

# CZECH GAS NETWORKS INVESTMENTS S.À R.L.

(a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg)

**EUR 500,000,000 0.875 per cent. Notes due 2031**

**Issue price: 99.81 per cent.**

Czech Gas Networks Investments S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg (**Luxembourg**), having its registered office at 20, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg*) under number B233.444 (the **Issuer**) is offering EUR 500,000,000 aggregate principal amount of its 0.875 per cent. notes due 2031 (the **Notes**). The Notes will constitute senior unsecured obligations of the Issuer.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 31 March 2031.

The Notes are subject to redemption in whole at their principal amount together with the interest accrued to the date fixed for redemption at the option of the Issuer at any time in the event of certain changes affecting taxation in Luxembourg. The Notes may also be redeemed at the option of the Issuer, in whole but not in part: (a) pursuant to Condition 5(d) (*Redemption at the option of the Issuer (Make-Whole)*) at any time from, but excluding, the Issue Date to, but excluding, 31 December 2030; or (b) pursuant to Condition 5(c) (*Redemption at the option of the Issuer (Issuer Call)*) at their principal amount on any date, from and including, 31 December 2030 to, but excluding, 31 March 2031.

The Notes will bear interest from (and including) 31 March 2021 (the **Issue Date**) at a rate of 0.875 per cent. per annum payable annually in arrear on 31 March in each year commencing on 31 March 2022.

Payments on the Notes will be made in Euros without deduction for or on account of taxes imposed or levied by, the Grand Duchy of Luxembourg or any political subdivision thereof or authority therein to the extent described under “*Conditions of the Notes - Taxation*”.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Notes to be admitted to the official list (the **Official List**) and to trading on the Global Exchange Market of Euronext Dublin (the **Global Exchange Market**) and for the approval of this document as listing particulars in respect of the Notes (the **Listing Particulars**). The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, **MiFID II**). These Listing Particulars have been approved by Euronext Dublin.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended, the **Securities Act**) and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Bookrunners (as defined in “*Subscription and Sale*”) in accordance with Regulation S under the Securities Act (**Regulation S**), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in registered form in the denomination of EUR 100,000. The Notes may be held and transferred, and will be offered and sold, in the principal amount of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof. The Notes will be represented by a global certificate in registered form except in certain limited circumstances described in the global certificate (the **Global Certificate**).

The Notes will be represented by a Global Certificate deposited with, and registered in the nominee name of, a common safekeeper for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A., Luxembourg (**Clearstream, Luxembourg** and, together with Euroclear, the **ICSDs**).

The Notes are intended to be held in a manner which will allow eligibility by the monetary authority of the eurozone (**Eurosystem**). This simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during the life of the Notes. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met. Individual note certificates (the **Certificates**) evidencing holdings of Notes will only be available in certain limited circumstances. See “*Summary of Provisions Relating to the Notes while Represented by the Global Certificate*”.

As of the date of these Listing Particulars, the Issuer is rated BBB+ (stable) by S&P Global Ratings Europe Limited (**S&P**), and has a Long-Term Issuer Default Rating BBB (stable) by Fitch Ratings Ireland Limited (**Fitch**). As of the date of these Listing Particulars, the Notes are rated BBB+ by S&P and BBB+ by Fitch. S&P and Fitch are credit rating agencies established in the European Economic Area and registered under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**). S&P and Fitch appear on the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

***Joint Bookrunners***

**Citigroup**

**Société Générale  
Corporate & Investment Banking**

**UniCredit Bank**

The date of these Listing Particulars is 29 March 2021

## IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information in the “*Risk Factors*”, “*Description of the CGH Group*” and “*Industry*” sections of these Listing Particulars has been extracted from certain third party sources as specified therein. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

These Listing Particulars are to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*”). These Listing Particulars shall be read and construed on the basis that those documents are incorporated and form part of these Listing Particulars.

The Issuer has confirmed to the Joint Bookrunners named under “*Subscription and Sale*” below that these Listing Particulars contain all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in these Listing Particulars on the part of the Issuer are honestly held or made and are not misleading in any material respect; these Listing Particulars do not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

No person is or has been authorised by the Issuer, the Joint Bookrunners or the Trustee (each as defined herein) to give any information or to make any representation not contained in or not consistent with these Listing Particulars or any other information supplied in connection with these Listing Particulars or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Joint Bookrunners or the Trustee.

The distribution of these Listing Particulars and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of these Listing Particulars and other offering material relating to the Notes, see “*Subscription and Sale*”.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the U.S. or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of these Listing Particulars, see “*Subscription and Sale*” below.

Neither these Listing Particulars nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Joint Bookrunners or the Trustee that any recipient of these Listing Particulars or any other information supplied in

connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither these Listing Particulars nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Joint Bookrunners or the Trustee to any person to subscribe for or to purchase any Notes.

### **SUITABILITY OF INVESTMENT**

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in these Listing Particulars or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Neither the delivery of these Listing Particulars nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

**IMPORTANT – PRIIPS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person

who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT – UK PRIIPs REGULATION / PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the **UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (**FSMA**) and any rules or regulations made under FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014, as amended, (**MiFIR**) as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Notes – MiFID II product governance / the target market is professional clients and eligible counterparties** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (**Notes distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**Notes – UK MiFIR product governance / target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in MiFIR as it forms part of domestic law by virtue of the EUWA (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (the **Notes distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect

of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

### **IMPORTANT INFORMATION RELATING TO THE USE OF THESE LISTING PARTICULARS AND OFFERS OF NOTES GENERALLY**

These Listing Particulars do not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of these Listing Particulars and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer, the Joint Bookrunners and the Trustee do not represent that these Listing Particulars may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Bookrunners or the Trustee which is intended to permit a public offering of the Notes or the distribution of these Listing Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Listing Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Listing Particulars or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of these Listing Particulars and the offering and sale of Notes. In particular, there are restrictions on the distribution of these Listing Particulars and the offer or sale of Notes in the United States, the EEA (including, for these purposes, Luxembourg and the Czech Republic), the UK, Japan and Italy; see "*Subscription and Sale*".

### **STABILISATION**

In connection with the issue of the Notes, Société Générale (the **Stabilisation Manager**) (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Presentation of Financial Information

Unless otherwise indicated, the financial information in these Listing Particulars relating to Czech Grid Holding, a.s. and its consolidated subsidiaries (collectively, the **CGH Group**) has been derived from the audited consolidated financial statements of the CGH Group for the financial year ended 31 December 2020 and the audited consolidated financial statements of the CGH Group for the financial year ended 31 December 2019 (together, the **CGH Group's Financial Statements**).

The CGH Group's financial year ends on 31 December and references in these Listing Particulars to any specific year are to the 12-month period ended on 31 December of such year. The CGH Group Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union (the **EU**) and have been audited.

The CGH Group's Financial Statements and financial information included elsewhere in these Listing Particulars have, unless otherwise noted, been presented in millions CZK.

Unless otherwise indicated, the financial information in these Listing Particulars relating to the Issuer has been derived from the audited consolidated financial statements of the Issuer as of 31 December 2019 and for the financial period from 22 March 2019 (the date of its incorporation) to 31 December 2019 (the **Issuer's Financial Statements**).

The Issuer's Financial Statements have been prepared in accordance with IFRS as adopted by the EU and are incorporated by reference in these Listing Particulars.

The preliminary financial information of the Issuer as of and for the year ended 31 December 2020 presented in these Listing Particulars has not been audited or reviewed by PricewaterhouseCoopers, Société coopérative or PricewaterhouseCoopers Česká republika, s.r.o., nor have any procedures been performed by them with respect thereto. Such financial information has been derived from management accounts, is preliminary and subject to our financial closing procedures, which have not yet been completed. While we believe this preliminary financial information to be reasonable, these could materially vary as a result of the completion of an audit or a review or of our financial closing procedures. As such, you should not place undue reliance on this information.

### Limited comparability of the CGH Group's Financial Statements and the Issuer's Financial Statement due to application of IFRS 3

On 30 September 2019, the Issuer acquired 100 per cent. of the share capital (and voting rights) of Czech Grid Holding, a.s. and its 100 per cent. owned subsidiaries GasNet, s.r.o. and GasNet Služby, s.r.o. (formerly GridServices, s.r.o.) (the **CGH Acquisition**). Czech Grid Holding, a.s. had the following equity ownership structure prior to the acquisition that took place on 30 September 2019:

- 50.04 per cent. owned by RWE Czech Gas Grid Holding B.V. (the **RWE**, which is an unrelated third party),
- 34.96 per cent. owned by CGN Holding S.à r.l. (the **CGN1** which was the controlling shareholder of the CGH Group),

- 15 per cent. owned CGN Holding 2 S.à r.l. (the **CGN2** which is an entity under common control with CGN1).

On 30 September 2019, CGN1 acquired 15 per cent. of the share capital of Czech Grid Holding, a.s. from CGN2 and 50.04 per cent. of the share capital and control in Czech Grid Holding, a.s. from RWE. The purchase consideration for both transactions was equal to the fair value of the share transferred and the transactions resulted in CGN1 gaining 100 per cent. ownership interest (and voting rights) in Czech Grid Holding, a.s.

At the same date, 30 September 2019, CGN1 transferred its 100 per cent. ownership interest (and voting rights) in Czech Grid Holding, a.s. to the Issuer.

The CGH Acquisition was accounted for as a business combination where the Issuer was the acquirer. Due to the complexity of measurement and high number of individual items of the gas distribution network and related assets acquired in the business combination the fair values of property, plant and equipment and the goodwill resulting from the acquisition have been determined only provisionally. The application of acquisition accounting and the fact that the CGH Acquisition occurred three months before the end of the accounting period significantly affected the Issuer's consolidated results and the comparability between the CGH Group's Financial Statement and the Issuer's Financial Statement. Accordingly, the Issuer's Financial Statements are materially different from the CGH Group Financial Statements.

### **Omission of Information**

Prospective investors should note that the CGH Group's Financial Statements do not include the Issuer's financial information. The Issuer was incorporated on 22 March 2019 and, therefore, the consolidated financial statements as of 31 December 2018 and for the period then ended are not available. The Issuer published its condensed consolidated financial statements as of and for the six-months period ended 30 June 2020 on its website. The Issuer is a holding company with no revenue-generating activities of its own, and neither has nor expects to have any business operations, material assets or liabilities other than its shares in Czech Grid Holding, a.s. and indebtedness described in these Listing Particulars.

### **Rounding Adjustments**

Certain amounts which appear in these Listing Particulars have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### **Exchange Rate Information**

Unless otherwise provided, the figures presented in these Listing Particulars in EUR have been converted from Czech Koruna to Euro using the exchange rate (EUR/CZK) as shown in the following table:

<b>Year ended 31 December</b>	<b>Period average</b>	<b>Period end</b>
	<b>CZK per EUR 1</b>	<b>CZK per EUR 1</b>
2019 .....	25.670	25.408
2020 .....	26.451	26.242

Source: European Central Bank

Fluctuations in the exchange rate between the Euro and the Czech Koruna in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ



from the actual rates used in the preparation of the CGH Group's Financial Statements, the Issuer's Financial Statements, any non-IFRS information and other financial information presented in these Listing Particulars.

### Non-IFRS Information

These Listing Particulars include certain unaudited financial measures which are not accounting measures as recognised by IFRS and may not be permitted to appear on the face of primary financial statements or footnotes thereto. The following are the primary non-IFRS financial measures that are used in these Listing Particulars:

**CAPEX** is defined as additions to property, plant and equipment, intangible assets and right-of-use assets.

The table below sets out the calculation of CAPEX of the CGH Group from values included in the CGH Group's Financial Statements of the CGH Group for the years ended 31 December 2020 and 2019:

	Year ended 31 December 2020	Year ended 31 December 2019
	(million CZK)	(million CZK)
Intangible assets .....	600	123
Property, plant and equipment .....	4,250	3,620
Right-of-use assets .....	93	238
<b>CAPEX</b> .....	<b>4,943</b>	<b>3,981</b>

**CAPEX (cash view)** represents cash outflows for purchases of property, plant and equipment – as presented in the CGH Group's statement of cash flows.

**Cash Conversion Ratio** represents EBITDA minus CAPEX (cash view) as a percentage of EBITDA.

**Adjusted Cash Conversion Ratio** represents Normalised EBITDA minus CAPEX (cash view) as a percentage of Normalised EBITDA.

**Cash Generation** represents EBITDA minus CAPEX (cash view).

**Adjusted Cash Generation** is defined as Normalised EBITDA minus CAPEX (cash view).

**EBITDA** is defined as profit for the year adjusted for income tax expense, finance costs, finance income, depreciation and amortisation.

**Normalised EBITDA** represents EBITDA excluding the impacts of K-Factor<sup>1</sup>.

**EBITDA Margin** is defined as EBITDA divided by total revenues, expressed as a percentage.

**Normalised EBITDA Margin** is defined as Normalised EBITDA divided by Normalised Revenues.

**Normalised Revenues** is defined as Revenues excluding the impacts of K-Factor<sup>2</sup>.

<sup>1</sup> K-Factor shows differences in allowed vs. actual revenues in year t; added to standard allowed revenue for year t+2 or allocated to several years t+2 to t+5. Normalised EBITDA shows the EBITDA excluding impact of K-Factor from previous years, but also excludes newly created differences in the given year.

<sup>2</sup> K-Factor shows differences in allowed vs. actual revenues in year t; added to standard allowed revenue for year t+2 or allocated to several years t+2 to t+5. Normalised Revenues shows the Revenues excluding impact of K-Factor from previous years, but also excludes newly created differences in the given year.

**Separation Opex** is defined as comprising of fees payable under TSA (as defined below), fees payable to consultants in relation with the separation from innogy Česká republika a.s. (**iCR**), costs of rebranding and costs related with the establishment of the in-house customer care center.

The table below sets out the reconciliation of EBITDA and EBITDA Margin of the CGH Group to the closest IFRS measure for the years ended 31 December 2020 and 2019.

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<i>(million CZK)</i>	<i>(million CZK)</i>
<b>Profit for the year</b> .....	4,403	4,783
Income tax expense .....	1,026	1,122
Finance costs .....	1,167	1,083
Finance income .....	(7)	(10)
Depreciation and amortisation .....	2,625	2,489
<b>EBITDA</b> .....	<b>9,214</b>	<b>9,467</b>
Revenues .....	14,594	14,332
<i>Revenues in million EUR</i>	552	558
<b>EBITDA Margin</b> .....	<b>63.1 per cent.</b>	<b>66.1 per cent.</b>
Separation Opex	270	0
<b>EBITDA excluding Separation Opex</b>	<b>9,484</b>	<b>9,467</b>

The table below sets adjusted figures for Normalised EBITDA of the CGH Group for the years ended 31 December 2020 and 2019.

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<i>(million CZK/EUR)</i>	<i>(million CZK/EUR)</i>
EBITDA .....	9,214/348	9,467/369
Adjustments for K-Factor impacts .....	(301)/(11)	(441)/(17)
<b>Normalised EBITDA</b> .....	<b>8,913/337</b>	<b>9,026/352</b>
Revenues .....	14,594/552	14,332/558
<b>Normalised Revenues</b> .....	<b>14,293/540</b>	<b>13,891/541</b>
<b>Normalised EBITDA Margin</b> .....	<b>62.4 per cent.</b>	<b>65 per cent.</b>
Separation Opex	270/10	0
<b>Normalised EBITDA excluding Separation Opex</b>	<b>9,182/347</b>	<b>9,026/352</b>
<b>Normalised EBITDA excluding Separation Opex divided by Normalised Revenues</b>	<b>64.0 per cent.</b>	<b>65 per cent.</b>

The table below sets out the Cash Generation and Cash Conversion Ratio for the years ended 31 December 2020 and 2019, as well as adjusted figures for Cash Generation and Cash Conversion Ratio of the CGH Group.

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<i>(million CZK/EUR)</i>	<i>(million CZK/EUR)</i>
EBITDA .....	9,214/348	9,467/369
CAPEX (cash view).....	(4,369)/(165)	(3,791)/(148)
<b>Cash Generation .....</b>	<b>4,845/183</b>	<b>5,676/221</b>
Adjusted Cash Generation .....	4,544/172	5,235/204
<b>Cash Conversion Ratio.....</b>	<b>52.6 per cent.</b>	<b>60.0 per cent.</b>
<b>Normalised EBITDA .....</b>	<b>8,913/337</b>	<b>9,026/352</b>
Adjusted Cash Conversion Ratio .....	51.0 per cent.	58.0 per cent.

**Free Cash Flow** of the CGH Group is defined as net cash from / (used in) operating activities less cash used for purchase of property, plant and equipment and intangible assets, lease payments for subsurface rights and cash granted to related parties and increased by proceeds from disposals of property, plant and equipment and intangible assets and loans repayments received from related parties.

The table below sets out Free Cash Flow of the CGH Group for the years ended 31 December 2020 and 2019:

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<i>(million CZK)</i>	<i>(million CZK)</i>
<b>Net cash from operating activities .....</b>	<b>7,490</b>	<b>6,929</b>
Purchases of property, plant and equipment .....	(4,369)	(3,791)
Proceeds from the sale of property, plant and equipment and intangible assets .....	10	13
Lease payments for subsurface rights .....	(93)	(88)
Loans granted to related parties .....	--	(2,831)
Loan repayments received from related parties.....	--	4,162
<b>Free Cash Flow.....</b>	<b>3,038</b>	<b>4,394</b>

**Net Debt** is defined as sum of non-current bank borrowings of the Issuer (on a consolidated basis) less cash and cash equivalents of the Issuer (on a consolidated basis).

**Pro Forma Net Debt / EBITDA** is defined as Net Debt divided by EBITDA of the CGH Group.

The following table sets out Net Debt and Pro Forma Net Debt / EBITDA for the years ended 31 December 2020 and 31 December 2019:

	As of and for the year ended 31 December 2020	As of and for the year ended 31 December 2019
	(million CZK)	(million CZK)
Non-current bank borrowings of the Issuer .....	44,257 <sup>3</sup>	42,388
Issuer's cash and cash equivalents	(1,741) <sup>4</sup>	(926)
<b>Net Debt</b> .....	<b>42,516<sup>5</sup></b>	<b>41,462</b>
<i>Net Debt in million EUR</i>	<i>1,620<sup>6</sup></i>	<i>1,632</i>
EBITDA (of the CGH Group) .....	9,214	9,467
<b>Pro Forma Net Debt / EBITDA</b> .....	<b>4.61</b>	<b>4.38</b>

The CGH Group has presented these measures (1) as they are used by its management to monitor its financial position for outstanding debt and available operating liquidity and (2) to represent similar measures that are widely used by certain investors, securities analysts and other interested parties as supplemental measures of financial position, financial performance and liquidity. The CGH Group believes that the inclusion of these ratios and measures, when considered in conjunction with measures reported under IFRS, enhance investors' understanding of indebtedness and the CGH Group's current ability to fund its ongoing operations.

The non-IFRS measures mentioned in these Listing Particulars may not be comparable to other similarly titled measures as used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Besides the non-IFRS measures presented and described here, the CGH Group also uses other non-IFRS measures, driven by specific regulations (tariffs), which are defined and described in the chapter "*Description of the CGH Group*". Investors should exercise caution in comparing CAPEX, EBITDA, EBITDA Margin, Free Cash Flow, Cash Generation, Cash Conversion Ratio, Net Debt, Pro Forma Net Debt / EBITDA, Allowed Revenues, Allowed Depreciation, Normalised EBITDA, Allowed OpEx, Actual Opex Allowed Losses, Allowed Technical Consumption, Allowed Overflows, K-Factor, Capex (Czech GAAP), Separation Opex and the other non-IFRS measures mentioned in these Listing Particulars to similar measures used by other companies.

Further, none of these non-IFRS measures is a measurement of performance under IFRS, and investors should not consider such non-IFRS measures in isolation or construe them as substitutes for, *inter alia*, net income, operating profit, cash flows from operations, investing activities or financing activities or other measures determined in accordance with IFRS.

These non-IFRS measures have limitations as analytical tools, including the following:

- they do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect the interest expense, or the cash requirements necessary, to service interest or principal payments on debt;

<sup>3</sup> Including also issued notes. Figure has not been audited.

<sup>4</sup> Figure has not been audited.

<sup>5</sup> Including also issued notes. Figure has not been audited.

<sup>6</sup> Including also issued notes. Figure has not been audited.

- although depreciation and amortisation are non-monetary charges, the assets being depreciated and amortised will often need to be replaced in the future and EBITDA does not reflect any cash requirements that would be required for such replacements;
- some of the items eliminated in calculating EBITDA reflect cash payments that were made, or will be made in the future; and
- the fact that other companies in the same industry may calculate EBITDA and the other non-IFRS measures mentioned in these Listing Particulars differently than those mentioned in these Listing Particulars, limits their usefulness as comparative measures.

### **Use of Certain Terms and Conventions**

The terms EBITDA, EBITDA Margin, CAPEX and Free Cash Flow, Leverage, Cash Generation, Cash Conversion Ratio, Net Debt, Pro Forma Net Debt / EBITDA, Allowed Revenues, Allowed Depreciation, Normalised EBITDA, Allowed OpEx, Actual Opex Allowed Losses, Allowed Technical Consumption, Allowed Overflows, K-Factor, Capex (Czech GAAP) of the CGH Group or the Issuer included in these Listing Particulars do not carry the same meanings when used (or similarly used) in any documentation for any financial liabilities of the CGH Group.

These Listing Particulars are drawn up in the English language. Certain legislative references and technical terms in these Listing Particulars have been cited in their original Czech language in order that the correct technical meaning may be ascribed to them under applicable law.

Capitalised terms which are used but not defined in any particular section of these Listing Particulars will have the meaning attributed to them in “*Conditions of the Notes*” or any other section of these Listing Particulars.

### **In these Listing Particulars, all references to:**

- **CZK** or **Czech Koruna** refer to Czech Republic koruna;
- **Euro, EUR** and **€** refer to the lawful single currency of the member states of the EU that have adopted and continue to retain a common single currency through monetary union in accordance with European Union treaty law (as amended from time to time); and
- a **Member State** are references to a Member State of the European Economic Area.

References to a **billion** are to a thousand million.

### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

These Listing Particulars contain various forward-looking statements that relate to, among others, events and trends that are subject to risks and uncertainties that could cause the actual business activities, results and financial position of the Issuer and the CGH Group to differ materially from the information presented herein. When used in these Listing Particulars, the words “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “should” and similar expressions, as they relate to the Issuer, the CGH Group and their management, are intended to identify such forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of these Listing Particulars. The Issuer does not undertake any obligations publicly to release the result of any

revisions to these forward-looking statements to reflect the events or circumstances after the date of these Listing Particulars or to reflect the occurrence of unanticipated events.

When relying on forward-looking statements, investors should carefully consider the foregoing risks and uncertainties and other events, especially in light of the political, economic, social and legal environment in which the CGH Group operates. Factors that might affect such forward-looking statements include, among other things, overall business and government regulatory conditions, changes in tariff and tax requirements (including tax rate changes, new tax laws and revised tax law interpretations), interest rate fluctuations and other capital market conditions, including foreign currency exchange rate fluctuations, economic and political conditions in the Czech Republic and Luxembourg and other markets, and the timing, impact and other uncertainties of future actions. See “*Risk Factors*”. The Issuer does not make any representation, warranty or prediction that the factors anticipated by such forward-looking statements will be present, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

## CONTENTS

Overview of the Issue.....	16
Risk Factors.....	19
Documents Incorporated by Reference .....	37
Conditions of the Notes .....	38
Summary of Provisions Relating to the Notes while Represented by the Global Certificate.....	54
Use of Proceeds .....	57
Selected Historical Financial Information.....	58
Legal Information in Respect of the Issuer .....	63
Description of the CGH Group.....	65
Issuer and the CGH Group Management .....	95
Industry.....	105
Regulation .....	112
Taxation.....	125
Subscription and Sale .....	130
General Information .....	134
Index of Defined Terms.....	137

## OVERVIEW OF THE ISSUE

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of these Listing Particulars.*

Words and expressions defined in “*Conditions of the Notes*” shall have the same meanings in this overview.

Issuer: Czech Gas Networks Investments S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg, having its registered office at 20, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg*) under number B233.444.

Issuer	Legal	Entity	549300K11JPENR1PEH43
Identifier (LEI):			

Risk Factors: There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under these Listing Particulars. Investors should carefully consider all of the information in these Listing Particulars, which includes information incorporated by reference. In particular, investors should evaluate the specific factors under “*Risk Factors*”.

Issue: EUR 500,000,000 0.875 per cent. Notes due 2031

Trustee: Citicorp Trustee Company Limited

Paying Agent: Citibank N.A., London Branch

Registrar: Citigroup Global Markets Europe AG

Status of the Notes: The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(a) (*Negative Pledge*) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Form of Notes: The Notes will be issued in registered form. The Notes will be represented by the Global Certificate, except in certain limited circumstances described in the Global Certificate, which will be exchangeable for definitive Certificates only in certain limited circumstances. (See “*Summary of Provisions Relating to the Notes while Represented by the Global Certificate*”).)

The Notes will be represented by the Global Certificate deposited with, and registered in the nominee name of, a common safekeeper for Euroclear and Clearstream, Luxembourg.



	The Global Certificate is to be held under the New Safekeeping Structure.
Interest:	The Notes will bear interest from (and including) the Issue Date at the rate of 0.875 per cent. per annum payable annually in arrear on 31 March in each year.
Redemption:	<p>Unless redeemed early as described below, the Notes are scheduled to be redeemed on 31 March 2031.</p> <p>The Issuer may, at its option, redeem all, but not some only, of the Notes at their principal amount together with any accrued interest in the event of certain changes affecting taxation as described under Condition 5(b) (<i>Redemption for tax reasons</i>).</p> <p>The Issuer may on any date, from and including, 31 December 2030 to, but excluding, 31 March 2031, at its option, redeem all, but not some only, of the Notes at their principal amount, as described in Condition 5(c) <i>Redemption at the option of the Issuer (Issuer Call)</i>.</p> <p>The Issuer may at any time from, but excluding, the Issue Date to, but excluding, 31 December 2030, at its option, redeem all, but not some only, of the Notes at the Make-Whole Redemption Amount, as described under Condition 5(d) (<i>Redemption at the option of the Issuer (Make-Whole)</i>).</p>
Denomination of Notes:	The Notes will be in registered form in the denomination of EUR 100,000. The Notes may be held and transferred, and will be offered and sold, in the principal amount of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by tax authorities in the Grand Duchy of Luxembourg or any political subdivision thereof or authority therein as provided in Condition 7 ( <i>Taxation</i> ). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 ( <i>Taxation</i> ), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain negative pledge provisions as further described in Condition 3(a) ( <i>Negative Pledge</i> ).
Certain Covenants:	The terms of the Notes contain covenants which limits the Issuer's ability to make payments under Tranche B of the Restated Long Term Shareholder Loan Facility Agreement as further described in Condition 3(b) ( <i>Financial Covenant</i> ).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 8 ( <i>Events of Default</i> ).
Meetings of Noteholders:	The Trust Deed contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders

	who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.
Modifications, Waiver, Authorisation and Determination:	The Trustee may, without the consent of Noteholders, agree to (i) any modification of (subject to certain exceptions), or the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) any modification which, in its opinion, is of a formal, minor or technical nature, in each case, in the circumstances and subject to the conditions described in Conditions 12 ( <i>Meetings of Noteholders, Modification and Substitution</i> ).
Rating:	The Issuer has a corporate credit rating of BBB+ (stable) by S&P and a Long-Term Issuer Default Rating of BBB (stable) by Fitch. The Notes are rated BBB+ by S&P and BBB+ by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made to Euronext Dublin for the Notes to be admitted to Euronext Dublin's Official List and to trading on its Global Exchange Market, which is the exchange regulated market of Euronext Dublin.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
ISIN:	XS2322438990
Common Code:	232243899
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States (Regulation S (Category 2)), the EEA (including Luxembourg and the Czech Republic), the UK, Japan and Italy and such other restrictions as may be required in connection with the offering sale of the Notes, see " <i>Subscription and Sale</i> ".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA not applicable.
Financial Information:	See " <i>Presentation of Financial and Other Information</i> ", " <i>Documents Incorporated by Reference</i> " and " <i>Selected Historical Financial Information</i> ".

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but its inability to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which the Issuer may not currently be able to anticipate. The risks and uncertainties the Issuer describes below are not the only ones the Issuer may face. Additional risks not currently known to the Issuer or that the Issuer now deems immaterial may also harm the Issuer and affect their businesses, results of operations, financial condition and your investment. Prospective investors should also read the detailed information set out elsewhere in these Listing Particulars and reach their own conclusions prior to making any investment decision.*

*The risk factors described below are not stated in order of priority reflecting their significance or probability of occurrence.*

### **Risks related to the CGH Group's business and the gas distribution industry**

***The CGH Group's revenue from its gas distribution network is mostly derived from regulated tariffs, changes in which may have a material adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects.***

The CGH Group's revenues from its distribution business, which distributes gas across the Czech Republic to the end-users, are dependent on final tariffs (prices) for gas distribution, which are published by the Energy Regulatory Office (the **ERO**). The CGH Group cannot guarantee that future tariffs for gas distribution will be set at a level allowing it to improve or maintain its profitability margins or maintain or improve its infrastructure in line with current expectations. Future changes in the set tariffs and price regulation applicable to the CGH Group's gas distribution network could have a material adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects.

The financial regulatory framework for gas distribution in the current fifth regulatory period (the **RP5**) commenced on 1 January 2021. The RP5 substantially reduces risks related to the CGH Group's revenue from 2021 to 2025 as it allows the ERO to adjust the financial regulatory framework only in case of extraordinary changes in the market or extraordinary changes related to regulated subjects. The CGH Group cannot exclude the risk of any negative change in regulatory regime after the end of the RP5 on 31 December 2025.

***Changes to applicable regulations and/or approach of the regulator could create uncertainty in matters that are significant to the CGH Group's business and have an adverse impact on its financial condition or results of operations***

The CGH Group operates in a highly-regulated industry. The laws, regulations, directives, decisions and policies of the EU and the Czech Republic determine the scope of the CGH Group's activities and affect matters such as procedures for allocation of capacities and tariffs, permitting and licensing requirements and limitations on land use, employee health and safety, unbundling requirements in the gas distribution businesses or the EU's policies with respect to gas distribution infrastructure. Changes to EU law or their implementation into Czech law (including new legal requirements) may create new legal risks for the CGH Group's operations and affect the CGH Group's business and income in ways

it cannot predict. Such legislation or regulations may be directly applicable to the CGH Group in its role as a distribution system operator (a **DSO**), or indirectly (such as environmental regulations relating to carbon emissions or competition regulations given the CGH Group's position).

New laws and regulation and/or ERO's approach to regulation of the gas sector could have a material adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects. Failure to comply with the laws and/or regulation regulations may result in, among other things, the imposition of administrative, civil and criminal penalties, the incurring of clean-up and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of licences, or permits and other enforcement measures that could have the effect of limiting the CGH Group's operations.

***The gas distribution business requires a licence that may in certain situations be revoked or that may be subject to increasingly stringent conditions.***

The CGH Group's gas distribution activities require various administrative authorisations, licences, certificates, permissions and/or exemptions in the Czech Republic. In particular, GasNet's Gas Distribution Licence is necessary for the CGH Group to carry out its gas distribution business in the Czech Republic and as such is of utmost importance to the CGH Group's business. The Gas Distribution Licence is granted for an indefinite period of time and it is subject to the possibility of revocation only in certain situations specified by Section 10 of Act No. 458/2000 Coll., on business conditions and state administration in the energy sector, as amended (the **Energy Act**), which includes revocation due to breaches of duties under the Energy Act which endanger the life, health or property of others. See "Regulation Licensing regime".

While the CGH Group has not had problems maintaining the Gas Distribution Licence and other authorisations, licences, certificates, permissions and/or exemptions in the past, there can be no assurance that the CGH Group may not have difficulties in the future, in particular, if Czech or EU regulations or the interpretation of such regulations changes, resulting in the introduction of new procedural and/or other requirements for receiving the Gas Distribution Licence or any other relevant authorisations, licences, certificates, permissions and/or exemptions. The termination, revocation, suspension or modification of the Gas Distribution Licence or any other authorisations, licences, certificates, permissions and/or exemptions in a timely manner would have a material adverse effect on the CGH Group's business, operations, financial condition or results of operations.

***Risk related to grid renewal investments.***

The CGH Group faces challenges in connection with the renewal of ageing grid assets, mainly local steel networks. In particular, the CGH Group has to manage costs and quality of the deliveries, associated health and safety, and stability of delivery capacities in the market. The inability to perform necessary renewal work on the CGH Group's grid network could have a material adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects.

***Risk of expropriation of the gas infrastructure.***

As the technical infrastructure and equipment which the CGH Group owns or has the right to use is of paramount importance to the Czech Republic's national security, the risk of expropriation of the infrastructure in the event of a crisis situation cannot be entirely ruled out. Nevertheless, under Czech law, the ownership of property is one of the basic rights protected by the Czech Constitution. Therefore, ownership may be made subject to a limitation or expropriated only in extraordinary and limited circumstances.

Given the strategic importance of the gas infrastructure to the state, it cannot be ruled out that additional special legislation may be enacted to enable actions such as expropriation/limitation of ownership of

energy infrastructure and equipment. This could have a material adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects. See "*Regulation - Crisis Management Regulation*".

***Risks related to political and governmental instability in the region.***

The CGH Group's operations are located solely in the Czech Republic. Therefore, the CGH Group is exposed to political, legal and economic risks associated with the Czech Republic and, due to the cross-border nature of gas distribution and gas transmission operations, also Germany, Slovakia, Poland, Ukraine and Russia. Any future political and governmental instability and/or international political conflicts in countries that are strategic for the CGH Group in ensuring effective operation of its network could result in changes to such countries' export policies and introduction of potential restrictions on the gas exports.

A significant reduction in gas exports from gas-producing countries (including from reverse flow) and an involuntary disconnection of customers from the grid could have, in the long term, a material adverse effect on the demand for the CGH Group's network capacity. The CGH Group is exposed to the risk that Russia, other countries or neighbouring transmission system operators (the **TSOs**) could close their transmission grids, thereby cutting off the supply of gas, which is then transported into the CGH Group's distribution network.

Sanctions imposed against companies involved in completing the Nord Stream 2 Gas Pipeline from Russia to Germany could reduce future gas flows via Nord Stream 2 to the Czech Republic and undermine investments in gas infrastructure in Europe.

In addition, political and governmental instability in gas-producing and transit countries would create an uncertain operating environment for the CGH Group and could hinder the CGH Group's long-term planning. Such risks may have a material adverse impact on the business, financial condition or results of operations of the CGH Group. In certain circumstances like natural disasters, terrorist attacks and industrial accidents, the CGH Group may also be exposed to emergency legislation and/or implementation of international sanctions, which may for example limit the CGH Group's ownership rights or possibility to carry out its gas distribution business.

***Risks relating to the CGH Group's reliance on service providers and subcontractors.***

While the CGH Group is responsible mainly for carrying out the gas distribution service, in several areas of its operations it is also exposed to risks arising from its reliance on service providers and subcontractors. Although the CGH Group is careful in choosing its partners, it cannot guarantee the performance and quality of services carried out by external parties or their compliance with applicable regulations. Financial difficulties including those connected to ongoing COVID-19 outbreak such as insolvency, of any such service provider or subcontractor, or a decrease in the quality of service, increase in prices and budget overruns or completion delays, are likely to have an adverse impact on the CGH Group's business, financial condition, and results of operations. Although the CGH Group has alternate service providers and subcontractors (who are regularly checked in terms of their credit rating and risk), it cannot guarantee the performance of such providers and subcontractors or complete price risk reduction, which may result in financial losses for the CGH Group.

***Risks related to changes in the demand for gas.***

Demand for the CGH Group's distribution capabilities is ultimately driven by demand for natural gas in Europe, in particular in the Czech Republic. The CGH Group is exposed to the global risks associated with the demand for gas, which depend on a number of factors outside of its control, including gas prices, geopolitical developments, weather conditions, alternative energy sources, the development and usage of renewable energy sources (and state subsidies for them), energy efficiencies, climate

fluctuations, environmental laws, climate change initiatives and policies, as well as recent EU climate initiatives and regulation of emissions that may, pursuant to an overarching aim to decarbonise the EU's energy system, adversely affect the gas market in which the CGH Group operates.

The CGH Group's results fluctuate in accordance with the economic cycles and general economic conditions in the Czech Republic. Any economic slowdown in the Czech Republic would lead to a reduction in gas consumption and, consequently, would have a negative impact on the demand for gas distribution, decreasing the bookings in the CGH Group's contract portfolio.

Higher natural gas prices in the long term may decrease the general demand for natural gas and, thereby, the volume of natural gas the CGH Group is able to contract to distribute.

The CGH Group's decision to expand its distribution capacity or develop new interconnections has been and will continue to be based on projected demand for natural gas distribution. Such projections are based on currently available data and historical information on market growth trends, energy policy and connection requests. Accordingly, if actual demand for natural gas distribution is not in line with the CGH Group's projections, the CGH Group may not realise the projected return on its investments, and its financial condition or results of operations could be adversely affected.

***The CGH Group may be exposed to competition risk.***

The CGH Group holds a natural monopoly in Czech territory (except for the Prague and South Bohemia areas) for which it holds the Gas Distribution Licence. However, the licence is not exclusive and it cannot be ruled out that other entities operating in the gas distribution business including other DSOs operating currently in the Czech market, i.e. Pražská Plynárenská Distribuce, a.s. and E.ON Distribuce, a.s. will not disrupt the CGH Group's business in the future. The competition risk GasNet may face in the Czech gas distribution market is related to operating expenditure allowance and efficiency. Based on the efficiency of GasNet, Pražská Plynárenská Distribuce, a.s. and E.ON Distribuce, a.s., the ERO may decide to unify the operating expenditure allowance across the operators. Subsequently, GasNet could potentially underperform on this metric should it become less efficient than other DSOs.

If the CGH Group is unable to remain competitive due to, among other things, new participants in the market where the CGH Group operates, significant adverse changes in the gas distribution services market in the Czech Republic as well as distribution tariff levels could have a material adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects.

***The gas traders may fail to perform their payment obligations, which could adversely impact the CGH Group's financial condition.***

The CGH Group is exposed to the risk that the gas traders (the **Gas Traders**) may be unable, or may refuse, to perform their contractual financial obligations to the CGH Group, whether as a result of a deterioration in their financial situation or in the general economic or political conditions or otherwise. In 2020, the top 10 Gas Traders generated 80 per cent. of the CGH Group's revenue. Such failure or refusal of a Gas Trader to perform its contractual obligations may have a significant adverse impact on the CGH Group's business, financial condition, results of operations and cash flow as the whole amount of allowed revenues is cashed in from Gas Traders. Even in the case where Gas Traders fail to perform their contractual obligations, the CGH Group is still obliged to pay regular payments (monthly fees) to NET4GAS, s.r.o. (**NET4GAS**) (gas transmission operator) and OTE, a.s. (**OTE**) (gas market operator) and its other payment obligations. See "Industry -" and "Industry - Gas Market Operator" for further details.

## **Risks related to the CGH Group generally**

### ***The CGH Group's access to financing may be adversely affected by changes to its credit ratings.***

Downgrades of the CGH Group's credit ratings may affect the CGH Group's borrowing capacity and the cost of any future borrowing or refinancing. Failure by the CGH Group to secure financing in the future may have a material adverse impact on the CGH Group's business, financial condition and results of operations.

### ***Risks related to insolvency proceedings.***

The assets of the CGH Group may be subject to attachment in the event of insolvency proceedings. Any such attachment could limit the CGH Group's business, disrupt the operations of the CGH Group, reduce efficiency and/or be costly and time consuming to defend and therefore could adversely impact the CGH Group's business, financial condition and results of operations.

### ***The CGH Group is subject to end customers' risk.***

GasNet and GasNet Služby, as the CGH Group's operating subsidiaries, may be exposed to financial losses due to the inability of end customers to repay or service debts in accordance with their contractual obligations. This risk exists particularly with regard to the payment obligations of the CGH Group's end customers. Even though the CGH Group has not observed any significant increase in defaulting customers as a consequence of the COVID-19 pandemic so far, the occurrence of any such significant increase for any reason (including the effects of the COVID-19 pandemic) in end customers defaulting on their contractual obligations towards GasNet and GasNet Služby could have a short-term negative effect on the CGH Group's business, results of operations and cash flow. The CGH Group may be unable to quickly disconnect defaulting customers from the network to prevent further gas off-take e.g. due to inaccessibility of gas meters.

### ***The insurance coverage of the members of the CGH Group may not be sufficient to cover all losses and liabilities and the members of the CGH Group may sustain losses from risks not covered by, or exceeding the coverage limits of, its insurance policies.***

The Issuer cannot provide any assurance that the insurance the CGH Group maintains will be sufficient or provide effective coverage under all circumstances and against all hazards or liabilities to which the CGH Group may be exposed. Especially, the insurance protection does not cover any loss of profits to which the CGH Group may be exposed. In addition, the insurance policies are subject to commercially negotiated deductibles, exclusions and limitations of liability and the CGH Group will only receive insurance proceeds in respect of a claim made to the extent that its insurers have the funds to make payment. Therefore, insurance may not cover all of the material losses the CGH Group may incur, such as the costs associated with the repair and reconstruction of any of the CGH Group's distribution networks and other assets and property. In addition, there are certain types of losses (such as losses resulting from war, terrorism, nuclear radiation, radioactive contamination, ground heaving or settlement) which are or may be or become either uninsurable or not insurable at economically viable rates, or which are not covered by the insurance policies maintained by the CGH Group for other reasons. The Issuer's ability to make payments on the Notes might be adversely affected if such an uninsured loss were to occur or if the relevant insurer became insolvent or otherwise unable or unwilling to satisfy any claim and the CGH Group were not able to shift the cost burden to a third party. In addition, the business of the CGH Group may be affected by unexpected costs and events in relation to unknown risks, for which it may not have obtained relevant insurance. The CGH Group does not maintain separate funds or otherwise set aside reserves to cover losses or third-party claims from uninsured events. See "Risks related to pipeline insurance" below.

Materialisation of any of the above risks could have a material adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects.

***Risks related to pipeline insurance.***

The CGH Group's pipelines are a decentralised system of assets and insuring them is not economical. Furthermore, GasNet pipelines are mostly underground and less exposed to damage. Accordingly, the CGH Group does not have the benefit of any insurance against damage to the pipelines it owns or for business interruption. Any material damage to its pipelines could have an adverse impact on the CGH Group's investment plan, business, financial condition, results of operations, cash flow and prospects.

***The CGH Group's controlling shareholder's interest may differ from the interests of Noteholders.***

The CGH Group is indirectly controlled by CGN Holdings S.à r.l., which, as of the date of these Listing Particulars, controls 55.21 per cent. of the Issuer's shares and voting rights. The controlling shareholder's interests may in some cases differ from those of the Issuer or of Noteholders. Any such conflict may adversely impact the CGH Group's business, financial condition and results of operations.

***Disruptions in gas transportation services, or an unexpected increase in their cost, could materially and adversely affect the CGH Group's business, financial condition, results of operations, cash flow and prospects.***

The CGH Group is exposed to the risk of disruptions in gas transportation services. Any significant shortage or interruption in the gas transportation services could disrupt the CGH Group's operations and increase costs, which could have a material adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects.

The CGH Group does not operate any material gas production or transmission facilities and takes over gas belonging to the Gas Traders from NET4GAS transmission pipelines for distribution to end customers. The CGH Group is therefore reliant on its ability to meet virtually all of its gas requirements to cover losses in the distribution network, for ancillary activities and technical purposes and as a reserve for the supply of gas to households under short-term agreements with gas producers and traders. Although the current regulation foresees price coverage in case disruptions give rise to higher prices of fuel (when acquiring gas to cover network losses), the CGH Group may be exposed to the risk that fuel and transportation may not be available during certain periods at any price. See "*Risks related to political and governmental instability in the region*".

As a result, any disruption in supply could have a material adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects.

***Gas distribution business is sensitive to variations in weather.***

The gas distribution operations are affected by variations in general weather conditions and unusual weather patterns. The CGH Group's business forecasts the demand for gas distribution based on long-term historical average weather conditions. While the CGH Group also considers possible variations in normal weather patterns and potential impacts on the CGH Group's facilities and business, there can be no assurance that such planning can prevent negative impacts on the CGH Group's business. Typically, when winters are warmer than expected, demand for gas is lower than forecasted, which may have a material adverse effect on revenues of the CGH Group's business.



## **Risks related to operating activities**

### ***Risks related to natural disasters, equipment malfunction and human error.***

The CGH Group's distribution operations are conducted on the basis of intermediate-pressure distribution pipelines. The distribution of natural gas carries a high risk and is exposed to increased costs as a result of damage from disruptions, system or equipment breakdowns, accidents, natural disasters (for example heavy storms, thunderstorms, earthquakes or landslides), operational hazards, equipment malfunction, human error, failure to maintain the distribution network, processes resulting from unexpected material defects or fatigue, major system or network imbalances, IT system and processes failures (including system hardware and software failures, viruses, accidents or security breaches), performance below expected levels of capacity and efficiency and/or other unforeseen events that could cause gas leaks, explosions, fire or equipment damage and that, in turn, could cause human injury or death or damage to third parties or to the environment. Any occurrence of a serious accident or loss of life or serious injury to its employees as a result of any breach of applicable health and safety legislation may result in a disruption of the CGH Group's services or cause reputational harm. Any failure of the CGH Group's gas distribution network may be costly to repair and any outages may cause the CGH Group to lose revenues due to its inability to distribute gas or to provide services in accordance with the contracts with its customers, which, in turn, may adversely affect its business, financial condition, results of operations or reputation and expose it to liability, including class action litigation.

### ***Risks related to third-party action.***

The operations of the CGH Group may be disrupted by unforeseen events such as terrorist attacks, sabotage, breaches of security or other intentional acts or crimes which may cause damage to the CGH Group's assets or harm key employees and/or otherwise negatively affect the CGH Group's network or operations and may cause network failures or system breakdowns. Such acts may adversely affect the CGH Group's business, its financial condition, results of its operations or its reputation. Unforeseen events may also cause additional operating costs such as higher insurance premiums. They may also result in the CGH Group's inability to obtain insurance protection against certain types of risks. These risks may have an adverse effect on the business, financial condition or results of operations of the CGH Group or the ability of the CGH Group to meet its obligations under the Notes.

In addition, accidents that may occur at the CGH Group's facilities in connection with the use of certain of the CGH Group's assets may result in the harm and death of humans and other serious consequences and expose the CGH Group to potential claims resulting in significant liability, use of financial and management resources and possible reputational damage.

### ***The inability to attract, train or retain key managers, senior executives and other qualified personnel could have a material adverse impact on the CGH Group's business, operations, financial condition, results and prospects.***

The CGH Group's ability to implement its long-term strategy depends on the capabilities and performance of its personnel. Loss of key managers, senior executives and other qualified personnel or an inability to attract, train or retain highly-qualified staff required to support its obligations, implement its investment programme and develop new business fields, could affect the CGH Group's ability to implement its long-term strategy and could have a material adverse impact on the CGH Group's expertise, business, know-how, operations, financial condition and prospects and on the ability to maintain or operate the network or complete infrastructure projects on time or meet strategic objectives.

### ***The CGH Group's infrastructure investments could be subject to delays.***

As a DSO, GasNet is obliged to continuously maintain and develop its network in order to ensure the capability of the network to satisfy demand for the distribution of gas and, in particular, to contribute

to the security of supply by having appropriate distribution capacity. The CGH Group's infrastructure investments for maintenance and (in minor part) expansion of its current business and the speed at which these investments are implemented are subject to planning and execution risk and may be affected by delays in receiving necessary authorisations and approvals, delays in the required land expropriation procedures or in construction (and other factors outside its control). As the investment proposals and implementation of such investment proposals are subject to certain assumptions, such assumptions may prove incorrect and the investment projects may not develop as planned or issues relating to such investment projects may put the CGH Group in a position of non-compliance with legislation. Furthermore, the CGH Group may not be able to raise sufficient capital to finance such investment plans at rates that are economically viable. In summary, such investments may not yield the projected returns, if any, or may not be completed as expected.

Any postponement of, or failure to complete, any contemplated projects may have an adverse effect on the generation of the CGH Group's expected revenues, may lead to claims of damages and, as a result, on the CGH Group's business, financial condition, results of operations, cash flow and prospects.

***The CGH Group faces various risks related to the ongoing COVID-19 health crisis, which could have material adverse effects on the CGH Group's revenues from distribution fees and operations.***

The CGH Group faces various risks related to the ongoing coronavirus COVID-19 health crisis (**COVID-19**). The COVID-19 pandemic developed rapidly in 2020 and the first quarter of 2021 with a significant number of cases and the Czech Republic has been severely hit by the pandemic reaching over one million confirmed cases by February 2021. The spread of COVID-19 has resulted in governments and authorities across the world, including in the Czech Republic, implementing numerous measures to try to contain COVID-19, such as travel bans and restrictions, quarantines, shelter in place orders, curfews and shutdowns and these measures have impacted, and may further impact, portions or all of the CGH Group's workforce and operations, the operations of its customers, Gas Traders and suppliers. As at the date of these Listing Particulars, the COVID-19 pandemic has caused significant financial market volatility, uncertainty, and international supply changes, which have significantly depressed global business activities and could restrict access to capital and result in a long-term economic slowdown or recession that could negatively affect the CGH Group's operating results.

Although the impact of COVID-19 on the CGH Group has been limited so far, there remains an uncertainty regarding the duration and extent of governmental regulation and other measures, which try to contain the impact of the global pandemic, especially social distancing rules and quarantine rules and potential future measures as well as the consequences which such measures may have, including labour shortages and real time changes in operating procedures to accommodate social distancing guidelines. Restrictions on access to the CGH Group's facilities or on its support operations or workforce, or similar limitations for its suppliers, and restrictions or disruptions of transportation, could limit the CGH Group's ability to meet customer demand for gas and have a material adverse effect on its financial condition, cash flows and results of operations. There is no certainty that measures taken by the Czech authorities will be sufficient to mitigate the risks posed by COVID-19, and whether the CGH Group's ability to perform critical functions could be harmed.

The COVID-19 pandemic may impact the Gas Traders, whose financial situation may be deteriorated by the COVID-19 pandemic. See "*Gas Transmission*". These effects may have an adverse effect on the CGH Group's ability to connect the end customer to the grid, which ultimately may lead to lower revenue in both fixed and variable parts of the price tariffs. Additionally, the COVID-19 pandemic may result in the decreased production and hence demand for gas of industrial customers.

The extent to which the COVID-19 outbreak impacts the CGH Group's results is highly uncertain and depends on, among others, future developments, including another, more severe wave of the pandemic in the Czech Republic, new information that emerges concerning the severity of the COVID-19 pandemic and the actions to contain the outbreak or treat its impact. The Czech economy has been

affected by the COVID-19 outbreak and the measures adopted to prevent and limit the spread of the disease, causing uncertainty regarding the outlook. Based on the Macroeconomic Forecast<sup>7</sup> of the Ministry of Finance of the Czech Republic published on 20 January 2021, it is expected that in 2021, gross domestic product (GDP) could grow by 3.1 per cent, assuming that significant and prolonged easing of restrictive measures will take place in Q2 2021 at the earliest. The forecast does not anticipate that the COVID-19 pandemic will have a long-term effect on the global supply chain. In 2021, the household consumption recovery is supported by a reduction in the effective tax burden and by an expected decline in the savings rates. Household consumption could therefore increase by 3.3 per cent.

The uncertain or negative outlook on general economic conditions can cause significant changes in market liquidity conditions, which could affect the CGH Group's access to funding and associated funding costs, which could reduce the CGH Group's earnings and cash flows. The CGH Group cannot predict the time period over which, the CGH Group's sales and operations will be impacted by the COVID-19 pandemic, and the effects could be material. The COVID-19 pandemic has caused an economic slowdown, and it is possible that it could cause a global recession. Risks related to negative economic conditions are described in the risk factor titled "*Risks related to changes in the demand for gas.*".

The CGH Group continues to monitor the COVID-19 situation and guidance from relevant authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside the CGH Group's control that require the CGH Group to adjust its operating plan. The ultimate magnitude of the COVID-19 pandemic, including the extent of its impact on the CGH Group's financial and operational results, which could be material, will be determined by the length of time and intensity that the pandemic continues, its effect on the demand for the Group's products and services and the supply chain, as well as the effect of governmental regulations in response to the pandemic. The COVID-19 pandemic could have a material adverse effect on the Group's business, financial condition, results of operations and/or cash flows.

#### ***Risks relating to information systems.***

The CGH Group operates highly complex and sophisticated information systems (such as servers, networks, applications and databases) including enterprise resource planning (**ERP**), asset management and workforce management systems (the **IT Systems**) that are essential for the everyday operation of its commercial and industrial business. The Group is currently in the process of implementing a new ERP and replacing the present system provided by Innogy SE, owner of the system, under a transitional services agreement. The CGH Group may use the current system until the end of March 2022, but plans to switch to the new ERP in September 2021. Provided all post-implementation testing is successful and the new system functions reliably, the transitional services agreement with Innogy SE will be terminated in Q4 2021. The correct implementation, updates, reliability and continuity of the IT Systems are essential for efficient and reliable operation of the network. Failure to implement the new ERP system could lead to interruption of function associated with accounting, controlling, asset accounting, HR and other associated functions. The CGH Group has also been implementing measures to ensure compliance with the General Data Protection Regulation (EU) 2016/679, as amended, (**GDPR**). Although the CGH Group continuously takes measures to improve its IT Systems and processes, there is no guarantee that hardware and software failures, viruses, accidents or security breaches will not occur. The CGH Group is also exposed to risk of attacks such as phishing, malware attack, or man-in-the-middle attack that can lead to data misuse or failure of information systems. These could impair the CGH Group's ability to provide all or part of the services it is required to provide by law or under the contracts to which it is a party or could lead to the imposition of fines or corrective measures which could, in turn, have a material adverse impact on the CGH Group's business, financial condition and results of operations.

---

<sup>7</sup> Available at: <https://www.mfcr.cz/en/statistics/macroeconomic-forecast/2021/macroeconomic-forecast-january-2021-40755>

***Non-compliance with the data protection rules.***

Although most of the GDPR requirements and related national legislation, as well as technical and organisational measures to ensure sustainable protection of personal data have been implemented by the CGH Group, there is a risk that the CGH Group has not implemented these correctly or that relevant employees or contractors will not fully comply with the new procedures. If there are breaches of these measures, the CGH Group could face administrative and monetary sanctions, civil claims as well as reputational damage which may have a material adverse effect on its business, results of operations and financial condition. In addition, there is a risk that there might be unauthorised access to the CGH Group's sensitive data by third parties and improper use of such data, which may lead to the loss of company secrets and may result in a breach of applicable data protection regulations.

**Risks related to governmental regulations and laws**

***Upcoming developments in European and national regulation of the gas sector could give rise to additional expenditure for the CGH Group.***

The on-going developments concerning common rules for the internal market in natural gas discussed at the EU level could indirectly affect the CGH Group and its operations by affecting projects such as Nord Stream 2. Such a development could affect the CGH Group's business, financial condition, results of operations, cash flow and prospects.

The European Commission may decide to request the development of additional network codes or an amendment of the existing ones. Given that these European network codes are directly binding on the CGH Group, once adopted and in force, their implementation might give rise to additional expenditure for the CGH Group.

Such uncertainty entails a risk that the new regulatory requirements may have an adverse impact on the CGH Group's business, financial condition, results of operations, cash flow and prospects.

***Breaches of, or changes in, any applicable environmental, health and safety laws and regulations may cause the CGH Group to incur increased costs or liability.***

Gas distribution is a potentially dangerous activity and involves the use of products and by-products that may be hazardous to human health and the environment. The CGH Group's activities are subject to a wide range of changing regulations and environmental requirements in the Czech Republic and the EU for the protection of the environment and public health which are increasingly numerous and restrictive and which may change over time. The CGH Group has made and will continue to make significant capital and other expenditures to comply with the applicable environmental and health and safety regulations.

Compliance with environmental regulations in the Czech Republic and abroad may materially increase the CGH Group's costs of operations. Recent EU legislation requires DSOs, such as the CGH Group, to implement integrated prevention and environmental pollution control. The CGH Group continuously incurs and will continue to incur costs related to reducing emissions and specific types of air pollution, and capital expenditure to ensure that its installations comply with applicable laws for the protection of the environment and human health and safety (which may change over time).

In addition, any of the CGH Group's operations may, in the future, become subject to stricter laws and regulations and, accordingly, the CGH Group may be required to increase its capital expenditures to ensure continued compliance. Compliance with current and future environmental and health regulations may have a material financial impact on the CGH Group. In particular, ongoing international negotiations which aim to limit greenhouse gas emissions may result in the introduction of new regulations and may have an adverse impact on the CGH Group's business.

The CGH Group may be exposed to significant liability if it fails to comply with applicable environmental and health and safety laws and regulations. There can be no assurance that the CGH Group will not incur substantial costs and liabilities, including the cost of clean-up operations and claims for damages to property and persons resulting from environmental or health and safety incidents. Any such costs and liabilities could adversely affect the CGH Group's business, financial condition, operations, results and reputation.

***Possible increases in gas consumption tax***

The CGH Group business is subject to gas consumption tax and changes in its regulatory framework (an increase of the tax levels in particular) which may affect the CGH Group's business. Although it could be included in allowed operating expenditure, it may potentially increase tariff levels and final price for customers and thus decrease gas competitiveness.

More importantly, increasing gas consumption tax may negatively impact the behaviour of customers and decrease gas demand, which may indirectly impact the gas distribution business.

***Possible changes in law, including retroactive changes, or different interpretations of applicable laws, may have a negative impact on the CGH Group.***

The structure of the transaction and, among other things, the issue of the Notes is based on law (including tax law) and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and administrative practice. No assurance can be given that there will not be any change to such law, tax or administrative practice after the date of these Listing Particulars which might have an impact on the Notes and the expected payments of interest and repayment of principal.

The CGH Group consistently strives to comply with all applicable laws, regulations and official decisions, based on appropriate legal advice. However, in some circumstances, especially where a law or regulation is subject to different interpretations, the CGH Group may inadvertently breach a legal obligation (despite adopting a reasonable and well-advised interpretation) and may be liable for substantial administrative fines. In particular, tax laws and their interpretation by the tax authorities and courts are subject to change, potentially with retroactive effect. Such changes and/or fines may have an adverse impact on the CGH Group. Furthermore, the CGH Group's interpretation may not correspond with that of the relevant authorities at the time of potential subsequent review by them.

Tax audits may result in a higher taxable income or in a lower amount of carried forward tax losses being available to the CGH Group.

The occurrence of any of the above risks could have an adverse effect on the CGH Group's business, financial condition, results of operations, cash flow and prospects.

***Risk Related to rules on public procurement.***

The CGH Group's entities may in certain situations (when acting as a subsidised contracting entity or voluntary contracting entity) be required to follow Act No. 134/2016 Coll. on public procurement, as amended (the **Public Procurement Act**) when organising tenders. The current legal position that DSOs in relation to the gas distribution business are currently not considered as sector contracting entities and therefore are not subject to the Public Procurement Act may be changed by law or challenged in the future.

In case a contracting entity does not comply with its obligation to comply with the Public Procurement Act, the Office for the Protection of Competition may abolish the tender, prohibit the performance under

the awarded contract (if already awarded) and/or impose a fine on the contracting entity of up to 10 per cent. of the value of the agreement or CZK 20,000,000 (approximately EUR 800,000).

The CGH Group may be exposed to significant liability if it fails to comply with any applicable public procurement rules and regulations. There can be no assurance that the CGH Group will not incur substantial costs and liabilities resulting from potential breaches of public procurement rules. Any such costs and liabilities could adversely affect the CGH Group's business, financial condition, operations, results and reputation.

***Risks related to legal and regulatory proceedings.***

In the ordinary course of business, legal claims and various civil, administrative and arbitration proceedings arise or may be threatened against the CGH Group. The amounts claimed may be substantial and the CGH Group is not generally able to predict the ultimate outcome of such claims and proceedings. The adverse determination of such claims and proceedings could have a material adverse impact on the financial condition or reputation of the CGH Group and no assurance can be given that litigation or regulatory proceedings will not arise in the future and will not have a material adverse impact on its business, financial condition or results of operations.

***The recodification of civil law imposes a certain level of uncertainty on businesses in the Czech Republic.***

As of 1 January 2014, a broad reform of Czech private law came into effect. The Czech civil law was completely revised into a new Czech Civil Code (Act No. 89/2012 Coll., as amended) and the existing Czech Commercial Code was replaced by the new Act No. 90/2012 Coll., on Companies and Cooperatives (Business Corporations Act), as amended (the **Czech Corporations Act**). These changes impacted a wide variety of aspects of civil and corporate legal undertakings in the Czech Republic, including basic concepts of interpretation of legal acts, intentions of parties, contractual autonomy and basic corporate matters. Although certain limited market practice has developed since the introduction of the changes, it is still not possible to predict the application and interpretation of some of these new legal rules by Czech courts or other authorities to the full extent. Relevant case law in connection with some of the new provisions may not become available for a significant period of time, thus impacting legal certainty in the Czech Republic. The CGH Group cannot influence the above factors in any way and cannot guarantee that the political, economic or legal development in the Czech Republic will be favourable to its business undertakings.

**Risks related to the Issuer's financial profile**

***The Issuer has a substantial amount of outstanding indebtedness.***

The Issuer has a substantial amount of outstanding indebtedness, CZK 65,954 million (EUR 2,596 million), as of 31 December 2019. As of the date of these Listing Particulars, the Issuer owes CZK 21,744 million to its shareholder, Czech Gas Networks S.à r.l., EUR 600 million and CZK 6,750 million from the issue of EUR Notes and CZK Notes issued in July 2020, respectively (as these terms are defined in "*Material Financing Arrangements - EUR Notes and CZK Notes*") and has also other indebtedness, as described "*Financial Indebtedness of the Issuer*" and "*Material Financing Arrangements*". The level of the Issuer's indebtedness could have important consequences, including, but not limited to, making it difficult for the Issuer to satisfy its obligations with respect to its indebtedness, increasing the Issuer's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions, or requiring the dedication of a substantial portion of the Issuer's cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow for, and limiting the ability to obtain additional financing to fund, working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes. Any of these or other factors or events could have a material adverse effect on the Issuer's

ability to satisfy its debt obligations, including the Notes. The Issuer's business is also subject to significant risks in relation to its ability to renew, extend or refinance loans and other obligations as they mature. The availability of funds in the credit market fluctuates and it is possible that at the relevant time there will be a shortage of credit to redeem the Notes or other indebtedness.

In addition, the Issuer may incur additional indebtedness in the future.

***The Issuer is subject to restrictive covenants that may limit its ability to finance the CGH Group's future operations and capital needs and to pursue business opportunities and activities.***

The terms of certain of the Issuer's financial indebtedness contain restrictive provisions that, among other things, require the Issuer to comply with certain financial ratios, such as leverage and interest cover ratio. The Facilities Agreement (as defined in "*Material Financing Arrangements - Facilities Agreement*") for instance, includes undertakings that, among other things, place certain conditions on the ability of the Issuer and its subsidiaries to: issue shares, consolidate, merge or engage in certain other similar transactions; engage in certain investments; create security or quasi-security on assets; transfer, lease or sell assets; engage in certain business activities; pay any dividend, charge, fee or other distribution; be a creditor in respect of financial indebtedness; and incur financial indebtedness, guarantees or indemnities.

In addition, the Facilities Agreement contains customary events of default, including, among other things, non-payment, breach of financial covenants or other obligations, misrepresentation, cross default, insolvency, repudiation and rescission of agreements, litigation and material adverse change.

The Conditions of the Notes, as well as terms of the CZK Notes and EUR Notes, contain a negative pledge and financial covenants which limit the Issuer's ability to make payments under Tranche B of the Restated Long Term Shareholder Loan Facility Agreement.

Any of the above restrictive provisions could limit the Issuer's ability to finance the CGH Group's future operations and capital needs and its ability to pursue business opportunities and activities that may be in its interest, which may in turn adversely affect the business, financial condition, results of operations, cash flow and prospects of the Issuer and the CGH Group. Any failure by the Issuer to comply with the restrictions contained in the Conditions of the Notes or in the Facilities Agreement or perform any of the obligations under its existing indebtedness or any future indebtedness could lead to an event of default (howsoever described), which could result in the immediate or accelerated repayment of the Issuer's indebtedness.

Moreover, terms of certain indebtedness of the Issuer and its subsidiaries may restrict the subsidiaries of the Issuer from making distributions to the Issuer, which may in turn adversely affect the Issuer's ability to service its indebtedness, including under the Notes.

***Fluctuations in currency exchange rates could adversely affect the Issuer's financial condition.***

The Issuer is exposed to fluctuations in the value of currencies, primarily the Euro to the Czech Koruna, as the CGH Group's key revenue streams are denominated in CZK but part of the Issuer's debt is nominated in EUR. Risks associated with foreign exchange instability, foreign exchange controls and currency fluctuations might also negatively affect the Issuer's financial condition. Even though the Issuer and the CGH Group have hedging arrangements in place, the various instruments and strategies used to hedge exposures may not be effective. In some cases, the Issuer may not elect or have the ability to implement such hedges or, even if implemented, they may not achieve the desired effect and may result in losses.

***The Issuer is exposed to interest rate risk that could have a material adverse effect on its business, financial condition, results of operations, cash flow and prospects.***

The Issuer utilises external financing with floating or fixed interest rates, including bank loans. Any changes in floating interest rates or any changes in fixed interest rates of contracts to be entered into, or the Issuer's limited ability to enter into such contracts bearing or resulting in fixed interest rates, could have a material adverse effect on the Issuer's financial position.

***The Notes will be structurally subordinated to the claims of creditors and trade creditors of the Issuer's subsidiaries.***

Generally, claims of creditors and trade creditors (if any) of subsidiaries of the Issuer, are entitled to payment from the assets of such subsidiaries before the assets are made available for distribution to their respective parent entity or the creditors of the Issuer, including claims by the Noteholders under the Notes. Accordingly, in the event that any subsidiary of the Issuer becomes insolvent, is liquidated, reorganised or dissolved or is otherwise wound up, this may result in Noteholders not being paid in full or at all.

As such, the Notes will be structurally subordinated to the claims of the creditors of the subsidiaries of the Issuer. In addition, the Conditions of the Notes do not prohibit these subsidiaries to incur substantial additional indebtedness. The Conditions of the Notes also do not contain any limitation on the amount of other liabilities, such as deposits and trade payables that may be incurred by these subsidiaries.

***The Issuer is a holding company with no revenue-generating operation of its own and is dependent on cash flow from its operating subsidiaries to service its indebtedness, including the Notes.***

The Issuer is a holding company and its primary assets consist of its shares in its subsidiaries and cash at bank and in hand. The Issuer has no revenue-generating operations of its own, and therefore the Issuer's cash flow and ability to service its indebtedness, including the Notes, will depend primarily on the operating performance and financial condition of its operating subsidiaries and the receipt by the Issuer of funds from such subsidiaries in the form of interest payments, dividends or otherwise. Because the debt service of the Notes is dependent upon the cash flow of the Issuer's operating subsidiaries, the Issuer may be unable to make required interest and principal payments on the Notes.

The operating performance and financial condition of the Issuer's operating subsidiaries and the ability of such subsidiaries to provide funds to the Issuer by way of interest payments, dividends or otherwise will in turn depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond the Issuer's control. The Issuer's operating subsidiaries may not generate income and cash flow sufficient to enable the Issuer to meet the payment obligations on the Notes in full or at all. The Issuer cannot exclude the risk of policy change that would prevent or limit the ability to generated cash flow CGH operations to the Issuer as a holding company.

## **Risks related to the Notes**

***An active secondary market in respect of the Notes may never be established or may be illiquid and this could adversely affect the value at which an investor could sell its Notes.***

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made to Euronext Dublin for the Notes to be admitted to the official list and trading on the Global Exchange Market, there is no assurance that the application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading



market for the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

***The Notes may be redeemed prior to maturity subject to certain conditions.***

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any authority having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

Furthermore, the Conditions provide that the Notes are redeemable at the Issuer's option in certain other circumstances and the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances, there can be no assurance that at the relevant time the Noteholders will be able to reinvest the redemption proceeds at an effective interest rate as high as the return that would have been received on such Notes had they not been redeemed. Potential investors should consider such reinvestment risk in light of other investments available at that time.

***Enforcement of English court judgments may be affected by the relationship of the UK with the EU.***

The UK left the EU as of 31 January 2020 and the transition period ended on 31 December 2020. Therefore, the Treaty on the EU and the Treaty on the Functioning of the EU have ceased to apply to the UK. On 24 December 2020, the EU and the UK agreed on the Trade and Cooperation Agreement (the **Trade and Cooperation Agreement**), which sets out the principles of the relationship between the EU and the UK following the end of the transition period.

As the regime of treatment of jurisdiction and enforcement of judgements set out by the Recast Brussels Regulation (Regulation (EU) No. 1215/2012, as amended) (the **Recast Brussels Regulation**) ceased to apply in the UK and the Trade and Cooperation Agreement does not include any provisions on jurisdiction and enforcement of judgements in civil proceedings, proceedings which start after 1 January 2021 will be subject to rules set out in the Hague Convention on Choice of Court Agreements 2005 (the **Hague Convention**). In order to ensure its applicability after the UK's exit from the EU, the UK has acceded to the Hague Convention in its own right, effective from 1 January 2021. The Hague Convention is an international convention which requires contracting states to recognise and respect exclusive jurisdiction clauses in favour of other contracting states and to enforce related judgments. However, the scope of the Hague Convention is limited to contracts containing exclusive jurisdiction clauses and there is no assurance that such judgments will be recognised on exactly the same terms and in the same conditions as under the regime set out by the Recast Brussels Regulation.

On 8 April 2020, the UK deposited an application to accede to the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the **Lugano Convention**). However, to accede to the Lugano Convention in the UK's own right, the application will have to be approved by the EU which has a veto over the UK's accession, whereas (as of the day of these Listing Particulars) the position of the EU regarding this approval is not clear. However, if the UK's application is approved, the regime on jurisdiction and enforcement will be the same as the one under Recast Brussels Regulation, subject to a very limited number of changes.

Unless and until the UK accedes to the Lugano Convention, in respect of the proceedings which fall outside the scope of the Hague Convention, the UK and EU Member States will have recourse to their own domestic laws to determine questions of jurisdiction and enforceability of judgements.

### ***Taxation.***

In the case of a sale of the Notes by Noteholders (including in the case of the redemption at the option of the Issuer), any gain realised on the sale or disposal may be subject to taxation. See “*Taxation*” for further details.

***If an investor holds Notes which are not denominated in the investor’s home currency, that investor will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.***

The Issuer will pay interest on the Notes in Euros. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the **Investor’s Currency**) other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to Euro would decrease: (i) the Investor’s Currency-equivalent yield on the Notes; (ii) the Investor’s Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor’s Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***The value of Notes may be adversely affected by movements in market interest rates.***

The Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital markets (the **Market Interest Rate**). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security moves in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until its yield is approximately equal to the Market Interest Rate. Investors should be aware that investment in the Notes involves the risk that if Market Interest Rate increases above the rate paid on the Notes, the value of the Notes will be adversely affected.

***Credit ratings assigned to the Notes may not reflect all the risks associated with an investment in them.***

As of the date of these Listing Particulars, the Notes to be issued are rated BBB+ by S&P and BBB+ by Fitch.

A rating assigned to the Notes may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

The Notes may also be evaluated by other rating agencies on an unsolicited basis and if their unsolicited rating is lower than the comparable reports prepared by the designated rating agencies, these informal ratings may adversely affect the value of the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under Regulation (EC) No.1060/2009, as amended, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **UK CRA Regulation**). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of these Listing Particulars.

***Because the Global Certificate is held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.***

The Notes will be represented by the Global Certificate except in certain limited circumstances described in the Global Certificate.

The Notes will be represented by a Global Certificate deposited with, and registered in the nominee name of, a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take

enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Trust Deed.

***Eligibility of the notes for purchase under the European Central Bank's Corporate Sector Purchase Programme may not be achieved.***

The Notes will be initially represented by global notes which will be held under the New Safekeeping Structure with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Notes are, accordingly, intended by us to be held in a manner which would allow them to be eligible for the corporate sector purchase programme (the **CSPP**), of the European Central Bank (the **ECB**) which commenced in June 2016. However, this does not necessarily mean that the Notes will be recognised by the ECB for the purposes of the CSPP either upon issue or at any or all times during the life of the Notes, as such recognition depends upon satisfaction of all of the ECB's eligibility criteria. Additionally, the ECB may at any time during the life of the Notes change its Eurosystem eligibility criteria and/or determine that the Notes no longer satisfy Eurosystem eligibility criteria. The Issuer has no obligation to maintain Eurosystem eligibility or meet Eurosystem eligibility criteria either upon issue or at any or all times during the life of the Notes.

***Minimum Denomination.***

As the Notes have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of EUR 100,000 (or its equivalent) that are not integral multiples of EUR 100,000. In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a Certificate in respect of such holding (should Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination or its multiple.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents shall be incorporated in, and form part of, these Listing Particulars:

- (a) The auditors' report and audited consolidated financial statements of the Issuer as of 31 December 2019 and for the financial period from 22 March 2019 (being the date of its incorporation) to 31 December 2019;
- (b) the auditors' report and audited consolidated annual financial statements of the CGH Group for the financial year ended 31 December 2020; and
- (c) the auditors' report and audited consolidated financial statements of the CGH Group for the financial year ended 31 December 2019.

Any documents themselves incorporated by reference in the documents incorporated by reference in these Listing Particulars shall not form part of these Listing Particulars.

Copies of documents incorporated by reference in these Listing Particulars have been filed with Euronext Dublin and can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in these Listing Particulars.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in these Listing Particulars which is capable of affecting the assessment of any Notes, publish new listing particulars for use in connection with any subsequent issue of Notes. Any such new listing particulars will be published in accordance with the rules of Euronext Dublin.

## CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (as defined below) (the **Conditions**) which (subject to completion and amendment) will be endorsed on each individual Note Certificate:*

The EUR 500,000,000 0.875 per cent. notes due 2031 (the **Notes**, which expression includes any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Czech Gas Networks Investments S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg (**Luxembourg**), having its registered office at 20, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg*) under number B233.444 (the **Issuer**) are constituted by a trust deed relating to the Notes dated 31 March 2021 (as amended, restated and/or supplemented from time to time, the **Trust Deed**) entered into between, *inter alia*, the Issuer and Citicorp Trustee Company Limited as trustee (the **Trustee**, which expression includes any successor trustee appointed from time to time in connection with the Notes) and are the subject of a paying agency agreement (relating to the Notes) dated 31 March 2021 (as amended or supplemented from time to time, the **Agency Agreement**) between the Issuer, Citigroup Global Markets Europe AG as registrar (the **Registrar**, which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as paying agent (the **Paying Agent**, which expression includes any successor paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the **Transfer Agents**, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Paying Agent, the **Paying Agents**, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the **Agents** are to the Registrar, the Paying Agent, the Transfer Agents and the Paying Agents and any reference to an **Agent** is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Trust Deed and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Trust Deed applicable to them. Copies of the Agency Agreement and the Trust Deed are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

### 1. Form, Denomination and Status

(a) *Form and denomination:*

The Notes are in registered form in the denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof (each, an **Authorised Denomination**).

(b) *Status of the Notes:*

The Notes constitute unsecured, direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for certain mandatory exceptions of applicable law.

### 2. Register, Title and Transfers

- (a) *Register:* The Registrar will maintain a register (the **Register**) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the **Holder** of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and **Noteholder** shall be construed accordingly. A certificate (each, a **Note Certificate**)

will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

- (b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.
- (d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, **business day** means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

### 3. Covenants

#### (a) Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will procure that none of its Subsidiaries (as defined below) will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure (i) any Relevant Indebtedness or (ii) any Guarantee of Relevant Indebtedness, in each case without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

Where:

**Guarantee** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

**Indebtedness** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 180 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**Permitted Security Interest** means a Security Interest on the undertaking or assets of any Person existing at the time such Person is acquired by and becomes a Subsidiary of the Issuer, provided such Security Interest was not created in contemplation of such acquisition and the principal amount secured has not been increased in contemplation of or since such acquisition;



**Relevant Indebtedness** means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or any other securities market; and

**Security Interest** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

(b) **Financial Covenant**

So long as any Notes are outstanding, the Issuer covenants and agrees that no payments of principal will be made in respect of Tranche B of the Restated Long Term Shareholder Loan Facility Agreement.

**Restated Long Term Shareholder Loan Facility Agreement** refers to the subordinated loan note issued by the Issuer to Czech Gas Networks S.à r.l., under the loan note instrument made by the Issuer dated 27 September 2019, as amended and restated on 31 December 2019 and **Tranche B** is as defined therein.

(c) **Financial Reporting**

So long as any Note remains outstanding, the Issuer shall supply to the Trustee:

- (i) within 180 days after the end of each Financial Year, its audited consolidated financial statements for that Financial Year; and
- (ii) within 90 days after the end of the first half of each Financial Year, its unaudited consolidated financial statements for the first half of that Financial Year.

Where:

**Financial Year** means the annual accounting period of the Issuer and the Group ending on 31 December in each year; and

**Group** means the Issuer and its Subsidiaries from time to time.

(d) **Limitation on Asset Sales**

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will procure that none of its Subsidiaries will, enter into a single transaction or a series of transactions (whether related or not) to sell, lease, license, transfer or dispose of (including without limitation any disposition by means of a merger, consolidation or similar transaction, or otherwise), in each case to a person outside the Group:

- (i) any shares in the capital of any Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Restricted Subsidiary);
- (ii) any assets of any Restricted Subsidiary, the disposal of which (after consideration of any replacement assets or alternative assets available for use)

would have a material adverse effect on the financial position or operations of such Subsidiary; or

- (iii) all or substantially all of any Restricted Subsidiary's assets.

Where:

**Group** means the Issuer and its wholly-owned (direct or indirect) subsidiaries from time to time.

(e) **Definitions**

In the Conditions:

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Restricted Subsidiary** means each of Czech Grid Holding, a.s., GasNet, s.r.o. and GasNet Služby, s.r.o; and

**Subsidiary** means, in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person and **Subsidiaries** shall be construed accordingly.

#### 4. **Interest**

The Notes bear interest from 31 March 2021 (the **Issue Date**) at the rate of 0.875 per cent. per annum (the **Rate of Interest**) payable in arrear on 31 March in each year (each, an **Interest Payment Date**), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal or premium (if any) is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be EUR 8.75 in respect of each Note of EUR 1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

**Calculation Amount** means EUR 1,000;

**Day Count Fraction** means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

**Regular Period** means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

## 5. Redemption and Purchase

(a) *Scheduled redemption:*

Unless previously redeemed, purchased and cancelled, the Notes will be redeemed at their principal amount on 31 March 2031, subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 31 March 2021; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two duly authorised managers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred. The Trustee is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications and/or opinions required by Condition 5(b) are provided, nor shall it be required to review, check or analyse any certifications and/or opinions produced nor shall it be responsible for the contents of any such certifications and/or opinions or incur any liability in the event the content of such certifications and/or opinions is inaccurate or incorrect.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) *Redemption at the option of the Issuer (Issuer Call)*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any date, from and including, 31 December 2030 to, but excluding, 31 March 2031 (the **Call Settlement Date**) at a price equal to 100 per cent. of their principal amount on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the Call Settlement Date at such price plus accrued interest to such date).
- (d) *Redemption at the option of the Issuer (Make-Whole)*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time from, but excluding, the Issue Date to, but excluding, 31 December 2030 (the **Make-Whole Redemption Date**) on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable), at the Make-Whole Redemption Amount.

For the purposes of this Condition:

**Business Day** means a day on which commercial banks are open for business in the city in which the Calculation Agent has its specified office;

**Calculation Agent** means Société Générale or any other independent agent appointed by the Issuer for the purposes of calculating the Make-Whole Redemption Amount;

**Make-Whole Redemption Amount** shall be an amount equal to the sum of (i) Make-Whole Redemption Price and (ii) accrued and unpaid interest on the Notes to (but excluding) the Make-Whole Redemption Date;

**Make-Whole Redemption Price** shall be an amount equal to the greater of (i) 100 per cent. of the principal amount of the Notes to be redeemed and (ii) the sum of the then present values (as determined by the Calculation Agent) of the remaining scheduled payments of principal and interest on the Notes to be redeemed (but not including any portion of such payments of interest accrued to the Make-Whole Redemption Date) discounted to the Make-Whole Redemption Date on an annual basis at the Reference Rate plus 0.20 per cent. per annum;

**Reference Bond** means the German Bundesanleihe selected by the Calculation Agent as having a fixed maturity most nearly equal to the remaining term of the Notes to be redeemed being euro-denominated with a principal amount approximately equal to the then outstanding principal amount of the Notes to be redeemed provided, that, if the period from such redemption date to maturity of the Notes to be redeemed is less than one year, a fixed maturity of one year shall be used;

**Reference Bond Price** means (i) the average of all Reference Market Maker Quotations (which in any event must include at least two such quotations), after excluding the highest and lowest Reference Market Maker Quotations, or (ii) if the Calculation Agent obtains fewer than four such Reference Market Maker Quotations, the average of all such quotations;

**Reference Market Maker Quotations** means, with respect to each Reference Market Maker and any relevant date, the average, as determined by the Calculation Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent at 5.00 p.m., CET, on the third Business Day preceding such Make-Whole Redemption Date;

**Reference Market Makers** means brokers or market makers of the Reference Bonds selected by the Calculation Agent or such other persons operating in the Reference Bonds market as are selected by the Calculation Agent in consultation with the Issuer; and

**Reference Rate** means, with respect to any Make-Whole Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Make-Whole Redemption Date. The Reference Rate will be calculated on the third Business Day preceding the Make-Whole Redemption Date.

- (e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Redemption at the option of the Issuer (Make-Whole) (inclusive)*) above.
- (f) *Purchase*: The Issuer or any of its Subsidiaries (as defined above) may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise and at any price. The Notes so purchased may be held or resold (provided that such resale is outside the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 5(g) (*Cancellation*) below.
- (g) *Cancellation*: All Notes so redeemed pursuant to Conditions 5(b), 5(c), 5(d) or submitted for cancellation pursuant to Condition 5(f) (*Purchase*) shall be cancelled and may not be reissued or resold.

## 6. Payments

- (a) *Principal*: Payments of principal (including any premium) shall be made by cheque drawn on, or, upon application by a Noteholder to the Specified Office of the Paying Agent not later than the fifteenth day before the due date for any such payment, or by transfer to a Euro account (or other account to which EUR may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall be made by cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a EUR account (or other account to which EUR may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Interpretation*: In these Conditions:

**TARGET2** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**TARGET Settlement Day** means any day on which TARGET2 is open for the settlement of payments in EUR; and

**TARGET System** means the TARGET2 system.

- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (e) *Payments on business days:* Where payment is to be made by transfer to a EUR account (or other account to which EUR may be credited or transferred), payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal, interest and premium (if any) payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph **business day** means:
  - (i) in the case of payment by transfer to a EUR account (or other account to which EUR may be credited or transferred) as referred to above, any day which is a TARGET Settlement Day; and
  - (ii) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).
- (f) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (g) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payment (where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January) (the **Record Date**). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

## 7. Taxation

All payments of principal, interest and premium (if any) or any other amounts payable in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by or on behalf of Luxembourg or any political subdivision thereof or any authority

therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) held by a Holder which is liable to such Taxes in respect of such Note by reason of it having some connection with Luxembourg other than the mere holding of the Note; or
- (b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, **Relevant Date** means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Notwithstanding anything to the contrary in this Condition 7 (*Taxation*), no additional amounts will be paid where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, as amended, any regulations or agreements thereunder, official interpretation thereof or law implementing an intergovernmental approach thereto or an agreement between the United States of America and Luxembourg to implement FATCA or any law implementing or complying with, or introduced in order to conform to, such agreement (as provided in Condition 6(a) (*Payments – Principal*)).

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than Luxembourg, references in these Conditions to Luxembourg shall be construed as references to Luxembourg and/or such other jurisdiction.

## 8. Events of Default

The Trustee at its discretion may, and if so requested in writing by the Noteholders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by Extraordinary Resolution shall give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its principal amount together with accrued interest without further action or formality if any of the following events occurs and is continuing:

- (a) *Non-payment of principal*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof and the default continues for a period of seven days; or
- (b) *Non-payment of interest*: the Issuer fails to pay any amount of interest payable in respect of the Notes on the due date for payment thereof and the default continues for a period of fourteen days; or

- (c) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of at any time, the Notes or the Trust Deed; and in any such case such default continues unremedied for 45 days after written notice thereof, addressed to the Issuer by the Trustee, has been delivered to the Issuer or to the Specified Office of the Paying Agent; or
- (d) *Cross-default of Issuer or Material Subsidiary:*
  - (i) any Indebtedness (as defined above) of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or the Noteholders or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
  - (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee (as defined above) of any Indebtedness,

*provided that* (x) the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (ii) above, individually or in the aggregate, exceeds EUR 20,000,000 (or its equivalent in any other currency or currencies) and (y) the term “Indebtedness” as used in this paragraph (d) shall not include any Indebtedness owed by a member of the Group to another member of the Group; or
- (e) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of any amount in excess of EUR 20,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (f) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, which exceeds an amount of EUR 20,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate; or
- (g) *Insolvency, etc.:*
  - (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due; or
  - (ii) an insolvency petition or bankruptcy petition is filed in respect of the Issuer or any of its Material Subsidiaries, save for any proceedings or actions which are contested in good faith and discharged, stayed or dismissed within sixty (60) days of its commencement; or
  - (iii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Material Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries save for any proceedings or actions which



are contested in good faith and discharged, stayed or dismissed within sixty (60) days of its commencement; or

- (iv) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or a moratorium is declared in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it; or
- (v) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, merger, reorganisation or restructuring whilst solvent); or
- (h) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, merger, reorganisation or restructuring whilst solvent); or
- (i) *Analogous event*: any event occurs which under the laws of Luxembourg has an analogous effect to any of the events referred to in paragraphs (e) (*Unsatisfied judgment*) to (h) (*Winding up, etc.*) above; or
- (j) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes and the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Trust Deed admissible in evidence in the courts of Luxembourg is not taken, fulfilled or done; or
- (k) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed.

In this Condition 8:

**Consolidated Assets** means, with respect to any date, the consolidated total assets of the Issuer for such date, as reported in the most recently published consolidated financial statements of the Issuer;

**Consolidated Revenues** means, with respect to any date, the consolidated total revenues of the Issuer for such date, as reported in the most recently published consolidated financial statements of the Issuer; and

**Material Subsidiary** means, at any particular time, (a) any Subsidiary of the Issuer which accounts for 10 per cent. or more of the Consolidated Assets or Consolidated Revenues of the Issuer and (b) a Restricted Subsidiary (as defined above).

## 9. Prescription

Claims for principal shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## **10. Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

## **11. Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such Noteholders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a paying agent and a Registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 15 (*Notices*).

## **12. Meetings of Noteholders, Modification and Substitution**

*Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals defined in the Trust Deed as a “Reserved Matter” including the modification of certain provisions of these Conditions and the Trust Deed (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to alter the covenants set out in Conditions 3(a) to 3(d) (inclusive) herein, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be

sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one or more persons holding or representing not less than one third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing and electronic consent signed by or on behalf of Noteholders, who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed, holding not less than three-fourths in nominal amount of the Notes outstanding, will, in each case, be effective as an Extraordinary Resolution of the Noteholders. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (a) *Modification:* The Trustee may agree, without the consent of the Noteholders to (i) any modification of any of the provisions of these Conditions (other than in respect of a Reserved Matter), the Trust Deed (other than in respect of a Reserved Matter) or the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of these Conditions, the Trust Deed (other than a breach or proposed breach relation to the subject of a Reserved Matter) or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable. With respect to any such waiver, the Trustee shall not exercise any powers conferred upon it in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the holders of not less than 25 per cent. in aggregate principal amount of the Notes then outstanding.
- (b) *Substitution:* The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of the Issuer's successor in business or any Subsidiary (as defined in the Trust Deed) of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder except to the extent provided for in Condition 7 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

### **13. Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by Noteholders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

- (b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

#### 14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

#### 15. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as Notes are admitted to the Official List and trading on the Global Exchange Market of Euronext Dublin, notices to Noteholders will be published in accordance with the rules of that exchange.

#### 16. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law.

For the avoidance of doubt, the provisions of articles 470-1 through 470-19 of the Luxembourg law of 10 August 1915 on commercial companies, as amended (**Luxembourg Company Law**) are hereby expressly excluded and shall not apply to the Notes, to the representation of the Noteholders, and to the Issuer. The Noteholders waive any rights of rescission under article 470-21 of the Luxembourg Company Law (if any and to the extent applicable).

- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a **Dispute**) arising out of or in connection with the Notes (including a dispute regarding any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.
- (d) *Service of Process:* The Issuer agrees that the documents which start any proceedings and any other documents required to be served in relation to those proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at 8th Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to proceedings in England and to proceedings elsewhere.

*There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Registrar, Transfer Agents and the Paying Agents as set out at the end of the Listing Particulars.*

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE

*The Global Certificate contains the following provisions which apply to the Notes in respect of which it is issued whilst they are evidenced by the Global Certificate (including definitions which are not otherwise included in these summary provisions), some of which modify the effect of the Conditions. Terms defined in the “Conditions of the Notes” have the same meanings in paragraphs 1 to 8 below.*

In a press release dated 22 October 2008, “*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*”, the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that notes to be held under the new structure (the **New Safekeeping Structure** or **NSS**) would be in compliance with the “*Standards for the use of EU securities settlement systems in ESCB credit operations*” of the central banking system for the Euro (the **Eurosystem**), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

The Notes will be represented by a Global Certificate deposited with, and registered in the nominee name of, a common safekeeper for Euroclear and Clearstream, Luxembourg. The Global Certificate issued in respect of Notes will be held under the ICSDs’ New Safekeeping Structure. On the issue date, the Global Certificate in relation to the Notes will be delivered to, and registered in the name of, a nominee in its capacity as nominee for the common safekeeper for the ICSDs.

The Notes are intended to be held in a manner which would allow the Eurosystem eligibility – that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

### 1. Accountholders

For so long as any of the Notes are evidenced by the Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of the Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the outstanding principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression **Noteholders** and references to **holding of Notes** and to **holder of Notes** shall be construed accordingly) (the **Accountholder’s Holding**) for all purposes other than with respect to payments on such Notes, for which purpose the registered holder (the **Registered Holder**), shall be deemed to be the holder of such aggregate principal amount of the Notes in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder.

### 2. Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer or any of its respective Subsidiaries will be effected by reduction in the aggregate principal amount of the

Notes in the register of Noteholders and by the annotation of the appropriate schedule to the Global Certificate.

### **3. Payments**

For so long as the Registered Holder is shown in the Register as the holder of the Notes evidenced by the Global Certificate, the Registered Holder shall (subject as set out above under ‘Accountholders’) in all respects be entitled to the benefit of such Notes and shall be entitled to the benefit of the Agency Agreement. Payments of all amounts payable under the Conditions in respect of the Notes as evidenced by the Global Certificate will be made to the Registered Holder pursuant to the Conditions.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Agent, to the EUR or other account to which EUR may be credited or transferred maintained by a Euroclear or Clearstream, Luxembourg participant, subject to the relevant system’s rules and procedures.

Upon any payment of any amount payable under the Conditions the amount so paid shall be entered by the Registrar on the register, which entry shall constitute *prima facie* evidence that the payment has been made.

For the purposes of Condition 6 (*Payments*), so long as the Notes as evidenced by the Global Certificate are held on behalf of Euroclear and/or Clearstream, Luxembourg, the record date in respect of the Notes shall be at the opening of business on the fifteenth business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date.

### **4. Interest Calculation**

For so long as Notes are evidenced by the Global Certificate, interest payable to the Registered Holder will be calculated by applying the rate of 0.875 per cent. per annum to the outstanding principal amount of the Notes evidenced by the Global Certificate and on the basis of Day Count Fraction. The resultant figure is rounded to the nearest cent (half a cent being rounded upwards).

### **5. Notices**

So long as the Notes are evidenced by the Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg for communication by it to entitled Accountholders in substitution for notification as required by Condition 15 (*Notices*) except that, so long as the Notes are admitted to trading on, and listed on the official list of Euronext Dublin, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

Whilst any of the Notes are evidenced by the Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system’s operational procedures approved for this purpose and otherwise in such manner as the Trustee and the applicable clearing system may approve for this purpose.

## 6. Partial Redemption

In the event that less than all the Notes are redeemed, selection of such Notes or portions thereof for redemption will be made only in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). The Global Certificate will be written down to reflect the partial redemption.

## 7. Exchange and Registration of Title

The Global Certificate will be exchangeable (free of charge to the holder) in whole but not in part for Certificates only upon the occurrence of an Exchange Event. An **Exchange Event** means that:

- (a) the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) an Event of Default (as defined in Condition 8 (*Events of Default*)) has occurred and is continuing; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes evidenced by the Global Certificate in definitive form.

The Issuer will promptly give notice to the Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any Accountholder may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in paragraph (c) above, the Issuer may also give notice to the Registrar requesting exchange. Any exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar.

Exchanges will be made upon presentation of the Global Certificate at the office of the Registrar by or on behalf of the Registered Holder on any day on which banks are open for general business in Germany and will be effected by the Registrar (a) entering each Accountholder in the Register as the registered holder of the principal amount of Notes equal to such Accountholder's Holding (as defined above) and (b) completing, authenticating and dispatching to each Accountholder a Certificate evidencing such Accountholder's Holding. The aggregate principal amount of the Notes evidenced by Certificates issued upon an exchange of the Global Certificate will be equal to the aggregate outstanding principal amount of the Notes evidenced by the Global Certificate.

The Registrar will not register title to the Notes in a name other than that of a nominee for the common safekeeper for a period of fifteen calendar days preceding the due date for any payment of principal, premium (if any) or interest in respect of the Notes.

## 8. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and/or Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg and their respective direct and indirect participants.



## **USE OF PROCEEDS**

The net proceeds from the Notes will be applied by the Issuer for partial refinancing of acquisition facilities under the Facilities Agreement used in acquiring Czech Grid Holding, a.s. and general corporate purposes.

## SELECTED HISTORICAL FINANCIAL INFORMATION

### 1. Selected historical consolidated financial information of the CGH Group

The following tables present selected historical consolidated financial information of the CGH Group as of and for the years ended 31 December 2020 and 31 December 2019 which has been derived from the CGH Group's Financial Statements incorporated by reference into these Listing Particulars. The information below should be read in conjunction with the information contained in "Presentation of Financial and Other Information" and the CGH Group's Financial Statements incorporated by reference into these Listing Particulars.

#### Consolidated Statement of Profit or Loss and Other Comprehensive Income of the CGH Group

	For the year ended 31 December	
	2020	2019
	(million CZK)	
Revenue .....	14,594	14,332
Other income .....	64	103
Work performed by the CGH Group and capitalised .....	449	451
Net impairment reversals on financial assets .....	-	2
Raw materials and consumables used .....	(202)	(188)
Employee benefit expense .....	(1,879)	(1,538)
Depreciation and amortisation .....	(2,625)	(2,489)
Services .....	(3,203)	(2,963)
Other operating expenses .....	(609)	(732)
<b>Operating profit (EBIT) .....</b>	<b>6,589</b>	<b>6,978</b>
Finance income .....	7	10
Finance costs .....	(1,167)	(1,083)
<b>Profit for the period before income tax .....</b>	<b>5,429</b>	<b>5,905</b>
Income tax expense .....	(1,026)	(1,122)
<b>Profit for the period .....</b>	<b>4,403</b>	<b>4,783</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD .....</b>	<b>4,403</b>	<b>4,783</b>

#### Consolidated Statement of Financial Position of the CGH Group

	As of 31 December	
	2020	2019
	(million CZK)	
Property, plant and equipment .....	47,736	45,895
Right-of-use assets .....	2,206	2,324
Intangible assets .....	703	220
Other non-current assets .....	1	1
<b>Total non-current assets .....</b>	<b>50,646</b>	<b>48,440</b>
Inventories .....	5	6
Trade and other receivables .....	614	661
Other taxes receivables .....	62	-
Current income tax prepayment .....	-	38
Cash and cash equivalents .....	1,416	822
<b>Total current assets .....</b>	<b>2,097</b>	<b>1,527</b>
<b>TOTAL ASSETS .....</b>	<b>52,743</b>	<b>49,967</b>
Share capital .....	24,158	24,158
Other reserves .....	82	82
Accumulated deficit .....	(19,360)	(4,456)
<b>Total equity .....</b>	<b>4,880</b>	<b>19,784</b>

	As of 31 December	
	2020	2019
	(million CZK)	
Borrowings .....	38,517	20,710
Lease liabilities.....	1,215	1,357
Deferred income tax liabilities .....	4,517	4,360
Provisions .....	17	26
Other non-current liabilities .....	292	241
<b>Total non-current liabilities .....</b>	<b>44,558</b>	<b>26,694</b>
Borrowings .....	-	800
Lease liabilities.....	165	194
Trade and other payables.....	2,095	1,513
Contract liabilities .....	573	756
Current income tax payable.....	122	23
Other taxes payable .....	252	190
Provisions .....	98	13
<b>Total current liabilities .....</b>	<b>3,305</b>	<b>3,489</b>
<b>TOTAL LIABILITIES .....</b>	<b>47,863</b>	<b>30,183</b>
<b>TOTAL LIABILITIES AND EQUITY .....</b>	<b>52,743</b>	<b>49,967</b>

### Consolidated Statement of Cash Flows of the CGH Group

	For the year ended 31 December	
	2020	2019
	(million CZK)	
<b>Cash flows from operating activities</b>		
Profit before income tax .....	5,429	5,905
<b>Operating cash flow before working capital changes.....</b>	<b>9,289</b>	<b>9,534</b>
<b>Net cash from operating activities .....</b>	<b>7,490</b>	<b>6,929</b>
<b>Net cash used in investing activities .....</b>	<b>(4,452)</b>	<b>(2,535)</b>
<b>Net cash used in financing activities .....</b>	<b>(2,444)</b>	<b>(3,577)</b>
<b>Cash and cash equivalents at the beginning of the year.....</b>	<b>822</b>	<b>5</b>
<b>Cash and cash equivalents at the end of the year .....</b>	<b>1,416</b>	<b>822</b>

### Consolidated Statement of Changes in Equity of the CGH Group

(million CZK)	Share capital	Other distributable reserves	Accumulated deficit	Total
<b>Balance as at 1 January 2019 .....</b>	<b>24,158</b>	<b>82</b>	<b>(5,216)</b>	<b>19,024</b>
Profit for the year .....	-	-	4,783	4,783
<b>Total comprehensive income for 2019 .....</b>	<b>-</b>	<b>-</b>	<b>4,783</b>	<b>4,783</b>
Dividends declared.....	-	-	(4,023)	(4,023)
<b>Balance as at 31 December 2019 .....</b>	<b>24,158</b>	<b>82</b>	<b>(4,456)</b>	<b>19,784</b>

<i>(million CZK)</i>	<b>Share capital</b>	<b>Other distributable reserves</b>	<b>Accumulated deficit</b>	<b>Total</b>
Profit for the year .....	-	-	4,403	<b>4,403</b>
<b>Total comprehensive income for 2020 .....</b>	-	-	4,403	<b>4,403</b>
Dividends declared .....	-	-	(19,307)	<b>(19,307)</b>
<b>Balance as at 31 December 2020 .....</b>	<b>24,158</b>	<b>82</b>	<b>(19,360)</b>	<b>4,880</b>

## 2. Selected historical financial information of the Issuer

The following tables present selected historical consolidated financial information of the Issuer as of 31 December 2019 and for the financial period from 22 March 2019 to 31 December 2019, which has been derived from the Issuer's Financial Statements incorporated by reference into these Listing Particulars. The information below should be read in conjunction with the information contained in "Presentation of Financial and Other Information" and the Issuer's Financial Statements incorporated by reference into these Listing Particulars.

### Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Issuer

	<b>For the financial period from 22 March 2019 to 31 December 2019 <i>(million CZK)</i></b>
<b>Revenue .....</b>	<b>4,199</b>
Other income .....	11
Capitalisation of internal costs .....	61
Net impairment losses on financial assets .....	(1)
Raw materials and consumables used .....	(51)
Employee benefits expense .....	(485)
Depreciation and amortisation .....	(2,143)
Services .....	(870)
Other operating expenses .....	(455)
<b>Operating profit .....</b>	<b>266</b>
Finance income .....	403
Finance costs .....	(1,155)
<b>Loss before income tax .....</b>	<b>(486)</b>
Income tax expense .....	(15)
<b>Loss for the period .....</b>	<b>(501)</b>
<b>Other comprehensive income for the period .....</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD .....</b>	<b>(501)</b>

### Consolidated Statement of Financial Position of the Issuer

	<b>As of 31 December 2019 <i>(million CZK)</i></b>
<b>ASSETS</b>	
<b>Non-current assets .....</b>	
Property, plant and equipment .....	108,421
Right-of-use assets .....	2,379
Intangible assets .....	417

Derivative financial assets .....	116
Other non-current assets .....	1
<b>Total non-current assets .....</b>	<b>111,334</b>
<b>Current assets.....</b>	
Inventories .....	6
Trade and other receivables .....	661
Income tax prepayment.....	38
Cash and cash equivalents .....	926
<b>Total current assets .....</b>	<b>1,631</b>
<b>TOTAL ASSETS .....</b>	<b>112,965</b>
<b>EQUITY</b>	
Share capital .....	1
Share premium .....	27,856
Legal reserves.....	-
Accumulated deficit .....	(501)
<b>TOTAL EQUITY .....</b>	<b>27,356</b>
<b>LIABILITIES</b>	
<b>Non-current liabilities .....</b>	
Borrowings .....	64,132
Lease liabilities .....	1,357
Deferred income tax liabilities .....	16,288
Provisions .....	26
Other non-current liabilities .....	241
Derivative financial liabilities .....	589
<b>Total non-current liabilities.....</b>	<b>82,633</b>
<b>Current liabilities .....</b>	
Borrowings .....	271
Lease liabilities.....	194
Trade and other payables.....	1,528
Contract liabilities .....	756
Current income tax payable.....	24
Other taxes payable .....	190
Provisions .....	13
<b>Total current liabilities .....</b>	<b>2,976</b>
<b>Total liabilities .....</b>	<b>85,609</b>
<b>TOTAL LIABILITIES AND EQUITY .....</b>	<b>112,965</b>

### Consolidated Statement of Changes in Equity of the Issuer

(million CZK)

	Share capital	Share premium	Legal reserves	Accumulated deficit	Total
<b>Balance as at 22 March 2019 .....</b>	-	-	-	-	-
Loss for the period.....	-	-	-	(501)	(501)
<b>Total comprehensive loss for the period.....</b>	-	-	-	(501)	(501)
<b>Transactions with owners in their capacity as owners.....</b>					
Share capital and share premium increase.....	1	27,856	-	-	27,857
<b>Balance as at 31 December 2019 .....</b>	<b>1</b>	<b>27,856</b>	<b>-</b>	<b>(501)</b>	<b>27,356</b>

**Summary Consolidated Statement of Cash Flows of the Issuer****For the period  
ended 31  
December  
2019**

---

*(million CZK)*

Loss before income tax.....	(486)
<b>Operating cash flow before working capital changes.....</b>	<b>2,661</b>
<b>Net cash from operating activities.....</b>	<hr/> <b>1,511</b>
<b>Net cash used in investing activities .....</b>	<b>(510)</b>
<b>Net cash used in financing activities .....</b>	<b>(75)</b>
<b>Cash and cash equivalents as at 31 December 2019.....</b>	<b>926</b>

## LEGAL INFORMATION IN RESPECT OF THE ISSUER

**The Issuer: Czech Gas Networks Investments S.à r.l.**

### *Establishment, Duration and Domicile*

Czech Gas Networks Investments S.à r.l. is a private limited liability company (*société à responsabilité limitée*) organised and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 20 Boulevard Royal, L-2449, Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg*) under number B233.444. The Issuer was incorporated in the Grand Duchy of Luxembourg on 22 March 2019 for an unlimited duration. The notarial act of incorporation was published on 11 April 2019 in the *Recueil Electronique des Sociétés et Associations* under reference RESA\_L190058512. The articles of incorporation of the Issuer were amended and restated on 30 September 2019 pursuant to a notarial deed of Maître Jean-Paul Meyers, notary residing in Esch-sur-Alzette, Grand Duchy of Luxembourg, which was published on 5 November 2019 in the *Recueil Electronique des Sociétés et Associations* under reference RESA\_L190221520.

### *Objectives*

The main activity of the Issuer is (i) the holding of participations, whether directly or indirectly through directly or indirectly owned subsidiaries, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise, of stocks, bonds, debentures, notes, and other securities of any kind, equity or debt instruments (convertible or not) of any kind (including but not limited to synthetic securities), and (ii) the ownership, administration, development and management of its portfolio. The Issuer may also hold interests in partnerships.

Pursuant to the corporate objects of the Issuer, as stated in its articles of incorporation, it may borrow in any form and proceed to the issue of bonds, debentures as well as any other type of equity or debt instruments (convertible or not, preferential or not, redeemable or not).

The Issuer may grant, directly or indirectly, assistance to affiliated or group companies (including but not limited to the granting of any type of loan), take any controlling and/or supervisory measures and carry out any operation, which it may deem useful in the accomplishment and development of its purposes.

In particular, the Issuer may enter into any guarantee, pledge or any other form of security, whether by personal covenant or by mortgage or charge upon all or part of the property assets (present or future) of the undertaking or by all or any of such methods, for the performance of any contracts or obligations of the Issuer and of any of its affiliated or group companies, or any director, manager or other agent of the Issuer or any of its affiliated or group companies, within the limits of any applicable law provision.

The Issuer may enter into any kind of credit derivative agreements, including but not limited to any type of swap agreements such as swap agreements under which the Issuer may provide credit protection to swap counterparties, any interest and/or currency exchange agreements and other financial derivative agreements.

The Issuer may further carry out any commercial, industrial or financial operations as well as any transactions on real estate or on movable property. In addition, the Issuer may act as general partner of any of its subsidiaries and take all necessary or useful actions on their behalf if so required by the law applicable to such subsidiaries.

### ***Subsidiaries***

The Issuer holds 100 per cent. of the shares in CGH. The Issuer currently has no other subsidiaries.

### ***Subscribed Capital***

As of 31 December 2019, the subscribed capital of the Issuer amounts to CZK700,000 and is divided into 700,000 shares in registered form with a par value of one Czech Koruna each. The share capital is fully paid up. Each share entitles the shareholder to one vote at shareholders' meetings.

### ***Ownership***

Czech Gas Networks S.à r.l. owns directly 100 per cent. of the share capital of the Issuer.

### ***Financial Year***

The financial year of the Issuer starts on the first of January and ends on the thirty-first of December of the same year other than for the financial year 2019 which started on 22 March 2019 (being the date of incorporation of the Issuer) and ended on 31 December 2019.

### ***Accounting Loss***

In the financial period from 22 March 2019 to 31 December 2019, the Issuer recognised an accounting loss of CZK 501 million caused mainly by the amount of depreciation and amortisation of the assets acquired in the CGH Acquisition, which were revalued to their fair value as well as fair value revaluation of the cross-currency swap agreements. The loss incurred shall have no effect on the Issuer's ability to continue as a going concern and generation of stable cash flows is not impacted. For details see “ *Limited comparability of the CGH Group's Financial Statements and the Issuer's Financial Statement due to application of IFRS 3* ” in “ *Presentation of Financial and Other Information* ” and the Issuer's Financial Statements incorporated by reference into these Listing Particulars.

### ***Financial Statements***

The consolidated financial statements of the Issuer as of 31 December 2019 and for the financial period from 22 March 2019 to 31 December 2019, incorporated by reference in these Listing Particulars, have been audited by PricewaterhouseCoopers, Société coopérative, independent auditors (*Réviseur d'entreprises agréé*). PricewaterhouseCoopers, Société coopérative, are members of the Luxembourg Institut des Réviseurs d'Entreprises.



## DESCRIPTION OF THE CGH GROUP

### Overview

The CGH Group is a leading provider of gas distribution services in the Czech Republic. The CGH Group generates its EBITDA in the Czech Republic, where its principal operations are located. The CGH Group operates the longest regional gas distribution network in the Czech Republic. As of 31 December 2020, the CGH Group operated 2,292,090 off-take points connected to its distribution network.

For the year ended 31 December 2020, the CGH Group had total sales of CZK 14,594 million (as at 31 December 2019: CZK 14,332 million), net profit of CZK 4,403 million (as at 31 December 2019: CZK 4,783 million) and EBITDA of CZK 9,214 million for the year ended 31 December 2020 (as at 31 December 2019: CZK 9,467 million). A major part of the CGH Group's business comes from regulated activities (gas distribution) and other services and activities relating thereto.

The management team of the CGH Group has extensive experience in the gas distribution sector and local knowledge and expertise. The CGH Group also benefits from the knowledge of Macquarie Infrastructure and Real Assets (**MIRA**), a fund manager (being a leading real assets investment manager across the infrastructure, real estate, agriculture and energy sectors), who also has long-term experience with investment in the CGH Group.

### CGH Group structure

The Issuer is a 100 per cent. shareholder of CGH, which is the holding company of the CGH Group. The CGH Group has concentrated its business activities in its subsidiary companies GasNet, s.r.o. and GasNet Služby, s.r.o. (formerly GridServices, s.r.o.) which are both wholly owned by CGH.

#### CGH

Czech Grid Holding, a.s. (**CGH**) is a joint-stock company incorporated and existing under the laws of the Czech Republic, having its registered office at Prosecká 855/68, Postal Code 190 00, Prague 9, Czech Republic, identification number 243 10 573, registered in the Commercial Register maintained by the Municipal Court in Prague under file number B 18283. CGH was incorporated in the Czech Republic on 30 May 2012.

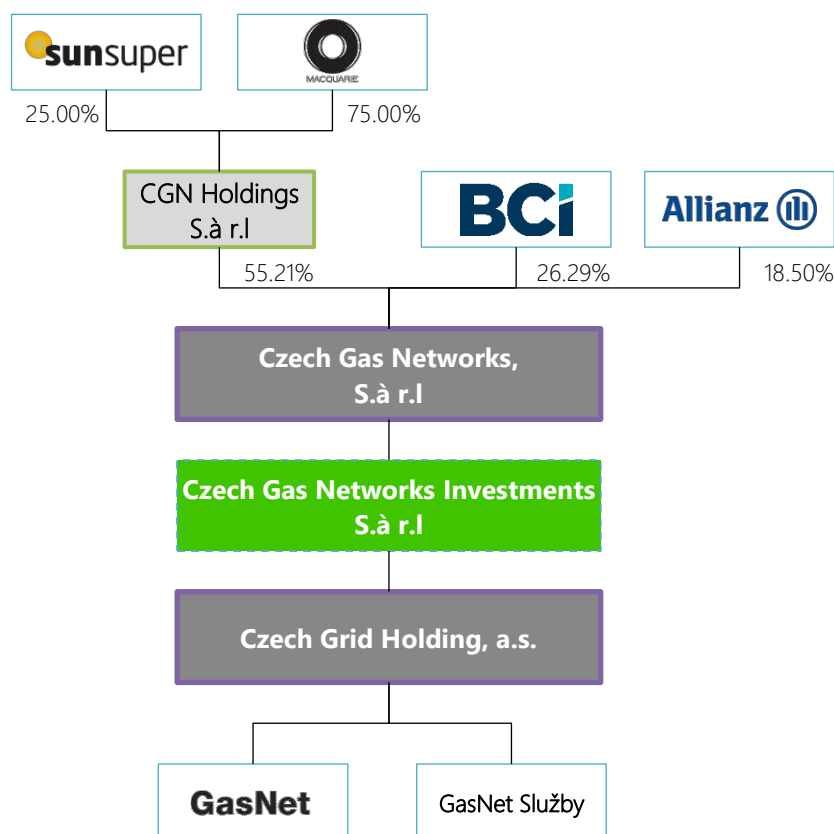
#### GasNet

GasNet, s.r.o. (**GasNet**) is a limited liability company incorporated and existing under the laws of the Czech Republic, having its registered office at Klíšská 940/96, Klíše, Postal Code 400 01, Ústí nad Labem, Czech Republic, identification number 272 95 567, registered in the Commercial Register maintained by the District Court in Ústí nad Labem under file number C 23083. GasNet was incorporated in the Czech Republic on 2 June 2006.

#### GasNet Služby

GasNet Služby, s.r.o. (formerly GridServices, s.r.o.) (**GasNet Služby**) is a limited liability company incorporated and existing under the laws of the Czech Republic, having its registered office at Plynárenská 499/1, Zábrdovice, Postal Code 602 00, Brno, Czech Republic, identification number 279 35 311, registered in the Commercial Register maintained by the District Court in Brno under file number C 57165. GasNet Služby was incorporated in the Czech Republic on 26 July 2007.

The following chart shows the Issuer's and the CGH Group's structure as of the date of these Listing Particulars:



As of the date of these Listing Particulars, the Issuer and the CGH Group are indirectly owned and controlled by Macquarie European Infrastructure Fund 4, a fund managed by Macquarie Infrastructure and Real Assets (Europe) Limited (**MIRAEL**). MIRAEL is a wholly-owned member of the Macquarie Group which manages a number of specialist funds which invest in infrastructure, real estate and adjacent sectors through its MIRA division. The control of the Issuer is based on direct and indirect ownership and control. The Issuer is fully owned by Czech Gas Networks S.à r.l. (the **Sole Shareholder**) whose 55.21 per cent. share is held by CGN Holdings S.à r.l. The remaining share of the Sole Shareholder is held by Allianz Infrastructure Luxembourg II S.à r.l. (**ACP**) (18.5 per cent.) and Varese IRR LP (**BCI**) (26.29 per cent.).

The CGH Group uses standard statutory mechanisms to prevent the Issuer's potential misuse of its position and control over the Issuer and the CGH Group, including the statutory instrument of the report on relations between the related entities.

## History

The CGH Group was established in 2007 following the development in EU legislation and related amendments to the Energy Act, which intended to lay down a regulation requiring a legal separation of licensed gas distributors from joint stock companies holding a licence to trade in gas services. Upon establishment, the CGH Group comprised of (i) GasNet; and in order to become an effective, reliable and professional gas distributor and provider of related services, also (ii) GasNet Služby, the purpose of which was to provide operational and maintenance services for gas facilities, on-going dispatch services, operational management and gas network construction, gas measurement and network documentation.

In 2012, CGH was incorporated in order to serve as the CGH Group's holding company to govern the RWE group's companies (belonging under RWE AG) having their businesses in the Czech Republic and to establish a platform for intensive cooperation between the RWE group and MIRA.

The following timeline provides an overview of significant steps and events in the evolution of the CGH Group:

- In 2007, SČP Net, s.r.o., a GasNet predecessor, began its operation;
- In 2008, GasNet Služby began its operation following the purchase of substantial parts of enterprises of companies Severomoravská plynárenská, a.s., Východočeská plynárenská, a.s., Středočeská plynárenská, a.s., Severočeská plynárenská, a.s. and Západočeská plynárenská, a.s., all of them covering network operation, service and maintenance activities;
- In 2009, GasNet was formed by the merger of the Czech regional gas distributors STP Net, s.r.o., SČP Net, s.r.o. and ZČP Net, s.r.o.;
- In 2012, CGH was incorporated as the new holding company of the CGH Group, resulting in a change of the sole shareholder of GasNet and GasNet Služby;
- In 2013, the cooperation between RWE Group and MIRA began, after MIRA acquired 34.96 per cent. ownership interest in Grid Holding through CGN Holdings S.à r.l.;
- In 2013, CGH acquired 100 per cent. ownership interest in companies JMP Net, s.r.o., SMP Net, s.r.o., VČP Net, s.r.o. and GasNet;
- In 2013, JMP Net, s.r.o., SMP Net, s.r.o., VČP Net, s.r.o. and GasNet merged into GasNet as an acquiring company;
- In 2013, CGH acquired 100 per cent. ownership interest in JMP DS, s.r.o.;
- In 2014, GasNet Služby and JMP DS, s.r.o. merged into GasNet Služby as an acquiring company;
- In 2015, MIRA acquired 15 per cent. ownership interest in CGH through CGN Holdings 2 S.à r.l.;
- In 2016, innogy SE was established by splitting renewable, network and retail businesses of RWE into a separate entity, resulting in a change of the CGH Group's structure and in a change of the CGH Group's ultimate shareholder;
- In 2019, the innogy group and RWE group undertook an internal restructuring, as a part of which 50.04 per cent. ownership interest in CGH was transferred to RWE Czech Gas Grid Holding B.V.; and
- In 2019, MIRA led consortium of investors acquired via the Issuer 50.04 per cent. ownership interest in CGH, resulting in ownership of 100 per cent. interest.
- As of 1 January 2021, CZG Group finalised transition from the innogy group.

## CGH Group's business

### GasNet

The core of the CGH Group's business is based on GasNet's licensed and regulated activity of natural gas DSO. GasNet operates almost 65,000 km of networks<sup>8</sup> with approximately 2.3 million off-take points. GasNet is the owner and operator of the distribution network of natural gas starting from the exit point of the transmission networks through gas distribution systems and delivering the natural gas to end-consumers. Natural gas distribution is the final stage in the delivery of natural gas whereby the natural gas from a supplier is carried from the transmission system and delivered to end-consumers through GasNet's distribution systems.

GasNet's activities are subject to price regulation, as control of the underlying infrastructure represents a natural monopoly. The regulated part of the business is therefore not subject to direct competition (see "*Czech Gas Industry*"). DSOs, including GasNet, were granted unlimited licences from the ERO for gas distribution. The GasNet's revenue is based on an allowed revenue principle, generated mainly from distribution tariffs defined by the ERO, paid by the end customers to the Gas Traders and collected from respective Gas Traders by GasNet.

GasNet's activities are currently focused on the safety and reliability of gas supplies to its customers. In order to increase safety and reliability, GasNet intends to invest (besides other capital expenditures) annually (CZK 3,240 million funded in 2019, approximately CZK 3,340 million funded in 2020, and up to CZK 3,900 million to be funded in 2024) in the renewal of the gas distribution network.

In addition to natural gas distribution and capacities in the distribution network, GasNet is responsible for operating and maintaining the gas distribution network and is involved in gas balancing, dispatching and ensuring the security of supply for households.

### GasNet Služby

GasNet Služby is the second operating company of the CGH Group. GasNet Služby manages the daily network services activities on GasNet's assets, including inspection, repairs, maintenance, meter management and reading.

Apart from regulated revenues, both GasNet and GasNet Služby companies perform non-regulatory services for industrial and household customers such as maintenance services on gas pressure reduction cabins owned by industrial customers not possessing the know-how themselves. The share of those activities in total revenues is negligible.

GasNet Služby operates and maintains gas installations for GasNet. The main objective is to ensure safe, reliable and economical operation of gas facilities. In order to meet the above objectives, GasNet Služby carries out planned inspection activities, repairs of gas installation failures and leaks, renewal of the network based on GasNet's requirements, and a continuous emergency and breakdown service is also provided. The results of these objectives are evidenced by the fact that the number of underground leaks in 2020 decreased significantly, by 36 per cent. (as compared to 2017).

GasNet Služby services operational accidents. For GasNet as a DSO and other companies in the CGH Group in the Czech Republic, GasNet Služby also measures natural gas consumption and its quality, provides technical services for gas appliances, connects and disconnects customers, operates the network control centre, refurbishes and rolls out networks, and manages gas assets and their documentation.

---

<sup>8</sup> In 2019, GasNet operated 64,986 km.

### Key activities

Key activities of CGH Group's business (described in more detail below) consist of:

- (a) Managing contractual relationships with Gas Traders and end customers (as the primary source of CGH Group income) and associated processes i.e.:
  - (i) Gas Traders contract management;
  - (ii) end customer contract management, connection request management;
  - (iii) meter reading, quality checks and billing;
  - (iv) receivables management and debt collection; and
  - (v) managing customer switching process (around 300 thousand per year).
- (b) Safe and reliable operation of the distribution system i.e.:
  - (i) managing and monitoring physical flow of natural gas in the system from the transmission hand-over stations to the final off-take points and maintaining input/output balance and necessary pressure levels;
  - (ii) inspections, condition evaluation, maintenance and repairs of distribution system and its individual components; and
  - (iii) planning and execution of investment construction projects necessary for new customer connections and grid renewal.
- (c) Managing the gas metering infrastructure (around 2.3 million connection points) i.e. planning, installations, checks, and replacements of meters at the off-take points including disconnecting customers upon a Gas Trader's request.
- (d) Provision of associated services, building of available capacity and competencies, supporting protection of customers *vis-à-vis* substitutes and generating additional non-regulated revenues.

### Products and Services

The products and services, which support natural gas distribution include:

- Specialised technical and operating services for third parties including industry pipelines, pipeline interconnections and operating third party regulator stations;
- Servicing and inspections of customer gas appliances;
- Installation of local gas boiler rooms for heat supply;
- Complete range of services for installation of new gas boilers (including administration support) under a subsidies programme with final customers being the beneficiaries as well as installation without subsidies;
- Construction of gas connection pipes;
- Production of gas odourisation stations; and

- Other products and services: issuing energy labels, CO/smoke detector sales, inspections of gas connections for households, regulators exchange.

### *Licences overview*

- **Gas Distribution Licence of GasNet**

As of the date of these Listing Particulars, GasNet holds gas distribution licence No. 220604925 (the **Gas Distribution Licence**). The Gas Distribution Licence was granted to GasNet by the ERO on 1 January 2007 and currently lasts for an indefinite period of time as a result of an amendment to the Energy Act that regulates both licence requirements and conditions of exercising the regulated activity. The amendment to the Energy Act of 2006 stated that licences that had been granted for a definite period of time were changed to be valid for an indefinite period of time.

The current scope of the licence originated in the merger between VČP Net, s.r.o., SMP Net, s.r.o., JMP Net, s.r.o., and RWE GasNet, s.r.o., (now GasNet). Originally, each of these companies held its own gas distribution licence, but as a result of the merger, GasNet holds a single licence which covers the combined licences of all the companies involved in the merger. The Gas Distribution Licence of GasNet specifies the transport capacity, length and other technical details of the distribution pipeline and the number and technical specification of the regulator stations and also contains a list of the areas, cadastral areas and municipalities where GasNet is authorised to provide distribution of natural gas.

- **Electricity generation licences**

#### Electricity generation activities of GasNet

GasNet is authorised to generate electricity under its licence No. 111329920, which was granted to GasNet by the ERO on 1 November 2013 for a period of 25 years. GasNet's three units with a total installed capacity of 3,598 MW are located in Velké Němčice and Brno-Černovice in the South Moravia region. GasNet generates electricity in three units in Velké Němčice, Brno-Černovice and Brno - Turgenevova. Under the licence, GasNet, uses expansion turbines and cogeneration units as electricity production facilities. As part of the generation of electricity in its cogeneration units, GasNet also produces heat with a total installed capacity of 2,653 MW to provide heating at pressure stations.

#### Electricity generation activities of GasNet Služby

Under licence No. 110705654, GasNet Služby is authorised to generate electricity in two units with a total installed capacity of 0.061MW located in Ostrava and Orlová. The units are not in operation. The licence for electricity generation was granted to GasNet Služby by the ERO on 1 January 2008 for a period of 25 years.

## CGH Group's revenues

The majority of the CGH Group's revenues come from distribution fees (defined by the ERO) from wholesale customers, medium-sized customers and retail customers and households. Revenues of GasNet and GasNet Služby form 99 per cent. and 1 per cent., respectively, of the CGH Group's consolidated revenues for the period ended 31 December 2020. In addition, 97 per cent. of GasNet Služby revenue for the period ended 31 December 2020 was generated within the CGH Group (from GasNet).

### Gas Distribution Revenues

<i>(million CZK)</i>	<i>For year ended 31 December 2020</i>	<i>For year ended 31 December 2019</i>
Revenues – regulated (gas distribution).....	14,439	14,166
Revenues – unregulated (other services and sale of goods) .....	155	166
Total revenue .....	14,594	14,332
TSO and OTE fees .....	1,405	1,268
Total revenues less payments to OTE and TSO .....	13,189	13,064
EBITDA.....	9,214	9,467
Operating profit .....	6,589	6,978
Profit before income tax .....	5,429	5,905
<b>Profit for the year .....</b>	<b>4,403</b>	<b>4,783</b>

The CGH Group conducts its gas distribution business through GasNet. In the year ended 31 December 2020, the gas distribution business generated sales of CZK 14,439 million (as at 31 December 2019: CZK 14,166 million) and the CGH Group's EBITDA was CZK 9,214 million for the year ended 31 December 2020 (as at 31 December 2019: CZK 9,467 million).

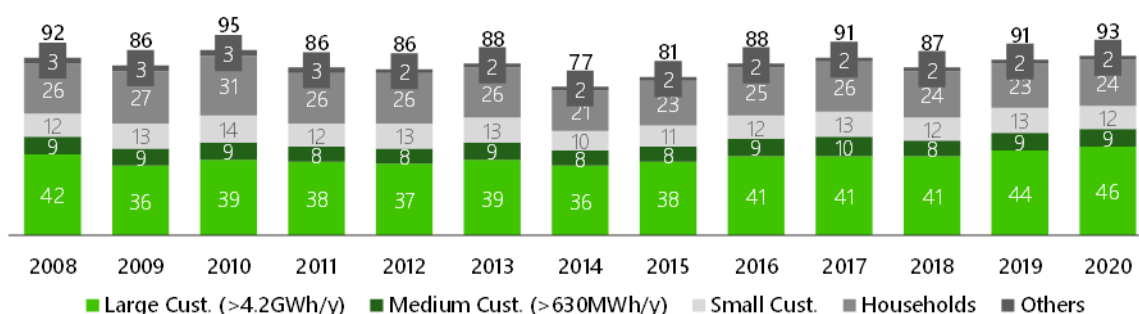
The CGH Group recognised 96 per cent. of total gas distribution revenue from wholesale traders of gas and 4 per cent. from end consumers of gas distribution in the year ended 31 December 2020 and 97 per cent. of total gas distribution revenue from wholesale traders of gas and 3 per cent. from end consumers of gas distribution in the year ended 31 December 2019.

### Revenues from gas distribution based on customer type<sup>(1)</sup>:

<i>(million CZK)</i>	<i>For year ended 31 December 2020</i>	<i>For year ended 31 December 2019</i>
Large and medium sized consumers category .....	5,354	5,238
Small sized consumers category .....	2,126	2,213
Households category.....	6,959	6,715
<b>Total revenue.....</b>	<b>14,439</b>	<b>14,166</b>

<sup>(1)</sup> Disregarding direct customers of wholesale traders or customers of the CGH Group.

Distribution volumes of GasNet were stable in the last five years as shown in the graph below.



In 2020, the distribution margin of GasNet was influenced mainly by: (i) a negative impact triggered by COVID-19; (ii) higher off-takes by a larger power plant using initially natural gas as fuel; and (iii) the positive compensation of over-purchased gas to cover network losses in the past. Temperatures were above the long-term average in February while other months were within the anticipated ranges.

### Ancillary services

Apart from the regulated activity of gas distribution, ancillary services amounted to revenues of the CGH Group of CZK 155 million in 2020 and CZK 166 million in 2019.

### Trends

The trends affecting CGH Group's business are:

#### *Stable markets with positive trends supporting projected business growth*

The EU and the Czech Republic's energy and environmental policy (including with respect to taxes, subsidies and regulations) influences individual components of the combined energy sources and thus impacts natural gas demand and derived distributed volume, and especially grid utilisation. In 2020, natural gas accounted for approximately 18.3 per cent. of total heat generation<sup>9</sup> and 4.6 per cent. of total power generation in the Czech Republic.<sup>10</sup>

The gas condensing boiler subsidy programme of the Ministry of the Environment for years 2014-2020 has been used to, among others, cover up to 75 per cent. of such boilers' purchase price (or up to CZK 95,000, if lower). The programme was intended to stimulate the use of natural gas in the heating mix, thereby contributing to the use of the grid.

The gas distribution market in the Czech Republic is very stable and predictable due to the ERO and constructive and strategically-acceptable regulations at both EU and national levels. More information about the regulation is contained in these Listing Particulars under the section titled "Regulation".

#### *Economic environment in the Czech Republic*

The CGH Group is also influenced by the development of the Czech economy. However, the gas distribution business in the Czech Republic is less susceptible to economic downturns mainly due to the regulatory requirement which ensures compensation for any difference between allowed and actual revenues. According to the Czech Statistical Office real GDP declined by 5.6 per cent. in 2020, compared to growth of 2.4 per cent. in 2019. Following the decline in 2020, the Ministry of Finance of

<sup>9</sup> Figure represents an average of data available for 2020 as of the date of these Listing Particulars, namely Q1 2020: 20 per cent., Q2 2020: 17 per cent., and Q3 2020 18 per cent.

<sup>10</sup> Source: ERO.



the Czech Republic predicts a 3.1 per cent. growth of GDP in 2021, assuming that significant and prolonged easing of restrictive measures will take place in Q2 2021 at the earliest.<sup>11</sup> Despite the adverse economic impact on the Czech Republic due to the COVID-19 health crisis, as of the date of these Listing Particulars, Standard & Poor's credit rating for the Czech Republic stands at AA- with a stable outlook, Moody's credit rating for the Czech Republic is set at Aa3 with a stable outlook and Fitch's credit rating for the Czech Republic is AA- with a stable outlook.

### ***Technological development***

The CGH Group's business is further affected by technological development in the energy sector, especially with regard to the development of renewables, decentralised energy systems, market coupling enabling gas distribution systems to enable injection, and the storage and distribution of green gases. Expected development in the area of green alternative gases such as biomethane, hydrogen, and substitute natural gas will present for the CGH Group an opportunity for their injection into the CGH Group's distribution system and their distribution (mainly in a blended form together with conventional natural gas) to consumers. Such development will reduce the carbon footprint of distributed gas and safeguard the future utilisation of the CGH Group's system.

In general, it is likely that major investments will be necessary to transform the Czech gas distribution network to allow for the distribution of natural gas, biomethane, synthetic methane and/or hydrogen to customers while maintaining safety, reliability and sustainability. Based on the current readiness of network components, the current network asset and renewal strategy will require adjustments to cope with the target state. There will be relevant technical and economic constraints (i.e. available technologies, absolute and relative costs), which may evolve over the 2021-50 time horizon that may impact the transformation. Technical aspects relating to the transformation process for the CGH Group to become a green gas distributor is likely to also involve adjustments to market and regulatory models, and underlying legislation (including subsidies and/or taxes). This will require dialogue and alignment amongst other market players, including various ministries, the regulator, other participants in the energy market as well as Czech and European associations and other decision makers.

The CGH Group is taking active steps to prepare for this development in the area of technical readiness, development of business models and the necessary legislation. In this regard, the following individual workstreams have been determined by the CGH Group: (i) to understand expected future changes in the energy landscape; (ii) to understand future commercial and environmental competitiveness of new energy carriers; (iii) to understand better future energy network options (hydrogen, mixed gases, power); (iv) to understand any potential impact on the CGH Group's business, risks and opportunities; (v) to create a road map on how to adjust the CGH Group's assets and renewal strategy and ultimately its network structure; and (vi) to support the CGH Group's future steps to understand and comply with market rules and protect its interests.

### **Strengths**

Management believes that the CGH Group benefits from the following key strengths:

#### ***Management of capital structure***

The CGH Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the CGH Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the CGH

---

<sup>11</sup> Source: Czech Statistical Office, Ministry of Finance of the Czech Republic.

Group managed as at 31 December 2020 was CZK 4,880 million (compared to CZK 19,784 million as at 31 December 2019).

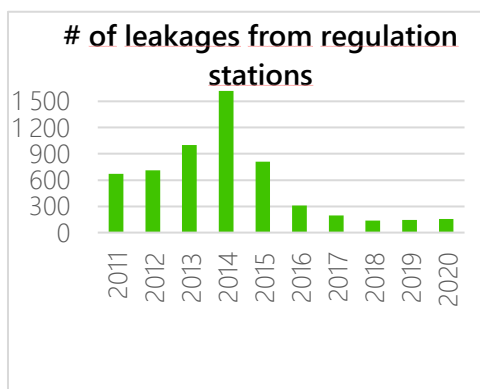
In maintaining or adjusting its capital structure, the Group targets a long-term capital structure compliant with an investment grade rating.

Consistent with others in the gas distribution sector, the CGH Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by a regulated asset base (**RAB**). In 2020, the Group's strategy changed and since 10 November 2020 the Group maintains a gearing ratio of 68 per cent. of RAB instead of 45 per cent. Consequently, as at 31 December 2020 the gearing ratio based on RAB was 68 per cent (compared to 45 per cent. as at 31 December 2019).

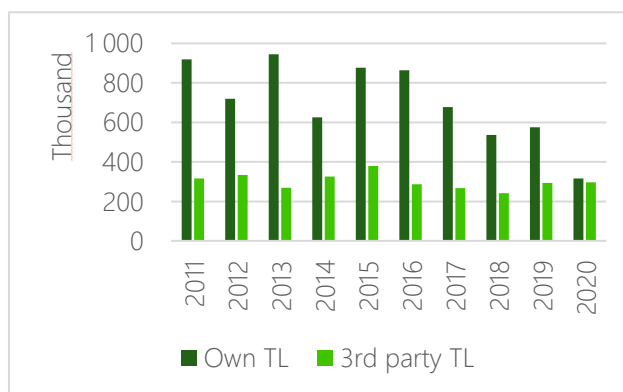
### *High quality of assets and services*

The CGH Group has been providing services and managing gas networks for DSOs for more than ten years. For the past ten years, the CGH Group has been providing these services at a high standard, making a significant contribution to the safe operation of the managed networks and to the increased reliability of natural gas supplies. The permanently high level of provided services has a positive impact on the quality of the operated networks. The total number of leaks detected in 2020 dropped below 12,000, i.e. by almost 66 per cent. compared to 2011, the number of leaks identified on gas mains under the surface dropped by 42 per cent. The reliability of gas supply to end consumers is stable at 99.99 per cent.

The following graphs show the development of numbers of leakages between the years 2011 and 2020 for regulation stations.



The following graph shows the development of technological losses (expressed in m<sup>3</sup>) between the years 2011 and 2020.



In accordance with Act No. 181/2014 Coll., on cyber security and changes to the related acts, as amended (the **Cyber Act**), measures to enhance the security system have been completed and the CGH Group has been certified accordingly. The newly introduced automated system has significantly accelerated the process of concluding connection contracts.

The CGH Group expanded the services of gas appliances and industrial gas pipelines and increased the number of regulator stations and actively supports boiler subsidies in order to strengthen the position of natural gas in the energy market.

#### ***Systematic cost and performance management***

The CGH Group reduced operating expenses by over 30 per cent. since the original level in 2007 after the unbundling process. For information on unbundling process see “*Unbundling*”. This was possible due to systematic cost and process management, further supported by its significant size and positive scaling effects.

The network losses were reduced significantly from approximately 1,300 GWh in 2010, down to 700-1,000 GWh in 2019 and 2020.

#### ***Prudent financial policy and solid credit metrics***

The CGH Group’s stable cash flow generation is mainly based on strong regulatory management and its focus on cost and capital expenditure efficiency. The CGH Group seeks to continue applying strict discipline to maintain and improve this efficiency going forward by exploiting the CGH Group’s synergies and implementing process optimisation measures and through prudent levels of capital investment.

#### ***Experienced management team backed by a committed, long-term shareholder with a strong track record***

The majority of the members of the CGH Group’s Management Board, Board of Directors and Supervisory Board as well as other members of senior management of the CGH Group have participated in the creation, structuring and execution of the growth strategy of the CGH Group over recent years. The well-established team has been a key asset of the CGH Group for some years and benefits from the backing of committed shareholders. The team has a proven track record of delivering growth in the CGH Group’s business through strongly strategic acquisitions, smaller bolt-on acquisitions, organic growth projects, efficient management and the operational optimisation of the CGH Group’s assets. In addition, the team is committed to enhancing the value such acquisitions deliver to the Issuer’s shareholders, after their completion, by the optimisation of procurement, investment and other processes.

The strategic interest of the Issuer’s shareholders is to support and develop the CGH Group’s business with the aim of achieving a long-term, continuous generation of stable, sustainable and predictable dividend flow. The shareholders have put in place a robust corporate governance regime that is implemented in the Issuer’s articles of association.

Moreover, the CGH Group has established specialised subcommittees, covering matters such as remuneration, health and safety, audit and cyber security, where shareholder’s representatives also take part.

### ***Strong and experienced shareholder support***

The CGH Group benefits from the experience, stability, scope of activities of its shareholders and their associated companies. MIRA is the leading real assets investment manager across infrastructure, real estate, agriculture and energy sectors.

### **Strategy**

The CGH Group intends to continue to leverage its core competencies in energy infrastructure to maintain stability and drive improvements in its business. The CGH Group's main aim is to generate stable and predictable cash flows from the current businesses while also identifying and realising attractive growth opportunities.

The CGH Group has been exploring the possibilities of (i) replacing coal by gas in heating plants and households in the short/mid-term and (ii) distributing alternative sustainable gases in the long term. The related risk of stranded costs is taken into account when planning new investments and discussing future regulatory regimes with regulatory authorities. In 2020, GasNet launched a pilot on liquefied natural gas (LNG) deliveries to replace diesel with LNG for long-haul trucks, to contribute positively to the environmental debate and to help the Czech Republic to reduce emissions in the transport sector. The pilot consists of operating two mobile LNG filling stations, which commenced operations in 2020 and 2021. GasNet has received a grant in the amount of approximately CZK 38 million in connection with its CZK 150 million investment to build up to eight LNG fixed filling stations. The decision to make use of such grant will depend on the success of the said pilot project.

In 2019, 46 per cent. of the heat generation in decentralised plants in the Czech Republic was covered by coal or lignite. Those decentralised plants provide heat to approximately 1.6 million households. Many mid or small-sized heating plants however, have reached their technical lifetime and as a result are no longer operationally sustainable and, due to increasing emission prices, are no longer competitive. Therefore, those plants have to be replaced. In 2035, the market share of renewable fuel for heating purposes is expected to reach 33 per cent. (compared to the current 13 per cent.), while the market share of natural gas is expected to increase from 28 per cent. to 50 per cent. In the mid-term, natural gas is available as an energy fuel source and would be an efficient energy fuel source to replace coal and help the transition of the Czech heating business to become more sustainable. In the long term, the gas industry will have to increase renewable energy sources including greener gas or gas mixes in the energy system in order to comply with future environmental requirements. Currently, there are more than 500 biogas stations in the Czech Republic and most of these could be transformed into biomethane plants and connected to the gas distribution network. The CGH Group actively supports this transition and puts significant effort in promoting its success, which includes discussions with the ERO, the Ministry of Industry and Trade of the Czech Republic and the Czech Biogas Association, mainly on technical, legal, as well as business aspects of the transition.

### ***Continued optimisation and realisation of synergies within the CGH Group***

The CGH Group will continue to focus on extracting operating efficiencies in its businesses with the aim of improving its profitability and delivering better value to its shareholders, while providing safe, reliable and affordable tariffs to its customers. The CGH Group continuously monitors the risks, safety, reliability and efficiency of its gas infrastructure and operations and takes steps to make operational improvements and implement additional risk mitigation and efficiency measures. The CGH Group plans to emphasise efficiency improvements without compromising safety and reliability at all levels of the CGH Group's operations, primarily through continued focus on the following measures undertaken by the CGH Group: (i) responsible, data driven asset management managing optimum risk/cost profile, (ii) advanced procurement methodologies implemented for both materials and services, (iii) process optimisation and unification supported by technology and digital innovations, (iv)

implementation of best practices across the CGH Group, and (v) the introduction of sustainable group-wide cost savings initiatives.

### ***Continued focus on cash flow generation***

The CGH Group's stable cash flow generation is underpinned by the majority of its EBITDA being generated by regulated and long-term contracted businesses subject to a transparent regulatory framework. The CGH Group believes it has been able to achieve an attractive conversion of EBITDA into cash flows in its businesses, due, in part, to its focus on cost and capital expenditure efficiency. The CGH Group seeks to continue to apply strict discipline to maintain and improve this efficiency going forward. The CGH Group seeks to maintain the quality and reliability of its asset base at a low cost by exploiting the CGH Group's synergies and implementing process optimisation measures and through prudent levels of capital investment.

### ***Continued investment into infrastructure, innovation and technology***

The CGH Group currently focuses on ensuring safety and reliability and the optimisation of efficiency and operating capacity of the distribution network and related services that it provides. In order to meet these objectives, in 2020, the CGH Group invested CZK 4,943 million in intangible assets, property, plant and equipment and right-of-use assets (as compared to CZK 3,981 million in 2019). The drivers behind the investment growth are mainly the assets ageing/risk profile development and inflation in the construction industry partially compensated for by responsible renewal prioritisation and procurement policies.

The major part of the investments made in 2019 and 2020 by GasNet served to fund the renewal of the distribution network. All investments made by GasNet Služby were made according to its approved investment plan and consisted mainly of the purchase of vehicles, service tools and devices. Initial investment decisions are always evaluated from different points of view, including the optimisation of the network, efficiency or capacity needs in certain locations.

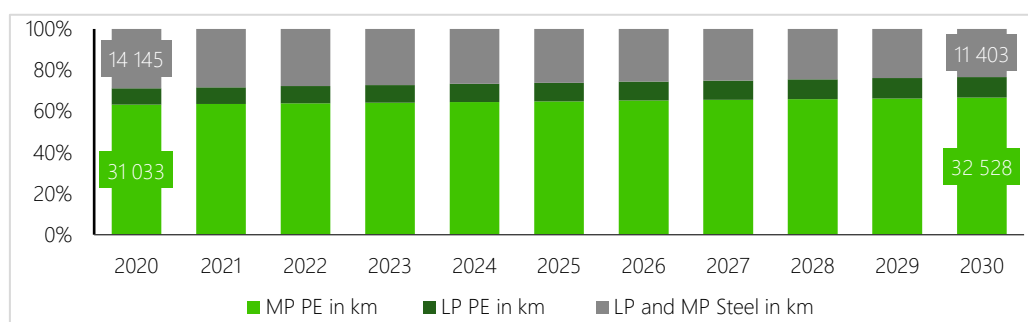
The introduction of project management has significantly improved the progress towards completion of individual constructions throughout the construction season. There are around three thousand active construction projects. The asset management is focused on replacement and improvement of the existing network. By the end of 2020, 88 per cent. of the construction projects were completed (compared to 63 per cent. in 2015).

The gradual growth of expenditures to the renewal of the grid (repex) in the past five years (and continuing into the next 15 years) is planned to ensure occurrence of no peaks in grid deterioration and a smooth ramp-up of reconstruction capacities in the market as well as dealing with reconstruction prices growing beyond inflation. In preparation for the rise of alternative gases, the CGH Group will also gradually increase the H2 readiness of the distribution system.

This is primarily driven by the need to replace ageing local steel grids with a focus on the largest cities in the Czech Republic where leakages have the highest potential impact of failure. The key target is to cope with the peak of ageing grids built in the 1980s and 1990s which are going to achieve their median end of lifetime in the years 2030-2035 as well as with growing prices in the reconstruction market, due to general inflation. Contractual arrangements are built around a portfolio of qualified contractors from which individual projects are tendered based on structured procurement processes.

The majority of the CGH Group's network is less than 30 years old and without cast iron in its infrastructure. The absence of cast iron and the higher presence of polyethylene (PE) coupled with proactive asset management has been the most significant factors in reducing workload and Allowed Costs (OpEx). The estimated technical life of PE and steel pipes (grades LP, MP and HP) is 100 years and 80 years, respectively.

### *Development for PE Network of owned pipelines 2020 – 2030*



In addition to investment in asset renewal, the CGH Group invests in new innovative Grid-related technologies such as trenchless technologies enabling minimisation of excavation and surfacing during mains renewal, remote control and monitoring of grid technology to replace field inspections, air inspections using helicopters and use of drones and satellite imaging to replace walk the line inspections. The CGH Group is focusing on the digitisation of field force processes as well as advanced data analytics used for asset management and process optimisation. The CGH Group also participates in studies and pilot projects enabling the connection of sources of green gases such as biomethane and hydrogen to the grid; and the safe injection and subsequent flow of these gases in the distribution system.

### ***Real Estate***

The land on which the CGH Group's gas facilities are located are either:

- owned by the CGH Group companies;
- used on the basis of easement agreements concluded with various counterparties; or
- leased by the CGH Group companies (in the case of the plots of land under the regulator stations).

The gas facilities equipment operated by the CGH Group is either owned by the CGH Group or leased (5,000 km) mostly from various municipalities.

Under the Transitional Services Agreement dated 25 February 2020 between iCR and innogy Zákaznické služby, s.r.o. as suppliers (the **TSA Suppliers**) and CGH, GasNet and GasNet Služby as recipients (the **TSA**), 23 buildings and several land plots have been transferred from iCR to the CGH Group and easements in favour of the CGH Group have been created. The transfer also included all rental agreements for the sites used by the CGH Group. The underlying rationale for the selection of these particular buildings was the utilisation rate of individual buildings by employees and suppliers of CGH. The transfer of the rental agreements, the buildings and the land plots was completed on 1 August 2020.

### ***Increasing operating performance***

Results in 2020 and 2019 were mainly driven by systematic regulatory measurements, stringent cost management and a positive development in the reduction of network losses. In 2020, the CGH Group generated revenue of CZK 14,594 million (as compared to CZK 14,332 million in 2019), EBITDA of CZK 9,214 million (CZK 9,467 million in 2019). This represented EBITDA Margin of 63.1 per cent. in 2020 and 66.1 per cent. in 2019. Cash Conversion Ratio represented 52.6 per cent. in 2020 and 60.0 per cent. in 2019.

Below, the CGH Group sets out the details on calculating the building blocks for distribution tariffs based on the Czech Republic legal and regulatory requirements (the **Czech GAAP**) for GasNet. These are calculated and defined based on methodology as published by ERO in Method of regulation and methodology for price determination in electricity sector, gas sector and activities of market operator in the electricity sector and the gas sector (in Czech: *Způsob regulace a postupy tvorby cen v elektroenergetice, plynárenství a za činnosti operátora trhu v elektroenergetice a plynárenství*) (the **Regulatory Formula**).

The table below sets out Allowed Depreciation and Capex (Czech GAAP) for GasNet based on the Regulatory Formula for years 2016-2020.

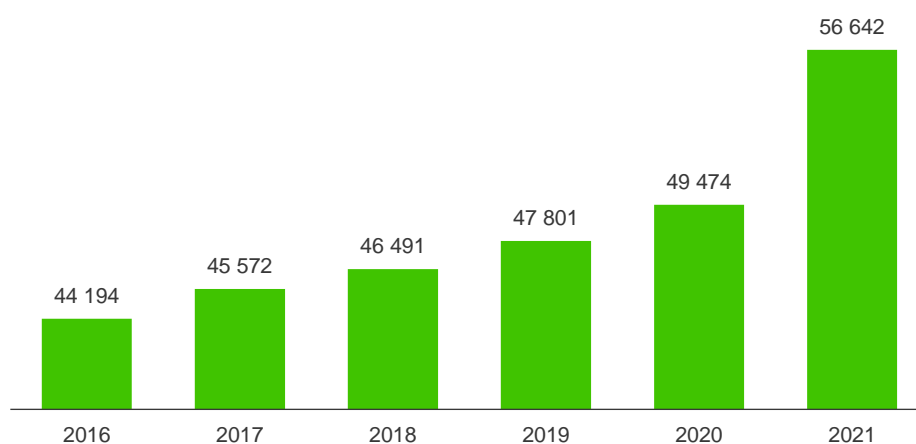
	Year ended 2016	Year ended 2017	Year ended 2018	Year ended 2019	Year ended 2020
	(million CZK)	(million CZK)	(million CZK)	(million CZK/EUR)	(million CZK/EUR)
<b>Allowed depreciation .....</b>	3,977	3,628	3,618	3,748/146	3,875/145
<b>Capex (Czech GAAP) .....</b>	3,908	3,968	3,666	3,772/148	4,866/184

The values of Allowed Depreciation and Capex (Czech GAAP) indicate stable, highly predictable investment profile in line with allowed regulatory depreciation. Short term differences between the two are driven by investment cycle.

The table below sets out RAB based on the Regulatory Formula for years 2016–2021.

	Year ended 2016	Year ended 2017	Year ended 2018	Year ended 2019	Year ended 2020	Year ended 2021
	(million CZK)	(million CZK)	(million CZK)	(million CZK/EUR)	(million CZK/EUR)	(million CZK)
<b>RAB .....</b>	44,194	45,572	46,491	47,801/1,881	49,474/1,885	56,642

**RAB (GasNet) for years ended 2019–2021 (million CZK)**



RAB increases are caused mainly by the dual RAB regime in the fourth regulatory period in which allowed depreciation is deducted only partially from RAB in the previous year, while CAPEX is included fully.

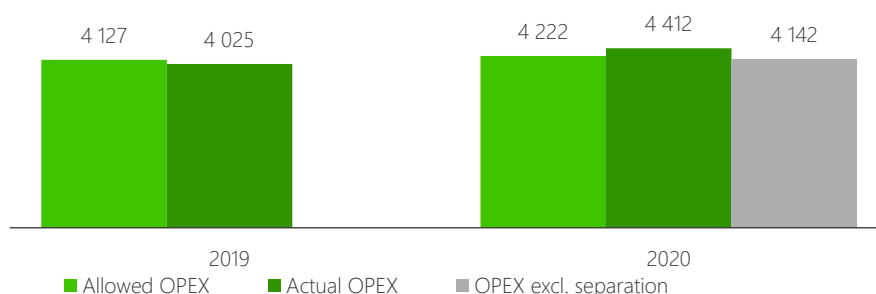
The table below sets out Allowed OpEx vs. Actual OPEX (GasNet) based on the Regulatory Formula for years 2016–2020.

	Year ended 2016	Year ended 2017	Year ended 2018	Year ended 2019	Year ended 2020
	(million CZK)	(million CZK)	(million CZK)	(million CZK/EUR)	(million CZK/EUR)
Allowed OpEx .....	4,082	4,059	4,067	4,127/161	4,222/161
Actual Opex (GasNet)	3,923	3,940	4,031	4,025/158	4,412/168

The table below sets out Allowed OpEx based on the Regulatory Formula for years 2016–2020 as determined by the Principles of Price Regulation (as defined below).

	Year ended 2021	Year ended 2022	Year ended 2023	Year ended 2024	Year ended 2025
	(million CZK)	(million CZK)	(million CZK)	(million CZK)	(million CZK)
Allowed OpEx .....	3,951	4,001	4,197	4,398	4,489

**Allowed OpEx, Actual Opex (GasNet) for years ended 2019 – 2020 (million CZK) and Actual Opex (GasNet) less the Separation Opex for the year ended 2020**



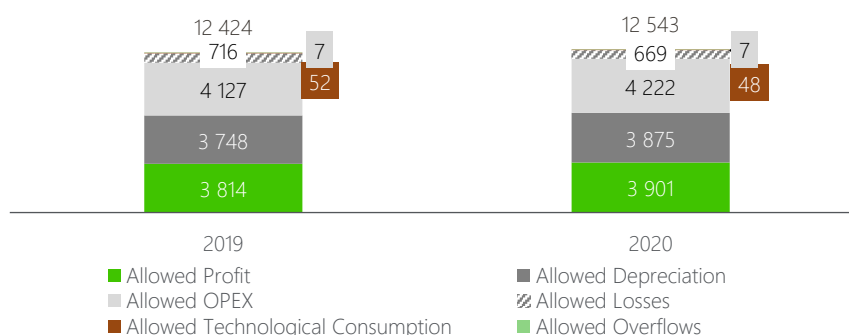
The Actual OpEx outperformance was caused by optimisation measures (e.g. rationalisation of labour force and pressure stations) and lower cost of gas purchased to cover technical losses, unauthorized off-takes and own consumption.

The table below sets out Reconciliation of Allowed Revenues to individual building blocks based on the Regulatory Formula for years ended 2016 – 2020.

	Year ended 2016	Year ended 2017	Year ended 2018	Year ended 2019	Year ended 2020
	(million CZK)	(million CZK)	(million CZK)	(million CZK/EUR)	(million CZK/EUR)
<b>Allowed Revenues (total) .....</b>	<b>12,760</b>	<b>12,831</b>	<b>13,242</b>	<b>12,424/484</b>	<b>12,543/474</b>
Allowed Profit .....	3,509	3,618	3,691	3,814/149	3,901/147
Allowed Depreciation ....	3,977	3,628	3,618	3,748/146	3,875/146
Allowed OpEx .....	4,082	4,059	4,067	4,127/161	4,222/160
Allowed Losses .....	805	617	597	716/28	669/25
Allowed Technical Consumption .....	58	45	43	52/2	48/2
Allowed Overflows .....	6	7	7	7/0	7/0
K-Factor (i-2) .....	323	857	1,218	(40)/(2)	(179)/(7)



**Allowed Revenues (GasNet) for years ended 2019 – 2020 (million CZK)**



Positive development of Allowed Profit and Allowed Depreciation was given by growing RAB.

For the illustration purposes, the table below sets out **Normalised EBITDA** is being set as EBITDA for the CGH Group excluding the impact of K-Factor based on the Regulatory Formula.

	Year ended 2020	Year ended 2019
	(million CZK)	(million CZK)
EBITDA.....	9,214	9,467
Adjustments K-Factor (i-2).....	(301)	(441)
<b>Normalised EBITDA .....</b>	<b>8,913</b>	<b>9,026</b>

The table below sets out the net book value (Czech GAAP) for GasNet based on the Regulatory Formula as at 31 December 2020 and 2019.

	2020	2019
	(million CZK/EUR)	(million CZK/EUR)
Net book value (GasNet).....	67,197/2,561	66,487/2,617

The table below sets out the leverage of the CGH Group which is being set as ratio of shareholder loans drawn to the RAB (the **Leverage**), which allows for stable and predictable credit metrics.

Leverage for 2020 and 2019 was as follows:

(million CZK)	2020	2019
RAB (GasNet) <sup>12</sup> .....	49,474	47,801
Long term shareholder loan facility (SHL) <sup>12</sup> .....	33,843	20,710
Assets under construction facility agreement (AUC) <sup>13</sup> .....	0	800
(SHL+AUC)/RAB .....	68 per cent.	45 per cent.

The targeted Leverage of 68 per cent. is achieved via intercompany loans entered into between GasNet as borrower and the Company as lender: (1) Long term shareholder loan facility and (2) Long term

<sup>12</sup> Based on the individual financial statements of GasNet prepared in accordance with Czech GAAP.

<sup>13</sup> Facility line to finance investments into assets under construction prior to their commissioning.

shareholder loan facility both dated 10 November 2020 (the **Intercompany Loans**) forming part of the internal capital structure optimisation.

### ***Maintaining the stability and resilience of the CGH Group's business***

The primary strategic focus of the CGH Group is on maintaining the low-risk profile of its core operations in the regulated and long-term contracted energy infrastructure space, with the primary goal of generating strong predictable cash flows. The majority of the CGH Group's EBITDA is generated via either fully regulated activities or contracted activities based on long-term agreements with a stable geographically diversified customer base in the Czech Republic, on which the CGH Group intends to continue to focus, going forward.

### **Customers**

GasNet has standard framework distribution agreements in place with 139 Gas Traders out of which 121 are active suppliers. The top ten customers generate around 80 per cent. of CGH Group's revenues each year. The following Gas Traders generated 79 per cent. of CGH Group's revenue in 2020: innogy Energie s.r.o. (36 per cent.), ČEZ Prodej s.r.o. (9 per cent.), E.ON Energie, a.s. (8 per cent.), Pražská plynárenská (7 per cent.), Bohemia Energy entity, s.r.o. (4 per cent.), Lama Energy a.s. (4 per cent.), MND, a.s. (4 per cent.), VNG Energie Czech s.r.o. (3 per cent.), EP Energy trading, a.s. (2 per cent.), ČEZ ESCO, a.s. (2 per cent.). The contractual relationship with all Gas Traders is based on GasNet's standardised form contract on service of distribution network.

In 2020, there were 160,000 changes in number of Gas Traders as compared to 186,000 in 2019, showing a significant decrease in the observed period. The changes in the level of activities by end customers to look for alternate gas suppliers are largely caused by changing price levels of natural gas on the wholesale market which is subsequently reflected in the final prices for gas supply to which customers are sensitive and may react by choosing a new gas supplier (Gas Trader). The number of changes in gas suppliers in 2018 indicates that the Czech gas market is open and fully functioning. The long-term increase in the number of new Gas Traders confirms the continuing durability and attractiveness of the gas market.

In addition, in 2021 GasNet has signed 99 direct distribution contracts, of which 58 are with final customers, 35 with local gas distributors and 6 with producers.

Wholesale customers and medium-sized customers are billed monthly, based on measurements of consumption and retail customers and households are billed on a periodic basis, at least once every 12 months from each sampling point.

The main contract parameters of distribution contracts are: description of distribution services, DSOs' network code duties (approved by the ERO), invoicing and payment conditions, protection of personal data and gas trade licence duty.

The table below describes the structure of GasNet's end users customer base and consumption (here 2020 and 2019).

<b>GasNet's customer base in 2020</b>		<b>Natural gas consumption</b>		
<i>Category</i>	<i>number of off-take points (as of 31 December 2020)</i>	<i>(thousands of m3)</i>	<i>(MWh)</i>	<i>(per cent. share)</i>
Wholesale .....	1,271	3,285,808	35,126,399	48
Medium-size .....	4,505	605,164	6,466,189	9

Retail.....	156,024	891,273	9,519,269	13
Households .....	2,126,467	1,888,128	20,167,593	28
CNG.....	199	69,843	746,821	1
Other .....		66,851	713,498	1
<b>Total .....</b>	<b>2,288,466</b>	<b>6,807,067</b>	<b>72,739,769</b>	<b>100.00</b>
<b>GasNet's customer base in 2019</b>		<b>Natural gas consumption</b>		
<i>Category</i>	<i>number of off-take points (as of 31 December 2019)</i>	<i>(thousands of m3)</i>	<i>(MWh)</i>	<i>(per cent. share)</i>
Wholesale .....	1,258	3,142,050	33,524,710	47.3
Medium-size .....	4,544	600,000	6,400,732	9.0
Retail.....	155,724	939,341	10,029,552	14.1
Households .....	2,130,374	1,807,655	19,299,663	27.2
Compressed Natural Gas (CNG) ..	187	67,630	730,855	1.0
Other .....		89,112	950,708	1.3
<b>Total .....</b>	<b>2,292,087</b>	<b>6,645,788</b>	<b>70,936,221</b>	<b>100</b>

Natural gas distribution to end consumers for high-volume and middle-volume categories is billed to traders on a monthly basis based on measured consumption by end-consumers.

Revenues for retail (low-volume) customers and households consist of actual invoiced revenue and revenues from the so-called unbilled gas distribution. The value of the unbilled gas distribution is determined as the total volume of gas delivered in a given period, based on consumer behaviour of individual customers and is valued in relation to the valid ERO price decision. Gas distribution to low-volume categories and households is billed to particular Gas Traders periodically, when the consumption reading is performed at least once every 12 months for each end-consumer.

The risk of failure of end customer to pay is reduced by the fact that costs associated by the end customers' default are, for the first 14 days, borne by the relevant Gas Trader.

The CGH Group's online application for customers "*Gas distribution online*", is intended primarily for filing requests for connection to the distribution system for all customer categories including requests for opinion on non-gas construction, requests on verification of free capacity, requests for vector data and requests for staking. There was a change in submission applications and contracts for new connections to the distribution system for retail customers and households. A connection agreement is issued in specified cases automatically within 15 seconds. The contract is signed through a web interface. In 2020, 23,236 (as opposed to 21,534 in 2019) online applications were submitted for connection to the distribution system via the application. This made signing connection agreements faster and gave greater comfort to customers requesting the gasification of buildings.

### Financial Indebtedness of the CGH Group

This section provides an overview of the financial indebtedness of the CGH Group comprising bank debt and bonds issues (representing principal amount and disregarding, among other things, unamortised fees, discounts and accrued interest) including lease liabilities. As of 31 December 2020, the indebtedness of the CGH Group comprised shareholder loans in the amount of CZK 38,517 million and lease liabilities of CZK 1,380 million. As comparison, as of 31 December 2019, the indebtedness of the CGH Group comprised shareholder loans in the amount of CZK 21,510 million and lease liabilities of CZK 1,551 million.

## **Financial Indebtedness of the Issuer**

This section provides an overview of the financial indebtedness of the Issuer (on a consolidated basis) comprising bank debt and bond issues (representing principal amount and disregarding, among other things, unamortised fees, discounts and accrued interest) including lease liabilities but excluding mark-to-market hedging instruments. As of 31 December 2019, the indebtedness of the Issuer comprised shareholder loans in the amount of CZK 22,015 million and bank loans in the amount of CZK 42,388 million and lease liabilities of CZK 1,551 million. In July 2020, the Issuer issued EUR 600 million in principle amount of EUR Notes and CZK 6,750 million in principle amount of CZK Notes.

## **Capital Expenditures of the CGH Group**

As at 31 December 2020, the CGH Group has contractual capital expenditure commitments in respect of property, plant and equipment of CZK 2,651 million (as compared to CZK 2,385 million as of 31 December 2019). The CGH Group's CAPEX for the years ended 31 December 2020 and 2019 was CZK 4,943 million and CZK 3,981 million, respectively.

## **Credit risk management**

The major part of the CGH Group's risk related to gas distribution services provided mostly to retail companies, gas suppliers and local distributors is managed by means of principles called "Conditions of Financial Eligibility" implemented in GasNet's Network Code which is a part of the legal framework approved by the ERO, based on non-discriminatory rules. The credit loss impact from bad debts is recognised partially by the ERO and is, for this part, reimbursed with a time lag as an eligible cost.

Each Gas Trader is obliged to demonstrate to GasNet, as a DSO, sufficient financial eligibility to fulfil its obligations under the distribution contract. The customer must prove financial eligibility for the whole duration of the distribution contract in the form of cash security deposits, bank or parent guarantees or credit rating. Ratings are reviewed every six months. Additionally, prepayments are required for the consumption of business-to-consumer end customers of the Trader. The required cash collateral and bank guarantees usually cover approximately 23 per cent. of the exposures to be covered.

Credit exposure is calculated automatically on a daily basis and presented monthly for the period of the following 12 months, based on the current status of the counterparty's customer portfolio and distribution capacity booking requests.

Financial eligibility can be proven by customers on an individual basis based on counterparty ratings from external international rating agencies such as Standard & Poor's, Fitch and Moody's or scorings from agencies like Creditreform or Crefoport. If the rating/scoring is not sufficient and/or if the financial covenants are broken then the CGH Group's credit exposure has to be collateralised by means of one (or a combination) of the following risk mitigation tools: bank guarantees, cash deposit or parent company guarantees. There are also minimum rating requirements introduced for guarantee providers (for banks and parent companies).

Apart from the preventive mitigation of credit risks through above mentioned tools, GasNet is entitled to disconnect customers in line with the relevant rules in the GasNet's Network Code if the end customer doesn't fulfil its obligations to pay. Most of the disconnections of failing customers (63 per cent.) in 2020 was achieved within 15 days.

In addition to rules mitigating customers' or Gas Traders' credit risks, the CGH Group also manages suppliers' credit risks. Advance payments to contractors are accepted only in specific cases. Standard instruments for securing the credit risk from contractors' contracts are used – such as advance payment bonds, performance bonds and warranty bonds. Additionally, there is regular creditworthiness monitoring of certain group of strategic key suppliers of the CGH Group within established pre-

qualification procedures. Pre-selected suppliers are encouraged to cooperate with the external scoring agency, for that reason, to deliver the latest financial reports for their rating assessment.

### **Information Technology**

The CGH Group's process reliability and operational efficiency, which the CGH Group believes is core to its competitive advantage, is partly a result of systematic investments in information technology systems which allow its operating entities to plan, manage and coordinate their operations. Information systems cover all key areas of CGH Group's operations i.e.:

- (a) Customers' and Gas Traders' contract management, meter to cash/billing and customer switching;
- (b) asset lifecycle management – investment planning, investment construction processes management, operations and maintenance;
- (c) field force management – capacity planning, routing and scheduling and work order management;
- (d) SCADA – real time gas flow and system monitoring and steering;
- (e) basic ERP system covering corporate functions such as accounting, controlling, asset accounting, HR and associated functions. The Group is currently in the process of implementing a new ERP replacing the old system provided by innogy SE, the owner of the system) including the enterprise assets management and workforce management functions;
- (f) all of the above connected to the end user environment and communication infrastructure and using widely deployed Cloud based back end environment; and
- (g) networks to provide connectivity between locations and employees.

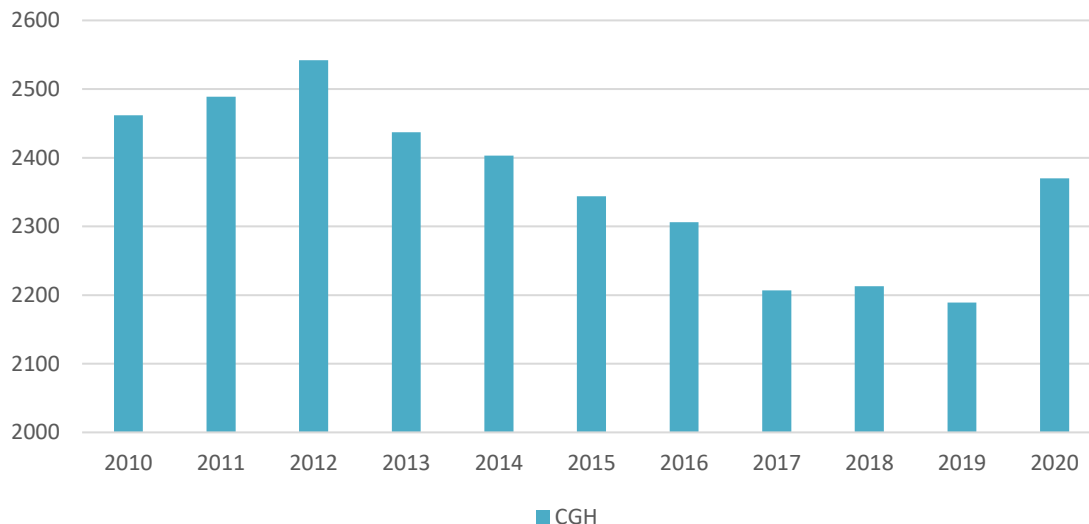
The above mentioned architecture is supported by service delivery processes, project management and cyber security management. The CGH Group has established a Cyber Security Subcommittee to oversee dealing with the abovementioned matters. The CGH Group intends to replace its current enterprise resource planning, asset management and workforce management systems by March 2022.

### **Insurance**

The CGH Group maintains insurance protection that it considers adequate and industry standard in the ordinary course of operations. The CGH Group has entered into insurance contracts for material damage to its business assets, business interruption and third-party liability insurance and further potential environmental damage as well as car, travel and accident insurance. Please also see "*Risks related to pipeline insurance*".

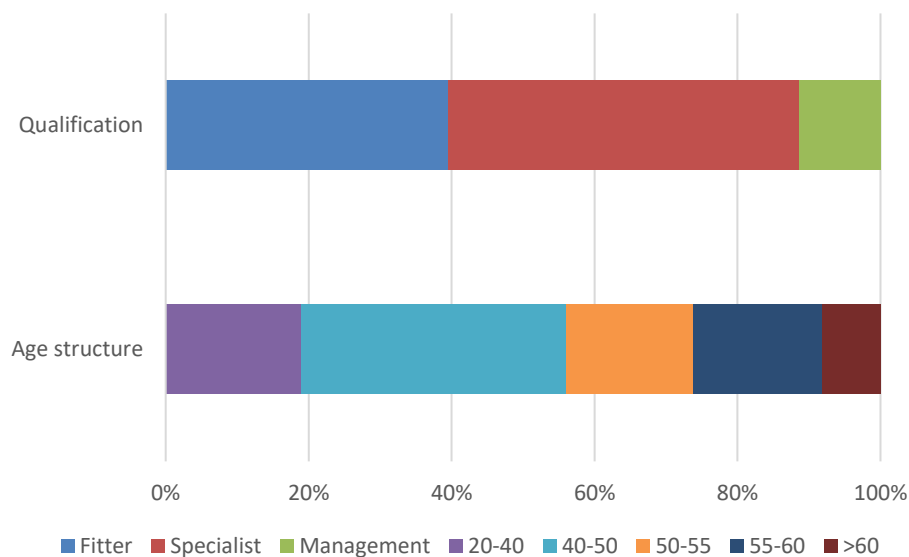
### **Employees**

For the years ended 31 December 2020 and 2019, the number of full-time equivalent employees (**FTE**) of the CGH Group was 2,370 and 2,189, respectively. The following graph shows the development of the number of employees since 2010.



As of 28 February 2021, the Group had 2,437 FTEs. In 2020, the number of FTEs increased (when comparing to 2019) due to the separation of CGH Group from the iCR group.

The graph below describes the structure of the employee portfolio in terms of age and qualification (with 47 being the average age of employees).

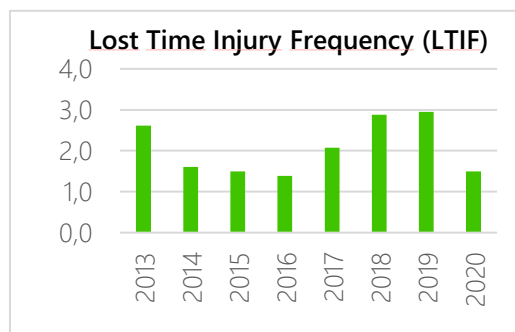


The CGH Group focuses on developing its employees' skills by continued education and training. Both GasNet and GasNet Služby meet all their obligations under the collective labour agreements. The new collective agreement was signed on 1 July 2020, as amended, and is valid from 1 January 2021 until 31 December 2021. Diversity and inclusions KPIs are being monitored during recruitment process (with no predetermined targets). In March 2021, 26 per cent. of employees were women and 13 per cent. of CGH Group's management comprised of women. Employee turnover rate reached 5.4 per cent. in 2020 (out of which 2.7 per cent. was voluntary).

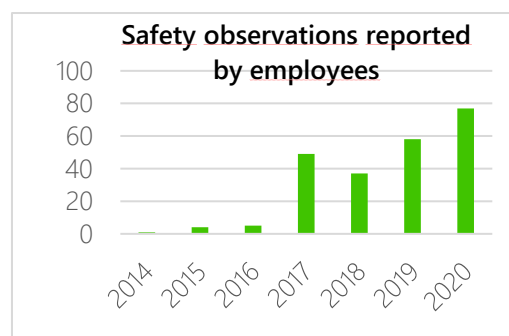
Occupational health and safety is the CGH Group's top priority. Following the occupational health and safety policy, legal directives, and applicable internal procedures, GasNet and GasNet Služby evaluate potential hazards and risks, and adopt corresponding measures to prevent accidents and injuries with six major incidents in the last three years, involving both, CGH Group's own employees as well as their

sub-contractors. The CGH Group also has established a Health and Safety Subcommittee to oversee the health and safety matters within the CGH Group.

The following graphs show development of the frequency of lost time injuries (expressed as lost time injuries occurring in a workplace per 1 million hours worked) between the years 2013 and 2020.



The CGH Group regularly inspects works with increased hazard and safety observations reported by its employees. The following graphs show the development of the number of safety observations which were reported by the CGH Group employees between the years 2014 and 2020.



The CGH Group also provides its employees with various employee remuneration and benefits, for instance salaries, contributions to the Czech state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and other services) and other benefits. The CGH Group has no legal or other obligation to make pension or similar benefit payments beyond payments to the statutory defined contribution scheme.

The employer has to pay all monetary obligations according to Czech labour law, employee contracts and collective agreements and social and health insurance and tax payments for all employees during their employment relationship.

## Competition

In the Czech Republic, the gas distribution market is geographically divided between three significant players who operate in distinct natural monopoly regions – based on which particular DSO covers the area with its services: (i) GasNet, in 2020 having 78.3 per cent. gas distribution market share based on the gas volume (m<sup>3</sup>) distributed; (ii) Pražská Plynárenská Distribuce, a.s. representing 9.5 per cent. of the market; and (iii) E.ON Distribuce, a.s. with 3.7 per cent. market share. There are also other minor DSOs that altogether make up the rest of the gas distribution market in the Czech Republic, taking the remaining 8.5 per cent. market share combined<sup>14</sup>.

<sup>14</sup> Source: The ERO, Report on the operation of gas grid in the Czech Republic (Q4/2020).

	<i>Number of customers (as of 31 December 2020)<sup>15</sup> / percentage</i>	<i>Grid length (km) (as of 31 December 2019)<sup>16</sup></i>
GasNet.....	2,288,466 (80.9 per cent.)	64,985
Pražská Plynárenská Distribuce, a.s. ....	417,517 (14.8 per cent.)	4,459
E.ON Distribuce, a.s.....	114,709 (4.1 per cent.)	4,612
Others .....	8,439 (0.3 per cent.)	4,586
<b>Total.....</b>	<b>2,829,131</b>	<b>78,643</b>

However, the CGH Group's business may face competition which may affect distributed volume, grid utilisation, unit tariff and limits on support room for tariff development. Natural gas competes with alternatives such as lignite, biofuels and others.

### Material Business Contracts

Apart from service level agreements as outlined below, there are also material contracts with external partners, of which the following belong to the most important contract groups.

<b>Service / goods provided</b>	<b>Partner</b>
Gas meters	G.A.S. a.s., Plymer, spol. s r. o.
Construction - standard work , gas readings	MONTGAS, a.s.
Vehicles	NH CAR, s.r.o., ARVAL CZ s.r.o., Lease Plan s.r.o.
Construction, gas meters, gas readings	GASCONTROL, společnost s r.o.
Consulting	McKinsey & Company, Inc. Prague
Gas volume converters, repairs and calibrations (gas meters GWF, volume convertors)	ELGAS, s.r.o.
VTL inspections	CEPS a.s.
Construction - standard work	STREICHER, spol. s r.o. Plzeň Výstavba sítí Kolín a.s. Moravský Plynostav, a.s. Kubík a.s. I. SPZ s.r.o.
Detection and location technique	Line Control s.r.o.
Outsourcing, mobile services, company solution	T-Mobile Czech Republic a.s. České Radiokomunikace a.s. AUTOCONT a.s. ZAT a. s. CGI IT Czech Republic s.r.o. SAP ČR, spol. s.r.o. ORACLE Czech s.r.o. VIVAVIS Česko s.r.o. MIBCON a.s.
Cloud services	Fpt Czech s.r.o. IBM Česká republika, spol. s r.o. T1 Solution, s.r.o. Amazon Web Services EMEA SARL

<sup>15</sup> Source: The ERO, Report on the operation of gas grid in the Czech Republic (Q4/2020).

<sup>16</sup> Source: The ERO, Annual report on the operation of gas grid in the Czech Republic (2019)



	O2 IT Services s.r.o.
Facility Services	ISS Facility Services s.r.o.
IT specialists	Axial Personnel Agency, s.r.o. Macháček Consulting s.r.o. Principal engineering, s.r.o.
Fuel cards	CCS Česká společnost pro platební karty s. r. o.
LNG equipment	Ham Criogenica S.L TECNOGAS S.r.l

In selected key areas, products and services are procured from more than one supplier (e.g. meter devices). Contractors are regularly reviewed *vis-à-vis* their credit risks and rating (e.g. Creditreform). For electricity supply for key locations like dispatching centres in Usti nad Labem and Brno, emergency power production technology is installed. For areas with potential risks business contingency plans are prepared.

#### ***Technical Services Agreement for GasNet***

There is a framework agreement on the provision of technical services dated 2 January 2018 entered into between GasNet as the recipient and GasNet Služby as the provider, for an indefinite term (the **GN Technical Services Agreement**). The GN Technical Services Agreement include the operation and maintenance of the networks, technical dispatching and measurement and related services. The GN Technical Services Agreement may be terminated on six months' notice and can be terminated no earlier than as of the last day of a calendar year (or unless the parties agree otherwise).

#### ***SLA IT and Corporate services for GNS***

There is a framework agreement on the provision of IT and corporate services dated 15 December 2020 (valid from 1st April 2020) entered into between GasNet as the provider and GasNet Služby as the recipient, for an indefinite term (the **GNS Corporate Services Agreement**). The GNS Corporate Services Agreement includes the accounting, personal, communication, legal and related services. IT services under the GNS Corporate Services Agreement includes the IT infrastructure, end-user services, metering, ERP, WFM systems, IT reporting and other services. The GNS Corporate Services Agreement may be terminated on six months' notice.

#### ***SLA Corporate services for CGH***

There is a framework agreement on the provision of management corporate services dated 15 December 2020 entered into between GasNet as the provider and CGH as the recipient, for an indefinite term (the **CGH Corporate Services Agreement**). The CGH Corporate Services Agreement includes the accounting, legal and financial controlling services. The CGH Corporate Services Agreement may be terminated on six months' notice.

#### **Separation of the CGH Group from iCR**

##### ***Transitional Services Agreement***

The purpose of the TSA was to provide a framework for the separation of CGH Group from the iCR group. The TSA describes general principles of cooperation between the TSA Suppliers and the CGH Group in relation to the transfer of employees and assets (including immovables). One of the annexes to the TSA specifies, among others, (i) which costs of the separation are covered by the CGH Group, i.e. especially IT system separation, (ii) which movables and immovables are to be transferred to CGH, and (iii) milestones showing when the employees and assets were transferred during 2020 and (iv) project governance including escalation mechanism (the **TSA Annex**).

The TSA foresaw a separation in 2020 of over 80 software applications, which were being used or managed by iCR for the former integrated iCR group until the separation. Moreover, 297 FTEs were transferred from iCR to the CGH Group in waves on 1 April 2020, 1 July 2020, 1 October 2020 and 1 January 2021, with another up to 125 FTEs transferred from innogy Zákaznické služby, s.r.o. (Customer Care) to the CGH Group as of 1 January 2021.

As of the date of this Listing Particulars, all FTEs, IT assets, hardware and software applications, buildings and movable assets (26,000 items) have been transferred to the CGH Group as envisaged by the TSA. The CGH Group is not aware of any claims in connection with the TSA. In 2020, around 500 contracts with relevance to the CGH Group's activities were split and negotiated on a bilateral basis with the contractors.

## **Material Financing Arrangements**

### ***EUR Notes***

On 16 July 2020, the Issuer issued EUR 600 million in aggregate principal amount of fixed rate notes bearing a fixed interest rate of 1.000 per cent. per annum due in 2027, ISIN XS2193733503 (the **EUR Notes**). The EUR Notes have been admitted to the Official List and to trading on the Global Exchange Market. The EUR Notes constitute unsubordinated and unsecured obligations of the Issuer that rank equally in right of payment with the Issuer's existing and future indebtedness that is not subordinated in right of payment, including under the Notes.

### ***CZK Notes***

On 22 July 2020, the Issuer issued CZK 6,750 million in aggregate principal amount of floating rate notes due in 2026, ISIN: XS2193733842 (the **CZK Notes**). The CZK Notes have been admitted to the Official List and to trading on the Global Exchange Market. The CZK Notes constitute unsubordinated and unsecured obligations of the Issuer that rank equally in right of payment with the Issuer's existing and future indebtedness that is not subordinated in right of payment, including under the Notes.

As of 31 December 2020, the outstanding nominal amounts due under the CZK Notes and EUR Notes was as follows:

	<b>Outstanding nominal amount (million)</b>
EUR Notes	EUR 600 (CZK 15,745.20)
CZK Notes	CZK 6,750 (EUR 257.22)

### ***Facilities Agreement***

The Issuer is party to a senior facilities agreement dated 4 April 2019, as amended and restated from time to time between, among others, Czech Gas Networks S.à r.l. the Issuer's parent company, CGN Holdings S.à r.l., Société Générale, London Branch, Československá obchodní banka, a.s., KBC Bank NV, Komerční banka, a.s., UniCredit S.p.A. and UniCredit Bank Czech Republic and Slovakia, a. s. as Arrangers, Komerční banka, a.s. as agent and certain financial institutions named therein as lenders (the **Facilities Agreement**), pursuant to which the Issuer has been provided with term loan facilities, capital expenditures commitment facility and revolving credit facility. The Term loan facility A1 (denominated in EUR) amounting to CZK 16,197 million (partially repaid in July 2020) and the Term loan facility A2 (repaid in full July 2020), Term loan facility B and Term loan facility C amounting respectively to CZK 6,671 million, CZK 9,760 million and CZK 9,760 million (including the transaction costs which were allocated by facilities proportionally based on the carrying amount of a facility drawn) were drawn as at 31 December 2019. The capital expenditures commitment facility and the revolving credit facility amounting respectively to CZK 6,350 million and CZK 500 million remained undrawn as at 31

December 2019. The Facilities Agreement provides for restrictions on the incurrence of additional indebtedness, but allows the issuance of the Notes. The final maturity date with respect to the loans under the Facilities Agreement is either five (in respect of certain term loan facilities, capital expenditures commitment facility and the revolving credit facility) or seven years (in respect of one of the term loan facilities). The total amount drawn under the Facilities Agreement as at 31 December 2019 was CZK 42,388 million. The proceeds of EUR 594,996,000 received from the EUR Notes issuance were used to partly refinance the term loan facility A1 under the Facilities Agreement and the proceeds of CZK 6,739,875,000 were used to partly refinance the Term loan facility A2.

As at 31 December 2020, the details of drawdowns (nominal values) under the Facilities Agreement were as follows:

<b>Name of the facility</b>	<b>Drawn facilities (million)</b>	<b>Undrawn facilities (million)</b>
Term loan facility A1 (EUR).....	CZK 1,312 (EUR 50.00)	CZK 0 (EUR 0)
Term loan facility B (CZK).....	CZK 9,875 (EUR 376.31)	CZK 0 (EUR 0)
Term loan facility C (CZK).....	CZK 9,875 (EUR 376.31)	CZK 0 (EUR 0)
Capex commitment facility (CZK).....	CZK 700 (EUR 26.67)	CZK 5,650 (EUR 215.30)
Revolving credit facility (CZK) .....	CZK 0 (EUR 0)	CZK 500 (EUR 19.05)
<b>Total.....</b>	<b>CZK 21,762 (EUR 829.29)</b>	<b>CZK 6,150 (EUR 234.35)</b>

The Facilities Agreement contains restrictive provisions which, among other things, limit the CGH Group's ability to dispose of its assets, merger, perform certain acquisitions, invest in joint ventures, change the general nature of the Issuer's business, or create a negative pledge.

The obligations of the Issuer under the Facilities Agreement are senior and unsecured and rank equally in right of payment with the Issuer's existing and future indebtedness that is not subordinated in right of payment, including under the EUR Notes, CZK Notes and the Notes.

### ***Loan Notes***

There are currently loan notes issued by the Issuer to the Sole Shareholder pursuant to a loan note instrument dated 27 September 2019 with the effective date of 30 September 2019, as amended and restated on 31 December 2019 pursuant to an amendment notice dated 31 December 2019. These loan notes are subordinated to third-party debt (such as the Notes) pursuant to the terms of the loan note instrument. The book value of the loan notes from a shareholder as at 31 December 2019 was CZK 21,744 million. The accrued interest payable on the loan notes issued by the Issuer to its shareholder amounted to CZK 271 million.

### ***Other material financing arrangements***

CGH as cashpool leader administering the cash pooling, GasNet Služby and GasNet are parties to cashpooling arrangement with Československá obchodní banka, a.s.

The Issuer and the CGH Group maintain hedging instruments, namely interest-rate swaps for interest and cross-currency-swaps to remove foreign exchange exposure. The Issuer and the CGH Group hedge a minimum of 90 per cent. of their interest rate exposure and 85 per cent. of their foreign exchange exposure on an ongoing basis, in accordance with their hedging arrangements.

The CGH Group has no other external facilities and maintains its targeted Leverage through the Intercompany Loans.

## Legal Proceedings

The CGH Group may, from time to time, be subject to governmental, regulatory and legal or arbitral proceedings and claims, including those described below. The CGH Group's Financial Statements show provisions created in relation to certain specific proceedings and the CGH Group also records provisions relating to various other risks and charges, primarily in connection with regulatory disputes and disputes with local authorities.

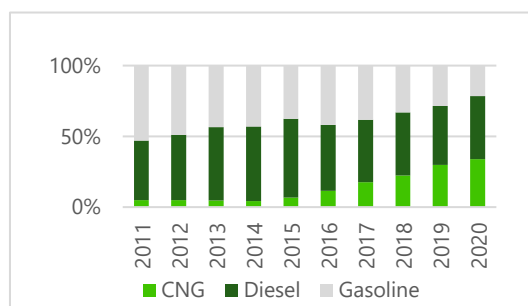
Neither the Issuer nor the CGH Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the CGH Group is aware) which may have or have in such period a significant effect on the financial position or profitability of the Issuer or the CGH Group.

GasNet is involved (in position of defendant or participant) in several judicial proceedings relating mainly to removal of the construction of gas pipelines, and claims for unjust enrichment in relation to the use of land and creation of easement. It is not unusual for a gas network operator to be involved in such disputes in the light of the regime of creation of easement under the Energy Act. However, no material negative repercussions from these proceedings are expected.

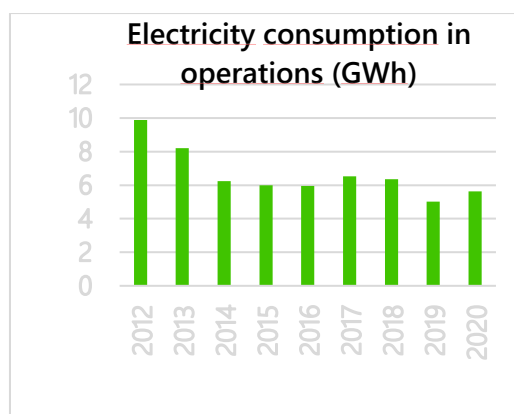
## Environmental, Social and Governance Matters (ESG)

The CGH Group conducts a systematic environmental, social and governance matters management. The CGH Group has implemented an environmental management system, identifying and managing sources of pollution of air, waste management and water protection. Furthermore, greenhouse gas emissions are being planned, monitored and managed. Asset management has focused on reduction of gas leakages, optimisation of energy consumption in system operations (preheating, cathodic protection), replacing diesel cars by CNG cars and covering 100 per cent. of CNG fuel consumption for more than 600 cars in its technical car fleet. Moreover, the CGH Group has procured certificates for bio-CNG for the year 2021 equivalent to the predicted demand of biomethane (approximately 800 thousand m<sup>3</sup>) to be used by its technical car fleet.

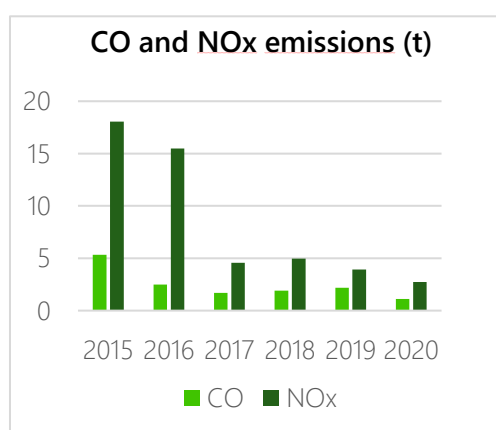
The following graph shows the development of car fleet fuel consumption (expressed in million m<sup>3</sup>) between the years 2011 and 2020.



The graphs below show CGH Group's consumption of electricity in operations between the years 2012 and 2020.



Finally, the following graph shows the development of greenhouse gas emissions (CO and NOx emissions, expressed in thousands of tons) produced by the CGH Group between the years 2015 and 2020:



In 2020, the CGH Group entered into a contract with CEZ ESCO, a.s. which guarantees procurement of electricity from renewable sources for all off-take points owned by GasNet for 2021.

In 2020, the CGH Group completed the Global ESG Benchmark for Real Assets (GRESB) reporting for 2019. The CGH Group has also commenced discussions with Sustainalytics in order to obtain a comprehensive ESG rating. The CGH Group is now preparing the relevant documentation, including ESG related policies, namely, the Environmental Protection Policy and the Environmental Management System Policy, while GasNet has in place policies covering areas such as air pollution, environmental preparedness, chemical substances and mixtures, waste management, water protection, nature and landscape protection, transport of dangerous goods and remediation of ecological burdens. The CGH Group is further developing its strategies, running screenings of assets and project, in order to ensure its readiness and future compliance with all applicable requirements.

The CGH Group also puts significant effort into the support of the Czech heating business to manage the transition from coal/lignite to more ecological fuels successfully and engages in supporting biomethane plants to connect to the business.

Within the social area the CGH Group supports young people's development through cooperation with The Duke of Edinburgh's International Award. Moreover, employees are engaged through the project *Companies* which provides financial support to selected employee projects in social, educational and environmental areas.

The CGH Group established a systematic compliance programme including a compliance officer, an anticorruption hotline run by an external legal office, and compliance trainings. The CGH Group carries

out internal audit procedures to consider preventive measures as well as eventual case investigations. The CGH Group has not registered any significant or environmental incident in the last four years.

## **Recent Developments**

With effect from 12 March 2020, the Government of the Czech Republic declared a state of emergency pursuant to the Crisis Management Act in relation to the COVID-19 outbreak in the Czech Republic. The state of emergency was ended as of 17 May 2020. Another state of emergency concerning the COVID-19 pandemic was declared by the government with effect from 30 September 2020 and 26 February 2021, with the validity until 28 March 2021. In connection with COVID-19 pandemic certain extraordinary measures regarding closure of educational, cultural, sport and other venues, gatherings of individuals, international transport, closure and crossing of state borders and traveling restrictions in general have been adopted and are still in place. It cannot be foreseen whether any and what further measures and/or restrictions will be adopted and put in place in the Czech Republic.

The CGH Group has introduced a number of measures to monitor and mitigate the effects of COVID-19, such as the implementation of safety and health measures for its employees and securing the safe and reliable supply of natural gas. At this stage, the impact on the CGH Group's business and results has not been significant and based on its experience to date the CGH Group expects this to remain the case. The CGH Group met all of its planned business and communication targets. The pandemic resulted in a broader use of digital communication, a trend the CGH Group will continue to pursue in the future.

The CGH Group will also continue to follow the various government policies and advice and, in parallel, the Group will do its utmost to continue its operations in the best and safest way possible without jeopardising the health of its employees.

Despite the incidence of COVID-19, the CGH Group's business performance and financial flows were not significantly affected in the year ended 31 December 2020, the CGH Group quantified the negative impact on revenues from the sale of capacity of around CZK 139 million for the year ended 31 December 2020. In response to the COVID-19 pandemic, the ERO issued an extraordinary price decision on distribution capacity changes, applying discounts for the business segment in the period April – June 2020. These impacts are covered by the regulatory regime through K-Factor(s).

COVID-19 has mostly affected metering and inspection work, which have been performed under stringent health and safety rules, the CGH Group has not experienced interruptions in gas distribution and necessary network operations so far. The CGH Group has implemented various safety measures including providing the workers with face masks and disinfections and enforcing social distancing rules. The measures will be lifted in line with the relevant government recommendations.

The CGH Group predicts the negative impact on revenues from the distribution of gas of approximately CZK 127 million for year 2021, mainly due to lower expected gas consumption in the business customers segment. The CGH Group does not consider these amounts very significant when comparing with the overall revenue and cash from operating activities. The decrease in revenues will be compensated by the K-Factor in 2022 and 2023 by ensuring that allowed revenues are paid to the CGH Group. Although, the CGH Group recorded lower consumption of gas used for heating in 2020, COVID-19 impact on distribution margin has been minor and has been partly compensated by the positive impact from lower temperatures in 2020 so far resulting in higher heating consumption in early 2020.

From the beginning of COVID-19 pandemic in March 2020, the CGH Group recorded a decrease in demand from two thirds of its industrial customers from which one third has reduced production by more than 50 per cent as at 31 December 2020. Since May 2020, the gas consumption levels for the industrial customers have been coming back to standard amounts, with the June 2020 gas consumption being only slightly below the June 2019 levels.

## ISSUER AND THE CGH GROUP MANAGEMENT

### The Issuer's Management

#### Overview

The Issuer has a one-tier management structure consisting of its board of managers (the **Board of Managers**). Subject to the provisions of the Luxembourg law on commercial companies dated 10 August 1915, as amended (the **Luxembourg Company Law**), and the Issuer's articles of association (the **Articles of Association**), the Board of Managers represents the Issuer in all matters and is entrusted with management of its day-to-day business. The Issuer has no administrative, management or supervisory body other than the Board of Managers.

#### Board of Managers

The Board of Managers is the Issuer's statutory body, which has all powers to act in the name of the Issuer in all circumstances and to carry out and approve all acts and operations consistent with the Issuer's objects, other than matters reserved to the shareholders of the Issuer by the Articles of Association or the Luxembourg Company Law. The general meeting of the shareholders of the Issuer have the power to elect the members of the Board of Managers and the members of the Board of Managers shall hold office until their successors are elected. Re-election of the members of the Management Board is permitted. Pursuant to the Issuer's Articles of Association, the Board of Managers has at least two members divided into (i) one or more Class A Manager(s), and (ii) one or more Class B Manager(s).

All members of the Board of Managers are obliged to perform their tasks and duties in office, in the best corporate interest of the Issuer and the undertaking attached to it, as required under Luxembourg law. Pursuant to the Articles of Association, the members of the Board of Managers are authorised to represent the Issuer by the joint signature of any two Managers including at least one A Manager, or by the single or joint signature of any person to whom such signatory power shall have been delegated by either the Board of Managers to either any two managers including at least one A Manager.

The following table sets forth the members of the Board of Managers appointed as of the date of these Listing Particulars:

<b>Name</b>	<b>Position</b>	<b>Commencement of Current Term of Office</b>
William Price	Class A Manager	30 September 2019
Charles Roemers	Class A Manager	30 September 2019
Rosa Maria Villalobos Rodriguez	Class A Manager	30 September 2019
Andrew Michael Kropman	Class A Manager	13 January 2021
Dirk Heiko Raab	Class B Manager	30 September 2019
Florence Gérardy	Class B Manager	30 September 2019
Joshua Clyde Walters	Class B Manager	11 September 2020

All of the members of the Board of Managers have been appointed for an unlimited duration.

The business address of each member of the management is as follows:

<b>Name</b>	<b>Address</b>
William Price	28 Ropemaker Street, EC2Y 9HD, London, UK
Charles Roemers	4, rue des Romains, L-8812 Bigonville, Grand Duchy of Luxembourg

Rosa Villalobos	20, Boulevard Royal, L-2449 Luxembourg
Andrew Michael Kropman	50, Martin Place, 2000 Sydney (New South Wales), Australia
Dirk Heiko Raab	6A, route de Trèves, L-2633 Senningerberg, Luxembourg
Florence Gérardy	15 Boulevard F.W. Raiffeisen, L-2411 Luxembourg
Joshua Clyde Walters	750, Pandora Avenue, V8W 0E4, Victoria (British Columbia), Canada

### ***William Price***

Mr. Price is also a member of the board of directors of EP Energy, a.s., a member of the supervisory board of SPP – distribúcia, a.s., Stredoslovenská distribučná, a.s., Stredoslovenská energetika Holding, a.s., Pražská teplotárenská Holding a.s. and Pražská teplotárenská a.s.

Furthermore, Mr. Price is also vice-chairman of the board of directors of Towercom, a.s. pobočka Česká republika, a member of the board of directors of České Radiokomunikace a.s., a vice-chairman of the supervisory board of EP Infrastructure, a.s., and a managing director of Communications Investments Holdings s.r.o.

Mr. Price is a representative of CEI Investments S. à r.l., a consortium managed by MIRA. Mr. Price has over ten years' experience in infrastructure investment and management, primarily in the utilities and energy sector. This experience is primarily across the UK, Germany and Central Europe. He also holds non-executive board positions at various other MIRA-managed investments.

Mr. Price has a bachelor's degree in economics and politics from the University of Bristol and a master of finance degree from INSEAD Business School.

### ***Charles Roemers***

Mr. Roemers is an experienced business lawyer with over 20 years' experience in tax and corporate law. Furthermore, he has over ten years' experience as a director of Macquarie managed entities.

Mr. Roemers has a master's degree in law and post graduate degree in tax law (*Licence spéciale en droit fiscal*) from the Université Libre de Bruxelles.

### ***Rosa Maria Villalobos Rodriguez***

Ms. Villalobos is also a member of the supervisory board of EP Infrastructure, a.s.

Ms. Villalobos is the head of the Macquarie Luxembourg office. In her role she is responsible for coordinating the strategy of the office, managing all Macquarie Luxembourg entities, and ensuring that the Luxembourg entities comply with legal and tax requirements under Luxembourg corporate law. She is also responsible for managing specific transactions such as restructuring, refinancing and reorganisation.

As part of her role, Ms. Villalobos sits on the boards of Macquarie entities with infrastructure investments.

Ms. Villalobos has completed a BA in administration and management from Barcelona University, an MBA in international business from ESADE Barcelona, a master of science in banking and finance from the Luxembourg School of Finance and the INSEAD International Directors Programme (IDP).



### ***Andrew Michael Kropman***

Andrew joined Macquarie Group in 2003 and has 18 years of experience within the Macquarie Infrastructure and Real Assets business.

Andrew works closely with the Head of Macquarie Asset Management's (MAM) global Client Solutions Group, made up of approximately 250 professionals dedicated to new business initiatives, product development, fund formation, capital raising and client relations across the Americas, EMEA and Asia Pacific.

Andrew's experience includes the establishment of MIRA-managed infrastructure funds globally, sourcing equity for co-investment opportunities, and being a member of the management teams of both unlisted and listed infrastructure funds.

### ***Dirk Heiko Raab***

Dirk joined Allianz Global Investors in January, 2016. Heading the Portfolio and Asset Management, he accounts for the ongoing performance and structure of infrastructure equity funds, supports the asset class in its internal and external development and takes responsibility for investor relation matters. Furthermore, he serves on different boards as (non-) executive director, e.g. as member of the board of the Allianz Global Investors Fund he oversees more than €80 billion. Since October, 2018, Dirk has also co-headed the Luxembourg Branch of Allianz Capital Partners in order to grow third-party business.

Dirk has more than 15 years' experience in the financial services industry which he gained in senior positions in Luxembourg, Germany and Australia primarily in the areas of portfolio, investment, and fund management in infrastructure as well as in private equity.

### ***Florence Gérardy***

Ms. Gérardy is a director and team leader in Private Equity, Infrastructure and Corporates at Alter Domus Luxembourg. Ms. Gérardy has worked with some of the world's largest private equity funds, and developed extensive expertise in the management, financial reporting, tax and legal aspects of SPVs set up by such investors. Ms. Gérardy is responsible for a portfolio of listed companies as well as private equity entities and oversees all aspects of the life of the companies she manages, including coordinating the setting up of the entity and of the company's involvement in the restructuring, as well as legal, accounting and tax issues and the liquidation at the end of the life of the company. Ms. Gérardy serves as a board member of Luxembourg companies for several large multinationals and private equity firms.

Ms. Gérardy holds a master's degree in Management and Business from the University of Liège (Belgium). Florence is also an *Expert Comptable* (Chartered Accountant) in Luxembourg.

### ***Joshua Clyde Walters***

Mr. Walters is Senior Counsel, Legal Affairs at British Columbia Investment Management Corporation (BCI) and has been with BCI since 2016. Prior to that, he practiced law with the British Columbia provincial government and a large Canadian law firm. As an experienced business lawyer, he advises on global infrastructure and private equity direct investments, fund commitments, and secondary sales, predominately in the energy and natural resources sectors. He guides his clients through complex international transactions and regulatory and governance developments, in addition to advising on general corporate and commercial matters.

Mr. Walters holds the following degrees: Bachelor of Laws from the University of British Columbia; Master of Science from the University of Toronto; and Bachelor of Science from the University of Victoria.

## Conflicts of Interest

Other than William Price by virtue of his position as CGH's director, there are no existing or potential conflicts of interest between any duties owed to the Issuer by the members of the Board of Managers and their private interests and/or other duties.

## CGH Management

### Overview

CGH has a two-tier management structure consisting of its board of directors (the **Board of Directors**) and its supervisory board (the **Supervisory Board**). The Board of Directors represents CGH in all matters and is charged with its day-to-day business management, while the Supervisory Board is responsible for the supervision of CGH's activities and of the Board of Directors in its management of CGH and resolves on matters defined in the Czech Corporations Act and the Articles of Association. Under the Czech Corporations Act, the Supervisory Board may not make any management decisions.

### Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall have seven members. Actions taken on behalf of CGH shall always be performed by at least two members of the Board of Directors of which one must be the chairman of the Board of Directors.

Members of the Board of Directors are elected by CGH's general meeting of shareholders for a period of five years. Re-election of the members of the Board of Directors is permitted.

Members of the Board of Directors are obliged to discharge the office with necessary loyalty as well as necessary knowledge and care and to bear full responsibility for such tasks, as required by the Czech Corporations Act.

The Board of Directors is CGH's statutory body, which directs its operations and acts on its behalf. No one is authorised to give the Board of Directors instructions regarding the business management of CGH, unless the Czech Corporations Act or other laws or regulations provide otherwise. The powers and responsibilities of the Board of Directors are set forth in detail in the Articles of Association. Pursuant to the Articles of Association, at least two members of the Board of Directors are collectively authorised to represent CGH.

The Board of Directors constitutes a quorum if the majority of members of the board is present at the meeting. In accordance with CGH's Articles of Association, if a Board of Directors' meeting fails to constitute a quorum, there shall be an adjourned meeting on the seventh day after the original meeting (or, if the seventh day after the original meeting is not a business day, the following business day). Decisions of the Board of Directors are made by a simple majority of the votes cast by present or otherwise attending members of the Board of Directors. *Per rollam* voting is also allowed. The Board of Directors meets eight times a year. The following table sets forth the members of CGH's Board of Directors appointed as of the date of these Listing Particulars:

Name	Position	Commencement of Current Term of Office
William Price	Member of the Board	1 October 2019
Martin Gebauer	Chairman of the Board	13 July 2019
Jiří Zrůst	Member of the Board	1 February 2018
Jaroslava Korpanec	Member of the Board	1 October 2019
Lincoln Webb	Member of the Board	1 October 2019
Gary Mazzotti	Member of the Board	7 March 2020

Jerry Divoky	Member of the Board	29 January 2021
--------------	---------------------	-----------------

The business address of the members of the Board of Directors is Prosecká 855/68, Prague 9, Postal Code: 190 00, Czech Republic.

### ***William Price***

For relevant information on the qualifications and professional experience of William Price, see “*Issuer and the CGH Group Management – Board of Managers*”.

### ***Martin Gebauer***

Mr. Gebauer is managing director and head of Central and Eastern Europe at MIRAEL. Mr. Gebauer was also CEO at České Radiokomunikace a.s. from 2014 to 2019. He previously occupied the positions of deputy CEO and CFO. Before working for České Radiokomunikace a.s., he worked in high-ranking executive positions in the field of finance and asset management. Mr. Gebauer acquired experience by working for companies such as Ernst & Young (Czech Republic and the USA), Aliten Group (Spain) and Orco Property Group (Czech Republic and CEE countries).

In addition, Mr. Gebauer is also the sole executive director at GeFin, s.r.o., chairman of the board of directors at Czech Digital Group, a.s., a member of the supervisory board at The Duke of Edinburgh’s International Award Czech Republic Foundation, o.p.s. and the executive director at Communications Investments Holdings s.r.o.

Mr. Gebauer graduated from the Faculty of Civil Engineering at the Brno University of Technology, in the field of economics and management, and City University in London. In 1998, he was awarded the qualification of Association of Chartered Certified Accountants.

### ***Jiří Zrůst***

Mr. Zrůst has been a member of the Board of Directors since February 2013 and his term was renewed in February 2018.

Mr. Zrůst is also a member of the supervisory board of Eustream, a.s. and a member of the supervisory board of SPP Infrastructure a.s. Mr. Zrůst is also a head of branch of MIRAEL, Prague branch.

Furthermore, Mr. Zrůst is also a chairman of the board of directors of Towercom, a.s., vice-chairman of the board of directors of České Radiokomunikace a.s. and EP Infrastructure, a.s., chairman of the management board of The Duke of Edinburgh’s International Award Czech Republic Foundation, o.p.s. and an executive committee member of International Gold Event 2017, z. s.

Mr. Zrůst is a senior managing director at MIRA. Mr. Zrůst oversees MIRA’s coverage and origination activities and management of existing portfolio investments in continental Europe. He also holds non-executive board positions at various other MIRA-managed investments. He joined MIRA in 2011 and led several key transactions in the CEE region and southern Europe. Prior to joining MIRA, Mr. Zrůst spent 17 years in the transport and logistics sector, first as chief financial officer and later as chief executive officer managing large-scale turnaround and market consolidation projects.

Mr. Zrůst has an industrial engineering background and holds a master’s in business administration from The Open University Business School.

### ***Jaroslava Korpanec***

Mrs. Korpanec joined ACP in 2008 and has worked on a number of debt and equity investments in the infrastructure sector since joining. Among other transactions Jaroslava was responsible for the acquisition in February 2009 of the 75 year concession to own, manage and operate the on street parking system of the city of Chicago, the acquisitions of stakes from Total and Statoil in the Norwegian offshore gas system, Gassled, the acquisition of the gas transmission and transport system in the Czech Republic, NET4GAS, the acquisition of Porterbrook, one of the major UK rolling stock leasing companies and, most recently Thames Tideway Tunnel, the £4.2 billion project to construct a new super-sewer under the river Thames, as well as the acquisition of Cadent gas and Affinity Water.

Prior to joining ACP, Mrs. Korpanec worked at AIG Financial Products in the principal finance group where she made several investments in the infrastructure sector. Mrs. Korpanec was one of the principals responsible for the acquisition and management of London City Airport in behalf of AIG Financial Products. Prior to her position at AIG Financial Products, she was a senior attorney with the US law firm of Simpson Thacher and Bartlett where she spent six years.

She was awarded a Master of Arts degree in Law from Cambridge University, United Kingdom (1996). Mrs. Korpanec is also a member of the New York bar and a solicitor of the Supreme Court of England and Wales.

### ***Lincoln Webb***

Mr. Webb is the executive vice president at BCI Infrastructure & Renewable Resources. He leads the management of global portfolio of real assets which provide strong cash flows and long-term capital growth. As a member of the executive management team, Mr. Webb is also engaged with setting the strategic direction and overall management of the corporation.

He serves on the presidential and supervisory boards of Open Grid Europe, and the boards of Cleco Corporation, Endeavour Energy, Glencore Agriculture, Teays River Investments LLC, TimberWest Forest Corporation, and Corix Infrastructure. In the past, he was a director of Aquarian Water Company, Dalrymple Bay Coal Terminal Pty Ltd, Puget Sound Energy, Thames Water, and Transelec S.A., Chile's largest electric transmission provider.

Mr. Webb holds an MBA, specialising in international business, from the University of Victoria; a master's in city planning (architecture); an advanced management designation from INSEAD; and is a CFA charterholder. He has participated in management programme at HHL Leipzig Graduate School of Management, as well as Harvard Business School.

### ***Gary Mazzotti***

Mr. Mazzotti has more than 30 years' experience in finance and operations, having joined the CGH Group from Vienna Insurance Group where he was a member of the board and chief financial officer of Kooperativa pojišťovna, a.s., Vienna Insurance Group and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group and was responsible for VIG groups operations in Ukraine. Prior to this Mr. Mazzotti held the positions of senior investment director and chief financial officer of PPF Private Equity Division as well as chief financial officer and chief operating officer of AAA Auto a.s.

Mr. Mazzotti is also a member of the board of directors of EP Infrastructure, a.s., United Energy, a.s., Elektrárny Opatovice, a.s., Pražská Teplárenská a.s., Severočeská teplárenská, a.s., and EP Cargo a.s. and a member of the supervisory board of NAFTA a.s. and Plzeňská teplárenská, a.s.

Mr. Mazzotti graduated in economics from the University of Reading in the United Kingdom, and is also a member of the Institute of Chartered Accountants (ACA).

### ***Jerry Divoky***

Mr. Divoky is a Vice President at BCI Infrastructure & Renewable Resources joining in 2004. He is responsible for sourcing, executing and managing private direct investments in infrastructure with a focus on utilities, transportation and energy.

Mr. Divoky presently serves on the boards of Pacific National, Global Container Terminals, and Endeavour Energy and has held past directorships at Thames Water group companies, Transelec S.A., ISAGEN, Nova Transportadora do Sudeste S.A., Arteris S.A. group companies, and Dalrymple Bay Coal Terminal.

Mr. Divoky holds an MBA from the University of British Columbia, a B.Sc. in Economics from the University of Victoria, an advanced management designation from INSEAD, is a CFA charter holder, and has completed the ICD Directors Education Program.

### **Group's Senior Management**

The senior management (the **Senior Management**) consists of executive and non-executive members – namely, Chief Executive Officer, Chief Financial Officer, Chief Asset Officer, Chief Services Officer and Chief Customer Officer. Members of the Senior Management are either employees or directors of GasNet or GasNet Služby.

The following table sets forth details of the members of the Senior Management appointed as of the date of these Listing Particulars, with biographical information provided below.

<b>Name</b>	<b>Position</b>
Martin Gebauer	Interim Executive Chairman of the Board
Thomas Merker	Chief Financial Officer
Jiří Steklý	Head of Finance & Controlling
Erika Vorlová	Chief Services Officer
Pavel Káčer	Chief Operational Officer
Jiří Nováček	Chief Information and Data Officer
Pavel Dočekal	Head Of Regulatory Affairs
Ivo Jirovský	Chief Asset Officer

### ***Martin Gebauer***

Please see “*Issuer and the CGH Group Management – Board of Managers*”.

### ***Thomas Merker***

Mr. Merker is the Chief Financial Officer managing the CGH's finances, including financial planning, management of financial risks, record-keeping, and financial reporting. He joined the CGH Group from iCR where he, as CFO, oversaw all financial aspects of the business, managed shared services for the whole innogy group in the Czech Republic, supervised the storage business from the financial perspective and acted as CFO on behalf of CGH.

As a member of the CGH he played a crucial role in the sale of a 49 per cent. share in the Czech gas distribution business to MIRA-led consortium of investors. In addition, he has focused on developing new business areas and activities in the infrastructure segment.

After, joining the CGH, Mr. Merker focused on participation management and various strategic and mergers and acquisitions-related projects with the goal to build and grow its business activities. During

his 10 years as the CFO of GasNet/CGH he successfully managed the unbundling of six separate DSO group entities with a subsequent merger to a single national DSO, established a strong performance culture and achieved significant operation expenses savings.

Prior to joining CGH and innogy group, Mr. Merker gained his financial expertise in controlling functions and corporate affairs in utility sector.

Mr. Merker has lead all key workstreams in relation to the transition from iCR (See “*Separation of the CGH Group from iCR*”).

Mr. Merker graduated in economics from the Friedrich-Schiller University of Jena, the Julius Maximilian University of Würzburg and the University of Caen Normandy.

### ***Jiří Steklý***

Mr. Steklý is the Head of Finance and Controlling and he joined the CGH Group in September 2020.

Mr. Steklý previously worked as a Head of Treasury of Pražská energetika, a.s., the third largest electricity retailer in the Czech Republic and the owner of electricity distribution grid in the area of Prague. He was also member of the Board of Directors and Supervisory Board of its subsidiaries KORMAK Praha a.s. and Voltcom, spol. s r.o. providing services in the area of drafting and construction of grid assets and e-mobility. At the beginning of his career he acquired experience by working for Deloitte.

Mr. Steklý graduated from the Faculty of Economics at the VSB – Technical University of Ostrava, in the field of Marketing and Business in 2008.

### ***Erika Vorlová***

Mrs. Vorlová holds the position of Chief Services Officer at the CGH Group. In this position she will be responsible for Human Resources, PR and Communication, Procurement, Facility & Car Fleet, Health and Safety, and Security.

Mrs. Vorlová has got an extensive background in steering human resources processes in the international environment of innogy group. She has been with iCR since 2011, when she first worked as Senior Manager, Development & Recruitment. She became Head of Human Resources in 2013. Erika Vorlová has been developing key HR strategies and services for all the innogy group companies operating in the Czech Republic.

Prior to joining innogy group, she worked as a professional consultant, manager and HR director in major multinational companies such as EuroTel, Hewlett Packard, Sanofi and BAXTER.

Mrs. Vorlová is also a Board Member of The Duke of Edinburgh's International Award Czech Republic.

Ms. Vorlová holds a PhDr. degree in Social Psychology from Charles University, MSc. degree in Strategic Human Resources Management from Sheffield Hallam University and a PhD. degree in Organisational Psychology from Charles University.

### ***Pavel Káčer***

As the CGH Group's Chief Operational Officer, Mr. Káčer manages the operation and maintenance of the largest gas network in the Czech Republic. He is responsible for the safe, reliable and effective distribution of natural gas to over 2.3 million of customers. He started working for innogy group in 2002.

In addition, Mr. Káčer is an Executive Director at GasNet Služby.

In his previous position as the CEO/COO of GasNet Služby he focused on optimising the operation and maintenance division. Using his extensive operational knowledge he, in cooperation with other executives, positioned GasNet and GasNet Služby as a strong and effective DSO on the Czech and European markets.

Prior to joining the CGH Group, Mr. Káčer held multiple positions from managerial to executive levels, overseeing investments and various operation & maintenance projects.

Mr. Káčer graduated from the Faculty of Mechanical Engineering at the Brno University of Technology.

### ***Jiří Nováček***

Mr. Nováček holds the position of Chief Information and Data Office of the CGH Group. He is responsible for creating strategy for and implementing the CGH Group's information technology. He started working for CGH Group in June 2020.

He has more than 25 years of experience in the information technology (IT). Prior joining the CGH Group, Mr. Nováček held the position of Chief Information Officer at CETIN a.s. from 2015 to 2020 and also gained valuable experience while working as IT development director at O2 Czech Republic a.s.

Mr. Nováček studied information technology and he also received a certification in Personal and Professional Growth at the Telefonica University in Barcelona.

### ***Pavel Dočekal***

Mr. Dočekal is the Head of Regulatory, Legal & Internal Audit. He joined the CGH Group from iCR where he was responsible for regulatory affairs including regulatory strategies and legal framework. He has more than 20 years of experience in the energy business.

Mr. Dočekal is a Member of the Board of Directors and the Head of the Legal Committee of the Czech Gas Association.

Mr. Dočekal graduated in law from Charles University in Prague and in economics from the University of Economics in Prague.

### ***Ivo Jirovský***

Mr. Jirovský is the Chief Asset Officer, joining the CGH Group in February 2020.

Mr. Jirovský previously worked as a Head of Operational Department of ČEPRO, a.s., major fuel logistic company within the Czech Republic operating product pipeline system and depots and terminals. Before that, he worked as the Head of Capital constructions and technical development.

In 2001, Mr. Jirovský graduated from the Faculty of Civil Engineering at The Czech Technical University in Prague.

Mr. Jirovský is member of The Czech Chamber of Chartered Engineers.

## **Supervisory Board**

The Supervisory Board has one member elected by the General Meeting. The member of the Supervisory Board is elected for a five year term and may be re-elected.

The Supervisory Board is responsible for the supervision of activities of CGH and of the Board of Directors in its management of CGH and resolves on matters defined in the Czech Corporations Act and the Articles of Association. The Supervisory Board's powers include the power to enquire into all documents concerned with the activities of CGH, including making enquiries into CGH's financial matters, conducting a review of the financial statements and profit allocation proposals.

No one is authorised to give the Supervisory Board instructions regarding its review of the Board of Directors in its management of CGH.

Decisions of the Supervisory Board are made by decision of its sole member.

The following table sets forth the member of the Supervisory Board as of the date of these Listing Particulars:

<b>Name</b>	<b>Position</b>	<b>Commencement of the Current Term of Office</b>
Howard Charles Higgins	Member of the Board	1 February 2018

The business address of the member of the Supervisory Board is Prosecká 855/68, Prague 9, Postal Code: 190 00, Czech Republic.

### ***Howard Charles Higgins***

Mr. Higgins is a global lead at Macquarie Energy and Utilities. He provides specialist support across the regions on the acquisition, transition and management of energy and utility businesses. He has played a key role in most global energy and utility transactions and transitions undertaken by MIRA since he joined in 2003.

Mr. Higgins joined MIRA to co-lead the acquisition of Wales & West Utilities and, as interim CEO, led the separation, transition and regulatory approvals. Leveraging his extensive experience in the international energy sector, Mr. Higgins subsequently led the business aspects of the acquisition, transition and asset management of a number of MIRA assets in Europe, including Thyssengas, Open Grid Europe and Czech Gas Networks.

Prior to joining MIRA, Howard held a number of executive positions at energy and utility companies, including CEO of BG Storage and COO of Transco, the UK gas transmission and distribution company.

Howard is a Chartered Engineer with Membership of the Institution of Mechanical Engineers. He has a degree in Engineering Science (honours) and a Master's Degree in Business Administration.



## INDUSTRY

### 1. Czech Gas Industry

#### (a) Gas Import and Generation

The majority of natural gas is imported into the Czech Republic through gas transmission networks in the ownership of foreign transmission services operators (TSOs) from abroad, predominantly from TSOs in Slovakia and Germany. In 2019, 34,582.6 million m<sup>3</sup> (368,764.4 GWh) of natural gas was transmitted from Germany to the Czech Republic. The remaining natural gas in 2019 was transmitted into the Czech Republic from Slovakia or was generated in the Czech Republic<sup>17</sup>.

The exploration of natural gas in the Czech Republic is only an additional source of natural gas due to the fact that Czech-generated natural gas amounts only to 122.7 million m<sup>3</sup> (1,333.5 GWh), which equalled around 1.41 per cent. of natural gas circulated in the Czech Republic in 2020<sup>18</sup>. The major producers of natural gas in the Czech Republic are MND a.s., LAMA GAS & OIL s.r.o., UNIGEO a.s. and UNIMASTER spol. s r.o.

#### (b) Gas Transmission

Gas transmission in the Czech Republic is operated by NET4GAS, which holds the exclusive licence for gas transmission as a TSO. NET4GAS operates more almost 4,000 km of high-pressure pipelines transmitting gas through the Czech Republic. The Czech gas transmission network is connected to networks of other TSOs operating abroad transporting gas through the Nord Stream, OPAL, Yamal-Europe and Gazela pipelines. All major cross-border entry and exit points for gas transmission support physical reverse flow so that gas can be transported both from east to west and from west to east through the Czech Republic. Gas is accepted and delivered upon the entry into and exit from the Czech Republic, i.e. its volume and quality are measured at border transfer stations – between the Czech Republic and Slovakia at Lanžhot, between the Czech Republic and Germany at Hora Svaté Kateřiny, Brandov and Waidhaus. Between the Czech Republic and Poland gas is measured at Cieszyn on the Polish side. The Czech transmission network also includes three border transfer stations, five compressor stations located at Kralice nad Oslavou, Kourim, Břeclav, Veselí nad Lužicí and Otvice, as well as other transmission technology.

The TurkStream Pipeline was launched in January 2020. The ongoing development project of the Nord Stream 2 is yet to be finalised (with uncertainty on the impact of sanctions on the finalisation of the project). Both of these projects will have a significant impact on the gas transmission routes used by the operators. The Nord Stream 2 Pipeline is supposed to bring gas to Europe, primarily Germany, from Russia through the Baltic Sea. The Turkish Stream Pipeline will transport gas from Russia into the European part of Turkey through a Black Sea route.

NET4GAS as an upstream TSO may potentially manage reverse flows, which would allow the Czech DSOs to receive natural gas from other countries (i.e. Norway via Germany instead of Russia).

The Czech transmission network is also connected to several Czech gas storage facilities to which the gas is handed over from an interconnected TSO at any entry point of the storage facility, and the fiscally metered, compressed gas is injected into an underground reservoir. In

---

<sup>17</sup> Source: The ERO, Annual report on the operation of gas grid in the Czech Republic (2019)

<sup>18</sup> Source: The ERO, Report on the operation of gas grid in the Czech Republic (Q4/2020).

the process of withdrawal, the gas is treated in order to meet gas quality parameters, and if necessary expanded, and fiscally metered before it passes an exit point of the storage facility, and flows to an interconnected distribution or transmission network. All flows to and from an underground storage facility are based on customers' nominations which are processed by commercial dispatching, while physical flows are managed by technical dispatching of the gas storage facility's interconnected networks.

The major gas storage facilities in the Czech Republic are operated by RWE Gas Storage CZ, s.r.o., MND Gas Storage a.s., SPP Storage, s.r.o. and Moravia Gas Storage a.s.



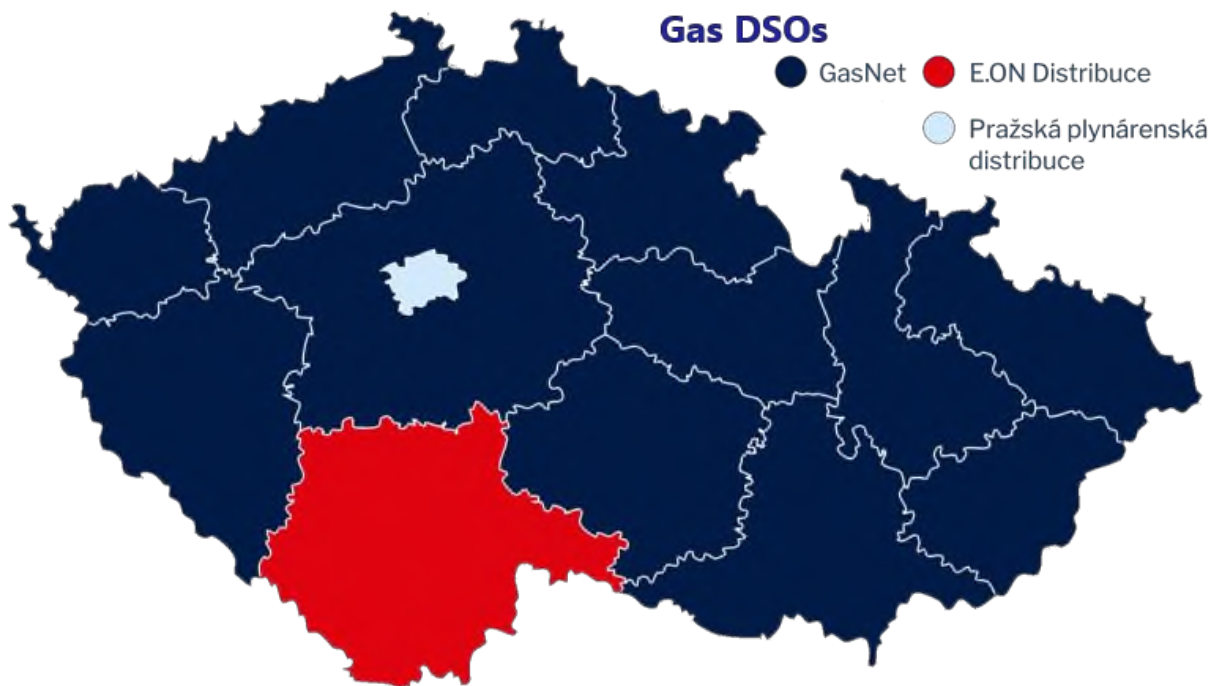
### (c) Gas Distribution

The Czech gas distribution network is connected to the Czech transmission network at gas pressure reduction stations where the pressure of the gas is reduced before it enters the distribution network. The gas distribution network consists of a network of distribution pipelines that are used to deliver gas to gas suppliers and ultimately to the end customers. The Czech gas distribution network operated by DSOs consists of 74,056.9 km with branch lines of predominantly medium-pressure pipelines (up to 0.4 MPa), however a part of the pipeline grid is made up of high-pressure (up to 4 MPa) and low-pressure pipelines.

Three main regional DSOs operate in the Czech Republic. The Issuer's subsidiary GasNet operates as a DSO for the entire Czech market except for Prague, where the distribution network is operated by Pražská plynárenská Distribuce, a.s., and South Bohemia, where the distribution network is operated by E.ON Distribuce, a.s.

In 2019, GasNet operated the longest regional gas distribution network consisting of 64,985.5 km of pipelines with branch lines of which 92.8 per cent. are owned and 7.2 per cent. are rented. Pražská plynárenská Distribuce, a.s. and E.ON Distribuce, a.s. operate networks of approximately 4,500 km with branch lines each.<sup>19</sup> In 2020, GasNet operated 64,986 km of the network.

<sup>19</sup> Source: The ERO, Report on the operation of gas grid in the Czech Republic (Q4/2020)



GasNet has, due to its share in the gas distribution market, which amounted to 78.3 per cent. (based on 92,894.4 thousand MWh of gas distributed) as of 31 December 2020<sup>20</sup>, a dominant position in the Czech gas distribution market. Pražská plynárenská Distribuce, a.s. holds 9.5 per cent. and E.ON Distribuce, a.s. 3.7 per cent. of the Czech gas distribution market. The remaining 8.5 per cent. of the Czech gas distribution market consists of customers that are directly connected to the transmission network, gas generators using generated gas for their own use, and certain other companies.<sup>21</sup>

The regional gas distribution networks are not entirely separated from each other. The regional gas distribution networks are interconnected by way of transfer spots, such as the Kasejovice transfer spot connecting the E.ON Distribuce, a.s. distribution network with the GasNet distribution network. These transfer spots are used only in the event of an emergency or for emergency delivery between distribution networks.

As discussed in the section “*Regulation*”, gas distribution is a regulated business in the Czech Republic, therefore the regulatory principles ensure that revenue and profit equal amounts allowed by the ERO. The gas distribution is regulated using the revenue-cap approach. The principles on the revenue-cap approach are being defined by the regulator ERO for regulatory periods lasting five years. On an annual basis, the ERO issues the cap for total revenues from gas distribution for each DSO. The revenue cap is calculated using the following key building blocks: (i) allowed operating costs, (ii) allowed depreciation, (iii) allowed costs of natural gas losses and technological consumption, (iv) allowed profit, (v) K-Factor, i.e. revenue correction factors and (vi) market factors (**Market Factors**), i.e. factors reflecting costs arising from e.g. change in regulation, market developments, new technologies that are not included in allowed costs. Apart from the above, each DSO submits the planned volume of gas distributed for the forthcoming year to the ERO. Together with the allowed revenue, the ERO approves the planned gas volume.

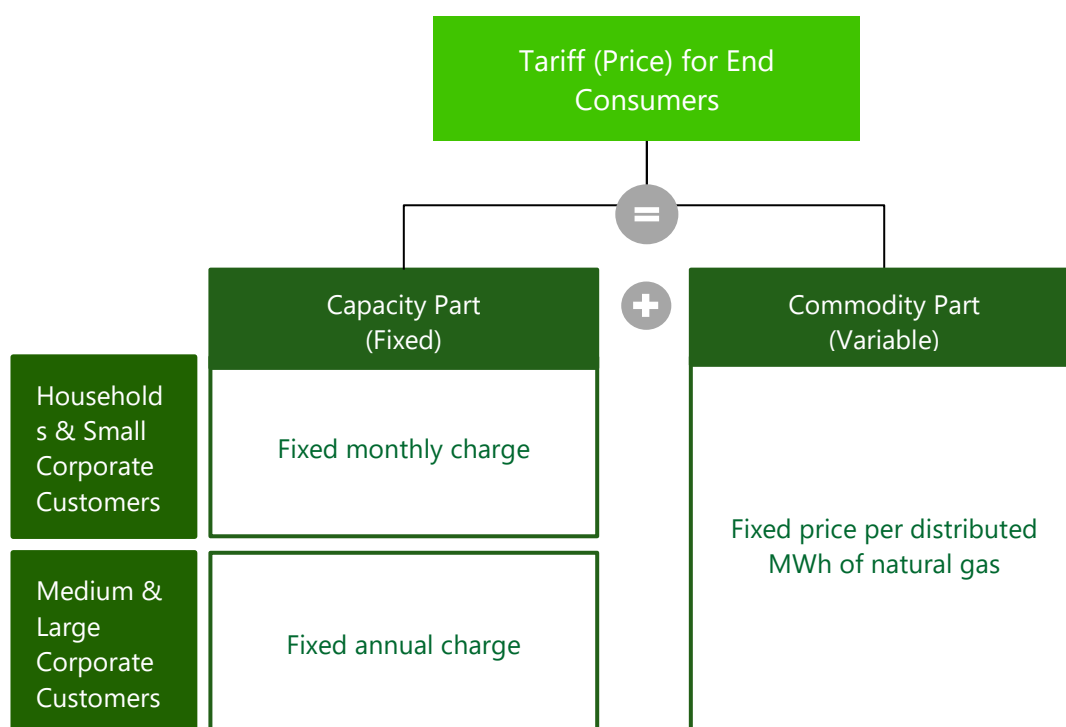
<sup>20</sup> Source: The ERO, Report on the operation of gas grid in the Czech Republic (Q4/2020).

<sup>21</sup> Same as above.

The final customer price consists of regulated transport and distribution part (approximately 20 per cent.) and an unregulated commodity part (approximately 80 per cent.) with the latter being subject to competition at the liberalised market. The regulated component consists of three parts: the charge for distribution system services, further transmission system services and the charge for the gas market operator OTE services. (one-stop-shop principle). The charge for OTE services also includes a fee for the operation of ERO (being fixed by the Czech government).

The two-component distribution fee consists of a fixed monthly payment, i.e. payment for booked capacity and a price component based on distributed volume of gas. The fixed component of the prices for high-demand and medium-sized demand customer categories depends on the total daily booked capacity and is calculated using a formula set out in the applicable price decision. For the low-demand and household category customers, the fixed component of the price is determined by the amount of the standing monthly charge in the relevant off-take band. For all customer categories, the variable component of this price is the fixed price for gas taken, which is related to the quantity of gas consumed. On an annual basis, the split of allowed revenues between the fixed and variable parts is approximately 40 per cent. for the fixed and 60 per cent. for the variable component.

#### **Scheme of building-up of end customers' tariff<sup>22</sup>:**



Annual gas consumption is susceptible to the fluctuation of temperatures in the relevant years. For example, the average temperature in the Czech Republic in 2019 was 0.1°C lower than the average temperature in 2018, therefore the overall gas consumption in 2019 was four TWh<sup>23</sup> higher compared to 2018. The average temperature in 2020 was 0.5°C<sup>24</sup> lower than the average temperature in 2019 and the overall gas consumption in 2020 was four TWh<sup>25</sup> higher than in 2019. As the distribution tariffs have a volume dependent component, actual revenues are also

<sup>22</sup> Source: The ERO, the CGH Group.

<sup>23</sup> Source: The ERO, Annual Report on the operation of gas grid in the Czech Republic (2019)

<sup>24</sup> Source: The ERO, Reports on the operation of gas grid in the Czech Republic (Q1/2020), (Q2/2020), (Q3/2020), (Q4/2020)

<sup>25</sup> Source: the CGH Group's data.

impacted by weather and temperature. While weather variations in the long run could affect the quantum of allowed revenue GasNet is entitled to collect under ERO's framework, deviations between normal-weather-based revenues and actual-weather-impacted revenues are being compensated via the K-Factor with a two year' delay to assure that allowed revenues are effectively being paid by customers to the distribution company.

Due to the fact that there are only three DSOs operating in the Czech Republic and due to the fact that they are essentially exclusive distributors for their respective regions, the gas distribution business is not susceptible to customers switching from one gas supply company to another.

(d) Gas Supply

The gas suppliers deliver the gas from the regional gas distribution networks to the end customers, i.e. households and businesses. As of the date of these Listing Particulars, there are 242 gas suppliers in the Czech Republic holding a gas trading licence. As of the date of these Listing Particulars, there are 242 active Gas Traders registered with ERO. Innogy Energie, s.r.o., Pražská plynárenská, a.s., E.ON Energie, a.s. and ČEZ Prodej, a.s. are currently the largest Gas Traders (gas suppliers) in the Czech market.

The gas supply market is highly competitive, as opposed to the gas distribution market. The gas suppliers compete not only by lower price for gas supply, but also by the services offered to their customers.

In 2020, a total of 201,325 changes of gas supplier were registered (214,428 changes in 2019), of which 176,716 were made in the largest category of customers, i.e. households. The increase in supplier switching was due to significant price movements on the wholesale markets in the second half of 2020, which the gas suppliers did not cover from their margins, but reflected in the prices of gas supply.<sup>26</sup>

(e) Gas Market Operator

In respect of the Czech gas industry, the Gas Market Operator primarily organises the short-term gas market and, in cooperation with the TSO, also organises the regulating energy balancing market.

The Czech Gas Market Operator is OTE. OTE provides comprehensive services to individual gas market players. OTE has been the market operator in the gas market since 2010, including the operation of the day-ahead gas market and intraday gas market. Continuous data processing and exchange required for the accounting and settlement of imbalances between the contractual and actual volumes of gas supplied and received are among the services offered by OTE to players in the Czech gas market, as well as administrative procedures associated with a switch of supplier. OTE also administers the National Register of Greenhouse Gas Emissions. OTE is the holder of a licence for market operator's activities, which includes activities in the electricity and gas market in the Czech Republic. OTE's service activities are regulated by the ERO.

OTE's other gas-related business activities are:

- evaluation, billing and settlement of imbalances between the contracted and metered gas supply or consumption;
- compilation of monthly and yearly reports on the gas market in the Czech Republic;

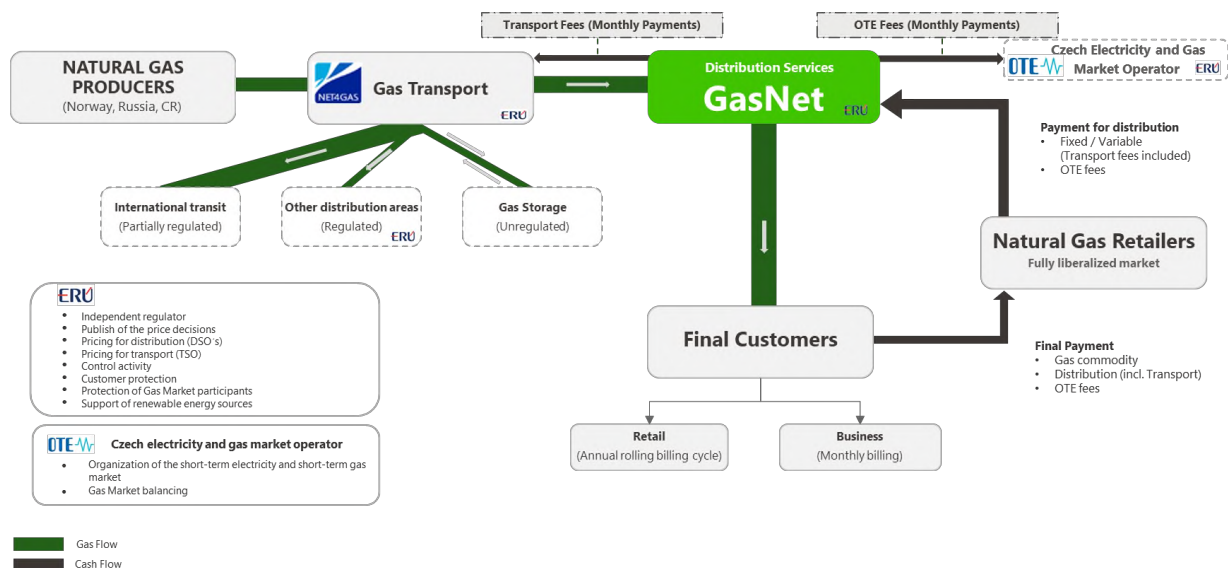
---

<sup>26</sup> Source: the OTE's data, available at: <https://www.ote-cr.cz/cs/statistika/mesicni-zprava-plyn/zmeny-dodavatele?date=2020-01-01>

- compilation of reports on future projected gas consumption, and on the method of ensuring balance between gas offer and demand;
- preparation of documents for draft Gas Market Rules;
- ensuring real values of gas supply and consumption for market participants;
- ensuring preparation of load profiles in collaboration with distribution systems' operators;
- drafting of market operator's business terms for the gas sector; and
- balancing gas including billing during emergencies.

OTE meets all legislative requirements to comply with OTE's obligations as the Nominated Market Operator (NEMO) under Commission Regulation (EU) 2015/1222 (CACM).

### Czech Gas Market Structure



## 2. Czech Electricity Industry

### (a) Electricity generation

The Czech Republic ranks among one of the most concentrated markets in Europe in terms of power generation, with the dominant vertically integrated company ČEZ, a.s. accounting for approximately 61.7 per cent. of gross power generated, in terms of electricity, in 2019.<sup>27</sup>

As of 31 December 2019, the total installed capacity in the Czech electricity grid was 21,987.1 MW.<sup>28</sup> Preliminary figures show that 81.4TW of electricity was generated in the Czech Republic in 2020<sup>29</sup>.

The Czech Republic continues to rely on brown and hard coal as its main fuel for power generation. In 2019, brown and hard coal were used as fuel for 42 per cent. of power generation

<sup>27</sup> Source: ČEZ, a.s., Annual Report (2019)

<sup>28</sup> Source: The ERO, Annual report on the operation of electricity grid in the Czech Republic (2019).

<sup>29</sup> Source: The ERO, Report on the operation of electricity grid in the Czech Republic (Q4/2020)

in the Czech Republic.<sup>30</sup> The Czech Republic's national commission on the future of coal recommended in December 2020 that the country phase out the fossil fuel for electricity and heat generation by 2038. Therefore, coal should remain an important part of the used energy sources until 2038, with natural gas increasing its share as a result. The 10-year national energy and climate plan for 2020-2030 includes a target of 30 per cent. for the reduction of greenhouse gases.

---

<sup>30</sup> Source: The ERO, Annual report on the operation of electricity grid in the Czech Republic (2019).

## REGULATION

### 1. INTRODUCTION

The following section provides a summary of both the EU and Czech energy sector regulations that are applicable to business activities of the CGH Group.

### 2. EU ENERGY REGULATION

#### 2.1 General

The EU energy regulation aims to create a competitive, sustainable and secure environment. In 2009, the EU adopted the third energy package (the **EU Third Energy Package**) in order to further open up the gas and electricity markets in the EU and to accelerate investments in energy structures. The EU Third Energy Package consisted of the following pieces of legislation, some of which have since been recast in 2019 under the “Clean energy for all Europeans package” (the **Clean Energy Package**):

- (a) Directive No. 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity which has been recast in Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (the **EU Electricity Directive (recast)**);
- (b) Directive No. 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas (the **EU Third Gas Directive**), which was amended in 2019;
- (c) Regulation No. 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity which has been recast in Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (the **EU Electricity Regulation (recast)**);
- (d) Regulation No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks (**Regulation 715/2009**), which together with the EU Electricity Regulation were revised as part of the Clean Energy Package in 2019; and
- (e) Regulation No. 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators which has been recast in Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators as part of the Clean Energy Package in 2019.

The EU Third Energy Package covers five main areas of regulation: (a) unbundling; (b) the role of the national regulators; (c) establishment of the Agency for the Cooperation of Energy Regulators (the **ACER**); (d) cross-border cooperation; and (e) openness and fairness of retail markets.

#### (a) Unbundling

Under the EU Third Energy Package a person controlling an electricity transmissions system, gas transmissions system, electricity distribution system or gas distribution



system is obliged to ensure its independency from electricity and gas generation, production and supply, which allows increased competition in the EU energy markets. The EU Member States are allowed to choose any or all of the three possible options: (i) full ownership unbundling; (ii) independent system operator; and (iii) independent transmission system operator; and subsequently adopt corresponding measures into their legal frameworks. The independency requirements are confirmed via a certification process carried out by the relevant regulatory body and the European Commission.

(b) National regulators

The EU Third Energy Package significantly strengthens the position of the national regulators by containing a list of requirements to be complied with. The EU Member States must enable: (i) independency of the regulatory bodies from both industry interests and the government (including the budget independency); (ii) cooperation between the national regulators within the EU; (iii) possibility to issue binding decisions and impose administrative fines for those who do not comply with the energy regulations; and (iv) authority to collect and analyse data that electricity generators, gas network operators and energy suppliers are obliged to disclose.

(c) ACER

The ACER is an independent agency established in order to provide overall support to the national regulators in the energy sector as well as monitor the functioning of the internal market and decide cross-border issues in the event that the national regulator cannot reach an agreement. The ACER also prepares drafts of guidelines and other soft law documents covering this area.

(d) Cross-border cooperation

In order to enhance and facilitate cooperation between individual businesses within the EU energy market, two organisations have been established – the European Network for Transmission System Operators for Electricity (the **ENTSO-E**) and the European Network for Transmission System Operators for Gas (the **ENTSOG**).

(e) Open and fair retail markets

The EU Third Energy Package also focuses on consumer protection. The consumers on the EU energy market are provided with the freedom to both select and change their energy supplier without any extra charges and the right for their disputes to be resolved quickly and cheaply.

The EU Third Energy Package also introduced a system for the development and implementation of European-wide network codes (the **NC**) that cover several areas within both the electricity and the gas industries. The NCs are drafted mainly by the ACER, ENTSO-E, ENTSOG and issued as the Commission's regulations and so become binding on, and directly applicable to, all parties operating in the EU energy sector as well as all the electricity and gas market transactions with a cross-border impact. The NCs regulatory framework consists mainly of:

- (a) Commission Regulation (EU) No. 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013; and

- (b) Commission Regulation (EU) No. 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas.

The Clean Energy Package paves the way for a gradual transition away from fossil fuels and towards a carbon-neutral economy by adopting a modern framework for the transition towards cleaner and more sustainable energy, among others the EU Electricity Directive (recast) and the EU Electricity Regulation (recast). Further the Clean Energy Package includes a robust governance system for the energy union, under which each EU Member State is required to establish integrated 10-year national energy and climate plans (the **NECPs**) for 2021 to 2030. Based on a common structure stipulated by the Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, as amended, the NECPs outline how EU countries will achieve their respective targets on all dimensions of the energy union, including a longer-term view towards 2050.

Besides the EU Third Energy Package and the Clean Energy Package, the energy sector regulatory framework is also comprised of general EU regulations imposing restrictions and further requirements on trading of commodities and financial products which are also applicable to EU energy and energy derivatives markets. The regulatory framework is, in this regard, created by:

- (a) Regulation No. 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (the **REMIT**), and the Commission implementing regulation No. 1348/2014 of 17 December 2014 on data reporting implementing Article 8(2) and Article 8(6) of REMIT. The REMIT introduces a new complex regulatory regime that includes, among others: (i) definition of market abuse in wholesale energy markets; (ii) explicit prohibition of market manipulation and attempted market manipulation; (iii) rules on monitoring of wholesale energy markets in order to detect activities in (i) and (ii); and (iv) rules on enforcement of the prohibitions of activities in (i) and (ii) as well as effective sanctioning of such breaches at national level. The ACER is entrusted with centralised monitoring and data collecting but the matter of investigating market abuse and prosecuting of energy market participants is in the competence of the national regulators.
- (b) Regulation No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as amended, (**EMIR**); MiFID II and MiFIR.

In addition to the abovementioned legislation the energy sector regulatory framework consists also of separate regulation of specific issues and areas connected within this industry, as described below.

- (a) Renewable energy

Directive No. 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast), as amended, (the **Renewable Energy Directive**) represents a revised version of the former renewable energy directive (2009/28/EC) and aims to support the overall policy for the promotion of energy from renewable sources within the EU. The Renewable Energy Directive sets out a new binding target for usage of renewable energy for the EU for 2030 of at least 32 per cent. provided that such percentage level is subject to possible upward revisions. The EU has also ratified the Kyoto Protocol for the

reduction of Greenhouse Gas Emissions (the **Kyoto Protocol**). Under the Kyoto Protocol, the EU has committed itself to reduce levels of greenhouse gas emissions.

(b) Emission limits and emissions allowances

Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (recast), Directive No. 2015/2193 of the European Parliament and of the Council of 25 November 2015 on the limitation of emissions of certain pollutants into the air from medium combustion plants, Directive No. 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe, as amended, together with Regulation No. 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of a European Pollutant Release and Transfer Register, as amended, create a legal basis for regulation of emission limits. There are discussed some particular substances and set out specific emission limits for, for instance, SO<sub>x</sub>, NO<sub>x</sub>, carbon monoxide, methane, Hg, NH<sub>3</sub>, HCl and HF.

Trading with emission allowances represents a tool that stimulates the decreasing of the greenhouse gas emission levels in a cost-effective and economically efficient manner. Such allowances can be used only once and only specific greenhouse gases and sectors of their production are covered with the system (Carbon dioxide (CO<sub>2</sub>), nitrous oxide (N<sub>2</sub>O) and Perfluorocarbons (PFCs) (the **GHGs**)). Each (regulated) company is obliged to hand in allowances for every ton of GHGs it emitted in the previous year; otherwise it is subject to a fine. There is also a possibility of receiving free allowances from the national governments. If the number of allowances that a company has is not sufficient to meet its needs, the company has two options: (i) buy additional allowances; or (ii) draw on any surplus allowances it has accrued from previous years.

The EU has established a system of trading with emission allowances under the Kyoto Protocol and Directive No. 2003/87/EC of the European Parliament and of the Council of 13 October 2003 on establishing a scheme for greenhouse gas emission allowance trading within the Community as revised in 2009 (the **EU ETS**). The EU ETS is developing in certain phases:

- (i) 1<sup>st</sup> trading period (2005-2007) in which the world's biggest carbon market was established;
- (ii) 2<sup>nd</sup> trading period (2008-2012) during which aviation was brought into the system;
- (iii) 3<sup>rd</sup> trading period (2013-2020) that has so far introduced several major changes in the system, for instance, the number of allowances was reduced by 1.74 per cent. each year, the EU-wide cap on emissions as well as a shift towards auctioning of allowances in place of cost-free allocation was introduced. Due to the economic crisis, there is still a significant surplus of allowances, which may undermine the EU carbon market. A solution to this matter is the creation of a market stability reserve (as agreed in 2015). According to the EU Commission, the back loaded allowances (in the volume of 900 million) will be transferred to the reserve rather than auctioned; and
- (iv) for the 4<sup>th</sup> trading period (2021-2030) currently on-going, there are several legislative proposals for revision of the EU ETS, for instance, an improved and

more dynamic system for allocation of free allowances, several support mechanisms for companies to meet the challenges of a low-carbon economy and the establishment of new funds (innovation and modernisation).

## 2.2 EU gas sector regulation

Within the EU Third Energy Package, the EU Third Gas Directive was adopted on 13 July 2009. In general, the EU Third Gas Directive aims to strengthen the independency of national energy regulators. The full independency from both public and private interests precludes the existence of judicial review or parliamentary supervision, which shall be correspondently reflected in national laws (See “*Czech Energy Regulation*” below). Under the EU Third Gas Directive it is also expected that the national regulators will cover both the electricity and the gas sectors. In the Czech Republic, the role of the national energy regulator is exercised by the ERO.

The specific aspects and sub-areas of the EU gas market are regulated separately by way of NCs and other regulations, particularly by the following:

- (a) Commission Regulation No. 312/2014 of 26 March 2014 establishing a network code on **gas balancing** of transmission networks which established a set of market-based balancing rules. The information channels created thereupon are designed to support the daily balancing regime and enable the network user to manage its risks and opportunities in a cost-efficient way;
- (b) Commission Regulation No. 2015/703 of 30 April 2015 establishing a network code on **interoperability and data exchange rules** that aims to provide technical rules and procedures to reach an appropriate level of harmonisation towards efficient gas trading and gas transmission systems in the EU;
- (c) Commission Decision No. 2015/715 of 30 April 2015 amending Annex I to Regulation 715/2009 covering the **congestion management procedures**;
- (d) Commission Regulation No. 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems which requires gas grid operators to use a harmonised auction allocation process in order to guarantee transparency and non-discrimination when selling access to a pipeline;
- (e) Commission Regulation No. 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas. It enables the network users to better understand and forecast both transmission and non-transmission services fees and related costs and helps to create a transparent environment within the EU gas market. The national regulatory bodies shall decide on the reference price methodology to be applied. The relevant price methodology is to be based on consultations with the ACER and the relevant stakeholders. Besides the rules on application of a reference price methodology, this regulation also includes rules on the associated consultations; publication requirements and on the calculation of reserve prices for standard capacity products; and
- (f) Regulation No. 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply being the part of the Commission’s sustainable energy security package presented on 16 February 2016. This regulation introduces, among others, a solidarity principle in the cooperation between Member States.

### 3. CZECH ENERGY REGULATION

As a member of the EU, the Czech Republic is obliged to comply with EU legislation and implement only such regulatory strategies that are in line with the EU regulatory regime. Since the EU regulations are directly applicable, the following overview contains only specific regulation that differs from the EU legislation or, if allowed, makes the EU legislation more specific.

The legal basis of the regulation of the energy sector (gas, electricity and heat) is the Energy Act, which implements all the relevant EU legislation (described above) and provides a general framework for businesses operating within the energy industry, including, but not limited to, licensing requirements, obligations of the licence holders, disclosing duties, regulatory bodies and administrative offences associated with such regulation. The Energy Act defines the Czech national regulatory authority – ERO, and its competences and responsibilities and sets out procedures for issuing permits, licences and other instruments for carrying business in the energy sector. Moreover, the Energy Act contains emergency provisions, which defines the rules on which customers can be disconnected from the network in case of emergency situations.

The Act No. 526/1990 Coll., on prices, as amended (the **Act on Prices**) sets out key parameters of price regulation and the price procedure, which is under in the competence of the ERO, who is entitled to issue prices decisions on regulated prices related to gas supply.

The primary regulation is supplemented by a variety of secondary market rules, network codes and other decrees.

#### 3.1 Regulatory authorities

Altogether, there are four main regulatory authorities in the Czech Republic: the Ministry of Industry and Trade of the Czech Republic (the **Ministry of Industry and Trade**), the Ministry of Environment of the Czech Republic (the **Ministry of Environment**), the ERO, the Office for the Protection of Competition and the State Energy Inspectorate (the **SEI**).

##### (a) **Ministry of Industry and Trade**

In the area of energy, the Ministry of Industry and Trade is responsible primarily for determining the state policy and preparing legislative and other proposals.

##### (b) **Ministry of Environment**

The Ministry of Environment is responsible for the preparation of regulation of emission allowances, air pollution and others. Both ministries safeguard the compliance of the Czech law with the relevant EU legislation and other international commitments.

##### (c) **The ERO**

The ERO, established on 1 January 2001 under the Energy Act, is an independent energy regulatory body exercising the supervision over the Czech energy sector. The ERO's competences consist mainly of: (i) price controls; (ii) support for competition in the energy industries; (iii) supervision over markets in the energy industries; (iv) support for the use of renewable and secondary energy sources; (v) support for the combined heat and power generation; (vi) support for bio-methane; (vii) support for the decentralised energy production and protection of customers' and consumers'

interests; (viii) protection of licence holders' vested interests; and (ix) protection of legitimate customers' and consumers' interests in the energy industries. The ERO is also empowered to grant and withdraw licences under the Energy Act as well as impose administrative fines that may amount up to CZK 100 million or 10 per cent. of net annual turnover.

(d) **the Office for the Protection of Competition**

The Office for the Protection of Competition is the central authority of state administration responsible for creating conditions that favour and protect competition, supervision over public procurement and consultation and monitoring in relation to the provision of state aid.

(e) **The ERO Board**

The Board of the Energy Regulatory Office (the **ERO Board**) is the collective governing body of the ERO. The ERO Board consists of five members, who are appointed by the government for five years and are replaced gradually (one member each year). The ERO Board directly controls all of the divisions and the board members are universally responsible for the regulation of all of the industries administered by the ERO.

(f) **The SEI**

The SEI is a state organisation subordinated to the Ministry of Industry and Trade. It consists of a central inspectorate and regional inspectorates. The SEI cooperates with the ERO and participates in the monitoring of compliance with the relevant regulations and is also authorised to impose sanctions.

### 3.2 **Licensing regime**

In accordance with the Energy Act, gas distribution as well as electricity generation in the Czech Republic are considered regulated activities, therefore are subject to the relevant licensing regime and corresponding supervision. The ERO is empowered to grant the relevant licences under the Energy Act. Information about every valid licence granted by the ERO is publicly available at: <http://www.licence.eru.cz>. The licences for business activities are classified as:

- (a) gas and electricity distribution, electricity transmission, gas transportation, gas storage and heat production and transportation, and market operation is granted for an indefinite period of time;
- (b) electricity, gas and heat generation is granted for the period of up to 25 years; and
- (c) gas and electricity trading is granted for the period of five years.

Apart from the expiration of the term of the particular licence, the licence granted to a legal entity also lapses if the licensee is dissolved or if the ERO decides to revoke the licence. The ERO may proceed with licence revocation if the licensee (i) no longer meets the licence requirements under the Energy Act; (ii) breaches its duties under the Energy Act in a manner endangering the life, health or property of others; (iii) severely breaches its duties when conducting the licenced activity; or (iv) revoked its licence by its own decision. Further, the ERO may decide to revoke a licence if the licensee (a) does not exercise the activity as provided for in its licence for a period longer than 24 months; (b) the licensee has been declared bankrupt

or a petition to declare its bankruptcy has been rejected due to insufficient assets of the licensee; or (c) the licensee failed to pay a contribution to the designated ERO fund or any other fees under the Energy Act.

### 3.3 **Price regulation**

Regulated tariffs for electricity/gas transmission and distribution, the tariffs for the market operator's services and the tariffs of supply of last resort are set out in price decisions of the ERO. The final tariffs for gas distribution are set and published in a price decision no later than 30 November of the calendar year which precedes the relevant regulatory year.

The ERO is empowered to regulate and decide on tariffs for electricity transmission and distribution, system services, gas transportation, gas distribution, tariffs for the activities of electricity and gas market operators and the process of the electricity and gas of the last resort supplier. Even though the price regulation is in the sole discretion of the ERO, it is obliged to regulate the tariffs of electricity transmission, gas transportation and electricity and gas distribution in compliance with the Act on Prices and in a manner ensuring reliable, safe and effective performance of the licensed activities while generating a reasonable profit (in order to ensure a return on investments into the equipment and its innovation).

There have been four energy regulatory periods so far, the fifth regulatory period is just commencing as of 1 January 2021 in the Czech Republic. The current, fifth regulatory period is determined by the ERO regulation methodology for the electricity and gas industry published on 9 June 2020. The ERO declared that the main objectives for the fifth regulatory period are: (i) stability and sustainability of regulation; (ii) predictability of regulation; (iii) balance of regulation; (iv) objectivity and transparency of regulatory principles and methods; and (v) compliance with the relevant Czech and EU legislation.

For these purposes, on 11 May 2009 the ERO issued Decree No. 140/2009 Coll., on the method of price regulation in the energy industries and on price regulation procedures, which contained a methodology of price regulation and price control procedures. The price regulation decree applied only to the third regulatory period (2010-2015).

Since 1 January 2016, the ERO Decree No. 195/2015 Coll., on the manner of procedures for gas price regulation (the **Gas Price Decree**) applies. The Gas Price Decree unlike the previous price regulation decree, repeats the principles for price regulation as contained in the Energy Act. The actual detailed methodology for determination of the tariffs for the relevant regulatory period is stipulated in the principles of price regulation issued by ERO. In January 2020, ERO organised a public hearing and in February 2020, ERO addressed all the submitted comments and suggestions and closed the consultation process by publishing the results of the consultations on its website.

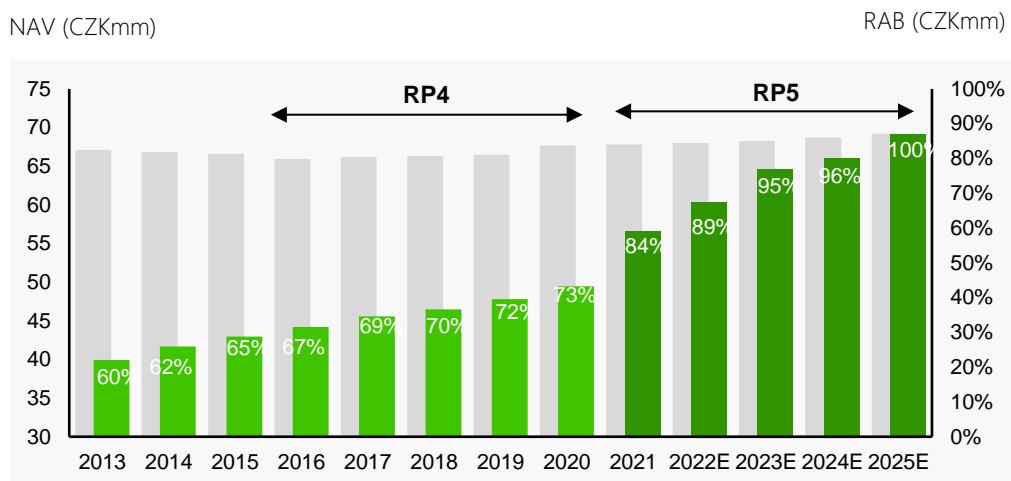
The methodology for determination of the tariffs for the fifth regulatory period is stipulated in the **Principles of Price Regulation** for period 2021-2025 for the fields of electricity, gas, market operator activities in the electricity and gas sectors and obligatory purchasers, (in Czech: *Zásady cenové regulace pro období 2020-2025 pro odvětví elektroenergetiky, plynárenství, pro činnosti operátora trhu v elektroenergetice a plynárenství a pro povinně vykupující*) issued by the ERO on 9 June 2020.

The overall regulatory principle "Allowed Revenue" remained more or less unchanged in the last 19 years since the first regulatory period in 2002. Allowed Revenues are compiled by the building blocks Allowed Profit (RAB multiplied by average cost of capital (**WACC**), Allowed Depreciation, Allowed Costs (OpEx), further Provisions for losses and technological consumption plus K-Factor and Market Factor.

The current year marks the commencement of the fifth regulatory period, which several changes to determination of the tariffs.

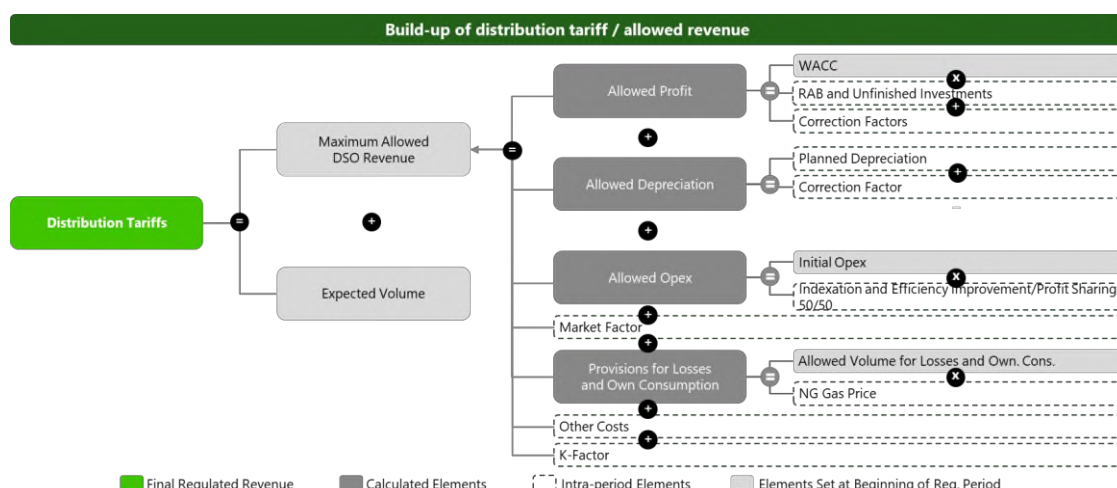
The Principles of Price Regulation for the RP5 that took effect from 1 January 2021 include two major changes: a) a fixed WACC of 6.43 per cent.; and b) a pre-agreed trajectory of RAB that will be gradually reconciled up to the net book value (GasNet) (VAV) (approximately 30 per cent. higher) in five steps with a pre-agreed trajectory from 2020 to 2025.

### RAB and NAV Reconciliation Schedule



The Principles of Price Regulation for RP5 includes changes to the time period relevant for the determination of the risk-free rate and cost of debt. Limited changes to OpEx and no changes with respect to depreciation are included in the Principles of Price Regulation for RP5.

*The current fundamental regulatory equation is shown on the following picture<sup>31</sup>:*



<sup>31</sup> Source: The ERO, Group's information.



*Details on the building blocks for distributions tariffs<sup>32</sup>:*

<i>Allowed Profit</i>	<ul style="list-style-type: none"> <li>• <b>RAB multiplied by WACC plus K-Factor</b></li> <li>• <b>RAB:</b> updated annually, excluding assets not used for licensed activity</li> <li>• <b>WACC:</b> set for the whole regulatory period; methodology and input data source in line with industry practice</li> <li>• <b>K-Factor:</b> for differences in return caused by the differences between actual and planned RAB. Difference between actual and planned RAB is caused by the difference in actual vs. planned unfinished investments in year t-2 and between actual and planned depreciation</li> </ul>
<i>Allowed Depreciation</i>	<ul style="list-style-type: none"> <li>• <b>Planned depreciation including K-Factor</b></li> <li>• Planned depreciation: depreciation set for each year based on planned depreciation</li> <li>• K-Factor: correction for the difference between planned and actual depreciation of assets, in year t-2</li> </ul>
<i>Allowed OpEx</i>	<ul style="list-style-type: none"> <li>• <b>Initial OpEx multiplied by indexation and efficiency improvement and including a profit sharing mechanism</b></li> <li>• Initial OpEx: arithmetic average of historical real OpEx incurred in last 3 years, corrected for time value of money; reduced by extraordinary costs;</li> <li>• Indexation and efficiency improvement: OpEx increased by escalation factor, decreased by efficiency factor;</li> <li>• Profit sharing: difference between actual and allowed OpEx halved and reflected in Allowed OpEx over the course of three years (each year starting in t+2 by 1/3 of 50 per cent. of the difference).</li> </ul>
<i>Market Factor</i>	<ul style="list-style-type: none"> <li>• To correct for one-off costs not previously reflected in the approved cost base</li> </ul>
<i>Provision for Losses and Own Consumption</i>	<ul style="list-style-type: none"> <li>• <b>Allowed volume for losses and own consumption multiplied by natural gas price</b></li> <li>• Allowed volume for losses and own consumption: based on avg. historical real losses in years 2014-2018, set individually for each DSO</li> </ul>

<sup>32</sup> Source: The ERO, Group's information.

	<ul style="list-style-type: none"> <li>natural gas price: prices identical for all DSOs based on market conditions in line with regulatory rules on network loss management</li> </ul>
<i>Other Costs</i>	<ul style="list-style-type: none"> <li>Distribution services purchased from other DSOs plus costs of gas equipment rental</li> </ul>
<i>K-Factor</i>	<ul style="list-style-type: none"> <li>Differences in allowed vs. actual revenues in year t-2; added to maximum allowed revenue for year t</li> <li>Mitigates volume risk; guarantees actual revenue is equal max allowed revenue (with two year delay)</li> </ul>
<i>Predicted Volume</i>	<ul style="list-style-type: none"> <li>Based on DSO predictions</li> </ul>
<i>Distribution Tariff by Segments</i>	<ul style="list-style-type: none"> <li><b>Households and small customers</b> (&lt;620 MWh per year): prices set in 7 discrete bands based on yearly consumption</li> <li><b>Medium and large customers:</b> variable price identical for all customers, fixed price based on a logarithmic equation</li> <li><b>Outcome:</b> volume expectation based on DSO estimates; limited to no risk from tariffs since revenues guaranteed by revenue-cap regulation</li> </ul>

The tariffs are differentiated by segments. Variable and fix price components for households and small customers are set in seven discrete bands based on yearly consumption. Medium and large customers have same variable price and fix price components based on logarithmic equation taking into account yearly consumption. Distribution volume for each segment is based on DSO predictions.

These distribution prices (tariffs) are published annually in a price decree issued by ERO. The current tariffs for gas distribution in 2021 are set out in the ERO Price Decision No. 48/2020 (the **Price Decision**) and an annex to the Price Decision for each DSO separately; and the tariffs for gas transmission in 2021 are set in the ERO Price Decision No. 4/2020 and 8/2020. The fixed component of the price is calculated under the price formula provided in the Price Decision. The variable component of the price is set for each company separately for all delivery points connected to a long-distance gas pipeline and for all delivery points connected to a local network. The Price Decision distinguishes the tariffs based on the annual offtake as follows:

- (a) households and small customers, where the tariffs for gas distribution are set as two component tariffs. The two components are the fixed component and the variable component, which differ for each of the seven discrete bands of households and small customers. The bands are distinguished according to the calculated annual consumption of the delivery points (from 0-1.89 MWh/year to 63 and more MWh/year); and
- (b) medium-sized and large customers, where the price is also set as a two component price. The fixed component is calculated according to the price formula provided in the Price Decision. The variable component of the price is set for each DSO separately for

all delivery points connected to a long-distance gas pipeline and for all delivery points connected to a local network.

### 3.4 **Specific aspects of Czech gas sector regulation**

There are no specific rules (besides those mentioned above) regulating the gas sector differently from the EU legislation. The following list enumerates the relevant decrees that specify and supplement the gas sector regulation in the Czech Republic:

- (a) Decree No. 545/2006 Coll., on the quality of gas supplies and related services in the gas sector;
- (b) Decree No. 344/2012 Coll., on states of emergency in the gas industry and on safeguarding a security of supply standard, as amended, which provides for certain measures which aim to ensure safety standards of gas distribution and operability of the gas (distribution) system of the Czech Republic. Any DSO operating the affected distribution network may declare a state of emergency under which the agreed or contracted distribution of gas to the end customers may be limited or even suspended. In addition the contingency measures include the obligation for Gas Traders to store 30 per cent. of their planned sales in storage facilities located in the EU for period between October and March;
- (c) Decree No. 195/2015 Coll., on price regulation and price regulation methodology in the gas industry;
- (d) Decree No. 349/2015 Coll., on the gas market rules, as amended which sets out, among others, rules for access to the transmission system, distribution systems and gas storage facilities, the scope of the information to be published to enable access to the transmission system, distribution systems and gas storage facilities, and methods of congestion management in the gas system and time limits for requesting contract execution in the gas market and time limits for contract execution; and
- (e) Decree No. 401/2010 Coll., on the scope and contents of transmission and distribution network codes, storage codes and commercial terms and conditions of the network operator, as amended.

### 3.5 **Other material regulation**

#### (a) **Environmental Impact Assessment Act (Act No. 100/2001 Coll., as amended)**

The Act No. 100/2001 Coll., as amended, stipulates a mandatory EIA of certain specified operations, whether new projects or larger upgrades of existing installations, which encompasses the identification, description, and evaluation of anticipated direct and indirect impacts of operations on the environment. Operations must adhere to one of three regimes depending upon whether they have a duty to conduct an EIA:

- (i) operations which must conduct an EIA unconditionally (e.g. gas pipelines with diameter above 800 mm and length above 40 km, combustion facilities with an output exceeding 300 MWe);
- (ii) operations which do not need to conduct an EIA; and
- (iii) operations which are subject to fact-finding procedure to determine whether they must conduct an EIA (e.g. water and wind power plants, coal mining)

exceeding 10,000 tons per year or coal mining in an area exceeding 50,000 m<sup>2</sup>).

(b) **Public Procurement Act (Act No. 134/2016 Coll., as amended)**

Any sector contracting entity is obliged to procure goods or services with an estimated value of CZK 11,915,000 or more, or construction works with an estimated value of CZK 149,224,000 or more, by means of a formalised public process of procurement. Entities involved in the gas distribution and/or the generation of electricity are under current legislation not considered sector contracting entities, which are subject to the rules on public procurement. However, the CGH Group companies may still in relation to a particular tender be considered a subsidised contracting entity or voluntary contracting entity and as such subject to the rules included in the Public Procurement Act.

(c) **Crisis Management Regulation**

According to the act on crisis management act (Act No. 240/2000 Coll., as amended) (**Crisis Management Act**) a state of danger may be declared for a limited period of time not exceeding 30 days and it can be extended only with the consent of the Government of the Czech Republic. If the danger cannot be remedied, the regional governor or the mayor of Prague must request the Government of the Czech Republic to declare a state of emergency under the constitutional act on security of the Czech Republic (No. 110/1998 Coll.), the Government of the Czech Republic may declare a state of emergency in cases of natural or ecological disasters, industrial accidents or other events which significantly endanger lives, public health, property, social stability and security. The state of emergency may be declared for a period not exceeding 30 days and it can be extended only with the consent of the Chamber of Deputies of the Parliament of the Czech Republic. In cases of immediate threat to the state sovereignty, its territorial integrity or its democratic system, the Parliament of the Czech Republic may declare a state of threat to the state.

The declaration of the state of emergency or the state of threat to the state may result in a temporary limitation of ownership rights of the CGH Group and may also involve expropriation, for a monetary compensation but only for such a period and to such an extent as is necessary to remedy the threat.

Under Crisis Management Act, an expropriation or mandatory limitation of ownership, in principle, can only be sought in the Czech Republic: (i) if it is in the public interest; (ii) if it is for a purpose stipulated in a specific regulation; (iii) if the purpose of the expropriation cannot be achieved otherwise (for example by an agreement between the parties); (iv) for compensation; and (v) only to the extent absolutely necessary.

- (d) Act No. 383/2012 Coll., on conditions for trading with emission allowances, as amended (the **Emission Allowance Act**);
- (e) Act No. 201/2012 Coll., on air protection, as amended (the **Air Protection Act**);
- (f) Act No. 165/2012 Coll., on promoted energy sources, as amended; and
- (g) Act No. 76/2002 Coll., on integrated pollution prevention and control and on the integrated pollution register, as amended.

## TAXATION

### LUXEMBOURG TAXATION

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income taxes, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### TAXATION OF THE NOTEHOLDERS

#### Withholding Tax

##### (i) Non-resident Noteholders

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Noteholders, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident Noteholders.

##### (ii) Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Noteholders, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payment of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

## **Income Taxation**

### **(i) Non-resident Noteholders**

A non-resident Noteholder, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realised by such non-resident Noteholder on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate Noteholder or an individual Noteholder acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Notes.

### **(ii) Resident Noteholders**

Noteholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

#### *Luxembourg resident corporate Noteholder*

A corporate Noteholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate Noteholder that is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 23 July 2016 on reserved alternative investment funds, as amended, and which does not fall under the special tax regime set out in article 48 thereof is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Notes.

#### *Luxembourg resident individual Noteholder*

An individual Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Notes has opted for the application of a 20 per cent. tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in an EU Member State (other than Luxembourg), or in a Member State (other than an EU Member State). A gain realised by an individual Noteholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual Noteholder acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

## Net Wealth Taxation

A corporate Noteholder, whether it is a resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which/whom such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the Noteholder is governed by the law of 11 May 2007 on family estate management companies, as amended, by the law of 17 December 2010 on undertakings for collective investment, as amended, by the law of 13 February 2007 on specialised investment funds, as amended, by the law of 23 July 2016 on reserved alternative investment funds, as amended, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended<sup>33</sup>.

An individual Noteholder, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

## Other Taxes

In principle, neither the issuance nor the transfer, repurchase or redemption of Notes will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or *ad valorem* registration duty may be due upon the registration of the Notes in Luxembourg in the case where the notes are physically attached to a public deed or to any other document subject to mandatory registration, as well as in the case of a registration of the Notes on a voluntary basis.

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

## Exchange of information for tax purposes

The Issuer may be required to report certain information about its Noteholders and, as the case may be, about individuals controlling Noteholders that are entities, on an automatic and annual basis to the Luxembourg direct tax administration (*Administration des contributions directes*) in accordance with, and subject to, the Luxembourg law of 24 July 2015 concerning FATCA, and/or the Luxembourg law of 18 December 2015 implementing Council Directive 2014/107/EU and the standard for automatic exchange of financial account information in tax matters developed by the OECD with the G20 countries (commonly referred to as the Common Reporting Standard), each as amended from time to time (each an **AEOI Law** and collectively the **AEOI Laws**). Such information, which may include personal data (including, without limitation, the name, address, country(ies) of tax residence, date and place of birth and tax identification number(s) of any reportable individual) and certain financial data about the relevant Notes (including, without limitation, their balance or value and gross payments made thereunder), will be transferred by the Luxembourg direct tax administration to the competent authorities of the relevant foreign jurisdictions in accordance with, and subject to, the relevant Luxembourg legislation and international agreements.

Each Noteholder and prospective investor agrees to provide, upon request by the Issuer (or its delegates), any such information, documents and certificates as may be required for the purposes of the

---

<sup>33</sup> Please however note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016, as amended, and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

Issuer's identification and reporting obligations under any AEOI Law. The Issuer reserves the right to reject any application for Notes or to redeem Notes (i) if the prospective investor or Noteholder does not provide the required information, documents or certificates or (ii) if the Issuer (or its delegates) has reason to believe that the information, documents or certificates provided to the Issuer (or its delegates) are incomplete or incorrect and the Noteholder does not provide, to the satisfaction of the Issuer (or its delegates), sufficient information to cure the situation. Prospective investors and Noteholders should note that incomplete or inaccurate information may lead to multiple and/or incorrect reporting under the AEOI Laws. Neither the Issuer nor any other person accepts any liability for any consequences that may result from incomplete or inaccurate information provided to the Issuer (or its delegates). Any Noteholder failing to comply with the Issuer's information requests may be charged with any taxes and penalties imposed on the Issuer attributable to such Noteholder's failure to provide complete and accurate information.

Each Noteholder and prospective investor acknowledges and agrees that the Issuer will be responsible to collect, store, process and transfer the relevant information, including the personal data, in accordance with the AEOI Laws. Each individual whose personal data has been processed for the purposes of any AEOI Law has a right of access to his/her personal data and may ask for a rectification thereof in case where such data is inaccurate or incomplete.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Luxembourg) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under "*Conditions of the Notes – Taxation*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### **The proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria,



Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, Société Générale, Unicredit Bank AG (together, the **Joint Bookrunners**) have, pursuant to a subscription agreement (relating to Notes) (the **Subscription Agreement**) dated 29 March 2021, jointly and severally agreed to subscribe or procure subscribers for the Notes (as applicable) at the issue price of 99.81 per cent. of the principal amount of Notes.

The Issuer has agreed to pay the Joint Bookrunners a combined management and underwriting commission, will reimburse the Joint Bookrunners in respect of certain of their expenses, and has also agreed to indemnify the Joint Bookrunners against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

The Joint Bookrunners and their respective affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and other members of the CGH Group (including, in some cases, credit agreements, credit lines and other financing arrangements) in the ordinary course of their banking business. The Joint Bookrunners and their respective affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

The Joint Bookrunners and their respective affiliates may provide banking services including financing, to the Issuer, and for which they may be paid fees and expenses. In addition, in the ordinary course of their business activities, the Joint Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or its affiliates (including the Notes). The Joint Bookrunners may have a lending relationship with the Issuer and its affiliates and may routinely hedge its credit exposure to the Issuer and/or its affiliates consistent with their customary risk management policies. Typically, the Joint Bookrunners and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer or the relevant affiliate, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments (including, without limitation, the Notes).

### **Selling Restrictions**

#### ***Prohibition of sales to EEA Retail Investors***

The Joint Bookrunners have represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by these Listing Particulars to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### ***Prohibition of sales to UK Retail Investors***

The Joint Bookrunners have represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by these Listing Particulars to any retail investor in the UK. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of MiFIR as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of the Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### ***United Kingdom***

Each Joint Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***United States***

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### ***Republic of Italy***

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (the **CONSOB**) pursuant to Italian securities legislation.

Each Joint Bookrunner has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time) and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended (the **FIEA**)) and each Joint Bookrunner has represented and agreed, and each further Joint Bookrunner appointed under these Listing Particulars will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or

resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

***General***

Each Joint Bookrunner has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes these Listing Particulars or any other offering material relating to the Notes. Persons into whose hands these Listing Particulars come are required by the Issuer and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish these Listing Particulars or any other offering material relating to the Notes, in all cases at their own expense.

## GENERAL INFORMATION

### Corporate Information

The Issuer is a private limited liability company (*société à responsabilité limitée*) organised and existing under the laws of the Grand Duchy of Luxembourg having its registered office at 20, Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register (*Registre de commerce et des sociétés*, Luxembourg) under number B233.444 and can be reached on telephone number +352 24619316 and email [cgn.lu@macquarie.com](mailto:cgn.lu@macquarie.com).

### Authorisation

The issue of Notes has been duly authorised by resolutions of the Board of Managers of the Issuer dated 17 March 2021.

### Listing of Notes and admission to trading

Application has been made to Euronext Dublin for the Notes to be admitted to trading on Euronext Dublin's Global Exchange Market and to be listed on the Official List of Euronext Dublin.

### Documents Available

For as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, copies of the following documents will, when published, be available for inspection in physical form from the registered office of the Issuer and from the specified office of the Paying Agents for the time being in London:

- (1) the constitutional documents of the Issuer;
- (2) the audited consolidated financial statements of the Issuer as of 31 December 2019 and for the financial period from 22 March 2019 to 31 December 2019 together with the audit report prepared in connection therewith;
- (3) the consolidated audited financial statements of the CGH Group in respect of the financial year ended 31 December 2020 and the consolidated audited financial statements of the CGH Group in respect of the financial year ended 31 December 2019, in each case together with the audit reports prepared in connection therewith;
- (4) the most recently published unaudited interim financial statements (if any) of the Issuer;
- (5) the Trust Deed; and
- (6) a copy of these Listing Particulars.

In addition, these Listing Particulars will be available in electronic format on the website of Euronext Dublin (<https://www.ise.ie/>).

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **ISIN and the Common Code of the Notes**

The ISIN of the Notes is XS2322438990, the common code is 232243899, the Financial Instrument Short Name (FISN) is CZECH GAS NETWO/.875EUR NT 20310331 and the Classification of Financial Instruments (CFI) code is DBFNFR.

## **Yield of the Notes**

On the basis of the issue price of the Notes of 99.81 per cent. of their principal amount, the yield of the Notes is 0.895 per cent. on annual basis.

## **Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer since 31 December 2019 and there has been no material adverse change in the prospects of the Issuer since 31 December 2019.

There has been no significant change in the financial or trading position of the CGH Group since 31 December 2020 and there has been no material adverse change in the prospects of the CGH Group since 31 December 2020.

## **Litigation**

Neither the Issuer nor any other member of the CGH Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of these Listing Particulars which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the CGH Group.

## **Auditors**

The consolidated financial statements of the Issuer as of 31 December 2019 and for the financial period from 22 March 2019 to 31 December 2019, incorporated by reference in these Listing Particulars, have been audited by PricewaterhouseCoopers, Société coopérative, independent auditors (*Réviseur d'entreprises agréé*). PricewaterhouseCoopers, Société coopérative, are members of the Luxembourg *Institut des Réviseurs d'Entreprises*.

The auditors of CGH and the CGH Group are PricewaterhouseCoopers Česká republika, s.r.o., with their address at Hvězdova 1734/2c, Nusle, 140 00 Prague 4, the Czech Republic, a member of the Chamber of Auditors of the Czech Republic (*Komora Auditorů České Republiky*), who have audited and issued unqualified auditor's reports on the consolidated financial statements of the CGH Group for the financial year ended 31 December 2020 and the audited consolidated financial statements of the CGH Group for the financial year ended 31 December 2019, which are incorporated by reference in these Listing Particulars.

The auditors of the Issuer and the CGH Group have no material interest in the Issuer or the CGH Group.

## **Joint Bookrunners transacting with the Issuer and the CGH Group**

Certain Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer, the CGH Group and their affiliates in the ordinary course of business.

**Trustee's action**

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed to take the relevant action directly.

**Listing Agent**

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Global Exchange Market of Euronext Dublin.

**The Legal Entity Identifier**

The Legal Entity Identifier (LEI) code of the Issuer is 549300K11JPENR1PEH43.



## INDEX OF DEFINED TERMS

€ .....	xiii	Czech Corporations Act.....	30
Accountholder.....	54	Czech GAAP .....	80
Accountholder's Holding.....	54	Czech Koruna .....	xiii
ACER.....	113	CZK .....	xiii
ACP.....	67	CZK Notes .....	91
Act on Prices .....	118	Day Count Fraction.....	43
Adjusted Cash Conversion Ratio .....	ix	Dispute .....	53
Adjusted Cash Generation .....	ix	DSO .....	20
AEOI Law .....	129	EBITDA.....	ix
AEOI Laws .....	129	ECB.....	36
Agency Agreement .....	38	EEA.....	iv
Agent.....	38	EMIR .....	115
Agents .....	38	Emission Allowance Act .....	126
Air Protection Act.....	126	Energy Act.....	20
Allowed depreciation .....	80	ENTSO-E.....	114
Articles of Association.....	96	ENTSOG.....	114
Authorised Denomination.....	38	ERO .....	19
BCI.....	67	ERO Board.....	119
billion .....	xiii	ERP .....	27
Board of Directors.....	99	ESG.....	93
Board of Managers.....	96	EU .....	vii
Business Day.....	44	EU Electricity Directive (recast).....	113
Calculation Agent .....	44	EU Electricity Regulation (recast) .....	113
Calculation Amount .....	43	EU ETS .....	116
Call Settlement Date .....	44	EU Third Energy Package .....	113
CAPEX .....	ix	EU Third Gas Directive .....	113
CAPEX (cash view).....	ix	EUR .....	xiii
Capex (Czech GAAP).....	80	EUR Notes .....	91
Cash Conversion Ratio .....	ix	Euro.....	xiii
Cash Generation.....	ix	Euroclear.....	i
Certificates .....	i	Euronext Dublin.....	i
CGH .....	66	Eurosystem .....	i, 54
CGH Acquisition .....	vii	EUWA .....	v
CGH Corporate Services Agreement.....	90	Exchange Event .....	56
CGH Group.....	vii	Facilities Agreement.....	91
CGH Group's Financial Statements.....	vii	FIEA .....	134
CGN1 .....	vii	Financial Year.....	41
CGN2 .....	viii	first Person .....	42
Clean Energy Package .....	113	Fitch .....	ii
Clearstream, Luxembourg.....	i	foreign passthru payments .....	130
CNG .....	84	Free Cash Flow .....	xi
COBS .....	v	FSMA .....	v
Commission's Proposal .....	130	FTE .....	87
<i>Conditions</i> .....	38	Gas Distribution Licence .....	71
CONSOB .....	134	Gas Price Decree.....	120
Consolidated Assets .....	50	Gas Traders .....	22
Consolidated Revenues.....	50	GasNet .....	66
COVID-19.....	26	GasNet Služby .....	66
CRA Regulation.....	ii	GDPR.....	27
Crisis Management Act.....	125	GHGs .....	116
CSPP .....	36	Global Certificate.....	i
Cyber Act.....	76	Global Exchange Market .....	i

GN Technical Services Agreement.....	90	offer.....	133
GNS Corporate Services Agreement .....	90	Official List.....	i
Guarantee .....	40	OTE.....	22
Hague Convention .....	33	participating Member States .....	131
Holder .....	39	Paying Agent .....	38
holder of Notes.....	54	Paying Agents .....	38
holding of Notes.....	54	Permitted Security Interest.....	41
iCR .....	x	Person .....	42
ICSDs .....	i	Price Decision .....	124
IFRS .....	vii	PRIIPs Regulation .....	v
IGAs .....	130	Principles of Price Regulation .....	120
Indebtedness.....	40	Pro Forma Net Debt / EBITDA .....	xi
Insurance Distribution Directive .....	v	Prospectus Regulation.....	v
Intercompany Loans.....	83	Public Procurement Act .....	29
Interest Payment Date.....	42	RAB .....	75
Investor's Currency.....	34	Rate of Interest.....	42
Issue Date.....	i, 42	Recast Brussels Regulation.....	33
Issuer .....	i, 38	Record Date .....	47
Issuer's Financial Statements.....	vii	Reference Bond .....	44
IT Systems .....	27	Reference Bond Price .....	45
Joint Bookrunners .....	132	Reference Market Maker Quotations.....	45
Kyoto Protocol.....	116	Reference Market Makers.....	45
Leverage.....	82	Reference Rate.....	45
Listing Particulars .....	i	Register .....	39
LNG .....	77	Registered Holder .....	54
Lugano Convention.....	33	Registrar.....	38
Luxembourg.....	i, 38	Regular Period .....	43
Luxembourg Company Law .....	52	Regulation 715/2009.....	113
Make Whole Redemption Price .....	44	Regulation S.....	i
Make-Whole Redemption Amount.....	44	Regulatory Formula .....	80
Make-Whole Redemption Date .....	44	Relevant Date.....	47
Market Factors .....	108	Relevant Indebtedness .....	41
Market Interest Rate.....	34	Relibi Law .....	127
Material Subsidiary .....	50	REMIT .....	115
Member State.....	xiii	Renewable Energy Directive .....	115
MiFID II.....	i	Restated Long Term Shareholder Loan	
MiFIR.....	v	Facility Agreement .....	41
Ministry of Environment.....	118	Restricted Subsidiary .....	42
Ministry of Industry and Trade .....	118	retail investor .....	133
MIRA .....	66	RP5 .....	19
MIRAEI .....	67	RWE .....	vii
NC .....	114	S&P.....	ii
NECPs.....	115	second Person .....	42
Net Debt.....	xi	Securities Act.....	i
NET4GAS.....	22	Security Interest .....	41
New Safekeeping Structure.....	54	SEI .....	118
Normalised EBITDA .....	ix, 82	Senior Management .....	102
Normalised EBITDA Margin.....	ix	Separation Opex.....	x
Normalised Revenues .....	x	Sole Shareholder .....	67
Note Certificate.....	39	Stabilisation Manager .....	vi
Noteholder.....	39	Subscription Agreement .....	132
Noteholders .....	54	Subsidiaries.....	42
Notes .....	i, 38	Subsidiary .....	42
Notes distributor.....	v	Supervisory Board .....	99
NSS .....	54	TARGET Settlement Day .....	46

TARGET System.....	46	TSA Annex .....	91
TARGET2.....	46	TSA Suppliers.....	79
Taxes.....	47	TSOs .....	21
Trade and Cooperation Agreement.....	33	UK.....	v
Tranche B.....	41	UK CRA Regulation.....	35
Transfer Agents.....	38	UK MiFIR.....	v
Trust Deed.....	38	UK MiFIR Product Governance Rules.....	vi
Trustee .....	38	UK PRIIPs Regulation.....	v
TSA.....	79	WACC .....	121

**ISSUER**

**Czech Gas Networks Investments S.à r.l.**  
20 Boulevard Royal  
L-2449  
Luxembourg

**TRUSTEE**

**Citicorp Trustee Company Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**PAYING AGENT and TRANSFER AGENT**

**Citibank, N.A., London Branch**  
13th Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**REGISTRAR**

**Citigroup Global Markets Europe AG**  
5th Floor, Reuterweg 16  
60323 Frankfurt  
Germany

## LEGAL ADVISERS

*To the Issuer as to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom

*To the Issuer as to  
Luxembourg law*

**Allen & Overy SCS**  
5 avenue John F. Kennedy  
L-1855  
Luxembourg

*To the Issuer as to Czech law*

**Allen & Overy (Czech  
Republic) LLP,**  
organizační složka  
V Celnici 1031/4  
110 00, Prague 1  
Czech Republic

*To the Joint Bookrunners and  
the Trustee as to English law*

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ  
149120 Canary Wharf 3  
United Kingdom

*To the Joint Bookrunners and  
the Trustee as to Luxembourg  
law*

**Clifford Chance S. C. S.,  
Luxembourg**  
10 boulevard G. D. Charlotte  
B. P. 1147  
L-1011  
Luxembourg

*To the Joint Bookrunners and  
the Trustee as to Czech law*

**Clifford Chance Prague  
LLP, organizační složka**  
Jungmannova 745/24  
110 00, Prague 1  
Czech Republic

## AUDITOR OF THE ISSUER

**PricewaterhouseCoopers Société coopérative**  
2 rue Gerhard Mercator  
L-2182 Luxembourg  
Grand Duchy of Luxembourg

## AUDITOR OF THE CGH GROUP

**PricewaterhouseCoopers Česká republika,  
s.r.o.**  
Hvězdova 1734/2c  
140 00, Prague 4 – Nusle  
Czech Republic

## JOINT BOOKRUNNERS

**Citigroup Global Markets  
Limited**  
Citigroup Centre,  
Canada Square,  
Canary Wharf,  
London E14 5LB  
United Kingdom

**Société Générale**  
29, boulevard Haussmann  
75009 Paris  
France

**UniCredit Bank AG**  
Moor House  
120 London Wall  
London EC2Y 5ET  
United Kingdom

## LISTING AGENT

**Arthur Cox Listing Services Limited**  
Ten Earlsfort Terrace  
Dublin 2, D02 T380  
Ireland