MND a.s.

Annual Report

2023

Note

The Annual Report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the Annual Report takes precedence over the English version.

Contents:

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

1. Company

MND a.s. ("the Company") was established by a sole founder on 30 September 2008, under the original name ORTOKLAS a.s. The Company was incorporated on 3 November 2008 and is recorded in the Commercial Register maintained by the Regional Court in Brno under file number B 6209.

2. Consolidated group

As at 31 December 2023, the Company formed a consolidated group with the following entities that are controlled entities vis-à-vis the Company pursuant to Section 74 et seq. of Act No. 90/2012 Coll., on Business Corporations, as amended:

- **MND Drilling & Services a.s.**, with its registered office at Velkomoravská 900/405, Lužice, post code 696 18, ID No. 25547631;
- **MND Energy Storage a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 27732894;
- **MND Energie a.s.**, with its registered office at Strašnice, Vinohradská 1511/230, Praha 10, post code 100 00, ID No. 29137624;
- **MND Ukraine a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 08957517;
- **Horyzonty LLC**, with its registered office at Lvivska Oblast, Lviv, 79005, Akademika Pavlova 6c, Office 7, Ukraine;
- **Geologichne byreau Lviv LLC**, with its registered office at Lvivska Oblast, Lviv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine;
- **Precarpathian energy company LLC**, with its registered office at Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Schevchenka, Ukraine;
- **Oriv Holding a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 11735376;
- **FVE Tichá s.r.o.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 28605233;
- **FVE Mušov I s.r.o.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 19174098;
- **FVE Mušov II s.r.o.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 17873517;
- **FVE Orlová I s.r.o.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 06763731;
- **FVE Orlová II s.r.o.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 19254504;
- **MND Wind s.r.o.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 17873568;
- **G2P Borkovany s.r.o.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 17873592;
- **MND Austria a.s.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 19407904;
- **MND GasInvestUA s.r.o.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 19237375;
- **KBOC Director s.r.o.**, with its registered office at Hodonín, Úprkova 807/6, post code 695 01, ID No. 19666144.

(the Company and its controlled entities together the "**MND Group**" or "**Group**").

3. Jointly controlled entities

As at 31 December 2023, the following entities were jointly controlled or associated entities vis-à-vis the Company (pursuant to Section 22, par. 3, point (b) and (c) of Act No. 563/1991 Coll., on Accounting, as amended):

- **Moravia Gas Storage a.s.**, with its registered office at Úprkova 807/6, Hodonín, post code 695 01, ID No. 285 06 065.

4. Business activities of the MND Group

Principal business activities of MND Group are:

- sale of gas and electricity to households and small businesses;
- energy commodities trading;
- operation of underground gas storage and provision of gas storage services;
- exploration and production of oil and natural gas;
- drilling contractor services, focusing on drilling of oil and gas exploration and production wells and hydro and geothermal wells and well workover and abandonment.
- investment in renewable energy sources and the development of new technologies.

The activities were carried out in the Czech Republic and abroad. The MND Group does not engage in research and development activities. MND Group companies do not have any branches abroad.

5. Sale of gas and electricity to households and small businesses

As at December 2023, the MND Group supplied energy to 255 thousand supply points. For gas, it was more than 116,000 and for electricity, more than 139,000 supply points. As part of its offer, MND reflected the development of the market and continuously adjusted the prices of its products so that customers were satisfied with the energy supply from MND. The MND Group has long prided itself on and invested in a pro-customer, transparent and fair approach to energy supply.

The fact that MND understands customer satisfaction as one of the key indicators was also confirmed by the opening of two new customer call centres. MND opened these centres in Ústí nad Labem and Kolín. Thanks to them, MND now has the capacity for more than 100 of its operators, not only to manage the operation of the toll-free line, but also to further improve the quality of customer care in general. Modernly equipped workplaces provide MND with strong facilities and space for further streamlining and improving customer service processes.

In addition to emphasizing the long-term benefits and quality of customer care, in 2023 MND also focused more on upcoming trends in the use of new sources of energy supply, especially in the field of photovoltaics. MND Energie has expanded its range of key products for the supply of electricity and gas to include the purchase of electricity from photovoltaics. Thanks to the "Solar Account" product, MND customers can now utilize their surpluses from photovoltaic power plants through a simple buy-back. This, like other MND offerings, is built on fairness, simplicity and transparency of the entire process and service.

6. Energy commodities trading

The MND Group continued to expand its business activities on the European continent. MND operated as a licensed electricity and gas trader, including trading over gas storage facilities and storage capacity, primarily in the markets of the Czech Republic, Germany, the Netherlands and Austria. In 2023, we increased the volumes traded in the financial markets for emission allowances and oil. As part of its long-term strategy, MND has continued to develop and refine automated and autonomous trading models for various market segments, countries, and commodities.

The year 2023 was still marked by increased volatility and the emergence of external non-market risks. The trading strategy has also been adapted to this. The aim was to keep the risk parameters of trades at low level, to focus on short-term holding of trading positions and to eliminate market risks by cross-hedging between commodities. The combination of fundamental analysis of the markets and the chosen strategies has brought better-than-expected results. In 2023, MND traded 65 TWh of gas and 11.6 TWh of electricity in the physical and financial markets.

7. Underground gas storage

The MND Group operates the Uhřice underground gas storage facility (UGS Uhřice). UGS Uhřice consists of two storage structures, which, in addition to natural gas storage, are also suitable for storing electricity through hydrogen gas. From 1 January 2022, UGS Uhřice (Energy Storage Uhřice) is ready to receive energy in the form of hydrogen up to a concentration of 5% H_2 mixed with natural gas at the entry point of MS Brumovice. The total current storage capacity of UGS Uhřice is 335 million m^3, with the potential for further development up to 350 million m^3.

Through its ownership interest in Moravia Gas Storage a.s., the MND Group also participates in the operation of the Dambořice UGS, which was put into operation in 2016. Its total storage capacity after the end of the start-up period is 448 million m^3.

8. Exploration and production of hydrocarbons

The MND Group is the largest Czech group engaged in the production of oil and natural gas. The group holds five exploration permits covering a total area of 1 818 km^2 in the region of south-eastern Moravia. The subsidiaries hold seven exploration and production licenses with a total area of 335 km2 in Ukraine. These exploration areas are covered by a network of 2D seismic measurements and, to a large extent, a network of 3D seismic measurements. In 2023, the MND Group carried out seismic measurements in the Tynivská license area in western Ukraine and also in South Moravia in the northern part of the Vienna Basin license. Based on the results and interpretation of seismic measurements and other geological information, MND Group designs and implements exploratory wells to discover new oil and gas fields. In 2023, MND Group drilled six exploratory and one production well in South Moravia and three appraisal / production wells in Western Ukraine.

The MND Group produces oil and/or natural gas from 36 deposits in the region of south-eastern Moravia. Oil production in 2023 reached 73.6 thousand m^3 and natural gas supplies from own production reached 59.5 million m^3. Subsidiaries in Ukraine produced 60.8 million m^3 of natural gas.

9. Drilling and workover activities

In 2023, the MND Group drilled 7 wells for its own activities (MND a.s.) and 6 wells for external customers. The MND Group has carried out drilling and underground repairs of wells in Hungary, Italy, France, Germany, Spain and the Czech Republic. The Group completed a complex geothermal project for FRI EL Geopower S.r.l. in Italy, started work on a two-well project for KEM ONE S.A.S. in France, participated in a multi-well project for German operators Neptune Energy Deutschland GmbH and DOW Deutschland Anlagengesellschaft GmbH.

In 2023, the MND Group carried out a total of 63 well workovers and abandonments in the Czech Republic. Out of this total amount, 15 underground repairs, 15 general workovers and 22 abandonments for the Group's own needs, 2 repairs of wells at the underground gas storage facility and 9 abandonments of old environmental burdens for external customers were carried out.

10. Investments in renewable energy sources and new development projects

MND Group is entering a project to build a wind power plant in western Ukraine. The Group will have a 50% stake in the Ukrainian company LIMITED LIABILITY COMPANY "ORIV WINDPARK", with its registered office at Lviv, 79007, Sichovykh Striltsiv, 12 ap. 9, registration number 38057121 (ORIV WINDPARK). The partner in the joint venture will be Ivena Limited, with which MND Group has been cooperating since 2014 in the field of gas production in Western Ukraine. It is the construction of a wind power plant with an output of 54.6 MW in the Lviv region. During 2023, the implementation of the project was completed, all 10 turbines were installed, and the first part of the turbines was put into test production.

In 2023, the MND Group, as a partner of the Czech-Norwegian CO2 project – SPICER, completed its part of the project of pilot CO2 storage in a carbonate deposit, the main objective of which is to prepare a pilot carbon dioxide storage facility in an oil and gas deposit that is being exploited. A model example for the potential implementation of other carbon dioxide storages in the Czech Republic and Europe will be created.

Together with other partners, the MND Group is preparing the Carbon Capture & Storage project, which aims to build and operate a commercial underground storage facility for the permanent storing of carbon dioxide captured during industrial production.

The MND Group continues to invest in projects for the construction and acquisition of photovoltaic power plants in Orlová, Mušov, MND Ždánice, Poddvorov and MND a.s.'s headquarters in Hodonín.

The MND Group is engaged in the development of modern energy projects and invests in their implementation and preparation. The construction of the Borkovany Network Support Services Source (ZPPS) project is underway. At the same time, project preparation of a similar ZPPS project in the Hrušky 5 locality is underway, as well as pre-project preparation for the implementation of large-capacity battery storage.

In cooperation with universities and business partners, the MND Group has participated in projects related to hydrogen technologies, transport and underground storage of hydrogen.

11. Human resources

As at 31 December 2023, a total of 856 employees worked in MND Group companies.

12. Education and social affairs

The MND Group encourages employee education and provides an environment that is conducive to the personal development of every employee. The educational system focuses on professional, managerial and language training. The MND Group also promotes cooperation with selected secondary schools and universities in the Czech Republic and abroad, with a focus on both increasing the qualifications of its employees, and on acquiring new talents, further developing their skills by giving them the opportunity to work with teams of experts. With respect to employee care, the MND Group focuses on creating a professional working environment with a broad selection of employee benefit options.

13. Corporate social responsibility and sponsorship

The MND Group has an active social responsibility program to support a wide range of beneficial and charitable events and civic associations in the Czech Republic. Consistent with the scope and location of its business and respect for the environment, MND directs its activities to improve the quality of the environment in the communities where it operates.

MND has been cooperating on joint projects with the Dolní Morava Biosphere Reserve, o.p.s. concerning the protection of natural and cultural diversity and sustainable economic development.

MND financially supports wide range of other projects focusing mainly on sports, culture and education, especially supporting children in sports.

14. MND Group’s financial results and state of assets in 2023

The MND Group reported a consolidated profit of CZK 806 million for 2023 after tax. Revenues amounted to CZK 55 651 million in the period concerned. The consolidated profit from operating activities for the period under review amounted to CZK 1 191 million. The consolidated result from financial operations amounted to a loss of CZK 159 million.

The MND Group assets as at 31 December 2023 were as follows:

- Property, plant and equipment of CZK 7 235 million CZK, intangible fixed assets of CZK 161 million. and non-current financial assets of CZK 1 671 million;
- current assets of CZK 11 443 million, comprising current financial assets of CZK 4 262 million and cash and cash equivalents of CZK 1 702 million.

The MND Group's equity as at 31 December 2023 was CZK 9 206 million, of which equity attributable to the shareholders amounted to CZK 8 981 million. Total liabilities amounted to CZK 11 677 million.

In 2023, the MND Group companies did not have their own shares or interim certificates in their ownership.

15. Information on risk management

The principal role of the MND Group’s risk management is to identify risks, determine a risk measurement method, quantify and analyse risk exposure, define a hedging strategy and the hedging implementation as such. The overall responsibility for setting up the MND Group’s risk management system and supervising its operation lies on the level of the board of directors. With regard to the diversity of operations and the corresponding risks, the management of each group company is responsible for setting up and monitoring risk management policies. Information on the MND Group’s risk management is disclosed in note 30 of the notes to the consolidated financial statements, which includes a description of investment instruments used by the MND Group and price, credit and liquidity risks as well as the risks connected with cash flows that the MND Group is exposed to.

16. Development outlook for the upcoming period

In 2023, the MND Group recorded a decline in oil and gas production. In 2024, compared to 2023 levels, it expects a stable level of hydrocarbon production in Czechia and a slight increase in gas production in Ukraine. In sales of gas and electricity to end customers, MND Group expects a further increase in the number of customers. MND Group's financial results will depend to a large extent on oil, gas and electricity price developments in European markets.

17. Subsequent events

Significant subsequent events are disclosed in note 32 of the notes to the consolidated financial statements.

Prague, 24 May 2024

Miroslav Jestřabík Member of the Board of Directors	Jiří Ječmen Member of the Board of Directors

II. Report on relations between the controlling and controlled entities and between the controlled entity and other entities controlled by the same controlling entity

The company MND a.s., with its registered office in Hodonín, Úprkova 807/6, postal code 695 01, ID no. 28483006, incorporated in the Commercial Register kept with the Regional Court in Brno, registration no. B 6209 (hereinafter the "**Company**") acted in the accounting period from 1st January, 2023 to 31st December, 2023 (hereinafter the "**Accounting Period**") as a controlled entity in accordance with the provision of Section 74 et seq. of Act No. 90/2012 Coll., on business corporations and cooperatives, as amended (hereinafter the "**BCA**").

In compliance with Section 82 of the BCA, the Board of directors of the Company, as the controlled entity, has issued for the Accounting Period this report on relations between the controlling and controlled entities and between the controlled entity and other entities controlled by the same controlling entity (hereinafter the "**Report on Relations**" and "**Related Entities**"). This Report on Relations has been structured in accordance with Section 82, par. 2 and 4 of the BCA.

1. The structure of relations between the Company and other Related Entities

The Company is a member of the KKCG Group comprised of companies 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 (hereinafter the "**KKCG AG"**).

The Company is controlled by KKCG AG indirectly via its parent company, MND Group AG, with its registered office at Kapellgasse 21, 6004 Lucerne, the Swiss Confederation, registration number CHE-448.401.517.

The list of all the entities of KKCG Group that are, either directly or indirectly controlled by KKCG AG, including the Company, constitutes Annex 1 to this Report on Relations. Data on KKCG Group companies are stated as at 31 December 2023.

2. Role of the Company

The role of the Company, as the controlled entity, is to conduct oil and gas prospecting, exploration and production operations, trade in gas and electricity and investment in renewable energy sources and development of new technologies.

3. Methods and means of control

The control of the Company is exercised via its 100% share in voting rights at the general meeting of the Company.

4. Overview of significant acts

In the Accounting Period the Company did not perform any acts upon the initiative or in the interest of KKCG AG, or of entities under KKCG AG control, concerning assets whose value exceeds 10% of the Company's equity as specified in its most recent financial statement, except for those listed below:

(in millions of Czech crowns)	2023
Expenses / Purchases	
Purchases of services	7 906
Revenues / Sales	
Total sales	13 503

5. Overview of contracts

During the Accounting Period, the Company and KKCG AG, or any other entities controlled by KKCG AG, entered into the contracts attached as Annex 2 to this Report on Relations.

The contracts concluded between the Company and KKCG AG, or any other entities controlled by KKCG AG, prior to the commencement of the Accounting Period were still in force during the Accounting Period and are listed in Annex 3 to this Report on Relations.

6. Loss evaluation and settlement

On the basis of contracts concluded in the Accounting Period between the Company and other persons from the KKCG group or other negotiations that were carried out in the interest of or at the instigation of these persons by the Company in the Accounting Period, the Company suffered no loss.

7. Advantages and disadvantages of relations between Related Entities

The Company derives numerous benefits from its membership in the KKCG Group with KKCG AG, the controlling entity, which include, in particular, the opportunity to share its know-how and information (in compliance with the law and third-party contracts), to draw on the good name associated with the KKCG brand and to access intragroup and bank funding (*e.g.* the option to have its financial obligations secured by other entities within the group).

The Company is not aware of any disadvantages arising from its relations with the Related Entities.

Annexes:

Annex 1 – List of Related Entities

Annex 2 – List of contracts between Related Entities concluded in the Accounting Period

Annex 3 – List of contracts between Related Entities concluded prior to the Accounting Period

Prague, 28 March 2024

Miroslav Jestřabík
Member of the Board of Directors

Jiří Ječmen
Member of the Board of Directors

Annex 1 – List of Related Entities

Annex No. 1 - List of related parties

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2023

SPOLEČNOST / COMPANY	Seat, Identification No. / Registration No.
"CCB" Congress Center Baden Betriebsgesellschaft m.b.H.	Kaiser Franz Ring 1, 2500 Baden, Austria, registr. No. FN 67046y
"Geologichne byreau "Lviv" LLC	L'vivska Oblast, L'viv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine, reg. No. 31978102
"Horyzonty" LLC	L'vivska Oblast, L'viv, 79005, ulice Chubaia Hrytska 6C, Office 7, Ukraine, reg. No. 36828617
"Precarpathian energy company" LLC	Ivano-Frankovska Oblast, Bohorodchany, 77701, ul. Shevchenka, Ukraine, reg. No. 36042045
Allwyn AG	Weinmarkt 9, 6004 Lucerne, Switzerland, reg. No. CHE-366.705.452
Allwyn Asia Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05266289
Allwyn Austria Holding 2 GmbH	c/o DORDA Rechtsanwälte GmbH, Universitätsring 10, 1010 Vienna, Austria, reg No. FN 38898d
Allwyn Austria Holding 3 GmbH	c/o DORDA Rechtsanwälte GmbH, Universitätsring 10, 1010 Vienna, Austria, reg. No. FN 117154k
Allwyn Czech Republic Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24852104
Allwyn Entertainment AG in Liquidation /v likvidaci	c/o Allwyn AG, Weinmarkt 9, 6004 Lucerne, Switzerland, reg. No. CHE-157.119.805
Allwyn Entertainment Financing (UK) Plc	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 13841508
Allwyn Entertainment Ltd.	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 13157556
Allwyn Financing Czech Republic 2 a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09771522
Allwyn Greece & Cyprus Holding 2 Ltd	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE 287956
Allwyn Greece & Cyprus Holding Ltd	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE320752
Allwyn Illinois LLC (dříve / formerly Camelot Illinois LLC)	200 West Jackson Blvd.,Suite 1100, Chicago, IL60606, USA, registration No. 05886996
Allwyn Information Technology Systems S.M.S.A. (dříve/ formerly Egnite S.A.)	Leoforos Kifisias 18 & Gkyzi, 15125 Maroussi, Athens, Greece, registration No. 137792901000
Allwyn International a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24287814
Allwyn Investments Cyprus Ltd	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE432870
Allwyn Lottery Solutions Limited	Magdalen House, Tolpits Lane, Watford, Hertfordshire, WD189RN, United Kingdom, reg. No. 07553980
Allwyn North America Inc. ((dříve / formerly Camelot Global Services (North America) Inc.)	200 West Jackson Blvd.,Suite 425, Chicago, IL60606, USA, registr. No. 70663287
Allwyn Services Czech Republic a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08993165
Allwyn Services UK Ltd	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 08869774
Allwyn Services US LLC	125 High Street, Suite 1704, Boston, MA 02110, USA
Allwyn Sub AG in Liquidation / v likvidaci	c/o Allwyn AG, Weinmarkt 9, 6004 Lucerne, Switzerland, reg. No. CHE-348.874.140
Allwyn Technology Services Limited	Tolpits Lane, Watford, Hertfordshire, WD189RN, United Kingdom, reg. No. 02822300
Allwyn UK Holding B Ltd	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 13849924
Allwyn UK Holding C Ltd	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 14530228
Allwyn UK Holding Ltd	One Connaught Place, 5th Floor, W2 2ET London, United Kingdom, reg. No. 13154201
Allwyn US Holding Inc.	251 Little Falls Drive, New Castle, Delaware 19808, USA, registration No. 7177345
ALOE spol. s r.o.	Kytlická 818/21a, Prosek, post code 190 00, Prague 9, Czech Republic, identification No. 65416571
Aricoma a.s. (dříve / formerly Aricoma Group a.s.)	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 04615671
Aricoma Brand s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 17867096
Aricoma Capital a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 11834587
Aricoma Digital s.r.o. (dříve / formerly KOMIX s.r.o.)	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 47117087
Aricoma Enterprise Cybersecurity a.s. (formerly AEC a.s.)	Voctářova 2500/20a, Libeň, post code 180 00, Prague 8, Czech Republic, identification No. 04772148
Aricoma Enterprise Cybersecurity s.r.o. (dříve / formerly AEC s.r.o.)	Krasovského 3986/14, post code 851 01, Bratislava, Slovak Republic, identification No. 31384072
Aricoma España S.L.	Calle Barcas 2 2 - EDIFICIO EPOCA. 46002, Valencia, Spain, reg. No.B72432248
Aricoma Group Finance a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 17848369
Aricoma Group Holding a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 17848601
Aricoma Group International AB	c/o Aspia AB, Sandra Mattsson Flodmark, Box 6350, 102 00 Stockholm, Sweden, reg. No. 559235-9748
Aricoma Systems SRL (dříve / formerly AUTOCONT SRL)	Avenue Louise 231, 1050 Bruxelles, Belgium, reg. No. 0767.591.979
AUTOCONT a.s.	Hornopolní 3322/34, Moravská Ostrava, 702 00 Ostrava, Czech Republic, identification No. 04308697

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Annex No. 1 - List of related parties

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2023

SPOLEČNOST / COMPANY	Seat, Identification No. / Registration No.
AUTOCONT s.r.o.	Krasovského 14, Bratislava - mestská časť Petržalka, post code 851 01, Slovak Republic, identification No. 36396222
Avengiro s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, The Czech Republic, identification No. 19930372
Blue Rosemarine Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08797200
Blue rosmarine s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04553586
Cachi Valle Aventuras S.A. (v likvidaci / in liquidation)	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registr. No. IGTJ de Salta Folio 71/2 asiento 2465 L 10
CAI Hungary Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registr. No. 08-09-027729
CAI Ontario Inc. (v likvidaci / in liquidation)	200 Bay Street, Royal Bank Plaza, M5J 2Z4 Ontario, Canada, registr. No.1164748
CAIO AG (v likvidaci / in liquidation)	c/o Reuss Treuhand AG, Furrengasse 11, 6004 Luzern, Switzerland, registr. No. CHE-159.186.971
Camelot UK Lotteries Limited	Tolpits Lane, Watford, Hertfordshire, WD189RN, United Kingdom, reg. No. 02822203
Casino Odense K/S	Claus Bergs Gade 7, 5000 Odense C, Denmark, registr. No. 14920293
Casino Sopron Kft.	Lackner Kristóf u. 33/A, 9400 Sopron, Hungary, registr. No. 08-09-009273
Casino St. Moritz AG	Via Veglia 3, 7500 St. Moritz, Switzerland, registr. No. CHE-107.653.178
Casinoland IT-Systeme GmbH	Lister Meile 2, 30161 Hannover, Germany, registr. No. HRB 61326
Casinos Austria (Liechtenstein) AG	Vorarlberger Strasse 210, 9486 Schaanwald, Liechtenstein, registr. No. FL-0002.543.564-5
Casinos Austria (Swiss) AG	c/o Amministra SA, Piazza Indipendenza 3, 6900 Lugano, Switzerland, registr. No. CHE-100.189.949
Casinos Austria AG Liegenschaftsverwaltungs und Leasing GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 114288x
Casinos Austria Aktiengesellschaft	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 99639d
Casinos Austria International (Mazedonien) Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 400167g
Casinos Austria International Belgium S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registr. No. 0502.785.246
Casinos Austria International GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 131441x
Casinos Austria International Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 37681p
Casinos Austria International Ltd.	35-41 Wharf Street, 4870 Cairns, QLD, Australia, registr. No. ACN: 065998807, ABN: 065998807
Casinos Austria Management GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 38657z
CAST Casinos Austria Sicherheitstechnologie GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 94404f
Clearcode LLC	222 Broadway, 19th floor, New York, NY 10038, United states of America, reg. No. 4645876
Clearcode Services Sp. z o.o. (dříve/ formerly Clearcode Services S.A.)	Św. Antoniego 2/4, 50-073 Wrocław, Poland, reg. No. 871153
Cleverlance Deutschland GmbH	Eduard-Schopf-Allee 1, 28217 Bremen, Germany, registration No. 32267
Cleverlance Enterprise Solutions s.r.o.	Voctářova 2500/20a, Libeň, post code 180 00, Prague 8, Czech Republic, identification No. 27408787
Cleverlance H2B s.r.o.	Tuřanka 1519/115a, Brno, Slatina, post code 627 00, Czech Republic, identification No. 28223756
Cleverlance Slovakia s.r.o.	Prievozská 1978/6, post code 821 09, Bratislava, Slovak Republic, identification No. 35942487
CLS Beteiligungs GmbH	Goldschmiedg. 3, 1010 Vienna, Austria, reg. No. FN 84419x
Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Republic of Ireland, reg. No. 506335
Complejo Monumento Güemes S.A. (v likvidaci / in liquidation)	Av. Francisco de Uriondo 330, 4400 Salta, Argentina, registr.No. FOLIO 187/88 ASIENTO 2288 LIBRO 9
Consulting 4U s.r.o.	Wellnerova 134/7, Nová Ulice, post code 779 00, Olomouc, Czech Republic, identification No. 25851471
Coopera Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08682802
Cuisino Ges. m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 54015i
CYANVENUE LIMITED	3096 Limassol, Alasias, 8 CHRISTODOULIDES BUILDING, Republic of Cyprus, reg. No. HE353101
Deutsche Sportwetten GmbH	Karmarschstr. 37-39, D-30159 Hannover, Germany, registr. No. HRB 219939
ECC Jenerálka, s.r.o.	Na příkopě 859/22, Nové Město, post code 110 00 Prague 1, Czech Republic, identification No.03834131
Entretenimientos y Jegos de Azar (EN.J.A.S.A.) S.A. (v likvidaci / in liquidation)	Del Milagro 142, 4400 Salta, Argentina, registr. No. IGTJ de Salta Folio 65/6 asiento 2462 L 10
FM&S Czech a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 04283112
Fortuna 1 ApS	c/o Casino Odense K/S, Claus Bergs Gade 7, 5000 Odense C, Denmark, registr. No. 14909087

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Annex No. 1 - List of related parties

List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2023

SPOLEČNOST / COMPANY	Seat, Identification No. / Registration No.
FVE Mušov I s.r.o.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 19174098
FVE Mušov II s.r.o.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 17873517
FVE Orlová I s.r.o.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 06763731
FVE Orlová II s.r.o.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 19254504
FVE Tichá s.r.o.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 28605233
G2P Borkovany s.r.o.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 17873592
Gestate s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07957912
G-JET s.r.o.	Vinohradská 1511/230, , Czech Republic, identification No. 27079171
Glücks- und Unterhaltungsspiel Betriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 241637z
HELLENIC LOTTERIES S.A. (HELLENIC LOTTERIES – SOCIÉTÉ ANONYME FOR THE PRODUCTION, OPERATION, CIRCULATION, PROMOTION AND MANAGEMENT OF LOTTERIES)	112 Athinon Avenue, GR 104 42, Athens, Greece, registration No.125891401000
HORSE RACES SINGLE MEMBER S.A.	112 Athinon Avenue, GR 104 42, Athens, Greece, registration No. 132846101000
IGNIS HOLDING a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 07435304
Inmobiliara Ovale S.A.	Ignacio Carrera Pinto 109, 2720426 San Antonio, Chile, registr. No. 14996/10019
INTERMOS Praha s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 63076349
INTERMOS VALVES, s.r.o.	Bratislava-mestská časť Staré Mesto, Karpatská 8, post code 811 05, Slovak Republic, identification No. 35898411
Internet Projekt, s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 08526541
IPM – Industrial Portfolio Management a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04572033
Italian Gaming Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04828526
JiBa Hold s.r.o.	Evropská 866/63, post code 160 00, Prague 6 - Vokovice, Czech Republic, identification No. 08590664
JNR Alfa, s.r.o.	Evropská 866/71, post code 160 00, Prague 6 - Vokovice, Czech Republic, identification No. 17875072
JNR Sigma, s.r.o	Evropská 866/71, post code 160 00, Prague 6 - Vokovice, Czech Republic, identification No. 17875064
JTU Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 02612020
KBOC Director s.r.o.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 19666144
KBOC Investering B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No. 52308944
KKCG a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27107744
KKCG Development a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08295484
KKCG Industry B.V.	1101CT Amsterdam, Herikerbergweg 292, Kingdom of the Netherlands, reg. No. 27271144
KKCG Methanol Holdings LLC	108 Lakeland Ave., Dover, Delaware, 19901, United States of America, EI No. 36-4831670
KKCG Real Estate Group a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24291633
KKCG Structured Finance AG	Kapellgasse 21, 6004 Lucerne, Switzerland, reg. No. CHE-292.174.442
KKCG TechLabs s.r.o.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 14042479
KKCG Technologies Finance s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 14038641
KKCG Technologies s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07171234
KKCG US Advisory LLC	125 High Street, Boston, MA-02110, United States of America, reg. No. 84-2817214
KOMIX Digital s.r.o.	Drtinova 467/2a, Smíchov, post code 150 00, Prague 5, Czech Republic, identification No. 17222184
KOMIX SK s.r.o.	Plynárenská 1, post code 821 09, Bratislava, Slovak Republic, identification No. 54590345
Kynero Consulting a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 24193461
Leisure & Enterteinment S.A. (v likvidaci / in liquidation)	Del Milagro 142, 4400 Salta, Argentina, registr. No. IGTJ de Salta Folio 253/4 asiento 3484 L 13
Liberty One Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI. No.32-0521898
Liberty One O&M LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI. No. 30-0975326

Annex No. 1 - List of related parties

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SPOLEČNOST / COMPANY	Seat, Identification No. / Registration No.
Liberty Two Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI. No. 30-0988055
LTB Beteiligungs GmbH	Universitätsring 10, 1010 Vienna, Austria, reg. No. FN84439a
MEDICEM Group a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 07118422
Medicem Inc.	125 High Street, Boston, MA-02110, United States of America, EI. No. 38-4126132
MEDICEM Technology s.r.o	Kamenné Žehrovice, Karlovarská třída 20, post code 273 01, Czech Republic, identification No. 48036374
Metanol d.o.o.	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, reg. No. 6564534000
Mindsquared a.s.	Evropská 866/63, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09771492
MND a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 28483006
MND Austria a.s.	Úprkova 807/6, post code 695 01 Hodonín,Czech Republic, identification No. 19407904
MND Drilling & Services a.s.	Velkomoravská 900/405, post code 696 18, Lužice, Czech Republic, identification No. 25547631
MND Drilling Germany GmbH	31582 Nienburg, Domänenweg 7, Germany, reg. No. HRB206722
MND Energie a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 29137624
MND Energy Storage a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 27732894
MND Energy Storage Germany GmbH	64665 Alsbach-Hähnlein, Birkenweg 2, Germany, reg. No. HRB96046
MND GasInvestUA s.r.o.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 19237375
MND Germany GmbH	Lüneburger Heerstraβe 77A, 29223 Celle, Germany, reg. No. HRB207844
MND Group AG	Kapellgasse 21, 6004 Lucerne, Switzerland, reg. No. CHE-448.401.517
MND Prodej a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09002359
MND Ukraine a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 08957517
MND Wind s.r.o.	Úprkova 807/6, post code 695 01 Hodonín, Czech Republic, identification No. 17873568
Moravia Systems a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 26915189
Musala Services EOOD	36 Dragan Tsankov blvd, Office 505, 1057 Sofia, Bulgaria, reg. No. 205329279
Musala Soft DOOEL	3, Filip II Makedonski, Str., fl.4, office 4003, Skopje 1000, Republic of North Macedonia, reg. No. 7008040
Musala Soft EAD	36 Dragan Tsankov blvd, Office 505, 1057 Sofia, Bulgaria, reg. No. 202569949
Musala Soft Kosovo LLC	Str.Mujo Ulqinaku No 5-, Ap.10 Qyteza Pejton, 1000 Pristina, Kosovo, reg. No. 810171728
Musala Soft LLC	16 Khartoum St, Floor 4, Heliopolis Cairo, Egypt, reg. No. 180934
NEAL s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, ID: 26094517
NetOp CLD Ltd.	Hebron Road 24, Jerusalem, Israel, reg. No. 51-593482-6
Neurosoft Cyprus Ltd	11 Erechtheiou Street, Egomi, P.C. 2413, Nicosia, Cyprus, registr. No. HE 245439
Neurosoft Romania Software and Services Srl	Loc. Voluntari, Oras Voluntari, Sos. Bucuresti Nord, Nr 10, Cladirea de Birouri O21, Bucharest, Romania, registr. No. J23/1752/2009
NEUROSOFT S.A. (NEUROSOFT SOCIÉTÉ ANONYME SOFTWARE PRODUCTION)	466 Irakliou Avenue & Kiprou Street, 141 22 Iraklio Attikis, Athens, Greece, registration No.084923002000
Next Peak Limited	One Connaught Place, London, United Kingdom, W2 2ET, registr. No. 15250345
Nikolajka Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08797072
NOVECON a.s.	Evropská 866/63, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08270783
ÖLG Holding GmbH	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 268558p
OPAP CYPRUS LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration No. HE140568
OPAP INTERNATIONAL LTD	128-130 Lemesos Avenue, Strovolos, 2015, Nicosia, Republic of Cyprus, registration No. HE145913
OPAP INVESTMENT LTD	128-130 Lemesos Avenue (Floor 1), Strovolos, 2015, Nicosia, Republic of Cyprus, registration No. HE297411
OPAP S.A. (Organization of Football Prognostics S.A.)	112 Athinon Avenue, GR 104 42, Athens, Greece, registration No. 003823201000
OPAP SPORTS LTD	128-130 Lemesos Avenue (Floor 1), Strovolos, 2015, Nicosia, Republic of Cyprus, registration No. HE133603
Oriv Holding a.s.	Úprkova 807/6, post code 695 01, Hodonín, Czech Republic, identification No. 11735376
Österreichische Klassenlotterie Vertriebsgesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 468412t
Österreichische Lotterien Gesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 54472g

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SPOLEČNOST / COMPANY	Seat, Identification No. / Registration No.
Österreichische Sportwetten Gesellschaft m.b.H.	Rennweg 44, 1038 Vienna, Austria, registr. No. FN 196645i
Pernerova Development s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08682844
POM Czech, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 06773800
QINSHIFT a.s. (dříve / formerly Aricoma CAD a.s.)	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 17865522
Qinshift AB (dříve / formerly Seavus AB)	Scheelevägen 27, floor 16, 223 63 Lund, Sweden, reg. No. 556588-5935
Qinshift Academy DOOEL (dříve / formerly Seavus Educational and Development Center DOOEL)	11 Oktomvri 33A, 1000 Skopje, Republic of North Macedonia, reg. No. 6643140
QINSHIFT CAPITAL a.s. (dříve / formerly Aricoma CAD Capital a.s.)	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 17802733
QINSHIFT CE a.s. (dříve / formerly Aricoma Digital CE a.s.)	Voctářova 2500/20a, Libeň, post code 180 00, Prague 8, Czech Republic, identification No. 04771915
Qinshift d.o.o. Banja Luka (dříve/ formerly Seavus DOO (BA))	Ivana Franje Jukica 7, Banja Luka, Bosnia and Hercegovina, Republic of Serbia, reg. No. 57-01-0252-17
Qinshift DOO (dříve / formerly Društvo za Informatičku Technologiju Seavus DOO)	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, reg. No. 20177861
Qinshift DOOEL (dříve / formerly Seavus DOOEL)	11 Oktomvri 33A, 1000 Skopje, Republic of North Macedonia, reg. No. 5323983
QINSHIFT Group AB (dříve / formerly Aricoma Group AB)	c/o Seavus AB, Scheelevägen 27, post code 223 36 Lund, Sweden, reg. No. 559239-3473
Qinshift S.R.L. (dříve / formerly Seavus S.R.L.)	MD-2071, str. Alba-Iulia, 79/1, mun. Kishinev, Republic of Moldova, reg. No. 1020600026584
Qinshift USA Inc. (dříve / formerly Seavus USA Inc.)	2352 Main Street, Suite 200, Concord, MA 01742, United states of America, reg. No. 000873055
Rabcat Computer Graphics GmbH	Rennweg 46-50/1/6 (1.OG), 1030 Vienna, Austria, registr. No. FN 276027y
Relax Rezidence Cihlářka, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05662079
Rezervoarji d.o.o	Lendava, Mlinska ulica 5, 9220 Lendava – Lendva, Slovenia, reg. No. 6564470000
Sabris Consulting s.r.o.	Pekařská 621/7, Jinonice, post code 155 00, Prague 5, Czech Republic, identification No. 04701780
Sabris Consulting SK s.r.o. (dříve / formerly Sabris s.r.o.)	Krasovského 3986/14, Bratislava - municipal district Petržalka, post code 851 01, Slovakia, identification No. 44118821
SALEZA, a.s. (v konkurzu, v úpadku, zahájeno insolvenční řízení / in bankruptcy, insolvency proceedings initiated)	K Žižkovu 851, post code 19093, Prague 9, Czech Republic, identification No. 47116307
SAZKA a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 26493993
SAZKA Austrian Gaming Holding a.s.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 04047788
SAZKA DELTA AIF VARIABLE CAPITAL INVESTMENT COMPANY LTD	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE314350
SAZKA DELTA MANAGEMENT LTD	Arch. Makariou III, 195, Neocleous House, 3030 Limassol, Republic of Cyprus, registr. No. HE314151
SAZKA FTS a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 01993143
SAZKA Services s.r.o.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05111901
SC Czech ACI, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 10969551
SC Czech ACJ, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 10969560
SC Czech ADV, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 11977051
SC Czech ADZ, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 11977230
SC Czech AER, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 117084458
SC Czech AES, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 17084539
SC Czech AGM, s.r.o.	Evropská 866/63, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 17875111
SDL Alfa s.r.o. (dříve / formerly SC Czech ACV s.r.o)	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 10969667
Seavus Educational and Development Center DOO	Vojvode Misica 9, 18 000 Nis, Republic of Serbia, reg. No. 29508429
Seavus FLLC	FLLC SEAVUS, 25A Internatsionalnaya st., office 420, Minsk, 220 030, Republic of Belarus, reg. No. 190835458
Seavus GmbH	Itziker Dorf Strasse 57, 8627 Grüningen, Switzerland, reg. No. CHE-020.4.049.285-2
SEAVUS SOFTWARE TECHNOLOGIES J.S.C.	Fulya Mah. Büyükdere Cad. Pekintaş Group Blok No: 32 İç Kapı No: 4 Şişli / İstanbul, Turkey, reg. No. 352133
Seavus Sp. z o.o.	59 Zlota Street, 00-120 Warsaw, Poland, reg. No. 913203
SEMUT s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 25792849
Spielbanken Niedersachsen GmbH	Karmarschstraße 37-39, 30159 Hannover, Germany, registr. No. HRB 50373

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List of parties controlled by the company KKCG AG, with its registered seat at Kapellgasse 21, 6004 Lucerne, The Swiss Confederation, registration number CHE-326.367.231, as of 31 December 2023

SPOLEČNOST / COMPANY	Seat, Identification No. / Registration No.
SPORTLEASE a.s.	Evropská 866/69, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 62361546
Springtide Ventures s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 01726587
Stoiximan Holding Ltd	Office 1/1007, Level G, Quantum House 75, Abate Rigord Street, Ta'Xbiex XBX 1120, registr. No. C104895
Stoiximan Ltd	Flat B8, The Atrium West Street Msida, MSD1731 Malta, registr. No. C95597
STR Czech s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 07728344
Stratiteq Sweden AB	Gustav Adolfs Torg 10 A, 211 39 Malmö, Sweden, reg. No. 556622-2682
SUPERMARINE, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 08062773
Sweetspot CZ s.r.o.	Evropská 866/63, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 09858636
SYSCOM SOFTWARE spol. s r.o.	Kytlická 818/21a, Prosek, post code 190 00, Prague 9, Czech Republic, identification No. 61498084
Theta Real s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 27631842
ThreatMark s.r.o.	Hlinky 505/118, Pisárky, post code 603 00, Brno, Czech Republic, identification No. 04222091
ThreatMark, Inc.	19801 Wilmington, New Castle, Delaware, Orange Street 1209, United states of America, reg. No. 6381229
TORA DIRECT SINGLE MEMBER S.A. (TORA DIRECT SINGLE-MEMBER SOCIETE ANONYME FOR THE PROVISION OF SERVICES)	112Athinon Avenue, GR 104 42 Athens, Greece, registr. No. 005641201000
TORA WALLET SINGLE MEMBER S.A. (TORA WALLET SINGLE-MEMBER SOCIETE ANONYME FOR ELECTRONIC MONEY SERVICES)	112 Athinon Avenue, GR 104 42 Athens, Greece, registr. No. 139861001000
US Methanol LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States, EI. No. 81-1952040
US Methanol Midco LLC	400 Capitol Street, Suite 200, Charleston WV 25301, United States of America, EI. No. 81-1952040
VESTINLOG, s.r.o.	Evropská 866/71, Vokovice, post code 160 00, Prague 6, Czech Republic, identification No. 05629276
Viage Production S.A.	Rue Grétry 16-20, 1000 Bruxelles, Belgium, registr. No. 0474.725.225
Vinohradská 230 a.s.	Vinohradská 1511/230, Strašnice, post code 100 00, Prague 10, Czech Republic, identification No. 26203944

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Annex 2 – List of contracts between Related Entities concluded in the Accounting Period

Contracting party	Contract no.	Object of contract	Date of contract
Aricoma Digital s.r.o.	NS/2023/0196	Technical Maintenance and Development Agreement	14.09.2023
AUTOCONT a.s.	NS/2023/0030	Framework Licensing Agreement	24.02.2023
FVE Mušov I s.r.o.	NSO/2023/0012	Agreement on the provision of a contribution to other capital funds	10.07.2023
FVE Mušov II s.r.o.	NSO/2023/0013	Agreement on the provision of a contribution to other capital funds	12.05.2023
FVE Orlová I s.r.o.	NS/2023/0247	Electricity supply contract with assumption of the obligation to supply electricity to the electricity system	30.11.2023
G2P Borkovany s.r.o.	NSO/2023/0005	Agreement on the provision of a contribution to other capital funds	06.03.2023
KBOC Director s.r.o.	NSO/2023/0034	Agreement on the provision of a contribution to other capital funds	30.08.2023
KKCG a.s.	NS/2023/0150	Framework Agreement for the Provision of Services	02.01.2023
Kynero Consulting a.s.	RO/2230051	ID cards print	31.12.2023
LLC Geologichne bureau "Lviv"	PS/2023/0027	Contract for Services	01.04.2023
LLC Horyzonty	PS/2023/0028	Contract for Services	01.04.2023
LLC Horyzonty	PS/2023/0045	Sale-Purchase Agreement	22.05.2023
LLC Precarpathian energy company	PS/2023/0026	Contract for Services	01.04.2023
LLC Precarpathian energy company	PS/2023/0038	Sale-Purchase Agreement	13.03.2023
MND Austria a.s.	NSO/2023/0033	Agreement on the provision of a contribution to other capital funds	14.08.2023
MND Austria a.s.	PS/2023/0048	Contract for the provision of services – economic and other services	09.06.2023
MND Drilling & Services a.s.	NS/2022/0214	Contract for work – well workover Poddvorov 128	10.01.2023
MND Drilling & Services a.s.	NS/2023/0269	Contract for work – well workover Žižkov 20	29.12.2023
MND Drilling & Services a.s.	NSO/2023/0010	Agreement on acceptance of GTC MND a.s. for drilling operations	01.03.2023
MND Drilling & Services a.s.	NSO/2023/0011	Agreement on Acceptance of BP at MND Drilling & Services Workplaces	01.03.2023
MND Drilling & Services a.s.	PS/2023/0016	Vehicle Lease Agreement	02.01.2023
MND Drilling & Services a.s.	RO/2230031	Provision of cleaning services	31.12.2023

Contracting party	Contract no.	Object of contract	Date of contract
MND Drilling & Services a.s.	RO/2230057	Re-invoicing of service water consumption 2023	31.12.2023
MND Drilling & Services a.s.	RO/2230058	Design and construction work in 2023	10.01.2023
MND Drilling & Services a.s.	RO/2230059	Repairs of small-scale vehicles incl. tire repairs 2023	10.01.2023
MND Drilling & Services a.s.	RO/2230060	Industrial Gases in 2023	31.08.2023
MND Drilling & Services a.s.	RO/2230061	Stock in 2023	31.12.2023
MND Drilling & Services a.s.	RO/2230062	Defectoscopic work – inspection of welds, structures	30.04.2023
MND Drilling & Services a.s.	RO/2230063	Participation in the weighing of scrap mat.	30.09.2023
MND Drilling & Services a.s.	RO/2230099	Fuel tank rental	31.10.2023
MND Drilling & Services a.s.	RS/2230002		09.01.2024
MND Drilling & Services a.s.	RS/2230003	Installation and testing of rescuers cart	21.12.2023
MND Drilling & Services a.s.	RS/2230007		01.11.2023
MND Drilling & Services a.s.	RS/2230014		26.10.2023
MND Drilling & Services a.s.	RS/2230023	Sale of goods from warehouse 3202	11.09.2023
MND Drilling & Services a.s.	RS/2230027		22.11.2023
MND Energie a.s.	OE/2023/0005	Agreement on Settlement of Obligations under the Framework Agreement on the Supply and Takeover of Electricity	29.12.2023
MND Energie a.s.	PS/2023/0004	Insurance premium rebilling agreement	16.01.2023
MND Energie a.s.	PS/2023/0060	Contract of sale	17.10.2023
MND Energy Storage a.s.	OP/2023/0014	Agreement on Mutual Assistance in UGS Accidents	17.02.2023
MND Energy Storage a.s.	OP/2023/0020	Contract for interruptible temporary operating volume	18.04.2023
MND Energy Storage a.s.	OP/2023/0023	Gas storage contract for the reservation of monthly storage capacity and for the lease of gas	14.04.2023
MND Energy Storage a.s.	OP/2023/0039	Gas storage contract for the reservation of annual storage capacity with firm capacity	24.07.2023
MND Energy Storage a.s.	OP/2023/0040	Gas storage contract for the reservation of annual storage capacity with firm capacity	24.07.2023
MND Energy Storage a.s.	OP/2023/0061	Framework contract for a temporary interruptible counter-product	27.12.2023

Contracting party	Contract no.	Object of contract	Date of contract
MND Energy Storage a.s.	PS/2023/0005	Framework Agreement for the Provision of Services – Interpretation of Logging Measurement	02.01.2023
MND Energy Storage a.s.	PS/2023/0006	Framework Agreement for the Provision of Services – Geodetic Works	02.01.2023
MND Energy Storage a.s.	PS/2023/0007	Framework Service Agreement – Work with Increased Risk HBZS	02.01.2023
MND Energy Storage a.s.	PS/2023/0012	Framework Agreement for the Provision of Services	02.01.2023
MND Energy Storage Germany GmbH	OP/2023/0014	Agreement on Mutual Assistance in UGS Accidents	17.02.2023
MND GasInvestUA s.r.o.	NSO/2023/0026	Agreement on the provision of a contribution to other capital funds	11.07.2023
MND GasInvestUA s.r.o.	PS/2023/0044	Contract for the provision of services – economic and other services	19.05.2023
MND Prodej a.s.	PS/2023/0003	Insurance premium rebilling agreement	09.02.2023
MND Wind s.r.o.	NSO/2023/0014	Agreement on the provision of a contribution to other capital funds	21.04.2023
MND Wind s.r.o.	PS/2023/0039	Contract for the provision of services – economic and other services	09.05.2023
Oriv Holding a.s.	NSO/2023/0046	Agreement on the provision of a contribution to other capital funds	13.12.2023

Annex 3 – List of contracts between Related Entities concluded prior to the Accounting Period

Contracting party	Contract no.	Object of contract	Date of contract
Aricoma Systems a.s.	NS/2016/0094	Service Agreement – IaaS for vDC MND07	29.07.2016
Aricoma Systems a.s.	NS/2017/0008	Service Activity Agreement – Operation and Administration of PaaS Environments	06.02.2017
Aricoma Systems a.s.	OP/2022/0039	Agreement for the provision of datacenter, cloud and other services	27.12.2022
AUTOCONT a.s.	724.42-735/04	Navision Services	18.12.2003
AUTOCONT a.s.	724.42-736/03	Navision License	18.12.2003
AUTOCONT a.s.	NS/2015/0141	Service Event Agreement – HO-LU Data Circuit	28.08.2015
AUTOCONT a.s.	NS/2016/0045	Service Agreement - SQLaaS	03.05.2016
AUTOCONT a.s.	NS/2016/0046	Service Agreement - Infor EAM Hosting	04.05.2016
AUTOCONT a.s.	NS/2019/0242	Service Agreement - Microsoft Cloud Services	13.12.2019
AUTOCONT a.s.	NS/2021/0111	Service Agreement - IaaS-VDC_MND11	26.10.2021
AUTOCONT a.s.	NS/2022/0188	Contract for work No. PAS-220048	22.12.2022
AUTOCONT a.s.	NS/2022/0216	Microsoft Licenses	09.12.2022
FM&S Czech a.s.	NS/2021/0052	Fitness Services Agreement	12.05.2021
FM&S Czech a.s.	NS/2021/0053	Contract for the Provision of Services – company catering	12.05.2021
FM&S Czech a.s.	NS/2021/0054	Lease and Service Agreement	12.05.2021
FM&S Czech a.s.	NS/2021/0151	Agreement for the provision of asset management and maintenance services	01.07.2021
KKCG a.s.	NS/2016/0079	Service Agreement	30.05.2016
KKCG a.s.	NS/2020/0070	ICT Service Contract	08.06.2020
KKCG a.s.	PS/2022/0022	Movable property lease agreement	01.05.2022
KKCG a.s.	PS/2022/0023	Sublease agreement Bořislavka centrum	01.05.2022
KKCG a.s.	PS/2022/0024	Agreement, sublease agreement and service agreement	01.05.2022
KKCG AG	NS/2016/0107	Trademark License Agreement	23.08.2016
Kynero Consulting a.s.	RO/2190044	ID Cards	28.01.2022
LLC Horyzonty	PS/2022/0017	Service Agreement	01.04.2022

Contracting party	Contract no.	Object of contract	Date of contract
LLC Horyzonty	PS/2023/0015	Contract for Information Technology Services	31.12.2022
MND Drilling & Services a.s.	724.42-007/01	Economic and payroll services	12.02.2024
MND Drilling & Services a.s.	724.42-146/01	Contract for work – economic and payroll services	19.01.2001
MND Drilling & Services a.s.	NS/2005/0266	Contract for work – provision of administrative economic services	01.09.2005
MND Drilling & Services a.s.	NS/2011/0012	Framework Contract for the Execution of Small-Scale Perforation Works	21.01.2011
MND Drilling & Services a.s.	NS/2012/0108	Framework Service Agreement – repairs, preventive inspections, maintenance, emergency service	01.05.2012
MND Drilling & Services a.s.	NS/2012/0168	Contract for the lease of non-residential premises and land	01.05.2012
MND Drilling & Services a.s.	NS/2013/0346	Framework contract for the supply of diesel fuel	31.10.2013
MND Drilling & Services a.s.	NS/2014/0462	Framework contract for the supply of machine parts	31.12.2014
MND Drilling & Services a.s.	NS/2015/0038	Contract on re-invoicing of costs – water, sewerage Lužice	30.01.2015
MND Drilling & Services a.s.	NS/2016/0130	Framework Service Agreement – transport and crane services	18.10.2016
MND Drilling & Services a.s.	NS/2017/0039	Contract for storage and storage activities	29.03.2017
MND Drilling & Services a.s.	NS/2018/0257	Framework contract – cleaning, refurbishment and storage of footrests and rods	31.12.2018
MND Drilling & Services a.s.	NS/2018/0265	Lease agreement for the lease of business premises and for the provision of services related to the lease	30.11.2018
MND Drilling & Services a.s.	NS/2019/0001	Framework Agreement Well Research	16.01.2019
MND Drilling & Services a.s.	NS/2019/0119	Service agreement - steam generator	31.12.2020
MND Drilling & Services a.s.	NS/2020/0090	Framework Service Agreement – works performed by cementing and pressure aggregates	27.07.2020
MND Drilling & Services a.s.	NS/2020/0128	Framework contract for the provision of environmental services	02.12.2020
MND Drilling & Services a.s.	NS/2022/0105	HBZS Lease Agreement	31.03.2022
MND Drilling & Services a.s.	NS/2022/0135	Lease agreement Object S Lužice	31.08.2022
MND Drilling & Services a.s.	NS/2022/0187	Contract for work – drilling of the well Klobouky 7	14.11.2022
MND Drilling & Services a.s.	NS/2022/0202	Contract for work – abandonment of a set of 25 wells	07.12.2022
MND Drilling & Services a.s.	NS/2022/0205	Contract for work – workover of the Vracov 8 well	02.12.2022
MND Drilling & Services a.s.	NS/2022/0211	Contract for work – workover of the Mutěnice 14 well	19.12.2022

Contracting party	Contract no.	Object of contract	Date of contract
MND Drilling & Services a.s.	NS/2022/0221	Lease contract	15.09.2022
MND Drilling & Services a.s.	PS/2004/0003	Contract on re-invoicing of costs – electricity Lužice	10.02.2004
MND Drilling & Services a.s.	PS/2007/0062	Contract for the provision of well control services	20.12.2007
MND Drilling & Services a.s.	PS/2012/0012	Framework Service Agreement – repairs, preventive inspections, maintenance, emergency service	01.05.2012
MND Drilling & Services a.s.	PS/2013/0043	Lease agreement – land Lužice	30.07.2013
MND Drilling & Services a.s.	PS/2014/0003	Agreement on mine water use and reimbursement of costs	02.01.2014
MND Drilling & Services a.s.	PS/2014/0028	Framework Contract for Provision of services – dismantling and assembly of drilling rigs	23.07.2014
MND Drilling & Services a.s.	PS/2014/0039	Lease agreement on the lease of business premises and the provision of services related to the lease	03.11.2014
MND Drilling & Services a.s.	PS/2015/0082	Insurance premium rebilling agreement	26.11.2015
MND Drilling & Services a.s.	PS/2020/0058	Agreement on rebilling of operating and maintenance costs for of the HV 64 line	02.11.2020
MND Drilling & Services a.s.	PS/2020/0059	Framework Service Agreement on HR services	30.10.2020
MND Drilling & Services a.s.	PS/2022/0004	Contract for the provision of well control services	03.02.2022
MND Energie a.s.	NS/2021/0124	Service Agreement – economic services	27.10.2021
MND Energie a.s.	NS/2021/0125	Service Agreement – IT	27.10.2021
MND Energie a.s.	NS/2022/0213	Electricity Supply Services Contract	09.12.2022
MND Energie a.s.	NS/2022/0219	Electricity Supply Services Contract	22.12.2022
MND Energie a.s.	NS/2022/0220	Natural Gas Supply Services Contract	22.12.2022
MND Energie a.s.	OE/2021/0013	EFET Electricity	01.11.2021
MND Energie a.s.	OP/2021/0079	EFET Gas	01.11.2021
MND Energie a.s.	PS/2021/0062	Service Agreement – HR	27.10.2021
MND Energie a.s.	PS/2021/0063	Lease Agreement	27.10.2021
MND Energie a.s.	PS/2021/0065	Service Agreement – economic services	27.10.2021
MND Energie a.s.	PS/2021/0066	Service Agreement – IT	27.10.2021
MND Energie a.s.	PS/2021/0077	Service Agreement – trading	30.11.2021

Contracting party	Contract no.	Object of contract	Date of contract
MND Energie a.s.	PS/2023/0021	Agreement on Provision of Corporate Customer Service to the Client	30.12.2022
MND Energy Storage a.s.	NS/2012/0120	Gas Supply Contract to the Dambořice deposit	30.04.2012
MND Energy Storage a.s.	NS/2015/0248	Purchase Agreement – low temperature condensate	28.12.2015
MND Energy Storage a.s.	OP/2017/0240	Gas Storage Contract	20.10.2017
MND Energy Storage a.s.	OP/2017/0241	Gas Storage Contract	20.10.2017
MND Energy Storage a.s.	OP/2019/0035	Contract on the provision of commercial dispatching services	02.01.2019
MND Energy Storage a.s.	OP/2019/0333	Gas Storage Contract	05.07.2019
MND Energy Storage a.s.	OP/2020/0001	Gas Storage Contract	06.01.2020
MND Energy Storage a.s.	OP/2020/0110	Gas Storage Contract	17.03.2020
MND Energy Storage a.s.	OP/2020/0140	Gas Storage Contract	12.05.2020
MND Energy Storage a.s.	OP/2021/0099	Gas Storage Contract	18.10.2021
MND Energy Storage a.s.	OP/2022/0030	Framework contract for interruptible temporary working gas volume	12.10.2022
MND Energy Storage a.s.	PS/2008/0113	Lease agreement for the lease of non-residential premises	30.05.2008
MND Energy Storage a.s.	PS/2009/0012	Service Agreement on electronic communications	30.01.2009
MND Energy Storage a.s.	PS/2009/0019	Contract for the provision of well control services	30.04.2009
MND Energy Storage a.s.	PS/2010/0057	Agreement on the provision of economic and other services	30.07.2010
MND Energy Storage a.s.	PS/2016/0002	Contract for the provision of maintenance services of technical equipment	13.01.2016
MND Energy Storage a.s.	PS/2022/0005	Agreement on the provision of well control services and reimbursement of costs for the operation of MWCU	30.12.2021
MND Energy Storage Germany GmbH	PS/2015/0067	Contract for Services	04.03.2024
MND Prodej a.s.	PS/2020/0062	Service Agreement	30.10.2020
MND Ukraine a.s.	PS/2020/0064	Service Agreement – Accounting, Taxes, Payroll	05.11.2020
Moravia Systems a.s.	PS/2020/0052	Lease	12.08.2020
Oriv Holding a.s.	PS/2021/0061	Contract for the provision of services – economic and other services	01.11.2021
SAZKA a.s.	NSO/2014/0123	Agreement on the regulation of relationships within the group VAT	29.10.2014

III. Consolidated financial statements of MND a.s. as at 31 December 2023

prepared in accordance with International Financial Reporting Standards
as adopted by the European Union

Note

The consolidated financial statements have been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the consolidated financial statements takes precedence over the English version.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Consolidated statement of financial position

	Note	31/12/2023	31/12/2022
Assets			
Underground gas storages		1 935	2 003
Land		321	248
Buildings and structures		1 169	1 119
Oil and gas wells		1 682	1 661
Oil and gas property		92	357
Machinery and equipment		1 546	1 508
Other tangible fixed assets and assets under construction		490	247
Property, plant and equipment	5	*7 235*	*7 143*
Intangible assets	6	161	155
Equity-accounted investees	7	771	543
Non-current trade and other receivables	9	420	397
Non-current receivables from derivative financial instruments	18	434	603
Other non-current investments	8	46	41
Non-current financial assets		*1 671*	*1 584*
Deferred tax asset	27	373	125
Total non-current assets		**9 440**	**9 007**
Inventories	11	978	2 545
Current trade and other receivables	9	3 228	4 792
Income tax receivables		376	--
Current receivables from derivative financial instruments	18	897	4 687
Other current financial assets	10	4 262	4 321
Cash and cash equivalents	12	1 702	1 871
Total current assets		**11 443**	**18 216**
Total assets		**20 883**	**27 223**

The notes form an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Consolidated statement of financial position (continued)	**Note**	**31/12/2023**	**31/12/2022**
Liabilities and equity			
Equity			
Share capital	13	1 000	1 000
Capital contributions and other reserves		-309	653
Retained earnings and profit/loss for the current period		8 290	7 488
Equity attributable to the shareholder of the Company		*8 981*	*9 141*
Non-controlling interests	14	*225*	*232*
Total equity		**9 206**	**9 373**
Liabilities			
Loans, bonds issued - non-current portion	15	2 455	2 299
Non-current lease liabilities	16	292	281
Non-current trade and other payables	17	68	125
Non-current liabilities from derivative financial instruments	18	331	1 089
Non-current provisions	19	1 747	1 535
Deferred tax liability	27	401	401
Total non-current liabilities		**5 294**	**5 730**
Loans, bonds issued - current portion	15	152	2 474
Current lease liabilities	16	44	36
Current trade and other payables	17	3 624	4 130
Income tax liability		42	270
Current liabilities from derivative financial instruments	18	2 430	5 098
Current provisions	19	91	112
Total current liabilities		**6 383**	**12 120**
Total liabilities		**11 677**	**17 850**
Total equity and liabilities		**20 883**	**27 223**

The notes form an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Consolidated statement of comprehensive income

	Note	2023	2022
Revenue	20	55 651	208 761
Other operating income	21	765	1 501
Total income		**56 416**	**210 262**
Materials and goods used	22	-49 572	-200 961
Services used	22	-2 636	-2 734
Personnel expenses	23	-952	-872
Depreciation, amortisation and impairment	24	-1 001	-905
Other operating expenses	25	-1 064	-1 000
Result from operating activities		**1 191**	**3 790**
Interest income	26	155	60
Other finance income	26	228	432
Finance costs	26	-542	-295
Result from financing activities		**-159**	**197**
Share of profit (+)/ loss (-) of equity-accounted investees, net of tax	7	95	--
Profit or loss before tax		**1 127**	**3 987**
Income tax expense	27	-321	-794
Profit or loss for the year		**806**	**3 193**

The notes form an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Consolidated statement of comprehensive income (continued)	**Note**	**2023**	**2022**
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences of foreign operations		--	-267
Exchange rate differences arising from the conversion of foreign units sold		-55	--
Change in fair value of hedging instruments, net of tax	28	-950	8
Change in fair value of hedging instruments reclassified to profit or loss, net of tax		--	76
Share of other comprehensive income/loss of equity-accounted investees		33	--
Other comprehensive income/loss, net of tax	28	**-972**	**-183**
Total comprehensive income/loss for the period		**-166**	**3 010**
Profit/ loss attributable to:			
Owners of the Company		802	3 055
Non-controlling interests		4	138
Total profit or loss for the year		**806**	**3 193**
Total comprehensive income/loss attributable to:			
Owners of the Company		-159	2 926
Non-controlling interests		-7	84
Total comprehensive income/loss for the year		**-166**	**3 010**
Earnings per share:	13		
Basic earnings / loss (-) per share (in CZK thousands)		16	61.1
Diluted earnings / loss (-) per share (in CZK thousands)		16	61.1

The notes form an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Consolidated statement of changes in equity

2023	Share capital	Other contributions and reserves	Translation reserve	Hedging reserve	Share on funds of equity-accounted investees	Retained earnings/ Profit (+)/loss (-) for the year	Equity	Non-controlling interests	Total equity
Balance at 1 January 2023	**1 000**	**826**	**-159**	**4**	**-18**	**7 488**	**9 141**	**232**	**9 373**
Profit or loss for 2023	--	--	--	--	--	802	**802**	4	**806**
Other comprehensive income/loss	--	--	-45	-950	33	--	**-962**	-11	**-972**
Total comprehensive income/loss	**--**	**--**	**-45**	**-950**	**33**	**802**	**-160**	**-7**	**-166**
Balance at 31 December 2023	**1 000**	**826**	**-204**	**-946**	**15**	**8 290**	**8 981**	**225**	**9 207**

The notes form an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Consolidated statement of changes in equity

2022	Share capital	Other contributions and reserves	Translation reserve	Hedging reserve	Share on funds of equity-accounted investees	Retained earnings/ Profit (+)/loss (-) for the year	Equity	Non-controlling interests	Total equity
Balance at 1 January 2022	**1 000**	**826**	**54**	**-80**	**-18**	**4 433**	**6 215**	**245**	**6 460**
Profit or loss for 2022	--	--	--	--	--	3 055	**3 055**	138	**3 193**
Other comprehensive income/loss	--	--	-213	84	--	--	**-129**	-54	**-183**
Total comprehensive income/loss	**--**	**--**	**-213**	**84**	**--**	**3 055**	**2 926**	**84**	**3 010**
Transactions with owners of the Company, reported directly in equity:									
Dividends paid, including withholding tax on dividends	--	--	--	--	--	--	--	-89	-89
Decrease in other capital contributions	--	--	--	--	--	--	--	-8	-8
Total transactions with owners of the Company, reported directly in equity	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**-97**	**-97**
Balance at 31 December 2022	**1 000**	**826**	**-159**	**4**	**-18**	**7 488**	**9 141**	**232**	**9 373**

The notes form an integral part of these consolidated financial statements.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Consolidated statement of cash flows

	Note	2023	2022
Operating activities			
Net profit (+) / loss (-) for the year		806	3 193
Adjustments for:			
Share of profit (-) / loss (+) of equity-accounted investees		-95	--
Interest expense (net of interest income)	26	40	191
Tax expense (+) / income (-)	27	321	794
Effect of currency translation (gains - / losses +)	26	18	19
Depreciation of property, plant and equipment	24	773	907
Amortisation of intangible assets	24	26	19
Depreciation of right of use	24	55	74
Impairment of property, plant and equipment	24	147	-95
Income from current financial assets	26	-227	-45
Non-cash changes of financial derivatives	18	-417	-4 785
Non-cash changes of inventories		--	--
Gain (-) / loss (+) on sale of non-current assets	25	-1	5
Cash flow from operating activities before changes in working capital and provisions		**1 446**	**277**
Increase (+) / decrease (-) in provisions		-90	-31
Increase (-) / decrease (+) in inventories		1 567	2 194
Increase (-) / decrease (+) in receivables		1 286	2 052
Increase (+) / decrease (-) in current liabilities		-638	863
Cash flows from operating activities		**3 571**	**5 355**
Interest paid		-126	-218
Income tax paid		-900	-490
Net cash flows generated from operating activities		**2 545**	**4 647**
Investing activities			
Proceeds from sale of non-current assets		10	87
Income from current financial assets	26	227	45
Interest received		137	59
Contribution into joint venture / Acquisition of subsidiaries, net of cash acquired	12	-100	--
Acquisition of property, plant and equipment and intangible assets		-721	-708
Increase (-) /decrease (+) in current financial assets, net		55	-3 790
Cash flows from investing activities		**-392**	**-4 307**

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Consolidated statement of cash flows (continued)	**Note**	**2023**	**2022**
Financing activities			
Drawing of loans and borrowings (+)	15	1 399	18 879
Repayment of (-) loans and borrowings	15	-3 674	-18 972
Payments of lease liabilities	16	-44	-37
Payment to minority shareholders from other funds	14	--	-8
Dividends paid to non-controlling interests	14	--	-89
Cash flows from financing activities		**-2 319**	**-227**
Net increase in cash and cash equivalents		**-166**	**113**
Effect of foreign exchange movements in cash and cash equivalents		-2	-92
Cash and cash equivalents at 1 January		**1 871**	**1 850**
Cash and cash equivalents at 31 December	12	**1 702**	**1 871**

The notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements – Contents

1. General information about the Group

1.1. Description

MND a.s. ("the Company") was established by its sole founder on 30 September 2008 under the original corporate name ORTOKLAS a.s. The Company was incorporated on 3 November 2008 and is recorded in the Commercial Register maintained by the Regional Court in Brno under file number B 6209. The Company's registered office is at Úprkova 807/6, Hodonín, post code 695 01, identification number 284 83 006.

1.2. Current economic situation

In late February 2022, ongoing political tensions between Russia and Ukraine escalated into conflict with Russia's military invasion of Ukraine. The global response to Russia's violation of international law and aggression against Ukraine has been the imposition of extensive sanctions and restrictions on business activities in Russia and trade with Russia and Russian companies. Uncertainty about further developments has resulted in extreme increase in gas and electricity prices, heightened volatility in financial and commodity markets, reduced liquidity in commodity markets and other negative consequences for the economy. The Group took steps to mitigate the impact of the situation on its activities, in particular by temporarily halting commodity trading, reducing the size of leased natural gas storage facilities and suspending the acquisition of new customers in the sale of gas and electricity. In the second half of 2022, the Group gradually resumed commodity trading and by the end of the year also resumed the acquisition of new customers. The Group produces natural gas in western Ukraine in the Lviv region. This activity has not been affected by the war between Russia and Ukraine, and the Group continues in natural gas production and in drilling of exploration and production wells in the area. As at 31 December 2023, the Group had net assets in Ukraine with a book value of CZK 1 125 million (CZK 1 160 million as at 31 December 2022).

1.3. Principal activities

The principal business activities of the MND Group are:

- energy supply to households and small businesses;
- trading in energy commodities;
- operation of underground gas storages and provision of gas storage services;
- exploration and production of oil and natural gas;
- drilling contractor services, focusing on drilling of oil and gas exploration and production wells and hydro and geothermal wells and workover operations and plug and abandon operations on wells;
- investment in renewable energy sources and the development of new technologies.

1.4. Group companies

The following table details subsidiaries that are part of the consolidated group of MND a.s. ("the Group") and a joint venture and shows ownership interests held by the parent company in these companies.

"The Group" or "the MND Group" is hereinafter used as a reference name for this consolidated group and the joint venture.

The consolidated financial statements include financial statements of the companies below, which have been prepared as at 31 December 2023 and include the accounting period ended 31 December 2023.

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Company name and registered office:	Ownership interest of the Group at 31/12/2023	Ownership interest of the Group at 31/12/2022	Consolidation method
Subsidiary: FVE Mušov I s.r.o. [1] Úprkova 807/6, 695 01, Hodonín, Czech Republic	100%	100%	full
Subsidiary: FVE Mušov II s.r.o. [2] Úprkova 807/6, 695 01, Hodonín, Czech Republic	100%	100%	full
Subsidiary: FVE Orlová I s.r.o. [3] Úprkova 807/6, 695 01, Hodonín, Czech Republic	100%	100%	full
Subsidiary: FVE Orlová II s.r.o. [4] Úprkova 807/6, 695 01, Hodonín, Czech Republic	100%	100%	full
Subsidiary: FVE Tichá s.r.o. Úprkova 807/6, 695 01, Hodonín, Czech Republic	100%	100%	full
Subsidiary: G2P Borkovany s.r.o. [5] Úprkova 807/6, 695 01, Hodonín, Czech Republic	100 %	100 %	full
Subsidiary: Geologichne byreau "Lviv" LLC Lviv, 79011, ul. Kubiyovicha 18, Office 6, Ukraine	80 %	80 %	full
Subsidiary: „Horyzonty" LLC Lviv, 79005, Akademika Pavlova 6C, Office 7, Ukraine	80 %	80 %	full
Subsidiary: KBOC Director s.r.o. [6] Úprkova 807/6, 695 01, Hodonín, Czech Republic	100 %	100 %	full
Subsidiary: MND Austria a.s. [7] Úprkova 807/6, 695 01 Hodonín, Czech Republic	100 %	100 %	full
Parent company: MND a.s. Úprkova 807/6, 695 01 Hodonín, Czech Republic	--	--	full
Subsidiary: MND GasInvestUA s.r.o. [8] Velkomoravská 900/405, 696 18 Lužice, Czech Republic	100 %	100 %	full
Subsidiary: MND Drilling & Services a.s. Velkomoravská 900/405, 696 18 Lužice, Czech Republic	100 %	100 %	full

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Company name and registered office:	Ownership interest of the Group at 31/12/2023	Ownership interest of the Group at 31/12/2022	Consolidation method
Subsidiary: MND Energy Storage a.s. Úprkova 807/6, 695 01 Hodonín, Czech Republic	100 %	100 %	full
Subsidiary: MND Energie a.s. Evropská 866/71, Vokovice, 160 00 Praha 6, Czech Republic	100 %	100 %	full
Joint venture: Moravia Gas Storage a.s. Úprkova 807/6, 695 01 Hodonín, Czech Republic	50 %	50 %	equity
Subsidiary: MND Ukraine a.s. Úprkova 807/6, 695 01 Hodonín, Czech Republic	80 %	80 %	full
Subsidiary: MND Wind s.r.o. (9) Úprkova 807/6, 695 01, Hodonín, Czech Republic	100 %	100 %	full
Subsidiary: Oriv Holding a.s. Úprkova 807/6, 695 01, Hodonín, Czech Republic	100%	100%	full
Subsidiary: Precarpathian energy company LLC Ivano-Frankovska Oblast, Bogorodchany, 77701, ul. Shevchenka 62, Ukraine	80 %	80 %	full

(1) On March 22, 2023, FVE Mušov I s.r.o. was founded.

(2) On March 1, 2023, FVE Mušov II s.r.o. was acquired. This purchase of a company is not a business combination and is not covered by IFRS 3.

(3) On August 14, 2023, FVE Orlová I s.r.o. was acquired. This purchase of a company is not a business combination and is not covered by IFRS 3.

(4) On August 14, 2023, FVE Orlová II s.r.o. was acquired. This purchase of a company is not a business combination and is not covered by IFRS 3.

(5) On March 1, 2023, G2P Borkovany s.r.o. was acquired. This purchase of a company is not a business combination and is not covered by IFRS 3.

(6) On August 29, 2023, KBOC Director s.r.o. was founded.

(7) On June 2, 2023, MND Austria a.s. was founded.

(8) On 11 April 2023, MND GasInvestUA s.r.o. was founded.

(9) On 1 March 2023, MND Wind s.r.o. was acquired. This purchase of a company is not a business combination and is not covered by IFRS 3.

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1.5. Statutory body and supervisory board

The board of directors as at 31 December 2023:

Chairman of the board of directors:	Mr. Karel Komárek
Member of the board of directors:	Mr. Jiří Ječmen
Member of the board of directors:	Mr. Miroslav Jestřabík

Supervisory board as at 31 December 2023:

Chairman of the supervisory board:	Mr. Robert Kolář
Member of the supervisory board:	Mr. Pavel Šaroch
Member of the supervisory board:	Mr. Josef Novotný

1.6. Sole shareholder of the Company as at 31 December 2023

MND Group AG	100 %
Registered office:	Kapellgasse 21, 6004 Lucerne, Switzerland

The MND Group and its parent company MND Group AG are part of the consolidation unit of KKCG AG based in Switzerland. The ultimate owner is VALEA FOUNDATION registered in Liechtenstein, whose designated beneficiary is Mr. Karel Komárek.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in compliance with IFRS Accounting standards as adopted by the European Union ("IFRS").

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, using the historical cost method, unless otherwise stated in the accounting policies.

(c) Functional and presentation currency

The functional currency of the Company and its subsidiaries based in the Czech Republic is the Czech crown (CZK), functional currency of the subsidiaries based in Ukraine is Ukrainian hryvnia (UAH).

These consolidated financial statements are presented in Czech crowns (CZK). All financial information reported in the consolidated financial statements is rounded to the nearest millions (MCZK), except when otherwise indicated.

(d) Use of significant accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the use of accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the Group management to make assumptions based on its own judgement in applying accounting policies. Consequently, the actual results often differ from these estimates.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are reported in the period in which the estimate is revised, if the revision impacts only this period, or in the revision period and future periods, if the revision impacts the current and future periods.

Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Impairments. Impairment calculations require the use of various estimates and assumptions depending on the business activity of the Group. The most significant estimates influencing the impairment models are commodity prices, oil and gas reserves, future production profiles, gross margins, operating expenses and discount rates. (Notes 5 and 6; accounting policy 3(f));
- Provision for decommissioning, renewals and restorations. The Group establishes a provision for the renewal and restoration of areas affected by oil and gas extraction and provision for decommissioning of assets. Most of these activities will be performed in the distant future whereas decommissioning technologies, costs and environmental and safety regulations are constantly changing. The most significant estimates entering the provision calculation model are stated above. The Group also includes costs and timing of the decommissioning activities, expected inflation and discount rates. Note 19; accounting policy 3(j).

(e) Determination of fair value (Note 30)

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is defined as a price that would be received from the sale of an asset or paid for assuming a liability in an arm's length transaction between market participants at the measurement date irrespective of whether the price is directly observable or determined using an estimate carried out based on valuation methods. Fair values are determined based on quoted market prices, discounted cash flows or by means of valuation methods.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value hierarchy

The Group applies the following hierarchy for determining and disclosing the fair value of financial instruments by valuation method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: other input-based methods that have a significant impact on the reported fair value and that are observable either directly or indirectly
- Level 3: input-based methods that have a significant impact on the reported fair value and that are not based on observable market data

Potential transfers between individual levels are described in Note 30 Risk management, in part (f).

(f) New standards effective from 1 January 2023

The preparation of these consolidated financial statements involved the use of the following new or amended standards and interpretations, whose initial application is required for annual periods beginning on 1 January 2023.

Amendment to IAS 1: Preparation and disclosure of financial statements: Disclosure of accounting policies

The Group applied the amendments to IAS 1 for the first time in the current accounting period. The amendments change the requirements regarding the disclosure of accounting rules. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Following standards and amendments did not have any material impact on the Group's consolidated financial statements.

- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IFRS 17: Insurance contracts - Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IAS 12: Income Taxes- Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income taxes - International Tax Reform – Pillar Two Model Rules

(g) Standards, interpretations and amendments adopted by the EU but not effective

The following new Standards, Amendments and Interpretations have been approved by the EU, but were not effective for the period ending 31 December 2023 and were not applied in the preparation of these consolidated financial statements.

Effective date 1 January 2024 or later:

- Amendments to IFRS 16: Leases: Lease liability in a sale and leaseback
- Amendments to IAS 1: Classification of liabilities as current or non-current
- Amendments to IAS 1: Non-current liabilities with Covenants

The Group does not expect that the adoption of the above amendments to the existing standards will have a material impact on the Group's consolidated financial statements in future financial years .

(h) Standards, interpretations and amendments issued before 31 December 2023 but not yet adopted by the EU

The following new standards, supplements and interpretations have been issued but not yet approved by the EU and have not been applied in the preparation of these consolidated financial statements.

Effective date January 1, 2024 and later:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not specified)
- Amendments to IAS 7: Supplier Finance Arrangements (IASB effective from 1 January 2024)
- Amendments to IAS 21: Lack of Exchangeability (IASB effective 1 January 2025)

The Group does not expect that the adoption of the above amendments to the existing standards will have a material impact on the Group's consolidated financial statements in future financial years.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these consolidated financial statements, unless otherwise stated.

(a) Basis of consolidation

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e., when the Group obtained control.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised value (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the difference is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

At the date of a business combination, non-controlling interests are accounted for at their proportionate share of the acquiree’s identifiable net assets, which are generally measured at fair value.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group exercises control over an entity where it is exposed or it has the right to variable revenues from its interest in the entity and where it is able to influence these revenues through its power over the entity. Control assessment is done based on substantive potential voting rights as opposed to currently exercisable potential voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii. Joint ventures (equity-accounted investees)

Joint ventures are those entities over whose activities the Group has joint control. Joint ventures are accounted using the equity method (equity-accounted investees) and are initially recognised at cost. The Group’s investment includes goodwill identified on acquisition less impairment losses. The consolidated financial statements include the Group’s share of profit and loss of equity-accounted investees from the date that joint control commences until the date that joint control ceases. Dividends received from a joint venture reduce the carrying amount of the investment. If the Group’s share of losses exceeds its investment in an equity-accounted investee, the carrying amount of this investment (including non-current investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation to make or has made payments in favour of the equity-accounted investee.

iv. Transactions eliminated on consolidation

Intra-group balances and transactions, and any gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value at the date of acquisition are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss, except for financial instruments to hedge cash flows, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency of the Group, the Czech crown, at exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to presentation currency at average exchange rates for the reported period which are a reasonable approximation of the exchange rate at transaction date. Resulting foreign currency differences are recognised in other comprehensive income and equity as a separate component.

(c) Property, plant and equipment

i. Owned assets

Property, plant and equipment consists of underground gas storages, buildings and structures, oil and gas wells, oil and gas property, production machinery, machinery and equipment, drilling rigs, information technology, motor vehicles, fixtures and fittings and other property, plant and equipment. Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy 3(f) ii).

The cost of self-constructed property, plant and equipment (including oil and gas wells) comprises the consumption of materials, wages and a portion of overhead costs directly associated with the production. Cost also includes an estimate of costs of dismantling and removing the items, as well as costs of land restoration.

The acquisition cost does not include administrative or other overhead costs or an initial operating loss. Research and development expenditure is not capitalised. Borrowing costs that are directly attributable to the acquisition of the relevant asset are capitalised until the acquisition is completed.

ii. Exploration costs

Costs incurred in the search and exploration for new oil and/or gas deposits including costs of wells are charged directly to expenses as incurred, with the exception of costs associated with successful exploratory wells ("the successful effort method"). Costs associated with successful exploratory wells are capitalised as property, plant and equipment if they are expected to provide future economic benefits and if they relate to wells under construction or wells that have not yet been assessed, no later than the end of the reporting period on condition that we do not have information that the well is unsuccessful. In case a capitalised well is subsequently assessed as unsuccessful, the capitalised expenditures are written off to expenses. The capitalised costs are tested for impairment at the end of each reporting period (see accounting policy 3(f) ii). Once the wells start to be used for commercial purposes, depreciation of these capitalised costs over the estimated life of the wells is commenced.

iii. Right of use of leased assets

Contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of the time in exchange for consideration. For such contracts a lessee recognizes a right of use asset and a lease liability. The right of use of asset is depreciated and the liability accrues interest.

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Right of use of asset is initially measured in the amount of recognized lease liability, plus advance payments or related accrued payments, less rent concessions. Further, the initial measurement of right of use should be increased by the following items, when significant:

- initial direct lease costs paid by the lessee, and
- provision for estimated costs of dismantling and removal of the identified asset or restoration of the site where the asset was installed.

Right of use asset and leasing liability are not recognized for short-term leases (when the lease maturity is 12 months or less) and for low value leased asset (the value below CZK 120 000 or EUR 4 500). Payments of these leases are recognised in the statement of comprehensive income as an expense over the term of the lease.

iv. Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and the expenditure can be measured reliably. All other expenses, including the costs of regular servicing of property, plant and equipment, are recognised directly in profit or loss.

v. Depreciation expense

Property, plant and equipment are depreciated on a straight-line basis. Land is not depreciated. Right of use assets are depreciated over the shorter of the useful life of the asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case depreciation is over the useful life.

The estimated useful lives for the individual categories of property, plant and equipment are as follows:

Buildings and halls	20 - 50 years
Administrative buildings	20 - 60 years
Structures	20 - 40 years
Oil and gas wells	expected production period
Oil and gas property	expected production period
Machinery and equipment	3 - 20 years
Drilling rigs	20 - 40 years
Information technology	3 - 8 years
Motor vehicles	4 - 10 years
Inventory	3 - 14 years
Other property, plant and equipment	3 - 20 years

The oil and gas wells and related property are being depreciated for its estimated production life which ranges from 3 to 25 years and is based on expected length of production of hydrocarbons.

The underground gas storages item comprises more asset categories with different depreciation periods ranging from 3 to 50 years and land and cushion gas that are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) Intangible assets

i. Licences

Licences mainly comprise purchased exploration licences.

ii. Software and other intangible assets

Software and other intangible assets that are acquired by the Group and have finite (definite) useful lives are measured at cost less accumulated amortisation and any impairment losses.

iii. Subsequent costs

Subsequent expenditure in respect of intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iv. Amortisation expense

Apart from goodwill and other intangible assets with an indefinite useful life, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Software	2 - 7 years
Licences	2 - 20 years
Other intangible assets	3 - 10 years

v. Research

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in profit or loss in the period when they were incurred.

(e) Financial instruments

i. Financial assets at amortised cost

Financial instruments held within a business model whose objective is to hold financial assets in order to collect contractual cash flows are measured at amortised cost. Contractual cash flows are solely payments of principal and interest.

This category includes mainly (short-term and long-term) trade and other receivables, provided loans and borrowings, restricted cash and other short-term financial assets (e.g. receivables arising from cash pooling agreements).

In compliance with IFRS 9, the Group calculates effective rate of return at initial recognition, reflecting the relation between actually invested funds and future investment income. The effective interest rate is used as a discount factor for calculating premium or discount that is subsequently amortised over the lifetime of the financial asset.

At the same time, the Group tests the value of assets held in compliance with IFRS 9.

Allowances for financial assets are recognised in the amount of the expected credit loss of the relevant financial asset. Expected losses are reported in the profit or loss from operating activities (Note 3f).

Amortised cost is the amount at which a financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and, for financial assets less any allowance for expected credit losses (“ECL”). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the amount payable upon maturity using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

Trade and other receivables, loans provided

Trade and other receivables, loans provided are initially recognized on the date when they are originated and measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, less any impairment losses, if they are held to collect the cash flows and not expected to be sold.

When applying amortised cost, any difference between the cost and the value upon redemption is recognized in the consolidated statement of comprehensive income over the duration of the asset or liability, using the effective interest method.

The Group derecognizes trade receivables, other receivables and loans provided when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

ii. Financial assets measured at fair value through other comprehensive income ("FVOCI")

FVOCI is the classification of financial instruments for which dual business model applies, i.e. they are held for the purposes of both collecting contractual cash flows and selling financial assets. Contractual cash flows of instruments in this category are solely payments of principal and interest.

At initial recognition, an entity may classify an equity instrument as measured at FVOCI based on an irrevocable election. This option may be applied only in respect of instruments that are not held for trading and do not constitute derivatives.

Changes in the fair value of debt instruments measured at FVOCI are reported in other comprehensive income. Interest income, foreign exchange gains/losses and impairment losses are immediately reported in profit or loss. Changes in the fair value previously reported in other comprehensive income are reclassified to profit or loss at the moment the debt instrument is sold.

Gains or losses recognised in other comprehensive income for capital instruments are never reclassified from equity to profit or loss.

iii. Financial assets measured at fair value through profit or loss ("FVTPL")

A financial instrument is classified as measured at FVTPL if it is held for trading or within a business model whose objective is to manage a financial asset on the basis of fair value, i.e. it will be realised through sale, in contrast to the objective of holding this asset to obtain contractual cash flows. This category presents the "initial" or "residual" category, unless the requirements for classifying a financial asset as a financial asset at amortised cost or a financial asset at FVOCI are met. At initial recognition, the related transaction costs are reported in profit or loss at the moment they are incurred. Financial instruments at FVTPL are measured at fair value and their changes are reported in the profit or loss from financing activities.

iv. Financial derivatives and hedging instruments

The Group holds derivative financial instruments for trading in electricity, gas and emission allowances, and to hedge its currency, interest rate and commodity risk exposures arising from its operating, financial and investment activities. Derivatives that are not classified as hedging derivatives, are recognised as derivatives held-for-trading.

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

v. Cash flow hedges

All derivative transactions designated as hedging instruments are documented and the effectiveness of individual hedge relationships is evaluated on continuous basis. The Group decided to apply IFRS 9 on January 1 2023 for the purposes of documentation and reporting of hedge accounting. In this context, the Group has verified that hedge accounting, which was active on January 1 2023, is in accordance with the requirements of IFRS 9. The requirements of IFRS 9 are applied to all hedging relationships prospectively from 1 January 2023 onwards.

The Group applies hedge accounting if:

- the hedge is in line with the Group's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- an economic relationship is expected to exist between the hedging instrument and the hedged item throughout its duration,
- for cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

The hedging documentation contains information about the following:

- hedging instruments,
- hedge effectiveness, and hedged items and risks that are being hedged,
- evaluation method of the effectiveness related to the hedging

Changes in the fair value of the derivative hedging instrument or designated non-derivative financial liability designated as a cash flow hedge are recognized directly in the other comprehensive income to the extent that the hedge is effective. The effective portion of changes in fair value of cash flow hedge is accumulated in "Hedging reserve" in equity. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss for the period.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity as a "Hedging reserve" remains there until the forecast transaction occurs. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the associated gains and losses that were recognised in other comprehensive income are included in the initial cost or other carrying amount of the asset or liability.

In other cases, the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss. Those items are reclassified and recognised in the statement of comprehensive income on the following lines:

- In the case of hedge of interest rate risk, in Financial costs
- In the case of hedge of future oil sales, in Revenue
- In the case of hedge of electricity purchases for end-customers, in Consumption of materials and goods

The amount reported in OCI related to cash flow hedge of purchases of gas for end-customers is included in the initial valuation of the purchased inventory as at the date of maturity of the commodity contract or it is reported in Consumption of materials and goods. As part of the cash flow hedge of future gas purchases for end customers, the amount recognised in other comprehensive income is included in the initial measurement of purchased gas at the date of the commodity delivery or is recognised in the Consumption of materials and goods.

If cash flows relating to recognized foreign currency receivables are hedged by other hedging instruments (e.g. designating foreign currency payables as the hedging instruments), the accounting treatment is the same as the treatment for hedging with financial derivatives.

The Group decided to apply cash flow hedge accounting to mitigate following risks:

Interest rate risk

The risk that is being hedged relates to change in future cash flows due to change in interest rates. The hedged items are future interest payments of long-term debts that are hedged by interest rate swaps (the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

Foreign currency rates risk

The risk that is being hedged relates to change in future cash flows due to change in foreign currency rates. The hedged items are future expected transactions that are hedged by hedging instruments (e.g. foreign currency payables/receivables designating as the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

Commodity price risk - sale of crude oil

The hedged items are cash flows from the sale of commodities that are hedged by commodity swaps (the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss. The risk that is being hedged relates to change in future cash flows due to change in prices of commodities sold.

Commodity price risk - purchase of gas and electricity

From January 2023, the Group applies hedge accounting for future purchases of gas and electricity with physical delivery in 2024-2025, concluded for the purpose of covering supplies to end-customers that meet the requirements for keeping hedge accounting according to IFRS. The risk that the Group hedges results from the uncertainty of cash flows in future purchases of gas and electricity for the Group's end-customers. Hedging instruments are forward purchases of gas and electricity.

Trading derivatives

Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives. Changes in the fair value of trading derivatives are recognized immediately in profit or loss.

Commodity contracts

Except for contracts for the purchase and sale of commodities concluded for the purpose of serving the Group's portfolio of end customers, the Group enters into commodity trading contracts for the purpose of generating a profit from short-term price fluctuations or traders' margin. The Group systematically settles similar contracts on a net basis. The net settlement is realised either through exchange-traded instruments or via bilateral agreements by entering into offsetting contracts or through the sale of a contract prior to settlement.

These contracts typically require no initial net investment and are settled at future dates thereby meeting the definition of derivative contracts. Simultaneously, they can no longer qualify for exemption applied for physical purchase and sale of non-financial asset because they are exchange-traded or routinely net settled as described above.

Forward contracts for the purchase and sale of gas and electricity contracts for physical natural gas storage, contracts for gas flexibility service (virtual natural gas storage) and contracts for security of supply that can be settled net in cash or by another financial instrument and which do not serve for the purposes of the expected receipt or delivery of a commodity are considered financial instruments under IFRS 9 and they are measured at fair value through profit or loss and recognised as trading derivatives. Changes in their fair value are recognised in the profit or loss from operating activities.

Delivery of the commodity under commodity contracts is recognised either in inventory, or in revenues and cost of sales at fair value of the commodity, when the commodity is delivered.

Changes in the fair value of commodity and currency derivative financial instruments are recognized in the profit or loss from operating activities; changes in the fair value of interest rate derivative instruments are reported in the profit or loss from financing activities.

vi. Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: trade and other payables, interest-bearing loans and borrowings, bonds issued and lease liabilities. These financial liabilities, other than financial liabilities at fair value through profit or loss, are recognised initially on the settlement date at fair value plus any directly attributable transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

vii. Current and non-current loans

Current and non-current loans are initially recognised at fair value and subsequently measured at amortised cost. A part of non-current loans due within one year of the end of the period are recognised as current loans.

viii. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and recognised in the balance sheet on a net basis if and only if the Group has a legally enforceable right for the offsetting and intends to settle them on the net basis.

(f) Impairment

i. Financial assets

IFRS 9 *Financial Instruments* introduces a model for impairment of financial assets and contract assets that are measured at amortised cost or fair value through other comprehensive income (FVOCI) – so called "expected credit losses" or "ECL" model.

The Group recognises an allowance based on expected credit losses for financial assets measured at amortised cost.

Measurement of ECLs

Simplified approach – Provisioning Matrix

Provisioning Matrix approach can be used for financial assets, which do not contain significant financing component. The Group applies this model primarily to short-term trade receivables.

In the provisioning matrix approach, impairment is calculated using the historical loss rate and adjusted for forward looking information. The Group monitors macroeconomic development of GDP and Czech National Bank forecast.

Significant receivables are assessed individually using expected discounted cash-flows method and an expert-based approach.

Significant increase in credit risk is not assessed for trade receivables subject to provisioning matrix approach as they are always measured at Lifetime ECL.

Standard ECL model – Stage model

The Group assesses, on a forward-looking basis, the ECL for the exposures arising from loans and borrowings and from other financial assets.

The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Long-term restricted cash, long-term trade and other receivables from government contracts, short-term financial assets, cash and cash equivalents and term deposits that are placed at strong and stable credit institutions that are meeting all requirements for capital and liquidity stipulated in Basel III are considered by the Group as assets with „low credit risk". In this case the Group applies the "low credit risk" exemption from standard ECL model and therefore do not assess a significant increase in credit risk for these assets.

The Group considers a financial asset to be in default, if:

- it is probable that the debtor will fail to pay its liabilities to the Group in full without the Group's intervention in form of realising security (if it has any); or
- the financial asset is more than 90 days past due.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or a group of assets (the "cash-generating unit", or "CGU") exceeds its recoverable amount. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Inventories

Inventories required for providing operating services are measured at the lower of cost and net realisable value.

The cost of inventories comprises the purchase price and costs directly associated with the acquisition. Acquisition costs are reduced with rebates, trade discounts and other similar items. Interest on loans received to acquire inventories (borrowing costs) is not capitalised.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Inventories of gas in underground gas storages are measured at fair value less costs to sell. Changes in the fair value less cost to sell of these inventories are recognised in the profit or loss from operating activities as Gain/Loss from trading in commodity contracts.

Work in progress and own products are measured at own cost, which also includes the appropriate part of production overheads determined based on normal operating capacity. Selling costs are not capitalised.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at the bank and short-term highly liquid investments (including fixed-term deposits) with original maturities of up to three months of the acquisition date. Bank overdraft accounts with a negative balance are not included in the statement of cash flows.

(i) Equity

Share capital

The Company's issued share capital has been paid up in full. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity.

(j) Provisions

A provision is recognised in the consolidated statement of financial position if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision for decommissioning, renewal and restoration

The Group establishes a provision for renewal and restoration of land affected by production of oil and gas and also a provision for the decommissioning of assets. The amount of the provision is the best estimate of the expenditure needed to cover a liability at the end of the reporting period. The provision is adjusted to reflect the current estimate at the end of the period. The estimates of costs incurred on decommissioning of assets, renewal and restoration of land are based on current prices and the estimated inflation and are discounted using the market risk-free interest rate.

Actual expenses incurred for decommissioning, renewal and restoration during the year may differ from the estimates as a result of changes in regulations and technologies, an increase in personnel expenses, an increase in prices of raw materials and equipment or in the time needed to complete decommissioning, renewal and restoration, or a change in the inflation rate or long-term real interest rates.

The initial discounted expenses related to the decommissioning of property, plant and equipment are recognised as part of property, plant and equipment and depreciated over the estimated life of that asset.

Year-on-year changes relating to a future liability in connection with the decommissioning of property, plant and equipment that arise due to the change in estimates of future cash flows necessary to settle this liability or as a result of a change in the estimated real interest rate, are reflected as an increase in or decrease of capitalised property, plant and equipment in compliance with IFRIC 1.

The Group also establishes a provision for other liabilities with uncertain timing or value.

(k) Revenue and other operating income

i) Revenue (revenue from contracts with customers)

The Group's revenue includes in particular revenue from trading in gas and electricity, revenue from the sale of gas and electricity to end customers, revenue from the sale of produced oil and gas, revenue from the sale of goods, and revenue from the provision of services, including drilling activities and gas storage (see Note 20).

The revenue is recognised at the moment the control over goods or services supplied is transferred to the customer in the amount of anticipated consideration that the Group expects it should receive for the goods or services. The Group companies apply a five-step model defined in IFRS 15 to determine the amount, time and method of revenue recognition. The amount of consideration that the Group expects to be entitled to is the transaction price. In determining the transaction price, the following factors are considered: the estimate of the variable portion of consideration (provided discounts, compensations, bonuses, sanctions and other similar items), the time value of money in case the contract contains a significant financing component, the fair value of potential non-monetary consideration, a portion of value that the customer will not pay (e.g. discount vouchers). The method and moment of revenue recognition depends on the method of control transfer: satisfaction of obligation at a point in time is reported at the moment the control over goods or services is transferred, satisfaction of obligation over time is recognised over the period during which the entity satisfies performance obligation. The Group measures revenue from satisfaction of obligation over time using the input method, i.e. the revenue is reported based on expenses incurred on satisfying the obligation in relation to the total expected expenses, with the exception of revenue from the sale of gas and electricity to end customers that is measured using the output method, as described below.

Contract costs

The Group provides sales agents with commissions as remuneration for activities that lead to obtaining new customers for the sale of gas and electricity. The costs of acquiring a contract are recognised if an entitlement to the commission arises at the moment the contract with the customer is actually obtained and the commission would not be paid had the contract not been obtained. Capitalised contract costs are subsequently recognised in profit or loss over the term of the contract or over 5 years for contracts for an indefinite period.

Sale of oil

The Group sells produced and purchased oil to its customers based on annual or long-term contracts on oil supplies. Customers obtain control over the product at a place agreed for product delivery. The Group classifies revenue as satisfaction of obligation over time that is recognised for a calendar month depending on the actual volume of supplies. Contracts do not contain a financing component, because the invoices are payable within 30 days.

Sale of electricity and gas to end customers

The sale of gas and electricity to end customers is carried out based on contracts on combined gas or electricity supply services which include the supply of the commodity itself together with distribution services. Distribution services are provided to the Group by local distribution companies. The access to these services and their prices is regulated. The prices for distribution services form part of the price for combined services provided to the customers. The Group recognises the full amount of revenue for services, including the portion of distribution services, because it provides these services for itself (i.e. the Group is the principal).

The services of gas and electricity supplies for households are usually invoiced once per year and for corporate customers once per month or quarter, based on the actual consumption ascertained at consumption reading. Customers pay advances at a fixed amount on a monthly basis. Uninvoiced supplies of gas and electricity are recognised as contract assets. Advances received are recognised as contract liabilities.

When concluding a contract, the price for services can contain a variable consideration as a result of discounts provided to customers. Discounts are provided from list prices and the customers are charged with the prices less discounts.

The Group classifies revenue as satisfaction of obligation over time. The Company recognises revenue using the output method based on the estimated energy supplies. Contracts do not contain a significant financing component because of the advances payment scheme and delivery performed within a short period of time.

Revenue from drilling

Drilling services are usually carried out at daily rates. The price for work performed then results from the amount of work actually done and it is invoiced to customers on a monthly basis or drilling services are provided on "turn-key" basis and invoiced to customers after the well is completed and handed over. The price is determined at a fixed amount for drilling of a well. Revenue is then recognised using the input method. The customer obtains control over the work in progress immediately, because if the contract is terminated by the customer, the Group is entitled to the reimbursement of expenses incurred and an adequate margin. Contracts do not contain a significant financing component, because the services are provided within a short period of time and the invoices are payable within 30 days. The Group classifies revenue as satisfaction of obligation over time.

Revenues from gas storage

The Group provides services to its customers on the basis of annual or long-term contracts for the storage of natural gas. The services are invoiced to customers monthly in a fixed amount. The Group classifies revenues as satisfaction of obligation over time. The Group recognises revenue using the output method. Contracts do not contain a significant financing component, because invoices are payable within 30 days.

ii) Other revenue

Revenue from trading in gas and electricity

Trading in gas and electricity is carried out based on framework contracts concluded under the EFET standard with other gas and electricity traders. Customers obtain control over the commodity at a delivery point which usually means a virtual point of the given gas or electricity grid. The Group classifies revenue as satisfaction of obligation over time that is recognised for a calendar month depending on the actual volume of supplies. Contracts do not contain a financing component, because the invoices are issued within a short period of time after the commodity is delivered and the invoices are payable within 30 days.

Revenue from ordinary transactions is recognised using agreed selling prices. Revenue from derivative commodity contracts that are settled by physical delivery is recognised at fair value of the given commodity at the beginning of the period of physical delivery.

iii) Other operating income

Lease income

Lease income from non-residential premises, office premises and moveable assets is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Grants

A conditional government grant is recognised initially in the statement of financial position as deferred income when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised as income in the period they were incurred. Grants that compensate for the expenses incurred in connection with the acquisition of a non-current asset, are recognised in other operating income in the statement of comprehensive income over the useful life of the asset.

(l) Finance income and costs

Finance income comprises interest income on funds invested, gains on the disposal of financial assets, changes in the fair value of financial assets at fair value through profit or loss, unless these are commodity derivative financial instruments and derivatives held-for-trading arising from forward contracts for the purchase or sale of gas and electricity, foreign exchange gains, and gains from hedging instruments recognised in profit or loss.

Finance costs comprise interest expense on loans and borrowings, unwinding of discount on provisions, foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss, unless these are commodity derivative financial instruments and derivatives held-for-trading arising from forward contracts for the purchase or sale of gas and electricity, losses from the impairment of financial assets and losses from hedging instruments that are recognised in profit or loss.

(m) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income, apart from deferred tax recognised directly in equity.

Current tax includes the tax estimate calculated from the taxable income for the year using tax rates valid at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries and jointly controlled entities, if it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Payment of dividends

The payment of dividends to the Company's shareholders is recognised in the Group's consolidated financial statements as a liability in the period in which the payment of dividends is approved by the Company's shareholders.

(o) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

(p) Operating segments

Segment information is presented based on the internal management reports and information provided to the chief operating decision makers, as required by IFRS 8.

Operating segments were determined based on main products and services that the Group provides. The following three segments are concerned:

- exploration and production of oil and gas
- trading in gas and electricity and gas storage
- drilling.

Other unallocated operations represent individually insignificant segments and joint expenses that are not attributable to any segment.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

4. Operating segments

The Group's operations are divided into the following operating segments – see Note 3(p):

Information on segments for the year ended 31 December 2023	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Other unallocated operations	**Total**	Intersegment eliminations	**Total consolidation**
Continuing activities							
Total revenue (Note 20)	3 132	63 497	1 321	26	**67 976**	-12 325	**55 651**
of which: External revenue	*3 096*	*52 005*	*550*	--	***55 651***	--	***55 651***
Intersegment revenue	*36*	*11 492*	*771*	*26*	***12 325***	*-12 325*	--
Other income	785	-166	68	26	**713**	52	**765**
Materials, consumables and services	-1 004	-62 532	-726	-61	**-64 323**	12 115	**-52 208**
Other operating expenses, including personnel expenses	-791	-915	-420	-20	**-2 146**	130	**-2 016**
Depreciation and amortisation expense	-630	-123	-101	-20	**-874**	20	**-854**
Impairment charge (+) / reversal (-) of property, plant and equipment	-157	--	10	--	**-147**	--	**-147**
Profit or loss from operating activities	**1 335**	**-239**	**152**	**-49**	**1 199**	**-8**	**1 191**
Share of profit or loss of equity-accounted investees	-74	169	--	--	95	--	**95**
Profit or loss from operating activities incl. share of profit or loss of equity-accounted investees	**1 261**	**-70**	**152**	**49**	**1 294**	**-8**	**1 286**
Interest income	66	86	3	--	**155**	--	**155**
Interest expense	-82	-15	-7	-93	**-197**	3	**-194**
Other finance income (+) / expense (-)	-31	-48	-4	-37	**-120**	--	**-120**
Profit or loss from financial operations	**-47**	**23**	**-8**	**-130**	**-162**	**3**	**-159**
Acquisition of property, plant and equipment and intangible assets	**-476**	**-58**	**-139**	**-71**	**-744**	**23**	**-721**

As at 31 December 2023, the Group holds fixed assets in Ukraine with a residual value of CZK 682 million.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Information on segments for the year ended 31 December 2022	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Other unallocated operations	**Total**	Intersegment eliminations	**Total consolidation**
Continuing activities							
Total revenue (Note 20)	3 604	204 709	947	**--**	**209 260**	-499	**208 761**
of which: External revenue	*3 541*	*204 647*	*573*	**--**	***208 761***	--	***208 761***
Intersegment revenue	*63*	*62*	*374*	**--**	***499***	*-499*	**--**
Other income	408	1 000	52	72	**1 532**	-31	**1 501**
Materials, consumables and services	-388	-202 972	-587	-76	**-204 023**	328	**-203 695**
Other operating expenses, including personnel expenses	-1 045	-594	-428	-7	**-2 074**	202	**-1 872**
Depreciation and amortisation expense	-783	-126	-75	-16	**-1 000**	--	**-1 000**
Impairment of property, plant and equipment	42	--	53	--	**95**	--	**95**
Profit or loss from operating activities	**1 838**	**2 017**	**-38**	**-27**	**3 790**	**--**	**3 790**
Share of profit or loss of equity-accounted investees	--	--	--	--	**--**	**--**	**--**
Profit or loss from operating activities incl. share of profit or loss of equity-accounted investees	**1 838**	**2 017**	**-38**	**-27**	**3 790**	**--**	**3 790**
Interest income	36	20	4	--	**60**	**--**	**60**
Interest expense	-38	-62	-4	-147	**-251**	**--**	**-251**
Other finance income (+) / expense (-)	-28	-1	1	416	**388**	**--**	**388**
Profit or loss from financial operations	**-30**	**-43**	**1**	**269**	**197**	**--**	**197**
Acquisition of property, plant and equipment and intangible assets	**-632**	**-68**	**-60**	**--**	**-760**	**--**	**-760**

The Group holds non-current assets in Ukraine with a net book value of CZK 933 million as at 31 December 2022.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

5. Property, plant and equipment

2023	Underground gas storages	Wells	Land	Right of use land	Buildings and structures	Right of use buildings and structures	Oil and gas property	Machinery and equipment	Right of use machinery and equipment	Tangible assets under construction	Other tangible assets	Total
Acquisition cost as at 1 January 2023	**3 672**	**5 141**	**165**	**136**	**1 692**	**272**	**650**	**3 520**	**41**	**227**	**23**	**15 539**
Accumulated depreciation and impairment as at 1 January 2023	**-1 669**	**-3 480**	**-22**	**-31**	**-822**	**-23**	**-293**	**-2 024**	**-29**	**--**	**-3**	**-8 396**
Net book value as at 1 January 2023	**2 003**	**1 661**	**143**	**105**	**870**	**249**	**357**	**1 496**	**12**	**227**	**20**	**7 143**
Additions	27	109	1	45	74	8	--	133	3	300	10	710
Effect of asset acquisition (asset deal)	--	--	52	--	7	--	--	75	--	54	--	188
Disposals	--	-7	-1	--	-5	--	--	--	--	19	-4	2
Transfers	1	42	--	--	42	--	--	10	--	-82	-13	--
Depreciation expense for the current year	-96	-307	--	-25	-61	-25	-88	-181	-5	-40	--	-828
Impairment of assets*)	--	5	--	--	11	--	-166	2	--	--	1	-147
Change in value	--	196	--	1	--	3	--	--	2	--	--	202
Effect of currency translation	--	-17	--	--	-4	--	-11	-1	--	-2	--	-35
Net book value as at 31 December 2023	**1 935**	**1 682**	**195**	**126**	**934**	**235**	**92**	**1 534**	**12**	**476**	**14**	**7 235**
Acquisition cost as at 31 December 2023	**3 678**	**5 394**	**218**	**181**	**1 823**	**280**	**301**	**3 871**	**24**	**476**	**17**	**16 263**
Accumulated depreciation and impairment as at 31 December 2023	**-1 743**	**-3 712**	**-23**	**-55**	**-889**	**-45**	**-209**	**-2 337**	**-12**	**--**	**-3**	**-9 028**

In 2023, the major additions to tangible assets include capitalised oil and gas wells and wells in progress or not put in use, which are part of tangible assets under construction.

In 2023, no borrowing costs were capitalised due to insignificance.

*) see Note 24 for more information on the impairment of non-current assets

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

2022	Underground gas storages	Wells	Land	Right of use land	Buildings and structures	Right of use buildings and structures	Oil and gas property	Machinery and equipment	Right of use machinery and equipment	Tangible assets under construction	Other tangible assets	**Total**
Acquisition cost as at 1 January 2022	**3 685**	**4 890**	**118**	**122**	**1 597**	**235**	**847**	**3 511**	**35**	**163**	**8**	**15 211**
Accumulated depreciation and impairment as at 1 January 2022	**-1 562**	**-3 382**	**-22**	**-34**	**-851**	**-22**	**-222**	**-1 895**	**-24**	**--**	**-3**	**-8 017**
Net book value as at 1 January 2022	**2 123**	**1 508**	**96**	**88**	**746**	**213**	**625**	**1 616**	**11**	**163**	**5**	**7 194**
Additions	1	298	24	42	102	4	--	108	6	166	15	**766**
Effect of asset acquisition (asset deal)	--	--	23	--	--	16	--	--	--	--	--	**39**
Disposals	--	--	--	--	--	--	--	-67	--	--	--	**-67**
Transfers	-18	4	--	--	21	--	--	6	--	-31	--	**-18**
Depreciation expense for the current year	-103	-214	--	-44	-60	-25	-143	-168	-5	-219	--	**-981**
Impairment of assets*)	--	7	--	--	86	--	--	2	--	--	--	**95**
Change in value	--	152	--	19	--	42	--	--	--	155	--	**368**
Effect of currency translation	--	-94	--	--	-25	-1	-125	-1	--	-7	--	**-253**
Net book value as at 31 December 2022	**2 003**	**1 661**	**143**	**105**	**870**	**249**	**357**	**1 496**	**12**	**227**	**20**	**7 143**
Acquisition cost as at 31 December 2022	**3 672**	**5 141**	**165**	**136**	**1 692**	**272**	**650**	**3 520**	**41**	**227**	**23**	**15 539**
Accumulated depreciation and impairment as at 31 December 2022	**-1 669**	**-3 480**	**-22**	**-31**	**-822**	**-23**	**-293**	**-2 024**	**-29**	**--**	**-3**	**-8 396**

In 2022, the major additions to tangible assets include capitalised oil and gas wells.

In 2022, no borrowing costs were capitalised due to insignificance.

*) see Note 24 for more information on the impairment of non-current assets

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

6. Intangible assets

2023	Licences	Software	Intangible assets under construction	Other	Total
Acquisition cost as at 1 January 2023	**120**	**254**	**21**	**25**	**420**
Accumulated depreciation and impairment as at 1 January 2023	**-31**	**-233**	**--**	**-1**	**-265**
Net book value as at 1 January 2023	**89**	**21**	**21**	**24**	**155**
Additions	1	19	14	12	46
Transfers	--	9	-9	--	--
Disposals	--	--	--	-10	-10
Amortisation expense for the current year	-8	-18	--	--	-26
Effect of currency translation	-4	--	--	--	-4
Net book value as at 31 December 2023	**78**	**31**	**26**	**26**	**161**
Acquisition cost as at 31 December 2023	**109**	**274**	**26**	**27**	**436**
Accumulated depreciation and impairment as at 31 December 2023	**-31**	**-243**	**--**	**-1**	**-275**

2022	Licences	Software	Intangible assets under construction	Other	Total
Acquisition cost as at 1 January 2022	**114**	**239**	**33**	**13**	**399**
Accumulated depreciation and impairment as at 1 January 2022	**-24**	**-223**	**--**	**-1**	**-248**
Net book value as at 1 January 2022	**90**	**16**	**33**	**12**	**151**
Additions	10	16	10	19	**55**
Transfers	20	1	-20	-1	**--**
Disposals	--	--	--	-6	**-6**
Amortisation expense for the current year	-7	-12	--	--	**-19**
Effect of currency translation	-24	--	-2	--	**-26**
Net book value as at 31 December 2022	**89**	**21**	**21**	**24**	**155**
Acquisition cost as at 31 December 2022	**120**	**254**	**21**	**25**	**420**
Accumulated depreciation and impairment as at 31 December 2022	**-31**	**-233**	**--**	**-1**	**-265**

7. Equity-accounted investees

	Ownership interest	31/12/2023	31/12/2022
Moravia Gas Storage a.s.	50 %	745	543
Participation in a Silent partnership Anshof	30 %	26	--
Equity accounted investees		**771**	**543**

Investments in joint ventures are accounted for using the equity method.

Equity-accounted investees are not a publicly traded companies, therefore, the publicly quoted prices of their shares are not available.

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Moravia Gas Storage a.s. operates an underground gas storage and provides gas storage services based on an energy licence.

The following table provides financial information on the joint venture:

Moravia Gas Storage a.s.	31/12/2023	31/12/2022
Non-current assets	3 183	3 413
Current assets	254	247
of which: cash and cash equivalents	*192*	*152*
Non-current liabilities	-1 646	-2 110
of which: financial liabilities with the exception of trade and other payables and provisions	*-1 454*	*-1 987*
Current liabilities	-584	-393
of which: financial liabilities with the exception of trade and other payables and provisions	*-458*	*-350*
Net assets (100%)	1 207	1 157
Group’s share of net assets (50%)	604	579
Fair value adjustment	141	141
Carrying amount of interest in joint venture	**745**	**720**
Revenue	724	668
Depreciation and amortisation expense	-216	-212
Interest income	--	1
Interest expense	-73	-106
Income tax (current and deferred)	-76	-60
Profit/Loss from continuing operations (100%)	78	259
Other comprehensive income (100%)	-28	95
Group’s share of profit or loss of the joint venture (50%)	**39**	**130**
Group’s share of other comprehensive income of the joint venture (50%)	**-14**	**47**

The joint venture does not prepare financial statements under IFRS. The statutory financial statements were adjusted so as to correspond with IFRS for the purposes of consolidation and notes to the consolidated financial statements. In 2023, the Group did not account for equity method. The profit or loss for 2022 was accounted for together with the profit or loss for 2023 in the profit and loss account for 2023.

In 2023 and 2022, the Group did not receive any dividends from the joint venture.

The silent partnership Anshof is not a legal entity, it is a share in the business of ADX VIE GmbH in the oil and gas production license Anshof in Upper Austria. The Group's share of the loss of the silent partnership Anshof and the impairment of the asset in 2023 amounted to CZK -74 million.

As at 31 December the Group had the following receivables and liabilities and recognised the following income and expenses in respect of Moravia Gas Storage a.s.in the reporting period:

	2023	**2022**
Current and non-current receivables	38	2
Current and non-current liabilities	1	6
Revenue and other operating income	24	23
Materials and energy used, services and other operating expenses	7	107

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8. Other non-current investments

	31/12/2023	31/12/2022
Long-term restricted cash	4	1
Long-term restricted debt securities – at amortised cost	42	40
Total other non-current investments	**46**	**41**

Long-term restricted cash represents funds at a bank account to cover statutory provisions for renewal and restoration. For Credit quality see Note 30b) Credit risk. Long-term restricted debt securities represent a government bond worth CZK 42 million to cover statutory provisions for renewal and restoration.

9. Trade and other receivables

Non-current trade and other receivables	31/12/2023	31/12/2022
Non-current loans	310	262
Non-current trade receivables	--	1
Non-current refundable deposits	--	16
Non-current receivables – financial	**310**	**279**
Non-current contract costs	98	99
Non-current trade advances	--	3
Non-current prepaid expenses	12	16
Non-current receivables - other	**110**	**118**
Total non-current trade and other receivables	**420**	**397**

For credit quality of non-current trade and other receivables see Note 30(b) Credit risk.

Current trade and other receivables	31/12/2023	31/12/2022
Current trade receivables	442	1 692
Current refundable deposits	531	610
Current loans	3	11
Current contract assets	661	240
Other current receivables	735	1 282
Current receivables - financial	**2 372**	**3 835**
Current trade advances	669	850
Current prepaid expenses	56	46
Current receivables from other taxes	84	19
Current contract costs	47	42
Current receivables - other	**856**	**957**
Total current trade and other receivables	**3 228**	**4 792**

As at 31 December 2023, short-term overdue receivables amounted to CZK 41 million (as at 31 December 2022: CZK 34 million). The provision for receivables as at 31 December 2023 amounted to CZK 125 million (as at 31 December 2022: CZK 47 million). The credit quality and the amount of the provision are described in Section 30(b) Credit risk.

Other short-term receivables in 2023 include a receivable from a member of the settlement system in the amount of CZK 676 million (2022: CZK 1 268 million).

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10. Other current financial assets

	31/12/2023	31/12/2022
Other current financial assets	4 262	4 321
Total other current financial assets	**4 262**	**4 321**

Other current financial assets comprise receivables relating to cash-pooling contracts with KKCG Structured Finance AG.

This item is not considered a cash equivalent and is presented as part of investing activities in the statement of cash flows. For Credit quality see Note 30b) Credit risk.

11. Inventories

	31/12/2023	31/12/2022
Material	334	257
Goods	606	2 153
Own products	24	51
Work in progress and semi-finished goods	7	62
Advances for inventories	7	22
Total inventories	**978**	**2 545**

In 2023, material includes an allowance for material of CZK 13 million (2022: CZK 10 million).

Goods include gas for trading at fair value of CZK 597 million (2022: CZK 2 142 million).

12. Cash and cash equivalents

	31/12/2023	31/12/2022
Cash in hand	--	1
Cash at bank	1 228	1 094
Cash equivalents	--	483
Fixed-term deposits (less than 90 days)	474	293
Total cash and cash equivalents	**1 702**	**1 871**

Cash equivalents represents excess cash at accounts of clearing system members. For Credit quality see Note 30b) Credit risk.

13. Equity

	31/12/2023	31/12/2022
Share capital	1 000	1 000

The parent company's share capital consists of 50 000 ordinary certificated registered shares with a nominal value of CZK 20 000 per share. The share capital has been fully paid-up. All shares have the same rights and no restrictions.

As at 15 August 2018, the imposition of negative pledge on Company's shares was entered in the Commercial Register.

Other capital contributions arose as a result of the shareholder's monetary contributions of a shareholder in order to strengthen the Group's equity capital and a non-monetary contribution of an 80% share in MND Ukraine a.s. from the parent company MND Group AG.

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Earnings per share

Profit (+) / loss (-) attributable to ordinary shareholders	**2023**	**2022**
Net profit (+) / loss (-) attributable to ordinary shareholders	802	3 055
Net profit (+) / loss (-) attributable to ordinary shareholders	**802**	**3 055**

Weighted average number of ordinary shares	**Number of shares**	**Weight**	**2023**	**2022**
Issued ordinary shares at 1 January	50 000	1	50 000	50 000
Issued ordinary shares at 31 December	50 000	1	50 000	50 000
Weighted average number of ordinary shares at 31 December	50 000	1	50 000	50 000
Basic earnings (+) / loss (-) per share for the year (in CZK thousand)			**16**	**61**
Diluted earnings (+) / loss (-) per share for the year (in CZK thousand)			**16**	**61**

14. Non-controlling interests

In 2023, the Group had the following non-controlling interests:

Consolidated statement of financial position as at 31 December 2023	**MND Ukraine a.s. subgroup**
Non-current assets	685
Current assets	533
Non-current liabilities	-43
Current liabilities	-50
Net assets attributable to the group	1 125
Percentage of non-controlling interest	20.00 %
Carrying amount of non-controlling interest	**225**

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Consolidated statement of comprehensive income for 2023	MND Ukraine a.s. subgroup
Revenues	547
Profit (+) /loss (-) for the period	19
Other comprehensive income	-55
Total comprehensive income	-36
Percentage of non-controlling interest	20.00%
Profit or loss allocated to non-controlling interest	**4**
Other comprehensive income allocated to non-controlling interest	**-11**
Total comprehensive profit or loss allocated to non-controlling interest	**-7**

In 2021, the Group had the following non-controlling interests:

Consolidated statement of financial position as at 31 December 2022	MND Ukraine a.s. subgroup
Non-current assets	936
Current assets	411
Non-current liabilities	-88
Current liabilities	-99
Net assets attributable to the group	1 160
Percentage of non-controlling interest	20.00%
Carrying amount of non-controlling interest	**232**

Consolidated statement of comprehensive income for 2022	
Revenues	1 628
Profit (+) /loss (-) for the period	688
Other comprehensive income	-267
Total comprehensive income	421
Percentage of non-controlling interest	20.00 %
Profit or loss allocated to non-controlling interest	**138**
Other comprehensive income allocated to non-controlling interest	**-54**
Total comprehensive profit or loss allocated to non-controlling interest	**84**

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15. Loans and bonds issued

This note provides an overview of the contractual terms and conditions governing interest-bearing loans and borrowings of the Group.

Non-current bank loans and bonds	31/12/2023	31/12/2022
Non-current bank loans	221	89
Non-current borrowings from companies outside the Group	41	22
Bonds issued – non-current portion	2 193	2 188
Total non-current loans and bonds	**2 455**	**2 299**

Current loans and bonds	31/12/2023	31/12/2022
Current bank loans	--	2 412
Current portion of non-current bank loans	76	50
Other current borrowings	17	10
Overdrafts	57	--
Bonds issued – current portion	2	2
Total current loans and bonds	**152**	**2 474**

Long-term loans from non-group companies represent a long-term loan from a non-bank entity. The loan was drawn to finance the acquisition of a drilling rig.

As at 31 December 2022, short-term bank loans include a short-term bank loan for the purpose of financing gas inventory in the amount of CZK 2 412 million.

Based on the terms and conditions of loans and bonds, the Group companies must maintain specific financial debt covenants. As at 31 December 2023 and 31 December 2022, the Group companies fulfilled these covenants.

Bank loans

The bank loans are due as follows:

	31/12/2023	31/12/2022
Due within 1 year	76	2 462
Due within 1 – 5 years	116	--
Due in more than 5 years	105	89
	297	**2 551**

The loans received by the Group are secured by land, buildings and facilities in the total amount of CZK 390 million (as at 31 December 2022: CZK 304 million); inventories of CZK 629 million (as at 31 December 2022: CZK 859 million), receivables of CZK 917 million (as at 31 December 2022: CZK 1 169 million) and bank accounts at CZK 393 million CZK (as at 31 December 2022: CZK 513 million).

Loan interest rates are based on PRIBOR, EURIBOR and a margin that ranges from 1.30% to 2.30% (2022: 1.00% - 1.90%).

As at 31 December 2023, the total amount of the Group's undrawn credit facilities is CZK 0 million (2022: CZK 100 million).

The transaction currencies of loans, bonds and borrowings as at 31 December 2023 are EUR and CZK; the balance of loans with the EUR transaction currency is CZK 413 million (2022: CZK 2 582 million) and the balance of loans with the CZK transaction currency is CZK 2 194 million (2022: CZK 2 191 million).

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Bonds issued

On 3 March 2022, the Group issued unsecured bearer bonds MND VAR/27 in book form, which were admitted to trading on the regulated market of the Prague Stock Exchange under ISIN CZ0003538183. These bonds have variable interest of 3M PRIBOR + 2.8% p. a. and will mature on 3 March 2027. Bond coupons are paid out quarterly in arrears. The nominal value of one bond is CZK 3 million. The total nominal value of bonds is CZK 2 202 million. The emission of bonds was issued in the Czech Republic in compliance with Czech law. 450 bonds with a nominal value of CZK 1 350 million was subscribed in exchange for MND VAR/22 bonds. 284 bonds with a nominal value of CZK 852 million was subscribed for cash. The funds raised were used to repay the remaining bonds of the MND VAR/22 issue, which matured in November 2022.

The reconciliation of movements of non-current and current loans, issued bonds with cash flows:

	2023	2022
Balance at 1 January	**4 773**	**4 983**
Cash flows		
Drawing of loans and borrowings	1 399	18 879
Repayment of loans and borrowings	-3 674	-18 972
Interest paid from previous years (-)	-7	-12
Non-cash changes		
Effect of asset acquisition (asset deal)	112	--
Unpaid interest for the current period	6	7
Foreign exchange differences recognised in profit or loss	-2	-94
Other non-monetary transactions	--	-18
Balance at 31 December	**2 607**	**4 773**

16. Lease liabilities

Lease liabilities	31/12/2023	31/12/2022
Lease liabilities – non-current	292	281
Lease liabilities - current	44	36
Total lease liabilities	**336**	**317**

Reconciliation of movements of lease liabilities with cash flows:

	2023	2022
Balance at 1 January	**317**	**289**
Cash flows		
Payment of lease liabilities	-44	-37
Non-cash changes		
Recognition of lease liabilities	63	73
Effect of asset acquisition (asset deal)	--	1
Effect of currency translation	--	-9
Balance at 31 December	**336**	**317**

For detail of right of use assets see the asset table in Note 5.

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17. Trade and other payables

Non-current trade and other payables	31/12/2023	31/12/2022
Other non-current liabilities	61	94
Non-current liabilities - financial	**61**	**94**
Non-current contract liabilities	7	31
Non-current liabilities - other	**7**	**31**
Total non-current trade and other payables	**68**	**125**

All other non-current liabilities are due between 1 and 5 years. Other non-current liabilities include payables arising from natural gas storage contracts of CZK 53 million (2021: CZK 83 million).

Current trade and other payables	31/12/2023	31/12/2022
Trade payables	1 662	2 721
Other current liabilities	246	188
Current payables - financial	**1 908**	**2 909**
Current contract liabilities	1 285	829
Other current payables to the state	213	192
Current payables to employees	206	199
Current deferred income	12	1
Current payables - other	**1 716**	**1 221**
Total current trade and other payables	**3 624**	**4 130**

Current overdue trade liabilities as at 31 December 2023 and 2022 amounted to CZK 0 million. Current trade liabilities include liabilities arising from gas storage contracts of CZK 205 million (2022: CZK 174 million).

18. Derivative financial instruments

The Group uses the derivative financial instruments mainly for trading in electricity, gas and emissions allowances and to hedge the currency, interest and commodity risks. When the hedge accounting requirements are fulfilled, derivatives are designated and recognized as "Hedging derivatives".

Book value of receivables and payables from derivative financial instruments is as follows:

	31/12/2023			31/12/2022		
	Hedging derivatives	Trading derivatives	**Total**	Hedging derivatives	Trading derivatives	**Total**
Long-term receivables	3	431	**434**	2	601	**603**
Short-term receivables	24	873	**897**	3	4 684	**4 687**
Total receivables from derivative financial instruments	**27**	**1 304**	**1 331**	**5**	**5 285**	**5 290**
Long-term payables	-285	-46	**-331**	--	-1 089	**-1 089**
Short-term payables	-958	-1 472	**-2 430**	--	-5 098	**-5 098**
Total payables from derivative financial instruments	**-1 243**	**-1 518**	**-2 761**	**--**	**-6 187**	**-6 187**

All financial derivatives are stated at fair value as at 31 December 2023 (or 31 December 2022) and are classified in level 2 in the fair value hierarchy.

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Hedging derivatives

The Group had the following financial derivatives for hedging:

2023	Year of maturity	Nominal value	Average hedged rate	Fair value
Interest rate swaps	2025	91	0,5%	2
Currency forwards	2024	226	22.74 CZK/USD	3
Commodity swaps, crude oil	2025	19	84.02 USD/bbl	3
Commodity swaps, crude oil	2024	207	84.02 USD/bbl	19
Total receivables from hedging derivatives				**27**
Commodity forwards, gas	2025	564	54.82 EUR/MWh	-148
Commodity forwards, electricity	2025	456	124.91 EUR/MWh	-137
Commodity forwards, gas	2024	1 322	47.94 EUR/MWh	-463
Commodity forwards, electricity	2024	1 293	140.70 EUR/MWh	-495
Total payables from hedging derivatives				**-1 243**
Total hedging financial derivatives				**-1 216**

2022	Year of maturity	Nominal value	Average hedged rate	Fair value
Interest rate swaps	2025	138	0.5%	5
Total receivables from hedging derivatives				**5**
Total hedging financial derivatives				**5**

*The nominal value of the commodity swaps and forwards represents hedged quantity of the commodity multiplied by the contract price. In the case of oil, the quantity is expressed in barrels, in the case of gas and electricity quantity is stated in MWh.

In both 2023 and 2022, the revaluation of commodity hedging derivatives for each of the hedging relationships was recognised in other comprehensive income. In 2023, there were no reclassifications from the hedge reserve to the income statement, nor were there any reclassifications to the initial cost of inventory. In 2022, CZK 94 million was reclassified to the profit or loss.

Hedge accounting criteria were fulfilled as at 31 December 2023 (31 December 2022 respectively) for all of the above-mentioned derivatives hedging interest rate, currency and commodity risk and these derivatives were classified as "Hedging derivatives". Hedging relationships were effective in both periods and the Group did not identify any ineffective portion of changes in the fair value of hedging derivatives that would be recognised in profit or loss.

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Trading derivatives

Besides the hedging derivatives the Group held the derivatives for trading as they do not fulfil the hedge accounting criteria as at 31 December 2023 and 31 December 2022. These derivatives are classified as "Trading derivatives" and recognized in fair value.

The Group had the following financial derivatives for trading:

2023	Year of maturity	Fair value
Commodity forwards	2026	925
Commodity futures	2024	122
Currency forwards	2025	69
Interest rate swaps	2027	188
Total receivables from trading derivatives		**1 304**
Commodity forwards	2024	-1 242
Commodity futures	2025	-256
Currency forwards	2024	-20
Total payables from trading derivatives		**-1 518**
Total trading financial derivatives		**-214**

2022	Year of maturity	Fair value
Commodity forward	2025	11
Commodity forward	2024	169
Commodity forward	2023	3 920
Commodity future	2024	154
Commodity future	2023	630
Currency forward	2024	9
Currency forward	2023	54
Interest rate swap	2027	338
Total receivables from trading derivatives		**5 285**
Commodity forward	2024	-1 086
Commodity forward	2023	-4 944
Commodity future	2023	-4
Currency swap	2023	-16
Currency forward	2024	-3
Currency forward	2023	-134
Total payables from trading derivatives		**-6 187**
Total trading financial derivatives		**-902**

The Group held trading derivatives in a form of currency forwards, currency swaps, interest rate swaps and commodity forwards, futures and swaps. For fair value determination, a market comparison technique was used and the inputs were based on the same fair value hierarchy.

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19. Provisions

	Provision for decommissioning, renewals and restoration	Other provisions	Total
Balance 1 January 2023	**1 623**	**24**	**1 647**
Additions	14	1	15
Utilization	-81	-22	-103
Unwinding of discount	70	--	70
Change in value	210	--	210
Effect of currency translation	-1	--	-1
Balance 31 December 2023	**1 835**	**3**	**1 838**
Thereof:			
Non-current provisions	1 747	--	1 747
Current provisions	88	3	91

Provisions for decommissioning, renewals and restorations are established based on rules described in Note 3(j). For 2023, interest rates in the range of 4.04% - 4.11% p.a. were used. In calculating provisions the expected inflation of 3 % was taken into account. The Group expects that costs will be incurred between 2024 and 2054.

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20. Revenue

The following tables show the breakdown of total revenue for each segment based on the main type of goods, products or services and based on the recognition of revenue according to time perspective:

2023 **Revenue based on the main type of goods, products or services**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue
Revenue from trading in gas	--	39 014	--	**39 014**
Revenue from trading in electricity	--	4 897	--	**4 897**
Revenue from the sale of gas to end customers	--	3 935	--	**3 935**
Revenue from the sale of electricity to end customers	--	3 690	--	**3 690**
Revenue from the sale of produced gas	2 203	--	--	**2 203**
Revenue from the sale of produced oil	833	--	--	**833**
Revenue from drilling activities	--	--	489	**489**
Revenue from gas storage	--	414	--	**414**
Revenue from the sale of goods	11	9	--	**20**
Revenue from the provision of services	38	46	55	**139**
Revenue from the sale of products	11	--	6	**17**
Total revenue	**3 096**	**52 005**	**550**	**55 651**

2022 **Revenue based on the main type of goods, products or services**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue
Revenue from trading in gas	--	181 743	--	**181 743**
Revenue from trading in electricity	--	14 680	--	**14 680**
Revenue from the sale of gas to end customers	--	3 998	--	**3 998**
Revenue from the sale of electricity to end customers	--	3 763	--	**3 763**
Revenue from the sale of produced gas	2 539	--	--	**2 539**
Revenue from the sale of produced oil	949	--	--	**949**
Revenue from drilling activities	--	--	523	**523**
Revenue from gas storage	--	390	--	**390**
Revenue from the sale of goods	28	--	--	**28**
Revenue from the provision of services	25	73	46	**144**
Revenue from the sale of products	--	--	4	**4**
Total revenue	**3 541**	**204 647**	**573**	**208 761**

2023 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue
Revenue recognised at a point in time	547	304	26	**877**
Revenue recognised over time	2 549	7 790	524	**10 863**
Subtotal	**3 096**	**8 094**	**550**	**11 740**
Revenue from commodity trading	--	43 911	--	**43 911**
Total revenue	**3 096**	**52 005**	**550**	**55 651**

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2022 **Timing of revenue recognition**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Drilling	Revenue
Revenue recognised at a point in time	222	354	26	**602**
Revenue recognised over time	3 319	7 870	547	**11 736**
Subtotal	**3 541**	**8 224**	**573**	**12 338**
Revenue from commodity trading	--	196 423	--	**196 423**
Total revenue	**3 541**	**204 647**	**573**	**208 761**

Revenue based on geographical position of a point of sale	**2023**	**2022**
Czechia	13 382	42 710
Denmark	292	6 551
France	30	--
Italy	167	--
Luxembourg	3 113	57 218
Hungary	20	--
Germany	19 069	54 225
Austria	2 143	3 750
Slovakia	111	282
Spain	90	--
Switzerland	6 198	17 265
Ukraine	547	1 633
United Kingdom	10 489	24 878
Other	--	249
Total revenue	**55 651**	**208 761**

In 2023, the Group reported revenue of CZK 17 218 million (2022: CZK 34 064 million) for one customer. This revenue was allocated to the Trading in gas and electricity, gas storage segment.

The remaining performance obligations relate to the contracts whose initial expected duration of one year or less, or to the contracts concluded for an indefinite period with a notice period shorter than 1 year, therefore the Group does not disclose their value.

In 2023, CZK 1 457 million (2022: CZK 834 million) was recognised in revenue from the value of contractual liabilities as at 31 December 2022 (Note 18).

Revenues in the segment Oil and gas exploration and production of CZK 2 550 million (2022: CZK 1 893 million) were realized in Czechia, the remaining sales were realized in Ukraine.

Sales in the segment Trading in gas and electricity, gas storage" were realized in the countries of the European Union, Switzerland and the United Kingdom.

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21. Other operating income

	2023	2022
Income from grants	634	40
Profit from the sale of fixed assets	1	--
Income from lease	3	14
Gain from trading in commodity contracts	--	1 308
Fines and default interest	--	6
Remaining operating income	127	133
Total other operating income	**765**	**1 501**

22. Consumption of materials, goods and services

	2023	2022
Cost of goods sold	13	29
Cost of sale of gas and electricity to end customers	6 307	4 216
Cost of trading in gas and electricity	42 834	196 355
Materials and energy used	418	361
Total materials and goods used	**49 572**	**200 961**
Services used relating to revenue	1 980	2 366
Lease expenses	78	76
Other services	472	305
Amortisation of contract costs	46	40
Changes in product and work-in-progress inventories	60	-53
Total services used	**2 636**	**2 734**
Total consumption of materials, goods and services	**52 208**	**203 695**

Lease expenses in 2023 and 2022 comprise short-term leases of CZK 67 million (2022: CZK 69 million), variable lease payments of CZK 7 million (2022: CZK 6 million) and low-value assets leases of CZK 4 million (2022: CZK 1 million).

Services used relating to revenues consist mainly of costs of purchased drilling work and distribution of electricity and gas. Other services include costs of services provided by a statutory auditor to the MND Group of CZK 9 million (2022: CZK 6 million). Other non-audit services provided to MND Energie a.s. by PricewaterhouseCoopers ČR, s.r.o. in 2023 amounted to CZK 19 thousand.

23. Personnel expenses

	2023	2022
Payroll expenses	699	643
Social security and health insurance expenses	218	203
Other social expenses	35	26
Total personnel expenses	**952**	**872**

The average number of employees in 2023 was 892 (2022: 821 employees).

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24. Depreciation, amortisation and impairment

	2023	2022
Depreciation of property, plant and equipment (Note 5)	773	907
Impairment of property, plant and equipment (Note 5)	147	-95
Amortisation of intangible assets (Note 6)	26	19
Depreciation of right of use (Note 5)	55	74
Total depreciation, amortisation and impairment	**1 001**	**905**

The impairment of property, plant and equipment in 2023 is mainly related to oil and gas assets held in Ukraine. In 2022, provisions created in 2021 for property destroyed as a result of a natural disaster (tornado) were partially released.

25. Other operating costs

	2023	2022
Repairs and maintenance	89	160
Travel expenses	28	22
Fees	195	548
Other taxes	2	3
Insurance premiums	30	24
Loss on the sale of fixed assets	--	5
Loss from the sale of material	6	--
Loss from trading in commodity contracts	524	--
Credit loss allowance for financial assets	77	19
Write off receivables	-32	28
Other overhead operating expenses	145	191
Total other operating expenses	**1 064**	**1 000**

The most significant part of the fees represents charges for produced oil and gas of CZK 154 million (2022: CZK 507 million) and fees for mining areas and fees for exploration areas in the amount of CZK 38 million (2022: CZK 36 million).

	2023	2022
Profit from trading in commodity contracts	4 289	134 350
Loss from trading in commodity contracts	-4 813	-133 042
Net Profit/Loss (-) from trading in commodity contracts	**-524**	**1 308**

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26. Finance income and costs

	2023	2022
Interest income	155	60
Total interest income	**155**	**60**
Income from current financial assets	227	45
Other finance income	1	387
Total finance income	**228**	**432**
Interest expense	-172	-234
Interest expense on leases	-23	-17
Other finance costs	-329	-25
Loss from foreign exchange transactions	-18	-19
Total finance costs	**-542**	**-295**
Net profit/loss from financial operations	**-159**	**197**

27. Taxation

Income tax expense	2023	2022
Current tax expense		
Current year	273	565
Changes in estimates relating to the previous year	23	1
Total current tax expense	**296**	**566**
Deferred tax expense	25	228
Total income tax (expense + / income -)	**321**	**794**

Reconciliation of effective tax rate	2023		2022	
Profit or loss before tax	**1 207**		**3 987**	
Income tax using the applicable tax rate	229	19.0%*	757	19.0%*
Effect of different rates of current and deferred tax; Effect of rate change including windfall profits tax	97	8.0%	2	0.1%
Effect of tax non-deductible expenses	12	1.0%	18	0.5%
Effect of tax-exempt income	-17	-1.4%	-7	-0.2%
Donations for charitable causes	-2	-0.2%	--	0.0%
Effect of accumulated tax loss claimed in the current period	--	0.0%	-18	-0.5%
Effect of tax loss related to previous periods (-)	-1	-0.1%	--	0.0%
Effect of not recognised deferred tax asset related to tax loss of current period	--	0.0%	--	0.0%
Effect of share of profit (-) / loss (+)-of equity-accounted investee, net of tax	--	0.0%	--	0.0%
Effect of different tax rate in companies within the Group	--	-1.8%	-9	-0.2%
Other effects	3	0.3%	51	1.2%
Total income tax expense / Effective tax rate	**321**	**26.7%**	**794**	**19.9%**

* Tax rate valid in the Czech Republic until 31 December 2023

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Deferred tax

Deferred tax has been calculated using the expected average tax rate in the period when the temporary differences are realised. The expected average tax rate for 2024-2025 was calculated taking into account the standard corporate tax rate of 21% and the windfall profits tax rate of 60%. For the years 2026 and the following, the tax rate of 21% is used.

The tax on windfall profits is determined in accordance with the relevant provisions of Act No. 586/1992 Coll., on Income Taxes, as amended. The tax amounts to 60% of the tax base, which is the difference between the compared tax base and the average of the adjusted comparative tax bases. The compared tax base is the tax base before the application of items reducing the tax base and deductible items or tax loss for individual periods of effectiveness of tax on windfall profits. The adjusted comparative tax base is the tax base before the application of items reducing the tax base and deductible items or tax loss for the entire periods in 2018–2021 increased by an absolute value of 20%.

Based on the financial outlook, the Company expects to be able to utilise the deferred tax asset against future profits.

Corporate income tax rates according to the countries where the Group's companies mainly operate:

	2023	**2022**
Czechia	19 %	19 %
Ukraine	18 %	18 %

Deferred tax	31/12/2023	31/12/2022
Deferred tax asset	373	125
Deferred tax liability	-401	-401
Net amount of deferred tax	**-28**	**-276**

For the purposes of consolidation, deferred tax assets and liabilities registered in respect of one tax authority are offset on the level of individual group companies.

In accordance with the accounting policy described in Note 3(n), deferred tax was calculated based on tax rates valid in the countries in which individual Group companies operate. Due to the change in the tax rate in the Czech Republic to 21% as at 1 January 2024, a rate of 21% was used to calculate the deferred tax of companies from the Czech Republic.

Change in deferred tax

2023	Balance at 1/1/2023	Change in 2023			Balance at 31/12/2023
	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss
Deferred tax asset (+) /liability (-)	**-276**	**-25**	**271**	**2**	**-28**
Property, plant and equipment	-528	33	--	2	-493
Intangible fixed assets	1	-1	--	--	--
Long-term and short-term financial assets	1	--	--	--	1
Derivative financial instruments*	84	-120	271	--	235
Total inventories	-140	156	--	--	16
Total receivables	-51	6	--	--	-45
Lease liabilities	--	4	--	--	4
Total liabilities	32	-19	--	--	13
Provisions	325	-84	--	--	241

* The net deferred tax receivable arising from derivative financial instruments totalling CZK 235 million is a result of offsetting of deferred tax liability from derivative financial instruments assets in amount of CZK 54 million and deferred tax asset arising from derivative financial instruments liabilities and liabilities from gas storage contracts in amount of CZK 289 million.

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2022	Balance at 1/1/2022	Change in 2022			Balance at 31/12/2022
	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss
Deferred tax asset (+) /liability (-)	**-50**	**-228**	**-20**	**22**	**-276**
Property, plant and equipment	-467	-84	--	23	-528
Intangible fixed assets	--	1	--	--	1
Derivative financial instruments*	817	-713	-20	--	84
Total inventories	-576	436	--	--	-140
Total receivables	-13	-38	--	--	-51
Lease liabilities	4	-4	--	--	--
Total liabilities	9	24	--	--	33
Provisions	176	150	--	-1	325

*The net deferred tax receivable arising from derivative financial instruments totalling CZK 84 million is a result of offsetting of deferred tax liability from derivative financial instruments assets in amount of CZK 171 million and deferred tax asset arising from derivative financial instruments liabilities and liabilities from gas storage contracts in amount of CZK 113 million.

The amount of the unrecognised deferred tax asset is as follows:

	Unrecognised deferred tax asset	
	31/12/2023	31/12/2022
Tax losses carried forward	--	--
Total unrecognised deferred tax asset	**--**	**--**

Tax losses from previous years were fully utilised in 2022. The Group has no taxable losses as at 31 December 2023 and 2022.

On the basis of EU Council Directive 2022/2523 on ensuring a global minimum level of effective taxation for multinational groups of enterprises and large domestic groups, Act No. 416/2023 Coll., on top-up taxes for large multinational groups and large domestic groups, was adopted. Top-up taxes aim to stop cross-country competition for different corporate tax rates by introducing a single minimum tax rate to ensure a level playing field for entities around the world and to allow countries to better protect their tax bases. Top-up taxes will be levied if the calculated effective tax rate in a given state is less than 15%. The payer of the top-up tax is a group company whose consolidated annual revenues reported in the consolidated financial statements of the ultimate parent entity amount to EUR 750 million in at least 2 of the 4 reporting periods immediately preceding the given tax period.

The company expects not to become a top-up taxpayer in the immediately following period. Top-up tax was not taken into account in the calculation of deferred tax.

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28. Other comprehensive income

	2023	2022
Change in fair value of hedging instruments, before tax	-1 221	10
Change in fair value of hedging instruments – deferred tax	271	-2
Change in fair value of hedging instruments, after tax	**-950**	**8**
Change in fair value of hedging instruments transferred to profit/loss, before tax	--	94
Change in fair value of hedging instruments transferred to profit/loss - deferred tax	--	-18
Change in fair value of hedging instruments transferred to profit/loss, after tax	**--**	**76**
Share of other comprehensive income of equity-accounted investees	33	--
Share of other comprehensive income of equity-accounted investees	**33**	**--**
Translation of foreign operations into the Group's presentation currency	**-55**	**-267**
Total other comprehensive income	**-972**	**-183**

2023	Currency translation reserve	Hedging reserve	Share on funds of equity-accounted investees	Other comprehensive profit or loss attributable to the shareholder of the company	Other comprehensive income attributable to non-controlling interests	Total other comprehensive income
Exchange rate differences from translation to presentation currency	-45	--	--	**-45**	-11	**-55**
Change in fair value of hedging instruments	--	-950	--	**-950**	--	**-950**
Share of other comprehensive income of equity-accounted investees	--	--	33	**33**	--	**--**
Total other comprehensive income, after tax	**-45**	**-950**	**33**	**-961**	**-11**	**-972**

2022	Currency translation reserve	Hedging reserve	Share on funds of equity-accounted investees	Other comprehensive profit or loss attributable to the shareholder of the company	Other comprehensive income attributable to non-controlling interests	Total other comprehensive income
Exchange rate differences from translation to presentation currency	-213	--	--	**-213**	-54	**-267**
Change in fair value of hedging instruments	--	84	--	**84**	--	**84**
Total other comprehensive income, after tax	**-213**	**84**	**--**	**-129**	**-54**	**-183**

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29. Related parties

Payroll expenses, bonuses and other personnel expenses incurred in respect of key employees of the Group are disclosed in the following table:

	2023		2022	
	Board of directors and supervisory board	Executive management	Board of directors and supervisory board	Executive management
Payroll expenses	--	22	--	17
Social security and health insurance expenses	2	5	2	4
Bonuses to statutory body members	10	--	6	--
Total	**12**	**27**	**8**	**21**

MND Group is part of the consolidated group of KKCG AG with its registered office in Switzerland. All related party transactions are conducted on normal market terms.

Related-party balances as at 31 December 2023 and 31 December 2022:

	31/12/2023	31/12/2022
Non-current trade and other receivables	2	68
Current trade and other receivables	45	11
Current loans provided	3	11
Other current financial assets	4 262	4 321
Total receivables	**4 312**	**4 411**
Current trade and other liabilities	42	38
Total liabilities	**42**	**38**

Other current financial assets of CZK 4 205 million (2021: CZK 4 321 million) represent receivables from KKCG Structured Finance AG under cash-pooling contracts (see Note 10). The receivables, payables, income and expenses of the Joint venture are disclosed in Note 7.

Related-party transactions for the period ended 31 December 2023 and 31 December 2022:

	2023	2022
Revenue and other operating income	90	166
Interest income	18	2
Other financial income	227	47
Total revenue	**335**	**215**
Consumption of materials and goods	--	8
Consumed services	382	313
Other operating expenses	6	948
Total costs	**388**	**1 269**

Expenses charged by related parties include in particular the lease of drilling rigs (MND Drilling Germany GmbH), services related to drilling work (MND Germany GmbH) and marketing services (Mindsquared a.s.).

Revenue recognized in respect of related parties include in particular the sale of gas and electricity (Sazka a.s.) and financial income from cash-pooling contracts (KKCG Structured Finance AG).

30. Risk management

(a) Financial risk management and financial instruments

This section describes in detail the financial and operational risks the Group is exposed to and its risk management methods. Risk management is one of the core components of MND Group corporate governance. The main focus is placed on quantifying risks the Group is exposed to in the market (the risk of changes in foreign exchange rates, interest rates and commodity prices) and the credit risk. The Group's risk management strategy concentrates on minimising potential negative impacts on the Group's financial results.

The principal role of the Group's risk management is to identify risks, determine a risk measurement method, quantify and analyse risk exposure, define a hedging strategy and the hedging implementation as such. The overall responsibility for setting up the Group's risk management system and supervising its operation lies on the level of the board of directors. With regard to the diversity of operations and the corresponding risks, the management of each Group company is responsible for setting up and monitoring risk management policies.

Main financial instruments used by the Group include bank loans, bonds and derivatives. The principal task of these financial instruments is to acquire necessary funds to finance Group companies' operations and hedge risks arising from the Group operations.

The most significant financial risks the Group is exposed to are market risks (the risk of changes in commodity prices, currency risk, interest rate risk and credit risk, in case an important business partner or a customer does not fulfil its contractual obligations). These risk management processes are approved and monitored by the top management of individual Group companies.

Group companies entered into derivative transactions (currency forwards, currency swaps, interest rate swaps and commodity forwards, futures and swaps) with the aim to manage the risk of exchange rate, interest rate and commodity price fluctuations.

The Group is also exposed to interest rate risk that is reflected by the cash flow sensitivity and profit or loss on interest rates changes. Interest rate risk is mostly managed and hedged by using interest rate swaps.

The Group is also exposed to liquidity risk. Liquidity risk is managed within the Group based on data about necessity of free resources and it is monitored through risk management and in cooperation with the company´s finance department. Apart from the cash flow report that is additionally simulated for various scenarios the Group also uses a system to monitor receivables and payables, diversification of liquidity resources and daily monitoring.

(b) Credit risk

Credit risk is a risk of financial loss to the Group if a customer or counterparty to a transaction fails to meet its contractual obligations, such as payment, acceptance of a commodity or service for a pre-arranged price, failure to deliver the agreed commodity or service.

The Group trades primarily with highly rated partners. The Group follows the principle that all customers that want to use credit facilities undergo procedures for credit risk assessment that is applied by using own scoring model. The Group continuously monitors the balance of receivables on an individual and aggregate level.

MND Group companies generate revenue from the sale of oil, gas and electricity, the trade in gas and electricity, the provision of services connected with operation of underground gas storages and the drilling activities. All business counterparties are subject to individual analysis of creditworthiness, and they are assigned a credit limit. Credit limits are approved by the risk management committee based on external rating, if available, or based on internal risk assessment guidelines. Risk exposure is monitored for each counterparty on a daily basis, taking into consideration potential future impact. In relevant cases, the Group also requires the counterparty to provide a bank guarantee or its parent company's guarantee, an advance payment or credit support instrument with the aim to minimise the credit risk.

The total credit risk of the trading portfolio is monitored on an ongoing basis and calculated based on the expected loss, i.e., each counterparty is assigned internal credit rating with estimated probability of default. The expected loss is calculated by product of the default probability, the percentage of loss from a given exposure in the case of default and exposure to a counterparty at a given moment.

With respect to the credit risk arising from the Group's financial assets, comprising cash and cash equivalents and financial derivatives, the credit risk arises from a failure of the counterparty to discharge their obligations, where the maximum credit risk amount corresponds with the carrying amount of these instruments. The risk is mitigated by cooperating with reputable local and international banks and by diversifying the portfolio.

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For the calculation of credit exposure and the free trading limit, VaR at the 95% confidence level for holding period of 10 days is also taken into account in terms of credit risk calculation. The Risk Manager monitors credit exposure on a daily basis and if necessary makes remedial arrangements even in cooperation with the Risk Management Committee.

Credit risk by type of counterparty

At 31 December 2023	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables - financial	307	--	--	1	308
Non-current receivables from derivative instruments	303	--	131	--	434
Non-current restricted cash	--	42	4	--	46
Other current financial assets	4 262	--	--	--	4 262
Current receivables – financial	1 573	1	--	798	2 372
Current receivables from derivative instruments	768	--	129	--	897
Cash and cash equivalents	--	207	1 495	--	1 702
Total	**7 213**	**250**	**1 759**	**799**	**10 021**

At 31 December 2022	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables - financial	278	--	--	1	279
Non-current receivables from derivative instruments	334	--	269	--	603
Non-current restricted cash	--	40	1	--	41
Other current financial assets	4 250	--	71	--	4 321
Current receivables – financial	3 529	3	--	303	3 835
Current receivables from derivative instruments	4 549	--	138	--	4 687
Cash and cash equivalents	124	943	804	--	1 871
Total	**13 064**	**986**	**1 283**	**304**	**15 637**

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Ageing structure of financial assets

At 31 December 2023	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	Past due more than 1 year	Impairment allowance	Total
Non-current receivables	***308***	**--**	**--**	**--**	**--**	**--**	***308***
Non-current loans	286	--	--	--	--	--	286
Non-current refundable deposits	21	--	--	--	--	--	21
Non-current receivables - other	1	--	--	--	--	--	1
Non-current financial assets	46	--	--	--	--	--	46
Non-current restricted debt securities – at amortised cost	42	--	--	--	--	--	42
Non-current restricted cash	4	--	--	--	--	--	4
Current receivables - financial	***2 366***	**31**	**17**	**31**	**88**	**-161**	***2 372***
Current trade receivables	401	30	16	30	83	-118	442
Current loans provided to related parties	3	--	--	--	--	--	3
Current loans granted to non-group undertakings	36	--	--	--	--	-36	--
Current contract assets	661	--	--	--	--	--	661
Current refundable deposits	531	--	--	--	--	--	531
Other current receivables	734	1	1	1	5	-7	735
Other current financial assets	***4 262***	**--**	**--**	**--**	**--**	**--**	***4 262***
Other current financial assets	4 262	--	--	--	--	--	4 262
Cash and cash equivalents	***1 702***	**--**	**--**	**--**	**--**	**--**	***1 702***
Cash in hand	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Bank accounts and cash equivalents	1 228	--	--	--	--	--	1 228
Fixed-term deposits	474	--	--	--	--	--	474
Total	**8 684**	**31**	**17**	**31**	**88**	**-161**	**8 690**

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At 31 December 2022	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	Past due more than 1 year	Impairment allowance	Total
Non-current receivables	***279***	**--**	**--**	**--**	**--**	**--**	***279***
Non-current loans	262	--	--	--	--	--	262
Non-current refundable deposits	16	--	--	--	--	--	16
Non-current receivables - other	1	--	--	--	--	--	1
Non-current financial assets	***41***	**--**	**--**	**--**	**--**	**--**	***41***
Non-current restricted debt securities – at amortised cost	40	--	--	--	--	--	40
Non-current restricted cash	1	--	--	--	--	--	1
Current receivables - financial	***3 836***	**27**	**20**	**33**	**--**	**-81**	***3 835***
Current trade receivables	1 660	26	19	31	1	-45	1 692
Current loans provided to related parties	11	--	--	--	--	--	11
Current loans granted to non-group undertakings	34	--	--	--	--	-34	--
Current contract assets	240	--	--	--	--	--	240
Current refundable deposits	610	--	--	--	--	--	610
Other current receivables	1 281	1	1	2	-1	-2	1 282
Other current financial assets	***4 321***	**--**	**--**	**--**	**--**	**--**	***4 321***
Other current financial assets	4 321	--	--	--	--	--	4 321
Cash and cash equivalents	***1 871***	**--**	**--**	**--**	**--**	**--**	***1 871***
Cash in hand	1	--	--	--	--	--	1
Bank accounts and cash equivalents	1 577	--	--	--	--	--	1 577
Fixed-term deposits	293	--	--	--	--	--	293
Total	**10 348**	**27**	**20**	**33**	**--**	**-81**	**10 347**

The Group tests the amount of financial assets held in accordance with IFRS 9 and recognises allowances for financial assets in compliance with the accounting policy specified in Note 3(e) i.

The following tables present credit quality of financial assets at amortised cost. Non-current and current derivative financial instrument assets are not included in the disclosures because they are measured at fair value through profit and loss.

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Credit quality of financial assets at amortised cost

The Group classifies the financial assets into the credit quality classes. Class 1 consists of high-quality financial assets that do not have any indicators of impairment and fulfils the definition for “low credit risk”. Class 2 consists of all other financial assets. Class 3 consists of financial assets whose credit quality has increased, and to which was created 100% impairment allowance.

At 31 December 2023	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1 702**	**--**	**--**	**--**	**--**	**1 702**
Cash in hand	--	--	--	--	--	--
Bank accounts and cash equivalents	1 228	--	--	--	--	1 228
Fixed-term deposits	474	--	--	--	--	474
Other current financial assets	**4 262**	**--**	**--**	**--**	**--**	**4 262**
Other current financial assets	4 262	--	--	--	--	4 262
Non-current financial assets	**46**	**--**	**--**	**--**	**--**	**46**
Non-current restricted debt securities – at amortised cost	42	--	--	--	--	**42**
Non-current restricted cash	4	--	--	--	--	**4**
Class 2						
Current receivables - financial	**47**	**--**	**36**	**2 450**	**-161**	**2 372**
Current trade receivables	5	--	--	555	-118	442
Current loans provided to related parties	3	--	--	--	--	3
Current loans granted to non-group undertakings	--	--	36	--	-36	--
Current contract assets	2	--	--	659	--	661
Current refundable deposits	1	--	--	530	--	531
Other current receivables	36	--	--	706	-7	735
Non-current receivables - financial	**308**	**--**	**--**	**--**	**--**	**308**
Non-current loans	286	--	--	--	--	286
Non-current refundable deposits	21	--	--	--	--	21
Non-current receivables - other	1	--	--	--	--	1
Total	**6 365**	**--**	**36**	**2 450**	**-161**	**8 690**

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At 31 December 2022	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1 871**	**--**	**--**	**--**	**--**	**1 871**
Cash in hand	1	--	--	--	--	1
Bank accounts and cash equivalents	1 577	--	--	--	--	1 577
Fixed-term deposits	293	--	--	--	--	293
Other current financial assets	**4 321**	**--**	**--**	**--**	**--**	**4 321**
Other current financial assets	4 321	--	--	--	--	4 321
Non-current financial assets	**41**	**--**	**--**	**--**	**--**	**41**
Non-current restricted debt securities – at amortised cost	40	--	--	--	--	40
Non-current restricted cash	1	--	--	--	--	1
Class 2						
Current receivables - financial	**19**	**--**	**34**	**3 863**	**-81**	**3 835**
Current trade receivables	6	--	--	1 731	-45	1 692
Current loans provided to related parties	11	--	--	--	--	11
Current loans granted to non-group undertakings	--	--	34	--	-34	--
Current contract assets	--	--	--	240	--	240
Current refundable deposits	1	--	--	609	--	610
Other current receivables	1	--	--	1 283	-2	1 282
Non-current receivables - financial	**279**	**--**	**--**	**--**	**--**	**279**
Non-current loans	262	--	--	--	--	262
Non-current refundable deposits	16	--	--	--	--	16
Non-current receivables - other	1	--	--	--	--	1
Total	**6 531**	**--**	**34**	**3 863**	**-81**	**10 347**

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Movements in impairment allowances are shown in the following table:

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2023	**--**	**--**	**-34**	**-47**	**-81**
Additions – increase in allowance recognized in profit or loss during the year	--	--	--	-107	**-107**
Reversals – amount unused			--	1	**1**
Write-offs – receivables written off during the year as uncollectible	--	--	--	29	**29**
Effect of currency translation	--	--	-1	-1	**-2**
Effect of investments disposals	--	--	-1	--	**-1**
Balance at 31 December 2023	**--**	**--**	**-36**	**-125**	**-161**

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2022	**--**	**--**	**-35**	**-27**	**-62**
Additions – increase in allowance recognized in profit or loss during the year	--	--	--	-93	**-93**
Reversals – amount unused				13	**13**
Write-offs – receivables written off during the year as uncollectible	--	--	--	61	**61**
Effect of currency translation	--	--	1	--	**1**
Effect of investments disposals	--	--	--	-1	**-1**
Balance at 31 December 2022	**--**	**--**	**-34**	**-47**	**-81**

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Impairment matrix for current trade and other receivables as at 31 December 2023:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**2 283**	**0.00%**	**--**	**2 283**
Current trade receivables	396	0.00%	--	396
Contract assets - current	659	0.00%	--	659
Current refundable deposits	530	0.00%	--	530
Other current receivables	698	0.00%	--	698
Past due < 90 days	**31**	**9.68%**	**-3**	**28**
Current trade receivables	30	10.00%	-3	27
Other current receivables	1	0.00%	--	1
Past due 91-180 days	**17**	**64.71%**	**-11**	**6**
Current trade receivables	16	62.50%	-10	6
Other current receivables	1	100.00%	-1	--
Past due 181-365 days	**31**	**77.42%**	**-24**	**7**
Current trade receivables	30	76.67%	-23	7
Other current receivables	1	100.00%	-1	--
Past due >365 days	**88**	**98.86%**	**-87**	**1**
Current trade receivables	83	98.80%	-82	1
Other current receivables	5	100.00%	-5	--
Total	**2 450**	**5.10%**	**-125**	**2 325**

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Impairment matrix for current trade and other receivables as at 31 December 2022:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**3 783**	**0.03%**	**-1**	**3 782**
Current trade receivables	1 654	0.06%	-1	1 653
Contract assets - current	240	0.00%	--	240
Current refundable deposits	609	0.00%	--	609
Other current receivables	1 280	0.00%	--	1 280
Past due < 90 days	**27**	**0.00%**	**--**	**27**
Current trade receivables	26	0.00%	--	26
Other current receivables	1	0.00%	--	1
Past due 91-180 days	**20**	**75.00%**	**-15**	**5**
Current trade receivables	19	73.68%	-14	5
Other current receivables	1	100.00%	-1	--
Past due 181-365 days	**32**	**93.75%**	**-30**	**2**
Current trade receivables	31	93.55%	-29	2
Other current receivables	1	100.00%	-1	--
Past due >365 days	**1**	**100.00%**	**-1**	**--**
Current trade receivables	1	100.00%	-1	--
Total	**3 863**	**1.22%**	**-47**	**3 816**

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Credit risk by region (by the counterparty's registered office)

Non-current and current receivables - financial, non-current and current receivables from derivative instruments, non-current restricted cash, other current financial assets, cash and cash equivalents	31/12/2023	31/12/2022
Czechia	3 854	5 056
Switzerland	3 923	4 851
United Kingdom	1 027	2 661
Ukraine	795	621
Germany	260	1 481
Austria	65	156
France	62	--
Hungary	13	--
Slovakia	9	684
Italy	7	44
Luxembourg	4	--
Denmark	2	--
Other countries	--	83
Total	**10 021**	**15 637**

Offsetting of receivables and liabilities from trading in gas and electricity:

Offsetting in the balance sheet

The Company trades gas and electricity under EFET framework contracts. These contracts allow offsetting receivables and liabilities during their payment and also offsetting at early termination of a contract. Trade receivables and payables from these contracts were recognised in the balance sheet on a net basis after offsetting.

Potential offsetting

Receivables and liabilities from derivative transactions include the remeasurement of commodity contracts that are considered financial instruments. With respect to these contracts there is a possibility of offsetting at early termination of a contract where the receivables and liabilities with the originally different maturity can be offset. This potential offsetting was not recognised in the balance sheet and is recorded in the column "Potential offsetting".

At 31 December 2023	Gross amount before offsetting	Offsetting in the balance sheet	Net amount in the balance sheet	Potential offsetting	Amount after potential offsetting
Assets					
Non-current receivables from derivative instruments	2 309	-1 875	434	-3	**431**
Current receivables from derivative instruments	26 342	-25 445	897	-74	**823**
Current receivables	6 084	-3 652	2 432	--	**2 432**
Total	**34 735**	**-30 972**	**3 763**	**-77**	**3 686**
Liabilities					
Non-current liabilities from derivative instruments	2 206	-1 875	331	-5	**326**
Current liabilities from derivative instruments	27 875	-25 445	2 430	-72	**2 358**
Current liabilities	4 943	-3 652	1 291	-	**1 291**
Total	**35 024**	**-30 972**	**4 052**	**-77**	**3 975**

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

At 31 December 2022	Gross amount before offsetting	Offsetting in the balance sheet	Net amount in the balance sheet	Potential offsetting	Amount after potential offsetting
Assets					
Non-current receivables from derivative instruments	9 159	-8 556	603	-145	**458**
Current receivables from derivative instruments	68 330	-63 643	4 687	-991	**3 696**
Current receivables	7 126	-3 578	3 548	--	**3 548**
Total	**84 615**	**-75 777**	**8 838**	**-1 136**	**7 702**
Liabilities					
Non-current liabilities from derivative instruments	9 645	-8 556	1 089	-465	**624**
Current liabilities from derivative instruments	68 741	-63 643	5 098	-671	**4 427**
Current liabilities	5 489	-3 578	1 911	--	**1 911**
Total	**83 875**	**-75 777**	**8 098**	**-1 136**	**6 962**

(c) Market risk

Market risk is the risk of changes in the value of assets, liabilities and cash flows denominated in foreign currency due to changes in foreign exchange rates, interest rates and commodity prices. The Group implemented policies and methodologies for monitoring and hedging these risks to which it is exposed.

i. Currency risk

The MND Group is exposed to currency risk as a result of its foreign currency transactions. These risks arise from purchases and sales in other than functional currency of companies in the Group (CZK, UAH).

Group companies monitor currency risks on an ongoing basis and assess possible impact of changes in foreign exchange rates on Group transactions. A significant part of foreign currency exposure is hedged naturally, i.e. revenue and expenses are denominated in the same foreign currency, or by using currency forwards or swaps.

Group companies are exposed to currency risk from the sale of oil in USD, from the sale of gas, electricity and other energy commodities in EUR. Group companies are exposed to currency risk from received non-current loans denominated in EUR that are not hedged against currency risk since the Group companies expect that the loans will be repaid from revenues in EUR from drilling services and from cross-currency swap.

ii. Commodity risk

For the purposes of commodity risk management, the Group monitors separately commodity trading, which is carried out within MND a.s., and activities related to energy supplies to end customers, which are carried out by the entity MND Energie a.s.

Commodities trading

As a part of trading activities the price risk is monitored on a daily basis by observing market prices, mark-to-market and value-at-risk of the open positions and is subject to approved limits for individual risk indicators. The exposure to market risk, within the limits approved by the board of directors and the Risk Management Committee, depends on the market conditions and expectations. All risk limits are monitored and reviewed on a regular basis.

VaR is the basic metric for assessing the risk of the Group's open trading positions. To calculate it, the Monte Carlo simulation method is applied at a significance level of 99% and with a horizon of two days. Furthermore, the total utilization of risk capital must not exceed the total risk capital for speculative trading, which was CZK 244 million in 2023. We calculate the risk on all individual commodities in speculative trading using VaR metrics, both in the positions of individual traders and overall. The value of VaR at the end of the year was CZK 4 million. The average VaR in 2023 was CZK 10 million. These calculations do not include the risk arising from energy supply activities to end customers (see description below).

Supply of energy to end customers

As part of its activities, the Group provides natural gas and electricity supply services to end customers. For the purposes of managing the risks arising from this activity, the Group has a long-term commodity purchasing strategy based on which the Group makes purchases in the form of forwards and futures on wholesale markets. An important part of this strategy is the regular performance of predictions and analyses of end customer portfolio consumption.

The Group's purchasing strategy reflects the structure of the customer portfolio:

- for customers with open ended contracts with the possibility of changing the contractual price, the Group purchases continuously. For a given year, the Group purchases in a period of several years in advance up to the day before;
- for customers with fixed price lists, the Group purchases the expected consumption of the commodity for the entire period of the price fixation, at or near the time when customer contracts are concluded;
- for more dynamic acquisition price lists with flexible prices (i.e. the contract price may change), the Group purchases the expected consumption of the commodity for a period of several months in advance.

Since January 2023, the Group has been applying hedge accounting for forward purchases of gas and electricity with physical delivery in 2024-2025, which are concluded for the purpose of hedging supplies to end customers and that meet the requirements for hedge accounting according to IFRS 9. The accounting effects of the application of hedge accounting are described in more detail in Note 18.

Oil and gas production

Changes in commodity prices represent significant risk for MND Group. In 2023, lower oil prices of USD 1 per barrel would cause a decrease in profit before tax of approximately CZK 11 million without hedging. In 2023, the impact of the appreciation of CZK against the US dollar by CZK 1 would result in a decrease in profit before tax by CZK 38 million without hedging. In contrast, oil prices growth and the depreciation of CZK against the US dollar would have a positive impact on the operating result in the same amount. In 2023, lower prices of natural gas from own production by EUR 1/MWh would cause a decrease in profit before tax of approximately CZK 31 million without hedging. In 2023, the impact of the appreciation of the CZK against EUR by CZK 1 would result in a decrease in profit before tax by CZK 92 million without hedging. In contrast, natural gas price growth and a decrease in the value of CZK against EUR would have a positive impact on the operating profit in the same amount.

Currency risk analysis

As at 31 December 2023, and 2022, the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated statement of financial position.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Financial assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

At 31 December 2023	EUR	USD	CZK	Other	Total
Non-current receivables – financial	299	--	--	--	299
Non-current receivables from derivative instruments	432	2	--	--	434
Non-current financial assets	--	--	--	--	--
Other current financial assets	1 487	--	--	--	1 487
Current receivables - financial	1 091	7	--	--	1 098
Current receivables from derivative instruments	875	22	--	--	897
Cash and cash equivalents	438	3	--	1	442
Total assets	**4 622**	**34**	**--**	**1**	**4 657**
Non-current loans and interest-bearing borrowings	-262	--	--	--	-262
Non-current liabilities from derivative instruments	-331	--	--	--	-331
Other non-current liabilities	--	--	--	--	--
Current loans and interest-bearing borrowings *)	-152	--	--	--	-152
Current payables - financial	-1 007	-9	-2	-2	-1 020
Current liabilities from derivative instruments	-2 430	--	--	--	-2 430
Total liabilities	**-4 182**	**-9**	**-2**	**-2**	**-4 195**
Total	**440**	**25**	**-2**	**-1**	**462**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loan loans and borrowings of CZK 597 million for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

At 31 December 2022	EUR	USD	Other	Total
Non-current receivables – financial	270	--	--	270
Non-current receivables from derivative instruments	520	--	--	520
Non-current financial assets	--	--	--	--
Other current financial assets	2 683	--	--	2 683
Current receivables - financial	2 861	1	--	2 862
Current receivables from derivative instruments	4 500	--	--	4 500
Cash and cash equivalents	184	2	1	187
Total assets	**11 018**	**3**	**1**	**11 022**
Non-current loans and interest-bearing borrowings	-110	--	--	-110
Non-current liabilities from derivative instruments	-1 088	--	--	-1 088
Other non-current liabilities	-1	--	--	-1
Current loans and interest-bearing borrowings *)	-2 472	--	--	-2 472
Current payables - financial	-664	-9	--	-673
Current liabilities from derivative instruments	-5 036	--	--	-5 036
Total liabilities	**-9 371**	**-9**	--	**-9 380**
Total	**1 647**	**-6**	**1**	**1 642**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loan loans and borrowings of CZK 2 412 million for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Currency risk sensitivity analysis

As at 31 December 2023, the potential appreciation (depreciation) of EUR or USD against CZK could impact the measurement of financial instruments denominated in the foreign currency and gas inventories denominated in EUR and impact profit or loss by an amount disclosed in the following table. This analysis assumes that all other variables remain constant.

Effect recognised in CZK million	**Profit or loss**	
	10% appreciation + profit/ - loss	10% appreciation + profit/ - loss
2023		
EUR	104	-104
USD	3	-3

Effect recognised in CZK million	**Profit or loss**	
	10% appreciation + profit/ - loss	10% appreciation + profit/ - loss
2022		
EUR	379	-379
USD	-1	1

iii. Interest rate risk

The Group is exposed to the risk of interest rate fluctuations primarily as a result of bank loans with floating interest rate. The Group continuously monitors the development in financial markets and based on the current situation decides whether loans will be drawn with either floating or fixed interest rate. The risk of increase in interest rates is monitored on an ongoing basis and if necessary, the application of standard tools for risk elimination (interest rate swap) is considered.

Non-current bonds of MND a.s. and non-current loans of MND Drilling & Services a.s. were issued and concluded with a floating interest rate, but the interest rate risk of these loans and bonds was hedged by interest rate swaps.

Interest rate swaps are concluded with the hedge ratio set at 1:1 so that all derivative conditions correspond with the hedged risk of cash flow changes due to floating interest rates. Potential hedge ineffectiveness can also be caused only by swap illiquidity or the counterparty's credit risk.

The Group conducted an interest rate risk sensitivity analysis using a standardised interest rate shock, which means that an immediate increase/decrease in interest rates of 1 percentage point (ceteris paribus) is applied to the portfolio's interest rate positions. A rate increase of 1 percentage point would mean a decrease in profit by EUR 1 million. CZK (2022: CZK 0 million) and a rate cut of 1 percentage point would mean an increase in profit by CZK 1 million. CZK (2022: CZK 0 million) in the period of the next twelve months.

(d) Liquidity risk

Liquidity risk represents the possibility that the Group might not be able to fulfil its payment obligations primarily relating to amounts payable to the providers of bank loans and borrowings.

The Group monitors the risk of having insufficient funds on an ongoing basis by managing liquidity and monitoring the maturity of debts and investments, other assets and the expected cash flows from its operations.

The Group holds sufficient disposable liquid resources, i.e., cash, cash equivalents and current financial assets in currencies in which future cash needs are expected. To maintain liquidity, the Group uses bank loans and borrowings.

The Group uses proprietary IT tools for liquidity management, valuation of financial instruments and for trading and risk management purposes.

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

The following table shows the Group's financial assets and liabilities by maturity:

At 31 December 2023	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity/on demand
Assets						
Non-current receivables - financial	46	47	--	43	--	4
Non-current receivables from derivative instruments	308	335	--	330	5	--
Non-current financial assets	434	679	--	679	--	--
Other current financial assets	4 262	4 262	4 262	--	--	--
Current receivables - financial	2 372	2 372	2 372	--	--	--
Current receivables from derivative instruments	897	1 771	1 771	--	--	--
Total	**8 319**	**9 466**	**8 405**	**1 052**	**5**	**4**
Cash and cash equivalents	**1 702**	**1 702**	**--**	**--**	**--**	**1 702**
Liabilities						
Non-current loans and interest-bearing borrowings	-2 607	-2 874	-238	-2 531	-105	--
Non-current lease liabilities	-292	-398	--	-178	-220	--
Non-current liabilities - financial	-61	-61	--	-61	--	--
Non-current liabilities from derivative instruments	-331	-695	--	-695	--	--
Current lease liabilities	-44	-67	-67	--	--	--
Current liabilities - financial	-1 908	-1 908	-1 908	--	--	--
Current liabilities from derivative instruments	-2 430	-4 801	-4 801	--	--	--
Total	**-7 673**	**-10 804**	**-7 014**	**-3 465**	**-325**	**--**
Net balance – liquidity risk (financial assets & liabilities)	**2 348**	**364**	**1 391**	**-2 413**	**-320**	**1 706**
Non-bank guarantees issued	--	--	--	--	--	--
Net balance – liquidity risk (including off-balance sheet)	**2 348**	**364**	**1 391**	**-2 413**	**-320**	**1 706**

The following table shows the detailed breakdown of the maturity of derivative instruments up to 1 year as at 31 December 2023:

Due	< 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Total
Receivables from derivative instruments	1 148	206	206	211	1 771
Liabilities arising from derivative instruments	-1 798	-998	-1 077	-928	-4 801
Net cash flow from derivative instruments	**-650**	**-792**	**-871**	**-717**	**-3 030**

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

The following table shows the detailed breakdown of the maturity of derivative instruments up to 1 year as at 31 December 2022:

Due	< 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Total
Receivables from derivative instruments	4 598	884	867	1 677	8 026
Liabilities arising from derivative instruments	-5 606	-1 503	-1 424	-3 119	-11 652
Net cash flow from derivative instruments	**-1 008**	**-619**	**-557**	**-1 442**	**-3 626**

At 31 December 2022	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity/on demand
Assets						
Non-current receivables - financial	279	387	--	17	370	--
Non-current receivables from derivative instruments	603	982	--	982	--	--
Non-current financial assets	41	48	--	47	--	1
Other current financial assets	4 321	4 321	4 321	--	--	--
Current receivables - financial	3 835	3 835	3 835	--	--	--
Current receivables from derivative instruments	4 687	8 025	8 025	--	--	--
Total	**13 766**	**17 598**	**16 181**	**1 046**	**370**	**1**
Cash and cash equivalents	1 871	1 871	--	--	--	1 871
Liabilities						
Non-current loans and interest-bearing borrowings	-4 773	-5 131	-2 570	-2 472	-89	--
Non-current lease liabilities	-281	-372	--	-179	-193	--
Non-current liabilities - financial	-94	-94	--	-94	--	--
Non-current liabilities from derivative instruments	-1 089	-2 555	--	-2 555	--	--
Current lease liabilities	-36	-55	-55	--	--	--
Current liabilities - financial	-2 909	-2 909	-2 909	--	--	--
Current liabilities from derivative instruments	-5 098	-11 651	-11 651	--	--	--
Total	**-14 280**	**-22 767**	**-17 185**	**-5 300**	**-282**	**--**
Net balance – liquidity risk (financial assets & liabilities)	**1 357**	**-3 298**	**-1 004**	**-4 254**	**88**	**1 872**
Non-bank guarantees issued	-118	-118	--	--	--	-118
Net balance – liquidity risk (including off-balance sheet)	**1 239**	**-3 416**	**-1 004**	**-4 254**	**88**	**1 754**

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

(e) Capital management

The Group's aim is to keep a strong capital base so as to maintain creditor and market confidence and sustain future development of own business.

Group companies are responsible for managing its capital structures and flexible in responding to potential condition changes in financial markets. With the aim to maintain and protect the strong capital basis, group companies may adjust dividend amount or other shareholders' contributions. The Group aims to maintain an optimal ratio of net debt (loans and bonds, less current loans for the financing of gas inventory and cash and cash equivalents) to equity and the level of assets and liabilities utilising the high rating of the Group to obtain low-cost external funds.

	31/12/2023	31/12/2022
Bank loans and bonds issued	2 607	4 773
Less: current debts for the financing of gas inventory	--	-2 412
Less: cash and cash equivalents	-5 964	-1 871
Net debt (+) / surplus (-)	**-3 357**	**490**
Total equity	**9 206**	**9 373**
Net debt to equity ratio	**-0.365**	**0.052**

(f) Fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value:

	Carrying amount at 31/12/2023		Fair value at 31/12/2023		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Commodity forwards	925	--	--	925	--
Commodity swap	--	22	--	22	--
Commodity futures	122	--	--	122	--
Currency forward	69	3	--	72	--
Interest rate swap	188	2	--	190	--
Financial assets measured at fair value					
Commodity forwards	-1 242	-1 243	--	-2 485	--
Commodity futures	-256	--	--	-256	--
Currency forward	-20	--	--	-20	--

Consolidated financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

	Carrying amount at 31/12/2022		Fair value at 31/12/2022		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Commodity forwards	4 100	--	--	4 100	--
Commodity futures	784	--	--	784	--
Currency forward	63	--	--	63	--
Interest rate swap	338	5	--	343	--
Financial liabilities measured at fair value					
Currency swap	-16	--	--	-16	--
Commodity forwards	-6 031	--	--	-6 031	--
Commodity futures	-3	--	--	-3	--
Currency forward	-136	--	--	-136	--

Inventory of gas for trading is measured at fair value with carrying amount of CZK 597 million under Level 2.

The fair values of financial derivatives fulfil the criteria of level 2 in compliance with the IFRS 13 hierarchy (the fair values are derived from market quotations of forward exchange rates, commodity prices and yield curves, however the financial derivatives are not directly traded in active financial markets).

In 2023 and 2022, there were not transfers between individual levels of the fair value hierarchy.

31. Items not recognised in the statement of financial position

The Group records issued non-bank guarantees for the liabilities of related companies in the amount of CZK 242 million (2022: CZK 544 million). Out of that CZK 121 million (2022: CZK 118 million) was issued in favour of the State of Hessen in Germany in connection with provision of natural gas storage services by MND Energy Storage Germany GmbH in Germany. This liability is fully offset by a financial guarantee issued by MND Group AG in favour of the Group.

The Group records the bank guarantees received in the amount of CZK 1 million (2022: CZK 18 million) for liabilities of the Group's customers.

32. Material subsequent events

Following the resolution of the general meeting of Moravia Gas Storage a.s. to increase its share capital, MND a.s. subscribed for new shares with a total nominal value of CZK 36 million. As a result of the subscription, MND a.s. increased its share on the registered capital and voting rights from 50% to 97.37% resulting in obtaining control over Moravia Gas Storage a.s. The completion of the transaction was subject to regulatory approvals and other legal factors. The transaction was completed on 9 February 2024 and from that date, Moravia Gas Storage a.s. is fully consolidated.

The acquisition accounting is ongoing. The purchase price allocation and the fair value measurement of assets acquired and liabilities assumed were not completed before these financial statements were authorised for issue.

There were no events subsequent to year end that would have a significant impact on consolidated financial statements as at 31 December 2023.

Date:	Signature of the statutory body:	
24 May 2024	Miroslav Jestřabík Member of the Board of Directors	Jiří Ječmen Member of the Board of Directors

IV. Separate financial statements of MND as at 31 December 2023

prepared in accordance with International Financial Reporting Standards
as adopted by the European Union

Note

The financial statements have been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Separate statement of financial position	**Note**	**31/12/2023**	**31/12/2022**
Assets			
Land		228	207
Buildings and structures		744	756
Oil and gas wells		1 375	1 397
Machinery and equipment		410	414
Other tangible fixed assets and assets under construction		304	152
Property, plant and equipment	4	*3 061*	*2 926*
Intangible assets	5	26	21
Investments in subsidiaries	6	4 518	4 012
Investments in joint ventures and associates	6	451	415
Non-current trade and other receivables	8	329	277
Non-current receivables from derivative financial instruments	16	716	718
Other non-current investments	7	46	41
Non-current financial assets		*6 060*	*5 463*
Deferred tax asset	25	117	181
Total non-current assets		**9 264**	**8 591**
Inventories	10	848	2 271
Current trade and other receivables	8	2 525	3 605
Income tax receivables		299	-
Current receivables from derivative financial instruments	16	1 935	4 498
Other current financial assets	9	1 506	2 683
Cash and cash equivalents	11	666	1 068
Total current assets		**7 779**	**14 125**
Total assets		**17 043**	**22 716**

The notes form an integral part of these separate financial statements.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Separate statement of financial position (continued)	**Note**	**31/12/2023**	**31/12/2022**
Liabilities and equity			
Equity			
Share capital	12	1 000	1 000
Capital contributions and other reserves		1 440	1 420
Retained earnings and profit/loss for the current period		5 792	5 144
Equity attributable to the shareholder of the Company		*8 232*	*7 564*
Total equity		**8 232**	**7 564**
Liabilities			
Loans and bonds issued - non-current portion	13	2 193	2 188
Non-current lease liabilities	14	304	291
Non-current trade and other payables	15	122	99
Non-current liabilities from derivative financial instruments	16	271	1 118
Non-current provisions	17	1 702	1 495
Total non-current liabilities		**4 592**	**5 191**
Loans and bonds issued - current portion	13	2	2 414
Current lease liabilities	14	38	31
Current trade and other payables	15	1 551	2 090
Income tax liabilities		--	80
Current liabilities from derivative financial instruments	16	2 540	5 257
Current provisions	17	88	89
Total current liabilities		**4 219**	**9 961**
Total liabilities		**8 811**	**15 152**
Total equity and liabilities		**17 043**	**22 716**

The notes form an integral part of these separate financial statements.

Separate statement of comprehensive income	Note	2023	2022
Revenue	18	54 376	216 964
Other operating income	19	671	1 178
Total income		**55 047**	**218 142**
Materials and goods used	20	-51 606	-214 623
Services used	20	-885	-491
Personnel expenses	21	-426	-409
Depreciation, amortisation and impairment	22	-512	-587
Other operating expenses	23	-463	-433
Result from operating activities		**1 155**	**1 599**
Interest income	24	88	35
Other finance income	24	98	772
Finance costs	24	-442	-286
Result from financing activities		**-256**	**521**
Profit or loss before tax		**899**	**2 120**
Income tax expense	25	-251	-338
Profit or loss for the year		**648**	**1 782**
Items that are or may be reclassified to profit or loss:			
Change in fair value of hedging instruments, net of tax		20	--
Change in fair value of hedging instruments reclassified to profit or loss, net of tax		--	76
Other comprehensive income/loss for the year (net of tax)	26	**20**	**76**
Total comprehensive income/loss for the year		**668**	**1 858**

Separate statement of comprehensive income	Note	2023	2022
Basic earnings / loss (-) per share (in thousands of Czech crowns)	12	12.96	35.64
Diluted earnings / loss (-) per share (in thousands of Czech crowns)		12.96	35.64

The notes form an integral part of these separate financial statements.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Separate statement of changes in equity

2023	Share capital	Other contributions and reserves	Hedging reserve	Retained earnings	Profit (+)/Loss (-) for the year	Total equity
Balance at 1 January 2023	**1 000**	**1 420**	**--**	**3 362**	**1 782**	**7 564**
Profit or loss for 2023	--	--	--	--	648	648
Other comprehensive income/loss	--	--	20	--	--	20
Total comprehensive income/loss	**--**	**--**	**20**	**--**	**648**	**668**
Transactions with owners of the Company, reported directly in equity:						
Reallocation of profit for 2022	--	--	--	1 782	-1 782	--
Total transactions with owners of the Company, reported directly in equity	--	--	--	--	--	--
Balance at 31 December 2023	**1 000**	**1 420**	**20**	**5 144**	**648**	**8 232**

2022	Share capital	Other contributions and reserves	Hedging reserve	Retained earnings	Profit (+)/Loss (-) for the year	Total equity
Balance at 1 January 2022	**1 000**	**1 420**	**-76**	**3 645**	**-283**	**5 706**
Profit or loss for 2022	--	--	--	--	1 782	1 782
Other comprehensive income/loss	--	--	76	--	--	76
Total comprehensive income/loss	**--**	**--**	**76**	**--**	**1 782**	**1 858**
Transactions with owners of the Company, reported directly in equity:						
Reallocation of profit for 2021	--	--	--	-283	283	**--**
Total transactions with owners of the Company, reported directly in equity	**--**	--	--	-283	283	--
Balance at 31 December 2022	**1 000**	**1 420**	--	**3 362**	**1 782**	**7 564**

The notes form an integral part of these separate financial statements.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Separate statement of cash flows	**Note**	**2023**	**2022**
Operating activities			
Net profit (+) / loss (-) for the year		648	1 782
Adjustments for:			
Interest expense (net of interest income)	24	97	209
Tax expense (+) / income (-)	25	251	338
Effect of currency translation (gains - / losses +)	24	22	25
Depreciation of property, plant and equipment	22	467	556
Amortisation of intangible assets	22	5	4
Depreciation of right of use	22	50	68
Impairment of property, plant and equipment	22	-10	-41
Income from dividends and current financial assets	24	-98	-386
Non-cash changes of financial derivatives		-976	-4 383
Non-cash changes of inventories		3	-1
Gain (-) / loss (+) on sale of non-current assets	19	-2	-1
Cash flow from operating activities before changes in working capital and provisions		**457**	**-1 830**
Increase (+) / decrease (-) in provisions		-68	-31
Increase (-) / decrease (+) in inventories		1 421	2 311
Increase (-) / decrease (+) in receivables		707	2 577
Increase (+) / decrease (-) in current liabilities		-268	-465
Cash flows from operating activities		**2 249**	**2 562**
Interest paid		-118	-215
Income tax paid		-572	-193
Net cash flows generated from operating activities		**1 559**	**2 154**
Investing activities			
Proceeds from sale of non-current assets	19	2	5
Profit shares received (dividends) and payments from Other capital funds received	24,6	--	469
Income from current financial assets	24	98	29
Interest received	24	88	35
Acquisition of property, plant and equipment and intangible assets	4,5	-346	-415
Investments in subsidiaries and joint ventures, net of cash acquired		-542	-41
Decrease (+) / Increase (-) in current financial assets, net		1 173	-2 312
Cash flows from investing activities		**473**	**-2 230**
Financial activities			
Drawing of loans and borrowings	13	1 209	18 749
Repayment of loans and borrowings	13	-3 606	-18 721
Payments of lease liabilities	14	-37	-31
Cash flows from financing activities		**-2 434**	**-3**
Net decrease (-) / increase (+) in cash and cash equivalents		-402	-79
Cash and cash equivalents at 1 January	11	**1 068**	**1 147**
Cash and cash equivalents at 31 December	11	**666**	**1 068**

The notes form an integral part of these separate financial statements.

Notes to the separate financial statements

Contents

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

1. General information about the Group

1.1. Description

MND a.s. ("the Company") was established by its sole founder on 30 September 2008 under the original corporate name ORTOKLAS a.s. The Company was incorporated on 3 November 2008 and is recorded in the Commercial Register maintained by the Regional Court in Brno under file number B 6209. The Company's registered office is at Úprkova 807/6, Hodonín, post code 695 01, identification number 284 83 006.

1.2. Current economic situation

At the end of February 2022, ongoing political tensions between Russia and Ukraine escalated into conflict with Russia's military invasion of Ukraine. The global response to Russia's violation of international law and aggression against Ukraine has been the imposition of extensive sanctions and restrictions on business activities in Russia and business trade with Russia and Russian companies. Uncertainty about future developments resulted in increased volatility in financial and commodity markets and other negative consequences for the economy. The Company took steps to mitigate the impact of the situation on its activities, in particular by temporarily halting commodity trading, reducing the size of leased natural gas storage facilities and suspending the acquisition of new customers in the sale of gas and electricity. In the second half of 2022, the Company gradually resumed commodity trading and by the end of the year also resumed the acquisition of new customers. As at 31 December 2023, the Company had a financial investment in its subsidiary MND Ukraine a.s. with a book value of CZK 455 million, a long-term loan provided to Oriv Windpark LLC with a book value of CZK 284 million and a trade receivable from Horyzonty LLC in the amount of CZK 4 million.

1.3. Principal activities

The principal business activities of the MND Group are:
- trading in energy commodities;
- exploration and production of oil and natural gas;
- investment in renewable energy sources and the development of new technologies.

1.4. Statutory body and supervisory board

The board of directors as at 31 December 2023:

Chairman of the board of directors:	Mr. Karel Komárek
Member of the board of directors:	Mr. Jiří Ječmen
Member of the board of directors:	Mr. Miroslav Jestřabík

Supervisory board as at 31 December 2023:

Chairman of the supervisory board:	Mr. Robert Kolář
Member of the supervisory board:	Mr. Pavel Šaroch
Member of the supervisory board:	Mr. Josef Novotný

1.5. Sole shareholder of the Company as at 31 December 2023

MND Group AG	100 %
Registered office:	Kapellgasse 21, 6004 Lucerne, Switzerland

The Company together with its parent company MND Group AG are part of the consolidation unit of KKCG AG based in Switzerland. The ultimate owner is VALEA FOUNDATION registered in Liechtenstein, whose designated beneficiary is Mr. Karel Komárek.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

(b) Basis of measurement

The separate financial statements have been prepared on a going concern basis, using the historical cost method, unless otherwise stated in the accounting policies.

(c) Functional and presentation currency

The functional currency of the Company is the Czech crown (CZK).

These financial statements are presented in Czech crowns (CZK). All financial information reported in the financial statements is rounded to the nearest millions (MCZK, CZK million), except when otherwise indicated.

(d) Use of significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the Company management to make assumptions based on its own judgement in applying accounting policies. Consequently, the actual results often differ from these estimates.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are reported in the period in which the estimate is revised, if the revision impacts only this period, or in the revision period and future periods, if the revision impacts the current and future periods.

Judgements that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Impairments. Impairment calculations require the use of various estimates and assumptions depending on the business activity of the Company. The most significant estimates influencing the impairment models are commodity prices, oil and gas reserves, future production profiles, gross margins, operating expenses and discount rates. (Notes 4 and 5; accounting policy 3f);
- Provision for decommissioning, renewals and restorations. The Company establishes a provision for the renewal and restoration of areas affected by oil and gas extraction and provision for decommissioning of assets. Most of these activities will be performed in the distant future whereas decommissioning technologies, costs and environmental and safety regulations are constantly changing. The most significant estimates entering the provision calculation model are stated above. The Company also includes costs and timing of the decommissioning activities, expected inflation and discount rates. Note 17; accounting policy 3(j).

(e) Determination of fair value (Note 28)

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is defined as a price that would be received from the sale of an asset or paid for assuming a liability in an arm's length transaction between market participants at the measurement date irrespective of whether the price is directly observable or determined using an estimate carried out based on valuation methods. Fair values are determined based on quoted market prices, discounted cash flows or by means of valuation methods.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value hierarchy

The Company applies the following hierarchy for determining and disclosing the fair value of financial instruments by valuation method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: other input-based methods that have a significant impact on the reported fair value and that are observable either directly or indirectly
- Level 3: input-based methods that have a significant impact on the reported fair value and that are not based on observable market data

Potential transfers between individual levels are described in Note 289 Risk management, in part (f).

(f) New standards effective from 1 January 2023

The preparation of these financial statements involved the use of the following new or amended standards and interpretations, whose initial application is required for annual periods beginning on 1 January 2023.

Amendment to IAS 1: Preparation and disclosure of financial statements: Disclosure of accounting policies

The Company applied the amendments to IAS 1 for the first time in the current accounting period. The amendments change the requirements regarding the disclosure of accounting rules. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Following standards and amendments did not have any material impact on the Company's separate financial statements.

- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IFRS 17: Insurance contracts- Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IAS 12: Income Taxes- Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12: Income taxes - International Tax Reform – Pillar Two Model Rules

(g) Standards, interpretations and amendments adopted by the EUbut not effective

The following new Standards, Amendments and Interpretations have been approved by the EU, but were not effective for the period ending 31 December 2023 and were not applied in the preparation of these separate financial statements.

Effective date 1 January 2024 or later:

- Amendments to IFRS 16: Leases: Lease liability in a sale and leaseback
- Amendments to IAS 1: Classification of liabilities as current or non-current
- Amendments to IAS 1: Non-current liabilities with Covenants

(h) Standards, interpretations and amendments issued before 31 December 2023 but not yet adopted by the EU

The following new standards, supplements and interpretations have been issued but not yet approved by the EU and have not been applied in the preparation of these separate financial statements.

Effective date January 1, 2024 and later:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not specified)
- Amendments to IAS 7: Supplier Finance Arrangements (IASB effective from 1 January 2024)
- Amendments to IAS 21: Lack of Exchangeability (IASB effective 1 January 2025)

The Company does not expect that the adoption of the above amendments to the existing standards will have a material impact on the Company's separate financial statements in future financial years.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value at the date of acquisition are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss, except for financial instruments to hedge cash flows, which are recognised in other comprehensive income.

(b) Property, plant and equipment

i. Owned assets

Property, plant and equipment consists of buildings and structures, oil and gas wells, production machinery, machinery and equipment, information technology, motor vehicles, fixtures and fittings and other property, plant and equipment. Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy 3(f) ii).

The cost of self-constructed property, plant and equipment (including oil and gas wells) comprises the consumption of materials, wages and a portion of overhead costs directly associated with the production. Cost also includes an estimate of costs of dismantling and removing the items, as well as costs of land restoration.

The acquisition cost does not include administrative or other overhead costs or an initial operating loss. Research and development expenditure is not capitalised. Borrowing costs that are directly attributable to the acquisition of the relevant asset are capitalised until the acquisition is completed.

ii. Exploration costs

Costs incurred in the search and exploration for new oil and/or gas deposits including costs of wells are charged directly to expenses as incurred, with the exception of costs associated with successful exploratory wells ("the successful effort method"). Costs associated with successful exploratory wells are capitalised as property, plant and equipment if they are expected to provide future economic benefits and if they relate to wells under construction or wells that have not yet been assessed, no later than the end of the reporting period on condition that we do not have information that the well is unsuccessful. In case a capitalised well is subsequently assessed as unsuccessful, the capitalised expenditures are written off to expenses. The capitalised costs are tested for impairment at the end of each reporting period (see accounting policy 3(f) ii). Once the wells start to be used for commercial purposes, depreciation of these capitalised costs over the estimated life of the wells is commenced.

iii. Right of use of leased assets

Contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of the time in exchange for consideration. For such contracts a lessee recognizes a right of use asset and a lease liability. The right of use of asset is depreciated and the liability accrues interest.

Right of use of asset is initially measured in the amount of recognized lease liability, plus advance payments or related accrued payments, less rent concessions. Further, the initial measurement of right of use should be increased by the following items, when significant:

- initial direct lease costs paid by the lessee, and
- provision for estimated costs of dismantling and removal of the identified asset or restoration of the site where the asset was installed.

Right of use asset and leasing liability are not recognized for short-term leases (when the lease maturity is 12 months or less) and for low value leased asset (the value below CZK 120 000 or EUR 4 500). Payments of these leases are recognised in the statement of comprehensive income as an expense over the term of the lease.

iv. *Subsequent costs*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company, and the expenditure can be measured reliably. All other expenses, including the costs of regular servicing of property, plant and equipment, are recognised directly in profit or loss.

v. *Depreciation expense*

Property, plant and equipment are depreciated on a straight-line basis. Land is not depreciated. Right of use assets are depreciated over the shorter of the useful life of the asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case depreciation is over the useful life.

The estimated useful lives for the individual categories of property, plant and equipment are as follows:

Buildings and halls	20 - 50 years
Structures	20 - 30 years
Oil and gas wells	expected production period
Machinery and equipment	3 - 15 years
Information technology	3 - 6 years
Motor vehicles	4 - 10 years
Inventory	3 - 14 years
Other property, plant and equipment	4 - 12 years

The oil and gas wells and related property are being depreciated for its estimated production life which ranges from 3 to 25 years and is based on expected length of production of hydrocarbons.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(c) Intangible assets

i. *Software and other intangible assets*

Software and other intangible assets that are acquired by the Company and have finite (definite) useful lives are measured at cost less accumulated amortisation and any impairment losses.

ii. *Subsequent costs*

Subsequent expenditure in respect of intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iii. *Amortisation expense*

Apart from goodwill and other intangible assets with an indefinite useful life, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Software	3 - 6 years
Licences	2 - 6 years
Other intangible assets	3 - 6 years

iv. Research

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in profit or loss in the period when they were incurred.

(d) Investments in subsidiaries and joint ventures

Subsidiaries are entities in which the Company controls financial and operational procedures. The Company is deemed to control subsidiaries following the satisfaction of requirements set by IFRS 10 - Consolidated Financial Statements. Among other things, these include the situation when the Company holds more than 50% of voting rights in another entity and other matters that would deny the control do not form an obstacle.

Joint ventures are entities over whose activities the Company exercises joint control, which arose from a contractual agreement and requires unanimous consent in case of strategic financial and operational decisions.

Investments in subsidiaries and joint ventures are recognised using the 'deemed' cost, which comprises the carrying amount based on Czech Accounting Standards as at the date of first adoption of IFRS, i.e. 1 January 2017 (the Company used the equity method valuation based on Czech Accounting Standards) that is impacted by potential cash and non-cash contributions in the Company's capital and distributions from the Company's capital and in the following periods. Investments in new subsidiaries or joint ventures are measured at acquisition cost.

(e) Financial instruments

i. Financial assets at amortised cost

Financial instruments held within a business model whose objective is to hold financial assets in order to collect contractual cash flows are measured at amortised cost. Contractual cash flows are solely payments of principal and interest.

This category includes mainly (short-term and long-term) trade and other receivables, provided loans and borrowings, restricted cash and other short-term financial assets (e.g. receivables arising from cash pooling agreements).

In compliance with IFRS 9, the Company calculates effective rate of return at initial recognition, reflecting the relation between actually invested funds and future investment income. The effective interest rate is used as a discount factor for calculating premium or discount that is subsequently amortised over the lifetime of the financial asset.

At the same time, the Company tests the value of assets held in compliance with IFRS 9.

Allowances for financial assets are recognised in the amount of the expected credit loss of the relevant financial asset. Expected losses are reported in the profit or loss from operating activities (Note 3f).

Amortised cost is the amount at which a financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and, for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the amount payable upon maturity using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the separate statement of financial position.

Trade and other receivables, loans provided

Trade and other receivables, loans provided are initially recognized on the date when they are originated and measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, less any impairment losses, if they are held to collect the cash flows and not expected to be sold.

When applying amortised cost, any difference between the cost and the value upon redemption is recognized in the statement of comprehensive income over the duration of the asset or liability, using the effective interest method.

The Company derecognizes trade receivables, other receivables and loans provided when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

ii. Financial assets measured at fair value through other comprehensive income ("FVOCI")

FVOCI is the classification of financial instruments for which dual business model applies, i.e. they are held for the purposes of both collecting contractual cash flows and selling financial assets. Contractual cash flows of instruments in this category are solely payments of principal and interest.

At initial recognition, an entity may classify an equity instrument as measured at FVOCI based on an irrevocable election. This option may be applied only in respect of instruments that are not held for trading and do not constitute derivatives.

Changes in the fair value of debt instruments measured at FVOCI are reported in other comprehensive income. Interest income, foreign exchange gains/losses and impairment losses are immediately reported in profit or loss. Changes in the fair value previously reported in other comprehensive income are reclassified to profit or loss at the moment the debt instrument is sold.

Gains or losses recognised in other comprehensive income for capital instruments are never reclassified from equity to profit or loss.

iii. Financial assets measured at fair value through profit or loss ("FVTPL")

A financial instrument is classified as measured at FVTPL if it is held for trading or within a business model whose objective is to manage a financial asset on the basis of fair value, i.e. it will be realised through sale, in contrast to the objective of holding this asset to obtain contractual cash flows. This category presents the "initial" or "residual" category, unless the requirements for classifying a financial asset as a financial asset at amortised cost or a financial asset at FVOCI are met. At initial recognition, the related transaction costs are reported in profit or loss at the moment they are incurred. Financial instruments at FVTPL are measured at fair value and their changes are reported in the profit or loss from financing activities.

iv. Financial derivatives and hedging instruments

The Company holds derivative financial instruments for trading in electricity, gas and emission allowances, and to hedge its currency, interest rate and commodity risk exposures arising from its operating, financial and investment activities. Derivatives that are not classified as hedging derivatives, are recognised as derivatives held-for-trading.

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

All derivative transactions designated as hedging instruments are documented and the effectiveness of individual hedge relationships is evaluated on continuous basis. The Company decided to apply hedge accounting in accordance with IAS 39 after the application of IFRS 9 and so therefore maintains documentation of the hedge relationship between the hedged item and the hedging derivative in line with IAS 39.

The Company applies hedge accounting if:

- the hedge is in line with the Company's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- the hedge relationship is expected to be effective throughout its duration,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is effective throughout the accounting period, i.e. changes in the fair value or cash flows of the hedging instruments attributable to the hedged risk are within a range of 80 - 125% of the changes in the fair value or cash flows of the hedged instruments attributable to the hedged risk, and
- for cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

The hedging documentation contains information about the following:

- hedging derivatives,
- hedge effectiveness, and
- hedged items and risks that are being hedged.

Changes in the fair value of the derivative hedging instrument or designated non-derivative financial liability designated as a cash flow hedge are recognized directly in the other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss for the period.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity as a "Hedging reserve" remains there until the forecast transaction occurs. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the associated gains and losses that were recognised in other comprehensive income are included in the initial cost or other carrying amount of the asset or liability.

In other cases, the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

If cash flows relating to recognized foreign currency receivables are hedged by other hedging instruments (e.g. designating foreign currency payables as the hedging instruments), the accounting treatment is the same as the treatment for hedging with financial derivatives.

The Company decided to apply cash flow hedge accounting to mitigate following risks:

Interest rate risk

The risk that is being hedged relates to change in future cash flows due to change in interest rates. The hedged items are future interest payments of long-term debts that are hedged by interest rate swaps (the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

Foreign currency rates risk

The risk that is being hedged relates to change in future cash flows due to change in foreign currency rates. The hedged items are future expected transactions that are hedged by hedging instruments (e.g. foreign currency payables/receivables designating as the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss.

Commodity price risk

The hedged items are cash flows from the sale of commodities that are hedged by commodity swaps (the hedging instruments). For cash flow hedges, a forecast transaction is highly probable and presents an exposure to variations in cash flows that could affect profit or loss. The risk that is being hedged relates to change in future cash flows due to change in prices of commodities sold.

Trading derivatives

Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives. Changes in the fair value of trading derivatives are recognized immediately in profit or loss.

Commodity contracts

Except for contracts for the purchase and sale of commodities concluded for the purpose of serving the Company's portfolio of end customers, the Company enters into commodity trading contracts for the purpose of generating a profit from short-term price fluctuations or traders' margin. The Company systematically settles similar contracts on a net basis. The net settlement is realised either through exchange-traded instruments or via bilateral agreements by entering into offsetting contracts or through the sale of a contract prior to settlement.

These contracts typically require no initial net investment and are settled at future dates thereby meeting the definition of derivative contracts. Simultaneously, they can no longer qualify for exemption applied for physical purchase and sale of non-financial asset because they are exchange-traded or routinely net settled as described above.

Forward contracts for the purchase and sale of gas and electricity, contracts for physical natural gas storage, contracts for gas flexibility service (virtual natural gas storage) and contracts for security of supply that can be settled net in cash or another financial instrument and which do not serve the purposes of the expected receipt or delivery of a commodity are considered financial instruments under IFRS 9 and they are measured at fair value through profit or loss and recognised as trading derivatives. Changes in their fair value are recognised in the profit or loss from operating activities.

Delivery of the commodity under commodity contracts is recognised either in inventory, or in revenues and cost of sales at fair value of the commodity, when the commodity is delivered

Changes in the fair value of commodity and currency derivative financial instruments are recognised in the profit or loss from operating activities; changes in the fair value of interest rate derivative instruments are reported in the profit or loss from financing activities.

v. Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: trade and other payables, interest-bearing loans and borrowings, bonds issued and lease liabilities. These financial liabilities, other than financial liabilities at fair value through profit or loss, are recognised initially on the settlement date at fair value plus any directly attributable transaction costs. Subsequently, financial liabilities, are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

vi. Current and non-current loans

Current and non-current loans are initially recognised at fair value and subsequently measured at amortised cost. A part of non-current loans due within one year of the end of the period are recognised as current loans.

vii. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and recognised in the balance sheet on a net basis if and only if the Company has a legally enforceable right for the offsetting and intends to settle them on the net basis.

(f) Impairment

i. Financial assets

IFRS 9 *Financial Instruments* introduces a model for impairment of financial assets and contract assets that are measured at amortised cost or fair value through other comprehensive income (FVOCI) – so called “expected credit losses” or “ECL” model.

The Company recognises an allowance based on expected credit losses for financial assets measured at amortised cost.

Measurement of ECLs

Simplified approach – Provisioning Matrix

Provisioning Matrix approach can be used for financial assets, which do not contain significant financing component. The Company applies this model primarily to short-term trade receivables.

In the provisioning matrix approach, impairment is calculated using the historical loss rate and adjusted for forward looking information. The Company monitors macroeconomic development of GDP and Czech National Bank forecast.

Significant receivables are assessed individually using expected discounted cash-flows method and an expert-based approach.

Significant increase in credit risk is not assessed for trade receivables subject to provisioning matrix approach as they are always measured at Lifetime ECL.

Standard ECL model – Stage model

The Company assesses, on a forward-looking basis, the ECL for the exposures arising from loans and borrowings and from other financial assets.

The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Long-term restricted cash, long-term trade and other receivables from government contracts, short-term financial assets, cash and cash equivalents and term deposits that are placed at strong and stable credit institutions that are meeting all requirements for capital and liquidity stipulated in Basel III are considered by the Company as assets with „low credit risk ". In these cases the Company applies the "low credit risk" exemption from standard ECL model and therefore do not assess a significant increase in credit risk for these assets.

The Company considers a financial asset to be in default, if:

- it is probable that the debtor will fail to pay its liabilities to the Company in full without the Company's intervention in form of realising security (if it has any); or
- the financial asset is more than 90 days past due.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or a group of assets (the "cash-generating unit", or "CGU") exceeds its recoverable amount. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Inventories

Inventories required for providing operating services are measured at the lower of cost and net realisable value.

The cost of inventories comprises the purchase price and costs directly associated with the acquisition. Acquisition costs are reduced with rebates, trade discounts and other similar items. Interest on loans received to acquire inventories (borrowing costs) is not capitalised.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Inventories of gas in underground gas storages are measured at fair value less costs to sell. Changes in the fair value less cost to sell of these inventories are recognised in the profit or loss from operating activities as Gain/Loss from trading in commodity contracts.

Work in progress and own products are measured at own cost, which also includes the appropriate part of production overheads determined based on normal operating capacity. Selling costs are not capitalised.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at the bank and short-term highly liquid investments (including fixed-term deposits) with original maturities of up to three months of the acquisition date. Bank overdraft accounts with a negative balance are not included in the statement of cash flows.

(i) Equity

Share capital

The Company’s issued share capital has been paid up in full. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity.

(j) Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision for decommissioning, renewal and restoration

The Company establishes a provision for renewal and restoration of land affected by production of oil and gas and also a provision for the decommissioning of assets. The amount of the provision is the best estimate of the expenditure needed to cover a liability at the end of the reporting period. The provision is adjusted to reflect the current estimate at the end of the period. The estimates of costs incurred on decommissioning of assets, renewal and restoration of land are based on current prices and the estimated inflation and are discounted using the market risk-free interest rate.

Actual expenses incurred for decommissioning, renewal and restoration during the year may differ from the estimates as a result of changes in regulations and technologies, an increase in personnel expenses, an increase in prices of raw materials and equipment or in the time needed to complete decommissioning, renewal and restoration, or a change in the inflation rate or long-term real interest rates.

The initial discounted expenses related to the decommissioning of property, plant and equipment are recognised as part of property, plant and equipment and depreciated over the estimated life of that asset.

Year-on-year changes relating to a future liability in connection with the decommissioning of property, plant and equipment that arise due to the change in estimates of future cash flows necessary to settle this liability or as a result of a change in the estimated real interest rate, are reflected as an increase in or decrease of capitalised property, plant and equipment in compliance with IFRIC 1.

The Company also establishes a provision for other liabilities with uncertain timing or value.

(k) Revenue and other operating income

i) Revenue (revenue from contracts with customers)

The Company’s revenue includes in particular revenue from trading in gas and electricity, revenue from the sale of gas and electricity to end customers, revenue from the sale of produced oil and gas, revenue from the sale of goods, and revenue from the provision of services (see Note 18).

The revenue is recognised at the moment the control over goods or services supplied is transferred to the customer in the amount of anticipated consideration that the Company expects it should receive for the goods or services. The Company applies a five-step model defined in IFRS 15 to determine the amount, time and method of revenue recognition. The amount of consideration that the Company expects to be entitled to is the transaction price. In determining the transaction price, the following factors are considered: the estimate of the variable portion of consideration (provided discounts, compensations, bonuses, sanctions and other similar items), the time value of money in case the contract contains a significant financing component, the fair value of potential non-monetary consideration, a portion of value that the customer will not pay (e.g. discount vouchers). The method and moment of revenue recognition depends on the method of control transfer: satisfaction of obligation at a point in time is reported at the moment the control over goods or services is transferred, satisfaction of obligation over time is recognised over the period during which the entity satisfies performance obligation. The Company measures revenue from satisfaction of obligation over time using the input method, i.e. the revenue is reported based on expenses incurred on satisfying the obligation in relation to the total expected expenses, with the exception of revenue from the sale of gas and electricity to end customers that is measured using the output method, as described below.

Contract costs

The Company provides sales agents with commissions as remuneration for activities that lead to obtaining new customers for the sale of gas and electricity. The costs of acquiring a contract are recognised if an entitlement to the commission arises at the moment the contract with the customer is actually obtained and the commission would not be paid had the contract not been obtained. Capitalised contract costs are subsequently recognised in profit or loss over the term of the contract or over 5 years for contracts for an indefinite period.

Sale of oil

The Company sells produced and purchased oil to its customers based on annual or long-term contracts on oil supplies. Customers obtain control over the product at a place agreed for product delivery. The Company classifies revenue as satisfaction of obligation over time that is recognised for a calendar month depending on the actual volume of supplies. Contracts do not contain a financing component, because the invoices are payable within 30 days.

Sale of electricity and gas to end customers

The sale of gas and electricity to end customers is carried out based on contracts on combined gas or electricity supply services which include the supply of the commodity itself together with distribution services. Distribution services are provided to the Company by local distribution companies. The access to these services and their prices is regulated. The prices for distribution services form part of the price for combined services provided to the customers. The Company recognises the full amount of revenue for services, including the portion of distribution services, because it provides these services for itself (i.e. the Company is the principal).

The services of gas and electricity supplies for corporate customers are usually invoiced once per month or quarter, based on the actual consumption ascertained at consumption reading. Customers pay advances at a fixed amount on a monthly basis. Uninvoiced supplies of gas and electricity are recognised as contract assets. Advances received are recognised as contract liabilities.

When concluding a contract, the price for services can contain a variable consideration as a result of discounts provided to customers. Discounts are provided from list prices and the customers are charged with the prices less discounts.

The Company classifies revenue as satisfaction of obligation over time. The Company recognises revenue using the output method based on the estimated energy supplies. Contracts do not contain a significant financing component because of the advances payment scheme and delivery performed within a short period of time.

ii) Other revenue

Revenue from trading in gas and electricity

Trading in gas and electricity is carried out based on framework contracts concluded under the EFET standard with other gas and electricity traders. Customers obtain control over the commodity at a delivery point which usually means a virtual point of the given gas or electricity grid. The Company classifies revenue as satisfaction of obligation over time that is recognised for a calendar month depending on the actual volume of supplies. Contracts do not contain a financing component, because the invoices are issued within a short period of time after the commodity is delivered and the invoices are payable within 30 days.

Revenue from ordinary transactions is recognised using agreed selling prices. Revenue from derivative commodity contracts that are settled by physical delivery is recognised at fair value of the given commodity at the beginning of the period of physical delivery.

iii) Other operating income

Lease income

Lease income from non-residential premises, office premises and moveable assets is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Grants

A conditional government grant is recognised initially in the statement of financial position as deferred income when there is reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised as income in the period they were incurred. Grants that compensate for the expenses incurred in connection with the acquisition of a non-current asset, are recognised in other operating income in the statement of comprehensive income over the useful life of the asset.

(l) Finance income and costs

Finance income comprises interest income on funds invested, gains on the disposal of financial assets, changes in the fair value of financial assets at fair value through profit or loss, unless these are commodity derivative financial instruments and derivatives held-for-trading arising from forward contracts for the purchase or sale of gas and electricity, foreign exchange gains, and gains from hedging instruments recognised in profit or loss.

Finance costs comprise interest expense on loans and borrowings, unwinding of discount on provisions, foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss, unless these are commodity derivative financial instruments and derivatives held-for-trading arising from forward contracts for the purchase or sale of gas and electricity, losses from the impairment of financial assets and losses from hedging instruments that are recognised in profit or loss.

(m) Income Tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income, apart from deferred tax recognised directly in equity.

Current tax includes the tax estimate calculated from the taxable income for the year using tax rates valid at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries and jointly controlled entities, if it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Payment of dividends

The payment of dividends to the Company's shareholders is recognised in the Company's financial statements as a liability in the period in which the payment of dividends is approved by the Company's shareholders.

(o) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

4. Property, plant and equipment

2023	Wells	Land	Right of use land	Buildings and structures	Right of use buildings and structures	Machinery and equipment	Right of use machinery and equipment	Tangible assets under constructio n	Other tangible assets	**Total**
Acquisition cost as at 1 January 2023	**4 973**	**127**	**131**	**1 207**	**269**	**1 253**	**2**	**132**	**24**	**8 118**
Accumulated depreciation and impairment as at 1 January 2023	**-3 576**	**-23**	**-28**	**-702**	**-18**	**-840**	**-1**	**--**	**-4**	**-5 192**
Net book value as at 1 January 2023	**1 397**	**104**	**103**	**505**	**251**	**413**	**1**	**132**	**20**	**2 926**
Additions	73	1	45	11	17	80	--	203	10	**440**
Disposals	--	-1	--	--	-3	--	--	13	-4	**5**
Transfers	--	--	--	28	--	3	--	-18	-13	**--**
Depreciation expense of the current year	-296	--	-25	-43	-24	-88	-1	-40	--	**-517**
Reversals of impairment of assets*)	5	--	--	2	--	2	--	--	1	**10**
Change in value	196	--	1	--	--	--	--	--	--	**197**
Net book value as at 31 December 2023	**1 375**	**104**	**124**	**503**	**241**	**410**	--	**290**	14	**3 061**
Acquisition cost as at 31 December 2023	**5 242**	**127**	**177**	**1 246**	**283**	**1 336**	**2**	**290**	**17**	**8 760**
Accumulated depreciation and impairment as a 31 December 2023	**-3 867**	**-23**	**-53**	**-743**	**-42**	**-926**	**-2**	**--**	**-3**	**-5 699**

In 2023, no borrowing costs were capitalized due to insignificance.
*) see Note 22 for more information on the impairment of non-current assets.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

2022	Wells	Land	Right of use land	Buildings and structures	Right of use buildings and structures	Machinery and equipment	Right of use machinery and equipment	Tangible assets under constructio n	Other tangible assets	**Total**
Acquisition cost as at 1 January 2022	**4 707**	**103**	**118**	**1 169**	**229**	**1 222**	**2**	**134**	**11**	**7 695**
Accumulated depreciation and impairment as at 1 January 2022	**-3 484**	**-23**	**-33**	**-699**	**-17**	**-772**	**-1**	**--**	**-4**	**-5 033**
Net book value as at 1 January 2022	1 223	80	85	470	212	450	1	134	7	**2 662**
Additions	215	24	41	27	21	46	1	95	13	**483**
Disposals	--	--	--	--	--	-4	--	--	--	-4
Transfers	--	--	--	21	--	6	--	-27	--	--
Depreciation expense of the current year	-199	--	-42	-46	-24	-87	-1	-225	--	-624
Reversals of impairment of assets*)	6	--	--	33	--	2	--	--	--	41
Change in value	152	--	19	--	42	--	--	155	--	368
Net book value as at 31 December 2022	**1 397**	**104**	**103**	**505**	**251**	**413**	**1**	**132**	**20**	**2 926**
Acquisition cost as at 31 December 2022	**4 973**	**127**	**131**	**1 207**	**269**	**1 253**	**2**	**132**	**24**	**8 118**
Accumulated depreciation and impairment as a 31 December 2022	**-3 576**	**-23**	**-28**	**-702**	**-18**	**-840**	**-1**	**--**	**-4**	**-5 192**

In 2022, no borrowing costs were capitalized due to insignificance.
*) see Note 22 for more information on the impairment of non-current assets.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

5. Intangible assets

2023	Licences	Software	Intangible assets under construction	Total
Acquisition cost as at 1 January 2023	**3**	**132**	**15**	**150**
Accumulated depreciation and impairment as at 1 January 2023	**-3**	**-126**	**--**	**-129**
Net book value as at 1 January 2023	**--**	**6**	**15**	**21**
Additions	--	2	8	**10**
Transfers	--	3	-3	**--**
Disposals	--	--	--	**--**
Amortisation expense of the current year	--	-5	--	**-5**
Net book value as at 31 December 2023	**--**	**6**	**20**	**26**
Acquisition cost as at 31 December 2023	**3**	**137**	**20**	**160**
Accumulated depreciation and impairment as at 31 December 2023	**-3**	**-131**	**--**	**-134**

2022	Licences	Software	Intangible assets under construction	Total
Acquisition cost as at 1 January 2022	**3**	**128**	**12**	**143**
Accumulated depreciation and impairment as at 1 January 2022	**-3**	**-123**	**--**	**-126**
Net book value as at 1 January 2022	**--**	**5**	**12**	**17**
Additions	--	3	5	**8**
Transfers	--	2	-2	**--**
Disposals	--	--	--	**--**
Amortisation expense of the current year	--	-4	--	**-4**
Net book value as at 31 December 2022	--	6	15	**21**
Acquisition cost as at 31 December 2022	**3**	**132**	**15**	**150**
Accumulated depreciation and impairment as at 31 December 2022	**-3**	**-126**	**--**	**-129**

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

6. Investments in subsidiaries and joint ventures

31/12/2023	Ownership interest	Shares held	Nominal value of shares	Carrying amount at 31 December 2023
MND Drilling & Services a.s.	100%	74	211	1 421
MND Energy Storage a.s.	100%	2 438 001	1 749	1 943
MND Energie a.s.	100%	97 500	1 950	148
MND Ukraine a.s.	80%	20	2	455
MND Austria a.s.	100%	2	2	336
MND Wind s.r.o.	100%	--	--	3
MND GasInvestUA s.r.o.	100%	--	--	--
Moravia Gas Storage a.s.	50%	50	1	451
Oriv Holding a.s.	100%	2	2	6
FVE Tichá s.r.o.	100%	--	--	40
FVE Mušov I s.r.o.	100%	--	--	--
FVE Mušov II s.r.o.	100%	--	--	1
FVE Orlová I s.r.o.	100%	--	--	94
FVE Orlová I s.r.o.	100%	--	--	1
G2P Borkovany s.r.o.	100%	--	--	70
KBOC Director s.r.o.	100%	--	--	--
Total investments in subsidiaries and joint ventures				**4 969**

On 1 March 2024, the Company purchased MND Wind s.r.o., FVE Mušov II s.r.o. and G2P Borkovany s.r.o.
On March 22, 2023, the company FVE Mušov I s.r.o. was founded.
On 11 April 2023, MND GasInvestUA s.r.o. was founded.
On 2 June 2023, MND Austria a.s. was founded.
On 18 July 2023, the Company purchased shares in the companies FVE Orlová I s.r.o. and FVE Orlová II. s.r.o. The transfer of shares was completed on August 14, 2023.
On August 29, 2023, KBOC Director s.r.o. was founded.
In October 2023, the Company paid CZK 36 million for subscription of new shares of Moravia Gas Storage a.s. By the balance sheet date, the increase of share capital had not been entered in the company's commercial register.
During the accounting period, the Company increased the value of its investments through contributions to other capital funds of Oriv Holding a.s. of CZK 1 million, MND Austria a.s. of CZK 407 million, G2P Borkovany s.r.o. of CZK 70 million and MND Wind of CZK 3 million.
As at 31 December 2023, the Company created a provision of CZK 74 million to shares in MND Austria a.s.

31/12/2022	Ownership interest	Shares held	Nominal value of shares	Carrying amount at 31 December 2022
MND Drilling & Services a.s.	100%	74	211	1 421
MND Energy Storage a.s.	100%	2 438 001	1 749	1 943
MND Energie a.s.	100%	97 500	1 950	148
Oriv Holding a.s.	100%	2	2	5
FVE Tichá s.r.o.	100%	--	--	40
MND Ukraine a.s.	80%	20	2	455
Moravia Gas Storage a.s.	50%	20	1	415
Total investments in subsidiaries and joint ventures				**4 427**

On 23 August 2022, the Company purchased the company FVE Tichá s.r.o..

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

7. Other non-current investments

	31/12/2023	31/12/2022
Long-term restricted cash	4	1
Long-term restricted debt securities – at amortised cost	42	40
Total other non-current investments	**46**	**41**

Long-term restricted cash represents funds at a bank account to cover statutory provisions for renewal and restoration. For Credit quality see Note 28b) Credit risk. Long-term restricted debt securities represent a government bond worth CZK 42 million to cover statutory provisions for renewal and restoration.

8. Trade and other receivables

Non-current trade and other receivables	31/12/2023	31/12/2022
Non-current loans	308	260
Non-current trade receivables	1	1
Non-current refundable deposits	15	11
Non-current receivables – financial	**324**	**272**
Non-current trade advances	2	3
Non-current prepaid expenses	3	2
Non-current receivables - other	**5**	**5**
Total non-current trade and other receivables	**329**	**277**

For credit quality of non-current trade and other receivables see Note 28b) Credit risk.

Current trade and other receivables	31/12/2023	31/12/2022
Current trade receivables	1 046	1 659
Current refundable deposits	662	607
Current contract assets	--	10
Other current receivables	688	1 272
Current receivables - financial	**2 396**	**3 548**
Current trade advances	13	19
Current prepaid expenses	47	36
Current receivables from other taxes	69	2
Current receivables - other	**129**	**57**
Total current trade and other receivables	**2 525**	**3 605**

As at 31 December 2023, net overdue current receivables totalled CZK 2 million (as at 31 December 2022: CZK 2 million). As at 31 December 2023 an allowance for receivables totalled CZK 13 million (as at 31 December 2022: 13 million). For credit quality and amount of provision see Note 28b) Credit risk.

In 2023, other short-term receivables include a receivable from a clearing system member totalling CZK 676 million (2022: CZK 1 268 million).

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

9. Other current financial assets

	31/12/2023	31/12/2022
Other current financial assets	1 506	2 683
Total other current financial assets	**1 506**	**2 683**

Other current financial assets comprise receivables relating to cash-pooling contracts with KKCG Structured Finance AG.

This item is not considered a cash equivalent and is presented as part of investing activities in the statement of cash flows. For Credit quality see Note 28b) Credit risk.

10. Inventories

	31/12/2023	31/12/2022
Material	132	90
Goods	686	2 153
Own products (oil)	21	26
Work in progress and semi-finished products	2	--
Advances for inventories	7	2
Total inventories	**848**	**2 271**

In 2023, material includes an allowance for material of CZK 12 million (as at 31 December 2022: CZK 9 million).

Goods include gas for trading at a fair value of CZK 676 million (as at 31 December 2022: CZK 2 142 million).

11. Cash and cash equivalents

	31/12/2023	31/12/2022
Cash at bank	459	585
Cash equivalents	207	483
Total cash and cash equivalents	**666**	**1 068**

Cash equivalents represents excess cash at accounts of clearing system members. For Credit quality see Note 28b) Credit risk.

12. Equity

	31/12/2023	31/12/2022
Share capital	1 000	1 000

The share capital consists of 50 000 ordinary certificated registered shares with a nominal value of CZK 20 000 per share. The share capital has been fully paid-up. All shares have the same rights and no restrictions.

As at 15 August 2018, the imposition of a negative pledge on Company's shares was entered in the Commercial Register.

Other capital contributions arose as a result of the shareholder's monetary contributions to strengthen the Company's equity and the remeasurement of investments in subsidiaries and the joint venture using the equity method as at 1 January 2017 based on Czech Accounting Standards (at 31 December 2023: CZK 613 million) and a non-monetary contribution of an 80% share in MND Ukraine a.s. from the parent company MND Group AG.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Earnings per share

Profit (+) / loss (-) attributable to ordinary shareholders	**2023**	**2022**
Net profit (+) / loss (-) attributable to ordinary shareholders	648	1 782
Net profit (+) / loss (-) attributable to ordinary shareholders	**648**	**1 782**

Weighted average number of ordinary shares	**Number of shares**	**Weight**	**2023**	**2022**
Issued ordinary shares at 1 January	50 000	1	50 000	50 000
Issued ordinary shares at 31 December	50 000	1	50 000	50 000
Weighted average number of ordinary shares at 31 December	50 000	1	50 000	50 000
Basic earnings (+) / loss (-) per share for the year (in CZK thousand)			**12.96**	**35.64**
Diluted earnings (+) / loss (-) per share for the year (in CZK thousand)			**12.96**	**35.64**

13. Loans and bonds issued

This note provides an overview of the contractual terms and conditions governing interest-bearing loans and borrowings of the Company.

Non-current loans and bonds	31/12/2023	31/12/2022
Bonds issued – non-current portion	2 193	2 188
Total non-current loans and bonds	**2 193**	**2 188**

Current loans and bonds	31/12/2023	31/12/2022
Current bank loans	--	2 412
Bonds issued – current portion	2	2
Total current loans and bonds	**2**	**2 414**

As at 31 December 2023, the company had not drawn any short-term bank loans (as at 31 December 2022: CZK 2 412 million).

Based on the contractual terms of loans and bonds, the Company had to maintain specific financial debt covenant. As at December 31, 2023, the Company has fulfilled this covenant.

Bank loans

The bank loans are due as follows:

	31/12/2023	31/12/2022
Due within 1 year	--	2 412
	--	**2 412**

The loans received were secured in 2022 by pledged inventories of CZK 859 million, pledged receivables of CZK 1 127 million and pledged receivables from current accounts of CZK 513 million.

Interest rate on loan is based on EURIBOR and margin.

The transaction currencies of loans and bonds as at 31 December 2023 are EUR and CZK, of which the balance of loans with the EUR transaction currency is CZK 0 million (as at 31 December 2022: CZK 2 412 million) and the balance of bonds with the CZK transaction currency is CZK 2 195 million (as at 31 December 2022: CZK 2 190 million).

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Bonds issued

On 3 March 2022, the Company issued unsecured MND VAR/27 bonds in "bearer" form in book-entry form, which were admitted to trading on the regulated market of the Prague Stock Exchange under ISIN CZ0003538183. These bonds have variable interest of 3M PRIBOR + 2.8% p.a. and will mature on 3 March 2027. Bond coupons are paid quarterly in arrears. The nominal value of one bond is CZK 3 million. The total nominal value is CZK 2 202 million. The emission of bonds was issued in the Czech Republic in compliance with Czech law. 450 bonds with a nominal value of CZK 1 350 million was subscribed in exchange for MND VAR/22 bonds. 284 bonds with a nominal value of CZK 852 million was subscribed for cash. The funds raised were used to repay the remaining bonds of the MND VAR/22 issue, which matured in November 2022.

The reconciliation of movements of non-current and current loans, issued bonds with cash flows*:*

	2023	2022
Balance at 1 January	**4 602**	**4 685**
Cash flows		
Drawing of loans and borrowings	1 209	18 749
Repayment of loans and borrowings	-3 606	-18 721
Interest paid from previous years (-)	-7	-12
Non-cash changes		
Unpaid interest for the current period	6	7
Foreign exchange differences recognised in profit or loss	-9	-88
Other non-monetary transactions	--	-18
Balance at 31 December	**2 195**	**4 602**

14. Lease liabilities

Lease liabilities	31/12/2023	31/12/2022
Lease liabilities – non-current	304	291
Lease liabilities - current	38	31
Total lease liabilities	**342**	**322**

Reconciliation of movements of lease liabilities with cash flows:

	2023	2022
Balance at 1 January	**322**	**275**
Cash flows		
Payment of lease liabilities	**-37**	**-31**
Non-cash changes		
Recognition of lease liabilities	58	87
Effect of currency translation	-1	-9
Balance at 31 December	**342**	**322**

For detail of rights to use assets see the asset table in Note 4.

15. Trade and other payables

Non-current trade and other payables	31/12/2023	31/12/2022
Other non-current liabilities	122	99
Total non-current trade and other payables	**122**	**99**

All other non-current liabilities are due between 1 and 5 years. Other non-current liabilities include payables arising from natural gas storage contracts of CZK 117 million (2022: CZK 90 million).

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Current trade and other payables	31/12/2023	31/12/2022
Trade payables	1 359	1 911
Current payables - financial	**1 359**	**1 911**
Current contract liabilities	13	20
Other current payables to the state	43	38
Current payables to employees	122	118
Current deferred income	14	3
Current payables - other	**192**	**179**
Total current trade and other payables	**1 551**	**2 090**

As at 31 December 2023, the Company does not record any overdue current trade payables (as at 31 December 2022: 0 million CZK). Current trade payables include liabilities from natural gas storage contracts of CZK 205 million (2022: CZK 209 million).

16. Derivative financial instruments

The Company uses the derivative financial instruments mainly for trading in electricity, gas and emissions allowances and to hedge the currency, interest and commodity risks. When the hedge accounting requirements are fulfilled, derivatives are designated and recognized as "Hedging derivatives".

Carrying amounts of receivables and payables from derivative financial instruments are as follows:

	31/12/2023			31/12/2022		
	Hedging derivatives	Trading derivatives	**Total**	Hedging derivatives	Trading derivatives	**Total**
Long-term receivables	2	714	**716**	--	718	718
Short-term receivables	22	1 913	**1 935**	--	4 498	4 498
Total receivables from derivative financial instruments	**24**	**2 627**	**2 651**	**--**	**5 216**	**5 216**
Long-term payables	--	-271	**-271**	--	-1 118	- 1 118
Short-term payables	--	-2 540	**-2 540**	--	- 5 257	-5 257
Total payables from derivative financial instruments	**--**	**-2 811**	**-2 811**	**--**	**-6 375**	**-6 375**

All financial derivatives are stated at fair value as at 31 December 2023 (and 31 December 2022) and categorised to Level 2 in the fair value hierarchy.

Hedging derivatives

The Company had the following financial derivatives for hedging in 2023:

2023	Year of maturity	Nominal value	Average hedged rate	Fair value
Currency forwards	2024	226	22.74 CZK/USD	3
Commodity swaps	2024	207	84.02 USD/bbl	19
Commodity swaps	2025	19	84.02 USD/bbl	2
Total receivables from hedging derivatives				**24**
Total hedging financial derivatives				**24**

The company did not report any hedging derivatives as at 31 December 2022.

The hedge relationships are effective through the accounting period (see accounting policies in Note 3(e).

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Hedge accounting criteria were fulfilled as at 31 December 2023 for all the derivates which are recognized as ”Hedging derivatives”. The changes in the fair value for such derivatives are recognized directly in the other comprehensive income. The company does not recognize any hedge ineffectiveness arising from these forwards and swaps in the profit or loss statement.

Fair values of hedging derivatives stated in the table above corresponds to value obtained from the financial institution with whom the company entered into the derivative transaction in question.

Trading derivatives

Besides the hedging derivatives the Company held the derivatives for trading as they do not fulfil the hedge accounting criteria as at 31 December 2023 and 31 December 2022. These derivatives are classified as “Trading derivatives” and recognized in fair value.

The Company had the following financial derivatives for trading:

2023	Year of maturity	Fair value
Commodity forward	2026	2 248
Commodity future	2024	122
Currency forward	2025	69
Interest rate swap	2027	188
Total receivables from trading derivatives		**2 627**
Commodity forward	2024	-2 535
Commodity future	2025	-256
Currency forward	2025	-20
Total payables from trading derivatives		**-2 811**
Total trading financial derivatives		**-184**

2022	Year of maturity	Fair value
Commodity forward	2025	11
Commodity forward	2024	286
Commodity forward	2023	3 733
Commodity future	2024	154
Commodity future	2023	630
Currency forward	2024	9
Currency forward	2023	54
Interest rate swap	2027	339
Total receivables from trading derivatives		**5 216**
Commodity forward	2024	-1 115
Commodity forward	2023	-5 104
Commodity future	2023	-3
Currency forward	2024	-3
Currency forward	2023	-134
Currency swap	2023	-16
Total payables from trading derivatives		**-6 375**
Total trading financial derivatives		**-1 159**

The Company held trading derivatives in a form of currency forwards and swaps, interest rate swaps and commodity forwards, futures and swaps. For fair value determination, a market comparison technique was used and the inputs were based on the same fair value hierarchy.

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17. Provisions

31/12/2023	Provision for decommissioning, renewal and restoration
Balance 1 January 2023	1 584
Additions	10
Utilization	-81
Unwinding of discount	68
Change in value	209
Balance 31 December 2023	**1 790**
Thereof:	
Non-current provisions	1 702
Current provisions	88

Provisions for decommissioning, renewals and restorations are established based on rules described in Note 3(j). For 2023 interest rates in range of 4.04 – 4.11 % p. a. were used. In calculating provisions, the expected inflation of 3 % p. a. was used. The Company expects that costs will be incurred between 2024 and 2054.

18. Revenue

The following tables show the breakdown of total revenue for each segment based on the main type of goods, products or services and based on the recognition of revenue according to time perspective:

2023 **Revenue based on the main type of goods, products or services**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Revenue
Revenue from trading in gas	**--**	44 790	**44 790**
Revenue from trading in electricity	--	6 536	**6 536**
Revenue from the sale of gas to end customers	**--**	48	**48**
Revenue from the sale of electricity to end customers	--	211	**211**
Revenue from the sale of produced oil	833	--	**833**
Revenue from the sale of produced gas	1 663	--	**1 663**
Revenue from the provision of services	79	197	**276**
Revenue from the sale of goods	11	8	**19**
Total revenue	**2 586**	**51 790**	**54 376**

2022 **Revenue based on the main type of goods, products or services**	Exploration and production of oil and gas	Trading in gas and electricity, gas storage	Revenue
Revenue from trading in gas	**--**	193 489	**193 489**
Revenue from trading in electricity	--	20 332	**20 332**
Revenue from the sale of gas to end customers	**--**	395	**395**
Revenue from the sale of electricity to end customers	--	624	**624**
Revenue from the sale of produced oil	949	--	**949**
Revenue from the sale of produced gas	926	--	**926**
Revenue from the provision of services	28	--	**28**
Revenue from the sale of goods	56	109	**165**
Revenue from gas storage	--	56	**56**
Total revenue	**1 959**	**215 005**	**216 964**

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Revenue based on geographical position of a point of sale	2023	2022
Czechia	16 734	53 161
Germany	15 371	54 019
Netherlands	5	--
Luxembourg	3 113	57 218
Switzerland	6 163	17 133
Denmark	288	6 549
Austria	2 143	3 750
Slovakia	84	278
Ukraine	6	20
United Kingdom	10 469	24 831
Other	--	5
Total revenue	**54 376**	**216 964**

All revenue was in terms of timeframe recognized over time.

In 2023, the Company reported revenue of CZK 17 218 million (2022: CZK 34 064 million) for one customer. This revenue was allocated to the Trading in gas and electricity, gas storage segment.

The remaining performance obligations relate to the contracts whose initial expected duration is one year or less, or to the contracts concluded for an indefinite period with a notice period shorter than 1 year, therefore the Company does not disclose their value.

In 2023, CZK 17 million was recognised (2022: CZK 565 million) in revenue from the value of contract liabilities as at 31 December 2022 (Note 15).

19. Other operating income

	2023	2022
Income from grants	15	10
Gain on sale of non-current assets	2	1
Income from lease	21	20
Gain from trading in commodity contracts	543	1 032
Remaining operating income	90	115
Total other operating income	**671**	**1 178**

	2023	2022
Profit from trading in commodity contracts	4 382	134 166
Loss from trading in commodity contracts	-3 839	-133 134
Net Profit/Loss (-) from trading in commodity contracts	**543**	**1 032**

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20. Consumption of materials, goods and services

	2023	2022
Cost of goods sold	12	21
Cost of sale of gas and electricity to end customers	202	600
Cost of trading in gas and electricity	51 163	213 821
Materials and energy used	229	181
Total materials and goods used	**51 606**	**214 623**
Services used relating to revenue	677	360
Lease expenses	15	8
Other services	190	123
Changes in product and work-in-progress inventories	3	--
Total services used	**885**	**491**
Total consumption of materials, goods and services	**52 491**	**215 114**

Services used relating to revenue include primarily the costs of drilling work, abandonment of wells and land restoration.

Other services include cost of services provided by a statutory auditor; this information is disclosed in the consolidated financial statements.

21. Personnel expenses

	2023	2022
Payroll expenses	314	304
Social security and health insurance expenses	95	92
Other social expenses	17	13
Total personnel expenses	**426**	**409**

The average number of employees in 2023 was 310 (2022: 307 employees).

22. Depreciation, amortisation and impairment

	2023	2022
Depreciation of property, plant and equipment (Note 4)	467	557
Reversals of (-)/Impairment (+) of property, plant and equipment (Note 4)	-10	-41
Amortisation of intangible assets (Note 5)	5	4
Depreciation of right of use (Note 4)	50	67
Total depreciation, amortisation and impairment	**512**	**587**

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23. Other operating costs

	2023	2022
Repairs and maintenance	208	168
Travel expenses	4	3
Fees	98	112
Other taxes	1	1
Insurance premiums	8	7
Release of allowances for receivables	-1	-3
Other overhead operating expenses	145	145
Total other operating expenses	**463**	**433**

The most significant part of the fees represents charges for produced oil and gas of CZK 57 million (2022: CZK 73 million) and fees for mining areas and fees for exploration areas of CZK 38 million (2022: CZK 36 million).

24. Finance income and costs

	2023	2022
Interest income	88	35
Total interest income	**88**	**35**
Dividend income	--	357
Income from current financial assets	98	29
Other finance income	--	386
Total finance income	**186**	**807**
Interest expense	-160	-227
Interest expense on leases	-24	-17
Other finance costs	-162	-17
Impairment of financial investments	-74	--
Loss from foreign exchange transactions	-22	-25
Total finance costs	**-442**	**-286**
Net profit/loss from financial operations	**-256**	**521**

25. Taxation

Income tax expense

	2023	2022
Current tax expense		
Current year	167	145
Changes in estimates relating to the previous year	25	2
Total current tax expense	**192**	**147**
Deferred tax expense	59	191
Total income tax (expense + / income -)	**251**	**338**

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Reconciliation of effective tax rate

	2023	%	2022	%
Profit or loss before tax	**899**		**2 120**	
Income tax using the valid tax rate	171	19.00%	403	19.00%
Effect of different current and deferred tax rates, effect of rate change and windfall profits tax	57	6.34%	2	0.09%
Effect of tax non-deductible expenses that do not result in deferred tax	16	1.78%	5	0.24%
Effect of tax-exempt income	-17	-1.89%	-70	-3.30%
Donation for charitable purposes	-2	-0.22%	-1	-0.05%
Tax relating to prior periods	25	2.78%	-2	-0.09%
Other effects	1	0.11%	1	0.05%
Total income tax expense / Effective tax rate	**251**	**27.90%**	**338**	**15.94%**

Deferred tax

The deferred tax was calculated using the expected average tax rate during the period when the transitional differences were applied. The expected average tax rate for 2024 was 21%, for 2025 it was calculated taking into account the standard corporate income tax rate of 21% and the windfall profits tax rate of 60%. For the years 2026 and the following, the tax rate of 21% is used.

The tax on windfall profits is determined in accordance with the relevant provisions of Act No. 586/1992 Coll., on Income Taxes, as amended. The tax amounts to 60% of the tax base, which is the difference between the compared tax base and the average of the adjusted comparative tax bases. The compared tax base is the tax base before the application of items reducing the tax base and deductible items or tax loss for individual periods of effectiveness of tax on windfall profits. The adjusted comparative tax base is the tax base before the application of items reducing the tax base and deductible items or the tax loss for the entire periods in 2018–2021 increased by an absolute value of 20%.

Based on the financial outlook, the Company expects that it will be able to utilise the deferred tax asset against future profits.

Change in deferred tax

2023	Balance at 1/1/2023	Change in 2023		Balance at 31/12/2023
	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/ liability (-)
Deferred tax asset (+)/liability (-)	**181**	**-59**	**-5**	**117**
Property, plant and equipment	-159	36	--	-123
Derivative financial instruments*	142	-156	-5	-19
Inventories	-141	157	--	16
Total liabilities	20	-11	--	9
Provisions	319	-85	--	234

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2022	Balance at 1/1/2022	Change in 2022		Balance at 31/12/2022
	Deferred tax asset (+)/ liability (-)	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax asset (+)/ liability (-)
Deferred tax asset (+)/liability (-)	**390**	**-191**	**-18**	**181**
Property, plant and equipment	-34	-125	--	-159
Derivative financial instruments*	824	-664	-18	142
Inventories	-577	436	--	-141
Receivables	1	-1	--	--
Total liabilities	6	14	--	20
Provisions	170	149	--	319

26. Other comprehensive income

	2023	2022
Change in fair value of hedging instruments, before tax	25	--
Change in fair value of hedging instruments – deferred tax	-5	--
Change in fair value of hedging instruments, after tax	**20**	**--**
Change in fair value of hedging instruments transferred to profit/loss, before tax	--	94
Change in fair value of hedging instruments transferred to profit/loss – deferred tax	--	-18
Change in fair value of hedging instruments transferred to profit/loss, after tax	--	**76**
Total other comprehensive income	**20**	**76**

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27. Related parties

Payroll expenses, bonuses and other personnel expenses incurred in respect of members of the board of directors, supervisory board and executive management of the Company are disclosed in the following table:

	2023		2022	
	Board of directors and supervisory board	Executive management	Board of directors and supervisory board	Executive management
Payroll expenses	--	36	--	46
Social security and health insurance expenses	1	11	1	11
Bonuses to statutory body members	6	--	2	--
Total	**7**	**47**	**3**	**57**

The Company is part of the consolidated group of KKCG AG with its registered office in Switzerland. All companies presented below are the Company's related parties, because they are part of the same consolidated group.

Related-party balances as at 31 December 2023 and 31 December 2022:

	31/12/2023	31/12/2022
Non-current trade and other receivables	2	3
Long-term loans	24	--
Current trade and other receivables	969	178
Other current financial assets	1 506	2 683
Total receivables	**2 501**	**2 864**
Current trade and other liabilities	298	999
Current liabilities – other	2	7
Total liabilities	**300**	**1 006**

Other current financial assets of CZK 1 506 million (2022: CZK 2 683 million) represent a receivable from KKCG Structured Finance AG under cash pooling contracts (see Note 9).

Related-party transactions for the period ended 31 December 2023 and 31 December 2022:

	2023	2022
Revenue and other operating income	13 401	8 403
Interest income	99	29
Other income – re-invoicing	3	2
Total revenue	**13 503**	**8 434**
Consumption of materials and goods	6 984	4 567
Consumed services	813	317
Other operating expenses	109	1 126
Total costs	**7 906**	**6 010**

Expenses charged by the related parties include, in particular, gas and electricity purchase costs and further the costs of drilling and workover operations and the costs of gas storage services.

Revenue recognized in respect of related parties include in particular the sale of gas and electricity (MND Energie a.s.) and financial income from the contracts on cash pooling (KKCG Structured Finance AG).

28. Risk management

(a) Financial risk management and financial instruments

This section describes in detail the financial and operational risks the Company is exposed to and its risk management methods. Risk management is one of the core components of Company corporate governance. The main focus is placed on quantifying risks the Company is exposed to in the market (the risk of changes in foreign exchange rates, interest rates and commodity prices) and the credit risk. The Company's risk management strategy concentrates on minimising potential negative impacts on the Company's financial results.

The principal role of the Company's risk management is to identify risks, determine a risk measurement method, quantify and analyse risk exposure, define a hedging strategy and the hedging implementation as such. The overall responsibility for setting up the Company's risk management system and supervising its operation lies on the level of the board of directors.

Main financial instruments used by the Company include bank loans, bonds and derivatives. The principal task of these financial instruments is to acquire necessary funds to finance Company's operations and hedge risks arising from the Company's operations.

The most significant financial risks the Company is exposed to are market risks (the risk of changes in commodity prices, currency risk, interest rate risk and credit risk, in case an important business partner or a customer does not fulfil its contractual obligations). These risk management processes are approved and monitored by the top management of the Company.

Company entered into derivative transactions (currency forwards, currency swaps, interest rate swaps, commodity futures and commodity forwards) with the aim to manage the risk of exchange rate, interest rate and commodity price fluctuations.

The Company is also exposed to interest rate risk that is reflected by the cash flow sensitivity and profit or loss on interest rates changes. Interest rate risk is mostly managed and hedged by using interest rate swaps (float to fix).

The Company is also exposed to liquidity risk. Liquidity risk is managed based on data about necessity of free resources and it is monitored through risk management and in cooperation with the company´s finance department. Apart from the cash flow report that is additionally simulated for various scenarios the Company also uses a system to monitor the management of receivables and payables balancing, diversification of liquidity resources and daily monitoring.

(b) Credit risk

Credit risk is a risk of financial loss to the Company if a customer or counterparty to a transaction fails to meet its contractual obligations, such as payment, acceptance of a commodity or service for a pre-arranged price, failure to deliver the agreed commodity or service.

The Company trades primarily with highly rated partners. The Company follows the principle that all customers that want to use credit facilities undergo procedures for credit risk assessment that is applied by using own scoring model. The Company continuously monitors the balance of receivables on an individual and aggregate level.

The Company generates revenue from the sale of oil, gas and electricity, the trade in gas and electricity, the provision of services. All business counterparties are subject to individual analysis of creditworthiness and they are assigned a credit limit. Credit limits are approved by the risk management committee based on external rating, if available, or based on internal risk assessment guidelines. Risk exposure is monitored for each counterparty on a daily basis, taking into consideration potential future impact. In relevant cases, the Company also requires the counterparty to provide a bank guarantee or its parent company's guarantee, an advance payment or credit support instrument with the aim to minimise the credit risk.

The total credit risk of the trading portfolio is monitored on an ongoing basis and calculated based on the expected loss, i.e. each counterparty is assigned internal credit rating with estimated probability of default. The expected loss is calculated by product of the default probability, the percentage of loss from a given exposure in the case of default and exposure to a counterparty at a given moment.

With respect to the credit risk arising from the Company's financial assets, comprising cash and cash equivalents and financial derivatives, the credit risk arises from a failure of the counterparty to discharge their obligations, where the maximum amount of credit risk represents the carrying amount of these instruments. The risk is mitigated by cooperating with reputable local and international banks and by diversifying the portfolio.

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For the calculation of credit exposure and the free trading limit, VaR at the 95% confidence level for holding period of 10 days is also taken into account in terms of credit risk calculation. The Risk Management Department monitors credit exposure on a daily basis and if necessary makes remedial arrangements even in cooperation with the Risk Management Committee.

Credit risk by type of counterparty

At 31 December 2023	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables - financial	323	--	--	1	324
Non-current receivables from derivative instruments	585	--	131	--	716
Other non-current financial assets	--	42	4	--	46
Other current financial assets	1 506	--	--	--	1 506
Current receivables – financial	2 396	--	--	--	2 396
Current receivables from derivative instruments	1 808	--	127	--	1 935
Cash and cash equivalents	207	--	459	--	666
Total	**6 825**	**42**	**721**	**1**	**7 589**

At 31 December 2022	Companies (non-financial institutions)	State, government	Financial institutions	Individuals	Total
Assets					
Non-current receivables - financial	270	--	--	1	271
Non-current receivables from derivative instruments	450	--	268	--	718
Other non-current financial assets	--	40	1	--	41
Other current financial assets	2 683	--	--	--	2 683
Current receivables – financial	3 548	--	--	--	3 548
Current receivables from derivative instruments	4 363	--	135	--	4 498
Cash and cash equivalents	483	--	585	--	1 068
Total	**11 797**	**40**	**989**	**1**	**12 827**

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Ageing structure of financial assets

At 31 December 2023	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	Past due more than 1 year	Impairment allowance	Total
Non-current receivables	***323***	--	--	--	--	--	***323***
Non-current loans	308	--	--	--	--	--	308
Non-current refundable deposits	15	--	--	--	--	--	15
Non-current financial assets	***46***	--	--	--	--	--	***46***
Non-current restricted debt securities - at amortized cost	42	--	--	--	--	--	42
Non-current restricted cash	4	--	--	--	--	--	4
Current receivables - financial	***2 394***	--	--	**1**	**14**	**-13**	***2 396***
Current trade receivables	1 044	--	--	1	14	-13	1 046
Current refundable deposits	662	--	--	--	--	--	662
Other current receivables	688	--	--	--	--	--	668
Other current financial assets	***1 506***	--	--	--	--	--	**1 506**
Other current financial assets	1 506	--	--	--	--	--	1 506
Cash and cash equivalents	***666***	--	--	--	--	--	**666**
Bank accounts and cash equivalents	666	--	--	--	--	--	666
Total	**4 935**	--	--	**1**	**14**	**-13**	**4 937**

At 31 December 2022	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	Past due more than 1 year	Impairment allowance	Total
Non-current receivables	***271***	--	--	--	--	--	***271***
Non-current loans	260	--	--	--	--	--	260
Non-current refundable deposits	11	--	--	--	--	--	11
Non-current financial assets	***41***	--	--	--	--	--	***41***
Non-current restricted debt securities -at amortized cost	40	--	--	--	--	--	40
Non-current restricted cash	1	--	--	--	--	--	1
Current receivables - financial	***3 547***	--	--	**2**	**12**	**-13**	***3 548***
Current trade receivables	1 657	--	--	2	12	-13	1 658
Current contract assets	10	--	--	--	--	--	10
Current refundable deposits	608	--	--	--	--	--	608
Other current receivables	1 272	--	--	--	--	--	1 272
Other current financial assets	***2 683***	--	--	--	--	--	***2 683***
Other current financial assets	2 683	--	--	--	--	--	2 683
Cash and cash equivalents	***1 068***						***1 068***
Bank accounts and cash equivalents	1 068	--	--	--	--	--	1 068
Total	**7 610**	--	--	**2**	**12**	**-13**	**7 611**

The Company tests the amount of financial assets held in accordance with IFRS 9 and recognises allowances for financial assets in compliance with the accounting policy specified in Note 3(e) i.

The following tables present credit quality of financial assets at amortised cost. Non-current and current derivative financial instrument assets are not included in the disclosures because they are measured at fair value through profit and loss.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Credit quality of financial assets at amortised cost

The company classifies the financial assets into the credit quality classes. Class 1 consists of high-quality financial assets that do not have any indicators of impairment and fulfils the definition for "low credit risk". Class 2 consists of all other financial assets.

At 31 December 2023	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**666**	**--**	**--**	**--**	**--**	**666**
Bank accounts and cash equivalents	666	--	--	--	--	666
Other current financial assets	**1 506**	**--**	**--**	**--**	**--**	**1 506**
Other current financial assets	1 506	--	--	--	--	1 506
Long-term financial assets	**46**	**--**	**--**	**--**	**--**	**46**
Long-term debt securities – at amortised cost	42	--	--	--	--	42
Non-current restricted cash	4	--	--	--	--	4
Class 2						
Current receivables - financial	**981**	--	--	**1 428**	**-13**	**2 396**
Trade receivables	848	--	--	211	-13	1 046
Current refundable deposits	133	--	--	529	--	662
Other current receivables	--	--	--	688	--	688
Non-current receivables - financial	**323**	--	--	--	--	**323**
Non-current loans	308	--	--	--	--	308
Non-current refundable deposits	15	--	--	--	--	15
Total	**3 522**	**--**	**--**	**1 428**	**-13**	**4 937**

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

At 31 December 2022	Stage 1	Stage 2	Stage 3	Provision matrix	Impairment allowance	Net carrying amount
Class 1						
Cash and cash equivalents	**1 068**	--	--	--	--	**1 068**
Bank accounts and cash equivalents	1 068	--	--	--	--	1 068
Other current financial assets	**2 683**	**--**	**--**	**--**	**--**	**2 683**
Other current financial assets	2 683	--	--	--	--	2 683
Long-term financial assets	**41**	**--**	**--**	**--**	**--**	**41**
Long-term debt securities – at amortised cost	40	--	--	--	--	40
Non-current restricted cash	1	--	--	--	--	1
Class 2						
Current receivables - financial	**176**	--	**--**	**3 385**	**-13**	**3 548**
Trade receivables	176	--	--	1 496	-13	1 659
Current contract assets	--	--	--	10	--	10
Current refundable deposits	--	--	--	607	--	607
Other current receivables	--	--	--	1 272	--	1 272
Non-current receivables - financial	**271**	--	**--**	**--**	**--**	**271**
Non-current loans	260	--	--	--	--	260
Non-current refundable deposits	11	--	--	--	--	11
Total	**4 239**	**--**	**--**	**3 385**	**-13**	**7 611**

Movements in impairment allowances are shown in the following table:

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2023	**--**	**--**	**--**	**-13**	**-13**
Additions	**--**	**--**	**--**	-1	**-1**
Reversals – receivables written off	**--**	**--**	**--**	1	**1**
Balance at 31 December 2023	**--**	**--**	**--**	-13	**-13**

	Stage 1	Stage 2	Stage 3	Provision matrix	Total
Balance at 1 January 2022	**--**	**--**	**--**	**-17**	**-17**
Additions	--	--	--	-1	**-1**
Reversals – receivables written off	**--**	**--**	**--**	5	**5**
Balance at 31 December 2022	**--**	**--**	**--**	**-13**	**-13**

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Impairment matrix for current financial receivables as at 31 December 2023:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**2 394**	**0.00%**	**--**	**2 394**
Current trade receivables	1 044	0.00%	--	1 044
Current refundable deposits	662	0.00%	--	662
Other current receivables	688	0.00%	--	688
Past due < 90 days	**--**	**0.00%**	**--**	**--**
Current trade receivables	--	0.00%	--	--
Other current receivables	--	0.00%	--	--
Past due 91-180 days	**--**	**0.00%**	**--**	**--**
Current trade receivables	--	0.00%	--	--
Other current receivables	--	0.00%	--	--
Past due 181-365 days	**1**	**0.00%**	--	**1**
Current trade receivables	1	0.00%	--	1
Other current receivables	--	0.00%	--	--
Past due >365 days	**14**	**92.86%**	-13	**1**
Current trade receivables	14	92.86%	-13	1
Total	**2 409**	**0.54%**	**-13**	**2 396**

Impairment matrix for current financial receivables as at 31 December 2022:

	Gross carrying amount	Expected credit loss rate	ECL allowance	Net carrying amount
Due	**3 537**	**0.00%**	**--**	**3 537**
Current trade receivables	1 657	0.00%	--	1 657
Current refundable deposits	608	0.00%	--	608
Other current receivables	1 272	0.00%	--	1 272
Past due < 90 days	**--**	**0.00%**	**--**	**--**
Current trade receivables	--	0.00%	--	--
Other current receivables	--	0.00%	--	--
Past due 91-180 days	**--**	**0.00%**	**--**	**--**
Current trade receivables	--	0.00%	--	--
Other current receivables	--	0.00%	--	--
Past due 181-365 days	**2**	**50.00%**	**-1**	**1**
Current trade receivables	2	50.00%	-1	1
Other current receivables	--	0.00%	--	--
Past due >365 days	**12**	**100.00%**	**-12**	**--**
Current trade receivables	12	100.00%	-12	--
Total	**3 551**	**0.37%**	**-13**	**3 538**

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Credit risk by region (by the counterparty's registered office)

Non-current and current receivables - financial, non-current and current receivables from derivative instruments, non-current restricted cash, other current financial assets, cash and cash equivalents	31/12/2023	31/12/2022
Czechia	4 367	4 339
Germany	170	1 454
Switzerland	1 623	3 211
Austria	65	156
Slovakia	9	683
Ukraine	288	263
United Kingdom	1 027	2 660
Other countries	40	61
Total	**7 589**	**12 827**

Offsetting of receivables and liabilities from trading in gas and electricity:

Offsetting in the balance sheet

The Company trades gas and electricity under EFET framework contracts. These contracts allow offsetting receivables and liabilities during their payment and also offsetting at early termination of a contract. Trade receivables and payables from these contracts were recognised in the balance sheet on a net basis after offsetting.

Potential offsetting

Receivables and liabilities from derivative transactions include the remeasurement of commodity contracts that are considered financial instruments. With respect to these contracts there is a possibility of offsetting at early termination of a contract where the receivables and liabilities with the originally different maturity can be offset. This potential offsetting was not recognised in the balance sheet and is recorded in the column "Potential offsetting".

At 31 December 2023	Gross amount before offsetting	Offsetting in the balance sheet	Net amount in the balance sheet	Potential offsetting	Amount after potential offsetting
Assets					
Non-current receivables from derivative instruments	2 603	-1 887	716	-5	711
Current receivables from derivative instruments	28 261	-26 326	1 935	-74	1 861
Current receivables	6 048	-3 652	2 396	--	2 396
Total	**36 912**	**-31 865**	**5 047**	**-79**	**4 968**
Liabilities					
Non-current liabilities from derivative instruments	2 158	-1 887	271	-7	264
Current liabilities from derivative instruments	28 866	-26 326	2 540	-72	2 468
Current liabilities	5 011	-3 652	1 359	--	1 359
Total	**36 035**	**-31 865**	**4 170**	**-79**	**4 091**

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

At 31 December 2022	Gross amount before offsetting	Offsetting in the balance sheet	Net amount in the balance sheet	Potential offsetting	Amount after potential offsetting
Assets					
Non-current receivables from derivative instruments	9 348	-8 630	718	-145	573
Current receivables from derivative instruments	71 334	-66 836	4 498	-991	3 507
Current receivables	7 126	-3 578	3 548	--	3 548
Total	**87 808**	**-79 044**	**8 764**	**-1 136**	**7 628**
Liabilities					
Non-current liabilities from derivative instruments	9 748	-8 630	1 118	-465	653
Current liabilities from derivative instruments	72 093	-66 836	5 257	-671	4 586
Current liabilities	5 489	-3 578	1 911	--	1 911
Total	**87 330**	**-79 044**	**8 286**	**-1 136**	**7 150**

(c) Market risk

Market risk is the risk of changes in the value of assets, liabilities and cash flows denominated in foreign currency due to changes in foreign exchange rates, interest rates and commodity prices. The Company implemented policies and methodologies for monitoring and hedging these risks to which it is exposed.

i. Currency risk

The Company is exposed to currency risk as a result of its foreign currency transactions. These risks arise from purchases and sales in other than functional currency (CZK).

The Company monitors currency risks on an ongoing basis and assess possible impact of changes in foreign exchange rates on Company's transactions. A significant part of foreign currency exposure is hedged naturally, i.e. revenue and expenses are denominated in the same foreign currency, or by using currency forwards or swaps.

The Company is exposed to currency risk from the sale of oil in USD, from the sale of gas, electricity and other energy commodities in EUR.

ii. Commodity risk

Risk exposure arising from energy commodities trading is monitored on a daily basis by observing market prices, mark-to-market and value-at-risk of the open positions and is subject to approved limits for individual risk indicators. The exposure to market risk, within the limits approved by the board of directors and the Risk Management Committee, depends on the market conditions and expectations. All risk limits are monitored and reviewed on a regular basis.

Changes in commodity prices represent the highest risk for the Company. The decrease in oil price by 1 USD/barrel in 2023 would result in a decrease in profit or loss before tax of approximately CZK 11 million without hedging. The effect of CZK appreciation against USD by CZK 1 in 2023 would result in a decrease in profit or loss before tax of CZK 38 million without hedging. In contrast, oil price growth and the depreciation of CZK against USD would have a positive impact on profit or loss before tax in the same amount. Lower prices of natural gas from own production by EUR 1/MWh in 2023 would cause a decrease in profit or loss before tax by approximately CZK 31 million without the hedging. The impact of CZK appreciation against EUR by CZK 1 in 2023 would represent a decrease in profit or loss before tax of CZK 92 million without hedging. In contrast , natural gas price growth and the depreciation of CZK against EUR would have a positive impact on operating profit in the same amount.

In respect of gas trading while using underground gas storages, the main risk is the change of the summer/winter spread (the difference between summer and winter gas prices). The decrease in the summer/winter spread by 0.1 EUR/MWh in the storage period 2023/2024 would result in a decrease in profit or loss before tax of CZK 2 million without hedging in relation to the total working gas volume. Currency risk exposure (EUR position) from gas trading is relatively low since trading over natural gas storage capacities is financed by current loans denominated in EUR and open positions are hedged by FX forward and FX swap contracts.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

VaR is the basic metric for risk assessment at open trading positions in the Company. For its calculation, the Monte Carlo simulation method is applied at a 99% significance level and with 2 days horizon. Furthermore, the total utilization of risk capital shall not exceed the total risk capital for speculative trading that was in 2023 CZK 244 million. The Company calculates the risk on all individual commodities in the framework of speculative trading using VaR metrics, both at individual trader positions and overall. Value of VaR was CZK 4 million at the year-end 2023. In 2023 the average value of VaR was CZK 10 million.

Currency risk analysis

As at 31 December 2023 and as at 31 December 2022, the Company is exposed to currency risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Financial assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

At 31 December 2023	EUR	USD	Other	Total
Non-current receivables – financial	299	--	--	299
Non-current receivables from derivative instruments	714	2	--	716
Other current financial assets	916	--	--	916
Current receivables - financial	1 010	7	--	1 017
Current receivables from derivative instruments	1 912	23	--	1 935
Cash and cash equivalents	666	2	--	346
Total assets	**5 195**	34	**--**	**5 229**
Non-current liabilities from derivative instruments	-271	--	--	-271
Current loans and interest-bearing borrowings *)	--	--	--	--
Current payables - financial	-930	-5	-2	-937
Current liabilities from derivative instruments	-2 540	--	--	-2 540
Total liabilities	**-3 741**	-5	**-2**	**-3 748**
Total	**1 454**	**29**	**-2**	**1 481**

At 31 December 2022	EUR	USD	Total
Non-current receivables – financial	271	--	271
Non-current receivables from derivative instruments	518	--	518
Other current financial assets	2 683	--	2 683
Current receivables - financial	2 766	1	2 767
Current receivables from derivative instruments	4 415	--	4 415
Cash and cash equivalents	124	2	126
Total assets	**10 777**	**3**	**10 780**
Non-current liabilities from derivative instruments	-1 118	--	-1 118
Other non-current liabilities	-1	--	-1
Current loans and interest-bearing borrowings *)	-2 412	--	-2 412
Current payables - financial	-631	-4	-635
Current liabilities from derivative instruments	-5 195	--	-5 195
Total liabilities	**-9 357**	**-4**	**-9 361**
Total	**1 420**	**-1**	**1 419**

*) The item Current loans and interest-bearing borrowings (EUR) comprises current bank loans and borrowings of CZK 2 412 million for financing of gas inventories, that will be repaid from future cash flows in EUR from the sale of gas inventories.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

Currency risk sensitivity analysis

As at 31 December 2023, the potential appreciation (depreciation) of EUR or USD against CZK could impact the measurement of financial instruments denominated in the foreign currency and gas inventories denominated in EUR and impact profit or loss by an amount disclosed in the following table. This analysis assumes that all other variables remain constant.

Effect recognised in CZK million	**Profit or loss**	
	10% appreciation + profit/ - loss	10% depreciation + profit/ - loss
2023		
EUR	213	-213
USD	3	-3

Effect recognised in CZK million	**Profit or loss**	
	10% appreciation + profit/ - loss	10% depreciation + profit/ - loss
2022		
EUR	356	-356
USD	--	--

Interest rate risk

The Company is exposed to the risk of interest rate fluctuations primarily as a result of bank loans with floating interest rate. The Company continuously monitors the development in financial markets and based on the current situation decides whether loans will be drawn with either floating or fixed interest rate. The risk of increase in interest rates is monitored on an ongoing basis and if necessary, the application of standard tools for risk elimination (interest rate swap) is considered.

Non-current bonds were issued and concluded with a floating interest rate, but the interest rate risk was hedged by interest rate swap.

Interest rate swaps are concluded with the hedge ratio set at 1:1 so that all derivative conditions correspond with the hedged risk of cash flow changes due to floating interest rates. Potential hedge ineffectiveness can also be caused only by swap illiquidity or the counterparty's credit risk.

As the variable interest rate of non-current bonds is hedged, the sensitivity of the financial result from current revolving loans is very low and insignificant compared with the profit from operating activities.

(d) Liquidity risk

Liquidity risk represents the possibility that the Company might not be able to fulfil its payment obligations primarily relating to amounts payable to the providers of bank loans and borrowings and liabilities arising from energy commodities trading in organized markets (margining) and on a bilateral basis.

The Company monitors the risk of having insufficient funds on an ongoing basis by managing liquidity and monitoring the maturity of debts and investments, other assets and the expected cash flows from its operations.

The Company holds sufficient disposable liquid resources, i.e., cash, cash equivalents and current financial assets in currencies in which future cash needs are expected. To maintain liquidity, the Company uses bank loans and borrowings.

The Company uses proprietary IT tools for liquidity management, valuation of financial instruments and for trading and risk management purposes.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

The following table shows the Company's financial assets and liabilities by maturity:

At 31 December 2023	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity/on demand
Assets						
Non-current receivables - financial	324	332	--	332	--	--
Non-current receivables from derivative instruments	716	1 863	--	1 863	--	--
Non-current financial assets	46	47	--	43	--	4
Other current financial assets	1 506	1 506	1 506	--	--	--
Current receivables - financial	2 396	2 396	2 396	--	--	--
Current receivables from derivative instruments	1 935	4 646	4 646	--	--	--
Total	**6 923**	**10 790**	**8 548**	**2 238**	**--**	**4**
Cash and cash equivalents	666	666	--	--	--	666
Liabilities						
Non-current loans and interest-bearing borrowings	-2 193	-2 364	--	-2 364	--	--
Non-current lease liabilities	-304	-409	--	-190	-219	--
Non-current liabilities - financial	-122	-122	--	-122	--	--
Non-current liabilities from derivative instruments	-271	-635	--	-635	--	--
Current loans and interest-bearing borrowings	-2	-81	-81	--	--	--
Current lease liabilities	-38	-60	-60	--	--	--
Current liabilities - financial	-1 359	-1 359	-1 359	--	--	--
Current liabilities from derivative instruments	-2 540	-4 911	-4 911	--	--	--
Total	**-6 829**	**-9 941**	**-6 411**	**-3 311**	**-219**	**--**
Net balance – liquidity risk (financial assets and liabilities)	**760**	**1 515**	**2 137**	**-1 073**	**-219**	**670**

The following table shows the detailed breakdown of the maturity of derivative instruments up to 1 year as at 31 December 2023:

Due	< 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Total up to 1 year
Receivables from derivative instruments	2 660	593	408	985	4 646
Liabilities arising from derivative instruments	-1 909	-998	-1 077	-927	-4 911
Net cash flow from derivative instruments	**751**	**-405**	**-669**	**58**	**-265**

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

At 31 December 2022	Carrying amount	Contractual cash flows	1 year or less	1-5 years	More than 5 years	Undefined maturity/on demand
Assets						
Non-current receivables - financial	271	365	--	1	364	--
Non-current receivables from derivative instruments	718	987	--	987	--	--
Non-current financial assets	41	48	--	47	--	1
Other current financial assets	2 683	2 683	2 683	--	--	--
Current receivables - financial	3 548	3 548	3 548	--	--	--
Current receivables from derivative instruments	4 497	8 115	8 115	--	--	--
Total	**11 758**	**15 746**	**14 346**	**1 035**	**364**	**1**
Cash and cash equivalents	1 068	1 068	--	--	--	1 068
Liabilities						
Non-current loans and interest-bearing borrowings	-2 188	-2 449	--	-2 449	--	--
Non-current lease liabilities	-291	-396	--	-178	-218	--
Non-current liabilities - financial	-99	-99	--	-99	--	--
Non-current liabilities from derivative instruments	-1 118	-2 199	--	-2 199	--	--
Current loans and interest-bearing borrowings	-2 414	-2 509	-2 509	--	--	--
Current lease liabilities	-31	-51	-51	--	--	--
Current liabilities - financial	- 1 911	-1 911	-1 911	--	--	--
Current liabilities from derivative instruments	-5 257	-8 239	-8 239	--	--	--
Total	**-13 309**	**-17 853**	**-12 710**	**-4 925**	**-218**	**--**
Net balance – liquidity risk (financial assets and liabilities)	**-483**	**-1 039**	**1 636**	**-3 890**	**146**	**1 069**

The following table shows the detailed breakdown of the maturity of derivative instruments up to 1 year as at 31 December 2022:

Due	< 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Total up to 1 year
Receivables from derivative instruments	4 691	883	865	1 676	8 115
Liabilities arising from derivative instruments	-3 424	-1 360	-1 301	-2 154	-8 239
Net cash flow from derivative instruments	**1 267**	**-477**	**-436**	**-478**	**-124**

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

(e) Capital management

The Company's aim is to keep a strong capital base to maintain creditor and market confidence and sustain future development of own business.

The Company is responsible for managing its capital structure and flexible in responding to potential condition changes in financial markets. With the aim to maintain and protect the strong capital basis, the Company may adjust dividend amount or other shareholders' contributions. The Company aims to maintain an optimal ratio of net debt (loans and bonds, less current loans for the financing of gas inventory and cash and cash equivalents) to equity and the level of assets and liabilities utilising the high rating of the Company to obtain low-cost external funds.

	31/12/2023	31/12/2022
Bank loans and bonds issued	2 195	4 602
Less: current debts for the financing of gas inventory	--	-2 412
Less: cash and cash equivalents	-666	-1 068
Net debt (+) / surplus (-)	**1 529**	**1 122**
Total equity	**8 232**	**7 564**
Net debt to equity ratio	**0.19**	**0.15**

(f) Fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value:

	Carrying amount at 31/12/2023		Fair value at 31/12/2023		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Commodity forwards	2 248	--	--	2 248	--
Commodity futures	122	--	--	122	--
Commodity swap	--	21		21	
Currency forward	69	3	--	72	--
Interest rate swap	188	--	--	188	--
Financial liabilities measured at fair value					
Commodity forwards	-2 535	--	--	-2 535	--
Commodity futures	-256	--	--	-256	--
Currency forward	-20	--	--	-20	--

Inventory of gas for trading is measured at fair value of CZK 676 million under Level 2.

Separate financial statements for the year ended 31 December 2023 (in millions of Czech crowns)

	Carrying amount at 31/12/2022		Fair value at 31/12/2022		
	Trading derivatives	Hedging derivatives	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Commodity forwards	4 030	--	--	4 030	--
Commodity futures	784	--	--	784	--
Currency forward	63	--	--	63	--
Interest rate swap	339	--	--	339	--
Financial liabilities measured at fair value					
Currency swap	-16	--	--	-16	--
Commodity forwards	-6 219	--	--	-6 219	--
Commodity futures	-3	--	--	-3	--
Currency forward	-137	--	--	-137	--

Inventory of gas for trading is measured at fair value of CZK 2 142 million under Level 2.

The fair values of financial derivatives fulfil the criteria of level 2 in compliance with the IFRS 13 hierarchy (the fair values are derived from market quotations of forward exchange rates, commodity prices and yield curves, however the financial derivatives are not directly traded in active financial markets).

In 2023 and 2022, there were not transfers between individual levels of the fair value hierarchy.

29. Material subsequent events

Following the resolution of the general meeting of Moravia Gas Storage a.s. to increase its share capital, MND a.s. subscribed for new shares with a total nominal value of CZK 36 million. As a result of the subscription, MND a.s. increased its share on the registered capital and voting rights from 50% to 97.37% resulting in obtaining control over Moravia Gas Storage a.s. The completion of the transaction was subject to regulatory approvals and other legal factors. The transaction was completed on 9 February 2024.

The acquisition accounting is ongoing. The purchase price allocation and the fair value measurement of assets acquired and liabilities assumed were not completed before these financial statements were authorised for issue.

There were no events subsequent to year end that would have a significant impact on separate financial statements as at 31 December 2023.

Date: 24 May 2024	Signature of the statutory body: Miroslav Jestřabík, Member of the Board of Directors; Jiří Ječmen, Member of the Board of Directors

V. Independent auditor’s report

Independent Auditor's Report

To the shareholder of MND a.s.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the consolidated financial position of MND a.s., with its registered office at Úprkova 807/6, Hodonín (the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the European Union, and
- the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2023, and of the Company's separate financial performance and separate cash flows for the year ended 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year ended 31 December 2023;
- the consolidated statement of changes in equity for the year ended 31 December 2023;
- the consolidated statement of cash flows for the year ended 31 December 2023; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2023;
- the separate statement of comprehensive income for the year ended 31 December 2023;
- the separate statement of changes in equity for the year ended 31 December 2023;
- the separate statement of cash flows for the year ended 31 December 2023; and
- the notes to the separate financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council (the “EU Regulation”) and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the “Audit regulations”). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

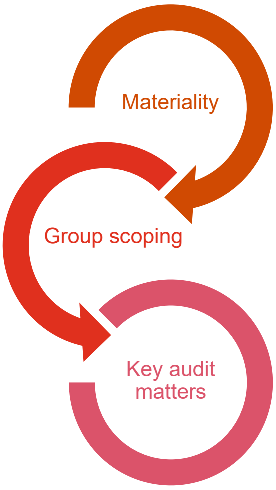
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic, with the Act on Auditors and with the EU Regulation. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, the Act on Auditors and the EU Regulation.

Our audit approach

Overview



The overall materiality for the Group and the Company was set at 0.8% of average total sales for the years 2021 – 2023, which represents approximately CZK 899 million for both the Group and the Company.
We have selected, including the Company, four entities that, in our opinion, based on their size or risk, require a full audit for consolidation purposes and we have performed the audits. The entities we audited accounted for 99% of the Group's total sales. On the remaining subsidiaries we performed audit procedures based on the audit scope described above to obtain sufficient audit evidence as a basis for issuing an opinion on the consolidated financial statements of the Group as a whole.
Valuation of financial instruments (separate and consolidated financial statements).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements (together the “financial statements”). In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for each set of financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate, on each set of financial statements as a whole.

Overall Group materiality	CZK 899 million
Overall Company materiality	CZK 899 million
How we determined it	Materiality for the Group and the Company was determined as 0.8% of average total sales for the years 2021 – 2023.
Rationale for the materiality benchmark applied	We also considered using profit before tax as a benchmark, but as it was volatile for both the Company and the Group in the recent years (in 2021, the Company showed negative profit before tax and the Group positive and in 2022 and 2023 both the Company and the Group reached a positive profit before tax, however with relatively low margin), we have assessed total sales as the most suitable usable benchmark, which is also relevant to the specifics of the industry in which the Group operates. We also considered the Group's and the Company's performance measurement, which is primarily oriented on EBITDA. To reflect the impact of all these performance indicators, the basis for determining the materiality level was defined as 0.8% of total sales. The indicator of average total sales was chosen due to volatility in recent years.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of each set of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments (separate financial statements) (see Note 3, para (e) and Notes 16 and 28)	
As at 31 December 2023, the Company showed in the separate statement of financial position and in the Notes 16 and 28 of the notes to the separate financial statements receivables from derivative financial instruments in the total amount of CZK 2,651 million (of which CZK 716 million are long-term receivables) and liabilities from derivative financial instruments in the total amount of CZK 2,811 million (of which CZK 271 million are long-term liabilities).	Our audit procedures around the fair values of these financial instruments were focused on the adequacy of the accounting methodology, the correctness and accuracy of fair value determination and the completeness and accuracy of the data entering the fair value calculations. Our procedures consisted of: • obtaining an understanding of the trading strategies and the process of energy commodity trading and the related transaction streams;

The fair value of financial instruments (including mainly commodity forwards and storage capacity contracts) is determined by calculations and models that use common but subjectively selected calculation methods and a range of market and market observable input data. Given the subjectivity of the choice of calculation methods and the number of market and market-observable input data, we evaluated the related area of valuation and accounting for financial instruments as the key audit matter. Fair values of these financial instruments, including a description of the calculations, models and significant inputs used by the Company's management in determining the fair value are disclosed in Note 16 and 28 of the notes to the separate financial statements together with other mandatory disclosures in accordance with IFRS 7, 9 and 13.	• assessment of the accounting methodology; • assessment of the methodology of determination of fair value of particular types of the financial instruments; • verification of market conformity of the input data sample; • testing of internal control focused on the completeness and accuracy of data in the Company's information systems; • testing of the accuracy of data in the Company's information systems on a selected sample; • confirmation of the completeness and existence of financial instruments in the Company's financial statements on a selected sample; • independent recalculation of the financial instruments' fair value on a sample basis; • verification of disclosures in the Notes to the separate financial statements of the Company in accordance with IFRS.

Valuation of financial instruments (consolidated financial statements)

(consolidated financial statements: see Note 3, para (e) and Note 18 and 30)

As at 31 December 2023, the Group showed in the consolidated statement of financial position and in the Notes 18 and 30 of the notes to the consolidated financial statements receivables from derivative financial instruments in the total amount of CZK 1,331 million (of which CZK 434 million are long-term receivables) and liabilities from derivative financial instruments in the total amount of CZK 2,761 million (of which CZK 331 million are long-term liabilities). The Group buys and sells energy commodities in multiple markets using forward over-the-counter trades and futures. The Group applies hedge accounting to reduce volatility of profit of loss. The use of commodity forwards and futures in combination with application of the hedge accounting represents a complex accounting scheme. Hence, we have assessed the related areas of valuation of financial instruments and accounting for the financial instruments as a key audit matter.	Our audit procedures around the fair values of these financial instruments were focused on the adequacy of the accounting methodology, the correctness and accuracy of fair value determination and the completeness and accuracy of the data entering the fair value calculations. Our procedures consisted of: • obtaining an understanding of the trading strategies and the process of energy commodity trading and the related transaction streams; • assessment of the accounting methodology; • assessment of the methodology of determination of fair value of particular types of the financial instruments; • verification of market conformity of the input data sample; • testing of internal control focused on the completeness and accuracy of data in the Company's information systems;

The fair value of financial instruments (including mainly commodity forwards and storage capacity contracts) is determined by calculations and models that use common but subjectively selected calculation methods and a range of market and market observable input data. Fair values of these financial instruments, including a description of the calculations, models and significant inputs used by the Group's management in determining the fair value are disclosed in Note 18 and 30 of the notes to the consolidated financial statements together with other mandatory disclosures in accordance with IFRS 7, 9 and 13.	• testing of the accuracy of data in the Company's information systems on a selected sample; • confirmation of the completeness and existence of financial instruments in the Company's financial statements on a selected sample; • independent recalculation of the financial instruments' fair value on a sample basis; • understanding and evaluation of the risk management strategy employed within the Group; • assessing compliance of the Group's hedge accounting documentation with IFRS; • verification of disclosures in the Notes to the consolidated financial statements of the Group in accordance with IFRS.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on each set of financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the share of individual subsidiaries on the Group financial position and performance and specifics of the industry in which the Group and the Company operate.

We have selected, including the parent company, four entities that, in our opinion, based on their size or risk, require a full audit performed by a group auditor and we have audited their financial statements in full. The entities we audited accounted for 97% of the Group's total assets and 99% of sales. On the remaining subsidiaries we performed audit procedures based on the audit scope described above in order to obtain sufficient audit evidence as a basis for issuing an opinion on the consolidated financial statements of the Group as a whole.

Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include both of the financial statements and our auditor's report thereon.

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 about the Group and the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts 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 the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the board of directors, supervisory board and audit committee of the Company for the financial statements

The board of directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the board of directors 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 board of directors is responsible for assessing the Group and 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 board of directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

The audit committee of the Company is responsible for monitoring the financial statements' preparation 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 Audit 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 Audit regulations, we exercise professional judgment and maintain professional scepticism 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 Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors' 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 Group and 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 Group or 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.
- 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 board of directors and audit committee 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.

We also provide the audit committee with a statement showing that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Information required by the EU Regulation

In compliance with Article 10(2) of the EU Regulation, we provide the following information, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the audit opinion with the additional report to the audit committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the audit committee of the Company, which we issued today in accordance with Article 11 of the EU Regulation.

Appointment of auditor and period of engagement

We were appointed as the auditors of the Group and the Company for year 2023 by the general meeting of shareholders of the Company on 12 October 2022. Our uninterrupted engagement as auditors of the Group and the Company has lasted for five years.

Provided non-audit services

We declare that the PwC Network has not provided non-audit services to the Company and its subsidiaries that are prohibited under Article 5 (1) of the EU Regulation, as amended by the Czech law following Article 5 (3) of the EU Regulation.

The non-audit services that we have provided to the Company and its subsidiaries in the period from 1 January 2023 to 31 December 2023 are disclosed in Note 22 of the notes to the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Marek Richter.

25 June 2024

PricewaterhouseCoopers Audit, s.r.o.
represented by

Jan Musil

Marek Richter
Statutory Auditor, Licence No. 1800