

ANNUAL REPORT

2022

Pražská plynárenská, a.s.



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 2023

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**ENERGY
TO MAKE
LIFE EASIER**



Foreword from the Chairman of the Board of Directors

Dear friends,

it will probably not come as a big surprise to anyone if I take the liberty of stating that 2022 was definitely not an easy year, not only for Pražská plynárenská, a.s., but for the entire company. We had to cope with many influences, which brought difficult and often unexpected situations. Virtually the entire year was marked by significant volatility in energy markets, caused by a combination of several global factors, leading to an unprecedented rise in energy commodity prices that affected all energy suppliers and, consequently, their customers.

I am very pleased that in these difficult times, thanks to a responsible energy purchasing strategy and a diversified portfolio of proven and stable partners on the wholesale market, we have always managed to ensure sufficient energy for all our customers and to fill the gas storage tanks to the necessary level before the winter season. In this context, it is necessary to express our appreciation of the attitude of our shareholder, which is the capital city of Prague, on which we have always been able to reliably rely in complex and turbulent times and which has never refused to lend us a helping hand. Of course, recognition also goes to our employees, because they are the heart of Pražská plynárenská, a.s., and they were able to face the challenges and situations and successfully solve them on the fly so to speak and with full commitment as well.

In the same breath, however, it must also be said that we are definitely not at the finish line yet. Unfortunately, developments show that the coming year will not be easy



in many respects either, and the challenges and trials we will face may be even greater and more intense than in the previous year. Nevertheless, we are entering 2023 with an ambitious plan for further development and we firmly believe that we will succeed in fulfilling it and that our customers will continue to perceive Pražská plynárenská, a.s. as a reliable energy supplier on which they can fully depend at any time.

Today's times are complex, uncertain and ever-changing. However, as long as our vision, our ability to set clear goals, to meet them and to invest our passion, effort and ideas do not change, then I believe that we will successfully manage everything that time puts in front of us. All of us at Pražská plynárenská, a.s., will do our best for this.

Ing. Martin Pacovský, MBA
Chairman of Board of Directors

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 2022 was CZK 24.565/EUR 1, and this value is used to convert all data in the tables (also for the preceding years).

Company Profile

Pražská plynárenská, a.s., ranks among the most important domestic energy suppliers and provides energy to more than 445 thousand consumption points. The Company's history is inextricably linked to Prague, where the roots of the gas industry can be traced back to 1847. Today, the Company reliably delivers energy and provides services to its customers throughout the Czech Republic. 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 Pražská plynárenská, a.s. is currently a modern and prosperous supplier of energy able to respond flexibly and quickly to the changing requirements and needs of its customers.




The scope and range of the Company's business is significantly expanding. 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 specializes in the construction and operation of energy facilities, renewable energy sources and the supply of smart energy solutions. Decarbonisation is an important part of our corporate strategy.

Pražská plynárenská, a.s. considers it a priority to ensure energy security and comfortable customer service, where the gradual application of digitalization allows to optimize service costs, prepare new products and effectively offer comprehensive service packages for customers. Pražská plynárenská, a.s. bases its competitiveness on the background of a stable and strong company owned by the City of Prague.

Importance of the Company and its contributions to the region

Within the framework of its business activities, Pražská plynárenská, a.s. 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, a.s. 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, a.s., 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 (2018-2022)

		2018	2019	2020	2021	2022	
Revenues	in thousands of CZK	12,491,073	14,789,061	15,124,716	17,769,778	33,780,126	
	in thousands of EUR	508,491	602,038	615,702	723,378	1,375,132	
Profit before tax	in thousands of CZK	795,576	832,856	1,049,013	555,964	709,527	
	in thousands of EUR	32,387	33,904	42,704	22,632	28,884	
Profit after tax	in thousands of CZK	633,955	720,978	908,484	521,818	639,835	
	in thousands of EUR	25,807	29,350	36,983	21,242	26,047	
Equity	in thousands of CZK	2,511,555	2,607,027	2,994,426	2,949,935	3,664,972	
	in thousands of EUR	102,241	106,128	121,898	120,087	149,195	
Registered capital	in thousands of CZK ¹	431,972	431,972	431,972	431,972	431,972	
	in thousands of EUR	17,585	17,585	17,585	17,585	17,585	
Natural gas	Sales²	in thousands of MWh	12,765.6	13,138.5	12,242.2	14,088.5	14,089.2
		in million m ³	1,197.7	1,232.9	1,145.6	1,320.3	1,295.4
	Number of consumption points as of 31/ 12/		369,190	361,535	361,453	388,052	369,972
Electric power	Sales	in thousands of MWh	610.8	1,287.9	1,633.1	1,824.5	1,912.5
	Number of consumption points as of 31 December		43,912	52,835	64,134	76,292	75,279

¹ Registered capital entered in the Commercial Register.

² The natural gas volume measured in m³ 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 2022

Type	Common stock	Common stock	Common stock
Form	Bearer shares	Registered shares	Registered shares
Semblance	Book-registered	Book-registered	Book-registered
Number of pieces	950,338 pieces	489,568 pieces	1 piece
Nominal value	CZK 300	CZK 300	CZK 300
Total emission volume	CZK 285,101,400	CZK 146,870,400	CZK 300
ISIN	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 2022

For the entirety of 2022, Pražská plynárenská, a.s., was controlled directly by Pražská plynárenská Holding a.s. ("PPH a.s."), registered office U Plynárny 500/44, Michle, 140 00 Prague 4, Company ID: 264 42 272 and indirectly by the Capital City of Prague, registered office Mariánské náměstí 2, 110 01 Prague 1.

Capital Interests

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

- Pražská plynárenská Distribuce, a.s., member of the Pražská plynárenská, 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
- 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

On 1 June 2022, a subsidiary of Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, purchased 100% of the shares in 4-Energetická, a.s. from the Municipal District of Prague 4. Subsequently, as of 1 November 2022, 4-Energetická, a.s. was merged with Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, with Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, becoming the successor company.

On 1 July 2022, the two subsidiaries Pražská plynárenská Správa majetku, a.s., a member of the Pražská plynárenská, a.s. Group, and Informační služby - energetika, a.s. were dissolved by merger, with Pražská plynárenská, a.s. becoming the successor company.

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 2022.

Information about the Company Bodies and Management

Board of Directors

As of 31 December 2022 the structure of the Board of Directors was as follows:

Ing. Martin Pacovský, MBA,
Chairman of Board of Directors,
Ing. Milan Cízl, Member of the Board of Directors,
Ing. Vladimír Vavřich, MBA,
Member of the Board of Directors
Ing. Petr Kovařík, MBA,
Member of the Board of Directors.

The Board of Directors of PP, a.s., pursuant to Section 156(2) Civil Code has the following distribution of powers to its members:

- Ing. Martin Pacovský, MBA,
in charge of the Management Department
of the Company,
- Ing. Milan Cízl
in charge of Finance and Administration,
- Ing. Vladimír Vavřich, MBA,
is the Head of Sales,
- Ing. Petr Kovařík, MBA,
in charge of the Strategy Department,

Supervisory Board

Following the end of the term of office on 10 January 2022 of the Supervisory Board members Ing. Petra Zemanová and Mgr. Miroslav Vránek, the sole shareholder of the Company, at the General Meeting held on 7 January 2022, elected, with effect from 11 January 2022, Mgr. Alice Klementová and Mgr. Miroslav Vránek as members of the Supervisory Board.

As of 31 December 2022 the structure of the Supervisory Board was as follows:

JUDr Martin Šenkýř, Chairman of the Supervisory Board,
Ivo Kramoliš, MSc., MBA,
Vice-Chairman of the Supervisory Board,
Ing. Tomáš Hřebík, Ph.D.,
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. Jiří Pelák, Ph.D., 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 2022 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.

Review of the Company's activities

Pražská plynárenská, a.s.

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Energy Industry in 2022

After the upheavals of 2021, caused by the COVID-19 pandemic, the increase in global energy demand and the major closure of energy companies in the Czech market due to the market situation, the conflict in Ukraine, along with other factors, triggered a series of revolutionary changes in the European energy sector in 2022.

Among other things, it revealed the fragility of Europe's natural gas supply system due to the low diversification of sources. Europe has had to replace Russian gas at short notice during the year, mainly through liquefied natural gas (LNG) transported by tankers, with the increase in these supplies hampered by limited infrastructure at the pumping terminals. This was eventually achieved, although natural gas prices, especially in the summer, reached astronomical heights on the Leipzig Energy Exchange, taking electricity prices with them.

This dire situation has led European politicians to regulate the market, in particular by capping prices. However, despite this step, the consumer public has to get used to the new

price normal, in which energy prices are significantly higher than what they were used to in the past.

In view of these developments, the question of energy efficiency has arisen and many households, companies and institutions have been forced to take various measures and make more drastic changes in this area. The events in the energy sector received considerable media coverage and have become one of the most important topics not only in the country's political representation, but also within the EU. There was a vigorous debate at European level on ensuring a stable and secure supply while taking environmental considerations into account.

Energy legislation has also faced a major challenge in the past year. The amendments to the Energy Act were made mainly in response to the current energy situation, when it was necessary to urgently adopt measures aimed at strengthening the energy security and self-sufficiency of the Czech Republic and mitigating the impact of the persistent enormous increase in gas and electricity prices.

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	24.0	1.0
Investment expenditures in intangible fixed assets	24.6	1.0
Total	48.6	2.0

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 2022, 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 2022	Actual situation 2021	Comparison of facts 22/21
Total operating revenues	33,115.6	17,587.3	15,528.3
- of which: natural gas sales*	22,845.9	11,648.6	11,197.3
- of which: electricity sales*	9,121.4	5,082.2	4,039.2
Financial revenues	664.6	182.5	482.1
Total revenues	33,780.2	17,769.8	16,010.4

Revenues (in millions of EUR)	Actual situation 2022	Actual situation 2021	Comparison of facts 22/21
Total operating revenues	1,348.1	716.0	632.1
- of which: natural gas sales*	930.0	474.2	455.8
- of which: electricity sales*	371.3	206.9	164.4
Financial revenues	27.1	7.4	19.7
Total revenues	1,375.2	723.4	651.8

*Licensed activity

Costs

Costs* (in millions of CZK)	Actual situation 2022	Actual situation 2021	Comparison of facts 22/21
Operating costs in total	32,763.3	17,137.2	15,626.1
- of which: consumed gas costs**	18,814.1	7,518.3	11,295.8
- of which: electric power purchase costs**	6,288.4	3,002.7	3,285.7
Financial costs	307.3	76.6	230.7
Total costs	33,070.6	17,213.8	15,856.8

Costs* (in millions of EUR)	Actual situation 2022	Actual situation 2021	Comparison of facts 22/21
Operating costs in total	1,333.7	697.6	636.1
- of which: consumed gas costs**	765.9	306.1	459.8
- of which: electric power purchase costs**	256.0	122.2	133.8
Financial costs	12.5	3.1	9.4
Total costs	1,346.2	700.7	645.5

*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 2022 the Company owned property (land, buildings, and other structures) worth a total amount of CZK 1,328.1 million CZK. 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 792.3 million. CZK.

Natural Gas Trading

Natural gas trading (in thousands of MWh)	2022
Purchased natural gas	14,601.7
Sales of natural gas – total	14,089.2
Sales of natural gas – licensed operations	14,010.1
CNG Sales	79.0

Electric Power Sales

Electric power sales (in thousands of MWh)	2022
Electric power purchases	1,914.0
Sales of electricity	1,912.5

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 involved in environmentally friendly activities such as CO₂ emission savings through the promotion of biomethane use in transport and other projects such as photovoltaic power plants, heat pumps, biomethane trading and hydrogen management and other new technologies enabling emission reductions.

The state administration authorities, which carried out inspections in 2022, stated that Pražská plynárenská, a.s. complies with the obligations arising from the 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 2022. A "Follow-up survey of the Pražská Plynárenská, a.s., Michle site" was carried out and the further remediation procedure was determined.

Human Resources Management

HR work and the social field

As of 31 December 2022, Pražská plynárenská, a.s., employed a total of 461 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 winter children's recreation, a Gas Industry Day, a theatre 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 employee feedback on important areas.

Occupational safety and health, fire protection

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 2022, 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.

Pražská plynárenská, 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(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

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. At the end of last year, the Company was certified to ISO 37001, the most stringent international anti-corruption management system.

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.

Information on the Group's activities

Pražská plynárenská, a.s.

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The average CZK/EUR exchange rate for 2022 was CZK 24.565/EUR 1, and this value is used to convert all data in the tables (also for the preceding years).

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., four 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."),
- 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.).

On 1 June 2022, a subsidiary of Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, purchased from the Municipal District of Prague 4 a 100% stake in 4-Energetická, a.s. Subsequently, as of 1 November 2022, 4-Energetická, a.s. was merged with Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, with Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, becoming the successor company.

On 1 July 2022, the two subsidiaries Pražská plynárenská Správa majetku, a.s., a member of the Pražská plynárenská, a.s. Group, and Informační služby - energetika, a.s. were dissolved by merger, with Pražská plynárenská, a.s. becoming the successor company.

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.

Pre-tax Consolidated Profit/Loss

Consolidated revenues

Consolidated revenues (in millions of CZK)	Actual situation 2022	Actual situation 2021	Comparison of facts 22/21
Total operating revenues	33,500.9	18,074.2	15,426.7
of which: revenues from natural gas sales and distribution*	23,364.2	12,356.4	11,007.8
- of which: electricity sales*	9,112.1	5,075.9	4,036.2
Financial revenues	637.8	179.4	458.4
Total revenues	34,138.7	18,253.6	15,885.1

Consolidated revenues (in millions of EUR)	Actual situation 2022	Actual situation 2021	Comparison of facts 22/21
Total operating revenues	1,363.8	735.8	628.0
of which: revenues from natural gas sales and distribution*	951.1	503.0	448.1
- of which: electricity sales*	370.9	206.6	164.3
Financial revenues	25.9	7.3	18.6
Total revenues	1,389.7	743.1	646.6

*Licensed activity

Consolidated costs

Consolidated costs* (in millions of CZK)	Actual situation 2022	Actual situation 2021	Comparison of facts 22/21
Operating costs in total	32,738.4	17,091.7	15,646.7
- of which: consumed gas costs**	19,432.6	7,791.9	11,640.7
- of which: electric power purchase costs**	6,304.7	3,011.3	3,293.4
Financial costs	310.9	102.2	208.7
Total costs	33,049.3	17,193.9	15,855.4

Consolidated costs* (in millions of EUR)	Actual situation 2022	Actual situation 2021	Comparison of facts 22/21
Operating costs in total	1,332.7	695.8	636.9
- of which: consumed gas costs**	791.1	317.2	473.9
- of which: electric power purchase costs**	256.7	122.6	134.1
Financial costs	12.7	4.1	8.6
Total costs	1,345.4	699.9	645.5

*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 Pražská plynárenská, 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. It has long been involved in environmentally friendly activities such as CO₂ emission savings through the promotion of biomethane use in transport and other projects such as photovoltaic power plants, heat pumps, biomethane trading and hydrogen management and other new technologies enabling emission reductions.

In 2022, 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.

Pražská plynárenská Servis distribuce, a.s., was successfully audited by the ISO 14001 certification body in 2022.

Human Resources Management

HR work and the social field

As of 31 December 2022 the Group employed a total of 969 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 winter children's recreation, a Gas Industry Day, a theatre 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 safety and health, fire protection

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 2022, 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.

Pražská plynárenská, 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.

Pražská plynárenská, a.s., also provides employees with entry training and later 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(5) (a) and Section 103(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(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 Concern, a.s. respects the basic principles of corporate governance and strives to increase and protect the value of the organisation through, among other things, risk management, the application of a compliance programme, controlling management and the use of internal audit services. At the end of last year, PP, a.s., PPD, a.s. and PPSD, a.s. were certified to ISO 37001, the most stringent international anti-corruption management system.

Information about Organisational Units Abroad

As of 31 December 2022, no company belonging to the Group operated an organisational unit abroad.

Expected Group Development

Pražská plynárenská, a.s.

The primary issues for 2023 will be the development of commodity prices, ensuring stable gas supplies to customers, especially in terms of the need to replace the shortfall in Russian gas supplies from other sources and the related filling of gas storage facilities to the necessary level for the 2023/2024 winter season. All this in a situation of missing natural gas resources in the short term. Ensuring energy security for customers will thus be a crucial factor.

In the background, 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 realize fundamental changes in the area of established business models. The theme will therefore be the ongoing process of improving customer care. 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.

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.

On 16 June 2022, 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. Until the date of these financial statements, the decision on the merger has not been approved by the general meetings of Pražská plynárenská, a.s. and Pražská plynárenská Holding a.s.

**We help
overcome
obstacles.**

We make your
life easier.



Important events in early 2023.

There were no significant events after the balance sheet date.

Financial Part

- Individual financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union
- Notes to the individual financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union
- Individual financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union
- Notes to the consolidated financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

Financial Statements

Financial position statement as at 31 December 2022

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

in thousands of CZK)	Note:	31/ 12/ 2022	31/ 12/ 2021
ASSETS			
Fixed assets			
Land, buildings, and equipment	7.1	824,657	778,344
Real estate investments	7.2	79,255	156,733
Intangible assets	7.3	96,340	108,139
Investments into subsidiaries	7.5	1,456,702	1,379,002
Assets originating from the right of use	7.4	19,714	24,274
Deferred tax receivable	7.19	27,708	0
Incremental costs of obtaining a contract	7.10	24,912	25,348
Contract assets	7.11	60,133	58,702
Other fixed assets		2	18
Fixed assets – total		2,589,423	2,530,560
Short-term assets			
Inventories	7.6	4,662,975	1,024,578
Trade and other receivables	7.7	3,752,873	3,421,300
Cash and cash equivalents	7.8	1,240,183	901,253
Other assets	7.9	123,868	31,486
Incremental costs of obtaining a contract	7.10	22,003	30,060
Contract assets	7.11	1,206	6,227
Other tax receivables	7.20	0	271,233
Short-term assets – assets		9,803,108	5,686,137
TOTAL ASSETS		12,392,531	8,216,697
EQUITY AND LIABILITIES			
Equity			
Registered capital	7.12	431,972	431,972
Revaluation of hedging derivatives	7.14	-34,808	-83,900
Retained earnings		2,627,973	2,080,045
Profit/loss after tax for the period		639,835	521,818
Equity – total		3,664,972	2,949,935
Long-term liabilities			
Trade liabilities and other long-term liabilities		40	337
Lease liabilities	7.4	17,867	22,433
Deferred tax liability	7.19	0	22,862
Provisions	7.21	16,604	16,604
Long-term liabilities – total		34,511	62,236
Short-term liabilities			
Loans	7.17	1,300,000	0
Trade payables and advances received	7.15	5,799,013	3,919,185
Lease liabilities	7.4	4,566	4,486
Other liabilities	7.18	1,129,334	1,268,866
Due income tax	7.20	48,273	0
Other tax liabilities	7.20	411,862	11,989
Short-term liabilities – total		8,693,048	5,204,526
TOTAL EQUITY AND LIABILITIES		12,392,531	8,216,697

Statement of comprehensive income for the year ended 31 December 2022

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

in thousands of CZK)	Note:	2022	2021
Revenues from sales	7.22	32,524,012	17,160,449
Purchased gas, electricity, materials and services connected with gas and electricity supplies	7.23	31,446,920	16,214,280
Other operating income	7.24	591,545	426,823
Personnel costs	7.25	486,604	395,733
Depreciation of fixed assets	7.26	98,615	97,413
Loss due to depreciation of financial assets	7.7	78,075	45,469
Other operating costs	7.27	653,092	384,310
Operating profit/loss		352,251	450,067
Financial costs	7.28	307,293	76,609
Financial revenues	7.29	664,569	182,506
Financial profit/loss		357,276	105,897
Profit before tax		709,527	555,964
Income tax	7.30	69,692	34,146
Profit after tax		639,835	521,818
Other total performance			
Items that may be reclassified and reported as profit or loss:			
Settlement of securing derivatives (change in fair value)	7.14	-42,972	-103,580
Deferred tax on securing derivatives	7.14	8,164	19,680
Other total performance		-34,808	-83,900
Total performance for the period		605,027	437,918

Statement of changes in equity for the year ended 31 December 2022

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		
At 1 January 2021	431,972	-24,591	2,587,045	2,994,426
Profit/loss after tax for the period	0	0	521,818	521,818
Other comprehensive income	0	-83,900	0	-83,900
Total comprehensive income	0	-83,900	521,818	437,918
Transactions with owners of the Company:				
Dividends paid	0	0	-507,000	-507,000
Other transactions	0	24,591	0	24,591
Balance as of 31 December 2021	431,972	-83,900	2,601,863	2,949,935
Changes due to merger on 1 January 2022	0	0	26,110	26,110
Balance as of 1 January 2022	431,972	-83,900	2,627,973	2,976,045
Profit/loss after tax for the period	0	0	639,835	639,835
Other comprehensive income	0	-34,808	0	-34,808
Total comprehensive income	0	-34,808	639,835	605,027
Transactions with owners of the Company:				
Dividends paid	0	0	0	0
Other transactions	0	83,900	0	83,900
Balance as of 31 December 2022	431,972	-34,808	3,267,808	3,664,972

Cash flow statement for the year ended 31 December 2022

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

in thousands of CZK)	Note:	2022	2021
Profit before tax		709,527	555,964
Adjustments to profit before tax		107,299	-296,719
Depreciation of fixed assets	7.26	98,615	97,413
Write-offs of receivables		16,325	29,383
Change in the position of adjustments and reserves		348,828	-77,337
Profit from sales of fixed assets	7.24	-1,880	-1,923
Net interest		14,633	-5,375
Revenues from dividends and profit shares	7.24	-369,222	-338,887
Other non-cash movements (revaluation of derivatives)		0	7
Net cash flows from operations before tax and changes in working capital		816,826	259,245
Change in working capital needs		-2,008,102	-609,793
Changes in the position of receivables from operations		-701,637	-1,313,703
Change in liabilities from operations		2,607,093	1,101,334
Movement in inventories (gross)		-3,913,558	-397,424
Net cash flow from operations before tax		-1,191,276	-350,548
Interest paid		-99,457	-5,374
Interest received		66,626	9,153
Income tax on current activities and additional tax paid minus tax refunds		-37,837	-100,876
Shares of profit received (+)	7.24	369,222	338,887
Net cash flow from operations		-892,722	-108,758
Expenses related to the acquisition of fixed tangible and intangible fixed assets		-48,363	-85,328
Expenses related to the acquisition of financial assets	7.5	-77,700	-4,500
Revenues from sales of fixed assets		2,646	3,184
Loan repayments		16	23
Net cash flow from investments		-123,401	-86,621
Payment of long-term liabilities		-4,566	-4,337
Change in bank loans		1,300,000	0
Change in the position of the loan from the parent and subsidiary companies*	7.18	59,619	105,808
Dividends paid	7.31	0	-507,000
Net cash flows from financing activities		1,355,053	-405,529
Balance of cash and cash equivalents at beginning of accounting period		901,253	1,502,161
Net change in cash and cash equivalents for the accounting period		338,930	-600,908
Balance of cash and cash equivalents at end of accounting period		1,240,183	901,253

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

to the Financial Statements

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 315700QBYOTLGRMOO11.

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

The sole shareholder controlling the Company as of 31 December 2022 and as of 31 December 2021, is Pražská plynárenská Holding a.s. ("PPH a.s." or the "controlling company"), is controlled by the Capital City of Prague, which is the ultimate parent company.

1.2. Assessment of the conflict in Ukraine

In 2022, 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.

1.3. Intention to merge with PPH

On 16 June 2022, 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.

Until the date of these financial statements, the decision on the merger has not been approved by the general meetings of Pražská plynárenská, a.s. and Pražská plynárenská Holding a.s.

2. Rules for compilation of the financial statements

Declaration of conformity

These 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 2022.

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 chapters 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 2022 to 31 December 2022. 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 2021; and to demonstrate profit/loss, changes in equity capital, and overview of cash flows, results from the period starting on 1 January 2021 and ending on 31 December 2018 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.

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

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 2022

- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract

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

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 current or non-current

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 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

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

The acquisition cost of lands, 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

Plant 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 constructions	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 fulfils 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 2023, 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 2022).
- 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 asserts, 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 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 depends of funds from secured cash flows depends on the fact on whether the given derivative is classified as a securing 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 securing 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 securing instrument.
- Non-zero initial value of the securing derivative.

The default accounting regulation governing the rules for accounting for financial instruments (in this case financial derivatives) and securing 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 parts of IFRS 9 dealing with securing accounting and decided not to use it.

The Company's Treasury 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 current 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 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 non-current

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 current liabilities if payment is due within one year. If not, they are recorded as non-current 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. 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 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 Article 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 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. 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 (monthly) 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 Chapter 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 2022 the value of unbilled gas and distribution fees to low-volume customers and households represented CZK 5,040,540 thousand (as of 31 December 2021 the amount was CZK 3,349,054 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 2021 is 1.14%. The median ratio of the balance difference to the distributed amount for the last 6 years is equal to 2.08%. If in 2021 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 1.06 percentage points (while all other variables would remain unchanged), the pre-tax profit as of 31 December 2022 would be CZK 13.2 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 2022 the value of unbilled energy and distribution fee to low-volume customers and households represented CZK 1,095,645 thousand (as of 31 December 2021 the amount was CZK 771,487 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 (VNN) 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 case of the Company, the amount of the purchase deviation for 2021 would be around the category of MOO and MOP in the amount of around 934,543 MWh. The fixed price for the valuation of the deviation is set at CZK 6,000 per MWh, which in the case of the Company would impact the generation of unbilled electricity in the total amount of \pm CZK 168.3 million CZK.

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 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–A2, 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 2022	31 December 2021
Trade receivables from third parties	986,079	1,335,326
Trade receivables from subsidiaries	408,824	367,807
Trade receivables from other affiliates	34	28
Financial trade receivables	1,394,937	1,703,161
Adjusting entries for trade receivables	-288,758	-244,811
Net trade receivables – financial	1,106,179	1,458,350
Unbilled supplies (minus advance payments)	2,500,838	1,762,647
Adjusting entries for unbilled deliveries	-34,053	-17,407
Total trade and other receivables – financial	3,572,964	3,203,590
Total trade and other receivables – non-financial	179,909	217,710
Total trade and other receivables – short-term	3,752,873	3,421,300

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 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
Total	135,174	2,072	185,565	322,811

31 December 2021

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	25,217	595	60,101	85,913
Cat. DOM	45,433	636	73,908	119,977
Cat. VO	10,559	34	14,936	25,529
Cat. Other	11,442	480	18,877	30,799
Total	92,651	1,745	167,822	262,218

Cash and cash equivalents and other financial assets

The Company makes only short-term cash deposits (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 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 2022	31 December 2021
Cash on hand	not assigned	853	1,529
Money in bank accounts	A1–A2	1,239,330	651,124
Short-term investments – bills of exchange ČSOB Leasing (as of 31/12/ 2021 amounted to EUR 10 million) EUR)	A1	0	248,600
Total exposure of cash, cash equivalents, and other financial assets		1,240,183	901,253

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 availability of funding and the possibility of closing market positions are important for cautious management of liquidity risk.

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

In 2022, the Company moved to expand its short-term external financing structure due to rising commodity prices. The operating financing lines were increased, a new subordinated loan from the City of Prague and an operating loan for the purchase of natural gas guaranteed by the City of Prague (co-borrower Pražská plynárenská Holding a.s.) were arranged. The operational financing also includes overdraft credit lines, an exchange programme for drawing the necessary resources in the form of bills of exchange through auctions and a line for negotiation of bank guarantees. These external financial resources are provided by a consortium of two banks, i.e. Československá obchodní banka, a.s., Česká spořitelna, a.s., and the City of Prague.

In connection with the financing, the following documents were concluded between the Company and Československá obchodní banka, a.s. and Česká spořitelna, a.s. in relation 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 right of lien on the plant between the Company and Česká spořitelna, 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 on the establishment of a lien on the receivables under bank account management agreements between the Company and Česká spořitelna, a.s.,
- Agreement establishing a ban on burdening and alienation between the Company and Československá obchodní banka, a.s.,
- Subordination agreement between the Company, the City of Prague and the banks,
- Agreement in connection with the guarantee agreement between the Company, the City of Prague and Pražská plynárenská Holding a.s.

The company has agreed on a short-term overdraft credit line in EUR maintained at Raiffeisenbank a.s. This line is to be used for trading on the energy exchange.

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
Total	10,132,057			

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. 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.

Short-term funding structure as at 31 December 2021

in thousands of CZK)	Limit	From	To	Interest rate
Overdraft credit lines in CZK	900,000	1/ 7/ 2020	21/ 5/ 2023	floating
Guarantee line – committed	1,600,000	25/ 10/ 2021	21/ 5/ 2023	fixed
Guarantee line – non-committed	20,000	19/ 1/ 2017	for an indefinite period of time	fixed
Exchange programme	1,000,000	25/ 10/ 2021	22/ 5/ 2023	floating
Overdraft credit lines in EUR RB (EUR 0.5 mil. using an exchange rate of 24.860 CZK/EUR)	12,430	31/ 5/ 2021	31/ 5/ 2022	floating
Total	3,532,430			

In 2021, no overdraft lines were drawn. As of 31 December 2021, only funds from subsidiaries and the parent company PPH were drawn in the amount of CZK 878,567 thousand, which represent liabilities from cash-pooling. Average credit interest rate between the Company, subsidiaries and the parent company in 2021 was 0.62% p.a., the average debit interest rate between the Company, subsidiaries and the parent company in 2021 was 1.18% 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 the PP and the PPH 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 2022 and as of 31 December 2021.

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 liabilities grouped by residual period to contractual maturity as at 31 December 2022 and as at 31 December 2021. 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 2022 and on the interest rates valid on the financial market as of 31 December 2022. Lease liabilities are reported separately in Section 7.4.

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 the subsidiaries and the parent company PPH a.s. – cash pooling	938,186	0	0	0	0	938,186
Total	6,832,310	2,076,088	124,441	0	0	9,032,839

31 December 2021

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)	3,024,256	1,212,975	55,617	0	0	4,292,848
Trade and other liabilities	3,622,562	5,734	1,578	297	0	3,630,171
Loans from the subsidiaries and the parent company PPH a.s. – cash pooling	878,701	0	0	0	0	878,701
Total	7,525,519	1,218,709	57,195	297	0	8,801,720

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.

Guarantees concluded

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 15,000 thousand EUR (372,900 thousand CZK) due to being present and active on the gas market (according to the EFET Agreement dated 3/ 6/ 2014);
- on behalf Uniper Global Commodities SE in the amount of EUR 15,000 thousand EUR (372,900 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 2021:

- on behalf of TRADE CENTRE PRAHA a.s., up to CZK 500 thousand CZK (under the Agreement on Combined Supplies of Natural Gas dated 30/ 7/ 2019);
- on behalf of TRADE CENTRE PRAHA a.s., up to CZK 500 thousand (under the agreement on combined supplies of electricity, part 1 dated 2/ 8/ 2019);
- on behalf of TRADE CENTRE PRAHA a.s., up to CZK 500 thousand (under the agreement on combined supplies of electricity, part 2 dated 2/ 8/ 2019);
- on behalf of Čepro a.s., up CZK 1,000 thousand (under the agreement on gas supply dated 8/ 11/ 2019);
- on behalf of Čepro a.s., up CZK 1,000 thousand (under the Agreement on combined supplies of electricity dated 21/ 11/2019 and under the Agreement on Supplies of electricity form low-voltage network of 21/ 11/ 2019);

- on behalf of OTE, a. s., up to CZK 730,000 thousand (under the Deviation settlement agreement No. AP 006/09 dated 11/ 12/ 2009);
- on behalf of OTE, a. s., up to CZK 85,000 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 15,000 thousand EUR (372,900 thousand CZK) due to being present and active on the gas market (according to the EFET Agreement dated 3/ 6/ 2014);
- on behalf Uniper Global Commodities SE in the amount of EUR 15,000 thousand EUR (372,900 thousand due to being present and active on the gas market (according to the EFET Agreement dated 14/ 6/ 2021);

These closed grantees 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 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 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. In 2021, the Company did not draw short-term bank loans, but used funds from subsidiaries and PPH under the cash-pooling scheme.

Sensitivity analysis:

If the interest rate had increased/decreased by 100 basic points while all other variables held constant as of 1 January 2022, the profit before tax for 2022 would have been CZK 25,236 thousand lower/higher as a result of the increased/decreased interest expense (for 2021: CZK 8,363 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 made 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 future cash flows in foreign currencies from the purchase of commodities.

Sensitivity analysis:

If the CZK/EUR exchange rate as of 31 December 2022 had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR while all other variables held constant, the profit before tax as at 31 December 2022 as a result of revaluation of liabilities in EUR would have been CZK 4,429 thousand lower/higher (as of 31 December 2021: CZK 1,492 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 2022, the profit before tax as of 31 December 2022 as a result of revaluation of liabilities in EUR would have been CZK 4,722 thousand higher/lower (as of 31 December 2021: CZK 7,661 thousand).

in thousands of CZK)	2022	2021	2022	2021
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Liabilities in EUR	-4,429	-1,492	4,429	1,492
Receivables in EUR	4,722	7,661	-4,722	-7,661
Impact on profit before tax	293	6,169	-293	-6,169

If the CZK/EUR exchange rate as of 31 December 2022 had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR with all other variables held constant as of 31 December 2022, the other total profit as of 31 December 2022 as a result of revaluation of hedged forward purchases realised as of 31 December 2022 would be CZK 45,341 thousand higher/lower (as of 31 December 2021: CZK 80,950 thousand).

in thousands of CZK)	2022	2021	2022	2021
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Secured forward purchases in EUR	45,341	80,950	-45,341	-80,950
Impact of total profit / loss result	45,341	80,950	-45,341	-80,950

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

Secured cash flows:**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

31 December 2021

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	2,946,526	1,191,437	12,056	0	0	4,150,019

Derivatives securing cash flows:**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

31 December 2021

in thousands of CZK)	Nominal value	Fair value - positive	Fair value - negative	Secured period	Average secured rate
Currency forwards	4,150,019	0	91,211	0-1 year	25.633

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 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

31 December 2021

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	3,203,590	0	3,203,590	30,273	3,173,317
Trade and other financial liabilities	2,261,397	0	2,261,397	30,273	2,231,124

5.6. Net profit and losses from financial instruments

in thousands of CZK)	2022	2021
Trade receivables (particularly depreciation of receivables and creation of provisions)	-84,714	-51,284
Cash and cash equivalents (especially profits from the appreciation of funds)	55,127	3,807
Financial derivatives (especially losses from derivative transactions)	340,844	64,703
Bank loans (especially losses from bank fees and liability commissions)	-97,144	-1,372
Other financial liabilities (especially currency exchange gains / losses)	36,386	40,935
Net gains (+) / losses (-) reported in the profit / loss statement	250,499	56,789
Financial derivatives in other comprehensive income (settlement)	-42,972	-103,580
Net gains (+) / losses (-) reported in other total income	-42,972	-103,580
Total net gains (+) / losses (-)	207,527	-46,791

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 2022 and as of 31 December 2021.

7. Notes on the financial statements

7.1. Land, buildings, and equipment

The value of the balance of fixed assets in progress as at 31 December 2022 and 31 December 2021 mainly consisted of projects in the area of CNG stations and reconstruction of buildings on the Company's premises in Michle.

Property, plant, and equipment (in thousands of CZK)	Land	Buildings and other constructions	Movables and sets of movables	Vehicles (means of transport)	Computer equipment and other hardware	Other tangible fixed assets	Tangible fixed assets under construction	Total
Acquisition value								
Balance as at 1/ 1/ 2021	76,586	936,948	291,053	27,248	145,737	40,420	8,449	1,526,441
Purchases	0	0	0	0	0	0	41,377	41,337
Transfers	0	8,109	3,940	4,655	15,839	36	-32,579	0
Decreases	0	-4,940	-9,194	-5,578	-29,904	0	0	-49,616
Balance as at 31/ 12/ 2021	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
Balance as at 31/ 12/ 2022	76,586	1,074,682	297,953	27,412	139,871	40,492	4,658	1,661,654
Accumulated depreciation, adjustments, impairment, recharging								
Balance as at 1/ 1/ 2021	0	351,293	241,572	22,318	117,647	5,268	0	738,098
Depreciation	0	20,087	12,530	2,621	14,420	345	0	50,003
Adjustments	0	-23	0	0	0	0	0	-23
Accumulated depreciation for disposals	0	-4,875	-9,177	-4,349	-29,819	0	0	-48,220
Balance as at 31/ 12/ 2021	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	48,643
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
Balance as at 31/ 12/ 2022	0	438,216	256,179	22,710	113,930	5,962	0	836,997
Net book value 2021	76,586	573,635	40,874	5,735	29,424	34,843	17,247	778,344
Net book value 2022	76,586	636,466	41,774	4,702	25,941	34,530	4,658	824,657

The business plant of Pražská plynárenská, a.s., is the subject of a right of lien belonging to creditors of Československá obchodní banka, a.s. and Česká spořitelna, a.s., while the lien on the business plant is:

(i) up to CZK 4,100 mil. secured debts of Pražská plynárenská, a.s., from operating financing, which may arise on the basis of the Operating Loan Agreement dated 24 May 2016, as amended and the Bill of Exchange Programme Agreement dated 24 May 2016 as amended, and

(ii) up to CZK 2,700 mil. secured debts of the subsidiary Pražská plynárenská Distribuce, a.s., a member of the Pražská plynárenská, a.s. Group, arising in connection with the issue of PPD bonds 0.70% / 2023, ISIN CZ0003515348 issued by the mentioned subsidiary on the basis of the issue conditions dated 16 November 2016 and maturing in 2023.

7.2. Real estate investments

in thousands of CZK)	Real estate investments
Acquisition value	
Balance as at 1/ 1/ 2021	296,710
Increases*	2,309
Balance as at 31/ 12/ 2021	299,019
Increases*	2,343
Reclassifications from/to investment property (IAS 40)	-124,552
Balance as at 31/ 12/ 2022	176,810
Accumulated depreciation, depreciation, impairment	
Balance as at 1/ 1/ 2021	136,275
Depreciation	5,953
Accumulated depreciation	58
Balance as at 31/ 12/ 2021	142,286
Depreciation	3,732
Reclassification of depreciation from/to investment property (IAS 40)	-48,463
Balance as at 31/ 12/ 2022	97,555
Net book value 2021	156,733
Net book value 2022	79,255

* 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 13,064 thousand as at 31/ 12/ 2022 and CZK 19,054 thousand as at 31/ 12/ 2021. Rent is reported in Other operating income.

Direct operating costs (including repairs and maintenance) incurred from investment property amounted to CZK 6,000 thousand as at 31/ 12/ 2022 and CZK 15,598 thousand as at 31/ 12/ 2021. 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
Acquisition value				
Balance as at 1/ 1/ 2021	836,405	13,975	15,499	865,879
Purchases	0	0	40,542	40,542
Transfers	32,697	0	-32,697	0
Balance as at 31/ 12/ 2021	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
Balance as at 31/ 12/ 2022	899,791	14,062	17,952	931,805

Intangible assets (in thousands of CZK)	Software	Assessable rights	Intangible fixed assets under construction	Total
Accumulated depreciation, depreciation, impairment				
Balance as at 1/ 1/ 2021	748,889	12,497	0	761,386
Depreciation	36,305	591	0	36,896
Balance as at 31/ 12/ 2021	785,194	13,088	0	798,282
Depreciation allowance – effect of the merger	452	71	0	523
Depreciation	36,053	607	0	36,660
Balance as at 31/ 12/ 2022	821,699	13,766	0	835,465
Net book value 2021	83,908	887	23,344	108,139
Net book value 2022	78,092	296	17,952	96,340

The average residual amortisation period of software is 1 year and 6 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
Acquisition value	
Balance as at 1/ 1/ 2022	40,828
Decreases	0
Balance as at 31/ 12/ 2022	40,828
Accumulated depreciation, depreciation, impairment	
Balance as at 1/ 1/ 2022	16,554
Depreciation	4,560
Balance as at 31/ 12/ 2022	21,114
Net book value 1/ 1/ 2022	24,274
Net book value 31/ 12/ 2022	19,714

in thousands of CZK)	Non-residential premises
Acquisition value	
Balance as at 1/ 1/ 2021	40,828
Decreases	0
Balance as at 31/ 12/ 2021	40,828
Accumulated depreciation, depreciation, impairment	
Balance as at 1/ 1/ 2021	11,993
Depreciation	4,561
Balance as at 31/ 12/ 2021	16,554
Net book value 1/ 1/ 2021	28,835
Net book value 31/ 12/ 2021	24,274

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 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	5 years or more	Total
Long-term lease liabilities	0	0	0	10,529	7,338	0	17,867
Short-term lease liabilities	1,134	1,139	2,293	0	0	0	4,566
Total	1,134	1,139	2,293	10,529	7,338	0	22,433

As of 31 December 2021 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	5 years or more	Total
Long-term lease liabilities	0	0	0	11,523	7,208	3,702	22,433
Short-term lease liabilities	1,114	1,119	2,253	0	0	0	4,486
Total	1,114	1,119	2,253	11,523	7,208	3,702	26,919

The total cash flow related to lease liabilities in 2022 amounted to CZK 5,357 thousand, and in 2021 amounted to CZK 5,436 thousand.

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 Chapter 7.27.

Interest cost from lease liabilities included in the 2022 and 2021 financial expenses are reported in Chapter 7.28.

7.5. Investments into subsidiaries

The Company held shares in the following subsidiary companies as at 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

As of 31 December 2021, the Company also held interests in the following subsidiaries:

- Pražská plynárenská Správa majetku, a.s., Member of the Pražská plynárenská, a.s. Group, Registered office: U Plynárny 500, Prague 4, Postal code 145 08
- Informační služby – energetika, a.s.
Registered office: U Plynárny 500, Prague 4, Postal code 141 00

7.5.1 Merger by acquisition

The Company implemented the merger by acquisition with its subsidiaries Pražská plynárenská Správa majetku, a.s., (PPSM) and Informační služby - energetika, a.s., (ISE) on the basis of a merger project with a record date of 1 January 2022, and the merger became effective on 1 July 2022 by entry into the Commercial Register.

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

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
Book value		1,456,702			

Balance as of 31 December 2021

	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
Pražská plynárenská Správa majetku, a.s., member of the Pražská plynárenská, a.s. Group	10	2,200	100	100	Czech Republic
Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group	128	124,896	100	100	Czech Republic
Informační služby – energetika, a.s.	20	100	100	100	Czech Republic
MONTSERVIS PRAHA, a.s.	240	43,000	100	100	Czech Republic
Book value		1,379,002			

As of 15 September 2022, Pražská plynárenská, a.s. provided Prometheus, energetické služby, a.s. with a cash supplement outside the share capital in the amount of CZK 80 million.

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

As of 21 May 2021, Pražská plynárenská, a.s. paid CZK 4.5 mil. for the transfer of a 5% share in Montservis Praha, a.s., which increased the ownership stake in this company to 100%.

7.6. Inventories

Inventories represent mainly gas stored in the gas storage. This gas was extracted in 2022 and recognised as consumption in the amount of CZK 2,769,598 thousand (in 2021: CZK 499,722 thousand). The Company has established an inventory adjustment at 31 December 2022 in the amount of CZK 275,160 thousand. (as of 31 December 2021: CZK 0 thousand).

No surpluses and/or shortfalls in inventories were found during stock-taking in 2022.

7.7. Short-term trade and other receivables

Type of receivable (in thousands of CZK)	31 December 2022	31 December 2021
Trade receivables from third parties	986,079	1,335,326
Trade receivables from subsidiaries	408,824	367,807
Trade receivables from other affiliates	34	28
Financial trade receivables	1,394,937	1,703,161
Adjusting entries for trade receivables	-288,758	-244,811
Net trade receivables – financial	1,106,179	1,458,350
Unbilled supplies (minus advance payments)	2,500,838	1,762,647
Adjusting entries for unbilled deliveries	-34,053	-17,407
Total trade and other receivables – financial	3,572,964	3,203,590
Total trade and other receivables – non-financial	179,909	217,710
Total trade and other receivables – short-term	3,752,873	3,421,300

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. In 2022 the offset amount of advances with estimated payables was CZK 1,438,494 thousand (2021: CZK 1,412,988 thousand).

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

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

Adjusting entries for receivables (in thousands of CZK)	31 December 2022	31 December 2021
Initial balance as of 1 January	262,218	232,335
Creation of an allowance for receivables	78,181	60,165
Use of the allowance	17,588	30,282
Final balance as of 31 December	322,811	262,218

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 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
Total	135,174	2,072	185,565	322,811

31 December 2021

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	25,217	595	60,101	85,913
Cat. DOM	45,433	636	73,908	119,977
Cat. VO	10,559	34	14,936	25,529
Cat. Other	11,442	480	18,877	30,799
Total	92,651	1,745	167,822	262,218

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 2022	31 December 2021
Change in adjustment entry – to existing receivables	60,487	15,187
Loss due to receivables written-off	17,588	30,282
Loss due to depreciation of financial assets	78,075	45,469

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.

As of 22 December 2021, the Company acquired ČSOB Leasing corporate bills in euro currency. This concerned 5 bills of exchange with a total value of EUR 10,000 thousand due on 3 January 2022. The yield to maturity was 0.00% p.a.

The structure of cash and cash equivalents is shown below:

Cash and cash equivalents (in thousands of CZK)	31 December 2022	31 December 2021
Cash on hand	853	1,529
Money in bank accounts	1,239,330	651,124
Short-term investments – bills	0	248,600
Total	1,240,183	901,253

7.9. Other assets

Other assets (in thousands of CZK)	31 December 2022	31 December 2021
Liabilities from revaluation of trade derivatives at fair value	47,790	0
Prepaid expenses	76,078	31,486
Other assets – total	123,868	31,486

7.10. Incremental costs of obtaining a contract

Incremental costs (in thousands of CZK)	31 December 2022	31 December 2021
Commission paid to traders - long-term part	24,912	25,348
Commission paid to traders – short-term part	22,003	30,060
Incremental costs – total	46,915	55,408

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 2022	31 December 2021
Bonuses to customers - long-term part	60,133	58,702
Bonuses to customers – short-term part	1,206	6,227
Contract assets – total	61,339	64,929

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

7.12. Registered capital

Form of shares	2022		2021	
	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
Total	1,439,907		1,439,907	
Total share capital		431,972,100		431,972,100

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 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,
- The right to require the compulsory transfer of the securities,
- The right to a share in the liquidation balance.

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 it may be used to offset losses.

On 31 May 2022 the 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 2021 (compiled in line with Czech standards) and decided about the transfer of the profit earned in 2021 in the amount of CZK 521,818 thousand into retained earnings of previous years.

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 securing 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.

By the date of issue of these financial statements, the Company did not propose distribution of the profit for 2022.

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 2022	31 December 2021
Balance as of the beginning of the year	-83,900	-24,591
Change in fair value of securing derivatives	60,607	-73,223
Related deferred income tax	-11,515	13,914
Balance as of the end of year	-34,808	-83,900

Reclassification as a complete result for the monitored period (in thousands of CZK)	2022	2021
Profit after tax	639,835	521,818
Fair value of non-matured securing derivatives	-42,972	-91,211
Fair value of matured continuous securing derivatives	0	-12,369
Effective component of the fair value of securing derivatives	-42,972	-103,580
Deferred tax receivable from securing derivatives (19%)	8,164	19,680
Total performance for the period	605,027	437,918

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

Trade payables, advances, principals received – current (in thousands of CZK)	31 December 2022	31 December 2021
Trade liabilities payable to third parties	2,832,332	2,220,726
Trade liabilities payable to subsidiaries	4,520	40,447
Trade liabilities payable to other related parties	4,040	224
Operating advances and short-term principals received (non-financial liabilities)	2,958,121	1,657,788
Trade payables, advances received and principals – total	5,799,013	3,919,185

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
Balance as at 31/ 12/ 2021	86,438	1,657,788	2,174,959	3,919,185
– of which: due in less than 6 months	84,860	1,657,788	2,174,959	3,917,607
– of which: due from 6 months to 1 year	1,578	0	0	1,578
Balance as at 31/ 12/ 2022	103,857	2,958,121	2,737,035	5,799,013
– of which: due in less than 6 months	103,857	2,958,121	2,737,035	5,799,013
– of which: due from 6 months to 1 year	0	0	0	0
Total as of 31/ 12/ 2021	86,438	1,657,788	2,174,959	3,919,185
Total as of 31/ 12/ 2022	103,857	2,958,121	2,737,035	5,799,013

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 2022, funds from the parent company PPH were drawn in the amount of CZK 63,950 thousand (as of 31 December 2021: CZK 66,068 thousand) and funds drawn from subsidiaries represented CZK 874,236 thousand (as of 31 December 2021: CZK 812,499 thousand) which represent liabilities from cash-pooling.

Funds provided by subsidiaries and the parent company PPH under cash-pooling carried in 2022 an interest rate as follows: in 01/2022: O/N PRIBOR – 1.00% p.a., between 02-06/2022: O/N PRIBOR – 1.75% p.a., between 07-12/2022: O/N PRIBOR + 2.50% p.a. In 2021 they carried a credit interest rate: between 01-04/2021: O/N PRIBOR – 0.15% p.a.,

between 05-06/2021: O/N PRIBOR – 0.10% p.a., between 07-08/2021: O/N PRIBOR – 0.20% p.a., between 09-10/2021: O/N PRIBOR – 0.30% p.a., from 11/2021: O/N PRIBOR – 0.50% p.a., from 12/2021: O/N PRIBOR – 1.00% p.a.

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

In 2021 the carried debit interest rate was: between 01-12/2021: O/N PRIBOR + 0.25% p.a.

The change in the margin on the credit interest rate structure was changed in line with the increase in CNB interest rates.

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 2022			31 December 2021		
	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	47,790	0	261,054	0	166,217	142,829

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

In 2022, proceeds from the settlement of trade derivatives reported in the comprehensive profit/loss statement were CZK 340,303 thousand, see Sections 7.28. and 7.29.

In 2021, proceeds from the settlement of trade derivatives reported in the comprehensive profit/loss statement were CZK 64,508 thousand, of which the costs arising from the settlement of trade derivatives amounted to CZK 973 thousand and revenues arising from the settlement of trade derivatives amounted to CZK 65,481 thousand, see Sections 7.28. and 7.29.

7.16. Unbilled supplies and advances received

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
Clearing of Accounts	2,773,231	1,094,737	1,241,973	413,115	5,523,056
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

31 December 2021

(in thousands of CZK)	Cat. DOM	Cat. MO	Cat. VO/SO	Other	Total
Unbilled deliveries	1,989,455	1,303,600	681,273	1,023,784	4,998,111
Advance payments received	-2,136,873	-1,556,582	-477,800	-696,826	-4,868,080
Clearing of Accounts	1,753,521	748,579	477,800	255,566	3,235,465
Unbilled supplies – after netting	235,934	555,021	203,473	768,219	1,762,646
Advances received – after netting	-383,352	-808,003	0	-441,260	-1,632,615

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 2022 and 31 December 2021.

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 subsidiaries and the parent company – cash-pooling (see item 5.2)	878,567	23,311	36,308	938,186
Total	878,567	1,235,611	124,008	2,238,186

(in thousands of CZK)	31 December 2020	Cash flows	Non-cash flows – Revaluation of liabilities using the effective interest rate method	31 December 2021
Loan from subsidiaries and the parent company – cash-pooling (see item 5.2)	772,759	100,361	5,447	878,567
Total	772,759	100,361	5,447	878,567

7.18. Other liabilities

Other liabilities (in thousands of CZK)	31 December 2022	31 December 2021
Loans from related companies (cash-pooling)	938,186	878,567
Liabilities from revaluation of commodity derivatives to fair value	0	166,217
Liabilities from revaluation of securing derivatives to fair value	42,972	91,211
Total financial liabilities	981,158	1,135,995
Payables towards employees	132,683	119,306
Payables towards social insurance institutions	11,577	9,973
Other liabilities – non-financial	3,619	3,592
Non-financial liabilities - total	147,879	132,871
Other liabilities – total	1,129,037	1,268,866

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 34,638 thousand (2021: CZK 37,351 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 2022	31 December 2021
Deferred tax asset to be recovered after more than 12 months	3,656	3,514
Deferred tax asset to be recovered within 12 months	111,146	60,699
Deferred tax liability payable after more than 12 months	-82,684	-71,105
Deferred tax liability payable within 12 months	-4,410	-15,970
Net deferred tax payable (-) / tax receivable (+)	27,708	-22,862

Deferred tax was calculated at 19% (the rate for 2021 and subsequent years was used).

Deferred tax liability (+) and deferred tax receivable (-) (in thousands of CZK)	31 December 2022	31 December 2021
The item represents deferred tax from the following titles		
Difference in the residual prices of fixed assets	-65,689	-63,601
Tax non-deductible part of allowances for receivables	29,770	21,897
Inventory adjustment	52,280	0
Other provisions and temporary differences	2,377	2,609
Obligations towards employees and board members	20,931	19,121
Incremental costs of obtaining a contract	-20,568	-22,864
Lease liabilities	442	296
Change in fair value of hedging derivative	8,165	19,680
Total	27,708	-22,862

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 securing derivatives	Total
01 January 2021	-57,677	17,043	13,532	-19,492	-46,594
profit (+) / loss (-)	-5,924	4,854	5,589	5,300	9,819
Other comprehensive income	0	0	0	13,914	13,914
31 December 2021	-63,601	21,897	19,121	-278	-22,862
profit (+) / loss (-)	-2,088	60,153	1,810	2,210	62,085
Other total performance				-11,515	-11,515
31 December 2022	-65,689	82,050	20,931	-9,583	27,708

7.20. Other tax liabilities

Other tax liabilities in 2022 consist of personal income tax in the amount of CZK 3,027 thousand (2021: CZK 2,800 thousand), VAT in the amount of CZK 400,303 thousand and other taxes and charges in the amount of CZK 8,532 thousand (2021: CZK 9,189 thousand).

The liability for income tax payable in the year amounts to CZK 48,273 thousand.

Other tax receivables in 2021 consist of value added tax in the amount of CZK 233,824 thousand and income tax receivable in the amount of CZK 37,409 thousand.

7.21. Provisions

Provisions (in thousands of CZK)	Long-term/Short-term
Book value	
Balance as at 1/ 1/ 2021	116,968
Creation of reserves	1,604
Reversals of provisions	-101,968
Use of provisions	0
Balance as at 31/ 12/ 2021	16,604
Creation of reserves	0
Reversals of provisions	0
Use of provisions	0
Balance as at 31/ 12/ 2022	16,604
Net book value 2021	16,604
Net book value 2022	16,604

Provisions at 31 December 2022 mainly include a provision for environmental remediation of CZK 15 million (CZK 15 million as of 31 December 2021): The provision for late payment interest in the amount of CZK 102 million was released in full in January 2021.

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. This is primarily a liability of the state towards PP on the basis of a contract where the repair of most environmental burdens has already been carried out at the expense of the state.

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.

7.22. Revenues from sales

Sales (in thousands of CZK)	2022	2021
Sale of natural gas	19,816,745	8,640,033
Sale of gas distribution	3,016,201	3,004,761
CNG Sales	184,124	76,895
Sale of flexibility	12,995	3,851
Sale of electricity	6,459,872	2,586,040
Sale of electricity distribution	2,661,512	2,496,193
Other services	329,591	306,853
- of which, revenues from catering	14,633	12,324
- of which: revenues from other services (mainly SLA services)	314,958	294,529
Sale of goods and products (services)	200	630
Revenues from contracts with customers	32,481,240	17,115,256
Revenues from property leases	42,772	45,193
Total	32,524,012	17,160,449

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)	2022	2021
Costs of gas purchases	19,080,420	7,565,221
- of which: gas reservoir costs	120,067	96,721
Gas distribution fee	2,970,882	3,009,236
Costs of electricity purchases	6,300,876	3,008,407
Electricity distribution fee	2,665,012	2,463,576
Purchasing expenses – total	31,017,190	16,046,440
Derivative transactions expense – secured	429,730	167,840
Total	31,446,920	16,214,280

7.24. Other operating income

Other operating income (in thousands of CZK)	2022	2021
Profit from sales of fixed assets	1,880	1,923
Income from sale of material	74	0
Income from write-off of receivables	1,227	900
Income from write-off of lapsed liabilities	7,482	8,513
Court fee compensations	3,254	4,293
Benefits from insurance (indemnity)	627	1,254
Shares of the profit	369,223	338,887
Other	207,778	71,053
Total	591,545	426,823

7.25. Personnel costs

Personnel costs (in thousands of CZK)	2022	2021
Employees	459,892	330,200
Members of statutory bodies	26,712	47,833
Future benefits to members of statutory bodies provided under contract defining their executive performance (Section 4.18.4)	0	17,700
Total	486,604	395,733

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

During 2022 and 2021, 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 2022 include benefits paid under performance contracts (see Section 4.18.4) in the amount of CZK 3,185 thousand (2021: CZK 10,369 thousand). No profit shares were paid to members of statutory bodies in 2022 and 2021.

Contributions to the state pension scheme (on the basis of defined contributions) in 2022 amounted to CZK 66,292 thousand per employee (2021: CZK 47,566 thousand) and CZK 3,459 thousand for members of statutory bodies (2021: CZK 3,215 thousand).

7.26. Depreciation of fixed assets

Depreciation of fixed assets (in thousands of CZK)	2022	2021
Depreciation of buildings and other structures	23,316	20,087
Depreciation of real estate investments	3,732	5,953
Depreciation of movables and sets of movables	11,416	12,530
Depreciation of vehicles	3,044	2,621
Depreciation of IT equipment and other hardware	15,520	14,420
Depreciation of tangible fixed assets	366	345
Depreciation of intangible assets	36,660	36,896
Depreciation of assets originating from the right of use	4,561	4,561
Total	98,615	97,413

7.27. Other operating costs

Other operating cost (in thousands of CZK)	2022	2021
Consumption of materials and energy	30,025	20,704
Costs of goods	182	438
Services	316,663	408,238
– of which: repair and maintenance costs for other assets	1,130	519
– of which: claims collection costs	13,223	12,811
– of which: promotion, advertising and marketing costs	49,988	62,097
– of which: lease payments (short-term lease and low-value assets)	2,414	2,120
– of which: IT systems management and maintenance costs	71,352	142,856
– of which: business representatives' commissions	47,526	41,094
– of which: consulting costs	32,722	22,889
– of which: building operational costs	18,090	43,714
– of which: catering costs	0	11,363
– of which: costs of other services	80,218	68,775
Taxes and fees	2,414	2,095
Other (mainly provision for inventories and changes in provisions)	303,808	-47,165
Total	653,092	384,310

Information on fees paid to the auditing company is disclosed in the Annex to the consolidated financial statements of Pražská plynárenská Holding, a.s. as of 31 December 2022.

7.28. Financial costs

Financial costs (in thousands of CZK)	2022	2021
Interest expense	99,458	5,374
Lease liabilities – interest paid	435	514
Cost paid to settle trade derivatives	0	973
Bank charges	43,140	6,907
Other financial costs (mainly exchange losses)	164,260	62,841
Total	307,293	76,609

7.29. Financial revenues

Financial revenues (in thousands of CZK)	2022	2021
Interest income	85,260	11,264
Income from contractual fines and default interest	7,494	4,814
Cost paid to settle trade derivatives	340,303	65,481
Other financial revenues (mainly exchange gains)	231,512	100,947
Total	664,569	182,506

7.30. Income tax

Income tax expense recognised in the comprehensive statement includes:

Income tax (in thousands of CZK)	2022	2021
Income tax – current	128,920	43,415
Income tax – previous years adjustment	648	550
Income tax – deferred	-59,876	-9,819
Income tax – paid	69,692	34,146

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)	2022	2021
Profit before tax	709,527	555,964
Income tax at the statutory rate of 19%	134,810	105,633
Non-taxable income	-72,108	-70,824
Tax non-deductible expenses	67,768	2,285
Gifts	-544	-530
Other	-60,234	-2,418
Income tax – paid	69,692	34,146

7.31. Dividends paid

No dividend was paid in 2022 to the parent company. In 2021 a dividend in the amount of CZK 507,000 thousand was paid (CZK 352 per share).

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)	2022	2021
Revenues from sale and distribution of gas and electricity	296,537	178,942
Revenues from sale of services	339,889	337,094
Revenues from the sale of fixed assets	1,805	595
Revenues from the sale of goods and materials	590	164
Shares of the profit	369,221	338,887
Other revenue	26,930	3,595
Total revenues	1,034,972	859,277

Costs (in thousands of CZK)	2022	2021
Consumption of materials and energy	11,965	19,696
Gas distribution fee	1,665,123	1,652,024
Purchase of other services	9,917	241,578
Other costs	32,918	4,703
Total costs	1,719,923	1,918,001

Controlling entity (PPH)

Revenues (in thousands of CZK)	2022	2021
Revenues from sale of services	901	886
Total revenues	901	886

Costs (in thousands of CZK)	2022	2021
Other costs	2,566	551
Total costs	2,566	551

Other related parties

Revenues (in thousands of CZK)	2022	2021
Revenues from sale of services	144	144
Other revenue	321	1
Total revenues	465	145

Costs (in thousands of CZK)	2022	2021
Consumption of materials and energy (excluding gas, electricity, heat, CNG)	675	522
Purchase of other services	9,461	8,313
Total costs	10,136	8,835

Ultimate parent company

Costs (in thousands of CZK)	2022	2021
Purchase of services	26	0
Other costs	17,128	1
Total costs	17,154	1

The Group reported the following balances with related parties:

Subsidiary companies

Receivables and liabilities (in thousands of CZK)	31 December 2022	31 December 2021
Trade receivables	408,824	367,807
Short-term advances paid*	263,136	198,001
Estimated receivables	30,707	24,279
Other accounts receivable	21,640	3,074
Total receivables	724,307	593,161
Trade payables	4,520	40,447
Short-term advances received*	21,521	9,124
Estimated payables	12,781	9,733
Financial resources from subsidiaries	874,236	812,499
Other liabilities	3,268	13,673
Total accounts payable	916,326	885,476

*balances presented with VAT.

Controlling entity (PPH)

Receivables and liabilities (in thousands of CZK)	31 December 2022	31 December 2021
Contingent asset accounts	24	24
Total receivables	24	24
Short-term advances received*	24	24
Financial resources from PPH a.s.	63,950	66,068
Other liabilities	249	116
Total accounts payable	64,223	66,208

*balances presented with VAT.

Other related parties

Receivables and liabilities (in thousands of CZK)	31 December 2022	31 December 2021
Trade receivables	34	28
Short-term advances paid*	412	654
Total receivables	446	682
Trade payables	548	224
Total accounts payable	548	224

*balances presented with VAT.

Ultimate parent company

Receivables and liabilities (in thousands of CZK)	31 December 2022	31 December 2021
Short-term advances paid*	157	0
Total receivables	157	0
Trade payables	3,492	0
Total accounts payable	3,492	0

*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 2022 and 2021 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 2022, which have not yet been incurred, amounts to CZK 928 thousand (2021: CZK 1,196 thousand).

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.

Subsidiary companies

in thousands of CZK	2022	2021
Up to 1 year	540	75
Total	540	75

Other companies

(in thousands of CZK)	2022	2021
Up to 1 year	260	1,121
1-3 years	128	0
Total	388	1,121

The aggregate of future minimum payments for services - mainly for the use of gas storage capacity - totalled CZK 263,350 thousand as at 31 December 2022 without effective VAT (as of 31 December 2021: CZK 314,482 thousand).

in thousands of CZK)	2022	2021
Up to 1 year	95,865	100,046
1-3 years	141,520	174,934
3-5 years	23,112	36,658
Above 5 years	2,853	2,844
Total	263,350	314,482

8. Other facts

8.1. Contingent liabilities

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

The Company 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 Company management is not aware of any important potential Company liabilities as of 31 December 2022 apart from those mentioned in Section 5.2 and 7.21.

8.2. Events after date of the financial statements

After the balance sheet date, no events occurred which could have a significant impact on the Financial Statements as of 31 December 2022.

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 2023



Ing. Martin Pacovský, MBA Chairman of Board of Directors



Ing. Milan Cízl, Member of the Board of Directors

Cooking with us young and old.

We make your
life easier.



Consolidated Financial Statements

Consolidated statement of financial position as of 31 December 2022

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

(in thousands of CZK)	Note:	31/ 12/ 2022	31/ 12/ 2021
ASSETS			
Fixed assets			
Land, buildings, and equipment	7.1	8,673,735	8,203,720
Intangible assets	7.2	151,403	158,503
Assets originating from the right of use	7.4	29,491	34,725
Incremental costs of obtaining a contract	7.9	24,912	25,348
Contract assets	7.10	60,133	58,702
Other fixed assets		8,112	7,719
Fixed assets – total		8,947,786	8,488,717
Short-term assets			
Inventories	7.5	4,708,838	1,063,608
Trade and other receivables	7.6	3,360,628	3,067,771
Other tax receivables	7.20	0	208,416
Cash and cash equivalents	7.7	1,240,715	904,215
Other assets	7.8	125,072	34,679
Incremental costs of obtaining a contract	7.9	22,003	30,060
Contract assets	7.10	1,206	6,227
Paid income tax advance		0	7,477
Short-term assets – assets		9,458,462	5,322,453
TOTAL ASSETS		18,406,248	13,811,170
EQUITY AND LIABILITIES			
Equity			
Registered capital	7.11	431,972	431,972
Profit funds	7.12	238,960	238,960
Revaluation of hedging derivatives	7.13	-34,808	-83,900
Retained earnings		6,000,309	5,139,576
Equity		6,636,433	5,726,608
Non-controlled shares		101,151	10,165
Equity – total		6,737,584	5,736,773
Long-term liabilities			
Trade liabilities and other long-term liabilities	7.14	673	1,653
Bonds	7.17	0	2,686,474
Lease liabilities	7.4	28,004	33,085
Deferred tax liability	7.19	568,285	578,156
Provisions	7.21	59,813	66,753
Long-term liabilities – total		656,775	3,366,121
Short-term liabilities			
Loans	7.17	1,300,000	0
Trade payables, advances, principals received – short term	7.15	6,175,261	4,125,542
Bonds	7.17	2,695,034	0
Lease liabilities	7.4	5,081	4,976
Other liabilities	7.18	374,373	577,758
Due income tax		48,683	0
Other tax liabilities	7.20	413,457	0
Short-term liabilities – total		11,011,889	4,708,276
TOTAL EQUITY AND LIABILITIES		18,406,248	13,811,170

Consolidated statement of comprehensive income for the year ended 31 December 2022

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

(in thousands of CZK)	Note:	2022	2021
Revenues from sales	7.22	33,264,757	17,959,745
Purchased gas, electricity, materials, and services connected with gas and electricity supplies	7.23	30,132,140	14,787,645
Other operating income	7.24	236,166	114,433
Personnel costs	7.25	856,446	845,302
Depreciation of fixed assets	7.26	480,089	457,456
Loss due to depreciation of financial assets	7.6	78,857	45,901
Other operating costs	7.27	1,190,828	955,425
Operating profit/loss		762,563	982,449
Financial costs	7.28	310,916	102,168
Financial revenues	7.29	637,763	179,442
Financial profit/loss		326,847	77,274
Profit before tax		1,089,410	1,059,723
Income tax	7.30	226,550	202,590
Profit after tax		862,860	857,133
Items that may be reclassified and reported as profit or loss:			
Settlement of securing derivatives (change in fair value)	7.13	-42,972	-103,580
Deferred tax on securing derivatives	7.13	8,164	19,680
Other comprehensive income		-34,808	-83,900
Total performance for the period		828,052	773,233

Consolidated statement of changes in equity for the year ended 31 December 2022

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			
Balance as at 1 January 2021	431,972	238,960	-24,591	4,794,542	-348	5,440,535
Profit/loss after tax for the period	0	0	0	852,662	4,471	857,133
Other comprehensive income	0	0	-83,900	0		-83,900
Total comprehensive income	0	0	-83,900	852,662	4,471	773,233
Non-controlled share in the acquisition of subsidiary					5,694	5,694
Dividends paid	0	0	0	-507,000		-507,000
Other transactions	0	0	24,591	-628	348	24,311
Balance as of 31 December 2021	431,972	238,960	-83,900	5,139,576	10,165	5,736,773
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
Total comprehensive income	0	0	-34,808	859,105	3,755	828,052
Non-controlled share in the acquisition of subsidiary					65,948	65,948
Dividends paid	0	0	0			0
Other transactions			83,900	1,628	21,283	106,811
Balance as of 31 December 2022	431,972	238,960	-34,808	6,000,309	101,151	6,737,584

Consolidated statement of cash flows for the year ended 31 December 2022

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

(in thousands of CZK)	Note:	2022	2021
Profit before tax		1,089,410	1,059,723
Adjustments to profit before tax		868,696	453,028
Depreciation of fixed assets	7.26	480,089	457,456
Write-offs of receivables		16,673	30,179
Change in the position of adjustments and reserves		329,858	-53,991
Profit from sales of fixed assets	7.24	-1,161	-2,648
Net interest		43,237	22,026
Other non-cash movements (revaluation of derivatives)		0	6
Net cash flows from operations before tax and changes in working capital		1,958,106	1,512,751
Change in working capital needs		-1,752,175	-600,438
Changes in the position of receivables from operations		-235,840	-1,381,321
Change in liabilities from operations		2,404,287	1,187,012
Movement in inventories (gross)		-3,920,622	-406,129
Net cash flow from operations before tax		205,931	912,313
Interest paid		-93,292	-21,460
Interest received	7.29	58,426	7,804
Income tax on current activities and additional tax paid minus tax refunds		-184,582	-218,167
Net cash flow from operations		-13,517	680,490
Acquisition cost of fixed assets		-944,948	-777,577
Revenues from sales of fixed assets		3,129	4,228
Credit and loans to associates		16	23
Net cash flow from investments		-941,803	-773,326
Payment of long-term liabilities		-6,061	-5,215
Change in bank loans *	7.17	1,300,000	0
Change in the position of the loan from the parent company PPH *	7.18	-2,119	3,592
Dividends paid	7.31	0	-507,000
Net cash flows from financing activities		1,291,820	-508,623
Balance of cash and cash equivalents at beginning of accounting period		904,215	1,505,674
Net change in cash and cash equivalents for the accounting period		336,500	-601,459
Balance of cash and cash equivalents at end of accounting period		1,240,715	904,215

* 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.

Notes

to the Consolidated Financial Statements

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, postcode 110 00, Czech Republic. The Company ID number is 601 93 492. LEI of the Company is 315700QBYOTLGRRMO011.

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.

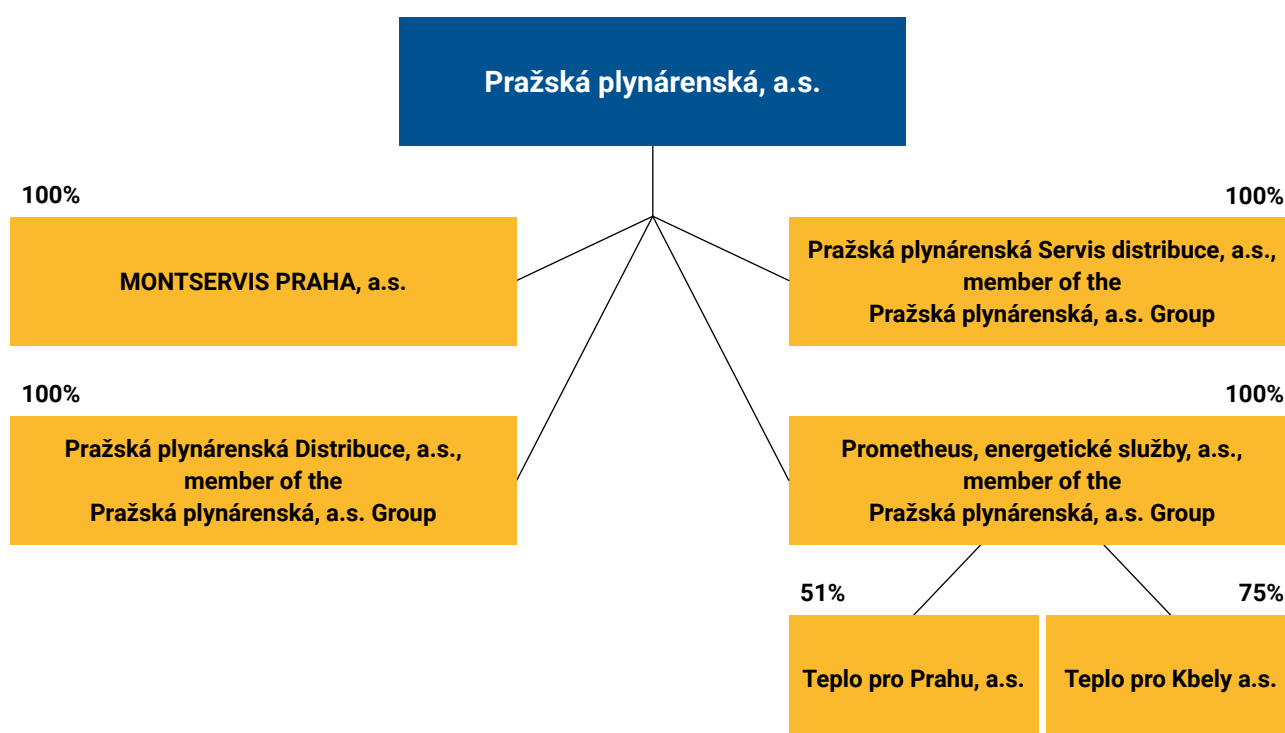
Other Group business activities are:

- 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 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 2022:



The Company implemented the merger by acquisition with its subsidiaries Pražská plynárenská Správa majetku, a.s., (PPSM) and Informační služby - energetika, a.s., (ISE) on the basis of a merger project with a record date of 1 January 2022, and the merger became effective on 1 July 2022 by entry into the Commercial Register.

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

Teplo pro Prahu, a.s. was founded on 13 May 2022. It is a joint venture between Prometheus, Energy Services, a.s. and the City of Prague (HMP).

On 1 June 2022, a subsidiary of Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, purchased the company 4-Energetická, a.s. from the Municipality of Prague 4 and decided to merge by acquisition with a record date of 1 January 2022.

The opening balance sheet as at 1 January 2022 was prepared on the basis of the merger project as the sum of the balance sheets of the acquiring and the surviving company, which were prepared as at the date preceding the merger record date, i.e. 31 December 2021. All these financial statements have been audited by the auditor with an unqualified opinion.

The successor company Prometheus, energetické služby, a.s., a member of the concern Pražská plynárenská,

a.s., took over all assets and liabilities of the liquidating company 4-Energetická, a.s., including the estimated items and transitional accounts at fair value on the basis of an expert's report.

1.2. Assessment of the conflict in Ukraine

In 2022, 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.

1.3. Major shareholders of the Company

The sole shareholder controlling the Company as of 31 December 2022 and 31 December 2021, is Pražská plynárenská Holding a.s. ("PPH" or the "controlling company"), is controlled by the Capital City of Prague, which is the main parent company.

1.4. Intention to merge with PPH

On 16 June 2022, the Prague City Council approved the intention to merge Pražská plynárenská, a.s. and Pražská plynárenská Holding a.s., with Pražská plynárenská, a.s. as the successor company.

Until the date of these financial statements, the decision on the merger has not been approved by the general meetings of Pražská plynárenská, a.s. and Pražská plynárenská Holding a.s.

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 koruna (CZK). Figures in the consolidated financial statements, unless stated otherwise, are presented in 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 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 4.19.1 – Unbilled gas supplies,
- Section 4.18.1 – Unbilled electricity supplies.

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 2022

- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract

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

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 current or non-current

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

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 are 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.

Non-controlling interests in subsidiaries are in Teplo pro Kbely a.s. (25% share) and 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

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

The acquisition cost of lands, 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, plant 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 or recognized as separate asset, if the Group might achieve financial gain in respect to this item and if the price of the item can be measured reliably.

4.3.2. Depreciation

Plant 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 constructions	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 property, plant 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 2023, 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 2022).
- 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 asserts, 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 depends of funds from secured cash flows depends on the fact on whether the given derivative is classified as a securing 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 securing 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 securing instrument.
- Non-zero initial value of the securing derivative.

The default accounting regulation governing the rules for accounting for financial instruments (in this case financial derivatives) and securing 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 parts of IFRS 9 dealing with securing accounting and decided not to use it.

The Group's 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 current 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 non-current 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 current liabilities if payment is due within one year. If not, they are recorded as non-current 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 recognized 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 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"), 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).

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 Article 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. 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 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 2022 the value of unbilled gas and distribution fees to low-volume customers and households represented CZK 5,211,360 thousand (as of 31 December 2021 the amount was CZK 3,495,063 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 and 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 2021 is 1.14%. The median ratio of the balance difference to the distributed amount for the last 6 years is equal to 2.08%. If in 2021 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 1.06 percentage points (while all other variables would remain unchanged), the pre-tax profit as of 31 December 2022 would be CZK 26.9 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 2022 the value of unbilled energy and distribution fee to low-volume customers and households represented CZK 940,030 thousand (as of 31 December 2021 the amount was CZK 771,038 thousand).

This estimate is determined using the balancing method, as the difference between total electricity purchases and sales of electricity invoiced on monthly basis to customers and own consumption during the period in question. Within the framework of the accounting estimates, estimates relating to large volume (VNN) 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 2022 would be around the category of MOO and MOP in the amount of around 934,543 MWh. The fixed price for the valuation of the deviation is set at CZK 6,000 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 168.3 mil.

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–A2, issued by Moody's.

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

In the case of cash, cash equivalents, and short-term bank financing, the concentration of credit risk is limited by the fact that the Group deposits cash in well-established 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 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 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 2022	31 December 2021
Trade receivables from third parties	1,079,244	1,425,398
Trade receivables from related parties	2,974	2,845
Financial trade receivables	1,082,218	1,428,243
Adjusting entries for trade receivables	-294,299	-249,687
Net trade receivables – financial	787,919	1,178,556
Unbilled deliveries	2,560,316	1,792,551
Adjusting entries for unbilled deliveries	-34,053	-17,407
Total trade and other receivables – financial	3,314,182	2,953,700
Short-term operational advances made	46,132	114,487
Other receivables – refinancing	5,262	4,360
Allowances for other receivables and advances paid	-4,948	-4,776
Total trade and other receivables – non-financial	46,446	114,071
Total trade and other receivables – short-term	3,360,628	3,067,771

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 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
Total	135,174	2,685	190,493	328,352

31 December 2021

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	25,217	595	60,101	85,913
Cat. DOM	45,433	636	73,908	119,977
Cat. VO	10,559	34	14,936	25,529
Cat. Other	11,442	703	23,530	35,675
Total	92,651	1,968	172,475	267,094

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 agencies on the investment scale (Moody's Aaa-Baa, Standard & Poor's and Fitch AAA-BBB), while 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.

Cash and cash equivalents (in thousands of CZK)	Bank rating	31 December 2022	31 December 2021
Cash on hand	not assigned	1,383	2,138
Money in bank accounts	A1-A2	1,239,332	653,477
Short-term investments - bills of exchange ČSOB Leasing	A1	0	248,600
Total exposure of cash, cash equivalents, and other financial assets		1,240,715	904,215

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.

In 2022, due to the increase in commodity prices, the Group has expanded its short-term external financing structure. The operating financing lines were increased, a new subordinated loan from the City of Prague and an operating loan for the purchase of natural gas guaranteed by the City of Prague (co-borrower Pražská plynárenská Holding a.s.) were arranged. The operational financing also includes overdraft credit lines, an exchange programme for drawing the necessary resources in the form of bills of exchange through auctions and a line for negotiation of bank guarantees. These external financial resources are provided by a consortium of two banks, i.e. Československá obchodní banka, a.s., Česká spořitelna, a.s., and the City of Prague.

In connection with refinancing, the Group concluded the following contracts with Československá obchodní banka, a.s. and Česká spořitelna, a.s.:

- Agreement on the establishment of a lien on the receivables under bank account management agreements between the Group and Československá obchodní banka, a.s.,
 - Agreement on the establishment of a lien on the receivables under bank account management agreements between the Group and Česká spořitelna, a.s.,
 - Agreement establishing a ban on burdening and alienation between the Group and Československá obchodní banka, a.s.
 - Subordination agreement between the Group, the City of Prague and the banks,
 - Agreement in connection with a guarantee agreement between the Group, the City of Prague and Pražská plynárenská Holding a.s.
- Agreement on the establishment of a lien on the company's plant between the Group and Československá obchodní banka, a.s.,
 - Agreement on the establishment of a right of lien on the plant between the Group and Česká spořitelna, a.s.,

The Group has agreed on a short-term overdraft credit line in EUR maintained at Raiffeisenbank a.s. This line is to be used for trading on the energy exchange.

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
Total	12,832,057			

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. 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.

Short-term funding structure as at 31 December 2021

(in thousands of CZK)	Limit	From	To	Interest rate
Overdraft credit lines in CZK	900,000	1/ 7/ 2020	21/ 5/ 2023	floating
Guarantee line – committed	1,600,000	25/ 10/ 2021	21/ 5/ 2023	fixed
Guarantee line – non-committed	20,000	19/ 1/ 2017	for an indefinite period of time	fixed
Exchange programme	1,000,000	25/ 10/ 2021	22/ 5/ 2023	floating
Overdraft credit lines in EUR RB (EUR 0.5 mil. using an exchange rate of 24.860 CZK/EUR)	12,430	31/ 5/ 2021	31/ 5/ 2022	floating
Total	3,532,430			

In 2021, no overdraft lines were drawn. As of 31 December 2021 only funds from the parent company PPH were drawn in the amount of CZK 66,068 thousand, which represent liabilities from cash-pooling. The average interest rate for cash-pooling between the Group and the parent company PPH for 2021 was 0.51% p.a.

Long-term funding structure as at 31 December 2021

(in thousands of CZK)	Limit	From	To	Interest rate
PPD Bond 0.70%/2023 ISIN CZ0003515348	2,700,000	14/ 11/ 2016	14/ 11/ 2023	fixed
Total	2,700,000			

Due to the favourable development on the financial markets, bonds with a floating interest rate in the amount of CZK 2.5 billion were refinanced on 14 November 2016. These were issued in May 2015 by Pražská plynárenská Distribuce, a.s., (hereinafter "PPD"), newly in the volume of CZK 2.7 billion with a fixed interest rate and maturity in 2023. The issue rate of these bonds was 97.842% and the emission yield was CZK 2,641,734 thousand. The emitted bonds were redeemed by Česká spořitelna, a.s., and Československá obchodní banka, a.s. No other rights are tied to the bonds (including the pre-emptive right of purchase or right to exchange). The bonds are not negotiable. The bonds can be transferred without the prior consent of the issuer only to

a person who is a professional customer pursuant to Section 2a(1), of the Capital Market Undertakings Act. Attached to the PPD bonds, a lien is established on the plant of Pražská plynárenská, a.s. to the benefit of the bond holders.

Within the framework of the issuance of Group bonds, the following contracts were concluded with Československá obchodní banka, a.s., and Česká spořitelna, a.s.:

- Securing contract with agent
- Contract with administrator
- Agreement on subscription of bonds

Bonds issued by the Group:

	Nominal value of the share (in thousands of CZK)	Issue rate (%)	Date of maturity	Coupon rate p.a. (%)	Coupon maturity	Book value as of 31/ 12/ 2022 (in thousands of CZK)	Book value as of 31/ 12/ 2021 (in thousands of CZK)
PPD Bond 0.70%/2023 ISIN CZ0003515348	2,700,000	97.842	14/ 11/ 2023	0.70	annual	2,695,034	2,686,474

The book value of the bonds has the following structure:

Book value

(in thousands of CZK)	2022	2021
PPD Bond 0.70%/2023 ISIN CZ0003515348	2,695,034	2,686,474

The book value of bonds is close to their fair value.

Drawing of short-term bank loans allows the Group to optimize coverage of seasonal fluctuations in its cash flows, which accompany the purchase and sale of energy. An integral part of the Group funding is the utilisation of the financial resources of all companies belonging to the Group and PPH aggregated in the cash-pooling scheme. 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 2022 and as of 31 December 2021.

Impact of the cost interest related to the bonds on the profit or loss as at 31 December 2022: CZK 27,224 thousand) (as of 31 December 2021: 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 liabilities grouped by residual period to contractual maturity as at 31 December 2022 and as at 31 December 2021. 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 2022 and on the interest rates valid on the financial market as of 31 December 2022. Lease liabilities are reported separately in Section 7.4.

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
Bonds	0	0	2,718,900	0	0	2,718,900
Trade and other liabilities	2,973,943	0	297	633		2,974,873
Loan from the parent company PPH – cash-pooling	63,950	0	0	0	0	63,950
Total	4,652,631	2,076,088	2,843,341	633	0	9,572,693

31 December 2021

(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)	3,024,256	1,212,975	55,617	0	0	4,292,848
Bonds	0	0	18,900	2,718,900	0	2,737,800
Trade and other liabilities	2,340,024	5,734	1,578	1,613	0	2,348,949
Loan from the parent company PPH – cash-pooling	66,078	0	0	0	0	66,078
Total	2,406,102	5,734	20,478	2,720,513	0	9,445,675

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.

Guarantees concluded

The Group 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);
- on behalf of Ředitelství silnic a dálnic ČR, up to the amount of CZK 32 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);
- 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);
- on behalf of Ředitelství silnic a dálnic ČR, up to the amount of CZK 32 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);

The Group secured its financial liabilities with Československá obchodní banka, a.s., as of 31 December 2021:

- on behalf of TRADE CENTRE PRAHA a.s., and up to CZK 500 thousand CZK (under the Agreement on Combined Supplies of Natural Gas dated 30/ 7/ 2019);
- on behalf of TRADE CENTRE PRAHA a.s., up to CZK 500 thousand (under the agreement on combined supplies of electricity, part 1 dated 2/ 8/ 2019);
- on behalf of TRADE CENTRE PRAHA a.s., up to CZK 500 thousand (under the agreement on combined supplies of electricity, part 2 dated 2/ 8/ 2019);
- on behalf of Čepro a.s., up to CZK 1,000 thousand (under the agreement on gas supply dated 8/ 11/ 2019);
- on behalf of Čepro a.s., up to CZK 1,000 thousand (under the Agreement on combined supplies of electricity dated 21/ 11/2019 and under the Agreement on Supplies of electricity form low-voltage network of 21/ 11/ 2019);
- on behalf of OTE, a. s., up to CZK 730,000 thousand (under the Deviation settlement agreement No. AP 006/09 dated 11/ 12/ 2009);
- on behalf of OTE, a. s., up to CZK 85,000 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);
- on behalf of Ředitelství silnic a dálnic ČR, up to the amount of CZK 32 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);

The Group had secured its financial liabilities with Česká spořitelna, a. s., as at 31 December 2021: in favour of the Municipal District of Prague 2, up to the amount of CZK 3,000 thousand. (according to the Framework agreement defining administration and operation of heat resources and on the delivery and use of heat energy, dated 19/ 9/ 2018).

These 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 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 2022, the Group drew down short-term bank loans (overdraft, promissory note programme, HMP-guaranteed loan), HMP loan and cash under cash-pooling. In 2021, the Group did not draw short-term bank loans, but only used funds from the cash-pooling scheme.

Sensitivity analysis:

If the interest rate had increased/decreased by 100 basic points while all other variables held constant as of 1 January 2022, the profit before tax as of 31 December 2022 would have been CZK 16,730 thousand lower/higher as a result of the increased/decreased interest expense (as of 31 December 2021: CZK 1,067 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 made 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.

Sensitivity analysis:

If the CZK/EUR exchange rate as of 31 December 2022 had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR while all other variables held constant, the profit before tax as at 31 December 2022 as a result of revaluation of liabilities in EUR would have been CZK 4,429 thousand lower/higher (as of 31 December 2021: CZK 1,492 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 2022, the profit before tax as of 31 December 2022 as a result of revaluation of liabilities in EUR would have been CZK 4,722 thousand higher/lower (as of 31 December 2021: CZK 7,662 thousand).

(in thousands of CZK)	2022	2021	2022	2021
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Liabilities in EUR	-4,429	-1,492	4,429	1,492
Receivables in EUR	4,722	7,662	-4,722	-7,662
Impact on profit before tax	293	6,170	-293	-6,170

If the CZK/EUR exchange rate as of 31 December 2022 had weakened (increased) / strengthened (dropped) by 0.5 CZK/EUR with all other variables held constant as of 31 December 2022, the other total profit as of 31 December 2022 as a result of revaluation of hedged forward purchases realised as of 31 December 2022 would be CZK 45,341 thousand higher/lower (as of 31 December 2021: CZK 80,950 thousand).

(in thousands of CZK)	2022	2021	2022	2021
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Secured forward purchases in EUR	45,341	80,950	-45,341	-80,950
Impact of total profit / loss result	45,341	80,950	-45,341	-80,950

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 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 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

31 December 2021

(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	2,946,526	1,191,437	12,056	0	0	4,150,019

Derivatives securing cash flows:**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

31 December 2021

(in thousands of CZK)	Nominal value	Fair value - positive	Fair value - negative	Secured period	Average secured rate
Currency forwards	4,150,019	0	91,211	0-1 year	25.633

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 Section 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 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

31 December 2021

(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	2,953,700	0	2,953,700	30,273	2,923,427
Trade and other financial liabilities	2,347,335	0	2,347,335	30,273	2,317,062

5.6. Net profit and losses from financial instruments

(in thousands of CZK)	2022	2021
Trade receivables (particularly depreciation of receivables and creation of provisions)	-85,727	-52,143
Cash and cash equivalents (especially profits from the appreciation of funds)	49,660	2,927
Bonds (particularly cost interest)	-27,735	-27,741
Financial derivatives (especially losses from derivative transactions)	399,335	105,231
Bank loans (particularly cost interest)	-97,144	-1,372
Other financial liabilities (especially currency exchange gains / losses)	28,183	7,846
Net gains (+) / losses (-) reported in the profit/loss statement	266,572	34,748
Financial derivatives in other comprehensive income (settlement)	-42,972	-103,580
Net gains (+) / losses (-) reported in other total income	-42,972	-103,580
Total net gains (+) / losses (-)	223,600	-68,832

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'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 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 2022 and as of 31 December 2021.

7. Notes to the consolidated financial statements

7.1. Land, buildings, and equipment

Property, plant, and equipment (in thousands of CZK)	Land	Depreciation of buildings and other constructions	Movables and sets of movables	Heating technology and other fixed tangible assets	Tangible fixed assets under construction	Advance payments for fixed tangible assets	Total
Acquisition value							
Balance as at 1/ 1/ 2021	130,636	11,962,760	2,075,428	221,609	91,171	7,593	14,489,197
Purchases	0	0	0	0	727,874	21,752	749,626
Transfers	0	551,929	137,437	36,666	-726,032	-16,430	-16,430
Decreases	0	-65,598	-111,218	0	0	0	-176,816
Balance as at 31/ 12/ 2021	130,636	12,449,091	2,101,647	258,275	93,013	12,915	15,045,577
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
Balance as at 31/ 12/ 2022	143,881	13,126,760	2,149,878	349,397	43,352	5,904	15,819,172
Accumulated depreciation, adjustments, impairment, recharging							
Balance as at 1/ 1/ 2021	0	4,876,367	1,626,029	92,333	0	0	6,594,729
Depreciation	0	287,790	116,962	13,939	0	0	418,691
Adjustments	0	-23	0	0	0	0	-23
Accumulated depreciation for disposals	0	-62,150	-109,390	0	0	0	-171,540
Balance as at 31/ 12/ 2021	0	5,101,984	1,633,601	106,272	0	0	6,841,857
Depreciation	0	301,792	122,718	16,989			441,499
Adjustments	0	-23	0	0			-23
Accumulated depreciation for disposals	0	-46,439	-88,385	-3,072			-137,896
Balance as at 31/ 12/ 2022	0	5,357,314	1,667,934	120,189	0	0	7,145,437
Net book value 2021	130,636	7,347,107	468,046	152,003	93,013	12,915	8,203,720
Net book value 2022	143,881	7,769,446	481,944	229,208	43,352	5,904	8,673,735

* 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 2022 and 31 December 2021 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
Acquisition value						
Balance as at 1/ 1/ 2021	141,246	134,265	680,027	505,679	614,211	2,075,428
Transfers	12,205	15,273	68,330	17,048	24,581	137,437
Decreases	-12,869	-30,670	-45,735	-8,468	-13,476	-111,218
Balance as at 31/ 12/ 2021	140,582	118,868	702,622	514,259	625,316	2,101,647
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
Balance as at 31/ 12/ 2022	144,666	125,867	707,962	523,849	647,534	2,149,878
Accumulated depreciation, adjustments, impairment, recharging						
Balance as at 1/ 1/ 2021	101,408	100,093	475,745	473,358	475,425	1,626,029
Depreciation	13,208	13,425	36,555	25,248	28,526	116,962
Accumulated depreciation for disposals	-11,245	-30,584	-45,645	-8,468	-13,448	-109,390
Balance as at 31/ 12/ 2021	103,371	82,934	466,655	490,138	490,503	1,633,601
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
Balance as at 31/ 12/ 2022	106,498	92,719	448,052	511,661	509,004	1,667,934
Net book value 2021	37,211	35,934	235,967	24,121	134,813	468,046
Net book value 2022	38,168	33,148	259,910	12,188	138,530	481,944

The business plant of the Company is the subject of a right of lien belonging to creditors of Československá obchodní banka, a.s., and Česká spořitelna, a.s., - the lien on the business plant is:

(i) Up to CZK 4,100 mil. secured debts of Pražská plynárenská, a.s., from operating financing, which may arise on the basis of the Operating Loan Agreement dated 24 May 2016, as amended and the Bill of Exchange Programme Agreement dated 24 May 2016 as amended, and

(ii) Up to CZK 2,700 mil. secured debts of the subsidiary Pražská plynárenská Distribuce, a.s., a member of the Pražská plynárenská, a.s. Group, arising in connection with the issue of PPD bonds 0.70% / 2023, ISIN CZ0003515348 issued by the mentioned subsidiary on the basis of the issuance conditions dated 16 November 2016 and maturing in 2023.

7.2. Intangible assets

Intangible assets (in thousands of CZK)	Goodwill	Intangible assets	Assessable rights	Intangible fixed assets under construction	Total
Acquisition value					
Balance as at 1/ 1/ 2021	25,183	796,988	14,339	14,692	851,202
Purchases	4,500	0	0	38,623	43,123
Transfers	0	31,922	76	-31,998	0
Decreases	-279	-545	0	0	-824
Balance as at 31/ 12/ 2021	29,404	828,365	14,415	21,317	893,501
Effect of merger	1,420			24,836	26,256
Purchases		30,229	0	-30,229	0
Transfers	0	-302	0		-302
Balance as at 31/ 12/ 2022	30,824	858,292	14,415	15,924	919,455

Intangible assets (in thousands of CZK)	Goodwill	Intangible assets	Assessable rights	Intangible fixed assets under construction	Total
Accumulated depreciation, depreciation, impairment					
Balance as at 1/ 1/ 2021	0	689,310	12,702	0	702,012
Depreciation	0	32,845	686	0	33,531
Accumulated depreciation for disposals	0	-545	0	0	-545
Balance as at 31/ 12/ 2021	0	721,610	13,388	0	734,998
Depreciation	0	32,673	683	0	33,356
Accumulated depreciation for disposals	0	-302	0	0	-302
Balance as at 31/ 12/ 2022	0	753,981	14,071	0	768,052
Net book value 2021	29,404	106,755	1,027	21,317	158,503
Net book value 2022	30,824	104,311	344	15,924	151,403

The average residual amortisation period of software is 1 year and 5 months.

7.3. Goodwill

As of 31 December 2022 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 2022 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 2023-2025). 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 the past experience and the expected future developments, while taking into account the current pandemic situation.

Revenue growth from 2023 to 2025 is constant at 5%, and personnel cost growth from 2023 to 2025 of 3% is based on the collective agreement.

Using a discounted cash flow method with a discount rate of 6.43% (2021: 6.43%), the present value of free cash flows in excess of the value of the cash-generating unit was determined. In 2022 and 2021, 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 lands
Acquisition value	
Balance as at 1/ 1/ 2022	53,299
Decreases	0
Balance as at 31/ 12/ 2022	53,299
Accumulated depreciation, depreciation, impairment	
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

(in thousands of CZK)	Non-residential premises and lands
Acquisition value	
Balance as at 1/ 1/ 2021	53,299
Decreases	0
Balance as at 31/ 12/ 2021	53,299
Accumulated depreciation, depreciation, impairment	
Balance as at 1/ 1/ 2021	13,340
Depreciation	5,234
Balance as at 31/ 12/ 2021	18,574
Net book value 1/ 1/ 2021	39,959
Net book value 31/ 12/ 2021	34,725

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 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	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
Total	1,134	1,139	2,808	12,232	8,615	7,157	33,085

As of 31 December 2021 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	5 years or more	Total
Long-term lease liabilities	0	0	0	13,146	8,427	11,512	33,085
Short-term lease liabilities	1,114	1,119	2,743	0	0	0	4,976
Total	1,114	1,119	2,743	13,146	8,427	11,512	38,061

The total cash flow related to lease liabilities in 2022 amounted to CZK 6,362 thousand, in 2021 amounted to CZK 6,445 thousand.

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 Chapter 7.27.

Interest expenses from lease liabilities included in the 2022 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 2022 and recognised as consumption in the amount of CZK 2,769,598 thousand (in 2021: CZK 499,722 thousand). The Company has established an inventory adjustment at 31 December 2022 in the amount of CZK 275,160 thousand. (as of 31 December 2021: CZK 0 thousand).

No surpluses and/or shortfalls in inventories were found during stock-taking in 2022.

7.6. Short-term trade and other receivables

Type of receivable (in thousands of CZK)	31 December 2022	31 December 2021
Trade receivables from third parties	1,079,244	1,425,398
Trade receivables from related parties	2,974	2,845
Financial trade receivables	1,082,218	1,428,243
Adjusting entries for trade receivables	-294,299	-249,687
Net trade receivables – financial	787,919	1,178,556
Unbilled deliveries	2,560,316	1,792,551
Adjusting entries for unbilled deliveries	-34,053	-17,407
Total trade and other receivables – financial	3,314,182	2,953,700
Short-term operational advances made	46,132	114,487
Other receivables – refinancing	5,262	4,360
Allowances for other receivables and advances paid	-4,948	-4,776
Total trade and other receivables – non-financial	46,446	114,071
Total trade and other receivables – short-term	3,360,628	3,067,771

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 2022 the offset amount of advances with estimated payables was CZK 785,072 thousand (2021: CZK 756,310 thousand).

Outstanding trade receivables have not been secured. Receivables from related parties are defined in detail in Chapter 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 2022	31 December 2021
up to 30 days	34,771	82,398
Total	34,771	82,398

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 2022	31 December 2021
up to 6 months	61,847	50,364
6 to 12 months	15,602	12,098
more than 1 year	180,592	165,822
Total	258,041	228,284

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

Adjusting entries for receivables (in thousands of CZK)	31 December 2022	31 December 2021
Initial balance as of 1 January	267,094	238,602
Creation of an allowance for receivables	79,158	59,571
Use of the allowance	17,900	31,079
Final balance as of 31 December	328,352	267,094

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 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
Total	135,174	2,685	190,493	328,352

31 December 2021

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
Cat. MO	25,217	595	60,101	85,913
Cat. DOM	45,433	636	73,908	119,977
Cat. VO	10,559	34	14,936	25,529
Cat. Other	11,442	703	23,530	35,675
Total	92,651	1,968	172,475	267,094

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 2022	31 December 2021
Change in adjustment entry – to existing receivables	60,957	14,822
Loss due to receivables written-off	17,900	31,079
Loss due to depreciation of financial assets	78,857	45,901

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.

As of 22 December 2021, the Group acquired corporate bills of ČSOB Leasing in euro currency. This concerned 5 bills of exchange with a total value of CZK 10,000 thousand due on 3 January 2022. The yield to maturity was 0.00% p.a.

The structure of cash and cash equivalents is shown below:

Cash and cash equivalents (in thousands of CZK)	31 December 2022	31 December 2021
Cash on hand	1,383	2,138
Money in bank accounts	1,239,332	653,477
Short-term investments – bills	0	248,600
Total	1,240,715	904,215

7.8. Other assets

Other assets (in thousands of CZK)	31 December 2022	31 December 2021
Liabilities from revaluation of trade derivatives at fair value	47,790	0
Other (especially capitalised costs)	77,283	34,679
Other assets – total	125,073	34,679

7.9. Incremental costs of obtaining a contract

Incremental costs (in thousands of CZK)	31 December 2022	31 December 2021
Commission paid to traders - long-term part	24,912	25,348
Commission paid to traders – short-term part	22,003	30,060
Incremental costs – total	46,915	55,408

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 2022	31 December 2021
Bonuses to customers - long-term part	60,133	58,702
Bonuses to customers – short-term part	1,206	6,227
Contract assets – total	61,339	64,929

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

7.11. Registered capital

Form of shares	2022		2021	
	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
Total	1,439,907		1,439,907	
Total share capital		431,972,100		431,972,100

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 securing 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 2022	31 December 2021
Balance as of the beginning of the year	-83,900	-24,591
Change in fair value of securing derivatives	60,607	-73,223
Related deferred income tax	-11,515	13,914
Balance as of the end of year	-34,808	-83,900

Reclassification as a complete result for the monitored period (in thousands of CZK)	2022	2021
Profit after tax	862,860	857,133
Fair value of non-matured securing derivatives	-42,972	-91,211
Fair value of matured continuous securing derivatives	0	-12,369
Effective component of the fair value of securing derivatives	-42,972	-103,580
Deferred tax receivable from securing derivatives (19%)	8,164	19,680
Total performance for the period	828,052	773,233

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
Balance as at 31/ 12/ 2021	40	1,613	1,653
– of which: due in less than 5 years	40	1,613	1,653
Balance as at 31/ 12/ 2022	40	633	673
– of which: due in less than 5 years	40	633	673
Total as of 31/ 12/ 2021	40	1,613	1,653
Total as of 31/ 12/ 2022	40	633	673

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

Trade payables, advances, principals received – current (in thousands of CZK)	31 December 2022	31 December 2021
Trade liabilities payable to third parties	2,937,455	2,329,552
Trade liabilities payable to other related parties	31,407	17,783
Operating advances and short-term principals received (non-financial liabilities)	3,206,399	1,778,207
Trade payables, advances received and principals – total	6,175,261	4,125,542

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
Balance as at 31/ 12/ 2021	170,325	1,778,207	2,177,010	4,125,542
– of which: due in less than 6 months	168,747	1,778,207	2,177,010	4,123,964
– of which: due from 6 months to 1 year	1,578	0	0	1,578
Balance as at 31/ 12/ 2022	237,209	3,206,399	2,731,653	6,175,261
– of which: due in less than 6 months	237,209	3,206,399	2,731,653	6,175,261
– of which: due from 6 months to 1 year	0	0	0	0
Total as of 31/ 12/ 2022	237,209	3,206,399	2,731,653	6,175,261

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.

As of 31 December 2022, funds from the parent company PPH were drawn in the amount of CZK 63,950 thousand (as of 31 December 2021 - CZK 66,068 thousand), which represent liabilities related to cash-pulling and in 2022 and these carried an interest rate as follows: in 01/2022: O/N PRIBOR – 1.00% p.a., between 02-06/2022: O/N PRIBOR – 1.75% p.a., between 07-12/2022: O/N PRIBOR + 2.50% p.a. In 2021 they carried a credit interest rate: between 01-04/2021: O/N PRIBOR – 0.15% p.a., between 05-06/2021: O/N PRIBOR – 0.10% p.a., between 07-08/2021: O/N PRIBOR – 0.20% p.a., between

09-10/2021: O/N PRIBOR – 0.30% p.a., from 11/2021: O/N PRIBOR – 0.50% p.a., from 12/2021: O/N PRIBOR – 1.00% p.a.

As for financial instruments drawn under cash-pooling in 2022, the debit interest rate was as follows: between 01-06/2022: O/N PRIBOR + 0.25% p.a., in 07-12/2022: O/N PRIBOR + 0.30% p.a. In 2021 the carried debit interest rate was: between 01-12/2021: O/N PRIBOR + 0.25% p.a.

The change in the margin on the credit interest rate structure was changed in line with the increase in CNB interest rates.

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 2022			31 December 2021		
	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	47,790	0	261,054	0	166,217	142,829

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

In 2022, losses from the settlement of trade derivatives reported in the comprehensive profit/loss statement were CZK 340,303 thousand, see Sections 7.28. and 7.29.

In 2021, losses from the settlement of trade derivatives reported in the comprehensive profit / loss statement were CZK 64,508 thousand, of which the costs arising from the settlement of trade derivatives amounted to CZK 973 thousand and revenues arising from the settlement of trade derivatives amounted to CZK 65,481 thousand, see Sections 7.28. and 7.29.

7.16. Unbilled supplies and advances received

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
Clearing of Accounts	2,890,984	1,147,803	1,226,656	746,877	6,012,320
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

31 December 2021

(in thousands of CZK)	Cat. DOM	Cat. MO	Cat. VO/SO	Other	Total
Unbilled deliveries	2,131,883	1,350,948	699,265	1,184,124	5,366,220
Advance payments received	-2,232,830	-1,625,765	-467,330	-898,353	-5,224,277
Clearing of Accounts	1,895,949	795,928	467,330	414,463	3,573,669
Unbilled supplies – after netting	235,934	555,021	231,935	769,661	1,792,551
Advances received – after netting	-336,881	-829,837	0	-483,890	-1,650,608

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 2022 and as of 31 December 2021.

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 2021	Cash flows	Non-cash flows – Revaluation of liabilities using the effective interest rate method	31 December 2022
Loan from HMP	0	459,500	40,500	500,000
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
Total	2,752,542	1,188,794	117,648	4,058,984

(in thousands of CZK)	31 December 2020	Cash flows	Non-cash flows – Revaluation of liabilities using the effective interest rate method	31 December 2021
PPD Bonds	2,677,914	-18,900	27,460	2,686,474
Loan from the parent company PPH – cash-pooling (see 7.32.)	62,477	3,254	337	66,068
Total	2,740,391	-15,646	27,797	2,752,542

7.18. Other liabilities

Other liabilities (in thousands of CZK)	31 December 2022	31 December 2021
Loan from the parent company PPH	63,950	66,068
Liabilities from revaluation of commodity derivatives to fair value	0	166,217
Liabilities from revaluation of securing derivatives to fair value	42,972	91,211
Total financial liabilities	106,922	323,496
Payables towards employees	238,711	224,418
Payables towards social insurance institutions	22,942	23,174
Other liabilities – non-financial	5,798	6,670
Non-financial liabilities - total	267,451	254,262
Other liabilities – total	374,373	577,758

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 64,128 thousand (2021: CZK 66,904 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 2022	31 December 2021
Deferred tax asset to be recovered after more than 12 months	13,033	13,105
Deferred tax asset to be recovered within 12 months	117,099	53,081
Deferred tax liability payable after more than 12 months	-689,263	-635,189
Deferred tax liability payable within 12 months	-9,154	-9,153
Net deferred tax liability	-568,285	-578,156

Deferred tax was calculated at 19% (the rate for 2021 and subsequent years was used).

Deferred tax liability (+) and deferred tax receivable (-) (in thousands of CZK)	31 December 2022	31 December 2021
The item represents deferred tax from the following titles		
Difference in the residual prices of fixed assets	-685,176	-640,548
Tax non-deductible part of allowances for receivables	27,607	19,506
Inventory adjustment	52,715	0
Other provisions, adjustment entries and temporary differences	12,195	12,496
Lease liabilities	879	567
Change in fair value of hedging derivative	8,165	19,680
Incremental costs of obtaining a contract	-20,568	-22,864
Obligations towards employees and board members	35,898	33,007
Total	-568,285	-578,156

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	Other	Total
31 December 2021	-640,548	19,506	33,007	9,879	-578,156
profit (+) / loss (-)	-44,628	60,815	2,891	2,308	21,386
Other comprehensive income	0	0	0	-11,515	-11,515
31 December 2022	-685,176	80,321	35,898	672	-568,285

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	Other	Total
31 December 2020	-601,947	17,549	25,604	-16,756	-575,550
profit (+) / loss (-)	-38,601	1,957	7,403	12,723	-16,518
Other comprehensive income	0	0	0	13,912	13,912
31 December 2021	-640,548	19,506	33,007	9,879	-578,156

7.20. Other tax liabilities

Other tax receivables in 2022 mainly consist of a value added tax receivable. The Group recognised a liability for value added tax in 2021.

7.21. Provisions

Provisions (in thousands of CZK)	Long-term	Short-term
Book value		
Balance as at 1/ 1/ 2021	33,574	101,968
Creation of reserves	38,902	0
Reversals of provisions	-5,602	-101,968
Use of provisions	-121	0
Balance as at 31/ 12/ 2021	66,753	0
Creation of reserves	27,360	0
Reversals of provisions	-1,300	0
Use of provisions	-33,000	0
Balance as at 31/ 12/ 2022	59,813	0
Net book value 2021	66,753	0
Net book value 2022	59,813	0

Provisions at 31 December 2022 mainly include a provision for environmental remediation of CZK 15 million (CZK 15 million as of 31 December 2021). In 2022, the provision for costs related to anticipated unauthorised withdrawals due to DPI has been released and provisions have been made mainly for costs related to business model optimisation and VTL pipeline inspections.

The provision for the repair of environmental impact was recorded on the basis of an analysis of the risks of residual pollution in the Group facility, which included the valuation of corrective measures in the area of the former naphthalene plant. This is primarily a liability of the state towards the Group, on the basis of a contract where the repair of most environmental burdens has already been carried out at the expense of the state.

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)	2022	2021
Sale of natural gas	19,561,457	8,491,317
Sale of own and foreign gas	3,789,794	3,861,197
Sale of heat and CNG	554,260	232,285
Sale of flexibility	12,995	3,852
Sale of electricity	6,455,799	2,619,356
Sale of foreign distributions of electricity	2,656,252	2,456,538
Other services	211,130	279,756
– of which: revenues from asset repairs and maintenance	31,102	25,960
– of which: revenues from construction of gas pipelines	55,975	87,522
– of which: revenues from earthworks	191	8,218
– of which: revenues from other services	123,862	158,056
Sale of goods and products (services)	10,716	5,858
Revenues from contracts with customers	33,252,403	17,950,159
Revenues from property leases	12,354	9,586
Total	33,264,757	17,959,745

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)	2022	2021
Costs of gas purchases	19,432,620	7,791,866
– of which: gas reservoir costs	120,067	96,721
Gas distribution fee	1,305,759	1,357,317
Costs of electricity purchases	6,304,747	3,011,324
Electricity distribution fee	2,659,284	2,459,298
Purchasing expenses – total	29,702,410	14,619,805
Derivative transactions expense – secured	429,730	167,840
Total	30,132,140	14,787,645

7.24. Other operating income

Other operating income (in thousands of CZK)	2022	2021
Profit from sales of fixed assets	1,161	2,648
Income from sale of material	6,781	8,337
Income from write-off of receivables	1,227	900
Income from write-off of lapsed liabilities	7,482	8,514
Court fee compensations	3,326	4,461
Benefits from insurance (indemnity)	2,062	2,189
Other	214,127	87,384
Total	236,166	114,433

7.25. Personnel costs

Personnel costs (in thousands of CZK)	2022	2021
Employees	770,099	732,340
Members of statutory bodies	83,289	91,696
Future benefits to members of statutory bodies provided under contract defining their executive performance (Section 4.17.4)	3,058	21,266
Total	856,446	845,302

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

During 2022 and 2021 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 2022 include benefits paid under performance contracts (see Section 4.17.4) in the amount of CZK 5,834 thousand (2021: CZK 14,277 thousand). No profit shares were paid to members of statutory bodies in 2022 and 2021.

Contributions to the state pension scheme (on the basis of defined contributions) in 2022 amounted to CZK 125,450 thousand per employee (2021: CZK 119,416 thousand) and CZK 8,897 thousand for members of statutory bodies (2021: CZK 8,544 thousand).

7.26. Depreciation of fixed assets

Depreciation of fixed assets (in thousands of CZK)	2022	2021
Depreciation of buildings and other structures	33,604	32,033
Depreciation of pipelines	262,337	250,261
Depreciation of the buildings of regulating stations	5,851	5,496
Depreciation of the technology of regulating stations	23,575	25,248
Depreciation of gas meters, reducers and regulators	43,600	36,554
Depreciation of boiler installations and other fixed assets	16,989	13,938
Depreciation of vehicles	11,771	13,208
Depreciation of intangible assets	33,356	33,531
Depreciation of IT equipment	14,441	13,425
Depreciation of other movables	29,331	28,528
– of which: depreciation of other gas facilities	15,129	12,288
– of which: depreciation of other assets (inventory, and the like)	14,202	16,240
Depreciation of assets originating from the right of use	5,234	5,234
Total	480,089	457,456

7.27. Other operating costs

Other operating cost (in thousands of CZK)	2022	2021
Consumption of materials and energy	95,109	109,239
Costs of goods	8,308	2,822
Lease fees	73,378	71,791
Services	705,591	770,563
– of which: asset repair and maintenance costs	344,388	447,763
– of which: claims collection costs	9,202	9,312
– of which: promotion, advertising and marketing costs	50,027	59,300
– of which: IT systems management and maintenance costs	74,083	89,570
– of which: business representatives' commissions	47,529	41,105
– of which: consulting costs	41,489	30,962
– of which: gas meter reading costs	18,464	17,970
– of which: telecommunication service and postal charges	27,221	9,209
– of which: educational costs	2,731	2,936
– of which: costs of other services	90,457	62,436
Other (mainly provision for inventories and changes in provisions)	308,442	1,010
Total	1,190,828	955,425

Information on fees paid to the auditing company is disclosed in the Annex to the consolidated financial statements of Pražská plynárenská Holding, a.s. as of 31 December 2022.

7.28. Financial costs

Financial costs (in thousands of CZK)	2022	2021
Interest expense	100,968	29,044
Lease liabilities – interest paid	695	786
Cost paid to settle trade derivatives	0	973
Bank charges	43,373	7,174
Other financial expense	165,880	64,191
Total	310,916	102,168

Other financial expenses represent mainly foreign exchange differences.

7.29. Financial revenues

Financial revenues (in thousands of CZK)	2022	2021
Interest income	58,426	7,804
Income from contractual fines and default interest	7,521	4,917
Cost paid to settle trade derivatives	340,303	65,481
Other financial revenues	231,513	101,240
Total	637,763	179,442

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)	2022	2021
Income tax – current	249,001	185,158
Income tax – previous years adjustment	-1,065	914
Income tax – deferred	-21,386	16,518
Income tax – paid	226,550	202,590

Reconciliation of the tax base and theoretical tax charge is calculated from consolidated accounting profit before tax multiplied by the statutory income tax rate

Income tax (in thousands of CZK)	2022	2021
Profit before tax	1,089,410	1,059,723
Income tax at the statutory rate of 19%	206,988	201,347
Non-taxable income	-1,869	-6,492
Tax non-deductible expenses	21,230	12,097
Gifts	-658	-602
Other	859	-3,760
Income tax – paid	226,550	202,590

7.31. Dividends paid

No dividend was paid for 2022. In 2021 a dividend in the amount of CZK 507,000 thousand was paid (CZK 352 per share).

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:

Controlling entity (PPH a.s.)

Revenues (in thousands of CZK)	2022	2021
Revenues from sale of services	901	906
Total revenues	901	906
Costs (in thousands of CZK)	2022	2021
Other costs	2,566	551
Total costs	2,566	551

Ultimate parent company (HMP)

Revenues (in thousands of CZK)	2022	2021
Revenues from sale of services	38,708	21,682
Total revenues	38,708	21,682
Costs (in thousands of CZK)	2022	2021
Purchase of other services	5,758	4,818
Other costs	17,128	7
Total costs	22,886	4,825

Other related parties

Revenues (in thousands of CZK)	2022	2021
Revenues from sale of services	4,581	545
Other revenue	327	40
Total revenues	4,908	585
Costs (in thousands of CZK)	2022	2021
Purchase of material	1,922	0
Purchase of other services	101,500	98,133
Other costs	1,294	117
Total costs	104,716	98,250

The Group recognised the following balances with related parties:

Controlling entity (PPH a.s.)

Receivables and liabilities (in thousands of CZK)	31 December 2022	31 December 2021
Trade receivables	0	1
Contingent asset accounts	24	24
Total receivables	24	25
Short-term advances received*	24	24
Financial resources from PPH a.s.	63,950	66,068
Other liabilities	249	116
Total accounts payable	64,223	66,208

*balances presented with VAT.

Ultimate parent company (HMP)

Receivables and liabilities (in thousands of CZK)	31 December 2022	31 December 2021
Trade receivables	2,882	2,769
Short-term advances paid*	157	0
Total receivables	3,039	2,769
Trade payables	4,268	172
Short-term advance payments received	60	60
Total accounts payable	4,328	232

*balances presented with VAT.

Other related parties

Receivables and liabilities (in thousands of CZK)	31 December 2022	31 December 2021
Trade receivables	92	76
Short-term advances paid*	1,451	661
Total receivables	1,543	737
Trade payables	27,139	17,611
Short-term advances received*	1,479	1,371
Total accounts payable	28,618	18,982

*balances presented with VAT.

Dividends paid to shareholders in 2022 and 2021 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 second 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 2022, the Company has received permitted revenues through prices and conditions set out in Price decision No. 7/2021 of 30 November 2021, defining regulated prices related to gas supply, with effect from 1 January 2022.

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 2022, which have not yet been incurred, amounts to CZK 469,628 thousand (2021: CZK 532,664 thousand).

(in thousands of CZK)	2022	2021
Up to 1 year	80,275	127,267
1-3 years	261,380	223,685
3-5 years	87,927	117,435
Above 5 years	40,046	64,277
Total	469,628	532,664

The aggregate of future minimum payments for services - mainly for the use of gas storage capacity - totalled CZK 293,944 thousand as at 31 December 2022 without effective VAT (as of 31 December 2021: CZK 343,562 thousand).

(in thousands of CZK)	2022	2021
Up to 1 year	126,313	129,030
1-3 years	141,607	174,956
3-5 years	23,126	36,673
Above 5 years	2,898	2,903
Total	293,944	343,562

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 2022 apart from those mentioned in Sections 5.2 and 7.21.

8.2. Events after date of the financial statements

After the balance sheet date, no events occurred which could have a significant impact on the Financial Statements as of 31 December 2022.

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 2023



Ing. Martin Pacovský, MBA
Chairman of Board of Directors



Ing. Milan Cízl
Member of the Board of Directors

A person wearing a grey hoodie is shown from the side, holding a grey and black CNG nozzle. The nozzle is inserted into the fuel tank of a white car. The car's red taillight is visible on the right side of the frame. The background is blurred, showing other vehicles in a parking lot. The overall scene is brightly lit, suggesting an outdoor setting.

We operate CNG filling stations and recharging stations for motorists.

We make your
life easier.

Information about personnel

responsible for the annual report and audit of the financial statements

Ing. Martin Pacovský, MBA, 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 2023



Ing. Martin Pacovský, MBA

Chairman of the Board of the Directors of Pražská plynárenská, a.s.

18 April 2023



Ing. Milan Cízl

Member of the Board of the Directors of Pražská plynárenská, a.s.,

The Company's financial statements for 2022 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 2022 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.

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 (related entities) for 2022

prepared by the Board of Directors of Pražská plynárenská, a.s., registered office Prague 1 - Nové Město, Národní 37, postcode 110 00 Company ID: 601 93 492.

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 cooperatives (Act on Corporations), hereinafter referred to as the "Act on Corporations", for the year 2022 (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., (hereinafter referred to as "PP, a.s.") as at 31 December 2022 (See Annex 1) shows the basic relations of the related entities. The graph shows that the controlling entity is Pražská plynárenská Holding a.s. As the graph shows, the controlling party Pražská plynárenská Holding a.s. (hereinafter referred to as "PPH a.s.") is controlled by another party, the Capital City of Prague, which holds 100% of the registered capital of PPH a.s.

Based on the Articles of Incorporation of PPH, a.s., the sole shareholder elects and recalls members of the Board of Directors and the Supervisory Board, as the shareholder acts in the capacity of the General Assembly (as of 31 December 2022, it was the Capital City of Prague).

The Board of Directors of PP, a.s., in this report describes the relations between:

- PP, a.s., and PPH a.s., i.e. the controlled party and the party directly controlling the controlled party,
- related parties, i.e. PP, a.s., and the Capital City of Prague, the party indirectly controlling the controlled party and its controlled parties.

The relations between the related parties, i.e. PP, 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 indirectly controlling the controlled entity

The Capital City of Prague with registered office at Mariánské nám. 2, 110 01 Prague 1.

1.2. Party controlling a directly controlled entity

The controlling party in 2022 was Pražská plynárenská Holding a.s., registered office U Plynárny 500/44, Michle, 140 00 Prague 4, Company ID: 264 42 272.

In 2022, the capital interest of the party directly controlling the controlled party was 100% of the share capital of the controlled party.

1.3. Controlled entity

It is Pražská plynárenská, a.s., with its registered office at Národní 37/38, 110 00 Prague 1 – Nové Město, company ID No.: 601 93 492 (hereinafter also "PP, a.s." or the "controlled entity").

1.4. Other entities controlled by the same controlling entities

The organisations and companies, in which the Capital City of Prague had a major share in 2022 and with whom PP, a.s., entered into a contractual relationship in 2022 are listed below in Section 2.

1.5. Related entities

These are Pražská plynárenská, a.s., Pražská plynárenská Holding a.s., the Capital City of Prague other company organisations where the Capital City of Prague owned a major share in 2022 and which it controlled.

1.6. 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.

2. Description of the relations between the related parties

2.1. Controlling method and means

PP, a.s., was mainly controlled by its 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 2022

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

Centrum sociálních služeb Praha, ID No.: 708 78 277

Československá akademie obchodní Dr. Edvarda Beneše, střední odborná škola, 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 organization,
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 organization,
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 strojárna, 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 strojárna, 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	Vyšší odborná škola grafická a Střední průmyslová škola grafická, ID No.: 708 37 783
Střední škola dostihového sportu a jezdeckví, ID No.: 000 69 621	Vyšší odborná škola informačních studií a Střední škola elektrotechniky, multimédií a informatiky, ID No.: 148 91 409
Střední škola obchodní, ID No.: 005 49 185	Vyšší odborná škola pedagogická a sociální, Střední odborná škola pedagogická a Gymnázium, ID No.: 613 88 068
Střední škola podnikání a gastronomie, ID No.: 496 29 077	Vyšší odborná škola stavební a Střední průmyslová škola stavební, ID No.: 613 88 726
Střední škola, Základní škola a Mateřská škola pro sluchově postižené, ID No.: 481 34 058	Vyšší odborná škola uměleckoprůmyslová a Střední uměleckoprůmyslová škola, ID No.: 613 88 025
Střední škola, Základní škola a Mateřská škola, ID No.: 708 35 578	Vyšší odborná škola zdravotnická a Střední zdravotnická škola, ID No.: 006 38 749
Symfonický orchestr hlavního města Prahy FOK, ID No.: 000 64 475	Vyšší odborná škola zdravotnická a Střední zdravotnická škola, ID No.: 006 38 722
Školní jídelna, Praha 5 – Smíchov, ID No.: 708 42 132	Základní škola a Mateřská škola, ID No.: 701 02 431
Švandovo divadlo na Smíchově, ID No.: 000 64 327	Základní škola a Střední škola Karla Herforta, ID No.: 604 36 107
Technologie hlavního města Prahy, a.s., ID No.: 256 72 541	Základní škola a střední škola waldorfská, ID No.: 70922,306
Teplo pro Prahu a.s., ID No.: 171 38 558	Základní škola a Střední škola, ID No.: 613 85 450
TRADE CENTRE PRAHA a.s., ID No.: 004 09 316	Základní škola logopedická a Mateřská škola logopedická, ID No.: 613 85 425
Taneční konzervatoř hlavního města Prahy, ID No.: 708 37 775	Základní škola pro žáky s poruchami zraku, ID No.: 481 33 035
Výstaviště Praha, a.s., ID No.: 256 49 329	Základní škola pro žáky se specifickými poruchami chování, ID No.: 677 74 172
Vyšší odborná škola a Střední průmyslová škola dopravní, ID No.: 708 37 899	Základní škola speciální a Praktická škola, ID No.: 684 07 157
Vyšší odborná škola a Střední průmyslová škola elektrotechnická Františka Křížáka, ID No.: 708 37 881	Základní škola speciální, ID No.: 654 01 646
Vyšší odborná škola a Střední umělecká škola Václava Hollara, ID No.: 613 86 871	Základní škola Tolerance, ID No.: 708 31 025
Vyšší odborná škola ekonomických studií, Gymnázium, Střední průmyslová škola potravinářských technologií a Střední odborná škola přírodovědná a veterinární, ID No.: 613 85 930	

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 na zábradlí,
ID No.: 000 64 394 – Cooperation agreement

Divadlo v Dlouhé,
ID No.: 000 64 343 – 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

The Capital City of Prague
ID No.: 000 64 581 – Lease agreement for non-residential premises, lease agreement for business premises

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

Minor,
ID No.: 000 643 51 – Cooperation agreement

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 premises, contract for connection to the distribution network, contract for the provision of analysis

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

Technická správa komunikací hl. m. Prahy, a.s.,
ID No.: 034 47 286 – agreement on the establishment of an easement

Švandovo divadlo na Smíchově,
ID No.: 000 64 327 – cooperation agreement

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.

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 Pražská plynárenská Holding a.s., as 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 294,994 thousand according to the financial statement dated 31 December 2021.

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 vodohospodářská společnost, a.s., ID No.: 256 56 112 - memorandum on mutual cooperation in the

In Prague, on 21 March 2023



Ing. Martin Pacovský, MBA

Chairman of the Board of the Directors of Pražská plynárenská, a.s.

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.

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.

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.

PP, a.s., was replaced in 2022 by Pražská plynárenská Holding a.s., as the company that controls PP, a.s. directly it was backed by the shareholder of PPH a.s., i.e. the Capital City of Prague, which controlled PP, a.s., through PPH a.s. indirectly.

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. PP, 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 PP, 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.

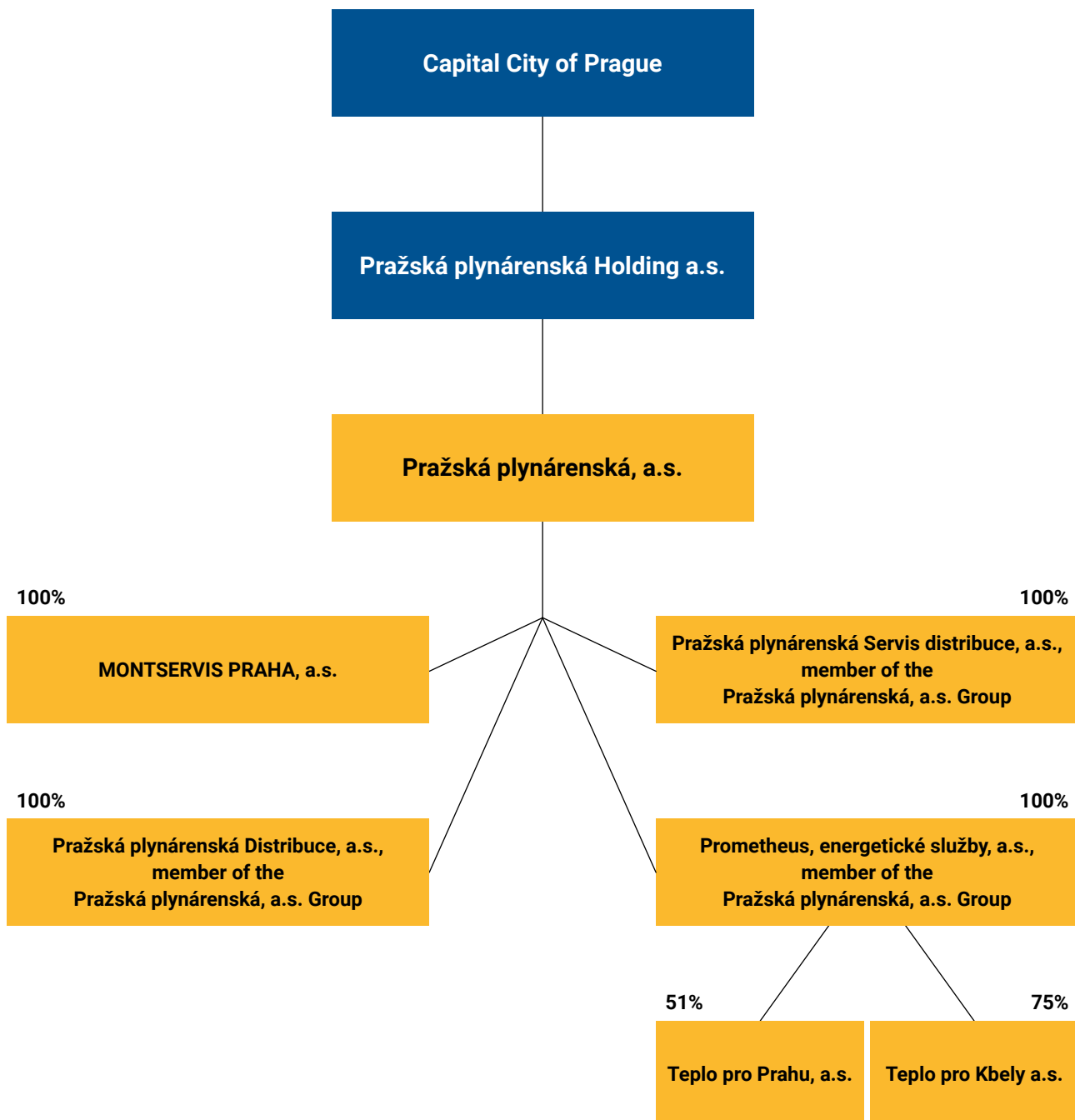


Ing. Milan Cízl

Member of the Board of the Directors of Pražská plynárenská, a.s.,

Appendix 1

Graph showing relationships as at 31 December 2022



Annual report on the provision of information in line with Act No. 106/1999 Coll., on free access to information for 2022

ANNUAL REPORT

on the provision of information in line with Act No. 106/1999 Coll., on free access to information for 2022

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 2022:

a) Number of applications for information submitted and number of decisions to refuse requests:

A total of 4 applications were submitted
A total of 4 refusal/partial refusal decisions were issued.

b) Number of appeals submitted against issued the decision:

Two 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.

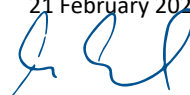
21 February 2023



Ing. Martin Pacovský, MBA

Chairman of the Board of the Directors
of Pražská plynárenská, a.s.

21 February 2023



Ing. Milan Cízl

Member of the Board of the Directors
of Pražská plynárenská, a.s.

Abbreviations

a.s.	joint-stock company	IAS	International Accounting Standards
ČNB	Czech National Bank	IČO	Business ID Number
CNG	Compressed Natural Gas	ICT	Information and communication technology
Coll.	Collection of the laws of the Czech Republic	IFRS	International Financial Reporting Standards
ČR	Czech Republic	ISE, a.s.	Informační služby – energetika, a.s.
ČSOB, a.s.	Československá obchodní banka, a.s.	ISIN	identification number under which a share was recorded at the Centrálním depozitáři cenných papírů, a.s. (Securities Centre / Central Depository of Securities)
č. ú.	Account number	Kč	Czech crown
CZK	Czech crown	kg	kilogramme
DIČO	Tax Identification Number (VAT No.)	ks	item
DOM	household customer – natural person using gas for personal needs connected with housing or for personal needs of members of the natural person's household	LC	Labour Code
DPI	Last Resort Supplier	LNG	Liquefied Natural Gas
ECL	Expected Credit Losses	m³	cubic metre
EMS	Environmental management system	MČ	City district
ERO	Energy Regulatory Office	mil.	million
EU	European Union	mld.	billion
EUR	Euro – common currency of the European Union	MONT, a.s.	MONTSERVIS PRAHA, a.s.
EVVO	Environmental education, training, and awareness	MOO	Electricity retail customer population
FP	Fire Protection	MOP	Electricity retail business population
GmbH	Gesellschaft mit beschränkter Haftung (German abbreviation for a limited liability company)	MO	small customer – end (low-volume) customer who is not a large, medium-sized or household customer
HMP	the Capital City of Prague	MWh	Megawatt hour
IASB	International Accounting Standards Board	NEZ	New Energy Act
		OSH	Occupational Safety and Health

OSVČ	Self-employed person	s. p.	State enterprise
OTE	Market operator	s. r. o.	Limited liability company
PCR	Polymerase chain reaction	Tel.	Telephone number
PPD, a.s.	Pražská plynárenská Distribuce, a.s., member of the Pražská plynárenská, a.s. Group	tis.	Thousands
PPH a.s.	Pražská plynárenská Holding a.s.	TpK, a.s.	Teplo pro Kbely, a.s.
PPSD, a.s.	Pražská plynárenská Servis distribuce, a.s., member of the Pražská plynárenská, a.s. Group	TpP, a.s.	Teplo pro Prahu, a. s.
PPSM, a.s.	Pražská plynárenská Správa majetku, a.s., member of the Pražská plynárenská, a.s. Group	TV	Television
PP, a.s.	Pražská plynárenská, a.s.	VAT	Value Added Tax
Prometheus, a.s.	Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group	VH	Net profit/loss
PR	Public Relations	VO	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
PSC	Postcode	ZHMP	Prague City Assembly
PV power plant	Photovoltaic power plant		
SO	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		

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life easier.





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in Prague, Section C, File Ref. 24349,
ID No.: 49620592
VAT Reg. 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 statement

We have audited the accompanying separate financial statements of Pražská plynárenská, a.s. (the "Company") prepared in accordance with International Financial Reporting Standards as adopted by the European Communities, which comprise a separate balance sheet as at 31 December 2022, and a separate statement of profit or loss and other comprehensive income, a separate statement of changes in equity and a separate statement of cash flows for the year then ended, and notes to the separate financial statements that include a description of significant accounting policies used and other explanatory information.

We have also audited the accompanying consolidated financial statements of Pražská plynárenská, a.s. and its subsidiaries (the "Group") prepared in accordance with International Financial Reporting Standards as adopted by the European Communities, which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which comprise a description of significant accounting policies used and other explanatory information.

In our opinion:

- The attached individual financial statements give a true and fair picture of the financial position of the Company itself as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards governed by European Community law.
- The attached consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as governed by European Community law.

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.

Other information included in the annual report

In accordance with Section 2(b) of the Auditors Act, other information is information contained in the consolidated annual report other than the separate and consolidated financial statements and our auditor's report. The Company's Board of Directors is responsible for the other information.

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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 2023

Auditing company:

Deloitte Audit s.r.o.
registration number 079



Statutory auditor:

Václav Loubek
registration number 2037





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