



Moravia Gas Storage a.s.

ANNUAL REPORT

2023

I. Text part

1. Information about the Company

Moravia Gas Storage a.s. („the Company”) was established by a sole shareholder on 5 December 2008 and was incorporated in the Commercial Register on 19 December 2008 and is registered in the Commercial Register maintained by the Regional Court in Brno under file number B 5870.

2. Company activities

On 1 July 2016, the Company put into operation one of the largest and most modern underground gas storage facilities in the Czech Republic, built on a partially mined oil deposit in Dambořice.

In 2023, the Company operated an underground gas storage facility and provided gas storage services under an energy license.

In its activities, the Company complies with the principles of environmental protection and labour regulations.

The Company does not engage in research and development activities and has no organizational unit abroad.

3. Financial management of the Company in 2023

The Company reported a profit of CZK 66,805 thousand for the year ended 31 December 2023. As at 31 December 2023, the Company's equity amounted to CZK 1,284,873 thousand.

4. Operation of Dambořice's underground gas storage facility

Dambořice underground gas storage (UGS) was put into operation on 1 July 2016. Planned maximum storage capacity is 448 million m³.

The gas storage is equipped with state-of-the-art technology that enables its high flexibility in injection and recovery of gas.

The gas storage facility successfully completed the storage season, achieving the gas storage capacity of 448 million m³ at the end of 2023.

5. Activities in the field of environmental protection and occupational safety

In 2017, the Company was certified to ISO 14 001 and OHSAS 18001 standards, completing the process of implementing the integrated management system for quality, safety and environmental protection, which the Company started in 2016.

The introduction of the certified management system ISO 14 001 and OHSAS 18001 has led to an increase in the overall awareness of employees regarding environmental protection, occupational safety and process safety.

In 2023, the Company fulfilled its obligation to perform its activities to the maximum satisfaction of its customers, while respecting the requirements of safety and health protection, the environment and the prevention of major accidents.

6. Human resources

At the end of 2023, the registered number of employees, members of the Board of Directors and the Supervisory Board of the Company was 31.

The Company supports employee education and provides quality facilities for personal and professional development of each individual employee. As part of employee care, the company Moravia Gas Storage a.s. focuses on creating a quality work environment with a wide range of employee benefits.

7. Acquisition of own shares, branches abroad

The company did not acquire any own shares in 2023. In 2023, the Company did not have a branch or other part of the business plant located abroad.

8. Overview of the development of the Company in the following period

The Company will continue to complete the modifications of the technological units for gas drying in order to maintain the daily production capacity of 7.5 million m³ and a daily injection capacity of 4.5 million m³ by 2024/2025.

9. Subsequent events

The Company's Board of Directors monitors the current geopolitical situation caused by the conflict in Ukraine and is aware of the associated risks for the Company's activities, which are mainly the international sanctions and their possible impact on the business entities' economic sphere. The Company's management continuously monitors the situation and prepares steps in advance to possibly mitigate the impact of the situation on the Company. In the light of this fact, the Board of Directors of the Company does not perceive the current geopolitical and related economic situation as a significant risk for the Company's further activities and economic position in the following period.

In 2023, new shares of CZK 36,000 thousand were subscribed. The increase in the share capital and the change in the ownership structure took place on 9 February 2024 by entry into the Commercial register.

In addition to the above, no events have occurred subsequent to year-end that would have a material impact on the annual report as at 31 December 2023.

Hodonín, 26 March 2024



Detlef Weidemann

Member of the Board of Directors category A



Ing. Radim Blažej

Member of the Board of Directors category B

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

Moravia Gas Storage a.s. („the Company”) was established as a project company for the purpose of realization of plans in the field of natural gas storage.

Following the commissioning of the Dambořice underground gas storage in 2016, the Company continued to provide gas storage services under an energy license in 2023.

1. Financial results and assets state

The Company's profit for the year ended 31 December 2023 amounted to CZK 66,805 thousand. As at 31 December 2023, the Company's total assets and equity amounted to CZK 3,060,026 thousand.

2. Outlook of the Company in the following period

The Company will operate the underground gas storage Dambořice and provide gas storage services under an energy license. Also, in the subsequent period, work will continue with modification work on Dambořice UGS with the aim of maintaining the operational characteristics (daily output and storage capacity) of Dambořice UGS by 2024/2025.

Hodonín, 26 March 2024



Detlef Weidemann
Member of the Board of Directors category A



Ing. Radim Blažej
Member of the Board of Directors category B

III. Financial Statements as at 31 December 2023



Company name: Moravia Gas Storage a.s.
 Identification number: 285 06 065
 Legal form: joint-stock company
 Primary business: gas storage
 Balance sheet date: 31 December 2023
 Date of preparation of the financial statements: 26 March 2024

BALANCE SHEET
 (in thousand Czech crowns)

Ref.	ASSETS	Row	31.12.2023			31.12.2022
			Gross 1	Provision 2	Net 3	Net 4
a	b	c				
	TOTAL ASSETS	001	4 273 085	(1 213 059)	3 060 026	3 238 701
B.	Fixed assets	003	3 880 542	(1 085 822)	2 794 720	2 941 309
B. I.	Intangible fixed assets	004	43 878	(854)	43 024	35 842
B. I. 2.	Royalties	006	627	(409)	218	301
B. I. 2. 1.	Software	007	249	(220)	29	87
B. I. 2. 2.	Other royalties	008	378	(189)	189	214
B. I. 4.	Other intangible fixed assets	010	43 251	(445)	42 806	34 595
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	-	-	-	946
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	-	-	-	946
B. II.	Tangible fixed assets	014	3 836 664	(1 084 968)	2 751 696	2 905 467
B. II. 1.	Land and constructions	015	1 949 596	(481 662)	1 467 934	1 538 088
B. II. 1. 1.	Land	016	172 517	-	172 517	172 517
B. II. 1. 2.	Constructions	017	1 777 079	(481 662)	1 295 417	1 365 571
B. II. 2.	Equipment	018	1 867 576	(602 987)	1 264 589	1 360 884
B. II. 4.	Other tangible fixed assets	020	3 613	(319)	3 294	3 289
B. II. 4. 3.	Tangible fixed assets - other	023	3 613	(319)	3 294	3 289
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	15 879	-	15 879	3 206
B. II. 5. 1.	Advances paid for tangible fixed assets	025	-	-	-	-
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	15 879	-	15 879	3 206
C.	Current assets	037	390 152	(127 237)	262 915	295 300
C. I.	Inventories	038	18 999	-	18 999	12 022
C. I. 1.	Raw materials	039	18 999	-	18 999	12 022
C. II.	Receivables	046	178 730	(127 237)	51 493	131 176
C. II. 1.	Long-term receivables	047	10 961	-	10 961	50 838
C. II. 1. 4.	Deferred tax asset	051	-	-	-	-
C. II. 1. 5.	Receivables - other	052	10 961	-	10 961	50 838
C. II. 1. 5. 2.	Long-term advances paid	054	375	-	375	5 555
C. II. 1. 5. 4.	Other receivables	054	10 586	-	10 586	45 283
C. II. 2.	Short-term receivables	057	167 769	(127 237)	40 532	80 338
C. II. 2. 1.	Trade receivables	058	138 565	(127 205)	11 360	49 614
C. II. 2. 4.	Receivables - other	061	29 204	(32)	29 172	30 724
C. II. 2. 4. 1.	Receivables from shareholders	062	32	(32)	-	193
C. II. 2. 4. 3.	Taxes - receivables from the state	064	-	-	-	1 454
C. II. 2. 4. 4.	Short-term advances paid	065	538	-	538	560
C. II. 2. 4. 5.	Estimated receivables	066	446	-	446	458
C. II. 2. 4. 6.	Other receivables	067	28 188	-	28 188	28 059
C. IV.	Cash	075	192 423	-	192 423	152 102
C. IV. 1.	Cash in hand	076	30	-	30	52
C. IV. 2.	Cash at bank	077	192 393	-	192 393	152 050
D.	Prepayments and accrued income	078	2 391	-	2 391	2 092
D. 1.	Prepaid expenses	079	2 391	-	2 391	2 092

Ref. a	LIABILITIES AND EQUITY b	Row c	31.12.2023	31.12.2022
			5	6
	TOTAL LIABILITIES AND EQUITY	082	3 060 026	3 238 701
A.	Equity	083	1 284 873	1 246 780
A. I.	Share capital	084	2 000	2 000
A. I. 1.	Share capital	085	2 000	2 000
A. II.	Share premium and capital contributions	088	445 150	473 860
A. II. 2.	Capital contributions	090	445 150	473 860
A. II. 2. 1.	Other capital contributions	091	414 519	414 519
A. II. 2. 2.	Assets and liabilities revaluation	092	30 631	59 341
A. III.	Reserves from profit	096	400	400
A. III. 1.	Other reserve funds	097	400	400
A. IV.	Retained earnings / Accumulated losses	099	770 518	532 822
A. IV. 1.	Retained earnings or (accumulated losses)	100	770 518	532 822
A. V.	Profit / (loss) for the current period	102	66 805	237 698
B. + C.	Liabilities	104	1 761 602	1 991 770
B.	Provisions	105	17 071	16 489
B. 3.	Tax-deductible provisions	108	8 650	8 602
B. 4.	Other provisions	109	8 421	7 887
C.	Payables	110	1 744 531	1 975 281
C. I.	Long-term payables	111	1 231 393	1 636 546
C. I. 2.	Liabilities due to financial institutions	115	1 056 821	1 520 475
C. I. 8.	Deferred tax liability	121	174 572	116 071
C. I. 9.	Liabilities - other	122	-	-
C. I. 9. 3.	Other liabilities	125	-	-
C. II.	Short-term payables	126	513 138	338 735
C. II. 2.	Liabilities due to financial institutions	130	409 891	303 294
C. II. 3.	Short-term advances received	131	34 674	6 000
C. II. 4.	Trade payables	132	7 602	3 580
C. II. 8.	Liabilities - other	136	60 971	25 861
C. II. 8. 1.	Liabilities to shareholders	137	36 000	0
C. II. 8. 3.	Liabilities to employees	139	2 056	2 261
C. II. 8. 4.	Liabilities for social security and health insurance	140	1 104	883
C. II. 8. 5.	Taxes and state subsidies payable	141	5 182	3 759
C. II. 8. 6.	Estimated payables	142	16 597	18 925
C. II. 8. 7.	Other liabilities	143	32	33
D.	Accruals and deferred income	147	13 551	151
D. 1.	Accrued expenses	148	56	151
D. 2.	Deferred revenue	149	13 495	-

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INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2023	2022
			1	2
I.	Sales of products and services	01	724 828	668 900
A.	Cost of sales	03	124 980	114 089
A. 2.	Raw materials and consumables used	05	12 525	13 705
A. 3.	Services	06	112 455	100 384
C.	Own work capitalised	08	-	-
D.	Staff costs	09	55 319	54 797
D. 1.	Wages and salaries	10	42 355	42 568
D. 2.	Social security, health insurance and other costs	11	12 964	12 229
D. 2. 1.	Social security and health insurance costs	12	11 709	11 132
D. 2. 2.	Other costs	13	1 255	1 097
E.	Value adjustments in operating activities	14	294 365	161 616
E. 1.	Value adjustments of fixed assets	15	167 128	161 616
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	167 641	161 103
E. 1. 2.	Value adjustments in respect of intangible and tangible fixed assets - temporary	17	(513)	513
E. 3	Value adjustments of receivables	19	127 237	
III.	Operating income - other	20	4 221	786
III. 1.	Sales of fixed assets	21	-	16
III. 2.	Sales of raw materials	22	-	-
III. 3.	Other operating income	23	4 221	770
F.	Operating expenses - other	24	21 376	21 614
F. 1.	Net book value of fixed assets sold	25	-	-
F. 2.	Cost of raw materials sold	26	-	-
F. 3.	Taxes and charges	27	356	331
F. 4.	Operating provisions and complex prepaid expenses	28	580	605
F. 5.	Other operating expenses	29	20 440	20 678
*	Operating result	30	233 009	317 570
VI.	Interest and similar income	39	-	1 336
VI. 2.	Other interest and similar income	41	-	1 336
J.	Interest and similar expenses	43	75 210	78 107
J. 2.	Other interest and similar expenses	45	75 210	78 107
VII.	Other financial income	46	34	54 514
K.	Other financial expenses	47	26 751	1 459
*	Financial result	48	(101 927)	(23 716)
**	Net profit / (loss) before tax	49	131 082	293 854
L.	Tax on profit or loss	50	64 277	56 156
L. 2.	Tax on profit or loss - deferred	52	64 277	56 156
**	Net profit / (loss) after tax	53	66 805	237 698
***	Net profit / (loss) for the financial period	55	66 805	237 698
*	Net turnover for the financial period	56	729 083	725 536

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STATEMENT OF CASH FLOWS
(in thousand Czech crowns)

Ref. a	TEXT b	Accounting period	
		2023 1	2022 2
	Cash flows from operating activities		
	Net profit / (loss) before tax	131 082	293 854
A. 1.	Adjustments for non-cash movements:	404 435	179 491
A. 1. 1.	Depreciation and amortisation of fixed assets	167 641	161 103
A. 1. 2.	Change in provisions and provisions for impairment	127 306	1 118
A. 1. 3.	(Profit)/loss from sales of fixed assets	-	(16)
A. 1. 5.	Net interest expense/(income)	75 210	76 771
A. 1. 6.	Other non-cash movements	34 278	(59 485)
A *	Net cash flow from operating activities before tax and changes in working capital	535 517	473 345
A. 2.	Non-cash working capital changes:	(38 070)	(14 097)
A. 2. 1.	Change in receivables and prepayments	(76 299)	(604)
A. 2. 2.	Change in payables and accruals	45 206	(11 000)
A. 2. 3.	Change in inventories	(6 977)	(2 493)
A **	Net cash flow from operating activities before tax	497 447	459 248
A. 3.	Interest paid	(75 210)	(78 107)
A ***	Net cash flow from operating activities	422 237	381 141
B. 1.	Acquisition of fixed assets	(24 866)	(56 339)
B. 2.	Proceeds from sale of fixed assets	-	16
B. 3.	Interest received	-	1 336
B ***	Net cash flow from investing activities	(24 866)	(54 987)
C. 1.	Change in long- and short-term liabilities from financing activities	(357 050)	(299 326)
C. 2.	Changes in equity:	-	769
C. 2. 3.	Other cash contributions received from shareholders	-	769
C ***	Net cash flow from financing activities	(357 050)	(298 557)
	Net (decrease) / increase in cash and cash equivalents	40 321	27 597
	Cash and cash equivalents at the beginning of the year	152 102	124 505
	Cash and cash equivalents at the end of the year	192 423	152 102

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STATEMENT OF CHANGES IN EQUITY
 (in thousand Czech crowns)

	Share capital	Other capital contributions	Assets and liabilities revaluation	Other reserve funds	Retained earnings or (accumulated losses)	Restatement of retained earnings	Total
As at 1 January 2022	2 000	413 750	(35 604)	400	532 822	-	913 368
Fair value gains/(losses)							
- Financial derivatives	-	-	94 945	-	-	-	94 945
Allocation to funds	-	769	-	-	-	-	769
Net profit/(loss) for the current period	-	-	-	-	237 698	-	237 698
As at 31 December 2022	2 000	414 519	59 341	400	770 520	-	1 246 780
Fair value gains/(losses)							
- Financial derivatives	-	-	(28 710)	-	-	-	(28 710)
Allocation to funds	-	-	-	-	-	-	-
Net profit/(loss) for the current period	-	-	-	-	66 803	-	66 803
As at 31 December 2023	2 000	414 519	30 631	400	837 323	-	1 284 873

Moravia Gas Storage a.s.

Financial statements

31 December 2023

1. General information

1.1. Introductory information about the Company

Moravia Gas Storage a.s. ("the Company") was incorporated on 19 December 2008 by the Regional Court in Brno, Section B, Insert 5870 and has its registered office at Úprkova 807/6, Hodonín. The Company's primary business activity is providing gas storage services on the basis of an energy license.

The Company is not a member/shareholder with unlimited liability in any undertaking.

2. Accounting policies

2.1. Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic relevant for medium sized companies and have been prepared under the historical cost convention except as disclosed below.

The financial statements for the year ended 31 December 2023 were prepared under the assumption the company will continue as a going concern.

2.2. Tangible and intangible fixed assets

All intangible (and tangible) assets with a useful life longer than one year and a unit cost of more than CZK 80 thousand (CZK 80 thousand) are treated as intangible (and tangible) fixed assets.

Purchased intangible and tangible fixed assets are initially recorded at cost, which includes all costs related to their acquisition.

Intangible and tangible fixed assets are amortised/depreciated applying the straight-line method over their estimated useful lives.

A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by this asset.

Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred. Technical improvements of intangible and tangible fixed assets are capitalised.

Tangible fixed assets are also a special construction - an underground gas storage facility. This is an underground space used for the storage of natural gas, but it does not need to be reproduced and is therefore not depreciated. The gas storage is reported as part of the land.

2.3. Inventories

Purchased inventories are stated at the lower of cost and net realisable amount. Cost includes all costs related with its acquisition (mainly transport costs, customs duty, etc.). The first-in-first-out method is applied for all disposals, except for decline in technological gas stocks, where the Company used weighted average cost.

2.4. Receivables

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful amounts is created on the basis of an ageing analysis and an individual evaluation of the credit worthiness of the customers. The Company creates provisions also for receivables from related parties.

2.5. Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the fixed exchange rate determined by the Company as at the first day of the working month.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement and presented net.

The Company treats advances paid for the acquisition of fixed assets or inventories as part of these assets and therefore these assets are paid in a foreign currency and are not translated as at the balance sheet date because related future cash flows are not subject to foreign exchange rate risk.

2.6. Changes in accounting policies and corrections of prior period errors

Changes to accounting policies (inclusive of deferred tax impact) and corrections of errors arising from incorrect accounting or unrecorded expenses and income in prior periods, if material, are recorded in the financial statements on line Restatements of retained earnings.

2.7. Derivative financial instruments

Derivative financial instruments including currency forwards, forward rate agreements, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments are initially recognised on the balance sheet at cost and are subsequently re-measured at their fair value. All derivatives are presented in other receivables or in other payables when their fair value is positive or negative, respectively. Derivatives embedded in other financial instruments are not reported separately.

The Company designates certain derivatives prospectively as either a hedge of the fair value of a recognised asset or liability (fair value hedge), or a hedge of future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash-flow hedge). Hedge accounting is used for derivatives designated in this way, provided that certain criteria, including defining the hedging strategy and hedging relationship before hedge accounting is applied and ongoing documentation of the actual and expected effectiveness of the hedge, are met.

Changes in the fair value of derivatives that qualify as effective fair-value hedges are recorded in the income statement, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

Changes in the fair value of derivatives that qualify as effective cash-flow hedges are recorded as revaluation reserve from assets and liabilities in equity and are transferred to the income statement and classified as an income or expense in the period during which the hedged item affects the income statement.

2.8. Provisions

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The Company recognises a provision for its income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable, the difference is recognised as a short-term receivable.

Moravia Gas Storage a.s.

Notes to financial statements
for the year ended 31 December 2023

The Company creates provisions in accordance with special legal regulations. These are provisions for reclamation and remediation of land affected by mining pursuant to Act no. 44/1988 Coll., in accordance with § 10 of Act no. 593/92 Coll. Creation and use of provisions is subject to the approval of the District Mining Authority.

2.9. Revenue recognition

Sales are recognised as at the date the services are rendered and are stated net of discounts and value added tax.

2.10. Related parties

The Company's related parties are considered to be the following:

- parties, which directly or indirectly control the Company, their subsidiaries and associates;
- parties, which have directly or indirectly significant influence on the Company;
- members of the Company's or parent company's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence.

Material transactions and outstanding balances with related parties are disclosed in Notes 13.

2.11. Leases

The costs of assets held under both finance and operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognised in the balance sheet.

2.12. Interest expense

Interest expense on borrowings to finance the acquisition of intangible and tangible fixed assets are capitalised during the period of completion and preparation of the asset for its intended use. Other borrowing costs are expensed.

2.13. Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

2.14. Cash-flow statement

The Company has prepared the Cash-flow statement using the indirect method. Cash equivalents represent short-term liquid investments, which are readily convertible for a known amount of cash.

2.15. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed but are not themselves recognised in the financial statements.

Moravia Gas Storage a.s.

Notes to financial statements
for the year ended 31 December 2023

3. Intangible fixed assets

Intangible fixed assets, primarily consisting of emission rights, amounted to CZK 42,805 thousand as at 31 December 2023 (as at 31 December 2022: CZK 34,594 thousand), recognized in line item "Other intangible fixed assets".

4. Tangible fixed assets

(CZK'000)	1 January 2023	Additions/ transfers	Disposals	31 December 2023
Cost				
Land	172,517	0	0	172,517
Constructions	1,777,079	0	0	1,777,079
Equipment	1,867,119	1,063	(606)	1,867,576
Other tangible fixed assets	3,562	51	0	3,613
Advances paid for tangible fixed assets and tangible fixed assets in the course of construction	3,719	12,160	0	15,879
Total	3,823,996	13,274	(606)	3,836,664
Accumulated depreciation and allowances				
Constructions	(411,509)	(70,153)	0	(481,662)
Equipment	(506,746)	(96,241)	0	(602,987)
Other tangible fixed assets	(274)	(45)	0	(319)
Total	(918,529)	(166,439)	0	(1,084,968)
Net book value	2,905,467			2,751,696

(CZK'000)	1 January 2022	Additions/ transfers	Disposals	31 December 2022
Cost				
Land	172,517	0	0	172,517
Constructions	1,722,233	54,846	0	1,777,079
Equipment	1,837,257	29,862	0	1,867,119
Other tangible fixed assets	3,538	24	0	3,562
Advances paid for tangible fixed assets and tangible fixed assets in the course of construction	49,154	(45,435)	0	3,719
Total	3,784,699	39,297	0	3,823,996
Accumulated depreciation and allowances				
Constructions	(343,942)	(67,567)	0	(411,509)
Equipment	(412,898)	(93,848)	0	(506,746)
Other tangible fixed assets	(231)	(43)	0	(274)
Total	(757,071)	(161,458)	0	(918,529)
Net book value	3,027,628			2,905,467

Additions of tangible fixed assets consist mainly of the modification of mining boreholes and the inclusion of an investment in the modification of gas drying technology.

The Company records different amounts of accounting and tax valuation for land. It does not follow from the current intentions of the Company's management that this difference will result in a tax liability in the future and is therefore not included in the calculation of deferred tax.

5. Inventories

The Company did not create a provision for inventories as at 31 December 2023 and 2022.

6. Receivables

Overdue receivables as at 31 December 2023 amounted to CZK 127,237 thousand (as at 31 December 2022: CZK 0 thousand).

Moravia Gas Storage a.s.

Notes to financial statements
for the year ended 31 December 2023

The provision for doubtful receivables as at 31 December 2023 was CZK 127,237 thousand (as at 31 December 2022: CZK 0 thousand).

Unsettled receivables have not been covered by guarantees and none of them are due after more than 5 years.

The Company has no receivables nor provided any guarantees which are not included in the balance sheet.

7. *Equity*

The Company is owned by MND a.s., incorporated in Czech Republic and GAZPROM EXPORT LLC, incorporated in Russian Federation. Each of the above companies owns half of the Company's shares.

Due to its ownership structure, the Company as a joint venture belongs to two different groups of entities.

The Company KKCG AG with the registered office at Kapellgasse 21, 6004 Lucerne, the Swiss Confederation and PJSC GAZPROM with registered office at Lakhtin passage, 2/3, building 1, Lakhta – Olgino, Petrohrad, Russian Federation, prepares the consolidated financial statements of the largest group of entities of which the Company forms a part as a subsidiary. Those consolidated financial statements can be obtained at the registered office of the consolidating companies. KKCG AG applies the equity method for consolidation, PJSC GAZPROM uses the proportional method.

The Company MND a.s. with the registered office at Úprkova 807/6, 695 01 Hodonín prepares the consolidated financial statements of the smallest group of entities of which the Company forms a part as a subsidiary and is presented as equity method. These consolidated financial statements will be published in the Commercial Register within the statutory time limit.

In 2024, i.e. after the balance sheet date, the ownership structure changed (see Note 16).

Due to the fact that the Company is not fully governed by the new Corporations Act, a reserve fund is created from the profit of the Company according to law and may not be distributed to shareholders, but may be used to offset losses only.

The general meeting of shareholders approved the financial statements for 2022 and decided about the allocation of the profit for 2022 of CZK 237,696 thousand on 19 June 2023. The profit for 2022 was transferred to retained earnings.

The general meeting of shareholders approved the financial statements for 2021 and decided about the allocation of the profit for 2021 of CZK 172,194 thousand on 17 June 2022. The profit for 2021 was transferred to retained earnings.

Up to the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2023.

8. *Provisions*

In accordance with applicable legislation, the Company created provision for remediation and reclamation amounted to CZK 8,650 thousand as at 31 December 2023 (as at 31 December 2022: CZK 8,602 thousand).

9. *Payables, commitments and contingent liabilities*

Payables have not been secured against any assets of the Company and are not due after more than 5 years.

Total non-cancellable future commitments in respect of operating leases (not recorded in the balance sheet) amounted to CZK 508,847 thousand as at 31 December 2023 (as at 31 December 2022:

Moravia Gas Storage a.s.

Notes to financial statements
for the year ended 31 December 2023

CZK 572,967 thousand). The Company does not have any liabilities or commitments that are not recognised in the balance sheet.

The Company did not provide any guarantees which were not recorded in the balance sheet.

The management of the Company is not aware of any contingent liabilities as at 31 December 2023 and 2022.

10. Bank loans

The Company closed in March 2014 agreement for the provision of a long-term syndicated investment loan for the construction of an underground gas storage facility Dambořice amounted to EUR 100,000 thousand with ING BANK (branch ING-DiBa AG), ČESKÁ SPOŘITELNA, a.s. and HYPO NOE GRUPPE BANK AG. As at 31 December 2023 the total amount of the loan was CZK 1,466,712 thousand (as at 31 December 2022: CZK 1,823,769 thousand).

This loan has been repaid semi-annually since 2021 in the amounts specified in the Loan Agreement of increased of the available funds of the Company. The final maturity of the loan is in 2025. Certain contractual conditions apply to the loan. Breach of these terms and conditions may result in the immediate maturity of the loans. These conditions were not breached in 2023 and 2022.

This loan is secured:

- lien on all the Company's assets;
- lien on the Company's current and future receivables;
- lien on a commercial plant;
- lien on the Company's shares;
- lien on bank guarantee of receivables amounted to CZK 48,799 thousand;
- an obligation for shareholders to provide a surcharge outside the share capital, if necessary.

11. Derivative financial instruments

The Company uses financial derivatives in the form of interest rate swaps. Their value is influenced mainly by development in prices of the interest rates where appropriate.

11.1. Financial derivatives that meet criteria for hedge accounting – Cash-flow hedging agreements

(CZK'000)	31 December 2023			31 December 2022		
	Fair value		Notional amount	Fair value		Notional amount
	Positive	Negative		Positive	Negative	
Interest rate swaps (short-term part)	28,187	0	618,519	27,977	0	590 332
Interest rate swaps (long-term part)	10,586	0	856,808	45,283	0	846 222
Total interest rate hedging derivatives	38,773	0	1,475,327	73,260	0	1,436,554
Total cash-flow hedging derivatives	38,773	0	1,475,327	73,260	0	1,436,554

The change in fair value of the above described cash-flow hedging instruments is recognised in the hedging reserve in equity until the hedged items are recognised in the profit and loss account, or the asset or liability arising from the hedged forecasted transaction or firm commitment is recognised.

Moravia Gas Storage a.s.Notes to financial statements
for the year ended 31 December 2023

Change in fair value of interest rate derivatives recorded in equity:

(CZK'000)	2023	2022
As at 1 January	73,260	(43,956)
Increase / (decrease) for the year	(34,487)	117,216
As at 31 December	38,773	73,260

12. Revenue analysis

Revenue analysis:

(CZK'000)	2023	2022
Gas storage		
- domestic revenue	534,182	103,292
- foreign revenue	189,624	532,448
Revenue from other services	1,022	33,160
Total sales of own products and services	724,828	668,900
Other operating income	4,221	786
Total operating income	729,049	669,686

13. Related party transactions

All material transactions with related parties are presented in this note.

(CZK'000)	2023	2022
Revenues		
Sales of services	91,161	516,940
Total	91,161,	516,940
Costs / Purchases		
Purchase of material	6,716	9,521
Purchase of property	0	814
Purchase of services	21,281	77,910
Total	27,997	88,245

The following related party balances were outstanding as at:

(CZK'000)	31 December 2023	31 December 2022
Receivables		
Trade receivables	128,356	44,827
Total	128,356	44,827
Liabilities		
Liabilities to companies within the consolidation group	37,794	2,342
Out of which:		
Trade payables	1,794	2,342
Liabilities to shareholders	36,000	0
Total	37,794	2,342

Liabilities to shareholders as at 31 December 2023 CZK 36,000 thousand represent the funds provided by shareholder MND a.s.

No loans or collateral or other benefits were provided to the members of the Board of Directors, Supervisory Board and administrative bodies except of non-cash benefits for the year 2023 in the amount of CZK 1,106 thousand (2022: CZK 1,296 thousand).

Company cars are made available for use by the members of the Board of Directors.

14. Employees

	2023		2022	
	number	CZK'000	number	CZK'000
Emoluments to the members of the Statutory Body	3	13,767	4	15,275
Emoluments to members of the Supervisory Board	6	11,613	6	11,903
Wages and salaries to other management	1	1,776	1	1,143
Wages and salaries to other employees	23	15,199	24	14,247
Social security costs		11,709		11,132
Other social costs		1,255		1,097
Wages and salaries total	33	55,319	35	54,797

The Company's management includes senior staff members directly reporting to the statutory body.

15. Income tax

The income tax expense analysis:

(CZK'000)	2023	2022
Deferred tax expense	64,227	56,156
Total income tax expense	64,227	56,156

The deferred tax for 2023 was calculated at 21% (the rate enacted for 2024 and subsequent years).

The deferred tax asset / (liability) analysis:

(CZK'000)	31 December 2023	31 December 2022
Deferred tax asset / (liability) arising from:		
Difference between accounting and tax net book value of fixed assets	(182,962)	(118,828)
Provisions	1,768	1,499
Hedging derivatives recorded in equity	(8,142)	(13,920)
Tax losses carried forward	14,764	15,178
Net deferred tax asset / (liability)	(174,572)	(116,071)

The Company has tax losses as at 31 December 2023 of CZK 77,706 thousand (as at 31 December 2022: CZK 79,884 thousand).

16. Subsequent events

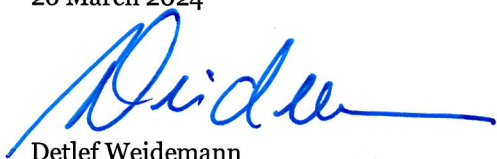
The Company's Board of Directors monitors the current geopolitical situation caused by the conflict in Ukraine and is aware of the associated risks for the Company's activities, which are mainly the international sanctions and their possible impact on the business entities' economic sphere. The Company's management continuously monitors the situation and prepares steps in advance to possibly mitigate the impact of the situation on the Company. In the light of this fact, the Board of Directors of the Company does not perceive the current geopolitical and related economic situation as a significant risk for the Company's further activities and economic position in the following period.

In 2023, new shares of CZK 36,000 thousand were subscribed. The increase in the share capital and the change in the ownership structure took place on 9 February 2024 by entry into the Commercial register.

In addition to the above, no events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2023.

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for the year ended 31 December 2023

26 March 2024



Detlef Weidemann
Member of the Board of Directors category A



Ing. Radim Blažej
Member of the Board of Directors category B

IV. Independent Auditor's Report

(Translation of a report originally issued in Czech)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Moravia Gas Storage a.s.:

Opinion

I have audited the accompanying financial statements of Moravia Gas Storage a.s. (the Company), registered seat Úprkova 807/6, Hodonín, prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2023, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information. For details of the Company, see Note 1 to the financial statements.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

I conducted my audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. My responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

My opinion on the financial statements does not cover the other information. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, I assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent I am able to assess it, I report that:

- 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 is prepared in compliance with applicable law or regulation.

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

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic 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 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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board of Directors and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.


Mgr. Václav Moll
statutory auditor, license no. 2311
Řícmanice č.ev. 190, Czech Republic



26 March 2024