

# ANNUAL REPORT 2023

Pražská plynárenská, a.s.  
and the Pražská plynárenská, a.s. Group



**We will be  
happy to help  
with whatever  
you do**

This annual report was compiled pursuant to Act No. 563/1991 Coll., on accounting, as amended, and Act No. 90/2012 Coll., on business corporations and co-operatives (Corporations Act), as amended.

In Prague, on 18 April 2024

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# I. INTRODUCTION



## Foreword from the Chairman of the Board of Directors

Dear friends,

The past year has once again reminded us of what a difficult, and to a large extent ground-breaking, time we are going through. In the course of that year, we had to deal with various influences that brought difficult and often unexpected situations, which forced us to implement a number of changes. Changes that may often be difficult and painful, but at the same time necessary for the further development and future prospects of our company.

I am convinced, however, that we have dealt with everything that the past year has put before us successfully, with honour, and the steps we have taken are beginning to show clear and concrete results. In this context, I would like to thank our employees who have done their best for their company.

I am proud to say that we have managed to meet our targets and have achieved very good economic results. This makes me even more pleased that we were also able to reduce the selling price of the natural gas supplied to our customers three times, making us one of the most cost-effective suppliers on the domestic market, and we performed similarly in the area of electricity supply.

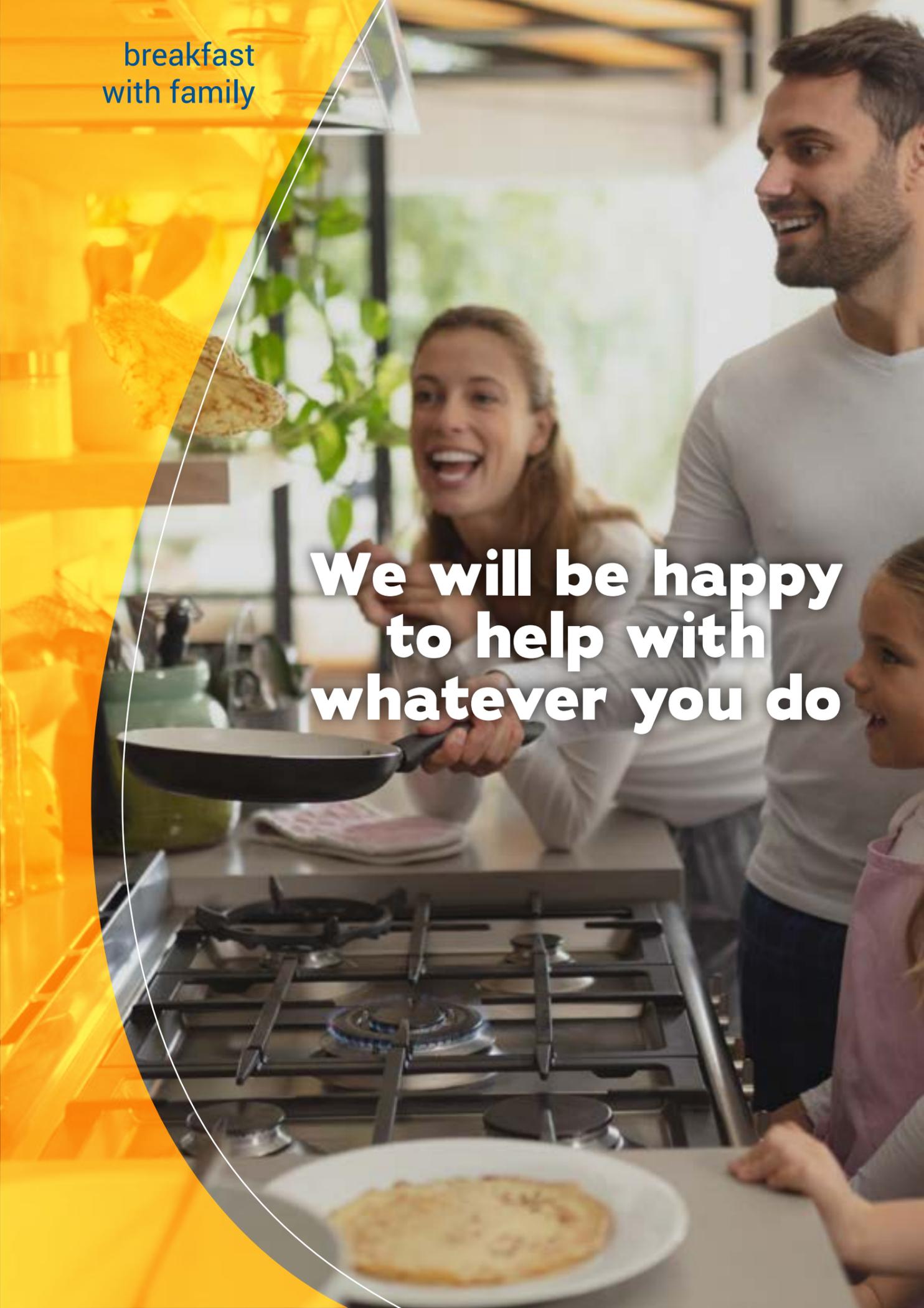
We enter 2024 with an ambitious plan for further development, knowing well that the path to achieving it will require a high level of commitment and overcoming a number of obstacles. But as Arthur C. Clarke said: "If you find a path with no obstacles, it probably doesn't lead anywhere." I firmly believe that we have the necessary enthusiasm, the ability and the experience to continue on this path successfully.

Old sailors used to say that: "It's not how the wind blows, it's how we set the sails." So let's try to catch a good wind in those imaginary sails of ours, even in 2024, so that at the end of it we can say: "It was another good year."

A handwritten signature in blue ink, appearing to be 'L. Baleka', written in a cursive style.

**Ing. Ludvík Baleka**  
Chairman of the Board of Directors

breakfast  
with family



**We will be happy  
to help with  
whatever you do**

## II. SELECTED INFORMATION ABOUT THE COMPANY

Unless stated otherwise, the information in this section applies to the individual financial statements provided. The individual financial statements were processed according to the International Financial Reporting Standards (IFRS) in the form adopted by the EU.

The average CZK/EUR exchange rate for 2023 was CZK 24.007/EUR 1, and this value is used to convert all data in the tables (also for the preceding years for exemplification).

### Company profile

Pražská plynárenská, a.s., is a reliable supplier of natural gas and electricity for customers throughout the Czech Republic, and has long been one of the most important domestic energy companies.

In addition to attractive energy supply prices, it bases its competitiveness on comfortable customer service, the provision of a wide range of attractive additional services and the background of a strong company owned by the Capital City of Prague.

Over time the Company has undergone developments reflecting societal changes, technological progress and has been repeatedly tested in various difficult situations and proved its resilience while gaining invaluable experience. This is one of the reasons why it is currently a modern and prosperous supplier of energy able to respond flexibly and quickly to the changing requirements and needs of its customers.

It significantly expands the scope and range of its business activities. The traditional sales of natural gas and electricity are being significantly expanded with the use of subsidiaries to include heat sales, where the market share has increased significantly. The company also specialises in the construction and operation of energy facilities, renewable energy sources and the supply of smart energy solutions.

### Importance of the Company and its contributions to the region

Within the framework of its business activities, Pražská plynárenská is dedicated to the principles of sustainable development and its activities contribute to improving the quality of life of the region and its inhabitants. In addition to its business operations, Pražská plynárenská has long been active in widely beneficial activities and the development of civic society.

The Company shares its success with the general public in the form of traditional and continuing support of various cultural, sports, and social projects. It owns a unique and highly valued collection of Czech collage artworks, which it has been managing for a long time and continuously expanding so that it will be preserved for future generations.

As a responsible and modern company, Pražská plynárenská focuses its activities on sustainable development and environmental protection, offering motorists exclusively renewable BioCNG as part of its network of CNG filling stations.

### Basic Company data

Business name:	Pražská plynárenská, a.s., ("PP, a.s." or the "Company")
Registered office	Prague 1 – Nové Město, Národní 37, postcode 110 00
ID No.	601 93 492
VAT No.	CZ60193492
Entry in the Commercial Register	The Municipal Court in Prague, Section B, Insert 2337
Bank details	ČSOB, a.s., Account Number: 916780043/0300
Tel.	+420 267 171 111
Data box ID:	au7cgsv
Business offices	Jungmannova 31, Palác Adria, Prague 1 U Plynárny 500, Michle, Prague 4
Website	www.ppas.cz  prazskaplynarenskaas  Pražská plynárenská a.s.  Pražská plynárenská a.s.

### Basic economic indicators (2019-2023)

		2019	2020	2021	2022	2023
<b>Revenues</b>	in thousands of CZK	14,789,061	15,124,716	17,769,778	33,780,126	28,170,857
	in thousands of EUR	616,031	630,013	740,192	1,407,095	1,173,443
<b>Profit before tax</b>	in thousands of CZK	832,856	1,049,013	555,964	709,527	1,646,029
	in thousands of EUR	34,692	43,696	23,158	29,555	68,565
<b>Profit after tax</b>	in thousands of CZK	720,978	908,484	521,818	639,835	952,474
	in thousands of EUR	30,032	37,842	21,736	26,652	39,675
<b>Equity</b>	in thousands of CZK	2,607,027	2,994,426	2,949,935	3,664,972	4,735,043
	in thousands of EUR	108,594	124,731	122,878	152,663	197,236
<b>Registered capital</b>	in thousands of CZK <sup>1</sup>	431,972	431,972	431,972	431,972	431,972
	in thousands of EUR	17,994	17,994	17,994	17,994	17,994
<b>Natural gas</b>	<b>Sales</b> <sup>2</sup> in thousands of MWh	13,138.5	12,242.2	14,088.5	14,089.2	11,118.8
	in million m <sup>3</sup>	1,232.9	1,145.6	1,320.3	1,295.4	1,015.7
	<b>Number of consumption points as of 31/ 12/</b>	361,535	361,453	388,052	369,972	351,631
<b>Electric power</b>	<b>Sales</b> in thousands of MWh	1,287.9	1,633.1	1,824.5	1,912.5	1,002.1
	<b>Number of consumption points as of 31 12/</b>	52,835	64,134	76,292	75,279	54,716

<sup>1</sup> Registered capital entered in the Commercial Register.

<sup>2</sup> The natural gas volume measured in m<sup>3</sup> is converted into MWh using the calorific value coefficient, the value of which is obtained from NET4GAS, s.r.o., based on the monthly handover protocol.

### Securities issued as of 31 December 2023

Type	Common stock	Common stock	Common stock
<b>Form</b>	Bearer shares	Registered shares	Registered shares
<b>Semblance</b>	Book-registered	Book-registered	Book-registered
<b>Number of pieces</b>	950,338 pieces	489,568 pieces	1 piece
<b>Nominal value</b>	CZK 300	CZK 300	CZK 300
<b>Total emission volume</b>	CZK 285,101,400	CZK 146,870,400	CZK 300
<b>ISIN</b>	CZ 0005084350	CZ 0005123190	CZ 0005123208

The negotiability of the registered shares is limited. Their owner(s) must get the approval of the General Assembly to transfer them.

The Company's LEI code is 315700QBYOTLGRMO011.

The Company does not hold treasury shares.

### Ownership structure of Pražská plynárenská, a.s., as at 31 December 2023

For part of the year, i.e. from 1 January 2023 to 30 June 2023, Pražská plynárenská, a.s., was directly controlled by Pražská plynárenská Holding a.s. ("PPH") with its registered office at U Plynárny 500/44, Michle, 140 00 Prague 4, Company ID No. 264 42 272 and indirectly by the Capital City of Prague, registered office Mariánské náměstí 2, 110 01 Prague 1.

In the relevant period, the assets of the dissolved company Pražská plynárenská Holding a.s., with its registered office at U plynárny 500/44, Michle, 140 00 Prague 4, ID No. 264 42 272, were transferred to the company Pražská plynárenská, a.s., as the successor company, by merger pursuant to the merger project of 9 May 2023, with effect from 1 July 2023. The merger record date was determined to be 01 January 2023. The company Pražská plynárenská Holding a.s. was deleted from the Commercial Register with effect from 1 July 2023.

## Capital Interests

Pražská plynárenská, a.s., holds 100% capital interests in the following subsidiary companies:

- Pražská plynárenská Distribuce, a.s.  
Member of the PP, a.s. Group  
U Plynárny 500, Prague 4, postcode 145 08  
ID No.: 274 03 505  
www.ppdistribuce.cz
- Pražská plynárenská Servis distribuce, a.s.,  
member of the Pražská plynárenská, a.s. Group,  
U Plynárny 1450/2a, Michle, Prague 4, postcode 140 00  
ID No.: 471 16 471  
www.ppsd.cz
- MONTSERVIS PRAHA, a.s.  
U Plynárny 500/44, Michle, Prague 4, postcode 140 00  
ID No.: 005 518 99  
www.montservispraha.cz
- Nová PP Distribuce, a.s.  
U Plynárny 500/44, Michle, Prague 4, postcode 140 00  
ID No.: 210 31 088
- Prometheus, energetické služby, a.s.,  
member of the Pražská plynárenská, a.s. Group,  
U Plynárny 500, Prague 4, postcode 140 00  
ID No.: 630 72 599  
www.prometheus-es.cz
- The subsidiary Prometheus, energetické služby,  
a.s., owns a 75% share in Teplo pro Kbely a.s.  
U Plynárny 500/44, Michle, Prague 4, postcode 140 00  
ID No.: 097 83 172  
www.teploprokbely.cz
- The subsidiary Prometheus, energetické služby,  
a.s., owns a 51% share in Teplo pro Prahu a.s.  
U Plynárny 500/44, Michle, Prague 4, postcode 140 00  
ID No.: 171 38 558  
www.teplopp.cz

Further information on the subsidiaries and second-tier subsidiaries is provided on their websites.

### Information about organisational units abroad

Pražská plynárenská, a.s. had no organisational units abroad as at 31 December 2023.

## Information about the Company bodies and management

### Board of Directors

On 6 May 2023 the term of office of Ing. Vladimír Vavřích, MBA, member of the Board of Directors ended. On 3 May 2023, the Supervisory Board of the Company, following a selection procedure, elected Ing. Ludvík Balek to the vacant position of a member of the Management Board, effective from 7 May 2023.

Following the end of the term of office of Board member Ing Milan Cízl as of 20 June 2023, Ing Milan Cízl was re-elected by the Supervisory Board of the Company on 6 June 2023 as a member of the Management Board with effect from 21 June 2023.

At its meeting on 28 August 2023, the Company's Supervisory Board dismissed Ing. Martin Pacovský, MBA, from his position as a member and Chairman of the Company's Management Board. Martin Pacovský, MBA

At its meeting on 29 August 2023, the Board of Directors of the Company elected Ing. Ludvík Baleka as Chairman of the Board of Directors of the Company with immediate effect.

On the basis of the selection procedure for the vacant position of the 4th member of the Company's Board of Directors, Ing. Martin Slabý was elected as a member of the Board of Directors at the meeting of the Company's Supervisory Board on 15 January 2024, with effect from 16 January 2024.

As of 31 December 2023 the structure of the Board of Directors was as follows:

**Ing. Ludvík Baleka**, Chairman of the Board of Directors,  
**Ing. Milan Cízl**, Member of the Board of Directors,  
**Ing. Petr Kovařík**, MBA, Member of the Board of Directors.

The Board of Directors of Pražská plynárenská, a.s., pursuant to Section 156(2) Civil Code has the following distribution of powers to its members (as at 31 December, 2023):

- Ing. Ludvík Baleka,  
in charge of Management of the Company,  
in charge of the Sales Department,
- Ing. Milan Cízl,  
in charge of Finance and Administration,
- Ing. Petr Kovařík, MBA,  
in charge of the Strategy Department,

### Supervisory Board

The sole shareholder of the Company, in the capacity of the General Meeting of Shareholders, at its meeting on 2 May 2023, removed Ivo Kramoliš from the position of

Member and Deputy Chairman of the Supervisory Board of the Company and Ing. Jiří Pelák, Ph.D. from the position of Member and Deputy Chairman of the Supervisory Board of the Company, with immediate effect. It elected Mgr. Jan Recman to the vacant position of a member of the Company's Supervisory Board, effective 3 May 2023.

The Company's sole shareholder, in the capacity of the General Meeting, at its meeting on 26 June 2023, elected Mgr. Tomáš Kaplan as a member of the Company's Supervisory Board with effect from 27 June 2023.

In connection with the amendment of Article 25, paragraph 1 of the Articles of Association of the Company, which was executed in the presence of the sole shareholder of the Company, the Capital City of Prague, by notarial deed NZ 1283/2023 on 7 September 2023, with effect from 7 September 2023, the number of members of the Supervisory Board is increased from the original 9 members to 12 members.

On 11 September 2023, at a meeting of the Prague City Council, the sole shareholder of the Company in the capacity of the General Meeting, Ing Patrik Nacher was elected as a member of the Supervisory Board of the Company with immediate effect.

On 11 December 2023, at a meeting of the Prague City Council, the sole shareholder of the Company within the competence of the General Meeting, Ing Vladimír Schmalz was elected as a member of the Supervisory Board of the Company with immediate effect.

As of 31 December 2023 the structure of the Supervisory Board was as follows:

**JUDr Martin Šenkýř**, Chairman of the Supervisory Board,  
**Ing. Tomáš Hřebík**, Ph.D., Member of the Supervisory Board,  
**Mgr. Tomáš Kaplan**, Member of the Supervisory Board,  
**Mgr. Alice Klementová**, Member of the Supervisory Board,  
**Petr Klepáček**, Member of the Supervisory Board,  
**Mgr. Jindřich Lechovský**, Member of the Supervisory Board  
**Ing. Patrik Nacher**, Member of the Supervisory Board,  
**Ing. Jan Recman**, Member of the Supervisory Board,  
**Ing. Vladimír Schmalz**, Member of the Supervisory Board,  
**Mgr. Miroslav Vránek**, Member of the Supervisory Board,  
**Ing. Lukáš Wagenknecht**, Member of the Supervisory Board.

### Audit Committee

As of 31 December 2023 the structure of the Audit Committee was as follows:

**Ing. Ondřej Kajml**, Chairman of the Audit Committee,  
**Mgr. Peter Chrenko**, Member of the Audit Committee,  
**RNDr. Jan Materna**, Ph.D., Member of the Audit Committee.

### III. INFORMATION ON THE COMPANY'S ACTIVITIES PRAŽSKÁ PLYNÁRENSKÁ, A.S.

The information in this section applies to the individual financial statements provided, unless stated otherwise. The individual financial statements were processed according to the International Financial Reporting Standards (IFRS) in the form adopted by the EU.

The average CZK/EUR exchange rate for 2023 was CZK 24.007/EUR 1, and this value is used to convert all data in the tables (also for the preceding years for exemplification).

#### Energy Industry in 2023

The global situation in 2023 was mainly linked to security issues arising from violations of international law and order, as well as environmental issues related to the state of the environment. The focus was on Russia's military aggression against Ukraine, the security situation in the Middle East, Southeast Asia, and the Korean Peninsula, as well as ongoing climate change and its impact. One of the common elements of these topics was energy, including the availability of resources and their pricing conditions.

At the European level, the reflection of the global situation has become paramount. On the one hand, there has been an intense discussion about the European Union's climate goals and the resulting changes in the energy sector, but at the same time there has already been a discussion about the realism of the goals set, their impact on the social and economic spheres, and the very possibility of achieving the set goals. On the other hand, the issue was the logistical security of the necessary supplies of energy raw materials to Europe, including their affordability. During 2023, new sources of these commodities were secured and new logistics capacities were gradually opened. The improving supply situation led to an embarrassing reduction in risk premiums, which fell short of the previous year's levels and led to a gradual decline in energy commodity prices. However, the processes set in motion to move towards climate targets have counteracted a more significant decline in these prices.

Impacts of the overall 2022 situation, and continuing developments in 2023, have led to a significant increase in electricity and natural gas prices, resulting in the so-called capping of the selling prices of these commodities as of 1 January 2023 in the Czech Republic. The price caps introduced officially set selling prices that were the maximum under current legislation for end customers. Sales at discounted prices then led to the need to introduce a compensation mechanism for these supplies for individual traders. The price caps then remained in place for the entire calendar year 2023. The improving situation, however, led to a drop in sales prices below the ceiling prices during the year, when Pražská plynárenská, a.s., was among the first companies that, thanks to its strategic management, managed to get its sales prices below the officially set price ceilings. During the year, however, the development was not risk-free and some competitors remained at price ceilings.

At the same time, there have been demands to modify the existing energy legislation in order to minimise possible future risks associated with the supply of energy commodities. The gradual easing of previous developments was reflected in improving market confidence and a gradual calming of the situation. The whole situation received media attention and raised many questions about the way forward.

#### Information about operations and financial position

##### Information on main lines of business

Pražská plynárenská, a.s., trades in natural gas under Licence No. 241218964 issued by the Energy Regulatory Office and in electric power under Licence No. 141015380 issued by the same office.

#### Capital investments

	Acquisition value in thousands of CZK	Acquisition value in thousands of EUR
Investment expenditures in tangible fixed assets	50.5	2.1
Investment expenditures in intangible fixed assets	30.3	1.3
<b>Total</b>	<b>80.8</b>	<b>3.4</b>

Capital expenditures in tangible fixed assets represent mainly investments related to the Company's facilities in the Michle area and investments in information technology. In 2023, the investments in intangible fixed assets were focused on information systems. All investments were realised in the Czech Republic.

#### Revenues

Revenues (in millions of CZK)	Actual situation 2023	Actual situation 2022	Comparison of facts 23/22
Total operating revenues	27,690.2	33,115.6	-5,425.4
– of which: natural gas sales*	21,466.9	22,845.9	-1,379.0
- of which: electricity sales*	5,053.3	9,121.4	-4,068.1
Financial revenues	480.7	664.6	-183.9
<b>Total revenues</b>	<b>28,170.9</b>	<b>33,780.2</b>	<b>-5,609.3</b>

Revenues (in millions of EUR)	Actual situation 2023	Actual situation 2022	Comparison of facts 23/22
Total operating revenues	1,153.4	1,379.4	-226.0
– of which: natural gas sales*	894.2	951.6	-57.4
- of which: electricity sales*	210.5	379.9	-169.4
Financial revenues	20.0	27.7	-7.7
<b>Total revenues</b>	<b>1,173.4</b>	<b>1,407.1</b>	<b>-233.7</b>

\*Licensed activity

#### Costs

Costs* (in millions of CZK)	Actual situation 2023	Actual situation 2022	Comparison of facts 23/22
Operating costs in total	25,999.4	32,763.3	-6,763.9
– of which: consumed gas costs**	16,860.9	18,814.1	-1,953.2
– of which: electric power purchase costs**	3,461.5	6,288.4	-2,826.9
Financial costs	525.4	307.3	218.1
<b>Total costs</b>	<b>26,524.8</b>	<b>33,070.6</b>	<b>-6,545.8</b>

Costs* (in millions of EUR)	Actual situation 2023	Actual situation 2022	Comparison of facts 23/22
Operating costs in total	1,083.0	1,364.7	-281.7
– of which: consumed gas costs**	702.3	783.7	-81.4
– of which: electric power purchase costs**	144.2	261.9	-117.7
Financial costs	21.9	12.8	9.1
<b>Total costs</b>	<b>1,104.9</b>	<b>1,377.5</b>	<b>-272.6</b>

\*Excluding income tax on current operations.

\*\*Licensed activities without distribution charge.

## Summary description of the real estate property owned by PP, a.s.

As of 31 December 2023 the Company owned property (land, buildings, and other structures) worth a total amount of CZK 1,339.8 million. As for buildings it mainly includes real estate at

Národní 37/38 in Prague 1 and buildings located in the facility of Pražská plynárenská, a.s., in Prague 4 – Michle. The residual value of the real estate owned by the Company is CZK 776.8 million. CZK.

## Natural Gas Trading

Natural gas trading (in thousands of MWh)	2023
Purchased natural gas	11,024.8
Sales of natural gas – total	11,118.8
Sales of natural gas – licensed operations	11,060.6
CNG Sales	58.1

## Electricity trading

Electricity trading (in thousands of MWh)	2023
Electric power purchases	979.6
Sales of electricity	1,002.1

## Corporate social responsibility

Social responsibility is part of our corporate culture, our values and our business strategy. Pražská plynárenská, a.s. and its employees behave responsibly towards the environment and society as a whole.

### The environment

Pražská plynárenská, a.s., has long been striving to protect the environment and mitigate the impact of its activities on the surrounding area, although its impact on the environment is already minimal. It places great emphasis on reducing the carbon footprint. It fulfils legislative obligations, creates appropriate conditions for the prevention and minimisation of negative impacts on environmental components. The Company's environmental policy also includes continuous environmental training and education of all employees. A key trend in waste management is the move towards a circular economy.

The Company has long been committed to environmentally friendly activities such as emission savings, especially the reduction of CO<sub>2</sub> emissions through the promotion of the use of biomethane in transport. Then there are projects such as photovoltaic power plants, heat pumps, biomethane trading, hydrogen economy and other new technologies enabling emission reductions.

The Company conducts regular environmental audits with an emphasis on compliance with legislation and rules set by the Company. Tasks resulting from them have been fulfilled.

The materials submitted to state authorities in 2023 were free of defects, and the Company complies with its obligations under applicable legislation and valid permits.

Work on the completion of the remediation of the old ecological burden of the last site in the Michle facility of Pražská plynárenská, a.s. continued in 2023. The Czech Environmental Inspectorate has issued a new Decision that addresses the completion of the remediation of the old environmental burden at the Michle PP, a.s. site. On this basis, a tender procedure was held and a contract was signed for the preparation of project documentation for the remediation of the area of the naphthalene plant and its surroundings and the area of the underground pits (Refiners II) in the Michle area of Pražská plynárenská, a.s. As of November 2023, the project has been under development.

## Human resources management

### HR work and the social field

As of 31 December 2023, Pražská plynárenská, a.s., employed a total of 487 people.

In the area of personnel work, we were able to meet our obligations under the collective agreement and organise internal events for employees and their children, in particular a children's winter event, a Gas Industry Day, a theatre event and a St. Nicholas Day party for families with children of employees. An employee opinion survey was conducted in the autumn to increase employee involvement in the Company and to obtain feedback from employees on important areas.

### Occupational health and safety and fire prevention

In the area of occupational health and safety and fire safety (training and inspections), the legally required inspections and revisions of reserved technical equipment (pressure, lifting, electrical, gas) in PP, a.s.'s buildings and workplaces were duly carried out within the required deadlines.

In 2023, no occupational injury, which could have resulted in an injury and work disability lasting longer than three

calendar days, or which could have resulted in an employee's death, was recorded.

Work and activities based on the degree of risk factors remain in the 1st category.

PP, a.s. provides occupational health services for its employees in accordance with Section 53 of Act No. 373/2011 Coll., on specific health services, as amended.

The Company provides employees with entry training and also through e-learning with periodic two-year training focusing on legal and other regulations to ensure occupational health and fire safety, including regular knowledge tests, in accordance with Section 37 item 5 and Section 103 item 2,3 of the Labour Code and in line with Section 16 of Act No. 133/1985 Coll., on fire prevention.

Based on Section 4 item 1 letter c) of Act No. 309/2006 Coll., as amended, Pražská plynárenská, a.s., performs regular inspections and reviews of production and work equipment.

## Compliance, risk management and internal audit

Pražská plynárenská, a.s., respects the basic principles of corporate governance and makes targeted efforts to increase and protect the value of the organisation through, among other things, risk management, the application of a compliance programme, controlling management or the use of internal audit services. The Company has successfully passed a supervisory audit of its anti-corruption management system and strives for maximum transparency.

Pražská plynárenská, a.s. maintains a comprehensive risk management system. The aim of the risk management system is to identify risks, monitor them continuously and evaluate them regularly to ensure that the Company responds in a timely manner to eliminate risk exposure. The Company records risks in a risk catalogue. New risks are continuously identified and current risks are evaluated in terms of potential impact and likelihood. The most significant risks include market, liquidity, credit and operational risks.

Risk management also includes an insurance strategy, where insurance as a risk mitigation tool offers protection against selected business risks. In particular, it concerns insurance of the Company's property and liability for damages caused to third parties. The Company is fully aware of the new challenges and threats arising from a globalised IT environment. The company manages IT / ICT security and related cyber and information security at the central level.

The Company is also in the process of implementing the corporate governance rules set out in the Czech Corporate Governance Code (the "Code") issued by the Czech Institute of Directors. The full text of the Czech Corporate Governance Code is available on the website of the Ministry of Finance of the Czech Republic.

### Information about research or development of new products or procedures in the current accounting period

Pražská plynárenská, a.s. did not engage in any research or development of new products or procedures.

### Information required for disclosure by specific legislation

The Company does not have any additional information required for disclosure by specific legislation.

## IV. INFORMATION ON THE GROUP'S ACTIVITIES PRAŽSKÁ PLYNÁRENSKÁ, A.S.

The information in this section applies to the consolidated financial statements provided unless stated otherwise. The consolidated financial statements were processed according to the International Financial Reporting Standards (IFRS) in the form adopted by the EU.

The average CZK/EUR exchange rate for 2023 was CZK 24.007/EUR 1, and this value is used to convert all data in the tables (also for the preceding years for exemplification).

### Information about operations and financial position

The Pražská plynárenská, a.s. Group ("PP, a.s. Group" or "Group") comprises the parent company Pražská plynárenská, a.s., five first-tier subsidiary companies and two second-tier subsidiary companies:

- Pražská plynárenská Distribuce, a.s., member of the Pražská plynárenská, a.s. Group ("PPD, a.s."),
- Pražská plynárenská Servis distribuce, a.s., member of the Pražská plynárenská, a.s. Group ("PPSD, a.s."),
- MONTSERVIS PRAHA, a.s. ("MONT, a.s."),
- Nová PP Distribuce, a.s., ("NPPD, a.s."),
- Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group ("Prometheus, a.s."),
  - Teplo pro Kbely a.s. (TpK a.s.)
  - Teplo pro Prahu, a.s. (TpP, a.s.).

In the relevant period, the assets of the dissolving company Pražská plynárenská Holding a.s., with its registered office at U plynárny 500/44, Michle, 140 00 Praha 4, ID No. 264 42 272, were transferred to Pražská plynárenská, a.s., as the successor company, by merger pursuant to the merger project of 9 May 2023, with effect from 1 July 2023. The merger record date was determined to be 1 January 2023. The company Pražská plynárenská Holding a.s. was deleted from the Commercial Register with effect from 1 July 2023.

The main objects of the PP, a.s. Group are the sale and distribution of natural gas, the sale of electricity and activities in the heating industry.

### Other business activities of the PP, a.s. Group include:

- operation, maintenance and renewal of the gas distribution network;
- production and distribution of heat, construction of boiler houses, production of electricity and operation of energy equipment;
- building construction and maintenance, service and repair of gas equipment;
- maintenance of motor vehicles, construction and operation of CNG filling stations, inn-keeping activity;
- construction, reconstruction and installation of boiler rooms, heat exchanger stations and heat distribution systems;
- construction, reconstruction and modernisation of the heat management;
- installation, repairs, revision and testing of gas equipment and filling of gas containers;
- assembly, repairs, inspection and tests of electrical equipment.

## Pre-tax Consolidated Profit/Loss

### Consolidated revenues

Consolidated revenues (in millions of CZK)	Actual situation 2023	Actual situation 2022	Comparison of facts 23/22
Total operating revenues	28,118.8	33,500.9	-5,382.1
of which: revenues from natural gas sales and distribution*	21,793.1	23,364.2	-1,571.1
- of which: electricity sales*	5,041.8	9,112.1	-4,070.3
Financial revenues	444.8	637.8	-193.0
<b>Total revenues</b>	<b>28,563.6</b>	<b>34,138.7</b>	<b>-5,575.1</b>

Consolidated revenues (in millions of EUR)	Actual situation 2023	Actual situation 2022	Comparison of facts 23/22
Total operating revenues	1,171.3	1,395.5	-224.2
- of which: revenues from natural gas sales and distribution*	907.8	973.2	-65.4
- of which: electricity sales*	210.0	379.6	-169.6
Financial revenues	18.5	26.6	-8.1
<b>Total revenues</b>	<b>1,189.8</b>	<b>1,422.1</b>	<b>-232.3</b>

\*Licensed activity

### Consolidated costs

Consolidated costs* (in millions of CZK)	Actual situation 2023	Actual situation 2022	Comparison of facts 23/22
Operating costs in total	26,058.3	32,738.4	-6,680.1
- of which: consumed gas costs**	17,321.7	19,432.6	-2,110.9
- of which: electric power purchase costs**	3,478.9	6,304.7	-2,825.8
Financial costs	527.5	310.9	216.6
<b>Total costs</b>	<b>26,585.8</b>	<b>33,049.3</b>	<b>-6,463.5</b>

Consolidated costs* (in millions of EUR)	Actual situation 2023	Actual situation 2022	Comparison of facts 23/22
Operating costs in total	1,085.4	1,363.7	-278.3
- of which: consumed gas costs**	721.5	809.5	-88.0
- of which: electric power purchase costs**	144.9	262.6	-117.7
Financial costs	22.0	13.0	9.0
<b>Total costs</b>	<b>1,107.4</b>	<b>1,376.7</b>	<b>-269.3</b>

\*Excluding income tax on current operations.

\*\*Licensed activities without distribution charge.

## Research and development activities

None of the member companies of the PP, a.s. Group engaged in any research or development of new products or procedures.

## Corporate social responsibility

Social responsibility is part of our corporate culture, our values and our business strategy. The PP, a.s. Group and its employees behave responsibly towards the environment

and society as a whole. A conscious approach reduces toner and paper consumption and the Company continues

to support a number of socially and environmentally significant projects over the long term.

### The environment

Environmental protection is one of the highest priorities of the PP, a.s. Group and is not only understood as fulfilling legal requirements, but is primarily focused on preventive activities – environmental education of all employees. The Group is guided by the latest scientific knowledge and chooses environmentally friendly technologies.

In 2023, no environmental sanctions were imposed on PP, a.s. by state authorities. The Group's companies have complied with their obligations under applicable legislation and permits.

PPSD, a.s., was successfully audited by the ISO 14001 certification body in 2023.

## Human resources management

### HR work and the social field

As of 31 December 2023 the Group employed a total of 955 people.

In the area of personnel work, we were able to meet our obligations under the collective agreement and organise internal events for employees and their children, in particular a children's winter event, a Gas Industry Day, a theatre event and a St. Nicholas Day party for families with children of employees. An employee opinion survey was conducted in the autumn to increase employee involvement in the company and to obtain feedback from employees on important areas.

### Occupational health and safety and fire prevention

In the area of occupational health and safety (training and inspections), the legally required inspections and revisions of reserved technical equipment (pressure, lifting, electrical, gas) in the Group's buildings and workplaces were carried out properly and within the required deadlines.

In 2023, there were 5 cases of work accidents resulting in injury to an employee with incapacity to work for more than three calendar days or death of an employee. Work and activities based on the degree of risk factors remain in the 1st category.

PP provides occupational health services for its employees in accordance with Section 53 of Act No. 373/2011 Coll., on specific health services, as amended.

PP provides employees with entry training and also through e-learning with periodic two-year training focusing on legal and other regulations to ensure occupational health and fire safety, including regular knowledge tests, in accordance with Section 37 item 5 and Section 103 items

Work on the completion of the remediation of the old ecological burden of the last site in the Michle facility of Pražská plynárenská, a.s. continued in 2023. The Czech Environmental Inspectorate has issued a new "Decision" that addresses the completion of the remediation of the old environmental burden at the Michle PP, a.s. site. On this basis, a tender procedure was held and a contract was signed for the preparation of project documentation for the remediation of the area of the naphthalene plant and its surroundings and the area of the underground pits (Refiners II) in the Michle area of Pražská plynárenská, a.s. As of November 2023, the project has been under development.

The ongoing remediation is reducing the potential risks to the ecosystem and human health in the Michle area.

2 and 3 of the Labour Code and in line with Section 16 of Act No. 133/1985 Coll., on fire prevention.

Based on Section 4(1)(c) of Act No. 309/2006 Coll., as amended, Pražská plynárenská, a.s., performs regular inspections and reviews of production and work equipment.

## Compliance, risk management and internal audit

PP, a.s. Group respects the basic principles of corporate governance and strives to increase and protect the value of the organisation through, among other things, comprehensive risk management, the application of a compliance programme, controlling management and the use of internal audit services. PP, a.s., PPD, a.s. and PPSD, a.s. were certified to ISO 37001, the most stringent international anti-corruption management system.

Individual companies of the PP, a.s. Group are aware of the challenges arising from the threats presented by a globalised IT environment. The company manages IT/ICT security and related cyber and information security at the central level.

## Information about organisational units abroad

As of 31 December 2023, no company belonging to the Group operated an organisational unit abroad.

## V. EXPECTED DEVELOPMENT OF THE GROUP

The primary issues for 2024 will continue to be the development of commodity prices, ensuring a stable supply of natural gas to customers and of gas storage facilities to the necessary level for the 2024/2025 winter season. Ensuring energy security for customers will be another important factor.

The debate on finding ways to meet climate commitments will continue and it can be expected that finding optimal solutions will not be easy in the current situation and will pose major challenges for all stakeholders. The energy sector is on a path of fundamental change, with the priorities of reducing dependence on fuel imports, greater diversification of suppliers, saving and reducing energy intensity and reducing greenhouse gas emissions. We are thus witnessing a gradual transition from fossil to renewable energy sources, from centralised production in large-scale sources to decentralised systems. Energy markets are moving away from commodity-based energy supply towards innovative and value-added products and services. Customers are becoming more demanding and require more than just a simple supply of gas, electricity or heat, for example in the form of related energy services and advice. This compels the energy companies to reconsider the current procedures and realise fundamental changes in the area of established business models. The theme will therefore be the ongoing process of improving customer care and greater automation of customer contact. Pražská plynárenská, a.s. will respond to the needs and requirements of its customers by building an intelligent customer infrastructure that combines energy sales and related energy services. Continued development of digital customer channels is key to optimise service costs and effectively offer comprehensive service packages, thereby maintaining the necessary level of customer loyalty. The traditional sales of natural gas and electricity will be significantly expanded with the use of subsidiaries to sell heat in order to further increase market share.

Revenues will also be increased by selling new innovative products combining the commodity with other downstream or related services. Furthermore, capacity will be increased and activities in the area of preparation and implementation of renewable energy projects will be streamlined.

The Group will cooperate intensively and continue to support new technologies that enable reduction in emissions in the gas industry, including clean mobility. This shall be achieved by introducing and using new technologies that utilise, in particular, biomethane and hydrogen.

Throughout 2024, PP, a.s. will be working on both ongoing and new projects aimed at maintaining and strengthening PP's position as a leading supplier of natural gas and electricity in a changing market. The customer and his/her needs become the top priority in a changing environment.

PP, a.s. enters 2024 prepared and aware of the challenges and demands that will be placed on it.

In cooperation with the capital city of Prague, municipal companies and the academic sphere, the Group companies will propose options that optimise the use of gas and biomethane.

the right time  
for sustainable  
energy

**We will be  
happy to help  
with whatever  
you do**



## VI. IMPORTANT EVENTS AT THE BEGINNING OF 2024

At the meeting of the Supervisory Board of Pražská plynárenská, a.s. held on 15 January 2024, Ing. Martin Slabý was elected as a member of the Board of Directors of PP, a.s. with effect from 16 January 2024. Following this, the Board of Directors has reallocated its responsibilities:

**Ing. Ludvík Baleka** – Management Department of the Company,  
**Ing. Martin Slabý** – Strategy Department,  
**Ing. Petr Kovařík, MBA** – Sales Department,  
**Ing. Milan Cízl** – Finance and Administration,

On 2 March 2024, the term of office of the members of the Supervisory Board of PP, a.s., Mgr. Jindřich Lechovský and Ing. Lukáš Wagenknecht, ended. At the meeting of the Council of the Capital City of Prague on 26 February 2024, they were re-elected to the Supervisory Board of PP, a.s., effective 3 March 2024.

## VII. FINANCIAL SECTION

- Individual financial statements for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union
- Individual financial statements for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

# INDIVIDUAL FINANCIAL STATEMENTS

## Financial position statement as at 31 December 2023

Compiled in compliance with the IFRS in the wording adopted by the EU

(in thousands of CZK)	Note:	31/ 12/ 2023	31/ 12/ 2022
<b>ASSETS</b>			
<b>Fixed assets</b>			
Land, buildings, and equipment	7.1	822,778	824,657
Real estate investments	7.2	76,069	79,255
Intangible assets	7.3	92,006	96,340
Investments into subsidiaries	7.5	1,458,702	1,456,702
Assets originating from the right of use	7.4	15,154	19,714
Deferred tax receivable	7.19	148,724	27,708
Incremental costs of obtaining a contract	7.10	33,413	24,912
Contract assets	7.11	58,228	60,133
Other fixed assets		2	2
<b>Fixed assets – total</b>		<b>2,705,076</b>	<b>2,589,423</b>
<b>Short-term assets</b>			
Inventories	7.6	1,019,506	4,662,975
Trade and other receivables	7.7	5,300,560	3,752,873
Cash and cash equivalents	7.8	5,073,114	1,240,183
Other assets	7.9	99,721	123,868
Incremental costs of obtaining a contract	7.10	33,080	22,003
Contract assets	7.11	3,569	1,206
<b>Short-term assets – assets</b>		<b>11,529,550</b>	<b>9,803,108</b>
<b>TOTAL ASSETS</b>		<b>14,234,626</b>	<b>12,392,531</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Registered capital	7.12	431,972	431,972
Revaluation of hedging derivatives	7.14	26,089	-34,808
Retained earnings		3,324,508	2,627,973
Profit/loss after tax for the period		952,474	639,835
<b>Equity – total</b>		<b>4,735,043</b>	<b>3,664,972</b>
<b>Long-term liabilities</b>			
Trade liabilities and other long-term liabilities		166	40
Lease liabilities	7.4	14,419	17,867
Deferred tax liability	7.19	0	0
Provisions	7.21	657,577	16,604
<b>Long-term liabilities – total</b>		<b>672,162</b>	<b>34,511</b>
<b>Short-term liabilities</b>			
Loans	7.17	0	1,300,000
Trade payables and advances received	7.15	7,261,323	5,799,013
Lease liabilities	7.4	3,447	4,566
Other liabilities	7.18	625,588	1,129,334
Due income tax	7.20	671,641	48,273
Other tax liabilities	7.20	265,422	411,862
<b>Short-term liabilities – total</b>		<b>8,827,421</b>	<b>8,693,048</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,234,626</b>	<b>12,392,531</b>

## Statement of comprehensive income for the year ended 31 December 2023

Compiled in compliance with the IFRS in the wording adopted by the EU

(in thousands of CZK)	Note:	2023	2022
Revenues from sales	7.22	27,005,029	32,524,012
Purchased gas, electricity, materials and services connected with gas and electricity supplies	7.23	24,575,377	31,446,920
Other operating income	7.24	685,155	591,545
Personnel costs	7.25	577,449	486,604
Depreciation of fixed assets	7.26	93,256	98,615
Loss due to depreciation of financial assets	7.7	7,846	78,075
Other operating costs	7.27	745,475	653,092
<b>Operating profit/loss</b>		<b>1,690,781</b>	<b>352,251</b>
Financial costs	7.28	525,425	307,293
Financial revenues	7.29	480,673	664,569
<b>Financial profit/loss</b>		<b>-44,752</b>	<b>357,276</b>
<b>Profit before tax</b>		<b>1,646,029</b>	<b>709,527</b>
Income tax	7.30	693,555	69,692
<b>Profit after tax</b>		<b>952,474</b>	<b>639,835</b>
<b>Other total performance</b>			
<b>Items that may be reclassified and reported as profit or loss:</b>			
Settlement of hedging derivatives (change in fair value)	7.14	33,024	-42,972
Deferred tax on hedging derivatives	7.14	-6,935	8,164
Other total performance		26,089	-34,808
<b>Total performance for the period</b>		<b>978,563</b>	<b>605,027</b>

## Statement of changes in equity for the year ended 31 December 2023

Compiled in compliance with the IFRS in the wording adopted by the EU

(in thousands of CZK)	Registered capital	Revaluation of hedging derivatives	Retained earnings	Total
Note	7.12	7.14		
<b>Balance as of 1 January 2022</b>	<b>431,972</b>	<b>-83,900</b>	<b>2,627,973</b>	<b>2,976,045</b>
Profit/loss after tax for the period	0	0	639,835	639,835
Other comprehensive income	0	-34,808	0	-34,808
<b>Total comprehensive income</b>	<b>0</b>	<b>-34,808</b>	<b>639,835</b>	<b>605,027</b>
<b>Transactions with owners of the Company:</b>				
Dividends paid	0	0	0	0
Other transactions	0	83,900	0	83,900
<b>Balance as of 31 December 2022</b>	<b>431,972</b>	<b>-34,808</b>	<b>3,267,808</b>	<b>3,664,972</b>
Changes due to merger on 1 January 2023	0	0	57,168	57,168
<b>Balance as of 1 January 2023</b>	<b>431,972</b>	<b>-34,808</b>	<b>3,324,976</b>	<b>3,722,140</b>
Profit/loss after tax for the period	0	0	952,474	952,474
Other comprehensive income	0	26,089	0	26,089
<b>Total comprehensive income</b>	<b>0</b>	<b>26,089</b>	<b>952,474</b>	<b>978,563</b>
<b>Transactions with owners of the Company:</b>				
Dividends paid	0	0	0	0
Other transactions	0	34,808	-468	34,340
<b>Balance as at 31 December 2022</b>	<b>431,972</b>	<b>26,089</b>	<b>4,276,982</b>	<b>4,735,043</b>

## Cash flow statement for the year ended 31 December 2023

Compiled in compliance with the IFRS in the wording adopted by the EU

(in thousands of CZK)	Note:	2023	2022
<b>Profit before tax</b>		<b>1,646,029</b>	<b>709,527</b>
<b>Adjustments to profit before tax</b>		<b>-90,300</b>	<b>107,299</b>
Depreciation of fixed assets	7.26	93,256	98,615
Write-offs of receivables		18,776	16,325
Change in the position of adjustments and reserves		354,181	348,828
Profit from sales of fixed assets	7.24	-7,315	-1,880
Net interest		-242,981	14,633
Revenues from dividends and profit shares	7.24	-306,217	-369,222
<b>Net cash flows from operations before tax and changes in working capital</b>		<b>1,555,729</b>	<b>816,826</b>
<b>Change in working capital needs</b>		<b>3,855,556</b>	<b>-2,008,102</b>
Changes in the position of receivables from operations		-1,096,359	-701,637
Change in liabilities from operations		1,033,286	2,607,093
Movement in inventories (gross)		3,918,629	-3,913,558
<b>Net cash flow from operations before tax</b>		<b>5,411,285</b>	<b>-1,191,276</b>
Interest paid		-91,655	-99,457
Interest received		297,447	66,626
Income tax on current activities and additional tax paid minus tax refunds		-206,260	-37,837
Shares of profit received (+)	7.24	306,217	369,222
<b>Net cash flow from operations</b>		<b>5,717,034</b>	<b>-892,722</b>
Expenses related to the acquisition of fixed tangible and intangible fixed assets		-80,757	-48,363
Expenses related to the acquisition of financial assets	7.5	-2,000	-77,700
Revenues from sales of fixed assets		8,158	2,646
Loan repayments		0	16
<b>Net cash flow from investments</b>		<b>-74,599</b>	<b>-123,401</b>
Payment of long-term liabilities		-3,245	-4,566
Change in bank loans		-1,300,000	1,300,000
Change in the position of the loan from the parent and subsidiary companies*	7.18	-506,259	59,619
<b>Net cash flows from financing activities</b>		<b>-1,809,504</b>	<b>1,355,053</b>
<b>Balance of cash and cash equivalents at beginning of the accounting period</b>		<b>1,240,183</b>	<b>901,253</b>
<b>Net change in cash and cash equivalents for the accounting period</b>		<b>3,832,931</b>	<b>338,930</b>
<b>Balance of cash and cash equivalents at the end of accounting period</b>		<b>5,073,114</b>	<b>1,240,183</b>

\* Cash flows from a loan from the subsidiary companies and short-term bank loans are reported net because they constitute cash income and payments with quick turnover and short-term maturity.

## 1. Name, registered office, and information on the founding of the Company

Pražská plynárenská, a.s. (hereinafter the “Company”, “PP” or “PP, a.s.”) was incorporated on 31 December 1993 and has its registered office at Prague 1 – Nové Město, Národní 37, postcode 110 00, Czech Republic. The Company ID number is 601 93 492. LEI of the Company is 315700QBYOTLGRMO011.

*The Company's main subject of business is gas and electricity trading.*

Based on the current results, the expected profit to be generated during the next 12 months, the availability of credit lines, and other means of managing liquidity, the Company Management believes that it has sufficient financial capacity to continue its business for at least 12 months from the date of the signing of these financial statements.

### 1.1. Major shareholders of the Company

Sole shareholder controlling the Company as at 31 December 2023 is the City of Prague (HMP). As at 31 December 2022, the sole shareholder of the Company was Pražská plynárenská Holding a.s. (“PPH”), controlled by the City of Prague.

### 1.2. Merge with PPH

On 16 June 2023, the Prague City Council approved the intention to merge the Company and Pražská plynárenská

holding a.s., with Pražská plynárenská, a.s. as the successor company.

The Company implemented the merger by acquisition with its parent company PPH on the basis of a merger project with a record date of 1 January 2023, and the merger became effective on 1 July 2023 by entry into the Commercial Register.

The successor company, Pražská plynárenská, a.s., took over all assets and liabilities of the liquidating company PPH a.s., including imputed items and transitional accounts in the valuation and structure resulting from the final financial statements of the liquidating companies.

### 1.3. Assessment of the conflict in Ukraine

In 2023, the military conflict in Ukraine and the related sanctions against the Russian Federation continued. The Company has no direct exposure to companies based in Ukraine or the Russian Federation, or to companies that are under sanctions and the Company's existence is not threatened thereby. As at the date of these financial statements, the Company's obligations are being met as they fall due and the going concern basis continues to apply.

## 2. Rules for compilation of the financial statements

### Declaration of conformity

These separate financial statements (hereinafter also referred to as “financial statements”) have been prepared in accordance with International Financial Reporting Standards (IFRS) in the wording adopted by the European Union (EU).

The financial reports, excluding the cash flow statement, are prepared on the accrual accounting basis.

The list of applied accounting methods and policies is available in Section 4.

In the compilation of the financial statements, the Company used the standards and interpretations that should mandatorily be applied to the period beginning on 1 January 2023.

### Information about the consolidated financial statements

In addition to these separate financial statements, the Company also prepares and publishes consolidated financial statements of the parent company – Pražská plynárenská, a.s. and its subsidiaries in accordance with

IFRS as at 31 December. A subsidiary is an enterprise controlled by the parent company.

### Valuation method

The financial statements were prepared on the basis of historical prices defined in Sections 4.8.2., 4.11.1., 4.13. and 4.14.

### Reporting and functional currency

These financial statements are presented in Czech crowns (CZK), which is the Company's current functional currency. The financial information reported in CZK was rounded up to whole thousands.

### Accounting period

The accounting period for compilation of these financial statements is the period from 1 January 2023 to 31 December 2023. The Company's current accounting period is the calendar year ending 31 December.

### Comparative period

For the purpose of demonstrating the financial position, the comparative period chosen was the balance as of 31 December 2022; and to demonstrate profit/loss, changes in equity capital, and overview of cash flows, results from

the period starting on 1 January 2022 and ending on 31 December 2022 were used.

### Use of estimates and value judgements

During the preparation of the financial statements according to the IFRS, the Company Management makes estimates and value judgements as well as assumptions, which impact the application of the accounting procedures and the reported volumes of assets and liabilities, revenues, and costs. The actual results may differ from these estimates.

## 3. Adoption of new or revised accounting standards and interpretations

### Standards and interpretations in effect during the current period

In the current period, the following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective:

Effective as of 1 January 2023

- Amendments to IFRS 17 Insurance Contracts - Initial Application of IFRS 17 and IFRS 9 Comparable Information
- Amendments to IAS 1 – Requirement to disclose significant accounting policies
- Amendments to IAS 8 – Definitions of accounting estimates
- Amendments to IAS 12 – Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction

The estimates and assumptions are reviewed continuously. The review of accounting estimates are taken into consideration in the period in which the given estimate was reviewed, and in all concerned future periods.

Information on the fundamental judgements during application of the accounting procedures, which have a more significant impact on the amounts reported in the financial statements, are stated in the following notes:

- Section 4.20.1. – Unbilled gas supplies
- Section 4.20.2. – Unbilled electricity supplies

Effective as of 1 January 2024

- Amendments to IFRS 16 Leases – Lease Obligations on Sale and Leaseback
- Amendments to IAS 1 – Classification of liabilities as short-term or long-term

Newly issued standards, amendments to standards and their interpretations approved by the EU do not have a significant impact on the Company's financial statements.

### New standards, interpretations and amendments to the existing standards issued by IASB but not yet adopted by the European Union:

Newly issued standards, amendments to standards and their interpretations approved by the EU, which are not yet effective and have not been applied by the Company, do not have a significant impact on the Company's financial statements.

## 4. Basic assumptions for preparation of the consolidated financial statements and significant accounting policies

The accounting procedures described below were used consistently in all the accounting periods reported in these financial statements.

### 4.1. Intangible assets

#### 4.1.1. Valuation of intangible assets

Separately acquired intangible assets are reported at acquisition cost minus accumulated amortisation and value depreciation losses.

#### 4.1.2. Amortisation

Intangible assets are amortised applying the straight-line method over their estimated useful lives as shown in the following table:

Intangible asset category	Useful life (number of years)
Software	4
Assessable rights	4

The expected useful life and the amortisation method are reviewed at the end of each accounting period; the effect of any change in estimates is applied prospectively.

## 4.2. Land, buildings, and equipment

### 4.2.1. Recognition and valuation

Land, buildings and equipment are reported at acquisition cost, less accumulated adjustments (except land) and losses due to value depreciations.

The acquisition cost of land, buildings, and equipment includes all costs related to their acquisition, less any relevant discounts.

The costs related to acquisition include direct costs incurred in the delivery and putting the assets into working condition and costs incurred to return the affected area back to its original condition.

The repair and maintenance costs of property, buildings, and equipment are recognised in the statement of comprehensive income in the period in which they occurred.

Subsequent expenditures are included in the net book value the given asset or are recognised as separate assets, if it is likely that the Company will get financial benefit gain in respect to this item, and if the price of the item can be measured reliably.

### 4.2.2. Depreciation

Buildings and equipment are depreciated applying the straight-line method over their estimated useful lives.

The estimated service life of individual asset categories of tangible assets is always reviewed at the end of the accounting period. The estimated useful lives used in these financial statements are shown in the following table:

Tangible asset category	Useful life (number of years)
Buildings and other structures	25–50
Movables and sets of movables	2-14
Vehicles (means of transport)	4-8
Computer equipment and other hardware	2-4
Other tangible fixed assets	30

Land owned by the Company is not depreciated. The effect of any change in the estimated useful life or depreciation method is applied prospectively.

### 4.2.3. Disposals

Gains and losses on disposals of a particular item of property, building, or equipment are determined as the difference between the sale proceeds and the carrying amount of assets involved and are recognised in the net amount in the statement of comprehensive income.

### 4.3. Impairment in the value of non-financial assets

Upon each occurrence of events or changes that indicate or may result in the rise of the book value of land, buildings, or equipment as well as other non-financial assets including intangible assets to a value that exceeds their recoverable value, a review is done to determine whether the assets have been impaired. Tangible and intangible assets not yet available for use are reviewed for impairment annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less its selling costs and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 4.4. Real estate investments

Assets (particularly office buildings and warehouses) that are managed for the purpose of long-term rental income or capital appreciation, or both, and which are not occupied by the Company are reported as investment property. Real estate investments are initially valued at acquisition cost, including related transaction costs and borrowing costs, if any. The Company uses the cost model for subsequent measurement of investment properties in accordance with IAS 16.

Real estate investments are depreciated using the straight-line method based on their estimated useful lives. Depreciation charges for the accounting period are recognised in the statement of comprehensive income for this period.

The useful life is always checked at the end of the accounting period and is 50 years for real estate investments.

Real estate investments are leased to tenants with lease fees which are payable monthly or quarterly. Lease payments in certain contracts include the option to increase the fee by inflation, but there are no other variable lease payments that depend on the index or rate.

## 4.5. Assets originating from the right of use and lease liabilities

### 4.5.1. Assets originating from the right of use

The Company leases various assets, especially non-residential premises. Contracts may contain both lease and non-lease components. The Company assigns equivalent value to lease and non-lease components based on their relative separate prices.

Leased assets resulting from lease contracts are initially measured based on the present values of lease liabilities and include:

- any lease payments made on or before the commencement date, minus any lease incentives received,
- all initial direct costs and
- the cost of returning the asset under the terms required by the lease contracts.

Assets with the right to use are generally depreciated on the straight-line basis over the term of the lease. If the Company is reasonably certain that it will exercise the option to purchase, the asset with the right to use is depreciated over the life of the underlying assets. Depreciation on items of assets with the right to use is calculated using the straight-line basis against their estimated use.

The Company applies an exemption from recognition for leases that define a lease for 12 months or less as of the effective date of the lease and do not include the option to purchase the underlying asset as well as lease contracts where the underlying asset has a low value. Lease payments for these assets are reported as Other operating expenses.

### 4.5.2. Lease liabilities

Lease liabilities are initially measured based on the present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments less receivables from leasing incentives,
- variable payment leasing, which is based on an index or rate, originally measured using the index or rate as of the commencement date,
- the implementation price of a call option, provided that the Company is reasonably certain that the option will be used and
- penalty payments for termination of the lease, provided that the lease term reflects application of this option.

Lease payments are discounted using the implicit interest rate. If this rate cannot be easily determined, the lessee's incremental borrowing rate is used, which is the rate that the lessee would have to pay to borrow the funds needed to obtain an asset of similar value as an asset with right for use in a similar economic environment and with similar terms.

To determine the incremental borrowing rate, the Company uses, if possible, as the starting point the recent third-party financing received by the lessee, adjusted so it reflects changes in the financing conditions after the financing was accepted by the third party.

Lease finance costs (interests) are recognised as an expense over the lease term, so as to produce a constant periodic rate of interest on the remaining part of the liability for each period.

Payments related to short-term leases of assets and to all low-value asset leases are reported on a straight-line basis as an expense in profit or loss. A short-term lease is a lease with a term of 12 months or less.

### 4.6. Investments into subsidiaries

Subsidiaries are all companies controlled by the Company, that is, if it is exposed to variable revenues or it is entitled to them on the basis of its own involvement in the given unit and may influence these revenues due to its own powers and if it has power over the unit or has invested in it (i.e. if it has existing rights that form the basis for current capability to control the operations that significantly impact the revenues of such a unit).

Investments in subsidiaries are valued at acquisition price, less the impairment loss. Transaction costs are reported as a component of the acquisition price. Transaction costs are costs directly related to the acquisition of the investments, such as legal fees, transfer taxes, and other acquisition-related costs.

Investments are evaluated by debasement any time there is a reason that the accounting value of the investments may not be realised. In the event the recoverable value of the investment is less than its book value, the book value is reduced to the recoverable value.

### 4.7. Inventories

Inventories are reported at the acquisition cost or with the recoverable value, whichever is lower. The acquisition cost of the inventories includes the acquisition price and expenses incurred in bringing inventories to their present condition and location.

The price of natural gas compressed into underground gas storage is determined on the basis of supplier invoices received for the given month. The price of stored gas is calculated under the allocation model based on the movement of gas in the storage facility and based on the invoices received for the given month, which is also the price of the extracted natural gas in the month following the given month.

The weighted average cost method is used monthly for disposals of inventories.

### 4.8. Financial assets

The Company classifies its financial assets according to IFRS 9 into the following categories:

- financial assets at incurred cost (debt instruments),
- financial assets at fair value posted to profit or loss.

#### 4.8.1. Financial liabilities at incurred cost

Classification of financial assets upon first entry depends on the characteristics of the contractual cash flows of the financial assets and the business model of the Company for their management.

The Company values the financial assets at incurred cost if both of the following conditions are fulfilled:

- the financial asset is held within the framework of the business model with the intention to hold the financial asset for the purpose of getting contractual cash flows, and
- the contractual conditions of the financial assets lead to the set data of the cash flows, which are exclusively repayments of the principal and interest on the outstanding principal.

Gains and losses from derecognition, modification, or impairment of assets are reported in the profit or loss.

The financial assets of the Company at incurred cost include the trade and other receivables, cash and cash equivalents, as well as other financial assets in the Statement of Financial Position.

The Company reports an adjustment entry for Expected Credit Losses (ECL) for all the financial assets at incurred cost. The Company uses a three-level ECL. In the first reporting of the financial assets, if there is no evidence of failure, the Company assigns the financial assets to Level 1. If a significant increase in the credit risk has occurred since the date of first reporting, the Company will assign such a financial asset to Level 2. If the financial asset fulfills the definition of failure, the Company transfers it to Level 3.

The Company considers potential failure as a situation in which it will not be able to collect all the outstanding amounts according to the initially negotiated conditions. The Company considers as serious indicators of failure significant financial difficulties of debtors and the probability that the debtor will enter bankruptcy proceeding or financial restructuring.

#### Application of the simplified approach using the impairment matrix

In the case of trade receivables without a significant financing element, the Company defines the volume of the adjusting entries according to the matrix. This matrix is based on the application of a reasonable degree of losses on unpaid trade receivable balances (i.e. age analysis of the receivables).

When determining the size of the adjusting entries by simplified procedure, the Company takes the following steps.

- 1) The Company first divides its individual trade receivables into groups with characteristics similar to credit risk.
- 2) In the second step, the Company sets a ratio of historical loss for each group with a similar credit risk. In 2024, the Company expects its customers' payment morale to deteriorate due to the current deteriorated macroeconomic indicators, which has been reflected in the current loss ratio (i.e. % of outstanding receivables to maturity for 2023).
- 3) At the next step, the Company determines the expected losses for each group of receivables, which is further divided into partial categories according to the number of days that they are overdue.
- 4) Subsequently, the Company will enumerate the adjusting entries on the basis of the current gross volume of trade receivables multiplied by the ratio of the expected losses.
- 5) The Group also took into account a risk surcharge, which is based on an estimate of the future development of outstanding receivables, where the Group took into account (in addition to other issues) the amount of outstanding advance payments.

In the case of trade receivables and contractual assets, the Company in the calculation of ECL applies the simplified approach and reports adjusting entries in the amount of the full life ECL at each financial statements date. The Company created a matrix of adjusting entries, which is based on historical experience with credit losses and is adjusted by outlook information specific for the debtors and economic environment, which is the expected GDP growth and a change is expected in the unemployment rate.

The impairment loss is reported in the profit or loss. Unrecoverable trade receivables are depreciated contra the adjustment entries. The Company depreciates receivables after taking all legal steps associated with the collection efforts. Subsequently, the paid amounts for receivables already written off are reported in the profit or loss.

If the trade receivable is qualified as unrecoverable, a 100% adjusting entry is created for it. The creation of adjusting entries is posted to profit or loss.

#### 4.8.2. Financial assets at fair value posted in profit or loss

Derivative financial instruments are, upon first posting, reported at fair value as at the date of negotiation of the contract and subsequently revalued at fair value. The method for reporting the final profit or loss or funds from secured cash flows depends on whether the given derivative is classified as a hedging derivative or as a trade derivative.

The company secures expected future cash flows from the purchase of gas and electricity through short-term FX forwards and FX swaps. To secure future cash flows with maturity of more than one year, the Company uses in certain cases the so-called rollover strategy, which is used to secure expected future cash flows with a series of currency derivatives with shorter maturities. As of the date of the maturity of the currency derivative, classified as a rollover, a new one is immediately established under current market conditions with the same nominal value. The value of such a hedging derivative at the settlement date must be retained in the accounting reserve in equity until the secured item is realised.

The Company determines whether hedging is effective at the beginning of the hedging instrument application by using the critical parameters method and at least at the financial statements date and at a balance sheet date using the dollar-offset method, which compares cumulative changes in the fair value of the hedging instrument and cumulative changes in the fair value of a hypothetical derivative representing the hedged item.

At the same time, the Company has considered potential sources of inefficiency but does not consider them significant.

The potential sources of inefficiencies of security are:

- Changes in the timing of the realisation of the secured item.
- Significant changes in the credit risk of any of the counterparties of the secured item and/or instrument.
- Reduction of the realised amount of the secured item below the value of the hedging instrument.
- Non-zero initial value of the hedging derivative.

The default accounting regulation governing the rules for accounting for financial instruments (in this case financial derivatives) and hedging accounting is the IFRS 9 standard. Under the transitional provisions of IFRS 9, the Company used the option to proceed in accordance with the rules of IAS 39 and decided not to use the parts of IFRS 9 dealing with hedging accounting.

The Company's Treasury and Financing Department monitors the currency risk of the Company to ensure that this risk is as small as possible. The real value of derivatives is determined as the net present value of cash flows arising from derivatives.

#### 4.9. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or

less, which are held for the purpose of covering short-term liabilities.

#### 4.10. Equity

##### 4.10.1. Registered capital

The share capital of the Company consists of ordinary shares. Preferred shares were not issued. At the same time, the Company does not hold any own shares.

##### 4.10.2. Profit funds

Statutory reserve funds are created from the profit of the Company.

Usage of funds created from profit is in accordance with the Company's Articles of Incorporation.

#### 4.11. Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or as other financial liabilities.

Financial liabilities are classified according to whether they are held for trading or not. Financial liabilities comprise mainly of trade payables, short-term bank loans, overdraft accounts, loans and credit from the parent company, and other liabilities.

Short-term trade liabilities and other financial liabilities, excluding liabilities at fair value reported in the profit or loss, are initially reported at fair value and subsequently valued at book value using the effective interest rate method.

##### 4.11.1. Financial liabilities posted at fair value to the profit or loss

Financial liabilities are classified at fair value through profit or loss if intended for trading which includes financial derivatives that were not designated as hedging instruments.

Derivatives are the only type of financial liabilities recognised at fair value through gain or loss of the Company.

##### 4.11.2. Other financial liabilities

Other financial liabilities are initially measured at fair value and subsequently measured at incurred cost discounted at the effective interest rate. The portion of long-term liabilities with contracted maturity within one year are classified in short-term liabilities.

##### 4.11.3. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers through the regular course of business.

Accounts payable are classified as short-term liabilities if payment is due within one year. If not, they are recorded as long-term liabilities.

Trade payables are initially recognised at fair value and subsequently measured at incurred cost discounted at the effective interest rate.

#### 4.12. Unbilled supplies and advances received

The Company compensates the value of unbilled supplies and advances received. The resulting value, per individual customer, nears the actual receivable from or payable to customers. Receivables from customers are classified as financial assets, which will be settled in cash. Liabilities towards customers are non-financial liabilities (advances received), which will be settled by supplying gas, electricity, or other non-cash supply.

#### 4.13. Bank loans

Loans and financial aid are initially recognised at fair value, which is equal to the fair value of the received performance, less the costs related to the provision of a loan or financial aid. Interest-bearing bank loans and other short-term financial borrowings are subsequently recognised at incurred cost considering the materiality principle and using the effective interest rate method. Any difference between proceeds (less transaction costs incurred) and redemption value is recognised in profit or loss over the period of the loan using the effective interest rate method. Borrowing costs related to a particular asset are capitalised into the acquisition costs of the asset.

##### 4.13.1. Lending costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period they are incurred.

#### 4.14. Bonds

The Company initially recognises the issued debt securities and subordinate liabilities at fair value on the date of their creation. After initial recognition, these financial liabilities are valued at incurred cost using the effective interest rate.

Transaction expenditure (e.g. legal services and other financial costs related to the acquisition of bonds) are

accrued over their entire duration, and thus become part of the accrued value of the bonds.

#### 4.15. Provisions

A provision is recognised when the Company has an unconditional obligation as a result of past events, it is probable that the Company will have to settle the obligation, and the amount can be reliably estimated.

Provisions are measured as the best estimate of expenditures expected to be required to settle the obligation at the reporting date, considering risks and uncertainties connected with the obligation. Provisions not drawn in the following year are recognised as at the balance sheet date at their discounted value in case the impact of the discount as at the balance sheet date is significant.

Market interest rates are used for discounting.

#### 4.16. Revenues from contracts with customers

The Company reports revenue if the obligation to fulfil by transfer of the promised goods or services to the customer, who gains control over this asset, entails the supply of services and goods and their acceptance by the customer.

Revenues from sales of goods and services are presented net of Value Added Tax and net of discounts and are measured at fair value of the consideration received or receivable on an accrual basis.

These one-off discounts and bonuses lead to the reporting of contractual assets, which are subsequently amortised for the residual contract term. If discounts and bonuses for the service are provided during the contract term in a non-uniform way, and the monthly service is provided to the customer uniformly, the total revenues from the services are reported on a uniform basis.

In this case, the constant monthly revenues will also be reported in compliance with the IFRS 15. A discount may be provided at the beginning or during the contract term. The discounts and bonuses may be provided gradually, which means that the size of the discount changes during the minimum term of the contract. The discounts and bonuses are reported during the contract term on a linear basis through the contractual asset, which is created in the period of lower payments and subsequently amortised over the residual contract term.

When posting contractual assets within the framework of the model of expected loss according to IFRS 9, the customer's credit risk is considered.

It is typical in the domestic market to conclude combined services agreements with customers where the total price is billed to the customer, both for the commodity and the distribution services, which the trader has purchased at the given distribution company. Distribution service price is a part of the price for combined services provided to

customers. The Company concluded that in case of distribution services the Company acts as a responsible entity (and not as a representative) and reports revenues from services in full, including the part representing distribution services.

##### 4.16.1. Incremental costs of obtaining a contract

Sales agent commissions and other costs are treated as incremental costs to obtain a contract with the customer and are reported as an asset. These costs are amortised over the estimated customer retention period and amortisation is reported under Other operating expenses.

##### 4.16.2. Revenues from sales and distribution of natural gas

Revenue from natural gas sales is recognised when the commodity is delivered. Revenue from sales of natural gas on the liberalised market is measured based on the commodity value reflecting all costs for natural gas purchases and the gross margin that covers the costs of electricity trade and profit, and the cost of other energy services related to gas deliveries to the customer in the required quantity and at the required time.

The price for end customers consists of the price for services provided by OTE including a fee covering operations of the Energy Regulatory Office ("ERO"), a two-component price for distribution consisting of the price paid for purchased natural gas and monthly or yearly fixed price for distribution capacity and price of other services related to the supply. This price is a two-component price and consists of the commodity price and fixed monthly payment or capacity component of the price.

The price for other supply services for households and low volume customers is usually fixed for the period based on the Company's business decision. For medium and large customers, there is an option to either set the price as a fixed price with a validity of one month or longer, or to use one of the products offered (e.g. fixing the price for a longer period, or a combination of fixed and spot prices).

Price for the distribution services represents a two-component price and it is regulated by ERO. The price for OTE services is also regulated by ERO, and it contains a fee according to Section 17d of Act No. 458/2000 Coll., as amended.

Gas supply and distribution to high-volume and middle-volume customer categories are billed on a monthly basis according to the measured consumption. Gas supplies to low-volume customer categories ("MO") and households ("DOM") are billed periodically once every 12 months (according to Section 15, Act No. 70/2016 Coll.), based on the reading of the consumption at each consumption point, or based on the reading provided by the customer alone.

Revenues from MO and DOM categories consist of the actually billed revenues and revenues from so called "unbilled gas" (see Section 4.20.1). The amount of unbilled gas is calculated from the total amount of purchased gas in the particular year based on past behaviour of individual customers and is valued in relation to the valid price list of the Company, or to individually set prices and products.

##### 4.16.3. Revenues from sales of electricity

Revenue from the sale of electricity is recognised when the commodity is delivered. Revenue from sales of electricity is measured based on the commodity value reflecting all costs for electricity purchases and the gross margin that covers costs of electricity trade and profit, and the cost of other energy services related to electricity deliveries to the customer in the required quantity and at the required time.

The electricity price consists of two components, regulated and non-regulated items. The regulated component is composed of the price for electricity distribution (the Company uses external electricity distributors) and the regulated services. The individual items are published by ERO according to its price decisions. The price level for electricity distribution may vary by distributor.

The non-regulated price component contains primarily the price for electricity supply, electricity consumed at a high tariff in CZK/MWh, and electricity consumed at a low tariff in CZK/MWh. A part of this non-regulated component can also be the fixed monthly payments for the distribution point in CZK/month. The fixed monthly price for delivery of electricity is determined by the trader using the market principles. Price for the electricity supply is derived from the price established at the energy stock exchange. The final price also includes the electricity tax and VAT.

Electricity supply and distribution to middle-volume customer categories – households ("MOO") – and middle-volume customer categories – entrepreneurs ("MOP") – are billed based on the measured consumption of each consumption point, which is performed in the reading cycle set by the relevant provider of the distribution network. Electricity supplies to categories MOO and MOP with Type C readings (annual) are billed periodically once within 12 months based on the reading of the consumption of each offtake point, based on customer self-reading. In the case of Type B reading in categories MOO and MOP, the electricity supplies are billed on a monthly basis according to the reading of the consumption of each consumption point (according to the provisions of Section 15 Decree No. 70/2016 Coll., and the provisions of Section 3 Decree No. 152/2016 Coll.).

Revenues from MOO and MOP categories consist of the actually billed revenues and revenues from so called "unbilled electricity" (see Section 4.20. 2). The amount of unbilled electricity is calculated from the total amount of

purchased electricity in the particular year based on past behaviour of individual customers and is valued in relation to the valid price list of the Company, or to individually set prices and products.

Electricity supply and distribution to high-volume categories ("VO"), whose consumption points are at high or very high voltage levels, are billed on a monthly basis and based on the measured consumption. Revenues from VO consist of actually billed revenues.

#### 4.16.4. Revenues from sales of goods

These revenues are reported on the date of the release of the goods from the warehouse and are reported minus discounts and VAT. Prices and payment terms are based on individual contracts.

#### 4.16.5. Revenues from miscellaneous services

Sales are reported on the date of the release of the goods from the warehouse and are reported minus discounts and VAT. Prices and payment terms are based on individual contracts.

#### 4.17. Foreign currency conversions

Transactions in a foreign currency other than the functional currency of the Company are converted using the exchange rates announced by the Czech National Bank as at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate published by the Czech National Bank as at the reporting date of the financial statements. Foreign exchange gains and losses are recognised as financial gains or losses in the period in which they occurred.

#### 4.18. Employee benefits

##### 4.18.1. Contributions to the state pension scheme

The Company pays contributions for its employees into the state pension system, which is managed on the basis of a defined contribution plan. The Company has no other liabilities related to the state pension scheme after paying contributions in the amount defined by law.

##### 4.18.2. Additional pension and life insurance

In accordance with the valid Collective Agreement, the Company makes monthly contributions to pension and life insurance schemes for its employees, which are paid to an independent entity under a defined contribution scheme. These contributions are recognised in profit/loss as incurred.

##### 4.18.3. Other benefits

Other benefits (e.g. paid holidays) are continuously recognised as expenses when incurred.

##### 4.18.4. Termination benefits

The Company also provides termination benefits to its executives. These benefits are granted if certain conditions are met, namely compliance with non-competition and confidentiality clauses. Amounts are determined based on monthly bonuses. The Company recognises the liability for the termination benefits as at the date when it can no longer withdraw the offer, i.e. as at the signature date of the performance contract.

#### 4.19. Taxes

Income tax comprises current and deferred tax.

##### 4.19.1. Current tax

Current income tax represents the estimated tax payable for the accounting period calculated by using the tax rate and the relevant laws enacted as of the end of the reporting period and valid for the period.

The estimated current tax is reduced by advances paid toward income tax. The short-term receivable is recognised in the case that the income tax advances paid exceed the estimated current tax as at the reporting date.

##### 4.19.2. Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the statement of financial position and their tax bases. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination. A deferred tax receivable is recognised if it is probable that taxable profit will be earned in the future, which will allow application of these temporary differences.

The deferred tax asset and liability are determined using the tax rate expected to be valid in the period in which the tax asset is realised or the tax liability is settled, according to tax law enacted as at the end of the reporting period.

Offsetting the deferred tax asset and liability is allowed when there is a legally enforceable right to offset the current tax asset and the current tax liability and when the deferred tax asset and liability relates to income tax collected by the same tax authority and if the Company intends to settle its current tax assets and liabilities on a net basis.

#### 4.20. Significant accounting estimates and main sources of uncertainty about the estimates

Preparing the financial statements requires using estimates and assumptions that affect the figures for the financial position presented as at the reporting date and the financial performance for the reporting period in question. The estimates and assumptions are calculated on the basis of all relevant available information. Nevertheless, as implied by the nature of an estimate, the real values may differ from the estimates in the future.

##### 4.20.1. Unbilled gas supplies

The Company management considers the determination of unbilled gas supplies and the distribution fees to low-volume customers and households ("MODOM") to be the most significant areas subject to the use of estimates. As of 31 December 2023 the value of unbilled gas and distribution fees to low-volume customers and households represented CZK 3,591,739 thousand (as of 31 December 2022 the amount was CZK 5,040,540 thousand).

This estimate is determined using the balancing method, as the difference between total gas purchases and sales of monthly invoiced customers, losses and own consumption during that period. This estimate is then reduced by gas supplies for MODOM categories that have already been invoiced for the given period.

Unbilled gas supplies to large-volume (VO) and to medium-volume consumers (SO) are also reported in the accounting estimates. These estimates do not carry any risk because they are created on the basis of actual gas meter readings.

##### Sensitivity analysis:

The percentage ratio of losses to the distributed amount used for calculation of the unbilled gas in 2023 is 1.95%. The median ratio of the balance difference to the distributed amount for the last 6 years is equal to 2.08%. If in 2023 the ratio of losses to the total amount of gas distributed was equal to the long-term average, i.e. it would be less

## 5. Financial Risk Management

### 5.1. Credit risk

The selection of counterparties for transactions with the financial resources of the Company is limited to very creditworthy institutions and is regulated according to the procedures and directives stipulated in the investment strategy approved by the Company's General Assembly. The Company performs only financial transactions whose originator or underwriter has a high rating (investment rating grades) in terms of credit investments issued by competent and independent global rating agencies and for whom it is also possible to continuously monitor the credit

(greater) by 0.13 percentage points (while all other variables would remain unchanged), the pre-tax profit as of 31 December 2023 would be CZK 14.7 mil. higher (lower) due to higher (lower) revenues in the unbilled gas supplies.

##### 4.20.2. Unbilled electric power supplies

Similarly as natural gas, the Company management considers the determination of the amount of unbilled electricity and the distribution fee for the categories of low-volume (MOP) and households (MOO) to be an important area of application of estimates. As of 31 December 2023 the value of unbilled energy and distribution fee to low-volume customers and households represented CZK 712,005 thousand (as of 31 December 2022 the amount was CZK 1,095,645 thousand).

This estimate is determined using the balancing method, as the difference between total electricity purchases and sales of electricity invoiced on a monthly basis to customers and own consumption during the period in question. Within the framework of the accounting estimates, estimates relating to large volume (VO) consumers are also reported, but these estimates represent a minimum degree of risk because they are based on already billed items. Through these estimates, they are only transferred to the corresponding accounting period.

##### Sensitivity analysis:

The sensitivity analysis of the unbilled electricity segment shows a change in the amount of this item providing that the nomination deviation related to the acquisition of the commodity is included in the input balance. Usually, the amount of this deviation is in the range of 3-5% of the number of technical units sold. In the case of the Company, the amount of the purchase deviation for 2023 would be around the category of MOO and MOP in the amount of around 496,623 MWh. The fixed price for the valuation of the deviation is set at CZK 6,457 per MWh, which in the case of the Company would impact the generation of unbilled electricity in the total amount of ± CZK 96.2 million CZK.

quality indicators through the financial market. Cooperating banks enjoy long-term credit ratings A1 – A3, issued by Moody's.

The credit risk associated with the counterparties in business transactions is managed by the Company using various tools such as insurance, credit limits, differential collection process, etc.

Credit risk in the case of trading and other receivables, as well as other financial assets, is also limited thanks to risk management tools and the debt collection process. The concentration of credit risks is perceived by the Company in connection with the subsidiary company Pražská plynárenská Distribuce, a.s. This is because principles and operating advances linked with the purchase of distribution services were provided.

#### Trade and other receivables

IFRS 9 introduced a new model of expected impairment loss, which requires more timely identification of credit losses. The standard specifically requires the accounting units to report the expected credit losses. The Company creates an adjusting entry that represents the estimate of expected credit loss to the trade receivables, other receivables, and contractual assets. Cash and cash equivalents are also subject to the requirements for reduction of value according to the IFRS 9; nevertheless, the ascertained loss from reduction of value was insignificant.

Impairment losses are reported in such a manner as to cover both individually significant exposure to credit risk and portfolio loss in the case of assets for which impairment is not assessed individually. Objective proof of receivables portfolio impairment includes the past experience of the Company with collection of payments, changes in the internal and external assessments of customers, the Company's current position, and insights into the economy during the expected service life of the receivables.

In the case of financial assets, which include cash and cash equivalents, loans, term deposits, trade receivables, and other receivables, exposure of the Company to credit risk is established from the potential failure of the counterparty and is maximally equal to the book value of these financial assets.

The Company values its financial investments as of each balance date to find out whether objective evidence for the degradation of asset values exists. Financial investments are considered impaired if the objective evidence indicates that one or more events have negatively affected the estimated future cash flows of this investment. Significant financial assets are tested individually for impairment. The remaining financial assets are evaluated on a portfolio basis in groups that have similar characteristics in terms of credit risk. The impairment loss on financial assets is calculated as the difference between its book value and the current value of estimated cash flows discounted at the initial effective interest rate. All impairment losses are recognised in the profit or loss. Impairment loss is derecognised if the derecognition is objectively related to events that occurred after reporting the loss. Derecognition of an impairment loss is reported in the profit or loss. Trade receivables from customers with a higher credit risk are to a certain extent secured by lien in the form of advances received.

The Company creates an adjusting entry that represents the estimate of the expected credit loss to the trade receivables, unbilled gas deliveries to other receivables, and contractual assets.

The structure of the allowances is divided into a total of 3 levels according to the expected loss from credit risk. Credit impaired receivables classified as Level 1 are those receivables up to 30 days past due, as well as past due receivables and unbilled deliveries for which an adjusting entry is made in accordance with IFRS 9. Credit-impaired receivables classified as level 2 are those that are 1 to 6 months past due. The Company classifies receivables that are more than 6 months past due and individually assessed receivables for which there is a high probability of expected credit risk loss as Level 3.

The table summarises the complete overview of trade and other receivables minus the adjusting entry.

Type of receivable (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables from third parties	1,099,760	986,079
Trade receivables from subsidiaries	478,773	408,824
Trade receivables from other affiliates	598	34
<b>Financial trade receivables</b>	<b>1,579,131</b>	<b>1,394,937</b>
Adjusting entries for trade receivables	-268,788	-288,758
<b>Net trade receivables – financial</b>	<b>1,310,343</b>	<b>1,106,179</b>
Unbilled supplies (minus advance payments)	2,796,999	2,500,838
Adjusting entries for unbilled deliveries	-41,247	-34,053
Loans granted (see Sect.. 7.32)	1,000,000	0
<b>Total trade and other receivables – financial</b>	<b>5,066,095</b>	<b>3,572,964</b>
<b>Total trade and other receivables – non-financial</b>	<b>234,465</b>	<b>179,909</b>
<b>Total trade and other receivables – short-term</b>	<b>5,300,560</b>	<b>3,752,873</b>

The structure of allowances for trade and other receivables according to the level of expected interest rate impairment is shown in the following tables:

#### 31 December 2023

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			Total
	Level 1	Level 2	Level 3	
Cat. MO	46,020	862	60,230	107,112
Cat. DOM	41,551	1,635	69,804	112,990
Cat. VO	14,366	81	27,874	42,321
Cat. Other	14,315	287	33,010	47,612
<b>Total</b>	<b>116,252</b>	<b>2,865</b>	<b>190,918</b>	<b>310,035</b>

#### 31 December 2022

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			Total
	Level 1	Level 2	Level 3	
Cat. MO	52,010	794	58,923	111,727
Cat. DOM	52,228	860	68,699	121,787
Cat. VO	15,500	1	26,085	41,586
Cat. Other	15,436	417	31,858	47,711
<b>Total</b>	<b>135,174</b>	<b>2,072</b>	<b>185,565</b>	<b>322,811</b>

#### Cash and cash equivalents and other financial assets

The Company makes only short-term cash deposits within 3 months (cash, deposit bills, term deposits, and REPO operations). The Company transfers its free cash to financial instruments. Selecting the counterparties for financial transactions with cash is limited to parties with high creditworthiness.

The Company performs only financial transactions whose originator or underwriter has a high rating in terms of

credit investments (investment rating grades) issued by competent and independent global rating agencies and for whom it is also possible to continuously monitor the credit quality indicators through the financial market.

Cash and cash equivalents are also subject to the requirements for reduction of value according to the IFRS 9; nevertheless, the ascertained loss from reduction of value was insignificant.

Long-term rating by Moody's (in thousands of CZK)	Bank rating	31 December 2023	31 December 2022
Cash on hand	not assigned	904	853
Money in bank accounts	A1-A3	4,077,710	1,239,330
Short-term investments - bills of exchange ČSOB Leasing	A1	994,500	0
<b>Total exposure of cash, cash equivalents, and other financial assets</b>		<b>5,073,114</b>	<b>1,240,183</b>

#### 5.2. Liquidity risk

Liquidity risk is a risk that the accounting entity will not fulfil its obligations arising from financial liabilities.

The goal for liquidity risk management is to keep a balance between financing operating activities and financial flexibility to meet trade payables and liabilities to creditors of the Company on time.

The Company Management minimises liquidity risk (i.e. the risk of a lack of cash to pay liabilities) by continuous, ongoing management and planning of its future cash flows. The main tool for planning of cash flows is the preparation of a midterm plan, which is prepared annually for a 3-year period. The cash flow plan for the following year is subsequently divided into individual days and kept up to date. Based

on this detailed forecast, the Company ensures that a sufficient level of liquid cash is available to settle its liabilities.

The Company Management monitors the liquidity and its development on the basis of weekly reports; the Company Management also receives short-term liquidity forecasts.

The Company refinanced its short-term external financing structure in 2023. The operating financing lines (overdraft lines, revolving credit line and bank guarantees) were increased, while the subordinated loan from the City of Prague and the promissory note programme were repaid and terminated. The short-term external financing still includes an operating loan for the purchase of natural gas guaranteed by the City of Prague (the co-borrower Pražská plynárenská Holding, a.s., was dissolved as part of the merger). These external financial resources are provided by a consortium of two banks, i.e. Československá obchodní banka, a.s., and Česká spořitelna, a.s.

In connection with the financing, in 2023, the following agreements were entered into between the Company and Československá obchodní banka, a.s. (also on behalf of Česká spořitelna, a.s.):

- Agreement on the establishment of a lien between the Company and Československá obchodní banka, a.s.;
- Agreement on the establishment of a lien on the receivables under bank account management agreements between the Company and Československá obchodní banka, a.s.;
- Agreement establishing a ban on burdening and alienation between the Company and Československá obchodní banka, a.s.;

The Company has also arranged a short-term euro overdraft facility with Raiffeisenbank, a.s. for the purpose of trading on the energy exchange and related documentation for trading on the energy exchange:

- The Company has entered into a contract with Raiffeisenbank, a.s. for the pledge of receivables from accounts.

#### Short-term funding structure as at 31 December 2023:

(in thousands of CZK)	Limit	From	To	Interest rate
Overdraft credit lines in CZK	1,000,000	15/ 5/ 2023	15/ 5/ 2027	floating
Committed guarantee/revolving credit line	4,000,000	15/ 5/ 2023	15/ 5/ 2027	fixed/floating
Uncommitted line for guarantees	20,000	19/ 1/ 2017	for an indefinite period of time	fixed
Loan with HMP guarantee	4,000,000	24/ 6/ 2022	24/ 6/ 2025	floating
Overdraft credit lines in EUR RB (EUR 0.5 mil. using an exchange rate of 24.725 CZK/EUR)	12,363	31/ 5/ 2023	31/ 5/ 2024	floating
<b>Total</b>	<b>9,032,363</b>			

In 2023, the drawdown of the promissory note programme continued and the HMP loan. As of 31 December 2023, these loans have already been repaid. As of 31 December 2023 only funds from the subsidiary companies were drawn in the amount of CZK 431,928 thousand, which represent liabilities from cash-pooling. Average credit interest rate between the Company and the subsidiaries in 2023 was 5.19% p.a., the average debit interest rate between the Company and the subsidiaries in 2023 was 7.25% p.a.

#### Short-term funding structure as at 31 December 2022

(in thousands of CZK)	Limit	From	To	Interest rate
Overdraft credit lines in CZK	600,000	26/ 5/ 2022	21/ 5/ 2023	floating
Committed guarantee/revolving credit line	2,700,000	26/ 5/ 2022	21/ 5/ 2023	fixed/floating
Uncommitted line for guarantees	20,000	19/ 1/ 2017	for an indefinite period of time	fixed
Exchange programme	800,000	26/ 5/ 2022	22/ 5/ 2023	floating
Loan with HMP guarantee	4,000,000	24/ 6/ 2022	24/ 6/ 2025	floating
Loan from HMP	2,000,000	3/ 5/ 2022	30/ 5/ 2023	floating
Overdraft credit lines in EUR RB (EUR 0.5 mil. using an exchange rate of 24.115 CZK/EUR)	12,057	31/ 5/ 2022	31/ 5/ 2023	floating
<b>Total</b>	<b>10,132,057</b>			

During 2022, overdraft lines of credit, the promissory note programme, the HMP-guaranteed loan and the HMP loan were drawn down. As at 31 December 2022, the promissory note programme has been drawn down in the amount of CZK 800 thousand and a loan from HMP in the amount of CZK 500 thousand. CZK. As at 31 December 2022, funds from subsidiaries and the parent company PPH amounting to CZK 938,186 thousand have also been drawn down, which represent liabilities from cash-pooling. Average credit interest rate between the Company, subsidiaries and the parent company in 2022 was 3.87% p.a., the average debit interest rate between the Company, subsidiaries and the parent company in 2022 was 6.42% p.a.

Drawing short-term bank loans allows the Company to optimise its coverage of seasonal fluctuations in cash flows, which accompany the purchase and sale of energy.

An integral part of Company funding is the utilisation of financial resources of all PP Group companies aggregated in cash pooling. Using these free resources means that drawing short-term loans from the banks is reduced.

In connection with the conditions under the loan agreements, financial indicators are monitored at the

consolidated PP Group data level. In case of their non-fulfilment, the banks may request premature loan repayment. These indicators were fulfilled as of 31 December 2023 and as of 31 December 2022.

The liquidity position is supported by the system of advance payments; whereas the high-volume and middle-volume categories pay advances several times during the month, the low-category and households pay advances monthly or quarterly. The setting of the advances takes into account the past consumption for all categories (an algorithm based on three-year historical consumption is used), as well as the seasonal character of the gas consumption, and the gas price.

The following tables show the liabilities grouped by residual period to contractual maturity as at 31 December 2023 and as at 31 December 2022. The size of the liabilities shown in the tables is equivalent to the non-discounted cash flows, including interest, where relevant. The interest is based on the loan amount as at 31 December 2023 and on the interest rates valid on the financial market as of 31 December 2023. Lease liabilities are reported separately in Section 7.4.

#### 31 December 2023

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Derivatives (currency forwards and commodity futures)	2,554,926	1,772,523	432,714	9,920	0	4,770,083
Trade and other liabilities	3,878,355	0	374	166	0	3,878,895
Loans from subsidiaries - cash-pooling	431,928	0	0	0	0	431,928
<b>Total</b>	<b>6,865,208</b>	<b>1,772,523</b>	<b>433,088</b>	<b>10,086</b>	<b>0</b>	<b>9,080,906</b>

#### 31 December 2022

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Derivatives (currency forwards and commodity futures)	1,611,246	776,088	124,144	0	0	2,511,478
Loan from HMP	3,492	500,000	0	0	0	503,492

Exchange programme	0	800,000	0	0	0	800,000
Trade and other liabilities	4,279,386	0	297	0	0	4,279,683
Loans from subsidiaries and PPH – cash-pooling	938,186	0	0	0	0	938,186
<b>Total</b>	<b>6,832,310</b>	<b>2,076,088</b>	<b>124,441</b>	<b>0</b>	<b>0</b>	<b>9,032,839</b>

The main aim of the analysis of liabilities is the identification of unavoidable liabilities that have to be paid (within the legal limitations), which represent a cash outflow that negatively impacts liquidity.

#### Concluded guarantees

The Company has secured its financial liabilities with Československá obchodní banka, a.s., as of 31 December 2023:

- on behalf of OTE, a. s., up to CZK 325,000 thousand (under the Deviation settlement agreement No. AP 006/09 dated 11/ 12/ 2009);
- on behalf of OTE, a. s., up to CZK 100,000 thousand (under the Deviation settlement agreement No. A3602/14 dated 4/ 12/ 2014 and the Agreement on access to the organised short-term electricity market No. B3602/14 dated 4/ 12/ 2014);
- on behalf of RWE Supply Trading GmbH, in the amount of EUR 15,000 thousand (CZK 370,875 thousand ) due to being present and active on the gas market (according to the EFET Agreement dated 3/ 6/ 2014);
- on behalf of Uniper Global Commodities SE in the amount of EUR 20,000 thousand (CZK 494,500 thousand ) due to being present and active on the gas market (according to the EFET Agreement dated 14/ 6/ 2021);

The Company has secured its financial liabilities with Československá obchodní banka, a.s., as of 31 December 2022:

- on behalf of OTE, a. s., up to CZK 1,200,000 thousand (under the Deviation settlement agreement No. AP 006/09 dated 11/ 12/ 2009);
- on behalf of OTE, a. s., up to CZK 160,000 thousand (under the Deviation settlement agreement No. A3602/14 dated 4/ 12/ 2014 and the Agreement on access to the organised short-term electricity market No. B3602/14 dated 4/ 12/ 2014);
- on behalf of RWE Supply Trading GmbH, in the amount of EUR 15,000 thousand (CZK 372,900 thousand ) due to being present and active on the gas market (according to the EFET Agreement dated 3/ 6/ 2014);

- on behalf of Uniper Global Commodities SE in the amount of EUR 15,000 thousand (CZK 372,900 thousand ) due to being present and active on the gas market (according to the EFET Agreement dated 14/ 6/ 2021);

These concluded guarantees are not included in the balance sheet.

### 5.3. Market risk

#### 5.3.1. Interest rate risk

Interest rate risk is defined as risk related to changes in fair value of future cash flows from financial instruments as a result of interest rate fluctuation.

The goal of interest rate risk management is to eliminate risk emerging from interest rate fluctuations of interest-bearing financial liabilities and receivables using an appropriate structure.

The Company Management monitors interest rate risk on the basis of regular reporting, which includes information about the current interbank interest rates (mainly PRIBOR and EURIBOR) and assessment of actual interest expenses. The Company Management is provided with short-term forecasts of these interest rates. In 2023, the Company drew only the promissory note programme, a loan from HMP and cash from subsidiaries under cash pooling. In 2022, the Company drew short-term bank loans (overdraft, promissory note programme, HMP-guaranteed loan), a loan from HMP and cash from subsidiaries and PPH under cash pooling.

#### Sensitivity analysis:

If the interest rate had increased/decreased by 100 basic points while all other variables held constant as of 1 January 2023, the profit before tax for 2023 would have been CZK 12,891 thousand lower/higher as a result of the increased/decreased interest expense (for 2022: CZK 25,236 thousand ).

#### 5.3.2. Exchange rate risk

Currency risk means that the future cash flows from financial instruments will change as result of changes in currency rates.

Movements in exchange rates represent a risk due to the fact that the Company purchases virtually all its natural

gas and electricity with foreign currencies. The choice of currency for purchases made in forward purchases is fully dependent on the overall commercial conditions offered. The Group always secures the exchange rate risk in the form of currency forwards at the bank for most of the purchased volume. All spot purchase transactions are carried out in EUR, while a certain portion of these purchases are sold in EUR, or the purchase is made to the portfolio of customers at the listed price using the exchange rate in force on the purchase date. The Company actively manages currency risk through quarterly closing of open foreign currency positions, by setting a stop-loss limit and by managing the purchase of natural gas and electricity in foreign currency, thus maintaining full hedging of long-term currency risk.

The movement in exchange rates constitutes a risk as the Company keeps receivables and payables in foreign currencies. Starting on 1 January 2019, the Company decided to apply a secure accounting system in order to secure

(in thousands of CZK)	2023	2022	2023	2022
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Liabilities in EUR	-2,403	-4,429	2,403	4,429
Receivables in EUR	3,571	4,722	-3,571	-4,722
<b>Impact on profit before tax</b>	<b>1,168</b>	<b>293</b>	<b>-1,168</b>	<b>-293</b>

If the CZK/EUR exchange rate as of 31 December 2023 had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR with all other variables held constant as of 31 December 2023, the other total profit as of 31 December 2023 as a result of revaluation of hedged forward purchases realised as of 31 December 2023 would be CZK 94,167 thousand higher/lower (as of 31 December 2022: CZK 45,341 thousand ).

(in thousands of CZK)	2023	2022	2023	2022
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Secured forward purchases in EUR	94,167	45,341	-94,167	-45,341
<b>Impact of total profit / loss result</b>	<b>94,167</b>	<b>45,341</b>	<b>-94,167</b>	<b>-45,341</b>

#### 5.3.3. Derivative financial instruments

The settlement of purchases of natural gas and electricity in EUR exposes the Company to a risk of changes in future cash flows upon settlement of these transactions due to changes in the EUR/CZK exchange rate. The Company decided to regulate this risk by means of currency swaps and forwards. To secure future cash flows with maturity of more than one year, the Company uses in certain cases the so-called rollover strategy, which is used to secure expected future cash flows with a series of currency derivatives with shorter maturities. As of the date of the maturity of the currency derivative - classified as a rollover, a new one

future cash flows in foreign currencies from the purchase of commodities.

#### Sensitivity analysis:

If the CZK/EUR exchange rate as of 31 December 2023 had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR while all other variables held constant, the profit before tax as at 31 December 2023 as a result of revaluation of liabilities in EUR would have been CZK 2,403 thousand lower/higher (as of 31 December 2022: CZK 4,429 thousand ).

If the CZK/EUR exchange rate had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR, while all other variables held constant as of 31 December 2023, the profit before tax as of 31 December 2023 as a result of revaluation of liabilities in EUR would have been CZK 3,571 thousand higher/lower (as of 31 December 2022: CZK 4,722 thousand ).

is immediately established under current market conditions with the same nominal value.

**Secured cash flows:****31 December 2023**

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Securing of cash flows – future liabilities	2,505,312	1,749,940	387,043	9,920	0	4,652,216

**31 December 2022**

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Securing of cash flows – future liabilities	1,550,565	699,859	0	0	0	2,250,424

**Derivatives securing cash flows:****31 December 2023**

(in thousands of CZK)	Nominal value	Fair value - positive	Fair value - negative	Secured period	Average secured rate
Currency forwards	4,652,216	33,024	0	0-2 years	24.702

**31 December 2022**

(in thousands of CZK)	Nominal value	Fair value - positive	Fair value - negative	Secured period	Average secured rate
Currency forwards	2,250,424	0	42,972	0-1 year	24.816

**5.4. Fair value estimate**

Fair values of financial assets and liabilities that are traded in an active market are determined by using prices quoted (unadjusted) on the active markets.

The fair value of a currency derivative relative to the nominal value of a trade results from the difference between the agreed forward rate and the expected rate at the maturity of the trade. This currency difference is discounted to the date on which the fair value is determined. The resulting valuation of the net present value is sent by the bank with which the derivative transaction was agreed.

As at the end of the reporting period, the Company classified its financial assets and liabilities at fair value through profit or loss under Level 2 featuring entry data used to determine the fair value (see Note 5.1.)

The book values of short term receivables after deducting their impairment and short term liabilities, bonds and loans are close to their fair values.

**5.5. Offsetting financial receivables and financial liabilities****31 December 2023**

(in thousands of CZK)	Gross amount in the statement of financial position	Gross amount of the offsetting in the statement of financial position	Net amount after compensation in the statement of financial position	The amount which is subject of the framework netting agreement and similar arrangements in the statement of financial position	Total net exposure
Trade and other receivables	5,066,095	0	5,066,095	555,818	4,510,277
Trade and other financial liabilities	2,734,128	0	2,734,128	555,818	2,178,310

**31 December 2022**

(in thousands of CZK)	Gross amount in the statement of financial position	Gross amount of the offsetting in the statement of financial position	Net amount after compensation in the statement of financial position	The amount which is subject of the framework netting agreement and similar arrangements in the statement of financial position	Total net exposure
Trade and other receivables	3,572,964	0	3,572,964	234,630	3,338,334
Trade and other financial liabilities	2,840,892	0	2,840,892	234,630	2,606,262

**5.6. Net profit and losses from financial instruments**

(in thousands of CZK)	2023	2022
Trade receivables (particularly depreciation of receivables and creation of provisions)	-2,022	-84,714
Cash and cash equivalents (especially profits from the appreciation of funds)	286,936	55,127
Financial derivatives (especially losses from derivative transactions)	-166,724	340,844
Bank loans (especially losses from bank fees and liability commissions)	-99,243	-97,144
Other financial liabilities (especially currency exchange gains / losses)	-96,646	36,386
<b>Net gains (+) / losses (-) reported in the profit / loss statement</b>	<b>-77,699</b>	<b>250,499</b>
Financial derivatives in other comprehensive income (settlement)	33,024	-42,972
<b>Net gains (+) / losses (-) reported in other total income</b>	<b>33,024</b>	<b>-42,972</b>
<b>Total net gains (+) / losses (-)</b>	<b>-44,675</b>	<b>207,527</b>

**6. Capital management**

Optimal capitalisation of the Company balances between capital gains and the ability to cover all mature liabilities.

The goal of capital risk management is to maintain such proportion of equity and liabilities that all financial liabilities are repaid and the Company's value increase for shareholders is ensured. The Company's management continuously evaluates the current and expected results including planned and potential investments and cash flows, and adjusts the capital structure to achieve these goals.

The goal of the Company is to achieve such business results to be able to fulfil financial indicators agreed with banks. In case of their non-fulfilment, the banks may request premature loan repayment. These indicators were fulfilled as of 31 December 2023 and as of 31 December 2022.

## 7. Notes to the financial statements

### 7.1. Land, buildings, and equipment

The value of the balance of fixed assets in progress as at 31 December 2023 and 31 December 2022 mainly consisted of projects in the area of CNG stations and reconstruction of buildings on the Company's premises in Michle.

Land, buildings, and equipment (in thousands of CZK)	Land	Buildings and other structures	Movables and sets of movables	Vehicles (means of transport)	Computer equipment and other hardware	Other tangible fixed assets	Tangible fixed assets under construction	Total
<b>Acquisition value</b>								
Balance as at 1/ 1/ 2022	76,586	940,117	285,799	26,325	131,672	40,456	17,247	1,518,202
Effect of merger	0	0	3,666	5,804	1,249	46	0	10,765
Purchases	0	0	0	0	0	0	20,242	20,242
Transfers	0	10,035	11,080	0	11,706	10	-32,831	0
Reclassifications from/to investment property (IAS 40)	0	124,552	0	0	0	0	0	124,552
Decreases	0	-22	-2,592	-4,717	-4,756	-20	0	-12,107
<b>Balance as at 31/ 12/ 2022</b>	<b>76,586</b>	<b>1,074,682</b>	<b>297,953</b>	<b>27,412</b>	<b>139,871</b>	<b>40,492</b>	<b>4,658</b>	<b>1,661,654</b>
Purchases	0	0	0	0	0	0	51,391	51,391
Transfers	0	11,957	4,060	17,180	3,488	587	-37,272	0
Decreases	-838	0	-2,178	-5,047	-8,865	-20	-1,500	-18,448
<b>Balance as at 31/ 12/ 2023</b>	<b>75,748</b>	<b>1,086,639</b>	<b>299,835</b>	<b>39,545</b>	<b>134,494</b>	<b>41,059</b>	<b>17,277</b>	<b>1,694,597</b>
<b>Accumulated depreciation, adjustments, impairment, recharging</b>								
Balance as at 1/ 1/ 2022	0	366,482	244,925	20,590	102,248	5,613	0	739,858
Depreciation allowance – effect of the merger	0	0	2,430	3,735	893	3	0	7,061
Reclassification of depreciation from/to investment property (IAS 40)	0	48,463	0	0	0	0	0	48,463
Depreciation	0	23,316	11,416	3,044	15,520	366	0	53,662
Adjustments	0	-23	0	0	0	0	0	-23
Accumulated depreciation for disposals	0	-22	-2,592	-4,659	-4,731	-20	0	-12,024
<b>Balance as at 31/ 12/ 2022</b>	<b>0</b>	<b>438,216</b>	<b>256,179</b>	<b>22,710</b>	<b>113,930</b>	<b>5,962</b>	<b>0</b>	<b>836,997</b>
Depreciation	27	23,450	9,133	4,044	13,912	372	0	50,938
Adjustments	0	-23	0	0	0	0	0	-23
Accumulated depreciation for disposals	-27	0	-2,178	-5,045	-8,823	-20	0	-16,093
<b>Balance as at 31/ 12/ 2023</b>	<b>0</b>	<b>461,643</b>	<b>263,134</b>	<b>21,709</b>	<b>119,019</b>	<b>6,314</b>	<b>0</b>	<b>871,819</b>
<b>Net book value 2022</b>	<b>76,586</b>	<b>636,466</b>	<b>41,774</b>	<b>4,702</b>	<b>25,941</b>	<b>34,530</b>	<b>4,658</b>	<b>824,657</b>
<b>Net book value 2023</b>	<b>75,748</b>	<b>624,996</b>	<b>36,701</b>	<b>17,836</b>	<b>15,475</b>	<b>34,745</b>	<b>17,277</b>	<b>822,778</b>

The business plant of Pražská plynárenská, a.s. was pledged in favour of the creditors Československá obchodní banka, a.s., and Česká spořitelna, a.s., with the following liens on the business plant:

(i) To secure debts under the Operating Loan Agreement up to CZK 5,000 million of 15 May 2023, as amended, secured debts of Pražská plynárenská, a.s., from operational financing, which may arise up to the amount of CZK 10,000 million, and

(ii) to secure debts under the Promissory Note Programme Agreement up to an amount of CZK 1,200 million of 2 November 2023, secured debts of the subsidiary company Pražská plynárenská Distribuce, a.s., a member of the Pražská plynárenská, a.s. concern, which may arise up to the amount of CZK 2,400 million.

### 7.2. Real estate investments

(in thousands of CZK)	Real estate investments
<b>Acquisition value</b>	
Balance as at 1/ 1/ 2022	299,019
Increases*	2,343
Reclassifications from/to investment property (IAS 40)	-124,552
<b>Balance as at 31/ 12/ 2022</b>	<b>176,810</b>
Increases*	573
<b>Balance as at 31/ 12/ 2023</b>	<b>177,383</b>
<b>Accumulated depreciation, depreciation, impairment</b>	
Balance as at 1/ 1/ 2022	142,286
Depreciation	3,732
Reclassification of depreciation from/to investment property (IAS 40)	-48,463
<b>Balance as at 31/ 12/ 2022</b>	<b>97,555</b>
Depreciation	3,759
<b>Balance as at 31/ 12/ 2023</b>	<b>101,314</b>
<b>Net book value 2022</b>	<b>79,255</b>
<b>Net book value 2023</b>	<b>76,069</b>

\* Increases represent the technical improvements of buildings.

Some properties located in the Michle facility, where the Company's operating and administrative buildings are located, include a part that is held for rent or capital appreciation and another part that is held for the production or supply of goods or services, or for administrative and office purposes. The company has set a criterion and reports the property as an investment property if more than 70% of the floor area is leased.

The Company has chosen to use the cost model for the subsequent valuation of investment property in accordance with IAS 16. Fair value valuation was not implemented for the following reasons:

- The buildings are leased within the Group (i.e. to other subsidiaries);
- the facility in Michle represents an enclosed space intended only for the company of Pražská plynárenská, a.s. Group.

Rent from investment in real estate amounted to CZK 14,154 thousand as at 31/ 12/ 2022 and CZK 13,064 thousand as at 31/ 12/ 2022. Rent is reported in Other operating income.

Direct operating costs (including repairs and maintenance) incurred from investment property amounted to CZK 7,900 thousand as at 31/ 12/ 2023 and CZK 6 000 thous. as at 31/ 12/ 2022. These costs are reported in Other operating expenses.

### 7.3. Intangible assets

Intangible assets (in thousands of CZK)	Software	Assessable rights	Intangible fixed assets under construction	Total
<b>Acquisition value</b>				
Balance as at 1/ 1/ 2022	869,102	13,975	23,344	906,421
Effect of merger	467	87	0	554
Purchases	0	0	27,305	27,305
Transfers	30,222	0	-32,697	-2,475
<b>Balance as at 31/ 12/ 2022</b>	<b>899,791</b>	<b>14,062</b>	<b>17,952</b>	<b>931,805</b>
Purchases	0	0	29,665	29,665

Intangible assets (in thousands of CZK)	Software	Assessable rights	Intangible fixed assets under construction	Total
Transfers	25,601	0	-25,601	0
<b>Balance as at 31/ 12/ 2023</b>	<b>925,392</b>	<b>14,062</b>	<b>22,016</b>	<b>961,470</b>
<b>Accumulated depreciation, depreciation, impairment</b>				
<b>Balance as at 1/ 1/ 2022</b>	<b>785,194</b>	<b>13,088</b>	<b>0</b>	<b>798,282</b>
Depreciation allowance – effect of the merger	452	71	0	523
Depreciation	36,053	607	0	36,660
<b>Balance as at 31/ 12/ 2022</b>	<b>821,699</b>	<b>13,766</b>	<b>0</b>	<b>835,465</b>
Depreciation	33,703	296	0	33,999
<b>Balance as at 31/ 12/ 2023</b>	<b>855,402</b>	<b>14,062</b>	<b>0</b>	<b>869,464</b>
<b>Net book value 2022</b>	<b>78,092</b>	<b>296</b>	<b>17,952</b>	<b>96,340</b>
<b>Net book value 2023</b>	<b>69,990</b>	<b>0</b>	<b>22,016</b>	<b>92,006</b>

The average residual amortisation period of software is 1 year and 7 months.

An impairment test has been performed on intangible fixed assets under construction based on future usage analysis and no impairment was identified.

#### 7.4. Assets originating from the right of use and lease liabilities

(in thousands of CZK)	Non-residential premises
<b>Acquisition value</b>	
<b>Balance as at 1/ 1/ 2023</b>	<b>40,828</b>
Decreases	0
<b>Balance as at 31/ 12/ 2023</b>	<b>40,828</b>
<b>Accumulated depreciation, depreciation, impairment</b>	
<b>Balance as at 1/ 1/ 2023</b>	<b>21,114</b>
Depreciation	4,560
<b>Balance as at 31/ 12/ 2023</b>	<b>25,674</b>
<b>Net book value 1/ 1/ 2023</b>	<b>19,714</b>
<b>Net book value 31/ 12/ 2023</b>	<b>15,154</b>

(in thousands of CZK)	Non-residential premises
<b>Acquisition value</b>	
<b>Balance as at 1/ 1/ 2022</b>	<b>40,828</b>
Decreases	0
<b>Balance as at 31/ 12/ 2022</b>	<b>40,828</b>
<b>Accumulated depreciation, depreciation, impairment</b>	
<b>Balance as at 1/ 1/ 2022</b>	<b>16,554</b>
Depreciation	4,560
<b>Balance as at 31/ 12/ 2022</b>	<b>21,114</b>
<b>Net book value 1/ 1/ 2022</b>	<b>24,274</b>
<b>Net book value 31/ 12/ 2022</b>	<b>19,714</b>

The Company mostly leases non-residential premises. Lease contracts are usually concluded for an indefinite

time. The Company has estimated the lease term in these cases from 5 to 10 years.

As of 31 December 2023 the Company reported lease liabilities as follows:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Long-term lease liabilities	0	0	0	10,718	3,701	14,419
Short-term lease liabilities	856	860	1,731	0	0	3,447
<b>Total</b>	<b>856</b>	<b>860</b>	<b>1,731</b>	<b>10,718</b>	<b>3,701</b>	<b>17,866</b>

As of 31 December 2022 the Company reported lease liabilities as follows:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Long-term lease liabilities	0	0	0	10,529	7,338	17,867
Short-term lease liabilities	1,134	1,139	2,293	0	0	4,566
<b>Total</b>	<b>1,134</b>	<b>1,139</b>	<b>2,293</b>	<b>10,529</b>	<b>7,338</b>	<b>22,433</b>

The total cash flow related to lease liabilities in 2023 amounted to CZK 5,276 thousand, and in 2022 amounted to CZK 5,357 thousand. CZK.

Short-term lease expenses included in Other operating expenses and leasing of low-value assets, which are not reclassified as lease liabilities, are reported in Section 7.27.

Interest cost from lease liabilities included in the 2023 and 2022 financial expenses are reported in Section 7.28.

#### 7.5. Investments into subsidiaries

The Company held shares in the following subsidiary companies as at 31 December 2023 and 31 December 2022:

- Pražská plynárenská Distribuce, a.s.  
Member of the Pražská plynárenská, a.s. Group, registered office: U Plynárny 500, Prague 4, Postal code 145 08
- Pražská plynárenská Servis distribuce, a.s.  
Member of the Pražská plynárenská, a.s. Group, registered office: U Plynárny 1450/2a, Prague 4, Postal Code 140 00
- Prometheus, energetické služby, a.s., Member of the Pražská plynárenská, a.s. Group, registered office: U Plynárny 500, Prague 4, Postal code 140 00
- MONTSERVIS PRAHA, a.s.  
Registered office: U Plynárny 500/44, Prague 4, Postal Code 140 00

#### Balance as of 31 December 2023

	Numbers of shares (in units)	Book value of the share (in thousands of CZK)	Held share (%)	Voting right share	Place of business
Pražská plynárenská Distribuce, a.s., member of the Pražská plynárenská, a.s. Group	5,207	1,178,348	100	100	Czech Republic
Nová PP Distribuce, a.s.	20	2,000	100	100	Czech Republic
Pražská plynárenská Servis distribuce, a.s., member of the Pražská plynárenská, a.s. Group	202,106	30,458	100	100	Czech Republic
Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group	128	204,896	100	100	Czech Republic
MONTSERVIS PRAHA, a.s.	240	43,000	100	100	Czech Republic
<b>Book value</b>		<b>1,458,702</b>			

On 18 December 2023, a new subsidiary, Nová PP Distribuce, a.s., was established with its registered office at U Plynárny 500/44, Michle, 140 00 Prague 4.

There is no difference between the percentage of ownership and the percentage of voting rights in any of the subsidiaries.

#### Balance as of 31 December 2022

	Numbers of shares (in units)	Book value of the share (in thousands of CZK)	Held share (%)	Voting right share	Place of business
Pražská plynárenská Distribuce, a.s., member of the Pražská plynárenská, a.s. Group	5,207	1,178,348	100	100	Czech Republic
Pražská plynárenská Servis distribuce, a.s., member of the Pražská plynárenská, a.s. Group	202,106	30,458	100	100	Czech Republic
Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group	128	204,896	100	100	Czech Republic
MONTSERVIS PRAHA, a.s.	240	43,000	100	100	Czech Republic
<b>Book value</b>		<b>1,456,702</b>			

#### 7.6. Inventories

Inventories represent mainly gas stored in the gas storage. This gas was extracted in 2023 and recognised as consumption in the amount of CZK 5,423,679 thousand (in 2022: CZK 2,769,598 thousand). The Company has established an inventory adjustment at 31 December 2023 in the amount of CZK 0 thousand. (as of 31 December 2022: CZK 275,160 thousand).

No surpluses and/or shortfalls in inventories were found during stock-taking in 2023.

#### 7.7. Short-term trade and other receivables

Type of receivable (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables from third parties	1,099,760	986,079
Trade receivables from subsidiaries	478,773	408,824
Trade receivables from other affiliates	598	34
<b>Financial trade receivables</b>	<b>1,579,131</b>	<b>1,394,937</b>
Adjusting entries for trade receivables	-268,788	-288,758
<b>Net trade receivables – financial</b>	<b>1,310,343</b>	<b>1,106,179</b>
Unbilled supplies (minus advance payments)	2,796,999	2,500,838
Adjusting entries for unbilled deliveries	-41,247	-34,053
Loans granted (see Sect. 7.32)	1,000,000	0
<b>Total trade and other receivables – financial</b>	<b>5,066,095</b>	<b>3,572,964</b>
<b>Total trade and other receivables – non-financial</b>	<b>234,465</b>	<b>179,909</b>
<b>Total trade and other receivables – short-term</b>	<b>5,300,560</b>	<b>3,752,873</b>

Short-term operating advances provided to individual suppliers for natural gas and electricity purchases and purchases of gas distribution services were offset with estimated payables created for these suppliers.

Outstanding trade receivables have not been secured. Receivables from related parties are defined in detail in Section 7.32.

Changes in adjusting entries for trade receivables may be analysed as follows:

In 2023 the offset amount of advances with estimated payables was CZK 1,144,227 thousand (2022: CZK 1,438,494 thousand).

Adjusting entries for receivables (in thousands of CZK)	31 December 2023	31 December 2022
Initial balance as of 1 January	322,811	262,218
Creation of an allowance for receivables	6,679	78,181
Use of the allowance	19,455	17,588
<b>Final balance as of 31 December</b>	<b>310,035</b>	<b>322,811</b>

The structure of allowances for trade and other receivables according to the level of expected interest rate impairment is shown in the following tables:

#### 31 December 2023

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	46,020	862	60,230	107,112
Cat. DOM	41,551	1,635	69,804	112,990
Cat. VO	14,366	81	27,874	42,321
Cat. Other	14,315	287	33,010	47,612
<b>Total</b>	<b>116,252</b>	<b>2,865</b>	<b>190,918</b>	<b>310,035</b>

#### 31 December 2022

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	52,010	794	58,923	111,727
Cat. DOM	52,228	860	68,699	121,787
Cat. VO	15,500	1	26,085	41,586
Cat. Other	15,436	417	31,858	47,711
<b>Total</b>	<b>135,174</b>	<b>2,072</b>	<b>185,565</b>	<b>322,811</b>

The following table shows losses due to depreciation of financial assets relating to trade and other receivables:

Loss due to depreciation of financial assets (in thousands of CZK)	31 December 2023	31 December 2022
Change in adjustment entry – to existing receivables	-11,609	60,487
Loss due to receivables written-off	19,455	17,588
<b>Loss due to depreciation of financial assets</b>	<b>7,846</b>	<b>78,075</b>

The book value of the trade and other receivables is close to their fair value.

#### 7.8. Cash and cash equivalents

The Company did not hold any promissory notes in 2022 for the purpose of short-term investment.

The structure of cash and cash equivalents is shown below:

Cash and cash equivalents (in thousands of CZK)	31 December 2023	31 December 2022
Cash on hand	904	853
Money in bank accounts	4,077,710	1,239,330
Short-term investments – bills	994,500	0
<b>Total</b>	<b>5,073,114</b>	<b>1,240,183</b>

### 7.9. Other assets

Other assets (in thousands of CZK)	31 December 2023	31 December 2022
Liabilities from revaluation of trade derivatives at fair value	33,024	47,790
Prepaid expenses	66,697	76,078
<b>Other assets – total</b>	<b>99,721</b>	<b>123,868</b>

### 7.10. Incremental costs of obtaining a contract

Incremental costs (in thousands of CZK)	31 December 2023	31 December 2022
Commission paid to traders - long-term part	33,413	24,912
Commission paid to traders – short-term part	33,080	22,003
<b>Incremental costs – total</b>	<b>66,493</b>	<b>46,915</b>

The incremental costs to obtain a contract represent the commissions of sales representatives.

### 7.11. Contract assets

Contract assets (in thousands of CZK)	31 December 2023	31 December 2022
Bonuses to customers - long-term part	58,228	60,133
Bonuses to customers – short-term part	3,569	1,206
<b>Contract assets – total</b>	<b>61,797</b>	<b>61,339</b>

Contract assets represent bonuses to customers for negotiating a contract or amendments.

### 7.12. Registered capital

Form of shares	2023		2022	
	Number of pieces	Nominal value (CZK)	Number of pieces	Nominal value (CZK)
Bearer shares	950,338	300	950,338	300
Registered shares	489,569	300	489,569	300
<b>Total</b>	<b>1,439,907</b>		<b>1,439,907</b>	
<b>Total share capital</b>		<b>431,972,100</b>		<b>431,972,100</b>

Bearer shares are issued in book-registered form.

The registered shares are issued in book-registered form, their transferability is limited and the general meeting of the shareholders must give the owner its consent for their transfer, following discussion at the Board of Directors and the Supervisory Board. All shares have equal rights. All the shares are fully paid-up. The company shareholder has both rights and obligations. The basic duty of the shareholder is the obligation to deposit. The rights of shareholder include:

- Right to a share of the profit,
- The right to vote,
- The right to request and receive an explanation at the general assembly on matters relating to the Company or persons controlled by it or to exercise shareholder rights,
- The right to present proposals and counter-proposals on matters included on the agenda of the General Assembly,

- The rights of qualified shareholders to ask the Board of Directors to convene a General Assembly and the Supervisory Board to review the performance of the Board of Directors,
- The right to require the compulsory transfer of the securities,
- The right to a share in the liquidation balance.
- The right to bring a lawsuit action against a member of the Board of Directors or the Supervisory Board, the right to seek repayment of the issue price against shareholders who defaulted on repayment,

### 7.13. Profit funds

The Company is fully governed by the new Corporations Act and utilised the option not to create a reserve fund. Usage of funds created from profit is in accordance with the Company's Articles of Incorporation. Reserve funds may be transferred to retained earnings or may be used to offset losses.

On 7 June 2023 the former parent company PPH, as the sole shareholder of the Company acting in the power of the General Meeting, approved the Company's financial

statements for 2022 (compiled in line with Czech standards) and decided about the transfer of the profit earned in 2022 in the amount of CZK 639,835 thousand into retained earnings of previous years.

By the date of issue of these financial statements, the Company did not propose distribution of the profit for 2023.

### 7.14. Cash flow secure fund

The cash flow securing fund represents accumulated gains and losses from effective cash flow hedging. The cumulative accrued gain or loss on hedging derivatives is reclassified as profit or loss only if the secured transaction affects profit or loss, or it is included as a basis adjustment in the secured non-financial item in accordance with applicable accounting rules.

Gains and losses reclassified during the year from equity are included in the profit or loss on the line called Purchased gas and electricity, materials and services related to gas and electricity supplies.

(in thousands of CZK)	31 December 2023	31 December 2022
Balance as of the beginning of the year	-34,808	-83,900
Change in fair value of hedging derivatives	75,997	60,607
<b>Related deferred income tax</b>	<b>-15,100</b>	<b>-11,515</b>
<b>Balance as of the end of year</b>	<b>26,089</b>	<b>-34,808</b>

Reclassification as a complete result for the monitored period (in thousands of CZK)	2023	2022
<b>Profit after tax</b>	<b>952,474</b>	<b>639,835</b>
Fair value of non-matured hedging derivatives	33,024	-42,972
Fair value of matured continuous hedging derivatives	0	0
<b>Effective component of the fair value of hedging derivatives</b>	<b>33,024</b>	<b>-42,972</b>
Deferred tax receivable from hedging derivatives	-6,935	8,164
<b>Total performance for the period</b>	<b>978,563</b>	<b>605,027</b>

### 7.15. Trade payables, advances, principals received – short term

Trade payables, advances, principals received – short-term (in thousands of CZK)	31 December 2023	31 December 2022
Trade liabilities payable to third parties	2,725,368	2,832,332
Trade liabilities payable to subsidiaries	8,302	4,520
Trade liabilities payable to other related parties	458	4,040
Operating advances and short-term principals received (non-financial liabilities)	4,527,195	2,958,121
<b>Trade payables, advances received and principals – total</b>	<b>7,261,323</b>	<b>5,799,013</b>

Total trade payables and advances received – short-term (based on maturity) (in thousands of CZK)	Trade payables	Short-term advances received and principals	Contingent liability accounts (Estimated payables)	Total
<b>Balance as at 31/ 12/ 2022</b>	<b>103,857</b>	<b>2,958,121</b>	<b>2,737,035</b>	<b>5,799,013</b>
– of which: due within 6 months	103,857	2,958,121	2,737,035	5,799,013
– of which: due in 6 months to 1 year	0	0	0	0
<b>Balance as at 31/ 12/ 2023</b>	<b>203,119</b>	<b>4,527,195</b>	<b>2,531,009</b>	<b>7,261,323</b>
– of which: due within 6 months	203,119	4,527,195	2,531,009	7,261,323
– of which: due in 6 months to 1 year	0	0	0	0
<b>Total as of 31/ 12/ 2022</b>	<b>103,857</b>	<b>2,958,121</b>	<b>2,737,035</b>	<b>5,799,013</b>
<b>Total as of 31/ 12/ 2023</b>	<b>203,119</b>	<b>4,527,195</b>	<b>2,531,009</b>	<b>7,261,323</b>

Liabilities to related parties are defined in detail in Section 7.32.

Trade payables and other liabilities have not been secured by any Company assets.

As of 31 December 2023, funds from the parent company PPH were drawn in the amount of CZK 431,928 thousand, which represent liabilities from cash-pooling.

The debit interest rate for the financial instruments provided under cash-pooling in 2023 was as follows: between 01-03/2023: O/N PRIBOR - 2.50 % p.a., in 04/2023: O/N PRIBOR - 2.00% p.a., in 05-12/2023: O/N PRIBOR - 1.50%

p.a. In 2022 they carried a credit interest rate: in 01/2022: O/N PRIBOR - 1.00 % p.a., in 02-06/2022: O/N PRIBOR - 1.75 % p.a., in 07-12/2022: O/N PRIBOR - 2.50% p.a.

As for financial instruments drawn under cash-pooling in 2023, the debit interest rate was as follows: between 01-04/2023: O/N PRIBOR + 0.30% p.a., in 05-12/2023: O/N PRIBOR + 0.25% p.a. In 2022 the carried debit interest rate was: in 01-06/2022: O/N PRIBOR + 0.25 % p.a., in 07-12/2022: O/N PRIBOR + 0.30 % p.a.

The book value of the trade payables and other liabilities is close to their fair value.

#### 7.15.1. Financial derivatives for trading

The fair value of financial derivatives is reported in net value for each type of derivative separately under Other assets - if it is positive for the Group, and in Other liabilities - if negative:

(in thousands of CZK)	31 December 2023			31 December 2022		
	Fair value - positive	Fair value - negative	Nominal value	Fair value - positive	Fair value - negative	Nominal value
Currency forwards	0	0	0	0	0	0
Commodity futures	0	14,948	117,868	47,790	0	261,054

The Company trades natural gas, which is supplied as a physical commodity, and electricity on the EEX exchange, which follows a financial settlement.

In 2023, the costs from the settlement of trade derivatives reported in the comprehensive profit/loss statement were CZK 175,437 thousand, (in 2022 revenue amounted to CZK 340,303 thousand ) see Sections 7.28. and 7.29.

## 7.16. Unbilled supplies and advances received

### 31 December 2023

(in thousands of CZK)	Cat. DOM	Cat. MO	Cat. VO/SO	Other	Total
Unbilled deliveries	3,886,193	1,625,167	1,516,253	1,290,737	8,318,350
Advance payments received	-5,553,269	-2,772,234	-1,000,619	-663,245	-9,989,367
<b>Clearing of Accounts</b>	<b>3,547,342</b>	<b>674,016</b>	<b>1,000,619</b>	<b>299,376</b>	<b>5,521,353</b>
Unbilled supplies – after netting	338,852	951,151	515,634	991,361	2,796,997
Advances received – after netting	-2,005,927	-2,098,218	0	-363,869	-4,468,014

As at 31/12/2023, the Company received advances - compensation provided for electricity and gas supply in the amount of CZK 1,994,656 thousand (the amount is included in the column "Cat. DOM").

### 31 December 2022

(in thousands of CZK)	Cat. DOM	Cat. MO	Cat. VO/SO	Other	Total
Unbilled deliveries	3,085,222	1,955,319	1,471,481	1,511,872	8,023,894
Advance payments received	-3,571,364	-2,552,132	-1,241,973	-1,025,359	-8,390,828
<b>Clearing of Accounts</b>	<b>2,773,231</b>	<b>1,094,737</b>	<b>1,241,973</b>	<b>413,115</b>	<b>5,523,056</b>
Unbilled supplies – after netting	311,991	860,582	229,509	1,098,756	2,500,838
Advances received – after netting	-798,133	-1,457,395	0	-612,244	-2,867,772

## 7.17. Loans

The details of loans are given in Section 5.2.

In connection with the conditions under the loan agreements, financial indicators are monitored at the consolidated PP Group data level. In case of their non-fulfilment, premature loan repayment may be requested. These indicators were fulfilled as of 31 December 2023 and 31 December 2022. Overview of the movement of liabilities from financial operations – additional comment to the cash flow statement:

(in thousands of CZK)	31 December 2021	Cash flows	Non-cash flows – Revaluation of liabilities using the effective interest rate method	31 December 2022
Loan from HMP (see 5.2.)	0	459,500	40,500	500,000
Currency exchange programme (see 5.2.)	0	752,800	47,200	800,000
Loan from PPH and subsidiaries – cash-pooling (see 5.2)	878,567	23,311	36,308	938,186
<b>Total</b>	<b>878,567</b>	<b>1,235,611</b>	<b>124,008</b>	<b>2,238,186</b>

(in thousands of CZK)	31 December 2022	Cash flows	Non-cash flows – Revaluation of liabilities using the effective interest rate method	31 December 2023
Loan from HMP (see 5.2.)	500,000	-459,450	-40,550	0
Currency exchange programme (see 5.2.)	800,000	-739,360	-60,640	0
Loan from PPH (as of 31/ 12/ 2022) and from subsidiaries – cash-pooling (see 5.2)	938,186	-483,841	-22,417	431,928
<b>Total</b>	<b>2,238,186</b>	<b>-1,682,651</b>	<b>-123,607</b>	<b>431,928</b>

### 7.18. Other liabilities

Other liabilities (in thousands of CZK)	31 December 2023	31 December 2022
Loans from related companies (cash-pooling)	431,928	938,186
Liabilities from revaluation of commodity derivatives to fair value	14,948	0
Liabilities from revaluation of hedging derivatives to fair value	0	42,972
<b>Total financial liabilities</b>	<b>446,876</b>	<b>981,158</b>
Payables towards employees	156,115	132,683
Payables towards social insurance institutions	13,456	11,577
Other liabilities – non-financial	9,141	3,916
<b>Non-financial liabilities – total</b>	<b>178,712</b>	<b>148,176</b>
<b>Other liabilities – total</b>	<b>625,588</b>	<b>1,129,334</b>

Liabilities payable to employees also include liabilities related to wages and unpaid future liabilities payable to the members of the statutory bodies of the Company according to contracts describing performance of executive functions (Section 4.18.4) in the amount of CZK 33,417 thousand (2022: CZK 34,638 thousand).

### 7.19. Deferred tax receivables and liabilities

Compensation of deferred tax assets and liabilities was as follows:

Deferred tax liability (+) and deferred tax receivable (-) (in thousands of CZK)	31 December 2023	31 December 2022
Deferred tax asset to be recovered after more than 12 months	198,495	3,656
Deferred tax asset to be recovered within 12 months	68,108	111,146
Deferred tax liability payable after more than 12 months	-105,052	-82,684
Deferred tax liability payable within 12 months	-12,827	-4,410
<b>Net deferred tax payable (-) / tax receivable (+)</b>	<b>148,724</b>	<b>27,708</b>

Deferred tax has been calculated using an effective tax rate of 35% (tax rate for 2024), 31% (for 2025) and 21% (for subsequent years).

Deferred tax liability (+) and deferred tax receivable (-) (in thousands of CZK)	31 December 2023	31 December 2022
<b>The item represents deferred tax from the following titles</b>		
Difference in the residual prices of fixed assets	-74,045	-65,689
Tax non-deductible part of allowances for receivables	31,217	29,770
Inventory adjustment	0	52,280
Other provisions and temporary differences	188,408	2,377
Obligations towards employees and board members	45,398	20,931
Incremental costs of obtaining a contract	-35,920	-20,568
Lease liabilities	601	442
Change in fair value of hedging derivative	-6,935	8,165
<b>Total</b>	<b>148,724</b>	<b>27,708</b>

Deferred tax liability (+) and deferred tax receivable (-) (in thousands of CZK)	Difference in the residual prices of fixed assets	Tax non-deductible part of allowances for receivables	Obligations towards employees and board members	Provisions and hedging derivatives	Total
1 January 2022	-63,601	21,897	19,121	-278	-22,861
profit (+) / loss (-)	-2,088	60,153	1,810	2,210	62,085
Other comprehensive income				-11,515	-11,515
<b>31 December 2022</b>	<b>-65,689</b>	<b>82,050</b>	<b>20,931</b>	<b>-9,583</b>	<b>27,708</b>
profit (+) / loss (-)	-8,356	-50,833	24,467	170,838	136,116
Other total performance				-15,100	-15,100
<b>31 December 2023</b>	<b>-74,045</b>	<b>31,217</b>	<b>45,398</b>	<b>146,155</b>	<b>148,724</b>

### 7.20. Other tax liabilities

Other tax liabilities in 2023 consist of personal income tax in the amount of CZK 3,794 thousand (2022: CZK 3,027 thousand), VAT in the amount of CZK 255,202 thousand (2022: CZK 400,303 thousand and other taxes and charges in the amount of CZK 6,426 thousand (2022: CZK 8,532 thousand).

The liability for income tax payable amounts to CZK 671,641 thousand. (CZK 48,273 thousand as at 31/12/2022).

### 7.21. Provisions

Provisions (in thousands of CZK)	Long-term/Short-term
<b>Book value</b>	
<b>Balance as at 1/ 1/ 2022</b>	<b>16,604</b>
Creation of reserves	0
Reversals of provisions	0
Use of provisions	0
<b>Balance as at 31/ 12/ 2022</b>	<b>16,604</b>
Creation of reserves	641,710
Reversals of provisions	-737
Use of provisions	0
<b>Balance as at 31/ 12/ 2023</b>	<b>657,577</b>
<b>Net book value 2022</b>	<b>16,604</b>
<b>Net book value 2023</b>	<b>657,577</b>

Provisions as at 31 December 2023 mainly include a provision for loss-making contracts (CZK 584,586 thousand) and repair of environmental impact in the amount of CZK 15,000 thousand (CZK 15,000 thousand as of 31 December 2022) and land remediation at CNG stations (CZK 14,462 thousand).

In 2023, we posted a provision for loss-making contracts in accordance with IAS 37. We have identified 3 contracts in the 2025 and 2026 purchase book of business that were entered into in the first half of 2022 during a period of highly volatile prices to provide volume for a portfolio of

customers. The provision has been calculated at the estimated loss on these contracts.

In addition, in 2023, the Company recorded a provision for land remediation at CNG stations. Under the lease agreements, PPAS will be obligated to remove the filling stations and appurtenances from the land at the end of the lease. The provision represents a professional estimate of the cost of land remediation following the termination of lease agreements.

## 7.22. Revenues from sales

Sales (in thousands of CZK)	2023	2022
Sale of natural gas	18,892,193	19,816,745
Sale of gas distribution	2,569,079	3,016,201
CNG Sales	96,244	184,124
Sale of flexibility	5,666	12,995
Sale of electricity	3,810,340	6,459,872
Sale of electricity distribution	1,242,961	2,661,512
Other services	342,113	329,591
– of which, revenues from catering	15,963	14,633
– of which: revenues from other services (mainly SLA services)	326,150	314,958
Sale of goods and products (services)	282	200
<b>Revenues from contracts with customers</b>	<b>26,958,878</b>	<b>32,481,240</b>
Revenues from property leases	46,151	42,772
<b>Total</b>	<b>27,005,029</b>	<b>32,524,012</b>

The Company has posted compensation arrangements in the amount of CZK 1,419,507 thousand as at 31 December 2023. (sale of natural gas) and in the amount of CZK 348,292 thousand (sale of electricity).

## 7.23. Purchased gas and electricity, materials and services connected with gas and electricity supplies

Purchased gas, electricity, materials and services connected with gas and electricity supplies (in thousands of CZK)	2023	2022
Costs of gas purchases	17,198,198	19,080,420
– of which: gas reservoir costs	105,379	120,067
Gas distribution fee	2,566,245	2,970,882
Costs of electricity purchases	3,475,785	6,300,876
Electricity distribution fee	1,251,014	2,665,012
<b>Purchasing expenses – total</b>	<b>24,491,242</b>	<b>31,017,190</b>
Derivative transactions expense – secured	84,135	429,730
<b>Total</b>	<b>24,575,377</b>	<b>31,446,920</b>

The provision for the repair of environmental impact was recorded on the basis of an analysis of the risks of residual pollution in the PP facility, which included the valuation of corrective measures in the area of the former naphthalene plant. At present, the state (MoF CR) is financing a survey of the affected locality and the event is included in the long-term MoF CR plan. The exact date of the repair work is not yet known. Further, the share of costs that will be covered by state funds and how much will be paid by the Company is not known.

The methodology for calculating compensation is based on Government Regulation No. 5/2023 Coll., on compensation provided for the supply of electricity and gas at fixed prices, as amended by Government Regulation No. 65/2023 Coll., Government Regulation No. 77/2023 Coll. and Government Regulation No. 272/2023 Coll.

## 7.24. Other operating income

Other operating income (in thousands of CZK)	2023	2022
Profit from sales of fixed assets	7,315	1,880
Income from sale of material	8	74
Income from write-off of receivables	679	1,227
Income from write-off of lapsed liabilities	8,876	7,482
Court fee compensations	2,950	3,254
Benefits from insurance (indemnity)	753	627
Shares of the profit	306,217	369,223
Other	358,357	207,778
<b>Total</b>	<b>685,155</b>	<b>591,545</b>

## 7.25. Personnel costs

Personnel costs (in thousands of CZK)	2023	2022
Employees	521,241	459,892
Members of statutory bodies	54,727	26,712
Future benefits to members of statutory bodies provided under contract defining their executive performance (Section 4.18.4)	1,481	0
<b>Total</b>	<b>577,449</b>	<b>486,604</b>

Related parties to the Company are also key management personnel, who are the members of statutory bodies.

During 2023 and 2022, no loans or credit lines were provided to members of the Board of Directors, members of the Supervisory Board or to other management members. Company cars, computers and telecommunication equipment are available for use by the Board members and other executives.

Personal expenses of members of statutory bodies in 2023 include benefits paid under performance contracts (see Section 4.18.4) in the amount of CZK 2,702 thousand (2022: CZK 3,185 thousand). No profit shares were paid to members of statutory bodies in 2023 and 2022.

Contributions to the state pension scheme (on the basis of defined contributions) in 2023 amounted to CZK 77,932 thousand per employee (2022: CZK 66,292 thousand and CZK 3,134 thousand for members of statutory bodies (2022: CZK 3,459 thousand)).

## 7.26. Depreciation of fixed assets

Depreciation of fixed assets (in thousands of CZK)	2023	2022
Depreciation of buildings and other structures	23,450	23,316
Depreciation of real estate investments	3,759	3,732
Depreciation of movables and sets of movables	9,133	11,416
Depreciation of vehicles	4,044	3,044
Depreciation of IT equipment and other hardware	13,912	15,520
Depreciation of tangible fixed assets	372	366
Depreciation of intangible assets	33,999	36,660
Depreciation of assets originating from the right of use	4,560	4,561
Net book value of discarded land	27	0
<b>Total</b>	<b>93,256</b>	<b>98,615</b>

## 7.27. Other operating costs

Other operating costs (in thousands of CZK)	2023	2022
Consumption of materials and energy	52,747	30,025
Costs of goods	144	182
Services	321,671	316,663

– of which: repair and maintenance costs for other assets	1,677	1,130
– of which: claims collection costs	19,777	13,223
– of which: promotion, advertising and marketing costs	72,719	49,988
– of which lease payments (short-term lease and low-value assets)	2,484	2,414
– of which: IT systems management and maintenance costs	74,987	71,352
– of which: business representatives' commissions	26,940	47,526
– of which: consulting costs	30,762	32,722
– of which: building operational costs	23,031	18,090
– of which: catering costs	0	0
– of which: costs of other services	69,294	80,218
Taxes and fees	2,395	2,414
Other (mainly provision for inventories and changes in provisions)	368,518	303,808
<b>Total</b>	<b>745,475</b>	<b>653,092</b>

Information on fees paid to the auditing company is disclosed in the Annex to the consolidated financial statements of Pražská plynárenská, a.s. as of 31 December 2023.

### 7.28. Financial costs

Financial costs (in thousands of CZK)	2023	2022
Interest expense	77,788	99,458
Lease liabilities – interest paid	355	435
Cost paid to settle trade derivatives	175,437	0
Bank charges	73,517	43,140
Other financial costs (mainly exchange losses)	198,328	164,260
<b>Total</b>	<b>525,425</b>	<b>307,293</b>

### 7.29. Financial revenues

Financial revenues (in thousands of CZK)	2023	2022
Interest income	321,124	85,260
Income from contractual fines and default interest	7,855	7,494
Cost paid to settle trade derivatives	8,874	340,303
Other financial revenues (mainly exchange gains)	142,820	231,512
<b>Total</b>	<b>480,673</b>	<b>664,569</b>

### 7.30. Income tax

Income tax expense recognised in the comprehensive statement includes:

Income tax (in thousands of CZK)	2023	2022
Income tax – current	826,370	128,920
Income tax – previous years adjustment	3,301	648
Income tax – deferred	-136,116	-59,876
<b>Income tax – paid</b>	<b>693,555</b>	<b>69,692</b>

Starting from 1 January 2023, the Company is subject to windfall tax. The total tax liability for 2023 was CZK 826,370 thousand. (of which CZK 322,041 thousand represents the tax with application of 19% tax rate and CZK

504,329 thousand with application of 60% tax rate). Reconciliation of the tax base and theoretical tax charge is calculated from the accounting profit before tax multiplied by the statutory income tax rate

Income tax (in thousands of CZK)	2023	2022
Profit before tax	1,646,029	709,527
Income tax at the effective rate	724,253	134,810
Non-taxable income	-145,129	-72,108
Tax non-deductible expenses	175,087	67,768
Gifts	-4,965	-544
Other	-55,691	-60,234
<b>Income tax – paid</b>	<b>693,555</b>	<b>69,692</b>

### 7.31. Dividends paid

No dividend was paid in 2023 and 2022 to the parent company.

### 7.32. Related party transactions and balances

Transactions related to the purchase or sale of energy (gas, electricity, heat, CNG) to companies controlled by the Capital City of Prague were concluded according to market conditions and are not presented in the following tables.

The Company was involved in the following transactions with related parties:

#### Subsidiary companies

Revenues (in thousands of CZK)	2023	2022
Revenues from sale and distribution of gas and electricity	307,674	296,537
Revenues from sale of services	331,168	339,889
Revenues from the sale of fixed assets	7,172	1,805
Revenues from the sale of goods and materials	644	590
Shares of the profit	306,217	369,221
Other revenue	36,367	26,930
<b>Total revenues</b>	<b>989,242</b>	<b>1,034,972</b>

Costs (in thousands of CZK)	2023	2022
Consumption of materials and energy	13,630	11,965
Gas distribution fee	1,535,542	1,665,123
Purchase of other services	19,648	9,917
Other costs	44,091	32,918
<b>Total costs</b>	<b>1,612,911</b>	<b>1,719,923</b>

#### Former controlling entity (PPH)

Revenues (in thousands of CZK)	2023	2022
Revenues from sale of services	0	901
<b>Total revenues</b>	<b>0</b>	<b>901</b>

Costs (in thousands of CZK)	2023	2022
Other costs	0	2,566
<b>Total costs</b>	<b>0</b>	<b>2,566</b>

**Other related parties**

Revenues (in thousands of CZK)	2023	2022
Revenues from sale of services	134	144
Other revenue	0	321
<b>Total revenues</b>	<b>134</b>	<b>465</b>
<b>Costs (in thousands of CZK)</b>	<b>2023</b>	<b>2022</b>
Consumption of materials and energy (excluding gas, electricity, heat, CNG)	714	675
Purchase of other services	9,600	9,461
<b>Total costs</b>	<b>10,314</b>	<b>10,136</b>

**Parent company (HMP)**

Costs (in thousands of CZK)	2023	2022
Purchase of services	0	26
Other costs	14,532	17,128
Other revenue	467	0
<b>Total costs</b>	<b>14,999</b>	<b>17,154</b>

The Group reported the following balances with related parties:

**Subsidiary companies**

Receivables and liabilities (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables	478,773	408,824
Short-term advances paid*	256,395	263,136
Loan granted**	1,000,000	0
Estimated receivables	45,827	30,707
Other accounts receivable	38,432	21,640
<b>Total receivables</b>	<b>1,819,427</b>	<b>724,307</b>
Trade payables	8,302	4,520
Short-term advances received*	12,921	21,521
Estimated payables	0	12,781
Financial resources from subsidiaries	431,928	874,236
Other liabilities	1,424	3,268
<b>Total accounts payable</b>	<b>454,575</b>	<b>916,326</b>

\*balances presented with VAT.

\*\* Loan granted to a subsidiary of PPD.

**Former controlling entity (PPH)**

Receivables and liabilities (in thousands of CZK)	31 December 2023	31 December 2022
Contingent asset accounts	0	24
<b>Total receivables</b>	<b>0</b>	<b>24</b>
Short-term advances received*	0	24
Financial resources from PPH a.s.	0	63,950
Other liabilities	0	249
<b>Total accounts payable</b>	<b>0</b>	<b>64,223</b>

\*balances presented with VAT.

**Other related parties**

Receivables and liabilities (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables	33	34
Short-term advances paid*	288	412
<b>Total receivables</b>	<b>321</b>	<b>446</b>
Trade payables	458	548
<b>Total accounts payable</b>	<b>458</b>	<b>548</b>

\*balances presented with VAT.

**Parent company (HMP)**

Receivables and liabilities (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables	565	0
Short-term advances paid*	0	157
<b>Total receivables</b>	<b>565</b>	<b>157</b>
Trade payables	0	3,492
<b>Total accounts payable</b>	<b>0</b>	<b>3,492</b>

\*balances presented with VAT.

The Company in all monitored periods did not report any balances as of the decisive date in relation to the main and ultimate parent company.

Dividends paid to shareholders in 2023 and 2022 are disclosed in Section 7.31. Transactions and balances with key management are disclosed in Sections 7.25. and 7.18.

**7.33. Regulatory framework**

As at 1 January 2007, the Company in line with the requirements of the European Directives on the liberalisation of the gas market and amendment of the Energy Act unbundled part of its operations and transferred the part of the enterprise related to the distribution of natural gas to its subsidiary company. This resulted in the legal division of the distribution network operator from the vertically integrated gas company and the establishment of the subsidiary company Pražská plynárenská Distribuce, a.s., Member of the Pražská plynárenská, a.s. Group, which took over the role of distribution network operator. Under the granted licences, the Company trades in natural gas and electricity.

**7.34. Contractual and other future commitments**

The expenditure for the acquisition of tangible and intangible assets contracted as of 31 December 2023, which have not yet been incurred, amounts to CZK 17,770 thousand (2022: CZK 928 thousand).

**Subsidiary companies**

(in thousands of CZK)	2023	2022
Up to 1 year	3,710	540
<b>Total</b>	<b>3,710</b>	<b>540</b>

Other related parties represent companies and affiliates controlled by the ultimate parent company (Capital City of Prague).

**Gas and electricity trading** (the trader is not subject to price regulation).

The gas and electricity market is fully liberalised, and all customers thus have the option to choose their own supplier. The Company is engaged in the purchase and sale of gas and electricity (commodities) including related operations.

The commodity price is contractual (unregulated), while the price of distribution services is regulated. The distribution service price is regulated by the Energy Regulatory Office.

**Other companies**

(in thousands of CZK)	2023	2022
Up to 1 year	14,060	260
1-3 years	0	128
<b>Total</b>	<b>14,060</b>	<b>388</b>

The aggregate of future minimum payments for services - mainly for the use of gas storage capacity - totalled CZK 281,769 thousand as at 31 December 2023 without

effective VAT (as of 31 December 2022: CZK 263,350 thousand).

(in thousands of CZK)	2023	2022
Up to 1 year	89,776	95,865
1-3 years	160,189	141,520
3-5 years	29,515	23,112
Above 5 years	2,289	2,853
<b>Total</b>	<b>281,769</b>	<b>263,350</b>

**8. Other facts****8.1. Contingent liabilities**

No court cases that would materially affect the Company's financial results are being conducted or prepared.

which could arise as a result of damage to the environment and harm to an employee's health on record.

The Company has no contingent liability arising from possible major future costs that relate to a past period and

The Company management is not aware of any important potential Company liabilities as of 31 December 2023 apart from those mentioned in Sections 5.2 and 7.21.

**8.2. Events after date of the financial statements**

At its meeting on 15 January 2024, the Supervisory Board of Pražská plynárenská elected a new member of the Management Board, Ing. Martin Slabý.

February 2024, elected Mr Mgr. Jindřich Lechovský and Mr Ing. Lukáš Wagenknecht as members of the Supervisory Board of Pražská plynárenská, a.s., as of 3 March 2024.

The Prague City Council, in the capacity of the General Meeting of Pražská plynárenská, a.s., at its meeting on 26

**8.3. Authorisation of the financial statements**

The financial statements were approved by the Company Board of Directors for publishing on the date stated below. The approved financial statements may be supplemented or amended upon request and approved by the sole shareholder at the General Meeting.

In Prague, on 18 April 2024



**Ing. Ludvík Baleka**  
Chairman of the Board of Directors



**Ing. Milan Cízl**  
Member of the Board of Directors

garden  
maintenance

**We will be  
happy to help  
with whatever  
you do**

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated statement of financial position as of 31 December 2023

Compiled in compliance with the IFRS in the wording adopted by the EU

(in thousands of CZK)	Note:	31/ 12/ 2023	31/ 12/ 2022
<b>ASSETS</b>			
<b>Fixed assets</b>			
Land, buildings, and equipment	7.1	8,885,633	8,673,735
Intangible assets	7.2	149,156	151,403
Assets originating from the right of use	7.4	27,107	29,491
Incremental costs of obtaining a contract	7.9	33,413	24,912
Contract assets	7.10	58,228	60,133
Other fixed assets		11,217	8,112
<b>Fixed assets – total</b>		<b>9,164,754</b>	<b>8,947,786</b>
<b>Short-term assets</b>			
Inventories	7.5	1,072,419	4,708,838
Trade and other receivables	7.6	3,227,839	3,360,628
Cash and cash equivalents	7.7	5,075,697	1,240,715
Other assets	7.8	144,477	125,072
Incremental costs of obtaining a contract	7.9	33,080	22,003
Contract assets	7.10	3,569	1,206
<b>Short-term assets – assets</b>		<b>9,557,081</b>	<b>9,458,462</b>
<b>TOTAL ASSETS</b>		<b>18,721,835</b>	<b>18,406,248</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Registered capital	7.11	431,972	431,972
Profit funds	7.12	238,960	238,960
Revaluation of hedging derivatives	7.13	26,089	-34,808
Retained earnings		7,140,936	6,000,309
Equity		7,837,957	6,636,433
Non-controlled shares		150,359	101,151
<b>Equity – total</b>		<b>7,988,316</b>	<b>6,737,584</b>
<b>Long-term liabilities</b>			
Trade liabilities and other long-term liabilities	7.14	6,354	673
Lease liabilities	7.4	26,708	28,004
Deferred tax liability	7.19	514,419	568,285
Provisions	7.21	690,756	59,813
<b>Long-term liabilities – total</b>		<b>1,238,237</b>	<b>656,775</b>
<b>Short-term liabilities</b>			
Loans	7.17	1,000,055	1,300,000
Trade payables, advances, principals received – short term	7.15	7,297,431	6,175,261
Bonds	7.17	0	2,695,034
Lease liabilities	7.4	4,147	5,081
Other liabilities	7.18	311,289	374,373
Due income tax		627,025	48,683
Other tax liabilities	7.20	255,335	413,457
<b>Short-term liabilities – total</b>		<b>9,495,282</b>	<b>11,011,889</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,721,835</b>	<b>18,406,248</b>

## Consolidated statement of comprehensive income for the year ended 31 December 2023

Compiled in compliance with the IFRS in the wording adopted by the EU

(in thousands of CZK)	Note:	2023	2022
Revenues from sales	7.22	27,718,605	33,264,757
Purchased gas, electricity, materials, and services connected with gas and electricity supplies	7.23	23,161,543	30,132,140
Other operating income	7.24	400,209	236,166
Personnel costs	7.25	987,035	856,446
Depreciation of fixed assets	7.26	499,266	480,089
Loss due to depreciation of financial assets	7.6	7,735	78,857
Other operating costs	7.27	1,402,727	1,190,828
<b>Operating profit/loss</b>		<b>2,060,508</b>	<b>762,563</b>
Financial costs	7.28	527,546	310,916
Financial revenues	7.29	444,798	637,763
<b>Financial profit/loss</b>		<b>-82,748</b>	<b>326,847</b>
<b>Profit before tax</b>		<b>1,977,760</b>	<b>1,089,410</b>
Income tax	7.30	844,625	226,550
<b>Profit after tax</b>		<b>1,133,135</b>	<b>862,860</b>
<b>Items that may be reclassified and reported as profit or loss:</b>			
Settlement of hedging derivatives (change in fair value)	7.13	33,024	-42,972
Deferred tax on hedging derivatives	7.13	-6,935	8,164
Other comprehensive income		26,089	-34,808
<b>Total performance for the period</b>		<b>1,159,224</b>	<b>828,052</b>

## Consolidated statement of changes in equity for the year ended 31 December 2023

Compiled in compliance with the IFRS in the wording adopted by the EU

(in thousands of CZK)	Registered capital	Profit funds	Revaluation of hedging derivatives	Retained earnings	Non-controlled shares	Total
Note	7.11	7.12	7.13			
<b>Balance as of 1 January 2022</b>	<b>431,972</b>	<b>238,960</b>	<b>-83,900</b>	<b>5,139,576</b>	<b>10,165</b>	<b>5,736,773</b>
Profit/loss after tax for the period	0	0	0	859,105	3,755	862,860
Other comprehensive income	0	0	-34,808	0		-34,808
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-34,808</b>	<b>859,105</b>	<b>3,755</b>	<b>828,052</b>
Non-controlled share in the acquisition of subsidiary					65,948	65,948
Other transactions			83,900	1,628	21,283	106,811
<b>Balance as of 31 December 2022</b>	<b>431,972</b>	<b>238,960</b>	<b>-34,808</b>	<b>6,000,309</b>	<b>101,151</b>	<b>6,737,584</b>
Profit/loss after tax for the period	0	0	0	1,083,927	49,208	1,133,135
Other comprehensive income	0	0	26,089	0	0	26,089
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>26,089</b>	<b>1,083,927</b>	<b>49,208</b>	<b>1,159,224</b>
Other transactions			34,808	56,700	0	91,508
<b>Balance as at 31 December 2023</b>	<b>431,972</b>	<b>238,960</b>	<b>26,089</b>	<b>7,140,936</b>	<b>150,359</b>	<b>7,988,316</b>

## Consolidated statement of cash flows for the year ended 31 December 2023

Compiled in compliance with the IFRS in the wording adopted by the EU

(in thousands of CZK)	Note:	2023	2022
<b>Profit before tax</b>		<b>1,977,760</b>	<b>1,089,410</b>
<b>Adjustments to profit before tax</b>		<b>648,085</b>	<b>868,696</b>
Depreciation of fixed assets	7.26	499,266	480,089
Write-offs of receivables		19,394	16,673
Change in the position of adjustments and reserves		344,397	329,858
Profit from sales of fixed assets	7.24	-8,937	-1,161
Net interest		-206,035	43,237
<b>Net cash flows from operations before tax and changes in working capital</b>		<b>2,625,845</b>	<b>1,958,106</b>
<b>Change in working capital needs</b>		<b>5,150,585</b>	<b>-1,752,175</b>
Changes in the position of receivables from operations		49,798	-235,840
Change in liabilities from operations		1,190,184	2,404,287
Movement in inventories (gross)		3,910,603	-3,920,622
<b>Net cash flow from operations before tax</b>		<b>7,776,430</b>	<b>205,931</b>
Interest paid		-118,039	-93,292
Interest received	7.29	271,287	58,426
Income tax on current activities and additional tax paid minus tax refunds		-335,230	-184,582
<b>Net cash flow from operations</b>		<b>7,594,448</b>	<b>-13,517</b>
Acquisition cost of fixed assets		-719,013	-944,948
Revenues from sales of fixed assets		19,056	3,129
Credit and loans to associates		0	16
<b>Net cash flow from investments</b>		<b>-699,956</b>	<b>-941,803</b>
Payment of long-term liabilities		4,385	-6,061
Redemption of issued bonds	5.2	-2,700,000	0
Change in bank loans *	7.17	-299,945	1,300,000
Change in the position of the loan from the parent company PPH *	7.18	-63,950	-2,119
<b>Net cash flows from financing activities</b>		<b>-3,059,510</b>	<b>1,291,820</b>
<b>Balance of cash and cash equivalents at beginning of accounting period</b>		<b>1,240,715</b>	<b>904,215</b>
<b>Net change in cash and cash equivalents for the accounting period</b>		<b>3,834,982</b>	<b>336,500</b>
<b>Balance of cash and cash equivalents at end of accounting period</b>		<b>5,075,697</b>	<b>1,240,715</b>

\* Cash flows from a loan from the parent company PPH and short-term bank loans are reported net because they constitute cash income and payments with quick turnover and short-term maturity.

## 1. Name, registered office, and information on the founding of the Company

Pražská plynárenská, a.s., (hereinafter the "Company" or "PP, a.s.") was incorporated on 31 December 1993 and has its registered office at Prague 1 – Nové Město, Národní 37, Post Code 110 00, Czech Republic. The Company ID number is 601 93 492. LEI of the Company is 315700QBYOTLGRMO011.

### 1.1. Definition of the group and its business activities

The Pražská plynárenská, a.s. Group (hereinafter referred to as the "Group") consists of the parent company and all its subsidiaries.

*The Group's core business activity is the sale/distribution of natural gas and the sale of electricity.*

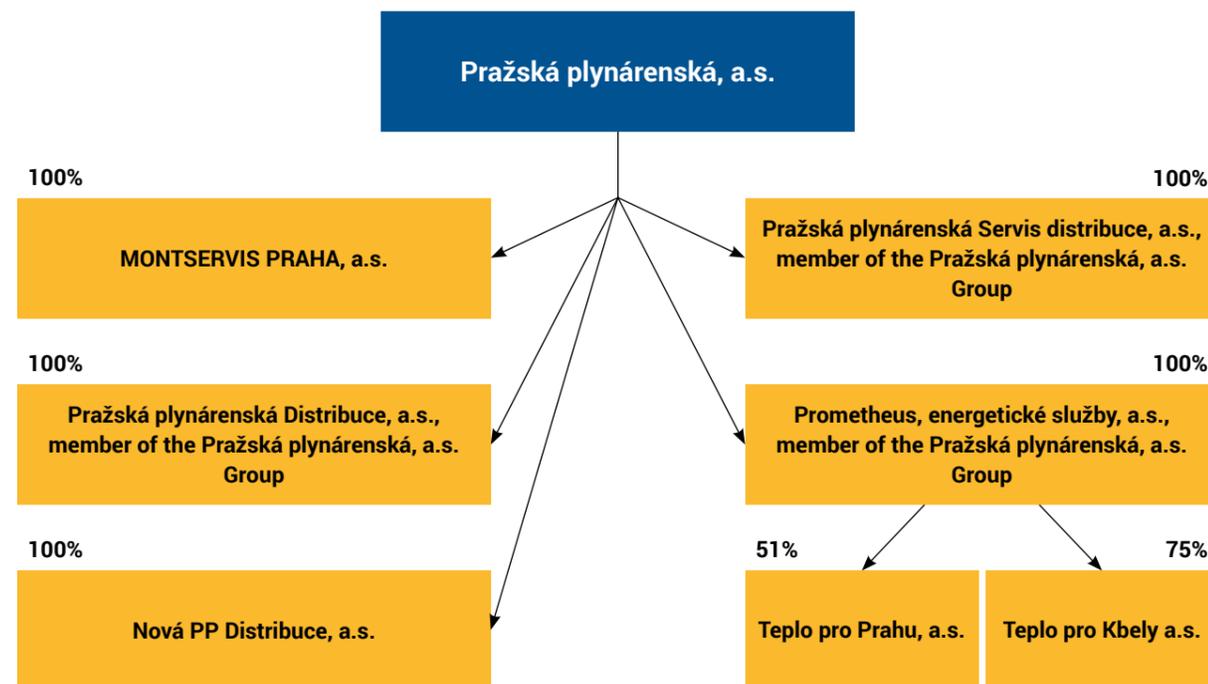
Other Group business activities are:

- Provision of services related to information technologies and the purchase and sale of hardware and software;

- Provision of services in the field of research into the cause of natural gas losses, measuring and metrology in the gas industry;
- Service, maintenance, repairs and construction of gas facilities;
- Rendering services relating to the management and maintenance of movable and immovable property;
- Generation and distribution of energy;
- Administration and management of energy facilities and management of swimming pools and facilities.

Based on the current results, the expected profit to be generated during the next 12 months, the availability of credit lines and other means of managing liquidity, management of the Group believes that the Group has sufficient financial capacity to continue its business for at least 12 months from the date of signing these consolidated financial statements.

### Organisational structure of the Group as at 31 December 2023



## 1.2. Major shareholders of the Company

The sole shareholder controlling the Company as at 31 December 2023 is the Capital City of Prague (HMP). As at 31 December 2022, the sole shareholder of the Company was Pražská plynárenská Holding a.s. ("PPH"), controlled by the City of Prague.

### 1.3. Merge with PPH

On 16 June 2023, the Prague City Council approved the intention to merge the Company and Pražská plynárenská Holding a.s., with Pražská plynárenská, a.s. as the successor company.

The Company implemented the merger by acquisition with its parent company PPH on the basis of a merger project with a record date of 1 January 2023, and the merger became effective on 1 July 2023 by entry into the Commercial Register.

## 2. Rules for compilation of the consolidated financial statements

### Declaration of conformity

The consolidated financial statements were processed according to the International Financial Reporting Standards (IFRS) in the form adopted by the EU.

### Basis of preparation of consolidated financial statements

The consolidated financial statements were prepared on the basis of historical acquisition prices except for cases defined in Sections 4.7.2., 4.10.1., 4.12. and 4.13. The consolidated financial statements have been prepared on a going concern basis.

### Functional and presentation currency of the consolidated financial statements

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (so-called "functional currency").

The currency of the financial statements of each company in the Group and the reporting currency of the consolidated financial statements is Czech crowns (CZK). Figures in the consolidated financial statements, unless stated

## 3. Adoption of new or revised accounting standards and interpretations

### Standards and interpretations in effect during the current period

In the current period, the following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective:

Effective as of 1 January 2023

The successor company, Pražská plynárenská, a.s., took over all assets and liabilities of the liquidating company PPH a.s., including imputed items and transitional accounts in the valuation and structure resulting from the final financial statements of the liquidating companies.

### 1.4. Assessment of the conflict in Ukraine

In 2023, the military conflict in Ukraine and the related sanctions against the Russian Federation continued. The Group has no direct exposure to companies based in Ukraine or the Russian Federation, or to companies that are under sanctions and the Company's existence is not threatened thereby. As at the date of these financial statements, the Group's obligations are being met as they fall due and the going concern basis continues to apply.

otherwise, are presented in thousands of Czech crowns (thousands of CZK).

### Use of estimates and value judgements

During the preparation of the financial statements according to the IFRS, the Group Management makes estimates and value judgements as well as assumptions, which impact the use of the accounting procedures and the reported volumes of assets and liabilities, revenues and costs. The actual results may differ from these estimates.

The estimates and assumptions are reviewed continuously. The review of accounting estimates is taken into consideration in the period in which the given estimate was reviewed, and in all concerned future periods.

Information on the fundamental judgements during application of the accounting procedures, which have a more significant impact on the amounts reported in the financial statements, are stated in the following notes:

- Section 4.19.1 – Unbilled gas supplies,
- Section 4.18.1 – Unbilled electricity supplies.

- Amendments to IFRS 17 Insurance Contracts - Initial Application of IFRS 17 and IFRS 9 Comparable Information
- Amendments to IAS 1 – Requirement to disclose significant accounting policies
- Amendments to IAS 8 – Definitions of accounting estimates

- Amendments to IAS 12 – Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction

Effective as of 1 January 2024

- Amendments to IFRS 16 Leases – Lease Obligations on Sale and Leaseback
- Amendments to IAS 1 – Classification of liabilities as short-term or long-term

## 4. Basic assumptions for preparation of the consolidated financial statements and significant accounting policies

### 4.1 Consolidation principles

#### 4.1.1. Subsidiary companies

The consolidated financial statements of the Group consist of the financial statements of Pražská plynárenská, a.s., and its subsidiaries. A subsidiary is a company (including a structured company) into which the Company has invested and which is controlled by the Company.

In assessing whether the Company controls the entity into which it has invested, the key consideration is whether the Company is exposed to variable income from this entity or whether the Company is entitled to receive the income based on its commitment in the entity and the Company can influence the income through the control exercised in the entity. The profit or loss of the subsidiaries, acquired or disposed of by the Company during the year, is included in the consolidated statement of comprehensive income, from the acquisition date to the date of disposal. The accounting policies used when preparing the subsidiaries' financial statements are in compliance with the accounting policies of the parent company.

All group transactions within the Group, balances, revenues, and costs are eliminated during consolidation.

#### 4.1.2. Company combinations

Company business combinations are accounted for using the purchase method on the acquisition date, which is the date on which the Company obtains control.

In the case of an acquisition of a business, the Company assesses whether the acquired financial assets and assumed financial liabilities are classified and defined in the manner that corresponds to their contractual, economic and other relevant conditions at the date of purchase.

Newly issued standards, amendments to standards and their interpretations approved by the EU do not have a significant impact on the Company's financial statements.

### New standards, interpretations and amendments to the existing standards issued by IASB but not yet adopted by the European Union:

Newly issued standards, amendments to standards and their interpretations approved by the EU, which are not yet effective and have not been applied by the Company, do not have a significant impact on the Company's financial statements.

Non-controlling interests in subsidiaries are in relation to Teplo pro Kbely a.s. (25% share) and to Teplo pro Prahu, a.s. (49% share).

#### 4.1.3. Goodwill

Goodwill is initially measured at the amount of the difference between the paid value plus the value of any non-controlled interests and the fair value of interests previously held and between the net fair value of identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is reported at the acquisition cost less accumulated losses in value. The reported goodwill is tested for possible impairment - loss in value. This test is performed at least once a year or more frequently if there are indicators of possible devaluation of goodwill.

At the acquisition date, goodwill is allocated to those cash-generating units where it is expected that these units will benefit from the synergies arising from the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets. Impairment of goodwill is established by determining the recoverable amount of the cash-generating units to which the goodwill has been allocated. If the recoverable amount of the cash-generating unit is less than its book value, the loss in value is reported.

The impairment test determines the recoverable amount of a cash-generating unit, which is calculated as value representing the actual use. Value representing the use is the current value of future cash flows expected to be generated by the cash-generating unit.

## 4.2. Intangible assets

### 4.2.1. Valuation of intangible assets

Separately acquired intangible assets are reported at acquisition cost minus accumulated amortisation and value depreciation losses.

### 4.2.2. Amortisation

Intangible assets are amortised applying the straight-line method over their estimated useful lives as shown in the following table:

Intangible asset category	Useful life (number of years)
Software	4
Assessable rights	4

The expected useful life and the amortisation method are reviewed at the end of each accounting period; the effect of any change in estimates is applied prospectively.

## 4.3. Land, buildings, and equipment

### 4.3.1. Recognition and valuation

Land, buildings and equipment are reported at acquisition cost, less accumulated adjustments (except land) and losses due to value depreciations.

The acquisition cost of land, buildings, and equipment includes all costs related to their acquisition, less any relevant discounts.

The costs related to acquisition include direct costs incurred in the delivery and putting the assets into working condition and costs incurred to return the affected area back to its original condition.

The repair and maintenance costs of land, buildings and equipment are recognised in the consolidated statement of comprehensive income in the period in which they occurred.

Subsequent expenditures are included in net book value of the asset or are reported as a separate asset, if it is likely that the Group might achieve a future financial gain with respect to the given item and if the price of the item can be measured reliably.

### 4.3.2. Depreciation

Buildings and equipment are depreciated applying the straight-line method over their estimated useful lives.

The estimated service life of individual asset categories of tangible assets is always reviewed at the end of the accounting period. The estimated useful lives used in these consolidated financial statements are shown in the following table:

Tangible asset category	Useful life (number of years)
Depreciation of buildings and other structures	25–50
Movables and sets of movables	2-14
Heat generating technology and other tangible assets	15-30

The following expected service lives were applied to the tangible movable assets and their sets:

Movables and sets of movables	Useful life (number of years)
Vehicles (means of transport)	4-10
Computer equipment	2-4
Gas meters, reducers and regulators	10
Machine equipment for regulating station technology	10
Other movables	2-14

Land owned by the Group is not depreciated. The effect of any change in the estimated useful life or depreciation method is applied prospectively.

### 4.3.3. Disposals

Gains and losses on disposals of a particular item of land, buildings and equipment are determined as the difference between the sale proceeds and the carrying amount of assets involved and are recognised in the net amount in the consolidated statement of comprehensive income.

## 4.4. Assets originating from the right of use and lease liabilities

### 4.4.1. Assets originating from the right of use

The Group leases various assets, especially non-residential premises. Contracts may contain both lease and non-lease components. The Group assigns equivalent value to lease and non-lease components based on their relative separate prices.

Leased assets resulting from lease contracts are initially measured based on the present values of lease liabilities and include:

- Any lease payments made on or before the commencement date, minus any lease incentives received,
- all initial direct costs and
- the cost of returning the asset under the terms required by the lease contracts.

Assets with the right to use are generally depreciated on the straight-line basis over the term of the lease. If the Group is reasonably certain that it will exercise the option to purchase, the asset with the right to use is depreciated over the life of the underlying assets. Depreciation on

items of assets with the right to use is calculated using the straight-line basis against their estimated use.

The Company applies an exemption from recognition for leases that define a lease for 12 months or less as of the effective date of the lease and do not include the option to purchase the underlying asset as well as lease contracts where the underlying asset has a low value. Lease payments for these assets are reported as Other operating expenses.

#### 4.4.2. Lease liabilities

Lease liabilities are initially measured based on the present value. Lease liabilities include the net present value of the following lease payments:

- Fixed payments minus receivables from leasing incentives,
- variable payment leasing, which is based on an index or rate, originally measured using the index or rate as of the commencement date,
- the implementation price of a call option, provided that the Group is reasonably certain that the option will be used, and
- penalty payments for termination of the lease, provided that the lease term reflects application of this option.

Lease payments are discounted using the implicit interest rate. If this rate cannot be easily determined, the lessee's incremental borrowing rate is used, which is the rate that the lessee would have to pay to borrow the funds needed to obtain an asset of similar value as an asset with right for use in a similar economic environment and with similar terms.

To determine the incremental borrowing rate, the Group uses, if possible, as the starting point the recent third-party financing received by the lessee, adjusted so it reflects changes in the financing conditions after the financing was accepted by the third party.

Lease finance costs (interests) are recognised as an expense over the lease term, so as to produce a constant periodic rate of interest on the remaining part of the liability for each period.

Payments related to short-term leases of assets and to all low-value asset leases are reported on a straight-line basis as an expense in profit or loss. A short-term lease is a lease with a term of 12 months or less.

#### 4.5. Impairment in the value of non-financial assets

Upon each occurrence of events or changes that indicate or may result in the rise of the book value of land,

buildings, or equipment as well as other non-financial assets including intangible assets to a value that exceeds their recoverable value, a review is done to determine whether the assets have been impaired. Goodwill and intangible assets not yet available for use are reviewed for impairment annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less its selling costs and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### 4.6. Inventories

Inventories are reported at the acquisition cost or with the recoverable value, whichever is lower. The acquisition cost of the inventories includes the acquisition price and expenses incurred in bringing inventories to their present condition and location.

The price of natural gas compressed into underground gas storage is determined on the basis of supplier invoices received for the given month. The price of stored gas is calculated under the allocation model based on the movement of gas in the storage facility and based on the invoices received for the given month, which is also the price of the extracted natural gas in the month following the given month.

The weighted average cost method is used monthly for disposals of inventories.

#### 4.7. Financial assets

The Group classifies its financial assets according to the IFRS 9 into the following categories:

- Financial assets at incurred cost (debt instruments),
- Financial assets at fair value posted to profit or loss.

##### 4.7.1. Financial liabilities at incurred cost

Classification of financial assets upon first entry depends on the characteristics of the contractual cash flows of the financial assets and the business model of the Group for their management.

The Group values the financial assets at incurred cost if both of the following conditions are fulfilled:

- The financial asset is held within the framework of the business model with the intention to hold the financial asset for the purpose of getting contractual cash flows, and

- the contractual conditions of the financial assets lead to the set data of the cash flows, which are exclusively repayments of the principal and interest on the outstanding principal.

Gains and losses from derecognition, modification, or impairment of assets are reported in the profit or loss.

The financial assets of the Group at incurred cost include the trade and other receivables, cash and cash equivalents as well as other financial assets in the Statement of Financial Position.

The Group reports an adjustment entry for Expected Credit Losses (ECL) for all the financial assets at incurred cost.

The Group uses a three-level ECL. In the first reporting of the financial assets, if there is no evidence of failure, the Group assigns the financial assets to Level 1. If a significant increase in the credit risk has occurred since the date of first reporting, the Group will assign such financial asset to Level 2. If the financial asset fulfils the definition of failure, the Group transfers it to Level 3.

The Group considers a potential failure a situation where it will not be able to collect all outstanding amounts based on the initially negotiated conditions. The Group considers serious indicators of a failure significant financial difficulties of debtors and the probability that the debtor will enter bankruptcy or financial restructuring.

#### Application of the simplified approach using the impairment matrix

In the case of trade receivables without a significant financing element, the Group defines the volume of the adjusting entries according to the matrix. This matrix is based on the application of a reasonable degree of losses on unpaid trade receivable balances (i.e. age analysis of the receivables).

When determining the amount of adjusting entries by simplified procedure, the Group takes the following steps:

- 1) The Group first divides its individual trade receivables into groups with characteristics similar to credit risk.
- 2) In the second step, the Company sets a ratio of historical loss for each group with a similar credit risk. In 2024, the Company expects its customers' payment morale to deteriorate due to the current deteriorated macroeconomic indicators, which has been reflected in the current loss ratio (i.e. % of outstanding receivables to maturity for 2023).
- 3) At the next step, the Group determines the expected losses for each group of receivables, which is further divided into partial categories according to the number of days that they are overdue.

- 4) Subsequently, the Group will enumerate the adjusting entries on the basis of the current gross volume of trade receivables multiplied by the ratio of the expected losses.

- 5) Due to the COVID-19 pandemic, the Group also took into account a risk surcharge, which is based on an estimate of the future development of outstanding receivables, where the Group took into account (in addition to other issues) the amount of outstanding advance payments.

In the case of trade receivables and contractual assets, the Group in the calculation of ECL applies the simplified approach and reports adjusting entries in the amount of the full life ECL at each financial statement date. The Group created a matrix of adjusting entries, which is based on historical experience with credit losses and is adjusted by outlook information specific for the relevant debtors and economic environment, which is the expected GDP growth and the expected change in the unemployment rate.

The impairment loss is reported in the profit or loss. Unrecoverable trade receivables are depreciated contra the adjustment entries. The Group depreciates receivables after taking all legal steps associated with collection efforts. Subsequently, the paid amounts for receivables already written off are reported in the profit or loss.

If the trade receivable is qualified as unrecoverable, a 100% adjusting entry is created for it. The creation of adjusting entries is posted to profit or loss.

#### 4.7.2. Financial assets at fair value reported in profit or loss

Derivative financial instruments are, upon first posting, reported at fair value as at the date of negotiation of the contract and subsequently revalued at fair value. The method for reporting the final profit or loss or funds from secured cash flows depends on whether the given derivative is classified as a hedging derivative or as a trade derivative.

The Group secures expected future cash flows from the purchase of gas and electricity through short-term FX forwards and FX swaps. To secure future cash flows with maturity of more than one year, the Group uses in certain cases the so-called rollover strategy, which is used to secure expected future cash flows with a series of currency derivatives with shorter maturities. As of the date of the maturity of the currency derivative - classified as a rollover, a new one is immediately established under current market conditions with the same nominal value. The value of such a hedging derivative at the settlement date must be retained in the accounting reserve in equity until the secured item is realised.

The Group determines whether hedging is effective at the beginning of the hedging instrument application by using the critical parameters method and at least at the financial statements date and at a balance sheet date using the dollar-offset method, which compares cumulative changes in the fair value of the hedging instrument and cumulative changes in the fair value of a hypothetical derivative representing the hedged item.

At the same time, the Group has considered potential sources of inefficiency but does not consider them significant.

The potential sources of inefficiencies of security are:

- Changes in the timing of the realisation of the secured item.
- Significant changes in the credit risk of any of the counterparties of the secured item and/or instrument.
- Reduction of the realised amount of the secured item below the value of the hedging instrument.
- Non-zero initial value of the hedging derivative.

The default accounting regulation governing the rules for accounting for financial instruments (in this case financial derivatives) and hedging accounting is the IFRS 9 standard. Under the transitional provisions of IFRS 9, the Group used the option to proceed in accordance with the rules of IAS 39 and decided not to use the parts of IFRS 9 dealing with hedging accounting.

The Group's Financing and Treasury Department monitors the currency risk of the Group to ensure that this risk is as small as possible. The real value of derivatives is determined as the net present value of cash flows arising from derivatives.

#### 4.8. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, which are held for the purpose of covering short-term liabilities.

#### 4.9. Equity

##### 4.9.1. Registered capital

The registered capital of the Group consists of ordinary shares. Preferred shares of the Group were not issued. At the same time, the Group does not hold any own shares.

##### 4.9.2. Profit funds

The statutory reserve funds are created from the profit of the Group. Usage of funds created from profit is in

accordance with the Articles of Incorporation of the Group companies.

#### 4.10. Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or as other financial liabilities.

Financial liabilities are classified according to whether they are held for trading or not. Financial liabilities comprise mainly of trade payables, short-term bank loans, overdraft accounts, loans and credit from the parent company, and other liabilities.

Short-term trade liabilities and other financial liabilities, excluding liabilities at fair value reported in the profit or loss, are initially reported at fair value and subsequently valued at book value using the effective interest rate method.

##### 4.10.1. Financial liabilities posted at fair value to the profit or loss

Financial liabilities are classified at fair value through profit or loss if intended for trading which includes financial derivatives that were not designated as hedging instruments.

Derivatives are the only type of financial liabilities recognised at fair value through gain or loss of the Group.

##### 4.10.2. Other financial liabilities

Other financial liabilities are initially measured at fair value and subsequently measured at incurred cost discounted at the effective interest rate. The portion of long-term liabilities with contracted maturity within one year are classified in short-term liabilities.

##### 4.10.3. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers through the regular course of business.

Accounts payable are classified as short-term liabilities if payment is due within one year. If not, they are recorded as long-term liabilities.

Trade payables are initially recognised at fair value and subsequently measured at incurred cost discounted at the effective interest rate.

##### 4.11. Unbilled supplies and advances received

The Group compensates the value of unbilled supplies and advances received. The resulting value, per individual customer, nears the actual receivable from or payable to customers. Receivables from customers are classified as financial assets, which will be settled in cash. Liabilities

towards customers are non-financial liabilities (advances received), which will be settled by supplying gas, electricity, or other non-cash supply.

#### 4.12. Bank loans

Loans and financial aid are initially recognised at fair value, which is equal to the fair value of the received performance, less the costs related to the provision of a loan or financial aid. Interest-bearing bank loans and other short-term financial borrowings are subsequently recognised at incurred cost considering the materiality principle and using the effective interest rate method. Any difference between proceeds (less transaction costs incurred) and redemption value is recognised in profit or loss over the period of the loan using the effective interest rate method. Borrowing costs related to a particular asset are capitalised into the acquisition costs of the asset.

##### 4.12.1. Lending costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period they are incurred.

#### 4.13. Bonds

The Group initially recognises the issued debt securities and subordinate liabilities at fair value on the date of their creation. After initial recognition, these financial liabilities are valued at incurred cost using the effective interest rate.

Transaction expenditure (e.g. legal services and other financial costs related to the acquisition of bonds) are accrued over their entire duration, and thus become part of the accrued value of the bonds.

#### 4.14. Provisions

A provision is recognised when the Group has an unconditional obligation as a result of past events, it is probable that the Group will have to settle the obligation, and the amount can be reliably estimated.

Provisions are measured as the best estimate of expenditures expected to be required to settle the obligation at the reporting date, considering risks and uncertainties connected with the obligation. Provisions not drawn in the following year are recognised as at the balance sheet

date at their discounted value in case the impact of the discount as at the balance sheet date is significant. Market interest rates are used for discounting.

#### 4.15. Revenues from contracts with customers

The Group reports revenue when the obligation to perform by transfer of the promised goods or services to the customer, who gets control over this asset, is fulfilled, which means after supply of services and goods and their acceptance by the customer.

Revenues from sales of goods and services are presented net of Value Added Tax and net of discounts and are measured at fair value of the consideration received or receivable on an accrual basis.

These one-off discounts and bonuses lead to the reporting of contractual assets, which are subsequently amortised for the residual contract term. If discounts and bonuses for the service are provided during the contract term in a non-uniform way, and the monthly service is provided to the customer uniformly, the total revenues from the services are reported on a uniform basis.

In this case, the constant monthly revenues will also be reported in compliance with the IFRS 15. The discount may be provided at the beginning or during the contract term. The discounts and bonuses may be provided gradually, which means that the size of the discount changes during the minimum term of the contract. The discounts and bonuses are reported during the contract term on a linear basis through the contractual asset, which is created in the period of lower payments and subsequently amortised over the residual contract term. When posting contractual assets within the framework of the model of expected loss according to the IFRS 9, the customer's credit risk is considered.

It is typical in the domestic market to conclude combined services agreements with customers where the total price is billed to the customer, both for the commodity and the distribution services, which the trader has purchased at the given distribution company. Distribution service price is a part of the price for combined services provided to customers. The Group concluded that in case of distribution services the Group acts as a responsible entity (and not as a representative) and reports revenues from services in full, including the part representing distribution services.

##### 4.15.1. Incremental costs of obtaining a contract

Sales agent commissions and other costs are treated as incremental costs to obtain a contract with the customer and are reported as an asset. These costs are amortised over the estimated customer retention period and amortisation is reported under Other operating expenses.

#### 4.15.2. Revenues from sales and distribution of natural gas

Revenue from natural gas sales is recognised when the commodity is delivered. Revenue from sales of natural gas on the liberalised market is measured based on the commodity value reflecting all costs for natural gas purchases and the gross margin that covers the costs of electricity trade and profit, and the cost of other energy services related to gas deliveries to the customer in the required quantity and at the required time.

The price for end customers consists of the price for services provided by OTE including a fee covering operations of the Energy Regulatory Office ("ERO"), a two-component price for distribution consisting of the price paid for purchased natural gas and monthly or yearly fixed price for distribution capacity and price of other services related to the supply. This price is a two-component price and consists of the commodity price and fixed monthly payment or capacity component of the price.

The price of other supply services for households and low volume customers is usually fixed for the period based on the Group's business decision. For medium and large customers, there is an option to either set the price as a fixed price with a validity of one month or longer, or to use one of the products offered (e.g. fixing the price for a longer period, or a combination of fixed and spot prices).

The price for the distribution services represents a two-component price and it is regulated by ERO. The price for OTE services is also regulated by ERO, and it contains a fee according to Section 17d of Act No. 458/2000 Coll., as amended.

Gas supply and distribution to high-volume and middle-volume customer categories are billed on a monthly basis according to the measured consumption. Gas supplies to low-volume customer categories ("MO") and households ("DOM") are billed periodically once every 12 months (according to Section 15, Act No. 70/2016 Coll.), based on the reading of the consumption at each consumption point, or based on the reading provided by the customer alone.

Revenues from MO and DOM categories consist of actually billed revenues and revenues from so called "unbilled gas" (see Sections 4.19.1 and 5.1). The amount of unbilled gas is calculated from the total amount of purchased gas in the particular year based on past behaviour of individual customers and is valued in relation to the valid price list published by the Group, or based on individually set prices and products.

#### 4.15.3. Revenues from sales of electricity

Revenue from the sale of electricity is recognised when the commodity is delivered. Revenue from sales of electricity is measured based on the commodity value reflecting all costs for electricity purchases and the gross margin

that covers costs of electricity trade and profit, and the cost of other energy services related to electricity deliveries to the customer in the required quantity and at the required time.

The electricity price consists of two components, regulated and non-regulated items. The regulated component is composed of the price for electricity distribution (the Group uses external electricity distributors) and the regulated services. The individual items are published by ERO according to its price decisions. The price level for electricity distribution may vary by distributor.

The non-regulated price component contains primarily price for electricity supply, respectively electricity consumed at a high tariff in CZK/MWh and electricity consumed at a low tariff in CZK/MWh. A part of this non-regulated component can also be the fixed monthly payments for the distribution point in CZK/month. The fixed monthly price for delivery of electricity is determined by the trader using the market principles. The price for the electricity supply is derived from the price established at the energy stock exchange. The final price also includes the electricity tax and VAT.

Electricity supply and distribution to middle-volume customer categories – households ("MOO") – and middle-volume customer categories – entrepreneurs ("MOP") – are billed based on the measured consumption of each consumption point, which is performed in the reading cycle set by the relevant provider of the distribution network. Electricity supplies to categories MOO and MOP with Type C readings (annual) are billed periodically once within 12 months based on the reading of the consumption of each offtake point, based on customer self-reading. In the case of Type B reading in categories MOO and MOP, the electricity supplies are billed on a monthly basis according to the reading of the consumption of each consumption point (according to the provisions of Section 15 Decree No. 70/2016 Coll., and the provisions of Section 3 Decree No. 152/2016 Coll.).

Revenues from the MOO and MOP categories consist of actually billed revenues and revenues from unbilled electricity. The amount of unbilled electricity is calculated from the total amount of purchased electricity in the particular year based on past behaviour of individual customers and is valued in relation to the valid price list of the Company, or to individually set prices and products.

Electricity supply and distribution to high-volume categories ("VO"), whose consumption points are at high or very high voltage levels, are billed on a monthly basis and based on the measured consumption. Revenues from VO consist of actually billed revenues.

#### 4.15.4. Revenues from sales of goods

These revenues are reported on the date of the release of the goods from the warehouse and are reported minus

discounts and VAT. Prices and payment terms are based on individual contracts.

#### 4.15.5. Revenues from miscellaneous services

Sales are reported on the date of the release of the goods from the warehouse and are reported minus discounts and VAT. Prices and payment terms are based on individual contracts.

Revenues from the sale of other services are mainly related to construction and maintenance of gas and water pipelines, rent and IT services.

#### 4.16. Foreign currency conversions

Transactions in a foreign currency other than the functional currency of the Group are converted using the exchange rates announced by the Czech National Bank (Česká národní banka - ČNB) as at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate published by the Czech National Bank as at the reporting date of the consolidated statement. Foreign exchange gains and losses are recognised as financial gains or losses in the period in which they occurred.

#### 4.17. Employee benefits

##### 4.17.1. Contributions to the state pension scheme

The Group pays contributions for its employees to the state pension system, which is managed on the basis of a defined contribution plan. The Group has no other liabilities related to the state pension scheme after paying contributions in the amount defined by law.

##### 4.17.2. Additional pension and life insurance

In accordance with the valid Collective Agreement, the Group makes monthly contributions to pension and life insurance schemes for its employees, which are paid to an independent entity under a defined contribution scheme. These contributions are recognised in profit/loss as incurred.

##### 4.17.3. Other benefits

Other benefits (e.g. paid holidays) are continuously recognised as expenses when incurred.

##### 4.17.4. Termination benefits

The Company also provides termination benefits to its executives. These benefits are granted if certain conditions are met, namely compliance with non-competition and confidentiality clauses. Amounts are determined based on monthly bonuses. The Group recognises the liability for the termination benefits as at the date when it can no longer withdraw the offer, i.e. as at the signature date of the executive performance contract.

#### 4.18. Taxes

Income tax comprises current and deferred tax.

##### 4.18.1. Current tax

Current income tax represents the estimated tax payable for the accounting period calculated by using the tax rate and the relevant laws enacted as of the end of the reporting period and valid for the period.

The estimated current tax is reduced by advances paid toward income tax. The short-term receivable is recognised in the case that the income tax advances paid exceed the estimated current tax as at the reporting date.

##### 4.18.2. Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the consolidated statement of financial position and their tax values. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination. A deferred tax receivable is recognised if it is probable that taxable profit will be earned in the future, which will allow application of these temporary differences.

The deferred tax asset and liability are determined using the tax rate expected to be valid in the period in which the tax asset is realised or the tax liability is settled, according to tax law enacted as at the end of the reporting period. Offsetting the deferred tax asset and liability is allowed when there is a legally enforceable right to offset the current tax asset and the current tax liability and when the deferred tax asset and liability relates to income tax collected by the same tax authority and if the Group intends to settle its current tax assets and liabilities on a net basis.

#### 4.19. Significant accounting estimates and main sources of uncertainty about the estimates

Preparation of consolidated financial statements requires using estimates and assumptions that affect the figures for the financial position presented as at the reporting date and financial performance for the reporting period. The estimates and assumptions are calculated on the basis of all relevant available information. Nevertheless, as implied by the nature of an estimate, the real values may differ from the estimates in the future.

##### 4.19.1. Unbilled gas supplies

The Group Management considers the determination of unbilled gas supplies and the distribution fees to low-volume customers and households ("MODOM") to be the most significant area subject to the use of estimates. As of 31 December 2023 the value of unbilled gas and distribution fees to low-volume customers and households represented CZK 3,591,739 thousand (as of 31 December 2022 the amount was CZK 5,211,360 thousand).

This estimate is determined using the balancing method, as the difference between total gas purchases and sales of monthly invoiced customers, losses and own consumption during that period. This estimate is then reduced by gas supplies for MODOM categories that have already been invoiced for the given period.

Unbilled gas supplies to large-volume (VO) and to medium-volume consumers (SO) are also reported in the accounting estimates. These estimates do not carry any risk because they are created on the basis of actual gas meter readings.

#### Sensitivity analysis:

The percentage ratio of losses to the distributed amount used for calculation of the unbilled gas in 2023 is 1.95%. The median ratio of the balance difference to the distributed amount for the last 6 years is equal to 2.08%. If in 2023 the ratio of losses to the total amount of gas distributed was equal to the long-term average, i.e. it would be less (greater) by 0.13 percentage points (while all other variables would remain unchanged), the pre-tax profit as of 31 December 2023 would be by CZK 20.24 mil. higher (lower) due to higher (lower) revenues in the unbilled gas supplies.

#### 4.19.2. Unbilled electric power supplies

Similarly as natural gas, the Group Management considers the determination of the amount of unbilled electricity and the distribution fee for the categories of low-volume (MOP) and households (MOO) to be an important area of

application of estimates. As of 31 December 2023 the value of unbilled energy and distribution fee to low-volume customers and households represented CZK 712,005 thousand (as of 31 December 2022 the amount was CZK 940,030 thousand).

This estimate is determined using the balancing method, as the difference between total electricity purchases and sales of electricity invoiced on a monthly basis to customers and own consumption during the period in question. Within the framework of the accounting estimates, estimates relating to large volume (VO) consumers are also reported, but these estimates represent a minimum degree of risk because they are based on already billed items. Through these estimates, they are only transferred to the corresponding accounting period.

#### Sensitivity analysis:

The sensitivity analysis of the unbilled electricity segment shows a change in the amount of this item providing that the nomination deviation related to the acquisition of the commodity is included in the input balance. Usually, the amount of this deviation is in the range of 3-5% of the number of technical units sold. In the case of Pražská plynárenská, a.s., the amount of the purchase deviation for the category of MOO and MOP for 2023 would be around 494,975 MWh. The fixed price for the valuation of the deviation is set at CZK 6,457 per MWh, which in the case of Pražská plynárenská, a.s., would have an impact on the generation of unbilled electricity in the total amount of ± CZK 95.8 mil. CZK.

## 5. Financial Risk Management

### 5.1. Credit risk

Selecting the counterparties for financial transactions in the Group is limited to parties with high creditworthiness. The Group performs only financial transactions whose originator or underwriter has a high rating in terms of credit investments issued by competent and independent global rating agencies and for whom it is also possible to continuously monitor the credit quality indicators through the financial market. Cooperating banks enjoy long-term credit ratings – A1-A3, issued by Moody's.

The Group manages the credit risk associated with counterparties to commercial transactions using various instruments such as insurance, credit limits, differentiated recovery process, etc. In the case of cash, cash equivalents and short-term bank financing, credit risk is limited by the Group depositing cash with major credit institutions. Credit risk in the case of trading and other receivables, as well as other financial assets, is also limited thanks to risk management tools and the debt collection process.

#### Trade and other receivables

IFRS 9 introduced a new model of expected impairment loss, which requires more timely identification of credit losses. The standard specifically requires the accounting units to report the expected credit losses. The Group creates an adjusting entry that represents the estimate of expected credit loss to the trade receivables, to other receivables and contractual assets. Cash and cash equivalents are also subject to the requirements for reduction of value according to IFRS 9; nevertheless, the ascertained loss from reduction of value was insignificant.

Impairment losses are reported in such a manner as to cover both individually significant exposure to credit risk and portfolio loss in the case of assets for which impairment is not assessed individually. Objective proof of the impairment of value in the receivable portfolio includes the past experience of the Group with collection of payments, changes in the internal and external assessments of customers, the Group's current position, and insights

into the economy during the expected service life of the receivables.

In the case of financial assets, which include cash and cash equivalents, loans, term deposits, trade receivables, and other receivables, exposure of the Group to credit risk is established from the potential failure of the counterparty and is maximally equal to the book value of these financial assets.

The Group values its financial investments as at each balance sheet date to ascertain whether objective evidence of impairment exists. Financial investments are considered impaired if the objective evidence indicates that one or more events have negatively affected the estimated future cash flows of this investment. Significant financial assets are tested individually for impairment. The remaining financial assets are evaluated on a portfolio basis in groups that have similar characteristics in terms of credit risk. The impairment loss on financial assets is calculated as the difference between its book value and the current value of estimated cash flows discounted at the initial effective interest rate. All impairment losses are recognised in the profit or loss. Impairment loss is derecognised if

the derecognition is objectively related to events that occurred after reporting the loss. Derecognition of an impairment loss is reported in the profit or loss.

Trade receivables from customers with a higher credit risk are to a certain extent secured by lien in the form of advances received.

The Group creates an adjusting entry that represents the estimate of expected credit loss to the trade receivables, to other receivables and contractual assets.

The structure of the allowances is divided into a total of 3 levels according to the expected loss from credit risk. Credit impaired receivables classified as Level 1 are those receivables up to 30 days past due, as well as past due receivables and unbilled deliveries for which an adjusting entry is made in accordance with IFRS 9. Credit-impaired receivables classified as level 2 are those that are 1 to 6 months past due. The Group classifies receivables that are more than 6 months past due and individually assessed receivables for which there is a high probability of expected loss as Level 3.

The table summarises the complete overview of trade and other receivables minus the adjusting entry:

Type of receivable (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables from third parties	1,031,639	1,079,244
Trade receivables from related parties	668	2,974
<b>Financial trade receivables</b>	<b>1,032,307</b>	<b>1,082,218</b>
Adjusting entries for trade receivables	-273,598	-294,299
<b>Net trade receivables – financial</b>	<b>758,709</b>	<b>787,919</b>
Unbilled deliveries	2,411,632	2,560,316
Adjusting entries for unbilled deliveries	-41,247	-34,053
<b>Total trade and other receivables – financial</b>	<b>3,129,094</b>	<b>3,314,182</b>
Short-term operational advances made	80,219	46,132
Other receivables – non-financial	24,642	5,262
Allowances for other receivables and advances paid	-6,116	-4,948
<b>Total trade and other receivables – non-financial</b>	<b>98,745</b>	<b>46,446</b>
<b>Total trade and other receivables – short-term</b>	<b>3,227,839</b>	<b>3,360,628</b>

The structure of allowances for trade and other receivables according to the level of expected interest rate impairment is shown in the following tables:

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	46,020	862	60,230	107,112
Cat. DOM	41,551	1,635	69,803	112,989
Cat. VO	14,366	59	27,874	42,299
Cat. Other	14,315	770	37,360	52,445
<b>Total</b>	<b>116,252</b>	<b>3,326</b>	<b>195,267</b>	<b>314,845</b>

## 31 December 2022

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	52,010	793	58,923	111,726
Cat. DOM	52,228	860	68,699	121,787
Cat. VO	15,500	1	29,296	44,797
Cat. Other	15,436	1,031	33,575	50,042
<b>Total</b>	<b>135,174</b>	<b>2,685</b>	<b>190,493</b>	<b>328,352</b>

## Cash and cash equivalents and other financial assets

The Group makes only short-term cash deposits (cash, deposit bills, term deposits, and REPO operations). The Group transfers its free cash to financial instruments. Selecting the counterparties for financial transactions with cash is limited to parties with high creditworthiness.

The Group performs only financial transactions whose originator or underwriter has a secure creditworthy assessment by the competent autonomous global rating

Cash and cash equivalents (in thousands of CZK)	Bank rating	31 December 2023	31 December 2022
Cash on hand	not assigned	1,465	1,383
Money in bank accounts	A1 – A3	4,079,732	1,239,332
Short-term investments – bills	A1	994,500	0
<b>Total exposure of cash, cash equivalents, and other financial assets</b>		<b>5,075,697</b>	<b>1,240,715</b>

## 5.2. Liquidity risk

Liquidity risk is a risk that the accounting entity will not fulfil its obligations arising from financial liabilities.

The goal for liquidity risk management is to keep a balance between financing of operating activity and financial flexibility to meet trade payables and liabilities to creditors of the Group on time.

Management of the Group minimises liquidity risk (i.e. the risk of a lack of cash to pay liabilities) by continuous ongoing management and planning of its future cash flows. The main tool for planning of cash flows is the preparation of a midterm plan, which is prepared annually for a 3-year period. The cash flow plan for the following year is subsequently divided into individual days and kept up to date. Based on this detailed forecast, the Group ensures that a sufficient level of liquid cash is available to settle its liabilities. The availability of funding and the possibility of closing market positions are important for cautious management of liquidity risk.

The Group Management monitors the liquidity and its development on the basis of weekly reports; the Group Management also receives short-term liquidity forecasts.

agencies on the investment scale and it is also possible to continuously monitor the credit quality indicators through the financial market.

Cash and cash equivalents are also subject to the requirements for reduction of value according to the IFRS 9; nevertheless, the ascertained loss from reduction of value was insignificant.

In 2023 Pražská plynárenská, a.s., refinanced its short-term external financing structure. The operating financing lines (overdraft lines, revolving credit line and bank guarantees) were increased, while the subordinated loan from the City of Prague and the promissory note programme were repaid and terminated. The short-term external financing still includes an operating loan for the purchase of natural gas guaranteed by the City of Prague (the co-borrower Pražská plynárenská Holding a.s. was dissolved as part of the merger). These external financial resources are provided by a consortium of two banks, i.e. Československá obchodní banka, a.s., and Česká spořitelna, a.s.

On 14 November 2023, Pražská plynárenská Distribuce, a.s., a member of the Pražská plynárenská, a.s. group (hereinafter PPD), repaid bonds issued in 2016 in the amount of CZK 2.7 billion. CZK. PPD repaid part of its debt from its own resources deposited under the Group's cash-pooling scheme and refinanced the remainder of the debt through a combination of credit sources – a promissory note programme provided by Československá obchodní banka, a.s., (ČSOB) and Českou spořitelna, a.s., (ČS), as well as revolving loans arranged with UniCredit Bank Czech Republic and Slovakia, a.s., (UCB) and Raiffeisenbank a.s. (RFB). PPD is financed through a combination of bank financing and an intercompany loan.

In connection with the financing, in 2023, the following documents were concluded between the Group and Československá obchodní banka, a.s., (also on behalf of Česká spořitelna, a.s.), UniCredit Bank Czech Republic and Slovakia, a.s., and Raiffeisenbank a.s., in addition to the existing loan agreements:

- Agreement on the establishment of a lien on the company's plant between the Company and Československá obchodní banka, a.s.,
- Agreement on the establishment of a lien on the receivables under bank account management agreements between the Company and Československá obchodní banka, a.s.,
- Agreement establishing a ban on burdening and alienation between the Company and Československá obchodní banka, a.s.,

- Agreement establishing a ban on burdening and alienation between the Group and UniCredit Bank Czech Republic and Slovakia, a.s.,

- Agreement establishing a ban on burdening and alienation between the Group and Raiffeisenbank a.s.

A Loan Agreement for up to CZK 1 billion was concluded between Pražská plynárenská, a.s. and Pražská plynárenská Distribuce, a.s., a member of the Pražská plynárenská, a.s. Group. CZK.

The Group has also arranged a short-term euro overdraft facility with Raiffeisenbank a.s. for the purpose of trading on the energy exchange and related documentation for trading on the energy exchange:

- The Group concluded with Raiffeisenbank a.s. an Agreement on the pledge of accounts receivable.

## Short-term funding structure as at 31 December 2023:

(in thousands of CZK)	Limit	From	To	Interest rate
Overdraft credit lines in CZK	1,000,000	15/ 5/ 2023	15/ 5/ 2027	floating
Committed guarantee/revolving credit line	4,000,000	15/ 5/ 2023	15/ 5/ 2027	fixed/floating
Uncommitted line for guarantees	20,000	19/ 1/ 2017	for an indefinite period of time	fixed
Loan with HMP guarantee	4,000,000	24/ 6/ 2022	24/ 6/ 2025	floating
Overdraft credit lines in EUR RB (EUR 0.5 mil. using an exchange rate of 24.725 CZK/EUR)	12,363	31/ 5/ 2023	31/ 5/ 2024	floating
ČSOB and ČS Currency Exchange Programme	1,200,000	2/ 11/ 2023	2/ 11/ 2027	floating
Committed UCB revolving credit line	600,000	2/ 11/ 2023	2/ 11/ 2027	floating
Committed RFB revolving credit line	600,000	2/ 11/ 2023	2/ 11/ 2027	floating
<b>Total</b>	<b>11,432,363</b>			

In 2023, Pražská plynárenská, a.s. continued to draw on the promissory note programme and the loan from HMP. As of 31 December 2023, these loans have already been repaid.

As at 31 December 2023, PPD has drawn the promissory note programme in the amount of CZK 600 thousand, revolving credit from UCB in the amount of CZK 200 thousand and revolving credit from RFB in the amount of CZK 200 thousand.

## Short-term funding structure as at 31 December 2022

(in thousands of CZK)	Limit	From	To	Interest rate
Overdraft credit lines in CZK	600,000	26/ 5/ 2022	21/ 5/ 2023	floating
Committed guarantee/revolving credit line	2,700,000	26/ 5/ 2022	21/ 5/ 2023	fixed/floating
Uncommitted line for guarantees	20,000	19/ 1/ 2017	for an indefinite period of time	fixed
Exchange programme	800,000	26/ 5/ 2022	22/ 5/ 2023	floating
Loan with HMP guarantee	4,000,000	24/ 6/ 2022	24/ 6/ 2025	floating
Loan from HMP	2,000,000	3/ 5/ 2022	30/ 5/ 2023	floating
Overdraft credit lines in EUR RB (EUR 0.5 mil. using an exchange rate of 24.115 CZK/EUR)	12,057	31/ 5/ 2022	31/ 5/ 2023	floating
PPD Bond 0.70%/2023 ISIN CZ0003515348	2,700,000	14/ 11/ 2016	14/ 11/ 2023	fixed
<b>Total</b>	<b>12,832,057</b>			

During 2022, overdraft lines of credit, the promissory note programme, the HMP-guaranteed loan and the HMP loan were drawn down by Pražská plynárenská, a.s. As at 31 December 2022, the promissory note programme has been drawn down in the amount of CZK 800 thousand and a loan from HMP in the amount of CZK 500 thousand. As of 31 December 2022, funds from the parent company PPH a.s. were also drawn in the amount of CZK 63,950 thousand, which represent liabilities from cash-pooling. The average interest rate for cash-pooling between the Group and the parent company PPH for 2022 was 3.89% p.a.

Drawing of short-term bank loans allows the Group to optimise coverage of seasonal fluctuations in its cash flows, which accompany the purchase and sale of energy. An integral part of Group funding is the utilisation of the financial resources of Group companies aggregated in cash-pooling. Using these free resources means that drawing short-term loans from the banks is reduced. In connection with the conditions under the loan agreements and bond emission conditions, financial indicators are monitored at the consolidated Group data level. In the event of their non-fulfilment, the banks may request premature loan repayment and bond redemption. These

indicators were fulfilled as of 31 December 2023 and as of 31 December 2022.

Impact of the cost interest related to the bonds on the profit or loss as at 31 December 2023: CZK 23,670 thousand (as of 31 December 2022: CZK 27,224 thousand).

The liquidity position is supported by the system of advance payments; whereas the high-volume and middle-volume categories pay advances several times during the month, the low-category and households pay advances monthly or quarterly. The setting of the advances takes into account the past consumption for all categories (an algorithm based on three-year historical consumption is used), as well as the seasonal character of the gas consumption, and the gas price.

The following tables show the liabilities grouped by residual period to contractual maturity as at 31 December 2023 and as at 31 December 2022. The size of the liabilities shown in the tables is equivalent to the non-discounted cash flows, including interest, where relevant. The interest is based on the loan amount as at 31 December 2023 and on the interest rates valid on the financial market as of 31 December 2023. Lease liabilities are reported separately in Section 7.4.

### 31 December 2023

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Derivatives (currency forwards and commodity futures)	2,554,926	1,772,523	432,714	9,920	0	4,770,083
Revolving credit PPD	403,478	0	0	0	0	403,478
PPD exchange programme	0	0	600,000	0	0	600,000
Trade and other liabilities	2,855,456	653	530	6,352	0	2,862,991
<b>Total</b>	<b>5,813,860</b>	<b>1,773,176</b>	<b>1,033,244</b>	<b>16,272</b>	<b>0</b>	<b>8,636,553</b>

### 31 December 2022

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Derivatives (currency forwards and commodity futures)	1,611,246	776,088	124,144	0	0	2,511,478
PP loan from HMP	3,492	500,000	0	0	0	503,492
PP exchange programme	0	800,000	0	0	0	800,000
PPD Bonds	0	0	2,718,900	0	0	2,718,900
Trade and other liabilities	2,973,943	0	297	633	0	2,974,873
Loan from the parent company PPH – cash-pooling	63,950	0	0	0	0	63,950
<b>Total</b>	<b>4,652,631</b>	<b>2,076,088</b>	<b>2,843,341</b>	<b>633</b>	<b>0</b>	<b>9,572,693</b>

The main aim of the analysis of liabilities is the identification of unavoidable liabilities that have to be paid (within the legal limitations), which represent a cash outflow that negatively impacts liquidity.

#### Concluded guarantees

The Group has secured its financial liabilities with Československá obchodní banka, a.s., as of 31 December 2023:

- On behalf of OTE, a. s., up to CZK 325,000 thousand (under the Deviation settlement agreement No. AP 006/09 dated 11/ 12/ 2009);
- on behalf of OTE, a. s., up to CZK 100,000 thousand (under the Deviation settlement agreement No. A3602/14 dated 4/ 12/ 2014 and the Agreement on access to the organised short-term electricity market No. B3602/14 dated 4/ 12/ 2014);
- on behalf of RWE Supply Trading GmbH, in the amount of EUR 15,000 thousand (CZK 370,875 thousand) due to being present and active on the gas market (according to the EFET Agreement dated 3/ 6/ 2014);
- on behalf of Uniper Global Commodities SE in the amount of EUR 20,000 thousand (CZK 494,500 thousand) due to being present and active on the gas market (according to the EFET Agreement dated 14/ 6/ 2021);
- on behalf of Ředitelství silnic a dálnic ČR, up to the amount of CZK 52 thousand (According to the agreement No. 4200033782 on subsequent payment conditions with deferred maturity, dated 29/ 11/ 2019);
- on behalf of M – SILNICE, a.s., up to CZK 1,537 thousand (according to the Contract for Work, project No. 925119003 and concluded on 19/ 12/ 2019);

These concluded guarantees are not included in the consolidated statement of the financial position.

### 5.3. Market risk

#### 5.3.1. Interest rate risk

Interest rate risk is defined as risk related to changes in fair value of future cash flows from financial instruments as a result of interest rate fluctuation.

The goal of interest rate risk management is to eliminate risk emerging from interest rate fluctuations of interest-bearing financial liabilities and receivables using an appropriate structure.

The Group Management monitors interest rate risk on the basis of regular reporting, which includes information about the current interbank interest rates (mainly PRIBOR) and assessment of actual interest expenses. The Group Management is provided with a short term forecast of these interest rates. In 2023, the Group drew down short-term bank loans (promissory note programme, revolving credits), HMP loan and cash under cash-pooling. In 2022, the Group drew down short-term bank loans (overdraft, promissory note programme, HMP-guaranteed loan), HMP loan and cash under cash-pooling.

#### Sensitivity analysis:

If the interest rate had increased/decreased by 100 basic points while all other variables held constant as of 1 January 2023, the profit before tax as of 31 December 2023 would have been CZK 5,707 thousand lower/higher as a result of the increased/decreased interest expense (as of 31 December 2022: CZK 16,730 thousand).

#### 5.3.2. Exchange rate risk

Currency risk means that the future cash flows from financial instruments will change as result of changes in currency rates.

Movements in exchange rates represent a risk due to the fact that the Group purchases virtually all its gas and electricity in foreign currencies. The choice of currency for purchases made in forward purchases is fully dependent on the overall commercial conditions offered. The Group always secures the exchange rate risk in the

form of currency forwards at the bank for most of the purchased volume. All spot purchase transactions are carried out in EUR, while a certain portion of these purchases are sold in EUR, or the purchase is made to the portfolio of customers at the listed price using the exchange rate in force on the purchase date. The Group actively manages currency risk through quarterly closing of open foreign currency positions, by setting a stop-loss limit and by managing the purchase of natural gas and electricity in foreign currency, thus maintains full hedging of long-term currency risk.

Fluctuation of exchange rates constitutes a further risk as the Group keeps receivables and payables in foreign currencies. Starting on 1 January 2019, the Group decided to apply a secure accounting system in order to secure future cash flows in foreign currencies from the purchase of commodities.

(in thousands of CZK)	2023	2022	2023	2022
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Liabilities in EUR	-2,403	-4,429	2,403	4,429
Receivables in EUR	3,571	4,722	-3,571	-4,722
<b>Impact on profit before tax</b>	<b>1,168</b>	<b>293</b>	<b>-1,168</b>	<b>-293</b>

If the CZK/EUR exchange rate as of 31 December 2023 had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR with all other variables held constant as of 31 December 2023, the other total profit as of 31 December 2023 as a result of revaluation of hedged forward purchases realised as of 31 December 2023 would be CZK 94,167 thousand higher/lower (as of 31 December 2022: CZK 45,341 thousand).

(in thousands of CZK)	2023	2022	2023	2022
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Secured forward purchases in EUR	94,167	45,341	-94,167	-45,341
<b>Impact of total profit / loss result</b>	<b>94,167</b>	<b>45,341</b>	<b>-94,167</b>	<b>-45,341</b>

### 5.3.3. Derivative financial instruments

The settlement of purchases of natural gas and electricity in EUR exposes the Group to a risk of changes in future cash flows upon settlement of these transactions due to changes in the EUR/CZK exchange rate. The Group decided to regulate this risk by means of currency swaps and forwards. To secure future cash flows with maturity

### Sensitivity analysis:

If the CZK/EUR exchange rate as of 31 December 2023 had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR while all other variables held constant, the profit before tax as at 31 December 2023 as a result of revaluation of liabilities in EUR would have been CZK 2,403 thousand lower/higher (as of 31 December 2022: CZK 4,429 thousand).

If the CZK/EUR exchange rate had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR, while all other variables held constant as of 31 December 2023, the profit before tax as of 31 December 2023 as a result of revaluation of liabilities in EUR would have been CZK 3,571 thousand higher/lower (as of 31 December 2022: CZK 4,722 thousand).

of more than one year, the Group uses in certain cases the so-called rollover strategy, which is used to secure expected future cash flows with a series of currency derivatives with shorter maturities. As of the date of the maturity of the currency derivative - classified as a rollover, a new one is immediately established under current market conditions with the same nominal value.

### Secured cash flows:

#### 31 December 2023

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Securing of cash flows – future liabilities	2,505,312	1,749,940	387,043	9,920	0	4,652,216

#### 31 December 2022

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Securing of cash flows – future liabilities	1,550,565	699,859	0	0	0	2,250,424

### Derivatives securing cash flows:

#### 31 December 2023

(in thousands of CZK)	Nominal value	Fair value - positive	Fair value - negative	Secured period	Average secured rate
Currency forwards	4,652,216	33,024	0	0-2 years	24.702

#### 31 December 2022

(in thousands of CZK)	Nominal value	Fair value - positive	Fair value - negative	Secured period	Average secured rate
Currency forwards	2,250,424	0	42,972	0-1 year	24.816

### 5.4. Fair value estimate

Fair values of financial assets and liabilities that are traded in an active market are determined by using prices quoted (unadjusted) on the active markets.

The fair value of a currency derivative relative to the nominal value of a trade results from the difference between the agreed forward rate and the expected rate at the maturity of the trade. This currency difference is discounted to the date on which the fair value is determined. The resulting valuation of the net present value is sent by the bank with which the derivative transaction was agreed.

As at the end of the reporting period, the Group classified its financial assets and liabilities at fair value through profit or loss under Level 2 featuring entry data used to determine the fair value (see Note 5.1.)

The book values of short term receivables after deducting their impairment and short term liabilities, bonds and loans are close to their fair values.

## 5.5. Offsetting financial receivables and financial liabilities

### 31 December 2023

(in thousands of CZK)	Gross amount in the statement of financial position	Gross amount of the offsetting in the statement of financial position	Net amount after compensation in the statement of financial position	The amount which is subject of the framework netting agreement and similar arrangements in the statement of financial position	Total net exposure
Trade and other receivables	3,129,094	0	3,129,094	555,818	2,573,276
Trade and other financial liabilities	2,856,264	0	2,856,264	555,818	2,300,446

### 31 December 2022

(in thousands of CZK)	Gross amount in the statement of financial position	Gross amount of the offsetting in the statement of financial position	Net amount after compensation in the statement of financial position	The amount which is subject of the framework netting agreement and similar arrangements in the statement of financial position	Total net exposure
Trade and other receivables	3,314,182	0	3,314,182	234,630	3,079,552
Trade and other financial liabilities	2,968,862	0	2,968,862	234,630	2,734,232

## 5.6. Net profit and losses from financial instruments

(in thousands of CZK)	2023	2022
Trade receivables (particularly depreciation of receivables and creation of provisions)	-1,910	-85,727
Cash and cash equivalents (especially profits from the appreciation of funds)	275,996	49,660
Bonds (particularly cost interest)	-24,392	-27,735
Financial derivatives (especially losses from derivative transactions)	-219,902	399,335
Bank loans (particularly cost interest)	-108,981	-97,144
Other financial liabilities (especially currency exchange gains / losses)	25,206	28,183
<b>Net gains (+) / losses (-) reported in the profit/loss statement</b>	<b>-53,983</b>	<b>266,572</b>
Financial derivatives in other comprehensive income (settlement)	33,024	-42,972
<b>Net gains (+) / losses (-) reported in other total income</b>	<b>33,024</b>	<b>-42,972</b>
<b>Total net gains (+) / losses (-)</b>	<b>-20,959</b>	<b>223,600</b>

## 6. Capital management

Optimal capitalisation of the Group is balancing between capital gains and capability to cover all mature liabilities.

The goal of capital risk management is to maintain such proportion of equity and liabilities that all financial liabilities are repaid and that the Group's value increase for shareholders is ensured. The Group Management continuously evaluates the current and expected results including planned and potential investments and cash flows, and adjusts the capital structure to achieve these goals.

The goal of the Group is to achieve such business results as to fulfil these financial indicators. In the event of their non-fulfilment, the banks may request premature loan repayment and bond redemption. These indicators were fulfilled as of 31 December 2023 and as of 31 December 2022.

## 7. Notes to the consolidated financial statements

### 7.1. Land, buildings, and equipment

Land, buildings, and equipment (in thousands of CZK)	Land	Depreciation of buildings and other structures	Movables and sets of movables	Heating technology and other fixed tangible assets	Tangible fixed assets under construction	Advance payments for fixed tangible assets	Total
<b>Acquisition value</b>							
<b>Balance as at 1/ 1/ 2022</b>	<b>130,636</b>	<b>12,449,091</b>	<b>2,101,647</b>	<b>258,275</b>	<b>93,013</b>	<b>12,915</b>	<b>15,045,577</b>
Effect of merger*		13,847	2,619	8,923			25,389
Purchases					900,078	16,598	916,676
Transfers	13,245	710,585	136,437	89,472	-949,739	-23,609	-23,609
Decreases	0	-46,763	-90,825	-7,273			-144,861
<b>Balance as at 31/ 12/ 2022</b>	<b>143,881</b>	<b>13,126,760</b>	<b>2,149,878</b>	<b>349,397</b>	<b>43,352</b>	<b>5,904</b>	<b>15,819,172</b>
Purchases					699,429		699,429
Transfers	1,145	402,685	143,410	79,719	-626,959	31,455	31,455
Decreases	-4,615	-30,630	-122,612	-5,390	-13,002	-32,570	-208,819
<b>Balance as at 31/ 12/ 2023</b>	<b>140,411</b>	<b>13,498,815</b>	<b>2,170,676</b>	<b>423,726</b>	<b>102,820</b>	<b>4,789</b>	<b>16,341,237</b>
<b>Accumulated depreciation, adjustments, impairment, recharging</b>							
<b>Balance as at 1/ 1/ 2022</b>	<b>0</b>	<b>5,101,984</b>	<b>1,633,601</b>	<b>106,272</b>	<b>0</b>	<b>0</b>	<b>6,841,857</b>
Depreciation	0	301,792	122,718	16,989	0	0	441,499
Adjustments	0	-23	0	0	0	0	-23
Accumulated depreciation for disposals	0	-46,439	-88,385	-3,072	0	0	-137,896
<b>Balance as at 31/ 12/ 2022</b>	<b>0</b>	<b>5,357,314</b>	<b>1,667,934</b>	<b>120,189</b>	<b>0</b>	<b>0</b>	<b>7,145,437</b>
Depreciation	0	311,470	129,962	20,413	0	0	461,845
Adjustments	0	-23	0	0	0	0	-23
Accumulated depreciation for disposals	0	-26,785	-120,899	-3,971	0	0	-151,655
<b>Balance as at 31/ 12/ 2023</b>	<b>0</b>	<b>5,641,976</b>	<b>1,676,997</b>	<b>136,631</b>	<b>0</b>	<b>0</b>	<b>7,455,604</b>
<b>Net book value 2022</b>	<b>143,881</b>	<b>7,769,446</b>	<b>481,944</b>	<b>229,208</b>	<b>43,352</b>	<b>5,904</b>	<b>8,673,735</b>
<b>Net book value 2023</b>	<b>140,411</b>	<b>7,856,839</b>	<b>493,679</b>	<b>287,095</b>	<b>102,820</b>	<b>4,789</b>	<b>8,885,633</b>

\* merger of a subsidiary company Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group and 4-Energetická, a.s. (see Section 1.1)

The most significant part of unfinished investments in tangible fixed assets as of 31 December 2023 and 31 December 2022 consists of investment projects and projects related to building modifications and development of the existing distribution network, which are in various stages of completion and whose project preparation and implementation requires a longer time horizon. Above all, these projects are also related to the value of reported and provided advances for tangible fixed assets, which mainly represent advances for materials and services that are provided by external entities.

Movables and sets of movables – detail (in thousands of CZK)	Vehicles (means of transport)	Computer equipment	Gas meters, reducers and regulators	Machine equipment for regulating station technology	Other movables	Total
<b>Acquisition value</b>						
<b>Balance as at 1/ 1/ 2022</b>	<b>140,582</b>	<b>118,868</b>	<b>702,622</b>	<b>514,259</b>	<b>625,316</b>	<b>2,101,647</b>
Effect of merger	110	72	0	0	2,437	2,619
Transfers	14,859	11,723	67,543	11,642	30,670	136,437
Decreases	-10,885	-4,796	-62,203	-2,052	-10,889	-90,825
<b>Balance as at 31/ 12/ 2022</b>	<b>144,666</b>	<b>125,867</b>	<b>707,962</b>	<b>523,849</b>	<b>647,534</b>	<b>2,149,878</b>
Transfers	43,657	3,550	60,692	4,549	30,962	143,410
Decreases	-14,279	-9,066	-76,749	0	-22,518	-122,612
<b>Balance as at 31/ 12/ 2022</b>	<b>174,044</b>	<b>120,351</b>	<b>691,905</b>	<b>528,398</b>	<b>655,978</b>	<b>2,170,676</b>
<b>Accumulated depreciation, adjustments, impairment, recharging</b>						
<b>Balance as at 1/ 1/ 2022</b>	<b>103,371</b>	<b>82,934</b>	<b>466,655</b>	<b>490,138</b>	<b>490,503</b>	<b>1,633,601</b>
Depreciation	11,771	14,441	43,600	23,575	29,331	122,718
Accumulated depreciation for disposals	-8,644	-4,656	-62,203	-2,052	-10,830	-88,385
<b>Balance as at 31/ 12/ 2022</b>	<b>106,498</b>	<b>92,719</b>	<b>448,052</b>	<b>511,661</b>	<b>509,004</b>	<b>1,667,934</b>
Depreciation	13,970	13,225	50,330	24,313	28,124	129,962
Accumulated depreciation for disposals	-12,749	-8,991	-76,688	0	-22,471	-120,899
Reclassification	0	0	0	-66,421	66,421	0
<b>Balance as at 31/ 12/ 2023</b>	<b>107,719</b>	<b>96,953</b>	<b>421,694</b>	<b>469,553</b>	<b>581,078</b>	<b>1,676,997</b>
<b>Net book value 2022</b>	<b>38,168</b>	<b>33,148</b>	<b>259,910</b>	<b>12,188</b>	<b>138,530</b>	<b>481,944</b>
<b>Net book value 2023</b>	<b>66,325</b>	<b>23,398</b>	<b>270,211</b>	<b>58,845</b>	<b>74,900</b>	<b>493,679</b>

The business plant of Pražská plynárenská, a.s. was pledged in favour of the creditors Československá obchodní banka, a.s., and Česká spořitelna, a.s., with the following liens on the business plant:

(iii) To secure debts under the Operating Loan Agreement up to CZK 5,000 million. of 15 May 2023, as amended, secured debts of Pražská plynárenská, a.s., from operational financing, which may arise up to the amount of CZK 10,000 million, and further

(iv) to secure debts under the Promissory Note Programme Agreement in the amount of up to CZK 1,200 million of 2 November 2023, secured debts of the subsidiary company Pražská plynárenská Distribuce, a.s., a member of the Pražská plynárenská, a.s. concern, which may arise up to the amount of CZK 2,400 million.

## 7.2. Intangible assets

Intangible assets (in thousands of CZK)	Goodwill	Software	Assessable rights	Intangible fixed assets under construction	Total
<b>Acquisition value</b>					
<b>Balance as at 1/ 1/ 2022</b>	<b>29,404</b>	<b>828,365</b>	<b>14,415</b>	<b>21,317</b>	<b>893,501</b>
Purchases	1,420	0	0	24,836	26,256
Transfers	0	30,229	0	-30,229	0
Decreases	0	-302	0	0	-302
<b>Balance as at 31/ 12/ 2022</b>	<b>30,824</b>	<b>858,292</b>	<b>14,415</b>	<b>15,924</b>	<b>919,455</b>
Purchases	0	0	0	29,940	29,940
Transfers	0	23,570	0	-23,570	0
Decreases	0	-184	0	0	-184
<b>Balance as at 31/ 12/ 2023</b>	<b>30,824</b>	<b>881,678</b>	<b>14,415</b>	<b>22,294</b>	<b>949,211</b>

<b>Accumulated depreciation, depreciation, impairment</b>					
<b>Balance as at 1/ 1/ 2022</b>	<b>0</b>	<b>721,610</b>	<b>13,388</b>	<b>0</b>	<b>734,998</b>
Depreciation	0	32,673	683	0	33,356
Accumulated depreciation for disposals	0	-302	0	0	-302
<b>Balance as at 31/ 12/ 2022</b>	<b>0</b>	<b>753,981</b>	<b>14,071</b>	<b>0</b>	<b>768,052</b>
Depreciation	0	31,843	344	0	32,187
Accumulated depreciation for disposals	0	-184	0	0	-184
<b>Balance as at 31/ 12/ 2023</b>	<b>0</b>	<b>785,640</b>	<b>14,415</b>	<b>0</b>	<b>800,055</b>
<b>Net book value 2022</b>	<b>30,824</b>	<b>104,311</b>	<b>344</b>	<b>15,924</b>	<b>151,403</b>
<b>Net book value 2023</b>	<b>30,824</b>	<b>96,038</b>	<b>0</b>	<b>22,294</b>	<b>149,156</b>

The average residual amortisation period of software is 1 year and 6 months.

## 7.3. Goodwill

As of 31 December 2023 goodwill in the Group includes the incorporation of goodwill due to the acquisition of 90% ownership in MONTSERVIS PRAHA, a.s. which occurred on 8 March 2019. This goodwill was allocated to the cash-generating unit MONTSERVIS PRAHA. As of 24 June 2020, Pražská plynárenská, a.s. increased its ownership stake in this company to 95%. As of 21 May 2021, Pražská plynárenská increased its ownership stake to 100%.

The Group has tested goodwill for value impairment (value in use). Tests performed as of 31 December 2023 did not indicate any decrease in the value of goodwill. Value from the use was calculated on the basis of discounted cash flows, which were based on a medium-term business plan (a three-year period 2024-2026). The business plan

has been approved by management and is current as of the time of the value impairment test performance. The business plan is based on past experience and expected future developments, while taking into account the current pandemic situation.

Revenue growth from 2024 to 2026 is constant at 4%, and personnel cost growth from 2024 to 2026 of 4% is based on the collective agreement.

Using a discounted cash flow method with a discount rate of 6.43% (2022: 6.43%), the present value of free cash flows in excess of the value of the cash-generating unit was determined. In 2023 and 2022, no impairment of goodwill was ascertained.

## 7.4. Assets originating from the right of use and lease liabilities

(in thousands of CZK)	Non-residential premises and land
<b>Acquisition value</b>	
<b>Balance as at 1/ 1/ 2023</b>	<b>53,299</b>
Increases	2,850
Decreases	0
<b>Balance as at 31/ 12/ 2023</b>	<b>56,149</b>
<b>Accumulated depreciation, depreciation, impairment</b>	
<b>Balance as at 1/ 1/ 2023</b>	<b>23,808</b>
Depreciation	5,234
<b>Balance as at 31/ 12/ 2023</b>	<b>29,042</b>
<b>Net book value 1/ 1/ 2023</b>	<b>29,491</b>
<b>Net book value 31/ 12/ 2023</b>	<b>27,107</b>

(in thousands of CZK)	Non-residential premises and land
<b>Acquisition value</b>	
Balance as at 1/ 1/ 2022	53,299
Decreases	0
Balance as at 31/ 12/ 2022	53,299
<b>Accumulated depreciation, depreciation, impairment</b>	
Balance as at 1/ 1/ 2022	18,574
Depreciation	5,234
Balance as at 31/ 12/ 2022	23,808
Net book value 1/ 1/ 2022	34,725
Net book value 31/ 12/ 2022	29,491

The Group mainly leases various non-residential premises and land. Lease contracts are usually concluded for an indefinite time. The Group has estimated the term of lease in these cases from 5 to 10 years.

As of 31 December 2023 the Group reported lease liabilities as follows:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	5 years or more	Total
Long-term lease liabilities	0	0	0	13,005	5,395	8,308	26,708
Short-term lease liabilities	908	899	2,340	0	0	0	4,147
<b>Total</b>	<b>908</b>	<b>899</b>	<b>2,340</b>	<b>13,005</b>	<b>5,395</b>	<b>8,308</b>	<b>30,855</b>

As of 31 December 2022 the Group reported lease liabilities as follows:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	5 years or more	Total
Long-term lease liabilities	0	0	0	12,232	8,615	7,157	28,004
Short-term lease liabilities	1,134	1,139	2,808	0	0	0	5,081
<b>Total</b>	<b>1,134</b>	<b>1,139</b>	<b>2,808</b>	<b>12,232</b>	<b>8,615</b>	<b>7,157</b>	<b>33,085</b>

The total cash flow related to lease liabilities in 2023 amounted to CZK 6,276 thousand, and in 2022 amounted to CZK 6,362 thousand. CZK.

Interest expenses from lease liabilities included in the 2023 financial expenses are reported in Section 7.28.

### 7.5. Inventories

Inventories represent mainly gas stored in the gas storage. This gas was extracted in 2023 and recognised as consumption in the amount of CZK 5,423,679 thousand (in 2022: CZK 2,769,598 thousand). The Company has established an inventory adjustment at 31 December 2023 in the amount of CZK 0 thousand. (as of 31 December 2022: CZK 275,160 thousand).

No surpluses and/or shortfalls in inventories were found during stock-taking in 2023.

Short-term lease expenses included in Other operating expenses and leasing of low-value assets, which are not reclassified as lease liabilities, are reported in Section 7.27.

### 7.6. Short-term trade and other receivables

Type of receivable (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables from third parties	1,031,639	1,079,244
Trade receivables from related parties	668	2,974
<b>Financial trade receivables</b>	<b>1,032,307</b>	<b>1,082,218</b>
Adjusting entries for trade receivables	-273,598	-294,299
<b>Net trade receivables – financial</b>	<b>758,709</b>	<b>787,919</b>
Unbilled deliveries	2,411,632	2,560,316
Adjusting entries for unbilled deliveries	-41,247	-34,053
<b>Total trade and other receivables – financial</b>	<b>3,129,094</b>	<b>3,314,182</b>
Short-term operational advances made	80,219	46,132
Other receivables – non-financial	24,642	5,262
Allowances for other receivables and advances paid	-6,116	-4,948
<b>Total trade and other receivables – non-financial</b>	<b>98,745</b>	<b>46,446</b>
<b>Total trade and other receivables – short-term</b>	<b>3,227,839</b>	<b>3,360,628</b>

Short-term operating advances provided to individual suppliers for natural gas and electricity purchases and purchases of gas distribution services were offset with anticipated payables created. In 2023 the offset amount of advances with estimated payables was CZK 477,113 thousand (2022: CZK 785,072 thousand).

Outstanding trade receivables have not been secured. Receivables from related parties are defined in detail in Section 7.32.

The age structure of outstanding trade and other receivables that have not been classified as impaired as of the date of the consolidated financial statements is as follows:

Receivables overdue (in thousands of CZK)	31 December 2023	31 December 2022
up to 30 days	36,303	34,771
<b>Total</b>	<b>36,303</b>	<b>34,771</b>

The age structure of trade and other receivables that have been classified as impaired as of the date of the consolidated financial statements is as follows:

Receivables overdue (in thousands of CZK)	31 December 2023	31 December 2022
up to 6 months	64,366	61,847
6 to 12 months	29,283	15,602
more than 1 year	178,565	180,592
<b>Total</b>	<b>272,214</b>	<b>258,041</b>

Changes in adjusting entries for trade receivables may be analysed as follows:

Adjusting entries for receivables (in thousands of CZK)	31 December 2023	31 December 2022
Initial balance as of 1 January	328,352	267,094
Creation of an allowance for receivables	6,566	79,158
Use of the allowance	20,073	17,900
<b>Final balance as of 31 December</b>	<b>314,845</b>	<b>328,352</b>

The structure of allowances for trade and other receivables according to the level of expected interest rate impairment is shown in the following tables:

## 31 December 2023

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	46,020	862	60,230	107,112
Cat. DOM	41,551	1,635	69,803	112,989
Cat. VO	14,366	59	27,874	42,299
Cat. Other	14,315	770	37,360	52,445
<b>Total</b>	<b>116,252</b>	<b>3,326</b>	<b>195,267</b>	<b>314,845</b>

## 31 December 2022

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	52,010	793	58,923	111,726
Cat. DOM	52,228	860	68,699	121,787
Cat. VO	15,500	1	29,296	44,797
Cat. Other	15,436	1,031	33,575	50,042
<b>Total</b>	<b>135,174</b>	<b>2,685</b>	<b>190,493</b>	<b>328,352</b>

The following table shows losses due to depreciation of financial assets relating to trade and other receivables:

Loss due to depreciation of financial assets (in thousands of CZK)	31 December 2023	31 December 2022
Change in adjustment entry – to existing receivables	-12,338	60,957
Loss due to receivables written-off	20,073	17,900
<b>Loss due to depreciation of financial assets</b>	<b>7,735</b>	<b>78,857</b>

The book value of the trade and other receivables is close to their fair value.

## 7.7. Cash and cash equivalents

The Group did not hold any promissory notes in 2022.

The structure of cash and cash equivalents is shown below:

Cash and cash equivalents (in thousands of CZK)	31 December 2023	31 December 2022
Cash on hand	1,465	1,383
Money in bank accounts	4,079,732	1,239,332
Short-term investments – bills	994,500	0
<b>Total</b>	<b>5,075,697</b>	<b>1,240,715</b>

## 7.8. Other assets

Other assets (in thousands of CZK)	31 December 2023	31 December 2022
Liabilities from revaluation of trade derivatives at fair value	33,024	47,790
Other (especially capitalised costs)	111,453	77,282
<b>Other assets – total</b>	<b>144,477</b>	<b>125,072</b>

## 7.9. Incremental costs of obtaining a contract

Incremental costs (in thousands of CZK)	31 December 2023	31 December 2022
Commission paid to traders – long-term part	33,413	24,912
Commission paid to traders – short-term part	33,080	22,003
<b>Incremental costs – total</b>	<b>66,493</b>	<b>46,915</b>

The incremental costs to obtain a contract represent the commissions of sales representatives.

## 7.10. Contract assets

Contract assets (in thousands of CZK)	31 December 2023	31 December 2022
Bonuses to customers – long-term part	58,228	60,133
Bonuses to customers – short-term part	3,569	1,206
<b>Contract assets – total</b>	<b>61,797</b>	<b>61,339</b>

Contract assets represent bonuses to customers for negotiating a contract or amendments.

## 7.11. Registered capital

Form of shares	2023		2022	
	Number of pieces	Nominal value (CZK)	Number of pieces	Nominal value (CZK)
Bearer shares	950,338	300	950,338	300
Registered shares	489,569	300	489,569	300
<b>Total</b>	<b>1,439,907</b>		<b>1,439,907</b>	
<b>Total share capital</b>		<b>431,972,100</b>		<b>431,972,100</b>

Bearer shares are issued in book-registered form.

The registered shares are issued in book-registered form, their transferability is limited and the general meeting of the shareholders must give the owner its consent for their transfer, following discussion at the Board of Directors and the Supervisory Board. All shares have equal rights. All the shares are fully paid-up. The Group shareholder has both rights and obligations. The basic duty of the shareholder is the obligation to deposit. The rights of shareholder include:

- Right to a share of the profit,
- The right to vote,
- The right to request and receive an explanation at the General Assembly on matters relating to the Group or for the exercise of shareholder rights,
- The right to present proposals and counter-proposals on matters included on the agenda of the General Assembly,
- The rights of qualified shareholders to ask the Board of Directors to convene a General Assembly and the Supervisory Board to review the performance of the Board of Directors,
- The right to bring an lawsuit action against a member of the Board of Directors or the Supervisory Board, the right to seek repayment of the issue price against shareholders who defaulted on repayment,
- The right to require the compulsory transfer of the securities,
- The right to a share in the liquidation balance.

### 7.12. Profit funds

The Group companies are fully governed by the new Corporations Act and utilised the option not to create a reserve fund. Usage of funds created from profit is in accordance with the Articles of Incorporation of the Group companies.

Reserve funds may be transferred to retained earnings or may be used to offset losses.

### 7.13. Cash flow secure fund

The cash flow securing fund represents accumulated gains and losses from effective cash flow hedging. The cumulative accrued gain or loss on hedging derivatives is reclassified as profit or loss only if the secured transaction affects profit or loss, or it is included as a basis adjustment in the secured non-financial item in accordance with applicable accounting rules.

Gains and losses reclassified during the year from equity are included in the profit or loss on the line called Purchased gas and electricity, materials and services related to gas and electricity supplies.

(in thousands of CZK)	31 December 2023	31 December 2022
Balance as of the beginning of the year	-34,808	-83,900
Change in fair value of hedging derivatives	75,997	60,607
<b>Related deferred income tax</b>	<b>-15,100</b>	<b>-11,515</b>
<b>Balance as of the end of year</b>	<b>26,089</b>	<b>-34,808</b>

Reclassification as a complete result for the monitored period (in thousands of CZK)	2023	2022
<b>Profit after tax</b>	<b>1,133,135</b>	<b>862,860</b>
Fair value of non-matured hedging derivatives	33,024	-42,972
Fair value of matured continuous hedging derivatives	0	0
<b>Effective component of the fair value of hedging derivatives</b>	<b>33,024</b>	<b>-42,972</b>
Deferred tax receivable from hedging derivatives	-6,935	8,164
<b>Total performance for the period</b>	<b>1,159,224</b>	<b>828,052</b>

### 7.14. Trade liabilities and other long-term liabilities

Other payables (based on maturity, in thousands of CZK)	Long-term advances received	Other long-term liabilities	Total
<b>Balance as at 31/ 12/ 2022</b>	<b>40</b>	<b>633</b>	<b>673</b>
– of which: due in less than 5 years	40	633	673
<b>Balance as at 31/ 12/ 2023</b>	<b>0</b>	<b>6,354</b>	<b>6,354</b>
– of which: due in less than 5 years	0	6,354	6,354
<b>Total as of 31/ 12/ 2022</b>	<b>40</b>	<b>633</b>	<b>673</b>
<b>Total as of 31/ 12/ 2023</b>	<b>0</b>	<b>6,354</b>	<b>6,354</b>

### 7.15. Trade payables, advances, principals received – short term

Trade payables, advances, principals received – short-term (in thousands of CZK)	31 December 2023	31 December 2022
Trade liabilities payable to third parties	2,815,346	2,937,455
Trade liabilities payable to other related parties	40,918	31,407
Operating advances and short-term principals received (non-financial liabilities)	4,441,167	3,206,399
<b>Trade payables, advances received and principals – total</b>	<b>7,297,431</b>	<b>6,175,261</b>

Total trade payables and advances received – short-term (based on maturity) (in thousands of CZK)	Trade payables	Short-term advances received and principals	Contingent liability accounts (Estimated payables)	Total
<b>Balance as at 31/ 12/ 2022</b>	<b>237,209</b>	<b>3,206,399</b>	<b>2,731,653</b>	<b>6,175,261</b>
– of which: due within 6 months	237,209	3,206,399	2,731,653	6,175,261
– of which: due in 6 months to 1 year	0	0	0	0
<b>Balance as at 31/ 12/ 2023</b>	<b>316,848</b>	<b>4,441,167</b>	<b>2,539,416</b>	<b>7,297,431</b>
– of which: due within 6 months	316,693	4,441,167	2,539,416	7,297,276
– of which: due in 6 months to 1 year	155	0	0	155
<b>Total as of 31/ 12/ 2023</b>	<b>316,848</b>	<b>4,441,167</b>	<b>2,539,416</b>	<b>7,297,431</b>

Liabilities to related parties are defined in detail in Section 7.32.

Trade payables and other liabilities have not been secured by any Group assets.

The debit interest rate for the financial instruments provided under cash-pooling in 2023 was as follows: between 01-03/2023: O/N PRIBOR – 2.50 % p.a., in 04/2023: O/N PRIBOR – 2.00% p.a., in 05-12/2023: O/N PRIBOR – 1.50% p.a. In 2022 they carried a credit interest rate: between 01/2022: O/N PRIBOR – 1.00 % p.a., in 02-06/2022: O/N PRIBOR – 1.75 % p.a., in 07-12/2022: O/N PRIBOR – 2.50% p.a.

As for financial instruments drawn under cash-pooling in 2023, the debit interest rate was as follows: between 01-04/2023: O/N PRIBOR + 0.30% p.a., in 05-12/2023: O/N PRIBOR + 0.25% p.a. In 2022 the carried debit interest rate was: in 01-06/2022: O/N PRIBOR + 0.25% p.a., in 07-12/2022: O/N PRIBOR + 0.30 % p.a.

The book value of the trade payables and other liabilities is close to their fair value.

## 7.15.1. Derivatives

### 7.15.1.1. Financial derivatives for trading

The fair value of financial derivatives is reported in net value for each type of derivative separately under Other assets, if it is positive for the Group, and in Other liabilities, if negative:

(in thousands of CZK)	31 December 2023			31 December 2022		
	Fair value - positive	Fair value - negative	Nominal value	Fair value - positive	Fair value - negative	Nominal value
Currency forwards	0	0	0	0	0	0
Commodity futures	0	14,948	117,868	47,790	0	261,054

The Company trades natural gas, which is supplied as a physical commodity and electricity on the EEX (European Energy Exchange), which follows a financial settlement. In 2023, the costs from the settlement of trade derivatives reported in the comprehensive profit/loss statement were CZK 175,437 thousand, (in 2022 revenue amounted to CZK 340,303 thousand ) see Sections 7.28. and 7.29.

## 7.16. Unbilled supplies and advances received

### 31 December 2023

(in thousands of CZK)	Cat. DOM	Cat. MO	Cat. VO/SO	Other	Total
Unbilled deliveries	3,996,116	1,681,724	1,533,964	1,291,217	8,503,021
Advance payments received	-5,325,534	-2,879,335	-984,021	-1,077,691	-10,266,581
<b>Clearing of Accounts</b>	<b>3,657,264</b>	<b>730,572</b>	<b>984,021</b>	<b>697,462</b>	<b>6,069,319</b>
Unbilled supplies – after netting	338,852	951,152	549,943	593,755	2,433,702
Advances received – after netting	-1,668,270	-2,148,763	0	-380,229	-4,197,262

As at 31/12/2023, the Group received advances - compensation provided for electricity and gas supply in the amount of CZK 1,994,656 thousand (the amount is included in the column "Cat. DOM").

### 31 December 2022

(in thousands of CZK)	Cat. DOM	Cat. MO	Cat. VO/SO	Other	Total
Unbilled deliveries	3,202,975	2,008,384	1,484,980	1,843,765	8,540,104
Advance payments received	-3,608,952	-2,594,822	-1,226,656	-1,535,247	-8,965,677
<b>Clearing of Accounts</b>	<b>2,890,984</b>	<b>1,147,803</b>	<b>1,226,656</b>	<b>746,877</b>	<b>6,012,320</b>
Unbilled supplies – after netting	311,991	860,581	258,324	1,096,888	2,527,784
Advances received – after netting	-717,968	-1,447,019	0	-788,370	-2,953,357

## 7.17. Loans

The details of loans and bonds issued are given in Section 5.2

In connection with the conditions under the loan agreements and bond emission conditions, financial indicators are monitored at the consolidated Group data level. In

the event of their non-fulfilment, the banks may request premature loan repayment and bond redemption. These indicators were fulfilled as of 31 December 2023 and as of 31 December 2022.

The book value of bonds is close to their fair value.

Overview of the movement of liabilities from financial operations – additional comment to the cash flow statement:

(in thousands of CZK)	31 December 2022	Cash flows	Non-cash flows – Revaluation of liabilities using the effective interest rate method	31 December 2023
PP loan from HMP	500,000	-459,450	-40,550	0
PP exchange programme	800,000	-739,360	-60,640	0
PPD Bonds	2,695,034	-2,718,900	23,866	0
PPD exchange programme	0	561,300	38,700	600,000
PPD bank loan from UCB	0	185,420	14,580	200,000
PPD bank loan from RFB	0	185,420	14,580	200,000
Funding from PPH - cash-pooling - merger as of 1/ 7/ 2023	63,950	0	-63,950	0
<b>Total</b>	<b>4,058,984</b>	<b>-2,985,570</b>	<b>-73,414</b>	<b>1,000,000</b>

(in thousands of CZK)	31 December 2021	Cash flows	Non-cash flows – Revaluation of liabilities using the effective interest rate method	31 December 2022
PP loan from HMP	0	459,500	40,500	500,000
PP exchange programme	0	752,800	47,200	800,000
PPD Bonds	2,686,474	-18,900	27,460	2,695,034
Loan from the parent company PPH – cash-pooling (see 7.32.)	66,068	-4,606	2,488	63,950
<b>Total</b>	<b>2,752,542</b>	<b>1,188,794</b>	<b>117,648</b>	<b>4,058,984</b>

## 7.18. Other liabilities

Other liabilities (in thousands of CZK)	31 December 2023	31 December 2022
Loan from the parent company PPH	0	63,950
Liabilities from revaluation of commodity derivatives to fair value	14,948	0
Liabilities from revaluation of hedging derivatives to fair value	0	42,972
<b>Total financial liabilities</b>	<b>14,948</b>	<b>106,922</b>
Payables towards employees	255,629	238,711
Payables towards social insurance institutions	25,184	22,942
Other liabilities – non-financial	15,528	5,798
<b>Non-financial liabilities - total</b>	<b>296,341</b>	<b>267,451</b>
<b>Other liabilities – total</b>	<b>311,289</b>	<b>374,373</b>

Liabilities payable to employees also include liabilities related to wages and unpaid future liabilities payable to the members of the statutory bodies of the Group according to contracts describing executive performance (Section 4.17.4) in the amount of CZK 52,221 thousand (2022: CZK 64,128 thousand ).

## 7.19. Deferred tax receivables and liabilities

Compensation of deferred tax assets and liabilities was as follows:

Deferred tax liability (+) and deferred tax receivable (-) (in thousands of CZK)	31 December 2023	31 December 2022
Deferred tax asset to be recovered after more than 12 months	198,527	13,033
Deferred tax asset to be recovered within 12 months	104,089	117,099
Deferred tax liability payable after more than 12 months	-804,208	-689,263
Deferred tax liability payable within 12 months	-12,827	-9,154
<b>Net deferred tax liability</b>	<b>-514,419</b>	<b>-568,285</b>

Deferred tax has been calculated using an effective tax rate of 35% (tax rate for 2024), 31% (for 2025) and 21% (for subsequent years).

Deferred tax liability (+) and deferred tax receivable (-) (in thousands of CZK)	31 December 2023	31 December 2022
<b>The item represents deferred tax from the following titles</b>		
Difference in the residual prices of fixed assets	-773,202	-685,176
Tax non-deductible part of allowances for receivables	28,800	27,607
Inventory adjustment	685	52,715
Other provisions, adjustment entries and temporary differences	200,298	12,195
Lease liabilities	1,256	879
Change in fair value of hedging derivative	-6,935	8,165
Incremental costs of obtaining a contract	-35,920	-20,568
Obligations towards employees and board members	70,599	35,898
<b>Total</b>	<b>-514,419</b>	<b>-568,285</b>

Deferred tax liability (+) and deferred tax receivable (-) (in thousands of CZK)	Difference in the residual prices of fixed assets	The tax-non-deductible portion of OP receivables and inventories	Obligations towards employees and board members	Other	Total
<b>31 December 2022</b>	<b>-685,176</b>	<b>80,321</b>	<b>35,898</b>	<b>672</b>	<b>-568,285</b>
profit (+) / loss (-)	-88,026	-50,836	34,701	173,127	68,966
Other comprehensive income	0	0	0	-15,100	-15,100
<b>31 December 2023</b>	<b>-773,202</b>	<b>29,485</b>	<b>70,599</b>	<b>158,699</b>	<b>-514,419</b>

Deferred tax liability (+) and deferred tax receivable (-) (in thousands of CZK)	Difference in the residual prices of fixed assets	The tax-non-deductible portion of OP receivables and inventories	Obligations towards employees and board members	Other	Total
<b>31 December 2021</b>	<b>-640,548</b>	<b>19,506</b>	<b>33,007</b>	<b>9,879</b>	<b>-578,156</b>
profit (+) / loss (-)	-44,628	60,815	2,891	2,308	21,386
Other comprehensive income	0	0	0	-11,515	-11,515
<b>31 December 2022</b>	<b>-685,176</b>	<b>80,321</b>	<b>35,898</b>	<b>672</b>	<b>-568,285</b>

## 7.20. Other tax liabilities

Other tax receivables in 2023 and 2022 mainly consist of a value added tax liability.

## 7.21. Provisions

Provisions (in thousands of CZK)	Long-term	Short-term
<b>Book value</b>		
<b>Balance as at 1/ 1/ 2022</b>	<b>66,753</b>	<b>0</b>
Creation of reserves	27,360	0
Reversals of provisions	-1,300	0
Use of provisions	-33,000	0
<b>Balance as at 31/ 12/ 2022</b>	<b>59,813</b>	<b>0</b>
Creation of reserves	642,938	0
Reversals of provisions	-11,847	0
Use of provisions	-148	0
<b>Balance as at 31/ 12/ 2023</b>	<b>690,756</b>	<b>0</b>
<b>Net book value 2022</b>	<b>59,813</b>	<b>0</b>
<b>Net book value 2023</b>	<b>690,756</b>	<b>0</b>

Provisions as at 31 December 2023 mainly include a provision for loss-making contracts (CZK 584,586 thousand) and repair of environmental impact in the amount of CZK 15,000 thousand (CZK 15,000 thousand as of 31 December 2022) and land remediation at CNG stations (CZK 14,462 thousand).

In 2023, we posted a provision for loss-making contracts in accordance with IAS 37. We have identified 3 contracts in the 2025 and 2026 purchase book of business that were entered into in the first half of 2022 during a period of highly volatile prices to provide volume for a portfolio of customers. The provision has been calculated at the estimated loss on these contracts.

In addition, in 2023, the Group posted a provision for land remediation at CNG stations. Pursuant to the lease agreements, the Group will be obliged to remove the filling stations and accessories from the land at the end of the lease. The provision represents a professional estimate of the cost of land remediation following the termination of lease agreements.

The provision for the repair of environmental impact was recorded on the basis of an analysis of the risks of residual pollution in the PP facility, which included the valuation of corrective measures in the area of the former naphthalene plant. At present, the state (MoF CR) is financing a survey of the affected locality and the event is included in the long-term MoF CR plan. The exact date of the repair work is not yet known. Further, the share of costs that will be covered by state funds and how much will be paid by the Group is not known.

## 7.22. Revenues from sales

Sales (in thousands of CZK)	2023	2022
Sale of natural gas	18,358,224	19,561,457
Sale of own and foreign gas	3,429,169	3,789,794
Sale of heat and CNG	576,161	554,260
Sale of flexibility	5,666	12,995
Sale of electricity	3,798,674	6,455,799
Sale of foreign distributions of electricity	1,243,151	2,656,252
Other services	287,413	211,130
– of which: revenues from asset repairs and maintenance	95,625	31,102
– of which: revenues from construction of gas pipelines	45,961	55,975
– of which: revenues from earthworks	50	191
– of which: revenues from other services	145,777	123,862
Sale of goods and products (services)	5,888	10,716
<b>Revenues from contracts with customers</b>	<b>27,704,346</b>	<b>33,252,403</b>
Revenues from property leases	14,259	12,354
<b>Total</b>	<b>27,718,605</b>	<b>33,264,757</b>

The Group has posted compensation arrangements in the amount of CZK 1,419,507 thousand as at 31 December 2023 (sale of natural gas) and in the amount of CZK 348,292 thousand (sale of electricity).

The methodology for calculating compensation is based on Government Regulation No. 5/2023 Coll., on compensation provided for the supply of electricity and gas at fixed prices, as amended by Government Regulation No. 65/2023 Coll., Government Regulation No. 77/2023 Coll. and Government Regulation No. 272/2023 Coll.

### 7.23. Purchased gas and electricity, materials and services connected with gas and electricity supplies

Purchased gas, electricity, materials and services connected with gas and electricity supplies (in thousands of CZK)	2023	2022
Costs of gas purchases	17,321,666	19,432,620
– of which: gas reservoir costs	105,379	120,067
Gas distribution fee	1,030,769	1,305,759
Costs of electricity purchases	3,478,898	6,304,747
Electricity distribution fee	1,246,075	2,659,284
<b>Purchasing expenses – total</b>	<b>23,077,408</b>	<b>29,702,410</b>
Derivative transactions expense – secured	84,135	429,730
<b>Total</b>	<b>23,161,543</b>	<b>30,132,140</b>

### 7.24. Other operating income

Other operating income (in thousands of CZK)	2023	2022
Profit from sales of fixed assets	8,937	1,161
Income from sale of material	9,662	6,781
Income from write-off of receivables	679	1,227
Income from write-off of lapsed liabilities	8,876	7,482
Court fee compensations	3,238	3,326
Benefits from insurance (indemnity)	2,747	2,062
Other	366,070	214,127
<b>Total</b>	<b>400,209</b>	<b>236,166</b>

### 7.25. Personnel costs

Personnel costs (in thousands of CZK)	2023	2022
Employees	888,578	770,099
Members of statutory bodies	88,539	83,289
Future benefits to members of statutory bodies provided under contract defining their executive performance (Section 4.17.4)	9,918	3,058
<b>Total</b>	<b>987,035</b>	<b>856,446</b>

Related parties to the Group are also key management personnel, who are members of statutory bodies.

During 2023 and 2022 no loans or credit lines were provided to members of the Board of Directors, members of the Supervisory Board or to other management members of the Group. Company cars, computers and telecommunication equipment are available for use by the Board members and other executives.

Personal expenses of members of statutory bodies in 2023 include benefits paid under performance contracts (see Section 4.17.4) in the amount of CZK 21,826 thousand (2022: CZK 5,834 thousand).

No profit shares were paid to members of statutory bodies in 2023 and 2022.

Contributions to the state pension scheme (on the basis of defined contributions) in 2023 amounted to CZK 146,687 thousand per employee (2022: CZK 125,450 thousand and CZK 9,027 thousand for members of statutory bodies (2022: CZK 8,897 thousand)).

### 7.26. Depreciation of fixed assets

Depreciation of fixed assets (in thousands of CZK)	2023	2022
Depreciation of buildings and other structures	34,458	33,604
Depreciation of pipelines	271,079	262,337
Depreciation of the buildings of regulating stations	5,933	5,851
Depreciation of the technology of regulating stations	24,313	23,575
Depreciation of gas meters, reducers and regulators	50,330	43,600
Depreciation of boiler installations and other fixed assets	20,414	16,989
Depreciation of vehicles	13,970	11,771
Depreciation of intangible assets	32,187	33,356
Depreciation of IT equipment	13,225	14,441
Depreciation of other movables	28,123	29,331
– of which: depreciation of other gas facilities	15,100	15,129
– of which: depreciation of other assets (inventories, etc.)	13,023	14,202
Depreciation of assets originating from the right of use	5,234	5,234
<b>Total</b>	<b>499,266</b>	<b>480,089</b>

### 7.27. Other operating costs

Other operating costs (in thousands of CZK)	2023	2022
Consumption of materials and energy	162,158	95,109
Costs of goods	3,070	8,308
Lease fees	82,930	73,378
Services	770,455	705,591
– of which: asset repair and maintenance costs	399,135	344,388
– of which: claims collection costs	11,964	9,202
– of which: promotion, advertising and marketing costs	73,334	50,027
– of which: IT systems management and maintenance costs	78,797	74,083
– of which: business representatives' commissions	27,471	47,529
– of which: consulting costs	44,516	41,489
– of which: gas meter reading costs	20,351	18,464
– of which: telecommunication service and postal charges	23,543	27,221
– of which: educational costs	4,085	2,731
– of which: costs of other services	87,259	90,457
Other (mainly provision for inventories and changes in provisions)	384,114	308,442
<b>Total</b>	<b>1,402,727</b>	<b>1,190,828</b>

The total remuneration of the auditing company Deloitte Audit, s.r.o., for the statutory audit of the financial statements for 2023 amounted to CZK 3,780 thousand. without VAT (2022: CZK 3,813 thousand without VAT).

### 7.28. Financial costs

Financial costs (in thousands of CZK)	2023	2022
Interest expense	78,238	100,968
Lease liabilities – interest paid	602	695
Cost paid to settle trade derivatives	175,437	0
Bank charges	73,744	43,373
Other financial expense	199,525	165,880
<b>Total</b>	<b>527,546</b>	<b>310,916</b>

Other financial expenses represent mainly foreign exchange differences.

### 7.29. Financial revenues

Financial revenues (in thousands of CZK)	2023	2022
Interest income	284,875	58,426
Income from contractual fines and default interest	8,229	7,521
Cost paid to settle trade derivatives	8,874	340,303
Other financial revenues	142,820	231,513
<b>Total</b>	<b>444,798</b>	<b>637,763</b>

Other financial income and expenses represent mainly foreign exchange differences.

### 7.30. Income tax

The income tax expense recognised in the consolidated statement of comprehensive income consists of the following:

Income tax (in thousands of CZK)	2023	2022
Income tax – current	908,206	249,001
Income tax – previous years adjustment	5,385	-1,065
Income tax – deferred	-68,966	-21,386
<b>Income tax – paid</b>	<b>844,625</b>	<b>226,550</b>

From 1 January 2023, PPAS will be subject to windfall tax. The total tax liability of PPAS for 2023 was CZK 826,370 thousand. (of which CZK 322,041 thousand represents the tax with application of 19% tax rate and CZK 504,329 thousand with application of 60% tax rate). Reconciliation of the tax base and theoretical tax charge is calculated from consolidated accounting profit before tax multiplied by the effective income tax rate

Income tax (in thousands of CZK)	2023	2022
Profit before tax	1,977,760	1,089,410
Income tax at the effective rate	830,659	206,988
Non-taxable income	-62,960	-1,869
Tax non-deductible expenses	152,823	21,230
Gifts	-4,677	-658
Other	-71,220	859
<b>Income tax – paid</b>	<b>844,625</b>	<b>226,550</b>

### 7.31. Dividends paid

No dividend was paid for 2023 and 2022.

### 7.32. Related party transactions and balances

Transactions related to the purchase or sale of energy (gas, electricity, heat, CNG) to companies controlled by the Capital City of Prague were concluded according to market conditions and are not presented in the following tables.

The Group was involved in the following transactions with related parties:

#### Former controlling entity (PPH)

Revenues (in thousands of CZK)	2023	2022
Revenues from sale of services	0	901
<b>Total revenues</b>	<b>0</b>	<b>901</b>

Costs (in thousands of CZK)	2023	2022
Other costs	0	2,566
<b>Total costs</b>	<b>0</b>	<b>2,566</b>

#### Ultimate parent company (HMP)

Revenues (in thousands of CZK)	2023	2022
Revenues from sale of services	22,628	38,708
Other revenue	518	0
<b>Total revenues</b>	<b>23,146</b>	<b>38,708</b>

Costs (in thousands of CZK)	2023	2022
Purchase of other services	1,722	5,758
Other costs	14,541	17,128
<b>Total costs</b>	<b>16,263</b>	<b>22,886</b>

#### Other related parties

Revenues (in thousands of CZK)	2023	2022
Revenues from sale of services	3,154	4,581
Revenue from sold property	1,100	0
Other revenue	1,250	327
<b>Total revenues</b>	<b>5,504</b>	<b>4,908</b>

Costs (in thousands of CZK)	2023	2022
Purchase of material	1,759	1,922
Purchase of other services	109,571	101,500
Other costs	2,748	1,294
<b>Total costs</b>	<b>114,078</b>	<b>104,716</b>

The Group recognised the following balances with related parties:

#### Former controlling entity (PPH)

Receivables and liabilities (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables	0	0
Contingent asset accounts	0	24
<b>Total receivables</b>	<b>0</b>	<b>24</b>
Short-term advances received*	0	24
Financial resources from PPH a.s.	0	63,950
Other liabilities	0	249
<b>Total accounts payable</b>	<b>0</b>	<b>64,223</b>

\*balances presented with VAT.

#### Ultimate parent company (HMP)

Receivables and liabilities (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables	627	2,882
Short-term advances paid*	7	157
<b>Total receivables</b>	<b>634</b>	<b>3,039</b>
Trade payables	1	4,268
Short-term advance payments received	60	60
<b>Total accounts payable</b>	<b>61</b>	<b>4,328</b>

\*balances presented with VAT.

#### Other related parties

Receivables and liabilities (in thousands of CZK)	31 December 2023	31 December 2022
Trade receivables	41	92
Short-term advances paid*	1,270	1,451
<b>Total receivables</b>	<b>1,311</b>	<b>1,543</b>
Trade payables	40,917	27,139
Short-term advances received*	1,708	1,479
<b>Total accounts payable</b>	<b>42,625</b>	<b>28,618</b>

\*balances presented with VAT.

Dividends paid to shareholders in 2023 and 2022 are disclosed in Section 7.31.

Transactions and balances with key management are disclosed in Sections 7.25. and 7.18.

Other related parties represent companies and affiliates controlled by the ultimate parent company (Capital City of Prague).

#### 7.33. Regulatory framework

Under the granted licences, the Group trades in natural gas and electricity.

#### a) Gas and electricity trading (the trader is not subject to price regulation).

The gas and electricity market is fully liberalised, and all customers thus have the option to choose their own supplier.

#### b) Gas distribution – price regulation

The prices for natural gas distribution on the Czech gas market are regulated in accordance with the Energy Act and published in the price list of the independent regulatory body, the Energy Regulatory Office.

The past year was the third year of the five-year regulatory period. Its parameters were set so that regulated companies could prepare for the changes that the transformation of the energy sector will bring in the coming years and decades.

The Energy Regulatory Office determines for PPD in accordance with applicable legislation, the permitted revenues from licensed activities. As for 2023, the Company has received permitted revenues through prices and

conditions set out in Price decision No. 12/2022 of 14 November 2022, defining regulated prices related to gas supply, with effect from 1 January 2023.

It is also in the competence of the Authority to protect the legitimate interests of the licensees whose activity is regulated in compliance with Section 17 (4) of the Energy Act. The legislative framework of price regulation that is stipulated under Section 19a (1) of the Energy Act guarantees coverage of the legitimate (justified) costs to the regulated subjects to ensure reliable, safe and efficient performance of the licensed activity, also depreciation and reasonable profit to ensure return on investments in facilities used to perform the licensed activity. The price regulation policies, among other things, also state the procedure in the event of deviations between the regulated revenues for the regulated year and the subsequently truly achieved revenues in the regulated year. In such scenario, the Energy Regulatory Office shall compensate for the deviation during the next period.

#### 7.34. Contractual and other future commitments

The expenditure for the acquisition of tangible and intangible assets contracted as of 31 December 2023, which have not yet been incurred, amounts to CZK 489,560 thousand (2022: CZK 469,628 thousand).

(in thousands of CZK)	2023	2022
Up to 1 year	197,490	80,275
1-3 years	210,183	261,380
3-5 years	62,205	87,927
Above 5 years	19,682	40,046
<b>Total</b>	<b>489,560</b>	<b>469,628</b>

The aggregate of future minimum payments for services - mainly for the use of gas storage capacity - totalled CZK 329,471 thousand as at 31 December 2023 without effective VAT (as of 31 December 2022: CZK 293,944 thousand).

(in thousands of CZK)	2023	2022
Up to 1 year	137,410	126,313
1-3 years	160,207	141,607
3-5 years	29,527	23,126
Above 5 years	2,327	2,898
<b>Total</b>	<b>329,471</b>	<b>293,944</b>

## 8. Other facts

### 8.1. Contingent liabilities

The Group has no contingent liability arising from possible major future costs that relate to a past period and which could arise as a result of damage to the environment and harm to an employee's health on record.

The Group Management is not aware of any important potential Group liabilities as of 31 December 2023 apart from those mentioned in Sections 5.2 and 7.21.

### 8.2. Events after date of the financial statements

At its meeting on 15/01/2024, the Supervisory Board of Pražská plynárenská elected a new member of the Management Board, Ing. Martin Slabý.

The Prague City Council, in the capacity of the General Meeting of Pražská plynárenská, a.s., at its meeting on 26 February 2024, elected Mr Mgr. Jindřich Lechovský and Mr Ing. Lukáš Wagenknecht as members of the Supervisory Board of Pražská plynárenská, a.s., as of 3 March 2024.

### 8.3. Authorisation of the financial statements

The consolidated financial statements were authorised by the Company Board of Directors for publishing and issue on the date stated below. The consolidated financial statements authorised in this manner may be supplemented or amended upon request and approval of the sole shareholder at the General Assembly.

In Prague, on 18 April 2024



**Ing. Ludvík Baleka**  
Chairman of the Board of Directors



**Ing. Milan Cízl**  
Member of the Board of Directors



**We will be happy to help  
with whatever you do**

## VIII. INFORMATION ABOUT THE PEOPLE RESPONSIBLE FOR THE ANNUAL REPORT AND VERIFICATION OF THE FINANCIAL STATEMENTS

Ing. Ludvík Baleka, Chairman of the Board of the Directors of Pražská plynárenská, a.s.,

and

Ing. Milan Cízl, Member of the Board of the Directors of Pražská plynárenská, a.s.,

**declare that the data presented in this Annual Report corresponds to the facts and that no matters of substance that could affect a true and fair assessment of Pražská plynárenská, a.s. have been omitted.**

18 April 2024



Ing. Ludvík Baleka

Chairman of the Board of the Directors of Pražská plynárenská, a.s.

The Company's financial statements for 2023 were audited by Deloitte Audit s.r.o., registered office Italská 2581/67, 120 00, Prague 2 – Vinohrady, ID No.: 496 20 592, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, file 24349 and on the list of auditing companies at the Chamber of Auditors of the Czech Republic under Licence No. 079.

The Company's consolidated financial statements for 2023 were audited by Deloitte Audit s.r.o., registered office Italská 2581/67, 120 00, Prague 2 – Vinohrady, ID No.: 496 20 592, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, file 24349 and on the list of auditing companies at the Chamber of Auditors of the Czech Republic under Licence No. 079.

18 April 2024



Ing. Milan Cízl

Member of the Board of the Directors of Pražská plynárenská, a.s.,

## IX. REPORT ON RELATIONS BETWEEN THE CONTROLLING AND CONTROLLED ENTITY AND RELATIONS BETWEEN THE CONTROLLED ENTITY AND OTHER ENTITIES UNDER THE CONTROL OF THE SAME ENTITY (AFFILIATES) FOR 2023

**prepared by the Board of Directors of the company Pražská plynárenská, a.s., with its registered office at Prague 1 - Nové Město, Národní 37, Postal Code 110 00, ID No. 601 93 492, registered at the Municipal Court in Prague under file number B 2337 ("Pražská plynárenská, a.s., or "PP, a.s." or also the "Company").**

This report has been prepared by the Board of Directors of the controlled party pursuant to the provisions of Act No. 90/2012 Coll., Act on commercial companies and co-operatives, as amended (Act on Corporations), hereinafter referred to as the "Act on Corporations", for the year 2023 (the "Accounting Period"). The report was prepared by the Board of Directors pursuant to Section 82 of the cited Act, while taking into account the provisions of Section 504 of Act No. 89/2012 Coll., of the Civil Code, which defines trade secret regulations.

### Introduction

*The enclosed graphical representation of the shareholder structure of Pražská plynárenská, a.s. as at 31 December 2023 (See Annex 1) shows the basic relations of the related entities. The chart shows that the controlling person as at 31 December 2023 was the City of Prague with 100% of the share capital of the controlled person.*

*In the relevant period, the assets of the dissolving company Pražská plynárenská Holding a.s., with its registered office at U plynárny 500/44, Michle, 140 00 Praha 4, ID No. 264 42 272, were transferred to Pražská plynárenská, a.s., as the successor company, by merger pursuant to the merger project of 9 May 2023, with effect from 1 July 2023. The merger record date was determined to be 1 January 2023. The company Pražská plynárenská Holding a.s. was deleted from the Commercial Register with effect from 1 July 2023.*

*The Articles of Association of Pražská plynárenská, a.s. show that the election and dismissal of the members of the Supervisory Board is decided by the sole shareholder exercising the powers of the General Meeting (as of 31 December 2023*

The Report on Relations is an integral part of the Company's 2023 Annual Report.

*the Capital City of Prague), the election of the members of the Management Board is decided by the Supervisory Board of the Company.*

*The Board of Directors of Pražská plynárenská, a.s. in this report describes the relationship between:*

- *PP, a.s., and the Capital City of Prague, i.e. the controlled party and the party directly controlling the controlled party,*
- *related parties, i.e. Pražská plynárenská, a.s., and the Capital City of Prague, the party directly controlling the controlled party and its controlled parties.*

*The relations between the related parties, i.e. Pražská plynárenská, a.s. and its subsidiary companies, are described in the reports on the relations of the individual subsidiary companies.*

## 1. Structure of the control relations

### 1.1. Party controlling a directly controlled entity

The Capital City of Prague with its registered office at Mariánské nám. 2, 110 01 Prague 1.

In the time period from 1 January 2023 to 30 June 2023, the directly controlling person was Pražská plynárenská Holding a.s., with its registered office at U Plynárny 500/44, Michle, 140 00 Prague 4, ID No.: 264 42 272. Until 30 June 2023, the interest of the person directly controlling the controlled person amounted to 100% of the share capital of the controlled person.

### 1.2. Controlled entity

prepared by the Board of Directors of Pražská plynárenská, a.s., with its registered office at Národní 37, 110 00 Prague 1 – Nové Město, Company ID No.: 601 93 492 (“PP, a.s.” or the “controlled entity”).

### 1.3. Other entities controlled by the same controlling entity

The organisations and companies, in which the Capital City of Prague had a major share in 2023 and with whom PP, a.s., entered into a contractual relationship in 2023 are listed below in Section 2.

## 2. Description of the relations between the related parties

### 2.1. Controlling method and means

PP, a.s., was mainly controlled by its sole shareholder through representatives in the Supervisory Board, as well as through the exercise of voting rights at the General Assembly of PP, a.s.

### 2.2. Contracts concluded between related entities in force in 2023

#### 2.2.1. Contracts concluded between PP, a.s., and the Capital City of Prague or parties under its control

##### a) Contracts for gas and electricity supplies

Akademické gymnázium a Jazyková škola s právem státní jazykové zkoušky, školy hlavního města Prahy, ID No.: 708 72 503

Akademie řemesel Praha – Střední škola technická, ID No.: 148 91 522

AKROP, s. r. o., ID No.: 264 32 331

Botanická zahrada hl. m. Prahy, ID No.: 000 64 572

Centrum služeb pro rodinu a dítě a dětský domov Charlotty Masarykové, ID No.: 008 74 957

### 1.4. Related entities

These are Pražská plynárenská, a.s., the Capital City of Prague and other company organisations where the Capital City of Prague owned a major share in 2023 and which it controlled.

### 1.5. Role of PP, a.s., in the Group

PP, a.s. operates in the Pražská plynárenská, a.s. Group as the controlling business corporation. It exercises its influence through participation in the general meetings of its subsidiary companies, staffing of the boards of directors and supervisory boards of the subsidiaries and application of the Group's directives.

Centrum sociálních služeb Praha, ID No.: 708 78 277

Československá akademie obchodní Dr. Edvarda Beneše, střední odborná škola, a.s. ID No.: 006 38 463

Československá akademie obchodní, střední odborná škola, ID No.: 613 86 138

Dětské centrum Paprsek, ID No.: 708 75 413

Dětský domov a Školní jídelna, ID No.: 613 89 293

Dětský domov, ID No.: 000 67 563

Divadlo pod Palmovkou, ID No.: 000 64 301

Divadlo Spejbla a Hurvínka, ID No.: 000 64 360

Domov mládeže a školní jídelna, ID No.: 659 92 351

Domov mládeže a školní jídelna, ID No.: 638 32 208

Domov mládeže a školní jídelna, ID No.: 006 38 706

Domov pro osoby se zdravotním postižením Lochovice, ID No.: 708 79 567

Domov pro osoby se zdravotním postižením Sulická, ID No.: 708 73 046

Domov pro seniory Ďáblice, ID No.: 708 75 839

Domov pro seniory Dobřichovice, ID No.: 708 75 880

Domov pro seniory Elišky Purkyňové, ID No.: 708 75 316

Domov pro seniory Háje, ID No.: 708 75 111

Domov pro seniory Heřmanův Městec, ID No.: 708 76 258

Domov pro seniory Hortenzie, ID No.: 708 76 886

Domov pro seniory Chodov, ID No.: 708 76 606

Domov pro seniory Krč, ID No.: 708 74 212

Domov pro seniory Pyšely, ID No.: 708 71 256

Domov pro seniory Zahradní Město, ID No.: 708 78 030

Domov se zvláštním režimem Krásná Lípa, ID No.: 708 72 741

Domov se zvláštním režimem Terezín, ID No.: 708 75 308

Domov sociálních služeb Vlašská, ID No.: 708 78 277

Dopravní podnik hl. m. Prahy, a.s., ID No.: 000 05 886

Dům dětí a mládeže hlavního města Prahy, ID No.: 000 64 289

Dům dětí a mládeže Modřany, ID No.: 452 41 295

Dům dětí a mládeže Praha 10 - Dům UM, ID No.: 452 41 945

Dům dětí a mládeže Praha 2, ID No.: 452 45 924

Dům dětí a mládeže Praha 3 – Ulita, ID No.: 452 41 848

Dům dětí a mládeže Praha 4 - Hobby centrum 4, ID No.: 452 41 651

Dům dětí a mládeže Praha 5, ID No.: 452 42 941

Dům dětí a mládeže Praha 6, ID No.: 452 41 694

Dům dětí a mládeže Praha 6 – Suchdol, ID No.: 452 42 950

Dům dětí a mládeže Praha 7, ID No.: 452 42 879

Fakultní základní umělecká škola Hudební a taneční fakulty AMU v Praze, ID No.: 673 61 471

Galerie hlavního města Prahy, ID No.: 000 64 416

Gymnázium a Hudební škola hlavního města Prahy, základní umělecká škola, ID No.: 708 74 204

Gymnázium Elišky Krásnohorské, ID No.: 003 35 533

Gymnázium Christiana Dopplera, ID No.: 613 85 701

Gymnázium Jana Keplera, ID No.: 613 88 246

Gymnázium Jana Nerudy, škola hlavního města Prahy, ID No.: 708 72 767

Gymnázium Jaroslava Heyrovského, ID No.: 604 46 234

Gymnázium Karla Sladkovského, ID No.: 613 85 131

Gymnázium Na Pražačce, ID No.: 604 61 675

Gymnázium Opatov, ID No.: 493 66 629

Gymnázium prof. Jana Patočky,  
ID No.: 604 49 004

Gymnázium,  
ID No.: 631 09 026

Gymnázium,  
ID No.: 613 85 379

Gymnázium,  
ID No.: 613 85 361

Gymnázium,  
ID No.: 613 88 106

Gymnázium,  
ID No.: 003 35 479

Gymnázium,  
ID No.: 003 35 487

Gymnázium,  
ID No.: 613 85 298

Gymnázium,  
ID No.: 613 86 022

Gymnázium,  
ID No.: 496 25 446

Gymnázium,  
ID No.: 613 85 476

Gymnázium,  
ID No.: 613 87 509

Gymnázium,  
ID No.: 604 60 784

Gymnázium,  
ID No.: 604 45 475

Gymnázium,  
ID No.: 638 31 562

Gymnázium, Střední odborná škola, Základní škola a  
Mateřská škola pro sluchově postižené,  
ID No.: 613 88 149

The Capital City of Prague  
ID No.: 000 64 581

Hotelová škola a Gymnázium Radlická,  
ID No.: 604 46 242

Hřbitovy a pohřební služby hl. m. Prahy,  
contributory organisation,  
ID No.: 452 45 801

Hudební divadlo v Karlíně,  
ID No.: 000 64 335

Hvězdárna a planetárium hlavního města Prahy,  
ID No.: 000 64 441

Institut plánování a rozvoje hlavního města Prahy,  
ID No.: 708 83 858

Integrované centrum pro osoby se zdravotním  
postižením Horní Poustevna,  
ID No.: 708 72 686

Integrované centrum sociálních služeb Odlochovice,  
ID No.: 708 75 324

Jedličkův ústav a Mateřská škola a Základní škola a  
Střední škola,  
ID No.: 708 73 160

Karlínské gymnázium,  
ID No.: 613 89 064

Kolektory Praha, a.s.,  
ID No.: 267 14 124

Lesy hl.m. Prahy, ID No.: 452 47 650

Mateřská škola a Základní škola,  
ID No.: 708 48 572

Mateřská škola speciální Sluníčko,  
ID No.: 638 31 708

Mateřská škola speciální,  
ID No.: 604 46 633

Mateřská škola speciální,  
ID No.: 638 32 674

Městská divadla pražská,  
ID No.: 000 64 297

Městská knihovna v Praze,  
ID No.: 000 64 467

Městská nemocnice následné péče,  
ID No.: 452 45 843

Městská poliklinika Praha, ID No.: 001 28 601

Metropolitní zdravotnický servis,  
contributory organisation,  
ID No.: 082 97 517

Minor,  
ID No.: 000 64 351

Muzeum hlavního města Prahy,  
ID No.: 000 64 432

Národní kulturní památka Vyšehrad,  
ID No.: 004 19 745

Obecní dům, a.s.,  
ID No.: 272 51 918

Obchodní akademie Bubeneč,  
ID No.: 613 84 534

Obchodní akademie Dušní,  
ID No.: 708 37 872

Obchodní akademie,  
ID No.: 613 85 387

Obchodní akademie,  
ID No.: 613 86 774

Obchodní akademie,  
ID No.: 701 07 050

Odborné učiliště Vyšehrad,  
ID No.: 604 36 735

Palata – Domov pro zrakově postižené,  
ID No.: 708 72 783

Pražská strojírna, a. s.,  
ID No.: 601 93 298

Pedagogicko-psychologická poradna pro Prahu 11 a 12,  
ID No.: 481 35 054

Pedagogicko-psychologická poradna pro Prahu 3 a 10, ID  
No.: 604 61 926

Prague City Tourism a.s.,  
ID No.: 073 12 890

Pražská energetika, a. s.,  
ID No.: 601 93 913

Pražská konzervatoř,  
ID No.: 708 37 911

Pražská strojírna, a. s.,  
ID No.: 601 93 298

Pražské služby, a.s.,  
ID No.: 601 94 120

PREměření, a.s.,  
ID No.: 256 77 063

Smíchovská střední průmyslová škola a gymnázium, ID  
No.: 613 86 855

Správa služeb hlavního města Prahy,  
ID No.: 708 89 660

Středisko praktického vyučování,  
ID No.: 006 39 184

Střední odborná škola – Centrum odborné přípravy a  
Gymnázium,  
ID No.: 148 91 212

Střední odborná škola civilního letectví, ID No.: 006 39  
494

Střední odborná škola Jarov, ID No.: 003 00 268

Střední odborná škola pro administrativu Evropské unie,  
ID No.: 148 91 247

Střední odborná škola,  
ID No.: 452 48 001

Střední odborné učiliště gastronomie,  
ID No.: 411 90 726

Střední odborné učiliště kadeřnické,  
ID No.: 006 39 028

Střední odborné učiliště,  
ID No.: 006 38 846

Střední odborné učiliště,  
ID No.: 148 91 531

Střední průmyslová škola dopravní, a. s.,  
ID No.: 256 32 141

Střední průmyslová škola elektrotechnická,  
ID No.: 613 85 409

Střední průmyslová škola elektrotechnická,  
ID No.: 613 85 301

Střední průmyslová škola na Proseku,  
ID No.: 148 91 239

Střední průmyslová škola sdělovací techniky,  
ID No.: 613 88 866

Střední průmyslová škola stavební Josefa Gočára,  
ID No.: 496 24 059

Střední průmyslová škola strojnická,  
škola hlavního města Prahy,  
ID No.: 708 72 589

Střední škola a Mateřská škola Aloyse Klara,  
ID No.: 006 38 625

Střední škola a vyšší odborná škola umělecká a řemeslná,  
ID No.: 148 91 263

Střední škola automobilní a informatiky,  
ID No.: 004 97 070

Střední škola designu a umění, knižní kultury a ekonomiky,  
ID No.: 613 88 262

Střední škola dostihového sportu a jezdeckví,  
ID No.: 000 69 621

Střední škola obchodní,  
ID No.: 005 49 185

Střední škola podnikání a gastronomie,  
ID No.: 496 29 077

Střední škola, Základní škola a Mateřská škola pro sluchově postižené,  
ID No.: 481 34 058

Střední škola, Základní škola a Mateřská škola,  
ID No.: 708 35 578

Symfonický orchestr hlavního města Prahy FOK,  
ID No.: 000 64 475

Školní jídelna, Praha 5 – Smíchov,  
ID No.: 708 42 132

Švandovo divadlo na Smíchově,  
ID No.: 000 64 327

Technologie hlavního města Prahy, a.s.,  
ID No.: 256 72 541

Teplo pro Prahu a.s.,  
ID No.: 171 38 558

TRADE CENTRE PRAHA a.s.,  
ID No.: 004 09 316

Taneční konzervatoř hlavního města Prahy,  
ID No.: 708 37 775

Výstaviště Praha, a.s.,  
ID No.: 256 49 329

Vyšší odborná škola a Střední průmyslová škola dopravní,  
ID No.: 708 37 899

Vyšší odborná škola a Střední průmyslová škola elektrotechnická Františka Křižíka,  
ID No.: 708 37 881

Vyšší odborná škola a Střední umělecká škola Václava Hollara,  
ID No.: 613 86 871

Vyšší odborná škola ekonomických studií, Gymnázium, Střední průmyslová škola potravinářských technologií a Střední odborná škola přírodovědná a veterinární,  
ID No.: 613 85 930

Vyšší odborná škola grafická a Střední průmyslová škola grafická,  
ID No.: 708 37 783

Vyšší odborná škola informačních studií a Střední škola elektrotechniky, multimédií a informatiky,  
ID No.: 148 91 409

Vyšší odborná škola pedagogická a sociální, Střední odborná škola pedagogická a Gymnázium,  
ID No.: 613 88 068

Vyšší odborná škola stavební a Střední průmyslová škola stavební,  
ID No.: 613 88 726

Vyšší odborná škola uměleckoprůmyslová a Střední uměleckoprůmyslová škola,  
ID No.: 613 88 025

Vyšší odborná škola zdravotnická a Střední zdravotnická škola,  
ID No.: 006 38 749

Vyšší odborná škola zdravotnická a Střední zdravotnická škola,  
ID No.: 006 38 722

Základní škola a Mateřská škola,  
ID No.: 701 02 431

Základní škola a Střední škola Karla Herforta,  
ID No.: 604 36 107

Základní škola a střední škola waldorfská,  
ID No.: 70922,306

Základní škola a Střední škola,  
ID No.: 613 85 450

Základní škola logopedická a Mateřská škola logopedická,  
ID No.: 613 85 425

Základní škola pro žáky s poruchami zraku,  
ID No.: 481 33 035

Základní škola pro žáky se specifickými poruchami chování,  
ID No.: 677 74 172

Základní škola speciální a Praktická škola,  
ID No.: 684 07 157

Základní škola speciální,  
ID No.: 654 01 646

Základní škola Tolerance,  
ID No.: 708 31 025

Základní škola Vokovice,  
ID No.: 604 61 969

Základní škola,  
ID No.: 708 45 964

Základní umělecká škola Charlotty Masarykové,  
ID No.: 604 46 889

Základní umělecká škola Klementa Slavického,  
ID No.: 673 60 572

Základní umělecká škola Popelka,  
ID No.: 613 85 093

Základní umělecká škola Pštrossova,  
ID No.: 708 32 897

Základní umělecká škola Vadima Petrova,  
ID No.: 452 45 118

Základní umělecká škola,  
ID No.: 604 60 041

Základní umělecká škola,  
ID No.: 700 98 506

Základní umělecká škola,  
ID No.: 613 85 433

Základní umělecká škola,  
ID No.: 613 87 894

Základní umělecká škola,  
ID No.: 481 35 143

Základní umělecká škola,  
ID No.: 684 07 289

Základní umělecká škola,  
ID No.: 452 42 593

Základní umělecká škola,  
ID No.: 613 87 452

Zdravotnická záchranná služba hl. m. Prahy,  
ID No.: 006 38 927

Zoologická zahrada hl. m. Prahy,  
ID No.: 000 64 459

Želivská provozní, a. s., K Horkám 16/23, Praha 10,  
ID No.: 291 31 804

## b) Other agreements

Divadlo v Dlouhé,  
ID No.: 000 64 343 – Cooperation agreement

Divadlo na zábradlí,  
ID No.: 000 64 394 – Cooperation agreement

Divadlo pod Palmovkou,  
ID No.: 000 64 301 – Cooperation agreement

Domov pro seniory Krč,  
ID No.: 708 74 212 – Agreement on sale of compressed natural gas (CNG) and use of the non-transferable customer cards

Dopravní podnik hl. m. Prahy, a.s.,  
ID No.: 000 05 886 – Contract for the establishment of an easement, purchase contract for the sale of land

Dům dětí a mládeže hlavního města Prahy,  
ID No.: 000 64 289 – Contract for the promotion of the family day

Gymnázium, Botičská 1,  
ID No.: 613 881 06 – Land lease contract

The Capital City of Prague  
ID No.: 000 64 581 – Lease agreement for non-residential premises, lease agreement for business premises, cooperation agreement (concerning the reconstruction of the Adria Palace)

Kolektory Praha, a.s.,  
ID No.: 267 14 124 – Agreement on sale of compressed natural gas (CNG) and use of the non-transferable customer cards

Městská poliklinika Praha, ID No.: 001 28 601 – Agreement on sale of compressed natural gas (CNG) and use of the non-transferable customer cards

Lesy hl. m. Prahy,  
ID No.: 452 47 650 – Contract for promotion

Městská knihovna v Praze,  
ID No.: 000 64 467 – Contract for promotion, contract for loan of real estate, contract for lease of non-residential premises

Minor,  
ID No.: 000 643 51 – Cooperation agreement

Obecní dům, a.s.,  
ID No.: 272 51 918 – Contract for promotion on the premises of the Municipal House, framework contract for the sale and purchase of compressed natural gas

Palata – Domov pro zrakově postižené,  
ID No.: 70874212 – Agreement on sale of compressed natural gas (CNG) and use of the non-transferable customer cards

Pražská energetika, a.s.,  
ID No.: 601 93 913 – EFET contract (purchase / sale of natural gas), non-residential space lease contracts, contract on the sublease of non-residential spaces,

PREdistribuce, a.s.,  
ID No.: 27376516 – Connection agreement

Pražská strojírna, a.s.,  
ID No.: 601 93 298 – Contract for professional practice of a pupil at the workplace of another organisation

Pražské služby, a.s.,  
ID No.: 601 94 120 – Work contract for waste collection and disposal, contract for the sale and purchase of compressed natural gas and the use of a non-transferable customer card

Symfonický orchestr hlavního města Prahy FOK,  
ID No.: 000 64 475 – Cooperation agreement

Švandovo divadlo na Smíchově,  
ID No.: 000 64 327 – cooperation agreement

Technická správa komunikací hl. m. Prahy, a.s.,  
ID No.: 034 47 286 – agreement on the establishment of an easement

Technologie hlavního města Prahy,  
ID No.: 256 72 541 – EFET framework contract

TRADE CENTRE PRAHA,  
ID No.: 004 09 316 – Contract for lease of non-residential premises, contract for reconstruction of ADRIA counters, contract for communication services, lease of parking space.

Zoologická zahrada hl. m. Prahy,  
ID No.: 000 64 459 – Agreement on sale of compressed natural gas and use of the non-transferable customer card

### 2.2.2. Contracts signed between PP, a.s., and PPH a.s. (before 30/ 6/ 2023)

Contracts between PP, a.s. and PPH a.s.

- Agreement on provision of services,
- Agreement on lease of movable assets,
- Agreement on lease of business premises,
- Contract for the provision of cleaning works and services,
- Agreement on cash-pooling within the Pražská plynárenská, a.s. Group
- Agreement in connection with a contract of guarantee,
- Ancillary arrangements to the operating loan agreement for up to CZK 4 billion. CZK.

### 2.2.3. Overview of the conduct of the controlled party in favour of or upon request of the related parties

In the Accounting Period no decision was made by the sole shareholder exercising the powers of the general meeting of Pražská plynárenská, a.s., regarding conduct that would affect the assets of Pražská plynárenská, a.s., whose value would exceed 10% of the equity of Pražská plynárenská, a.s., according to the last financial statements, i.e. whose value would exceed the amount of CZK 366,497 thousand according to the financial statement dated 31 December 2022.

### 2.3. Other legal acts

The Capital City of Prague 000 64 581 – Memorandum defining cooperation and mutual support for youth focusing on the preparation of young adults to study for vocational positions (vocational certificate) in the Capital City of Prague.

Pražská energetika, a.s., ID No.: 601 93 913 – DPI Advance Memorandum.

Pražské služby, a.s., ID No.: 601 94 120 – Memorandum of mutual cooperation.

Pražská vodohospodářská společnost, a.s., ID No.: 256 56 112 - memorandum on mutual cooperation in the field of mobility, reduction of emission and effective cost reduction.

Pražské vodovody a kanalizace, a.s., ID No.: 256 56 635 - memorandum on mutual cooperation in the field of mobility, reduction of emission and effective cost reduction.

Technická správa komunikací hl. m. Prahy, ID No.: 034 47 286 – Memorandum of mutual cooperation.

Výstaviště Praha, ID No.: 256 49 320 – Promotion of the event Family Day of Prague 7.

The controlled party does not suffer any detriment from this relationship.

### 2.4. Assessment of detriment suffered by the controlled entity

PP, a.s. did not suffer any detriment from control by the controlling party.

In Prague, on 21 March 2024



Ing. Ludvík Baleka

Chairman of the Board of the Directors of Pražská plynárenská, a.s.

### 2.5. Assessment of the statutory body

The statutory body assessed the advantages and disadvantages arising from the relations between persons referred to in chapter 1 and stated that benefits prevailed and that there were no risks arising from these relationships for the controlled entity.

As of 31 December 2023, the sole shareholder of the company, the Capital City of Prague, was the sole controlling person of Pražská plynárenská, a.s., and it was the Capital City of Prague, which controlled the company directly.

Pražská plynárenská, a.s. is a member of the Group, which includes subjects engaged mainly in activities related to energy trade and distribution and heating industry. Pražská plynárenská, a.s., as the controlling entity, is committed to reducing costs across the Group through the centralised provision of services.

### 2.6. Other facts

#### 2.6.1. Members of PP, a.s. bodies

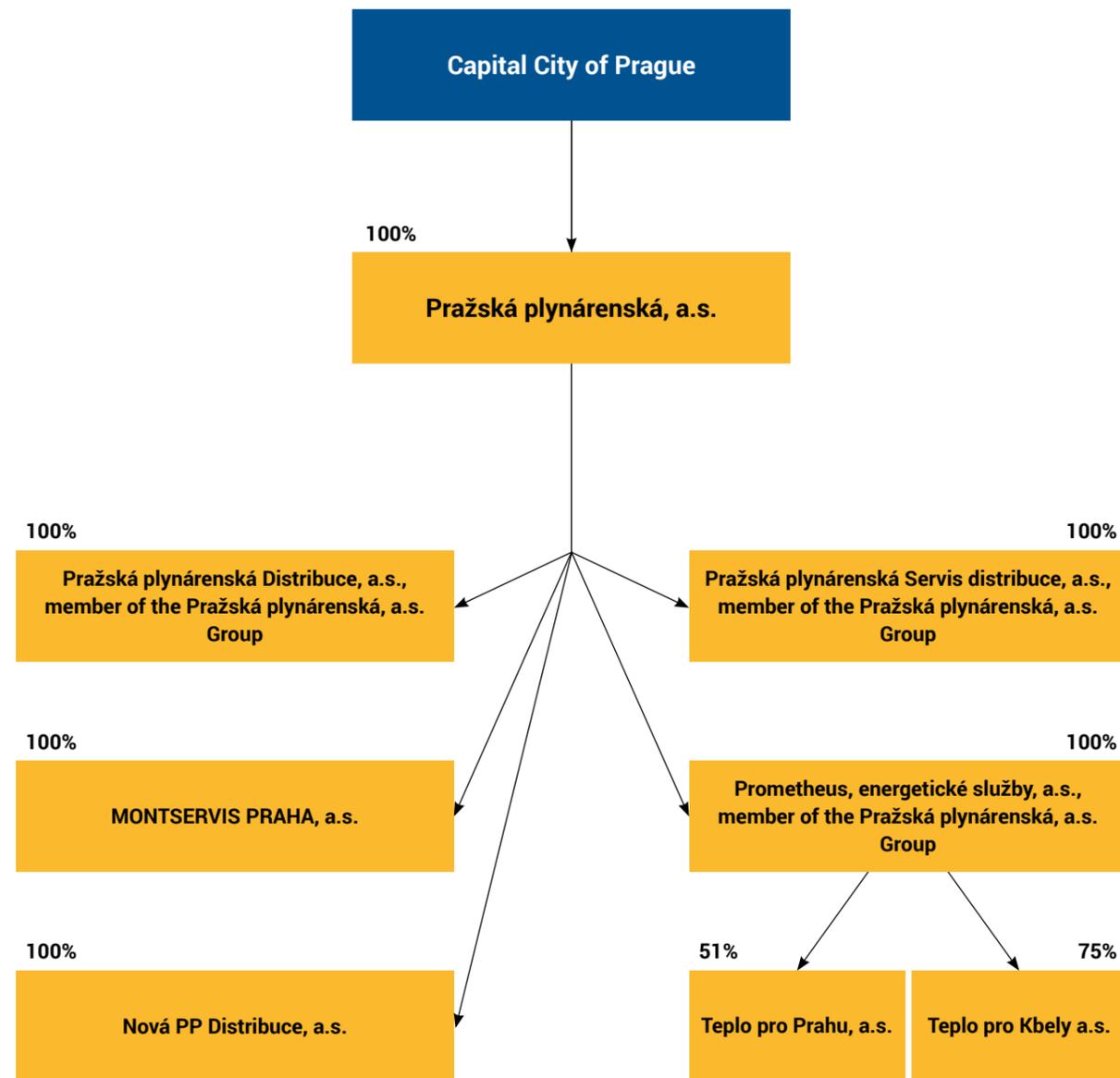
The Board of Directors of Pražská plynárenská, a.s., is not aware that any member of the Company bodies influenced the decisions of the Board of Directors or the Supervisory Board in favour of the controlling party or the party controlled by the same controlling party.



Ing. Milan Cízl

Member of the Board of the Directors of Pražská plynárenská, a.s.,

# ANNEX 1 GRAPH SHOWING RELATIONSHIPS AS AT 31 DECEMBER 2023



# X. ANNUAL REPORT ON THE PROVISION OF INFORMATION PURSUANT TO ACT NO. 106/1999 COLL., ON FREE ACCESS TO INFORMATION FOR 2023

**ANNUAL REPORT**  
on the provision of information in line with Act No.  
**106/1999 Coll.,**  
on free access to information for 2023

Within the meaning of Section 18 of the Act No. 106/1999 Coll., defining free access to information, as amended (hereinafter the "Act" only), Pražská plynárenská, a.s. publishes this annual report which defines its activities relating to information sharing during 2023:

**a) Number of applications for information submitted and number of decisions to refuse requests:**

A total of 8 applications were submitted  
A total of 8 refusal/partial refusal decisions were issued.

**b) Number of appeals submitted against issued the decision:**

Three appeals were submitted against the issue a decision.

**c) A copy of the essential parts of each court judgement on the review of the lawfulness of the decision of the obliged entity to refuse a request for information and a summary of all expenses incurred by the obliged entity in connection with legal proceedings concerning rights and obligations under this Act, including the costs of its own staff and the costs of legal representation:**

No decision was issued concerning the review of the legality of the decision of the obliged entity.

**d) List of exclusive licences granted, including justification for the issuance of an exclusive license:**

No exclusive licence was granted.

**e) Number of complaints submitted in line with Section 16a, reasons for the complaint filing and brief description of complaint settlement procedures:**

No complaint under §16a has been filed.

**f) Other information related to the application of this Act:**

Information concerning the possibility to exercise the right to receive information under the Act is available to applicants at ppas.cz website and also at the company filing office at Národní 37/38, 110 00 Prague 1.

27 February 2024  
Ing. Ludvík Baleka  
Chairman of the Board of the  
Directors of Pražská plynárenská, a.s.

27 February 2024  
Ing. Milan Cizl  
Member of the Board of the  
Directors of Pražská  
plynárenská, a.s.

## XI. ABBREVIATIONS

### a.s. joint-stock company

<b>OSH</b>	Occupational Safety and Health
<b>CNG</b>	Compressed Natural Gas
<b>CZK</b>	Czech crown
<b>č. ú.</b>	Account number
<b>CNB</b>	Czech National Bank
<b>ČR</b>	Czech Republic
<b>ČSOB, a.s.</b>	Československá obchodní banka, a.s.
<b>DIČO</b>	Tax Identification Number (VAT No.)
<b>DOM</b>	household customer – natural person using gas for personal needs connected with housing or for personal needs of members of the natural person's household
<b>VAT</b>	Value Added Tax
<b>DPI</b>	Last Resort Supplier
<b>EMS</b>	Environmental Management System
<b>ERÚ</b>	Energy Regulatory Office
<b>EU</b>	European Union
<b>EUR</b>	Euro – common currency of the European Union
<b>EVVO</b>	Environmental education, training, and awareness
<b>FVE</b>	Photovoltaic power plant
<b>GmbH</b>	Gesellschaft mit beschränkter Haftung (German abbreviation for a limited liability company)
<b>ICT</b>	Information and communication technology
<b>IČO</b>	Company ID Number

<b>IFRS</b>	International Financial Reporting Standards
<b>ISIN</b>	Identification number under which a share was recorded at the Centrální depozitář cenných papírů, a.s. (Securities Centre / Central Depository of Securities)
<b>CZK</b>	Czech crown
<b>kg</b>	kilogramme
<b>ks</b>	item
<b>m<sup>3</sup></b>	cubic metre
<b>MČ</b>	City district
<b>mil. million</b>	
<b>mld.</b>	billion
<b>MO</b>	small customer – end (low-volume) customer who is not a large, medium-sized or household customer
<b>MONT, a.s.</b>	MONTSERVIS PRAHA, a.s.
<b>MOO</b>	Electricity retail customer population
<b>MOP</b>	Electricity retail business population
<b>MWh</b>	Megawatt hour
<b>NEZ</b>	New Energy Act
<b>NPPD, a.s.</b>	Nová PP Distribuce, a.s.
<b>OSVČ</b>	Self-employed person
<b>OTE</b>	Market operator
<b>PCR</b>	Polymerase chain reaction
<b>FP</b>	Fire Protection
<b>PP, a.s.</b>	Pražská plynárenská, a.s.
<b>PPD, a.s.</b>	Pražská plynárenská Distribuce, a.s., member of the Pražská plynárenská, a.s. Group

<b>PPH a.s.</b>	Pražská plynárenská Holding a.s.
<b>PPSD, a.s.</b>	Pražská plynárenská Servis distribuce, a.s., member of the Pražská plynárenská, a.s. Group
<b>PR</b>	Public Relations
<b>Prometheus, a.s.</b>	Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group
<b>PSC</b>	Postcode
<b>s. p.</b>	State enterprise
<b>s. r. o.</b>	Limited liability company
<b>Coll.</b>	Collection of the laws of the Czech Republic
<b>SO</b>	Medium-sized customer – natural person or legal entity whose offtake gas facility is connected to the transport or distribution system and whose annual consumption at the offtake point is at least 630 MWh but does not exceed 4,200 MWh
<b>Tel.</b>	Telephone number
<b>Thous. thousand (in thousands)</b>	
<b>TpK, a.s.</b>	Teplo pro Kbely a.s.

<b>TpP, a.s.</b>	Teplo pro Prahu, a.s.
<b>TV</b>	Television
<b>VH</b>	Net profit/loss
<b>VO</b>	Large customer – natural person or legal entity whose offtake gas facility is connected to the transport or distribution system and whose annual consumption at the offtake point exceeds 4,200 MWh
<b>ZHMP</b>	Prague City Assembly

**We will be happy  
to help with  
whatever you do**

## XII. AUDITOR'S REPORT

**Deloitte.**

Deloitte Audit s.r.o.  
Churchill I  
Italská 2581/67  
120 00 Prague 2 - Vinohrady  
Czech Republic

Tel: +420 246 042 500  
DeloitteCZ@deloitteCE.com  
www.deloitte.cz

registered by the Municipal Court  
in Prague, Section C, insert 24349  
Company ID: 49620592  
VAT No. CZ49620592

### INDEPENDENT AUDITOR'S REPORT

For shareholders of  
Pražská plynárenská, a.s.

Registered office: Národní 37, 110 00 Prague 1 - Nové Město

#### Auditor's opinion

We have audited the accompanying separate financial statements of Pražská plynárenská, a.s. (the "Company") prepared in accordance with IFRS accounting standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, which include significant (material) disclosures about the accounting policies used.

We have also audited the accompanying consolidated financial statements of Pražská plynárenská, a.s. and its subsidiaries (the "Group"), prepared in accordance with IFRS as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements that include significant (material) disclosures about accounting policies used.

In our opinion:

- the attached financial statements give a true and fair view of the financial position of Pražská plynárenská, a.s. as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as adopted by the European Union.
- the attached consolidated financial statements give a true and fair view of the consolidated financial position of the Pražská plynárenská Group as at 31 December 2023 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS accounting standards as adopted by the European Union.

#### Basis for the statement

We conducted the audit in accordance with the Act on Auditors and the standards of the Chamber of Auditors of the Czech Republic for auditing, which are the International Standards on Auditing (ISA), possibly supplemented and modified by related application clauses. Our responsibility as stipulated by these regulations is outlined in detail in the section on the Auditor's responsibility for the audit of the financial statements. In accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, we are independent of the company and have fulfilled other ethical obligations arising from these regulations. We assume that the evidence that we obtained provides a sufficient and appropriate basis for us to make our statement.

Our opinion on the financial statements does not apply to the other information. Nevertheless, as part of our responsibilities related to verification of the financial statements, we have to check the miscellaneous information and assess whether the miscellaneous information is not significantly (materially) inconsistent with the financial statement or our knowledge of the accounting entity, obtained while verifying the financial statements, or whether the information does not prove to be significantly (materially) incorrect. We also assess whether other information was prepared in all significant (material) aspects according to the applicable legal regulations. This assessment means whether the other information fulfils the requirements of the legal regulations for formal essentials and procedures for processing of other information in the context of significance (materiality), i.e. whether any non-observance of the given requirements could influence the judgement made on the basis of other information.

On the basis of the procedures performed, up to a degree we can assess, we state that:

- The other information describing the facts that are also presented in the separate and consolidated financial statements is, in all material respects, consistent with the separate and consolidated financial statements.
- The other information was processed in compliance with the legal regulations.

We are also required to state whether based on findings and awareness about the Company and the Group, which we arrived at while conducting the audit, the other information does not contain any significant (material) inaccuracies. As part of the procedures described, we did not discover any significant (material) inaccuracies in other information obtained.

#### Responsibility of the Company's Board of Directors and Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation of separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Communities and for such internal control as it determines is necessary to enable the preparation of separate and consolidated financial statements that are free from significant (material) inaccuracy, whether due to fraud or error.

In preparing the separate and consolidated financial statements, the Board of Directors is required to assess the going concern status of the Company and the Group and, if applicable, to describe in the notes to the separate and consolidated financial statements matters relating to the going concern and the application of the going concern assumption in the preparation of the separate and consolidated financial statements, except where the Board of Directors plans to dissolve the Company or the Group or to wind up the Company, or the Group or has no realistic alternative but to do so.

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

#### Responsibility of the auditor for an audit of the financial statements

Our objective is to obtain reasonable assurance about whether the separate and consolidated financial statements taken as a whole are free from significant (material) inaccuracies, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The adequate certainty is a large rate of certainty; however, it is not a guarantee that the audit carried out in compliance with the regulations given above will reveal in all cases a possible significant (material) inaccuracy in the separate and consolidated financial statement. Inaccuracies might occur due to fraud or mistake and are considered significant (material) if it is possible to realistically presume that they would affect individually, or in total, the economic decisions which the users of the separate and consolidated financial statement will accept on its basis.

During the audit in accordance with the above-stated regulations, it is our obligation to apply professional judgement and maintain professional scepticism during the entire audit. It is also our obligation:

- To identify and assess the risks of the significant (material) inaccuracy of the separate and consolidated financial statements caused by fraud or mistake, propose and perform auditing procedures reacting to these risks and to obtain sufficient and suitable probative information we are able to use for the opinion. A risk that we do not reveal a significant (material) inaccuracy resulting from a fraud is bigger than a risk of not revealing significant (material) inaccuracies resulting from an error, because a fraud may be connected with secret agreements, falsification, wilful default, untrue statements or avoidance of internal inspections.
- To become familiar with the internal control systems of the Company or the Group relevant for the audit to the extent that will enable us to propose auditing approaches that are suitable in view of the particular circumstances and so that we can express our opinion regarding the effectiveness of the internal control system.

- To assess the appropriateness of the accounting policies used, the reasonableness of the accounting estimates made and the information provided by the Board of Directors in this regard in the notes to the separate and consolidated financial statements.
- To assess the appropriateness of the use of the going concern basis of accounting in the preparation of the separate and consolidated financial statements by the Board of Directors and whether, in the light of the evidence gathered, a significant (material) uncertainty exists as a result of events or conditions that may cast significant doubt about the Company's or Group's ability to continue as a going concern. If we conclude that such significant (material) uncertainty exists, it is our responsibility to draw attention in our report to the information presented in the notes to the separate and consolidated financial statements and, if that information is not sufficient, to express a modified opinion. Our findings regarding the Company's or Group's ability to continue in its activities are based on the evidence that we have received by the date of our report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- To evaluate the overall presentation, disaggregation and content of the separate and consolidated financial statements, including the notes, and whether the separate and consolidated financial statements present the underlying transactions and events in a manner that results in a fair presentation.
- To obtain sufficient and appropriate evidence about the financial information of the entities included in the Group and its business activities to provide a basis for expressing an opinion on the consolidated financial statements. We are responsible for the management of the Group audit, its supervision and its performance. The auditor's opinion on the consolidated financial statements is our sole responsibility.

It is our duty to inform the Board of Directors and the Supervisory Board, among others, about the planned scope and time of the audit, and about significant findings that we collected while carrying out the audit, including any significant faults discovered in the internal control systems.

In Prague, on 18 April 2024

Statutory auditor:  
Václav Loubek registration number 2037



Auditing company:  
Deloitte Audit s.r.o. registration number 079





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