

2021 Annual Report



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

Prague galleries have energy



**We are proud that the Kampa
Museum is visible also thanks
to us.**



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.

All the documents and materials discussed in this annual report may be viewed at the Company's head office. In Prague, on 3 May 2022

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I. INTRODUCTION



Foreword from the Chairman of the Board of Directors

Dear Colleagues,

For the second year in a row, we are facing unprecedented challenges. The pandemic, sky-rocketing energy prices on the energy exchange and energy companies closing down their operations from one day to the next as a result, were the unforeseen pitfalls to which Pražská plynárenská, a.s., as well as the entire Czech Republic, needed to react to very quickly. I dare say, however, that we have successfully managed to cope with the situation and are still a support for our customers and a good partner for our shareholder, the capital city of Prague.

Despite a difficult year, we have achieved our economic targets and strengthened our position in the gas market. At the same time, we have taken steps to transition the Company to a greener and more sustainable energy system. Opportunities and obligations arising from the European

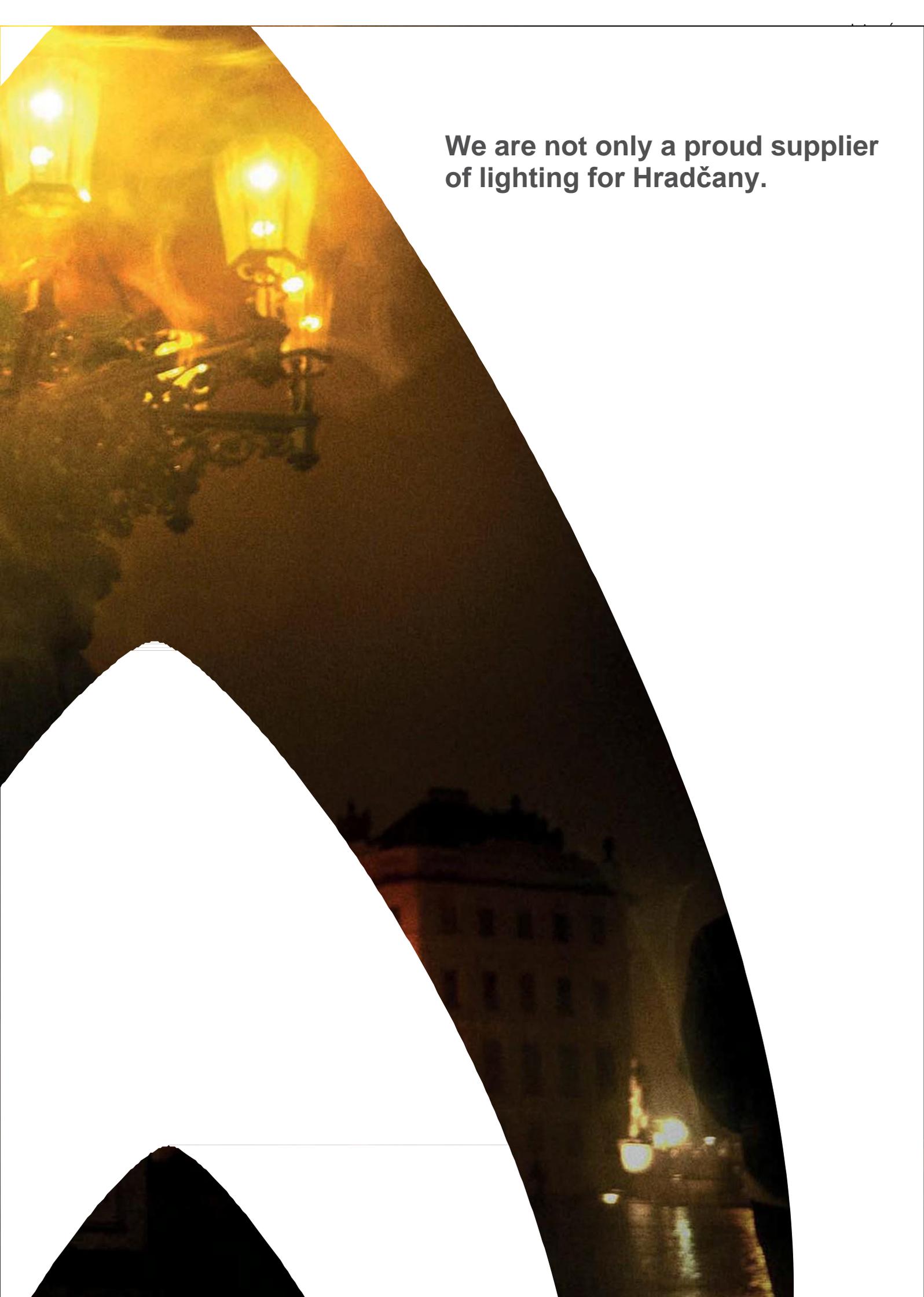
energy policy and the Prague Climate Plan will undoubtedly be the main topics for the next few years. Especially for this purpose, the At Full Throttle project was created, which serves as an incubator for innovative thoughts and ideas. Some partial changes have already been put into practice, but the bigger changes are yet to come. To succeed as a company in the new energy economy, we need to transform ourselves from within. Therefore, the main topics will include increasing work efficiency, digitalisation and the use of new technologies.

My thanks to all the staff for their commitment and dedication and to our business partners for their helpfulness and cooperation. However, our biggest thanks go to our customers who remain loyal to us. We appreciate that very much.

Ing. Martin Pacovský, MBA Chairman of
the Board of Directors

**Prague's
monuments
have energy**





**We are not only a proud supplier
of lighting for Hradčany.**

II. SELECTED COMPANY DATA

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 2021 was CZK 25.642/EUR 1, and this value is used to convert all data in the tables (also for the preceding years).

Basic Company Data

Business firm: ("PP, a.s." or "Company")	Pražská plynárenská, a.s.
Registered office: Postal code 110 00	Prague 1 – Nové Město, Národní 37,
Company ID:	601 93 492
VAT No:	CZ60193492
Incorporation in the Commercial Register:	Municipal Court in Prague, Section B, file 2337
Bank details:	ČSOB, a.s., account No.: 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
Facebook:	prazskaplynarenskaas
YouTube:	Pražská plynárenská a.s.
LinkedIn:	Pražská plynárenská, a.s.

Company profile

Pražská plynárenská, a.s. is one of the most important domestic energy suppliers and acts as a reliable energy supplier to approximately 465,000 consumption points all over the Czech Republic. The aforementioned tradition, respectively the roots of the gas industry in Prague, can be traced back to as early as the mid-19th century, binding the Company to develop the legacy, knowledge and experience of previous generations.

It is a Czech energy supplier whose priority is to provide its customers with modern, professional, reliable and value-added products and services often unique in the Czech Republic with the utmost care.

It bases its competitiveness on the support of a stable and strong company owned by the City of Prague. It has long-standing relationships with its customers based on ethics, empathy, mutual respect and trust.

In the highly competitive environment of the energy market, which from the point of view of the public customer may not be always perfectly clear and understandable, it professes responsible, honest and fair conduct, which, given the events of the past year, is more important than ever.

Over time, Pražská plynárenská, a.s. has undergone developments reflecting societal changes, technological progress and has been repeatedly tested in various difficult situations and proven its resilience while gaining invaluable experience. That is why it is today a modern and prosperous energy company, able to respond flexibly and quickly to the changing demands of its customers, the challenges of green energy and the ongoing global changes in the energy sector. As part of its activities, it significantly promotes the use of modern technological solutions and provides related expert advice on the introduction of innovative technologies and the achievement of energy savings.

Importance of the Company and its contributions to the region

Although today, Pražská plynárenská, a.s. supplies energy and services to customers across the country, it is historically inseparably linked to the capital city of Prague, and it is and will remain a part of it. The Company considers environmental protection to be an integral part of its business activities and will undoubtedly contribute to the implementation of the Prague City Climate Plan.

In relation to the region and its inhabitants, Pražská plynárenská, a.s. not only plays the role of a reliable and important energy supplier and energy service provider, but also a socially responsible partner contributing to the sustainable development of Prague. It actively participates in the shaping of the Prague capital region as a place for a quality and happy life for its inhabitants.

In addition to its business activities, Pražská plynárenská, a.s. has long been active in public benefit activities aimed at the development of civil society, and it transfers its business success in the form of traditional and long-term support for various cultural, sporting or social projects back to the general public.

Basic economic indicators (2017–2021)

		2017	2018	2019	2020	2021
Revenues	in thousands of CZK	12,506,588	12,491,073	14,789,061	15,124,716	17,769,778
	in thousands of EUR	487,738	487,133	576,751	589,842	692,995
Profit before tax	in thousands of CZK	1,436,643	795,576	832,856	1,049,013	555,964
	in thousands of EUR	56,027	31,026	32,480	40,910	21,682
Profit after tax	in thousands of CZK	1,226,959	633,955	720,978	908,484	521,818
	in thousands of EUR	47,850	24,723	28,117	35,430	20,350
Equity	in thousands of CZK	2,397,600	2,511,555	2,607,027	2,994,426	2,949,935
	in thousands of EUR	93,503	97,947	101,670	116,778	115,043
Registered capital	in thousands of CZK ¹	431,972	431,972	431,972	431,972	431,972
	in thousands of EUR	16,846	16,846	16,846	16,846	16,846
in thousands of MWh		13,460.1	12,765.6	13,138.5	12,242.2	14,088.5
Natural gas	Sale ² in million m ³	1,262.4	1,197.7	1,232.9	1,145.6	1,320.3
Number of consumption points as at 31 December		374,121	369,190	361,535	361,453	388,052
Electric power	Sales in thousands of MWh	642.3	610.8	1,287.9	1,633.1	1,824.5
	Number of consumption points as at 31 December	33,853	43,912	52,835	64,134	76,292

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 2021

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 315700QBYOTLGRMOO11.

The Company does not hold treasury shares.

Ownership structure of Pražská plynárenská, a.s., as at 31 December 2021

During the entire year 2021, Pražská plynárenská, a.s. was directly controlled by Pražská plynárenská Holding a.s. ("PPH a.s.") with registered office at U Plynárny 500/44, Michle, 140 00 Prague 4, Company ID No. 264 42 272 and indirectly by the capital city of Prague with its registered office at Mariánské nám. 2, 110 01 Prague 1.

Capital interests

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

- Pražská plynárenská Distribuce, a.s., member of the Pražská plynárenská, a.s. Group,
- Pražská plynárenská Servis distribuce, a.s., member of the Pražská plynárenská, a.s. Group,
- Pražská plynárenská Správa majetku, a.s., member of the Pražská plynárenská, a.s. Group,
- Informační služby – energetika, a.s.,
- MONTSERVIS PRAHA, a.s.,
- Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group,
 - The subsidiary Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, owns a 75% stake in Teplo pro Kbely a. s.

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

Address: Prague 4, U Plynárny 500, Postal code 145 08
Company ID: 274 03 505
www.ppdistribuce.cz

Pražská plynárenská Distribuce, a.s., a member of the Pražská plynárenská, a.s. Group ("PPD, a.s."), was established on 7 December 2005 as a subsidiary of Pražská plynárenská, a.s. The impetus for the establishment of this company was the statutory opening of the gas market in the Czech Republic as of 1 January 2007. Since the date above, PPD, a.s., an independent legal entity, has operated based on the license issued the Energy Regulatory Office, the distribution network in Prague and its surroundings and offers services in the area of gas distribution - until then provided by Pražská plynárenská, a.s.

PPD, a.s. has a team of experienced gas experts with long-term practical experience with the operation and construction of both gas facilities as well as with the specific conditions existing in the regulated field.

Pražská plynárenská Servis distribuce, a.s., member of the Pražská plynárenská, a.s. Group

Address: U Plynárny 1450/2a, Michle, 140 00 Prague 4
Company ID: 471 16 471
www.ppsd.cz

Pražská plynárenská Servis distribuce, a.s., a member of the Pražská plynárenská, a.s. Group ("PPSD, a.s."), was established in 2005 by the merger between two subsidiaries belonging to the Pražská plynárenská, a.s. Group. These are Praha–Paříž Rekonstrukce, a.s. and Opravy plynárenských zařízení s.r.o. The successor company was Praha–Paříž Rekonstrukce, a.s., which was subsequently renamed in 2006 to Pražská plynárenská Servis distribuce, a.s., a member of the Pražská plynárenská, a.s. Group

The main activity of PPSD, a.s. is to provide comprehensive services in the construction, servicing, repair and maintenance of all gas facilities (pipelines, connections, control stations, measuring devices, etc.), including operation in the area of so-called gas consumption equipment and industrial pipelines (gas distribution systems in buildings from the main gas shut down valves all the way to gas appliances). The Company activities are not limited to gas facilities only, but it has long been active in other areas related to the construction of other supply and engineering projects (water supply and sewerage networks).

PPSD, a.s. provides gas emergency services for pipeline equipment, connections and regulating stations, consumption gas equipment and gas pipelines for households. It provides sales of gas equipment, including the production and sale of boxes for the installation of main gas valves, gas meters, and regulating household equipment of various kinds, segmented elbows – all according to specific customer needs. Under the extensive portfolio of services, the Company also focuses on other activities and provides mobile natural gas supply, commercial and field technical services, activities in the field of Smart Metering, out-of-court debt collections and professional technical consulting activities.

Pražská plynárenská Správa majetku, a.s., member of the Pražská plynárenská, a.s. Group

Address: U Plynárny 500/44, Michle, 140 00 Prague 4
Company ID: 274 36 551
www.ppsm.cz

Pražská plynárenská Správa majetku, a.s., a member of the Pražská plynárenská, a.s. Group ("PPSM, a.s.") was founded on 23 November 2005 and established by registration in the Commercial Register on 15 March 2006 as a limited liability company. During the year 2011, the sole shareholder, PP, a.s., decided to change the legal form to a joint stock company and the transformation decision came into effect on 19 December 2011.

The main activity of PPSM, a.s. is to provide a wide range of services for PP Group companies and external customers in a high-quality and efficient manner, especially in the following areas: complex asset management, implementation of investment projects within the parent company's fixed assets, maintenance of buildings and land, fleet management and fleet maintenance, construction and operation of CNG filling stations, catering operations and its own confectionery, securing catering events, security of buildings, mail room services, energy services and auditing activities, OSH, FS and ecology.

Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group

Address: Prague 4, U Plynárny 500, Postal code 140 00
Company ID: 630 72 599
www.prometheus-es.cz

Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, ("Prometheus, a.s."), offers its customers comprehensive energy services in the field of production and distribution of thermal energy, production of electricity, construction of new thermal energy sources, provision of professional energy consultancy in the form of preparation of energy performance certificates for buildings, preparation of energy assessments and audits, implementation of ISO 50 001, revitalisation of thermal management and other support services.

Informační služby – energetika, a.s.

Address: Prague 4, U Plynárny 500, Postal code 141 00
Company ID: 264 20 830
www.ise.cz

Informační služby – energetika, a.s. ("ISE, a.s.") was established by its parent company PP, a.s. for the rental of hardware and software, automated data processing, provision of software, training and consulting activities in the field of information technology, installation, maintenance and servicing of telecommunications equipment.

ISE, a.s. specialises in the complex creation of information and communication technology infrastructure, implementation of information systems and ensuring their operation, and offers the user maximum efficiency of information systems operation while maintaining a high level of services and security.

MONTSERVIS PRAHA, a.s.

Address: Prachatická 209, Letňany, 199 00 Prague 9
Company ID: 005 518 99
www.montservispraha.cz

MONTSERVIS PRAHA, a.s. ("MONT, a.s.") was founded on 9 October 1990. As of 24 June 2020, Pražská plynárenská, a.s. held a 95% capital interest. As of 21 May 2021, PP, a.s. owns 100% of the capital interest.

MONTSERVIS PRAHA, a.s. mainly deals with reconstruction of block and house boiler rooms, construction of new gas heat sources and cogeneration units, including the management and operation of energy equipment.

Tepl pro Kbely a.s.

Address: Prague 4, U Plynárny 500, Postal code 140 00
 Company ID: 097 83 172
 www.teploprokbely.cz

Tepl pro Kbely a.s. was established on 19 January 2021 as a joint venture between Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, which owns a 75% capital interest, and the Municipality of Prague 19 Kbely, which owns a 25% capital interest.

The Company takes care of reconstruction and modernisation of heat management, professional management and supply of heat for Kbely and its surroundings.

Information about organisational units abroad

Pražská plynárenská, a.s. had no organisational units abroad as at 31 December 2021.

Information about the Company bodies and management**General Assembly**

The General Assembly is the supreme body of the company.

Board of Directors

The Board of Directors of PP, a.s. has four members. It is the statutory body of the Company and is responsible for everyday operations and representation. The term in office of each member is five years according to the Company Articles. The Company is represented in relation to third parties before the courts and other bodies in the full scope by the Board of Directors in such a manner that in principle at least two members of the Board of Directors jointly represent the Company.

The Supervisory Board of Pražská plynárenská, a.s., at its meeting on 15 January 2021, removed Ing. Pavel Janeček from the position of a member of the Board of Directors of PP, a.s. and filled the vacant position, effective as of 15 January 2021, by electing Ing. Martin Pacovský, MBA to the Board of Directors of PP, a.s. Furthermore, the Supervisory Board of PP, a.s. acknowledged the resignation of Ing. Milan Jadlovský from his position as a member of the Board of Directors of PP, a.s. and, at his request, approved the date of his resignation as of 30 April 2021.

At its meeting on 15 January 2021, the Board of Directors of PP, a.s. elected Ing. Martin Pacovský, MBA as Chairman of the Board of Directors. On 27 May 2021, the Supervisory Board of PP, a.s., at its meeting, elected Ing. Petr Kovařík, MBA, to the position of a member of the the Board of Directors of the Company, effective from 1 June 2021.

As of 31 December 2021 the structure of the Board of Directors was as follows:
Ing. Martin Pacovský, MBA, Chairman of the Board of Directors, **Ing. Milan Cízl**, member of the Board of Directors,
Ing. Petr Kovařík, MBA, member of the Board of Directors,
Ing. Vladimír Vavřích, MBA, member of the Board of Directors.

The Board of Directors of PP, a.s., pursuant to Section 156(2) of the 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 Department,

- **Ing. Petr Kovařík, MBA**, in charge of the Strategy Department,
- **Ing. Vladimír Vavřích, MBA**, in charge of the Commercial Department.

Supervisory Board

The Supervisory Board of PP, a.s. is the controlling body of the Company, and it oversees the performance of the powers of the Board of Directors, elects and recalls its members, and supervises business activities of the Company.

It comprises nine members, and the term in office of each member is five years according to the Company Articles.

On 11 February 2021, the sole shareholder of the Company acting as the General Assembly accepted the resignation of Mgr. Reda Ibrah, a member of the Supervisory Board of Pražská plynárenská, a.s. It elected JUDr. Martin Šenkýř to the vacant position with effect from 12 February 2021. The Supervisory Board of Pražská plynárenská, a.s., at its meeting on 27 May 2021, it elected JUDr. Martin Šenkýř as Chairman of the Supervisory Board of the Company with immediate effect.

On 28 May 2021, the Company's sole shareholder, in the capacity of the General Assembly, accepted the resignation of Mgr. Václav Kučera and approved, at his request, the termination of his position as of 31 May 2021. Furthermore, the sole shareholder of the Company, in the capacity of the General Assembly, with effect from 1 June 2021, elected Ing. Tomáš Hřebík, Ph.D. to the vacant position.

As of 31 December, 2021 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,
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,
Ing. Petra Zemanová, member of the Supervisory Board.

Audit Committee

The Audit Committee of PP, a.s. consists of three members, and according to the Company Articles the term in office of each member is four years. The Audit Committee mainly monitors the efficiency of the internal control system, risk management system and internal audit and their functional independence. It further recommends the auditor to the Supervisory Board, assesses the auditor's independence and monitors the process of preparing the financial statements.

At its meeting on 10 December 2021, the Company's sole shareholder, acting in the capacity of the General Meeting, noted the end of the term of office of the members of the Audit Committee Ing. Lenka Mrázová, FCCA, Ing. Pavlína Kouřilová as of 1 October 2021 and Ing. Marta Ptáčková as of 31 December 2021. In addition, the Company's sole shareholder, in the capacity of the General Meeting, with effect from 1 January 2022, appointed Ing. Ondřej Kajml, Mgr. Peter Chrenek and RNDr. Jan Materna, Ph.D. members of the Committee.

As of 31 December 2021 the structure of the Audit Committee was as follows:

Ing. Marta Ptáčková, member of the Audit Committee.

Information on the members of the bodies as of 3 May 2022**Board of Directors**

Ing. Martin Pacovský, MBA, Chairman of the Board of Directors in charge of management of the Company's Management Department, 49 years old, graduate of the University of Economics in Prague and Rochester Institute of Technology, in office from 15 January 2021.

Ing. Milan Cízl, member of the Board of Directors in charge of the Financial and Administrative Department, 41 years old, graduate of the Faculty of Economics and Administration at Masaryk University in Brno, in office from 1 November 2016.

Ing. Petr Kovařík, MBA, member of the Board of Directors in charge of the Strategy Department, 51 years old, graduate of the University of Chemical Technology in Prague and Sheffield Hallam University at Masaryk Institute of Higher Studies, Czech Technical University, in office from 1 June 2021.

Ing. Vladimír Vavřich, MBA, member of the Board of Directors in charge of the Business Department, 55 years old, graduate of the Czech University of Agriculture in Prague and Prague International Business School, in office from 6 February 2018.

Supervisory Board

JUDr. Martin Šenkýř, Chairman of the Supervisory Board, 47 years old, lawyer, graduate of the Faculty of Law, in office from 12 February 2021.

Ivo Kramoliš, MSc., MBA, Vice-Chairman of the Supervisory Board, 49 years old, consultant in the field of digitalisation, system integration and cyber security, graduate of Sheffield Hallam University and Nottingham Trent University, in office from 2 March 2019.

Ing. Tomáš Hřebík, member of the Supervisory Board, 42 years old, councillor of the Prague 8 municipal district, assistant professor at the University of Economics in Prague, graduate of the University of Economics in Prague, in office from 1 June 2021.

Mgr. Alice Klementová, member of the Supervisory Board, 46 years old, lawyer at Pražská plynárenská, a.s., graduate of the Faculty of Law of the University of West Bohemia in Plzeň, in office from 11 January 2022.

Petr Klepáček, member of the Supervisory Board, 60 years old, Head of B2B Sales at Pražská plynárenská, a.s., secondary vocational education, in office from 17 November 2020.

Mgr. Jindřich Lechovský, member of the Supervisory Board, 34 years old, lawyer, graduate of the Faculty of Law of Masaryk University in Brno, in office from 2 March 2019.

Ing. Jiří Pelák, Ph.D., member of the Supervisory Board, 44 years old, auditor and university lecturer in accounting and auditing, graduate of the University of Economics in Prague, in office from 7 February 2020.

Mgr. Miroslav Vránek, member of the Supervisory Board, 50 years old, Head of Public Relations at Pražská plynárenská, a.s., graduate of Jan Amos Komenský University Prague, in office from 11 January 2022.

Ing. Lukáš Wagenknecht, member of the Supervisory Board, 43 years old, Senator for Constituency No. 23 in Prague 8, Prague 18 and its surroundings, graduate of the Faculty of Economics and Administration at the University of Pardubice, in office from 2 March 2019.

Audit Committee

Ing. Ondřej Kajml, Chairman of the Audit Committee, 35 years old, financial analyst, graduate of the Faculty of Business and Economics of the University of Economics in Prague, in office from 1 January 2022.

Mgr. Peter Chrenko, member of the Audit Committee, 56 years old, tax and strategic advisor, graduate of the Faculty of Law of Charles University in Prague, in office from 1 January 2022.

RNDr. Jan Materna, Ph.D., member of the Audit Committee, 54 years old, Councillor and Deputy Mayor of Prague 3, graduate of the Faculty of Mathematics and Physics at Charles University in Prague, in office from 1 January 2022.

III. INFORMATION ON THE ACTIVITIES OF PRAŽSKÁ PLYNÁRENSKÁ, A.S.

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

The average CZK/EUR exchange rate for 2021 was CZK 25.642/EUR 1, and this value is used to convert all data in the tables (also for the preceding years).

Energy Industry in 2021

In the past year 2021, the Energy Industry was affected by several significant events. The central theme of the first part of the past year was the situation regarding the COVID-19 pandemic and, thanks to the advancing vaccination, the optimistic outlook for the near end of the epidemic. The world economy struggled with the consequences of this epidemic, which severed many trade links and had a significant impact on the supply side of the production function with an impact on total energy consumption.

As the pandemic situation gradually improved, there was a recovery in global demand, but this was not followed by an adequate increase in supply. This brought with it a widening gap between demand and supply, which led to the beginning of a rise in price levels.

At the same time, there was pressure growing within the European Union to move towards climate-neutral energy. This process was accompanied by the adoption of several key documents defining the target state of this transition ("Green Deal"). This undoubtedly has a major impact on the development of the energy sector in the Czech Republic.

In the second half of the year, there was a significant increase in the market prices of electricity and natural gas. Allowance prices were also rising. This price increase was influenced both by the ability to cover needs with stable resources and by global demand driven by economic growth. The prices of both commodities reached peak values in the third quarter, which had a significant impact on the functioning of the entire energy sector. In Europe, several major traders closed down. In mid-October, the largest so-called alternative energy supplier in the Czech Republic ended its operations. Subsequently, other traders closed down. More than 1 million customers found themselves without a supplier. The so-called legislative process of the last resort supplier was under way. This defined the holder of a licence to trade in natural gas or electricity that was integrated with the operator of the relevant distribution system. In the case of PP, a.s. it was about 40 thousand natural gas customers, to whom our Company was obliged to ensure the supply. Other clients, especially from B2B (non-DPI mode), also started approaching our Company to arrange supplies. At the same time, PP, a.s. acquired approximately 20,000 electricity customers whose supplier had closed down. This situation, where historically the highest number of customers lost its supplier in the market at a time of soaring commodity market prices, which were reaching their long-term historical highs, brought many pitfalls and risks, but also challenges for our Company. The Company had to cope with rising prices for its own customers as well as securing supplies for newly acquired customers. The situation also brought great pressure within internal processes, with production volumes exceeding normal values many times over, while maintaining working capacity, resources

and systems. The events in the energy sector received considerable media coverage and became one of the most important topics of the country's political representation. There was a vigorous debate at European level on ensuring a stable and secure supply while taking environmental considerations into account. Given the breadth of views of individual member states, finding an answer is a challenge for the coming year.

At the national level, preparations were also under way for the entry into force of the amendment to the Energy Act. The key benefit of the amendment to this law was the strengthening of the rights of energy consumers in a liberalised market and their protection against the unfair practices of some traders. The preparation consisted in updating internal company processes so that PP, a.s. would be fully capable of meeting its obligations as soon as this legislation came into force. In view of the developments in the sector at the end of the third and during the fourth quarter, the sector came under increased scrutiny by the regulatory authorities represented by the Energy Regulatory Authority. New regulatory requirements have been introduced for reporting. These included proving the ability to meet its obligations to customers through the so-called crash tests and reporting in connection with the Company's status as a last resort supplier.

The very end of the year brought pressure to process the entire complex of processes associated with the newly acquired consumption points.

At the beginning of the year, the European Union approved the so-called Modernisation Fund to support 10 lower-income EU member states in their transition to "climate neutrality". A fund of at least CZK 150 billion is thus available for the Czech Republic to support green projects over the next 10 years. Disbursement from this budget in the Czech Republic is coordinated by the State Environmental Fund and, during the first two quarters of 2021, individual subsidy calls have already been announced, of which the modernisation of the heating industry, renewable energy sources, modernisation of public transport and community energy may primarily concern the PP, a.s. Group. There was also an intensive discussion at the government level on the "End of coal in the Czech Republic" topic; for the time being, the year 2038 remains effective.

In the autumn of 2021, the State Environmental Fund of the Czech Republic announced an updated "New Green Savings 2030" programme, which modifies the subsidy conditions and expands them to other areas. Worth mentioning is, for example, the extension of support for solar panels on residential buildings.

Newly announced NZÚ 2030 programme, steep rise in energy prices and global and local discussions on reducing the carbon footprint, have led to a very strong growth in the household PV market.

In the area of taxonomy, the end of 2021 was successful in pushing through the inclusion of nuclear energy and natural gas among green sources within the European Commission. This proposal is, due to the different views and approaches to energy between the various

European states, a compromise and contains certain limits and parameters that will be further refined over the next period. The taxonomy will guide large institutional investors such as banks, funds, insurance companies in financing individual investments in the energy sector. However, these entities may apply different rules under their individual ESG policies. The application of the taxonomy by banks and insurance companies may then be reflected in the Company's commercial contractual relations in the financing and insurance area.

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.

Sales information

Sales revenues	2020	2021
in thousands of CZK	14,573,389	17,160,449
in thousands of EUR	568,341	669,232

Revenues were generated in the Czech Republic.

Breakdown of operating revenues by activity

Type of activity	2020 (%)	2021 (%)
Revenue from sales of gas*	66.8	66.2
Revenue from sale of electricity*	27.8	28.9
Other operating revenues and income	5.4	4.9

*Licensed activity

Capital investments

	Acquisition cost	
	in millions of CZK	in millions of EUR
Investment expenditures in tangible fixed assets	43.1	1.7
Investment expenditures in intangible fixed assets	43.0	1.7
Total	86.1	3.4

The investment expenditures above reflect cash flows, including prepayments on investments. Investment into tangible fixed assets mainly represent investments related to the Company's facilities in the Michle complex, investments in information technology and in the area of construction and modernisation of CNG filling stations. In 2021, the investments in intangible fixed assets were focused on information systems. All investments were realised in the Czech Republic.

Pre-tax profit/loss

(in millions of CZK)

Profit/loss	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operational economic result	450.1	1,077.0	-626.9
Financial economic result	105.9	-28.0	133.9
Total profit/loss	556.0	1,049.0	-493.0

(in millions of EUR)

Profit/loss	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating economic result	17.6	42.0	-24.4
Financial economic result	4.1	-1.1	5.2
Total profit/loss	21.7	40.9	-19.2

Revenues

(in millions of CZK)

Revenues	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating revenues	17,587.3	14,959.0	2,628.3
of which:			
<i>natural gas* sales revenues</i>	11,648.6	9,993.0	1,655.6
<i>electricity sales revenues</i>	5,082.2	4,165.6	916.6
Financial revenues	182.5	165.7	16.8
Revenues total	17,769.8	15,124.7	2,645.1

(in millions of EUR)

Revenues	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating income	685.9	583.4	102.5
of which:			
<i>sales revenue</i>	454.3	389.7	64.6
<i>sales revenue</i>	198.2	162.5	35.7
Financial revenues	7.1	6.5	0.6
Revenues total	693.0	589.9	103.1

* Licensed activity

Costs

(in millions of CZK)

Costs*	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating costs in total	17,137.2	13,882.1	3,255.1
of which:			
Costs**	7,518.3	6,153.3	1,365.0
<i>electric power purchase costs**</i>	3,002.7	2,131.2	871.5
Financial costs	76.6	193.6	-117.0
Total costs	17,213.8	14,075.7	3,138.1

(in millions of EUR)

Costs*	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating costs in total	668.3	541.4	126.9
of which:			
Costs**	293.2	240.0	53.2
<i>electric power purchase costs**</i>	117.1	83.1	34.0
Financial costs	3.0	7.6	-4.6
Total costs	671.3	549.0	122.3

*Excluding income tax on current operations.

**Licensed activities without the distribution charge.

Financial position

In 2021, Pražská plynárenská, a.s. continued to be a financially stable company. The Company paid all its dues to customers, suppliers, banks, state institutions and employees in good time.

The Company covers its financial needs from its own sources and loans from banks, as well as other cash resources from members of the PP, a.s. Group and the parent company PPH a.s. involved in a cash pooling scheme.

The Company has contractually secured financing of operations in the amount of CZK 3,520 million in the structure of a committed overdraft line of credit, a committed and uncommitted line for the conclusion of bank guarantees and an uncommitted bill of exchange programme, which is provided by a club of two banks, namely Československá obchodní banka, a.s. and Česká spořitelna, a.s. In addition, the Company has an uncommitted short-term loan of EUR 0.5 million (CZK 12.4 million, at an exchange rate 24.860 CZK/EUR as of 31 December 2021) for the purposes of trading on the energy exchange, which is secured with Raiffeisenbank a.s. The total framework of operational financing thus amounts to CZK 3,532.4 million.

In 2021, the current account credit lines were not utilised due to the development of the Company cash flow. The Company only used bank guarantees and funds pooled under cash pooling to optimally cover the cash flow, which was significantly affected by the rise in commodity prices.

As of 31 December 2021 the Company had not drawn any bank loans; on the contrary, it possessed short-term financial assets worth CZK 901.2 million (as of 31 December 2020 worth CZK 1,502.2 million).

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

As of 31 December 2021 the Company owned property (land, buildings and other structures) worth a total amount of CZK 1,315.7 million at cost.

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 worth CZK 807.0 million.

Natural gas trading

(in thousands of MWh)

Natural Gas Trading	2021
Purchased natural gas	13,753.2
Sales of natural gas – total	14,088.5
Sales of natural gas – licensed operations	14,032.5
CNG Sales	56.0

The results of natural gas trade in 2021 were significantly affected by several factors. The development of purchase prices in the second half of the year was quite crucial, which significantly exceeded the previous peaks several times over. Another factor was the provision of supply to approximately 40,000 DPI customer sites and their subsequent re-contracting to the standard supply regime. Last but not least, the overall pattern of end-customers' consumption in relation to the development of outdoor temperatures was an important factor. The gradual appreciation of the Czech currency, mainly due to the increasing interest rate differential between the Czech koruna and the euro, also became a factor affecting the overall result.

On the selling price side, the new level of market prices brought the necessary upward pressure. Some customers, particularly large ones, have been faced with the reality of significant increases in the cost of taking the commodity. Due to the uncertainty of further developments, some customers switched to the so-called spot formula reflecting the current price level, while others chose to fix their price. The situation was regularly monitored, analysed and predicted in order to meet the expected economic results, to provide feedback in case of increasing risks and to be reflected in sales and purchasing strategy.

Electric powersales

(in thousands of MWh)

Electric power sales	2021
Electricity purchased	1,825.7
Electricity sold	1,824.5

The sales of electricity in 2021 were substantially affected by market price developments. Electricity prices in the second half of the year exceeded long-term highs. The significant increase in these prices and the need to ensure that supplies are managed outside the pre-secured charts generated significant impacts on the trading margin, mainly due to the impossibility of fully reflecting these prices in the selling prices.

Offer of non-commodity products and services

In the individual segments, the existing successful service of gas boiler replacements was built upon and further grown, but above all the internal competences were expanded to include heat pumps and photovoltaic power plants. At the same time, the Company plans to further develop its boiler service programme.

A very successful and in-demand service was the purchase of electricity from renewable sources, where PP, a.s. established itself among the most important market participants.

Marketing and customer care

Customer care

The permanent goal of Pražská plynárenská, a.s. is to improve effective communication with customers in the long run and at the same time offer quality, affordable and desirable services and products that benefit customers and save them time and costs.

In order to successfully resolve customer requirements a customer portal, Company website www.ppas.cz, Facebook profile, and a toll-free customer telephone line were available. Customers could also personally visit sales offices, but these were closed for part of the year due to government regulations regarding the COVID-19 pandemic. This significantly increased the use of the toll-free customer line, customer portal and other digital channels. The Group's contact centre, together with the transferred capacity of sales offices, managed the entire situation successfully and even reached stable results in terms of key target indicators. All capacities were directed towards customer requests and business activities. The transfer of most employees over to the home office mode proved to be crucial, which allowed us to maintain internal capacities.

In this mode, the operation of the contact centre is the same as in the standard mode. All control mechanisms are available here, including call recording. This situation has shown us that the chosen approach towards digitisation of customer care, while moving as much customer care as possible online, is the right choice.

There was a partial reduction in the availability of customer services in the last quarter of the year when, following the introduction of the DPI scheme for hundreds of thousands of customers, contact points and call centres were overwhelmed with requests from customers of other suppliers looking for a new supplier.

Improvement of customer service and the related development of the Group's contact centre technology, digitisation of processes

and capacity sharing between business departments are points that the Company wants to focus on in the future and will lead to an increase in customer experience.

Throughout 2021, the Company offered customers belonging to the Household category an assistance services insurance policy, which includes assistance in emergency situations (e.g. heating, electrical or locksmithing work). Customers were able to get these services through Pražská plynárenská, a.s., together with certain products for a fixed period and with no charge. Assistance services insurance is also provided to housing cooperatives and owners' associations.

The Company not only helps its customers to resolve emergency situations and extraordinary accidents with the services of service partners, but also by means of financial co-payments for replacing and repairing heating appliances.

Loyalty programme

Through the Company's "Zákaznická karta Pražské plynárenské" loyalty programme, customers can receive attractive discounts and benefits in various areas (e.g. travelling, sport, cultural activities, accommodation, etc.) from more than 90 project partners. The Company provides the customer card to its customers free of charge.

Clean mobility

Use of natural gas in transport

The Company was one of the first to promote CNG in the Czech Republic and to emphasise the contribution of CNG to the reduction of greenhouse gas emissions. Thanks to the sale of CNG and the construction of our own network of CNG filling stations in Prague and the Central Bohemia region, including promotion of vehicles, PP, a.s. has been able to change the situation and CNG is currently perceived as a full-fledged and equal partner for conventional fuel vehicles. Currently, PP, a.s. focuses on the purchase and sale of compressed biomethane – BioCNG. Biomethane is an emission-free variant of natural gas, which releases up to four-fifths less carbon dioxide when compared with gasoline and diesel and therefore meets the strictest limits on clean mobility and is a comparable alternative to electromobility while offering significantly lower input costs.

CNG Sales

Despite the COVID-19 pandemic, PP, a.s. managed to increase CNG and BioCNG sales at its filling stations in 2021 by 25% compared to 2020. Of this, BioCNG sales in 2021 were almost one-third.

CNG stations

Pražská plynárenská, a.s. owns a total of 11 CNG filling stations. It owns and operates 7 stations in the territory of the capital city of Prague.

It owns and operates 3 stations in the Central Bohemia region and 1 CNG station in the Hradec Králové region. At all of the stations listed above, customers have the option to pay with a regular payment card and with CNG CardCentrum card. PP, a.s. is also the supplier of natural gas for several dozen other CNG stations in the Czech Republic, owned by private companies.

CNG vehicles

Nearly 200 CNG vehicles were in operation at Pražská plynárenská, a.s. and its subsidiaries at the end of 2021. The joint project of the capital city of Prague, Pražské služby, a.s. and Pražská plynárenská, a.s., concerning the cooperation of CNG collection and cleaning vehicles is successful. PP, a.s.

continues to expand cooperation in the use of CNG vehicles with other city companies and commercial entities. Delivery and courier services are promising.

Electromobility

Pražská plynárenská, a.s. decided to participate in the development of charging infrastructure for electric vehicles, which, among other things, supports the climate plan of the capital city of Prague. Nearly 100 charging points are being planned.

Hydrogen

In line with the European Union's climate neutral strategy and the National Hydrogen Strategy of the Czech Republic, innovative projects in the field of emission-free energy with a focus on hydrogen were announced in 2021. Work has started on the "Hydrogen in Michle" project involving island production of "green" hydrogen from PV plant electricity and its use to power vehicles. PP, a.s. cooperates with market leaders. In 2021, important partnerships were concluded to support hydrogen infrastructure.

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. As part of its charitable activities in 2021, PP, a.s., for example, participated in the operation of the National vaccination centre in the O2 universe, where it organised i.a. the transport of elderly and disabled people to their place of residence after vaccination.

Environment

Pražská plynárenská, a.s. strives to protect the environment and mitigate the impact of its activities on its surroundings, even though its impact on the environment is 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 education and training for all employees in the form of e-learning, as well as high-quality waste management, air protection and water protection. This is achieved by setting up a consistent waste sorting system, in the area of air protection, for example, by reconstructing boiler rooms and in the area of water protection by installing a new, more efficient waste water treatment plants at car wash facilities. The Company's conscious approach reduces toner and paper consumption and continues to support a number of socially and environmentally significant projects over the long term.

Activities in the field of CNG are not insignificant, especially the new construction and operation of existing CNG filling stations. There were no environmental accidents in 2021, nor were any significant non-compliances with legal and other requirements of governmental authorities identified in a number of conducted inspections. No incidents that could significantly impact the environment have been reported. All the imposed tasks were continuously fulfilled.

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 2021. It was financed by the Ministry of Finance on the basis of the "Ecological Contract". The Ministry of Finance of the Czech Republic signed a contract for the preparation of a "Project of the supplementary survey" on the site of Pražská plynárenská, a.s., Michle facility – tar pits (Cleaners II) and the sub-basement and surroundings of building 18 (Cleaners I), the implementation of which is currently under way. In addition, an inspection was carried out by the Ministry of the Environment to enter the old environmental burden into the System of Contaminated Sites Registration (SECM).

Sponsoring activities and donations

Pražská plynárenská, a.s. supported a wide range of diverse projects in the fields of professional and recreational sports, arts and social and charitable activities as part of its sponsoring activities, including projects dealing with new technologies. Long-term support of events for the general public are the preferred modes of support. Yet another of the many interesting projects is the assistance to communities affected by the tornado that hit southern Moravia at the end of June and left a huge amount of damage.

Smečka Gallery

The Company has long sponsored the Smečky Gallery Foundation, which began its activities in 2005 and focuses on exhibitions of Czech collage works in the Smečka Gallery. Since then, 74 exhibitions of important Czech artists have been held in the gallery. In 2021, the following exhibitions took place:

- Everything is a collage
Exhibition of works from the collection of Pražská plynárenská, a.s.
- Jiří Suchý / What I've been doing for the last 90 years
An exhibition celebrating the 90th anniversary of one of the greatest personalities of Czech culture
- Ivo Medek Kopaninský / Not only with scissors...
A cross-section of the work of the Czech painter, collagist and writer

The exhibitions are always accompanied by guided tours with the participation of authors or curators and workshops for parents with children. Catalogues containing colour reproductions were published for each exhibition.

Collection of Pražská plynárenská, a.s.

Pražská plynárenská, a.s. owns a unique collection of Czech collage works, which is highly valued in professional circles. In total, it consists of more than 500 works; the key works of the collection are of world-class quality. These include works by Jiří Kolář and Běla Kolářová, Jindřich Štyrský, Toyen, Libor Fára and Karel Trinkewitz.

In 2021, a significant part of Jiří Kolář's works was lent to a joint exhibition at the Kampa Museum. The exhibition, entitled Dictionary of Methods, presented a cross-section of more than fifty years of the artist's work and thus became an important event on the Czech cultural scene.

Gas Museum

Since 1999, Pražská plynárenská, a.s. has operated on its Michle premises the only museum in the Czech Republic devoted to the gas industry. The "Gas History Treasury" contributes to the dissemination of gas education and awareness. It is a popular object of visits by schools, experts, foreigners and ordinary citizens interested in the general history or the development of technology and energy. It introduces visitors to the history and development of the Czech and world gas industry from its origins to the present day, with a vision of its future.

In 2021, the long-standing cooperation with the city districts of the capital city of Prague continued successfully, with some city companies, e.g., the Museum of the Capital City of Prague or the Gallery of the Capital City of Prague. In 2021, the Gas Industry Museum contributed to the restoration of the damaged historic gas candelabrum on Dražické square by providing expert documents, and consultations were held on the design of the restoration of the ceremonial gas lighting on Čechův bridge. For the first time, our museum

became a part of the "Week of the Academy of Sciences of the Czech Republic". At the end of 2021, the traditional guided pre-Christmas walks with the lamplighter "Under the Hradčany gas lamp posts" were held with expert commentary on the history and current situation of gas lighting in Prague. The long-standing cooperation with the Czech Tourist Club continued. In 2021, the museum's collections were enriched with a number of interesting historical documents and exhibits from the Czech Republic and abroad. Work was under way to prepare a new gas metering exhibition. A number of exhibits have been professionally restored, and selected historical appliances have been restored to their original function, so visitors to the museum will be reminded of the purposes for which gas was used in the past.

Informatics

2021 was heavily impacted by the COVID-19 pandemic, which affected a number of Company business and internal processes.

Thanks to online communication via the new customer portal and website, and thanks to the uninterrupted operation of customer care, we were able to respond to customer needs and develop new products. Security enhancements (multi-factor authentication, remote management of Office 365 applications on mobile devices) were implemented within the Company's internal processes.

In the first half of 2021, the entire customer base of PP, a.s. was registered with OTE, which proved to be crucial for the subsequent automated handling of customers in DPI mode.

Major development changes supporting internal processes in 2021 included a revision of the role and permissions model in the SAP ERP system, implementation of changes resulting from the Energy Act, support for automated processing of customer agendas in DPI mode and subsequent temporary adjustment of VAT to 0%.

Human resources management

HR work and the social field

As at 31 December 2021, Pražská plynárenská, a.s. employed a total of 361 people.

In 2021, the Company introduced and supported new ways of working during the covid pandemic. Flexibility of access to work activities was ensured by organisational rules and the involvement of managers in workforce management during the pandemic. Remote access, online meetings of groups and teams and the possibility of working from home were particularly promoted in order to prevent the spread of the pandemic and to ensure the functioning of the Company.

The new approach to internal efficiency and employee satisfaction was started by mapping the corporate culture, which resulted in further communication activities towards the Company. The transition to online collaboration and a pleasant working atmosphere was perceived positively, and the need for greater customer focus was emphasised.

Despite the limited possibilities for mass employee events, the traditional Gas Day was organised at the Michle site, where employees could learn more about alternative energy sources and had the opportunity to see electric and hydrogen-powered cars.

Collective bargaining

The Company had an open and fair social dialogue with the trade union. Pražská plynárenská, a.s. fulfils its obligations arising from the Company collective agreement in force from 1 January 2021 to 31 January 2023. In the area of labour law relations, employees were given work leave that was one week longer than the period stipulated under the Labour Code while using the plant catering services. Employees are also offered other internal benefits, including the Cafeteria system with a wide range of options for individual employee needs.

Occupational health and safety and fire prevention

In 2021, the legislatively obligatory inspections and revisions of technical equipment (pressure, lifting, electrical, gas) in the buildings and workplaces of PP, a.s. were carried out properly and within the required deadlines. Online applications were used for H&S and fire prevention training and inspections. In 2021, no occupational injury that could have resulted in an injury with work disability lasting longer than three calendar days, or which could have resulted in an employee death, was recorded.

Compliance

The Company is committed to legal compliance and to a high ethical standard of conduct. One of the objectives is to contribute to an ethical and transparent business environment. The importance of the trust of shareholders, employees, suppliers and customers is emphasised for the proper functioning of the Company. A high standard of business ethics, enhancing reputation, is perceived as an important corporate value.

The Company's Compliance Programme is the main tool for achieving the above-mentioned objectives, ensuring the Company's compliance with generally applicable rules. The programme is undergoing an evolutionary development, measured both by the continuous improvement of existing measures and the changing legislative environment. The primary goal of the Compliance Programme is to prevent the Company from being held liable for crimes committed by persons whose actions are attributable to the Company. This effort is mainly implemented through education, training, active promotion of ethical principles and the operation of a confidential anonymous reporting system (Ethics Line) for identifying possible violations and also for addressing labour disputes. This whistleblowing system is newly adapted to the EU Whistleblowing Directive and is thus accessible to a wider range of the Company's partners. A summary and comprehensible material for the education of the Company's employees and partners is the Code of Conduct containing the key theses of the compliance agenda.

The Company is responding to the public interest in the fight against corruption by implementing the international standard ISO 37001 Anti-Corruption Management System, which began in the autumn of last year. The cooperation with the external consultancy EY promises a smooth certification process, which is planned for the summer of 2022.

As part of the process of implementing the standard, not only are the existing management acts of the Company being revised and modified, but also the corruption-significant processes are being improved, control mechanisms are being supplemented and the system of employee training is being expanded.

There were no compliance cases with impact on the Company's operations.

Pražská plynárenská, a.s. has adopted and complies with or is currently implementing the essential corporate governance rules set out in the Code of Corporate Governance of the Czech Republic (hereinafter 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.

The Board of Directors of Pražská plynárenská, a.s. applies and develops corporate governance standards in accordance with the Code in the spirit of transparency, accountability and a long-term perspective, and reflects these best practices in its internal procedures and regulations. As the powers of the General Assembly are exercised by a single shareholder in the Company, the Company by its nature does not and will not apply all recommendations relating to the General Assembly.

Internal audit

Pražská plynárenská, a.s. applies multi-stage internal assurance services where the individual supervisory positions are subordinated to the Company Management or act at the same level as the Company Management as an autonomous body. Supervisory control is exercised by senior staff. The next level of control is systemic and includes the Compliance Programme, risk management and controlling management. The third level of follow-up is internal audit.

Internal audit activities are carried out by the Internal Audit Department, which is accountable to the Company's senior management. Internal audit prepares analyses and evaluations, provides opinions, information and recommendations, thereby contributing to adding value, improving management systems, optimising business processes and eliminating risk factors throughout the Company. The Internal Audit Department carries out audit engagements in accordance with an annual plan, which is drawn up on the basis of a risk analysis using requests from internal audit promoters and the department's own suggestions. The Board of Directors of the Company is informed about the results of the individual internal audits, discusses and approves them and ensures the implementation of identified corrective actions.

Risk management

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

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

Financial risks

There is a credit risk for the PP, a.s. Group as the consequence of business conducted with large customers, small customers and households. These business relations with large-scale customers are evaluated according to fulfilment of the contractual conditions. The basic risk indicator is non-compliance with payment terms and the length of any delay in payment. The renewal of contractual relationships particularly in the case of traders with final customers is assessed according to historical experience and also on the basis of continuous personal meetings with these subjects. Cash collection from customers for sold natural gas sold is partly encouraged by the system of advance payments and partly by the claims collection process.

The goal of 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.

Management of PP, a.s. minimises liquidity risk (i.e. the risk of lack of cash to pay liabilities) by continuous and ongoing management and planning of future cash flows. Based on this 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 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.

Movements and developments in exchange rates represent a risk due to the fact that the Group purchases part of its gas in foreign currencies. Selection of currency in which purchases are realised is in forward purchases fully dependent on the overall commercial conditions offered. The Group always hedges against the exchange rate risk resulting from these purchase contracts up to 100% of the purchased volume in the form of currency forwards at the bank for all transactions that have different purchase and selling currencies.

The Company actively manages this risk through monitoring foreign exchange developments, and through the management of commodity purchases in foreign currency it hedges itself against long-term currency risk.

The Company applies a securing (hedging) accounting system in order to secure future cash flows from the purchase of the commodities mentioned above.

Information on research or development of new products or processes in the current accounting period

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

Information required for disclosure by specific legislation

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

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

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

The average CZK/EUR exchange rate for 2021 was CZK 25.642/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") consists of the parent company Pražská plynárenská, a.s., six subsidiaries and one sub-subsidiary:

- 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."),
- Pražská plynárenská Správa majetku, a.s., member of the Pražská plynárenská, a.s. Group ("PPSM, a.s."),
- Informační služby – energetika, a.s. ("ISE, 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.).

The key business activities of the PP, a.s. Group are the sale and distribution of natural gas and sale of electricity.

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;
- the provision of services related to information technologies and the purchase and sale of hardware and software;
- the provision of services in the field of management and maintenance of real estate, maintenance of motor vehicles, cleaning services and inn-keeping activities, construction and operation of CNG filling stations;
- 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

(in millions of CZK)

Consolidated profit/loss	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating economic result	982.4	1,444.1	-461.7
Financial economic result	77.3	-56.5	133.8
Total profit/loss	1,059.7	1,387.6	-327.9

(in millions of EUR)

Consolidated profit/loss	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating economic result	38.3	56.3	-18.0
Financial economic result	3.0	-2.2	5.2
Total profit/loss	41.3	54.1	-12.8

Operating income	18,074.2	15,281.7	2,792.5
Consolidated revenues	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
<i>Electricity* sales revenues</i>	5,075.9	4,160.1	915.8
Financial revenues	179.4	164.0	15.4
Revenues total	18,253.6	15,445.7	2,807.9

(in millions of EUR)

Consolidated revenues	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating income total	704.9	596.0	108.9
of which:			
<i>natural gas sales revenues and distribution</i>	481.9	413.6	68.3
<i>sales revenues electricity*</i>	198.0	162.2	35.8
Financial revenues	7.0	6.4	0.6
Revenues total *Licensed activity	711.9	602.4	109.5

Consolidated costs

(in millions of CZK)

Consolidated costs*	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating costs total	17,091.7	13,837.6	3,254.1
of which:			
<i>costs for consumed natural gas**</i>	7,791.9	6,412.6	1,379.3
<i>purchase cost</i>	3,011.3	2,139.1	872.2
Financial costs	102.2	220.5	-118.3
Total costs	17,193.9	14,058.1	3,135.8

(in millions of EUR)

Consolidated costs*	Actual situation 2021	Actual situation 2020	Comparison of facts 21/20
Operating expenses total	666.6	539.6	127.0
of which:			
<i>cost for consumed natural gas**</i>	303.9	250.1	53.8
<i>cost of purchase</i>	117.4	83.4	34.0
Financial costs	4.0	8.6	-4.6
Total costs	670.5	548.2	122.3

*Excluding income tax on current operations.

**Licensed activities without the distribution charge.

Financial position

The Group covers its financial needs from its own sources and through loans from financing banks. Free financial resources are pooled in a cash pooling system, which

enables the optimisation and simplification of financial management in the Group. It mainly makes it possible to reduce the debt to the banks and save interest costs.

In 2021, Pražská plynárenská, a.s. had operational financing of CZK 3,532.4 million available, from which it drew on lines for issuing bank guarantees. PPD, a.s. issued bonds in 2016 in the total nominal value of CZK 2,700 million with a maturity of 7 years and a coupon with a fixed interest yield of 0.70% p.a.

Short-term sources of external financing, as well as long-term sources of external financing in the form of issued bonds, are financed by Československá obchodní banka, a.s. and Česká spořitelna, a.s.; a short-term euro overdraft account that is used for trading on the energy exchange is secured by Raiffeisenbank a.s.

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.

Environment

All PP a.s. Group companies focus on environmental protection and strive to reduce their carbon footprint.

Thanks to the reconstruction of boiler houses and replacement of boilers owned by the Group, emissions of all basic pollutants into the air have been decreasing in the long term.

In the area of waste management, attention was focused on ensuring the tasks arising from the new Waste Act, on prioritising waste management methods according to the waste management hierarchy, on waste prevention and on reducing the specific waste production, especially through regular annual training of all employees.

As water quality is directly linked to the discharge of pollutants in waste water, the treatment of waste water discharged into the public sewerage system was made more efficient by installing a new, more efficient waste water treatment plant at the waste water washing plant. For the whole of 2021, the Group never exceeded the permitted level of polluted waste water discharged to the sewer.

As part of our environmental policy, all employees are regularly trained in the handling of the chemicals they come into contact with as part of their job.

PPSD, a.s., which deals with the construction, servicing, repair and maintenance of gas installations, was successfully audited by the certification body in 2021, which did not reveal any non-compliance with the set objectives, and the Company has thus once again defended its ISO 14001 certification.

Regular internal audits are carried out in all PP a.s. Group companies and the resulting tasks were always completed on time. In 2021, no environmental sanctions were imposed on PP, a.s. by state authorities.

In 2021, the disposal of old environmental burdens continued at the Michle site on the premises of PP, a.s. The remediation is entered into the System of Evidence of Contaminated Sites (SECM) database and is financed by the Ministry of Finance on the basis of "Ecological contracts".

Human resources management

HR work and the social field

As at 31 December 2021, the Group employed a total of 978 people.

This year the emphasis was on new ways of working in the COVID-19 pandemic. Flexibility of access to work activities was ensured by organisational rules and managers' involvement in workforce management during the pandemic. New ways of working, including remote access and working from home, were promoted to prevent the spread of the pandemic while ensuring the functioning of the Group.

The new approach to internal efficiency and employee satisfaction was started by mapping the corporate culture, which resulted in further communication activities towards the Group. The transition to online collaboration, a pleasant and friendly working atmosphere and the need for greater customer focus were positively perceived.

Despite the limited possibilities for mass employee events, the traditional Gas Industry Day was organised at the Michle site, where employees could learn more about alternative energy sources and had the opportunity to see electric and hydrogen-powered cars.

Collective bargaining

An open and fair social dialogue is conducted with the union. The Group companies receive their obligations under the enterprise collective bargaining agreement in force from 1 January 2021 to 31 January 2023. In the area of labour law relations, employees were given work leave that was one week longer than the period stipulated under the Labour Code while using the plant catering services. Employees are also offered other internal benefits, including the Cafeteria system with a wide range of options for individual employee needs.

Occupational health and safety and fire prevention

In 2021, the legislatively obligatory inspections and revisions of technical equipment (pressure, lifting, electrical, gas) in the buildings and workplaces of the PP, a.s. Group were carried out properly and within the required deadlines.

Online applications were used for H&S and fire prevention training and inspections. In 2021, no occupational injury that could have resulted in an injury with work disability lasting longer than three calendar days, or which could have resulted in an employee death, was recorded.

Compliance

Pražská plynárenská, a.s. provides compliance services to other companies of the PP, a.s. Group in the full scope of the Compliance Programme. This not only involves the adoption of the relevant governing acts, the implementation of training, the transfer of methodology, but also the operation and administration of the Ethics Line. The implementation of any responses to specific identified findings is the responsibility of the management of the relevant company in cooperation with the Compliance Manager.

Internal audit

Internal audit activities are performed by the Internal Audit Department in all companies of the Pražská plynárenská, a.s. Group, (with the exception of Pražská plynárenská Distribuce, a.s.). The Internal Audit Department proposes recommendations for eliminating the deficiencies identified by the audit and subsequently monitors and verifies their implementation and effectiveness. The starting point for the internal audit plan in the Group companies is the audit universe, which is used to assess the auditable processes risk.

Risk management

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

Financial risks

There is a credit risk for the Group as the consequence of business conducted with large customers, small customers and households. These business relations with large-scale customers are evaluated according to fulfilment of the contractual conditions. The primary risk indicator is non-observance of the payment conditions and duration of payment delay. The renewal of contractual relations, especially for end-customer business, is assessed based on historical experience.

The Group's management minimises liquidity risk by continuously managing and planning future cash flows. Based on this forecast, the Group ensures that a sufficient level of liquid cash is available to settle its liabilities.

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 actively manages this risk through monitoring foreign exchange developments, and through the management of commodity purchases in foreign currency it hedges itself against long-term currency risk.

Information about organisational units abroad

As of 31 December 2021, no company belonging to the Group operated an organisational unit abroad.

V. EXPECTED DEVELOPMENT OF THE GROUP

The issue of commodity price developments and securing stable supplies will be the primary focus for 2022. Commodity prices will significantly influence the energy industry bringing uncertainty and risk, but also challenges. At the same time, there will be further discussion on finding ways to meet climate commitments at a sustainable price level for end consumers, but also on the technical security of supply itself. Finding answers can be expected to be complex and will pose major challenges for all stakeholders.

Our Company will thus be exposed to many pressures that will bring an emphasis on timely and correct decisions in order to ensure a stable and secure supply for our customers. At the same time, the process of improving the quality of care for these customers will take place in order to provide them with a significant advantage in terms of quality customer care. Continued development of digital customer channels is key. The newly launched customer portal is planned to be further developed in 2022, expanding services and accelerating them.

Following the development of the energy market, Pražská plynárenská, a.s. has set the development of its own energy services in the Household category / for the household as one of its strategic directions. The Company also plans to offer energy services through its own sales and implementation capacities. Developing these capacities will therefore be the main task for the first half of the year.

The Pražská plynárenská, a.s. 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 gases such as biomethane and hydrogen. In cooperation with the capital city of Prague, municipal companies and the academic sphere, PP, a.s. will propose options that optimise the use of gas and biomethane.

In 2022, the PP, a.s. Group will continue to cooperate with municipalities in the area of development and modernisation of the existing heat management processes, based on the Teplo pro Kbely project.

The main objective of PPD, a.s. for 2022 remains to ensure the reliable and safe operation of the gas system. Emphasis will particularly be placed on the renewal of gas facilities, their maintenance and management, while maintaining strict principles of occupational safety and environmental protection. Much attention will be paid to reducing methane leaks and preparing for new European "methane" legislation.

The Company expects that in 2022 the first biomethane production plant in Prague will be connected to the distribution network, which will process sludge gases at the Central Wastewater Treatment Plant in Bubeneč.

In 2022, the Czech gas industry will continue to work together to prepare the infrastructure and legislation for the growing share of hydrogen in the gas network.

Last, but not least, the Company will be actively involved in the preparation and negotiation of Czech and European legislation, including professional support for the Czech Presidency of the European Union.

The primary objective of PPSD, a.s. for 2022 is to provide comprehensive, high-quality and highly professional services within the PP, a.s. Group, in particular to ensure safe and reliable operation of the distribution system for the most important customer, which is PPD, a.s. An equally important objective will be to continue the intensive growth and development of the portfolio of services provided to customers outside PP, a.s. with maximum emphasis on the use of new technologies, materials and the professional qualification of the Company's human resources. This includes yet another goal in the form of more intensive and targeted presentation of the Company before customers and the surrounding environment through new communication channels and communication technologies (social networks, etc.).

The main goals of Prometheus a.s. include intensive growth and development in the field of the sale of heat energy and co-generation of electricity and heat. The decisive factor for the fulfilment of this goal is the intensity of the growth of the portfolio of operated resources, the ratio of which mainly depends on the plan of investments and assumed acquisition activity. Great emphasis will be placed on the development of energy consultancy services and the implementation of new technologies – solar power generation, water heating, heat pumps, etc.

The goal of MONT, a.s. remains the same as in previous years, that being to strengthen the development in the field of production and distribution of thermal energy, construction of thermal energy sources and related energy services in close cooperation with members of the Pražská plynárenská, a.s. Group.

In 2022, the Group is expected to draw more on external resources than in previous years, mainly due to the increase in commodity prices. The Group has contractually secured short-term sources of external financing, which are provided by Československá obchodní banka, a.s. and Česká spořitelna, a.s.). Long-term sources of external funding include the re-issuance of PPD, a.s. from November 2016; the bonds mature in 2023.

VI. IMPORTANT EVENTS AT THE BEGINNING OF 2022

Pražská plynárenská, a.s. successfully defended its prestigious Czech Business Superbrands award in 2022.

On 10 January 2022, the term of office of the members of the Supervisory Board of PP, a.s., Ing. Petra Zemanová and Mgr. Miroslav Vránek, ended. On 7 January 2022, the sole shareholder of Pražská plynárenská, a.s., within the exercise of the powers of the General Assembly, elected, with effect from 11 January 2022, Mgr. Alice Klementová and Mgr. Miroslav Vránek to the Supervisory Board of PP, a.s.

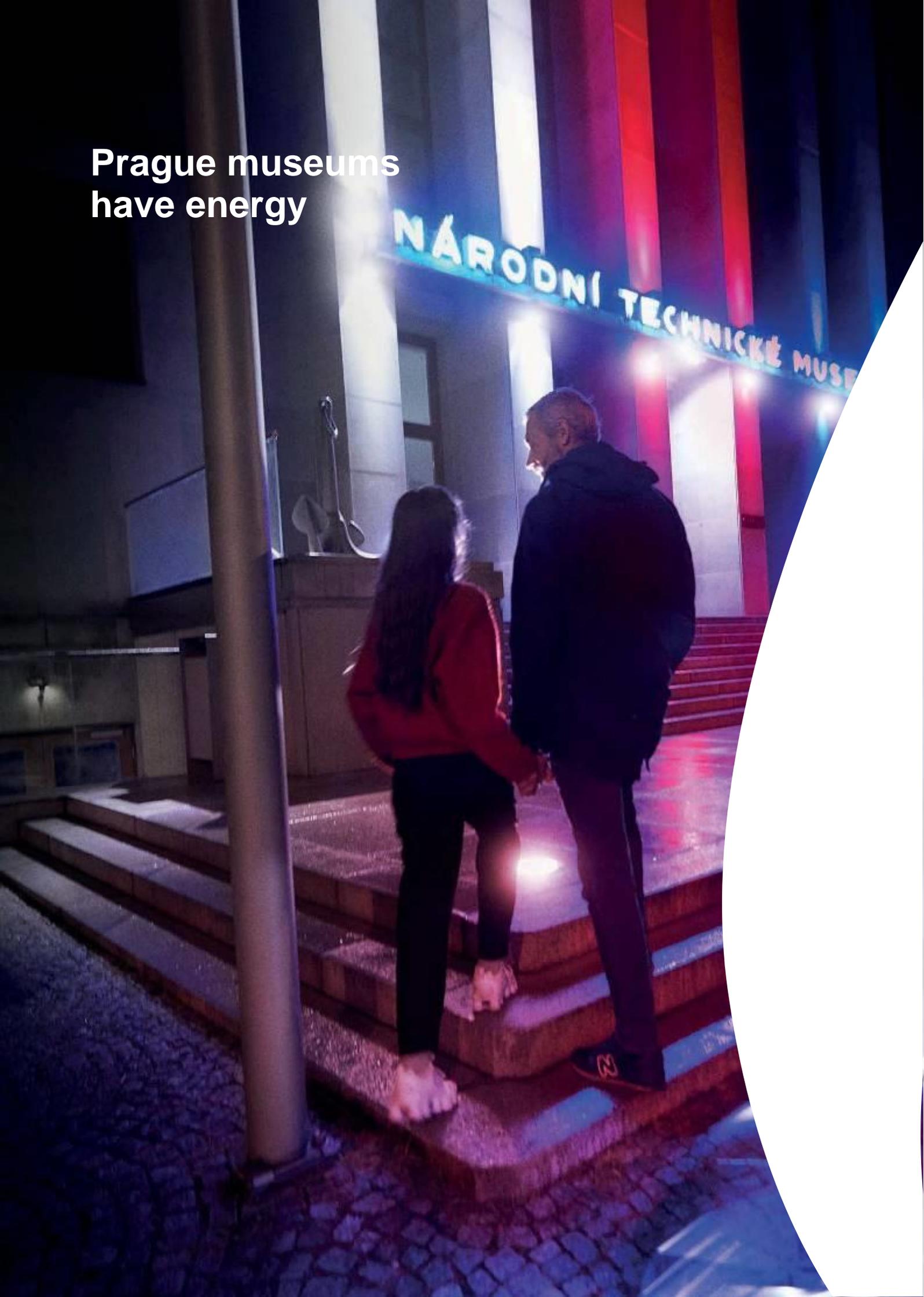
On 24 February 2022, the Russian military launched an attack on Ukraine. The ongoing conflict in Ukraine and the related sanctions against the Russian Federation may have an impact on the Company. The Company has no direct exposure to companies based in Ukraine or the Russian Federation or to companies that are under sanctions. However, natural gas supplies to the Czech Republic are dependent on the supply

from the Russian Federation. At this stage, management is not able to reliably estimate the impact of any gas price developments and any potential curtailment or interruption of supply, as events are evolving day to day. The long-term impact may also affect volumes, cash flows and profitability. However, as at the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the principle of continuous duration of the company.

The Boards of Directors of PP, a.s., Pražská plynárenská Správa majetku, a.s., a member of the Pražská plynárenská, a.s. Group and Informační služby – energetika, a.s., approved at their meetings on 5 April 2022, the intention to merge the companies Pražská plynárenská Správa majetku, a.s., a member of the Pražská plynárenská, a.s. Group, and Informační služby – energetika, a.s., into the company Pražská plynárenská, a.s., which will be the successor company.



Prague museums
have energy



We are happy that we can also supply it for the National Technical Museum.



VII. FINANCIAL SECTION

Individual financial statements for the year ended 31 December 2021 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 2021 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

Consolidated financial statements for the year ended **31 December** 2021 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

Notes on the Consolidated Financial Statements for the year ended 31 December 2021 compiled according to the International Financial Reporting Standards (IFRS) in the format accepted by the European Union



Prague Airport
has energy





And you can feel its vibrant atmosphere thanks to us.

INDIVIDUAL FINANCIAL STATEMENTS

Financial position statement as at 31 December 2021

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

	Note	31 December 2021	31 December 2020
		thousands of CZK	thousands of CZK
ASSETS			
Fixed assets			
Land, buildings and equipment	7.1	778,344	788,343
Real estate investments	7.2	156,733	160,435
Intangible assets	7.3	108,139	104,493
Investments into subsidiaries	7.5	1,379,002	1,374,502
Assets originating from the right of use	7.4	24,274	28,835
Incremental costs of obtaining a contract	7.10	25,348	29,856
Contract assets	7.11	58,702	54,559
Other fixed assets		18	41
Fixed assets – total		2,530,560	2,541,064
Short-term assets			
Inventories	7.6	1,024,578	627,154
Trade and other receivables	7.7	3,421,300	2,209,463
Cash and cash equivalents	7.8	901,253	1,502,161
Other assets	7.9	31,486	21,616
Incremental costs of obtaining a contract	7.10	30,060	28,804
Contract assets	7.11	6,227	19,369
Other tax receivables	7.20	271,233	0
Short-term assets – assets		5,686,137	4,408,567
TOTAL ASSETS		8,216,697	6,949,631
EQUITY AND LIABILITIES			
Equity			
Registered capital	7.12	431,972	431,972
Revaluation of hedging derivatives	7.14	-83,900	-24,591
Retained earnings		2,080,045	1,678,561
Profit/loss after tax for the period		521,818	908,484
Equity – total		2,949,935	2,994,426
Long-term liabilities			
Trade liabilities and other long-term liabilities		337	188
Lease liabilities	7.4	22,433	26,919
Deferred tax liability	7.19	22,862	46,594
Reserves	7.21	16,604	15,000
Long-term liabilities – total		62,236	88,701
Short-term liabilities			
Trade payables and advances received	7.15	3,919,185	2,726,981
Lease liabilities	7.4	4,486	4,407
Other liabilities	7.18	1,268,866	927,279
Due income tax	7.20	0	19,502
Other tax liabilities	7.20	11,989	86,367
Reserves	7.21	0	101,968
Short-term liabilities – total		5,204,526	3,866,504
TOTAL EQUITY AND LIABILITIES		8,216,697	6,949,631

Statement of comprehensive income for the year ended 31 December 2021

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

	Note	2021	2020
		thousands of CZK	thousands of CZK
Sales revenues	7.22	17,160,449	14,573,389
Purchased gas, electricity, materials and services connected with gas and electricity supplies	7.23	16,214,280	12,970,697
Other operating income	7.24	426,823	385,633
Personnel costs	7.25	395,733	328,063
Depreciation of fixed assets	7.26	97,413	94,900
Loss due to depreciation of financial assets	7.7	45,469	31,129
Other operating costs	7.27	384,310	457,268
Operating profit/loss		450,067	1,076,965
Financial costs	7.28	76,609	193,646
Financial revenues	7.29	182,506	165,694
Financial profit/loss		105,897	-27,952
Profit before tax		555,964	1,049,013
Income tax	7.30	34,146	140,529
Profit after tax		521,818	908,484
Other total performance			
<i>Items that may be reclassified and reported as profit or loss:</i>			
Settlement of securing derivatives (change in fair value)	7.14	-103,580	-30,359
Deferred tax on securing derivatives	7.14	19,680	5,768
Other total performance		-83,900	-24,591
Full result for the period		437,918	883,893

Statement of changes in equity for the year ended 31 December 2021

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

	Registered capital	Revaluation of hedging derivatives	Retained earnings	Total
	thousands of CZK	thousands of CZK	thousands of CZK	thousands of CZK
Note	7.12	7.14		
Balance as of 1 January 2020	431,972	-111,506	2,286,561	2,607,027
Profit/loss after tax for the period	0	0	908,484	908,484
Other comprehensive income	0	-24,591	0	-24,591
Total comprehensive income	0	-24,591	908,484	883,893
<i>Transactions with owners of the Company:</i>				
Dividends paid	0	0	-608,000	-608,000
Other transactions		111,506		111,506
Balance as of 31 December 2020	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
<i>Transactions with owners of the Company:</i>				
Dividends paid	0	0	-507,000	-507,000
Other transactions		24,591		24,591
Balance as of 31 December 2021	431,972	-83,900	2,601,863	2,949,935

Cash flow statement for the year ended 31 December 2021

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

	Note	2021	2020
		thousands of CZK	thousands of CZK
Profit before tax		555,964	1,049,013
Adjustments to profit before tax		-296,719	-40,602
Depreciation of fixed assets	7.26	97,413	94,900
Write-offs of receivables		29,383	17,668
Change in the position of adjustments and reserves		-77,337	2,031
Profit from sales of fixed assets	7.24	-1,923	-323
Net interest		-5,375	-4,178
Revenues from dividends and profit shares	7.24	-338,887	-346,328
Other non-cash movements (revaluation of derivatives, VAT surcharge)		7	195,628
Net cash flows from operations before tax and changes in working capital		259,245	1,008,411
Change in working capital needs		-609,793	-59,312
Changes in the position of receivables from operations		-1,313,703	-123,125
Change in liabilities from operations		1,101,334	-150,109
Movement in inventories (gross)		-397,424	213,922
Net cash flow from operations before tax		-350,548	949,099
Interest paid		-5,374	-7,589
Interest received		9,153	10,698
Income tax on current activities and additional tax paid minus tax refunds		-100,876	-80,269
Net cash flow from operations		-447,645	871,939
Expenses related to the acquisition of fixed tangible and intangible fixed assets		-85,328	-124,592
Expenses related to the acquisition of long-term financial assets	7.5	-4,500	-4,500
Revenues from sales of fixed assets		3,184	471
Shares of profit received (+)	7.24	338,887	346,328
Loan repayments		23	-10
Net cash flow from investments		252,266	217,697
Payment of long-term liabilities		-4,337	-6,294
Redemption of issued bonds	5.2	0	-400,000
Change in the position of the loan from the parent and subsidiary companies*	7.18	105,808	-72,126
Dividends paid	7.31	-507,000	-608,000
Net cash flows from financing activities		-405,529	-1,086,420
Balance of cash and cash equivalents at beginning of accounting period		1,502,161	1,498,945
Net change in cash and cash equivalents for the accounting period		-600,908	3,216
Balance of cash and cash equivalents at end of accounting period		901,253	1,502,161

* 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.

NOTES TO THE INDIVIDUAL 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. 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 and the expected profit that will be generated over the next 12 months as well as the availability of credit lines and other liquidity management tools, the Company's management believes that it possesses a sufficient financial capacity to continue with its business activities for at least 12 months following the day when these financial statements are signed.

1.1. Major shareholders of the Company

The sole shareholder controlling the Company as at 31 December 2021 and 31 December 2020 is Pražská plynárenská Holding a.s. ("PPH a.s." or the "Controlling Company"), which is the final parent company controlled by the Capital City of Prague.

1.2. Assessment of the impact of the COVID-19 pandemic

In 2021, the coronavirus pandemic causing the disease COVID-19 continued. Measures taken by the government to limit health impacts have disrupted economic activity for many businesses. It only affected the business of the Company in the year ended 31 December 2021 in terms of the operational procedures put in place internally to limit the risk of spreading a possible infection. However, the Company was not significantly affected by the general measures, nor was there any reduction in activities.

2. Rules for compilation of the financial statements

Declaration of conformity

These financial reports (hereinafter also referred to as the "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 preparing the financial statements, the Company applied the standards and interpretations to be applied on a mandatory basis for the period beginning 1 January 2021.

Notes to the consolidated financial statements

In addition to these separate financial statements, the Company also prepares and publishes consolidated financial statements of the parent company – Pražská plynárenská, a.s. and its subsidiaries in accordance with IFRS as at 31 December. A subsidiary is an enterprise controlled by the parent company.

Valuation method

The financial statements were prepared on the basis of historical prices defined in Sections 4.8.2., 4.11.1., 4.13. and 4.14. In valuing the Company's assets and liabilities while maintaining the Company's going concern, the management has considered the effects of the pandemic of the new coronavirus causing COVID-19 and regarded this impact as insignificant.

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 2021 to 31 December 2021. 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 2020; and to demonstrate profit/loss, changes in equity capital and an overview of cash flows, results from the period starting on 1 January 2020 and ending on 31 December 2020 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 2021

- Amendments to IFRS 4 – Extension of the temporary exemption from the application of IFRS 9
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Reform of reference interest rates – phase 2

Effective as of 1 April 2021

- Amendments to IFRS 16 – Rent relief related to the COVID-19 pandemic

Effective from 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

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

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

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

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

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

4.1. Intangible assets

4.1.1. Valuation of intangible assets

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

4.1.2. Amortisation

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

Intangible asset category	Useful life (number of years)
Software	4
Valuable 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. 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.

Costs related to the acquisition of assets directly include the costs incurred in importing and commissioning the asset

and the costs that will be required to restore the affected environment to its original state.

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 at net book value or recognised as separate assets, if the Company may get financial gain in respect to this item and if the price of the item can be reliably measured.

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 structures	25–50
Movables and sets of movables	2–14
Vehicles (means of transport)	4–8
Computer equipment and other hardware	2–4
Other tangible fixed assets	30

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

4.2.3. Disposals

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

4.3. Impairment in the value of non-financial assets

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

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

4.4. Real estate investments

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

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

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

Real estate investments are leased to tenants with lease fees, which are payable monthly or quarterly. Lease instalments 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. Asset 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 an 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, as a starting point the Company uses, if possible, 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 investment, such as attorneys' fees, transfer taxes and other acquisition-related costs.

Investments are adjusted 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. According to the movement 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 objective of holding 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 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.
Due to the current pandemic for the year ending 31 December 2021, the Company expected the most current loss rate (i.e.% of outstanding receivables due in 2021).
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. Due to the COVID-19 pandemic, the Company also took into account a risk surcharge, which is based on an estimate of the future development of outstanding receivables, where the Company took into account (in addition to other issues), the amount of outstanding advance payments.

In the case of trade receivables and contractual assets, the Company in the calculation of ECL applies the simplified approach and reports adjusting entries in the amount of the full life ECL at each financial statement 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 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 depending 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 roll-over strategy, which is used to secure expected future cash flows with a series of currency derivatives with a shorter maturity. As of the date of the maturity of the currency derivative, classified as a roll-over, 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. No preference shares of the Company were 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 intended for trading or not. Financial liabilities mainly comprise 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, or if they are 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. Reserves

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 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"), 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).

The price for the distribution services represents a two-component price and it is regulated by ERO. The price for services by OTE 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, Decree No. 70/2016 Coll.), based on the reading of the consumption of each off take point, respectively based on customer self-reading. Revenues from MO and DOM categories consist of the actually billed revenues and revenues from so called "unbilled gas" (see Section 4.20.1). Value of unbilled gas 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 published by the Company, or based on individually set prices and products.

4.16.3. Revenues from sales of electricity

Revenue from the sale of electricity is posted 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 consists 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 individual items 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 metering (annual reading) are invoiced on a periodic basis once every 12 months on the basis of the reading of each customer's point of consumption, or according to the customer's self-reading, and in the case of type B metering (monthly reading) in the MOO and MOP categories, electricity supplies are invoiced monthly on the basis of the reading of each customer's point of consumption (according to the provisions of Section 15 of Decree No. 70/2016 Coll. and the provisions of Section 3 of Decree No. 152/2016 Coll.).

Revenues from MOO and MOP categories consist of the actually billed revenues and revenues from so called "unbilled electricity" (see Section 4.20.2). The amount of unbilled electricity is calculated from the total amount of purchased electricity in the particular year based on past behaviour of individual customers and is valued in relation to the valid price list of the Company, or to individually set prices and products.

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

4.16.4. Revenues from sales of goods

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

4.16.5. Revenues from miscellaneous services

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

4.17. Foreign currency conversions

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

Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate published by the Czech National Bank

as at the reporting date of the financial statements. Foreign exchange gains and losses are recognised as financial gains or losses in the period in which they occurred.

4.18. Employee benefits

4.18.1. Contributions to the state pension scheme

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

4.18.2. Additional pension and life insurance

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

4.18.3. Other benefits

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

4.18.4. Termination benefits

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

4.19. Taxes

Income tax comprises current and deferred tax.

4.19.1. Current tax

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

The estimated current tax is reduced by advances paid toward income tax. The short-term receivable is recognised in the case that the paid income tax advances 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 outstanding tax debts 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 available relevant 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 2021 the value of unbilled gas and distribution fees to low-volume customers and households amounted to CZK 3,349,054 thousand (the value as of 31 December 2020 was CZK 2,800,740 thousand).

This estimate is determined, using the balancing method, as the difference between total gas purchases and sales of monthly invoiced customers, losses, and the Company's own consumption in the given 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 2.14%. The median ratio of the balance difference to the distributed amount for the last 6 years is equal to 2.21%.

If the ratio of losses to the total amount of gas distributed in 2021 was equal to the long-term average, therefore it was smaller (greater) by 0.30 percentage points (while all other variables would remain unchanged), the pre-tax profit as of 31 December 2021 would be CZK 13.8 million 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 2021 the value of unbilled energy and distribution fees to low-volume customers and households represented CZK 771,487 thousand (as of 31 December 2020 the value was in the amount of CZK 705,139 thousand).

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

Sensitivity analysis:

The sensitivity analysis of the unbilled electricity segment shows a change in the amount of this item providing that the nomination deviation related to the acquisition of the commodity is included in the input balance. Usually, the amount of this deviation is in the range of 3-5% of the number of technical units sold. In the case of the Company, the amount of the purchase deviation for 2021 would be around the category of MOO and MOP in the amount of around 784,091 MWh.

The fixed price for the valuation of the deviation is set at CZK 3,600 per MWh, which in the case of the Company would impact the generation of unbilled electricity in the total amount of CZK ±84.7 million

5. Financial risk management

5.1. Credit risk

The selection of counter-parties 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 only performs financial transactions whose originator or underwriter has a high credit rating by independent global rating agencies, while credit quality indicators can be continuously monitored through the financial market. Cooperating banks enjoy long-term ratings – A1, 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., which is a member of the Pražská plynárenská, a.s. Group. 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 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 counter-party 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 received advances.

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. Due to the COVID-19 pandemic, the Company also took into account a risk surcharge, which is based on an estimate of the future development of outstanding receivables.

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 considered to be receivables up to 30 days past due, as well as overdue receivables and unbilled deliveries for which an adjusting entry is created in accordance with IFRS 9. Credit-impaired receivables classified as level 2 are those that are 1 to 6 months past due. In level 3, the Company classifies receivables that are overdue by more than 6 months and individually assessed receivables for which there is a high probability of expected loss from credit risk.

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

Type of receivable (in thousands of CZK)	31 December 2021	31 December 2020
Trade receivables from third parties	1,335,326	545,835
Trade receivables from subsidiaries	367,807	333,211
Trade receivables from other affiliates	28	31
Financial trade receivables	1,703,161	879,077
Adjusting entries for trade receivables	-244,811	-217,656
Net trade receivables – financial	1,458,350	661,421
Unbilled supplies (minus advance payments)	1,762,647	1,463,523
Adjusting entries for unbilled deliveries	-17,407	-14,679
Total trade and other receivables – financial	3,203,590	2,110,265
Total trade and other receivables – non-financial	217,710	99,198
Total trade and other receivables – short-term	3,421,300	2,209,463

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 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

31 December 2020:

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
cat. MO	21,050	696	57,981	79,727
cat. DOM	18,626	932	77,035	96,593
cat. VO	7,636	17	23,985	31,638
cat. Other	6,309	553	17,515	24,377
Total	53,621	2,198	176,516	232,335

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 counter-parties for financial transactions with cash is limited to parties with high creditworthiness.

The Company only performs 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 2021	31 December 2020
Cash on hand	not assigned	1,529	1,793
Money in bank accounts	A1	651,124	1,237,918
Short-term investments – promissory notes of ČSOB Leasing (as of 31/ 12/ 2021 amounted to EUR 10 million)	A1	248,600	262,450
Total exposure of cash, cash equivalents and other financial assets		901,253	1,502,161

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.

The structure of the short-term external funding of the Company was created in connection with the refinancing of funding in May 2019 and is contractually secured up to May 2023. In October 2021, changes were made to the structure of the credit frameworks to increase the committed line for bank guarantees.

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 July 2020	21/05/2023	floating
Guarantee line – committed	1,600,000	25 October 2021	21/05/2023	fixed
Guarantee line – non-committed	20,000	19 January 2017	for an indefinite period of time	fixed
Exchange programme	1,000,000	25 October 2021	22/05/2023	floating
Euro overdraft account RB (EUR 0.5 million, at an exchange rate of 24.860 CZK/EUR)	12,430	31 May 2021	31 May 2022	floating
Total	3,532,430			

In 2021, no overdraft lines were drawn. As at 31 December 2021, only financial resources from subsidiaries and the parent company PPH a.s. in the amount of CZK 878,567 thousand had been drawn down. These represent liabilities from cash pooling.

Short-term financing includes overdraft lines in CZK, an exchange programme for drawing the necessary resources in the form of bills of exchange through auctions and lines for negotiation of bank guarantees. These external financial resources are provided by a consortium of two banks, i.e., Československá obchodní banka, a.s. and Česká spořitelna, a.s.

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

- Agreement on the establishment of a lien between the Company and Československá obchodní banka, a.s.;
- Agreement on the establishment of a lien on the company's 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.

The Company has a short-term euro overdraft facility with Raiffeisenbank a.s. for the purposes of trading on the energy exchange.

The average credit interest rate between the Company, its subsidiaries and the parent company for 2021 was 0.62% per annum, and the average debit interest rate between the Company, its subsidiaries and the parent company for 2021 was 1.18% per annum.

Short-term funding structure as at 31 December 2020:

(in thousands of CZK)	Limit	From	To	Interest rate
Overdraft credit lines in CZK	900,000	1 July 2020	21/05/2023	floating
Guarantee line	900,000	1 July 2020	21/05/2023	fixed
Guarantee line – non-committed	20,000	19 January 2017	for an indefinite period of time	fixed
Exchange programme	1,400,000	22/05/2019	22/05/2023	floating
Overdraft credit lines in EUR (EUR 12 million, at an exchange rate of 26.245 CZK/EUR)	314,940	1 July 2020	21/05/2023	floating
Euro overdraft account RB (EUR 0.5 million, at an exchange rate of 26.245 CZK/EUR)	13,123	25/05/2020	31 May 2021	floating
Total	3,548,063			

In 2020, no overdraft lines were drawn. As at 31 December 2020, only financial resources from subsidiaries and the parent company PPH a.s. in the amount of CZK 772 759 thousand had been drawn down. These represent liabilities from cash pooling. The average credit interest rate between the Company, its subsidiaries and the parent company for 2020 was 0.46% p.a., the average debit interest rate between the Company, its subsidiaries and the parent company for 2020 was 0.69% 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, a.s. Group, and the PPH a.s. companies aggregated in cash pooling. Using these free resources means that short-term loans from the banks are not drawn.

In relation to the terms and conditions of the loan agreements, they are monitored at the level of the consolidated data of the PP, a.s. Group financial indicators. In case of their non-fulfilment, the banks may

request premature loan repayment. These indicators were fulfilled as of 31 December 2021 and as of 31 December 2020.

The liquidity position is supported by the system of advance payments; whereas the high-volume and middle-volume categories pay advances several times during the month, the low-category and households pay advances monthly or quarterly.

The setting of the advances takes into account the past consumption for all categories (an algorithm based on three-year historical consumption is used), as well as the seasonal character of the gas consumption and the gas price.

The following tables show the liabilities grouped by residual period to contractual maturity as at 31 December 2021 and as at 31 December 2020. The amount of the liabilities shown in the tables is equivalent to the non-discounted cash flows, including interest, where it is relevant. The amount of interest is based on the value of the loans as at 31 December 2021 and the interest rates on the financial market applicable on 31 December 2021. Lease liabilities are reported separately in Section 7.4.

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)		1,212,975	55,617	0	0	4,292,848
	3,024,256					
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.	878,701	0	0	0	0	878,701
Total	7,525,519	1,218,709	57,195	297	0	8,801,720

31 December 2020:

(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)		889,674	287,117	34,371	0	3,539,980
	2,328,818					
Trade and other liabilities	2,730,411	27	88	59	0	2,730,585
Loans from the subsidiaries and the parent company PPH a.s.	772,761	0	0	0	0	772,761
Total	5,831,990	889,701	287,205	34,430	0	7,043,326

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 2021:

- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined services of natural gas supply of 30 July 2019);
- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined electricity supply services part 1 of 2 August 2019);
- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined electricity supply services part 2 of 2 August 2019);
- in favour of Čepro a.s., up to the amount of CZK 1,000 thousand (under the Gas supply Contract of 8 November 2019);
- in favour of Čepro a.s., up to the amount of CZK 1,000 thousand (under the Contract for combined electricity supply services of 21 November 2019 and the Contract for combined electricity supply services from low-voltage networks of 21 November 2019);
- in favour of OTE, a.s., up to the amount of CZK 730,000 thousand (according to Deviation Settlement Agreement No. AP 006/09 of 11 December 2009).
- in favour of OTE, a.s., up to the amount of CZK 85,000 thousand (according to Deviation Settlement Agreement No. A3602/14 of 4 December 2014 and the Agreement on access to the organised short-term electricity market No. B3602 of 4 December 2014);
- in favour of RWE Supply Trading GmbH, in the amount of EUR 15,000 thousand (CZK 372,900 thousand) due to gas market operations (according to the EFET Contract of 3 June 2014);
- in favour of Uniper Global Commodities SE, in the amount of EUR 15,000 thousand (CZK 372,900 thousand) due to gas market operations (under the EFET Agreement of 14 June 2021).

The Company has secured its financial liabilities with Československá obchodní banka, a.s. as of 31 December 2020:

- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for the combined services of natural gas supply of 30 July 2019);
- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined electricity supply services part 1 of 2 August 2019);
- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined electricity supply services part 2 of 2 August 2019);
- in favour of Čepro a.s., up to the amount of CZK 1,000 thousand (under the Gas supply Contract of 8 November 2019);
- in favour of Čepro a.s., up to the amount of CZK 1,000 thousand (under the Contract for combined electricity supply services of 21 November 2019 and the Contract for combined electricity supply services from low-voltage networks of 21 November 2019);
- in favour of OTE, a.s., up to the amount of CZK 150,000 thousand (according to Deviation Settlement Agreement No. AP 006/09 of 11 December 2009).
- in favour of OTE, a.s., up to the amount of CZK 35,000 thousand (according to Deviation Settlement Agreement No. A3602/14 of 4 December 2014 and the Agreement on access to the organised short-term electricity market No. B3602/14 of 4 December 2014);
- in favour of RWE Supply Trading GmbH, in the amount of EUR 15,000 thousand (CZK 381,150 thousand) due to gas market operations (according to the EFET Contract of 3 June 2014).

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 a result of interest rate fluctuation.

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

The Company management monitors interest rate risk on the basis of regular reporting, which includes information about the current interbank interest rates (mainly PRIBOR) and assessment of actual interest expenses. The Company Management is provided with short-term forecasts of these interest rates. In 2021 and 2020, the Company did not draw short-term bank loans, but used funds from subsidiaries and PPH a.s. under the cash-pooling scheme.

Sensitivity analysis:

If the interest rate had increased/decreased by 0 100 basic points while all other variables held constant as of 1 January 2021, the profit before tax as of 31 December 2021 would have been 0 CZK 8,363 thousand lower/higher due to an increase/decrease in interest expenses (for 2020: CZK 8,397 thousand).

5.3.2. Exchange rate risk

Currency risk means that the future cash flows from financial instruments will change as a 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 up to 100% 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, on 31 December 2021, the CZK/EUR exchange rate were to increase/decrease by 0.5 CZK/EUR, while all other variables would remain unchanged, the profit before tax as at 31 December 2021 would have been by EUR 1,492 thousand lower/higher (as at 31 December 2020: CZK 1,760 thousand).

If, on 31 December 2021, the CZK/EUR exchange rate were to increase/decrease by 0.5 CZK/EUR, while all other variables would remain unchanged, the profit before tax as at 31 December 2021 would be by CZK 7,661 thousand higher/lower due to the revaluation of receivables (as at 31 December 2020: CZK 1,641 thousand).

(in thousands of CZK)	2021	2020	2021	2020
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Liabilities in EUR	-1,492	-1,760	1,492	1,760
Receivables in EUR	7,661	1,641	-7,661	-1,641
Impact on profit before tax	6,169	-119	-6,169	119

If, on 31 December 2021, the CZK/EUR exchange rate were to increase/decrease 0.5 CZK/EUR, while all other variables would remain unchanged, the other total profit as of

31 December 2021 as a result of revaluation of secured forward purchases realised as of 31 December 2021 would have been CZK 80,950 thousand higher/lower (as of 31 December 2020: CZK 65,417 thousand).

(in thousands of CZK)	2021	2020	2021	2020
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Secured forward purchases in EUR	80,950	65,417	-80,950	65,417
Impact of total profit / loss result	80,950	65,417	-80,950	65,417

5.3.3. Derivative financial tools

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 roll-over 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 roll-over, a new one is immediately established under current market conditions with the same nominal value.

Secured cash flows:

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

31 December 2020:

(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	2,313,870	882,099	272,156	0	0	3,468,125

Derivatives securing cash flows:

31 December 2021:

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

31 December 2020:

(in thousands of CZK)	Nominal value	Fair value		Secured period	Average secured rate
		Positive	Negative		
Currency forwards	3,468,125	0	30,272	0-1 year	26.508

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 at 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 of 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.

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 2021:

in thousands of CZK	Gross value in the statement of financial position	Gross amount of the offsetting in the statement of financial position	Net amount after reconciliation in the statement of financial position	The amount subject to master netting agreements and similar arrangements in the statement of financial position	Total net exposure value
Trade and other receivables	3,203,590	0	3,203,590	30,273	3,173,317
Trade payables	2,261,397	0	2,261,397	30,273	2,231,124

31 December 2020:

in thousands of CZK	Gross value in the statement of financial position	Gross amount of the offsetting in the statement of financial position	Net amount after reconciliation in the statement of financial position	The amount subject to master netting agreements and similar arrangements in the statement of financial position	Total net exposure value
Trade and other receivables	2,209,463	0	2,209,463	37,155	2,172,308
Trade payables	1,239,324	0	1,239,324	37,155	1,202,169

5.6. Net profit and loss from financial instruments

in thousands of CZK	2021	2020
Trade receivables (particularly depreciation of receivables and creation of provisions)	-51,284	-25,154
Cash and cash equivalents (especially profit from the appreciation of funds)	3,807	39,468
Bonds (particularly cost interest)	0	-2,074
Financial derivatives (especially losses from derivative transactions)	64,703	-33,123
Bank loans (especially losses from bank fees and liability commissions)	-1,372	-1,345
Other financial liabilities (especially currency exchange gains/losses)	40,935	-40,677
Net gains (+) / losses (-) reported in the profit/loss statement	56,789	-62,905
Financial derivatives in other comprehensive income (settlement)	-103,580	-30,359
Net gains (+) / losses (-) reported in other total income	-103,580	-30,359
Total net gains (+) / losses (-)	-46,791	-93,264

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 Company's current and expected performance, including planned and potential investments and cash flow generation and adjusts the capital structure to achieve these plans.

The Company's objective is to achieve such economic results, so that the financial indicators agreed with the banks are fulfilled.

In case of their non-fulfilment, the banks may request premature loan repayment. These indicators were fulfilled as of 31 December 2021 and as of 31 December 2020.

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 2021 mainly consisted of projects in the area of CNG stations and reconstruction of buildings on the Company's premises in Michle. As of 31 December 2020, these projects were mainly in the field of IT and CNG station construction.

Land, property, plant and equipment (in thousands of CZK) Acquisition value	Land	Buildings and other structures	Movables and sets of movables	Vehicles (means of transport)	Computer equipment and other hardware	Other long-term tangible assets	Incomplete tangible fixed assets	Advance payments for fixed tangible assets	Total
Position as at 1/1/2020	76,586	812,974	282,436	28,048	135,851	40,369	84,612	50	1,460,926
Acquisitions	0	0	0	0	0	0	80,265	333	80,598
Contain	0	123,974	17,536	505	14,362	51	-156,428	-383	-383
Decreases	0	0	-8,919	-1,305	-4,476	0	0	0	-14,700
Position as at 31/12/2020	76,586	936,948	291,053	27,248	145,737	40,420	8,449	0	1,526,441
Acquisitions	0	0	0	0	0	0	41,377	0	41,377
Contain	0	8,109	3,940	4,655	15,839	36	-32,579	0	0
Losses	0	-4,940	-9,194	-5,578	-29,904	0	0	0	-49,616
Position as at 31/12/2021	76,586	940,117	285,799	26,325	131,672	40,456	17,247	0	1,518,202
Accumulated depreciation, adjustments, impairment, recharging									
Position as at 1/1/2020	0	333,081	239,338	18,598	106,627	4,923	0	0	702,567
Amortisation	0	18,235	11,153	4,877	15,496	345	0	0	50,106
Adjustments	0	-23	0	0	0	0	0	0	-23
Accumulated depreciation to disposals	0	0	-8,919	-1,157	-4,476	0	0	0	-14,552
Position as at 31/12/2020	0	351,293	241,572	22,318	117,647	5,268	0	0	738,098
Amortisation	0	20,087	12,530	2,621	14,420	345	0	0	50,003
Adjustments	0	-23	0	0	0	0	0	0	-23
Accumulated depreciation to disposals	0	-4,875	-9,177	-4,349	-29,819	0	0	0	-48,220
Position as at 31/12/2021	0	366,482	244,925	20,590	102,248	5,613	0	0	739,858
Net book value 2020	76,586	585,655	49,481	4,930	28,090	35,152	8,449	0	788,343
Net book value 2021	76,586	573,635	40,874	5,735	29,424	34,843	17,247	0	778,344

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., whereas the lien on the business plant is:

- (i) up to a maximum of CZK 3,500 million secured debts of Pražská plynárenská, a.s., from operational financing, which may arise on the basis of the Agreement on operational credits of 24 May 2016, as amended, and the Agreement on the bill of exchange

programme of 24 May 2016, as amended, and

- (ii) up to a maximum of CZK 2,700 million 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. Real estate investments

(in thousands of CZK) Acquisition value	Real estate investments
Balance as of 1 January 2020	290,724
Increases*	5,986
Balance as of 31 December 2020	296,710
Increases*	2,309
Balance as of 31 December 2021	299,019
Accumulated depreciation, depreciation, impairment	
Balance as of 1 January 2020	130,342
Depreciation	5,933
Balance as of 31 December 2020	136,275
Depreciation	5,953
Adjustments	58
Balance as of 31 December 2021	142,286
Net book value 2020	160,435
Net book value 2021	156,733
* 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 19,054 thousand as of 31 December 2021 and CZK 19,056 thousand as of 31 December 2020. Rent is reported in Other operating income.

Direct operating costs (including repairs and maintenance) incurred from investment property amounted to CZK 15,598 thousand as of 31 December 2021 and CZK 17,677 thousand as of 31 December 2020. These costs are reported in Other operating expenses.

7.3. Intangible assets

Intangible assets (in thousands of CZK) Acquisition value	Software	Assessable rights	Intangible fixed assets under construction	Total
Balance as of 1 January 2020	793,322	13,771	29,175	836,268
Purchases	0	0	33,920	33,920
Transfers	47,392	204	-47,596	0
Decreases	-4,309	0	0	-4,309
Balance as of 31 December 2020	836,405	13,975	15,499	865,879
Purchases			40,542	40,542
Transfers	32,697	0	-32,697	0
Decreases	0	0	0	0
Position as at 31 December 2021	869,102	13,975	23,344	906,421
Accumulated depreciation, depreciation, impairment				
Balance as of 1 January 2020	721,845	11,847	0	733,692
Depreciation	31,353	650	0	32,003
Accumulated depreciation for disposals	-4,309	0	0	-4,309
Balance as of 31 December 2020	748,889	12,497	0	761,386
Depreciation	36,305	591		36,896
Accumulated depreciation for disposals	0	0		0
Position as at 31 December 2021	785,194	13,088	0	798,282
Net book value 2020	87,516	1,478	15,499	104,493
Net book value 2021	83,908	887	23,344	108,139

The average residual amortisation period of software is 1 year and 8 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. Asset originating from the right of use and lease liabilities

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

(in thousands of CZK) Acquisition value	Non-residential premises
Balance as of 1 January 2020	42,781
Decreases	-1,953
Balance as of 31 December 2020	40,828
Accumulated depreciation, depreciation, impairment	
Balance as of 1 January 2020	5,135
Depreciation	6,858
Balance as of 31 December 2020	11,993
Net book value 1 January 2020	
Net book value 31 December 2020	
	37,646
	28,835

The Company mostly leases non-residential premises. Lease agreements are usually concluded for an indefinite period of time. The Company has estimated the lease term in these cases from 5 to 10 years.

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

As of 31 December 2020 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	12,500	7,081	7,338	26,919
Short-term lease liabilities	1,094	1,099	2,213	0	0	0	4,407
Total	1,094	1,099	2,213	12,500	7,081	7,338	31,326

The total cash flow related to the lease liabilities in 2021 amounted to CZK 5,436 thousand, CZK 5,538 thousand in 2020.

Interest expenses from lease liabilities included in the 2021 and 2020 financial expenses are reported in Section 7.28.

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

7.5. Investments into subsidiaries

The Company held shares in the following subsidiary companies as at 31 December 2021 and 31 December 2020:

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

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

Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group
Registered office: U Plynárny 500, Prague 4, Postal code 140 00

Informační služby – energetika, a.s.
Registered office: U Plynárny 500, Prague 4, Postal code 141 00

MONTSERVIS PRAHA, a.s.
Registered office: Prachatická 209, Prague 9, Postal code 199 00

Balance as of 31 December 2021	Number of shares (in pcs)	Book value of the capital interests (in thousands of CZK)	Holding (%)	Share in voting rights (%)	Business site
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
Information services – 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			

Balance as of 31 December 2020	Number of shares (in pcs)	Book value of the capital interests (in thousands of CZK)	Holding (%)	Share in voting rights (%)	Business site
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
Information services – energetika, a.s.	20	100	100	100	Czech Republic
MONTSERVIS PRAHA, a.s.	228	38,500	95	95	Czech Republic
Book value		1,374,502			

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%.

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

7.6. Inventories

Inventories mainly represent gas stored in the gas storage. This gas was extracted in 2021 and recognised as consumption in the amount of CZK 499,722 thousand (in 2020: CZK 571,520 thousand). No surpluses and/or shortfalls in inventories were found during stock-taking in 2021.

7.7. Short-term trade and other receivables

Type of receivable (in thousands of CZK)	31 December 2021	31 December 2020
Trade receivables from third parties	1,335,326	545,835
Trade receivables from subsidiaries	367,807	333,211
Trade receivables from other affiliates	28	31
Financial trade receivables	1,703,161	879,077
Adjusting entries for trade receivables	-244,811	-217,656
Net trade receivables – financial	1,458,350	661,421
Unbilled supplies (minus advance payments)	1,762,647	1,463,523
Adjusting entries for unbilled deliveries	-17,407	-14,679
Total trade and other receivables – financial	3,203,590	2,110,265
Total trade and other receivables – non-financial	217,710	99,198
Total trade and other receivables – short-term	3,421,300	2,209,463

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 2021 the offset amount of advances with estimated payables was CZK 1,412,988 thousand (2020: CZK 1,412,667 thousand).

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

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

Adjusting entries for receivables (in thousands of CZK)	31 December 2021	31 December 2020
Initial balance as of 1 January	232,335	219,605
Creation of an allowance for receivables	60,165	31,304
Use of the allowance	30,282	18,574
Final balance as of 31 December	262,218	232,335

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 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

31 December 2020:

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
cat. MO	21,050	696	57,981	79,727
cat. DOM	18,626	932	77,035	96,593
cat. VO	7,636	17	23,985	31,638
cat. Other	6,309	553	17,515	24,377
Total	53,621	2,198	176,516	232,335

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 2021	31 December 2020
Change in adjustment entry – to existing receivables	15,187	12,555
Loss due to receivables written-off	30,282	18,574
Loss due to depreciation of financial assets	45,469	31,129

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

7.8. Cash and cash equivalents

As of 22 December 2021, the Company acquired ČSOB Leasing corporate bills in the euro currency. These were 5 bills of exchange in the amount of EUR 10,000 thousand

due on 3 January 2022. The yield to maturity was 0.00% p.a. This financial operation optimised the Company's cash-flow positions in bank accounts in relation to the obligatory payments of banks to the resolution fund according to the applicable legislation valid since 31 December 2021 while providing the necessary euro funding for the purchase of commodities in early 2022.

The structure of cash and cash equivalents is shown below:

Cash and cash equivalents (in thousands of CZK)	31 December 2021	31 December 2020
Cash on hand	1,529	1,793
Money in bank accounts	651,124	1,237,918
Short-term investments – bills	248,600	262,450
Total	901,253	1,502,161

The book value of short-term investments is close to their fair value.

7.9. Other assets

Other assets (in thousands of CZK)	31 December 2021	31 December 2020
Liabilities from revaluation of trade derivatives at fair value	0	6
Prepaid expenses	31,486	21,610
Other assets – total	31,486	21,616

7.10. Incremental costs of obtaining a contract

Incremental costs (in thousands of CZK)	31 December 2021	31 December 2020
Commission paid to traders – long-term part	25,348	29,856
Commission paid to traders – short-term part	30,060	28,804
Incremental costs – total	55,408	58,660

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 2021	31 December 2020
Bonuses to customers – long-term part	58,702	54,559
Bonuses to customers – short-term part	6,227	19,369
Contract assets – total	64,929	73,928

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

7.12. Registered capital

Form of shares	2021		2020	
	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 Meeting 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 Meeting,
- the rights of qualified shareholders to ask the Board of Directors to convene a General Meeting 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 may be used to offset losses.

On 28 May 2021 the parent company PPH a.s., as the sole shareholder of the Company acting in the power of the General Meeting, approved the Company's financial statements for 2020 (compiled in line with Czech standards) and decided about the allocation of the profit earned in 2020 in the amount of CZK 908,484 thousand and to pay a share in profit to the shareholders in the amount of CZK 507,000 thousand.

By the date of issue of these financial statements, the Company did not propose distribution of the profit for 2021.

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 only reclassified as profit or loss 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 2021	31 December 2020
Balance as of the beginning of the year	-24,591	-111,506
Change in fair value of securing derivatives	-73,223	107,303
Related deferred income tax	13,914	-20,388
Balance as of the end of year	-83,900	-24,591

Reclassification as a complete result for the monitored period (in thousands of CZK)	2021	2020
Profit after tax	521,818	908,484
Fair value of non-matured securing derivatives	-91,211	-30,272
Fair value of matured continuous securing derivatives	-12,369	-87
Effective component of the fair value of securing derivatives	-103,580	-30,359
Deferred tax receivable from securing derivatives (19%)	19,680	5,768
Total performance for the period	437,918	883,893

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

Trade payables, advances, principals received – current (in thousands of CZK)	31 December 2021	31 December 2020
Trade liabilities payable to third parties	2,220,726	1,207,239
Trade liabilities payable to subsidiaries	40,447	31,949
Trade liabilities payable to other related parties	224	136
Operating advances and short-term principals received (non-financial liabilities)	1,657,788	1,487,657
Trade payables, advances received and principals – total	3,919,185	2,726,981

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	Total
Balance as of 31 December 2020	26,674	1,487,657	1,212,650	2,726,981
of which due within 6 months	26,586	1,487,657	1,212,650	2,726,893
of which due in 6 months to 1 year	88	0	0	88
Position as at 31 December 2021	86,438	1,657,788	2,174,959	3,919,185
of which due within 6 months	84,860	1,657,788	2,174,959	3,917,607
of which due in 6 months to 1 year	1,578	0	0	1,578
Total as of 31/ 12/ 2020	26,674	1,487,657	1,212,650	2,726,981
Total as of 31/ 12/ 2021	86,438	1,657,788	2,174,959	3,919,185

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 2021, funds from the parent company PPH a.s. were drawn in the amount of CZK 66,068 thousand (as of 31 December, 2020: CZK 62,477 thousand) and funds drawn from subsidiaries represented CZK 812,499 thousand (as of 31 December, 2020: CZK 710,282 thousand), which represent liabilities from cash-pooling. Funds provided by subsidiaries and the parent company PPH a.s. under cash-pooling carried in 2021 an interest rate as follows: 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.

In 2020 they carried a credit interest rate: between 01-05/2020 O/N PRIBOR – 0.60% p.a., between 06-10/2020:

O/N PRIBOR – 0.20% p.a., between 11-12/2020: O/N PRIBOR – 0.15% p.a.

As for financial instruments drawn under cash-pooling in 2021, the debit interest rate was as follows: between 01-12/2021: O/N PRIBOR + 0.25 % p.a. In 2020 the carried debit interest rate was: between 01–12/2020: 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 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 2021			31 December 2020		
	Fair value		Nominal value	Fair value		Nominal value
	Positive	Negative		Positive	Negative	
Currency forwards	0	0	0	6	0	7,638
Commodity futures	0	166,217	142,829	0	17,479	64,217

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

Revenues from the settlement of trade derivatives reported in profit/loss for 2021, amount to CZK 64,508 thousand, of which the costs arising from the settlement of trade derivatives amount to CZK 973 thousand, and revenues arising from settlement of trade derivatives amount

to CZK 65,481 thousand, see Sections 7.28. and 7.29.

In 2020, losses from the settlement of trade derivatives reported in the comprehensive profit/loss statement were CZK 33,023 thousand, of which the costs arising from the settlement of trade derivatives amount to CZK 34,575 thousand and revenues arising from the settlement of trade derivatives amount to CZK 1,551 thousand, see Sections 7.28. and 7.29.

7.16. Unbilled supplies and advances received

as of 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

as of 31 December 2020 (in thousands of CZK)	cat. DOM	cat. MO	Cat. VO/SO	Other	Total
Unbilled deliveries	1,704,180	1,096,561	550,671	892,237	4,243,648
Advance payments received	-1,894,798	-1,406,496	-347,467	-607,690	-4,256,450
Clearing of Accounts	1,573,366	610,646	347,467	248,647	2,780,125
Unbilled supplies – after netting	130,814	485,914	203,205	643,590	1,463,523
Advances received – after netting	-321,432	-795,849	0	-359,043	-1,476,325

7.17. Bank loans

The details of bank loans are given in Section 5.2.

In connection with the conditions under the loan agreements, financial indicators are monitored at the consolidated PP, a.s. Group data level. In case of their non-fulfilment, the banks may request premature loan repayment. These indicators were fulfilled as of 31 December 2021 and 31 December 2020.

Overview of the movement of liabilities from financial operations – additional comment to the cash flow statement:

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

in thousands of CZK	31 12/ 2019	Cash flows	Non-cash flows – revaluation of liabilities using the effective interest rate method	31 December 2020
PP Bonds	401,477	-403,600	2,123	0
Loan from subsidiaries and the parent company – cash-pooling (see item 5.2)	844,884	-75,680	3,555	772,759
Total	1,246,361	-479,280	5,678	772,759

7.18. Other liabilities

Other liabilities (in thousands of CZK)	31 December 2021	31 December 2020
Loans from related companies (cash-pooling)	878,567	772,759
Liabilities from revaluation of currency derivatives to fair value	0	0
Liabilities from revaluation of commodity derivatives to fair value	166,217	17,479
Liabilities from revaluation of securing derivatives to fair value	91,211	30,272
Other financial liabilities	0	1,735
Total financial liabilities	1,135,995	822,245
Payables towards employees	119,306	87,041
Payables towards social insurance institutions	9,973	7,914
Other liabilities – non-financial	3,592	10,079
Non-financial liabilities – total	132,871	105,034
Other liabilities – total	1,268,866	927,279

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 37,351 thousand (2020: CZK 30,019 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 2021	31 December 2020
Deferred tax asset to be recovered after more than 12 months	3,514	3,391
Deferred tax asset to be recovered within 12 months	60,699	36,342
Deferred tax liability payable after more than 12 months	-71,105	-77,174
Deferred tax liability payable within 12 months	-15,970	-9,153
Net deferred tax payable (-) / tax receivable (+)	-22,862	-46,594

Deferred tax was calculated at 19% (the rate for 2020 and subsequent years was used).

Deferred tax liability (-) and deferred tax receivable (+) (in thousands of CZK) The item represents deferred tax from the following titles	31 December 2021	31 December 2020
Difference in the residual prices of fixed assets	-63,601	-57,677
Tax non-deductible part of allowances for receivables	21,897	17,043
Other provisions and temporary differences	2,609	-541
Obligations towards employees and board members	19,121	13,532
Incremental costs of obtaining a contract	-22,864	-25,192
Lease liabilities	296	473
Change in fair value of hedging derivative	19,680	5,768
Total	-22,862	-46,594

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 to receivables	Obligations towards employees and board members	Provisions and securing derivatives	Total
1 January 2020	-50,119	9,275	12,994	40,371	12,521
profit (+) / loss (-)	-7,558	7,768	538	-39,475	-38,727
Other total performance	0	0	0	-20,388	-20,388
31 December 2020	-57,677	17,043	13,532	-19,492	-46,594
profit (+) / loss (-)	-5,924	4,854	5,589	5,300	9,819
Other total performance	0	0	0	13,914	13,914
31 December 2021	-63,601	21,897	19,121	-278	-22,862

7.20. Other tax liabilities and receivables

Other tax liabilities in 2021 consist of personal income tax in the amount of CZK 2,800 thousand (2020: CZK 2,981 thousand) and other taxes and charges in the amount of CZK 9,189 thousand (2020: CZK 6,372 thousand). In 2020, a value added tax liability of CZK 77,014 thousand was also recognised.

Other tax receivables in 2021 consist of income tax receivables in the amount of CZK 37,409 thousand (in 2020: the Company reported liability in the amount of CZK 19,502 thousand), VAT receivable in the amount of CZK 233,824 thousand (in 2020 the Company reported liability in the amount of CZK 77,014 thousand).

7.21. Reserves

Provisions (in thousands of CZK) Book value	Long-term/short-term
Balance as of 1 January 2020	127,469
Creation of reserves	0
Reversals of provisions	-10,501
Use of provisions	0
Balance as of 31 December 2020	116,968
Creation of reserves	1,604
Reversals of provisions	-101,968
Use of provisions	0
Position as at 31 December 2021	16,604
Net book value 2020	116,968
Net book value 2021	16,604

Provisions at 31 December 2021 mainly include a provision for repair of environmental impact in the amount of CZK 15 million (CZK 15 million as of 31 December 2020). 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, a.s. 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, a.s.

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. Sales revenues

Sales revenues (in thousands of CZK)	2021	2020
Sale of natural gas	8,640,033	7,326,264
Sale of gas distribution	3,004,761	2,663,948
CNG Sales	76,895	59,087
Sale of flexibility	3,851	2,798
Sale of electricity	2,586,040	2,137,560
Sale of electricity distribution	2,496,193	2,028,085
Other services	306,853	308,000
of which revenues from catering	12,324	12,373
of which revenues from other services (mainly SLAs)	294,529	295,627
Sale of goods and products (services)	630	584
Revenues from contracts with customers	17,115,256	14,526,326
Revenues from property leases	45,193	47,063
Total	17,160,449	14,573,389

7.23. Purchased gas, 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)	2021	2020
Costs of gas purchases	7,565,221	6,178,989
of which gas reservoir costs	96,721	119,196
Gas distribution fee	3,009,236	2,668,681
Costs of electricity purchases	3,008,407	2,136,007
Electricity distribution fee	2,463,576	1,970,310
Purchasing expenses – total	16,046,440	12,953,987
Derivative transactions expense – secured	167,840	16,710
Total	16,214,280	12,970,697

7.24. Other operating income

Other operating income (in thousands of CZK)	2021	2020
Profit from sales of fixed assets	1,923	323
Income from write-off of receivables	900	912
Income from write-off of lapsed liabilities	8,513	6,799
Court fee compensations	4,293	4,393
Benefits from insurance (indemnity)	1,254	536
Shares of the profit	338,887	346,328
Other	71,053	26,342
Total	426,823	385,633

7.25. Personnel costs

Personnel costs (in thousands of CZK)	2021	2020
Employees	330,200	280,528
Members of statutory bodies	47,833	47,506
Future benefits to members of statutory bodies provided under contract defining their executive performance (Section 4.18.4)	17,700	29
Total	395,733	328,063

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

During 2021 and 2020, 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 2021 include benefits paid under performance contracts

(see Section 4.18.4.) in the amount of CZK 10,369 thousand (2020: no benefits paid). No profit shares were paid to members of statutory bodies in 2021 (2020: CZK 9,900 thousand).

Contributions to the state pension scheme (on the basis of defined contributions) in 2021 amounted to CZK 47,566 thousand per employee (2020: CZK 41,796 thousand) and CZK 3,215 thousand for members of statutory bodies (2020: CZK 2,476 thousand).

7.26. Depreciation of fixed assets

Depreciation of fixed assets (in thousands of CZK)	2021	2020
Depreciation of buildings and other structures	20,087	18,235
Depreciation of real estate investments	5,953	5,933
Depreciation of movables and sets of movables	12,530	11,153
Depreciation of vehicles	2,621	4,877
Depreciation of IT equipment and other hardware	14,420	15,496
Depreciation of tangible fixed assets	345	345
Depreciation of intangible assets	36,896	32,003
Depreciation of assets originating from the right of use	4,561	6,858
Total	97,413	94,900

7.27. Other operating costs

Other operating cost (in thousands of CZK)	2021	2020
Consumption of materials and energy	20,704	21,766
Costs of goods	438	375
Services	408,238	405,034
of which asset repair and maintenance costs	519	834
of which claims collection costs	12,811	14,015
of which promotion, advertising and marketing costs	62,097	80,074
of which lease payments (short-term lease and low-value assets)	2,120	2,149
of which IT systems management and repair costs	142,856	139,080
of which business representatives' commission costs	41,094	33,766
of which consulting costs	22,889	16,404
of which building operational costs	43,714	42,698
of which catering costs	11,363	11,362
of which costs of other services	68,775	64,652
Taxes and fees	2,095	207,440
Other (particularly changes in provisions)	-47,165	-177,347
Total	384,310	457,268

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 2021.

7.28. Financial costs

Financial costs (in thousands of CZK)	2021	2020
Interest expense	5,374	5,903
Lease liabilities – interest paid	514	616
Cost paid to settle trade derivatives	973	34,575
Bank charges	6,907	5,935
Other financial costs (mainly exchange losses)	62,841	146,617
Total	76,609	193,646

7.29. Financial revenues

Financial revenues (in thousands of CZK)	2021	2020
Interest income	11,264	10,698
Income from contractual fines and default interest	4,814	4,635
Cost paid to settle trade derivatives	65,481	1,551
Other financial revenues (mainly exchange gains)	100,947	148,810
Total	182,506	165,694

7.30. Income tax

Income tax expense recognised in the comprehensive statement includes:

(in thousands of CZK)	2021	2020
Income tax – current	43,415	103,721
Income tax – previous years adjustment	550	-1,919
Income tax – deferred	-9,819	38,727
Income tax – paid	34,146	140,529

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

(in thousands of CZK)	2021	2020
Profit before tax	555,964	1,049,013
Income tax at the statutory rate of 19%	105,633	199,312
Non-taxable income	-70,824	-66,001
Tax non-deductible expenses	2,285	17,697
Gifts	-530	-502
Other	-2,418	-9,977
Income tax – paid	34,146	140,529

7.31. Dividends paid

On 25 June 2021 a dividend in the amount of CZK 507,000 thousand) (CZK 352 per share) was paid, and in 2020: CZK 608,000 thousand) (CZK 422 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:

SUBSIDIARIES

Revenues (in thousands of CZK)	2021	2020
Revenues from sale and distribution of gas and electricity	178,942	179,596
Revenues from sale of services	337,094	336,458
Revenues from the sale of fixed assets	595	112
Revenues from the sale of goods and materials	164	184
Shares of the profit	338,887	346,328
Other revenue	3,595	2,326
Total revenues	859,277	865,004

Costs (in thousands of CZK)	2021	2020
Consumption of materials and energy	19,696	16,401
Gas distribution fee	1,652,024	1,480,218
Purchase of other services	241,578	237,560
Other costs	4,703	3,636
Total costs	1,918,001	1,737,815

CONTROLLING ENTITY (PPH a.s.)

Revenues (in thousands of CZK)	2021	2020
Revenues from sale of services	886	875
Total revenues	886	875

Costs (in thousands of CZK)	2021	2020
Other costs	551	292
Total costs	551	292

OTHER RELATED PARTIES

Revenues (in thousands of CZK)	2021	2020
Revenues from sale of services	144	169
Other revenue	1	0
Total revenues	145	169

Costs (in thousands of CZK)	2021	2020
Consumption of materials and energy (excluding gas, electricity, heat, CNG)	522	438
Purchase of other services	8,313	9,784
Total costs	8,835	10,222

ULTIMATE PARENT COMPANY

Costs (in thousands of CZK)	2021	2020
Other costs	1	0
Total revenues	1	0

During 2020 no transactions with the ultimate parent company (Capital City of Prague) were executed.

The Group reported the following balances with related parties:

SUBSIDIARIES

Receivables and liabilities (in thousands of CZK)	31 December 2021	31 December 2020
Trade receivables	367,807	333,211
Short-term advances paid*	198,001	202,768
Estimated receivables	24,279	25,337
Other accounts receivable	3,074	2,451
Total receivables	593,161	563,767
Trade payables	40,447	31,949
Short-term advances received*	9,124	11,135
Estimated payables	9,733	7,640
Financial resources from subsidiaries	812,499	710,282
Other liabilities	13,673	5,867
Total accounts payable	885,476	766,873

*These balances are reported including VAT

CONTROLLING ENTITY (PPH a.s.)

Receivables and liabilities (in thousands of CZK)	31 December 2021	31 December 2020
Estimated accrued revenues	24	22
Total receivables	24	22
Short-term advances received*	24	24
Financial resources from PPH a.s.	66,068	62,477
Other liabilities	116	5
Total accounts payable	66,208	62,506

OTHER RELATED PARTIES

Receivables and liabilities (in thousands of CZK)	31 December 2021	31 December 2020
Trade receivables	28	31
Short-term advances paid*	654	962
Total receivables	682	993
Trade payables	224	136
Total accounts payable	224	136

*These balances are reported including 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 2021 and 2020 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

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.

– 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.

7.34. Contractual and other future liabilities

The expenditure for the acquisition of tangible and intangible assets contracted as of 31 December 2021, which have not yet been incurred, amounts to CZK 1,196 thousand (2020: CZK 6,996 thousand).

SUBSIDIARIES (in thousands of CZK)	2021	2020
Up to 1 year	75	2,074
Total	75	2,074

OTHER COMPANIES (in thousands of CZK)	2021	2020
Up to 1 year	1,121	4,922
Total	1,121	4,922

The sum of future minimum service payments – mainly due to use of capacity in the gas storage facility as at 31 December 2021 amounted to CZK 314,482 thousand without effective VAT (as of 31 December, 2020; CZK 336,910 thousand).

in thousands of CZK	2021	2020
Up to 1 year	100,046	96,043
1-3 years	174,934	158,392
3-5 years	36,658	80,468
Above 5 years	2,844	2,007
Total	314,482	336,910

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 2021 apart from those mentioned in Section 7.21.

8.2. Events after date of the financial statements

On 10 January 2022, the term of office of the members of the Supervisory Board of PP, a.s., Ing. Petra Zemanová and Mgr. Miroslav Vránek, ended. On 7 January 2022, the sole shareholder of Pražská plynárenská, a.s., within the exercise of the powers of the General Assembly, elected, with effect from 11 January 2022, Mgr. Alice Klementová and Mgr. Miroslav Vránek to the Supervisory Board of PP, a.s.

The boards of directors of PP, a.s., Pražská plynárenská Správa majetku, a.s., a member of the Pražská plynárenská, a.s. Group, and Informační služby – energetika, a.s. approved at their meetings on 5 April 2022 the intention to merge Pražská plynárenská Správa majetku, a.s. a member of the Pražská plynárenská, a.s. Group and Informační služby – energetika, a.s.

into the company Pražská plynárenská, a.s., which will be the successor company.

The ongoing conflict in Ukraine and the related sanctions against the Russian Federation may have an impact on the Company. The Company has no direct exposure to companies based in Ukraine or the Russian Federation or to companies that are under sanctions. However, natural gas supplies to the Czech Republic are dependent on supplies from the Russian Federation. At this stage, management is not able to reliably estimate the impact of any gas price developments and any potential curtailment or interruption of supply, as events are evolving day to day. The long-term impact may also affect the volumes of trades, cash flows and profitability. However, as at the date of these financial statements, the Company is still meeting its obligations as they fall due and therefore continues to apply the principle of continuous duration of the company.

The Company is in negotiations with banking institutions in 2022 to increase credit lines to ensure sufficient supplies of natural gas in underground storage tanks. The increase in financing frameworks is due to the rising price of natural gas and is also related to the need to ensure security of supply to customers. The Company expects to conclude these negotiations in the second quarter of 2022. The Company has also negotiated with the City of Prague, as the ultimate shareholder of the Company, for the provision of a loan. These negotiations resulted in the approval of additional financing in the form of a loan in the amount of CZK 2 billion, which was decided at a meeting of the Prague City Council on 28 April 2022.

8.3. Approval of the financial statements

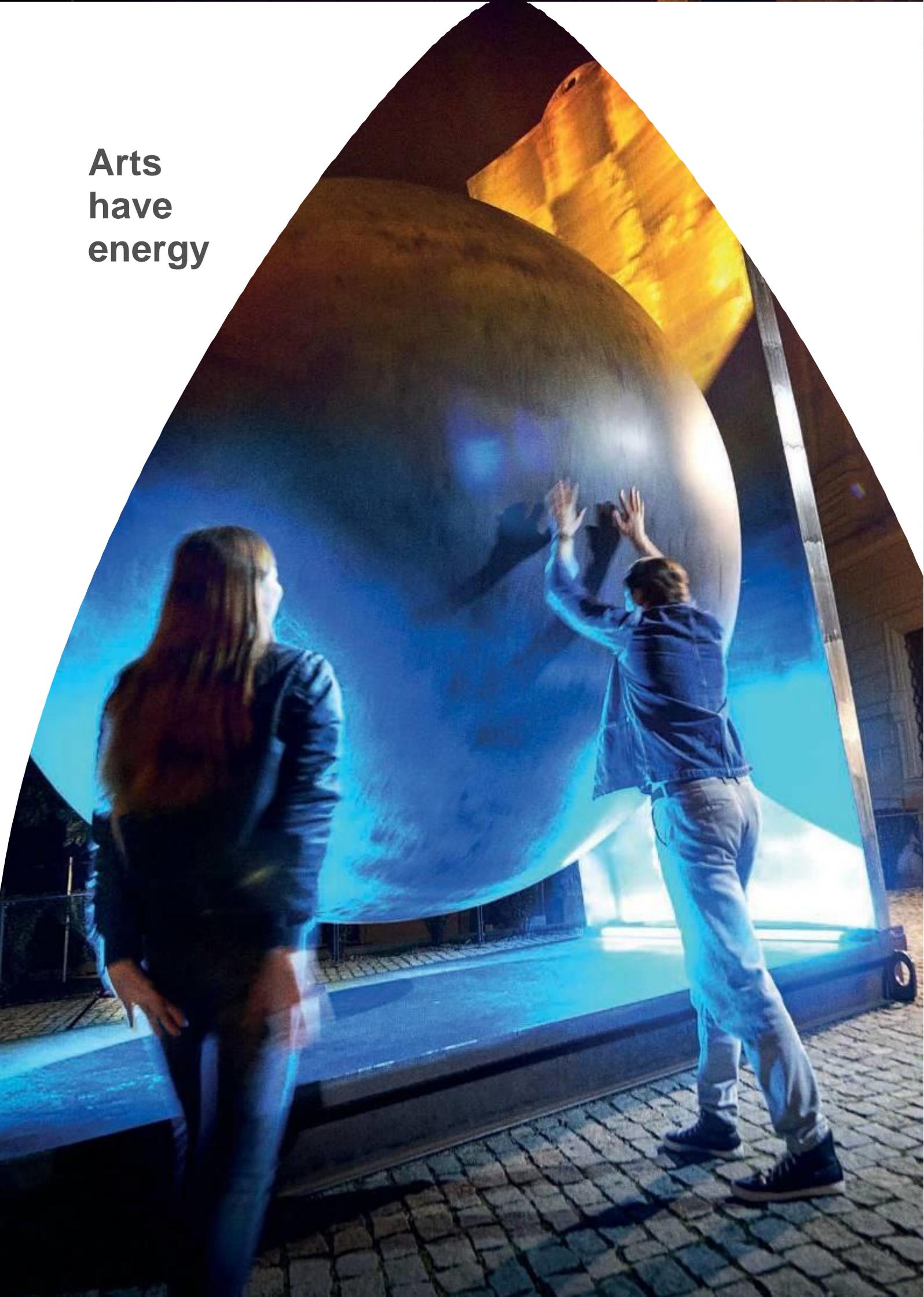
The financial statements were approved by the Company Board of Directors for publishing on the date stated below. The approved financial statements may be supplemented or amended upon request and approved by the sole shareholder at the General Meeting.

In Prague, on 3 May 2022

Ing. Martin Pacovský, MBA
Chairman of Board of
Directors

Ing. Milan Cízl
Member of the Board of Directors

Arts
have
energy



And you can also enjoy it in the Gallery of the Central Bohemian region thanks to us.

Galerie
současného
a moderního
umění

4,036 m²
uměleckých zážitků

skupina umělců, která
má na srdci nejen
umění, ale i lidi



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position as of 31 December 2021

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

	Note	31 December 2021	31 December 2020
		thousands of CZK	thousands of CZK
ASSETS			
Fixed assets			
Land, buildings and equipment	7.1	8,203,720	7,894,468
Intangible assets	7.2	158,503	149,190
Assets originating from the right of use	7.4	34,725	39,959
Incremental costs of obtaining a contract	7.9	25,348	29,856
Contract assets	7.10	58,702	54,559
Other fixed assets		7,719	6,009
Fixed assets – total		8,488,717	8,174,041
Short-term assets			
Inventories	7.5	1,063,608	658,504
Trade and other receivables	7.6	3,067,771	1,929,398
Other tax receivables	7.20	208,416	0
Cash and cash equivalents	7.7	904,215	1,505,674
Other assets	7.8	34,679	22,766
Incremental costs of obtaining a contract	7.9	30,060	28,804
Contract assets	7.10	6,227	19,369
Paid income tax advance		7,477	0
Short-term assets – assets		5,322,453	4,164,515
TOTAL ASSETS		13,811,170	12,338,556
EQUITY AND LIABILITIES			
Equity			
Registered capital	7.11	431,972	431,972
Profit funds	7.12	238,960	238,960
Revaluation of securing derivatives	7.13	-83,900	-24,591
Retained earnings		5,139,576	4,794,542
Equity		5,726,608	5,440,883
Non-controlled shares		10,165	-348
Equity – total		5,736,773	5,440,535
Long-term liabilities			
Trade liabilities and other long-term liabilities	7.14	1,653	1,892
Bonds	7.17	2,686,474	2,677,914
Lease liabilities	7.4	33,085	38,061
Deferred tax liability	7.19	578,156	575,550
Reserves	7.21	66,753	33,574
Long-term liabilities – total		3,366,121	3,326,991
Short-term liabilities			
Trade payables, advances, principals received – short term	7.15	4,125,542	3,015,354
Lease liabilities	7.4	4,976	4,873
Other liabilities	7.18	577,758	327,882
Due income tax		0	24,617
Other tax liabilities	7.20	0	96,336
Reserves	7.21	0	101,968
Short-term liabilities – total		4,708,276	3,571,030
TOTAL EQUITY AND LIABILITIES		13,811,170	12,338,556

Consolidated statement of comprehensive income for the year ended 31 December 2021

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

	Note	2021	2020
		thousands of CZK	thousands of CZK
Sales revenues	7.22	17,959,745	15,219,779
Purchased gas, electricity, materials and services connected with gas and electricity supplies	7.23	14,787,645	11,723,418
Other operating income	7.24	114,433	61,871
Personnel costs	7.25	845,302	752,093
Depreciation of fixed assets	7.26	457,456	437,545
Loss due to depreciation of financial assets	7.6	45,901	30,834
Other operating costs	7.27	955,425	893,678
Operating profit/loss		982,449	1,444,082
Financial costs	7.28	102,168	220,520
Financial revenues	7.29	179,442	164,064
Financial profit/loss		77,274	-56,456
Profit before tax		1,059,723	1,387,626
Income tax	7.30	202,590	220,977
Profit after tax		857,133	1,166,649
Other total performance			
Items that may be reclassified and reported as profit or loss:			
Settlement of securing derivatives (change in fair value)	7.13	-103,580	-30,359
Deferred tax on securing derivatives	7.13	19,680	5,768
Other comprehensive income		-83,900	-24,591
Total performance for the period		773,233	1,142,058

Consolidated statement of changes in equity for the year ended 31 December 2021

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

	Register ed capital	Profit funds	Revaluati on of securing derivatives	Retained earnings	Non-controlling shares	Total
	thousands of CZK	thousands of CZK	thousands of CZK	thousands of CZK	thousands of CZK	thousands of CZK
Note	7.11	7.12	7.13			
Balance as of 1 January 2020	431,972	238,960	-111,506	4,234,649	460	4,794,535
Profit/loss after tax for the period	0	0	0	1,167,178	-529	1,166,649
Other comprehensive income	0	0	-24,591	0		-24,591
Total comprehensive income	0	0	-24,591	1,167,178	-529	1,142,058
Non-controlled share in the acquisition of subsidiary					-279	-279
Dividends paid	0	0	0	-608,000		-608,000
Other transactions	0	0	111,506	715		112,221
Balance as of 31 December 2020	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			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

Consolidated statement of cash flows for the year ended 31 December 2021

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

	Note	2021	2020
		thousands of CZK	thousands of CZK
Profit before tax		1,059,723	1,387,626
Adjustments to profit before tax		453,028	467,486
Depreciation of fixed assets	7.26	457,456	437,545
Write-offs of receivables		30,179	20,190
Change in the position of adjustments and reserves		-53,991	-972
Profit from sales of fixed assets	7.24	-2,648	-3,223
Net interest		22,026	23,160
Other non-cash movements (revaluation of derivatives)		6	-9,214
Net cash flows from operations before tax and changes in working capital		1,512,751	1,855,112
Change in working capital needs		-600,438	200,779
Changes in the position of receivables from operations		-1,381,321	102,131
Change in liabilities from operations		1,187,012	-123,327
Movement in inventories (gross)		-406,129	221,975
Net cash flow from operations before tax		912,313	2,055,891
Interest paid		-21,460	-23,763
Interest received	7.29	7,804	8,140
Income tax on current activities and additional tax paid minus tax refunds		-218,167	-157,012
Net cash flow from operations		680,490	1,883,256
Acquisition cost of fixed assets		-777,577	-868,379
Revenues from sales of fixed assets		4,228	4,923
Credit and loans to associates		23	-10
Net cash flow from investments		-773,326	-863,466
Payment of long-term liabilities		-5,215	-10,951
Redemption of issued bonds	5.2	0	-400,000
Change in the position of the loan from the parent company PPH a.s.*	7.18	3,592	2,551
Dividends paid	7.31	-507,000	-608,000
Net cash flows from financing activities		-508,623	-1,016,400
Balance of cash and cash equivalents at beginning of accounting period		1,505,674	1,502,284
Net change in cash and cash equivalents for the accounting period		-601,459	3,390
Balance of cash and cash equivalents at end of accounting period		904,215	1,505,674

* cash flows from a loan from the parent company PPH a.s. and short-term bank loans are reported as 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 founded on 31 December 1993 registered office at Prague 1 – Nové Město, Národní 37, Postal code 110 00 Czech Republic. Company ID number is 601 93 492. LEI of the Company is 315700QBYOTLGRRMOO11.

1.1. Definition of the group and its business activities

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

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

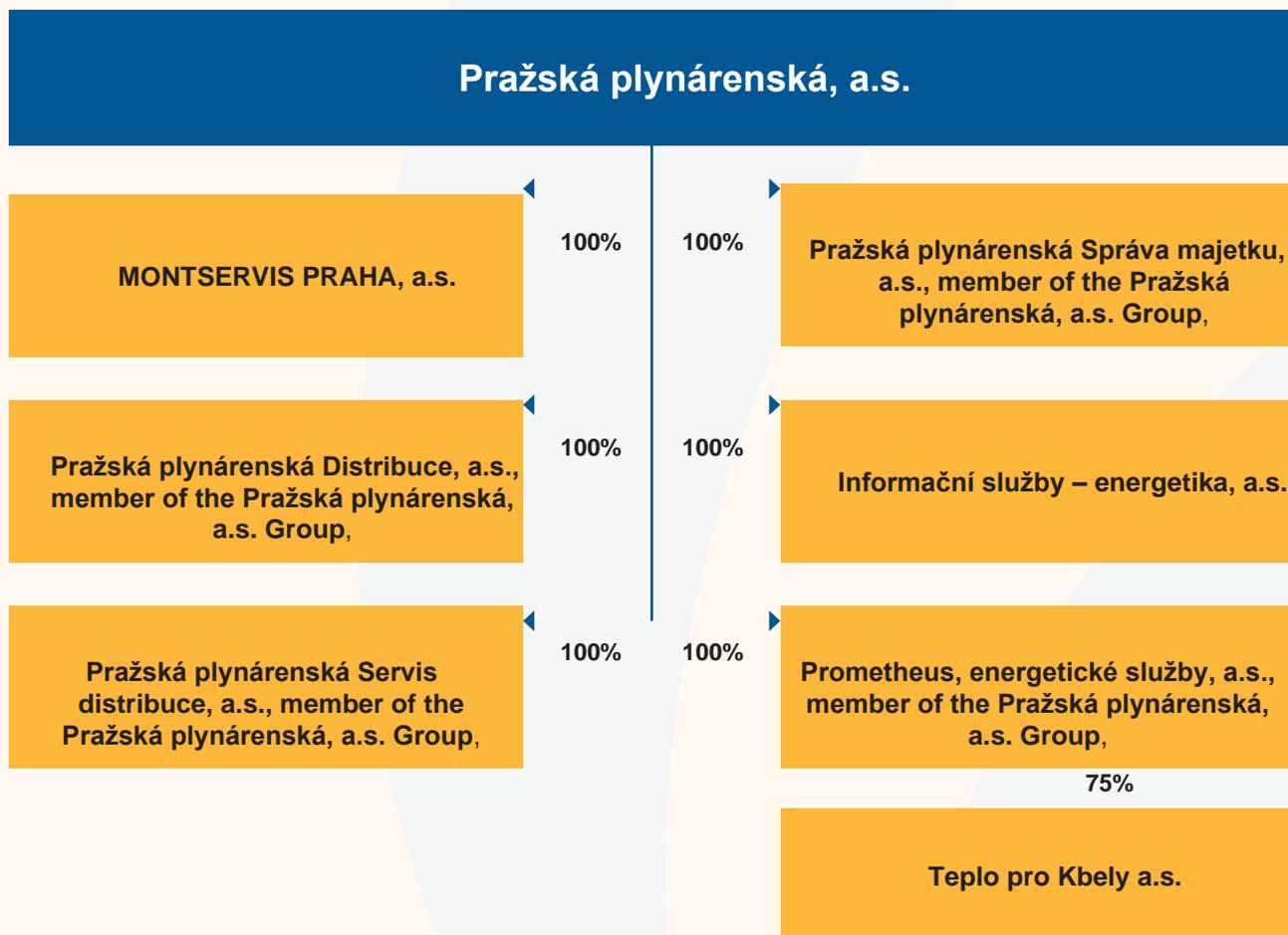
Other Group business activities are:

- Provision of services related to information technologies and the purchase and sale of hardware and software;
- Provision of services in the field of research into the cause of natural gas losses, measuring and metrology in the gas industry;
- Service, maintenance, repairs and construction of gas facilities;

- Rendering services relating to the management and maintenance of movable and immovable property;
- Generation and distribution of energy;
- Administration and management of energy facilities and management of swimming pools and facilities.

Based on the current results and the expected profit that shall be generated over the next 12 months, as well as the availability of credit lines and other liquidity management tools, the Group's management believes that it possesses a sufficient financial capacity to continue with its business activities for at least 12 months following the day when these financial consolidate statements are signed.

Organisational structure of the Group as at 31 December 2021:



Teplu pro Kbely, a.s. was founded on 19 January 2021. It is a joint venture between Prometheus, energetické služby, a.s., a member of the Pražská plynárenská, a.s. Group, and the Prague 19 Kbely district. The shareholder agreement was signed on 22 October 2020.

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%.

12. Major shareholders of the Company

The sole shareholder controlling the Company as of 31 December 2021 and 31 December 2020, is Pražská plynárenská Holding a.s. ("PPH a.s." or the "controlling entity"), is controlled by the Capital City of Prague, which is the main parent company.

13. Assessment of the impact of the COVID-19 pandemic

In 2021, the coronavirus pandemic causing the disease COVID-19 continued. Measures taken by the government to limit the health impact caused disruption to economic activities for many businesses. Group business in the year ended 31 December 2021 in terms of the operational procedures put in place internally to limit the risk of spreading a possible infection. However, the Company was not significantly affected by the general measures, nor was there any reduction in activities.

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 European Union ("EU").

Basis of preparation of consolidated financial statements

The consolidated financial statements were prepared on the basis of historical acquisition prices except for the 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.

In valuing the Company's assets and liabilities while maintaining the Company's going concern, the management has considered the effects of the pandemic of the new coronavirus causing COVID-19 and regarded this impact as insignificant.

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 natural gas supplies
- Section 4.19.2. Unbilled electric power 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 2021
- Amendments to IFRS 4 – Extension of the temporary exemption from the application of IFRS 9
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Reform of reference interest rates – phase 2

Effective as of 1 April 2021

- Amendments to IFRS 16 – Rent relief related to the COVID-19 pandemic

Effective from 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

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. Subsidiaries

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

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

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

4.1.2. Company combinations

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

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

Non-controlled interests in subsidiaries only exist in Teplo pro Kběly a.s. as it is 75% owned by the Company.

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 determined by retrospectively determining

the recoverable amount of those cash-generating units to which 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	Service life (number of years)
Software	4
Valuable 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. 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.

Costs related to the acquisition of assets directly include the costs incurred to import and restore the asset to a serviceable condition and the costs that will need to be incurred to restore the affected environment 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 recognised as separate assets, 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	Service life (number of years)
Depreciation of buildings and other constructions	25–50
Movables and sets of movables	2–14
Gas facilities 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	Service 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.

The Group 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.

4.3.3. 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. Asset 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.

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 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 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 an 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.

4.5. 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. According to the movement 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 objective of holding 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.

Group reports an adjustment entry for expected losses 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 Group sets a ratio of historical loss for each group with a similar credit risk. Due to the current pandemic for the year ending 31 December 2021, the Group expected the most current loss rate (i.e. % of outstanding receivables due in 2021).
- 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 or a fund 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 roll-over 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 roll-over, 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 the securing derivative is effective at the inception of the security by the method of compliance with critical parameters and also at least on the date of preparation of the financial statements and on the date of preparation of statements 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 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 companies.

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 intended for trading or not. Financial liabilities mainly comprise 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, or if they are 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 form and the actual liability with regards 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 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. Reserves

A provision is recognised when the Group has an unconditional obligation as a result of past events, and while 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 the sale 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 costs of electricity trade and profit, 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 a two-component price and consists of the commodity price and fixed monthly payment or capacity component of the price.

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

The price for the distribution services represents a two-component price and it is regulated by ERO. The price for services by OTE 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, Decree No. 70/2016 Coll.), based on the reading of the consumption of each off take point, respectively based on customer self-reading. Revenues from MO and DOM categories consist of actually billed revenues and revenues from so called "unbilled gas" (see Notes 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 posted 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 primarily contains the price for electricity supply, electricity consumed at a high tariff in CZK/MWh, and electricity consumed at a low tariff in CZK/MWh. A part of this non-regulated component can also be the fixed monthly payments for the distribution point in CZK/month.

The fixed monthly price for delivery of electricity is determined by the trader using the market principles. Price for the electricity supply is derived from the price established at the energy stock exchange. The final price also includes the electricity tax and VAT.

Electricity supply and distribution to middle-volume customer categories – households ("MOO"), and middle-volume customer categories – entrepreneurs ("MOP"), are billed based on the measured consumption of each consumption point, which is performed in the reading cycle set by the relevant provider of the distribution network. Electricity supplies to categories MOO and MOP with Type C reading (annually) are billed periodically once within 12 months based on the reading of the consumption of each off take point, respectively based on customer self-reading. In 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 off take 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 Group, 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 given period.

The estimated current tax is reduced by advances paid toward income tax. The short-term receivable is recognised in the case that the paid income tax advances 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 2021 the value of unbilled gas and distribution fees to low-volume customers and households in the amount of CZK 3,495,063 thousand (as of 31 December 2020 the amount was CZK 2,966,443 thousand).

This estimate is determined, using the balancing method, as the difference between total gas purchases and sales of monthly invoiced customers, losses, and the Company's own consumption in the given 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 2.14%. The median ratio of the balance difference to the distributed amount for the last 6 years is equal to 2.21%. 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 0.20 percentage points (while all other variables would remain unchanged), the pre-tax profit as of 31 December 2021 would be CZK 33.2 thousand 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 2021 the value of unbilled energy fee for the categories of low-volume (MOP) and households (MOO) to be an important area of application of estimates in the amount of CZK 771,038 thousand (as of 31 December 2020 the amount was CZK 705,034 thousand).

This estimate is determined using the balancing method, as the difference between the total electricity purchases and sales of electricity invoiced on a monthly basis to customers and the Company's own consumption during the monitored period. Within the framework of the accounting estimates, estimates relating to

large-volume customers (VN) 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 2021 would be around the category of MOO and MOP in the amount of around 784,091 MWh. The fixed price for the valuation of the deviation is set at CZK 3,600 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 84.7 million.

5. Financial risk management

5.1. Credit risk

Selecting the counter-parties for financial transactions in the Group is limited to parties with high creditworthiness. The Group only performs financial transactions whose originator or underwriter has a high credit rating by independent global rating agencies, while credit quality indicators can be continuously monitored through the financial market. Cooperating banks enjoy long-term ratings – A1, 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 Cash and cash equivalents are also subject to the requirements for reduction of value according to IFRS 9; nevertheless, the ascertained loss from reduction of value was insignificant.

Losses due to value impairment are reported in such a manner as to cover both individually significant exposure to credit risk and portfolio loss associated with assets 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 counter-party 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 exists 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 Group creates an adjusting entry that represents the estimate of expected credit loss to the trade receivables, to other receivables and contractual assets. 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.

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 between 1 and 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. from credit risk.

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

Type of receivable (in thousands of CZK)	31 December 2021	31 December 2020
Trade receivables from third parties	1,425,398	628,423
Trade receivables from related parties	2,845	1,145
Financial trade receivables	1,428,243	629,568
Adjusting entries for trade receivables	-249,687	-223,923
Net trade receivables – financial	1,178,556	405,645
Unbilled deliveries	1,792,551	1,494,932
Adjusting entries for unbilled deliveries	-17,407	-14,679
Total trade and other receivables – financial	2,953,700	1,885,898
Short-term operational advances made	114,487	38,446
Other receivables – non-financial	4,360	24,525
Allowances for other receivables and advances paid	-4,776	-19,471
Total trade and other receivables – non-financial	114,071	43,500
Total trade and other receivables – short-term	3,067,771	1,929,398

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 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

31 December 2020:

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
cat. MO	21,050	697	57,980	79,727
cat. DOM	18,626	932	77,035	96,593
cat. VO	7,636	17	23,985	31,638
cat. Other	6,309	803	23,532	30,644
Total	53,621	2,449	182,532	238,602

Cash and cash equivalents and other financial assets

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

The Group only performs financial transactions with originators or underwriters who have 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 2021	31 December 2020
Cash on hand	not assigned	2,138	3,054
Money in bank accounts	A1	653,477	1,240,170
Short-term investments – promissory notes of ČSOB Leasing (as of 31/ 12/ 2021 amounted to EUR 10 million)	A1	248,600	262,450
Total exposure of cash, cash equivalents and other financial assets		904,215	1,505,674

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.

Liquidity risk (i.e. the risk of lack of financial resources to cover its liabilities) is minimised by the Group's management by continuously managing and planning its future cash flows. The main tool for planning of cash flows is the preparation of a mid-term 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. The Group's current short-term external funding structure was established in May 2019 in connection with refinancing of external sources and is contractually secured up to May 2023. In October

2021, changes were made to the structure of the credit frames to increase the committed line for bank guarantees. Short term financing also includes overdraft credit lines in CZK, 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. and Česká spořitelna, a.s.

Within the framework of 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 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.,
- 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.

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 2021:

(in thousands of CZK)	Limit	From	To	Interest rate
Overdraft credit lines in CZK	900,000	01/ 07/ 2020	21/ 05/ 2023	floating
Guarantee line – committed	1,600,000	25/ 10/ 2021	21/05/2023	fixed
Guarantee line – non-committed	20,000	19/ 01/ 2017	for an indefinite period of time	fixed
Exchange programme	1,000,000	25/ 10/ 2021	22/ 05/ 2023	floating
Euro overdraft account RB (EUR 0.5 million, at an exchange rate of 24.860 CZK/EUR)	12,430	31 05/ 2021	31 05/ 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 a.s. were drawn in the amount of CZK 66,068 thousand,

which represents liabilities from cash-pooling. The average interest rate for cash-pooling between the Group and the parent company PPH a.s. for 2021 was 0.51% p.a.

Short-term funding structure as at 31 December 2020:

(in thousands of CZK)	Limit	From	To	Interest rate
Overdraft credit lines in CZK	900,000	01/ 07/ 2020	21/ 05/ 2023	floating
Guarantee line	900,000	01/ 07/ 2020	21/ 05/ 2023	fixed
Guarantee line – non-committed	20,000	19/ 01/ 2017	for an indefinite period of time	fixed
Exchange programme	1,400,000	22/ 05/ 2019	22/ 05/ 2023	floating
Overdraft credit lines in EUR (EUR 12 million, at an exchange rate of 26.245 CZK/EUR)	314,940	01/ 07/ 2020	21/ 05/ 2023	floating
Euro overdraft account RB (EUR 0.5 million, at an exchange rate of 26.245 CZK/EUR)	13,123	25/ 05/ 2020	31 05/ 2021	floating
Total	3,548,063			

In 2020, no overdraft lines were drawn. As of 31 December 2020, only funds from the parent company PPH a.s. were drawn in the amount of CZK 62,477 thousand,

which represents liabilities from cash-pooling. The average interest rate for cash-pooling between the Group and PPH a.s. for 2020 was 0.24% p.a.

The structure of long-term financing as at 31 December 2021 and 31 December 2020:

(in thousands of CZK)	Limit	From	To	Interest rate
PPD Bond 0.70%/2023 ISIN CZ0003515348	2,700,000,000	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., a member of Pražská plynárenská, a.s. Group (hereinafter "PPD, a.s."), 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 issued bonds were purchased 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. Bonds

can only be transferred without the prior consent of the issuer to a person who is a professional customer pursuant to the provisions of Section 2a(1), of the Capital Market Undertakings Act. A right of lien of Pražská plynárenská, a.s. to the benefit of bonds holders covers the PPD bonds.

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:

Bond title	Nominal value of the issue (in thousands of CZK)	Issue rate (%)	Date of maturity	Coupon rate p.a. (%)	Coupon maturity	Book value as at 31 December 2021 (in thousands of CZK)	Book value as at 1/ 12/ 2020 (in thousands of CZK)
EGB bond 0.70%/2023 ISIN CZ0003515348	2,700,000	97.842	14/11/2023	0.70	annual	2,686,474	2,677,914

The book value of the bonds has the following structure:

in thousands of CZK).	2021	2020
Bond PPD 0.70 %/2023 ISIN CZ0003515348	2,686,474	2,677,914

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

Drawing short-term bank loans allows the Group to optimise its coverage of seasonal fluctuations in 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, a.s. aggregated in the cash-pooling scheme. Using these free funds no short-term loans from banks are drawn. 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 2021 and as of 31 December 2020.

Impact of the cost interest related to the bonds on the profit or loss as at 31 December 2021: CZK 27,224 thousand) (as of 31 December, 2020: CZK 29,138 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 2021 and as at 31 December 2020. The amount 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 of 31 December 2021 and on the interest rates valid on the financial market as of 31 December 2021. Lease liabilities are reported separately in Section 7.4.

31 December 2021:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Derivatives	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 a.s.	66,078	0	0	0	0	66,078
Total	2,406,102	5,734	20,478	2,720,513	0	9,445,675

31 December 2020:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Derivatives (currency forwards and commodity futures)	2,328,818	889,674	287,117	34,371	0	3,539,980
Bonds	0	0	18,900	2,737,800	0	2,756,700
Trade and other liabilities	1,305,254	134	295	1,804	38	1,307,525
Loan from the parent company PPH a.s. – cash pooling	62,477	0	0	0	0	62,477
Total	3,696,549	889,808	306,312	2,773,975	38	7,666,682

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 2021:

- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined services of natural gas supply of 30 July 2019);
- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined electricity supply services part 1 of 2 August 2019);
- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined electricity supply services part 2 of 2 August 2019);
- in favour of Čepro a.s., up to the amount of CZK 1,000 thousand (under the Gas supply Contract of 8 November 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);
- in favour of OTE, a.s., up to the amount of CZK 730,000 thousand (according to Deviation Settlement Agreement No. AP 006/09 of 11 December 2009).
- on behalf of OTE, a.s., up CZK 85,000 thousand (under the Deviation settlement agreement No. A3602/14 dated 4/

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 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 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 Česká spořitelna, a.s. as at 31 December 2021:

- on behalf of the Municipal district of Prague 2., up to 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);

The Group secured its financial liabilities with Československá obchodní banka, a.s. as of 31 December 2020:

- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined services of natural gas supply of 30 July 2019);

- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined electricity supply services part 1 of 2 August 2019);
- in favour of TRADE CENTRE PRAHA a.s., up to the amount of CZK 500 thousand (under the Contract for combined electricity supply services part 2 of 2 August 2019);
- in favour of Čepro a.s., up to the amount of CZK 1,000 thousand (under the Gas supply Contract of 8 November 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);
- in favour of OTE, a.s., up to the amount of CZK 150,000 thousand (according to Deviation Settlement Agreement No. AP 006/09 of 11 December 2009).
- in favour of OTE, a.s., up to the amount of CZK 35,000 thousand (according to Deviation Settlement Agreement No. A3602/14 of 4 12/ 2014 and the Agreement on access to the organised short-term electricity market No. B3602 /14 dated 4/ 12/ 2014);
- in favour of RWE Supply Trading GmbH, in the amount of EUR 15,000 thousand (CZK 381,150 thousand) due to gas market operations (according to the EFET Contract of 3 June 2014);
- on behalf of Ředitelství silnic a dálnic ČR, up to the amount of CZK 32 thousand (according to 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 2020:

- on behalf of the Municipal district of Prague 2., up to 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 a result of interest rate fluctuation.

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

The Group management monitors interest rate risk on the basis of regular reporting, which includes information about the current interbank interest rates (mainly PRIBOR)

and assessment of actual interest expenses. The Group management is provided with a short-term forecast of these interest rates.

In 2021 and 2020, the Group did not draw short-term bank loans, but used funds from the cash-pooling scheme.

Sensitivity analysis:

If the interest rate had increased/decreased by 100 percentage points, while all other variables remained constant, the profit before tax as at 31 December 2021, would have been by CZK 1,067 thousand lower/higher as a result of the increased/decreased interest expense (as of 31 December 2020: CZK 1,179 thousand).

5.3.2. Exchange rate risk

Currency risk means that the future cash flows from financial instruments will change as a 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 up to 100% 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.

The movement in exchange rates constitutes a risk as the that the Group records some receivables and payables in foreign currency. 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, on 31 December 2021, the CZK/EUR exchange rate were to increase/decrease

0.5 CZK/EUR, while all other variables held constant, the profit before tax as at 31 December 2021 as a result of revaluation of liabilities in EUR would have been by CZK 1,492 thousand lower/higher (as of 31 December, 2020: CZK 1,760 thousand).

If, on 31 December 2021, the CZK/EUR exchange rate were to increase/decrease

0.5 CZK/EUR, while all other variables held constant as of 31 December 2020, the profit before tax as of 31 December 2021 as a result of revaluation of liabilities in EUR would have been by CZK 7,662 thousand lower/higher (as at 31 December 2020: CZK 1,642 thousand).

in thousands of CZK	2021	2020	2021	2020
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Liabilities in EUR	-1,492	-1,760	1,492	1,760
Receivables in EUR	7,662	1,642	-7,662	-1,642
Impact on profit before tax	6,170	-118	-6,170	118

If, on 31 December 2021, the CZK/EUR exchange rate were to increase/decrease 0.5 CZK/EUR, while all other variables would remain unchanged, the other total profit as of 31 December

2021 as a result of revaluation of secured forward purchases realised as of 31 December 2021 would have been CZK 80,950 thousand higher/lower (as of 31 December 2020: CZK 65,417 thousand).

(in thousands of CZK)	2021	2020	2021	2020
	increase of 0.5 CZK/EUR		decrease of 0.5 CZK/EUR	
Secured forward purchases in EUR	80,950	65,417	-80,950	-65,417
Impact of total profit / loss result	80,950	65,417	-80,950	-65,417

5.3.3. Derivative financial tools

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 a maturity of more than one year the Group uses the so-called roll-over 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 roll-over, a new one is immediately established under current market conditions with the same nominal value.

Secured cash flows:

31 December 2021:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Securing cash flows – future liabilities	2,946,526	1,191,437	12,056	0	0	4,150,019

31 December 2020:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Total
Securing cash flows – future liabilities	2,313,870	882,099	272,156	0	0	3,468,125

Derivatives securing cash flows:

31 December 2021:

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

31 December 2020:

(in thousands of CZK)	Nominal value	Fair value		Secured period	Average secured rate
		Positive	Negative		
Currency forwards	3,468,125	0	30,272	0-1 year	26.508

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 2021:

(in thousands of CZK)	Gross amount of compensation in the financial statement position	Gross amount of the offsetting in the statement of financial position	Net amount after compensation in the financial statement position	The amount subject to master netting agreements and similar arrangements in the statement of financial position	Total net exposure value
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

31 December 2020:

(in thousands of CZK)	Gross amount of compensation in the financial statement position	Gross amount of the offsetting in the statement of financial position	Net amount after compensation in the financial statement position	The amount subject to master netting agreements and similar arrangements in the statement of financial position	Total net exposure value
Trade and other receivables	1,885,898	0	1,885,898	37,155	1,848,743
Trade and other financial liabilities	1,303,948	0	1,303,948	37,155	1,266,793

5.6. Net profit and loss from financial instruments

(in thousands of CZK)	2021	2020
Trade receivables (particularly depreciation of receivables and creation of provisions)	-52,143	-26,470
Cash and cash equivalents (especially profit from the appreciation of funds)	2,927	39,407
Other financial assets	0	0
Bonds (particularly cost interest)	-27,741	-29,801
Financial derivatives (especially losses from derivative transactions)	105,231	-33,123
Bank loans (particularly cost interest)	-1,372	-1,345
Other financial liabilities (especially currency exchange gains/losses)	7,846	-35,090
Net gains (+) / losses (-) reported in the profit/loss statement	34,748	-86,422
Financial derivatives in other comprehensive income (settlement)	-103,580	-30,359
Net gains (+) / losses (-) reported in other total income	-103,580	-30,359
Total net gains (+) / losses (-)	-68,832	-116,781

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 2021 and as of 31 December 2020.

7. Notes to the consolidated financial statements

7.1. Land, buildings and equipment

Land, buildings and equipment (in thousands of CZK) Acquisition value	Land	Gas pipes Buildings and other structures	Movables and sets of movables	Boiler installations and other tangible fixed assets	Incomplete tangible fixed assets	Advance payments for fixed tangible assets	Total
Balance as of 1 January 2020	130,739	11,360,647	1,977,585	207,835	150,698	7,571	13,835,075
Purchases	0	0	0	0	826,142	10,727	836,869
Transfers	0	675,575	181,856	28,238	-885,669	-10,705	-10,705
Decreases	-103	-73,462	-84,013	-14,464	0	0	-172,042
Balance as of 31 December 2020	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
Position as at 31 December 2021	130,636	12,449,091	2,101,647	258,275	93,013	12,915	15,045,577
Accumulated depreciation, adjustments, impairment, recharging							
Balance as of 1 January 2020	0	4,675,942	1,593,151	92,680	0	0	6,361,773
Depreciation	0	273,387	116,045	12,055	0	0	401,487
Adjustments	0	-23	0	0	0	0	-23
Accumulated depreciation for disposals	0	-72,939	-83,167	-12,402	0	0	-168,508
Balance as of 31 December 2020	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
Net book value 2020	130,636	7,086,393	449,399	129,276	91,171	7,593	7,894,468
Net book value 2021	130,636	7,347,107	468,046	152,003	93,013	12,915	8,203,720

The most significant part of unfinished investments in tangible fixed assets as of 31 December 2021 and 31 December 2020 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 offered by external entities. As of 31 December 2019, another significant part of the value of unfinished fixed assets represented investments in buildings, which are related to the implementation of extensive reconstructions and modernisations projects performed in the Michle facility.

Movable assets and sets of movables – detail (in thousands of CZK) Acquisition value	Vehicles (means of transport)	Computer equipment	Gas meters, reducers and regulators	Machine equipment for regulating station technology	Other movables	Total
Balance as of 1 January 2020	138,761	125,881	650,571	476,699	585,673	1,977,585
Transfers	10,817	13,317	79,418	31,686	46,618	181,856
Decreases	-8,332	-4,933	-49,962	-2,706	-18,080	-84,013
Balance as of 31 December 2020	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
Position as at 31 December 2021	140,582	118,868	702,622	514,259	625,316	2,101,647
Accumulated depreciation, adjustments, impairment, recharging						
Balance as of 1 January 2020	92,065	90,699	495,600	450,799	463,988	1,593,151
Depreciation	16,931	14,321	30,107	25,265	29,421	116,045
Accumulated depreciation for disposals	-7,588	-4,927	-49,962	-2,706	-17,984	-83,167
Balance as of 31 December 2020	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
Position as at 31 December 2021	103,371	82,934	466,655	490,138	490,503	1,633,601
Net book value 2020	39,838	34,172	204,282	32,321	138,786	449,399
Net book value 2021	37,211	35,934	235,967	24,121	134,813	468,046

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

(i) up to CZK 3,500 mil. secures 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. secures debts of the subsidiary Pražská plynárenská Distribuce, a.s., a member of the Pražská plynárenská, as 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. Intangible assets

Intangible assets (in thousands of CZK) Acquisition value	Goodwill	Software	Assessable rights	Intangible fixed assets under construction	Total
Balance as of 1 January 2020	20,962	756,872	14,135	27,035	819,004
Purchases	4,500	0	0	32,296	36,796
Transfers	0	44,435	204	-44,639	0
Decreases	-279	-4,319	0	0	-4,598
Balance as of 31 December 2020	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
Position as at 31 December 2021	29,404	828,365	14,415	21,317	893,501
Accumulated depreciation, depreciation, impairment					
Balance as of 1 January 2020	0	665,842	11,963	0	677,805
Depreciation	0	27,787	739	0	28,526
Accumulated depreciation for disposals	0	-4,319	0	0	-4,319
Balance as of 31 December 2020	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
Position as at 31 December 2021	0	721,610	13,388	0	734,998
Net book value 2020	25,183	107,678	1,637	14,692	149,190
Net book value 2021	29,404	106,755	1,027	21,317	158,503

The average residual amortisation period of software is 1 year and 8 months.

7.3. Goodwill

As of 31 December 2021, goodwill in the Group includes the incorporation of goodwill due to the acquisition of a 90% ownership in MONTSERVIS PRAHA, a.s. which occurred in March 2019. This goodwill was allocated to the cash-generating unit MONTSERVIS PRAHA, a.s. 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, a.s. increased its ownership stake to 100%.

The Group tested goodwill for value impairment (value in use). Tests performed as of 31 December 2021 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 2022-2024).

The business plan was approved by management and is current as of the time of the value impairment test performance. The business plan is based on past experience and expected future developments, while taking into account the current pandemic situation.

Revenue growth from 2022 to 2024 is constant at 2%, and personnel cost growth from 2022 to 2024 of 3% is based on the collective agreement.

Using a discounted cash flow method with a discount rate of 6.43% (2020: 5.21%), the present value of free cash flows in excess of the value of the cash-generating unit was determined. In 2021 and 2020, no impairment of goodwill was ascertained.

7.4. Asset originating from the right of use and lease liabilities

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

(in thousands of CZK) Acquisition value	Non-residential premises and lands
Balance as of 1 January 2020	55,252
Decreases	-1,953
Balance as of 31 December 2020	53,299
Accumulated depreciation, depreciation, impairment	
Balance as of 1 January 2020	5,808
Depreciation	7,532
Balance as of 31 December 2020	13,340
Net book value 1/1/2020	49,444
Net book value 31/12/2020	39,959

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 2021 the Group reported lease liabilities as follows:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3	3-5	5 years or	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

As of 31 December 2020 the Group reported lease liabilities as follows:

(in thousands of CZK)	0-3 months	3-6 months	6-12 months	1-3 years	3-5	5 years or	Total
Long-term lease liabilities	0	0	0	14,045	8,244	15,772	38,061
Short-term lease liabilities	1,094	1,099	2,680	0	0	0	4,873
Total	1,094	1,099	2,680	14,045	8,244	15,772	42,934

The total cash flow related to lease liabilities in 2021 amounted to CZK 6,445 thousand, in 2020 amounted to CZK 6,545 thousand.

Interest expenses from lease liabilities included in the 2021 financial expenses are reported in Section 7.28.

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

7.5. Inventories

Inventories mainly represent gas stored in the gas storage. This gas was extracted in 2021 and recognised as consumption in the amount of CZK 499,722 thousand (in 2020: CZK 571,520 thousand).

No surpluses and/or shortfalls in inventories were found during stock-taking in 2021.

7.6. Short-term trade and other receivables

Type of receivable (in thousands of CZK)	31 December 2021	31 December 2020
Trade receivables from third parties	1,425,398	628,423
Trade receivables from related parties	2,845	1,145
Financial trade receivables	1,428,243	629,568
Adjusting entries for trade receivables	-249,687	-223,923
Net trade receivables – financial	1,178,556	405,645
Unbilled deliveries	1,792,551	1,494,932
Adjusting entries for unbilled deliveries	-17,407	-14,679
Total trade and other receivables – financial	2,953,700	1,885,898
Short-term operational advances made	114,487	38,446
Other receivables – non-financial	4,360	24,525
Allowances for other receivables and advances paid	-4,776	-19,471
Total trade and other receivables – non-financial	114,071	43,500
Total trade and other receivables – short-term	3,067,771	1,929,398

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 towards these suppliers. In 2021 the offset amount of advances with estimated

payables was CZK 756,310 thousand (2020: CZK 785,254 thousand).

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

The age structure of outstanding trade and other receivables that have not been classified as impaired as of the date of the consolidated financial statements is as follows:

Receivables overdue (in thousands of CZK)	31 December 2021	31 December 2020
up to 30 days	82,398	27,611
Total	82,398	27,611

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 2021	31 December 2020
up to 6 months	50,364	45,707
6 to 12 months	12,098	12,111
more than 1 year	165,822	174,726
Total	228,284	232,544

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

Adjusting entries for receivables (in thousands of CZK)	31 December 2021	31 December 2020
Initial balance as of 1 January	238,602	226,622
Creation of an allowance for receivables	59,571	33,082
Use of the allowance	31,079	21,102
Final balance as of 31 December	267,094	238,602

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 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

31 December 2020:

Adjusting entries for receivables (in thousands of CZK)	Expected interest risk impairment			
	Level 1	Level 2	Level 3	Total
cat. MO	21,050	697	57,980	79,727
cat. DOM	18,626	932	77,035	96,593
cat. VO	7,636	17	23,985	31,638
cat. Other	6,309	803	23,532	30,644
Total	53,621	2,449	182,532	238,602

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 2021	31 December 2020
Change in adjustment entry – to existing receivables	14,822	9,732
Loss due to receivables written-off	31,079	21,102
Loss due to depreciation of financial assets – total	45,901	30,834

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

7.7. Cash and cash equivalents

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 EUR 10,000 thousand due on 3 January 2022. The yield to maturity was 0.00% p.a. This financial operation optimised

the Group's cash-flow positions in bank accounts in relation to the obligatory payments of banks to the resolution fund according to the applicable legislation valid since 31 December 2021, while providing the necessary euro funding for the purchase of commodities in early 2022.

The structure of cash and cash equivalents is shown below:

Cash and cash equivalents (in thousands of CZK)	31 December 2021	31 December 2020
Cash on hand	2,138	3,054
Money in bank accounts	653,477	1,240,170
Short-term investments – bills	248,600	262,450
Total	904,215	1,505,674

The book value of short-term investments is close to their fair value.

7.8. Other assets

Other assets (in thousands of CZK)	31 December 2021	31 December 2020
Liabilities from revaluation of trade derivatives at fair value	0	6
Other (especially capitalised costs)	34,679	22,760
Other assets – total	34,679	22,766

7.9. Incremental costs of obtaining a contract

Incremental costs (in thousands of CZK)	31 December 2021	31 December 2020
Commission paid to traders – long-term part	25,348	29,856
Commission paid to traders – short-term part	30,060	28,804
Incremental costs – total	55,408	58,660

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 2021	31 December 2020
Bonuses to customers – long-term part	58,702	54,559
Bonuses to customers – short-term part	6,227	19,369
Contract assets – total	64,929	73,928

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

7.11. Registered capital

Form of shares	2021		2020	
	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 Meeting on matters relating to the Group or to exercise shareholder rights,
- The right to present proposals and counter-proposals on matters included on the agenda of the General Meeting,
- the rights of qualified shareholders to ask the Board of Directors to convene a General Meeting 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.

7.12. 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 only reclassified as profit or loss 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 2021	31 December 2020
Balance as of the beginning of the year	-24,591	-111,506
Change in fair value of securing derivatives	-73,223	107,303
Related deferred income tax	13,914	-20,388
Balance as of the end of year	-83,900	-24,591

Reclassification as a complete result for the monitored period (in thousands of CZK)	2021	2020
Profit after tax	857,133	1,166,649
Fair value of non-matured securing derivatives	-91,211	-30,272
Fair value of matured continuous securing derivatives	-12,369	-87
Effective component of the fair value of securing derivatives	-103,580	-30,359
Deferred tax receivable from securing derivatives (19%)	19,680	5,768
Total performance for the period	773,233	1,142,058

7.14. Trade liabilities and other long-term liabilities

Other liabilities (in thousands of CZK) Maturity	Long-term advances received	Other long-term liabilities	Total
Balance as at 31/ 12/ 2020	50	1,842	1,892
of which: due in less than 5 years	50	1,842	1,892
Balance as at 31/ 12/ 2021	40	1,613	1,653
of which: due in less than 5 years	40	1,613	1,653
Total as of 31/ 12/ 2020	50	1,842	1,892
Total as of 31/ 12/ 2021	40	1,613	1,653

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

Trade payables Advances and principles received – short-term	31 December 2021	31 December 2020
Trade liabilities payable to third parties	2,329,552	1,291,243
Trade payables to related parties	17,783	12,705
Operating advances and short-term principals received (non-financial liabilities)	1,778,207	1,711,406
Trade payables, advances received and principals – total	4,125,542	3,015,354

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	Total
Balance as at 31/ 12/ 2020	84,547	1,711,406	1,219,401	3,015,354
of which: due in less than 6 months	84,252	1,711,406	1,219,401	3,015,059
of which: due in 6 months to 1 year	295	0	0	295
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 in 6 months to 1 year	1,578	0	0	1,578
Total as of 31/ 12/ 2021	170,325	1,778,207	2,177,010	4,125,542

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 2021, funds from the parent company PPH a.s. were drawn in the amount of CZK 66,068 thousand (as of 31 December, 2020: CZK 62,477 thousand), which represent liabilities related to cash-pooling and in 2021 these carried an interest rate as follows: in 1-4/2021: 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.
In 2020 they carried a credit interest rate: in 1-5/2020: O/N PRIBOR – 0.60% p.a., between 06-10/2020: O/N PRIBOR – 0.20% p.a., between 11-12/2020: O/N PRIBOR – 0.15% p.a.

As for financial instruments drawn under cash-pooling in 2021, the debit interest rate was as follows: between 01-12/2021: O/N PRIBOR + 0.25 % p.a. In 2020 the carried debit interest rate was: between 01–12/2020: 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. Derivatives

7.15.1. 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 2021			31 December 2020		
	Fair value		Nominal value	Fair value		Nominal value
	Positive	Negative		Positive	Negative	
Currency forwards	0	0	0	6	0	7,638
Commodity futures	0	166,217	142,829	0	17,479	64,217

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

Losses from the settlement of trade derivatives reported in profit/loss for 2021, amount to CZK 64,508 thousand, of which the costs arising from the settlement of trade derivatives amount to CZK 973 thousand, and revenues arising from settlement of trade derivatives

amount to CZK 65,481 thousand, see Sections 7.28. and 7.29.

In 2020, losses from the settlement of trade derivatives reported in the comprehensive profit/loss statement were CZK 33,023 thousand, of which the costs arising from the settlement of trade derivatives amount to CZK 34,575 thousand, and revenues arising from the settlement of trade derivatives amount to CZK 1,551 thousand, see Sections 7.28. and 7.29.

7.16. Unbilled supplies and advances received

as of 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

as of 31 December 2020 (in thousands of CZK)	cat. DOM	cat. MO	Cat. VO/SO	Other	Total
Unbilled deliveries	1,799,873	1,166,051	567,258	999,674	4,532,857
Advance payments received	-2,049,160	-1,499,656	-336,601	-741,227	-4,626,644
Clearing of Accounts	1,669,059	680,137	336,601	352,128	3,037,925
Unbilled supplies – after netting	130,814	485,914	230,657	647,546	1,494,932
Advances received – after netting	-380,101	-819,520	0	-389,099	-1,588,719

7.17. Bank loans and bonds

The details of bank 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 2021 and as of 31 December 2020.

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 2020	Cash flows	Non-cash flows – revaluation of liabilities using the effective interest rate method	31 December 2021
PPD, a.s. bonds	2,677,914	-18,900	27,460	2,686,474
Loan from the parent company PPH a.s.	62,477	3,254	337	66,068
Total	2,740,391	-15,646	27,797	2,752,542

(in thousands of CZK)	31 12/ 2019	Cash flows	Non-cash flows – revaluation of liabilities using the effective interest rate method	31 December 2020
PP, a.s. bonds	401,477	-403,600	2,123	0
PPD, a.s. bonds	2,669,355	-18,900	27,459	2,677,914
Loan from the parent company PPH a.s. – cash-pooling (see item 7.32.)	59,926	2,401	150	62,477
Total	3,130,758	-420,099	29,732	2,740,391

7.18. Other liabilities

Other liabilities	31 December 2021	31 December 2020
Loan from the parent company PPH a.s.	66,068	62,477
Liabilities from revaluation of commodity derivatives to fair value	166,217	17,479
Liabilities from revaluation of securing derivatives to fair value	91,211	30,272
Other financial liabilities	0	1,735
Total financial liabilities	323,496	111,963
Payables towards employees	224,418	181,849
Payables towards social insurance institutions	23,174	21,115
Other liabilities – non-financial	6,670	12,955
Non-financial liabilities – total	254,262	215,919
Other liabilities – total	577,758	327,882

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 66,904 thousand (2020: CZK 60,285 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 2021	31 December 2020
Deferred tax asset to be recovered after more than 12 months	13,105	5,561
Deferred tax asset to be recovered within 12 months	53,081	43,719
Deferred tax liability payable after more than 12 months	-635,189	-615,677
Deferred tax liability payable within 12 months	-9,153	-9,153
Net deferred tax liability	-578,156	-575,550

Deferred tax was calculated at 19% (the rate for 2020 and subsequent years was used).

Deferred tax liability (-) and deferred tax receivable (+) (in thousands of CZK) The item represents deferred tax from the following titles	31 December 2021	31 December 2020
Difference in the residual prices of fixed assets	-640,548	-601,947
Tax non-deductible part of allowances for receivables	19,506	17,549
Other provisions, adjustment entries and temporary differences	12,496	2,102
Lease liabilities	567	565
Change in fair value of hedging derivative	19,680	5,768
Incremental costs of obtaining a contract	-22,864	-25,191
Obligations towards employees and board members	33,007	25,604
Total	-578,156	-575,550

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 to 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 total performance	0	0	0	13,912	13,912
31 December 2021	-640,548	19,506	33,007	9,879	-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 to receivables	Obligations towards employees and board members	Other	Total
31 December 2019	-562,983	9,973	26,122	-8,859	-535,747
profit (+) / loss (-)	-38,964	7,576	-518	12,491	-19,415
Other total performance	0	0	0	-20,388	-20,388
31 December 2020	-601,947	17,549	25,604	-16,756	-575,550

7.20. Other tax liabilities and receivables

Other tax receivables in 2021 mainly consist of a value added tax receivable. The Group recognised a liability for value added tax in 2020.

7.21. Reserves

Provisions (in thousands of CZK) Book value	Long-term	Short-term
Balance as of 1 January 2020	144,872	1,350
Creation of reserves	824	0
Reversals of provisions	-10,026	-1,350
Use of provisions	-128	0
Recharging of provisions	-101,968	101,968
Balance as of 31 December 2020	33,574	101,968
Creation of reserves	38,902	0
Reversals of provisions	-5,602	-101,968
Use of provisions	-121	0
Position as at 31 December 2021	66,753	0
Net book value 2020	33,574	101,968
Net book value 2021	66,753	0

Provisions at 31 December 2021 mainly include a provision for repair of environmental impact in the amount of CZK 15 million (CZK 15 million as of 31 December 2020). The provision for late payment interest in the amount of CZK 102 million was released in full in January 2021. In 2021, a provision of CZK 33 million was made for costs related to anticipated unauthorised DPI consumption.

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. Sales revenues

Sales revenues (in thousands of CZK)	2021	2020
Sale of natural gas	8,491,317	7,172,835
Sale of own and foreign gas	3,861,197	3,429,762
Sale of heat and CNG	232,285	175,404
Sale of flexibility	3,852	2,798
Sale of electricity	2,619,356	2,196,362
Sale of foreign distributions of electricity	2,456,538	1,963,768
Other services	279,756	259,150
of which revenues from asset repairs and maintenance	25,960	29,637
of which revenues from construction of gas pipelines	87,522	47,498
of which revenues from earthworks	8,218	14,167
of which revenues from other services	158,056	167,848
Sale of goods and products (services)	5,858	6,687
Revenues from contracts with customers	17,950,159	15,206,766
Revenues from property leases	9,586	13,013
Total	17,959,745	15,219,779

7.23. Purchased gas, 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)	2021	2020
Costs of gas purchases	7,791,866	6,412,587
of which gas reservoir costs	96,721	119,196
Gas distribution fee	1,357,317	1,188,463
Costs of electricity purchases	3,011,324	2,139,078
Electricity distribution fee	2,459,298	1,966,580
Purchasing expenses – total	14,619,805	11,706,708
Derivative transactions expense – secured	167,840	16,710
Total	14,787,645	11,723,418

7.24. Other operating income

Other operating income (in thousands of CZK)	2021	2020
Profit from sales of fixed assets	2,648	3,223
Income from sale of material	8,337	6,992
Income from write-off of receivables	900	912
Income from write-off of lapsed liabilities	8,514	6,799
Court fee compensations	4,461	4,522
Benefits from insurance (indemnity)	2,189	2,697
Other	87,384	36,726
Total	114,433	61,871

7.25. Personnel costs

HR costs (in thousands of CZK)	2021	2020
Employees	732,340	655,358
Members of statutory bodies	91,696	96,291
Future benefits to members of statutory bodies provided under contract defining their executive performance (Section 4.17.4)	21,266	444
Total	845,302	752,093

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

During 2021 and 2020, 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 2021 include benefits paid under performance contracts (see Section 4.17.4) in the amount of CZK 14,277 thousand (2020: CZK 324 thousand). No profit shares were paid to members of statutory bodies in 2021 (2020: CZK 13,550 thousand). Contributions to the state pension scheme (on the basis of defined contributions) in 2021 amounted to CZK 119,416 thousand per employee (2020: CZK 110,181 thousand), and CZK 8,544 thousand for members of statutory bodies (2020: CZK 7,740 thousand).

7.26. Depreciation of fixed assets

Depreciation of fixed assets (in thousands of CZK)	2021	2020
Depreciation of buildings and other structures	32,033	30,125
Depreciation of pipelines	250,261	237,877
Depreciation of the buildings of regulating stations	5,496	5,385
Depreciation of the technology of regulating stations	25,248	25,265
Depreciation of gas meters, reducers and regulators	36,554	30,107
Depreciation of boiler installations and other fixed assets	13,938	12,055
Depreciation of vehicles	13,208	16,931
Depreciation of intangible assets	33,531	28,526
Depreciation of IT equipment	13,425	14,321
Depreciation of other movables	28,528	29,421
of which depreciation of other gas facilities	12,288	12,879
of which depreciation of other assets (inventories, etc.)	16,240	16,542
Depreciation of assets originating from the right of use	5,234	7,532
Total	457,456	437,545

7.27. Other operating costs

Other operating cost (in thousands of CZK)	2021	2020
Material and energy consumption	109,239	107,317
Goods costs	2,822	2,951
Rent	71,791	70,339
Services	770,563	673,414
of which asset repair and maintenance costs	447,763	367,673
of which claims collection costs	9,312	9,711
of which promotion, advertising and marketing costs	59,300	75,792
of which IT systems management and repair costs	89,570	81,242
of which business representatives' commission costs	41,105	33,890
of which consulting costs	30,962	22,984
of which gas meter reading costs	17,970	16,175
of which telecommunication service and postal charges	9,209	9,946
of which educational costs	2,936	3,862
of which other services costs	62,436	52,139
Taxes, fees and other fees	1,010	39,657
Total	955,425	893,678

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 2021.

7.28. Financial costs

Financial costs (in thousands of CZK)	2021	2020
Interest expense	29,044	30,401
Lease liabilities – interest paid	786	900
Cost paid to settle trade derivatives	973	34,575
Bank charges	7,174	6,187
Other financial expenses	64,191	148,457
Total	102,168	220,520

Other financial expenses mainly represent foreign exchange differences.

7.29. Financial revenues

Financial revenues (in thousands of CZK)	2021	2020
Interest income	7,804	8,140
Income from contractual fines and default interest	4,917	4,690
Cost paid to settle trade derivatives	65,481	1,552
Other financial revenues	101,240	149,682
Total	179,442	164,064

Other financial income and expenses mainly represent foreign exchange differences.

7.30. Income tax

The income tax expense recognised in the consolidated statement of comprehensive income consists of the following:

in thousands of CZK	2021	2020
Income tax – current	185,158	203,701
Income tax – previous years adjustment	914	-2,139
Income tax – deferred	16,518	19,415
Income tax – paid	202,590	220,977

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

(in thousands of CZK)	2021	2020
Profit before tax	1,059,723	1,387,626
Income tax at the statutory rate of 19%	201,347	263,649
Non-taxable income	-6,492	-596
Tax non-deductible expenses	12,097	-19,950
Gifts	-602	-587
Other	-3,760	-21,539
Income tax – paid	202,590	220,977

7.31. Dividends paid

On 25 June 2021 a dividend in the amount of CZK 507,000 thousand (CZK 352 per share) was paid, and in 2020: CZK 608,000 thousand (CZK 422 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)	2021	2020
Revenues from sale of services	906	892
Total revenues	906	892

Costs (in thousands of CZK)	2021	2020
Other costs	551	292
Total costs	551	292

ULTIMATE PARENT COMPANY (HMP)

Revenues (in thousands of CZK)	2021	2020
Revenues from sale of services	21,682	23,789
Total revenues	21,682	23,789

Costs (in thousands of CZK)	2021	2020
Purchase of other services	4,818	5,395
Other costs	7	4
Total costs	4,825	5,399

OTHER RELATED PARTIES

Revenues (in thousands of CZK)	2021	2020
Revenues from sale of services	545	1,369
Other revenue	40	37
Total revenues	585	1,406

Costs (in thousands of CZK)	2021	2020
Purchase of other services	98,133	92,411
Other costs	117	552
Total costs	98,250	92,963

The Group recognised the following balances with related parties:

CONTROLLING ENTITY (PPH a.s.)

Receivables and liabilities (in thousands of CZK)	31 December 2021	31 December 2020
Trade receivables	1	1
Contingent asset accounts	24	22
Total receivables	25	23
Short-term advances received*	24	24
Financial resources from PPH a.s.	66,068	62,477
Other liabilities	116	5
Total accounts payable	66,208	62,506

*These balances are reported including VAT

ULTIMATE PARENT COMPANY (HMP)

Receivables and liabilities (in thousands of CZK)	31 December 2021	31 December 2020
Trade receivables	2,769	1,111
Total receivables	2,769	1,111
Trade payables	172	44
Short-term advances received*	60	30
Total accounts payable	232	74

*These balances are reported including VAT

OTHER RELATED PARTIES

Receivables and liabilities (in thousands of CZK)	31 December 2021	31 December 2020
Trade receivables	76	33
Short-term advances paid*	661	974
Total receivables	737	1,007
Trade payables	17,611	12,661
Short-term advances received*	1,371	1,132
Total accounts payable	18,982	13,793

*These balances are reported including VAT

Dividends paid to shareholders in 2021 and 2020 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 first 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, a.s., in accordance with applicable legislation, the permitted revenues from licensed activities. For 2021, PPD, a.s. received permitted revenues through prices and conditions set out in Price decision No. 8/2020 of 30 November 2020, defining regulated prices related to gas supply, with effect from 1 January 2021.

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 liabilities

The expenditure for the acquisition of tangible and intangible assets contracted as of 31 December 2021, which have not yet been incurred, amounts to CZK 532,664 thousand (2020: CZK 497,860 thousand).

(in thousands of CZK)	2021	2020
Up to 1 year	127,267	116,747
1-3 years	223,685	269,074
3-5 years	117,435	85,203
Above 5 years	64,277	26,836
Total	532,664	497,860

The sum of future minimum service payments, mainly due to use of capacity in the gas storage facility as at 31 December 2021, amounted to CZK 343,562 thousand without effective VAT (as of 31 December, 2020; CZK 363,804 thousand).

(in thousands of CZK)	2021	2020
Up to 1 year	129,030	122,843
1-3 years	174,956	158,450
3-5 years	36,673	80,475
Above 5 years	2,903	2,036
Total	343,562	363,804

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 2021 apart those mentioned in Section 7.21.

8.2. Events after date of the financial statements

On 10 January 2022, the term of office of the members of the Supervisory Board of PP, a.s., Ing. Petra Zemanová and Mgr. Miroslav Vránek, ended. On 7 January 2022, the sole shareholder of Pražská plynárenská, a.s., within the exercise of the powers of the General Assembly, elected, with effect from 11 January 2022, Mgr. Alice Klementová and Mgr. Miroslav Vránek to the Supervisory Board of PP, a.s.

The Boards of Directors of PP, a.s., Pražská plynárenská Správa majetku, a.s., a member of the Pražská plynárenská, a.s. Group and Informační služby – energetika, a.s., approved at their at its meeting on 5 April 2022, the intention to merge the companies Pražská plynárenská Správa majetku, a.s., a member of the Pražská plynárenská, a.s. group, and Informační služby – energetika, a.s. into Pražská plynárenská, a.s.,

which will be the successor company.

The ongoing conflict in Ukraine and the related sanctions against the Russian Federation may have an impact on the Company. The Company has no direct exposure to companies based in Ukraine or the Russian Federation or to companies that are under sanctions. However, natural gas supplies to the Czech Republic are dependent on supplies from the Russian Federation. At this stage, management is not able to reliably estimate the impact of any gas price developments and any potential curtailment or interruption of supply, as events are evolving day to day. The long-term impact may also affect volumes, cash flows and profitability. However, as at the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the principle of continuous duration of the company.

The Company is in negotiations with banking institutions in 2022 to increase credit lines to ensure sufficient supplies of natural gas in underground storage tanks. The increase in financing frameworks is due to the rising price of natural gas and is also related to the need to ensure security of supply to customers. The Company expects to conclude these negotiations in the second quarter of 2022. The Company has also negotiated with the City of Prague, as the ultimate shareholder of the Company, for the provision of a loan. These negotiations resulted in the approval of additional financing in the form of a loan in the amount of CZK 2 billion, which was decided at a meeting of the Prague City Council on 28 April 2022.

8.3. Approval 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 Meeting. In Prague, on 3 May 2022

Ing. Martin Pacovský, MBA
Chairman of the Board of
Directors

Ing. Milan Cízl
Member of the Board of Directors

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VIII. INFORMATION ABOUT THE PEOPLE RESPONSIBLE FOR THE ANNUAL REPORT AND VERIFICATION 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.

3 May 2022

3 May 2022

Ing. Martin Pacovský, MBA
Chairman of the Board of the Directors of
Pražská plynárenská, a.s.

Ing. Milan Cízl
member of the Board of the Directors of Pražská
plynárenská, a.s.

The Company's financial statements for 2021 were audited by Deloitte Audit s.r.o., registered office Italská 2581/67, 120 00, Praha 2 – Vinohrady, ID No.: 496 65 521, 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 2021 were audited by Deloitte Audit s.r.o., registered office Italská 2581/67, 120 00, Praha 2 – Vinohrady, ID No.: 496 65 521, 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.

IX. REPORT ON RELATIONSHIP BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY AND ON RELATIONSHIPS BETWEEN THE CONTROLLED ENTITY AND OTHER ENTITIES UNDER THE CONTROL OF THE SAME ENTITY (AFFILIATES) FOR 2021

drawn up by the Board of the Directors of Pražská plynárenská, a.s.,
registered office: Prague 1 – Nové Město, Národní 37, Postal code 110 00, ID No. 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., on commercial companies and cooperatives (Act on Corporations), hereinafter referred to as the "Act on Corporations", for the year 2021 (the "Accounting Period"). The report was prepared by the Board of Directors in accordance with Section 82 of the said Act taking into account the provisions of Section 504 of Act No. 89/2012 Coll., the Civil Code, concerning trade secrets.

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 2021 (see Annex 1) shows the basic relationships of the related parties.

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 Meeting (as of 31 December 2021, it was the Capital City of Prague).

The Board of Directors of PP, a.s. in this report describes the relationship 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 relationship between the related parties, i.e., PP, a.s. and its subsidiary companies, is described in the reports on the relationships of the individual subsidiary companies.

1. Structure of the control relationships

1.1. Party indirectly controlling the controlled entity

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

1.2. Party directly controlling the controlled entity

The controlling party in 2021 was Pražská plynárenská Holding a.s., registered office U Plynárny 500/44, Michle, 140 00 Prague 4, Company ID: 264 42 272.

In 2021, 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., registered office Prague 1 Nové Město, Národní 37, Postal code 110 00, Company ID: 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 2021, and with which PP, a.s. entered into a contractual relationship in 2021 are listed below in Section No. 2.

1.5. Related parties

These are the companies Pražská plynárenská, a.s., Pražská plynárenská Holding a.s., the Capital City of Prague and companies or organisations in which the Capital City of Prague had a decisive ownership interest in 2021 and controlled them.

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 relationships between the related parties

2.1. Controlling method and means

PP, a.s. was mainly controlled by its shareholder through representatives at Board of Directors and the Supervisory Board meetings, as well as through the exercise of voting rights at the General Meeting of PP, a.s.

2.2. Contracts concluded between related entities in force in 2021

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 and Jazyková škola s právem státní jazykové zkoušky, školy hlavního města Prahy, ID No.: 708 72 503 Akademie řemesel Praha – Střední škola technická, Company ID: 148 91 522
 AKROP s.r.o., ID No.: 264 32 331
 Botanická zahrada hl. m. Prahy, ID No.: 000 64 572
 Centrum komunitních služeb Pro život, ID No.: 708 76 720
 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 and 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, Company ID: 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 Terežín, ID No.: 708 75 308

Domov sociálních služeb Vlašská, ID No.: 708 75 430
 Dopravní podnik hl. m. Prahy, akciová společnost, Company ID: 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, 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 (Elementary School of Art, 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, Company ID: 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, Praha 10, ID No.: 631 09 026
 Gymnázium, Praha 10, ID No.: 613 85 379
 Gymnázium, Praha 10, ID No.: 613 85 361
 Gymnázium, Praha 2, ID No.: 613 88 106
 Gymnázium, Praha 4, ID No.: 003 35 479
 Gymnázium, Praha 4, ID No.: 003 35 487
 Gymnázium, Praha 5, ID No.: 613 85 298
 Gymnázium, Praha 6, ID No.: 613 86 022
 Gymnázium, Praha 6, ID No.: 496 25 446
 Gymnázium, Praha 7, ID No.: 613 85 476
 Gymnázium, Praha 8, ID No.: 613 87 509
 Gymnázium, Praha 8, ID No.: 604 60 784
 Gymnázium, Praha 9, ID No.: 604 45 475
 Gymnázium, Praha 9, 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 000 64 581
 Hotelová škola Radlická, ID No.: 604 46 242
 Hudební divadlo v Karlíně, ID No.: 000 64 335
 Hvězdárna a planetárium hlavního města Prahy, Company ID: 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, (Kindergarten, Elementary School, Secondary Vocational School), 708 73 160
 Karlínské gymnázium, ID No.: 613 89 064
 Kolektory Praha, a.s., ID No.: 267 14 124
 Kongresové centrum Praha, a.s., ID No.: 630 80 249
 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, 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 Vinohradská, ID No.: 613 86 774
 Obchodní akademie, Praha 10, ID No.: 613 85 387
 Obchodní akademie, Praha 3, ID No.: 701 07 050
 Odborné učiliště Vyšehrad, ID No.: 604 36 735
 Palata – Domov pro zrakově postižené, ID No.: 708 72 783
 Pedagogicko-psychologická poradna pro Prahu 10, Company ID: 604 61 926
 Pedagogicko-psychologická poradna pro Prahu 11 a 12, ID No.: 481 35 054
 Prague City Tourism a.s., ID No.: 073 12 890
 Pražská energetika, a.s., ID No.: 601 93 913
 Pražská konzervatoř, Praha 1, ID No.: 708 37 911
 Pražská strojírna, a.s., ID No.: 601 93 298
 Pražské služby, a.s., ID No.: 601 94 120
 Smíchovská střední průmyslová škola a gymnázium, ID No.: 613 86 855
 Správa pražských hřbitovů, ID No.: 452 45 801
 Správa služeb hlavního města Prahy, ID No.: 708 89 660
 Středisko praktického vyučování, ID No.: 006 39 184
 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, Praha – Radotín, ID No.: 006 38 846
 Střední odborné učiliště, Praha 4, 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, Company ID: 496 24 059
 Střední průmyslová škola strojnická, škola hlavního města Prahy, ID No.: 708 72 589
 Střední škola – Centrum odborné přípravy technickohospodářské, ID No.: 148 91 212
 Střední škola a Mateřská škola Aloyse Klara, ID No.: 006 38 625
 Střední škola a vyšší odborná škola umělecká a řemeslná, Company ID: 148 91 263
 Střední škola automobilní a informatiky, ID No.: 004 97 070
 Střední škola designu a umění, knižní kultury a ekonomiky, ID No.: 613 88 262
 Střední škola dostihového sportu a jezdeckví, ID No.: 000 69 621
 Střední škola obchodní, ID No.: 005 49 185
 Střední škola podnikání a gastronomie, ID No.: 496 29 077
 Střední škola, Základní škola a Mateřská škola pro sluchově postižené, ID No.: 481 34 058
 Střední škola, Základní škola a Mateřská škola, ID No.: 708 35 578
 Symfonický orchestr hlavního města Prahy FOK, Company ID: 000 64 475
 Školní jídelna, Praha 5 – Smíchov, ID No.: 708 42 132
 Švandovo divadlo na Smíchově, ID No.: 000 64 327
 Taneční konzervatoř hlavního města Prahy, ID No.: 708 37 775
 Technická správa komunikací hl. m. Prahy, a.s., ID No.: 034 47 286
 Technologie hlavního města Prahy, a.s., ID No.: 256 72 541
 TRADE CENTRE PRAHA a.s., ID No.: 004 09 316
 Výstaviště Praha, a.s., ID No.: 256 49 329
 Vyšší odborná škola a Střední průmyslová škola dopravní, ID No.: 708 37 899
 Vyšší odborná škola a Střední průmyslová škola elektrotechnická Františka Křížíka, ID No.: 708 37 881
 Vyšší odborná škola a Střední umělecká škola Václava Hollara, ID No.: 613 86 871
 Vyšší odborná škola ekonomických studií, Gymnázium, Střední průmyslová škola potravinářských technologií and Střední odborná škola přírodovědná a veterinární, ID No.: 613 85 930
 Vyšší odborná škola grafická and Střední průmyslová škola grafická, ID No.: 708 37 783
 Vyšší odborná škola informačních studií a Střední škola elektrotechniky, multimédií a informatiky, ID No.: 148 91 409
 Vyšší odborná škola pedagogická a sociální, Střední odborná škola pedagogická a Gymnázium, ID No.: 613 88 068
 Vyšší odborná škola stavební a Střední průmyslová škola stavební, ID No.: 613 88 726
 Vyšší odborná škola stavební a Střední – průmyslová škola stavební, ID No.: 613 88 025
 Vyšší odborná škola zdravotnická a Střední zdravotnická škola, ID No.: 006 38 749
 Vyšší odborná škola zdravotnická a Střední zdravotnická škola, ID No.: 006 38 722
 Základní škola a Mateřská škola, ID No.: 701 02 431
 Základní škola a Střední škola Karla Herforta, ID No.: 604 36 107
 Základní škola a střední škola waldorfská, ID No.: 709 22 306
 Základní škola a Střední škola, ID No.: 613 85 450
 Základní škola logopedická a Mateřská škola logopedická, ID No.: 613 85 425
 Základní škola pro žáky s poruchami zraku, ID No.: 481 33 035
 Základní škola pro žáky se specifickými poruchami chování, Company ID: 677 74 172
 Základní škola pro žáky se specifickými poruchami učení, ID No.: 683 79 919
 Základní škola speciální a Praktická škola, ID No.: 684 07 157
 Základní škola speciální, ID No.: 654 01 646
 Základní škola Tolerance, ID No.: 708 31 025
 Základní škola Vokovice, ID No.: 604 61 969
 Základní škola Vokovice, 708 45 964
 Základní umělecká škola Charlotty Masarykové, ID No.: 604 46 889
 Základní umělecká škola Ilij Hurníka, ID No.: 006 39 338
 Základní umělecká škola Klementa Slavického, Company ID: 673 60 572
 Základní umělecká škola Popelka, ID No.: 613 85 093
 Základní umělecká škola Vadima Petrova, ID No.: 452 45 118
 Základní umělecká škola (Elementary School of Art, ID No.: 604 60 041
 Základní umělecká škola (Elementary School of Art, ID No.: 708 32 897
 Základní umělecká škola (Elementary School of Art, ID No.: 700 98 506
 Základní umělecká škola (Elementary School of Art, ID No.: 613 85 433
 Základní umělecká škola (Elementary School of Art, ID No.: 613 87 894
 Základní umělecká škola (Elementary School of Art, ID No.: 481 35 143
 Základní umělecká škola (Elementary School of Art, ID No.: 684 07 289
 Základní umělecká škola (Elementary School of Art, ID No.: 452 42 593
 Základní umělecká škola (Elementary School of Art, ID No.: 613 87 452
 Zdravotnická záchraná služba hlavního města Prahy, Company ID: 006 38 927
 Zoologická zahrada hl. m. Prahy, ID No.: 000 64 459
 Želivská provozní a.s., ID No.: 291 31 804

b) Other agreements

The Capital City of Prague 000 64 581 – Non-residential property lease agreement, agreement on lease of parking space, agreements on lease of business space, agreement on establishment of an easement
 Divadlo Na zábradlí, ID No.: 000 64 394 – cooperation agreement
 Divadlo pod Palmovkou, ID No.: 000 64 301 – cooperation agreement
 Divadlo v Dlouhé, ID No.: 000 64 343 – cooperation agreement
 Domov pro seniory Krč, ID No.: 708 74 212 – agreement on sale and purchase 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 – Agreements on the establishment of easement,
 Městská knihovna v Praze, ID No.: 000 64 467 – Brusnice loan contract
 Galerie hlavního města Prahy, ID No.: 000 64 416 – Exhibition loan contract
 Kolektory Praha, a.s., ID No.: 267 14 124 – agreement on sale and purchase of compressed natural gas (CNG) and use of the non-transferable customer cards
 Lesy hl. m. Prahy, ID No.: 452 47 650 – agreement on advertising and promotional activities
 Městská poliklinika Praha, ID No.: 001 28 601 – agreement on sale and purchase of compressed natural gas (CNG) and use of the non-transferable customer cards
 Minor, ID No.: 000 64 351 – cooperation agreement
 Muzeum hlavního města Prahy, ID No.: 000 64 432 – Exhibition loan contract
 Museum Kampa – Nadace Jana a Medy Mládkových
 Company ID: 493 70 499 – agreement for the loan of works of art for the exhibition "Jiří Kolář: Dictionary of Methods"
 Obchodní akademie Heroldovy sady, ID No.: 613 85 387 – Professional practice agreement
 Palata – Domov pro zrakově postižené, ID No.: 708 72 783 – agreement on sale and purchase of compressed natural gas (CNG) and use of the non-transferable customer cards
 Pražská energetika, a.s., ID No.: 601 93 913 – EFET agreement (purchase/sale of natural gas), non-residential space lease agreements, agreement on the sublease of non-residential spaces,
 Pražské služby, a.s., ID No.: 601 94 120 – Agreement for the provision of promotion and advertising services, Agreement for the sale and purchase of compressed natural gas and the use of a non-portable customer card, CNG station lease agreement
 Středisko společných činností AV ČR, v. v. i., ID No.: 604 57 856 – advertising service agreement
 Švandovo divadlo na Smíchově, ID No.: 000 64 327 – cooperation agreement
 Technická správa komunikací hl. m. Prahy, a.s., ID No.: 034 47 286 – easement agreement
 Tělocvičná jednota Sokol Praha Vršovice, Dr. Ing. Rudolf Doucha, Vít Konečný, ID No.: 005 52 941 – agreement for the lease of non-residential premises and the provision of sports services
 Základní škola Vokovice, 673 65 213 – donation agreement
 IT Základní škola, ID No.: 613 84 224 – donation agreement
 IT Základní škola a mateřská škola Na Slovance, ID No.: 604 33 256 – donation agreement
 IT Základní škola Dědina, ID No.: 481 33 914 – donation agreements
 IT Zoologická zahrada hl. m. Prahy, ID No.: 000 64 459 – agreement on sale and purchase of compressed natural gas (CNG) and use of the non-transferable customer cards

2.2.2. Contracts signed between PP, a.s. and PPH a.s.

Contracts between PP, a.s. and PPH a.s.
 a) Agreement on provision of services
 b) Agreement on lease of movable assets
 c) Agreement on lease of business premises
 d) Agreement on cash-pooling within the PP, a.s. Group

2.2.3. Overview of the conduct of the controlled party in favour of or upon request of the related parties

Based on the decision of Pražská plynárenská Holding a.s., the sole shareholder acting as General Meeting of Pražská plynárenská, a.s., there were no negotiations (with the exception of the profit share paid to the shareholder in the amount of CZK 507,000 thousand), no negotiations were made which would affect the assets of Pražská plynárenská, a.s., o would exceed the 10% close value of the equity of Pražská plynárenská, a.s. according to the latest financial statements, i.e., the value of which would exceed the amount of CZK 294,115 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 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 relationship between entities referred to in Section 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 2021 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 mainly engaged in activities related to energy trade and distribution. 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. Cooperation between PP, a.s. and Pražská energetika, a.s.

In 2021, cooperation continued between PP, a.s. and Pražská energetika, a.s. within the project "Spolu pro Prahu" under the auspices of the Council of the capital city of Prague. Specifically, this cooperation concerned the joint business office and joint meter readings.

2.6.2. 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.

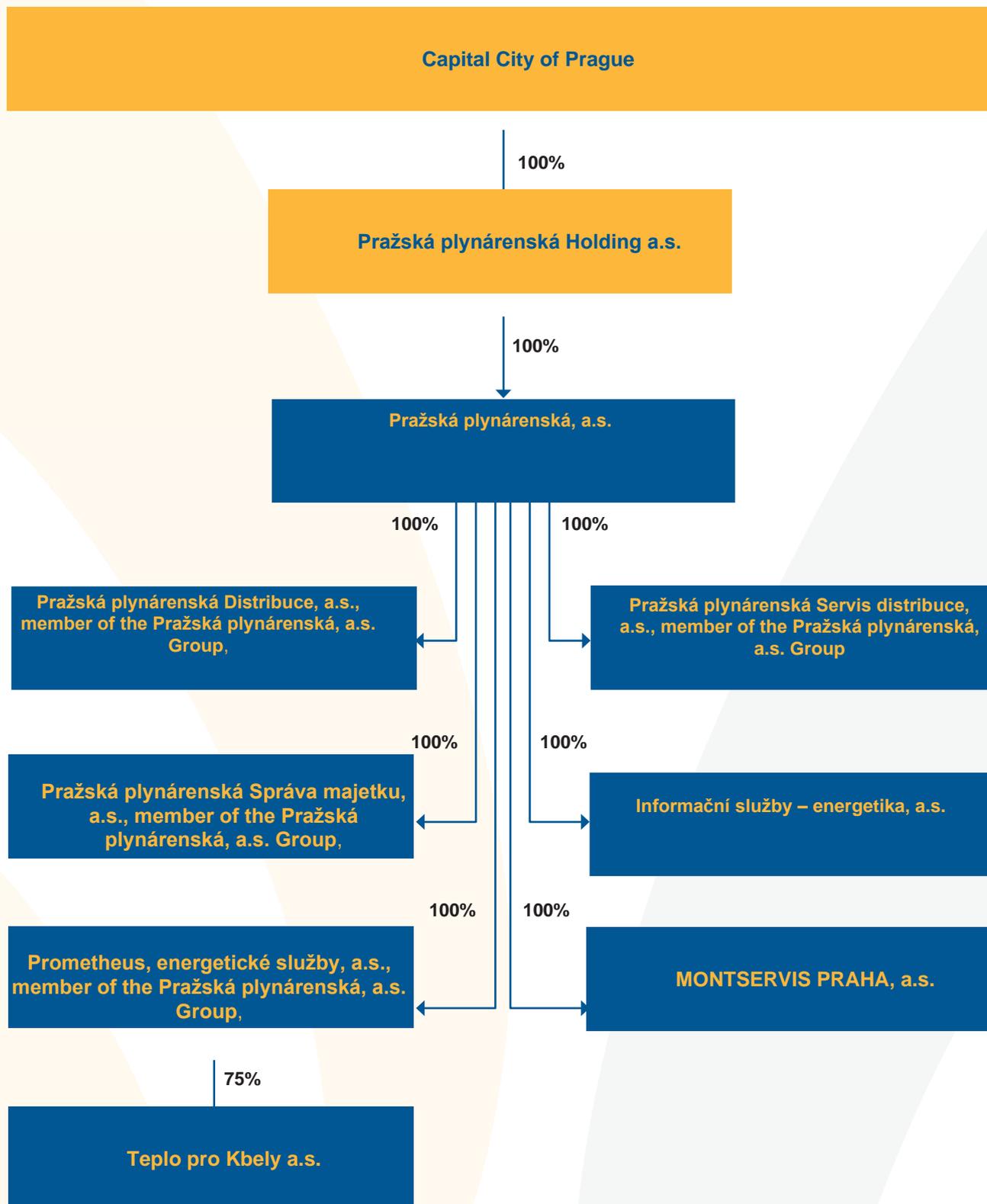
Dated 29 March 2022

Ing. Martin Pacovský, MBA
Chairman of the Board of the Directors
of Pražská plynárenská, a.s.

Ing. Milan Cízl
member of the Board of the Directors of
Pražská plynárenská, a.s.

Annex 1

Graph showing relationships as at 31 December 2021:



X. ANNUAL REPORT ON THE PROVISION OF INFORMATION PURSUANT TO ACT NO. 106/1999 COLL., ON FREE ACCESS TO INFORMATION FOR 2021

VÝROČNÍ ZPRÁVA

o poskytování informací dle zákona č. 106/1999 Sb., o svobodném přístupu k informacím za rok 2021

Ve smyslu § 18 zákona č. 106/1999 Sb., o svobodném přístupu k informacím, ve znění pozdějších předpisů (dále jen „zákon“), zveřejňuje Pražská plynárenská, a.s. tuto výroční zprávu o své činnosti v oblasti poskytování informací za rok 2021:

a) Počet podaných žádostí o informace a počet vydaných rozhodnutí o odmítnutí žádosti:

Byla podána celkem 1 žádostí.

Bylo vydáno celkem 2 rozhodnutí o odmítnutí / částečném odmítnutí žádosti.

b) Počet podaných odvolání proti rozhodnutí:

Bylo podáno 2 odvolání proti rozhodnutí.

c) Opis podstatných částí každého rozsudku soudu ve věci přezkoumání zákonnosti rozhodnutí povinného subjektu o odmítnutí žádosti o poskytnutí informace a přehled všech výdajů, které povinný subjekt vynaložil v souvislosti se soudními řízeními o právech a povinnostech podle tohoto zákona, a to včetně nákladů na své vlastní zaměstnance a nákladů na právní zastoupení:

Nebyl vydán žádný rozsudek ve věci přezkoumání zákonnosti rozhodnutí povinného subjektu.

d) Výčet poskytnutých výhradních licencí, včetně odůvodnění nezbytnosti poskytnutí výhradní licence:

Nebyla poskytnuta žádná výhradní licence.

e) Počet stížností podaných podle § 16a, důvody jejich podání a stručný popis způsobu jejich vyřízení:

Nebyla podána žádná stížnost podle §16a.

f) Další informace vztahující se k uplatňování tohoto zákona:

Informace týkající se možnosti uplatnit právo na informace dle zákona jsou žadatelům k dispozici na webových stránkách ppas.cz a dále na podatelně v sídle společnosti na adrese Národní 37/38, 110 00 Praha 1.

22. února 2022

Ing. Martin Pacovský, MBA

předseda představenstva společnosti
Pražská plynárenská, a.s.

22. února 2022

Ing. Milan Cízl

člen představenstva společnosti
Pražská plynárenská, a.s.

XI. ABBREVIATIONS

a.s.	joint-stock company	mld.	billion
BOZP	Occupational safety and health	MONT, a.s.	MONTSERVIS PRAHA, a.s.
CNG	Compressed natural gas	MO	Small customer – end (low-volume) customer who is not a large, medium-sized or household customer
CZK	Czech crown	MODOM	Small customers and households
č. ú.	Account number	MOO	Electricity retail customer population
ČNB	Czech National Bank	MOP	Electricity retail customer business
WWTP	Waste water treatment plant	MWh	megawatt hour
CR	Czech Republic	NEZ	New Energy Act
ČSOB, a.s.	Československá obchodní banka,	NZÚ	New Green Savings programme
a.s. DIČO	Tax Identification Number (VAT No.)	OSVČ	Self-employed person
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	OTE	Market operator
DPH	Value Added Tax	PCR	Polymerase chain reaction
DPI	Last resort supplier	PO	Fire protection
EEX	European energy exchange	PP, a.s.	Pražská plynárenská, a.s.
EMS	Environmental management system	PPD, a.s.	Pražská plynárenská Distribuce, a.s., Member of the PP, a.s. Group
ERÚ	Energy Regulatory Office	PPH a.s.	Pražská plynárenská Holding a.s.
ESG	Environmental, social and corporate governance	PPSD, a.s.	Pražská plynárenská Servis distribuce, a.s. Member of the PP, a.s. Group
EU	European Union	PPSM, a.s.	Pražská plynárenská Správa majetku, a.s. Member of the PP, a.s. Group
EUR	euro – common currency of the European Union	PR	Public relations
EVVO	Environmental education, training and instructions	Prometheus, a.s.	Prometheus, energetické služby, a.s., member of the Pražská plynárenská, a.s. Group
FVE	Photovoltaic power plant	PSČ	Postal code
FX	Currency forward agreement	s. p.	State enterprise
GmbH	Gesellschaft mit beschränkter Haftung (German abbreviation for a limited liability company)	s. r. o.	Limited liability company
IFRS	International financial reporting standards	Sb.	Collection of laws of the Czech Republic
IČO	Company ID number	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
ISE, a.s.	Informační služby – energetika, a.s.	Tel.	Telephone number
ISIN	identification number under which a share was recorded at the Centrálním depozitáři cenných papírů, a.s. (Securities Centre / Central Depository of Securities)	tis.	Thousand
ISO	International organisation for standardisation	TpK a.s.	Teplo pro Kbely a.s.
ICT	Information and communication technology	TV	Television
CZK	Czech crown	VH	Net profit/loss
kg	kilogram	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
ks	piece	ZHMP	Prague City Assembly
LEI	Identification code of a legal entity		
m ³	cubic metre		
MČ	City district		
MF	Ministry of Finance		
mil.	million		

XII. AUDITOR'S REPORT





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INDEPENDENT AUDITOR'S REPORT

For shareholders of Pražská plynárenská, a.s.

Registered office: Národní 37, 110 00 Praha 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 2021, 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 2021, 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 2021 and of its financial performance and cash flows for the year ended 31 December 2021 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 2021 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.

Key audit matters

We draw attention to Section 8.2 of the notes to the separate financial statements and to Section 8.2. of the consolidated financial statements, which describe the impact of the war in Ukraine and the need to secure additional financing for future gas supplies.

As disclosed in Section 8.2. of the separate financial statements and Section 8.2 of the consolidated financial statements, the Boards of Directors of Pražská plynárenská, a.s. (the successor company), Pražská plynárenská správa majetku, a.s., a member of the Pražská plynárenská, a.s. Group (the terminated company) and Informační služby – energetika, a.s. (the terminated company) on 4 April 2022 approved the intention to merge the companies Pražská plynárenská Správa majetku, a.s., a member of the Pražská plynárenská, a.s. concern, and Informační služby – energetika, a.s., into Pražská plynárenská, a.s. The date of record is 1 January 2022.

These facts do not constitute a modification of our statement.

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Other information

Separate financial statements of Pražská plynárenská, a.s. for the year ended 31 December 2020 and consolidated financial statements of Pražská plynárenská, a.s. for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on these financial statements on 23 March 2021

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 this other information.

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 3 May 2022

Audit firm:

Deloitte Audit s.r.o. evidenční číslo 079

Statutory auditor:

Václav Loubek evidenční číslo 2037

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full thanks to us.





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