

24 November 2023

The Rt. Hon. Dame Caroline Dinenage DBE MP
Chair, Culture, Media and Sport Select Committee
House of Commons
London
SW1A 0AA

By email: caroline.dinenage.mp@parliament.uk

Dear Dame Caroline,

Response to your request for clarifications to our evidence given on 30 June 2022

Thank you for your letter dated 16 November 2023 that asked for some clarification regarding evidence that I and John Tanner gave to the Committee on the 30 June 2022 in relation to KKCG's moves to divest two assets: an oil terminal in Samara, Russia and a Gas Storage facility in Moravia, owned via a joint-venture.

Regarding the oil terminal in Samara, the agreement that KKCG reached to sell on the 31 May 2022 was irrevocable and could not have been undone other than through Government approvals. However, we should have clarified that the applicable government review and approvals were still needed either in our evidence on the 30 June 2022 or in our subsequent written evidence that we sent to the Committee on the 14 July 2022. The Gambling Commission did not have visibility of the Governmental approval process in another nation state and was not in a position to judge how long regulatory approvals might take. It does remain the case that the oil terminal in Samara was divested as expected and described, albeit the approval process took some time to complete.

Turning to the joint venture, on the 21 June 2022, KKCG informed the Commission that they had offered the Czech government the possibility of transferring the exercise of its shareholder rights in the joint venture to the Czech state and had submitted a specific proposal for the implementation of this project to the Czech Ministry of Finance.

Following the evidence we gave to the Committee on the 30 June 2022, we wrote to KKCG asking for a further update on 27 July 2022 and received an update on 28 July 2022 that detailed negotiations were continuing. We continued to engage about developments and eventually received a written update from KKCG on 30 October 2023, detailing that as of 27 October 2023, whilst subject to approvals, Gazprom now only retained a stake of 2.63% in the Gas Storage facility and that KKCG expected Gazprom to no longer be a shareholder within the next 12 months. This process has, as you say, taken far longer than initially envisaged and we have asked KKCG for an explanation for the shift in position away from a divestment to the Czech Government. We have as of the 20 November 2023, received a response detailing that two of the three approvals have now been received, with only the Regional Court in Brno left to approve - approval from which is expected within approximately the next two weeks. We have been advised that this transaction has superseded the



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previous negotiations with the Czech Government and the Memorandum of Understanding that had been signed. The Czech Ministry of Finance, and its wholly-owned subsidiary PRISKO, were duly informed of and consulted on this process.

The Commission does not and never has regarded either the former shareholding in Samara or the joint-venture to be relevant to the Fourth National Lottery Licence Competition, as neither activity or investment were ever part of the Allwyn group of companies, being an entirely separate corporate entity and therefore entirely separate from Allwyn's applicant for the Fourth Licence. However, whilst we understood why the Committee asked about these issues on the 30 June 2022, given their lack of relevance to the Competition and that no sanctioned entities are involved in funding the Incoming Licensee, we regret that we did not appreciate that the Committee would want regular updates on these matters. Going forwards, I am happy to commit to providing timely updates on future developments regarding KKCG's holding in Moravia about Gazprom's shareholding.

I do hope that this has clarified and explained our position, including in the areas we discussed last year with the Committee. If you have any questions about this or anything else either to do with the critical work to implement the Fourth licence, or any other areas of our work, please do feel free to get in touch.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A Rhodes'.

Andrew Rhodes
Chief Executive