Czech Gas Networks Investments S.à r.l.

Condensed Consolidated Interim Financial Statements

30 June 2024

Contents

Condensed Consolidated Interim Financial statements

Condensed Consolidated Interim Statement of Financial Position as at 30 June 2024

In CZK millions	Note	30 June 2024	31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	7	95,238	97,302
Right-of-use assets		3,431	3,352
Intangible assets		646	731
Derivative financial assets	9,13	2,515	2,151
Other non-current assets		1	1
Total non-current assets		**101,831**	**103,537**
Current assets			
Inventories		6	6
Trade and other receivables	3	699	653
Income tax prepayment		-	7
Other taxes receivable		12	3
Cash and cash equivalents		1,564	1,194
Derivative financial assets	9,13	1,504	1,982
Total current assets		**3,785**	**3,845**
TOTAL ASSETS		**105,616**	**107,382**
EQUITY			
Share capital		1	1
Share premium		26,173	26,173
Accumulated deficit		(17,489)	(16,277)
Total equity		**8,685**	**9,897**
LIABILITIES			
Non-current liabilities			
Borrowings	8,10	69,588	69,076
Lease liabilities	10	2,293	2,209
Deferred income tax liabilities		14,761	15,011
Provisions		54	26
Other non-current liabilities		268	276
Derivative financial liabilities	9,13	4,969	4,794
Total non-current liabilities		**91,933**	**91,392**
Current liabilities			
Borrowings	8,10	576	526
Lease liabilities	10	181	235
Trade and other payables	5.4	1,423	2,397
Contract liabilities	5.4	636	627
Current income tax payable		156	-
Other taxes payable		240	170
Provisions		54	54
Derivative financial liabilities	9,13	1,732	2,084
Total current liabilities		**4,998**	**6,093**
Total liabilities		**96,931**	**97,485**
TOTAL LIABILITIES AND EQUITY		**105,616**	**107,382**

Approved for issue and signed on behalf of Board of Managers on 25 September 2024.

A. J

Jan Brozik
Chairman of the Board

Ailbhe Jennings
Member of the Board

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income for the six-month period ended 30 June

In CZK millions	Note	2024	2023
Revenue	5.1	**9,364**	**7,040**
Other income		40	35
Work performed by the Group and capitalised	7	206	180
Net impairment (charge)/reversals on financial assets		(4)	(21)
Raw materials and consumables used		(145)	(150)
Employee benefits expense		(963)	(1,005)
Depreciation and amortisation		(3,326)	(3,388)
Services	5.2	(2,189)	(1,348)
Other operating expenses		(672)	(386)
Operating profit		**2,311**	**957**
Finance income		125	711
Finance costs	5.3	(1,627)	(2,432)
Profit / (Loss) before income tax		**809**	**(764)**
Income tax expense		(264)	(20)
PROFIT / (LOSS) FOR THE PERIOD		**545**	**(784)**
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD		**545**	**(784)**

Condensed Consolidated Interim Statement of Changes in Equity for the six-month period ended 30 June

In CZK millions	Note	Share capital	Share premium	Accumulated deficit	Total
Balance as at 1 January 2023		1	**26,173**	**(9,382)**	**16,792**
Loss for the six-month period ended 30 June 2023		-	-	(784)	(784)
Total comprehensive loss for six-month period ended 30 June 2023		**-**	**-**	**(784)**	**(784)**
Dividends declared and paid	6	-	-	(2,406)	(2,406)
Balance as at 30 June 2023		**1**	**26,173**	**(12,572)**	**13,602**

In CZK millions	Note	Share capital	Share premium	Accumulated deficit	Total
Balance as at 1 January 2024		1	**26,173**	**(16,277)**	**9,897**
Profit for the six-month period ended 30 June 2024		-	-	545	545
Total comprehensive loss for six-month period ended 30 June 2024		**-**	**-**	**545**	**545**
Dividends declared and paid	6	-	-	(1,757)	(1,757)
Balance as at 30 June 2024		**1**	**26,173**	**(17,489)**	**8,685**

Condensed Consolidated Interim Statement of Cash Flows for the six-month period ended 30 June

In CZK millions	Note	2024	2023
Cash flows from operating activities			
Cash generated from operations		5,246	3,133
Income taxes paid		(352)	(299)
Interest income received		39	91
Interest paid	10	(1,058)	(1,165)
Net receipts / (payments) for settlement of derivatives	5.3	22	273
Net cash from operating activities		**3,897**	**2,033**
Cash flows used in investing activities			
Purchases of property, plant and equipment and intangible assets		(1,589)	(1,252)
Proceeds from the sale of property, plant and equipment		7	5
Net cash used in investing activities		**(1,582)**	**(1,247)**
Cash flows used in financing activities			
Principal elements of lease payments	10	(188)	(167)
Loans received from credit institutions	10	500	-
Loans repaid to credit institutions	10	(500)	-
Dividends paid to the Company's shareholders	6	(1,757)	(2,406)
Net cash used in financing activities		**(1,945)**	**(2,573)**
Change in cash and cash equivalents		370	(1,787)
Cash and cash equivalents at the beginning of the period		**1,194**	**4,040**
Cash and cash equivalents at the end of the period		**1,564**	**2,253**

1 Corporate information and significant changes in business in the current reporting period

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" for the period ended 30 June 2024 for Czech Gas Networks Investments S.à r.l. (the "Company") and its subsidiaries (together "the Group"). The Company controls the operating entities GasNet, s.r.o. and GasNet Služby, s.r.o. through intermediate holding entity Czech Grid Holding, a.s.

The Company was incorporated on 22 March 2019 and is domiciled in the Grand Duchy of Luxembourg. The Company is organised under the laws of Luxembourg as a Société a Responsabilité Limitée for an unlimited period of time and was set up in accordance with regulations of Luxembourg. The Company's registered office is the Grand Duchy of Luxembourg, 20 Boulevard Royal, L-2449 Luxembourg, Registration No. B 233444.

As at 30 June 2024 and 31 December 2023, the Company's immediate parent company was Czech Gas Network S.à r.l. ("CGN"), registered office the Grand Duchy of Luxembourg, 20, Boulevard Royal, L-2449 Luxembourg with its share of 100%. The ultimate parent company of the Group was fund MEIF IV LP (Macquarie European Infrastructure Fund) registered in Grand Duchy of Luxembourg.

Principal activity. The Group's main business activity is operating a natural gas distribution system. The Group operates a distribution system serving an area, defined in its license, which is the largest in the Czech Republic in terms of the area covered by and the length of the operated gas pipelines. The distribution system operator's key obligations include providing for the safe, reliable and economical operation and the maintenance, replacement and development of the distribution system in the delineated area, while gaining funds for these activities by selling distribution capacity. One of the main priorities of the Group is also environmental protection, an effort reflected in all tasks, processes, and decisions.

Presentation currency. These consolidated financial statements are presented in millions of Czech crowns ("CZK"), unless stated otherwise.

Regulatory framework. The gas distribution activity of the Group is regulated by an independent regulatory body, Energy Regulatory Office ("ERO"), as stipulated by the Energy Act. The regulation of the Group is conducted by determining the overall level of allowed revenues (the Revenue Cap) and the subsequent calculating of tariffs for distribution services for specific customer groups. These distribution prices (tariffs) are published annually in a price decree issued by ERO usually by the end of November each year. Price Regulation Methodology is binding for the 5th regulatory period which runs from 2021 to 2025. The year 2024 is the fourth year of the fifth regulatory period.

In the middle of 2023 ERO launched a project with the objective to prepare methodology for the 6th regulatory period starting from 2026. ERO created several working groups in which the regulated companies including GasNet participated, mainly analysing regulated OPEX, RAB and WACC and also discussing topics specific for the whole gas industry. The working groups discussions will continue until July 2024. By the end of August ERO will publish draft documents reflecting the joint work of ERO and regulated and unregulated companies in gas and energy business. The documents will be subject to public consultation process planned for autumn 2024. After approval, the documents will be valid as a regulatory methodology for the 6th regulatory period and will be published in spring 2025.

Military conflict in Ukraine. The Russian aggression against Ukraine had a continuing effect on the social and economic situation in the Czech Republic, impacting the Group's business operations as well. Thanks to securing alternative sources of gas, the adverse effect of severing the supply of natural gas from the Russian Federation to EU countries was almost eliminated.

Divestment process. In 2023, the Macquarie Group initiated steps leading to the divestment of its majority stake in the Group and the process continued in 2024. On 20 March 2024, the Macquarie Group, on behalf of managed funds, reached an agreement to sell its 55.21% stake in the Group and in the shareholder loans to ČEZ Group for EUR 846.5 million in total (equivalent of CZK 21.4 billion). The transaction is subject to further regulatory approvals, including an approval from the European Commission.

Significant changes in the current reporting period. The operating profit for the six-month period ended 30 June 2024 was affected by the following factor:

- The positive impact on revenues of CZK 2,324 million compared to the half-year ended 30 June 2023 was mainly caused by the higher gas distribution prices in 2024 and by the lower distribution volume, i.e. the positive price effect amounts to CZK 2,643 million and the negative quantity effect to CZK (286) million.

There were no other significant events and transactions affecting the six-month periods ended 30 June 2024.

2 Material accounting policies

Basis of preparation. This condensed consolidated interim financial information for the period of six months ended 30 June 2024 ("the interim report") has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2023, which have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (IFRS).

Except as described below, the same accounting policies and computation methods were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements of the Group for the year ended 31 December 2023.

Interim-period tax measurement. Interim-period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

3 Adoption of new and revised standards

There were no new and amended standards adopted by the Group that would affect the accounting policies or require retrospective adjustment.

4 Segment reporting

The main activity of the Group is gas distribution. Other activities include construction activities, changes and removal of constructions, repairs and revisions, etc. and are inseparably connected with the main activity of the Group.

The Board of Managers ("Management") of the Group is the "chief operating decision maker". Management assesses financial performance based on the key performance indicators of the whole Group. Management of the Group regularly reviews the operating results of the whole Group based on financial information prepared according to IFRS and makes decisions about resources to be allocated to business activities and assesses the Group's performance. Additionally, the means of controlling and assessing operating managers is carried out at the Group level. Their remuneration depends on the Group's key performance indicators being fulfilled.

As a result, the Group management views the whole Group as one operating segment.

5 Profit and loss information and seasonality of operations

5.1 Disaggregation of revenue

Analysis of revenue by category is presented as follows:

In CZK millions	**six-month period ended 30 June 2024**	**six-month period ended 30 June 2023**
Revenues recognised over time		
Revenue from gas distribution	9,278	6,912
Revenues from rendering of other services and sale of goods	41	72
Total revenues recognised at a point of time	9,319	6,984
Revenues recognised at a point in time		
Revenues from sale of LNG on LNG stations	45	56
Total revenue	**9,364**	**7,040**

For the six-month period ended 30 June 2024, the Group recognised 96% of total gas distribution revenue from wholesale traders of gas (2023: 95%) and 4% from end-consumers of gas distribution (2023: 5%). The Group disaggregated its revenue by category of end consumers of gas distribution, which are either direct customers of wholesale traders (mentioned above) or customers of the Group:

In CZK millions	**six-month period ended 30 June 2024**	**six-month period ended 30 June 2023**
Revenues from gas distribution		
Large- and medium-sized consumers category	3,555	2,525
Small-sized customers category	1,326	1,029
Households category	4,397	3,358
Total revenue from gas distribution	**9,278**	**6,912**

The disaggregation of revenue was disclosed as such in order to present the structure of the portfolio of ultimate customers, since each customer category has its own pricing, risks and other specifics.

5.2 Services

In CZK millions	**six-month period ended 30 June 2024**	**six-month period ended 30 June 2023**
Gas transportation	1,641	803
IT and network services	186	201
Energy market operation fees	78	55
Other services	76	88
Gas network maintenance	64	70
Facility services and other maintenance	36	28
Consultancy and other fees	27	37
Travel expenses	26	24
Car fleet maintenance	23	11
Measurement of gas consumption	20	19
Training expenses	9	7
Phone costs	3	5
Total services	**2,189**	**1,348**

5.3 Finance costs

In CZK millions	**six-month period ended 30 June 2024**	**six-month period ended 30 June 2023**
Interest costs		
Interest expense on borrowings	1,120	1,163
Interest expense on the lease liability	43	41
Less capitalised finance costs	(26)	(29)
Net interest costs recognised in profit or loss	**1,137**	**1,175**
Other finance costs		
Foreign exchange losses	490	-
Net loss on trading derivatives	-	1,257
Thereof: Loss on unrealised derivatives	-	1,530
Loss (Gain) on realised derivatives	-	(273)
Total finance costs recognised in profit or loss	**1,627**	**2,432**

The effect from realised derivatives was presented in the Statement of cash flows separately.

Foreign exchange losses on borrowings increased in the six-month period ended 30 June 2024 as compared to the six-month period ended 30 June 2023, however, this adverse impact was compensated by gain on realised derivatives that the Group concluded to mitigate the cross currency risk.

5.4 Seasonality of operations

Gas distribution is directly affected by natural gas consumption and generally copies its consumption trend. Use of natural gas has both a seasonal peak and a bottom, with consumption patterns predominantly driven by weather.

Annual consumption correlates with a heating period (January to April and September to December) and a non-heating period (May to August). Based on the past history, the revenues and margin related to the heating period represent approximately 77% of the annual revenues and margin.

The peak occurs during the winter period when cold weather increases demand for natural gas and, consequently, gas distribution. The bottom is reached during the summer period with an inverse effect. However, the seasonality does not have a significant impact on the revenue spit and operating profit between the first and the second halves of a year.

Natural gas distribution to end consumers for high-volume and middle-volume categories is billed to traders on a monthly basis based on measured consumption by end-consumers. Gas distribution to low-volume categories and households is billed to particular traders periodically, when the consumption reading is performed at least once every 14 months for each end-consumer.

Advance payments for gas distribution from low-volume customer categories and households are recognised on a relatively linear basis during the year, with the peak of gas distribution revenue in winter months during the heating period. The revenues from gas distribution in this period are recognised against relatively linear contract liabilities, resulting in a minimal level of contract liabilities after the whole heating period. Total contract liabilities as at 30 June 2024 increased by CZK 9 million in comparison with the balance as at 31 December 2023.

The Group has recognised the following liabilities arising from contracts with customers:

In CZK millions	**30 June 2024**	**31 December 2023**
Contract liabilities – advances from customers for gas distribution	636	627
Total current contract liabilities	**636**	**627**

Trade and other payables decreased by CZK 974 million in comparison with the balance as at 31 December 2023. The main part of the decrease represents a decrease of CZK 503 million of liabilities from investment activities driven by seasonality, when investment activities are mainly finalised during the last quarter and before the year. The further decrease is caused by a trade liabilities decrease of CZK 103 million (mainly for gas distribution, electricity and other services) and estimated liabilities of CZK 69 million due to seasonality and the peak of heating season in December. Furthermore, the liabilities to employees decreased by CZK 203 million and deposit with customers and other liabilities decreased by CZK 96 million.

6 Dividends

Dividends declared and paid on ordinary shares during the interim period were as follows:

In CZK millions	**2024**	**2023**
Dividends payable as at 1 January		
Interim dividends declared during the interim period	1,757	2,406
Interim dividends paid during the interim period	(1,757)	(2,406)
Dividends payable as at 30 June	-	-
Dividends per share (in CZK) declared in the period of six months ended 30 June	**2,509.80**	**3,437.10**

All dividends are declared and paid in CZK.

On 6 June 2024, the Board of Managers decided on the interim dividend distribution of CZK 1,757 million. The interim dividend was recorded as a decrease in equity and was paid on 10 June 2024.

On 25 June 2024, the Sole Shareholder approved the individual financial statements of the Company under Luxembourg GAAP for 2023 with the loss for the year 2023 of CZK 10,434 million and decided about its allocation as a decrease of retained earnings of the Company.

7 Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In CZK millions	**Freehold Land**	**Buildings**	**Gas Network**	**Equipment**	**Construction in progress**	**Total**
Cost as at 1 January 2024	229	3,884	113,214	7,312	874	125,513
Accumulated depreciation	-	(1,373)	(23,252)	(3,586)	-	(28,211)
Carrying amount as at 1 January 2024	**229**	**2,511**	**89,962**	**3,726**	**874**	**97,302**
Additions	2	28	240	155	626	1,051
Transfers	4	12	71	34	(121)	-
Disposals	-	(2)	(32)	(8)	-	(42)
Depreciation charge	-	(100)	(2,591)	(382)	-	(3,073)
Carrying amount as at 30 June 2024	**235**	**2,449**	**87,650**	**3,525**	**1,379**	**95,238**
Cost as at 30 June 2024	235	3,918	113,483	7,461	1,379	126,476
Accumulated depreciation	-	(1,469)	(25,833)	(3,936)	-	(31,238)
Carrying amount as at 30 June 2024	**235**	**2,449**	**87,650**	**3,525**	**1,379**	**95,238**

Construction in progress comprises mainly construction of the gas network. Upon completion, assets are transferred to use. Borrowing costs were capitalised to construction in progress in the amount of CZK 26 million during the six-month period ended 30 June 2024 (2023: CZK 29 million). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 10.49% in the six-month period ended 30 June 2024 (2023: 11.76%). The Group capitalised own constructed fixed assets (mainly gas network) of CZK 206 million during the six-month period ended 30 June 2024 (2023: CZK 180 million).

8 Borrowings

Borrowings comprise the loans received by the Group from its sole shareholder and borrowings from credit institutions and bondholders, as follows:

In CZK millions	30 June 2024	31 December 2023
Term loans		
- Non-current portion	69,588	69,076
- Current portion	576	526
Total borrowings	**70,164**	**69,602**

In CZK millions	30 June 2024	31 December 2023
Non-current borrowings		
Bonds		
- EUR Tranches	39,899	39,391
- CZK Tranche	6,745	6,744
Bank borrowings		
- Multiple lenders	8,900	8,897
Loans from shareholder		
- Czech Gas Network S.à r.l.	14,044	14,044
Total non-current borrowings	**69,588**	**69,076**
Current borrowings		
- Loans from shareholder Czech Gas Network S.à r.l.	115	115
- Bonds	461	411
Total current borrowings	**576**	**526**
Total borrowings	**70,164**	**69,602**

Bank borrowings. Non-current bank borrowings consist of 1 tranche as at 30 June 2024 with the effective interest rate of 7.37 % p.a. (as at 31 December 2023: 1 tranche with effective interest rate of 7.79% p.a.)

Non-current bank borrowings as at 30 June 2024 have maturities in 2028:

Nature	Lender	Maturity date	Interest rate	Currency	Carrying amount as at 30 June 2024	Carrying amount as at 31 December 2023
Facility A	Multiple lenders	20 May 2028	0.65% + PRIBOR 6m	CZK	8,900	8,897
Capex Facility	Multiple lenders	20 May 2028	0.65% + PRIBOR 6m	CZK		-
Total					**8,900**	**8,897**

The interest rate of Facility A and Capex Facility is composed of a margin of 0.65% (0.55% as at 31 December 2023) and a floating rate (PRIBOR 6 months).

The respective transaction costs were allocated by facilities proportionally based on the carrying amount of a facility drawn.

The Group has a possibility of drawing a capex commitment in the amount of CZK 1,000 million (CZK 1,000 million in 2023) and a revolving credit facility in the amount of CZK 500 million (CZK 500 million in 2023). On 5 March 2024 the Company fully repaid the capex facility of CZK 500 million, which was drawn on 5 January 2024.

Bonds issued. Non-current bond borrowings consist of 3 issues of EUR notes and 1 issue of CZK notes as at 30 June 2024 and as at 31 December 2023.

Details of the bonds issued were as follows:

Tranche	Issuer	Maturity date	Contractual interest rate	30 June 2024	31 December 2023
EUR fixed interest rate bonds	CGNI	16 July 2027	1.00%	15,115	14,848
CZK floating interest rate notes	CGNI	21 July 2026	1.00% + 6M PRIBOR	6,989	6,988
EUR bonds	CGNI	31 March 2031	0.875%*	12,485	12,379
EUR Green Notes	CGNI	8 September 2029	0.450%	12,516	12,331
Total				**47,105**	**46,546**

** Effective interest rate was 0.85% as at 30 June 2043 (1.05% as at 31 December 2023).*

Loans from Shareholders. Details of the loans from shareholder were as follows:

Tranche	Noteholder	Maturity date	Interest rate	31 June 2024	31 December 2023
Loan Notes B	CGN	30 September 2044	4.90%	14,159	14,159
Total				**14,159**	**14,159**

Loans Notes B received from the shareholder are at all times subordinated in right and priority of payment to all other existing and future liabilities and obligations of the Group.

9 Derivative financial instruments

The Group entered into several derivative contracts in the past under which:

- the foreign exchange risk of a minimum of 85% of the notional amount of all borrowings denominated in a currency other than CZK is mitigated through cross-currency swaps for a term of at least 12 months.
- a minimum of 90% of the notional amount of all borrowings effectively bears a fixed interest rate, either by a contractually fixed interest rate or by concluded derivative contracts following the maturity of the debt.

The Group did not enter into any new derivative contract in 2024.

In April 2023, the Group entered into three fixed-to-fixed cross-currency swap agreements maturing on 16 July 2027, 8 September 2029 and 31 March 2031 to mitigate the foreign exchange risk related to the EUR fixed interest rate notes previously issued by the Group for, the total amount of EUR 329.7 million (equivalent of CZK 5,601 million) to cover the Group's position in EUR.

As at 30 June 2024, the total notional amount of all cross currency swaps the Group has entered into equals EUR 1,600 million (equivalent of CZK 40,776 million). Maturities of these swaps range between 2026 and 2031. As at 31 December 2023 the notional amount of all cross currency swaps the Group had entered into equalled EUR 1,600 million (equivalent of CZK 40,776 million) with maturities ranging between 2026 - 2031.

As at 30 June 2024 and as of 31 December 2023, the total notional amount of all interest rate swaps the Group has entered into equals CZK 70,002 million. Thereof CZK 48,502 million already mitigate the interest rate risk the Group faces as of 30 June 2024, whereas the remainder of CZK 21,500 million belong to forward starting interest rate swaps with the effective date 30 September 2024. Maturities of these swaps range between 2024 and 2031.

The fair value of cross-currency swap agreements amounted to CZK 6,507 million recognised as a derivative liability of CZK 6,701 million and a derivative asset of CZK 194 million as at 30 June 2024 (as at 31 December 2023: derivative liability of CZK 6,878 million and a derivative asset of CZK 146 million).
The fair value of interest-swap agreements (derivative asset) amounted to CZK 3,825 million as at 30 June 2024 (as at 31 December 2023: CZK 3,987 million).

In CZK millions	**30 June 2024**	**31 December 2023**
Non-current assets		
Interest-rate swaps	2,321	2,005
Cross currency interest-rate swaps	194	146
Current assets		
Interest-rate swaps	1,504	1,982
Non-current liabilities		
Cross currency interest-rate swaps	(4,969)	(4,794)
Current liabilities		
Cross currency interest-rate swaps	(1,732)	(2,084)
Total net fair value of derivative financial instruments	**(2,682)**	**(2,745)**

Classification of derivatives.

Derivatives are only used for economic hedging purposes and not as speculative investments. The derivatives are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit and loss. The portions of financial assets and liabilities expected to be realised within 12 months of the balance sheet date are presented as current assets and liabilities; the rest, where the realisation is expected after 12 months of the balance sheet date is classified as non-current.

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

Fair value measurement.

For information about the methods and assumptions used in determining the fair value of derivatives, refer to Note 13.

Amounts recognised in profit or loss.

The following amounts were recognised in profit or loss in relation to derivatives:

In CZK millions	**Six-month period ended 30 June 2024**	**Six-month period ended 30 June 2023**
Interest-rate swaps		
Fair value gain (loss) on interest-rate swaps	(162)	(1,802)
Cross currency interest-rate swaps		
Fair value gain (loss) on cross-currency interest-rate swaps	225	271
Net loss/gain on derivative financial instruments	**63**	**(1,531)**

10 Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as cash flows from investing or financing activities:

In CZK millions	Note	Bank Borrowings	Loans from Shareholder	Bonds	Lease liabilities	Total liabilities from financing activities
Liabilities from financing activities as at 1 January 2024		**8,897**	**14,159**	**46,546**	**2,444**	**72,046**
Non-cash movements:						
Interest expenses	5.3	305	343	446	43	1,137
Interest capitalised	7	26	-	-	-	26
Foreign exchange difference		-	-	490	-	490
Increase of leases and lease modifications		-	-	-	184	184
Total non-cash movements		**331**	**343**	**936**	**227**	**1,837**
Cash movements:						
Drawing of borrowings		500	-	-	-	500
Settlement of borrowings		(500)	-	-	-	(500)
Interest paid (expensed and capitalised)		(328)	(343)	(377)	(10)	(1,058)
Repayment of principal		-	-	-	(187)	(187)
Total cash movements		**(328)**	**(343)**	**(377)**	**(197)**	**(1,245)**
Liabilities from financing activities as at 30 June 2024		**8,900**	**14,159**	**47,105**	**2,474**	**72,638**

In CZK millions	Note	Bank Borrowings	Loans from Shareholder	Bonds	Lease liabilities	Total liabilities from financing activities
Liabilities from financing activities as at 1 January 2023		**9,391**	**14,217**	**45,541**	**2,272**	**71,421**
Non-cash movements:						
Interest expenses	5.3	344	341	449	41	1,175
Interest capitalised	7	29	-	-	-	29
Foreign exchange difference		-	-	(616)	-	(616)
Increase of leases and lease modifications		-	-	-	322	322
Total non-cash movements		**373**	**341**	**(167)**	**363**	**910**
Cash movements:						
Interest paid (expensed and capitalised)		(351)	(399)	(396)	(19)	(1,165)
Repayment of principal		-	-	-	(167)	(167)
Total cash movements		**(351)**	**(399)**	**(396)**	**(186)**	**(1,332)**
Liabilities from financing activities as at 30 June 2023		**9,413**	**14,159**	**44,978**	**2,449**	**70,999**

11 Contingencies and commitments

Tax contingencies. Czech tax legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. The Czech tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax noncompliant counterparties. Fiscal periods remain open for review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review were made. Under certain circumstances, reviews may cover longer periods.

Czech transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. Management has implemented internal controls to comply with current TP legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of TP rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated, but it may be significant to the financial position and / or the Group's operations.

The Group does not have any significant contingent liabilities as at 30 June 2024 and 31 December 2023.

Capital expenditure commitments. As at 30 June 2024, the Group has contractual capital expenditure commitments in respect of property, plant and equipment of CZK 4,376 million (31 December 2023: CZK 2,989 million).

Bank commitments. According to shareholder loan agreement, all the future payments related to shareholder loans or distribution to the shareholder are subordinated to the repayment of principal and interest from bank borrowings.

12 Balances and transactions with related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

In CZK millions	**Immediate parent company CGN S.à r.l.**	
	30 June 2024	**31 December 2023**
Borrowings	14,159	14,159
Trade and other receivables	3	3

Details of Borrowings are disclosed in Note 8.

The expense items with related parties for the six-month period ended 30 June were as follows:

In CZK millions	**Immediate parent company CGN S.à r.l.**	
	Six-month period ended 30 June 2024	**Six-month period ended 30 June 2023**
Finance costs	343	341

Finance costs are related to borrowings that were provided at market terms as at the date of the respective tranche.

The information regarding the remuneration of the 3 Senior Executives in the six-month period ended 30 June 2024 and 3 Senior Executives in the six-month period ended 30 June 2023 is set out below.

In CZK millions	**Six-month period ended 30 June 2024**			**Six-month period ended 30 June 2023**		
	Expense	**Provisions**	**Trade and other payables**	**Expense**	**Provisions**	**Trade and other payables**
Short-term benefits:						
- Salaries	8	-	1	10	-	-
- Short-term bonuses	1	-	-	3	-	-
- Social security costs	1	-	-	4	-	-
Other long-term employee benefits:						
- Long-term motivation program	16	29	-	4	-	-
Total key management compensation	**26**	**29**	**1**	**21**	**-**	**-**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

Besides the above-stated, the in-kind consideration in the form of using the cars leased by the Group amounted to CZK 1 million and presented as a depreciation of the right-of-use assets in the year ended 30 June 2024 (2023: CZK 1 million).

13 Fair-value measurement of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy, as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities; (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies its judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets and liabilities measured at fair value

The Fair value of the interest-rate swaps was determined as the present value of future cash flows based on the observable yield curve from the Bloomberg terminal as at 30 June 2024 and 31 December 2023.

The cross-currency interest-rate swap was determined as the present value of future cash flows based on the forward exchange rates as at the balance sheet date and future cash flows were discounted by the observable yield curves from the Bloomberg terminal as at 30 June 2024 and 31 December 2023.

Recurring fair value measurements	**30 June 2024**	**31 December 2023**
in CZK millions	**Level 2 fair value**	**Level 2 fair value**
ASSETS		
Derivatives		
- Interest-rate swaps	3,825	3,987
- Cross currency interest swap	194	146
TOTAL ASSETS	**4,019**	**4,133**
LIABILITIES		
Derivatives		
- Interest-rate swaps	-	-
- Cross currency interest swap	(6,701)	(6,878)
TOTAL LIABILITIES	**(6,701)**	**(6,878)**

The fair value of EUR fixed interest rate bonds issued amounts to CZK 34,705 million as at 30 June 2024 (as at 31 December 2023: CZK 34,061 million). EUR fixed interest rate bonds issued belong to level 1 of the fair value hierarchy, since they are quoted in an active market.

The loans from the shareholder were provided at market terms on 30 September 2019. As at 30 June 2024 the fair value of the loans from shareholder amounts to CZK 13,763 million (CZK 13,620 million as at 31 December 2023). They belong to Level 2 of the fair value hierarchy.

All other borrowings (bank borrowings, CZK floating interest rate bonds) belong to Level 2 of the fair value hierarchy. As at 30 June 2024 and 31 December 2023, their fair values were not materially different from their carrying amounts.

The fair value of floating-rate instruments that are not quoted in an active market were estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. As inputs to the DCF model, the Group used intra-group credit margins and market interest rates for interest rates swaps (“IRS”) with the similar duration to that of financial instruments held at AC. The discount rate was determined as a sum of the intra-group margin and IRS rate.

Carrying values of Trade and other receivables and Trade and other payables approximate to their fair values because of their short-term nature. The difference between fair value and carrying amount of Other non-current liabilities was insignificant.

Liabilities carried at amortised cost. The estimated fair value of fixed interest-rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

14 Presentation of financial instruments by measurement category

As at 30 June 2024 and 31 December 2023, all the Group’s financial liabilities and financial assets were carried at amortised cost except the derivatives, which were carried at fair value.

15 Events after the reporting period

On 28 August 2024 ČEZ Group successfully completed the acquisition of 55.21% in the Group through the acquisition of the majority share in the parent company Czech Gas Networks S.à r.l.

On 28 August 2024 the Company changed its registered office, the new registered office is the Grand Duchy of Luxembourg, 15 Boulevard F.W. Raiffeisen, L-2411 Luxembourg, BP 2501, L-1025 Luxembourg.

In September 2024 the Czech Republic was hit by devastating floods. A state of emergency had to be declared on the gas distribution system in Northern Moravia region. In the floods-affected areas CGNI Group distributes gas to 20 thousand of customers of which 8 thousand had to be disconnected from the gas network. In total, CGNI Group serves approximately 2.3 million off-take points in the Czech Republic. The Group is working hard on reconnecting all affected customers back to its gas distribution system.

No other events have occurred subsequent to the balance sheet date that would have a material impact on the condensed consolidated interim financial statements as at 30 June 2024.