	10	1 011	696
E.	Adjustments relating to operating activities	11	108 310	108 592
E.1.	Adjustments to intangible and tangible fixed assets	12	108 310	108 592
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	13	108 310	108 592
III.	Other operating revenues	14	11 533	1 883
III.1.	Proceeds from disposals of fixed assets	15	198	195
III.2.	Proceeds from disposals of raw materials	16	155	76
III.3.	Miscellaneous operating revenues	17	11 180	1 612
F.	Other operating expenses	18	6 324	- 10 822
F.1.	Net book value of fixed assets sold	19	101	105
F.2.	Net book value of raw materials sold	20	98	32
F.3.	Taxes and charges	21	191	- 161
F.4.	Provisions relating to operating activity and complex prepaid expenses	22	160	- 15 407
F.5.	Miscellaneous operating expenses	23	5 774	4 609
*	Operating profit (loss) (+/-)	24	21 574	105 486

MND Gas Storage a.s.**Income statement - classification by nature**

for the year ended 31 December 2018

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
VI.	Interest revenue and similar revenue	25	43	68
VI.1.	Interest revenue and similar revenue - group undertakings	26		12
VI.2.	Other interest revenue and similar revenue	27	43	56
J.	Interest expense and similar expense	28	3 255	2 747
J.2.	Other interest expense and similar expense	29	3 255	2 747
VII.	Other financial revenues	30	512	148
K.	Other financial expenses	31	790	1 048
*	Profit (loss) from financial operations	32	- 3 490	- 3 579
**	Profit (loss) before tax (+/-)	33	18 084	101 907
L.	Income tax	34	3 248	18 989
L.1.	Current tax	35	12 778	20 647
L.2.	Deferred tax (+/-)	36	- 9 530	- 1 658
**	Profit (loss) after tax (+/-)	37	14 836	82 918
***	Profit (loss) for the accounting period (+/-)	38	14 836	82 918
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.	39	232 849	286 804

CASH FLOW STATEMENT

for the year ended 31 December 2018

(in thousands of Czech crowns)

Translated from the Czech original

Name and regist. office of the Company

MND Gas Storage a.s.

Úprkova 807/9

69 501 Hodonín

Czech Republic

Identification number

27732894

	Current period	Prior period
P. Cash and cash equivalents, beginning of period	83 478	48 456
Net operating cash flow		
Z. Accounting profit (loss) from ordinary activities	18 084	101 907
A.1. Non-cash transactions	112 032	95 775
A.1.1. Depreciation and amortisation of fixed assets	108 310	108 592
A.1.2. Change in:	160	- 15 407
A.1.2.2. provisions and other adjustments	160	- 15 407
A.1.3. Profit(-) Loss(+) on sale of fixed assets	- 97	- 90
A.1.5. Expense and revenue interests accounted for	3 212	2 679
A.1.6. Other non-cash transactions	447	1
A.* Net operating cash flow before taxation financial items, changes in working capital and extraordinary items	130 116	197 682
A.2. Changes in working capital	- 1 946	20 089
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	6 426	8 289
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	- 3 118	464
A.2.3. Change in inventories	- 5 254	11 336
A.** Net operating cash flow before taxation, financial balances, and extraordinary items	128 170	217 771
A.3. Interest paid excluding amounts capitalised	- 3 223	- 2 727
A.4. Interest received	43	68
A.5. Income tax paid on ordinary income and income tax relating to prior periods	- 21 757	- 63 335
A.*** Net operating cash flow	103 233	151 777
Investing activities		
B.1. Acquisition of fixed assets	- 10 974	- 10 483
B.1.1. Acquisition of tangible fixed assets	- 6 703	- 7 251
B.1.2. Acquisition of intangible fixed assets	- 4 271	- 3 232
B.2. Proceeds from sales of fixed assets	198	195
B.2.1. Proceeds from sales of tangible and intangible fixed assets	198	195
B.*** Net cash flow from investing activities	- 10 776	- 10 288
Financing activities		
C.1. Change in long-term resp. short-term liabilities from financing	- 50 032	- 30 020
C.2. Increase and decrease in equity from cash transactions	- 74 685	- 76 447
C.2.5. Payments from funds created from net profit	- 519	- 613
C.2.6. Dividends paid, including withholding tax paid and bonuses paid to board members	- 74 166	- 75 834
C.*** Net cash flow from financing activities	- 124 717	- 106 467
F. Net increase or decrease in cash balance	- 32 260	35 022
R. Cash and cash equivalents, end of period	51 218	83 478

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

(in thousands of Czech crowns)

Translated from the Czech original

Identification number

27732894

Name and regist. office of the
Company

MND Gas Storage a.s.

Úprkova 807/9

69 501 Hodonín

Czech Republic

	Registered capital	Statutory and other funds	Retained profits (+/-)	Profit (loss) for the current period	Total
Balance as at 1.1.2018	2 000 800	290	81 354	82 918	2 165 362
Additions to funds	--	475	27 443	-27 918	--
Reductions of funds	--	-519	--	--	-519
Dividends	--	--	--	-55 000	-55 000
Rounding	--	--	-1	--	-1
Profit (loss) for the current period	--	--	--	14 836	14 836
Balance as at 31.12.2018	2 000 800	246	108 796	14 836	2 124 678

	Registered capital	Statutory and other funds	Retained profits (+/-)	Profit (loss) for the current period	Total
Balance as at 1.1.2017	2 000 800	403	22 136	154 717	2 178 056
Transfer of the profit (loss) of prior year period	--	--	59 217	-59 217	--
Additions to funds	--	500	--	-500	--
Reductions of funds	--	-613	--	--	-613
Dividends	--	--	--	-95 000	-95 000
Rounding	--	--	1	--	1
Profit (loss) for the current period	--	--	--	82 918	82 918
Balance as at 31.12.2017	2 000 800	290	81 354	82 918	2 165 362

MND Gas Storage a.s.**Notes to the Czech statutory financial statements (translated from the Czech original)**

Year ended 31 December 2018

(All amounts are shown in thousands of Czech crowns "TCZK")

1. Description and principal activities*Establishment and description of the Company*

MND Gas Storage a.s. ("the Company") was established under the original corporate name Gas Storage a.s. on 10 May 2007 by its sole founder, Moravské naftové doly, a.s., with its registered office at Úprkova 807/6, Hodonín, post code: 695 01. The Company was registered on 30 May 2007 and is recorded in the Commercial Register maintained by the Regional Court in Brno, Section B, Insert 4925.

Based on a contract on contributing a part of business, the Company took over the storage part of Moravské naftové doly, a.s. with effect from 1 September 2008. On the same date, MND Gas Storage a.s. took over all sets of tangible as well as personal and intangible components of business, including things, rights and other property items intended to carry out the business activity, and took over, as a legal successor, within the scope of the part of business being transferred, all rights and obligations of the contributor, in accordance with the relevant provisions of the Commercial Code.

Based on a decision of the sole shareholder executing the powers of a general meeting dated 22 September 2008, the Company's corporate name was changed to MND Gas Storage a.s. This change was entered into the Commercial Register on 6 October 2008.

Based on a contract on sale of a part of business dated 29 July 2010, with effect from 29 July 2010, the Company transferred a part of its business entitled "Operation of the Dolní Bojanovice underground gas storage facility" to SPP Bohemia a.s., with its registered office at Vinohradská 1511/230, Prague 10, post code: 100 00, identification number (IČ): 253 36 169, recorded in the Commercial Register maintained by the Municipal Court in Prague, Part B, Insert 5638.

As a result of the demerger of the Company by spin-off and subsequent acquisition of the spun-off part of the Company's assets and liabilities by MND a.s., with its registered office at Úprkova 807/6, Hodonín, post code 695 01, Czech Republic, identification number (IČ): 284 83 006, the spun-off part of the Company's assets and liabilities was transferred to MND a.s. with the effective date of 1 January 2011.

At the end of 2011 the Company adopted necessary organisational and corporate measures to react to changes in legislation affecting the energy sector ("unbundling"). In addition to the changes in the statutory bodies, the Company terminated its licence for gas trading effective from 1 February 2012.

Based on an agreement on prohibition to alienate and pledge the shares of MND Gas Storage a.s. ("the Shares") dated 29 April 2015 concluded between MND a.s., as the obligated person, and Komerční banka, a.s., as the agent, a prohibition to alienate and encumber the Shares in accordance with Section 1761 of the Civil Code has been established. This fact was recorded in the Commercial Register on 21 May 2015.

Year ended 31 December 2018

(All amounts are shown in thousands of Czech crowns "TCZK")

1. Description and principal activities (continued)

Principal activities

The principal activity of the Company is activity carried out by mining methods – gas storage and the provision of the service on a commercial basis to third persons in form of business activities carried out based on an energy sector licence.

Ownership structure

The sole shareholder of the Company as at 31 December 2018 is MND a.s., with its registered office at Úprkova 807/6, Hodonín, post code: 695 01, Czech Republic, identification number (IČ): 284 83 006, recorded in the Commercial Register maintained by the Regional Court in Brno, Section B, Insert 6209.

Registered office

MND Gas Storage a.s.

Úprkova 807/6

695 01 Hodonín

Czech Republic

Identification number

277 32 894

Members of the board of directors and supervisory board as at 31 December 2018

Board of directors

Karel Luner – chairman

Slavomír Halla, Ph.D. – vice-chairman

Milan Dočkal – member

Supervisory board

Miroslav Jestřábík – chairman

Zbyněk Parma – vice-chairman

Jiří Ječmen - member

The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by KKCG AG, with its registered office at Kapellgasse 21, 6004 Luzern, Switzerland. The consolidated financial statements are available at the consolidating entity's registered office.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by MND a.s., with its registered office at Úprkova 807/6, 695 01 Hodonín. These consolidated financial statements will be published in the Commercial Register within the statutory time limit.

Changes in the Commercial Register

In 2018, no changes were recorded in the Commercial Register.

Year ended 31 December 2018

(All amounts are shown in thousands of Czech crowns "TCZK")

2. Significant accounting policies applied by the Company

These financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, ("the Act on Accounting") and Decree of the Czech Ministry of Finance No. 500/2002 Coll., implementing certain provisions of the Act on Accounting, as amended, for business entities using double-entry bookkeeping, ("the Decree"). Comparative information for 2017 is provided in accordance with the structure and designation of balance sheet and income statement items specified by the Decree as amended for 2018.

The financial statements have been prepared on a going concern basis.

(a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost which includes the purchase price and expenses associated with the acquisition. Low-value tangible fixed assets costing up to TCZK 40 and low-value intangible fixed assets costing up to TCZK 60 are not recognised in the balance sheet and are expensed in the year that they are acquired.

The cost of internally produced fixed assets includes direct materials, direct wages and overheads directly related to the creation of the asset until it is put into use.

Apart from land, the Company registers an SUS (special underground structure) in the position of Land. This is an underground space used for natural gas storage, which does not need to be reproduced. Thus, it is not depreciated.

In the position Other tangible assets, the Company includes other tangible fixed assets (easements which are depreciated) and further, a gas cushion and gas in the pipeline. This is the necessary volume of gas in underground gas storage facilities and pipeline without which the underground space cannot function as storage space. The gas cushion and gas in the pipeline are not depreciated.

Fixed assets are depreciated in accordance with the depreciation plan, using an annual depreciation rate based on the expected useful life of a particular asset. Depreciation is commenced in the month in which a fixed asset is put into use. Assets are depreciated up to the value of their acquisition cost. For the assets obtained through contribution of a part of business, i.e. the assets that are subject to revaluation, the depreciation periods have been determined based on the technical condition of the assets and review of their useful life.

The following table gives the estimated useful lives of the individual groups of assets:

Assets	Number of years (from-to)
Buildings and structures	20 – 50
Tools, machinery and equipment	3 – 12
Motor vehicles	3 – 6
Fixtures and fittings	3 – 6

In the income statement, depreciation is presented in "Depreciation and amortisation of intangible and tangible fixed assets".

2. Significant accounting policies applied by the Company (continued)

(b) Inventories

Raw materials inventory is stated at cost. Cost includes the purchase price of the inventory and expenses associated with the acquisition. The cost of raw materials inventory is determined using the first-in, first-out method.

Gas inventories are recorded at MWh and the cost of gas recorded as at 31 December is determined using the weighted average costs.

Own products and work-in-progress are stated at cost, which includes direct costs (material, wages and other) and manufacturing overheads.

(c) Establishment of adjustments and provisions

The Company establishes adjustments on a net basis, i.e. by charging the difference between the opening and closing balance of adjustments to the income statement at the balance sheet date.

Fixed assets

An adjustment to fixed assets is created based on an analysis of their use.

Receivables

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers.

Provisions

The Company establishes the following provisions:

- statutory provisions for redevelopment and restoration of land affected by mining pursuant to Act No. 44/1988 Coll., and Section 10 of Act No. 593/92 Coll. The additions to and use of these provisions are subject to the approval of the District Mining Office,
- an accounting provision for untaken holidays,
- an income tax provision – it is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this provision and records the actual tax liability determined.

(d) Foreign currency translation

The Company sets a fixed monthly rate of exchange based on the Czech National Bank official rate for the first working day of the month to be applied to transactions recorded during that month. During the year foreign exchange gains and losses are only recognised when realised at the time of settlement.

As at the balance sheet date, foreign currency monetary assets and liabilities are translated at the Czech National Bank official rates for that date. Unrealised foreign exchange gains and losses are recognised in profit or loss.

Year ended 31 December 2018

(All amounts are shown in thousands of Czech crowns "TCZK")

2. Significant accounting policies applied by the Company (continued)

(e) Income tax

Income tax for the period comprises current tax and the change in deferred tax.

Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods.

Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, multiplied by the tax rate expected to be valid for the period in which the tax asset/liability will be utilised.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

(f) Liabilities

The Company classifies as short-term any part of long-term liabilities that is due within one year from the balance sheet date.

(g) Significant estimates and assumptions in preparing the financial statements

In preparing the financial statements, the Company's management uses estimates and makes assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses recognised in the financial statements. These estimates and assumptions are based on past experience and various other factors deemed appropriate as at the date of preparation of the financial statements and are used where the carrying amounts of assets and liabilities are not readily available from other sources or where uncertainty exists in applying the individual accounting policies. Actual results may differ from the estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised either in the period in which the estimate is revised, providing that the revision relates only to the current accounting period, or in the revision period and future periods, providing the revision affects both the current and future periods.

Estimates and underlying assumptions used in the current period affected primarily the amount of the presented tangible and intangible fixed assets.

MND Gas Storage a.s.**Notes to the Czech statutory financial statements (translated from the Czech original)**

Year ended 31 December 2018

(All amounts are shown in thousands of Czech crowns "TCZK")

3. Fixed assets**(a) Intangible fixed assets**

2018	Software	Intellectual property rights	Goodwill	Other intangible fixed assets	Intangible FA under construction	Advance payments for intangible assets	Total
Acquisition cost							
Balance at 1/1/2018	7 517	570	-59 079	1 683	1 276	1 797	-46 236
Additions	3 825	--	--	805	--	--	4 630
Disposals	-2 014	--	--	-1 398	--	--	-3 412
Transfers	3 073	--	--	--	-1 276	-1 797	--
Balance at 31/12/2018	12 401	570	-59 079	1 090	--	--	-45 018
Accumulated amortisation							
Balance at 1/1/2018	6 300	570	-59 079	1 238	--	--	-50 971
Amortisation expense	3 044	--	--	--	--	--	3 044
Disposals	-2 014	--	--	-154	--	--	-2 168
Balance at 31/12/2018	7 330	570	-59 079	1 084	--	--	-50 095
Net book value 1/1/ 2018	1 217	--	--	445	1 276	1 797	4 735
Net book value 31 /12/2018	5 071	--	--	6	--	--	5 077

2017	Software	Intellectual property rights	Goodwill	Other intangible fixed assets	Intangible FA under construction	Advance payments for intangible assets	Total
Acquisition cost							
Balance at 1/1/ 2017	7 463	570	-59 079	1 630	--	--	-49 416
Additions	237	--	--	1 098	1 276	1 797	4 406
Disposals	-183	--	--	-1 045	--	--	- 1 226
Transfers	--	--	--	--	--	--	--
Balance at 31/12/2017	7 517	570	-59 079	1 683	1 276	1 797	-46 236
Accumulated amortisation							
Balance at 1/1/2017	4 333	570	-59 079	1 212	--	--	-52 964
Amortisation expense	2 044	--	--	26	--	--	2 070
Disposals	-77	--	--	--	--	--	-77
Balance at 31/12/2017	6 300	570	-59 079	1 238	--	--	-50 971
Net book value 1/1/2017	3 130	--	--	418	--	--	3 548
Net book value 31/12/2017	1 217	--	--	445	1 276	1 797	4 735

Additions to software totalling TCZK 6 898 represent the capitalisation of improvement to software for sale of gas capacity of TCZK 220, and the capitalisation of Lancelot, a new nomination and dispatching system of TCZK 6 422 and its improvement of TCZK 256.

MND Gas Storage a.s.**Notes to the Czech statutory financial statements (translated from the Czech original)**

Year ended 31 December 2018

(All amounts are shown in thousands of Czech crowns "TCZK")

3 Fixed assets (continued)

Additions to other intangible assets of TCZK 805 represent emission rights received for 2018.

Disposals of software of TCZK 2 014 are due to the disposal of i-Store, a sales dispatching system.

Disposals of other intangible assets represent consumption of emission rights for 2017 of TCZK 1 398.

(b) Tangible fixed assets

2018	Land and special underground structures	Buildings	Machinery and equipment, fixtures and fittings	Motor vehicles	Other tangible assets	Tangible FA under constr.	Total
Acquisition cost							
Balance at 1/1/2018	695 247	1 155 834	1 235 467	7 971	373 118	2 414	3 470 051
Additions	--	1 252	4 404	555	--	672	6 883
Disposals	--	--	-852	-484	--	--	-1 336
Transfers	--	1 825	342	--	--	-2 167	--
Balance at 31/12/2018	695 247	1 158 911	1 239 361	8 042	373 118	919	3 475 598
Accumulated depreciation							
Balance at 1/1/2018	--	440 922	574 566	5 706	165	--	1 021 359
Depreciation expense	--	43 108	60 904	1 184	62	--	105 258
Disposals	--	--	-844	-383	--	--	-1 227
Balance at 31/12/2018	--	484 030	634 626	6 507	227	--	1 125 390
Net book value 1/1/2018	695 247	714 912	660 901	2 265	372 953	2 414	2 448 692
Net book value 31/12/2018	695 247	674 881	604 735	1 535	372 891	919	2 350 208

MND Gas Storage a.s.**Notes to the Czech statutory financial statements (translated from the Czech original)**

Year ended 31 December 2018

(All amounts are shown in thousands of Czech crowns "TCZK")

2017	Land and special underground structures	Buildings	Machinery and equipment, fixtures and fittings	Motor vehicles	Other tangible assets	Tangible FA under constr.	Total
Acquisition cost							
Balance at 1/1/2017	695 247	1 153 132	1 233 333	7 971	373 118	2 187	3 464 988
Additions	--	2 702	1 809	--	--	569	5 080
Disposals	--	--	-17	--	--	--	-17
Transfers	--	--	342	--	--	-342	--
Balance at 31/12/2017	695 247	1 155 834	1 235 467	7 971	373 118	2 414	3 470 051
Accumulated depreciation							
Balance at 1/1/2017	--	396 748	513 495	4 509	103	--	914 855
Depreciation expense	--	44 174	61 088	1 197	62	--	106 521
Disposals	--	--	-17	--	--	--	-17
Balance at 31/12/2017	--	440 922	574 566	5 706	165	--	1 021 359
Net book value 1/1/2017	695 247	756 384	719 838	3 462	373 015	2 187	2 550 133
Net book value 31/12/2017	695 247	714 912	660 901	2 265	372 953	2 414	2 448 692

Additions to buildings totalling TCZK 3077 comprise the capitalisation of:

- improvements based on investment project Replacement of UPS at the route closure at the Brumovice measuring station of TCZ 104,
- improvements based on investment project Replacement of damaged recording equipment at the Uhřice underground gas storage facility of TCZK 395,
- investment project Relocation of a dew point measuring device for hydrocarbon and water into a cabin, including EPS and PDS – construction part of TCZK 470,
- improvements to the well based on investment project Connection of SMCPE Single Mono Control panel at the Uhřice 60a well of TCZK 283,
- improvements to the Uhřice 21 well, completion of stage I. (connection of an in-depth manometer) of TCZK 1 825.

Additions to machinery and equipment totalling TCZK 4 404 comprise the capitalisation of:

- replacement of two switches of the control system at the Uhřice underground gas storage facility of TCZK 141,
- installation of an oil separator of K250 compressor of TCZK 1 341,
- replacement of UPS at the Uhřice underground gas storage facility of TCZK 86,
- modernisation of a control system at the Brumovice measuring station of TCZK 846,
- replacement of vibration sensors of a cooler of K260 compressor of TCZK 302, and replacement of vibration sensors of a cooler of K270 compressor of TCZK 302,
- investment project Relocation of a dew point measuring device for hydrocarbon and water into a cabin, including EPS and PDS – technology part of TCZK 755,
- modification and modernisation of EPS at Uhřice underground gas storage facility of TCZK 743,

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- investment project TASKalfa 4052ci printer – attic Hodonín of TCZK 76, and TASKalfa 4052ci printer at Uhřetice underground gas storage facility of TCZK 76.

Additions to motor vehicles comprise Škoda Octavia Scout 2,0 TDI car of TCZK 555.

Tangible fixed assets under construction totalling TCZK 919 comprise the initial work relating to the establishment of easements for the gas pipeline from the Brumovice measuring station to the Uhřetice underground gas storage facility (TCZK 20), initial work on the Study on adjustment of the low-temperature gas separation on the Uhřetice underground gas storage facility (TCZK 227), and initial work on the Safety analysis at the Uhřetice underground gas storage facility (TCZK 672).

Disposals of tangible fixed assets comprise the disposal of Dell server with accessories of TCZK 817, Toshiba air-conditioning unit at the route closure at the Brumovice measuring station of TCZK 35, and YETI 4x4 CR car of TCZK 484.

4. Low-value tangible and intangible assets

In accordance with the accounting policy described in note 2(a) above, the Company does not record low-value tangible and intangible fixed assets in the balance sheet but expenses them in the year that they were acquired. The cumulative acquisition cost of the low-value tangible and intangible assets that were still in use was as follows:

	Balance at 31/12/2018	Balance at 31/12/2017
Low-value tangible fixed assets	3 561	3 642
Low-value intangible fixed assets (software)	453	442
Total	4 014	4 084

5. Trade receivables and payables

Short-term trade receivables as at 31 December 2018 total TCZK 19 631 (2017 – TCZK 27 104), none of which are overdue (2017 – TCZK 0).

Short-term trade payables as at 31 December 2018 total TCZK 9 647 (2017 – TCZK 13 417), of which TCZK 231 (2017 – TCZK 0) is overdue.

6. Short-term investments

As at 31 December 2018, the Company did not have any short-term investments (2017 – TCZK 0).

7. Registered capital

The registered capital of the Company as at 31 December 2018 of TCZK 2 000 800 (2017 – TCZK 2 000 800) consists of one certified ordinary registered share with a nominal value of

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TCZK 1 640 and 2 438 000 certified ordinary registered shares with a nominal value of CZK 820 each.

8. Changes in equity

Movement in the individual components of equity in the period from 1 January 2018 to 31 December 2018:

	Registered capital	Capital contributions	Statutory and other funds	Retained profits	Profit (loss) for the current period	Total
Balance at 1/1/2018	2 000 800	--	290	81 354	82 918	2 165 362
Transfer to funds	--	--	475	27 433	-27 918	--
Utilisation of funds	--	--	-519	--	--	-519
Dividends	--	--	--	--	-55 000	-55 000
Revaluation of hedging derivatives	--	--	--	--	--	--
Effect on deferred tax	--	--	--	--	--	--
Profit for 2018	--	--	--	--	14 836	14 836
Balance at 31/12/2018	2 000 800	--	246	108 796	14 836	2 124 678

The Company has not decided about the distribution of the result for 2018 as at the date of preparation of these financial statements.

9. Provisions

	Statutory provision for redevelopment and restoration	Provision for untaken holidays	Provision for annual bonuses and insurance	Provision for plug and abandonment	Income tax provision	Total
Balance at 1/1/2018	8 330	790	3 719	--	864	13 703
Additions	330	--	3 578	--	12 391	15 796
Utilisation	--	-29	-3 719	--	-864	-4 109
Decrease	--	--	--	--	--	--
Release of provision	--	--	--	--	--	--
Income tax prepayments	--	--	--	--	-20 506	-20 506
Balance at 31/12/2018	8 660	761	3 578	--	-8 115	4 884

The Company establishes statutory provisions for redevelopment and restoration in accordance with applicable legislation.

In 2018, the income tax provision of TCZK 12 391 (2017 – TCZK 20 625) was reduced by income tax prepayments of TCZK 20 506 (2017 – TCZK 19 761) and the net payable was recorded in tax receivables (see note 12).

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10. Bank loans

As at 31/12/2018	Due date	Payment schedule	Balance at 31/12/2018	Due within 1 year	Due in subsequent years
Special-purpose loan	--	-- / --	--	--	--
Revolving loan	within 3 months from the delivery date of the notice	130 000 / until 20/3/2019	130 000	130 000	--
Total bank loans			130 000	130 000	--

As at 31/12/2017	Due date	Payment schedule	Balance at 31/12/2017	Due within 1 year	Due in subsequent years
Special-purpose loan	--	-- / --	--	--	--
Revolving loan	within 3 months from the delivery date of the notice	180 000 / until 22/3/2018	180 000	180 000	--
Total bank loans			180 000	180 000	--

The bank loan is secured by the right of pledge to a movable thing recorded in form of a notarial deed where the pledged thing is the gas in the gas cushion of the Uhřetice underground gas storage facility.

This is a revolving loan without a final maturity date and with a three-month termination period. The loan is periodically renewed after every three months. As at 22 March 2019 it was renewed at the same amount, i.e. TCZK 130 000. A portion of it, TCZK 30 000, is expected to be repaid in 2019.

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11. Segment information

Revenues from the underground gas storage facility operation, the natural gas storage, and the provision of other services in 2018 were as follows:

2018	Domestic sales	Sales abroad	Total
Underground gas storage facility operation and gas storage	209 585	7 234	216 819
Revenues from other services	601	3 341	3 942
Total	210 186	10 575	220 761
2017	Domestic sales	Sales abroad	Total
Underground gas storage facility operation and gas storage	267 266	1 158	268 424
Revenues from other services	13 536	2 744	16 280
Total	280 802	3 902	284 704

12. Tax liabilities and subsidies, tax receivables

Tax liabilities as at 31 December 2018 total TCZK 2 140 (2017 – TCZK 3 845), of which TCZK 2 250 (2017 – TCZK 3 902) is a value added tax liability reduced by a receivable relating to an unclaimed value added tax of TCZK 423 (2017 – TCZK 775), TCZK 303 (2017 – TCZK 272) relates to tax on income from employment, and TCZK 2 (2017 – TCZK 2) to tax on gas and road tax. Subsidies for emission rights total TCZK 0 (2017 – TCZK 444).

Tax receivables as at 31 December 2018 total TCZK 8 115 (2017 – TCZK 0) and relate to current corporate income tax.

13. Employees and executives

Average number of employees and executives and personnel expenses:

2018	Number	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees	33	16 258	5 502	--
Executives	5	9 376	2 630	--
Total	38	25 634	8 132	1 011

2017	Number	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees	33	15 499	5 241	--
Executives	5	8 692	2 476	--
Total	38	24 191	7 717	696

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14. Social security and health insurance liabilities

Social security and health insurance liabilities as at 31 December 2018 total TCZK 756 (2017 – TCZK 692), of which TCZK 476 (2017 – TCZK 432) relates to social security liabilities and TCZK 280 (2017 – TCZK 260) to health insurance liabilities. None of these liabilities are overdue.

15. Related parties**(a) Receivables and payables**

The following table shows all inter-company receivables, payables and provided loans including the short-term trade receivables and payables described in note 5.

	Receivables at		Payables at	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
DataSpring s.r.o.	--	--	71	95
AUTOCONT a.s.	--	--	142	141
KKCG Group NV	--	--	98	120
Kynero Consulting a.s.	--	--	89	89
MND a.s.	13 549	24 835	1 456	20 409
MND Drilling & Services a.s.	--	--	649	246
MND Gas Storage Germany GmbH	259	225	--	--
Moravia Gas Storage a.s.	1 102	1 236	18	18
Moravia Systems a.s.	--	--	135	654
Vinohradská 230 a.s.	--	--	--	1
Total	14 910	26 296	2 658	21 773

(b) Sales including the sale of assets, interest revenue and purchases

	Sales for		Purchases for	
	2018	2017	2018	2017
Cestovní kancelář FISCHER, a.s.	--	--	79	55
DataSpring s.r.o.	--	--	897	973
AUTOCONT a.s.	--	--	232	117
KKCG a.s.	--	--	3	1
KKCG Group NV	--	--	97	115
KKCG Structured Finance AG	--	12	--	--
Kynero Consulting a.s.	--	--	883	883
MND a.s.	163 034	267 717	11 027	9 286
MND Drilling & Services a.s.	--	--	2 517	2 712
MND Gas Storage Germany GmbH	3 409	2 744	--	--
Moravia Gas Storage a.s.	6 332	7 404	59	58
Moravia Systems a.s.	--	--	2 928	3 603
Vinohradská 230 a.s.	--	--	3	7
Total	172 775	277 877	18 725	17 810

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All material transactions with related parties were carried out on an arm's length basis.

(c) Remuneration and loans provided to directors and supervisory board members

	Board of directors		Supervisory board	
	2018	2017	2018	2017
Number of members	3	3	3	3
Fees paid	5 994	5 520	180	180

Members of the statutory bodies were not provided with any loans, guarantees, advances or other benefits in 2018.

(d) A report on relations between related parties will be part of the annual report in accordance with the Corporations Act.**16. Income tax****(a) Current tax**

Current income tax comprises the tax estimate for 2018 of TCZK 12 391 (2017 – TCZK 20 625), and an adjustment to the tax estimate for 2017 of TCZK 387 (2017 – TCZK 22).

(b) Deferred tax

Deferred tax assets and liabilities as at 31 December 2018:

	Assets at		Liabilities at		Net at	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Tangible and intangible fixed assets	--	--	-166 941	-176 503	-166 941	-176 503
Annual bonuses	507	527	--	--	507	527
Social security and health insurance applicable to annual bonuses	172	179	--	--	172	179
Provisions	145	150	--	--	145	150
Deferred tax asset (+) / (liability) (-)	824	856	-166 941	-176 503	-166 117	-175 647
Offset	-824	-856	824	856	--	--
Deferred tax liability	--	--	-166 117	-175 647	--	--

A change in the deferred tax liability of TCZK -9 530 (2017 – TCZK -1 658) was reported in the income statement in the amount of TCZK -9 530 (2017 – TCZK -1 658).

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In accordance with the accounting policy described in note 2(f), deferred tax was calculated using the tax rates valid for the periods in which the tax asset/liability is expected to be utilised, i.e. 19% for 2018 and onwards (2017 – 19%).

17. Leased assets

(a) Finance leases

In recent years, the Company has not been using finance lease.

(b) Operating lease

The Company has operating lease contracts primarily relating to the lease of non-residential premises and land. The annual cost of these leases for 2018 was TCZK 1 532 (2017 – TCZK 1 560).

18. Services

Services totalling TCZK 35 869 (2017 – TCZK 30 092) primarily include expenses incurred in connection with repairs and maintenance of the underground gas storage facility technology of TCZK 17 000 (2017 – TCZK 10 994), travel expenses of TCZK 227 (2017 – TCZK 229), entertainment expenses of TCZK 230 (2017 – TCZK 252), and expenses for other services of TCZK 18 412 (2017 – TCZK 18 617).

Other services primarily include expenses for information systems and software-related work of TCZK 2 869 (2017 – TCZK 2 958), expenses for financial services and tax advisory of TCZK 1 510 (2017 – TCZK 1 354), services connected with the underground gas storage facility operation of TCZK 8 331 (2017 – TCZK 7 014), and other services of TCZK 5 702 (2017 – TCZK 7 291).

19. Contingencies and commitments

The Company records bank guarantees received of TCZK 556 (2017 – TCZK 697).

Apart from the pledge described in note 10, the Company does not record any off-balance sheet liabilities.

20. Cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents are defined to include cash in hand, cash in transit, cash at the bank and other financial assets whose valuation can be reliably determined and that can be readily converted to cash. Cash and cash equivalents as at the year-end are as follows:

	Balance at 31/12	
	2018	2017
Short-term financial assets	51 218	83 478
Marketable securities	--	--
Cash and cash equivalents	51 218	83 478

MND Gas Storage a.s.

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In the cash flow statement, cash flows from operating, investing or financing activities are reported on a gross basis.

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21. Material subsequent events

No material subsequent events have occurred until the date of preparation of the financial statements that would have any material impact on the financial statements as at 31 December 2018.

Prepared on:	Signature of the authorised representative	
25 April 2019	 Karel Luner Chairman of the board of directors	 Milan Dočkal Member of the board of directors



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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of MND Gas Storage a.s.

Opinion

We have audited the accompanying financial statements of MND Gas Storage a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

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, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations 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 in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the



other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge 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 laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those 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 matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

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

Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements,



whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.



Statutory Auditor Responsible for the Engagement

Martina Štegová is the statutory auditor responsible for the audit of the financial statements of MND Gas Storage a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague
25 April 2019

KPMG Česká republika Audit
KPMG Česká republika Audit, s.r.o.
Registration number 71

Barbora Šíbllová
Barbora Šíbllová
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